

Cazaly Resources Limited

ANNUAL REPORT

2004

For the year
1 July 2003 to 30th June 2004



Corporate Directory

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Nathan McMahon

MANAGING DIRECTOR

Clive Jones

NON-EXECUTIVE DIRECTOR & COMPANY SECRETARY

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Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
Code: CAZ, CAZO

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MANAGING DIRECTORS' REVIEW

Since listing on 31st October 2003 there has been significant achievement for such a young Company as it strives to meet its objective of creating shareholder value through exploration success.

Highlights for the year have included:

- Significant increase in resource base at Kunanalling from approximately 37,000 ounces to 290,000 ounces;
- Consolidation of the Kunanalling shear to hold a unique exploration project located so close to the Kalgoorlie mining centre. Current landholding stands at 160 square kilometres;
- Divestment of non-core exploration assets through Sale and Option Agreements at a profit to the Company whilst still retaining a free-carried interest and therefore exposure to exploration upside at no costs;
- Significant results from drilling programmes;
- Completion of a major regional study providing the basis for an aggressive drill based exploration programme for the forthcoming year.

The most pleasing aspect has been the project consolidation and exploration success at Kunanalling. The Company controls approximately 160 square kilometres of tenure within the project area and therefore is in a very strong position to leverage of any future exploration success. We are mindful of the significant infrastructure advantages associated with the Kunanalling project being located within 40 kilometres of the world class Kalgoorlie mining centre.

The diligent and hardworking technical team are committed to the Company objective of increasing shareholder value through exploration success and are committed to achieving cashflow in the shortest possible timeframe. The continued achievement of locating significant gold mineralisation at the Kunanalling project, including Catherwood Hangingwall Zone, Lady Dorie and Emu provide further encouragement for increasing the already significant gold inventory within the project.

As a junior explorer we believe Company is uniquely positioned as it is:

- well funded by virtue of prudent financial management;
- full of potential for short term cashflow;
- exposed to copper and nickel exploration success through joint ventures that provide the Company with access to exploration upside with no cost;
- exposed in equity positions in several junior companies by vending non-core assets into recent and future IPO's
- supported by a dedicated exploration team who work tirelessly to achieve exploration success.

We thank you for your ongoing support and will endeavour to continue to maintain our active exploration programmes aimed at delineating further resources.


Nathan McMahon
Joint Managing Director


Clive Jones
Joint Managing Director

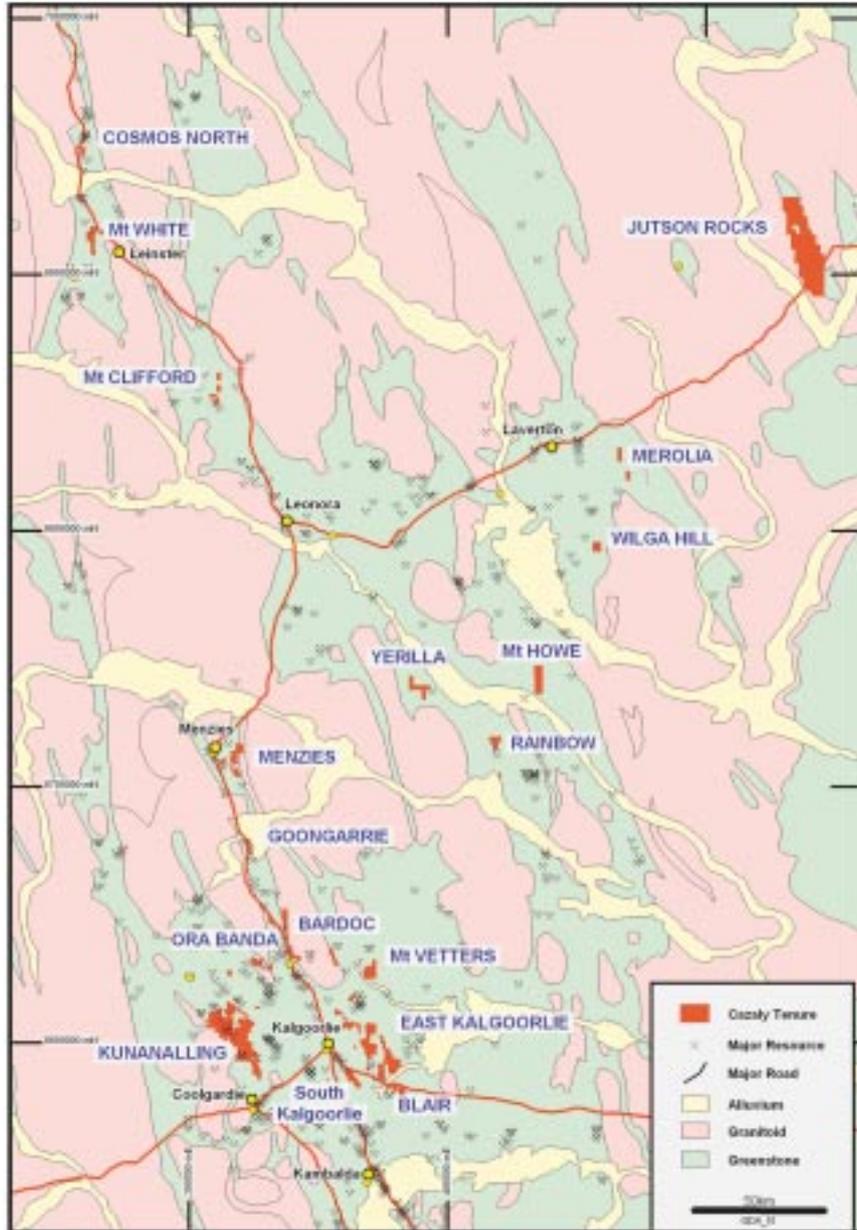
Managing Directors' Review

PROJECTS REVIEW

EASTERN GOLDFIELDS PROJECTS

Cazaly Resources Limited has been particularly active since listing in late October 2003. Considerable success from drilling and corporate activities, particularly in respect to the Kunanalling project, has resulted in a substantial increase in the value of the assets of the Company. Resources at Kunanalling have **increased from 38,000 ounces at listing to 291,000 ounces** whilst the project area has doubled in size from 74 to more than 150 square kilometres.

The Company has a large portfolio of ground largely prospective for gold and base metals mostly situated within Western Australia. In all, the company controls approximately **370 mineral tenements totalling in excess of 1500 square kilometres of ground**. The company has successfully joint ventured a significant number of these projects and intends to continue to actively develop new projects with a view towards divestment whilst aggressively expanding and developing its key asset at Kunanalling. This philosophy of developing new projects



to be joint ventured whilst focusing on the company's key asset exposes the company's shareholders to potential exploration success over a range of properties at no cost whilst it concentrates on developing its key asset.

Kunanalling Project

Project greatly expanded, early drill success and regional exploration commenced. Several new targets established and a significant increase in global resources from 39,000 ounces to

291,000 ounces within first 8 months of operation.

The Kunanalling Project is located approximately 30 kilometres west of Kalgoorlie and 30 kilometres north of Coolgardie in the East Coolgardie Mineral Field of Western Australia. The project has substantially increased in size since listing, largely as a result of dealings with other parties in the region, and the Company now commands a dominant land position in the area.

The project is situated within the Coolgardie Domain of the Kalgoorlie Terrane, a major subdivision of the southwestern portion of the regionally extensive Norseman-Wiluna greenstone belt. In the project area, the Coolgardie Domain is dominated by mafic and ultramafic extrusive rocks located adjacent to the Bali Monzogranite, a large post regional folding granitoid. To the north, another granitoid, the Kintore Tonalite, intrudes the sequence. The dominant structure in the region is the Kunanalling Shear which trends in a northwest – southeast direction along the northeastern margin of the Bali Monzogranite and is interpreted to bifurcate around the Kintore Tonalite. The Kunanalling Shear is the next major gold bearing structure to the west of the Zuleika Shear, host to the **+5M ounce Kundana minefield which lies just 10 kilometres to the east** of the project. Mineralisation in the project area is strongly controlled by the interplay of several key structures. These are the regional D2 structures, such as the Kunanalling and Zuleika Shear zones, and cross cutting late stage faults. These faults range in orientation from North-south to east-west and appear to control a significant amount of the mineralisation within the D2 structures. This is **highly analogous to the controls observed within the Kundana Minefield** situated just

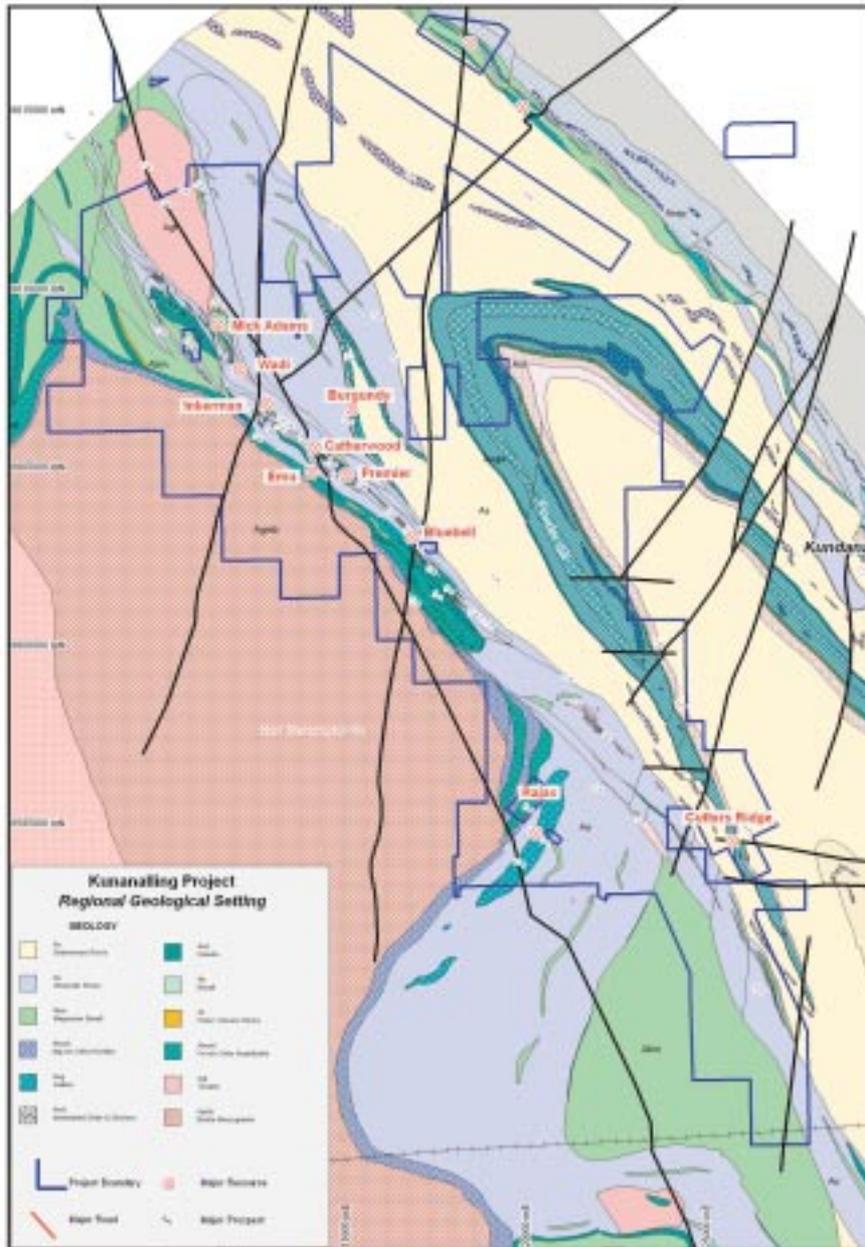
10km to the east along the Zuleika Shear. Additionally east-west faults control the siting of mineralisation where they disrupt major brittle rock units in the district. This is **analogous to the setting of the IMoz White Foil gold deposit** to the immediate southeast of the project area.

The Kintore Tonalite and the Kunanalling Shear are the main hosts of gold mineralisation in the area. This is particularly evident where the Kunanalling Shear strikes along the southeastern and eastern contacts of the Kintore Tonalite. Gold mineralisation here is not only located along the Kunanalling Shear but is also adjacent to the structure and within the tonalite. Numerous old gold workings exist along the extent of the shear zone with more recent open cut mining occurring in the late 1980s at the Catherwood and Premier pits and in 1994 at the Kiora and Bluebell pits.

To the east of the Kunanalling Shear, the stratigraphy is folded by the Telegraph syncline where gold mineralisation is found at the Burgundy prospect. Further east again lays the Powder sill, an extensive differentiated gabbroic unit which hosts gold mineralisation at Cutters Ridge in the south of the project area.

MINERAL RESOURCES - KUNANALLING PROJECT

Project/Prospect	Inferred			Indicated			TOTAL		
	Tonnes	g/t Au	Ozs. Au	Tonnes	g/t Au	Ozs. Au	Tonnes	g/t Au	Ozs. Au
Castle Hill									
Wadi	390,000	2.4	30,100				390,000	2.4	30,100
Mick Adam	1,822,000	1.4	80,800				1,822,000	1.4	80,800
Sub-totals	2,212,000	1.6	110,900				2,212,000	1.6	110,900
Cutters Ridge (Cazaly 51% share)									
Cutters Ridge	648,000	1.8	37,500				648,000	1.8	37,500
Sub-totals	648,000	1.8	37,500				648,000	1.8	37,500
Kunanalling									
Burgundy	642,000	2.0	41,300				642,000	2.0	41,300
Catherwood	25,000	3.3	2,700	307,000	2.9	28,500	332,000	2.9	31,200
Rajax	180,000	4.2	24,300				180,000	4.2	24,300
Emu Prospect	260,000	2.5	20,900				260,000	2.5	20,900
Premier	5,000	3.7	600	155,000	2.0	9,800	160,000	2.0	10,400
Blue Bell	118,000	2.0	7,600				118,000	2.0	7,600
Inkerman	25,000	3.5	2,800				25,000	3.5	2,800
Stockpiles/Tailings	114,000	1.1	3,900				114,000	1.1	3,900
Sub-totals	1,369,000	2.4	104,100	462,000	2.6	38,300	1,831,000	2.4	142,400
TOTAL	4,229,000	1.9	252,500	462,000	2.6	38,300	4,691,000	1.9	290,800



some support from independent consultants Golder Associates and The Mining Centre.

Total resources estimated for the project currently stands at:

4.7Mt @ 1.9 g/t Au (291,000 ozs.Au)

Most of the resources are reported using a low grade cut of 1g/t gold while various top cuts used for each resource were based upon standard geostatistical methods. Low grade cuts for the Burgundy resource are reported at 0.5, 1.0 and 1.5 g/t Au for the oxide, transition and fresh rock zones respectively. SG data for the majority of the resources was based upon measured samples where available and where absent, values were based upon data from nearby resources in similar geological settings.

Project Consolidation

The Company considers that exploration success is best leveraged by controlling large project areas centred on proven mineralisation. Following listing on the ASX the

Resources

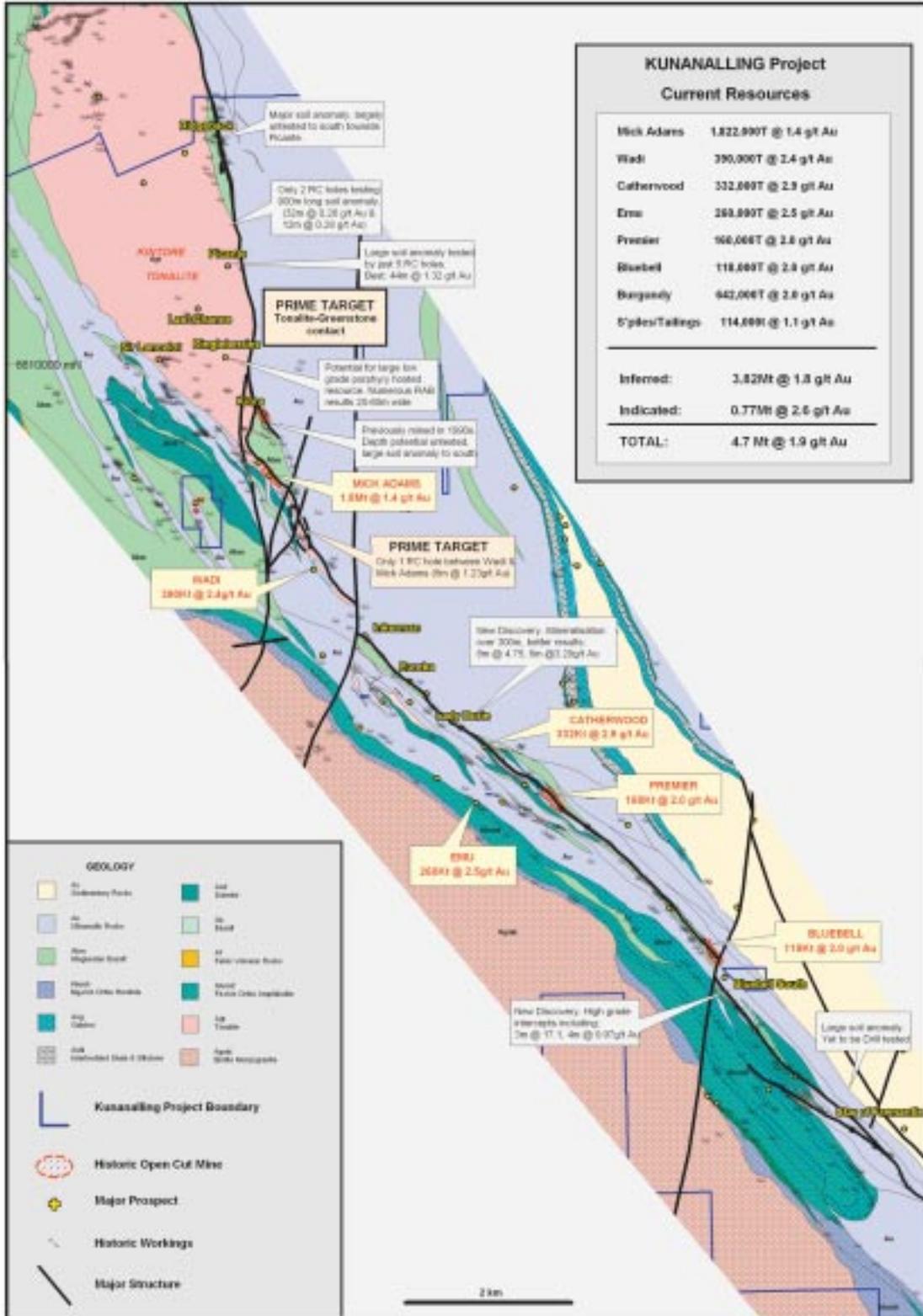
The Company, both through exploration and acquisition, has significantly increased its resource inventory at the Kunanalling project from approximately 38,000 ounces upon listing to the current 291,000 ounces. A comprehensive review of the existing geological models and an assessment of all relevant data were undertaken. Where appropriate new block modelling and grade estimation was also completed. Modelling was completed largely in-house with

Company entered into three separate agreements with Placer Dome Asia Pacific Ltd (“Placer”) whereby Cazaly acquired blocks of ground adjoining leases in the Kunanalling area. Similarly agreements have been finalized with other parties to consolidate the ownership of the Kunanalling Shear. The regionally significant and under-explored Kunanalling Shear transects the tenement holding and is the focus for most gold mineralisation. Cazaly now has access to in excess of 30 kilometres of this highly prospective Shear.

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KUNANALLING PROJECT CASTLE HILL TO MAIN LINE



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RC DRILLING RESULTS

Prospect	Hole ID	GDA North	GDA East	Grid	Dip/Azm	Intersection	g/t Au
Emu	KNRC0001	13,752	4,557	EMU	-60 / 224	33 - 35	2m @ 5.24
	“ “					48 - 49	1m @ 15.2
	“ “					71 - 79 eoh	8m @ 6.53
	KNRC0002	13,730	4,575	EMU	-60 / 224	68 - 71	3m @ 11.5
	“ “				including	68 - 69	1m @ 31.6
	KNRC0003	13,630	4,590	EMU	-60 / 224	76 - 78	2m @ 5.56
KNRC0004	13,521	4,583	EMU	-60 / 224	21 - 24	3m @ 14.2	
	“ “				including		1m @ 28.0
KNRC0007	13,837	4,537	EMU	-60 / 224	76 - 80	4m @ 1.85	
KNRC0025	6,604,722	314,159	GDA51	-60 / 218	45 - 53	8m @ 3.17	
	“ “				including	45 - 46	1m @ 15.6
	“ “					60 - 62	2m @ 6.89
	“ “					79 - 87	8m @ 1.72
Premier Sth	KNRC0008	6,604,509	315,427	GDA51	-60 / 215	56 - 59	3m @ 2.35
Bluebell Sth	KNRC0021	6,602,384	317,235	GDA51	-60 / 225	62 - 63	1m @ 23.4
	KNRC0053	6,602,327	317,326	GDA51	-60 / 225	12 - 14	2m @ 2.54
	KNRC0055	6,602,385	317,180	GDA51	-60 / 225	32 - 36	4m @ 9.97
					incl.	32 - 34	2m @ 17.1
Catherwood	KNRC0029	6,605,245	314,585	GDA51	-60 / 220	24 - 49	25m @ 1.76
	“ “				including	24 - 32	8m @ 3.29
Lady Dorie	KNRC0028	6,605,668	313,933	GDA51	-60 / 225	38 - 43	5m @ 1.58
	KNRC0030	6,605,616	314,080	GDA51	-60 / 225	87 - 93	6m @ 1.71
	KNRC0031	6,605,537	314,012	GDA51	-60 / 225	16 - 17	1m @ 5.11
	KNRC0032	6,605,586	314,106	GDA51	-60 / 225	50 - 56	6m @ 3.29
	KNRC0034	6,605,502	314,102	GDA51	-60 / 225	33 - 34	1m @ 14.0
	KNRC0035	6,605,622	314,032	GDA51	-60 / 225	32 - 40	8m @ 4.79
Rajax	KNRC0045	6,595,000	320,700	GDA51	-60 / 270	73 - 74	1m @ 5.57
	KNRC0048	6,595,215	320,820	GDA51	-60 / 270	32 - 36	4m @ 2.16
	“ “					68 - 69	1m @ 3.08
KNRC0051	6594770	320540	GDA51	-60 / 270	30 - 32	2m @ 33.1	

NB: Samples assayed by fire assay with an AAS finish. Intervals based on nominal 1 g/t Au cut-off.

RAB Drilling Results							
Prospect	Hole ID	GDA North	GDA East	Grid	Dip/Azm	Intersection	g/t Au
Bluebell	KNRB0015	6,602,390	317,133	GDA51	-60 / 224	48 – 49	1m @ 1.68
South	KNRB0026	6,602,371	317,231	GDA51	-60 / 224	27 – 28	1m @ 1.16
	KNRB0028	6,602,351	317,194	GDA51	-60 / 224	9 – 12	3m @ 12.0
	“ “					10 – 11	1m @ 29.7
	KNRB0036	6,602,359	317,330	GDA51	-60 / 224	38 – 40	2m @ 1.30
	KNRB0040	6,602,302	317,263	GDA51	-60 / 224	32 – 35	3m @ 2.08
Star of Freo	KNRB0077	6,601,530	317,830	GDA51	-60 / 220	12 – 13	1m @ 1.79
	“ “	6,601,530	317,830	GDA51		15 – 16	1m @ 2.02
Carcross	KNRB0102	6,608,655	310,210	GDA51	-60 / 233	32 – 34	2m @ 3.34
	KNRB0106	6,608,700	310,100	GDA51	-60 / 233	11 – 12	1m @ 16.7
Lady Dorie	KNRB0112	6,605,675	313,940	GDA51	-60 / 225	20 – 23	3m @ 5.14
	KNRB0113	6,605,660	313,925	GDA51	-60 / 225	13 – 15	2m @ 4.56
	“ “	6,605,660	313,925	GDA51		21 – 29	8m @ 2.20

NB: Samples assayed by fire assay with an AAS finish. Intervals based on nominal 1 g/t Au cut-off.

More recently the company has finalised a major regional study over its extensive holdings in the region. The work has resulted in the generation of numerous targets which will be assessed in the forthcoming year. Several styles of mineralisation have been targeted and include several conceptual targets.

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Better drill results from the **Kunanalling area** purchased from Placer include **7m @ 142 g/t, 7m @ 12.4 g/t, and 14m @ 3.02 g/t Au** at the Emu Prospect and **17m @ 2.22 g/t and 10m @ 5.85 g/t Au** at the Catherwood Prospect.

The company entered into a further agreement with Placer over the **Castle Hill** project which is contiguous with the northern extent of the company's project along the Kunanalling Shear. The project displays a significant zone of continuous gold mineralisation associated with the Kintore Tonalite and its associated porphyries and apophyses including the resources at *Mick Adams and Wadi*. The Kunanalling Shear runs along the contacts of the tonalite and hosts numerous historic workings.

Several significant exploration targets exist in the area including several RC holes with significant intercepts (eg: **44m @ 1.32 g/t Au**) which require further work. The eastern margin of the Kintore tonalite hosts a continuous soil anomaly extending for over 6 kilometres through the extent of the project. Much of this anomaly has been tested by RAB drilling with results outlining several significant areas of mineralisation that require follow up work. The project has the potential to host large, low grade porphyry hosted mineralisation and narrower, higher grade shoots associated with narrow porphyry within the greenstones.

A further agreement was reached with Placer and Hampton Hill Mining NL to acquire a 100% interest in their Northlander Project, located in the southern portion of, and contiguous with, the company's project area. The acquisition contains the advanced Rajax-Melva Maie prospects. Promising drill results from the Rajax area include **2.4m @ 50.2 g/t, 3m @ 16.2 g/t and 2m @ 12.6 g/t Au**. Other intersections located elsewhere in the area requiring follow-up work include **4m @ 5.8 g/t Au** at Amphibolite and **3m @ 4.4 g/t Au** at SayShelf.

The Company also secured an option to acquire from Mines and Resources Australia Pty Ltd ("MRA") their 51% interest in their **Cutter's Ridge** Gold Project. The project is located approximately 20 kilometres north of Coolgardie and is contiguous to the east of the Northlander ground. The acquisition contains the Cutter's Ridge resource of **648Kt @ 1.8 g/t Au**. Mineralisation at Cutters Ridge occurs at the intersection of major east-west faults and a particularly brittle granophyre unit within the Powder Sill. The White Foil gold deposit (~1 M oz Au), situated just 6 kilometres to the east and recently mined by MRA, occurs in exactly the same geological setting on the eastern flank of the Powder Sill syncline. Several similar geological settings are situated within this granophyre unit elsewhere in the company's ground and are targets for future exploration.

These acquisitions further complement the Company's existing resource and exploration base and further expand the significant exploration potential of the Kunanalling project. Furthermore, the agreements continue the Company's philosophy of focusing on gold assets with the potential for near term cashflow whilst consolidating its key project over a regional scale.

Exploration Completed

Work conducted by the Company at Kunanalling initially comprised the compilation of a detailed geological map for the region and the collation of a comprehensive digital database. Several phases of RC and RAB drilling have also been conducted following an assessment of the compiled data. In all a total of 121 RAB holes for 4,178 metres and 57 RC holes for 3,945 metres were drilled mostly along the main line of workings within the Kunanalling Shear.

Results from this drilling are tabled below. Work largely concentrated on the main line of workings extending from the Star of Fremantle through to Inkerman around the historic open cut mines. This work further defined the known mineralisation in the area and located several new prospects which are the focus of ongoing exploration. Some of the new zones defined include Lady Dorie which occurs immediately along strike of the Catherwood pit and at Bluebell South which is the faulted continuation of mineralisation observed in the old Bluebell pit.

Quartz Circle Project

Heritage surveys completed, drilling commenced

The Quartz Circle project is situated in the Eastern Pilbara region of Western Australia and is prospective for base metals and gold. Currently Straits Resources is earning 70% equity through the expenditure of \$1M whilst Cazaly retains management of the project.

The project demonstrates 'textbook' style base metal zonation around a syn-volcanic intrusive within a felsic volcanic pile. Surface and near surface secondary mineralisation is suggestive of a large mineralised system while the results from recent geophysical surveys have highlighted a very large anomaly consistent with a disseminated sulphide rich orebody occurring at depth. This target has yet to be adequately drill tested.

Following the successful conclusion of negotiations with the relevant Native Title party claimants a heritage survey was recently conducted which allowed the tenements to be granted.

The area was tested in 2002 by MIM Limited who utilized

DRILL RESULTS - QUARTZ CIRCLE

Hole	North (MGA94)	East (MGA94)	From (M)	To (M)	Interval (m)	Au (g/t)	Cu (%)
QCRD0001	7601509	208525	160.95	163.0	2.05		0.18
			174.0	179.0	5.0		0.10
			203.95	214.0	10.05		0.22
			251.0	252.17	1.17	0.70	0.32
			263.75	270.0	6.25	0.18	0.16
			279.03	282.25	3.22	1.20	
			361.55	384.21	22.66	0.48	
QCRD0002	7601357	207960	176.0	180.0	4.0 *		0.11
			204.0	208.0	4.0 *	3.51	
			236.0	240.0	4.0 *	0.27	0.11
			248.0	251.0	3.0	0.43	
QCRD0003	7601243	208113	155.5	158.0	2.50	0.36	
			178.0	182.0	4.0 *	2.18	
			202.0	206.0	4.0 *		0.27
			240.0	248.0	8.0 *		0.11
QCRD0004	7601095	207690	158.0	162.0	4.0 *	2.15	
			216.0	220.0	4.0 *	2.32	
			244.0	245.0	1.0		0.37
			251.0	252.0	1.0		0.16

NB: * Samples are 4 metre chip composites taken from drill core.

The presence of widespread surface and near surface mineralisation in association with the low order mineralisation and alteration recorded from the recent drilling and the fact that the main geophysical anomaly remains to be explained indicates that further work is required over the project.

their in-house geophysical system called MIMDAS. MIMDAS is an advanced Induced Polarisation and Resistivity surveying method which synchronises potential electrode and magneto telluric data acquisition to provide exceptional quality data. The use of these refinements allows more reliable interpretation of survey results than that provided by other technologies. The survey highlighted a very strong coincident Chargeable and Conductive anomaly consistent with a massive sulphide system. This, in conjunction with widespread near surface copper-gold mineralisation, indicates the potential presence of a significant copper-gold sulphide system at depth in the area.

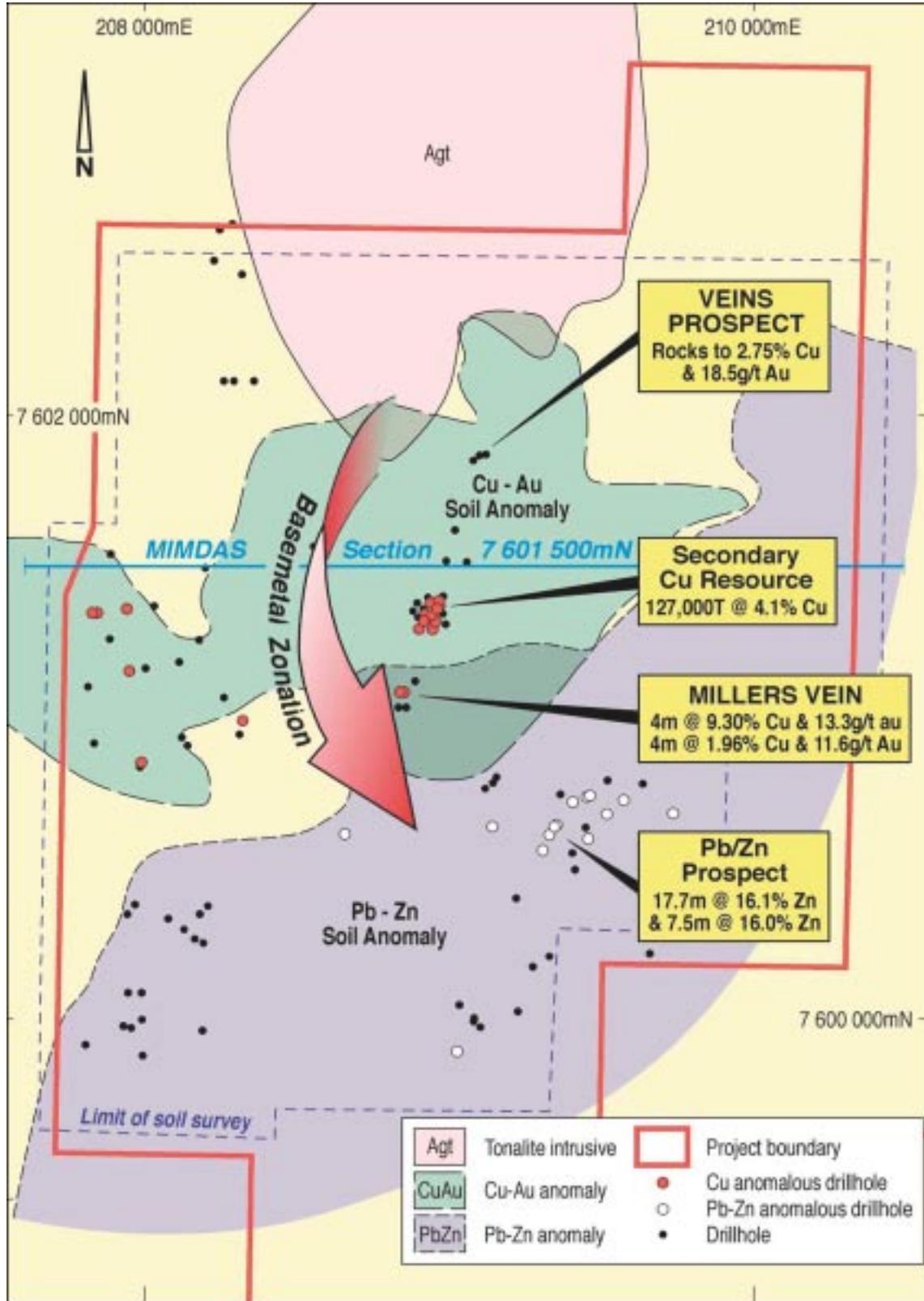
A short drilling programme was conducted comprising just 4 RC/Diamond core holes. Only 1 drillhole (QCRD001), however, targeted the deep coincident MIMDAS anomaly. The other holes targeted a shallow conductive chargeable anomaly further to the west beneath previous anomalous intercepts.

All holes intersected felsic volcanic lithologies, varying from rhyolites to dacites with minor porphyritic felsic intrusions. Anomalous Cu and Au values were intersected in all holes. **Disseminated chalcopyrite within broad zones of silica alteration** was widely observed in all holes indicative of the presence of a potentially large Cu-Au mineralised system.

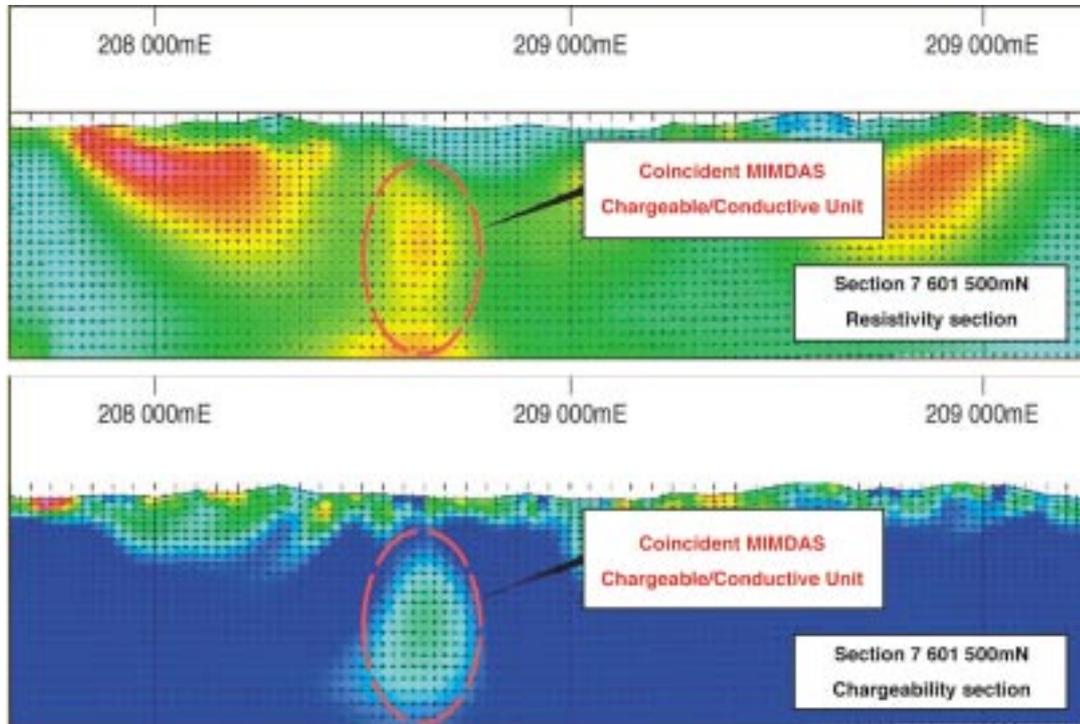
QCRD0001 targeted the prominent MIMDAS anomaly. The hole returned a best Copper result of **10.05m @ 0.22% Cu** from 203.95m in a rhyodacite unit with minor disseminated chalcopyrite. Several significant gold intercepts were also returned including **3.22m @ 1.20g/t Au** from 279.03m and **22.66m @ 0.48g/t Au** from 361.55m associated with strongly silica-pyrite altered dacite. Significantly **the drilling failed to explain the large conductive anomaly** and further drilling and potentially downhole geophysics is required to investigate the anomaly.

QCRD0002 – QCRD0004 targeted anomalous copper results from historic drilling which was coincident with a

QUARTZ CIRCLE - GEOLOGICAL SETTING



QUARTZ CIRCLE - MIMDAS LINE 7,601,500N



shallow, flat lying geophysical anomaly. Numerous anomalous Copper intersections were returned with a best result of **4m @ 0.27% Cu** from 202m in QCRD0003. Copper values are associated with minor disseminated chalcopyrite typically hosted by dacitic volcanics. Several significant gold intersections were also returned including **4m @ 3.51g/t Au** from 204m in QCRD0002. Gold is associated with narrow quartz-pyrite veins.

East Kalgoorlie Project

Large gold and nickel project situated immediately east of Kalgoorlie. Potential for Kanowna Belle style gold and komatiite hosted nickel deposits.

The East Kalgoorlie project comprises a large semi-contiguous tenement holding situated immediately to the east of Kalgoorlie in the Eastern Goldfields of Western Australia. The project covers over 140 square kilometres and is strategically located just 15 kilometres to the east of Kalgoorlie (+60Moz Au) and around the +5Moz Kanowna Belle gold mine. The project is particularly prospective for gold and nickel and is located in a highly mineralised district. Aside from the world class mining centres of Kalgoorlie and Kanowna Belle the district also hosts the Golden Ridge,

Boorara, Balagundi, Perkollili and Bulong gold mining centres, the Blair and Bulong nickel mining centres and the Boorara silver deposit.

Gold Prospectivity

The historical gold mining centres within the district typically coincide with areas of outcropping greenstone lithologies. With the majority of the project area being under surficial cover much of the project remains highly prospective. Geologically, the area is sub-divided into three key Domains separated by major regional scale structures. These domains are called the Corsair, Harper Lagoon and Hampton Hill Structural Zones and are separated by the Kanowna Shear and the Mount Monger Fault.

Several styles of gold mineralisation are present throughout the project area and include large tonnage Kanowna Belle style porphyry related gold and smaller, high-grade lode-style gold mineralisation.

Gold mineralisation at Kanowna Belle (KB) is related to the re-activation of the Fitzroy Shear, a D2 thrust ramp, during the major regional D3 gold mineralising event. The arcuate nature of the shear, and its predominant east-west orientation, lends itself to major dilation which explains the

development of the significant mineralisation at Kanowna Belle. The geological sequence west of the Mount Monger Fault is particularly prospective for the development of such arcuate thrusts and is considered **highly prospective for KB style mineralisation**. The Company controls a significant position in this area which also covers **over 8km of the Kanowna Shear**. A significant conceptual target exists where the shear intersects with the Mount Monger Fault. The Kanowna Shear is itself known to host gold mineralisation at the 'Crossroads' prospect owned by Jackson Gold Limited who have recently dealt their Kalgoorlie Gold project, which abuts the Company's project, to Placer Dome who will explore the area for KB style gold deposits.

Previous shallow exploration in this area has confirmed the prospectivity with numerous elevated gold values being recorded. Better RAB drill intercepts include; **2m @ 5.45 g/t Au** and **1m @ 9.67 g/t Au**. No detailed work targeting a KB model has previously been conducted in the area.

Situated immediately north of the Kanowna Belle mine is a block of tenements comprising the company's Kanowna Lights project. The area hosts lithologies and structures similar to those occurring at KB including a major east-west oriented thrust which is associated with gold mineralisation to the east of the area at Golden Feather. Previous exploration in the area delineated a small zone of supergene gold mineralisation in the southeast corner where a shallow resource of **173,000t @ 1.3 g/t gold** was outlined. Only minimal deep drilling has been conducted below the resource and the potential, at depth, for KB style mineralisation needs to be further investigated. Other targets also exist in this area including deep lead mineralisation found in the northwest of the block and numerous RAB intercepts including; **5m @ 3.66 and 2m @ 6.87 g/t Au**.

Elsewhere in the project area, previous work comprised aeromagnetic surveying, soil surveying and RAB and Aircore drilling with several significant drill results being returned including **45m @ 1.65g/t Au** from the Hake prospect. Other plus 1 g/t gold values were also returned from previous drilling at Hake where a sequence of sheared basalts and dolerites host mineralisation below a veneer of surficial cover. Several gold in soil anomalies were also generated from this regional work including a particularly extensive anomaly (1.5km by 1.0km) at the Gnamma prospect where only minor broad spaced drilling has occurred in the past.

Nickel & Base Metal Prospectivity

A significant portion of the project area in the south is underlain by ultramafic lithologies of the Bulong Complex

which are prospective for nickel sulphides and volcanogenic massive sulphide (VMS) Cu-Zn mineralisation. The area is part of the world class Kambalda nickel province - a region that has seen the mining of nickel sulphide ore bodies for the past 35 years and has recently become an area of major focus for exploration and nickel discoveries.

The southern end of the project is situated immediately to the north and along strike of the recently commissioned Blair Nickel Mine which has a current resource of **325,500t @ 2.9% Ni** and a historic production of **1Mt @ 2.53% Ni**. The project also lies just 5 kilometres southwest of the Bulong nickel centre.

The area is dominated by a sequence of komatiitic lithologies which are the main host rocks to the bulk of nickel sulphide mineralisation in the Kambalda to Bulong districts. The basal section of one particular komatiitic flow is in contact with felsic sediments and extends **for over 4 kilometres**. This setting is typical of the 'Kambalda style' nickel mineralisation and is considered particularly prospective. Initial drilling along the contact has yielded several drill results of up to **4m @ 0.73% Ni**. A VMS target has also been identified from drilling beneath an outcropping gossan in the same area with coincident multi-element results including; **0.12% Cu, 575 ppm Zn, 1.8 g/t Ag and 680 ppm Pb**.

In the southwest three Komatiite units have been identified occurring below approximately 15m of surficial cover. Anomalous nickel has been recorded from historic drilling and is coincident with anomalous copper indicating that the mineralisation would be related to nickel sulphides rather than Ni silicates (laterite). Historically the area has been explored for Ni in the 1970s however this was mostly in areas of subcropping to outcropping lithologies.

Merolia / Wilga Hill

Prospective ground within the Laverton Tectonic Zone, along strike from AI Minerals' Brightstar prospect

The Merolia and Wilga Hill Projects are located in the Laverton region of Western Australia within the Laverton Tectonic Zone. The region has produced several million ounce gold deposits including the world class Sunrise Dam/ Cleo and Wallaby ore bodies. The projects cover approximately 1500 hectares of ground and are particularly prospective for gold. The main north-west trending structure hosting the newly discovered Brightstar prospect extends into the Merolia Project area.

The Wilga Hill area also covers major north-northeast structures. Minor northeast trending sinistral structures appear to be common within the project area, both within

Mount Clifford

Nickel-gold project situated in highly active area.

The Mt Clifford project is located 50km north-north east of Leonora within the Mt Malcolm District of the Mt Margaret Mineral Field in the Eastern Goldfields Province of W.A. The project covers the elongate north-northwest trending, strongly sheared, Mt Clifford Greenstone belt. Several separate ultramafic belts are recognised within the sequence, including the Marshall Pool Syncline, located immediately north & west of the project area. The project lies just 20 kilometres south of the 2.8Moz Thunderbox gold mine and is surrounded by several base metal and nickel deposits (*Teutonic Bore, Jaguar, Marshall Pool, Marriot*).

The Thunderbox deposit occurs along a basalt/sediment contact 20km to the north-northwest. Regional shear systems, sub-parallel to the Keith-Kilkenny lineament, are traceable from Thunderbox into the northern part of the project area. A north-south orientated basalt/felsic volcanic contact can be traced through the central portion of the project area and this together with the intersection of north-northwest shear structures, are deemed as a priority target. Elsewhere, ultramafic and basalt contacts in the southern portion of the project area and sheared lithological contacts associated with the Clifford fault are also prospective. Ultramafics in the south of the project occur along strike of Mt Newman, a dunite hosted nickel prospect, and require further work for the exploration of nickel sulphides.

PROJECTS IN JOINT VENTURE

Major projects successfully divested whilst the Company retains free-carried interests and preserves funds for the Kunanalling project.

Further to the Company's philosophy of focusing on it's key project several of the Company's non-core projects have been recently successfully divested.

Mount Vettors

(Discovery Nickel Ltd. To earn 75%)

The company recently concluded an agreement to sell a 75% interest in its Mount Vettors nickel project to Discovery Nickel Limited. The Mount Vettors Project occurs immediately to the south of the mining leases covering the Silver Swan and Black Swan nickel sulphide deposits. Within the Mount Vettors project is a 9km long magnetic anomaly which may represent the southern strike extent of the ultramafic rocks hosting the nickel sulphide mineralisation at

Silver Swan (640,000 t @ 9.5% Ni) and Black Swan (10.4 Mt @ 0.83% Ni).

Discovery Nickel purchased a 75% interest in the Mount Vettors project for the issue of 770,000 Discovery Nickel shares to Cazaly and a commitment to sole fund exploration up until the commencement of a bankable feasibility study on any mineral discovery. A sum \$100,000 will have to be spent on exploration within 12 months of signing the purchase agreement.

Discovery Nickel have recently conducted a ground electromagnetic (EM) survey over the area and followed up with one RC drill hole. Results however were inconclusive with no significant mineralisation intersected.

Mount Carrington

(Drake Resources Ltd. earning 90%)

The Company recently concluded an Option and Sale Agreement with Drake Resources Limited ("Drake") for 90% of Cazaly's interest in the Mount Carrington Project.

The Mount Carrington project is a polymetallic (primarily gold and silver) project situated within the north-central part of the New England Fold belt in the northern goldfields of New South Wales. The project has a long history of mining. During the 1980s large scale open cut gold mining operations were undertaken with mining ceasing in 1990 following increasing metallurgical and grade control difficulties encountered once the mining reached the primary ore zones. These difficulties were believed to be largely due to the polymetallic nature of the orebody, with respect to the CIL plant being used, and a poor understanding, at the time, of the geological controls.

The project will be Drake's major focus who intends to conduct an intensive drilling programme immediately upon listing.

Menzies

(Great Australian Resources Ltd. earning 80%)

The company has reached agreement with Great Australian Resources Ltd ("GAR") whereby GAR may earn an 80% interest in the Menzies project. As part of the agreement GAR is obliged to conduct a minimum of 1,000 metres of drilling.

GAR has already conducted some drilling over the project testing a small number targets mainly based on the Cigar Prospect. The drilling intersected mainly mafics and some key mineralised structures with several encouraging gold hits

indicating that the mineralisation is open along strike both to the north and south. GAR also drilled 2 RC holes into a sulphide nickel target. Results were very encouraging and included; **9m @ 1.31% Ni and 10m @ 0.9% Ni**. Follow up magnetic, electromagnetic and geochemical surveys are planned at the prospect.

Yilgangi / Rainbow

(Jackson Gold Ltd. earning 90%)

The Company has entered into a farm out agreement with Jackson Gold Limited ("Jackson") over its Yilgangi and Rainbow tenements situated in the Edjudina district of the Eastern Goldfields. Jackson may earn a 90% interest in Exploration Licence application 31/627, Prospecting Licence 31/1420 and Mining Lease application 31/175.

Bardoc / Goongarrie

(Scimitar Resources Ltd. Earning 65%)

The Company has reached an agreement with Scimitar Resources Limited ("Scimitar"), a private company, whereby Scimitar may earn a 65% interest in the projects. The projects lie within the Bardoc Tectonic Zone between Kalgoorlie and Menzies which host numerous historic mining centres including the Goongarrie open cut mines operated by Julia Mines in the 1980s.

South Kalgoorlie

(Golden Mile South Ltd earning 51%)

A farm-in agreement has been reached with Golden Mile South Limited ("GMS") whereby GMS may earn an initial 51% interest in a group of eleven Prospecting Licences situated immediately southeast of Kalgoorlie. GMS is a private company currently aiming to list on the ASX this year.

OTHER PROJECTS

Several other projects located in active exploration and mining districts. Several projects newly acquired via pegging activities.

The Company continues to utilise its in-house acquisition skills and has made several low-cost tenement applications which provide the Company with a "project pipeline". These, together with existing projects, have enabled the Company to hold tenure over a large range of projects situated throughout Western Australia.

In brief these projects include;

Broads Dam (P16/2244,2245)

Recent application in the Kuranalling District. Objection lodged by former owner who has applied for restoration of former license. Lease contains Indicated and Inferred resources of 1,273,000 t @ 3.1g/t Au. Matter to be heard by the Mining Warden in September 2004.

Mt White (E36/506)

Agnew District, gold mineralisation occurs at the Patty prospect.

Cosmos North (E36/501)

Lies just 3km north of the Cosmos nickel mine and 3 km south of the Kathleen gold camp.

Yerilla (E31/626)

Historic gold mining district. Adjacent to the Lady Byron and Boyce Creek lateritic Nickel deposits.

Lynas Find (P45/2557-2560, 2561-2567)

Covers the previously mined Lynas Find deposits. Remnant ore exists in and below the Iron Stirrup and Zakananka pits.

Northampton (E66/049) Historic base metal mining district. Includes the Wheel of Fortune, Baddera and Kathleen's Hope workings.

Mt Howe (E39/986)

Situated in the Edjudina district immediately south of the Butcher Well and Tin Dog Flat gold areas. Hosts several old shafts.

Forrestania (E74/326)

Large licence covering almost 20km of strike between the Digger Rocks and Cosmic Boy nickel deposits within the Forrestania greenstone belt.

Ora Banda (P24/3926-3934)

Two blocks of ground in historic gold mining area. Covers the previously mined Wellington open cut mine.

Austin Downs (E20/555)

Situated within the historic Cuddingwarra mining centre near the Big Bell gold mine in the Murchison region of WA.

Bounty (E77/1214)

Licence surrounds the now closed Bounty gold mine situated within the Forrestania greenstone belt. The project is prospective for nickel and gold with a review to commence shortly

SUMMARY

The company has had been highly active in advancing its assets since listing on the ASX in late October 2003. The company immediately expanded its tenure and resource base at Kunanalling through a strategic alliance with Placer Dome as well as acquisition of other nearby resources. This has been followed up with detailed exploration and good early results from drilling at Kunanalling.

During the forthcoming year the Company will

1. Complete additional drilling at Kunanalling aimed at increasing the growing resource base;

2. Remodel existing resources using current economic parameters;
3. Continue the process of consolidating the Kunanalling shear so as to allow for maximum leverage to exploration success;
4. Aim to economically exploit the Kunanalling project, so as to capitalise on the infrastructure advantages inherent in a project located approximately 35 kilometres from the world class mining centre of Kalgoorlie.

The completion of these objectives will assist the Company in attaining our goal of moving into production in the short term whilst becoming a significant Australian owned gold producer.

The company is well positioned to take advantage of rising gold, copper and silver prices through its aggressive exploration programmes over its highly prospective resource projects.



Nathan McMahon
Managing Director



Clive Jones
Managing Director

Information in this report pertaining to mineral resources and exploration results was compiled by Mr. Clive Jones and Mr. Mike Young who are Members of the Aus.I.M.M with not less than 5 years experience in the relevant fields, and who consent to the report appearing in the form and context in which it appears.

DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2004

1. DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Nathan McMahon	(appointed 15 August 2003)
Clive Jones	(appointed 15 September 2003)
Kent Hunter	(appointed 15 August 2003)
Andrew McBain	(resigned 15 September 2003)
Martin Brennan	(resigned 15 August 2003)
Peter Vassileff	(resigned 15 August 2003)

2. PRINCIPAL ACTIVITIES

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

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

3. OPERATING RESULTS

The loss of the Company after providing for income tax amounted to \$55,394 (2003: \$2).

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

Following the successful listing on the ASX on 31st October 2003 exploration and development work has been focused on the Kunanalling project. Consolidation and further exploration of the project has resulted in a four fold increase of resources since listing.

The Company controls over 150 square kilometres within the Kunanalling project and significant exploration success has been achieved within the project area, with specific emphasis at the Emu (8m @ 6.53g/tAu), Blue Bell South (3m@12g/t Au) and Rajax (2m @ 33.1g/t Au).

Significant exploration progress has been made in the Kunanalling project following detailed structural studies and regional exploration programs including RAB drilling and reverse circulation drilling.

Deep reverse circulation drilling aimed at testing a significant copper-gold anomaly was undertaken at Quartz Circle, under the management of Cazaly but funded by Straits Resources Ltd.

The Company has continued its policy of providing cost effective access to exploration projects which provide shareholders with significant exposure to exploration upside. During the past year the Company has entered into several joint venture agreements with companies such as Discovery Nickel Ltd, Scimitar Resources Ltd and Great Australian Resources Ltd.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

- On 8 September 2003, the Company issued 8,650,000 fully paid shares at \$0.001 each to parties involved in the promotion, management and fund raising activities of the company.
- On 12 September 2003, the Company issued 470,000 fully paid shares at \$0.10 each, for the purpose of raising seed capital.
- On 7 October 2003, the Company issued 2,030,000 fully paid shares at \$0.10 each, for the purpose of raising seed capital.
- On 24 October 2003 the Company issued 1,800,000 ordinary shares at various prices to various vendors of properties to the Company as set out in the prospectus issued by the Company and dated 14 October 2003.
- On 27 October 2003 the Company issued 20,000,000 ordinary shares at \$0.20 each to various parties pursuant to the prospectus issued by the Company and dated 14 October 2003.
- On 15 January 2004 the Company issued 10,354,773 \$0.20 options exercisable on or before 31 January 2006 to current shareholders as stated in the short-form prospectus dated 18 December 2003.
- On 8 March 2004 the Company issued 200,000 ordinary shares at \$0.235 to Southpointe Limited pursuant to the Deed of Assignment of Royalty between Southpointe Limited and the Company.

7. AFTER BALANCE DATE EVENTS

On 7 July 2004 the Company issued 400,000 \$0.30 unquoted options exercisable on or before 2 July 2009 under the employee incentive scheme.

On 15 July 2004 the Company announced that it had finalised a deal with Placer Dome Asia Pacific Ltd ("PDAP") to acquire a 100% interest in Placer's Castle Hill Project for a nominal cash consideration.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

8. FUTURE DEVELOPMENTS

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

9. ENVIRONMENTAL ISSUES

The Company 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.

10. 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 13 years to in excess of 15 public listed mining companies. Mr. McMahon has specialised in native title negotiations, joint venture negotiations and project acquisition due diligence. He is a director of several unlisted mining and exploration companies with interests in platinum group elements, base metals, industrial minerals and diamond exploration.

Interest in Shares and Options

Fully Paid Ordinary Shares	3,883,784
20 cent Options expiring on 31 January 2006	1,086,442
35 cent Options expiring on 28 February 2005	1,500,000
40 cent Options expiring on 30 June 2005	1,500,000

Special Responsibilities

Mr McMahon was a member of the Due Diligence Committee

Clive Jones

Managing Director (Technical)

Qualifications

B.App.Sc(Geol), M.AusIMM.

Experience

Mr Jones has been involved in mineral exploration for over 21 years and has worked on the exploration for a range of commodities including gold, base metals, mineral sands, diamonds and industrial minerals. Mr Jones was also previously a director of Mount Burgess Mining Ltd, where he oversaw the discovery of the high grade Red October gold deposit situated in the Eastern Goldfields of Western Australia. Mr Jones is also a director of Jackson Gold Limited.

Interest in Shares and Options

Fully Paid Ordinary Shares	3,250,000
20 cent Options expiring on 31 January 2006	1,050,000
35 cent Options expiring on 28 February 2005	1,000,000
40 cent Options expiring on 30 June 2005	1,000,000

Special Responsibilities

None

Kent Hunter

Non-Executive Director

Qualifications

B.Bus, CA.

Experience

Mr Hunter is a Chartered Accountant with over 10 years' corporate and company secretarial experience. He has been involved in the listing of eight exploration companies on ASX in the past three years with capital raisings exceeding \$30 million. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a director of Gryphon Minerals Limited and Elixir Petroleum Limited and is company secretary of two other ASX Listed entities.

Interest in Shares and Options

Fully Paid Ordinary Shares	827,300
20 cent Options expiring on 31 January 2006	275,766

Special Responsibilities

Mr Hunter was a member of the Due Diligence Committee.

11. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

Disclosure relating to directors' and executive officers' emoluments has been included in Note 4 of the financial report.

ANNUAL REPORT

Cazaly Resources Limited 2004

12. MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial period each director held office during the financial period and the number of meetings attended by each director are:

Options granted under the Cazaly Resources Limited Short Form Prospectus dated 18 December 2003, at an issue price of \$0.01 each:

Director	Directors Meetings		Due Diligence Committee	
	Number Eligible to Attend	Meetings Attended	Number Eligible to Attend	Meetings Attended
N McMahon	4	4	5	5
C Jones	4	4	-	-
K Hunter	4	4	5	5
A McBain	-	-	-	-
M Brennan	-	-	-	-
P Vassileff	-	-	-	-

The Company 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.

13. INDEMNIFYING OFFICERS OR AUDITOR

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

14. OPTIONS

Options that were granted during or since the financial year by the company to directors.

Options granted under the Cazaly Resources Limited Prospectus dated 14 October 2003:

- 1,500,000 options expiring on or before 28 February 2005 granted to Mr McMahon at an exercise price of \$0.35.
- 1,000,000 options expiring on or before 28 February 2005 granted to Mr Jones at an exercise price of \$0.35.
- 1,500,000 options expiring on or before 30 June 2005 granted to Mr McMahon at an exercise price of \$0.40.
- 1,000,000 options expiring on or before 30 June 2005 granted to Mr Jones at an exercise price of \$0.40.

- 1,086,442 options expiring on or before 31 January 2006 granted to Mr McMahon at an exercise price of \$0.20.
- 1,050,000 options expiring on or before 31 January 2006 granted to Mr Jones at an exercise price of \$0.20.
- 275,766 options expiring on or before 31 January 2006 granted to Mr Hunter at an exercise price of \$0.20.

15 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 company was not a party to any such proceedings during the year.

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



Clive Jones
Managing Director

24 August 2004

Directors' Report

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	30 June 2004 \$	30 June 2003 \$
Revenues from ordinary activities	2	287,811	-
Employee benefits expense		(49,691)	-
Depreciation and amortisation expense		(23,988)	-
Borrowing costs expense		(92)	-
Administrative expense		(44,478)	(2)
Advertising and promotional expenses		(32,591)	
Consultancy expenses		(46,511)	-
Compliance and Regulatory expenses		(24,048)	-
Communication expenses		(18,948)	-
Occupancy expenses		(27,140)	-
Other expenses from ordinary activities		(75,718)	-
Loss from ordinary activities before income tax expense/benefit	3	(55,394)	(2)
Income tax expense/benefit relating to ordinary activities	6	-	-
Net Loss attributable to members		(55,394)	(2)
Total changes in equity other than those resulting from transactions with owners as owners		(55,394)	(2)
Basic earnings (loss) per share (cents per share)	17	(0.23)	-
Diluted earnings (loss) per share (cents per share)	17	(0.16)	-

The accompanying notes form part of these financial statements

Statement of Financial Performance

Cazaly Resources Limited 2004
ANNUAL REPORT

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	NOTE	30 June 2004 \$	30 June 2003 \$
CURRENT ASSETS			
Cash assets	7	2,436,132	-
Receivables	8	174,681	-
TOTAL CURRENT ASSETS		2,610,813	-
NON CURRENT ASSETS			
Other financial assets	9	37,995	-
Plant & equipment	10	90,801	-
Other assets	11	1,930,180	-
TOTAL NON CURRENT ASSETS		2,058,976	-
TOTAL ASSETS		4,669,789	-
CURRENT LIABILITIES			
Payables	12	238,381	-
Provision	13	4,754	-
TOTAL CURRENT LIABILITIES		243,135	-
TOTAL LIABILITIES		243,135	-
NET ASSETS		4,426,654	-
EQUITY			
Contributed equity	14	4,482,050	2
Accumulated losses	15	(55,396)	(2)
TOTAL EQUITY		4,426,654	-

The accompanying notes form part of these financial statements.

Statement of Financial Position

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	30 June 2004 \$	30 June 2003 \$
Cash Flows from Operating Activities			
- Payments to suppliers and employees		(402,018)	-
- Interest received		105,538	-
- Other revenue		90,000	-
- Interest paid		(92)	-
- Payments for exploration and evaluation		(817,173)	-
<hr/>			
<i>Net cash used in operating activities</i>	18	(1,023,745)	-
Cash Flows From Investing Activities			
- Proceeds from sale of exploration assets		60,000	-
- Proceeds from sale of equity investments		10,703	-
- Purchase of plant and equipment		(114,789)	-
- Purchase of exploration assets		(525,004)	-
- Purchase of equity investments		(49,083)	-
<hr/>			
<i>Net cash used in investing activities</i>		(618,173)	-
Cash Flows from Financing Activities			
- Proceeds from issue of securities		4,365,199	-
- Payment for costs of issue of securities		(287,149)	-
<hr/>			
<i>Net cash provided by financing activities</i>		4,078,050	-
<hr/>			
Net increase in cash held		2,436,132	-
Cash Assets at 1 July 2003		-	-
<hr/>			
Cash Assets at 30 June 2004	7	2,436,132	-

The accompanying notes form part of these financial statements

Statement of Cash Flows

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the Company of Cazaly Resources Limited. Cazaly Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and Equipment

Plant and equipment are measured on the cost basis.

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 which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements

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

(b) Income tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the loss from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

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

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

(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 Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(e) Investment

Shares in listed companies held as current assets are valued by directors at those shares' market value at each balance date. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

Non-current investments are measured on cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(f) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(g) Cash

For the purpose of the Statements of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

(h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other 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.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

(i) 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. 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 statement of cash flows 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.

(j) Adoption of Australian Equivalent to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the company's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the company's accounting policies which will arise from the adoption of IFRS are:

Exploration and evaluation costs

AASB was informed by the International Accounting Standards Board (IASB) that at a recent meeting, the IASB decided to fully grandfather national GAAP, such as Australia's existing area of interest method of accounting for exploration costs, for both producers and exporters, until such time as the IASB produces a comprehensive extractive industry IFRS.

As soon as the IASB has incorporated this decision into its standards, the AASB will produce an Australian equivalent so as to allow extractive industry companies to take advantage of the grandfathering in their 2005 transition to Australian equivalents of IFRSs.

Hence under AASB 1047 requirements, it would be reasonable for companies in the extractive industries to disclose at 30 June 2004 that the impact of changes from the current AASB 1022 are not yet determinable due to the above issues.

Impairment of Assets

The company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequently disposed. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely

that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Income Tax

Currently the company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefits. Under the Australian equivalent to IAS 12, the company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and account profit.

(k) 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.

Joint Venture Operations

Cazaly has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity due to the fact that the policies are those of the participants, not a separate entity carrying on a trade or a business of its own.

The financial statements of Cazaly include its share of the assets, liabilities and cash flows in such joint venture operations, measured in accordance with the terms of each arrangement, which is usually pro-rata to Cazaly's interest in the joint venture operations.

(l) 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.

	2004 \$	2003 \$
2. REVENUE		
Operating activities		
- interest received	107,108	-
- option fees	90,000	-
- other revenue	90,703	-
Total Revenue	287,811	-

3. LOSS FROM ORDINARY ACTIVITIES

<i>Loss from ordinary activities before income tax has been determined after:</i>	2004	2003
	\$	\$
(i) Expenses		
Borrowing costs		
- other persons	92	-
Depreciation of non-current assets		
- plant and equipment	22,969	-
- amortisation of leasehold improvements	1,019	-
	<hr/> 23,988	<hr/> -
Rental expense on operating leases		
- minimum lease payments	20,833	-
Write down of investments	24,088	-

4. DIRECTORS' AND EXECUTIVE REMUNERATION

a) Name and positions held by directors' in office at any time during the financial year are:

Mr Nathan McMahan	Managing Director
Mr Clive Jones	Managing Director
Mr Kent Hunter	Director

The following Directors received no remuneration to the date of their resignation.

Mr Andrew McBain	Director (resigned 15 September 2003)
Mr Martin Brennan	Director (resigned 15 August 2003)
Mr Peter Vassileff	Director (resigned 15 August 2003)

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

	Salary & Fees	Super- annuation Contribution	Cash Bonus	Non Cash Benefits	Post Employment Super- annuation Contribution	Equity Options	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
N B McMahan (i)	72,500	-	-	-	-	-	-	72,500
C B Jones(ii)	88,750	-	-	-	-	-	-	88,750
K M Hunter(iii)	39,790	1,687	-	-	-	-	-	41,477
	201,040	1,687	-	-	-	-	-	202,727

(i) An aggregate amount of \$72,500 was paid, or was due and payable to Kingsreef Pty Ltd, a company controlled by Mr Nathan McMahan, for the provision of corporate and tenement management services to the Company.

- (ii) An aggregate amount of \$88,750 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.
- (iii) An aggregate amount of \$21,040 was paid, or was due and payable to Mining Corporate Advisory Services Pty Ltd, a company controlled by Mr Kent Hunter, for the provision of company secretarial services to the Company.
- (iv) Messers A. McBain, M Brennan and P Vassileff were paid no remuneration during the year to the date of their resignation.

2003								
	Salary & Fees	Super-annuation	Cash Bonus	Non Cash Benefits	Post Employment Super annuation	Equity Options	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
P Vassileff	-	-	-	-	-	-	-	-
M Brennan	-	-	-	-	-	-	-	-
A McBain	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

(c) Option Holdings

Number of 20 cent Option expiring 31 January 2006 held by Directors and Executive

	Balance 1.7.03	Granted as Remuneration	Options Exercised	Net Change other	Balance 30.06.04	Total Vested	Total Exercisable	Total Unexercisable
N B McMahon	-	-	-	1,086,442	1,086,442	1,086,442	1,086,442	-
C B Jones	-	-	-	1,050,000	1,050,000	1,050,000	1,050,000	-
K M Hunter	-	-	-	2,412,208	2,412,208	2,412,208	2,412,208	-

(d) Shareholdings

Number of Shares held by Directors and Executive

	Balance 1.7.03	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.06.04
N B McMahon	-	-	-	3,883,784	3,883,784
C B Jones	-	-	-	3,250,000	3,250,000
K M Hunter	-	-	-	827,300	827,300
	-	-	-	7,961,084	7,961,084

(e) Remuneration Practices Policy

Directors' Remuneration was approved by resolution of the Board on 24 December 2003.

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with

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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.

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

5. AUDITORS' REMUNERATION

	2004	2003
	\$	\$
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	8,500	-
- Other services	2,500	-
	11,000	-

6. INCOME TAX

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax benefit on loss from ordinary activities before income tax at 30%	16,618	-
Add (Less)		
Tax effect of:		
- Permanent Differences	(65)	-
- Tax effect of timing differences not brought to account	300,879	-
- Future income tax benefit not brought to account	(317,432)	-
Income tax attributable to operating loss	-	-

Potential future income tax benefits attributable to tax losses and exploration expenditure carried forward amounting to approximately \$320,000 have not been brought to account at 30 June 2004 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as virtually certain. These benefits will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

	2004 \$	2003 \$
7. CASH ASSETS		
Cash at bank	285,494	-
Petty cash	400	-
Deposits at call	2,150,238	-
	2,436,132	-
8. RECEIVABLES		
Current		
Other debtors	174,681	-
9. OTHER FINANCIAL ASSETS		
Current		
Shares in listed corporations, at market value	37,995	-
10. PROPERTY, PLANT AND EQUIPMENT		
Property, Plant and Equipment		
At cost	65,587	-
Accumulated depreciation	(17,537)	-
	48,050	-
Office Furniture and Equipment		
At cost	16,584	-
Accumulated depreciation	(1,918)	-
	14,666	-
Motor Vehicle		
At cost	27,273	-
Accumulated depreciation	(3,514)	-
	23,759	-
Leasehold Improvement		
At cost	5,345	-
Accumulated amortisation	(1,019)	-
	4,326	-
	90,801	-

- (i) Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the current financial year

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2004	Plant and Equipment \$	Office Furniture \$	Motor Vehicles \$	Leasehold Improvements \$	Total \$
Balance at the beginning of the year	-	-	-	-	-
Additions	65,587	16,584	27,273	5,345	114,789
Disposals	-	-	-	-	-
Depreciation/expense	(17,537)	(1,918)	(3,514)	(1,019)	(23,988)
Carrying amount at the end of the year	48,050	14,666	23,759	4,326	90,801

11. OTHER ASSETS

	2004 \$	2003 \$
Non-Current		
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases - at cost	1,883,180	-
- Royalty assets	47,000	-
	1,930,180	-

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's 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 Company's 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.

12. PAYABLES

	2004 \$	2003 \$
Current		
Unsecured		
Trade creditors	200,313	-
Application Fund	3,000	-
Other creditors and accrued expenses	35,068	-
	238,381	-

13. PROVISION

	2004 \$	2003 \$
Current		
Provision for Annual Leave	4,754	-
Employees		
Number of employees at year end	3	-

14. CONTRIBUTED EQUITY

	2004 \$	2003 \$
33,150,002 Fully paid ordinary shares (2003: 2) - (a)	4,378,502	2
10,354,773 Options (2003: Nil) - (b)	103,548	-
	4,482,050	2

(a) *Ordinary Shares*

At the beginning of the reporting period	2	-
Shares issued during the year		
- 2 on 20 June 2002	-	2
- 8,650,000 on 8 September 2003	8,650	-
- 470,000 on 12 September 2003	47,000	-
- 2,030,000 on 7 October 2003	203,000	-
- 1,800,000 on 24 October 2003	360,000	-
- 20,000,000 on 27 October 2003	4,000,000	-
- 200,000 on 8 March 2004	47,000	-
Transaction costs relating to share issues	(287,150)	-
At reporting date	4,378,502	2

	2004 No.	2003 No.
Fully Paid		
At the beginning of the reporting period	2	-
Shares issued during the year		
- 2 on 20 June 2002	-	2
- 8,650,000 on 8 September 2003	8,650,000	-
- 470,000 on 12 September 2003	470,000	-
- 2,030,000 on 7 October 2003	2,030,000	-
- 1,800,000 on 24 October 2003	1,800,000	-
- 20,000,000 on 27 October 2003	20,000,000	-
- 200,000 on 8 March 2004	200,000	-
At reporting date	33,150,002	2

	2004 \$	2003 \$
(b) <i>Options</i>		
At the beginning of the reporting period	-	-
- 10,354,773 on 31 January 2004	103,548	-
- At reporting date	103,548	-

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	2004 No.	2003 No.
<i>(b) Options</i>		
At the beginning of the reporting period	-	-
- 10,354,773 on 31 January 2004	10,354,773	-
At reporting date	10,354,773	-
<ul style="list-style-type: none"> • On 8 September 2003, the Company issued 8,650,000 fully paid shares at \$0.001 each to parties involved in the promotion, management and fund raising activities of the company. • On 12 September 2003, the Company issued 470,000 fully paid shares at \$0.10 each, for the purpose of raising seed capital. • On 7 October 2003, the Company issued 2,030,000 fully paid shares at \$0.10 each, for the purpose of raising seed capital • On 24 October 2003 the Company issued 1,800,000 ordinary shares at various prices to various vendors of properties to the Company. • On 27 October 2003 the Company issued 20,000,000 ordinary shares at \$0.20 each to various parties pursuant to the prospectus issued by the Company and dated 14 October 2003. • On 15 January 2004 the Company issued 10,354,773 \$0.20 options exercisable on or before 31 January 2006 to current shareholders as stated in the short-form prospectus dated 18 December 2003. • On 8 March 2004 the Company issued 200,000 ordinary shares at \$0.235 to Southpointe Limited pursuant to the Deed of Assignment of Royalty between Southpointe Limited and the Company. 		

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.

	2004 \$	2003 \$
15. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial period	(2)	-
Net loss attributable to members	(55,394)	(2)
Accumulated losses at the end of the financial period	(55,396)	(2)

16. FINANCIAL INSTRUMENTS

(a) *Interest Rate Risk*

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

2004	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Fixed Interest maturing over 1 to 5 years	Non- interest bearing	2004 Total
	\$	\$	\$	\$	\$
Financial assets					
Cash	285,494	2,150,238	-	400	2,436,132
Receivables	-	-	-	174,681	174,681
Investments	-	-	-	37,995	37,995
	285,894	2,150,238	-	212,676	2,648,808
Weighted average					
Interest rate	4.00%	5.37%			
Financial Liabilities					
Payables	-	-	-	238,381	238,381
Interest bearing liabilities	-	-	-	-	-
	-	-	-	238,381	238,381
Weighted average interest rate					
Net financial assets	285,894	2,150,238	-	(25,705)	2,410,427

2003	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Fixed Interest maturing over 1 to 5 years	Non- interest bearing	2003 Total
	\$	\$	\$	\$	\$
Financial assets					
Cash	-	-	-	-	-
Receivables	-	-	-	-	-
Investments	-	-	-	-	-
	-	-	-	-	-
Weighted average					
Interest rate					
Financial Liabilities					
Payables	-	-	-	-	-
Interest bearing liabilities	-	-	-	-	-
	-	-	-	-	-
Weighted average interest rate					
Net financial assets	-	-	-	-	-

(b) *Net Fair Values*

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

	2004 Carrying Amount \$	Net Fair Value \$	2003 Carrying Amount \$	Net fair Value \$
On-balance sheet financial instruments				
Financial assets				
Cash and deposits	2,436,132	2,436,132	-	-
Receivables	174,681	174,681	-	-
Investments	37,995	37,995	-	-
	2,648,808	2,648,808	-	-
Financial liabilities				
Payables	238,381	238,381	-	-
Interest bearing liabilities	-	-	-	-
	2,410,427	2,410,427	-	-

(c) *Credit Risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

17. EARNINGS PER SHARE

	2004 \$
(a) Earnings / (Loss) used in the calculation of basic EPS	(55,394)
	Number of Shares
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share:	23,705,344
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted earnings per share:	34,129,254

18. CASH FLOW INFORMATION

	2004	2003
	\$	\$
(i) Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax		
- (Loss) from ordinary activities after income tax	(55,394)	-
Non-cash flows in operating loss		
- Depreciation	22,969	-
- Amortisation	1,019	-
- Profit on sale of shares	3,703	-
- Provision for diminution of investment	24,088	-
Cash flows not in operating loss		
- Payments for exploration and evaluation	(817,173)	-
Changes in assets and liabilities		
- Decrease/(Increase) in operating receivables & prepayments	(174,682)	-
- Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	(33,029)	-
- Movement in provisions	4,754	-
Net cash inflows (outflows) from Operating Activities	(1,023,745)	-

(ii) There were no non-cash financing and investing activities.

(iii) The Company has no credit standby arrangements with banks.

19. COMMITMENTS

On 10 November 2003 the Company entered into a lease agreement with Giorgio Longo and Clotilda Aurora Longo for the premises known as entire First Floor, 22 Oxford Close, Leederville, Western Australia. The initial term, is for two (2) years expiring on 30 September 2005 in consideration for a rental fee of \$30,000 per annum.

The commitments outlined below are contingent on the Company exercising its rights to acquire exploration assets pursuant to option agreements detailed below.

In order to maintain rights of tenure to mining tenements subject to these agreements, the Company 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:

	2004	2003
	\$	\$
Not longer than one year	1,150,380	-
Longer than one year, but not longer than five years	1,305,380	-
Longer than five years	1,305,380	-
	3,761,140	-

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

Joint Venture Commitments

The Company has entered into the following joint ventures:

International Goldfields Agreement - IGL Projects

On 28 July 2003 Cazaly entered into a Tenement Sale and Purchase Agreement with International Goldfields Ltd ("Vendor"), for the consideration of a cash payment and the issuing of a royalty of \$1/dry tonne mined and milled on any future production for the IGL Projects.

Mt. Vettors Project - Exploration Licence 27/277 And Prospecting Licences 27/1603 To 27/1605

On 1 March 2004 Cazaly entered into an Joint Venture Agreement with Discovery Nickel Ltd. (DNL), whereby DNL in consideration of issuing Cazaly 770,000 shares in DNL, Cazaly shall grant to DNL, the sole and exclusive right to earn a 75% interest in the Mt. Vettors Project by:

- (a) Sole funding exploration until the commencement of a bankable feasibility study; and
- (b) Expending a minimum of \$100,000 in the first year.

Upon commencement of a feasibility study Cazaly may elect to contribute or dilute according to standard industry formula.

East Kalgoorlie Project

On 14 April 2004 Cazaly have entered into a Joint Venture Agreement with Planet Mining Ltd. ("Planet") whereby through an initial option payment of \$30,000 (thirty thousand dollars) Planet has the right to exercise the Option to acquire an

80% interest in the Project by:

- (a) Payment of \$170,000 for the projects upon listing (\$100,000 for the nickel project and \$70,000 for the gold project) on the ASX and the issue of shares in the purchaser having a value of \$200,000 (\$100,000 worth of shares for each project); and
- (b) Undertaking 5,000 metres of reverse circulation and/or diamond drilling within 36 months of listing on the nickel project and undertaking to complete 3,000 metres of reverse circulation and/or diamond drilling within 36 months of listing on the gold project.

Cazaly may elect to contribute after Planet has completed the earn in phase with standard industry dilution clauses applying or convert to a 1.5% Net Smelter Return.

This Agreement is conditional upon Planet listing on the ASX by 30th September 2004 but may be extended by agreement of both parties.

Placer Dome Asia Pacific Agreement - Kunanalling Project

On 9 December 2003 Cazaly hereby offers to acquire the Kunanalling project from Placer dome Asia Pacific Limited ("PDAP") whereby Cazaly is the register holder or is entitled to be registered of the holder and beneficial owner of the Kunanalling project and Tenements. A payment sum the PDAP the sum of \$57,000 and assignment to Cazaly 100% interest in the Kunanalling Project provided that PDAP will retain;

- (i) the once off right exercisable within 60 days of being notified of the establishment of 500,000 or more once resources on the Kunanalling Project to clawback a 70% interest in respect of the resource area.
- (ii) PDAP the right to explore for conceptual targets within a declared area of the Kunanalling Project at Cazaly Resources Ltd Expense. Any discovery of 500,000 or more ounces would be deemed to be owned 70% by PDAP and 30% by Cazaly Resources. Any resource discovery of less than 500,000 ounces would continue to be 100% owned by Cazaly Resources.
- (iii) the option to acquire or to process any ore produced from the project owned or acquired by Cazaly Resources within 100km of the treatment plant.
- (iv) a 2% net smelter royalty on all gold produced from the Kunanalling

Hampton Hill Mining Agreement - Northlander Project

On 5 March 2004 Cazaly hereby offers to acquire a 49% interest in the Northlander Project from Hampton Hill Mining NL. Hampton Hill Mining is the registered holder or is entitled to be registered as the holder and 49% beneficial owner of the Northlander Project and the Tenements. In consideration of Cazaly resources paying Hampton Hill Mining the sum of \$21,000, Hampton Hill Mining will assign 49% interest in the Northlander Project provided that;

- (i) Hampton Hill Mining will retain the once off right within 60 days of being notified of the establishment of a 500,000 or more ounce resource on the Northlander Project, to claw back a 34.3% interest or a 70% interest if Placer Dome Asia Pacific Limited does not exercise its equivalent rights within the 60 day period.
- (ii) a 0.98% Net Smelter Returns Royalty on all gold produced from mine within the Northlander Project.
- (iii) the right to explore for conceptual targets within a declared area of the northlander Project. Any reluctant resourced discovery of 500,000 or more ounces would be deemed to be owned 70% by Hampton hill Mining (this will be subject to clawback, the respective interest would then be PDAP 35.7% Hampton Hill Mining 34.5% and Cazaly Resources Ltd 30%. Any resource discovery of less than 500,000 ounces would continue to be 100% owned by Cazaly Resources.

Placer Dome Asia Pacific Agreement - Northlander Project

On 5th March 2004 Cazaly hereby offers to acquire a 51% interest in the Northlander Project from Placer Dome Asia Pacific Ltd ("PDAP"). PDAP is the registered holder or is entitled to be registered as the holder and 51% beneficial owner of the Northlander Project and the Tenements. In consideration of Cazaly resources paying PDAP the sum of \$21,930, PDAP will assign 51% interest in the Northlander Project provided that;

- (i) PDAP will retain the once off right within 60 days of being notified of the establishment of a 500,000 or more ounce resource on the Northlander Project, to claw back a 35.7% interest or a 70% interest if Hampton Hill Mining NL does not exercise its equivalent rights within the 60 day period.
- (ii) a 1.02% Net Smelter Returns Royalty on all gold produced from mine within the Northlander Project.
- (iii) the right to explore for conceptual targets within a declared area of the northlander Project. Any reluctant resourced discovery of 500,000 or more ounces would be deemed to be owned 70% by Hampton Hill Mining (this will be subject to clawback, the respective interest would then be PDAP 35.7% Hampton Hill Mining 34.5% and Cazaly Resources Ltd 30%. Any resource discovery of less than 500,000 ounces would continue to be 100% owned by Cazaly Resources.

Mines And Resources (Australia) Pty. Ltd - Cutters Ridge Agreement

On 16th February 2004 Cazaly have hereby offer to acquire the full rights of Mines and Resources Australia Pty. Ltd, in the Cutters Ridge project, from Mines and Resources Australia upon and subject to the following terms and conditions.

- (i) Payment of the sum of \$10,000 (ten thousand Dollars) (Option Fee) Mines and Resources shall grant to us as from the day of the completion of the due diligence period, the sole and exclusive right to acquire 100% of the MRA's interest in the Cutters Ridge Projects. Cazaly Resources shall make the payment of \$10,000 as consideration for sole access to the exploration and mining data.

Cazaly may acquire a 100% interest in MRA's rights to the Cutters Ridge Project within 12 months of the expiry of the due diligence period by;

- (i) payment of \$20,000 cash and issuing MRA with share sin Cazaly worth \$80,000.
- (ii) incurring exploration expenditure of \$125,000 during the Option period.

Peripheral Tenement/Project Farmout Option Agreements

The Company has entered into several Farmout Option Agreements that are conditional upon third parties listing on the ASX.

Third parties are responsible for the management of the Greater BTZ, Menzies, Yilgangi, East Kalgoorlie projects.

20. SEGMENT INFORMATION

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

21. EVENTS SUBSEQUENT TO REPORTING DATE

On 7 July 2004 the Company issued 400,000 \$0.30 unquoted options exercisable on or before 2 July 2009 under the employee incentive scheme.

On 15 July 2004 the Company announced that it had finalised a deal with Placer Dome Asia Pacific Ltd ("PDAP") to acquire a 100% interest in Placer's Castle Hill Project for a nominal cash consideration.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

22. 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

An aggregate amount of \$72,500 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.

An aggregate amount of \$88,750 was paid, or was due and payable to Widerange Corporation Pty Ltd, a company controlled by Mr Clive Jones, for the provision of geological management services to the Company.

An aggregate amount of \$21,040 was paid, or was due and payable to Mining Corporate Advisory Services Pty Ltd, a company controlled by Mr Kent Hunter, for the provision of company secretarial services to the Company.

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the Company and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 4

(b) to the accounts.

These transactions were made on commercial terms and conditions and at market rates.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 21 to 41, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the Company; and
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Clive Jones
Managing Director

Perth, **24th August 2004**



Independent Audit Report to the Members of Cazaly Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows, accompanying notes to the financial statements, and the Directors' Declaration for Cazaly Resources Limited, for the financial year ended 30 June 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Cazaly Resources Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



RIX LEVY FOWLER
Chartered Business Advisors



GEORGE LAZAROU
Partner

DATED at PERTH this 24th day of August 2004

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the company as at 13 July 2004 was as follows

Number Held as at 13 July 2004	Class of Equity Securities	
	Fully Paid Ordinary Shares	31 January 2006 Options
1-1,000	2	3
1,001 - 5,000	18	68
5,001 - 10,000	49	80
10,001 - 100,000	304	125
100,001 and over	52	19
TOTALS	425	295

Holders of less than a marketable parcel: - fully paid shares 0

Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 13 July 2004.

Shareholder	Number
Clive Bruce Jones	3,000,000
Nathan Bruce McMahon	2,800,000

Unquoted Securities

Class of Equity Security	Number	Number of Option Holders
28 February 2005 Options - \$0.35	3,500,000	3
30 June 2005 Options - \$0.40	3,500,000	3

Restricted Securities

The Company has issued the following restricted securities:

Class of Equity Security	Number	Date Ceasing To Be Restricted Securities
Ordinary Fully Paid	235,000	12 September 2004
	1,015,000	7 October 2004
	1,800,000	24 October 2004
	8,650,000	31 October 2004
28 February 2005 Options - \$0.35	3,500,000	31 October 2005
30 June 2005 Options - \$0.40	3,500,000	30 June 2005

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.

ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily mineral exploration.

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders and 31 January 2006, 20 cent option holders as at 13 July 2004 are as follows:

Name	Number of Ordinary Full Paid Shares Held	% Held of Issued Ordinary Capital	Name	Number of 31 January 2006 Options Held	% Held of Class of Equities
Clive Bruce Jones	3,000,000	9.047	Clive Bruce Jones	1,000,000	9.637
Nathan Bruce McMahon	2,800,000	8.444	Nathan Bruce McMahon	933,334	8.995
CPA Financial Services	1,800,000	5.428	MAC 110 Nominees	593,993	5.724
International Goldfields	750,000	2.261	Corless Farms	258,334	2.489
Kent Michael Hunter	750,000	2.261	Ms Kathryn Yule	250,000	2.409
Gwynvill Trading Pty Ltd	600,000	1.809	Kent Michael Hunter	250,000	2.409
Dacin Nominees	600,000	1.809	Cleland Projects Pty Ltd	208,334	2.007
Ms Kathryn Yule	551,990	1.664	Mr Nicholas Peter Downes	200,000	1.927
Ms Kathryn Yule	500,000	1.507	Dacin Nominees	200,000	1.927
Mr Cyril Alan Ryman	493,000	1.486	Mr Robert Francis Brady	170,000	1.638
Kingsreef Pty Ltd	484,470	1.461	Tricom Nominees Pty Ltd	170,000	1.638
Mr Jan William Pothof	426,106	1.28	Mr Cyril Alan Ryman	166,667	1.606
Kingsreef Pty Ltd	409,314	1.234	Ms Kathryn Yule	166,667	1.606
Virotec International Ltd	350,000	1.055	Mr Donald Struan Robertson	133,334	1.285
Mr/Mrs Mervyn & Shirley Bassett	350,000	1.055	Katrina Downes	125,000	1.204
Mr David Davidson	300,000	0.904	Mr Andrew Paul Knight	120,000	1.156
Saxon Holdings Pty Ltd	300,000	0.904	Kubena Pty Ltd	117,673	1.134
Shoc Pty Ltd	300,000	0.904	Mr/Mrs Mervyn & Shirley Bassett	16,667	1.124
Mr Michael Charles Young	300,000	0.904	Bluebone Pty Ltd	108,334	1.044
Corless Farms (WA) Pty Ltd	289,905	0.874	Mr/Mrs John Richard & Janet Elizabeth Frame	175,000	0.992
	15,354,785	46.296		5,388,337	51.922

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 Principles of Good Corporate Governance and Best Practice Recommendations. 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.

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.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at http://www.asx.com.au/about/CorporateGovernance_AA2.shtm.

Recommendation		Section
Recommendation 1.1	Functions of the Board and Management	1.1
Recommendation 2.1	Independent Directors	1.2
Recommendation 2.2	Independent Chairman	1.2
Recommendation 2.3	Role of the Chairman and CEO	1.2
Recommendation 2.4	Establishment of Nomination Committee	2.3
Recommendation 2.5	Reporting on Principle 2	1.2, 1.4.6, 2.3.2 and the Directors' Report
Recommendation 3.1	Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2	Company Security Trading Policy	1.4.9
Recommendation 3.3	Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1	Attestations by CEO and CFO	1.4.11
Recommendation 4.2	Establishment of Audit Committee	2.1
Recommendation 4.3	Structure of Audit Committee	2.1.2
Recommendation 4.4	Audit Committee Charter	2.1
Recommendation 4.5	Reporting on Principle 4	2.1
Recommendation 5.1	Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2	Reporting on Principle 5	1.4.4
Recommendation 6.1	Communications Strategy	1.4.8
Recommendation 6.2	Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1	Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2	Attestations by CEO and CFO	1.4.11
Recommendation 7.3	Reporting on Principle 7	2.1.3
Recommendation 8.1	Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1	Remuneration Policies	2.2.4
Recommendation 9.2	Establishment of Remuneration Committee	2.2
Recommendation 9.3	Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4	Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5	Reporting on Principle 9	2.2.2 and 2.2.4
Recommendation 10.1	Company Code of Conduct	3

I. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company. To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr K Hunter is a Non-Executive Director, however is not an independent director as he does not meet the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr K Hunter is a Non-Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

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

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

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- **Leadership of the Organisation:** overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- **Strategy Formulation:** to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- **Overseeing Planning Activities:** the development of the Company's strategic plan.
- **Shareholder Liaison:** ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- **Monitoring, Compliance and Risk Management:** the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- **Company Finances:** approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- **Human Resources:** appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- **Ensuring the Health, Safety and Well-Being of Employees:** in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- **Delegation of Authority:** delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;

- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

Due to the size of the Company, the Board does not consider it appropriate to implement a Share Trading Policy. Rather, it reminds directors, officers and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information".

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The evaluation process was introduced via the Board Charter adopted on 30 June 2004 and will be implemented for the financial year ended 30 June 2005. The objective of this evaluation will be to provide best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole.

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of three (3) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. However, in accordance with the ASX Listing Rules, the Company is moving towards establishing an audit committee consisting primarily of Independent Directors.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to

the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 24 December 2003.

2.2.3.1 Senior Executive Remuneration Policy

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.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

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

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Company Code Of Conduct

The Board has decided against the implementation of a code of conduct as it does not believe that it is in the best interests of its employees or other stakeholders to have what purports to be an exhaustive code of conduct. The Board feels that such a code may be too prescriptive and not allow the employees the discretion they need to best serve the Company's stakeholders.

SCHEDULE OF MINERAL TENEMENTS AS AT 7 JULY 2004

PROJECTS	TENEMENTS	PROJECTS	TENEMENT
Austin Downs	1ELA	Kunanalling - Placer JV	15M's, 13MLA's, 9P's, 2PLA's
Bounty	1ELA	Kunanalling 100%	1ELA, 1EL, 2M's, 50PLA's
Broads Dam	2 PLA's	Kunan - Cutters Ridge JV	1M, 1MLA, 4P's
Cosmos Nth	1ELA	Kunan - Northlander	1M, 9MLA's, 17P's, 2PLA's
East Kal	30P's, 45PLA's, 1EL, 2ELA's, 3MLA's, 3M's	Lynas Find	4PLA's
East Kal - Yamarna JV	11PLA's	Merolia	1EL, 2ELA's, 3P's.
East Kal - Jackson JV	2P's, 1PLA	Mt. Howe	1ELA
Forrestania	1ELA	Mt. Vettors JV	1EL, 3P's, 3PLA's
GBTZ - Bardoc	3M's, 3P's, 21PLA's	Mt. White	2ELA's
GBTZ - Goong.	9P's, 1PLA	Mt. Clifford	1ELA, 2P's, 1PLA
GBTZ - Menzies	9P's, 18P's	Ora Banda	10PLA's
Hampton	1P	Jutson Rocks	2ELA's
Quartz Circle 100%	1ELA, 2PLA's	Wilga Hills	1EL, 2P's
Yerilla	1ELA	Yilgangi - JV	1ELA, 1P, 1MLA

Notes

EL = Granted Eexploration Licence

MLA = Mining Lease Application

M = Granted Mining Lease

ELA= Exploration Licence Application

P = Granted Prospecting Licence

PLA = All tenements are 100% owned unless detailed in Note 19 of the Joint Venture Summary.

Cazaly Resources Limited 2014
**ANNUAL
REPORT**

Projects Review



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Facsimile: (08) 381 5911



www.cazalyresources.com.au

Corporate Directory

MANAGING DIRECTOR

Nathan McMahon

MANAGING DIRECTOR

Clive Jones

NON-EXECUTIVE DIRECTOR & COMPANY SECRETARY

Kent Hunter

PRINCIPAL & REGISTERED OFFICE

First Floor, 22 Oxford Close
WEST LEEDERVILLE WA 6007
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STOCK EXCHANGE LISTING

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(Home Exchange: Perth, Western Australia)
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