CAZALY RESOURCES LIMITED
ACN 101 049 334

Annual Mineral Exploration Report

Acacia Bore – EL25653

For the Period
20 August 2007 to 19 August 2008

Northern Territory

Exploration Activities on Tenements: EL25653

Sheet 1:250 000: Illogwa Creek (SF 53-15)
Sheet 1:100 000: Quartz (5951) Limbia (5950)
                     Brahma (6051) Illogwa (6050)

Project Operator: Cazaly Resources Limited

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              2. Cazaly Resources Limited
              3. Mithril Resources Limited
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1.0 SUMMARY

The Annual Mineral Exploration Report on the Mt Isabel Project (EL25653) details exploration activities undertaken by Cazaly Resources Limited (Cazaly) during the reporting period from 20 August 2007 to 19 August 2008.

The tenement is located on the eastern margin of the Arunta Block and Amadeus Basin approximately 160 km east of Alice Springs. The project is located on the Illogwa Creek (SF 53-15) 1:250,000 map sheet and the corner point of the Quartz (5951), Limbla (5950), Brahma (6051) and Illogwa (6050) 1:100,000 map sheets.

During the reporting period Cazaly conducted an open file data search over the tenement and geological review.
2.0 INTRODUCTION

The Annual Mineral Exploration Report on EL25653 details exploration work undertaken by Cazaly Resources Limited (Cazaly) during the reporting period from 20 August 2007 to 19 August 2008.

Exploration Licence EL25653 is located on the eastern margins of the Arunta Block and Amadeus Basins, approximately 160km east of Alice Springs.

Access is gained by travelling east along the sealed Ross Highway from Alice Springs, then either via the gravel Newmery Road to the Hale River to access the southern portion of the tenement or via station tracks from Arltunga to access the northern portion of the tenement. Station tracks are of varying condition which may be difficult to access after heavy rain.

Cazaly formed a Joint venture with Mithril Resources Limited for the tenement during the report year, with Mithril taking over as operator of the Project.

3.0 TENURE

Exploration Licence EL25653 was granted to Sammy Resource Limited (a wholly owned subsidiary of Cazaly Resources Ltd) on the 20th August 2007. The tenement covers 223 sub-blocks equivalent to 680 km².

A Heads of Agreement was signed by Cazaly and Mithril Resources allowing Mithril to earn up to 80% of the mineral rights of the tenement after satisfying various earn-in hurdles. The agreement was formalised shortly after the reporting anniversary and Mithril commenced management of the Project.
4.0 GEOLOGY

The tenement lies within Illogwa Creek 250k Sheet. The Project area is located along the northeastern margin of the Amadeus Basin in a zone of complex deformation and interaction between basement structures and the sedimentary sequence.

The Amadeus Basin sediments overlie the metamorphic rocks of the Arunta Block and post-date the intrusion of the Harts Range pegmatites and dolerites inferred to be part of the Stewart Dyke Swarm. The stratigraphy and geological evolution of the basin is well documented in Korsch and Kennard (1991).

The Amadeus Basin in the Illogwa Creek area has a number of important geological differences to the northern margin of the Amadeus Basin south and west of Alice Springs:
- It is characterized by a thin-skinned tectonic style (thrusts and nappes) with intense folding and thrusting that contrasts with a thick-skinned tectonic style further to the west.
- Only the lower stratigraphic section is preserved (up to the Arumbera Sandstone) and lithological facies are markedly different to those further east.
- There is a wide zone of interaction between the sedimentary sequence and basement structures that verge to the south and southwest.
- Alice Springs age shear zones deforming the basin sequence are associated with widespread greenschist facies retrogression or alteration and these zones are similar to those associated with gold mineralisation at Winnecke and Arltunga (Mackie, 1986; Dirks and Wilson, 1991).

The margin of the basin is structurally complex. In the Oolera Fault Zone, the Heavitree Quartzite, Gillen Member of the Bitter Springs Formation and rocks of the underlying Arunta block are inter-sliced in numerous thrust blocks. Basement cored folds may represent the cores of thrust nappes. A second major zone of overthrusting coincides with the Illogwa Schist Zone and is inferred to represent the lowest thrust-nappe of the Arltunga Nappe Complex (Shaw and Freeman, 1985; Mackie, 1986). Slivers of Heavitree Quartzite have been overridden by retrogressed schists in this zone and the alteration (retrogression) and deformation is similar to that spatially associated with mineralisation at Arltunga (Mackie, 1986; Dirks and Wilson, 1991) and is coeval with that at the base of the White Range Nappe on the Alice Springs 1:250K sheet. Quartz veins with associated sulphides are common in these zones and a single gold bearing copper occurrence in quartz veins in the basement is reported in the vicinity of the Hale River (Shaw and Freeman, 1985). Associated deformation in the cover sequence is complex and appears to be thin skinned in character.
The Arunta Province has been subjected to several regional orogenic events. Significant gold mineralization occurs in extensively deformed zones of faulting, shearing and greenstone metamorphism marking the boundary between the Arunta Province and Amadeus Basin.

5.0 EXPLORATION ACTIVITIES

Exploration by Cazaly Resources Limited during the period included an open file data review and geological compilation.

5.1 Previous Exploration

There have been several explorers in the region previously, exploring a range of commodities including gold, uranium, base metals and diamonds. Some of the more significant exploration efforts are summarised below.

Gutnick Resources took a total of 27 stream sediment samples in the main regional program covering EL10269 which partially overlaps EL 25653. Only the top 5cm of sand from across the active stream channel was sampled. A sample density of 1 sample per 5 sq km was used. The best result was 0.25ppb Au

Rio Tinto explored the Casey Bore area in 1998 covering the eastern Amadeus Basin, an intracratonic basin which began to form about 900Ma, and the Palaeoproterozoic Arunta Block. The contact between the Arunta Block and the Amadeus Basin in the north of the tenement area is marked by a series of E - W trending thrust zones. The southern end of the Woolangi Lineament, a NW - SE trending structural zone, marked in the area by a basement high, the Casey Inlier, also occurs with in the tenement area. Rio conducted detailed geophysical surveys, stream sediment sampling, RAB and RC drilling. Anomalous Cu, Pb, Zn was returned from several phases of drilling.
6.0 CONCLUSION

Open file data review highlighted the prospectivity of the tenement to host significant Au and base metal mineralisation.

Cazaly have sourced an active Joint Venture Partner to enable thorough exploration of this highly prospective Project.