ABN 23 101 049 334

Quarterly Report for June 2019

HIGHLIGHTS

- **Proposed Sale of Parker Range Iron Ore Project for $13M plus Royalties**
- **Parker Range Resource Estimate Updated**
- **Sale of 80% of Mount Venn Project to Woomera Mining Ltd (ASX:WML)**

Parker Range Iron Ore Project (CAZ 100%)

During the quarter, Cazaly Resources Limited ("Cazaly" or "the Company") agreed commercial terms for the sale of its Parker Range Iron Ore Project ("the Agreement") to private Australian based diversified group, Gold Valley Iron Pty Ltd ("Gold Valley"), via the sale of its 100% owned subsidiary, Cazaly Iron Pty Ltd ("Cazaly Iron"), which holds the tenements that comprise the Parker Range Iron Ore Project ("Project").

The Agreement allows for an initial three-month due diligence and exclusivity period following the payment of an exclusivity fee and a strategic investment in shares of Cazaly as detailed below. This period may be extended for a further three months by mutual agreement.

The sale follows a comprehensive process over an extended period whereby the Company dealt with several parties interested in the project. The arrangement with Gold Valley was considered the best option to advance the Parker Range Project towards production whilst retaining a potential royalty stream. The deal is a great result for the Company, unlocking immediate value from a long held asset for the Company's shareholders. Gold Valley's also subscribed for 10 million ordinary shares in the Company ("Shares") providing further confidence in the alliance.

Terms of the Agreement

In consideration for the payment of $50,000 (plus GST) and subscribing for 10,000,000 Shares at a price of $0.03 per Share (issued under LR 7.1 capacity), Cazaly granted Gold Valley exclusivity to evaluate the transaction for a period of three months. This exclusivity period may be extended by a further period of three months by the agreement of the parties and upon the payment by Gold Valley to Cazaly of a further fee of $250,000 (plus GST).

The Agreement allows for the payment of an initial $5,000,000 upon the signing of formal agreements in respect of the Transaction and a further payment of $8,000,000 upon commencement of production from the Project. Furthermore, Gold Valley is liable to pay Cazaly $500,000 per annum, or pro rata

thereof, as a holding cost prior to production up to a maximum of $8,000,000 with any holding cost payments to reduce the second production payment. Funds raised from the proposed sale will be used for ongoing exploration work on the Company's current project and for new project generation.

In addition, a royalty ranging from A$0.50 to A$1.00 per tonne is payable to Cazaly on all ore produced from the Project as follows:

- when the Platts Iron ore 58 index averages US$80 per tonne or above during the quarterly payment period - A$1.00 per tonne;
- when the Platts Iron ore 58 index averages between US$60 per tonne and US$80 per tonne during the quarterly payment period - A$0.75 per tonne; and
- when the Platts Iron ore 58 index averages US$60 per tonne or below during the quarterly payment period - A$0.50 per tonne.

The Agreement is conditional upon, amongst other things, Cazaly obtaining shareholder approval for the entry into and completion of the transactions contemplated by the Agreement and Gold Valley being satisfied with its due diligence investigations in respect of the Project and Cazaly Iron. Gold Valley can also claim a break fee of $250,000 if Cazaly terminates the Agreement under certain circumstances including any breach of exclusivity, condition precedent breaches or if Cazaly has received another proposal or offer from a third party involving the sale of, or the granting of any rights with respect to, shares in Caz Iron or any mining tenement or other property owned by Caz Iron, which is more favourable to Cazaly and its shareholders than the Gold Valley offer.

The Company has received ASX confirmation in respect of Chapter 11 compliance in relation to the Agreement.

About Gold Valley

Gold Valley Iron Pty Ltd is part of the Gold Valley Group, a diversified Australian based company with interests in mining, agriculture and energy. Gold Valley is currently developing the *Yarram Iron Ore deposit* in the Northern Territory and has the right to mine the *Ridges Iron Ore deposit* owned by Kimberley Metals Group, in northern Western Australia. Gold Valley also recently announced a contractual arrangement with IndiOre Ltd (ASX: IOR 20 March, 2019) for the provision of processing the Ridges deposit. Gold Valley Iron plans to develop small to medium scale iron ore assets to sell into niche markets. It also holds other mineral interests including recently acquiring the assets of Territory Resources Ltd, Mt Holland Mining (Li/Au, WA) and Mt Hampton Pty Ltd (gold, WA).

Mount Caudan JORC 2012 Resource Upgrade

The Company engaged RPM Advisory Services Limited ("RPM") to update the Mineral Resource estimate for the Mount Caudan Iron Ore (Fe) deposit to JORC (2012) reporting standards. This involved re-reporting the Mineral Resource at a revised cut-off grade and within a new optimised pit shell based upon current costs and commodity prices. The deposit forms part of the Parker Range Project and is located 15km southeast of Marvel Loch, Western Australia and approximately 60km by road south of the Perth–Kalgoorlie railway.

The Mineral Resource estimate complies with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC).

The RPM 2019 Mineral Resource estimate was reported above a cut-off grade of 50.0% Fe and within a 1.2 times revenue factor optimised pit shell. A full list of parameters is contained at the end of this report.

Table 1. Mount Caudan June 2019 Mineral Resource Estimate Summary (50% Fe Cut-Off Grade)

Class	Tonnes (Mt)	Fe (%)	Al2O3 (%)	P (%)	SiO2 (%)	LOI (%)	Mn (%)	S (%)
Measured	25.7	55.7	2.7	0.019	6.4	8.9	1.3	0.07
Indicated	7.7	56.3	3.1	0.023	6.3	9.0	0.5	0.09
Inferred	2.8	53.8	3.7	0.017	9.0	8.8	0.4	0.14
Total	**36.2**	**55.7**	**2.9**	**0.020**	**6.6**	**8.9**	**1.1**	**0.08**

Note:
1. *Totals may differ due to rounding, Mineral Resources reported on a dry in-situ basis at a 50.0% Fe cut-off grade.*
2. *The Statement of Estimates of Mineral Resources has been compiled by Mr. David Allmark who is a full-time employee of RPM and a Member of the AIG. Mr. Allmark has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code (2012).*
3. *All Mineral Resources figures reported in the table above represent estimates at 27th June 2019. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.*
4. *Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition).*
5. *Reporting cut-off grade was selected by RPM based on parameters defined by a Definitive Feasibility Studies conducted by Cazaly in 2010, 2011 and refreshed in 2019.*
6. *To satisfy the criteria of reasonable prospects for eventual economic extraction, the Mineral Resources have been reported within an optimised pit shell defined by the key input parameters of an overall metal price of AUD75.54/t, recovery between 96% and 100%, a processing and handling cost of AUD40.50/ dry tonne of product and variable mining costs. Details of input parameters are discussed in Section 15 of this report.*

Mount Venn Project (CAZ 100%)

During the quarter, Cazaly entered into a Heads of Agreement with Woomera Mining Ltd ("Woomera") for the sale of an 80% interest in the Mt Venn Project in the north eastern Goldfields of Western Australia.

The Heads of Agreement provides the framework for a detailed Share Acquisition Agreement and Joint Venture Agreement, which the parties aim to negotiate and execute on or before 20 August 2019. Importantly, the Heads of Agreement specifies key terms which have been agreed and must be incorporated into the final agreements. The Mt Venn project comprises two granted exploration licences E38/3111 and E38/3150 and ground covered by four expired prospecting licences over the historic Chapman's Reward mine (P38/4149, 4150, 4151 and 4195) which is pending amalgamation into E38/3111. The tenements cover approximately 390km^2 occur over some 50 kms of strike of the Mt Venn Greenstone Belt giving the dominant land position (>90%) over the Belt. The project lies within the Cosmo Newberry Aboriginal reserve and is subject to a Native Title claim by the Yilka people. A Cazaly subsidiary, Yamarna West Pty Ltd, signed a Native Title Agreement with the Yilka People and the Cosmo Newberry Aboriginal Corporation (CNAC) on 28th July 2016. The tenements are highly prospective for gold, nickel and nickel-copper-cobalt deposits. Volcanogenic massive sulphide deposits may also be a possibility based on anomalous zinc, copper, lead, gold and silver in felsic volcanics.

Key Terms of the Heads of Agreement

The Company holds the project through its 100% owned subsidiary Yamarna West Pty Ltd. Woomera has agreed yo acquire 100% of the shares in Yamarna subject to the key terms and conditions of the Heads of Agreement.

Prior to the completion date, Yamarna will transfer to Cazaly a 20% undivided interest in the project tenements whilst also entering into an agreement with Yamarna which establishes an unincorporated joint venture ('Joint Venture') under which the JV parties will hold the following interests:

Yamarna 80%

Cazaly 20%

The consideration comprises:

(a) a cash payment of AUD$900,000 comprising a deposit of $20,000 and a balance of $880,000 payable at completion;
(b) a deferred cash payment of AUD$100,000 upon the ground covered by the expired prospecting licences being amalgamated into E38/3111; and
(c) the issue of seven million (7,000,000) fully paid ordinary shares in Woomera at completion (to be subject to a voluntary escrow of 12 months from the date of issue of the shares).

Key aspects of the Joint Venture are:

1. Stage 1 Exploration - Woomera to sole fund a total amount of $1,200,000 in exploration on the project tenements during the first 3 years of the Joint Venture.
2. Further Exploration - Woomera will free carry Cazaly to the completion of a Pre-Feasibility Study.
3. Woomera to ensure that exploration expenditure shall be sufficient to keep the project tenements in good standing. Upon Woomera completing a Pre-Feasibility Study, Cazaly can elect to:
    (a) contribute to ongoing JV expenditure in accordance with its 20% JV interest and otherwise dilute in accordance with the provisions of the intended unincorporated joint venture agreement, if such expenditure commitment is not met; or
    (b) convert its JV interest to an ongoing net smelter royalty (NSR) of 2.0%.

WML will be appointed the Manager of the JV and will remain Manager whilst it has a majority interest.

A share acquisition agreement will be subject to customary conditions for a share acquisition and the good standing of the tenements and will also be subject to Woomera successfully undertaking a fund raising in order to fund the acquisition and to provide capital for exploration.

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Kaoko Kobalt Project (CAZ earning 95%)

The project, in which Cazaly has the right to earn a 95% interest, is primarily prospective for base metal mineralisation over a large area in northern Namibia. The Kaoko Project lies in northern Namibia approximately 800km by road from the capital of Windhoek and approximately 750km from port of Walvis Bay. The region has excellent infrastructure and comprises exploration licence EPL6667 (granted in February 2018) and two further applications (EPL 7096 & EPL 7097) which, combined, cover ~1,410km^2 of tenure.

No field work was completed during the Quarter.

McKenzie Springs (CAZ 100%. FIN earning 51%)

Below is an extract from the Fin Resources Limited ASX release dated 25 July 2019 (ASX:FIN):

A review of the potential of the McKenzie Springs Project was completed by an external consultant during the June Quarter. The review focused on the work completed by Fin and previous explorers to validate and refine the company's target so as to drill the best targets at McKenzie Springs.

The review confirmed that one of the priority targets (MK25) coincides with an isolated gravity anomaly and has the appropriate geological setting to host Ni-Co-Cu occurrences. The target is greatly enhanced by the considerable thickening of magma to other targeted areas within the licence and has reported a similar electromagnetic response to the Savanna Ni-Cu-Co Mine that is located along strike to the NE of the project.

The external consultant review highlighted the much larger Spring Creek intrusion complex (located in the northern section of the license) which hosts a minor airborne EM anomaly that remains untested, with little modern exploration work done over this area (one drill hole for PGE and a rock chip traverse). It was recommended to extend the geochemistry coverage of the intrusion as well as other areas not previously covered. The Company now considers completing new geochemical survey over the Spring Creek intrusion as essential before prioritising targets for drilling.

Other Projects

The Company applied for E77/2601 during the quarter. No significant work was done on other projects

CORPORATE

During the quarter, a total of 15,043,110 fully paid ordinary shares were issued on the conversion of notes and accrued interest by note holders. Total face value of notes outstanding at 30 June 2019 is $485,100.

The Company also issued 10 million fully paid ordinary shares to Gold Valley as agreed under the Agreement for the sale of the Parker Range Iron Ore Project.

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Competent Person Statement

The information in this Report that relates to Mineral Resources is based on information compiled by Mr D Horn, Mr A Green and Mr R Williams and reviewed by Mr D. Allmark. Mr D Horn is Exploration Manager of CAZ and a Member of the Australasian Institute of Mining and Metallurgy. Mr Horn 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 2012 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Mr Allmark is a full time employee of RPM and a Member of the Australian Institute of Geoscientists. Mr Allmark 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 2012 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. The Mineral Resource estimate complies with recommendations in the Australian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore, it is suitable for public reporting.

The team of people involved in the preparation of this report are listed as follows:

- *Mr A Green (Formerly Runge – Operations Manager WA) responsible for site visit;*
- *Mr R Williams (Formerly Runge – Senior Consultant Geologist) responsible for site visit and previous Mineral Resource model;*
- *Mr D Horn (CAZ – Exploration Manager) responsible for providing project data and geological interpretation. Competent Person sign-off for JORC Table 1 Sections 1 and 2, and*
- *Mr D. Allmark (RPM – Senior Resource Geologist) responsible for review of all data including data validation, QAQC review, geological model, statistical analysis, Mineral Resource estimation, classification and Competent Person sign-off for the Mineral Resource and JORC Table 1 Section 3.*

The resource estimate was completed using the following parameters:

- The Mt Caudan estimate covers the 4,550m lateral extent from 6,495,650mN to 6,500,200mN and the vertical extent of the resource is 175m from surface at approximately 455mRL to 280mRL.
- Drill holes used in the resource estimate included 201 RC and 17 DD core holes, totalling 7,238m, within the resource wireframes. All holes were drilled by CAZ from 2007. The full database contained records for 318 drill holes for 24,754m of drilling.
- A site visit was conducted in August 2009 by Aaron Green and Robert Williams of RPM (formerly known as Runge) to review the project and deposit geology, drilling and site procedures. No material changes have taken place to the underlying Mineral Resource dataset since the site visit.
- The bulk of the resource has been tested by holes drilled at section spacings of approximately 60m. Where infill drilling has not been completed the section spacing is 120m, while sparse drilling at the Rainmaker prospect has been completed on section spacings of between 300m to 500m.
- RC holes were sampled at 1 metre intervals. The sampling method involved collecting a calico bagged sample from a rig mounted splitter, while the bulk reject was collected to enable further test work to be conducted. Mineralised intervals of the DD holes were sampled at predominantly 1m sample length, with only 13 of a total 611 samples not sampled at 1m length.
- All holes were down hole surveyed at the collar and at 50m intervals with either a single shot camera or a gyro survey tool. Only minor records were noted where magnetic interference had been experienced.
- Collar surveys and topographic surveys were completed using a RTK GPS instrument. All surveys were recorded in the MGA94-50 datum.
- All logging and sampling methods for the drilling completed by CAZ have been reviewed by RPM and are considered to be of a high standard.
- Sample preparation and assaying was carried out by Kalgoorlie Assay Laboratories in Perth. Comprehensive assaying of Fe, Al2O3, SiO2, Mn, P and S was carried out routinely using the X-Ray Fluorescence (“XRF”) method.
- Quality control data for the recent drilling has been reviewed by RPM, and has confirmed that the assay data used in the estimate is accurate and unbiased.
- Material-type wireframes were constructed using geological sectional interpretations provided by CAZ. Mineralisation wireframes were constructed using cross sectional interpretations based on a nominal 50% Fe cut-off grade. Samples within the wireframes were composited to even 1.0m intervals.
- Based on a review of the deposit statistics, a high grade cut of 20% was used for Mn in the resource. No other high grade cuts were used.
- A Surpac block model was used for the estimate with a block size of 30m NS by 12.5m EW by 5m vertical with sub-cells of 7.5m by 3.125m by 1.25m.
- OK grade interpolation used an oriented ‘ellipsoid’ search for elements. Three passes were used to fill the model with 97% of the model being filled in the first pass.
- Bulk density values ranging from 2.31t/m3 for footwall supergene to 3.25t/m3 for high grade SIF were assigned in the resource. Waste bulk densities of 1.81t/m3 were applied to the hanging wall mafics and the footwall sediments in the oxide domain. A bulk density of 2.8t/m3 was applied to the hanging wall mafics and the footwall sediments in the fresh domain, while 3.77t/m3 was applied to SIF in the fresh domain.
- The Mineral Resource was classified as Measured, Indicated and Inferred Mineral Resource. The Measured portion of the resource is confined to the SIF unit where the 60m by 25m drill spacing coupled with surface geological mapping has sufficiently demonstrated both geological and mineralisation continuity. The Indicated portion of the resource was defined where the drill spacing was less than 200m by 40m and lode continuity was good. The Inferred Resource included areas of the resource where sampling was greater than 200m by 40m and isolated, discontinuous zones of mineralisation.

- In order to satisfy the requirements for reasonable prospects for eventual economic extraction RPM reported the deposit at a cut-off grade of 50.0% Fe and inside a 1.2 times revenue factor optimised pit shell. The mine planning process concluded that 51.5% Fe was an appropriate cut-off grade for plant feed and was used to estimate the Ore Reserves taking into account blending from stockpiles. To account for blending of various grade materials, RPM has selected a cut-off grade of 50.0% Fe (which is lower than the Ore Reserves cut-off) to achieve an average ore product grade of 55% to 56% Fe.
- RPM has selected a 1.2 times revenue factor pit shell within which to report the Mineral Resources to account for a reasonable increase in the iron ore prices. The Project is relatively insensitive to changes in the iron ore price with a change in price of 20% resulting in an increase of around 5% ore tonnes

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INTEREST IN MINING TENEMENTS AS AT 30 JUNE 2019

Managed

TID	PROJECT	% INT
E77/1403	PARKER RANGE	100
L77/0220	PARKER RANGE	100
L77/0228	PARKER RANGE	100
L77/0229	PARKER RANGE	100
M77/0741	PARKER RANGE	100
M77/0742	PARKER RANGE	100
M77/0764	PARKER RANGE	100
P77/4162	PARKER RANGE	100
E69/3692 *	ZANTHUS	100
E37/1037	TEUTONIC BORE	100
E38/3111	MOUNT VENN	100
E38/3150	MOUNT VENN	100
E09/2346 *	BURDBUBBA	100
E77/2601 *	PARKER RANGE	100
Czech Rep *	Horní Věžnice	80
Czech Rep *	Brzkov II	80
Namibia	EPL 6667	51
Namibia *	EPL 7096	100
Namibia *	EPL 7097	100

Not Managed

TID	PROJECT	% INT
E31/1019	CAROSUE	10
E31/1020	CAROSUE	10
M31/0427	CAROSUE	10
M47/1450	HAMERSLEY	30
M80/0247	MT ANGELO	20
E80/4808	MCKENZIE SPRINGS	49

* – application

Table 1

Section 1 Sampling Techniques and Data

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.*	17 diamond drill holes (DD) and 201 reverse circulation (RC) drill holes for a total of 22,033m have been used for the purposes of the resource estimate. The entire drill database compiled by Cazaly Resources Ltd (CAZ) for the Parker Range Project consists of 24 diamond drill holes (DD), 13 reverse circulation/diamond tail drill holes (RD) and 281 reverse circulation drill holes (RC) for a total of 24,754m. Data was checked against hard copy company and laboratory reports. All sampling was conducted using Cazaly Resources Ltd (CAZ) protocols including industry best practice, QAQC procedures including duplicates and standards. DD (PQ) core was split and 1m half core intervals submitted from ore zones for analysis. RC samples were collected in 1 metre intervals from a rig mounted cyclone with attached cone or riffle splitter. The dry samples were split into a bulk sample (green bag) and a representative 3kg split (calico). All 1 metre samples were lined up in rows of 20 beside the hole. Damp or wet samples were collected in green bags and spear/scoop sampled.
	• *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.*	DD (PQ) core was split and 1m half core intervals submitted from ore zones for analysis. RC samples were collected in 1 metre intervals from a rig mounted cyclone and were pre-split using an attached cone or riffle splitter. RC composite samples through un-mineralized hanging wall and footwall zones were collected from each 1 metre bulk green bag using a sample spear to ensure a representative sample was combined from 4-6 metre intervals, depending on the geologist's instructions. In ore zones 1 metre split representative samples were collected for analysis.

Criteria	JORC Code explanation	Commentary
	• *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.*	DD (PQ) core was split and 1m half core intervals submitted from ore zones for analysis. RC samples were collected in 1 metre intervals from a rig mounted cyclone with attached cone or riffle splitter. The dry samples were split into a bulk sample (green bag) and a representative 3kg split (calico). All 1 metre samples were lined up in rows of 20 beside the hole. Damp or wet samples were collected in green bags and spear/scoop sampled.
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).*	PQ triple tube diamond drilling with mechanical core orientation and single shot camera or gyro tools were utilized for hole core and hole orientation at the project RC drilling utilized a face sampling percussion hammer bit 4.25" and 4.75" diameter. No 'cross over' sampling percussion style bits were used RC drilling utilized single shot camera or gyro tools for hole orientation No AC or RAB drilling methods were used
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.*	DD and RC drill recoveries are recorded/logged in the data sets. RC and DD drilling had good recovery with minimal sample loss.
	• *Measures taken to maximise sample recovery and ensure representative nature of the samples.*	PQ triple tube diamond drilling was used to maximise core recovery. RC drill cyclones were cleaned regularly in line with good industry practices and a face sampling hammer was used.
	• *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.*	No relationship was found between sample recovery and grade. No sample bias is seen in relation to core/sample loss and grade
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.*	DD core and RC drill chips were geologically logged on site or in the core yard by geologists. Logging recorded depth, colour, lithology, texture, mineralogy, mineralization, alteration, sample recovery and other features.
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.*	Logging is both qualitative and quantitative, depending on the field being logged. Core was photographed subsequent to logging.
	• *The total length and percentage of the relevant intersections logged.*	All holes were logged in full and to the total length of each drill hole. 100% of each relevant intersection is logged in detail.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.*	DD core has been cut through the ore zones and half core sampled/submitted for analysis. Confirmation of ore zones was facilitated by a hand held XRF machine.
	• *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.*	Dry RC drill samples have been split using riffle or rotary splitters. Samples were appropriately recorded. Wet RC samples were spear sampled from the bulk residue bags.
	• *For all sample types, the nature, quality and*	Appropriate sampling protocols were used

Criteria	JORC Code explanation	Commentary
	appropriateness of the sample preparation technique.	during DD and RC sampling to maximize representivity.
	• *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.*	Appropriate QAQC measures were used and documented during sampling as per industry standards.
	• *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.*	Duplicate field sample composites were collected from RC and DD drilling at site at regular intervals as appropriate.
	• *Whether sample sizes are appropriate to the grain size of the material being sampled.*	Sample collection, intervals and size are appropriate for the material being sampled
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.*	Samples were analysed by Kalassay Laboratories and Genalysis Laboratories in Perth (Industry approved and accredited laboratories) Analysis for Fe, Al2O3, P, SiO2, LOI, Mn and S was completed using XRF. The analytical method is considered a total method, is appropriate for this mineralisation style and is of industry standard.
	• *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.*	A hand-held XRF instrument was used only for confirmation of logged ore zones which were subsequently assayed by the XRF method.
	• *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.*	An appropriate level of field duplicate samples, laboratory inserted standards, blanks, repeats, checks and laboratory duplicate samples were included in batch reports. Results were within tolerable limits. External laboratory checks were submitted to Genalysis laboratories and results were within tolerable limits.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.*	All data has been checked internally by CAZ staff
	• *The use of twinned holes.*	CAZ have completed 4 twin holes on PKRC0001, PKRC0157, PKRC0159 and PKRC0178. In all 4 occasions the twins were drilled within 10m of the original hole and the results of the original hole matched closely the results of the later twin with no significant variation in lithology or grade evident.
	• *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*	Primary data in electronic form does not vary from hard copy and is stored in Datashed and Micromine software. This data is maintained by the CAZ database administrator.
	• *Discuss any adjustment to assay data.*	No adjustment to assay data has been made.
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.*	All location points were collected using handheld GPS in MGA 94 – Zone 50 coordinate system. Finalised drill hole collar surveys were completed by MHR Surveys using an RTK GPS instrument. Down hole surveys have been conducted at regular intervals using industry-standard equipment.

Criteria	JORC Code explanation	Commentary
	• *Specification of the grid system used.*	All location points were surveyed in MGA 94 – Zone 50 coordinate system.
	• *Quality and adequacy of topographic control.*	The topographic survey was completed by MHR and is considered of acceptable quality and adequate for the Mineral Resource.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.*	A nominal drill spacing of 60 x 20m has been used over most of the deposit.
	• *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.*	This spacing is acceptable for the style and type of mineralization defined for using in the Mineral Resource estimation processes and classifications applied.
	• *Whether sample compositing has been applied.*	A composite length of 1m was selected after studying the raw sample lengths. All CAZ RC drilling has been sampled on 1m sample lengths within the wireframes.
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.*	DD and RC drilling is generally at -60 degrees towards grid east. This is appropriate for intercepting and sampling the ore zones interpreted to be dipping ~45° to the west thus minimizing lithological bias.
	• *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.*	No sampling bias is identified in the DD/RC drill data
Sample security	• *The measures taken to ensure sample security.*	RC and DD samples were delivered by CAZ staff or reputable freight companies to the laboratories in Perth.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	Data was audited and reviewed by CAZ using DataShed and Micromine. Audits revealed no validation errors or discrepancies in data sets. RPM reviewed original laboratory assay files and compared them with the database. No errors were found. Total assay calculation was completed for all assays in the database. This highlighted the need for only two samples to be selected for follow-up analysis.

Section 2 Reporting of Exploration Results

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.*	All drilling is located within granted tenure M77/764, M77/741 and M77/742 which are held 100% by Cazaly Iron Pty Ltd a wholly owned subsidiary company of CAZ.
	• *The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.*	The tenements are in good standing with no known impediments.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	Historic holders of the Project area include Geopeko Limited Exploration, CRA Exploration Pty Ltd, Eclipse Ridge Pty Ltd, Sons of Gwalia and Gondwana Resources. Most of this previous exploration work has been reviewed by CAZ and was for gold, base metals and nickel.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The deposit is a Goethite-Hematite-Martite enriched SIF (Sulphide-rich Iron Formation) and associated detrital mineralisation. The deposit sits within a metasedimentary sequence on the western side of the Parker Dome granitoid.

Drill hole information	• *A summary of all information material to the under-standing of the exploration results including a tabulation of the following information for all Material drill holes:*
	  • *easting and northing of the drill hole collar*
	  • *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  • *dip and azimuth of the hole*
	  • *down hole length and interception depth*
	  • *hole length*
		All RC and DD holes reported in the resource estimation have been included in previous ASX announcements.

	• *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.*	There has been no exclusion of information.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.*	No new exploration results are reported. Intercepts reported may vary from original reports as they are only for resource estimation purposes.
	• *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.*	No aggregate intercepts were reported. Grades are reported as down hole length weighted average grades across the full width of the mineralized domains The drill angle generates and approximation of the true width intersection.
	• *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	No metal equivalent values are reported.
Relationship between mineralisation widths and	• *These relationships are particularly important in the reporting of Exploration Results.*	Relationship as discussed below.
	• *If the geometry of the mineralisation with*	Mineralisation intersected in RC/DD drilling dips at approximately 45^0 to the west. The general

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intercept lengths	*respect to the drill hole angle is known, its nature should be reported.*	drill direction is 60^0 to 115^0 and is approximately perpendicular to the host stratigraphy and mineralization and is a suitable direction to reduce directional bias.
	• *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	Geometry of the mineralisation with respect to the drill hole angle is known as discussed above.
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.*	Refer to Maps, Figures and Diagrams in this Mineral Resource report.
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.*	Exploration results have been reported in a balanced way in previous ASX announcements.
Other substantive exploration data	• *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, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	All meaningful and material information has been previously reported in ASX announcements and in this Mineral Resource report.
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large- scale step-out drilling).*	Mineralisation is not adequately closed off along strike. Extension and infill drilling is planned upon commencement of production at the project
	• *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	Refer to Maps, Figures and Diagrams in this Mineral Resource report.

Section 3 Estimation and Reporting of Mineral Resources

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purpo*ses.*	RPM reviewed over 2,500 records from the field sample data sheets during the PFS study. A further 1,000 sample data sheet records were checked during the DFS and compared against the assay table within the database. No errors were found. Assay data for almost 1,200 samples were checked by comparing the KAL assay file against the database. As with the PFS study when 2,000 records were checked, no errors were found. RPM performed a total assay validation check for all samples within the mineralisation wireframes. Total assay validation involves summing the analyte assay multiplied by each atomic weight. The sum of these major elements should be close to 100%. A total of 15 samples did not fall between the accepted range of 98% to 102% and RPM recommended CAZ re-assay two of these samples.
	• *Data validation procedures used.*	The database is routinely maintained by CAZ. During a site visit in 2009, drill hole locations were checked by RPM by locating selected drill holes collars with a hand-held GPS. The recorded positions were compared with the surveyed co-ordinates in the database. Results indicated that although the handheld GPS lacks precision, the holes were located correctly in relation to each other and that no data entry mix-ups had occurred when loading collar co-ordinates into the database. RPM completed systematic data validation steps after receiving the database. Checks completed by RPM included verifying that: Down-hole survey depths did not exceed the hole depth as reported in the collar table; Hole dips were within the range of 0° and -90°; Visual inspection of drill hole collars and traces in Surpac; Assay values did not extend beyond the hole depth quoted in the collar table, and Assay and survey information was checked for duplicate records. The database was well organised with no errors.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.*	A site visit was conducted in August 2009 by Aaron Green and Robert Williams of RPM (formerly known as Runge) to review the project and deposit geology, drilling and site procedures. No material changes have taken place to the underlying Mineral Resource dataset since the site visit.
	• *If no site visits have been undertaken indicate why this is the case.*	A site visit was conducted, therefore not applicable.
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.*	RPM updated previous wireframes constructed by RPM for the June 2010 DFS resource estimate. The resource outlines were based on both lithological and mineralisation envelopes.

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		CAZ provided interpreted cross-sections where the four material-types had been interpreted. A broad SIF envelope was wireframed using the interpretations coupled with lithological codes as logged by CAZ. Adjacent to the SIF, CAZ interpreted both hanging wall supergene and footwall supergene domains using a combination of geological logging and Fe grade. A wireframe representing the base of the detrital material was also constructed. The material-type wireframes were used to code the "material_type" table within the Project database.
	• *Nature of the data used and of any assumptions made.*	Geochemistry and geological logging has been used to assist identification of lithology, oxidation and mineralization boundaries.
	• *The effect, if any, of alternative interpretations on Mineral Resource estimation.*	The geological interpretation of the deposit is relatively simple and well-defined. Areas of the Mineral Resource that could have alternative interpretations have been classified as Inferred Resources. RPM considers any alternative interpretations would only have a material impact on local estimates and not the global estimate.
	• *The use of geology in guiding and controlling Mineral Resource estimation.*	The modelled lithological and mineralisation domains were used to determine domains for the Mineral Resource estimate.
	• *The factors affecting continuity both of grade and geology.*	Down-dip the grade is affected by the depth of weathering/oxidation, but it is assumed the lithology is consistent. Along strike, the grade is affected by the quality of the SIF (impurities, silica quantities, etc) and any weathering/oxidation.
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	The Mt Caudan Fe deposit extends for approximately 4.5km in a NNE-SSW direction. The mineralisation extends from surface outcrops to a depth of between 30m and 175m below the surface. True width of the mineralisation varies from approximately 10m in the Rainmaker prospect up to 70m around 6,499,000mN, but is commonly in the order of 30m.
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.*	The deposit was domained based on material-type and weathering, with all domains applied as hard boundaries in the estimate. Statistical analysis was carried out on data from each of the domains. The main zones for Detrital (comp1.str), High Grade SIF (comp5101.str) and High Grade hanging wall supergene (comp5104.str) were used to prepare variogram models which were applied to all other domains as appropriate. High grade cuts were only applied to Mn. Ordinary Kriging was used to estimate average block grades in 3 passes using Surpac software. A parent block size of 30m NS by 12.5m EW by 5m vertical with sub-cells of 7.5m by 3.125m by 1.25m. The parent block size was selected on the basis of 50% of the average drill hole spacing.

Criteria	JORC Code explanation	Commentary
		Validation was conducted on both the Detrital, SIF and Supergene domains globally and locally by elevation and northing. Validation plots showed good correlation between the composite grades and the block model grades.
	• *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.*	No check estimates were available however validation comparison with original sample data was completed (global and local validation).
	• *The assumptions made regarding recovery of by-products.*	No recovery of by-products is anticipated and no assumptions have been made.
	• *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).*	The estimation of deleterious elements (Al2O3, Mn, P, SiO2 and S) was completed using the same methodology as the Fe as described above.
	• *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.*	A parent block size of 30m NS by 12.5m EW by 5m vertical with sub-cells of 7.5m by 3.125m by 1.25m. The parent block size was selected on the basis of 50% of the average drill hole spacing An orientated anisotropic 'ellipsoid' search was used to select data for interpolation. The ellipsoid was oriented to the average strike and dip of the mineralised zones. The first pass radius (120m) was based on the variogram range for each of the zones. For the second pass (250m) the search distance was expanded to two times the variogram range. Greater than 99% of the blocks were filled in the first two passes, with the remainder filled in the third pass (500m). Minimum samples of 10, 10 and 3 were used for the first, second and third passes, respectively. A maximum of 40 samples and 5 samples per drill hole was applied for each estimation pass. For all zones in the deposit, the material_type and resource wireframe objects were used as hard boundaries in the interpolation. That is, only grades inside each zone as outlined by the two wireframes were used to interpolate the blocks inside that zone.
	• *Any assumptions behind modelling of selective mining units.*	No assumptions were made on selective mining units.
	• *Any assumptions about correlation between variables.*	No assumptions were made about correlation between variables.
	• *Description of how the geological interpretation was used to control the resource estimates.*	Mineralisation wireframes were generated for the detrital domain, and the underlying Hanging wall Supergene/SIF/Footwall Supergene domain using a 50% Fe cut-off grade. For all zones in the deposit, the material_type and resource wireframe objects were used as hard boundaries in the interpolation. That is, only grades inside each zone as outlined by the two wireframes were used to interpolate the blocks inside that zone.
	• *Discussion of basis for using or not using grade cutting or capping.*	The low coefficient of variations in the summary statistics indicated that the use of a high grade cut was not necessary for most elements in the Mt Caudan deposit. A high grade cut was, however, necessary for Mn for which a global high grade cut of 20% was applied.

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	• *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	A three-step process was used to validate the estimate of the Mt Caudan Project. Firstly, a local qualitative assessment was completed by slicing sections through the block model in positions coincident with drilling. Overall the assessment indicated that the trend of the modelled grade was consistent with the drill holes grades. A quantitative assessment of the global estimate was completed by comparing the average grades of the sample file input with the block model output for all domains. The results indicate a good overall outcome with the OK estimate close to the composite grades and smoothing of the grade associated with the OK algorithm. To check that the interpolation of the block model correctly honoured the drilling data, a local validation was carried out by comparing the interpolated blocks to the sample composite data. The validation plots show good correlation between the composite grades and the block model grades for the comparison by elevation and northing. The trends shown by the raw data are honoured by the block model.
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	Tonnages and grades were estimated on a dry in situ basis. No moisture values were reviewed.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	Overall the mineralisation displays good continuity above 50% Fe. RPM has reported the Mineral Resource at a 50% Fe cut-off which accounts for blending of various grade materials. RPM has selected a cut-off grade of 50.0% Fe which is lower than the Ore Reserves cut-off and would still result in an average grade of 55% to 56% Fe, higer than the planned feed grade.
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	RPM has assumed that the deposit would be mined using open pit techniques as per the options examined in the DFS.
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions*	No assumptions have been made regarding metallurgy beyond what is outlined in the DFS document based on metallurgical test work to date.

Criteria	JORC Code explanation	Commentary
	made.	
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	No assumptions have been made regarding waste and process residue disposal options beyond what is outlined as the preferred option in the latest DFS document.
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.*	The in situ bulk density was assigned to various domains based on results obtained from representative drill core using the Water Immersion method.
	• *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.*	Bulk density has been measured at a laboratory using a wax-coated immersion method according to international best practice. Moisture is accounted for in the measuring process and measurements were made for four different material types.
	• *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	RPM assumes the logging of the oxidation was correct for each measurement as the applied averages rely on this assumption.
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.*	Mineral Resources were classified in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC, 2004). The classification of the Mineral Resource was completed by Rob Williams of RPM and reviewed by David Allmark of RPM. The classification of Measured, Indicated and Inferred was made on the basis of continuity of structure, drill spacing and surface mapping.
	• *Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).*	The Measured portion of the resource was defined where the drill spacing was closed in to approximately 60m by 20m and continuity in both grade and geological structure was demonstrated. The Indicated portion of the resource was defined where the drill spacing was less than 200m by 40m and lode continuity was good. The Inferred Resource included areas of the resource where sampling was greater than 200m by 40m or was represented by isolated, discontinuous zones of mineralisation.
	• *Whether the result appropriately reflects the Competent Person's view of the deposit.*	The Mineral Resource estimate appropriately reflects the view of the Competent Person.
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	Internal audits have been completed by RPM which verified the technical inputs, methodology, parameters and results of the estimate.
	• *Where appropriate a statement of the relative*	The mineralisation geometry and continuity has been adequately interpreted to reflect the

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Discussion of relative accuracy/ confidence	*accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.*	applied level of Indicated and Inferred Mineral Resource. The data quality is good and the drill holes have detailed logs produced by qualified geologists. A recognised laboratory has been used for all analyses.
	• *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.*	The Mineral Resource statement relates to global estimates of tonnes and grade.
	• *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	Reconciliation could not be conducted as the project is not in production.