Cazaly Resources Limited
ABN: 23 101 049 334
and
Controlled Entities

Annual Report

For the Year Ended
30 June 2011

CAZALY
RESOURCES LIMITED

CONTENTS

MANAGING DIRECTOR
Nathan McMahon

MANAGING DIRECTOR
Clive Jones

NON-EXECUTIVE DIRECTOR
Kent Hunter

COMPANY SECRETARY
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Code: CAZ

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Your directors present their report, together with the financial statements of the company and its controlled entities ("Consolidated Group") for the financial year ended 30 June 2011.

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

Lisa Wynne held the position of company secretary until her resignation on 7 September 2011. The following person held the position of company secretary at the date of this report:

Julie Hill

Ms Hill is a Chartered Accountant and Chartered Secretary and has extensive experience in corporate financial management; administration and finance of ASX listed companies and corporate governance.

2. PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Group during the financial period was mineral exploration.

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

3. OPERATING RESULTS

The profit of the Consolidated Group after providing for income tax amounted to $1,281,825 (2010: Loss $1,370,163).

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

Parker Range Iron Ore Project

(CAZ 100%)

On 4 August 2011, the Company announced a conditional sale and an alliance arrangement over the Parker Range Iron Ore Project.

During the period the Company was advised by the Fremantle Port Authority that it had not been successful in being allocated any export capacity at the Kwinana Bulk Terminal for its Parker Range Iron Ore Project. Fremantle Ports has determined that the available export capacity be allocated to a competing iron ore developer and to, the now foreign owned, Griffin Coal.

The Company has, however been working on a number of alternate options which are well advanced. The preferred options from these were incorporated into the Feasibility Study the results of which show that the project retains very robust project economics.

The project greatly benefits from its close location to existing and accessible infrastructure including road, rail, port, power and township. This access allows for the relatively rapid development and ramp up to full production.

The Company preferred option is to export through the port of Esperance at a rate of 4.6 Mtpa.

The study has shown that the Company is on track to become a major iron ore producer in the Yilgarn region of Western Australia behind Koolyanobbing Operations who have successfully operated in the region for many years.

SUMMARY OF THE STUDY

The study evaluated several options for development based on the production of single fines product at varying throughput rates and port scenarios. A summary of the financial evaluation for the preferred development options is as follows:

Summary Business Cases

Option	Capex (A$m)	Sales (Mt)	Cost (A$/t)	NPV_9 (A$m)	IRR (%)	Payback (Years)
4.2Mtpa via Esperance	**159.8**	**31.4**	**59***	**384**	**129**	**0.92**

* includes marketing but excludes royalties

5. *REVIEW OF OPERATIONS (Cont'd)*

The study highlighted Esperance as a sustainable export port option and noted the advantage of using Cape Sized vessels at the port. Discussions with the relevant governmental authorities including the Esperance Port have indicated that there is a strong commitment to further expanding export capacity. Currently the facility is not capable of handling the 4-5Mt of iron ore that the Company plans to export. However we note recent announcements outlining $120M of State government funding to upgrade the Esperance Port Access Corridor and the development of plans to expand the export capacity of the port including the construction of a new Multi User Iron Ore Export Facility. Discussions with the Esperance Port Authority have commenced and are ongoing.

Project Management

The study was led by Cazaly Resources and involved a number of experienced sub-consultants as follows;

Component	***Consultant***
Marketing and Shipping	Tennant Metals / Euromin-Vitol
Resource Estimation	Runge Ltd
Mine Design and Schedules	Runge Ltd
Geotechnical Assessment	Runge Ltd
Hydrological Assessment and Modelling	Rockwater Pty Ltd
Metallurgical Test Work	IMO Pty Ltd / Ammtec Laboratories
Engineering and Logistics	HWE Mining / Longrun Transport
Engineering Cost Estimates	Intech Engineers Pty Ltd
Operations	HWE Mining / Cazaly Resources
Environmental Surveys	Keith Lindbeck & Associates / Botanica Consulting
Heritage Surveys	Western Heritage Research Pty Ltd
Approvals	Keith Lindbeck & Associates / Cazaly Resources Ltd
Commercial Proposals	Suppliers and Contractors

Study components of risk management and financial evaluation were undertaken by Cazaly Resources.

Marketing

The targeted fines only product has several highly favourable chemical properties sought by Asian steel mills including an ultra-low phosphorous content. Strong expressions of interest have been received for the product following marketing in Asia and negotiations are greatly advanced for the sale of iron ore fines from the project.

Parker Range Target Product Specification

Ore Type	Fe %	CaFe* %	SiO2 %	Al2O3 %	P %	Mn %	LOI %
Typical	56.4	61.9	6.00	2.50	0.020	1.1	9.10

* CaFe: calcined Fe% grade (ex Loss On Ignition)

5. REVIEW OF OPERATIONS (Cont'd)

Technical marketing studies indicate that price realisation for Parker Range Iron Ore Project (PRIOP) fines is expected to be aligned with Hamersley fines benchmark price (58% Fe grade adjusted on a FOB basis). The PRIOP fines product is ultra-low in phosphorous with acceptable level of chemical impurities. The ore has a manganese content to supplement addition during steel making and has a high LOI with many properties similar to some existing established Pilbara ore products (eg. Yandicoogina fines). The product will be -12mm in size with an expected ultra-fines content of 10% representing a high quality sinter feed.

Mineral Resources and Mine Reserves

The Feasibility Study was based upon the independently modelled mineral resource by Runge Limited using a nominal 50% Fe wireframe for BIF (oxide) and Detrital material with a 51.5% lower Fe cut-off grade. The resulting Measured, Indicated and Inferred Resource is **35.1 mt @ 55.9% Fe** as follows;

Mount Caudan Deposit Mineral Resource Estimate (51.5%Fe Cut-off Grade)

Measured Mineral Resource								
Type	**Tonnes t**	**Fe %**	**Al_2O_3 %**	**P %**	**SiO_2 %**	**LOI %**	**Mn %**	**S %**
Detrital	3.4	54.9	6.4	0.013	7.2	6.4	0.6	0.07
Oxide	21.0	56.2	2.0	0.020	6.0	9.3	1.4	0.07
Total	**24.4**	**56.0**	**2.6**	**0.019**	**6.2**	**8.9**	**1.3**	**0.07**
Indicated Mineral Resource								
Type	**Tonnes t**	**Fe %**	**Al2O3 %**	**P %**	**SiO2 %**	**LOI %**	**Mn %**	**S %**
Detrital	0.3	52.9	7.7	0.011	7.7	7.0	0.8	0.07
Oxide	7.3	56.8	2.7	0.024	5.9	9.1	0.5	0.09
Total	**7.7**	**56.6**	**3.0**	**0.024**	**6.0**	**9.0**	**0.5**	**0.09**
Inferred Mineral Resource								
Type	**Tonnes t**	**Fe %**	**Al2O3 %**	**P %**	**SiO2 %**	**LOI %**	**Mn %**	**S %**
Detrital	0.3	54.4	5.2	0.022	6.5	9.7	0.1	0.10
Oxide	2.8	53.9	3.4	0.016	9.3	8.6	0.5	0.15
Total	**3.1**	**54.0**	**3.6**	**0.017**	**9.0**	**8.7**	**0.4**	**0.14**
Total Mineral Resource								
Type	**Tonnes t**	**Fe %**	**Al2O3 %**	**P %**	**SiO2 %**	**LOI %**	**Mn %**	**S %**
Detrital	4.1	54.7	6.4	0.014	7.2	6.8	0.6	0.07
Oxide	31.1	56.1	2.3	0.021	6.3	9.2	1.1	0.08
Total	**35.1**	**55.9**	**2.8**	**0.020**	**6.4**	**8.9**	**1.0**	**0.08**

nb; figures rounded

5. *REVIEW OF OPERATIONS (Cont'd)*

Based on the current Measured and Indicated Resources, Runge Limited completed mine optimisation, pit designs and planning to provide a mine ore reserve estimate of **31.4 mt @ 55.3% Fe (60.7% CaFe)** as follows;

Mount Caudan Deposit Ore Reserve Estimate (51.5%Fe Cut-off Grade)

	Ore Reserves							
	Tonnage (mt)	Fe (%)	Al_2O_3 (%)	P (%)	SiO_2 (%)	LOI (%)	Mn (%)	S (%)
Proved	24.1	55.3	2.9	0.02	6.9	8.9	1.2	0.08
Probable	7.3	55.3	2.7	0.02	6.9	9.0	1.2	0.08
TOTAL	**31.4**	**55.3**	**2.9**	**0.02**	**6.9**	**8.9**	**1.2**	**0.08**

Contract mining is assumed via conventional open pit mining method, with the Company managing the mine design, medium and long term planning, grade control, sampling and ore quality control.

Given the continuity of mineralisation and the close proximity of inferred to indicated material the Company firmly expects that further planned drilling will readily convert a reasonable proportion of the inferred resource material, which represents less than 10% of the resource, to indicated status which can then be considered for conversion to an ore reserve in the future. Mineral resources based on the limited amount of Inferred Resources are considered too speculative to be considered for ore reserve estimation. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.

Metallurgy

Ore characterisation studies for the Feasibility Study have been aimed at further laboratory scale test work and subsequent pilot scale test work to prove the selected beneficiation flow sheet for ores with greater than 50% Fe grade. Pilot scale test work has demonstrated a favourable average performance of: +1.35% Fe, -1.04% SiO2, -0.75% Al2O3 at a 96.0% metal recovery (with 93.7% mass recovery) to product from total flow sheet feed.

Ore characterisation test work included determination of parameter ranges for density, crushing work index, abrasion index, ultimate compressive strength and materials handling characteristics as key inputs for engineering. Based on physical attributes the ore is classified as soft-moderate in comparison to Pilbara hematite ores and will be amenable to conventional crushing and screening process technology.

Processing and Infrastructure

The Feasibility Study was based upon a mobile crushing plant producing a single fines product with a permanent fixed plant inclusive of beneficiation (Stage 2). Road trains will transport bulk ore 57 km from mine to a new rail head facility located at Moorine Rock. The transport route development includes the upgrade of existing roads and a new private road in conjunction with the Shire of Yilgarn and local rural landholders.

It is planned to construct a rail siding interconnecting with the Eastern Goldfields Railway (EGR) at Moorine Rock. The terminal will include a new stockpile area and automated train load out facility for loading ore trains.

5. *REVIEW OF OPERATIONS (Cont'd)*

Mine infrastructure includes the progressive development of a powerline from Marvel Loch, microwave communications, mine workshops, administration, fuel storage, dewatering borefield, water storage, desalination plant and supported by a new worker accommodation village based at the nearby township of Marvel Loch. Rail terminal infrastructure includes the establishment of a road haulage truck service depot, power connection and water supply from the nearby mains pipeline.

Infrastructure and transport operations have been developed in consultation with the Shire of Yilgarn, Western Power, Water Corporation and contracting community. Rail infrastructure and above rail freight operations have been developed in consultation with WestNet Rail and Pacific National respectively.

Operations

The Company and its Operate and Maintain (OM) contractor anticipate employing up to 236 persons is required with up to 147 persons on-site at any one time. Furthermore, during construction a workforce of up to 250 people will be required to complete the project over a 2 year ongoing construction period.

It is the intention of Cazaly to provide opportunities wherever possible to the local community in the area. Cazaly will continue to work closely with the Yilgarn Shire Council and community to provide these opportunities.

Environmental, Heritage, Community and External Approvals

The Mount Caudan deposit and proposed project area is already covered by existing granted mining leases. Cazaly holds the necessary iron ore mining rights to the project and no native title claims exist in the area. All environmental baseline studies have been completed for project assessment.

Consultation has been undertaken with key stakeholders to ensure all impacts can be adequately identified and managed throughout the approvals process. There exists strong community support within the Yilgarn region for the project and Cazaly will continue to consult with the community.

Comment

The Feasibility Study into the Parker Range Iron Ore Project shows it to be a technically and financially robust project with the ability to produce a highly marketable iron ore fines product for many years. The project is ideally located, has good local community support and can be quickly brought into production.

5. REVIEW OF OPERATIONS (Cont'd)

Regional Exploration Programme

Further drilling and resource upgrades for the Mt Caudan deposit has confirmed the robustness of the iron ore deposit and provides confidence to continue exploring the project for additional iron ore deposits. The Mount Caudan deposit covers 4km of strike of a total 16km within the project boundaries and the Company believes there are good prospects for finding additional satellite ore deposits to support a mining operation at Mount Caudan. Based on the size and grade of Mount Caudan the Company considers the Parker Range Project to have a global exploration target of **60–100Mt of Iron Ore at a grade of 56-58% Fe**. The exploration target is based upon results to date and the geometric extent of the target. The exploration target includes potential quantity and grade and is conceptual in nature and it is uncertain if further exploration will result in the determination of further Mineral Resources.

Exploration outside and along strike of the Mount Caudan deposit is a priority particularly at the *Wrathchild* Prospect where substantial intersections, including 27m @ 54.2% Fe, have been previously announced.

Given that most of the 16km long BIF unit has yet to be explored much potential remains in further expanding resources for the project.

PILBARA IRON PROJECTS

Hamersley Iron Ore Project

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

Winmar Resources Limited (ASX:WFE) in conjunction with Cazaly Resources announced a new Inferred Resource Estimate for the Winmar Deposit at the Hamersley Iron Ore Project following completion of a 93 hole / 12,805m drill programme. The estimate is based on results received to date from the RC drilling extension and infill program completed in May 2011. The project lies approximately 50km NE of the Tom Price township in the Pilbara Region of Western Australia, is well placed amongst existing infrastructure and lies immediately south of FMG's Solomon project.

Winmar Iron Ore Deposit

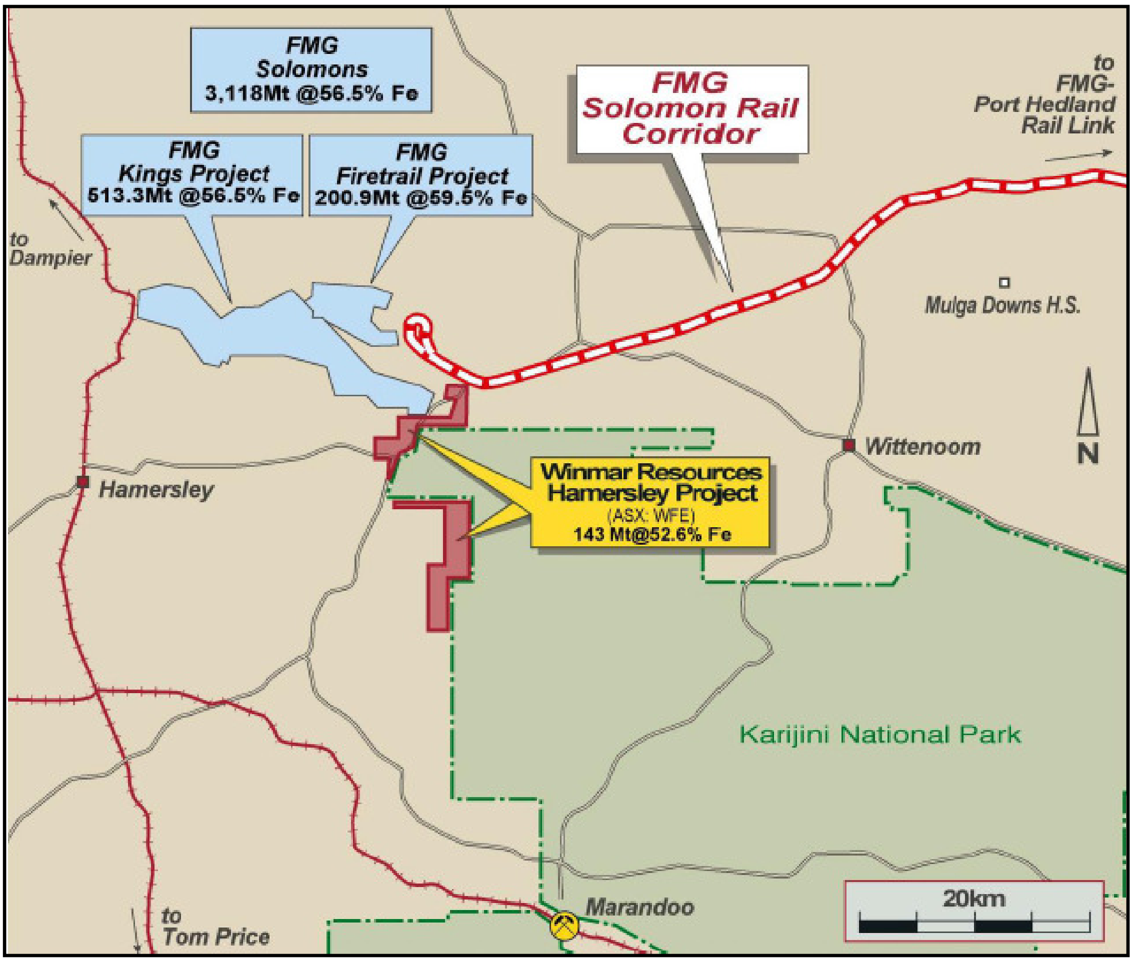
July 2011 Resource Estimate (COG: 40%Fe Detrital, 52%Fe Channel & Bedded)

Type	Inferred Mineral Resource						
	Tonnes Mt	Fe %	Al_2O_3 %	P %	SiO_2 %	LOI %	CaFe %
Detrital	29.1	47.1	5.6	0.03	23.9	2.6	48.3
Channel	169.3	55.6	4.1	0.04	10.1	5.7	59.0
Bedded	43.2	54.0	4.5	0.05	10.0	7.4	58.3
Total	**241.6**	**54.3**	**4.3**	**0.04**	**11.8**	**5.6**	**57.6**

*CaFe calculated by: (Fe%/(100-LOI%))*100*

Mineralisation occurs as three types; an Upper Detrital Zone, a Mid Level CID and a basement Bedded Iron zone. Of these the CID mineralisation is the most pervasive and important. The zone contains the bulk of the resource and has favourable chemical properties.

5. REVIEW OF OPERATIONS (Cont'd)



The estimate has been completed with results from just over half of the RC drill program. Some of those pending results fall outside the current model and may provide further increases in the near-term. The remainder of the results are from infill holes designed to improve confidence in the resource model.

The deposit remains open in several areas warranting further exploration. The Detrital mineralisation has not been a focus of exploration so far and there remains good prospects of defining further resources as drilling moves away from the valley floor towards the bounding ranges. Similarly, Bedded mineralisation has not been a focus of this program, but has been found to extend the full strike of the deposit with many holes terminated in mineralisation.

Of note is that CID mineralisation has been found to extend beyond the coincident gravity anomaly which has guided most of the exploration to date. This provides scope not only for further resource increases at Winmar, but for additional discoveries elsewhere within the project area.

As a result of the highly successful exploration to date and the revised exploration paradigm, the Exploration Target for the Project has been upgraded to 350-400mt @ 54-56% Fe (57-60% CaFe) (see note below) based on the potential for extensions to the known resource. The Winmar Exploration Target refers to the conceptual extended resource of the Winmar Deposit and surrounding prospects including detrital, channel and bedded mineralisation, based on drilling to date; interpreted geological model and complementary geophysics. At the present time there is insufficient drilling to determine the extended mineral resource estimate and it is uncertain if further exploration will result in the determination of such a resource.

5. REVIEW OF OPERATIONS (Cont'd)

An Order of Magnitude Study utilizing the expertise of Engenium Consultants, has commenced to investigate the development options of the Winmar Deposit. This new resource estimate and exploration target will be used in the study.

A programme of PQ Diamond Core drilling has commenced at Winmar to obtain samples to commence metallurgical testwork.

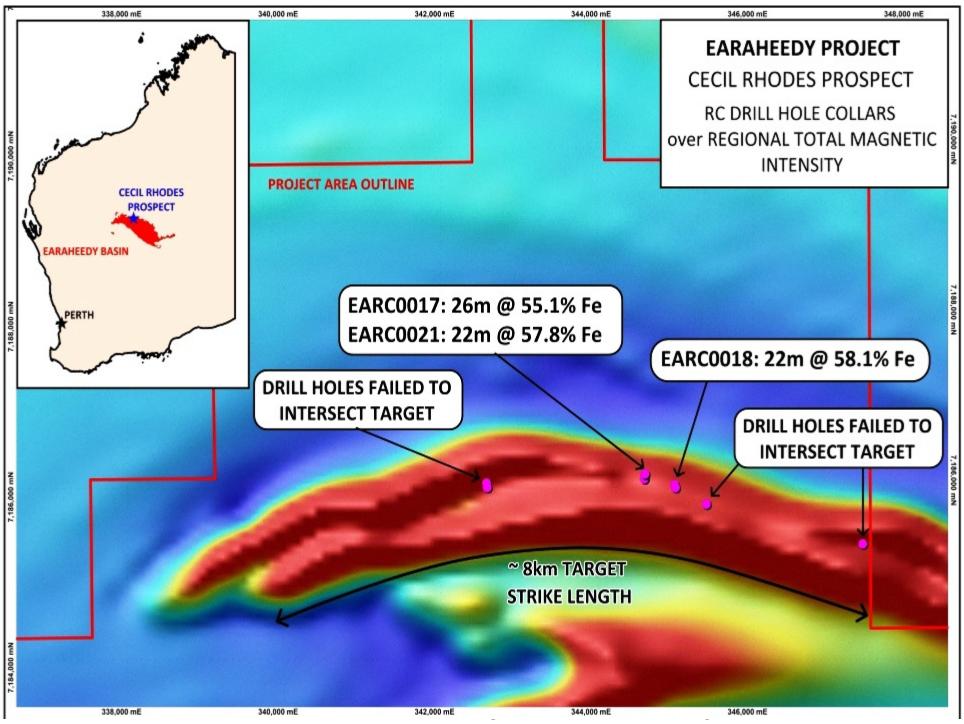
During the period the Company granted Winmar an option to purchase 100% interest in the Hamersley iron ore project for an exercise price of $35 million and the grant of a royalty. Winmar paid an option fee of $100,000 for the one month option which subsequently lapsed.

Earaheedy Iron Ore Project

(Cazaly Resources 50% / Vector Resources 50%)

Significant drill results were returned from a maiden drilling programme at the Earaheedy Project, northeast of Wiluna, WA. The Earaheedy Project is a 50:50 Joint Venture with Vector Resources Limited (ASX:VEC). The drilling programme comprised 21 holes for 1,916m, testing a number of targets at the Project with highly encouraging results coming from the Cecil Rhodes Prospect. Significant results from the prospect include **34m @ 54.4% Fe** (including **22m @ 58.1% Fe**), **22m @ 57.8% Fe** and **26m @ 55.1% Fe**, all with low levels of contaminants.

Whilst very early days, the Company is encouraged by the results to date which highlight the potential of the Joint Venture's portfolio to host large-scale iron ore deposits. Numerous targets elsewhere in the Project remain to be drill tested. The Joint Venture partners are currently planning programmes for 2011 including further mapping of the mineralised horizon at Cecil Rhodes and developing follow-up drill programmes.



5. REVIEW OF OPERATIONS (Cont'd)

CORPORATE AND PROJECT DIVESTMENTS

West Kalgoorlie Project

During the period Cazaly sold its interest in the West Kalgoorlie project and its wholly owned subsidiary, Hayes Mining Pty Ltd to Phoenix Gold Ltd who listed on the ASX on 22nd December 2010. As consideration for the sale, Cazaly received $1.7m in cash, and shares to the value of $1.8m in Phoenix. In addition, Cazaly will receive $2.5m in cash upon completion of drilling and gold production milestones.

Peripheral Projects

During the period, the Company divested a number of projects for cash and share consideration, including:

- Carosue Project
- Sunrise Dam Project
- Quart z Hill Project
- McPhersons Reward Project
- Huckitta Project
- Cardinia Bore Project

The Company retains several free-carried interests in joint ventures managed by third parties. The Company retains expenditure free exposure to exploration success.

Corporate

During the period, the Company entered into a Bridging Facility with a range of Institutions, Sophisticated Investors and Directors to provide a loan amount of A$2.55 million. Lenders were issued with 100,000 Cazaly Options for every $100,000 drawn down. The $2.55 million plus interest was repaid in full during the period.

The Company has further strengthened its exposure to further potential exploration success through divesting other non-core projects during the period. The Company believes that a portfolio approach to its suite of iron ore will ultimately provide long term benefits to all stakeholders.

The Company remains in a strong position with net cash and investments of ~$8M.

Notes:
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 Rob Williams who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Runge Limited. The information in this report that relates to the Winmar Deposit Resource Estimate is based on information compiled by Mr Craig Allison who is a Member of the AusIMM and a full-time employee of Runge Limited, an independent resource consultancy group. Both Mr Jones, Mr Miles, Mr Williams and Mr Allison have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones, Mr Miles, Mr Williams and Mr Allison consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

6. *FINANCIAL POSITION*

The net assets of the Group have increased by $4.67 million from 30 June 2011 to $25.22 million in 2011. This increase is largely due to the following factors:

- Proceeds from share issues totalling $2.9m
- Increased profit for the period through income derived from divesting of non-core assets
- Increased exploration expenditure
- Increase holding and appreciation of financial assets held at fair value through profit and loss.

The Group has $3.95 million in cash assets as at 30 June 2011.

7. *FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES*

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

The Consolidated Group 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.

8. *SIGNIFICANT CHANGES IN STATE OF AFFAIRS*

The following significant changes in the state of affairs of the Consolidated Group occurred during the financial period:

During the period, the Company issued 12,646,421 ordinary shares following the exercise of 12,646,421 20 cent listed Options expiring 28 February 2011.

On 25 August 2010 the Company issued 1,000,000 ordinary shares to Director Nathan McMahon following the exercise of 1,000,000 30 cent listed Options expiring 1 July 2011.

On 14 December 2010, the Company issued 250,000 unlisted options exercisable at 53 cents expiring 18 October 2012 to consultants.

During the period, the Company issued 2,550,000 unlisted options exercisable at 53 cents expiring 18 October 2012 to Sophisticated Investors and Directors who were party to a Bridging Facility within the Company.

On 18 March 2011, the Company issued 300,000 unlisted options exercisable at 52 cents expiring 18 March 2014 pursuant to the Cazaly Employment Incentive Plan.

On 15 April 2011, the Company issued 1,000,000 unlisted options exercisable at 55 cents expiring 30 June 2012 pursuant to consultant services provided.

On 15 April 2011, the Company issued 200,000 unlisted options exercisable at 52 cents expiring 18 March 2014 pursuant to consultant services provided.

Changes in controlled entities:

During the period, the Company finalised the sale of consolidated group's subsidiary Hayes Mining Pty Ltd.

9. AFTER BALANCE DATE EVENTS

On 18 July 2011, the Company issued 1,000,000 ordinary shares to Director, Clive Jones following the exercise of 1,000,000 30 cent Options expiring 30 June 2011.

In July 2011, the Company registered five wholly owned subsidiaries, Caz Yilgarn Pty Ltd; Baker Fe Pty Ltd; Baldock Fe Pty Ltd; Hase Fe Pty Ltd and Lockett Fe Pty Ltd.

On 4 August 2011, the Company announced a conditional sale and an alliance arrangement with an Investment Group over the Parker Range Iron Ore Project. The arrangement allowed for an initial 45 day due diligence and exclusivity period. Subject to being satisfied with its due diligence and the transaction proceeding, the Investment Group is entitled to be issued with a convertible note in the principal amount of $5 million. The arrangement allows for the payment of an initial $40 million within 6 months of the execution of a formal Sale and Purchase Agreement ("SPA") and a further payment of $55 million upon the earlier of first iron ore being explored or 24 months from signing the SPA. On 26 September 2011, the Company announced it had reached mutual agreement with the Investment Group to extend the due diligence and exclusivity period for the sale of the Parker Range Project by 45 days.

On 7 September 2011, the Company appointed Ms Julie Hill to the role of Company Secretary following the resignation of Ms Lisa Wynne.

On 26 September 2011, the Company announced that Cazaly Resources Limited and Vector Resources Limited (ASX:VEC) (collectively the Earaheedy Joint Venture (EJV) signed a farm-in agreement with ANGLO AMERICAN, the global diversified mining house, covering part of EJV's Earaheedy Iron project in the Wiluna region of Western Australia. The Farm-In Agreement relates to an area of approximately 890 km2 and allows for Anglo American to complete an initial "proof of concept" program with a minimum of 7,500m of RC or diamond drilling to be completed as due diligence within 18 months. Following this, ANGLO AMERICAN may earn an initial 51% interest in the project by payment of an initial $1M in cash to the EJV and the expenditure of $20M within 4 years. ANGLO AMERICAN may then earn a total 75% interest in the project by the completion of a Bankable Feasibility Study (BFS) and payment of a further $5M to the EJV. In addition, following delivery of a positive BFS, a success payment of $45M would become payable by ANGLO AMERICAN to the EJV. The EJV may then elect to contribute to project expenditure or dilute to a royalty of 1.25% FOB. Normal industry standard terms also apply.

Since 30 June, the Australian stock market has been volatile resulting in the Company's financial assets undergoing a change in value. Subsequently the fair value of the Company's financial assets held for trading as at the date of this report has reduced by approximately $300,000.

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 Economic Entity, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

10. ENVIRONMENTAL ISSUES

The Consolidated Group 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 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 Group for the current, or subsequent financial year. The directors will reassess this position as and when the need arises.

11. 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 16 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; Director of Hodges Resources Ltd and Dempsey Minerals Limited.
Interest in Shares and Options	Fully Paid Ordinary Shares 14,953,530 $0.53 Options expiring on 18 October 2010 700,000

Clive Jones	Managing Director (Technical)
Qualifications	*B.App.Sc(Geol), M.AusIMM.*
Experience	Mr Jones has been involved in mineral exploration for over 25 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 Chairman of Corazon Mining Ltd and a Director of Bannerman Resources Ltd.
Interest in Shares and Options	Fully Paid Ordinary Shares 9,563,862 $0.53 Options expiring on 18 October 2012 100,000

Kent Hunter	Non-Executive Director
Qualifications	*B.Bus, CA.*
Experience	Mr Hunter is a Chartered Accountant with over 16 years' corporate and company secretarial experience. He has been involved in the listing of over 20 exploration companies on ASX in the past 9 years. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a director of Cazaly Resources Limited and is company secretary of two other ASX Listed entities.
Interest in Shares and Options	Fully Paid Ordinary Shares 2,052,103 Nil

11. INFORMATION ON DIRECTORS (Cont'd)

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
	Whinnen Resources Limited	Since December 2009
	Winmar Resources Limited	From October 2010 to May 2011
	Catalyst Metals Limited	From July 2008 to September 2009
	Universal Coal PLC	From May 2005 to December 2009
	Bannerman Resources Limited	From June 2007 to December 2008
Clive Jones	Corazon Mining Limited	Since February 2005
	Cortona Resources Limited	Since January 2006
	Bannerman Resources Limited	Since January 2007
Kent Hunter	Elixir Petroleum Limited	From March 2004 to November 2008
	Cauldron Energy Limited	Since November 2002 to 31 March 2011
	Venture Minerals Limited	From May 2006 to July 2009
	Gryphon Minerals Limited	From January 2004 to February 2009
	Red Emperor Resources NL	From 2 April 2007 to 1 August 2010

12. *REMUNERATION REPORT (audited)*

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 set out below.

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the managing directors 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 Consolidated Group 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 acquired and were issued shares as part of the terms of the Initial Public Offer in 2003. 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.

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 or carried forward on the balance sheet for time that is attributable to exploration and evaluation. 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.

12. REMUNERATION REPORT (Cont'd) (audited)

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The managing directors 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, all 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 2011

The remuneration for each key management person and a 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 & commiss -ions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options (i)		
	$	$	$	$	$	$	$	$	$	%
Nathan McMahon – Managing Director (ii)										
2011	180,000	-	-	-	-	-	-	-	180,000	-
2010	180,000	-	-	-	-	-	-	108,267	288,267	38%
Clive Jones – Managing Director (iii)										
2011	180,000	-	-	-	-	-	-	-	180,000	-
2010	180,000	-	-	-	-	-	-	108,267	288,267	38%
Kent Hunter – Non Executive Director										
2011	27,250	-	-	-	-	-	-	-	27,250	-
2010	27,250	-	-	-	-	-	-	27,067	54,317	50%
Lisa Wynne – Company Secretary (iv)										
2011	-	-	-	59,983	-	-	-	20,173	80,156	25%
2010	-	-	-	54,772	-	-	-	19,128	73,900	26%
Total Remuneration										
2011	387,250	-	-	59,983	-	-	-	20,173	467,406	4%
2010	387,250	-	-	54,772	-	-	-	262,729	704,751	37%

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

ii) An aggregate amount of $180,000 (2010:$ 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 $180,000 (2010:$ 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 $59,983 (2010: $54,772) 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.

12. REMUNERATION REPORT (Cont'd) (audited)

Options issued as part of remuneration for the year ended 30 June 2011

No Options were issued to directors as part of their remuneration for the year ended 30 June 2011.

The following Options were issued to executives as part of their remuneration for the year ended 30 June 2011. No cash consideration was paid by the recipients.

	Number Granted (i)	Number Vested	Grant Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $
L Wynne	150,000	150,000	18.03.2011	18.03.2014	$0.52	0.134

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 Consolidated Group 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.

Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

End of remuneration report.

13. MEETINGS OF DIRECTORS

The number of directors' meetings and resolutions 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	3	3
C Jones	3	3
K Hunter	3	3

The Consolidated Group 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.

14. 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. The premium paid on this policy was $15,540.

15. 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 Under Option	Grant Date
5 October 2011	$0.8036	50,000	5 October 2006
19 June 2012	$0.8600	250,000	19 June 2007
14 September 2012	$0.39	75,000	14 September 2012
26 October 2012	$0.45	225,000	26 October 2007
22 May 2013	$0.30	100,000	22 May 2008
6 October 2011	$0.25	500,000	13 November 2009
6 July 2013	$0.30	750,000	13 November 2009
6 July 2016	$0.40	750,000	13 November 2009
11 January 2015	$0.33	925,000	12 January 2010
4 February 2015	$0.49	100,000	5 February 2010
11 February 2012	$0.40	500,000	11 February 2010
18 October 2012	$0.53	2,800,000	18 Oct-14 December
18 March 2014	$0.52	500,000	18 March – 15 April 2011
30 June 2012	$0.55	1,000,000	15 April 2011

Option holders do not have any rights to participate in any issue of shares or other interests in the Company or any other entity.

There have been no unissued shares or interest under option of any controlled entity within the Consolidated Group during or since the reporting date.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2011, the following ordinary shares of Cazaly Resources Ltd were issued on the exercise of options granted. No amounts are unpaid on any of the shares.

	Grant Date	Exercise Price	Number of Shares Issued
Listed Options	17 June to 16 July 2009	$0.20	12,646,421
Unlisted Options	13 November 2009	$0.30	1,000,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

16. 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 Consolidated Group was not a party to any such proceedings during the year.

17. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 21 of the directors' report.

18. NON AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services performed during the year by the Group'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 2011.

This report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Nathan McMahon
Managing Director **29 September 2011**

Bentleys
THINKING AHEAD

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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 2011 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
Chartered Accountants

RICHARD JOUGHIN CA
Director

DATED at PERTH this 29th day of September 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	**1,495,020**	**597,053**
Other Income	2	5,924,380	2,205,971
Employee benefits expense		(488,517)	(673,980)
Depreciation expense		(44,537)	(36,559)
Finance costs		(540,040)	(7,656)
Administrative expense		(564,643)	(550,007)
Legal Fees		(85,069)	(31,253)
Advertising and promotional expenses		(72,015)	(100,805)
Consultancy expenses		(450,871)	(250,213)
Compliance and Regulatory expenses		(140,911)	(151,595)
Occupancy expenses		(356,274)	(271,193)
Written-off exploration expenditure		(185,195)	(370,000)
Loss on disposal of shares		(80,846)	(1,777,006)
Loss on sale of tenements		(238,500)	-
Other expenses		(9,296)	(25,800)
Profit/(Loss) before income tax	3	**4,162,686**	**(1,443,043)**
Income tax (expense)/ benefit	6	(1,501,305)	72,880
Profit /(Loss) from continuing operations		2,661,381	(1,370,163)
Loss from discontinued operations after tax	25	(1,379,554)	-
Profit /(Loss) for the period		**1,281,825**	**(1,370,163)**
Other comprehensive income		-	-
Total comprehensive income attributable to members of the parent entity		**1,281,825**	**(1,370,163)**

	Note	Cents	Cents
Earnings/(loss) per share from continuing and discontinued operations			
Basic earnings/ (loss) per share	19	1.13	(1.53)
Diluted earnings per share	19	1.13	N/A
Earnings/(loss) per share from continuing operations:			
Basic earnings/ (loss) per share	19	2.34	(1.53)
Diluted earnings per share	19	2.34	N/A
Earnings/(loss) per share from discontinued operations:			
Basic earnings/ (loss) per share	19	(1.22)	N/A
Diluted earnings per share	19	N/A	N/A

The accompanying notes form part of these financial statements

	Note	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	7	3,948,670	3,390,602
Trade and other receivables	8	1,215,134	335,352
Other assets		7,509	30,015
		5,171,313	3,755,969
Non-current assets held for sale	9	-	5,066,305
TOTAL CURRENT ASSETS		5,171,313	8,822,274
NON CURRENT ASSETS			
Trade and other receivables	8	163,655	142,839
Financial assets	10	3,961,462	323,722
Property, plant and equipment	11	130,880	122,890
Exploration and evaluation assets	12	17,477,365	12,083,805
Deferred tax assets	6	4,645,192	5,085,658
TOTAL NON CURRENT ASSETS		26,378,554	17,758,914
TOTAL ASSETS		**31,549,867**	**26,581,188**
CURRENT LIABILITIES			
Trade and other payables	13	934,274	876,454
Provisions	14	81,099	70,869
TOTAL CURRENT LIABILITIES		1,015,373	947,323
NON CURRENT LIABILITIES			
Deferred tax liabilities	6	5,311,600	5,085,658
TOTAL NON CURRENT LIABILITIES		5,311,600	5,085,658
TOTAL LIABILITIES		**6,326,973**	**6,032,981**
NET ASSETS		**25,222,894**	**20,548,207**
EQUITY			
Issued capital	15	23,145,290	20,348,703
Reserves	16	1,210,019	613,744
Retained earnings/ (Accumulated losses)	17	867,585	(414,240)
TOTAL EQUITY		**25,222,894**	**20,548,207**

The accompanying notes form part of these financial statements.

	Issued Capital	(Accumulated Losses) And Retained Earnings	Option Reserve	Total
	$	$	$	$
Balance at 1 July 2009	**12,783,160**	**(6,276,400)**	**7,421,043**	**13,927,803**
Comprehensive income:				
Loss for the year	-	(1,370,163)	-	(1,370,163)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(1,370,163)	-	(1,370,163)
Transactions with owners, in their capacity as owners, and other transfers:				
Shares issued during the year	8,004,139	-	-	8,004,139
Transaction costs	(365,716)	-	-	(365,716)
Option reserve	-	-	425,024	425,024
Transfers to retained earnings	-	7,232,323	(7,232,323)	-
Deferred tax liability component	(72,880)	-	-	(72,880)
Balance at 30 June 2010	**20,348,703**	**(414,240)**	**613,744**	**20,548,207**
Comprehensive income:				
Profit for the year	-	1,281,825	-	1,281,825
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	1,281,825	-	1,281,825
Transactions with owners, in their capacity as owners, and other transfers:				
Shares issued during the year	2,829,284	-	-	2,829,284
Transaction costs	(2,348)	-	-	(2,348)
Option reserve	-	-	596,275	596,275
Deferred tax liability component	(30,349)	-	-	(30,349)
Balance at 30 June 2011	**23,145,290**	**867,585**	**1,210,019**	**25,222,894**

The accompanying notes form part of these financial statements

	Note	2011 $	2010 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,250,564)	(1,667,251)
Interest received		181,166	103,317
Other revenue		568,270	413,670
Payments for exploration and evaluation		(9,269,114)	(6,449,860)
Net cash used in operating activities	20	(9,770,242)	(7,600,124)
Cash Flows From Investing Activities			
Proceeds from sale of exploration assets		4,162,402	709,320
Proceeds from sale of equity investments		162,469	609,596
Purchase of plant and equipment		(57,100)	(101,955)
Proceeds from sale of plant and equipment		4,573	-
Purchase of equity investments		(49,000)	(84,214)
Purchase of exploration assets		-	(297,980)
Proceeds from disposal of subsidiary	25	1,380,000	-
Recoupment of exploration expenditure from Joint Venture operations		1,923,055	13,558
Proceeds for Joint Venture Management		97,121	-
Net cash provided by investing activities		7,623,520	848,325
Cash Flows from Financing Activities			
Proceeds from borrowings		2,550,000	-
Repayment of borrowings		(2,672,145)	-
Proceeds from issue of securities		2,829,284	6,691,766
Payment for costs of issue of securities		(2,349)	(365,716)
Net cash provided by financing activities		2,704,790	6,326,050
Net increase/(decrease) in cash held		558,068	(425,749)
Cash and cash equivalents at beginning of the financial year		**3,390,602**	**3,816,351**
Cash and cash equivalents at end of the financial year	7	**3,948,670**	**3,390,602**

The accompanying notes form part of these financial statements

1. *STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES*

These consolidated financial statements and notes represent those of Cazaly Resources Limited and Controlled Entities (the "consolidated group" or "group"). Cazaly Resources Limited is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Cazaly Resources Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 29 September 2011 by the directors of the company.

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 Board and the *Corporations Act 2001*.

Australian Accounting Standards set out in accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

These financial statements have 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

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Company.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interest in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

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

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination on of the combining entities must be identified as the acquirer i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of a non-controlling interest to be recognised in the acquiree where less than 100% ownership inters is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(b) Plant and Equipment

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.

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

Depreciation

Depreciation is provided on plant and equipment. 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 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 the end of each reporting period.

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 statement of comprehensive income. 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 relating to an area of interest are accumulated. Costs are carried forward to the extent they are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not yet 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.

Accumulated costs carried forward in respect of an area of interest that is abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been estimated of future costs, current legal requirements and technology on an undiscounted basis.

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

(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 consolidated group are classified as finance leases. Finance leases are capitalised by 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 straight-line basis over the shorter of their estimated useful lives or the lease term.

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

Initial Recognition and 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, except where the instrument is classified as "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement
Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amounts calculated using the *effective interest method.*

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

(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.

(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 that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

(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.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

(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. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with gains or losses being recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The Group has no such financial guarantees.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. 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.

(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-term borrowings in current liabilities on the statement of financial position.

(g) Trade and Other Receivables

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

(h) Revenue 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 the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(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 statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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.

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

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.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

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) 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.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow 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.

(n) Share Based Payments

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the good or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is shown in the option reserve.

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

The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(o) Issued Capital

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

(p) 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 earnings per share 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.

(q) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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.

(r) 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.

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

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.

(s) 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.

(t) Critical Accounting Estimates and Judgements

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 –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 28.

Key Judgments – 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.

2. *REVENUE & OTHER INCOME*

	2011 $	2010 $
Revenue		
- interest received	179,093	109,063
- option fees	650,545	50,000
- management fees	97,121	-
- recoupment of office costs on-charged	338,261	413,670
- other revenue	230,000	24,320
	1,495,020	597,053
Other Income		
- profit on sale of tenement	5,393,636	419,930
- profit on sale of fixed asset	-	1,758
- net gain on financial assets at fair value through profit or loss		
- held for trading	530,744	1,784,283
	5,924,380	2,205,971

3. *PROFIT (LOSS) FOR THE YEAR*

Profit (loss) before income tax from continuing operations
Includes the following specific expenses:

	2011 $	2010 $
Expenses		
Borrowing costs		
- other persons	90,958	7,656
- director related entities	40,817	-
- share based payment	408,265	-
	540,040	7,656
Depreciation of non-current assets		
- plant and equipment	29,353	34,478
- motor vehicle	15,184	2,081
	44,537	36,559
Rental expense on operating leases		
- minimum lease payments	21,520	26,798
Loss on sale of tenements	238,500	-
Net loss on financial assets held for trading	80,846	-
Exploration expense written off	185,195	370,000
Employee benefits:		
- Superannuation benefits	16,290	12,415
- Employee equity settled benefits	156,549	425,024

4. INTERESTS OF KEY MANAGEMENT PERSONNEL ("KMP")

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

	2011 $	2010 $
Short-term employee benefits	447,233	442,022
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based payments	20,173	262,729
	467,406	704,751

No compensation was paid in respect to termination benefits

b) KMP Shareholdings

The number of ordinary shares in Cazaly Limited held by each KMP of the Group during the financial year is as follows:

30 June 2011	Balance 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2011
N McMahon	9,526,554	-	1,678,803	3,258,173	14,463,530
C Jones	7,566,802	-	850,002	147,058	8,563,862
K Hunter	1,830,757	-	221,346	-	2,052,103
	18,924,113	-	2,750,151	3,405,231	25,079,495

30 June 2010	Balance 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2010
N McMahon	6,430,398	-	-	3,096,156	9,526,554
C Jones	6,853,338	-	-	713,464	7,566,802
K Hunter	1,770,757	-	-	60,000	1,830,757
	15,054,493	-	-	3,869,620	18,924,113

4. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (cont'd)

c) KMP Option and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows.

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

	Balance 1 July 2010	Issued	Exercised	Lapsed	Balance 30 June 2011	Vested during the year	Vested and exercisable	Vested and unexercis-able
Nathan McMahon	678,803	-	(678,803)	-	-	-	-	-
Clive Jones	856,669	-	(850,002)	(6,667)	-	-	-	-
Kent Hunter	221,346	-	(221,346)	-	-	-	-	-
	1,756,818	-	(1,750,151)	(6,667)	-	-	-	-

Number of $0.30 Options expiring 1 July 2011, held by Directors and Executives:

	Balance 1 July 2010	Issued	Exercised	Lapsed	Balance 30 June 2011	Vested during the year	Vested and exercisable	Vested and unexercis-able
Nathan McMahon	1,000,000	-	(1,000,000)	-	-	-	-	-
Clive Jones	1,000,000	-	-	-	1,000,00	-	1,000,000	-
Kent Hunter	250,000	-	-	-	250,000	-	250,000	-
	2,250,000		(1,000,000)	-	1,250,00	-	1,250,000	-

Number of $0.53 Options expiring 18 October 2012, held by Directors and Executives:

	Balance 1 July 2010	Issued	Exercised	Lapsed	Balance 30 June 2011	Vested during the year	Vested and exercisabl e	Vested and unexercis-able
Nathan McMahon	-	700,000	-	-	700,000	700,000	700,000	-
Clive Jones	-	100,000	-	-	100,000	100,000	100,000	-
Kent Hunter	-	-	-	-	-	-	-	-
	-	800,000	-	-	800,000	800,000	800,000	-

d) Compensation Options

2011

No compensation options were issued to key management personnel during the period.

2010

	Number Granted	Number Vested	Grant Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $
N B McMahon	1,000,000	1,000,000	13.11.2009	01.07.2011	$0.30	0.108
C B Jones	1,000,000	1,000,000	13.11.2009	01.07.2011	$0.30	0.108
K M Hunter	250,000	250,000	13.11.2009	01.07.2011	$0.30	0.108
	2,250,000	2,250,000				

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	
	2011	**2010**	**2011**	**2010**
N McMahon	25 August 2010	-	1,000,000	-
C Jones	-	-	-	-
K Hunter	-	-	-	-

f) Other KMP transactions

During the year directors N McMahon and C Jones provided a bridging facility, in conjunction with other sophisticated investors. The terms of the facility included an interest (cash paid) component and an equity component. For details of interest paid, refer to Note 3, for details of the equity based payment refer to Note 28. All loans were on the same arms length transactions as those made to other sophisticated investors.

	2011 $	2010 $
5. *AUDITORS' REMUNERATION*		
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	64,142	45,115
	64,142	45,115
6. *INCOME TAX EXPENSE*		
The components of the tax expense/(income) comprise:		
Current tax	-	-
Deferred tax	(1,501,305)	(72,880)
	(1,501,305)	(72,880)
(a) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit from continuing operations	4,162,686	(1,443,044)
Loss from discontinuing operations	(1,379,554)	-
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2010: 30%)	834,940	(432,913)
Add:		
Tax effect of:		
Derecognition of losses on sale of subsidiary	865,399	
Other non-allowable items	384,399	1,567
Less:		
Tax effect of:		
Tax benefit of deductible equity raising costs	(31,054)	(35,132)
Effect of tax losses derecognised	-	534,312
Over provision of prior year	-	(145,760)
Recognition of previously unrecognised prior year tax losses	(552,379)	-
Other	-	5,046
Income tax benefit attributable to entity	1,501,305	(72,880)

6. INCOME TAX EXPENSE (Cont'd)

	2011 $	2010 $
(b) Deferred tax assets at 30% (2010: 30%) comprise the following		
Carry forward revenue losses	4,042,781	3,559,123
Carry forward capital losses	-	910,854
Unrealised Fair Value Adjustment	141,416	215,730
Capital raising and future black hole deductions	194,397	267,293
Provisions and accruals	40,836	48,658
Other	225,762	84,000
	4,645,192	5,085,658
Deferred tax liabilities at 30% (2010: 30%) comprise the following		
Exploration expenditure	5,224,653	5,085,470
Investments	85,089	-
Other	1,858	188
	5,311,600	5,085,658
(c) Deferred tax recognised directly in equity:		
Relating to equity raising costs	(30,349)	(72,881)
Other	-	-
	(30,349)	(72,881)

7. CASH AND CASH EQUIVALENTS

Cash at bank	819,854	182,109
Petty cash	495	495
Deposits at call (i)	3,128,321	3,207,998
	3,948,670	3,390,602

(i) The effective interest rate on short-term bank deposits was 5.31% (2010:5.06%); these deposits have an average maturity of 38 days.

8. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	380,976	51,323
Other debtors	834,158	284,029
	1,215,134	335,352
Non-Current		
Bonds (i)	163,655	142,839
	163,655	142,839

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

Trade receivables have 30 to 90 day terms

9. *NON CURRENT ASSETS HELD FOR SALE*

Current	2011 $	2010 $
Hayes Mining Pty Ltd assets held for sale[(i)]:		
Receivables	-	151,500
Exploration and evaluation assets [(ii)]	-	4,914,805
	-	5,066,305

(i) On 18 June 2010, the Company announced that it had signed an agreement with Phoenix Gold Ltd to sell its West Kalgoorlie Gold assets. The sale of the assets included the disposal of 100% owned subsidiary Hayes Mining Pty Ltd, and other related tenements held directly by Cazaly Resources. The sale occurred on 31 December 2010 and as consideration for the sale, Cazaly received a total of $1.7m in cash, and shares to the value of $1.8m in Phoenix. The sale of Hayes Mining Pty Ltd, per note 25, was for proceeds of $2.82m. The sale of tenements from Cazaly resources was for proceeds of 0.68m.

(ii) The exploration and evaluation assets relate to costs to acquire tenements and capitalised exploration costs and are included in the segment assets of the Group's exploration operating segment as disclosed in Note 24.

10. *FINANCIAL ASSETS*

Current		
Financial assets, at fair value through profit or loss:		
Held-for-trading Australian listed shares	3,961,462	323,722
	3,961,462	323,722

11. *PROPERTY, PLANT AND EQUIPMENT*

Plant and Equipment		
At cost	229,076	173,225
Accumulated depreciation	(166,991)	(141,327)
	62,085	31,898
Office Furniture and Equipment		
At cost	32,803	45,511
Accumulated depreciation	(16,497)	(22,193)
	16,306	23,318
Motor Vehicle		
At cost	68,287	68,288
Accumulated depreciation	(15,798)	(614)
	52,489	67,674
Leasehold Improvement		
At cost	5,344	5,344
Accumulated amortisation	(5,344)	(5,344)
	-	-
	130,880	122,890

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

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	2011 $			
	Plant and Equipment	Office Furniture	Motor Vehicles	Total
Balance at the beginning of the year	31,898	23,318	67,674	122,890
• Additions	57,100	-	-	57,100
• Disposals	(1,249)	(3,324)	-	(4,573)
• Depreciation expense	(25,664)	(3,688)	(15,185)	(44,537)
Carrying amount at the end of the year	62,085	16,306	52,489	130,880

	2010 $			
	Plant and Equipment	Office Furniture	Motor Vehicles	Total
Balance at the beginning of the year	37,308	11,765	6,664	55,737
• Additions	23,554	17,067	68,287	108,908
• Disposals	-	-	(5,196)	(5,196)
• Depreciation expense	(28,964)	(5,514)	(2,081)	(36,559)
Carrying amount at the end of the year	31,898	23,318	67,674	122,890

12. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	2011 $	2010 $
Non-Current		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases at cost	17,477,365	12,036,805
Royalty assets	-	47,000
	17,477,365	12,083,805
Movement – exploration and evaluation		
Brought forward	12,036,805	9,678,338
Exploration expenditure capitalised during the year	8,594,268	7,846,718
Disposals	(557,494)	(236,888)
Recoupment of exploration expenditure from joint venture partners	(2,411,019)	(13,558)
Assets classified as non-current assets held for sale	-	(4,867,805)
Exploration expenditure written off	(185,195)	(370,000)
	17,477,365	12,036,805

The value of the Consolidated Group interest in exploration expenditure is dependent upon:

- the continuance of the Consolidated group 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 Consolidated group 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.

	2011 $	2010 $
13. *TRADE AND OTHER PAYABLES*		
Current		
Trade creditors	860,551	780,059
Other creditors and accrued expenses	73,723	96,395
	934,274	876,454

(i) Creditors are non-interest bearing and settled at 30 day terms.

14. *PROVISIONS*

Current		
Provision for annual leave	52,631	70,869
Provision for long service leave	28,468	-
	81,099	70,869

15. *ISSUED CAPITAL*

121,089,125 fully paid ordinary shares (2010: 107,442,705) with no par value	23,145,290	20,348,703

a. *Movements in Ordinary Shares*

	Notes	Number of shares	Issue price	$
Opening balance at 1 July 2010		107,442,705		20,348,703
Listed options exercised	(i)	12,646,420	0.20	2,529,284
Unlisted options exercised	(ii)	1,000,000	0.30	300,000
Transaction costs relating to share issues		-	-	(2,348)
Deferred tax liability component	(iii)	-	-	(30,349)
Closing balance at 30 June 2011		121,089,125		23,145,290

(i) During the period, the Company issued 12,646,420 ordinary shares at a price of 20 cents pursuant to the exercise of 12,646,420 listed options exercisable at 20 cents each expiring 28 February 2011.

(ii) On 25 August 2011, the Company issued 1,000,000 ordinary shares to Director, Nathan McMahon following the exercise of 1,000,000 unlisted options exercisable at 30 cents each expiring 1 July 2011

(iii) 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.

15. ISSUED CAPITAL

b. Movements in Listed Options

	Notes	Number of Options	Issue price	$
Opening balance at 1 July 2010		12,844,294		-
Exercise of Listed Options	(i)	(12,646,420)	-	-
Expiry of Listed Options	(ii)	(197,874)	-	-
			-	
Closing balance at 30 June 2011		-	-	-

(i) During the financial period, a total of 12,646,420 Options were exercised
(ii) On 28 February 2011, 197,874 Options expired unexercised.

c. Capital risk management

Management controls the capital of the Group when managing capital their intentions 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 Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. Management'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 Group at 30 June 2011 and 30 June 2010 are as follows:

	2011 $	2010 $
Cash and cash equivalents	3,948,670	3,390,602
Trade and other receivables	1,215,134	335,352
Trade and other payables	(934,274)	(876,454)
Working capital position	4,229,530	2,849,500

16. OPTION RESERVE

	2011 $	2010 $
16. OPTION RESERVE	1,210,019	613,744

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

17. RETAINED EARNINGS/ (ACCUMULATED LOSSES)

	2011 $	2010 $
Opening balance	(414,240)	(6,276,400)
Net profit/(loss) attributable to members	1,281,825	(1,370,163)
Transfers from option reserve	-	7,232,323
Closing balance	867,585	(414,240)

18. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, held-for-trading investments, cash and short-term deposits.

The Board of Directors has overall responsibility for the oversight and management of the Group'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 Group'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 Group.

Interest rate risks
The Group'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 Statement of Financial Position and notes to the financial statements. The Consolidated group 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 Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least A+. All of the Group's surplus funds are invested with AA and A+ Rated financial institutions, the amount is $3,948,670.

Liquidity risk
The responsibility for liquidity risk management rests with the Board of Directors. The Consolidated group 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 Group'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.

(i) Sensitivity Analysis

The company did no encounter interest rate risk, foreign currency risk and market price risk of a material nature.

18. FINANCIAL RISK MANAGEMENT (Cont'd)

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk as at 30 June 2011:

2011	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2011 Total $
Financial assets					
Cash and cash equivalents	819,854	3,128,321	-	495	3,948,670
Trade and other receivables	-	163,655		1,215,134	1,378,789
Financial assets – held for trading	-	-	-	3,961,462	3,961,462
	819,854	3,291,976	-	5,177,091	9,288,921
Weighted average Interest rate	-	5.31%	-		
Financial Liabilities					
Trade and other payables				934,274	934,274
				934,274	934,274
Weighted average interest rate	-	-	-		

The following table details the Group's exposure to interest rate risk as at 30 June 2010:

2010	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2010 Total $
Financial assets					
Cash and cash equivalents	182,109	3,207,998	-	495	3,390,602
Trade and other receivables	-	294,339	-	335,352	629,691
Financial assets – held for trading	-	-	-	323,722	323,722
	182,109	3,502,337	-	659,569	4,344,015
Weighted average Interest rate	-	5.03%	-		
Financial Liabilities					
Trade and other payables	-	-	-	876,454	876,454
	-	-	-	876,454	876,454
Weighted average interest rate	-	-	-	-	

18. FINANCIAL INSTRUMENTS (Cont'd)

Net Fair Values

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

	2011		2010	
	Carrying Amount $	Net fair Value $	Carrying Amount $	Net fair Value $
On-balance sheet financial instruments				
Financial assets				
Cash and deposits	3,948,670	3,948,670	3,390,602	3,390,602
Receivables	1,378,789	1,378,789	629,691	629,691
Investment held for trading	3,961,462	3,961,462	323,722	323,722
	9,288,921	9,288,921	4,344,015	4,344,015
Financial liabilities				
Payables	934,274	934,274	876,454	876,454
	934,274	934,274	876,454	876,454

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. All financial instruments measured at fair value are level one, meaning fair value is determined from quoted prices in active markets for identical assets.

19. EARNINGS PER SHARE

	2011 $	2010 $
a) Reconciliation of earnings to profit or loss:		
Profit/(loss)	1,281,825	(1,443,043)
Earnings used to calculate basic and diluted EPS	1,281,825	(1,443,043)
b) Reconciliation of earnings to profit or loss from continuing operations:		
Profit/(loss) from continuing operations	2,661,380	(1,443,043)
Earnings used to calculated basic and diluted EPS from continuing operations	2,661,380	(1,443,043)
c) Reconciliation of earnings to profit of loss from discontinued operations:		
Profit/(loss) from discontinued operations	(1,379,554)	-
Earnings used to calculated basic and diluted EPS from discontinued operations	(1,379,554)	-
	No. of Shares	**No. of Shares**
d) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	112,950,184	94,462,769
Weighted average number of dilutive options outstanding	946,341	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	113,896,525	-

e) Diluted earnings per share is not reflected for discontinued operations as the result is anti-dilutive in nature.

f) Anti-dilutive options on issue not used in dilutive EPS calculation	-	-

20. CASH FLOW INFORMATION

	2011 $	2010 $
(i) Reconciliation of cash flows from operating activities with profit/(loss) after income tax		
Profit/(Loss) after income tax	1,281,825	(1,370,163)
Non-operating cash flows in loss for the year:		
Depreciation	44,537	36,559
Finance costs on loans	530,410	-
Net Loss on sale of shares	80,846	1,777,006
Net Profit on sale of exploration assets	(5,805,683)	(496,008)
Net loss on disposal of controlled entity	1,379,554	-
Employee & Consultant equity settled transactions	188,011	425,024
Fair value adjustment to investments	(530,744)	1,784,283
Exploration write-off	185,195	370,000
Management fees received	(97,121)	-
Changes in assets and liabilities:		
Decrease/(increase) in trade receivables and prepayments	(345,645)	(483,137)
Increase/(decrease) in trade payables, accruals and employee entitlements	57,818	529,471
Increase/(decrease) in provisions	10,230	24,705
Decrease/(increase) in exploration	(8,250,780)	(6,556,418)
Decrease/(increase) in deferred tax assets	289,514	(2,181,974)
(Decrease)/increase in deferred tax liabilities	1,211,791	2,181,974
Cash outflow from operations	(9,770,242)	(7,600,124)
(ii) Non-cash financing and investing activities	596,275	425,024
Share based payments (note 27)		

(iii) Disposal of Entities

During the year the controlled entity of Hayes Mining Pty Ltd was sold. Aggregate details of this transaction are:

	2011 $	2010 $
Disposal price	2,820,000	-
Cash consideration	1,380,000	-
Assets and liabilities held at disposal date:		
Receivables	151,500	-
Royalty assets	47,000	-
Capitalised exploration	119,100	-
Deferred tax asset	4,867,804	-
Deferred tax liability	(985,850)	-
	4,199,554	-
Net (loss) on disposal	(1,379,554)	-
Net cash received	1,380,000	-

21. COMMITMENTS

On 25 February 2010, the Group entered into a lease agreement with CB Richard Ellis (C) Pty Ltd for the premises at Level 2, 38 Richardson Street, West Perth, Western Australia. The initial term, is for three (3) years expiring on 1 April 2013 in consideration for a rental fee of $216,804 per annum.

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

	2011 $	2010 $
No longer than one year	703,623	1,179,604
Longer than one year, but not longer than five years	3,232,591	3,124,023
Longer than five years	-	-
	3,936,215	4,303,627

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position 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.

22. CONTROLLED ENTITIES

Parent Entity	Country of Incorporation	Percentage Owned 2011	Percentage Owned 2010
Cazaly Resources Limited	Australia		
Controlled Entities			
Hayes Mining Pty Ltd	Australia	-	100%
Cazaly Iron Pty Ltd	Australia	100%	100%
Sammy Resources Pty Ltd	Australia	100%	100%
Cazroy Pty Ltd	Australia	100%	100%

23. JOINT VENTURE

A wholly owned subsidiary has entered into an unincorporated joint venture called the *Earaheedy Iron Province Joint Venture* for the purpose of conducting exploration work and activities related to tenements. Cazaly Iron has a 50% participating interest in this joint venture. The group's interests in the assets employed in the joint venture are included in the statement of financial position, in accordance with the accounting policy described in note 1(r), under the following classifications:

	2011 $	2010 $
NON CURRENT ASSETS		
Exploration and evaluation assets	279,527	-
TOTAL NON CURRENT ASSETS	279,527	-
TOTAL ASSETS	**279,527**	**-**
SHARE OF TOTAL ASSETS OF JOINT VENTURE	**279,527**	**-**

24. *OPERATING SEGMENTS*

The Group operates predominantly in one geographical segment, being Western Australia, and in one business segment, mineral mining and exploration and substantially all of the entity's resources are deployed for this purpose.

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its exploration and corporate activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics

Types of reportable segments

Exploration

Segment assets, including acquisition cost of exploration licenses, all expenses related to the tenements and profit on sale of tenements are reported on in this segment.

Corporate

Corporate, including treasury, corporate and regulatory expenses arising from operating an ASX listed entity. Segment assets, including cash and cash equivalents, and investments in financial assets are reported in this segment.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

24. OPERATING SEGMENTS (Cont'd)

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;

(i) Segment performance	**Exploration $**	**Corporate $**	**Total $**
30 June 2011:			
Total segment revenue	1,315,936	179,084	1,495,020
Reconciliation of segment revenue to total revenue:			
Inter-segment elimination			-
Unallocated revenue			-
Revenue from discontinued operations			-
Total group revenue			1,495,020
Segment net profit/(loss) before tax	6,409,509	(139,929)	6,269,581
Reconciliation of segment result to group net (loss) before tax:			
Amounts not included in segment result but reviewed by the Board:			
Un-allocated items:			
Employee benefits			(488,517)
Occupancy costs			(356,274)
Consultants			(336,004)
Other			(926,101)
Net gain before tax from continuing operations			4,162,685
30 June 2010:			
Total segment revenue	494,250	102,803	597,053
Reconciliation of segment revenue to total revenue:			
Inter-segment elimination			-
Unallocated revenue			-
Total group revenue			597,053
Segment net profit/(loss) before tax	124,250	(1,982,722)	(1,858,472)
Reconciliation of segment result to group net (loss) before tax:			
Amounts not included in segment result but reviewed by the Board:			
Unallocated items:			
Other			415,429
Net loss before tax from continuing operations			(1,443,043)

24. *OPERATING SEGMENTS (Cont'd)*	Exploration $	Corporate $	Total $
(ii) Segment assets			
30 June 2011:			
Segment assets	17,477,364	9,427,311	26,904,6750
Segment asset increases for the period:			
Capital expenditure	9,269,114	-	9,269,114
Acquisitions		49,000	-
Interest received	-	179,093	179,093
Capital raising	-	2,829,284	2,829,284
	9,269,114	3,057,377	12,326,491
Reconciliation of segment assets to total assets:			
Inter-segment eliminations			-
Unallocated assets:			
Deferred tax assets			4,645,192
Other assets			-
Total assets from continuing operations			31,549,867
30 June 2010:			
Segment assets	17,150,110	4,345,420	21,495,530
Segment asset increases for the period:			
Capital expenditure	7,880,160	-	7,880,160
Acquisitions	-	84,214	84,214
Interest received		109,063	109,063
Capital raising	-	8,004,139	8,004,139
	7,880,160	8,197,416	16,077,576
Reconciliation of segment assets to total assets:			
Inter-segment eliminations			-
Unallocated assets:			
Deferred tax assets			5,085,658
Other assets			-
Total assets from continuing operations			26,581,188
(iii) Segment liabilities			
30 June 2011:			
Segment liabilities	-	-	-
Reconciliation of segment liabilities to liabilities:			
Inter-segment eliminations			-
Unallocated liabilities:			
Deferred tax liabilities			5,311,600
Other liabilities			1.015,373
Total liabilities from continuing operations			6,326,973

24. OPERATING SEGMENTS (Cont'd)

30 June 2010:	Exploration $	Corporate $	Total $
Segment liabilities	-	-	-
Reconciliation of segment liabilities to liabilities:			
Inter-segment eliminations			-
Unallocated liabilities:			
Deferred tax liabilities			5,085,658
Other liabilities			947,323
Total liabilities from continuing operations			6,032,981

25. DISCONTINUED OPERATIONS

(a) On 17 June 2010, the Company announced that it had signed an agreement with Phoenix Gold Pty Ltd ("Phoenix") to sell its West Kalgoorlie Gold assets, including the 100% owned subsidiary Hayes Mining Pty Ltd. The sale was conditional on Phoenix receiving approval from the ASX for admission of its securities to the official list and obtaining ministerial consents for tenement transfers to Phoenix.

Hayes Mining Pty Ltd was sold on 22 December 2010.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of sale which is included in profit/ (loss) from discontinued operations per the statement of comprehensive income is nil.

	2011 $	2010 $
Net loss on disposal of Hayes Mining Pty Ltd	1,379,554	-

Loss on disposal of the subsidiary included in loss from discontinued operations per the statement of comprehensive income.

The net cash flows of the discontinuing division which have been incorporated into the cash flow statement are as follows:

Cash consideration for sale of Hayes Mining Pty Ltd	1,380,000	-

(b) Discontinued Operations - Income Tax Expense of $865,246

The income tax expense recognised in the current period is due to the deferred tax liability that was building up within Hayes. The tax losses were transferred to Cazaly on sale, as Cazaly did not have income to offset them against these losses the group derecognised these assets and booked a tax loss.

26. *EVENTS SUBSEQUENT TO REPORTING DATE*

On 18 July 2011, the Company issued 1,000,000 ordinary shares to Director, Clive Jones following the exercise of 1,000,000 30 cent Options expiring 30 June 2011.

In July 2011, the Company registered five wholly owned subsidiaries, Caz Yilgarn Pty Ltd; Baker Fe Pty Ltd; Baldock Fe Pty Ltd; Hase Fe Pty Ltd and Lockett Fe Pty Ltd.

On 4 August 2011, the Company announced a conditional sale and an alliance arrangement with an Investment Group over the Parker Range Iron Ore Project. The arrangement allowed for an initial 45 day due diligence and exclusivity period. Subject to being satisfied with its due diligence and the transaction proceeding, the Investment Group is entitled to be issued with a convertible note in the principal amount of $5 million. The arrangement allows for the payment of an initial $40 million within 6 months of the execution of a formal Sale and Purchase Agreement ("SPA") and a further payment of $55 million upon the earlier of first iron ore being explored or 24 months from signing the SPA.

On 7 September 2011, the Company appointed Ms Julie Hill to the role of Company Secretary following the resignation of Ms Lisa Wynne.

On 26 September 2011, the Company announced it had reached mutual agreement with the Investment Group to extend the due diligence and exclusivity period for the sale of the Parker Range Project by 45 days.

On 26 September 2011, the Company announced that Cazaly Resources Limited and Vector Resources Limited (ASX:VEC) (collectively the Earaheedy Joint Venture (EJV) signed a farm-in agreement with ANGLO AMERICAN, the global diversified mining house, covering part of EJV's Earaheedy Iron project in the Wiluna region of Western Australia. The Farm-In Agreement relates to an area of approximately 890 km2 and allows for Anglo American to complete an initial "proof of concept" program with a minimum of 7,500m of RC or diamond drilling to be completed as due diligence within 18 months. Following this, ANGLO AMERICAN may earn an initial 51% interest in the project by payment of an initial $1M in cash to the EJV and the expenditure of $20M within 4 years. ANGLO AMERICAN may then earn a total 75% interest in the project by the completion of a Bankable Feasibility Study (BFS) and payment of a further $5M to the EJV. In addition, following delivery of a positive BFS, a success payment of $45M would become payable by ANGLO AMERICAN to the EJV. The EJV may then elect to contribute to project expenditure or dilute to a royalty of 1.25% FOB. Normal industry standard terms also apply.

Since 30 June, the Australian stock market has been volatile resulting in the Company's financial assets undergoing a change in value. Subsequently the fair value of the Company's financial assets held for trading as at the date of this report has reduced by approximately $300,000.

27. *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 Group and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 4 to the accounts.

Mr McMahon was at any time during the financial year a director and shareholder of Hodges Resources Limited ("Hodges"), Winmar Resources Limited ("Winmar") and Whinnen Resources Limited ("Whinnen"). Hodges and Whinnen have an agreement based on normal commercial terms and conditions to reimburse Cazaly for office rental and administration and overheads. Winmar and Cazaly Iron Pty Ltd have entered into a farm-in agreement whereby Winmar has the right to earn-in to an initial 51% interest in the Hamersley Iron Ore project. Winmar paid a non-refundable option fee of $400,000 and $3.1million in cash and 2.5 million Winmar shares in consideration for the right to earn-in under the agreement. Under the terms of the agreement the Cazaly group is managing the exploration activities at the Hamersley Iron Ore project and re-coups all exploration expenditure from Winmar plus a management fee.

Mr Jones is a director and shareholder of Cortona Resources Limited ("Cortona") and Corazon Mining Limited ("Corazon") Cortona and Corazon have agreements 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 related parties of Cazaly Resources Limited:

	2011 $	2010 $
Sales		
Rent, administrative and office overheads:		
• Catalyst Metals Limited	-	14,342
• Hodges Resources Limited	81,781	62,489
• Corazon Mining Limited	-	7,054
• Cortona Resources Limited	11,349	37,660
• Whinnen Resources Limited	47,098	34,108
Consideration received from Winmar Resources Limited under farm-in agreement		
• Cash consideration and option fees	3,500,000	-
• Value of equity securities received	500,000	-
	4,000,000	-
On-charge of exploration under joint venture arrangements:		
• Winmar Resources Limited	2,218,324	-

28. 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.

On 29 September 2010, the Company announced that it had entered into a bridging facility with a range of Institutions, Sophisticated Investors and Directors to provide a loan amount of a minimum of A$2 million and maximum of A$4 million. Kingsreef Pty Ltd provided $700,000 and Widerange Corporation Limited provided $100,000 to the Company by way of short-term finance under the facility. Kingsreef Pty Ltd is an entity controlled by Mr Nathan McMahon and Widerange Corporation Pty Ltd is an entity controlled by Mr Clive Jones, both of whom are Directors and therefore a related parties of the Company. The finance provided by Messers McMahon and Jones was based on the same arm's length terms as the other lenders.

The bridging facility was arranged as a short-term finance for the purpose of allowing for completion of the Parker Range Bankable Feasibility Study, Parker Range environmental, mining and other permitting activities and for general working capital requirements. The Company has drawn down A$2,550,000 under the facility.

In accordance with the terms of the bridging facility, the Company issued 2,550,000 Options exercisable at 53 cents, expiring 18 October 2012. The Options were issued on the basis of 100,000 Options for every $100,000 drawn down.

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:

	2011		2010	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
At beginning of reporting period	6,475,000	0.35	5,675,000	1.20
Granted during the period				
Employee & consultants options	4,300,000	0.53	3,525,000	0.34
Director remuneration	-	-	2,250,000	0.30
Exercised during the period	(1,000,000)	0.30	-	-
Expired during the period	-	-	(4,975,000)	1.26
Balance the end of reporting period	9,775,000	0.44	6,475,000	0.35
Exercisable at end of reporting period	9,775,000		6,475,000	

(i) The compensation options outstanding at 30 June 2011 had a weighted average exercise price between $0.25 and $0.86 and a weighted average remaining life between 1 year and 5 years.

(ii) The respective weighted average fair values of options granted during 2011 were $0.1387.

(iii) Included under employee benefits expense and consultancy expenses in the Statement of Comprehensive Income is $188,011 (2010: $425,024), and relates to equity-settled payment transactions.

28. SHARE BASED PAYMENTS (Cont'd)

The fair value of the options granted is determined by using the Black-Scholes methodology. The following table lists the inputs to the models used for period ended 30 June 2011:

Allottees	Fair Value at Grant Date	Estimated Volatility	Life of Option (yrs)	Exercise Price	Share Price	Risk Free Interest Rate
Lenders – Bridging Facility	$0.1755	70%	2.00	$0.53	$0.470	5.00%
Lenders – Bridging Facility	$0.1435	70%	1.96	$0.53	$0.425	5.00%
Lenders – Bridging Facility	$0.1331	70%	1.87	$0.53	$0.415	5.00%
Employees & Consultants	$0.1345	70%	3.00	$0.53	$0.35	5.00%
Consultants	$0.1641	70%	2.93	$0.52	$0.395	5.00%
Consultants	$0.0834	70%	1.21	$0.55	$0.395	5.00%
Consultants	$0.1258	70%	1.85	$0.53	$0.405	5.00%

The expected volatility is based on the historical volatility (based on remaining life of the options), adjusted for any expected changes to future volatility based on publicly available information.

29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are currently no other contingent liabilities or contingent assets outstanding at the end of the year.

30. PARENT ENTITY DISCLOSURES

	2011 $	2010 $
(a) Statement of financial position		
Assets		
Current assets	5,073,936	3,755,968
Non-current assets	9,075,259	4,208,085
Total assets	14,149,195	7,964,053
Liabilities		
Current liabilities	1,015,370	947,324
Non-current liabilities	550,829	3,258,802
Total liabilities	1,566,199	4,206,126
Equity		
Issued capital	23,145,288	20,348,703
Reserves:		
Equity settled employee benefits	1,210,019	613,744
Retained profits	(11,772,311)	(17,204,520)
Total Equity	12,582,996	3,757,927
(b) Statement of comprehensive income		
Total profit/ (loss)	5,432,207	(12,340,535)
Total comprehensive income	5,432,207	(12,340,535)
(c) Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries	-	-
(d) Contingent Liabilities of the Parent Entity	-	-
(e) Commitments for the Acquisition of Property, Plant and Equipment by the Parent Entity	-	-

31. *NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS*

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

– AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

– AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

31. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

– AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

– AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

– AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

– AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

– AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

31. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

– AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 62, are in accordance with the Corporations Act 2001:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and

    (c) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and Consolidated group; 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 Consolidated group 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,
29 September 2011

Independent Auditor's Report

To the Members of Cazaly Resources Limited

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd

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We have audited the accompanying financial report of Cazaly Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and 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 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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 is in accordance with the *Corporations Act 2001*, including:

    i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

    ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

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 in directors' report of the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

BENTLEYS
Chartered Accountants

RICHARD JOUGHIN CA
Director

DATED at PERTH this 29th day of September 2011

Shareholding

The distribution of members and their holdings of equity securities in the company as at 23 September 2011 were as follows:

	Class of Equity Securities
Number Held as at 23 September	**Fully Paid Ordinary Shares**
1-1,000	179,536
1,001 - 5,000	2,743,711
5,001 – 10,000	4,856,993
10,001 - 100,000	31,525,434
100,001 and over	82,783,452
TOTALS	122,089,126

Substantial Shareholders

Substantial shareholders in the Company are set out below

Shareholder	Number
Nathan McMahon	14,463,530
Clive Jones	7,566,802

Unquoted Securities

Class of Equity Security	Exercise Price	Number Under Option	Number of Security Holders
5 October 2011	$0.8036	50,000	1
19 June 2012	$0.8600	250,000	2
14 September 2012	$0.39	75,000	1
26 October 2012	$0.45	225,000	2
22 May 2013	$0.30	100,000	1
6 October 2011	$0.25	500,000	1
6 July 2013	$0.30	750,000	1
6 July 2016	$0.40	750,000	1
11 January 2015	$0.33	925,000	5
4 February 2015	$0.49	100,000	1
11 February 2012	$0.40	500,000	1
18 October 2012	$0.53	2,800,000	15
18 March 2014	$0.52	500,000	3
30 June 2012	$0.55	1,000,000	1

Voting Rights

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

Ordinary Shares

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

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 23 September 2011 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Kingsreef Pty Ltd <NB & DL Family A/C>	8,583,523	7.031
New Page Investments Limited	8,000,000	6.553
Clive Bruce Jones	6,135,004	5.025
Nathan McMahon	4,425,004	3.624
Clive Jones <The Alyse Investment A/C>	2,500,001	2.048
JP Morgan Nominees Australia Limited <Cash Income A/C>	2,124,800	1.740
Mr Peter Anastasiou & Mrs Kiristine Anastasiou	2,066,922	1.644
HSBC Custody Nominees (Australia) Limited	1,621,872	1.328
BT Portfolio Services Limited <Warrell Holdings S/F A/C>	1,500,000	1.229
Citicorp Nominees Pty Limited	1,427,499	1.169
Kent Michael Hunter	1,311,352	1.074
UBS Wealth Management Australia Nominees Pty Ltd	1,266,725	1.038
Fusion Resources Pty Ltd	1,000,000	0.819
Appolinax Inc	1,000,000	0.819
Anthony Robert Ramage	875,000	0.717
Texas Woods Pty ltd	744,000	0.609
Kouta Bay Pty Ltd <the Houndy Family A/C>	703,250	0.576
Fifty-Fifth Leprechaun Pty Ltd <The Andria A/C>	676,000	0.554
Merrill Lynch (Australia) Nominees Pty Limited	670,290	0.549
Kakulas Legal Pty Ltd <The Peter B Kakulas A/C>	624,623	0.512
TOTAL	47,195,865	38.657

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 on-going 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 – 83 months

Nathan McMahon – Managing Director

Executive Director since June 2003

Term in office - 85 months

Kent Hunter

Independent Non-executive director since August 2003

Term in office – 83 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 Directors 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 it 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.

Diversity Policy
The Company does not have a Diversity policy in place at this stage. The Board will seek to develop a Diversity Policy in the future, which can then be sued as a guide to be used by the Company to identify new directors, senior executives and employees.

Gender proportions:
46% of the Company's employees are women and one of these women holds a senior executive position.

CORPORATE GOVERNANCE

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 an audit committee.

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.

CORPORATE GOVERNANCE

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.

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
.
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.

CORPORATE GOVERNANCE

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.

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 from 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 on-going 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
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of the policy.	The Company does not have a Diversity Policy	Recommendation 3.2 was revised recently and the Company has not finalised its Diversity Policy at the time of this report. The Board will seek to develop a Diversity Policy over the coming year, which can then be sued as a guide to be sued throughout the Company in identifying new directors, senior executives and employees.

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 and 8.2 The remuneration committee structure	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
8.3 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 23 SEPTEMBER 2011

#NO	PROJECT	#NO	PROJECT
1EL	AU-7 MILE HILL	1 ELA	FE-TURNER RIVER
19 PL'S	AU-BALAGUNDI	1 EL	FE-WALLAREENYA
9 PL'S	AU-CARDINIA BORE	1 EL	FE-YALLEEN
1ML, 1PL	AU-CAROSUE	3 EL'S	FORRESTANIA
3 PL'S	AU-CHADWIN	1 PL	GOLDEN RIDGE
3 EL'S, 1PL	AU-JILLEWARRA	1 EL	IOCG-POLLOCK HILL
2 PL'S	AU-MT CLIFFORD	1 EL	IOCG-WEBB
5 EL'S	AU-RANDALS	2 EL'S	JUTSON ROCKS
1 EL	AU-RUBY WELL	1 ELA	KOOLYANOBBING
1 EL	AU-TEUTONIC BORE	1 EL	LIME-LOONGANA
4 PL'S	BARDOC	2 EL'S, 2 PL'S	MAGELLEN
2 EL'S	BIG BEN	1 EL	MT VETTERS
1 EL	COSMO NEWBERRY	2 EL'S	NEBO
11EL'S, 13ELA'S	FE-EARAHEEDY	2 ELA'S	NEWMAN NTH
1EL, 1ELA	FE-ETHEL CREEK	1 EL	NT-ACACIA BORE
1EL, 1MLA	FE-HAMERSLEY (WINMAR)	1 ELA	NT-DAVENPORT
4EL'S, 5 ELA'S	FE-HAMERSLEY	1 EL	NT-MT ISABEL
1 EL	FE-HIGH RANGE	2 EL'S	NT-QUARTZ HILL
1 EL	FE-HILLSIDE	1 ELA	NT-WAUCHOPE
1 EL	FE-KARRATHA	1 MLA, 7 PL'S	QUARTZ CIRCLE
1EL, 1ELA	FE-MARILLANA	1 EL	SCADDAN
1 EL	FE-MOORINE ROCKS	3 PL'S	TEN MILE HILL
1 EL	FE-MT GOULD	1 ELA	UR-BIDGEMIA
1 EL	FE-MT WILKINS	1 EL	UR-HINKLER WELL
1 EL	FE-MT. STUART	1 EL	UR-JAILOR BORE
1 ELA	FE-MULGA DOWNS	1 ELA	UR-LEOPOLD DOWNS
4EL'S, 3ELA'S, 3L'S, 3MLS, 8PL'S, 2 PLA'S	FE-PARKER RANGE	1 EL	UR-PELLS RANGE
1 EL	FE-PILBARA	1 ELA	UR-RAWLINSON RANGE
1EL, 2 ELA'S	FE-ROCKLEA	2 EL'S	U-YEELIRRIE
1 ELA	FE-ROY HILL	2ML'S, 3 PL'S	VETTERSBURG
1 EL	FE-STRAWBERRY ROCKS	1 EL	YAMARNA
1 EL	FE-TOODYAY		

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