

Iron Ore Exploration

HIGHLIGHTS

Corunna Downs Iron Ore Prospect, Pilbara WA (Gondwana 90-100%)

- **Fugro Airborne Surveys to commence 7,500 line km/50m line spacing aeromagnetic survey in July 2009.**
- **Rock-chip sampling last year produced up to 62.5% Fe.**
- **Regional aeromagnetic and gravity data shows potential for up to 8km of strike.**
- **Helicopter-supported diamond drilling program planned after the wet season to test potential to host an economic DSO hematite deposit.**

Mt Caudan Iron Ore Farm In

- **Updated Iron Ore Resource Estimate to 23.5mt @ av. 55.4%, including 9.8mt in Indicated category and 13.6mt Inferred.**
- **Excellent potential to increase resource remains, open in all directions, only 2.6km from 16km of enriched BIF drilled**
- **Higher quality ore types particularly show exceptional ore characteristics:**
 - **Higher lump (>57%) to fines (<43%) ratio**
 - **Lower than average hardness ores**
 - **Excellent ore chemistry, DSO product**
- **Indicative of a highly marketable ore product**

CORUNNA DOWNS, EAST PILBARA

(Gondwana 100%; adjacent application areas 90%)

Diamond Drill Program

A first-pass drilling program using a helicopter-transportable diamond drill rig is currently being planned to commence in early 2010. Using a helicopter supported rig means that no access tracks will be required to be built or refurbished. Should the results from this diamond drilling program warrant a more extensive RC resource drill-out, an alternative access track will be designed to avoid the sensitive native title sites identified by the Company's 2008 baseline environmental and heritage surveys.

The diamond core will be assayed, with iron accumulations at grade to have metallurgical test work performed. The metallurgical test work will be performed on

- the near-surface haematite component to isolate DSO (direct shipping ore) grade, mineralogy and tonnage; and
- the down-dip magnetite component in order to produce a saleable concentrate using conventional crushing, grinding and flotation techniques.

Detailed Aeromagnetic Survey

Fugro Airborne Surveys are scheduled to commence a 7,500 line km/50m line spacing aeromagnetic and radiometric survey in July 2009. This survey has been designed to follow up last year's positive rock-chip sampling, which produced up to 62.5% Fe.

An 8km continuous aeromagnetic anomaly can be seen in the regional aeromagnetic survey data (400m line spacing) and this corresponds well with the centre of the ground gravity anomaly. The current interpretation is that a haematite-rich iron formation may exist above a magnetite-rich iron formation. This interpretation is based on surface samples of up to 62.5% Fe in rock chip sampling from 2008, existing aeromagnetic data and the Company's October 2008 gravity survey.

To accurately position the diamond drill holes, a 7,500 line km detailed aeromagnetic and radiometric survey contract has just been awarded to Fugro Airborne Surveys, using their low-level Cresco aircraft. Preliminary results from this survey are expected to be released in October 2009.

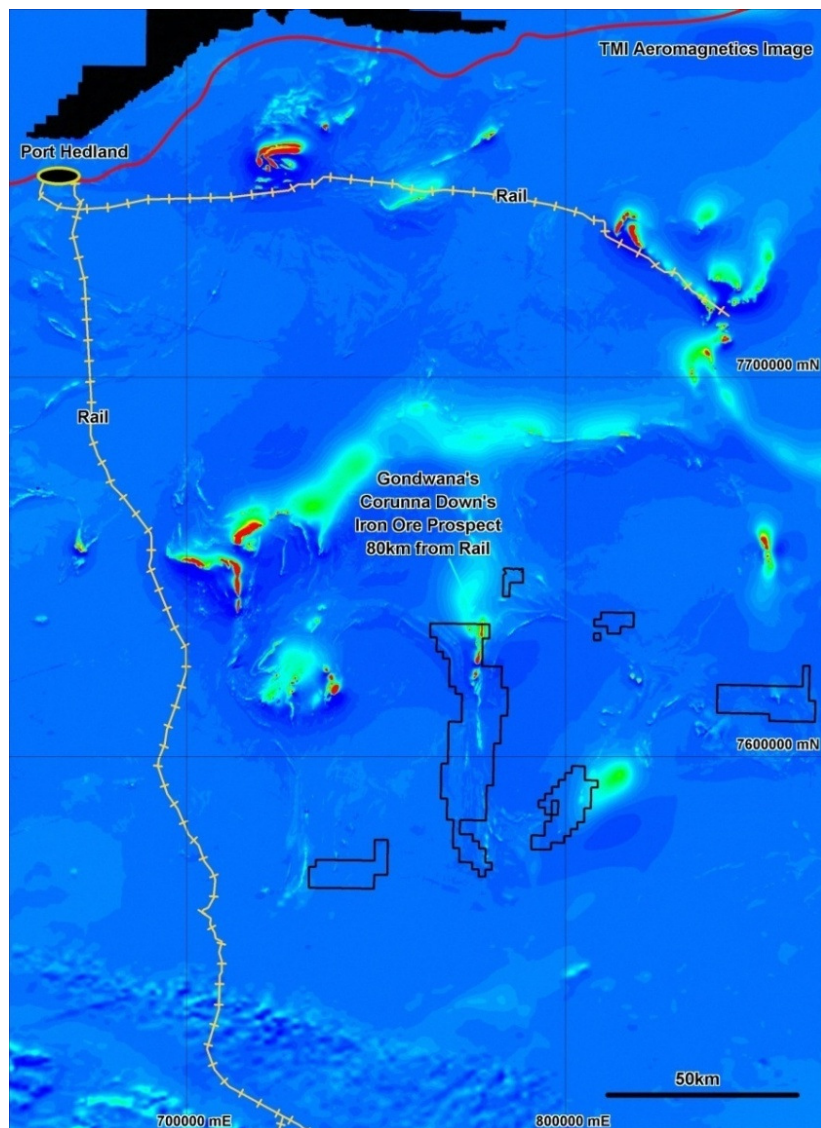


Figure 1 : Regional TMI Aeromagnetics showing large magnetic target at Corunna Downs

New Tenement Applications

The Company has recently completed its obligations and made final payments due under agreements to secure rights to a 90% interest in nine new Exploration Licence Applications totalling almost 1,500 sq km. This represents a major increase in Gondwana's landholding in the East Pilbara region, covering Archaean greenstone sequences located south of Marble Bar and considered prospective for gold, iron ore and base metals including Cu, Zn, Mo, Ni, Sb, Sn, & Ta. Of particular importance, the new area increases the Company's holdings along strike of Corunna Downs's jaspilite sequence by approx. 100%.

Summary

The favourable location of the Corunna Downs prospect (170km SE of Port Hedland and 80km from existing rail infrastructure), the potential magnitude of the target, the average grade of 60.6%Fe in rock-chip sampling, and the fact that the iron occurs at surface are all favourable to the potential development of a DSO operation.

Competent Person Statement – Corunna Downs Project

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

MT CAUDAN IRON JOINT VENTURE

(Cazaly Iron Pty Ltd – operator - earning 80% Iron Ore Rights; Gondwana 15-20% free carried)

Background

The Mt Caudan Iron Project lies approximately 15 kilometres south-east of Marvel Loch and approximately 60 kilometres by road south of the Perth–Kalgoorlie railway near Southern Cross. Cazaly Resources Limited (ASX:CAZ), the parent company of Cazaly Iron Pty Ltd, has announced on 20 May 2009 an upgraded Iron Ore Mineral Resource from the Mt Caudan Iron Project and on 9 June 2009 the results from preliminary metallurgical testwork conducted on ores from the Project. The summary below is an extract from Cazaly's two releases.

May 2009 Resource Estimate

Cazaly announced its Maiden Resource Estimate for Mount Caudan of 18.9mt @ 56.4% Fe in November 2008. This resource update is the result of further investigation of the geology of the deposit and refinement of the geological model.

The resource contains two primary ore-types; a hematite - goethite Banded Iron Formation (BIF) and smaller component of secondary Canga and Detrital ore. All ore types have low levels of deleterious elements and are suitable for Direct Shipping Ore (DSO).

The Indicated and Inferred Resource was estimated by independent mining consultancy group Runge Limited, as follows:

Table 1: Mount Caudan Resources – May 2009

Indicated									
Type	Cut-off Fe %	Tonnes T	Fe %	Al₂O₃ %	P %	SiO₂ %	LOI %	Mn %	S %
Canga	50	1,417,000	53.3	7.0	0.01	8.7	6.2	0.9	0.06
BIF	52	8,434,000	55.0	1.8	0.01	6.7	9.2	2.3	0.08
Total		9,851,000	54.8	2.6	0.01	7.0	8.8	2.1	0.08

Inferred									
Type	Cut-off Fe %	Tonnes T	Fe %	Al₂O₃ %	P %	SiO₂ %	LOI %	Mn %	S %
Canga	50	1,247,000	51.3	8.6	0.01	9.8	6.5	1.1	0.06
BIF	52	12,392,000	56.3	2.8	0.03	6.1	9.2	0.8	0.06
Total		13,639,000	55.8	3.3	0.03	6.4	9.0	0.8	0.06

Total									
Type	Cut-off Fe %	Tonnes T	Fe %	Al₂O₃ %	P %	SiO₂ %	LOI %	Mn %	S %
Canga	50	2,664,000	52.4	7.7	0.01	9.2	6.3	1.0	0.06
BIF	52	20,826,000	55.8	2.4	0.02	6.3	9.2	1.4	0.07
Total		23,490,000	55.4	3.0	0.02	6.6	8.9	1.3	0.07

Refer to Cazaly's ASX release on 20 May 2009 for published Resource Estimate Parameters.

The May 2009 Mineral Resource has been classified into both Inferred and Indicated Mineral Resource categories on the basis of continuity of mineralisation and drillhole spacing. The Indicated portion of the deposit is situated within the central area of the deposit where drill section spacing is less than 120m with relatively continuous mineralisation along strike and down dip.

There is considerable scope to greatly expand the resource through further exploration both along the known strike extent of the enriched BIF and at depth. Currently the deposit has only been drilled down to approximately 100m. Cazaly Iron is confident infill drilling will confirm the consistency of mineralisation and enable the resource category to be raised to Measured and Indicated status.

Meanwhile, further exploration programs are being planned to explore the remainder of the Parker Range Project. Only 2.6km of strike has been tested to date from the enriched BIF horizon that stretches over 16km within the Company's land holding, providing excellent potential for further iron discoveries and resource expansion.

Metallurgical Test Work

Results from testwork on ores from the Mount Caudan deposit were highly encouraging with high Lump to Fines ratio and ore characteristics which indicate a potentially highly marketable product.

Metallurgical test work was conducted by Amdel Mineral Laboratories and reviewed by Independent Metallurgical Operations ("IMO"). Ore composites of the various ore types underwent ore characterisation including the determination of in-situ SG, Uniaxial Compressive Strength, Crusher Work and Abrasion Indices. The ores also underwent drop tower tests to determine the amount of lump and fines products. The dropping procedure was designed to simulate the breakage that occurs due to the blasting in the mining operation, the subsequent crushing as well as the handling that will occur in practice when stacking & reclaiming the ore at the minesite, transporting the ore to the port, dumping the ore, and screening and stockpiling the ore at the port to provide separate lump & fines stockpiles.

A total of 32 composite samples were tested from four ore types recognised. The combined average result for all of these intervals was as follows:

Table 2: Mount Caudan Lump to Fines – All Ore

Product	Mass %	Fe %	Fe+Mn %	SiO ₂ %	Al ₂ O ₃ %	MnO %	P%	LOI %
Lump	53.2	57.4	58.8	4.06	1.43	1.81	0.018	10.1
Fines	46.8	55.5	56.7	5.98	2.48	1.59	0.020	10.0
Calc Head	100.0	56.6	57.9	4.90	1.89	1.72	0.019	10.0

The ore produced a higher than expected percentage of lump, with an average Fe content more typical of Pilbara pisolites. Higher grades were obtained when the ore was broken down into its ore types. The four main ore types in the deposit, as determined by the ore chemical and physical characteristics, were defined as follows:

Mount Caudan Deposit – Ore Types

- **Canga** Canga & Detritals. (~11% of total resource)
- **Type 1** "Hard Ore" A premium, high grade, high density ore (~66%)
- **Type 2** "Fe-Mn Ore" Mn levels >1%, moderate density (~9%)
- **Type 3** "Soft Ore" Soft, lower density, moderate Fe grade, fines dominant (~14%)

On average, the Type 1 and Type 2 ore intervals yielded between 57% & 59% lump, with average grades of between 56.5% and 60% Fe and 1.5% to 2.0% Al₂O₃. Fe grades were invariably higher in the Lump products than the fines grades and also typically reported lower SiO₂ and Al₂O₃. Additionally, the high loss on ignition (LOI) of around 10% is highly positive and should also improve ore marketability.

The average unconfined compressive strength (UCS) of samples taken from the core was 35 MPa. Such an ore would be classed as "Moderately Strong". The average crushing work index of ore samples taken from the core was encouraging at a modest 7.1 kWh/t with little variation across all samples. By comparison, the average crushing work index for hematite ore is around 10.6 kWh/t, with a range between 2.0 and 29.4 kWh/t.

Summary

Results from the metallurgical testwork on the Mount Caudan ores are highly encouraging indicating favourable ore characteristics which augers well for the future mining and marketability of products from the project. The Lump to Fines ratio is higher than what was expected, particularly from the higher grade ore types, whilst the chemical makeup of the ore is highly favourable and indicative of a DSO (direct shipping ore) product.

Given these results Cazaly has advised it will now proceed with further metallurgical test work which will further refine the characterisation of the defined Lump and Fines products.

Competent Person Statement – Mt Caudan Project

The information that relates to exploration targets, exploration results and drilling data is based on information compiled by Gregory Miles who is a Member of The Australian Institute of Geoscientists and an employee of the Company. The information that relates to the Mineral Resource Estimate has been authorized by Mr Paul Payne who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Runge Limited. Both Mr Miles and Mr Payne have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Miles and Mr Payne consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

CONTACT

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