

Quarterly Report for June 2014



PARKER RANGE IRON ORE PROJECT

- YES Syndicate announced as successful consortia to design, finance, construct and operate a multi-user iron ore facility (MUIOF) at Esperance port
- YES Syndicate comprises Asciano & Marubeni Corporation
- Preliminary discussions with potential project finance and commercial partners ongoing

HALLS CREEK COPPER PROJECT

- Field mapping defines prospective mineralised 'corridor'
- Downhole geophysics defines known sulphide mineralisation & highlights two further previously unknown conductors at Mt Angelo North Cu-Zn-Ag deposit
- Conductors likely to represent new zones of sulphide mineralisation

HAMERSLEY IRON PROJECT

- Infrastructure study confirms three possible economically viable transport options for the development of the project
- Study complements recently completed Mine Gate study which confirmed the potential economic viability of an initial Direct Shipping Ore operation based upon current indicated resource.
- Global Indicated/Inferred Resource of 343Mt @ 54.5% Fe (57.9% CaFe)

CORPORATE

- Quarterly contingency payment of \$250,000 received from Phoenix Gold Ltd with respect to the Catherwood Gold Project.

Parker Range Iron Ore Project (CAZ 100%)

During the quarter the WA Transport Minister, Dean Nalder, announced that Yilgarn Esperance Solution (YES) Limited, a consortium which includes Asciano and Marubeni, who been chosen to design, build and operate the new Multi-User Iron Ore Facility (MUIOF) planned for the Port of Esperance.

Cazaly welcomed this long awaited development, together with the recently completed \$120M Esperance Port Access Upgrade, are key to the development of the company's Parker Range Iron Ore Project.

The project is the only "mine ready" iron ore deposit in the region not currently in operation. Parker Range has a fully completed definitive feasibility study and all key approvals in place to commence development.

Cazaly intends to update the feasibility study once the YES syndicate and the port have finalised formal documentation. The update will ensure relevant rail and road transportation costs and port charges are incorporated into the financial modelling. Preliminary discussions with potential project finance and commercial partners ahead of a Final Investment Decision (FID) have commenced.

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.

During the Quarter Cazaly conducted field programs and completed a program of downhole electromagnetic (DHEM) surveying at Mt Angelo North.

Two of the deeper holes surveyed previously drilled by Cazaly, HCRD043 & HCRD048, were targeted for DHEM surveying to delineate additional potential sulphide mineralisation at depth to the Mount Angelo North copper deposit. The survey successfully defined known mineralisation in the vicinity of both holes and also delineated two further zones of conductivity which may represent new zones of sulphide mineralisation adjacent at depth to drillhole HCRD048.

Modelling of the two off-hole conductors in HCRD048 indicated that an upper source of moderate conductance of limited areal size centred above and slightly west of hole HCRD048 at ~145m downhole was present coincident with some narrow in-hole Cu intercepts at this level.

The second, lowermost conductor identified from this hole is of more interest showing higher moderate to high conductance levels and a greater overall size at ~50x50m. This anomaly was only partially defined as it was at the limit of the survey which ended at 188m due to a blockage in the hole. It is considered that this anomaly could potentially lead to larger conductive units of interest

further at depth. The company plans to drill the target the recently identified conductors and planning for surface IP geophysics and shallow first pass drilling at the Grunters prospect.

The majority of the VMS deposits around the world do not occur as a single lens of massive sulphides as observed at Mt Angelo North. An analysis of the multi-element data collected from the drilling programs at the Mount Angelo North Prospect as well as the recent surface mapping at Grunters, has highlighted the potential for repetitions at depth and along strike of other massive sulphide lenses.

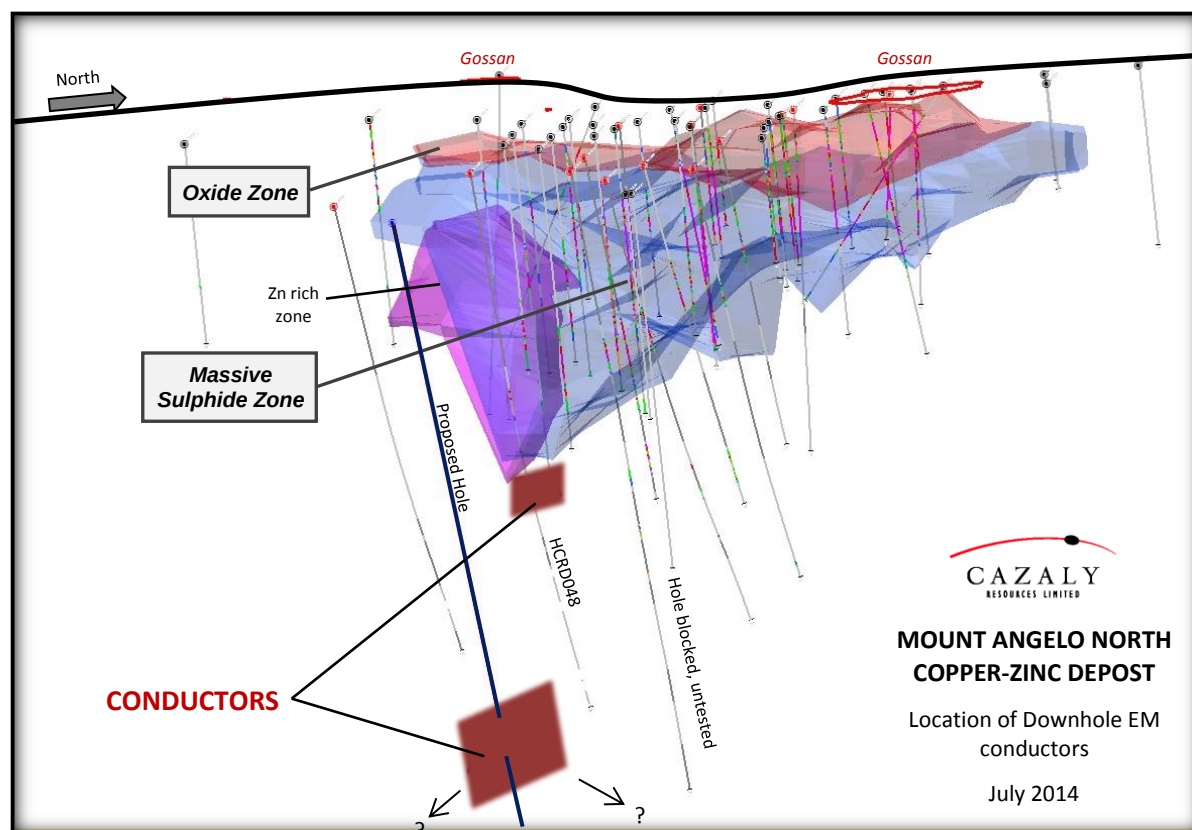
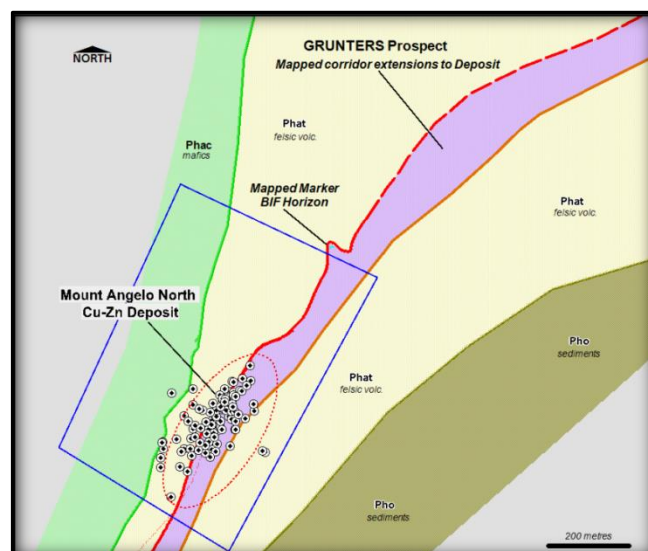


Figure: Location of downhole conductors at Mount Angelo North Cu-Zn deposit

Geological mapping has further defined the northern extensions of the sequence hosting the mineralisation. One of the key defining features of the Mount Angelo deposit is the recognition of a BIF unit which acts as a marker horizon. Importantly, this unit outcrops sporadically along strike for over 1km to the north of the deposit within the same felsic sediments which host the deposit. This area, called the *Grunters prospect*, is largely covered by surficial alluvium and has never been drill tested (see figure).

VMS deposits around the world typically do not occur as a single lens of massive sulphides as currently observed at Mt Angelo North. Analysis of multi-element data collected from the drilling programs at the deposit, as well as the recent surface mapping at Grunters, has

highlighted the potential for repetitions of sulphide lenses at depth and along strike.

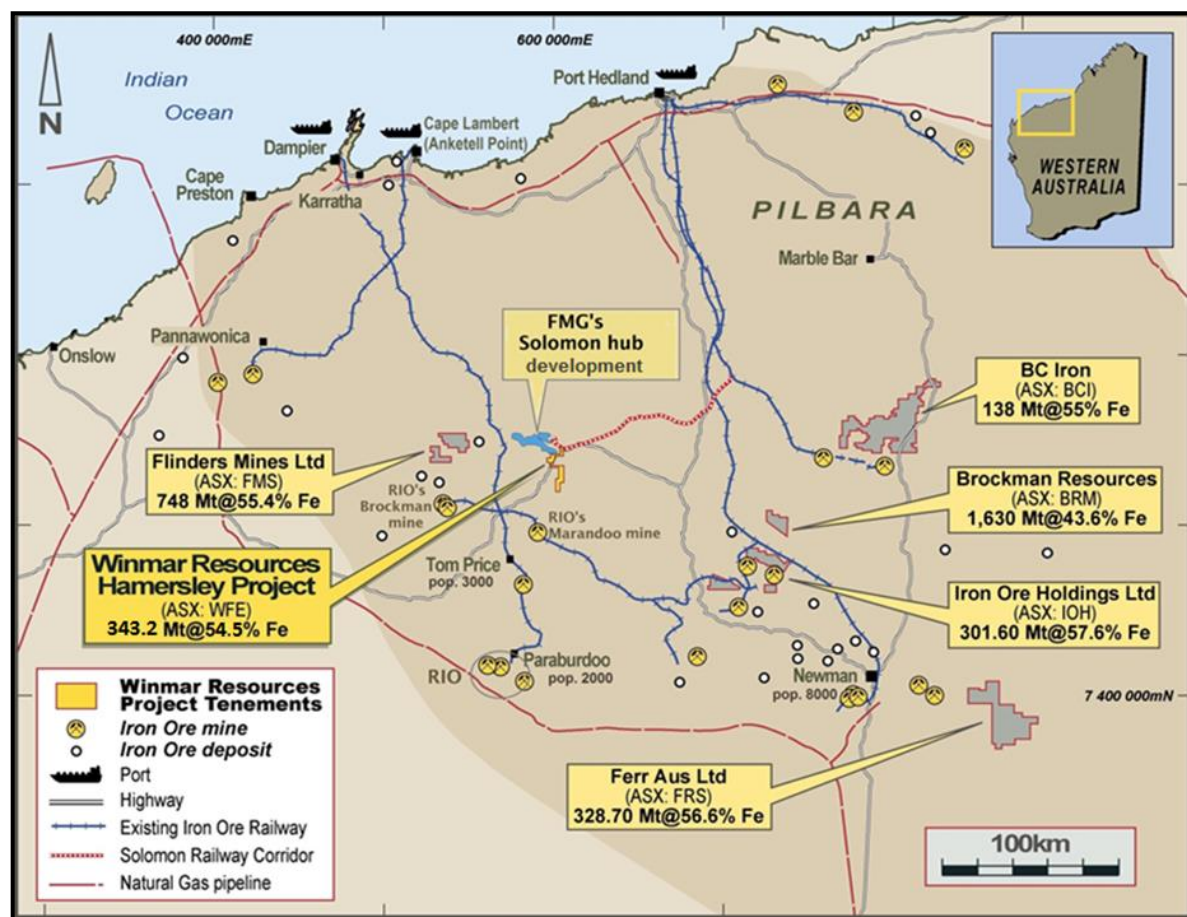


Hamersley Iron Ore Project

(Cazaly 49% / Winmar Resources Ltd 51%)

- Infrastructure study confirms three possible economically viable transport options for the development of the project
- Study complements recently completed Mine Gate study which confirmed the potential economic viability of an initial Direct Shipping Ore operation based upon current indicated resource.
- Global Indicated/Inferred Resource of 343Mt @ 54.5% Fe (57.9% CaFe)

During the quarter the Winmar Exploration Joint Venture (WEJV) engaged AECOM Australia Pty Ltd (AECOM), an independent transport consulting group, to conduct a Transport Infrastructure scoping study for the Hamersley Iron Project (HIP, the Project). The study was designed to assess the project viability, by examining a number of road and rail transport options and destination port options.



Location of the Hamersley Iron Project

Study complements the recently completed Mine Gate study which confirmed the potential economic viability of an initial Direct Shipping Ore operation based upon current indicated resource.

The study reported on four transport options to transport ore from the proposed mine site to a port on the Pilbara coast. The four options selected for detailed analysis included a combination of existing and new road and rail infrastructure. Based on the destination port and the ability to negotiate with 3rd party infrastructure owners, three options were identified as potentially economically viable at forecast Iron Ore prices for the optimal usage of the existing roads through to rail infrastructure, as based on the following parameters:

- Utilising only the Project's Indicated Mineral Resource (42.6Mt at 55.2% Fe - see Table 1)
- Based on Industry accepted forecast Iron Ore prices
- Based on a 2Mtpa to 4Mtpa mining operation over 10-15 years
- Providing encouraging Cash Flow and NPV at forecast iron ore prices

The combined results of the Mine Gate and Transport Infrastructure scoping studies provide key information to assist in discussions with multiple parties when identifying and collaborating on strategic infrastructure solutions in line with the project's development plan. To progress the level of confidence in the estimates, the WEJV plan to undertake the following next steps:

- 1) Commence discussions with 3rd party infrastructure owners with regards to road and rail access.
- 2) Determine the condition and acceptability of the existing roads for haul road traffic and to refine the cost estimates.
- 3) Commence discussions with local shire road owners to determine the process for gaining access to the existing roads.
- 4) Undertake a preliminary hydrological and geotechnical assessment of the mine exit road.

Corporate

The Company received \$250,000 from Phoenix Gold Limited during the Quarter being payments due on production from the Catherwood gold project plus contingency payments due from the sale of tenements to Phoenix. The production royalty stream is due at the rate of \$40/ounce to the Company and is capped at \$3,000,000.

At current market prices, the Company holds ASX listed investments worth approximately \$1m.

Summary

The Company continues to progress the Halls Creek Copper project with further ground work defining new target areas immediately along strike from the known Mount Angelo North copper-zinc deposit and highlighting several other more regional prospects requiring follow up work. The deposit commences near surface and is well located near good infrastructure providing for rapid development options.

At Parker Range the Company was pleased to see progress has made towards the development of the port of Esperance and welcomes the involvement of the YES syndicate lead by Asciano. 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 undeveloped 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) and at Hamersley (resource moving into the development stage) will provide benefits to all stakeholders.



Nathan McMahon

Joint Managing Director



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 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 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones 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.

The information in this document that relates to Mineral Resources is based on information compiled by Mr D Jenkins and Mr S Searle.

Mr Jenkins is Principal Geologist of Terra Search and a Member of the Australian Institute of Geoscientists. Mr Jenkins has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves.

Mr Searle is a full time employee of RUL and a Member of the Australian Institute of Geoscientists. Mr Searle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves.

Mr Searle and Mr Jenkins consent to the inclusion of their names in the matters based on their information in the form and context in which it appears.

APPENDIX A – TENEMENTS HELD AT 30 JUNE 2014

TID	PROJECT	ENTITY	% INT	TID	PROJECT	ENTITY	% INT
<u>Managed</u>				<u>Not Managed</u>			
E09/1194	JAILOR BORE	BAKF	100	E09/1194	JAILOR BORE	BAKF	100
E15/0915	7 MILE HILL	SAMR	100	E31/1019	CAROSUE	CAZR	10
E24/0188	GIDJI	CAZR	100	E31/1020	CAROSUE	CAZR	10
E25/0500	MADOONIA DOWNS	CAZR	100	E36/0733	YEELIRRIE	SAMR	100
E26/0167	GIDJI	SAMR	100	E36/0735	YEELIRRIE	SAMR	100
E80/4772	ALICE DOWNS	CAZR	100	E37/1037	TEUTONIC BORE	SAMR	100
E28/2273	PINNACLES	SAMR	100	E38/1540	JUTSON ROCKS	CAZR	30
E31/0886	CAROSUE	SAMR	100	E47/1617	HAMERSLEY	LOFE	49
E80/4774	HALLS CREEK	CAZR	100	E51/1290	RUBY WELL	SAMR	100
E80/3370	MT ANGELO	CAZR	20	E53/1247	HINKLER WELL	SAMR	100
E80/3496	MT ANGELO	CAZR	20	E69/2230	NEBO	SAMR	100
E80/3517	MT ANGELO	CAZR	20	E69/2362	RAWLINSON RANGE	SAMR	100
E80/3938	MT ANGELO	CAZR	20	EL 25643	MT ISABEL (NT)	SAMR	20
M80/0247	MT ANGELO	CAZR	20	EL 25653	ACACIA BORE (NT)	SAMR	20
E31/1047	EDJUDINA	CAZR	100	M31/0427	CAROSUE	CAZR	10
E31/1048	EDJUDINA	CAZR	100	P26/3369	TEN MILE HILL	CAZR	10
E47/1561	MT WALKINS	CAZI	100	P27/1682	TEN MILE HILL	CAZR	10
E47/2012	MT. STUART	BAFE	100	P27/1688	TEN MILE WELL	CAZR	10
E47/2027	MT. STUART	BAFE	100	P31/1746	CAROSUE	CAZR	10
E47/2042	MARILLANA	BAFE	100	P46/1360	QUARTZ CIRCLE	CAZR	20
E47/2043	MT. STUART	BAFE	100	P46/1361	QUARTZ CIRCLE	CAZR	20
E51/1558	RUBY WELL	SAMR	100	P46/1362	QUARTZ CIRCLE	CAZR	20
E51/1567	MT PADBURY	SAMR	100	P46/1363	QUARTZ CIRCLE	CAZR	20
E52/2861	FORTNUM	SAMR	100	P46/1364	QUARTZ CIRCLE	CAZR	20
E52/3020	ROBINSON RANGES	CAZR	100	P46/1365	QUARTZ CIRCLE	CAZR	20
E69/3056	JUNCTION	SAMR	100	P46/1366	QUARTZ CIRCLE	CAZR	20
E77/1101	PARKER RANGE	CAZI	100	E38/1541	JUTSON ROCKS	CAZR	30
E77/1235	PARKER RANGE	CAZR	100				
E77/1403	PARKER RANGE	CAZI	100				
E77/1689	MT RANKIN	CAZI	100				
E77/1787	PARKER RANGE	CAZI	100				
E77/1788	PARKER RANGE	CAZI	100				
E77/1789	PARKER RANGE	CAZI	100				
E77/1792	MOORINE ROCKS	CAZI	100				
E77/2068	PARKER RANGE	CAZI	100				
E77/2078	PARKER RANGE	SAMR	100				
E77/2115	SOUTHERN CROSS	CAZI	100				
E77/2135	PARKER RANGE	CAZI	100				
E77/2177	STRAWBERRY ROCKS	CAZR	100				
L77/0220	PARKER RANGE	CAZI	100				
L77/0228	PARKER RANGE	CAZI	100				
L77/0229	PARKER RANGE	CAZI	100				
M77/0671	PARKER RANGE	SAMR	100				
M77/0741	PARKER RANGE	CAZI	100				
M77/0742	PARKER RANGE	CAZI	100				
M77/0764	PARKER RANGE	CAZI	100				
M77/0765	PARKER RANGE	SAMR	100				
M77/0766	PARKER RANGE	SAMR	100				
P26/3893	KALGOORLIE	SAMR	100				
P26/3896	KALGOORLIE	SAMR	100				
P26/3898	KALGOORLIE	SAMR	100				
P26/3899	KALGOORLIE	SAMR	100				

TID	PROJECT	ENTITY	% INT
<u>Managed</u>			
P26/3900	KALGOORLIE	SAMR	100
P26/3901	KALGOORLIE	SAMR	100
P26/3911	KALGOORLIE	SAMR	100
P26/3912	KALGOORLIE	SAMR	100
P26/3913	KALGOORLIE	SAMR	100
P26/3934	HORANS SMALL DAM	CAZR	100
P26/3935	HORANS SMALL DAM	CAZR	100
P26/3939	HORANS SMALL DAM	CAZR	100
P77/3700	PARKER RANGE	CAZI	100
P77/3702	PARKER RANGE	CAZI	100
P77/4046	PARKER RANGE	CAZI	100
P77/4047	PARKER RANGE	CAZI	100
P77/4162	PARKER RANGE	SAMR	100
P77/4163	PARKER RANGE	SAMR	100
P77/4164	PARKER RANGE	SAMR	100
P24/4786	BARDOC	CAZR	100

Any changes in mining tenement interests during the quarter are covered in Section 6 of the Appendix 5B for June '14