

Quarterly Report for September 2013

HALLS CREEK COPPER PROJECT

- Programme of Diamond Core drilling completed
- Confirms and extends previously known mineralisation
- Indicated/Inferred Resource estimated for *Mount Angelo North*; 1.78Mt @ 1.60% Cu & 1.21% Zn

PARKER RANGE IRON ORE PROJECT

- Discussions underway with preferred consortiums tendering to design, finance, construct and operate a multi-user iron ore facility (MUIOF) at Esperance Port
- Two consortia comprise;
 1. Qube Bulk and Brookfield Infrastructure, and
 2. McConnell Dowell Constructors, Asciano & Marubeni Corp.

HAMERSLEY IRON PROJECT

- Indicated/Inferred Resource of 343Mt @ 54.5% Fe (57.9% CaFe)
- Metallurgical testwork confirms DSO potential of ore
- Scoping studies to commence

CORPORATE

- Royalty payment of \$213,000 and quarterly payment of \$250,000 received from Phoenix Gold Ltd.



Halls Creek Copper Project (CAZ earning 75%)

The Company is in agreement with 3D Resources Limited to earn up to a 75% interest in the Halls Creek Copper Project, located in the Kimberley region of Western Australia.

The Halls Creek Project comprises a large package of six tenements covering an area of approximately 298 km², near the township of Halls Creek covering part of the Halls Creek Mobile Zone which is highly prospective for a range of commodities including base metals, gold, diamonds and nickel. Initial work has concentrated on copper mineralisation previously discovered at the *Mt Angelo North Cu-Ag-Zn* and the *Mt Angelo Porphyry* prospects.

The two prospects occur in association with the Angelo Microdiorite, a 5km by 1km long elongate intrusive occurring along the boundary, and the Koongie Park and Olympio Formations. The Koongie Park Formation is widely considered to have potential regionally for the development of stratabound base metals.

During the Quarter the company completed a programme of diamond core drilling over the Mount Angelo Deposit. The program successfully delineated further copper-zinc mineralisation and confirmed results previously obtained from RC drilling. A total of 10 pre-collar RC and 9 diamond core 'tails' were drilled for 1,115 metres RC and 681 metres diamond in the programme. Of these 8 of the diamond holes successfully extended known mineralisation further east. Significant drill intercepts are listed in the table below.

The deposit has all the hallmarks of a classic volcanogenic massive sulphide deposit. It is located close to surface and comprises a shallow zone of oxidized mineralisation overlying a zoned zinc-copper/zinc-copper sulphide blanket. Further below this a 'Feeder' sulphide zone has been discovered.

A maiden resource estimate for the deposit was also conducted during the quarter as follows;

Table Resource Estimate, Mt Angelo North Deposit

Classification	Tonnes (Mt)	CuEqu.* %	Cu %	Zn %	Ag g/t
<i>Oxide Mineralisation</i>					
Indicated	0.17	1.57	1.13	0.96	26.1
Inferred	0.07	1.41	1.07	1.12	11.1
<i>Fresh Mineralisation</i>					
Indicated	0.93	1.92	1.46	1.67	12.5
Inferred	0.60	1.38	1.02	1.33	9.0
<i>Lower Mineralisation</i>					
Inferred	0.04	0.97	0.63	1.22	8.5
TOTAL	1.78	1.60	1.21	1.39	11.6

Nb; parameters for the resource listed at end of this report

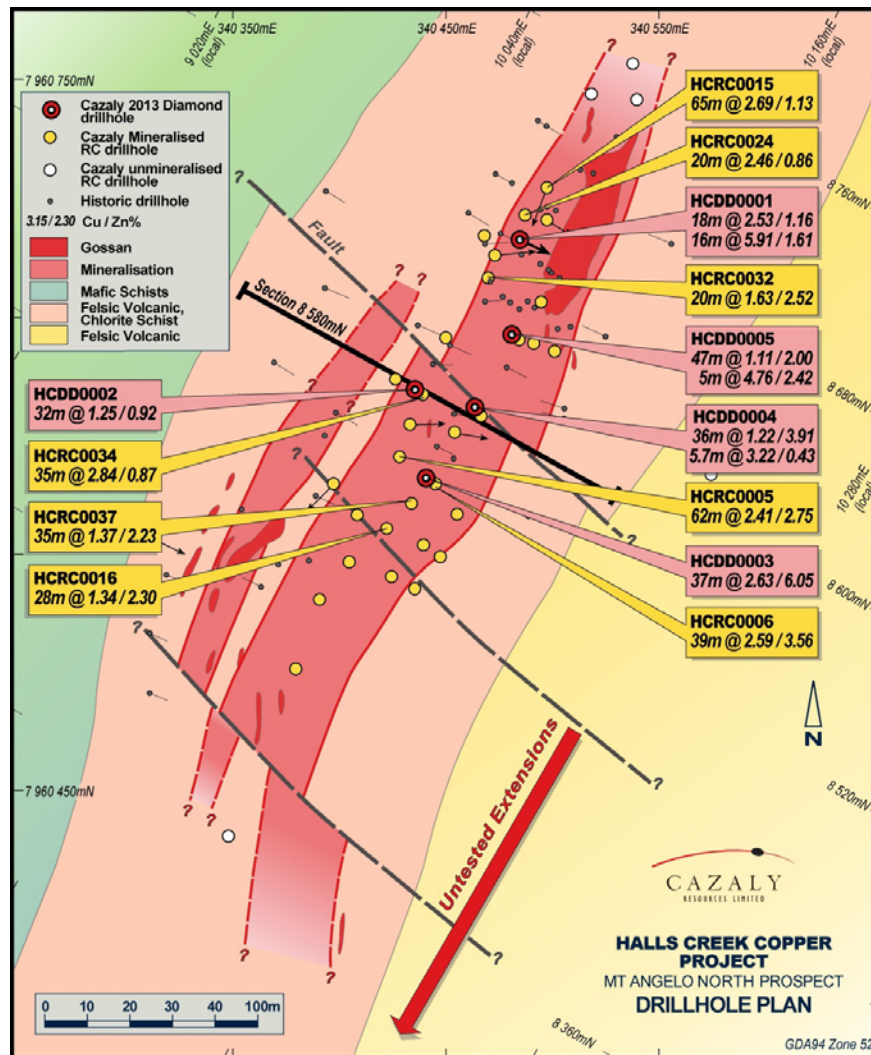


Figure: Drillhole plan showing diamond core holes, Mt Angelo North deposit

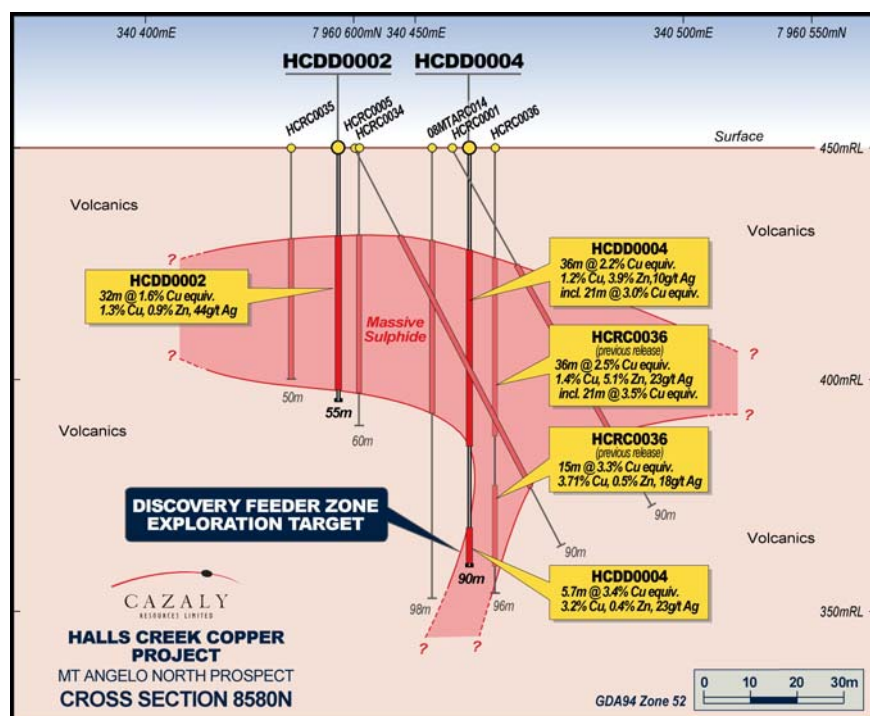


Figure: Cross section 8580mN

Table: Significant Diamond Core drill intercepts,
Mount Angelo North Prospect – 2013 September Qtr drilling

HoleID	East	North	Dip/Azi	Hole Depth (m)	Intercept							Cu Eq
					From (m)	Length (m)	Cu (%)	Pb (%)	Zn (%)	Ag (ppm)	Au (ppm)	
HCRD0043	340518	7960555	-60/300	171.5	50	23	0.60	0.17	1.97	9.0	0.13	1.13
			Includes		65	2	1.31	0.39	5.98	21.4	0.18	2.90
HCRD0044	340488	7960540	-70/300	114.1	74	21	1.11	0.07	3.29	10.5	0.11	1.95
			Includes		76	3	0.77	0.05	5.27	5.2	0.11	2.09
			and		85	8	1.71	0.14	3.43	20.4	0.17	2.59
					103	2	0.10		1.66	1.0		0.51
					130	7	1.11		0.03	2.6		1.12
HCRC0045	340516	7960605	-90	50	16	2	0.45	0.06	0.81	6.5		0.66
					25	4	0.98	0.09	1.30	22.0	0.12	1.33
					38	11	0.54	0.06	1.95	7.6	0.08	1.04
HCRD0046	340504	7960591	-70/300	139	38	6	0.52	0.06	0.77	8.2	0.06	0.73
HCRD0047	340471	7960631	-80/120	134.3	10	12	0.32	1.79	1.80	67.0	0.44	1.28
			Includes		19	2	0.15	4.92	7.17	170.0	0.56	3.31
					26	27	2.60	0.06	0.94	14.8	0.30	2.86
HCRD0048	340475	7960496	-75/300	237.6	93	5	0.57	0.21	2.11	18.4	0.14	1.15
					104	2	1.12	0.18	1.63	13.8	0.09	1.58
HCRD0049	340538	7960570	-67/300	196.2	No significant assays							
HCRD0050	340530	7960536	-65/300	120	63	18	0.88	0.19	2.69	15.7	0.20	1.60
			Includes		66	2	0.49		7.72	8.6	0.36	2.42
					141	2	0.56		2.20	3.1		1.11
HCRD0051	340504	7960529	-75/300	272.6	76	9	1.12	0.25	2.42	16.8	0.25	1.79
			Includes		79	3	1.88	0.30	3.29	23.3	0.35	2.78
HCRD0053	340530	7960536	-65/300	149.5	No significant assays							

Table: Significant RC drilling intercepts, Mount Angelo North Prospect – 2013 September Quarter drilling

HoleID	East	North	Dip/Azi	Intercept							Cu Eq
				From (m)	Length (m)	Cu (%)	Pb (%)	Zn (%)	Ag (ppm)	Au (ppm)	
HCRD0043	340518	7960555	-60/300	50	23	0.60	0.17	1.97	9.0	0.13	1.13
		includes		65	2	1.31	0.39	5.98	21.4	0.18	2.90
HCRC0045	340516	7960605	-90	20	4	0.98	0.11	1.21	15.7	0.13	1.31
				36	13	0.52		2.03	7.4		1.03
HCRD0044	340488	7960540	-70/300	74	21	1.11		3.29	10.5	0.11	1.95
		includes		76	3	0.77		5.27	5.2	0.11	2.09
				85	8	1.71	0.14	3.43	20.4	0.17	2.59
HCRD0047	340471	7960631	-80/120	13	9	0.30	2.38	2.23	86.8	0.58	1.53
		includes		19	2	0.15	4.92	7.17	170.0	0.56	3.31
				26	27	2.60		0.94	14.8	0.30	2.86
HCRD0048	340475	7960496	-75/300	93	5	0.57	0.21	2.11	18.4	0.14	1.15
HCRD0050	340530	7960536	-65/300	63	18	0.88	0.19	2.69	15.7	0.20	1.60
		includes		66	2	0.49		7.72	8.5	0.36	2.42
HCRD0051	340504	7960529	-75/300	76	9	1.12	0.25	2.42	16.8	0.25	1.79
		includes		79	3	1.88	0.30	3.29	23.3	0.35	2.78

Notes:

All holes located by DGPS with accuracy <1 metre, GRID GDA94 Zone 52.

Down-hole surveys conducted between 15-30m intervals

There is insufficient geological information to determine the true widths of the mineralised intercepts

Cu, Pb, Zn and Ag analysed by 4 acid digest and ICP-MS finish

Au analysed by Fire Assay and AAS finish

Cu Eq% Calculated using prices of US\$7,500/t Copper, US\$2,100/t Lead, US\$1,850/t Zinc, US\$25/oz Silver, US\$1,500/oz Gold

Cu Eq% intercepts calculated using a 0.5% lower cut, no internal waste of greater than 3 metres, no more than two segments of internal waste per intercept

Multi-element data and structural information collected from recent drilling is being assessed to determine vectors towards potentially other massive sulphide lenses as well as extensions to the known existing mineralisation.

Currently metallurgical testwork is ongoing and a programme of soil sampling and geological mapping is underway in the vicinity of the deposit. Of particular interest is an area to the immediate northeast of Mt Angelo North where several small copper bearing gossans have been defined.

Parker Range Iron Ore Project (CAZ 100%)

Discussions underway with preferred Esperance Port consortia

The company has commenced discussions with the two preferred consortia to tender for the design, financing, construction and operation of an expended Esperance Port.

As announced in June this year the State Government selected the two consortia to tender for the project. The two consortia are;

- Qube Bulk Pty Ltd and Brookfield Infrastructure (Australia) Pty Ltd, and
- Yilgarn Esperance Solution (YES) consortium, comprising McConnell Dowell Constructors (Aust) Pty Ltd, Asciano and Marubeni Corporation Ltd.

The expansion of the port is a necessary export solution for the future development of the Parker Range Iron Ore Project. The Chairman of the port, Mr Bob McKinnon, said that the short listed consortia have significant experience in infrastructure investment as well as designing, financing and operating major projects related to the movement and handling of large volumes of bulk products.

Final bids from the two consortia are due to be lodged by November 22nd.

Cazaly considers this landmark statement further enhances the economic value of the Parker Range project and commends the State Government for advancing the interests of the planned producers in the Yilgarn iron ore province.

Hamersley Iron Ore Project

(Cazaly 49% / Winmar Resources Ltd 51%)

- Total Resource 343.2 Mt @ 54.5% Fe (57.9% Calcined Iron - Ca Fe)
 - Indicated: 42.6 Mt @ 55.2% Fe (57.3% Ca Fe)
 - Inferred: 300.6 Mt @ 54.5% Fe (58.0% Ca Fe)
- Direct Shipping Ore (DSO) characteristics confirmed
- Scoping Studies to be accelerated based upon positive metallurgical results

During the quarter the Winmar Exploration Joint Venture (WEJV) conducted metallurgical test work on Reverse Circulation drill samples from the Hamersley Iron Project. The aim of the test work was to further define product specifications of the resource, in particular the characteristics of the shallow CID ore body in the south west corner of the deposit.

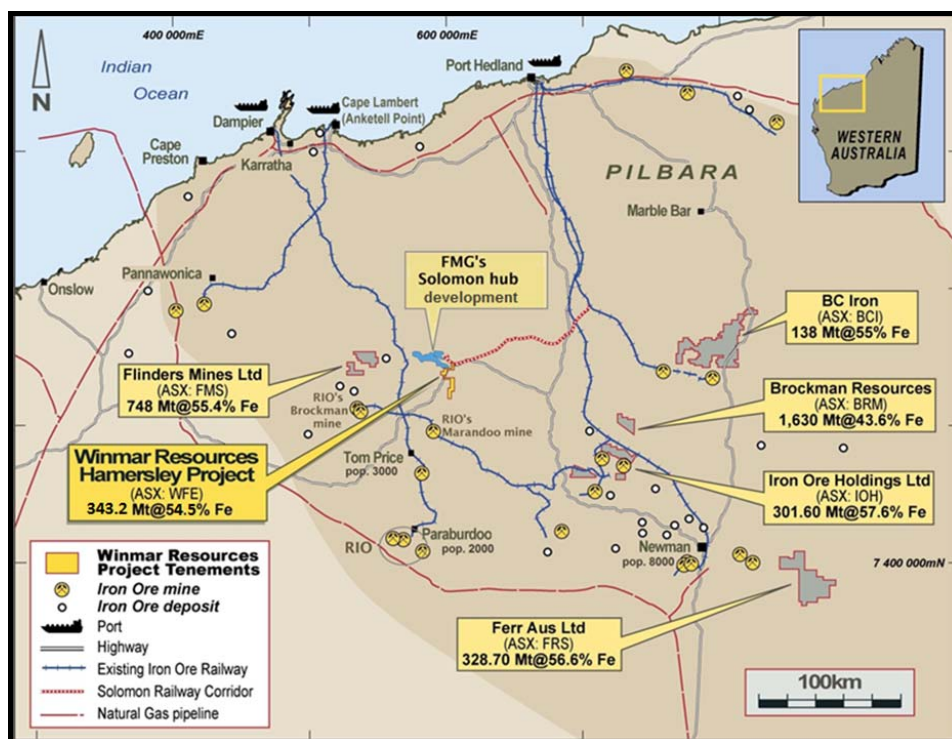


Figure: Location of the Hamersley Iron Ore Project

Subsequent to the quarter, on 25 October 2013, it was announced that results from independent mineral processing consultant, Nagrom, which indicated that the CID grade is significantly higher (at 58.5% Fe) and more consistent than material previously tested. The main gangue constituents are silica and alumina which average about 13% in total with all other impurities low.

Composite samples from the two separate batches were additionally wet screened and the size fractions assayed to assess the upgrade potential of a de-sliming operation. The Fe grade increased by between 1.4% to 2.4%, and silica and alumina

decreased by about 2% for cut sizes of 45 microns and above. Product yields at +45 microns were 90.5% and 92.0%.

Table: Composite Assays – Batches 1 and 2

Sample Batch 1	Fe %	SiO₂ %	Al₂O₃ %	TiO₂ %	P %	S %	LOI₁₀₀₀ %	CaFe %
PLRC0162	59.96	7.01	4.5	0.348	0.041	0.029	1.95	61.2
PLRC0165	58.70	8.69	4.58	0.353	0.042	0.03	2.06	59.9
PLRC0168	60.15	7.03	4.33	0.294	0.046	0.026	2.01	61.4
PLRC0175	59.05	7.41	5.21	0.393	0.037	0.029	2.11	60.3
Batch 2								
PLRC0164	58.52	6.89	5.97	0.408	0.043	0.031	2.6	60.1
PLRC0167	57.11	8.41	6.18	0.547	0.039	0.018	2.76	58.7
PLRC0171	58.33	8.77	5.01	0.402	0.043	0.028	1.97	59.5
PLRC0176	56.40	9.52	5.65	0.464	0.043	0.026	3.13	58.2
Average	58.53	7.97	5.18	0.401	0.042	0.027	2.32	59.9

Table: Cumulative Assays by size

Cum Size	Yield %	Fe %	SiO₂ %	Al₂O₃ %	SiO₂ & Al₂O₃ %	LOI₁₀₀₀ %	CaFe %
Batch 1	%	%	%	%	%	%	%
> 0.212	83.0	61.4	6.08	3.89	9.97	1.55	62.4
> 0.106	88.4	61.2	6.17	3.95	10.12	1.62	62.3
> 0.075	90.0	61.2	6.22	3.97	10.19	1.64	62.2
> 0.045	92.0	61.1	6.31	4.01	10.32	1.67	62.1
> 0	100.0	59.7	7.42	4.57	11.99	1.97	60.9
Batch 2							
> 0.212	81.2	60.2	6.74	4.48	11.22	1.9	61.3
> 0.106	86.5	60.0	6.85	4.56	11.41	1.99	61.2
> 0.075	88.6	59.9	6.93	4.61	11.54	2.03	61.1
> 0.045	90.5	59.7	7.02	4.66	11.68	2.07	61.0
> 0	100.0	57.8	8.44	5.52	13.96	2.48	59.3

This metallurgical test work provides the WEJV with confidence that it can market this material as a Direct Shipping Ore (DSO) operation either through dry crushing and screening the material, or through additional de-sliming of the material to further upgrade the product.

These results, combined with the recent upgrade in the resource, provide the WEJV with the impetus to commence a Scoping Study into the project. Discussions are underway with multiple parties to identify and collaborate on strategic infrastructure solutions in line with the project's development plan. Both road and rail opportunities are being pursued with associated port opportunities.

Webb Project - (CAZ 100%)

No further work was undertaken at the Webb Project located within the West Arunta region of WA during the quarter. This site has been prepared for drilling which was scheduled for the Quarter however the Company decided to focus its efforts on the Halls Creek project. The Webb project hosts a sizeable coincident gravity and magnetic feature which compares favourably with other known IOCG mineral deposits.

Joint Venture Projects

Musgrave JV (Cazaly diluting to 10% - Traka Resources Ltd (ASX: TRK)/Western Areas Ltd (ASX:WSA) acquiring 90%)

During the Quarter Traka entered into an agreement with Western Areas Ltd ("WSA") which included tenements in which Cazaly holds an interest. Cazaly's equity remains at 10%. These tenements are additional to other tenements which are held 100% by Cazaly. The following is an extract from Traka's September Quarterly report on the project:

WSA took management of work programs and immediately embarked on an aggressive and expanded follow-up program of ground electromagnetic ("EM") surveys on a number of priority areas. Two EM crews have now surveyed approximately 90 sq km of ground but this work is ongoing. Currently two of the priority areas, Atlas and Samaria look most promising as a number of high priority EM targets have been highlighted. These targets are in favourable geological settings and in some cases have coincident associated surface geochemical anomalism. A significant portion of the Samaria target area lies within the Cazaly JV ground.

The copper and nickel sulphide mineralisation in this part of the project area is associated with younger aged mafic intrusives that intrude the older intrusives and gneissic country rock sequence. The very large Babel-Nebo resource and the recently discovered Succoth prospects (owned by BHP Billiton) are good examples of this style of mineralisation. Other lesser known (and smaller), high grade nickel and copper prospects of similar style is also known to occur in the vicinity. The shared geological setting with that of BHP Billiton's presents a very attractive exploration opportunity and it is gratifying to see our faith in the region being demonstrated by location of the new EM targets.

In addition to the EM work underway a high resolution aeromagnetic survey has also been flown by WSA over the Atlas and Samaria target areas (4500 line kilometres). This data set will be particularly useful for defining the presence of the mafic intrusives and geological structures that are the important controls to the copper and nickel mineralisation in this area.

The ongoing evaluation of the WSA EM and aeromagnetic data has already provided sufficient encouragement for initial programs of drill testing to be instigated. Heritage plus Flora and Fauna surveys are underway and all other permitting matters being attended too in preparation for drilling at the first opportunity.

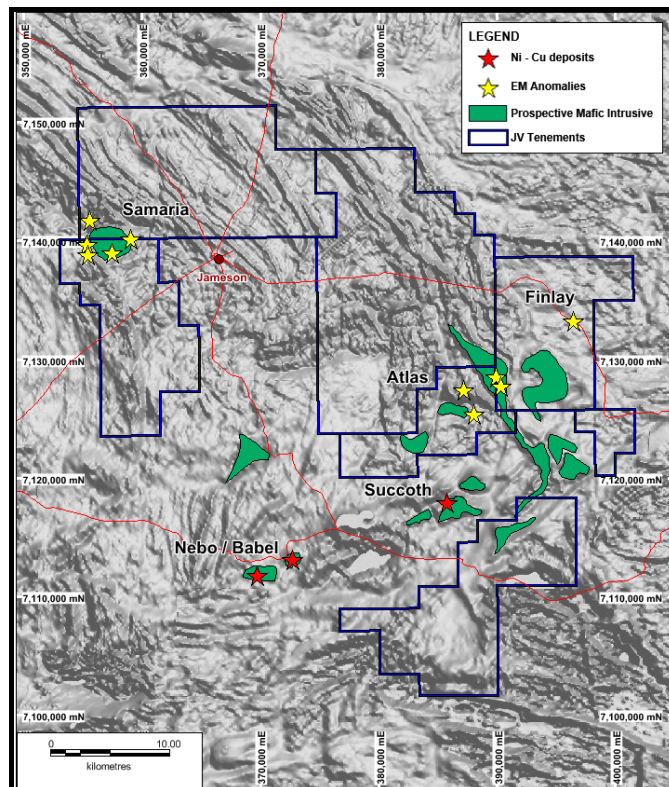


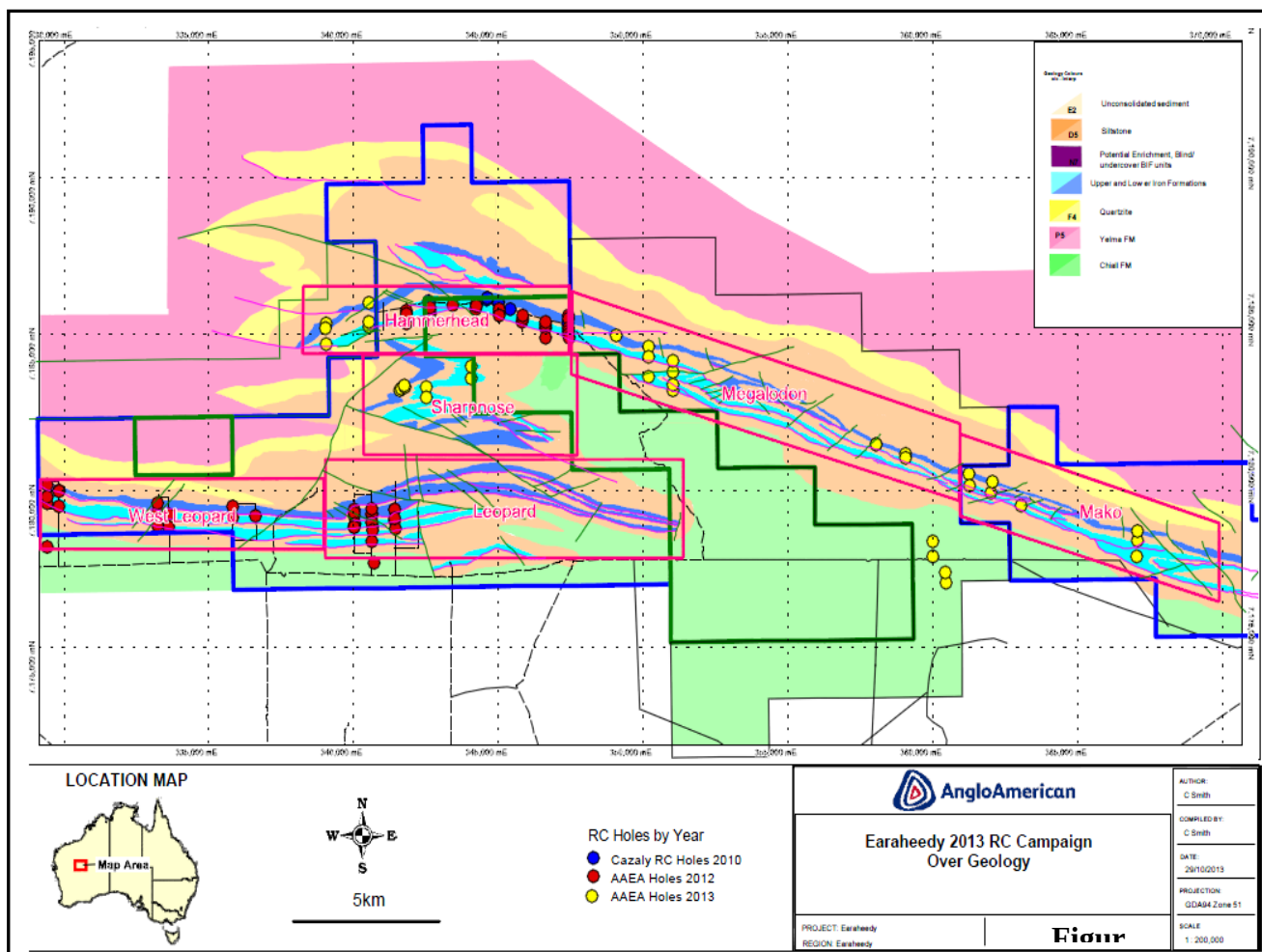
Figure. Aeromagnetic image showing the position of interpreted mafic intrusives & prospects

Earaheedy Joint Venture

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

During the Quarter Anglo completed a programme of RC drilling at the West Hammerhead, Magaladon, Mako and Sharpnose prospects. A total of 39 RC holes for 3,521m were drilled.

At West Hammerhead, Megaladon and Mako, fresh magnetite BIF was intersected and supergene enrichment was encountered in drill holes at the Sharpnose Prospect. Outcrop mapping previously identified enriched material over an area of 500m by 80m. Final assays are pending.



Corporate

The Company has received \$463,000 from Phoenix Gold Limited during the Quarter being payments due from production commencing in the March quarter from processing gold from the Catherwood gold project. The Company is also due to receive a further six quarterly payments of \$250,000 (totalling a further \$1,500,000). These payments are a deferred consideration resulting from the sale of tenements to Phoenix.

In addition, a further royalty stream is due at the rate of \$40/ounce to the Company. The outstanding royalty is capped at \$3,000,000.

During the Quarter the Company appointed Mr Mike Robbins as Company Secretary following the resignation of Julie Hill.

Summary

The Company continues to progress the Halls Creek Copper project with a new resource estimate completed and further drilling confirming the excellent continuity of mineralisation. The deposit commences near surface and is well located near good infrastructure providing for rapid development options. Ongoing field work is underway and the company awaits further metallurgical testwork results.

The Company remains confident that the Esperance port expansion will occur in a timely manner and, given that the Parker Range iron ore project is the only proponent project with a published Definitive Feasibility Study in the region, that the project will be commercialised.

The Company believes that its portfolio approach, which includes its suite of iron ore projects including Parker Range (development stage – with State Government commitment to the port expansion), Hamersley (resource moving into the development stage) and the Earraheedy project (grass roots and funded by Anglo American) will provide benefits to all stakeholders.

A handwritten signature in black ink, appearing to be 'N' followed by a horizontal line.

Nathan McMahon
Joint Managing Director

A handwritten signature in black ink, appearing to be 'Clive Jones'.

Clive Jones
Joint Managing Director

The information that relates to exploration targets, exploration results, resource reporting and drilling data of Cazaly operated projects is based on information compiled by Mr Clive Jones, Ms Felicity Repacholi and Mr Don Horn who are Members of The Australasian Institute of Mining and Metallurgy and/or The Australian Institute of Geoscientists and are employees of the Company. Mr Jones, Ms Repacholi and Mr Horn 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, Ms Repacholi and Mr Horn consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

RESOURCE ESTIMATION SUMMARY: Mount Angelo North

- Estimate based upon Reverse Circulation and Diamond Core drill holes.
- The nominal drillhole spacing was 10m x 20m in the core of the deposit, and up to 25m x 30m on the margins.
- The deposit starts at surface. The Resource area has dimensions of 250m (X) by 260m (Y) and 135m (elevation).
- All drilling was geologically logged in full and core photographed.
- Samples collected by cone or riffle splitting for RC or by half core samples for diamond core.
- Diamond core (HQ & NQ2) drilling had high recoveries.
- Twinned diamond core holes confirmed RC drill results.
- Where core was required for metallurgical testwork core was cut into quarter core samples.
- The drilling was sampled on 1m intervals or based upon geological contacts.
- Assaying was conducted by Bureau Veritas and assayed for a suite of elements.
- Field and laboratory QA/QC procedures were in place.
- Data was validated on upload using a set of rules, Data checks were run through both DataShed and Micromine software.
- All holes were located by DGPS and tied into State Survey Marks.
- Down hole surveying was conducted on diamond core holes.
- Three geologically distinct zones were modelled; Upper Oxide, Fresh Sulphide & a Lower 'Feeder' Zone.
- The mineralised domains have demonstrated sufficient continuity in both geological and grade continuity to support the definition of Mineral Resources and Reserves
- All domains were modelled in three dimensions using Micromine software using a minimum down hole length of 2m.
- Grade estimation using Inverse Distance Weighting (IDW)
- Wire-frames were constructed for the resource model using a 0.2% CuEq, blocks $\geq$ 0.8%CuEq reported
- Top-cuts were determined based on breaks seen in logarithmic probability plots, CVs and grade histograms and applied on a domain basis.
- Micromine software was used to estimate five elements; Cu%, Zn%, Pb%, Ag (ppm) and Au (ppm). CuEq% was calculated from these block values.
- Statistical analysis, grade interpolation and block modelling were undertaken in-house by Felicity Repacholli who also conducted a site visit.
- Geostatistical analysis using semi-variograms were used for grade interpolations
- A single block model for Mt Angelo North was constructed using a parent block size of 5m (X) x 5m (Y) x 4m (Z), with sub-blocking to 1m x 1m x 0.5m RL for domain volume resolution.
- First pass estimation parameters: Minimum samples = 10, Minimum number of holes = 4,
- Search eclipse radii = 26m (along strike), 3.3m (down dip)
- Bulk densities values were estimated from density measurements carried out on oxide material and fresh material drill core by IMO using the wax and water bath method.
 - o The Lower Zone Material was estimated as 10% lighter than the Fresh Material
 - o Oxide material 2.49 g/cm³, Fresh material 3.8 g/cm³, Lower zone material 3.5 g/cm³