

18th December 2008

ASX Release

NEW IRON DISCOVERY IN THE PILBARA

Hamersley Iron Ore Project

- **First pass drilling identifies new Channel Iron Deposit**
- **Drilling over 2km strike, mineralisation remains open**
- **Outstanding results include:**
 - 40m @ 56.6% Fe (60.3% CaFe)**
 - 41m @ 55.8% Fe (60.0% CaFe)**
 - 44m @ 54.0% Fe (58.2% CaFe)**
 - 24m @ 56.0% Fe (58.6% CaFe)**
 - 38m @ 56.2% Fe (59.0% CaFe)**
- **50 – 150 Mt DSO Iron Ore exploration target**

Background

The Company is pleased to announce that it has received excellent assay results from drilling at the Hamersley Project. The Company completed a first pass program of reverse circulation (RC) drilling comprising 18 holes for 1,795m. Results have proven to be highly encouraging (refer Table 1). Potential exists for the delineation of a substantial resource of iron ore.

The Hamersley Project lies approximately 50km NE of the Tom Price township in the Pilbara Region of Western Australia. The Hamersley Project is strategically placed amongst existing infrastructure and emerging new projects. Existing infrastructure includes major roads and third party railway lines crossing through the Hamersley tenement.

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Previous drilling in the area has been limited, focusing on mineralised detrital accumulations shed from the Brockman Iron Formation. Exploration includes a single drill hole drilled into the apparent flank of the channel, large thicknesses of ore grade material were recovered, including 10m @ 56.03, 24m @ 55.87 and 8m @ 61.86% Fe. Following the drilling program, a gravity survey was completed within the area, targets were identified however no further work was completed.

Exploration Program

Cazaly engaged Haines Surveys to complete a new gravity survey over the area of interest, infilling previously collected data and further expanding the surveyed area. The survey highlighted a highly anomalous zone 2.8km long and up to 500m wide coincident with present drainage patterns, interpreted as an extensive Channel Iron Deposit.

The initial RC drilling program was completed across the gravity anomaly and results were highly encouraging. The drilling discerned that the prospect comprises a lower grade vitreous goethite ± limonite detrital zone, overlying a superior mineralised lower goethite + hematite ± limonite alluvial zone suitable for a Direct Shipping Ore (DSO) operation. These zones range from only a few meters thick up to 60 meters thick. The upper zone is overlain by recent detrital material and the basement varies from mineralised Brockman Iron Formation to shales of the Mt McRae and Mt Sylvia Formations.

The Company is investigating options for beneficiation of the lower grade material, involving simple screening and gravity separation.

Based on the limited drilling to date, with mineralisation >50% Fe intersected over an area of 1,500m x 600m with thicknesses up to 60m, the Company considers the Hamersley Project to have a global conceptual exploration target of 50 – 150 Mt of Iron Ore at a grade of 50 – 52 % Fe suitable for a DSO operation. Further drilling is being planned to test the quantity and grade of this target, including collection of samples for beneficiation work to potentially upgrade the exploration target. There is currently insufficient data to calculate a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Summary

The Company is encouraged by the significant results of the initial drilling at the Hamersley Project, the first of a number of prospective Pilbara Iron targets. The Company is now preparing drill programs to test the full extent of the detrital and alluvial iron mineralisation, while investigating development options for the Project.

Yours sincerely,



Nathan McMahon
Managing Director

The information in this report that relates to the Exploration Results and Exploration Targets of the Projects owned by Cazaly Resources Ltd is based on information compiled by Mr. Gregory Miles, who is a Member of The Australian Institute of Geoscientists and is an employee of the Company. Mr Miles has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Miles consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Table 1 – Significant Intersections from RC drilling Hamersley Project

Hole ID	East	North	From	Length	Fe%	CaFe ₁₀₀₀	SiO ₂ %	Al ₂ O ₃ %	P%	S%	LOI ₁₀₀₀
PLRC0001	604174	7529174	24	18	51.93	53.19	17.46	5.05	0.03	0.03	2.37
			48	10	52.20	53.65	14.84	6.95	0.03	0.02	2.70
			60	10	55.15	56.61	11.20	6.39	0.04	0.02	2.58
			84	2	54.33	57.27	12.09	4.41	0.05	0.01	5.13
			98	38	56.19	59.01	8.51	5.62	0.05	0.02	4.78
PLRC0002	604347	7529352	36	22	51.94	53.53	17.32	4.61	0.04	0.04	2.98
PLRC0003	604539	7529532	78	24	56.00	58.58	11.17	3.58	0.04	0.01	4.40
			104	8	51.23	54.33	12.03	7.33	0.04	0.01	5.70
			114	6	53.42	57.14	10.33	5.53	0.06	0.01	6.51
PLRC0004	604712	7529704	14	2	50.74	53.84	11.79	7.94	0.04	0.01	5.75
			80	44	53.99	58.15	11.29	3.74	0.05	0.01	7.16
PLRC0005	604908	7529900	88	20	54.86	58.45	9.81	4.80	0.04	0.01	6.15
PLRC0006	605109	7530110	116	4	52.60	55.45	9.97	8.42	0.02	0.02	5.15
PLRC0010	604349	7530068	96	40	56.56	60.33	8.62	3.85	0.04	0.01	6.26
PLRC0011	604523	7530253	102	41	55.83	59.95	9.02	3.72	0.05	0.01	6.86
PLRC0017	604253	7530678	106	4	51.98	53.52	16.21	5.46	0.02	0.00	2.87

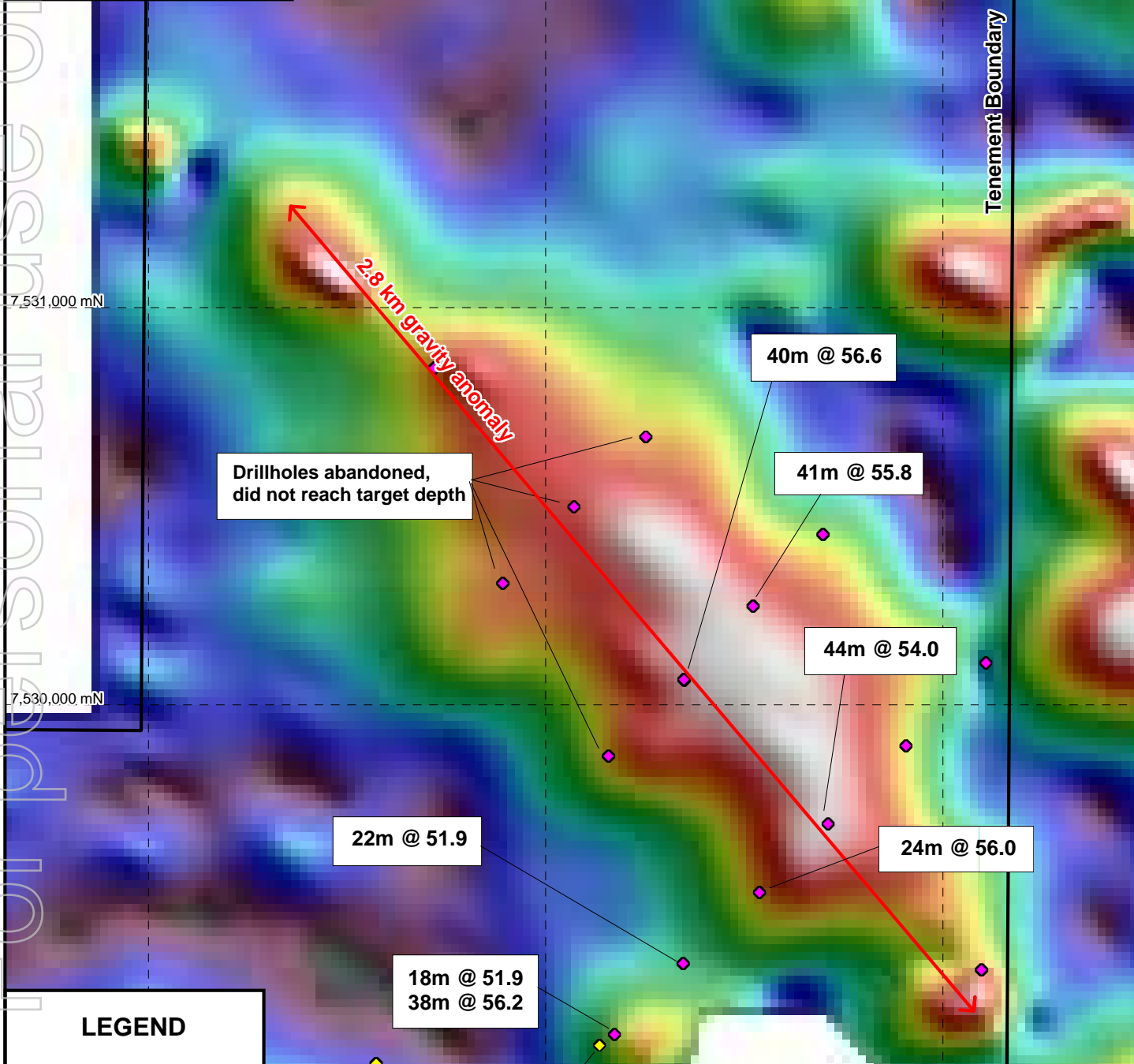
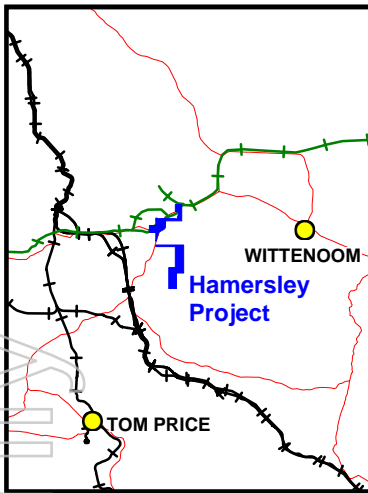
Coordinates refer to WGS84 Zone50

2m composite samples, riffle split

Analyses conducted by Kalassay Laboratories in Perth using XRF spectrometry on fused bead with Loss on Ignition (LOI) determined by Thermo-Gravimetric Analysers at 1000°C.

Calcined Fe (CaFe) calculated by the formula $CaFe\% = (Fe\%)/(100-LOI_{1000}) * 100$

Intervals using 50% Fe cut off with internal dilution > 45% Fe



LEGEND

- ◆ Cazaly Drill hole Grade in % Fe
- ◇ Historic Drill hole Grade in % Fe
- Tenement Boundary

Historic Drillhole
10m @ 56.0
24m @ 55.9
8m @ 61.9

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**Drill hole plan
overlying Bouguer Gravity**