CAZALY RESOURCES LIMITED

HIGH GRADE COPPER, NICKEL & GRAPHITE RESULTS MCKENZIE SPRINGS PROJECT

- **Surface sampling returns high grade Copper-Nickel results; 12.8% Cu, 1.92% Ni and 0.17% Co**
- **Similar geological setting to the nearby Savannah Nickel Mine**
- **Outcropping graphitic schist also returns high grade results; 22.4 and 23.9% TGC**
- **Host stratigraphy extends for ~15km, geological setting similar to nearby Macintosh Graphite project**

Cazaly Resources Limited (**ASX: CAZ, "Cazaly"** or **"the Company"**) has conducted first pass reconnaissance field work on recently granted tenements E80/4808 and E80/4812, the McKenzie Springs project, located in the Kimberley region of Western Australia.

The work included geological mapping and sampling work over several areas of known mineralisation identified by previous exploration and examined further new areas of potential interest. The first areas visited were priority targets that contained nickel, copper and cobalt mineralisation in geological settings similar to the nearby Savannah Nickel operation (fig.1).

NICKEL-COPPER

The East Kimberley region has excellent potential for hosting magmatic nickel-copper sulphide and PGM mineralisation (Platinum Group Metals). Two significant mineralised bodies have been discovered in this area to date within intrusive complexes of the Halls Creek Orogen. These are the *Panton Project*, with a resource of 14.3 Mt @ 4.5g/t PGM+Au (Panoramic Resources, March 2012) and the *Savannah* Cu-Ni sulphide deposit with a resource of 3.1 Mt @ 1.5% Ni, 0.89% Cu and 0.08% Co (Panoramic Resources, July 2013). These deposits, owned by Panoramic Resources Ltd (ASX CODE: PAN), are 30km and 9km away from Cazaly's E80/4808 McKenzie Springs tenement respectively.

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.

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Mineralisation 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 to the north. Gossan outcrops were rock chip 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. 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 and some IP anomalism (returned from an Induced Potential geophysical survey). Three very shallow holes were drilled by BHP to less than 60 metres confirming the elevated copper-nickel anomalism. Two further holes were drilled by Breakaway Resources Limited in 2006 at the southern end of the gossan, which outcrops for over 120 metres, but returned low level results.

The company sees potential for further work at McKenzie Springs No.1 and also more regionally over other gossanous and covered areas where similar stratigraphy to that hosting the Savannah deposit to the north exist in the project area. Compilation and sourcing of historic data sets, including airborne geophysics, is ongoing and will assist in further target prioritisation for follow-up on the ground.

GRAPHITE

During reconnaissance at McKenzie Springs, an outcrop of graphitic schist was noted and sampled (sample no.s KB04958-59). Research of historic data also identified further evidence of graphite bearing units associated with high grade metamorphic rocks of the Tickalara Metamorphic suite which trend through the tenement for ~15 kilometres. This is the same unit hosting Lamboo Resources Limited's neighbouring *Macintosh Graphite Project* where an Indicated and Inferred resource of 7.135Mt @ 4.73% Total Graphitic Carbon for 337,700t of contained graphite has been released (ASX:LMB, released January 2014). 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. The two samples returned Total Graphitic Carbon (TGC) grades of **22.4 and 23.9% TGC**.

The graphite industry has recently seen extraordinary growth largely due to the global shift into "smart and green" technologies. Graphite is an essential component of lithium ion batteries and is also used in super capacitors, nuclear reactors, steel and refractories.

Further investigations are planned by Cazaly within the McKenzie Springs tenement to test the extensive, essentially un-explored, target unit for graphite.

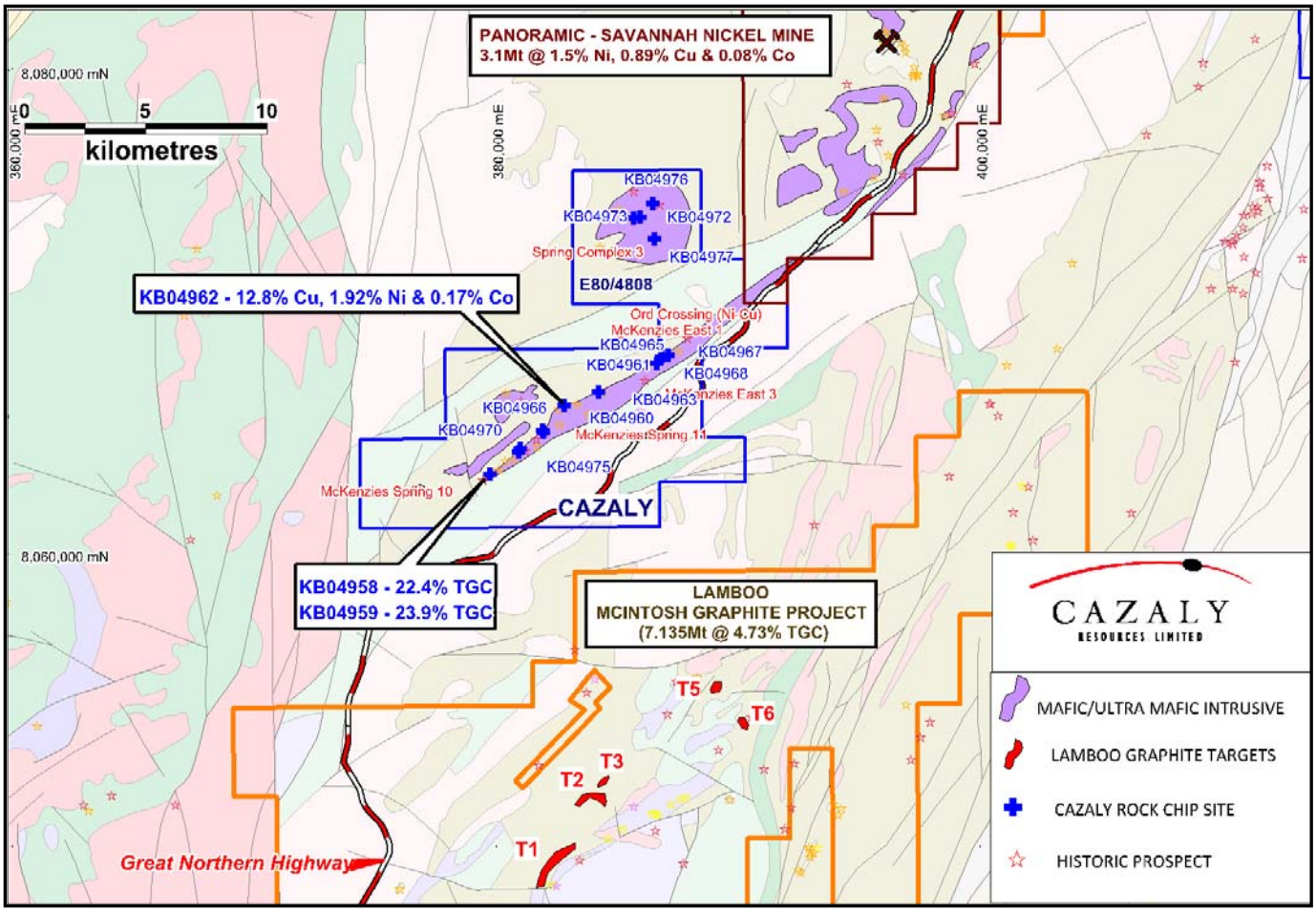

Figure 1. McKenzie Springs Project, recent surface sampling

ENDS
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Competent Person's Statement

The information that relates to exploration targets, exploration results 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 The Australian Institute of Geoscientists respectively 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.

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Rock chip samples collected from gossan outcrop and sub-crop at surface, sometimes exposed by historic costean/channels. • Rock chip samples selected by historic work, geology, visible mineralization and alteration. Sufficient sample was collected as first pass reconnaissance and geological mapping. Rock chip samples were between 0.5 – 1.5kg. • The rock chip samples were highly weathered • Rock chip samples were sent to Bureau Veritas laboratories in Perth where they were sorted, dried, crushed to 3mm particle size, cone split and a portion pulverized. A 0.2g charge was subjected to four acid digest with an ICP/AES finish for a base metal suite of elements. A 40g charge was used for lead collection fire assay with AAS finish to determine gold and PGE's. TGC have been determined by Total Combustion Analysis. A portion of sample was dissolved in weak acid to liberate carbonate carbon. The residue was dried at 420C driving off organic carbon and then analysed by a Sulphur/Carbon analyser to give total graphitic or elemental carbon (TGC).
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• N/A
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• N/A
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	• N/A

Criteria	JORC Code explanation	Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Whole rock samples were described and photographed before being submitted for assay. Sample preparation used includes industry best practices. • Laboratory QC procedures for rock chip sample assays has included the use of internal certified reference material as assay standards and replicates • Standard and replicate assays indicate that sub-sampling and sample preparation has been appropriate and representative
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• The four acid digest for a base metals suite of elements is considered to possibly be a partial result for two high titanium samples (KB04965 and KB04968) due to the observed limitations in the hot box digest • sub-sampling and sample preparation has been appropriate and representative • Standard and replicate assays indicate that sub-sampling and sample preparation has been appropriate and representative
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• The results of rock chip samples are in line with historical data as well as handheld XRF results
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Rock chip sample located by GPS. This data subsequently downloaded, plotted and verified • GDA94 Zone 52
Data spacing	• *Data spacing for reporting of Exploration Results.*	• N/A

Criteria	JORC Code explanation	Commentary
and distribution	• *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• N/A
Sample security	• *The measures taken to ensure sample security.*	• Samples were stored and transported securely
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Internal review of sampling techniques and the assay data conclude that methods are appropriate for the mineralization being tested

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• Reported results are all from 100% owned Cazaly Resources Ltd tenements E80/4808 and E80/4812 • No Aboriginal sites or places have been recorded over the tenements • There are no National Parks or Reserves over the tenements • The tenements are in good standing
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• A total of 7 drill holes over 13.5km of strike has been completed by previous explorers. This work, along with geochemical and geophysical data, is currently being assessed
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Magmatic Nickel, Copper, Cobalt ore bodies occur in the area (Savannah Nickel Mine) in similar geological settings and rock types to the project
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information*	• Further details are not material at this early stage of exploration • Historical drill hole information is currently being compiled and

Criteria	JORC Code explanation	Commentary
	for all Material drill holes: o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth* o *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	reviewed
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• For rock chip data, no averaging or aggregation has been used
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• No information was determined from surface observations and historic trenches regarding the geometry and width of mineralisation
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• A plan view map of rock chip sample locations in relation to historical mineral occurrences has been included
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• All rock chip analyses are provided in tabular form
Other substantive exploration	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density,*	• All historical data is currently being compiled. A proportion of geophysical data sets are currently not available on open file searches

Criteria	JORC Code explanation	Commentary
data	*groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Further field reconnaissance mapping and surface sampling is planned after review of the new rock chip assays as well as all historical data sets (ongoing process)

Section 3 Estimation and Reporting of Mineral Resources

N/A

Section 4 Estimation and Reporting of Ore Reserves

N/A

Section 5 Estimation and Reporting of Diamonds and Other Gemstones

N/A