



**CAZALY**

**RESOURCES LIMITED**

ABN 23 101 049 334

**AND CONTROLLED ENTITIES**

Consolidated Financial Report  
For the Half-Year Ended  
31 December 2011

**CAZALY RESOURCES LIMITED**  
**ABN 23 101 049 334**  
**AND CONTROLLED ENTITIES**

**CONSOLIDATED HALF-YEAR FINANCIAL REPORT**  
For the Half Year Ended 31 December 2011

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**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**  
ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT**

**COMPANY DIRECTORY**

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**MANAGING DIRECTOR**

Nathan McMahon

**MANAGING DIRECTOR**

Clive Jones

**NON-EXECUTIVE DIRECTOR**

Kent Hunter

**COMPANY SECRETARY**

Julie Hill

**PRINCIPAL & REGISTERED OFFICE**

Level 2, 38 Richardson Street, West Perth, WA, 6005

Telephone: (08) 9322 6283

Facsimile: (08) 9322 6398

**AUDITORS**

Bentleys

Level 1,

12 Kings Park Road

WEST PERTH WA 6005

**SHARE REGISTRAR**

Advanced Share Registry Services

110 Stirling Highway

NEDLANDS WA 6009

Telephone: (08) 9389 8033

Facsimile: (08) 9389 7871

**STOCK EXCHANGE LISTING**

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: CAZ

**BANKERS**

National Australia Bank

50 St Georges Terrace

PERTH WA 6000

# CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

## HALF-YEAR FINANCIAL REPORT

### DIRECTORS' REPORT

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Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2011.

#### **DIRECTORS**

The names of Directors who held office during or since the end of the half year:

Nathan Bruce McMahon  
Clive Bruce Jones  
Kent Michael Hunter

#### **COMPANY SECRETARY**

Julie Hill (appointed 7 September 2011)

#### **REVIEW OF OPERATIONS**

The past six months has been very active for Cazaly on the key Parker Range project and our other sole managed projects, as well as projects managed by third parties. The Company has successfully advanced its Parker Range Iron Ore project to full feasibility and is now investigating both its project sale and export options.

The Company has further strengthened its exposure to further potential exploration success through divesting other non-core projects during the quarter. The Company believes that a portfolio approach to its suite of iron ore projects including Parker Range (development stage); Hamersley (resource to development stage) and the Earahedy project (grass roots success) will ultimately provide long term benefits to all stakeholders.

#### **Parker Range Project**

During the year Cazaly announced it had agreed commercial terms and signed a Heads of Agreement ("The Agreement") for the sale of its Parker Range Iron Ore Project to a major South East Asian diversified investment group ("Investment Group"). Due diligence is still ongoing however there is no longer exclusivity for the sale to the Investment Group.

The Agreement allows for the payment of an initial \$40M within 6 months of the execution of a formal Sale and Purchase Agreement ("SPA") (which may be extended by mutual agreement) and a further payment of \$55M upon the earlier of first iron ore being exported or 24 months from signing of the SPA. In addition, a royalty of \$2.50 per tonne is payable on all ore produced. The per tonne royalty rate is capped at a maximum of 10% of the gross profit margin should that calculation be lower than \$2.50 per tonne.

The SPA is conditional upon, among other standard conditions precedent:

- Execution of legally enforceable agreements for port access;
- Approvals including EPA and mining approvals;
- Acceptable contract mining agreements;

## CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

### HALF-YEAR FINANCIAL REPORT DIRECTORS' REPORT (CONTINUED)

- Project finance; and
- FIRB approval (if required).

It is also intended that the parties enter into a 50/50 jointly funded regional exploration agreement, whereby Cazaly will manage all ongoing exploration, including over the Parker Range tenements, within the greater Parker Range region.

These arrangements provide for a well-funded party to aggressively pursue the development and construction of a mining operation at the Mount Caudan resource, whilst Cazaly focuses its exploration expertise on expanding the resources of the greater Parker Range project.

During the year a Definitive Feasibility Study evaluated several options for development based on the production of single fines product at varying throughput rates and port scenarios. The preferred development options included a 4.2 Mtpa production via an expanded bulk port of Esperance.

#### Summary Business Case

Option	Capex (A\$m )	Sales ( Mt)	Cost (A\$/t)	NPV, (A\$m)	IRR (%)	Payback (Years )
1) 4.2Mtpa via Esperance	159.8	31.4	59**	384	129	0.92

\* Additional capital requirement for year 2 to expand to 4.6 Mtpa \*\* includes marketing but excludes royalties

The study highlighted Esperance as a sustainable export port option and noted the advantage of using Cape Sized vessels at the port. The Minister for Transport recently announced the State Government support for an expansion of the Esperance Port.

#### Earaheedy Joint Venture

During the year Cazaly Resources Limited (ASX:CAZ) and Vector Resources Limited (ASX:VEC) (collectively the Earraheedy Joint Venture, "EJV") signed a farm-in agreement with Anglo American ("ANGLO"), the global diversified mining house, covering a large part of EJV's Earraheedy Iron project in the Wiluna region of Western Australia.

EJV's Earraheedy project covers an area in excess of 1,700 km<sup>2</sup> including a substantial strike extent of the iron ore prospective Frere Formation.

The Farm-In Agreement relates to an area of approximately 890 km<sup>2</sup> and allows for ANGLO to complete an initial "proof of concept" program with a minimum of 7,500m of RC or diamond drilling to be completed as due diligence within 18 months. Following this, ANGLO may earn an initial 51% interest in the project by payment of an initial \$1M in cash to the EJV and the expenditure of \$20M within 4 years. ANGLO may then earn a total 75% interest in the project by the completion of a Bankable Feasibility Study (BFS) and payment of a further \$5M to the EJV.

**HALF-YEAR FINANCIAL REPORT  
DIRECTORS' REPORT (CONTINUED)**

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In addition, following delivery of a positive BFS, a success payment of \$45M would become payable by ANGLO to the EJV. The EJV may then elect to contribute to project expenditure or dilute to a royalty of 1.25% FOB. Normal industry standard terms also apply.

ANGLO has conducted some initial geological mapping at the project which identified what are interpreted to be structurally folded and repeated units of iron-enriched formations. No assay results have been received but visual estimates of >50%-55% Fe within enriched units may have a cumulative strike length of >14km. Work is progressing.

The EJV retains sole rights to the western portion of EJV's Earraheedy project area which is also deemed to be highly prospective for manganese mineralisation. Field programmes are currently being planned.

**Jillewarra Copper-Gold Project**

A strongly coincident geochemical, structural and geophysical target has been identified at the Guga prospect within the Jillewarra base metal – gold project. A recent programme of RAB drilling was attempted at the prospect however the drilling failed to reach the anomalies identified due to the presence of fresh rock near surface. As a result the program was abandoned and postponed until a more suitable drill rig could be sourced. It is planned to drill the target during the current quarter.

The anomaly is outlined by a ~2km long conductive body defined by airborne EM and is coincident with a major fault and a multi-element soil anomaly. The geochemistry, as defined by soil surveying, is highly anomalous in Cu, Pb, Zn and Au. The EM work highlighted some strong conductors at between 30 and 100m below surface. The company has planned deeper RC drilling for the current quarter at Guga while a second RAB program of between 4,000 and 5,000m is planned on a second look-alike prospect at Zapata located ~20km further to the west.

**Other Projects**

Cazaly is progressing its wholly owned projects as well as retaining several free-carried interests in joint venture projects. Cazaly remains active in new project generation and are reviewing several projects.

**Competent Person's Statement**

*The information that relates to exploration targets, exploration results and drilling data of Cazaly operated projects is based on information compiled by Mr Clive Jones and Mr Don Horn who are Members of The Australasian Institute of Mining and Metallurgy and The Australian Institute of Geoscientists respectively and are employees of the Company. The information that relates to the Mt Caudan Mineral Resource Estimate has been authorized by Mr Rob Williams who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and an employee of Runge Limited, an independent resource consultancy group. Mr Jones, Mr Horn and Mr Williams have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones, Mr Horn and Mr Williams consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.*

**HALF-YEAR FINANCIAL REPORT  
DIRECTORS' REPORT (CONTINUED)**

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**LEAD AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001**

The lead auditor's independence declaration is set out on page 17 of the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors.



Nathan McMahon  
Managing Director

Perth

Dated: 13 March 2012

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the Half-Year Ended 31 December 2011

		31 December 2011 \$	31 December 2010 \$
<b>Revenue</b>	<b>2</b>	<b>408,422</b>	<b>714,066</b>
Other Income	2	889,826	1,035,097
Employee benefits expense		(218,603)	(118,527)
Depreciation & amortisation expense		(39,785)	(8,166)
Finance costs	2	(3,436)	(474,291)
Administration expenses		(276,649)	(207,359)
Legal fees		(107,202)	(35,675)
Advertising & Promotional expenses		(36,340)	(47,609)
Compliance & Regulatory expenses		(75,874)	(65,462)
Consultancy costs		(203,992)	(122,116)
Occupancy costs		(150,011)	(212,744)
Written-off exploration expenditure		(20,337)	(171,276)
Loss on disposal of shares		(103,199)	(95,591)
Loss on disposal of tenements		-	(238,500)
Other		<u>(2,803)</u>	<u>(4,347)</u>
<b>Profit/(Loss) before income tax (expense)/benefit</b>		<b>60,017</b>	<b>(52,500)</b>
Income tax (expense)/benefit		<u>134,202</u>	<u>(865,246)</u>
<b>Profit/(Loss) for the period</b>		<b><u>194,219</u></b>	<b><u>(917,746)</u></b>
Loss from discontinued operations		-	(1,379,553)
<b>Net loss for the period</b>		<b>194,219</b>	<b>(2,297,299)</b>
Other comprehensive income		-	-
<b>Net loss and total comprehensive income for the period attributable to members</b>		<b><u>194,219</u></b>	<b><u>(2,297,299)</u></b>
<b>Basic earnings / (loss) per share (cents per share)</b>		0.16	(2.12)

The accompanying notes form part of this financial report.

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2011

	31 December 2011 \$	30 June 2011 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	3,279,373	3,948,670
Trade and other receivables	672,448	1,215,134
Other assets	36,270	7,509
<b>TOTAL CURRENT ASSETS</b>	<u>3,988,091</u>	<u>5,171,313</u>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	164,320	163,655
Financial assets	3,779,018	3,961,462
Property, plant and equipment	158,558	130,880
Exploration, evaluation and development	19,022,578	17,477,365
Deferred tax assets	5,168,299	4,645,192
<b>TOTAL NON-CURRENT ASSETS</b>	<u>28,292,773</u>	<u>26,378,554</u>
<b>TOTAL ASSETS</b>	<u><b>32,280,864</b></u>	<u><b>31,549,867</b></u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	670,060	934,274
Financial liabilities	-	-
Short-term provisions	37,643	81,099
<b>TOTAL CURRENT LIABILITIES</b>	<u>707,703</u>	<u>1,015,373</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	5,716,032	5,311,600
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>5,716,032</u>	<u>5,311,600</u>
<b>TOTAL LIABILITIES</b>	<u><b>6,423,735</b></u>	<u><b>6,326,973</b></u>
<b>NET ASSETS</b>	<u><b>25,857,129</b></u>	<u><b>25,222,894</b></u>
<b>EQUITY</b>		
Issued Capital	3 23,727,377	23,145,290
Reserves	991,317	1,210,019
Accumulated profits/(losses)	1,138,435	867,585
<b>TOTAL EQUITY</b>	<u><b>25,857,129</b></u>	<u><b>25,222,894</b></u>

The accompanying notes form part of this financial report.

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT****CONSOLIDATED CASH FLOW STATEMENT**

For the Half-Year Ended 31 December 2011

	31 December 2011 \$	31 December 2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(357,506)	(380,045)
Interest and bill discounts received	77,182	53,756
Payments for exploration and evaluation	<u>(1,848,242)</u>	<u>(5,643,772)</u>
Net cash used in operating activities	<u>(2,128,566)</u>	<u>(5,970,061)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equity investment	(42,110)	(35,000)
Proceeds from sale of equity investment	26,440	77,411
Purchase of property, plant and equipment	(67,464)	(10,203)
Purchase of exploration assets	-	-
Proceeds on sale of exploration assets	584,956	701,462
Proceeds on sale of property, plant and equipment	-	4,000
Recoupment of exploration expenditure from Joint Venture operations	532,447	193,627
Proceeds from disposal of subsidiary	-	1,380,000
Proceeds for Joint Venture Management	<u>-</u>	<u>43,864</u>
Net cash provided by investing activities	<u>1,034,269</u>	<u>2,355,161</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	-	2,550,000
Proceeds from issue of shares	425,000	443,434
Payments for costs of issue of shares	<u>-</u>	<u>(2,349)</u>
Net cash provided by financing activities	<u>425,000</u>	<u>2,991,085</u>
<b>Net (decrease) in cash held</b>	<b>(669,297)</b>	<b>(623,815)</b>
<b>Cash at beginning of period</b>	<b><u>3,948,670</u></b>	<b><u>3,390,602</u></b>
<b>Cash at end of reporting period</b>	<b><u>3,279,373</u></b>	<b><u>2,766,787</u></b>

The accompanying notes form part of this financial report.

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For The Half-Year Ended 31 December 2011

	Issued Capital \$	Accumulated Profits/(Losses) \$	Option Reserve \$	Total \$
<b>Balance at 1 July 2010</b>	20,348,703	(414,240)	613,744	20,548,207
Net loss and total comprehensive income for the period attributable to members	-	(2,297,299)	-	(2,297,299)
Shares issued	443,434	-	-	443,434
Options issued	-	-	408,265	408,265
Transaction costs	(2,349)	-	-	(2,349)
<b>Balance at 31 December 2010</b>	<b>20,789,788</b>	<b>(2,711,539)</b>	<b>1,022,009</b>	<b>19,100,258</b>
<b>Balance at 1 July 2011</b>	23,145,290	867,585	1,210,019	25,222,894
Net loss and total comprehensive income for the period attributable to members	-	194,219	-	60,017
Shares issued on option exercise	597,614	-	(172,614)	425,000
Options issued	-	-	30,543	30,543
Option expiry	-	76,631	(76,631)	-
Deferred tax asset component	(15,527)	-	-	-
<b>Balance at 31 December 2011</b>	<b>23,727,377</b>	<b>1,138,435</b>	<b>991,317</b>	<b>25,857,129</b>

The accompanying notes form part of these financial statements.

HALF-YEAR FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2011

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**1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES**

**Statement of Compliance**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Cazaly Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

**Basis of Preparation**

The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2011 annual financial report for the financial year ended 30 June 2011.

The half-year financial statements have been prepared in accordance with the accounting policies adopted in the consolidated entity's last annual financial statements for the year ended 30 June 2011, except for the adoption of Improvements to AASBs 2010 (2010 Improvements) as of 1 January 2011. The 2010 Improvements made several minor amendments to AASBs. The relevant amendments and their effects on the current period or prior periods are described below.

The accounting policies have been applied consistently throughout the consolidated entity for the purposes of preparation of these half-year financial statements.

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the Half-Year Ended 31 December 2011

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**Amendment to AASB 101 Presentation of Financial Statements**

The amendment provides a choice of presenting the reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The consolidated entity has elected to retain reconciliations within the Statement of Changes in Equity as previously disclosed.

**Amendments to AASB 134 Interim Financial Reporting**

The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the consolidated entity's circumstances since the last annual financial statements. The consolidated entity's half-year financial statements as of 31 December 2011 reflect these amended disclosure requirements, where applicable.

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the Half-Year Ended 31 December 2011

**2. INCOME AND EXPENSES**

	<b>31 December 2011</b>	<b>31 December 2010</b>
	\$	\$
The following revenue and expense items are relevant in explaining the income statement for the half-year:		
<b>Revenue</b>		
Interest received	100,291	54,714
Option fees	137,501	451,818
Management fees	-	43,864
Recoupment of office costs on-charged	170,630	163,670
	<u>408,422</u>	<u>714,066</u>
<b>Other Income</b>		
Profit on sale of tenement	907,455	849,644
Research and development tax refund	537,301	-
Gain/(Loss) on revaluation of assets held for trading	(554,930)	185,453
	<u>889,826</u>	<u>1,035,097</u>
<b>Expenses</b>		
<i>Borrowing costs:</i>		
Options issued to bridging facility lenders	-	408,265
Interest paid to bridging facility lenders	-	60,557
Bank charges	3,436	5,469
	<u>3,436</u>	<u>474,291</u>

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the Half-Year Ended 31 December 2011

**3. ISSUED CAPITAL***(a) Movements in Ordinary Shares*

	Note s	Number of shares	Issue price	\$
Opening balance at 1 July 2011		121,089,125	-	23,145,290
Exercise of Options	(i)	1,000,000	\$0.30	300,000
Exercise of Options	(ii)	500,000	\$0.25	125,000
Deferred tax asset component				(15,527)
Transfer from option premium reserve		-	-	172,614
Closing balance at 31 December 2011		<u>122,589,125</u>		<u>23,727,377</u>

- (i) During the half year, the Company issued 1,000,000 ordinary shares at a price of \$0.30 each due to the exercise of 1,000,000 unlisted options expiring 1 July 2011.
- (ii) During the half year, the Company issued 500,000 ordinary shares at a price of \$0.25 each due to the exercise of 500,000 unlisted options expiring 6 October 2011.

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.

**4. SUBSEQUENT EVENTS**

Since 31 December 2011, no event has arisen that would be likely to materially affect the operations of the Group, or the state of affairs of the Group not otherwise disclosed in the Group's financial report other than as set out below.

**5. CONTINGENT ASSETS**

On 7 December 2011, the Company entered into an agreement with McPhersons Reward Gold Limited and Kalgoorlie Ore Treatment Company Pty Ltd to sell the Tenements comprising the Balagundi Project to those parties. The terms of the agreement include a 3 year Farm In Period whereby the purchaser undertakes responsibility of annual rent, rates and expenditure requirements of the Department of Minerals and Petroleum for the Tenements. As part of the consideration for the sale; at the conclusion of the 3 year Farm In Period, \$700,000 is payable to the Company.

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the Half-Year Ended 31 December 2011

<b>6. SEGMENT REPORTING</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
<b>(i) Segment performance</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Six months ended 31.12.2011</b>			
Total segment revenue	1,752,886	100,291	1,853,177
Total segment expenses	(49,591)	(658,129)	(707,720)
<b>Segment net profit/(loss) before tax</b>	<u>1,703,295</u>	<u>(557,838)</u>	<u>1,145,457</u>
<i>Reconciliation of segment result to group net (loss) before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
Un-allocated items:			
Employee benefits			(218,603)
Occupancy costs			(150,011)
Consultants			(203,992)
Other			(512,834)
Net loss before tax from continuing operations			<u>(60,017)</u>
 <b>Six months ended 31.12.2010</b>			
Total segment revenue	1,508,996	240,167	1,749,163
Total segment expenses	(171,276)	(878,881)	(1,050,157)
<b>Segment net profit/(loss) before tax</b>	<u>1,337,720</u>	<u>(638,714)</u>	<u>699,006</u>
<i>Reconciliation of segment result to company net (loss) before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
Un-allocated items:			
• Other			<u>(751,506)</u>
Net loss before tax from continuing operations			<u>(52,500)</u>

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the Half-Year Ended 31 December 2011

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<b>6. SEGMENT REPORTING</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
<b>(ii) Segment assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31.12.2011</b>			
<b>Opening balance 30 June 2011</b>	17,477,364	9,427,311	26,904,675
Additions	1,545,214	109,589	1,654,803
Disposals	-	(26,440)	(26,440)
Other movements in segment assets	-	(1,420,473)	(1,420,473)
<b>Closing balance 31 December 2011</b>	<u>19,022,578</u>	<u>8,089,987</u>	<u>27,112,565</u>
Unallocated assets			
Deferred tax assets			<u>5,168,299</u>
Total assets			<u>32,280,864</u>

**CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES**

ABN 23 101 049 334

**HALF-YEAR FINANCIAL REPORT**

**DIRECTORS' DECLARATION**

For the Half Year Ended 31 December 2011

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The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 15:
  - (a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Act 2001; and
  - (b) give a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date.
2. in the Directors' opinion there are reasonable grounds to believe that the Group 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.



Nathan McMahon  
Managing Director

PERTH

Dated 13 of March 2012

**Bentleys Audit & Corporate  
(WA) Pty Ltd**

Level 1, 12 Kings Park Road  
West Perth WA 6005  
Australia

PO Box 44  
West Perth WA 6872  
Australia

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

To the Board of Directors

### **Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

This declaration is made in connection with our review of the financial report of Cazaly Resources Limited and Controlled Entities for the half-year ended 31 December 2011 and in accordance with the provisions of the *Corporations Act 2001*.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- no contraventions of the *Code of Professional Conduct* of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully



**BENTLEYS**  
Chartered Accountants



**RICHARD JOUGHIN CA**  
Director

DATED at PERTH this 13<sup>th</sup> day of March 2012

## Independent Auditor's Review Report

### To the Members of Cazaly Resources Limited

We have reviewed the accompanying half-year financial report of Cazaly Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Cazaly Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Independent Auditor's Review Report

To the Members of Cazaly Resources Limited (Continued)

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## Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cazaly Resources Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

A handwritten signature in blue ink that reads "Bentleys".

**BENTLEYS**  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "Richard Joughin".

**RICHARD JOUGHIN CA**  
Director

DATED at PERTH this 13<sup>th</sup> day of March 2012