CAZALY RESOURCES Limited

MOUNT CAUDAN IRON RESOURCE UPGRADE
Parker Range Iron Ore Project

33.6 Mt @ 56.1%Fe (61.6% CaFe)

- **70% now in Measured category**
- **Tighter geological control resulting in lower internal dilution and higher overall grade than June 2010 update**
- **Retains high Value in Use (VIU) properties - ultra-low Phosphorus content (~0.02% P)**
- **Potential remains to upgrade lower grade material**
- **Regional Project potential to be tested by extensive drill campaign in 2011**
- **Strong government support for key infrastructure**

The Company is pleased to announce an upgraded Iron Ore mineral resource estimate for its 100% owned Parker Range Iron Project located approximately 15 kilometres south-east of Marvel Loch and approximately 60 kilometres by road south of the Perth–Kalgoorlie railway near Southern Cross in the Yilgarn region of Western Australia. The update follows a programme of largely infill drilling to increase the status and confidence in the resource for the ***Mount Caudan*** deposit conducted as part of the development Definitive Feasibility Study which is currently underway.

The Company is pleased to announce that formal documentation has been executed for the leasing of the accommodation village at Marvel Loch and the rail load out facility at Moorine Rock. The Company acknowledges the support of the Minister for Regional Development and Lands in this matter. Engineering and design work is ongoing and almost finalised.

The Company is awaiting details of its application for export allocation from the Fremantle Port Authority.

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December 2010 Resource Estimate

During 2010 Cazaly conducted an extensive infill drilling campaign including 42 RC holes, 14 Diamond holes for a combined 4,532m. This work provided better definition and improved confidence in the geological model leading to a significant shift of the total resource (70%) into the Measured category and an overall improvement in Fe grade. Over 17,000m have now been drilled at the Deposit.

The Mount Caudan resource contains two primary ore-types; a goethite-hematite Banded Iron Formation (BIF) and a smaller component of secondary Detrital ore. The ore has low levels of deleterious elements and is particularly low in phosphorous which the company considers to have high "Value in Use" (VIU) properties which are highly marketable to Asian steel mills.

The deposit was again modelled by independent mining consultancy group Runge Limited, using a nominal 50% Fe wireframe for BIF (oxide) and Detrital material with a 52% lower Fe cut-off grade, resulting in a Measured, Indicated and Inferred resource as follows:

Mount Caudan Iron Ore Deposit
December 2010 Resource Estimate (52% Fe Cut-off)

Type	Measured Mineral Resource								
	Tonnes Mt	Fe %	Al_2O_3 %	P %	SiO_2 %	LOI %	Mn %	S %	CaFe %
Detrital	3.2	55.0	6.3	0.013	7.1	6.4	0.6	0.07	-
Oxide	20.2	56.3	2.0	0.020	5.9	9.3	1.3	0.07	62.1
Total	**23.4**	**56.2**	**2.6**	**0.019**	**6.0**	**8.9**	**1.2**	**0.07**	**61.7**

Type	Indicated Mineral Resource								
	Tonnes Mt	Fe %	Al_2O_3 %	P %	SiO_2 %	LOI %	Mn %	S %	CaFe %
Detrital	0.3	53.2	7.6	0.012	7.5	7.1	0.8	0.07	57.2
Oxide	7.1	57.0	2.7	0.024	5.7	9.1	0.5	0.09	62.6
Total	**7.3**	**56.8**	**2.9**	**0.023**	**5.8**	**9.0**	**0.5**	**0.09**	**62.4**

Type	Inferred Mineral Resource								
	Tonnes Mt	Fe %	Al_2O_3 %	P %	SiO_2 %	LOI %	Mn %	S %	CaFe %
Detrital	0.3	54.4	5.1	0.022	6.5	9.6	0.1	0.09	-
Oxide	2.6	54.1	3.4	0.016	9.1	8.6	0.5	0.15	59.2
Total	**2.9**	**54.2**	**3.6**	**0.016**	**8.8**	**8.7**	**0.4**	**0.14**	**59.3**

Type	Total Mineral Resource								
	Tonnes Mt	Fe %	Al_2O_3 %	P %	SiO_2 %	LOI %	Mn %	S %	CaFe %
Detrital	3.8	54.9	6.3	0.014	7.1	6.8	0.6	0.07	58.9
Oxide	29.8	56.3	2.3	0.021	6.1	9.2	1.0	0.08	62.0
Total	**33.6**	**56.1**	**2.7**	**0.020**	**6.2**	**8.9**	**1.0**	**0.08**	**61.6**

See Appendix A for resource estimate parameters.

The updated resource estimate is currently being applied to mine optimisation and planning as part of the Mount Caudan Definitive Feasibility Study.

Regional Exploration Programme

The recent drilling and resource upgrade at Mt Caudan 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 **75 - 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 furhter Mineral Resources.

The Company has submitted extensive work programmes to DMP for environmental approval with a view to commencing drilling on regional targets later in the year. A priority will be the *Wrathchild* Prospect where substantial intersections, including 27m @ 54.2% Fe, have been previously announced.

Summary

The mineral resource at the Mount Caudan Deposit has been recently upgraded to **33.6Mt @ 56.1% Fe (60/6% CaFe)** with 70% of the resource in the Measured category.

A regional exploration programme is planned to commence later in 2011. Given that most of the 16km long BIF unit has yet to be explored much potential remains in further expanding resources for the project. A Definitive Feasibility Study into the development of the Mt Caudan Deposit is ongoing.

For further information please contact:

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APPENDIX A

Resource Statement and Parameters

Type	Mt Caudan Mineral Resource (52% Fe Cut-off Grade)							
	Tonnes	Fe	Al_2O_3	P	SiO_2	LOI	Mn	S
	Mt	%	%	%	%	%	%	%
Measured	23.4	56.2	2.6	0.019	6.0	8.9	1.2	0.07
Indicated	7.3	56.8	2.9	0.023	5.8	9.0	0.5	0.09
Inferred	2.9	54.2	3.6	0.016	8.8	8.7	0.4	0.14
Total	**33.6**	**56.1**	**2.7**	**0.020**	**6.2**	**8.9**	**1.0**	**0.08**

The resource estimate was completed using the following parameters:

- The Mt Caudan estimate covers the 4,550m lateral extent from 6,495,650mN to 6,500,200mN and the vertical extent of the resource is 175m from surface at approximately 455mRL to 280mRL.
- Drill holes used in the resource estimate included 201 RC and 17 DD core holes, totalling 7,238m, within the resource wireframes. All holes were drilled by CAZ from 2007. The full database contained records for 281 drillholes for 22,033m of drilling.
- A site visit was conducted in August 2009 by Aaron Green and Robert Williams of Runge to review the project and deposit geology, drilling and site procedures.
- The bulk of the resource has been tested by holes drilled at section spacings of approximately 60m. Where infill drilling has not been completed the section spacing is 120m, while sparse drilling at the Rainmaker prospect has been completed on section spacings of between 300m to 500m.
- RC holes were sampled at 1 metre intervals. The sampling method involved collecting a calico bagged sample from a rig mounted splitter, while the bulk reject was collected to enable further testwork to be conducted. Mineralised intervals of the DD holes were sampled at predominantly 1m sample length, with only 13 of a total 611 samples not sampled at 1m length.
- All holes were down hole surveyed at the collar and at 50m intervals with either a single shot camera or a gyro survey tool. Only minor records were noted where magnetic interference had been experienced.
- Collar surveys and topographic surveys were completed using a RTK GPS instrument. All surveys were recorded in the MGA94-50 datum.
- All logging and sampling methods for the drilling completed by CAZ have been reviewed by Runge and are considered to be of a high standard.
- Sample preparation and assay was carried out by Kalgoorlie Assay Laboratories in Perth. Comprehensive assaying of Fe, Al_2O_3, SiO_2, Mn, P and S was carried out routinely using XRF.
- Quality control data for the recent drilling has been reviewed by Runge, and has confirmed that the assay data used in the estimate is accurate and unbiased.
- Material-type wireframes were constructed using geological sectional interpretations provided by CAZ. Mineralisation wireframes were constructed using cross sectional interpretations based on a nominal 50% Fe cut-off grade. Samples within the wireframes were composited to even 1.0m intervals.
- Based on a review of the deposit statistics, a high grade cut of 20% was used for Mn in the resource. No other high grade cuts were used.
- A Surpac block model was used for the estimate with a block size of 30m NS by 12.5m EW by 10m vertical with sub-cells of 15m by 6.25m by 5m.

- OK grade interpolation used an oriented 'ellipsoid' search for elements. Three passes were used to fill the model with 97% of the model being filled in the first pass.

- Bulk density values ranging from 2.31t/m^3 for footwall supergene to 3.25t/m^3 for high grade SIF were assigned in the resource. Waste bulk densities of 1.81t/m^3 were applied to the hangingwall mafics and the footwall sediments in the oxide domain. A bulk density of 2.8t/m^3 was applied to the hangingwall mafics and the footwall sediments in the fresh domain, while 3.77t/m^3 was applied to SIF in the fresh domain.

- The resource was classified as Measured, Indicated and Inferred Mineral Resource. The Measured portion of the resource is confined to the SIF unit where the 60m by 25m drill spacing coupled with surface geological mapping has sufficiently demonstrated both geological and mineralisation continuity. The Indicated portion of the resource was defined where the drill spacing was less than 200m by 40m and lode continuity was good. The Inferred Resource included areas of the resource where sampling was greater than 200m by 40m and isolated, discontinuous zones of mineralisation. Economic analysis carried out by CAZ during the 2009 PFS suggested that the project has reasonable prospects for eventual economic extraction.

The information that relates to exploration targets, exploration results and drilling data is based on information compiled by Gregory Miles who is a Member of The Australian Institute of Geoscientists and an employee of the Company. The information that relates to the 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. Both Mr Miles and Mr Williams 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 Miles and Mr Williams consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.