



ABN 23 101 049 334

## Quarterly Report for June 2015

### Summary

During the quarter, despite the iron ore price and general downturn, the Company continued to seek avenues to commencing development of the Parker Range iron ore project with discussions with mining contractors, infrastructure providers and potential offtake partners continuing. The Company further reviewed and updated the assessment of the gold potential at Parker Range redefining several shallow gold resources with the potential to be mined and toll treated.

The Company has reduced its tenement holdings and is focussing on its key projects. Cost cutting measures have been implemented. The Company also has listed share holdings which are an asset to the Company.

### Parker Range Project (CAZ 100%)

Despite the recent downturn in the iron ore market, the Company continues to seek avenues to commence the development of the Parker Range iron ore project. During the quarter Cazaly continued discussions with potential mining contractors and offtake partners.

The Parker Range 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 are in place to commence development. Previously, the WA Transport Minister, Mr Dean Nalder, announced that Yilgarn Esperance Solution (YES) Limited, a consortium headed up by Asciano had been chosen to design, build and operate the new Multi-User Iron Ore Facility (MUIOF) planned for the Port of Esperance. Given the state of the iron ore market during the quarter no progress has been made on the development by Asciano.

#### BURBIDGE GOLD DEPOSITS

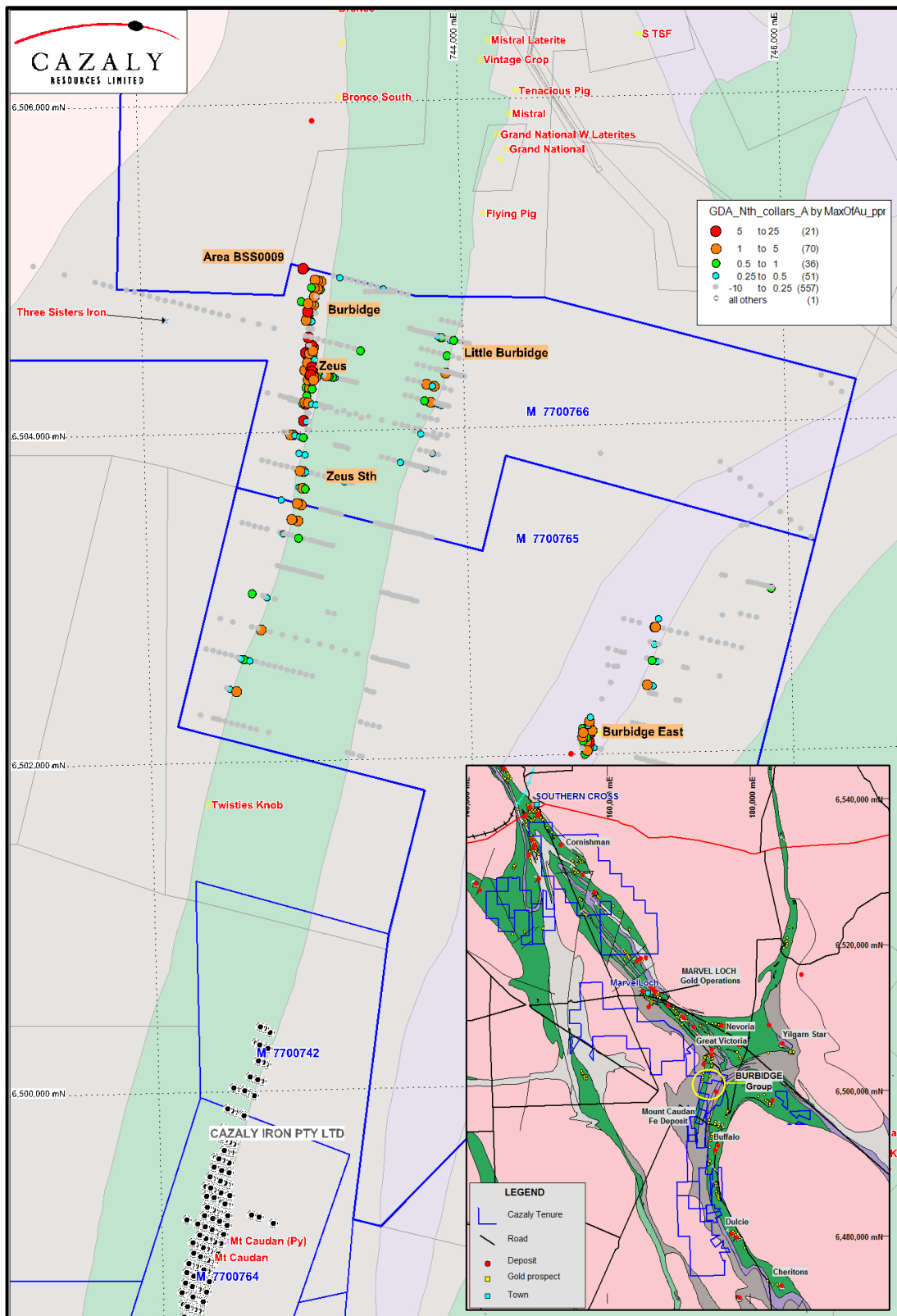
During the quarter Cazaly took the opportunity to assess the gold potential of its holdings in the Southern Cross region. This led to the recognition of a group of small but potentially viable gold prospects situated immediately north of the Mount Caudan iron ore deposit called the *Burbidge Group*. The prospects are located on granted mining leases M77/765 and M77/766 nearby to existing haul roads and associated infrastructure all within 15 kilometres of the 2.5Mtpa Marvel Loch gold mill which was recently recommissioned by Hanking. In-house resource estimates were updated on a series of adjacent gold prospects. The updated resource estimates are as follows;

BURBIDGE GROUP PROSPECT	RESOURCE CATEGORY	Tonnes	Grade (g/t Au)	Ounces Au
ZEUS	INFERRED	142,900	2.76	12,680
BURBIDGE	INFERRED	121,700	1.64	6,420
ZEUS SOUTH	INFERRED	29,100	1.08	1,010
LITTLE BURBIDGE EAST	INFERRED	129,300	1.59	6,610
BURBIDGE EAST	INFERRED	45,500	1.99	2,910
<b>TOTAL</b>	<b>INFERRED</b>	<b>468,600</b>	<b>1.97</b>	<b>29,600</b>

*All Resources reported at a lower cut-off grade of 1.0 g/t gold. No upper grade cuts have been applied. Assay results are from reverse circulation (RC) and diamond drilling (DDH). Totals may show variation due to rounding. See Appendix A for further information.*

Gold mineralisation at the Zeus prospect was identified in the late 1980's, south of the Bronco and Great Victoria open cut gold mines. Drilling along the geological contact intersected gold mineralisation in a vertical structure, above an oxidised massive sulphide unit on a contact between metasediments and mafic volcanics. Previous tenement holders Gondwana Resources Limited followed up high grade gold intersects and conducted three rounds of RC in-fill drilling at Zeus, Burbidge and Burbidge East prospects.

**Figure 1: Burbidge Gold Prospects, geological setting and drilling**



## Kimberley Projects

### McKENZIE SPRINGS NICKEL-GRAPHITE PROJECT (CAZ 100%)

Following reconnaissance work and research of historic data the Company identified evidence of graphite bearing units associated with high grade metamorphic rocks of the Tickalara Metamorphic suite which trend throughout the McKenzie Springs project for ~15 kilometres. This is the same unit hosting Lamboo Resources Limited's neighbouring *Macintosh Graphite Project* (7.135Mt @ 4.73% TGC). Of particular note is that the graphite at Macintosh has been identified as high grade flake graphite with the potential to be chemically converted into graphene.

The host graphitic schist is rarely seen in outcrop although the prospective stratigraphy is thought to trend for some ~15km throughout the project. Samples assayed returned Total Graphitic Carbon (TGC) grades of **22.4 and 23.9% TGC**.

It is planned to further define this stratigraphic horizon through the acquisition and assessment of an airborne electromagnetic (EM) survey to more accurately define targets for future drill testing.

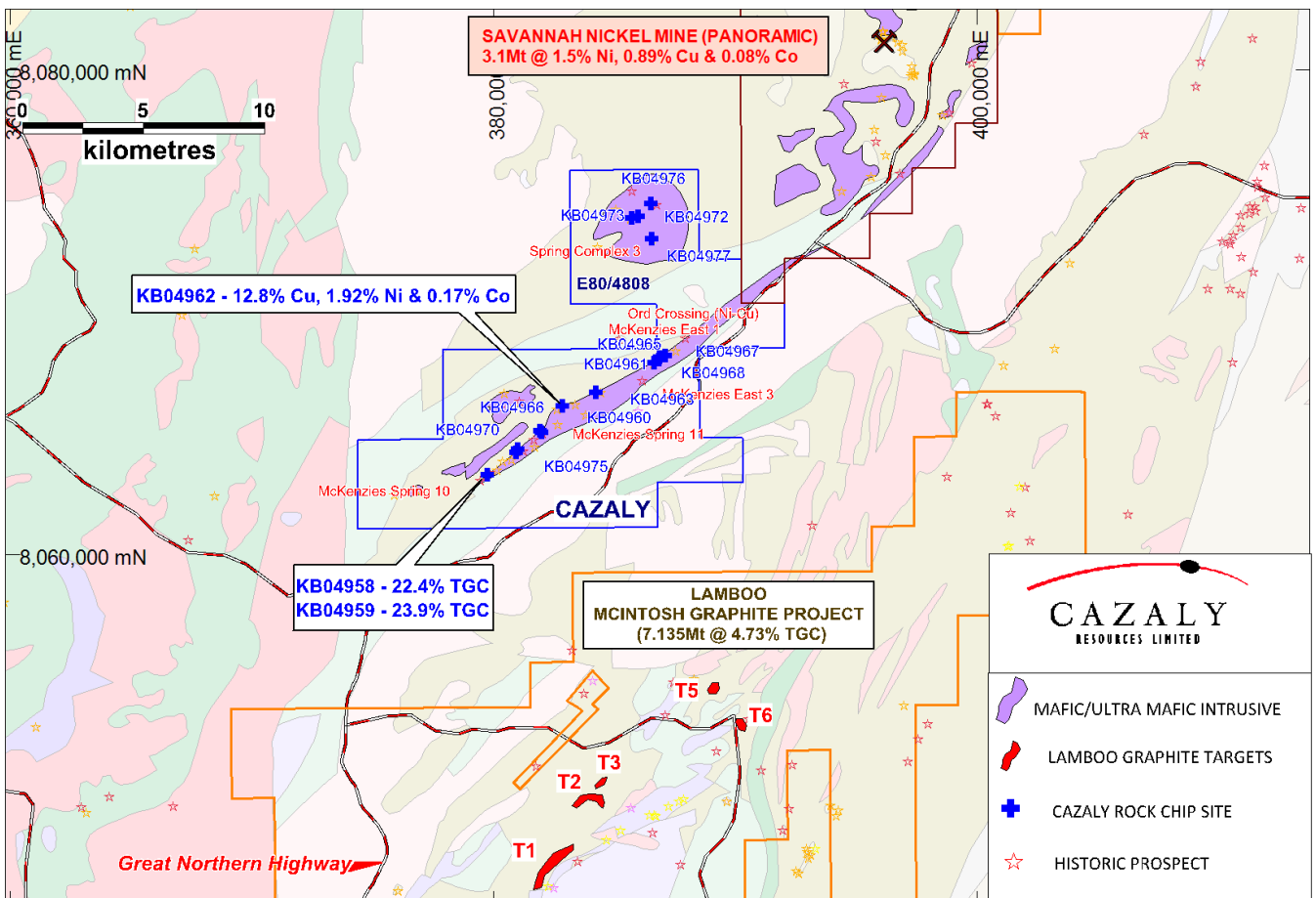


Figure 2: McKenzie Springs Project, recent surface sampling

The nickel potential of the area previously defined priority targets that contained nickel, copper and cobalt mineralisation in geological settings similar to the nearby Savannah Nickel operation (3.1 Mt @ 1.5% Ni, 0.89% Cu and 0.08% Co, Panoramic Resources, July 2013).



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The Savannah Nickel Operation has been in production since 2004 and exports concentrate to China via the port of Wyndham (240km to the north via the Great Northern Highway). Recent near mine exploration by Panoramic has indicated potential to extend the resource and mine life beyond 2017 with the discovery of a new lode at Savannah North.

Mineralisation identified within the Company's McKenzie Springs tenement is associated with the basal contact of mafic-ultramafic rocks in a similar geological setting to the Savannah Nickel Mine situated ~9km to the north. Gossan outcrops were sampled returning results confirming the potential for ore grade mineralisation and previous results. Of particular note is one very high grade result which returned **12.8% Cu, 1.92% Ni and 0.17% Co** taken from the Mackenzie Springs No.1 gossan.

## HALLS CREEK COPPER PROJECT (CAZ 20%)

No significant work was undertaken on the joint venture during the quarter.

## Hamersley Iron Ore Project

(Cazaly 30% / Winmar Resources Ltd 70%)

No significant work was reported during the quarter.

## Corporate

During the Quarter the Company sold a package of royalties for a potential total of \$2.35M comprising royalties held over the Kalgoorlie Gold project ("KGP") and the Halls Creek Copper project ("HCCP"). The sale has been to a private mining investment group and comprises various payments subject to a range of conditions including third party waivers of pre-emptive rights and production hurdles. In summary, the schedule of payments is as follows:

- a. Payment of \$453,000 received upon signing,
- b. Payment of \$147,000 received following satisfaction of third party rights with respect to the HCCP,
- c. Payment of \$750,000 upon commencement of mining at the KGP, and
- d. Payment of \$1,000,000 upon satisfaction of conditions relating to the production of 140,000.ozs gold from the KGP.

The sale of the royalties ensures the early realisation of cashflow from the package and enables the Company to focus on its existing projects.

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A handwritten signature in black ink, appearing to be 'N. McMahon'.

**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 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.*



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## APPENDIX A – RESOURCE ESTIMATION DETAILS

### Database Validation

A comprehensive search and reconstruction of historical data sets was undertaken to build a drill database for the Parker Range North Project. This included collating drill data from company files as well as databases inherited with the acquisition of M77/765 and M77/766.

Original datasets were verified where available. The primary sources of drill data were from Sons of Gwalia open file reports and digital reports and Access drill databases from previous tenement holders Gondwana Resources Limited. Laboratory check samples, re-splits and other sample quality control data were available for a portion of infill RC drilling on the Zeus Prospect. All relevant drill hole data was reviewed. No significant discrepancies were found between duplicate data where available. A Micromine validation routine was run on the drill data and no data issues were flagged.

Downhole survey as well as RTK GPS positional collar data for the majority of the drill database is included. All collar surveys are based on GDA94, Zone 50 coordinate system with RL based on the Australian Height Datum. Site visits were made by company geologists to all prospects.

It is the opinion of the Competent Person that the data set is of sufficient veracity and quality to use for resource estimation purposes to an “Inferred” level under JORC 2012 guidelines

### Resource Estimation

The Mineral Resource Estimate for the Zeus and Burbidge Prospects is based on reverse circulation and diamond drill hole data completed by previous explorers Sons of Gwalia and Gondwana Resources Limited up until 2011. Drill hole spacing varies from 25 x 25m to 25 x 100m. There are a total of 260 drill holes for 14,428m and 10,140 analyses contained within the database. All rotary air blast, air core and auger drill data were removed for the purposes of the resource estimation.

The mineral resources have been reported from within mineralised envelopes based on geological parameters, such as lithology and structural information, constrained within 0.5 g/t gold envelopes in similar geological settings. These envelopes were used to construct wireframes or 3D solids used to defined and interpolate block models. Separate interpreted domains were produced for the flat oxide blanket and lodes of each prospect where present. These were modelled separately to ensure grade interpolations were not affected by neighboring geological domains.

No bulk density data was available. The specific gravity data used for the estimations was based on data from surrounding projects for similar lithologies. These figures were 1.8 for Oxide and 2.5 for transitional material. Block Dimensions of 5 x 2.5 x 2.5 metres were used for resource estimation based on the drill spacing and the continuity and confidence in the geological interpretations. The grade estimation used Inverse Distance Power (2) weighting to the block size of 5 m by 2.5 m by 2.5 m and ellipsoid search parameters were used to define sample weighting.

### Previous Resource Estimation

The only reference to previous resource estimations on the Zeus/Burbidge Prospects is made by Sons of Gwalia in their Surrender Report titled “BURBIDGE PROJECT, SURRENDER REPORT FOR C138/2001, 25th June 1992 to 27th June 2003”. This report is on open file under Item #A67104. In this report the company states the following:

“An Indicated Resource of 24,000 tonnes at 2.67g/t gold has been outlined, based on reverse circulation drill results at 25m x 25m spacing.” While this is interpreted by the Competent Person as a non JORC estimation, it is still considered relevant information for the purposes of a comparison with the current estimates.

The figure compares well with the grades of the Zeus estimation. The tonnages difference with the Cazaly estimate is due to further data provided by the extensional and in-fill drilling completed after 2003 by Gondwana Resources Limited.



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## APPENDIX B – TENEMENTS HELD AT 30 June 2015

TID	PROJECT	ENTITY	% INT	TID	PROJECT	ENTITY	% INT
<b>Managed</b>				<b>Managed</b>			
E15/0915	7 MILE HILL	SAMR	100	P77/3700	PARKER RANGE	CAZI	100
E24/0188	GIDJI	CAZR	100	P77/3702	PARKER RANGE	CAZI	100
E26/0167	GIDJI	SAMR	100	P77/4046	PARKER RANGE	CAZI	100
E80/4772	ALICE DOWNS	CAZR	100	P77/4047	PARKER RANGE	CAZI	100
E80/4774	HALLS CREEK	CAZR	100	P77/4162	PARKER RANGE	SAMR	100
E80/3370	MT ANGELO	CAZR	20	P77/4164	PARKER RANGE	SAMR	100
E80/3496	MT ANGELO	CAZR	20	P24/4786	BARDOC	CAZR	100
E80/3517	MT ANGELO	CAZR	20	E77/2176	PARKER RANGE	SAMR	100
E80/3938	MT ANGELO	CAZR	20	E80/4811	LAMBOO	SAMR	100
M80/0247	MT ANGELO	CAZR	20	E80/4773	HALLS CREEK	SAMR	100
E47/1561	MT WALKINS	CAZI	100	E80/4808	MABEL DOWNS	SAMR	100
E51/1558	RUBY WELL	SAMR	100	E47/2774	MT FARQUHAR	CAZR	100
E51/1567	MT PADBURY	SAMR	100	E47/2884	GREGORY	CAZR	100
E52/2861	FORTNUM	SAMR	100				
E52/3020	ROBINSON RANGES	CAZR	100	<b>Not Managed</b>			
E69/3056	JUNCTION	SAMR	100	E31/1019	CAROSUE	CAZR	10
E77/1101	PARKER RANGE	CAZI	100	E31/1020	CAROSUE	CAZR	10
E77/1235	PARKER RANGE	CAZR	100	E36/0733	YEELIRRIE	SAMR	100
E77/1403	PARKER RANGE	CAZI	100	E36/0735	YEELIRRIE	SAMR	100
E77/2135	PARKER RANGE	CAZI	100	E37/1037	TEUTONIC BORE	SAMR	100
L77/0220	PARKER RANGE	CAZI	100	E38/1540	JUTSON ROCKS	CAZR	30
L77/0228	PARKER RANGE	CAZI	100	E47/1617	HAMERSLEY	LOFE	49
L77/0229	PARKER RANGE	CAZI	100	E51/1290	RUBY WELL	SAMR	100
M77/0741	PARKER RANGE	CAZI	100	E69/2230	NEBO	SAMR	100
M77/0742	PARKER RANGE	CAZI	100	E69/2362	RAWLINSON RANGE	SAMR	100
M77/0764	PARKER RANGE	CAZI	100	EL 25643	MT ISABEL (NT)	SAMR	20
M77/0765	PARKER RANGE	SAMR	100	EL 25653	ACACIA BORE (NT)	SAMR	20
M77/0766	PARKER RANGE	SAMR	100	M31/0427	CAROSUE	CAZR	10
P26/3893	KALGOORLIE	SAMR	100	P46/1360	QUARTZ CIRCLE	CAZR	20
P26/3896	KALGOORLIE	SAMR	100	P46/1361	QUARTZ CIRCLE	CAZR	20
P26/3898	KALGOORLIE	SAMR	100	P46/1362	QUARTZ CIRCLE	CAZR	20
P26/3899	KALGOORLIE	SAMR	100	P46/1363	QUARTZ CIRCLE	CAZR	20
P26/3900	KALGOORLIE	SAMR	100	P46/1364	QUARTZ CIRCLE	CAZR	20
P26/3901	KALGOORLIE	SAMR	100	P46/1365	QUARTZ CIRCLE	CAZR	20
P26/3911	KALGOORLIE	SAMR	100	P46/1366	QUARTZ CIRCLE	CAZR	20
P26/3912	KALGOORLIE	SAMR	100	E38/1541	JUTSON ROCKS	CAZR	30
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				
P26/3936	HORANS SMALL DAM	CAZR	100				
P26/3937	HORANS SMALL DAM	CAZR	100				
P26/3938	HORANS SMALL DAM	CAZR	100				
P26/3940	HORANS SMALL DAM	CAZR	100				
E63/1689	LEAKE	CAZR	100				

Any changes in mining tenement interests during the quarter are covered in Section 6 of the Appendix 5B for June'15