



ABN 23 101 049 334

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# Quarterly Report for December 2016

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## Highlights

- **Drilling commenced at Mount Venn following grant of all required approvals**
  - **Licences granted for the highly prospective Mount Tabor and Bungonia cobalt projects**
  - **Production of battery grade lithium carbonate using Lithium Australia's proprietary Sileach™ process utilising ore from Lepidolite Hill**
  - **Ongoing re-appraisal of the Parker Range iron ore project in light of recent improved market conditions**
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## Summary

During the quarter the Company continued the assessment of regional datasets and planned its initial work for the Mount Venn gold project whilst working towards the granting of the key licences over the project. Licence E38/3111 was subsequently granted and access permits issued to the Company allowing commencement of initial works, including drilling, which commenced in mid-January.

Work also continued on assessing lithium ore from Lepidolite Hill, part of the company's Goldfields Lithium Alliance with Lithium Australia Limited (ASX: LIT). Extraction of lithium using LIT's proprietary Sileach™ process exceeded 95% in the leach circuit, validating both the overall extraction and accelerated rate of extraction of lithium achieved in the laboratory test work program and demonstrated the production of battery grade lithium carbonate. The results point towards potential processing at low cost and bodes well for the potential economic extraction of lithium from the alliance projects.

The Company was granted two licences, one in Queensland and one in New South Wales, containing known cobalt mineralisation. The Company notes that as cobalt supply is becoming constrained and, as a key battery metal along with lithium and graphite, with a predicted increase in demand pure cobalt projects will become increasingly in demand. Negotiations to access the licence areas to commence field work is underway.

The Company also has several other projects including the Parker Range Iron Ore project (a 4Mtpa development ready project, WA), the Halls Creek project (copper-zinc deposit, WA), McKenzie Springs (nickel, graphite, WA) and Brzkov & Horni (uranium, Czech Republic). It also retains exposure to an ongoing royalty from the Georges Reward project (MetalsX Limited) and a potential royalty stream from the West Kalgoorlie project from a third party.

## Mount Venn Gold Project (CAZ 100%)

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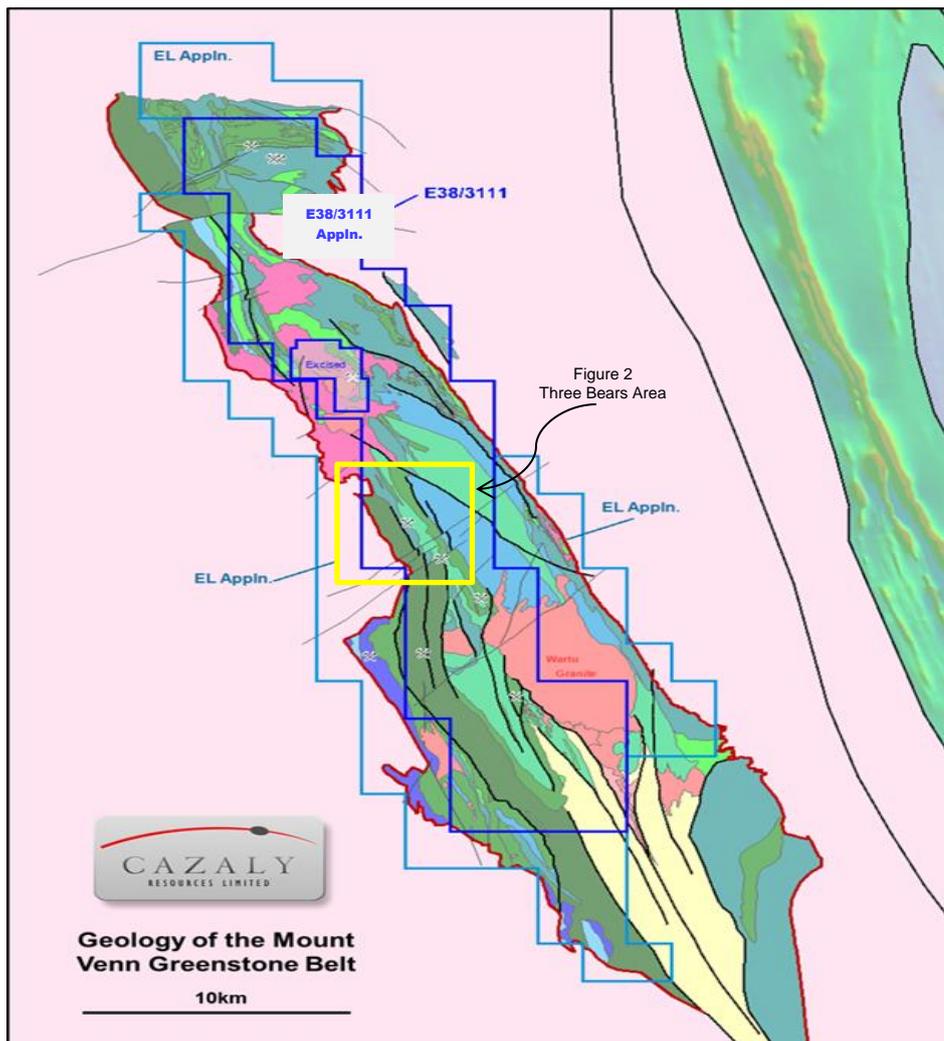
During the quarter the Company continued further technical assessment of the large database comprising minor historic drilling and regional geophysics and geochemical datasets and developed models targeting gold mineralisation within the Mount Venn Gold Project. The project is located ~125 km northeast of Laverton and just 40 km west of Gold Road Resources Ltd (ASX:GOR) Gruyere gold deposit (148 Mt @ 1.30 g/t Au for 6.16M oz., GOR announcement, 22 April 2016) in the Eastern Goldfields region of Western Australia. GOR recently announced the sale of a 50% stake in Gruyere and other nearby resources, to Gold Fields Limited for \$350M cash and a royalty. The Company now controls ~90% of the belt over ~50km. A programme of RC and RAB/AC drilling commenced in mid-January at the project.

Cazaly also worked to gain access to the ground which was achieved in January 2017 with the grant of the key licence Exploration Licence 38/3111. This followed the recommendation from the Department of Aboriginal Affairs to grant access permits to the licence which lies within the Cosmo Newberry Aboriginal reserve which is also subject to a Native Title claim by the Yilka people. Cazaly previously announced the signing of a Native Title agreement with the Yilka People and the Cosmo Newberry Aboriginal Corporation (CNAC) on 28th July 2016. The agreement covers the Mount Venn project which is located in the Yamarna region approximately 125 kilometres northeast of Laverton in Western Australia.

Assessment of the historic data highlighted several areas of interest with initial work focussing on the 'Wartu Granite' area and in particular the Three Bears prospect. The work was largely based upon anomalous gold and pathfinder geochemistry in association with favourable lithologies and structural positions defined from geophysics and previous mapping in areas with little to no systematic historic drilling having been conducted.

The Wartu Granite area is an approximate 15+km zone in the central part of the belt displaying several features highly analogous to the geological setting of the Gruyere deposit including;

- Large internal monzogranitic intrusions
- Favourable host greenstone lithologies
- Major shear zones with marked inflections
- Widespread gold anomalism



**Geology of the Mount Venn Greenstone Belt**

The Wurtu area has been virtually unexplored however it contains several large gold in soil/auger anomalies coincident with major structural and geological target positions. As previously reported (ASX: CAZ 1 August 2016), the Three Bears prospect sits in the postulated 'Gruyere position' when compared to the analogous geological setting for Gruyere (see GOR ASX announcement 21 June 2016).

Only very minor, shallow RAB/Aircore (AC) drilling has been undertaken in the past over the area the results of which were never followed up. Mineralisation recorded anomalous gold in this weathered material over ~2km with results including; 12m @ 1.13, 26m @ 0.27 & 16m @ 0.36 g/t Au (ASX:GXN April 17th 2012, 26th June 2012 and 13th May 2013). No drilling below ~50 metres into fresh rock was ever completed.

Recent assessment of the area by the Company has defined a +5km long corridor of coincident surface geochemistry and anomalous auger results greatly extending the prospective strike extent of the Three Bears RAB/AC drill results.

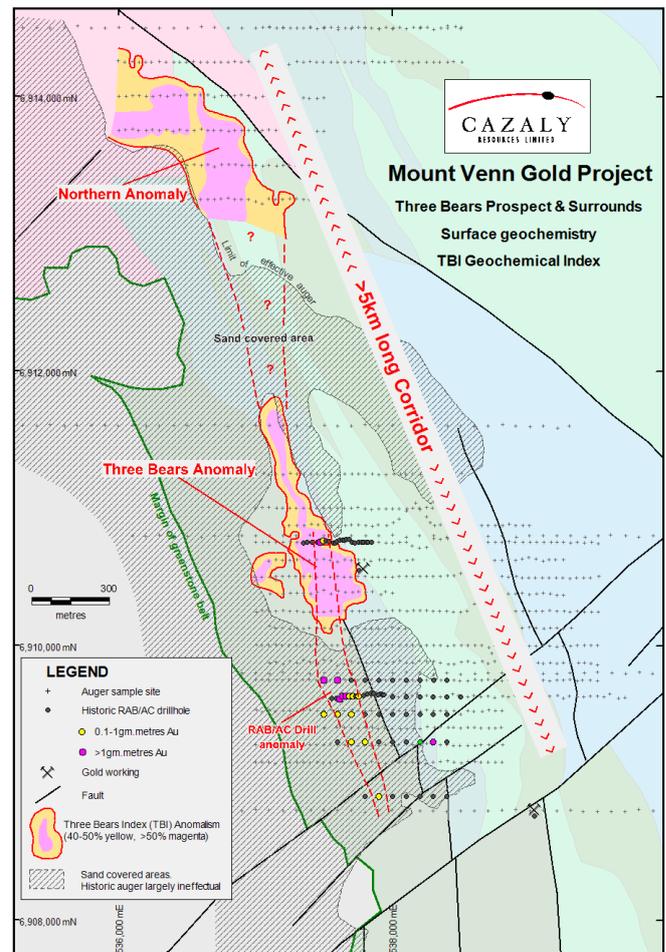
The Company has defined an area specific geochemical index based upon a suite of pathfinder elements, the Three Bears Index (TBI). Analysis of this highlighted two large anomalies along strike and to the north of the historic RAB/AC drilling.

The two anomalies are separated by an area of extensive sand cover which was never sampled as auger drilling would have been ineffective in testing the area.

Combined, the two large anomalies together with the drill results highlight a +5km corridor of gold anomalism which is a major target for the Company's initial work.

Following grant of the licence the company immediately organised and implemented a programme of Reverse Circulation (RC) and Rotary Air Blast/Aircore (RAB/AC) drilling largely focussed on the Three Bears area.

The programme was 1,500m of RC and 6,000m of RAB/AC and is currently ongoing. Results from the programme will be made available when completed and an assessment has been made.



The Mount Venn belt is one of the most under explored greenstone belts for gold in Western Australia. Whilst regional scale geophysical and surface geochemical programmes have been undertaken in the past the focus has been on nickel and base metal exploration and there has been almost no systematic drilling undertaken for gold.

## Goldfields Lithium Alliance (“GLiA”, CAZ 50%/LIT 50%)

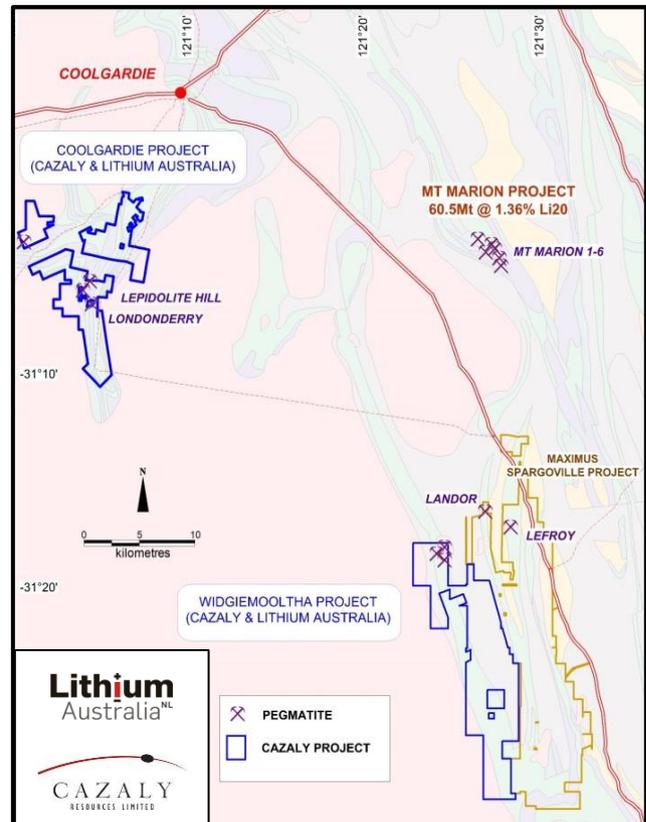
Cazaly and Lithium Australia Limited (ASX: LIT) have an agreement to combine their respective holdings for the exploration and development of Pegmatite Minerals including lithium minerals in the Goldfields region of Western Australia (the Goldfields Lithium Alliance or “GLiA”).

The agreement includes offers the Alliance rights to pegmatite minerals over any existing or additional ground secured within a 100km radius of Kalgoorlie for an initial period of 5 years.

The Alliance includes LIT’s rights to the Coolgardie Rare Metals Venture (CRMV). The CRMV is a LIT initiative with Focus Minerals Limited (ASX: FML) and includes the historic lithium production centres of the Lepidolite Hill and Tantalite Hill mines.

Under LIT’s terms of its agreement with FML, LIT has the rights to all metals derived from pegmatites on the property and will free-carry FML a 20% interest until a decision is made to commit to feasibility.

Under the Alliance agreement CAZ will not be liable for any costs associated with metallurgical testwork or feasibility studies for the CRMV which are to be borne solely by LIT.



Location of the Goldfields Lithium Alliance

Previously LIT announced the commencement of pilot plant testing at ANSTO Minerals (a division of the Australian Nuclear Science and Technology Organisation) Lucas Heights testing facility utilising approximately 650kg of lepidolite ore from Lepidolite Hill. The pilot plant consisted of leaching and impurity removal circuits. The design was based on test work conducted by ANSTO Minerals on similar ore to that processed during the continuous pilot plant run. The campaign produced a purified lithium-containing liquor, devoid of impurities.

Further operations undertaken demonstrated the production of battery grade lithium carbonate. The lithium carbonate feed was produced by Lithium Australia’s Sileach™ pilot plant. The refinement of the lithium carbonate produced during piloting was undertaken using a bicarbonate–carbonate re-precipitation approach, widely adopted in the lithium chemicals industry. The quality of the lithium carbonate meets or exceeds the specification of battery grade lithium carbonate produced by one of the world’s largest suppliers of lithium chemicals, FMC Lithium.

The ore was not subjected to pre-concentration with minimal feed preparation, which are key parameters for processing at low cost and bodes well for the potential economic extraction of lithium from the Alliance projects.

## Cobalt Projects (CAZ 100%)

During the Quarter then Company’s applications for Exploration Permits located in both Queensland and New South Wales were both granted. The two licences cover several prospects with significant historic cobalt mineralisation with little modern exploration conducted to date.

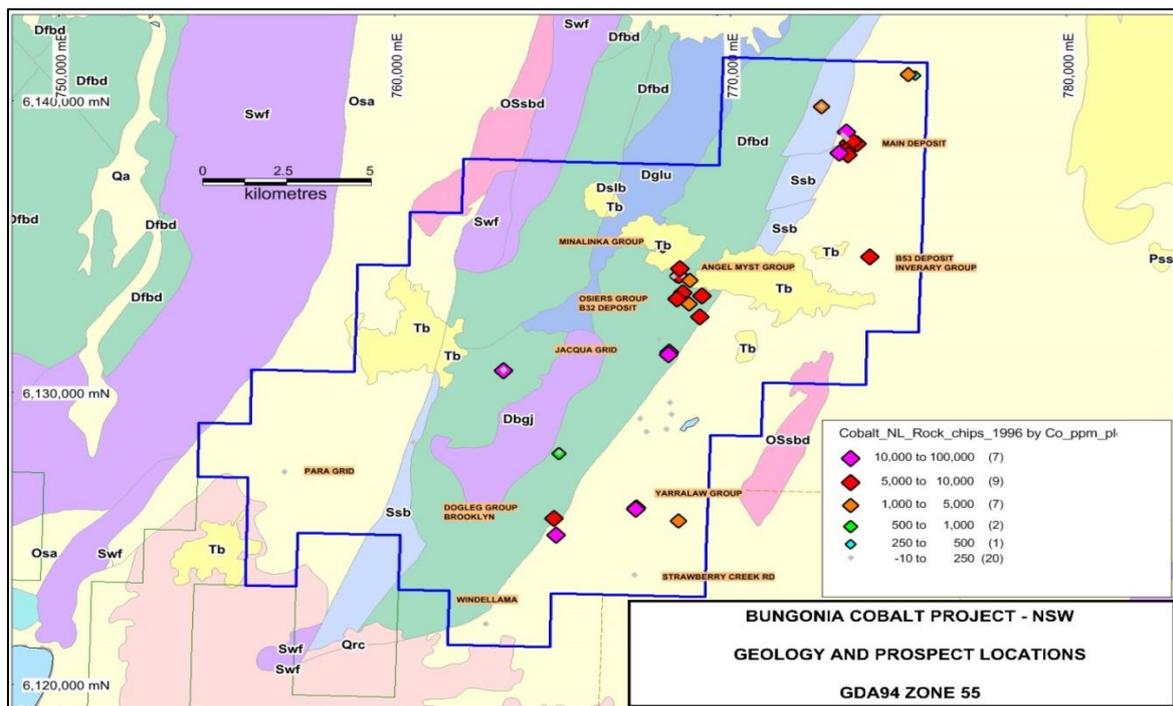
## BUNGONIA, NSW (100% CAZ)

In New South Wales the *Bungonia Project*, held under Exploration Licence EL8483, covers approximately 240 square kilometres on the eastern edge of the Lachlan Fold Belt. Previous exploration defined several areas of significant cobalt and nickel mineralisation some of which have been historically mined as early as the 1890's. Cobalt mineralisation occurs as flat lying residual on hills extending for several hundred metres associated with manganiferous deposits over intense deeply weathered mafic or other metal rich rocks. The deposits typically contain relatively rich cobalt values, with minor nickel and copper credits, and have been worked historically with high cobalt recoveries.

The areal extent and assay results from historic work point to significant potential to extend known deposits as well as make new discoveries within the project area. The potential is highlighted by rock chip grades of up to 1.8% cobalt along with historic mining from several locations.

Metallurgical test work previously undertaken was also positive with excellent recoveries of 83.2% cobalt, 79.5% copper and 85.9% nickel returned from acid leaching of a 80 kilogram sample containing 1.15% cobalt, 0.39% copper and 0.26% nickel.

Drilling of the Main Deposit in 1970, along with drilling by others over other localities at *Minalinka*, *Angel Myst*, *Osiers*, *Jacqua Creek*, *Dogleg*, *Hillydale* and *Yarralaw*, has produced results that indicate the area is highly prospective for small to modest sized individual cobalt ore bodies. Preliminary assessment indicates that there is potential for further extensions to these bodies as well as the discovery of new cobalt sources, including blind ore bodies beneath Tertiary cover, basement primary cobalt mineralisation as well as new discoveries at surface.



## MOUNT TABOR, QUEENSLAND (CAZ 100%)

In Queensland the Mount Tabor Project, held under Exploration Licence EPM26213, covers approximately 325 square kilometres located near the eastern margin of the Eromanga Basin in Central Queensland.

The area contains several prospects of manganese oxide impregnated sand and grit of Tertiary age with potentially significant cobalt and manganese mineralisation over an extensive area. The licence lies to the north west of Injune and approximately 130km directly north of Mitchell in south-central Queensland.

Manganese rich pods occur sporadically throughout the area and are found to contain appreciable amounts of potentially economic cobalt. Some of these pods were explored initially by Mineral Deposits Limited ("MDL") from 1979-1982 and then by Cobalt Resources NL ("CRN") in the 1990's with further work more recently conducted by Maranoa Resources Limited ("MRL"). This work highlighted cobalt mineralisation over several prospects; *Mt Manganese, Mt Gould, Alpha, Mt Bally-Lethbridge, Mt Emily and Carnarvon* and extend over approximately 20km within the project area.

Of particular interest was the Mt Manganese prospect where MDL returned grab samples assaying up to 2.89% Co. MDL also drilled 62 percussion holes whilst CRN drilled a further 139 holes. CRN also carried out preliminary metallurgical studies that confirmed that several leachants may be suitable for treating the mineralisation. MRL developed a new genetic model for the mineralisation however due to the depressed market for cobalt at the time the licence was relinquished.

Very little modern systematic exploration has been completed to examine the economic potential of the deposits. The company is currently negotiating access to the licenses ahead of its initial ground work.

## Other Projects

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No work of note was conducted over the Company's other projects during the quarter. These include:

**Parker Range Iron Ore (CAZ 100%):** A near mine-ready iron ore deposit located in the Yilgarn of Western Australia. Ultra-low Phosphorous haematite ore, full DFS, near major infrastructure with key approvals in place. The Company notes the increase in the iron price during the past 6 months. Discussions are continuing with potential partners as well as infrastructure providers to advance the project.

**McKenzie Springs Nickel/Graphite (CAZ 100%):** Located immediately south & along strike of the Savannah Nickel Mine (Panoramic Res.), Kimberley, WA. Prospective ultramafic basal contact extends for ~15km. Limited historic work, High grade gossan samples returned 12.8% Cu, 1.92% Ni, 0.17% Co.

**Halls Creek Copper (DDD 80%, CAZ 20%):** Hosts the VMS Mt Angelo North copper-zinc deposit and the Mt Angelo Cu Porphyry. Numerous look-alike VMS targets to explore. Kimberley, WA

**Czech Republic (CAZ 80%):** Two uranium project applications, Brzkov & Horni Venice, located in the Czech Republic. State enterprise Diamo are closing the country's only operating uranium mine & has indicated interest in mining at Brzkov

## Potential Royalty Streams (CAZ 100%)

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Through its 100% owned subsidiary (CazRoy Pty Ltd) the Company retains potential payment from the sale of its royalties over the Kalgoorlie Gold Project ("KGP") as follows;

- 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 (ASX: CAZ announcement 9<sup>th</sup> June 2015).

## Corporate

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The Company has received notification of a further payment due from MetalsX Ltd (ASX: MLX) pursuant to a royalty of \$1/tonne mined and milled from the Georges Reward project for a sum of \$36,104.

During the quarter the Company issued a total of 275,000 fully paid ordinary shares in the capital of the Company. The shares were issued upon the conversion of unlisted \$0.04 CAZ options.

The Company also issued a total of 5,000,000 unlisted options to executive directors as approved by shareholders at the AGM held on 24 November 2016.

During the Quarter Non-Executive Director, Mr Kent Hunter, resigned from the board for personal reasons. Mr Hunter was a founding director of the Company and made an invaluable contribution to the Company since inception. At the same time, the Company advised the appointment of Mr Terry Gardiner as a Non-Executive Director for the Company. Mr Gardiner has been involved in capital markets, corporate advising, stockbroking & derivatives trading for over 20 years. He is currently an executive of a boutique broking firm and is also a director and a Non-Executive Director of many public unlisted companies.

*For further information please contact:*

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*The information contained herein that relates to Exploration Results, Mineral Resources, Targets or Ore Resources and Reserves is based on information compiled or reviewed by Mr Clive Jones and Mr Don Horn, who are employees of the Company. Mr Jones is a Member of the Australasian Institute of Mining and Metallurgy and Mr Horn is a member of the Australian Institute of Geoscientists. Mr Jones and Mr Horn have sufficient experience which is relevant to the style of mineralisation and types 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 of their names in the matters based on the information in the form and context in which it appears.*





# Quarterly Report for December 2016

## MINING TENEMENTS HELD AT 31 DECEMBER 2016

TID	PROJECT	ENTITY	% INT	TID	PROJECT	ENTITY	% INT
<b><u>Managed</u></b>				<b><u>Not Managed</u></b>			
E77/1101	PARKER RANGE	CAZI	100	E31/1019	CAROSUE	CAZR	10
E77/1235	PARKER RANGE	CAZR	100	E31/1020	CAROSUE	CAZR	10
E77/1403	PARKER RANGE	CAZI	100	M31/0427	CAROSUE	CAZR	10
L77/0220	PARKER RANGE	CAZI	100	E37/1037	TEUTONIC BORE	SAMR	100
L77/0228	PARKER RANGE	CAZI	100	M47/1450	HAMERSLEY	LOFE	49
L77/0229	PARKER RANGE	CAZI	100	E51/1290	RUBY WELL	SAMR	75
M77/0741	PARKER RANGE	CAZI	100	E80/3370	MT ANGELO	CAZR	20
M77/0742	PARKER RANGE	CAZI	100	E80/3496	MT ANGELO	CAZR	20
M77/0764	PARKER RANGE	CAZI	100	E80/3517	MT ANGELO	CAZR	20
P77/4162	PARKER RANGE	SAMR	100	M80/0247	MT ANGELO	CAZR	20
P77/4164	PARKER RANGE	SAMR	100				
E80/4808	MCKENZIE SPRINGS	SAMR	100				
E39/1837	MT WELD	CAZR	100				
P15/6010 *	KANGAROO HILLS	SAMR	100				
P15/6011 *	KANGAROO HILLS	SAMR	100				
P15/6012 *	KANGAROO HILLS	SAMR	100				
P15/6013 *	KANGAROO HILLS	SAMR	100				
P15/6014	KANGAROO HILLS	SAMR	100				
P15/6015 *	KANGAROO HILLS	SAMR	100				
P15/6016 *	KANGAROO HILLS	SAMR	100				
P15/6019	KANGAROO HILLS	SAMR	100				
P15/6020 *	KANGAROO HILLS	SAMR	100				
P15/6021 *	KANGAROO HILLS	SAMR	100				
P15/6022	KANGAROO HILLS	SAMR	100				
E38/3111	MOUNT VENN	YAMW	100				
E38/3150 *	MOUNT VENN	YAMW	100				
EPM26213	MOUNT TABOR (QLD)	SAMR	100				
EL 8483 **	BUNGONIA (NSW)	CAZR	100				

\* – application

\*\* - was EL/5315

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

Cazaly Resources Ltd

### ABN

23 101 049 334

### Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	30	40
1.2 Payments for		
(a) exploration & evaluation	(342)	(613)
(b) development	-	-
(c) production	-	-
(d) staff costs	(33)	(71)
(e) administration and corporate costs	(135)	(385)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(477)</b>	<b>(1,019)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	10
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - Royalties	54	139
<b>2.6 Net cash from / (used in) investing activities</b>	<b>54</b>	<b>149</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	10	11
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>10</b>	<b>11</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,139	1,585
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(477)	(1,019)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	54	149
4.4 Net cash from / (used in) financing activities (item 3.10 above)	10	11
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>726</b>	<b>726</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	51	36
5.2 Call deposits	675	1,103
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>726</b>	<b>1,139</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

106

-

Includes director's fees and salaries for executive and non-executive directors and payments to related parties

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	400
9.2 Development	-
9.3 Production	-
9.4 Staff costs	30
9.5 Administration and corporate costs	120
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>550</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	E80/4773	Halls Creek	100%	0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased	E38/3111	Jutson Rocks	0%	100%
	EPM26213	QLD	0%	100%
	P15/6014	Bullabulling	0%	100%
	P/15/6019	Londonerry	0%	100%
	P15/6022	Londonerry	0%	100%

### **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: (Company Secretary)

Date: 31 January 2017

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.