

CAZALY RESOURCES LIMITED

PARKER RANGE CAPEX & OPEX REDUCED

- Updated DFS cost study reduces Capital (Capex) by ~23% and Operating (Opex) costs by ~12%
- Export capacity now available through Esperance Port
- Rail pathways to port also available
- Further major capital savings possible
- Continued support from Shire of Yilgarn

Cazaly Resources Limited (ASX: CAZ, “Cazaly” or “the Company”) is pleased to announce the results from a cost study updating components of the Definitive Feasibility Study (“DFS”) for the potential development of the Parker Range Iron Ore Project (“PRIOP”) located in the Yilgarn region of Western Australia. This follows growing interest in the project aligned with the strengthening iron ore price and indicated availability of rail pathways and port access at the Esperance Port.

The study was completed by specialist engineering group Avora Pty Ltd (“Avora”) who assessed the capacity of the Esperance Port and the rail network and provided an assessment of the current capital (“Capex”) and operating (“Opex”) costs. As part of this work, the Company commenced discussions with the Southern Port Authority and other infrastructure and operating providers to assess the viability of commencing an operation.

Overall, relative to the initial study conducted in 2011, both the Capex and Opex have decreased which, combined with sufficient available capacity on the rail network and access to Esperance Port, makes Parker Range a much more viable project.

The Project

The PRIOP is a fully owned project hosting a near mine-ready iron ore deposit located in the Yilgarn of Western Australia. Key features of the project include an ultra-low Phosphorous haematite ore located close to major infrastructure and with key approvals to mine in place. The project has a **Proven and Probable Ore Reserve of 31.4Mt** targeting an iron ore fines product grading 56.4% Fe (61.9% calcined Fe) and 0.02% P, 6.0% SiO₂ and 2.50% Al₂O₃ defined¹. Refer ASX Releases: “Parker Range Project Update” 12th May 2011 and “Quarterly Report for June 2011”.

Table 1: Parker Range Target Product Specification

| Ore Type | Fe | CaFe* | SiO ₂ | Al ₂ O ₃ | P | Mn | LOI |
|----------|------|-------|------------------|--------------------------------|------|-----|------|
| | % | % | % | % | % | % | % |
| Fines | 56.4 | 61.9 | 6.00 | 2.50 | 0.02 | 1.1 | 9.10 |

* CaFe: calcined Fe% grade (ex. Loss On Ignition “LOI”)

Cazaly completed a supplementary DFS (S-DFS) option in 2011 which dealt with a single case shipping 4.2Mtpa iron ore via Esperance Port into Cape sized vessels.

(¹The Reserves discussed above were prepared by Runge Limited, (now RPM Global Holdings Limited), in Mining Studies and were first disclosed under the 2004 JORC Code. The Reserves and Mineral Resources from detailed studies have not been updated to comply with the 2012 JORC Code on the basis that the results have not materially changed since they were last reported.)

Recent Study

Avora engaged with several parties to investigate current capacity advantages and to refresh various cost estimates for the project. Key areas addressed included mining, processing, road and rail haulage, train load out, road upgrade, accommodation and personnel and owners' costs over the life of mine. Southern Ports (Esperance Port) provided port handling cost estimates for the receipt and ship loading and confirmed available throughput capacity including third party access details.

Capex costs relative to the original S-DFS were reduced by ~23% from \$169.50m to \$130m with the potential to be further lowered. Major reductions were made in removing the accommodation village and utilising planned third party camp facilities. Further savings are possible by re-configuring load out facilities and supporting infrastructure and in the construction of rail loops and mine site based non-process infrastructure. Opportunities also exist to further greatly reduce these costs as follows;

- Wet plant construction can be delayed by ~2 years and be accounted for from project cashflow giving an upfront saving of ~\$20m, and
- Significant savings are possible through securing second hand process plant equipment which is currently available in the market place.

Opex costs were also reduced relative to the S-DFS from ~\$55.29/t to ~\$48.85/t largely related to lower mining, logistics and owner related costs whilst incorporating new costs for accommodation. Discussions were also held with the Shire of Yilgarn who confirmed their ongoing support for the project.

Commenting on the cost study, Cazaly's Joint Managing Director, Nathan McMahon said;

"We are delighted to see the improved economics updated for current market conditions for the Parker Range iron ore project. The infrastructure constraints that previously held up development are now clearing and there is a potential pathway forward for the project. We are greatly encouraged by the improving iron ore market and discussions are underway with potential end users for the product."

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Competent Persons Statement:

The information that relates to the Mt Caudan Mineral Resource Estimate (Dec 2010) was first reported in ASX release "Quarterly Report for December 2010" authorized by Mr Rob Williams who at the time was a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and was an employee of Runge Limited in 2011. The information that relates to the Mt Caudan Open Pit Mining Study - Proven and Probable Reserves (2011), was first reported in ASX release "Parker Range Project Update" authorized by Mr Igor Bojanic who was an employee of Runge Limited in 2011 and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM).