



ABN 23 101 049 334

Quarterly Report for December 2015

Summary

Despite the continued uncertainty in the iron ore market, the Company has continued to explore various avenues to commence the development of the Parker Range iron ore project. The Company has also reviewed the area's gold potential and identified several shallow gold resources which have the potential to be mined and treated at the nearby Southern Cross gold operation.

In December 2015, the Company successfully raised approximately \$405,000 via a placement and issue of convertible notes. The raising was supported by Directors and long term supporters of the Company.

The Company has continued to reduce its tenement holdings and is only focussing on its key projects, being Parker Range, McKenzie Springs and its uranium rights in the Czech Republic. Other cost reduction measures have continued throughout the company.

The Company retains exposure to a potential royalty stream from the West Kalgoorlie project from a third party and from the Georges Reward project (MetalsX Limited).

Parker Range Project (CAZ 100%)

The Parker Range project has a fully completed DFS in place and all key approvals have been granted in order for it to commence development.

The Yilgarn Esperance Solution (YES) Limited, a consortium headed up by Asciano has been chosen to design, build and operate a new Multi-User Iron Ore Facility (MUIOF) planned for the Port of Esperance. Given the state of the iron ore market no progress has been made on the development by Asciano.

Over the past six months or so, Cazaly has undertaken an assessment of the gold potential of its holdings in the area which has led to the recognition of a group of 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 and are near existing haul roads and associated infrastructure within 15 kilometres of the Marvel Loch gold mill which was recently recommissioned by Hanking Gold Mining Pty Ltd.

The Company has commenced discussions with the owners of the Southern Cross operations with a view towards potentially exploiting the resources.

McKenzie Springs Nickel/Graphite Project (CAZ 100%)

Nickel

The Company controls a major position in the Kimberley region of Western Australia immediately along strike to the south of the Savannah Nickel Mine, owned by Panoramic Resources Ltd (ASX CODE: PAN). The Savannah mine (4.18Mt @ 1.55% Ni, PAN:ASX 1 October 2015) commenced production in 2004 but was recently moved into care and maintenance by Panoramic to preserve the value of the Savannah orebody. Panoramic also recently announced further resources from a major upgrade for the Savannah North deposit (6.88Mt @ 1.59% Ni, PAN:ASX 1 October 2015) which has the potential to significantly add to the mine life at Savannah.

Mineralisation within the Company’s project is associated with the basal contact of mafic-ultramafic rocks in a similar geological setting to the Savannah Nickel Mine. This unit extends for some 13km throughout the project. Gossan outcrops sampled, together with very limited historic drilling, confirm the potential for ore grade mineralisation and previous results. Sampling of the “No.1” gossan returned a very high grade result of 12.8% Cu, 1.92% Ni and 0.17% Co taken from the Mackenzie Springs No.1 gossan. Previous work here included mapping, geophysics and rock chip sampling by Anglo American (“AAM”) and Dampier Mining Company Limited (BHP) in the early 1970’s. The gossan is of interest due to the consistent nature of elevated copper and nickel results (eg; 93m @0.16% Ni, 43m @ 0.23% Ni).

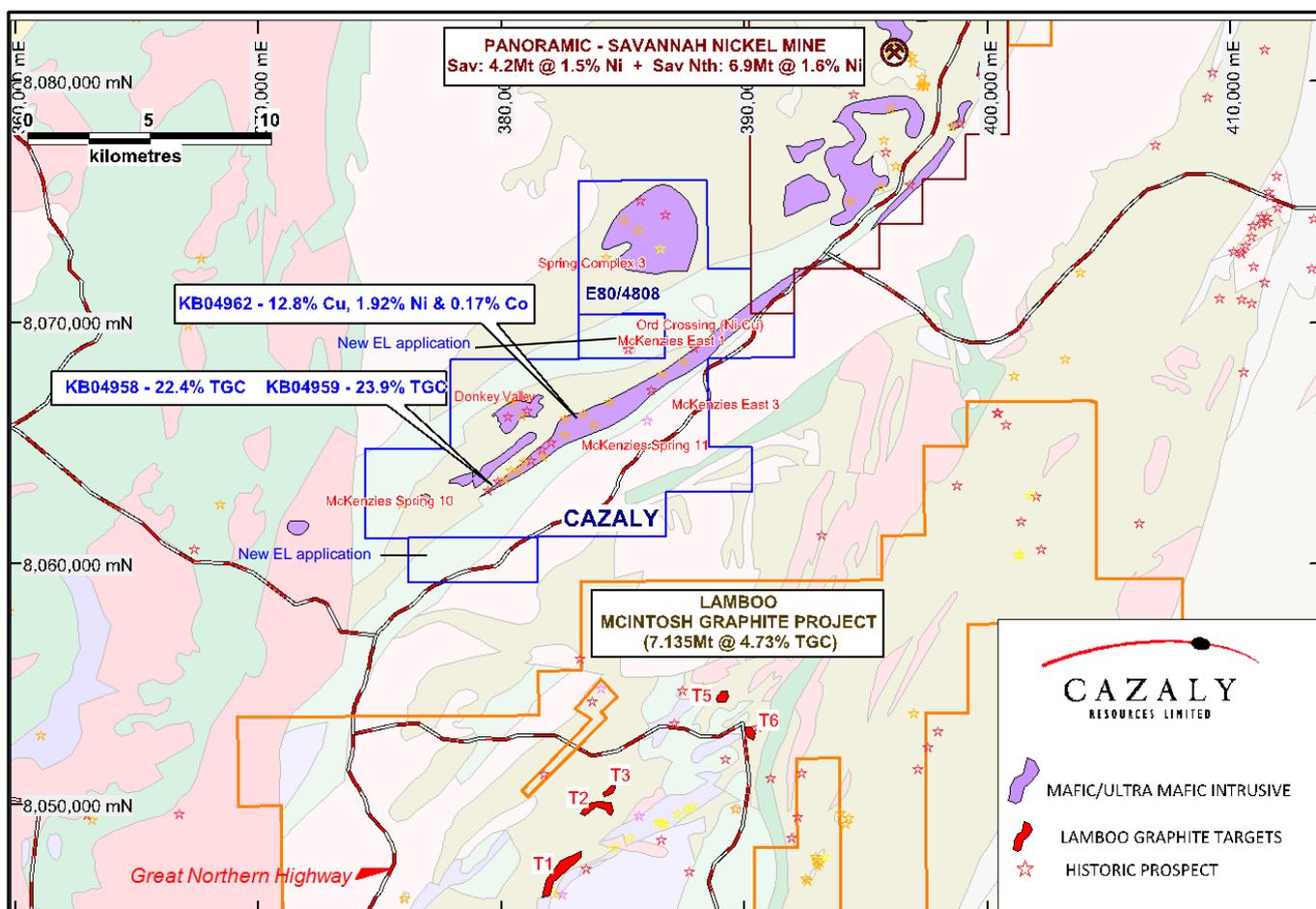


Figure 1: McKenzie Springs Project

Graphite

The project also lies adjacent to Hexagon Resources Limited’s MacIntosh Graphite Project where an Indicated and Inferred resource of 17.2Mt @ 4.63% Total Graphitic Carbon for 797,200t of contained graphite has been released (ASX:HVG, released 27 January 2016). Reconnaissance work at McKenzie Springs by the Company discovered an outcropping graphitic schist unit. Research of historic data identified further evidence of graphite bearing units associated with high grade metamorphic rocks of the Tickalara Metamorphic suite which trend throughout the tenement for ~15 kilometres. This is the same unit hosting Hexagon’s Resources Limited’s neighbouring *MacIntosh Graphite Project*. Of particular note is that the graphite has been identified as high grade flake graphite with the potential to be chemically converted into graphene.

Due to the highly friable/'soft' nature of the host graphitic schist it is rarely seen in outcrop although the prospective stratigraphy could be accurately traced using airborne and ground electromagnetic (EM) geophysical methods. Two samples returned from the outcropping unit returned exceptional Total Graphitic Carbon (TGC) grades of **22.4** and **23.9% TGC**. Petrographic analyses of a composite sample from these returned particularly encouraging first pass results as shown in Table 1:

Table 1 – Mackenzie Springs Flake Size Results (>1mm screen)

Size Classification	Micron	Flake Distribution %
Jumbo	>500µm	20%
Extra Large	>300µm	45%
Large	>200µm	15%
Medium	<200µm	20%

As noted in Table 1 the graphite is dominated by Large to Jumbo size flakes and appears similar to that occurring in the MacIntosh graphite deposits. The graphite is generally free of inclusions.

Electromagnetic Data

The company has recently accessed data from an airborne electromagnetic survey flown by BHP in 1997 which covers most of the prospective area within the company's project area. The Geotem survey was flown on 300 metre spaced lines the data from which has been interpreted by the company's geophysical consultants. This analysis, in combination with known geology and results from previous geochemical surveys, has highlighted numerous conductive targets within both the prospective nickel and graphite corridors.

The Company is currently assessing all of these areas on the ground. This work will be followed up by more detailed ground geophysics, probably fixed or moving loop EM so that the company can more effectively site drill holes to test the targets. Cazaly has also recently expanded its tenure in the area with two new exploration licence applications.

The Company is greatly encouraged by these nickel and graphite results and is currently conducting further work to better define drill targets for both nickel and graphite mineralisation in this highly prospective belt.

Czech Republic Uranium Projects (CAZ 80%)

Cazaly previously entered into an agreement in February 2012 to purchase an 80% interest in private company Discovery Minerals Pty Limited. Discovery owns 100% of Urania Mining, a company registered in the Czech Republic, who in turn hold applications to licences for uranium in the country. Recent assessment on the standings of the applications has resulted in the Company looking to focus on two key applications; the *Brzkov 2* and *Horní Věžnice 2* licences. The Company has been awaiting the issuance of a new state natural resources policy which is expected to open the door for further uranium mining in the Czech Republic. Intensive historic exploration at Brzkov included diamond drilling, trenching, pitting and underground diamond drilling. An exploration shaft was also sunk in 1989 and bulk sampling undertaken. Currently the Czech Republic operates six nuclear reactors generating about one third of its nuclear capacity. It has only the one operating uranium mine in country; the *Rozna* mine operated by the state enterprise Diamo.



The Rozna mine has recently been flagged as closing in 2017 and employs over 900 people. Recently, Diamo has indicated that it is considering mining uranium at Brzkov so as to continue its operations and Cazaly has commenced discussions with Diamo on the future development of the Brzkov project.

Potential Royalty Streams

Through its 100% owned subsidiary (CazRoy Pty Ltd) the Company retains potential royalty streams from the Kalgoorlie Gold Project (“KGP”) of

- a. Payment of \$750,000 upon commencement of mining at the KGP (subject to mining commencing within 24 months of the completion date): and
- b. Payment of \$1,000,000 upon satisfaction of conditions relating to the production of 140,000 ozs gold from the KGP.

The KGP is currently owned by Evolution Mining Ltd (ASX:EVN) following its takeover of Phoenix Gold Ltd (ASX:PXG). The royalty is payable from a third party. Refer to ASX announcement of 9th June 2015.

Furthermore, the Company has a royalty stream of \$1/tonne mined and milled from the Georges Reward project, which is managed by MetalX Ltd (ASX:MLX). Details of the project have been included in the MLX announcement dated 15th November 2015.

Australian Uranium Projects (CAZ 100%)

The Spinifex tenement application E80/4902 is located 50 km south of Kununurra in the Kimberley region of Western Australia. The project has high potential for unconformity and vein style uranium mineralisation as evidenced by previous rock chip grades of up to 4.16% U₃O₈ reported (Thundelarra Exploration Ltd, “Thundelarra” ASX announcement 19th December 2007). Thundelarra compiled historic records which included very high grade uranium mineralisation discovered in 1972 at Spinifex (assays of up to 13.5% U₃O₈ - Thundelarra ASX announcement 17th July 2007).

The Spinifex Project is situated in rough terrain of the Carr Boyd Range of the East Kimberley region, 50 km south of Kununurra township and 50 km north of Rio Tinto’s Argyle Diamond Mine in Western Australia. The project contains clearly defined uranium mineralisation and several geophysical targets have been outlined from Thundelarra’s interpretation of airborne radiometric data. Two types of mineralisation are going to be targeted by Cazaly once the tenement is granted: high grade vein-style mineralisation related to major structures; and unconformity-style mineralisation (between the Middle Proterozoic Hensman Sandstone and the Lower Proterozoic Revolver Creek Formation) such as is found at Alligator River in the Northern Territory.

The Company believes that the uranium sector has a positive outlook.

Corporate

As announced to the ASX on 22 December 2015, the Company has raised approximately \$405,000 via a placement and issue of convertible notes. The funds will assist Cazaly to fund the ongoing exploration of its diversified resources portfolio, evaluation of new projects and for working capital.

The placement was via a book build for a placement of 6,833,334 shares at an issue price of \$0.03 per Share to raise \$205,000 ("Placement"). A free attaching option was also issued on the basis of one option for every two shares subscribed for.

The joint Managing Directors, Mr Nathan McMahan and Mr Clive Jones (or their nominee or nominees) also advanced a total of \$200,000 in debt funds by way of a convertible note to the Company to supplement the Placement. The principal terms of the convertible note are designed to mirror the placement terms. As such, the convertible notes carry no coupon rate, are unsecured and are convertible at \$0.03 with a free attaching option on the basis of one option for every two shares converted. In accordance with listing Rule 10.11, the Convertible Notes are convertible at any time until 31 December 2016, however cannot be converted without Shareholder Approval.

During December 2015, an agreement was signed for the sale of tenement E47/2774 to FMG Limited for \$50,000 plus a minor royalty.



Nathan McMahan
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.



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MINING TENEMENTS HELD AT 31 DECEMBER 2015

TID	PROJECT	ENTITY	% INT	TID	PROJECT	ENTITY	% INT
<u>Managed</u>				<u>Not Managed</u>			
E80/4772	ALICE DOWNS	CAZR	100	E31/1019	CAROSUE	CAZR	10
E47/1561	MT WALKINS	CAZI	100	E31/1020	CAROSUE	CAZR	10
E77/1101	PARKER RANGE	CAZI	100	M31/0427	CAROSUE	CAZR	10
E77/1235	PARKER RANGE	CAZR	100	E37/1037	TEUTONIC BORE	SAMR	100
E77/1403	PARKER RANGE	CAZI	100	E38/1540	JUTSON ROCKS	CAZR	30
E77/2135	PARKER RANGE	CAZI	100	E38/1541	JUTSON ROCKS	CAZR	30
E77/2142	JILBADJI	SAMR	100	E47/1617	HAMERSLEY	LOFE	49
L77/0220	PARKER RANGE	CAZI	100	M47/1450	HAMERSLEY	LOFE	49
L77/0228	PARKER RANGE	CAZI	100	E51/1290	RUBY WELL	SAMR	75
L77/0229	PARKER RANGE	CAZI	100	M31/0427	CAROSUE	CAZR	10
M77/0741	PARKER RANGE	CAZI	100	P46/1825	QUARTZ CIRCLE	CAZR	20
M77/0742	PARKER RANGE	CAZI	100	P46/1826	QUARTZ CIRCLE	CAZR	20
M77/0764	PARKER RANGE	CAZI	100	P46/1827	QUARTZ CIRCLE	CAZR	20
M77/0765	PARKER RANGE	SAMR	100	P46/1828	QUARTZ CIRCLE	CAZR	20
M77/0766	PARKER RANGE	SAMR	100	P46/1829	QUARTZ CIRCLE	CAZR	20
E63/1689	LEAKE	CAZR	100	E80/3370	MT ANGELO	CAZR	20
P77/3700	PARKER RANGE	CAZI	100	E80/3496	MT ANGELO	CAZR	20
P77/3702	PARKER RANGE	CAZI	100	E80/3517	MT ANGELO	CAZR	20
P77/4162	PARKER RANGE	SAMR	100	E80/3938	MT ANGELO	CAZR	20
P77/4164	PARKER RANGE	SAMR	100	M80/0247	MT ANGELO	CAZR	20
E80/4811	LAMBOO	SAMR	100				
E80/4773	HALLS CREEK	SAMR	100				
E80/4808	MABEL DOWNS	SAMR	100				
E47/2774	MT FARQUHAR	CAZR	100				
E47/2884	GREGORY	CAZR	100				
E39/1829	TROPICANA	SAMR	100				

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

CAZALY RESOURCES LIMITED

ABN

23 101 049 334

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(163)	(368)
(b) development	-	-
(c) production	-	-
(d) administration	(262)	(473)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received	-	-
1.7 Other – Tenement bonds	-	-
Net Operating Cash Flows	(423)	(839)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) plant & equipment	-	-
(b) equity investments	-	-
(c) subsidiaries	-	-
(d) prospects	-	-
1.9 Proceeds from royalties and sale of:		
(a) prospects	-	-
(b) equity investments	155	155
(c) other fixed assets	-	-
(d) subsidiaries	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	123	123
Net investing cash flows	278	278
1.13 Total operating and investing cash flows (carried forward)	(145)	(561)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(145)	(561)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	205	205
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from convertible notes	200	200
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - costs of share issues	(3)	(3)
	Net financing cash flows	402	402
	Net increase (decrease) in cash held	257	(159)
1.20	Cash at beginning of quarter/year to date	205	621
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	462	462

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	97
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	1.23 includes directors fees and salaries for executive and non-executive directors.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

		\$A'000
4.1	Exploration and evaluation	100
4.2	Development	-
4.3	Production	-
4.4	Administration	125
Total		225

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1	462	205
5.2	-	-
5.3	-	-
5.4	-	-
Total: cash at end of quarter (item 1.22)	462	205

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed	Managed			
		E52/3020	Robinson Ranges	100%	0%
		E80/4774	Halls Creek	100%	0%
		Not Managed			
		P46/1360	Quartz Circle	20%	0%
		P46/1361	Quartz Circle	20%	0%
		P46/1362	Quartz Circle	20%	0%
		P46/1363	Quartz Circle	20%	0%
		P46/1364	Quartz Circle	20%	0%
		P46/1365	Quartz Circle	20%	0%
6.2	Interests in mining tenements acquired or increased	P46/1366	Quartz Circle	20%	0%
		E69/2230	Nebo	100%	0%
		Not Managed			
		P46/1825	Quartz Circle	0%	20%
		P46/1826	Quartz Circle	0%	20%
		P46/1827	Quartz Circle	0%	20%
		P46/1828	Quartz Circle	0%	20%
P46/1829	Quartz Circle	0%	20%		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security	Amount paid up per security
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	130,477,121	130,477,121		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(*)	(*)		
7.5 +Convertible debt securities	2	-	\$100,000	Convertible notes with a maturity date of 31 December 2016, zero % interest rate and convertible at \$0.03 plus a free attaching option on the basis of one option for every two shares issued on conversion (with an exercise price of \$0.04 and an expiry date of 5 January 2018).
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	2	-	\$100,000	Convertible notes with a maturity date of 31 December 2016, zero % interest rate and convertible at \$0.03 plus a free attaching option on the basis of one option for every two shares issued on conversion (with an exercise price of \$0.04 and an expiry date of 5 January 2018).

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>			<u>Exercise price</u>	<u>Expiry date</u>
		100,000		\$0.107	31 July 2016
		3,500,000		\$0.180	26 November 2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

(*) 6,831,667 fully paid ordinary shares (issue price of \$0.03) and 3,425,834 unlisted options (exercisable at \$0.04 on or before 5 January 2018) were issued on 6 January 2016 as part of a share placement as announced to the ASX on 22 December 2015.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 29 January 2016
(Company Secretary)

Print name: Mike Robbins

Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.