



CAZALY

RESOURCES LIMITED

ABN 23 101 049 334

AND CONTROLLED ENTITIES

Consolidated Half Year Financial Report

31 December 2019

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

CONSOLIDATED HALF YEAR FINANCIAL REPORT

31 December 2019

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CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

COMPANY DIRECTORY HALF YEAR ENDED 31 DECEMBER 2019

MANAGING DIRECTOR

Nathan McMahon

MANAGING DIRECTOR

Clive Jones

NON-EXECUTIVE DIRECTOR

Terry Gardiner

COMPANY SECRETARY

Mike Robbins

PRINCIPAL & REGISTERED OFFICE

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SHARE REGISTRAR

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NEDLANDS WA 6009
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STOCK EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: CAZ

BANKERS

National Australia Bank
50 St Georges Terrace
PERTH WA 6000

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2019

Your directors submit the financial report of Cazaly Resources Limited ('Cazaly' or 'the Company') and its controlled entities ('the Group') for the half-year ended 31 December 2019.

DIRECTORS

The names of Directors who held office during or since the end of the half year:

Nathan Bruce McMahon
Clive Bruce Jones
Terry James Gardiner

COMPANY SECRETARY

Mike Robbins

REVIEW OF OPERATIONS

Projects

Parker Range Iron Ore Project

On 11 June 2019, Cazaly had agreed commercial terms for the sale of its 100% owned subsidiary, Cazaly Iron Pty Ltd (**Cazaly Iron**) to Gold Valley. Cazaly Iron holds the tenements that comprise Parker Range. The agreement with Gold Valley allowed for an initial three-month due diligence exclusivity period, however Cazaly reserved the right to terminate the exclusivity period should it receive another proposal or offer from a third party which is more favourable to Cazaly and its shareholders.

As announced on 21 August 2019, the Company, following the receipt of an unsolicited superior proposal from Mineral Resources Limited (**Mineral Resources**) to purchase the Parker Range Iron Ore Project (**Parker Range**), terminated the exclusivity period with Gold Valley Iron Pty Ltd (**Gold Valley**) under its conditional agreement with Gold Valley originally announced on 11 June 2019.

Following such termination, Cazaly agreed to commercial terms with Mineral Resources for the sale of the assets comprising Parker Range via a binding Heads of Agreement (**HOA**). The agreement with Gold Valley remained in place whilst Cazaly evaluated the Mineral Resources proposal and its next steps for the sale of Parker Range.

Agreement Terms

The key terms of the HOA with Mineral Resources were as follows:

- (a) a payment of AUD\$20,000,000 (ex GST) cash upon completion of the sale; and
- (b) a royalty of A\$0.50 for every dry metric tonne of iron ore extracted and removed from the area of the Project after the first 10,000,000 dry metric tonnes.

The HOA was conditional upon:

- a) Mineral Resources being satisfied with its due diligence investigations in respect of Parker Range within 21 days of execution of the agreement;
- b) Approval of both parties Boards within 21 days of execution of the agreement;
- c) The parties receiving all necessary consents and approvals from the minister under the *Mining Act 1978 (WA)* to the transfer of the tenements comprising Parker Range within 21 days of execution of the agreement; and
- d) Cazaly obtaining approval from its shareholders, if required, for the sale of Parker Range.

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

The Company received confirmation from ASX that ASX Listing Rules 11.1.3 and 11.2 did not apply to the proposed transaction pursuant to the Agreement.

On 30 August 2019, both parties announced that they had completed or waived their Conditions Precedent responsibilities as noted in their ASX announcements dated 21 August 2019. Cazaly also received the cash consideration of \$20 million (ex GST).

A break fee of \$250,000 was paid to Gold Valley on 3 September 2019 as per the terms of the Gold Valley agreement.

Mount Venn Gold Project (WML 80% CAZ 20%)

On 23 May 2019, the Company entered into a Heads of Agreement with Woomera Mining Ltd (**Woomera**) for the sale of an 80% interest in the Mount Venn Project in the north eastern Goldfields of Western Australia.

The Heads of Agreement provided the framework for a detailed Share Acquisition Agreement and Joint Venture Agreement. The Mount 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 were subsequently amalgamated into E38/3111. The tenements cover approximately 390km² occur over some 50 kms of strike of the Mount Venn Greenstone Belt giving the dominant land position (>90%) over the Belt. The project largely lies within the Cosmo Newberry Aboriginal reserve and is subject to a Native Title claim by the Yilka people and with whom Cazaly has a signed Native Title Agreement. The tenements are highly prospective for gold, volcanogenic massive sulphide deposits and nickel-copper-cobalt deposits. A Share Purchase Agreement (**SPA**) was executed on 8 August 2019 which was 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. The closing date for completion under the SPA was 20 September 2019.

On 20 September 2019, both parties announced that they had completed or waived their Conditions Precedent responsibilities as noted in the SPA.

Heads of Agreement

The Company holds the project through its 100% owned subsidiary Yamarna West Pty Ltd. Woomera has agreed to 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% and 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 (received during the quarter);
- (b) a deferred cash payment of AUD\$100,000 upon the ground covered by the expired prospecting licences being amalgamated into E38/3111 (received during the quarter); 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) (issued during the quarter).

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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 of 2.0%.

Woomera was appointed the Manager of the JV and will remain Manager whilst it has a majority interest.

The Mt Venn Project comprises two Exploration Licences covering approximately 400 square kilometres in the Eastern Goldfields region of Western Australia in the Yilgarn Craton and is a joint venture between Cazaly and Woomera Mining Limited (ASX:WML).

The establishment of Gold Road Resources Ltd's (ASX:GOR) Gruyere gold mine (155.4 Mt @ 1.32 g/t Au for 6.61M oz.), located just 30 km west of the Mount Venn project, is testament to the potential of the region and its recent development has greatly aided the logistics of exploring in this remote region and the JV is grateful for the logistical assistance that has been provided by Gold Road during its recent work.

Woomera recently completed an aircore drilling programme at the Mount Venn gold project in the north eastern goldfields of Western Australia. The programme, comprising 83 aircore holes for a total 2,826 metres, was completed at the *Three Bears* prospect and was designed to test the potential strike extensions of the gold mineralised zone.

The results confirmed that the mineralised zone at Three Bears extends north for at least a further two kilometres along strike extending the north-south extent of the mineralised zone at Three Bears approximately to approximately six kilometres in length. Also noted was a strong halo of nickel-cobalt-chrome mineralisation persisting over the eastern margin of the prospect.

Better intercepts included 4m @ 0.77g/t Au and 0.11% Cu and 4m @ 0.40g/t Au and occurs as flat as near-surface enrichment and as more discrete lower saprolite concentrations. Follow up re-sampling is currently underway and once completed a deeper Reverse Circulation drilling program is planned to follow up these results.

Other work will progress to drilling at *Chapman's Reward* prospect and the *Lang's Find* prospect with a high focus on the potential for higher grade gold. The Lang's Find and Chapman's Reward prospects are compelling gold targets at Mt Venn and will be the core focus of the next phase of work in the current quarter.

Preliminary work has also commenced on the finalisation of access arrangements for a heritage survey and other consents with the Yilka Talintji Aboriginal Corporation which are progressing well.

Full details are disclosed in WML ASX release dated 29 January 2020.

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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.

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

Below is an extract from Fin Resources Limited's (ASX:FIN) December 2019 Quarterly Report dated 28 January 2020:

"During the quarter the Company considered its options for exploration on previously validated and refined drill targets at McKenzie Springs. Consideration was given to completing a new geochemical survey over the Spring Creek intrusion, inquiries were made to consultants to assist with heritage clearance and initial costings for the company's maiden drill program were also completed.

Recent exploration activities have increased in the region due to the improved outlook and increasing price of Nickel hence providing opportunities for improved access to drilling equipment on more favourable terms for exploration drilling at McKenzie Springs. One of the considerations for further exploration work at McKenzie Springs could include introducing a partner or third party to fund the next phase of drilling on the project."

Halls Creek Copper Project (DDD 80% CAZ 20%)

The Halls Creek Copper Project comprises a package of 8 tenements covering an area of approximately 462 km², near the township of Halls Creek in the East Kimberley region of Western Australia. The project covers part of the Halls Creek Mobile Zone which is highly prospective for a range of commodities including base metals, gold, diamonds and nickel.

The project hosts the Mount Angelo North Cu-Zn-Ag volcanogenic massive sulphide deposit and a large low-grade copper deposit associated with a high level felsic intrusive (a granophyric microgranite) at the Mount Angelo Porphyry prospect in a region particularly prospective for the discovery of further similar copper and copper-zinc mineralisation.

The Halls Creek Copper project is jointly held with 3D Resources Limited (ASX: DDD).

Brown Well (CAZ 100%)

The Brown Well Project comprises two licence applications situated 7km to the west of Laverton and 3km south east of the historic Windarra South Nickel Mine in the Eastern Goldfields of West Australia and are prospective for both gold and nickel however, due to extensive surficial cover, the ground has not previously been effectively tested to date.

Work by previous explorers identified potential nickel sulphide targets within extensions of ultra-mafic komatiite flows which were flagged as priority targets but never tested. Other work highlighted the potential for gold bearing structures to occur within the ground.

Data compilation and target prioritisation has been completed readying for field programs once access is granted.

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Panton (CAZ 100%, EL Applications)

The Company applied for two exploration licenses during the quarter, which are adjacent to Panoramic Resources Ltd's (Panoramic) *Panton Sill* Platinum Group Metals (PGM) resource located in the east Kimberley region of West Australia. Applications E80/5446 and E80/5453 are in a ballot with other competing applications lodged with the DoMIR on the 12th December 2019.

The Panton total PGM Resource is quoted by Panoramic as **14.32Mt @ 2.19g/t Pt, 2.39g/t Pd and 0.31g/t Au**, or approximately **2Moz Pt+Pd** (www.panoramicresources.com – Resources at 30 June 2018). The resource consists of high grade platinum and palladium mineralisation within a number of stratiform reefs. Panoramic acquired the Panton PGM Project in May 2012 from then owners Platinum Australia Ltd ("Platinum") for \$5.25M in cash and a Royalty of 0.5%. Platinum had completed a review and results announced in March 2012 (ASX Release: Platinum Australia 20 March 2012). Panoramic had previously conducted both mining and processing trials in 2006/7 and were familiar with the Panton orebody, which is one of Australia's largest, highest grade, undeveloped PGM deposits.

The Panton intrusive is a layered, differentiated mafic/ultramafic body intruded into the sediment package of the Lamboo Complex located close to the Savannah Nickel mine (also owned by Panoramic) and other similar layered intrusives. The Panton intrusive extends outside of the Panoramic Mining Lease into the Cazaly applications.

Panoramic is continuing to investigate the potential for production at its Panton PGM Project to unlock the inherent value of the project through additional metallurgical testwork, ore sorting and leaching methods applicable to Panton ore.

Cazaly considers the applications at Panton to be highly prospective and strategic. The Company awaits the outcome of the ballot.

Other Projects

The Company has completed and is currently reviewing, numerous other potential new projects. Project specifics cannot be discussed due to confidentiality requirements however the commodity focus is on gold and base metal projects. Other commodities have also been reviewed and will not be discounted going forward.

The Company's preference is for advanced exploration to near mining assets in jurisdictions amenable to mining and exploration.

Corporate

Note Deed

As announced on 13 December 2018, the Company provided an update in relation to the unsecured 2017 convertible note deed (**2017 Deed**), which expired on that date. The Company and Oracle Capital Group Pty Ltd (**Oracle**) agreed that the Company would repay the original notes and all accrued interest.

Oracle, a Perth based portfolio management and corporate advisory firm, provided the Company with a new unsecured note facility of \$748,000 (**Deed**) via the issue of 748,000 unsecured notes (face value of one dollar (\$1.00)) (**Notes**). The Company and Oracle agreed and acknowledged that by entering into the Deed, any and all liabilities, amounts and obligations which are outstanding or owing by the Company in favour of Oracle and/or its nominees or any other any other person under the 2017 Deed are deemed to have been repaid, satisfied and extinguished in full and the Company

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

is released and discharged from all of its liabilities, amounts and obligations under the 2017 Deed. The terms of the notes are detailed in the announcement dated 13 December 2018.

On 10 June 2019, 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.

On 23 August 2019, a total of 28,331,099 fully paid ordinary shares were issued on the conversion of the remaining notes and all accrued interest by note holders.

Cash Distribution

On 18 October 2019, there was a Board Determination that subject to business as usual and Shareholder Approval being obtained there would be a cash distribution of \$0.026 per share (\$9 million) to Shareholders in December 2019. This followed the completion of the 100% sale of Parker Range the Parker Range Iron Ore Project (ASX announcement dated 30 August 2019) and the 80% sale of the Mt Venn Project (ASX announcement dates 20 September 2019).

The cash distribution would comprise a payment of \$0.005 per Share as a declared unfranked dividend plus a payment of \$0.021 per Share as a return of capital (**Return of Capital**). The Record Date for both the unfranked dividend and the Return of Capital was 25 November 2019. Shareholder approval was obtained at the Company's AGM held on 20 November 2019.

The cash distribution process is ongoing with approximately 87% of the allocated \$9 million now returned to Cazaly shareholders.

The Company closed its Controlled Placement Deed (CPD) that was in place with Acuity Capital.

RESULTS OF OPERATIONS & FINANCIAL POSITION

The operating profit after income tax of the Group for the half-year ended 31 December 2019 was \$1,826,764 (31 December 2018: loss \$1,072,122).

The Group had a working capital surplus, being current assets less current liabilities of \$11,368,029 at 31 December 2019 (30 June 2019: surplus of \$17,112,369).

SUBSEQUENT EVENTS

There have not been any other matters or circumstances that have arisen which have significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

LEAD AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 25 of the half-year ended 31 December 2019.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

This report is signed in accordance with a resolution of the Board of Directors.

Nathan McMahon - Managing Director



Perth

Dated: 13 March 2020

Competent Persons Statement

The information that relates to exploration targets, exploration results, resource reporting and drilling data of Cazaly operated projects is based on information compiled by Mr Clive Jones and Mr Don Horn who are Members of The Australasian Institute of Mining and Metallurgy and/or The Australian Institute of Geoscientists and are employees of the Company. Mr Jones and Mr Horn have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones and Mr Horn consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME HALF YEAR ENDED 31 DECEMBER 2019

		31 December 2019 \$	31 December 2018 \$
Revenue	2	174,268	86,504
Other Income	2	4,126,168	99,266
Employee benefits expense		(1,110,843)	(148,835)
Borrowing costs and interest		(156,635)	(122,514)
Depreciation & amortisation expense		(4,452)	(4,289)
Administration expenses		(121,800)	(160,895)
Project break fee		(250,000)	-
Compliance & Regulatory expenses		(123,960)	(92,883)
Occupancy costs		(125,031)	(85,310)
Exploration expenditure written off		(261,355)	(498,781)
Equity based payments		(255,438)	(48,016)
Diminution in fair value of financial assets through profit and loss		(64,158)	(96,369)
Profit/(Loss) before income tax		1,826,764	(1,072,122)
Income tax benefit		-	-
Profit/(Loss) for the period		1,826,764	(1,072,122)
Profit/(Loss) attributable to:			
- Members of the controlling entity		1,826,817	(1,071,939)
- Non-controlling interest		(53)	(183)
		1,826,764	(1,072,122)
Other comprehensive income		-	-
Total comprehensive loss for the period		1,826,764	(1,072,122)
Net loss and total comprehensive income for the period attributable to:			
- Members of the controlling entity		1,826,817	(1,071,939)
- Non-controlling interest		(53)	(183)
		1,826,764	(1,072,122)
Basic earnings/(loss) per share (cents per share)		0.56	(0.47)

The accompanying notes form part of this financial report.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		11,602,173	836,709
Trade and other receivables		89,069	71,030
Prepayments		11,299	-
TOTAL CURRENT ASSETS		11,702,541	907,739
Non-current assets held for sale	3	-	16,875,456
TOTAL CURRENT ASSETS		11,702,541	17,783,195
NON-CURRENT ASSETS			
Trade and other receivables		27,306	26,929
Financial assets		275,900	155,058
Property, plant and equipment		26,793	25,419
Exploration, evaluation and development		4,171,938	4,128,235
TOTAL NON-CURRENT ASSETS		4,501,937	4,335,641
TOTAL ASSETS		16,204,478	22,118,836
CURRENT LIABILITIES			
Trade and other payables		193,331	165,021
Short-term provisions		141,181	143,564
Convertible Notes	4	-	362,241
TOTAL CURRENT LIABILITIES		334,512	670,826
TOTAL LIABILITIES		334,512	670,826
NET ASSETS		15,869,966	21,448,010
EQUITY			
Issued Capital	5	25,852,471	31,288,827
Reserves		358,724	777,627
Accumulated profits/(losses)		(10,325,842)	(10,603,110)
Controlling entity interest		15,885,353	21,463,344
Non-controlling interest		(15,387)	(15,334)
TOTAL EQUITY		15,869,966	21,448,010

The accompanying notes form part of this financial report.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
HALF YEAR ENDED 31 DECEMBER 2019**

	31 December 2019 \$	31 December 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenant recoupments	86,602	135,888
Receipts from royalty payments	-	-
Payments to suppliers and employees	(1,059,258)	(438,869)
Interest and bill discounts received	72,702	1,906
Payments for exploration and evaluation	(958,746)	(794,567)
Net cash used in operating activities	(1,858,700)	(1,095,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investments	(24,000)	(8,159)
Purchase of property, plant & equipment	(5,826)	-
Proceeds from the Sale of Subsidiary	934,470	-
Proceeds on sale of exploration assets	19,898,215	110,000
Net cash (used in)/ provided by investing activities	20,802,860	101,841
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from conversion of notes	821,304	-
Proceeds from shares to be issued	-	-
Payments for costs of issue of shares	-	(4,488)
Payment of notes and interest	-	(55,000)
Payment for the return of capital	(7,256,700)	-
Payment for Unfranked Dividend	(1,743,300)	-
Net cash provided by financing activities	(8,178,696)	(59,488)
Net (decrease) in cash held	10,765,464	(1,053,289)
Cash at beginning of period	836,709	1,474,219
Cash at end of reporting period	11,602,173	420,930

The accompanying notes form part of this financial report.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY HALF YEAR ENDED 31 DECEMBER 2019

	Issued Capital \$	Accumulated Profits/(Losses) \$	Option Reserve \$	Non- Controlling Interest \$	Total \$
Balance at 1 July 2018	29,963,658	(8,855,399)	305,198	(15,151)	21,398,306
Net profit/(loss) and total comprehensive income for the period attributable to members	-	(1,071,939)	-	(183)	(1,072,122)
Shares issued	44,880	-	-	-	44,880
Options to be issued	-	-	528,606	-	528,606
Options expired	-	56,177	(56,177)	-	-
Fair value of options exercised	-	-	-	-	-
Option Reserve	-	-	-	-	-
Return of Capital	-	-	-	-	-
Unfranked Dividend Paid	-	-	-	-	-
Balance at 31 December 2018	30,008,538	(9,871,161)	777,627	(15,334)	20,899,670
Balance at 1 July 2019	31,288,827	(10,603,110)	777,627	(15,334)	21,448,010
Net profit/(loss) and total comprehensive income for the period attributable to members	-	1,826,817	-	(53)	1,826,764
Shares issued	1,339,763	-	-	-	1,339,763
Options to be issued	-	-	-	-	-
Options expired	-	193,751	(193,751)	-	-
Fair value of options exercised	480,590	-	(480,590)	-	-
Option Reserve	-	-	255,438	-	255,438
Return of Capital	(7,256,709)	-	-	-	(7,256,709)
Unfranked Dividend Paid	-	(1,743,300)	-	-	(1,743,300)
Balance at 31 December 2019	25,852,471	(10,325,842)	358,724	(15,387)	15,869,966

The accompanying notes form part of these financial statements.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate information

The interim financial report of Cazaly Resources Limited ('Cazaly' or the 'Company') for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 13 March 2020.

Cazaly is a company limited by shares incorporated and domiciled in Australia whose shares (CAZ) are publicly traded on the Australian Securities Exchange. The principal activity of Cazaly Resources Limited is the exploration and development of mineral resources.

(b) Statement of compliance

The interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS34: *Interim Financial Reporting*.

The condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Cazaly and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

(c) Basis of preparation

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the standards and interpretations below in note 1(e). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial statements are for the consolidated entity consisting of Cazaly Resources Ltd and its subsidiaries (the 'Group').

The financial report has also been prepared on an historical cost basis, except for available for sale investments which have been measured at fair value through profit and loss. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian Dollars, which is the Company's functional currency.

(d) Accounting standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an annual accounting period that begins on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
HALF YEAR ENDED 31 DECEMBER 2019

- AASB 16 Leases; and
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*.

AASB 16 Leases requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees namely leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has adopted AASB 16 Leases however its current leases fall within either the 'low-value' or 'short-term' recognition exemptions. The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation addresses (a) whether an entity considers uncertain tax treatments separately; (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and (d) how an entity considers changes in facts and circumstances.

The adoption of this Interpretation has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

(e) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

Capitalised exploration costs carried forward

The future recoverability of capitalised exploration costs carried forward has been reviewed by the directors. They are dependent on a number of factors, including whether the Group decides to exploit the related lease/licence itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, sovereign risk, future technological changes, availability of funds, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration expenditure is determined not to be recoverable in the future, results and net assets will be reduced in the period in which this determination is made.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2019

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable resources. To the extent it is determined in the future that this capitalised expenditure should be written off, results and net assets will be reduced in the period in which this determination is made.

(f) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Managing Director of Cazaly.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2019

2. INCOME AND EXPENSES

	31 Dec 2019	31 Dec 2018
	\$	\$
The following revenue and expense items are relevant in explaining the income statement for the half-year:		
Revenue		
Interest received	73,079	2,382
Office service recharges	101,189	84,122
Royalty Revenue	-	-
	<u>174,268</u>	<u>86,504</u>
Other Income		
Gain on value of financial assets	-	1,054
Option fees	-	50,000
Cost recoupments	-	48,212
Gain on sale of subsidiary (refer note 3)	209,163	-
Gain on sale of tenements (refer note 3)	3,917,005	-
	<u>4,126,168</u>	<u>99,266</u>
	31 Dec 2019	30 June 2019
	\$	\$

3. NON-CURRENT ASSETS HELD FOR SALE

Non-current asset held for sale – Mt Venn (i)	-	868,076
Non-current asset held for sale – Parker Range (ii)	-	16,007,380
	<u>-</u>	<u>16,875,456</u>

Movements

Balance brought forward	16,875,456	727,328
Transfer from exploration and evaluation assets	-	16,148,128
Expenditure incurred up to disposal date	2,498	-
Disposal on sale of subsidiary	(870,574)	-
Disposal to proceeds on sale of tenements	<u>(16,007,380)</u>	<u>-</u>
	<u>-</u>	<u>16,875,456</u>

- (i) The Company entered into a Share Sale Agreement with Woomera Mining Ltd (**WML**) on 20 September 2019 and completed the sale and received gross proceeds of \$1 million and 7 million WML shares. The breakdown of the gain on disposal is as follows:

Proceeds from disposal	1,161,000
Carrying amount of net assets at disposal date	(870,574)
Transaction Costs	<u>(81,263)</u>
Gain on disposal of subsidiary	<u>209,163</u>

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2019

- (ii) As announced on 21 August 2019, the Company received an unsolicited offer from Mineral Resources Ltd in respect of the sale of the Parker Range Iron Ore Project. As announced on 30 August 2019, both parties completed or waived the conditions precedent and the transaction was completed. The Company received gross proceeds of \$20m (ex GST). The breakdown of the gain on disposal is as follows:

Proceeds from disposal	20,000,000
Carrying amount of net assets at disposal date	(16,009,878)
Transaction costs	(73,117)
Gain on disposal of tenements	3,917,005

4. CONVERTIBLE NOTES

	31 Dec 2019 \$	30 June 2019 \$
Face value	-	-
Opening Balance	362,241	670,288
Issue costs		
- 7,300,000 options issued	-	(480,590)
- Consultancy costs settled in shares	-	(44,880)
- Interest expense	-	73,000
- Cost of unwind during the period	-	59,712
- Repayment of 2017 interest and notes	-	(803,000)
- 2018 notes issued	-	748,000
- Interest expense	27,145	18,603
- Cost of unwind during the period	129,072	396,397
- Convertible note converted	(518,458)	(275,289)
Balance	-	362,241

Deed

As announced on 13 December 2018, the Company provided an update in relation to the unsecured 2017 convertible note deed (**2017 Deed**), which expired on that date.

The Company and Oracle Capital Group Pty Ltd (**Oracle**) agreed that the Company would repay the original notes and all accrued interest.

Oracle, a Perth based portfolio management and corporate advisory firm, provided the Company with a new unsecured note facility of \$748,000 (**Deed**) via the issue of 748,000 unsecured notes (face value of one dollar (\$1.00)) (**Notes**). The Company and Oracle agreed and acknowledged that by entering into the Deed, any and all liabilities, amounts and obligations which are outstanding or owing by the Company in favour of Oracle and/or its nominees or any other any other person under the 2017 Deed are deemed to have been repaid, satisfied and extinguished in full and the Company is released and discharged from all of its liabilities, amounts and obligations under the 2017 Deed.

Under the terms of the Deed, Oracle and/or its nominees, will also be entitled to 29,920,000 unquoted Company options exercisable at a price that is equal to 150% of the Share price calculated on the basis of 85% of the VWAP of the Shares on the ASX calculated over the 5 consecutive trading days which immediately precede the date of the Deed.

The 29,920,000 unquoted options were valued at \$480,590 based on the following assumptions:

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2019

4. CONVERTIBLE NOTES (Cont'd)

Number of Options	Fair Value at Grant Date per Option	Estimated Volatility	Life of Option (years)	Exercise Price	Share Price at Grant Date	Risk Free Interest Rate
29,920,000	\$0.01606	100%	3.04	\$0.02745	\$0.021	2.0%

The final terms of the Notes are set out below:

- (a) Maturity Date - 12 months from the date of issue (**Repayment Date**)
- (b) Interest - 10% per annum. Paid on conversion and/or redemption date (as applicable).
- (c) Conversion Price – the lower of:
 - 85% of the VWAP of the Shares on the ASX calculated over the 5 consecutive trading days which immediately precede the date of the Deed; and
 - 85% of the VWAP of the Shares on the ASX calculated over the 5 consecutive trading days which immediately precede the date of the relevant conversion notice; and
 - the price of any capital raising completed by the Company from the date of execution of the Deed up to and including the date of the relevant conversion notice,
- (d) Conversion Approval – Notes can only be converted upon receipt of Conversion Approval on the basis set out above.
- (e) Redemption - the Company may redeem all or part of the principal sum of each Note at any time and at any frequency on or before the Repayment Date by giving to Oracle a redemption notice. A redemption notice must not be given in respect of a Note the subject of a conversion notice. A redemption notice must specify not less than 374,000 Notes for redemption (when aggregated with all redemption notices issued on the same day as that redemption notice).
- (f) Conversion prior to Repayment Date – subject to Conversion Approval, the Oracle may convert all or any of the Notes into Ordinary Shares at any time and at any frequency as at a date prior to the Repayment Date by giving a conversion notice to the Company.
- (g) Conversion on Repayment Date - All outstanding Notes (excluding any Notes in respect of which a redemption notice has been issued or a conversion notice has been issued) will automatically convert into Shares on the Repayment Date and the Company will be deemed to have issued a conversion notice converting all outstanding Notes held by Oracle at the Repayment Date.
- (h) Security - the Notes are unsecured.
- (i) Transferability and other restrictions: the Notes will only be transferrable with the Company's prior written consent.

On 10 June 2019, 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.

On 23 August 2019, a total of 28,331,099 fully paid ordinary shares were issued on the conversion of the remaining notes and all accrued interest by note holders.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2019

5. ISSUED CAPITAL

	31 Dec 2019 \$	30 June 2019 \$
346,113,267 (30 June 2019: 287,862,168) fully paid ordinary shares with no par value	25,852,471	31,288,827

	31 Dec 2019 Number	31 Dec 2019 \$	30 June 2019 Number	30 June 2019 \$
(a) Movements in ordinary shares				
Balance at the beginning of the year/period	287,862,168	31,288,827	230,366,599	29,963,658
Issue of shares at \$0.0183 each (i)	-	-	2,452,459	44,880
Issue of shares at \$0.025 each (ii)	-	-	29,000,000	725,000
Issue of shares at \$0.025 each (iii)	-	-	1,000,000	25,000
Issue of shares at \$0.0183 each (iv)	-	-	15,043,110	275,289
Issue of shares at \$0.03 each (v)	-	-	10,000,000	300,000
Issue of shares at \$0.0183 each (vi)	28,331,099	518,459	-	-
Issue of shares at \$0.02745 each (vii)	27,720,000	760,714	-	-
Issue of shares at \$0.02745 each (vii)	2,200,000	60,390	-	-
	346,113,267	32,628,590		
Less Fair value of options exercised	-	480,590	-	-
Less Return of capital (viii)	-	(7,256,709)	-	-
Less capital raising costs	-	-	-	(45,000)
Balance at the end of the period	346,113,267	25,852,471	287,862,168	31,288,827

- (i) Shares issued to consultants on 18 December 2018 in lieu of fees due on 2018 note deed.
- (ii) Placement shares issued on 21 March 2019.
- (iii) Placement shares issued to a Director on 10 June 2019 (as approved by shareholders at a general meeting on 6 June 2019).
- (iv) Shares issued on 10 June 2019 for the part conversion of notes and accrued interest under the 2018 note deed.
- (v) Gold Valley placement shares issued on 10 June 2019.
- (vi) Shares issued on 23 August 2019 for the full conversion of notes and accrued interest under the 2018 note deed.
- (vii) Shares issued on 10 September (27,720,000) and 17 September 2019 (2,200,000) for the full conversion of options issued under the 2018 note deed.
- (viii) On 18 October 2019, there was a Board Determination that subject to business as usual and Shareholder Approval being obtained there would be a cash distribution of \$0.026 per share (\$9 million) to Shareholders in December 2019. This followed the completion of the 100% sale of Parker Range the Parker Range Iron Ore Project (ASX announcement dated 30 August 2019) and the 80% sale of the Mt Venn Project (ASX announcement dates 20 September 2019). The cash distribution would comprise a payment of \$0.005 per Share as a declared unfranked dividend plus a payment of \$0.021 per Share as a return of capital (**Return of Capital**). The Record Date for both the unfranked dividend and the Return of Capital was 25 November 2019. Shareholder approval was obtained at the Company's AGM held on 20 November 2019.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
HALF YEAR ENDED 31 DECEMBER 2019**5. ISSUED CAPITAL (continued)**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Movements in Unquoted Options over ordinary shares

Exercise Period	Exercise Price (*)	Number on issue at 30 June 2019	Issued during the half year	Exercised/ Expired/ Cancelled	Number on issue at 31 December 2019
On or before 22 August 2019	\$0.1800	1,450,000	-	(1,450,000)	-
On or before 22 August 2019	\$0.1440	2,500,000	-	(2,500,000)	-
On or before 22 August 2020	\$0.195	2,500,000	-	-	2,500,000
On or before 31 December 2019	\$0.039	7,300,000	-	(7,300,000)	-
On or before 26 November 2020 (i)	\$0.039	8,750,000	-	-	8,750,000
On or before 31 December 2021 (ii)	\$0.02745	29,920,000	-	(29,920,000)	-
On or before 31 March 2021 (iii)	\$0.029	15,000,000	-	-	15,000,000
On or before 19 November 2022 (iv)	\$0.0495	-	10,000,000	-	10,000,000
Total unquoted options		67,420,000	10,000,000	(41,170,000)	36,250,000

(*) If applicable, exercise price of options has been adjusted by return of capital (\$0.021 per share) as approved by shareholders at Company's AGM held on 20 November 2019.

- (i) 6,500,000 options were issued to directors on 26 November 2018 (approved at Company's AGM held on 23 November 2018) at an exercise price of \$0.06. 2,250,000 options were issued to employees under the Cazaly employee incentive scheme on 21 January 2019 (awarded to employees on 20 December 2018) at an exercise price of \$0.06.
- (ii) 29,920,000 options expiring 31 December 2021 with an exercise price of \$0.02745 were issued on 18 December 2018 as part of the issue of 2018 notes. Shareholders subsequently ratified the issue of these options at a general meeting held on 6 March 2019. All options were converted before their expiring date.
- (iii) Issued under a placement announced on 18 March 2019 with an exercise price of \$0.05. 14,500,000 options were issued on 21 March 2019 and 500,000 options were issued to a Director (approved by shareholders on 6 June 2019) on 10 June 2019.
- (iv) Issued to directors on 20 November 2019 with an exercise price of \$0.0705 (approved at Company's AGM held on 20 November 2019).

6. RESERVES

This reserve records the value of equity benefits provided to employees, consultants and directors as part of their remuneration, share based payments to third parties and option consideration for acquisitions.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2019

6. RESERVES (continued)

Movement in Reserves:

	31 Dec 2019 \$	30 Jun 2019 \$
Opening balance	777,627	305,198
Equity based payments	255,438	528,606
Fair value of exercised options transferred to share capital	(480,590)	-
Transfer to accumulated losses	(193,751)	(56,177)
Closing Balance	358,724	777,627

Unquoted options are issued to directors, employees and consultants. The unquoted options may be subject to performance criteria, and are issued to directors, employees and consultants to increase goal congruence between executives, directors and shareholders. Unquoted options carry no dividend or voting rights.

Alottee	Number of Options	Fair Value at Grant Date per Option	Estimated Volatility	Life of Option (years)	Exercise Price	Share Price at Grant Date	Risk Free Interest Rate
Directors	10,000,000	\$0.02554	100%	3.00	\$0.0705	\$0.047	1.75%

7. ACCUMULATED LOSSES

This reserve records the value of equity benefits provided to employees, consultants and directors as part of their remuneration, share based payments to third parties and option consideration for acquisitions.

	31 Dec 2019 \$	30 Jun 2019 \$
Opening balance	(10,603,110)	(8,855,399)
Net loss attributable to members	1,826,817	(1,803,888)
Unfranked Dividend Paid (i)	(1,743,300)	-
Transfer of expired options	193,751	56,177
Closing Balance	(10,325,842)	(10,603,110)

- (i) On 18 October 2019, there was a Board Determination that subject to business as usual and Shareholder Approval being obtained there would be a cash distribution of \$0.026 per share (\$9 million) to Shareholders in December 2019. This followed the completion of the 100% sale of Parker Range the Parker Range Iron Ore Project (ASX announcement dated 30 August 2019) and the 80% sale of the Mt Venn Project (ASX announcement dates 20 September 2019). The cash distribution would comprise a payment of \$0.005 per Share as a declared unfranked dividend (**Unfranked Dividend**) plus a payment of \$0.021 per Share as a return of capital. The Record Date for both the Unfranked Dividend and the return of capital was 25 November 2019. Shareholder approval was obtained at the Company's AGM held on 20 November 2019.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2019

8. SUBSEQUENT EVENTS

No events have arisen that would be likely to materially affect the operations of the Group, or the state of affairs of the Group not otherwise disclosed in the Group's financial report.

9. KEY MANAGEMENT PERSONNEL

The annual salary of Mr Clive Jones was reviewed and has increased to \$275,000 per annum from 1 January 2020. This amount is well inside the MD salary spectrum of similar sized entities and is a just reward for Mr Jones' past efforts and continued service to the Company. Mr Nathan McMahon's salary remains in line with his existing contract. Outside of standard annualised CPI increases, which were unpaid since the date of their last contracts, both Mr Jones and Mr McMahon have not had any increase in their salaries since 2007. During the reporting period, the Board resolved to pay out the CPI contractual increases since their last contracts resulting in payments to Messrs Jones and McMahon of \$154,942. The Board agreed the annual salary of Mr Terry Gardiner (Non-Executive Director) be increased to \$50,000 per annum (plus superannuation) from 1 July 2019.

Appropriate bonuses were also awarded to the Board and all employees of the Company after the sale of Parker Range. Total bonuses paid to Key Management Personnel were \$235,800

10. CONTINGENT LIABILITIES AND ASSETS

There has been no change in contingent liabilities since the last annual reporting date.

As announced on 21 August 2019, the Company, following the receipt of an unsolicited superior proposal from Mineral Resources Limited (**Mineral Resources**) to purchase the Parker Range Iron Ore Project (**Parker Range**), terminated the exclusivity period with Gold Valley Iron Pty Ltd (**Gold Valley**) under its conditional agreement with Gold Valley originally announced on 11 June 2019. Following such termination, Cazaly agreed to commercial terms with Mineral Resources for the sale of the assets comprising Parker Range via a binding Heads of Agreement. The agreement with Gold Valley remained in place whilst Cazaly evaluated the Mineral Resources proposal and its next steps for the sale of Parker Range.

On 30 August 2019, both parties announced that they had completed or waived their Conditions Precedent responsibilities as noted in their ASX announcements dated 21 August 2019.

Cazaly retains a contingent asset in the form of a royalty with Mineral Resources of A\$0.50 for every dry metric tonne of iron ore extracted and removed from Parker Range after the first 10,000,000 dry metric tonnes.

11. OPERATING SEGMENTS

The Company operates in one geographical area being Australia and one industry, being exploration, for the half year ended 31 December 2019 which was the same as reported in the financial report for the year ended 30 June 2019. The Chief Operating Decision Makers are the Board of Directors and the management of the Group. There is currently only one operating segment identified, being exploration activities based in Australia based on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources. The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
HALF YEAR ENDED 31 DECEMBER 2019

12. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade and other receivable, trade and other payables and convertible notes. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

The Group's held for trading financial assets are level-1 financial instruments and valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

**DIRECTORS' DECLARATION
HALF YEAR ENDED 31 DECEMBER 2019**

In the opinion of the directors:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors, made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Board.



Nathan McMahon
Managing Director

PERTH
Dated 13 March 2020

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the review of the financial statements of Cazaly Resources Limited for period ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Partner

Dated at Perth this 13th day of March 2020

Independent Auditor's Review Report

To the Members of Cazaly Resources Limited

We have reviewed the accompanying half-year financial report of Cazaly Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

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Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report

To the Members of Cazaly Resources Limited (Continued)



Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cazaly Resources Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 13th day of March 2020