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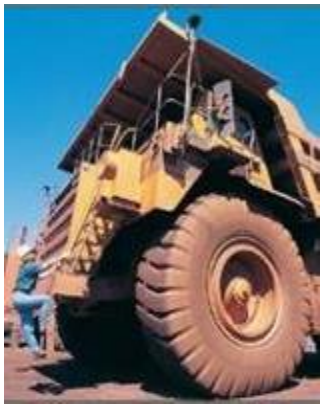

Quarterly Report for

December 2014

PARKER RANGE IRON ORE PROJECT

- **Discussions ongoing with YES Syndicate (Asciano & Marubeni Corporation) in relation to Esperance port allocation. The YES Syndicate was the successful consortia to design, finance, construct and operate a multi-user iron ore facility (MUIOF) at the Esperance port.**
- **Continued discussions with potential project finance and commercial partners ongoing**

McKENZIE SPRINGS PROJECT

- **Follow up programmes being finalized to further test nickel/copper targets.**
- **Mapped graphitic schist units to be further explored for potential drill targets. Previous results reported from rock chip samples of 22.4 and 23.9% TGC.**

CORPORATE

- **Quarterly contingency payment of $250,000 received from Phoenix Gold Ltd.**
- **Exposure to production royalty stream from Phoenix Gold Ltd at $40/ounce capped at an initial $3,000,000, plus a lump sum payment of $3,000,000 after the production of 140,000 ounces.**
- **Funding arrangement for $2,000,000 executed with Acuity Capital**

Quarterly Report for December 2014

Parker Range Iron Ore Project (CAZALY 100%)

In May 2014, the WA Transport Minister announced that Yilgarn Esperance Solution (YES) Limited, a consortium which includes Asciano and Marubeni, had been chosen to design, build and operate the new Esperance Port Multi-User Iron Ore Facility.

Cazaly Resources Limited ('Cazaly or 'the Company') welcomed this long awaited development and the $120M Esperance Port Access Upgrade. The development and expansion at the port are key ingredients to the further development of the Parker Range Iron Ore Project.

It is the only "mine ready" iron ore deposit in the region that is not currently in operation. Parker Range has a fully completed Definitive Feasibility Study ('DFS') and all key approvals are in place. Cazaly intends to update the DFS once the YES syndicate and the port have finalised formal documentation. The update will ensure relevant rail and road transportation costs and port charges are incorporated into the financial modelling.

Discussions with potential project finance and commercial partners ahead of a Final Investment Decision (FID) have commenced.

Kimberley Projects

McKENZIE SPRINGS (CAZALY 100%)

Cazaly plans to continue exploration within the McKenzie Springs Project after recently conducting successful first pass reconnaissance field work in 2014. Two recently granted tenements, E80/4808 and E80/4812, will be scheduled for further work in the 2015 field season in the Kimberley region of Western Australia.

Work undertaken in the December quarter included geological mapping and sampling over several areas of known mineralisation identified by previous exploration as well as new areas of potential interest. Results from priority targets that contained nickel, copper and cobalt mineralisation in geological settings similar to the nearby Savannah Nickel operation were announced in the September 2014 Quarter (see figure 1). Panoramic Resources Ltd have recently announced successful near mine exploration drilling campaigns at the Savannah Nickel operation including the discovery of a new lode at Savannah North. Cazaly will prioritise nickel/copper targets within the McKenzie Springs Project using geological models and structural settings similar to the Savannah mineralisation located 12km away to the north east.

Work is also continuing at McKenzie Springs on graphitic schist outcrops discovered and sampled in the September 2014 Quarter. The Company will complete further mapping and rock chip sampling to define potential extensions of graphite bearing units within high grade metamorphic rocks of the Tickalara Metamorphic suite. Historic mapping indicates these could trend through the tenement for approximately 15 kilometres. This unit hosts Lamboo Resources Limited's neighbouring *Macintosh Graphite Project* where an Indicated and Inferred resource of 7.135Mt @ 4.73% Total Graphitic Carbon for 337,700t of contained graphite has been released (ASX:LMB, released January 2014).

Of particular note is that the graphite has been identified as high grade flake graphite with the potential to be chemically converted into graphene. Open file geophysics data sets will be used to assist the 2015 field season work and potentially define drill targets for follow-up.

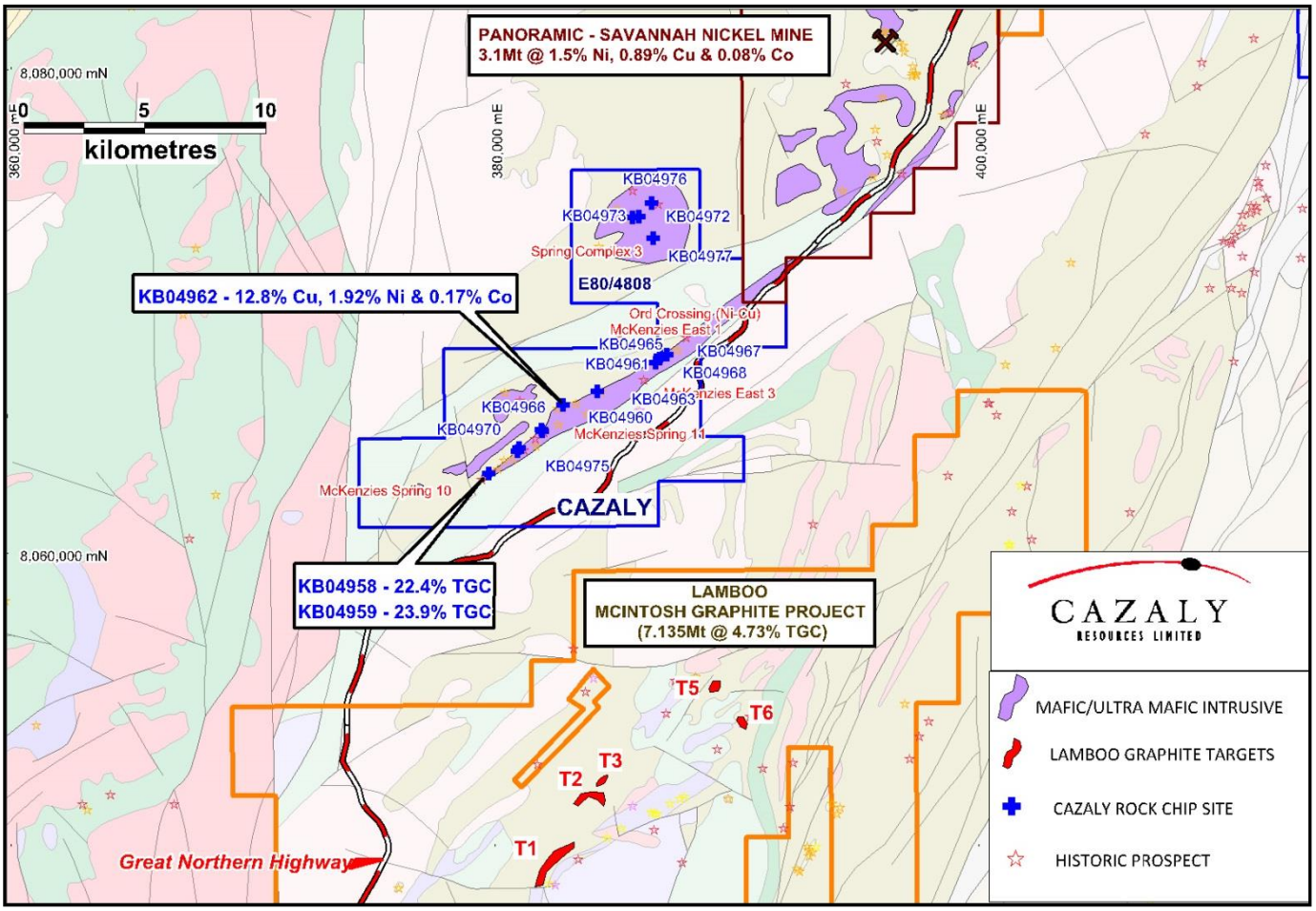

Figure 1. McKenzie Springs Project, recent surface sampling

HALLS CREEK COPPER PROJECT (CAZALY earning 75%)

The Company has an agreement with 3D Resources Limited to earn up to a 75% interest in the Halls Creek Copper Project, located in the Kimberley region of Western Australia. The Halls Creek Project comprises a large package of six tenements covering an area of approximately 298 km², near the township of Halls Creek covering part of the Halls Creek Mobile Zone which is highly prospective for a range of commodities including base metals, gold, diamonds and nickel. Initial work has concentrated on copper mineralisation previously discovered at the *Mt Angelo North* Cu-Ag-Zn and the *Mt Angelo Porphyry* prospects.

During the December 2014 Quarter, approvals were received for 2015 drill programmes to test down hole EM conductors discovered outside of known massive sulphide mineralisation at Mt Angelo North.

No significant field work was undertaken on the joint venture during the quarter.

Quarterly Report for December 2014

Hamersley Iron Ore Project (CAZALY 49% WINMAR RESOURCES 51%)

No significant work was reported during the quarter.

Corporate

The Company received $250,000 for the September Quarter contingency payment from Phoenix Gold Limited. There was no production royalty due from the Catherwood project in the Dec'14 quarter.

The Company remains exposed to the following payments from Phoenix Gold Limited:

- $250,000 Dec'14 quarterly contingency payment (received 2 January 2015);
- Production royalty at $40/ounce capped at $3m (to date, Cazaly has received $523,434); and
- Lump sum cash payment of $3.0m on total production of 140,000 ounces.

At current market prices, the Company holds ASX listed investments worth approximately $500k.

In late December 2014 the Company also entered into a Controlled Placement Agreement (CPA). The CPA provides Cazaly with up to $2 million of standby equity capital over the coming 12 months. Importantly, Cazaly retains full control of the placement process, including having sole discretion as to whether or not to utilise the CPA.

The CPA provides Cazaly with the flexibility to quickly and efficiently raise capital, including the ability to take advantage of suitably attractive opportunities should they arise. Cazaly is under no obligation to raise capital under the CPA. If Cazaly does decide to utilise the CPA, the Company has control, allowing Cazaly to decide the frequency, timing, maximum size and minimum issue price of any capital raisings under the CPA.

The Company has continued to reduce its tenement holdings and is focussed on the most advanced and likely projects. Cost cutting measures have been implemented.

Nathan McMahon - Joint Managing Director **Clive Jones - Joint Managing Director**

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

APPENDIX A – TENEMENTS HELD AT 31 DECEMBER 2014

Managed

TID	PROJECT	ENTITY	% INT
E15/0915	7 MILE HILL	SAMR	100
E24/0188	GIDJI	CAZR	100
E25/0500	MADOONIA DOWNS	CAZR	100
E26/0167	GIDJI	SAMR	100
E80/4772	ALICE DOWNS	CAZR	100
E31/0886	CAROSUE	SAMR	100
E80/4774	HALLS CREEK	CAZR	100
E80/3370	MT ANGELO	CAZR	20
E80/3496	MT ANGELO	CAZR	20
E80/3517	MT ANGELO	CAZR	20
E80/3938	MT ANGELO	CAZR	20
M80/0247	MT ANGELO	CAZR	20
E31/1047	EDJUDINA	CAZR	100
E31/1048	EDJUDINA	CAZR	100
E47/1561	MT WALKINS	CAZI	100
E47/2012	MT. STUART	BAFE	100
E47/2027	MT. STUART	BAFE	100
E47/2042	MARILLANA	BAFE	100
E47/2043	MT. STUART	BAFE	100
E51/1558	RUBY WELL	SAMR	100
E51/1567	MT PADBURY	SAMR	100
E52/2861	FORTNUM	SAMR	100
E52/3020	ROBINSON RANGES	CAZR	100
E69/3056	JUNCTION	SAMR	100
E77/1101	PARKER RANGE	CAZI	100
E77/1235	PARKER RANGE	CAZR	100
E77/1403	PARKER RANGE	CAZI	100
E77/1689	MT RANKIN	CAZI	100
E77/1787	PARKER RANGE	CAZI	100
E77/1788	PARKER RANGE	CAZI	100
E77/1789	PARKER RANGE	CAZI	100
E77/1792	MOORINE ROCKS	CAZI	100
E77/2068	PARKER RANGE	CAZI	100
E77/2078	PARKER RANGE	SAMR	100
E77/2115	SOUTHERN CROSS	CAZI	100
E77/2135	PARKER RANGE	CAZI	100
E77/2177	STRAWBERRY ROCKS	CAZR	100
L77/0220	PARKER RANGE	CAZI	100
L77/0228	PARKER RANGE	CAZI	100
L77/0229	PARKER RANGE	CAZI	100
M77/0671	PARKER RANGE	SAMR	100
M77/0741	PARKER RANGE	CAZI	100
M77/0742	PARKER RANGE	CAZI	100
M77/0764	PARKER RANGE	CAZI	100
M77/0765	PARKER RANGE	SAMR	100
M77/0766	PARKER RANGE	SAMR	100
P26/3893	KALGOORLIE	SAMR	100
P26/3896	KALGOORLIE	SAMR	100
P26/3898	KALGOORLIE	SAMR	100
P26/3899	KALGOORLIE	SAMR	100

Not Managed

TID	PROJECT	ENTITY	% INT
E31/1019	CAROSUE	CAZR	10
E31/1020	CAROSUE	CAZR	10
E36/0733	YEELIRRIE	SAMR	100
E36/0735	YEELIRRIE	SAMR	100
E37/1037	TEUTONIC BORE	SAMR	100
E38/1540	JUTSON ROCKS	CAZR	30
E47/1617	HAMERSLEY	LOFE	49
E51/1290	RUBY WELL	SAMR	100
E53/1247	HINKLER WELL	SAMR	100
E69/2230	NEBO	SAMR	100
E69/2362	RAWLINSON RANGE	SAMR	100
EL 25643	MT ISABEL (NT)	SAMR	20
EL 25653	ACACIA BORE (NT)	SAMR	20
M31/0427	CAROSUE	CAZR	10
P26/3369	TEN MILE HILL	CAZR	10
P27/1682	TEN MILE HILL	CAZR	10
P27/1688	TEN MILE WELL	CAZR	10
P31/1746	CAROSUE	CAZR	10
P46/1360	QUARTZ CIRCLE	CAZR	20
P46/1361	QUARTZ CIRCLE	CAZR	20
P46/1362	QUARTZ CIRCLE	CAZR	20
P46/1363	QUARTZ CIRCLE	CAZR	20
P46/1364	QUARTZ CIRCLE	CAZR	20
P46/1365	QUARTZ CIRCLE	CAZR	20
P46/1366	QUARTZ CIRCLE	CAZR	20
E38/1541	JUTSON ROCKS	CAZR	30

TID	PROJECT	ENTITY	% INT
Managed			
P26/3900	KALGOORLIE	SAMR	100
P26/3901	KALGOORLIE	SAMR	100
P26/3911	KALGOORLIE	SAMR	100
P26/3912	KALGOORLIE	SAMR	100
P26/3913	KALGOORLIE	SAMR	100
P26/3934	HORANS SMALL DAM	CAZR	100
P26/3935	HORANS SMALL DAM	CAZR	100
P26/3939	HORANS SMALL DAM	CAZR	100
P26/3936	HORANS SMALL DAM	CAZR	100
P26/3937	HORANS SMALL DAM	CAZR	100
P26/3938	HORANS SMALL DAM	CAZR	100
P26/3940	HORANS SMALL DAM	CAZR	100
P77/3700	PARKER RANGE	CAZI	100
P77/3702	PARKER RANGE	CAZI	100
P77/4046	PARKER RANGE	CAZI	100
P77/4047	PARKER RANGE	CAZI	100
P77/4162	PARKER RANGE	SAMR	100
P77/4163	PARKER RANGE	SAMR	100
P77/4164	PARKER RANGE	SAMR	100
P24/4786	BARDOC	CAZR	100
E77/2176	PARKER RANGE	SAMR	100
E80/4811	LAMBOO	SAMR	100
E80/4812	MABEL DOWNS	SAMR	100
E80/4773	HALLS CREEK	SAMR	100
E80/4808	MABEL DOWNS	SAMR	100
P52/1442	PLUTONIC	SAMR	100
P52/1443	PLUTONIC	SAMR	100
P52/1444	PLUTONIC	SAMR	100
P52/1445	PLUTONIC	SAMR	100
P52/1446	PLUTONIC	SAMR	100
P52/1447	PLUTONIC	SAMR	100
P52/1453	PLUTONIC	SAMR	100
P52/1454	PLUTONIC	SAMR	100
P52/1455	PLUTONIC	SAMR	100
E52/2871	PLUTONIC	SAMR	100
E52/2873	PLUTONIC	SAMR	100
E52/2902	PLUTONIC	SAMR	100
E47/2774	MT FARQUHAR	CAZR	100
E47/2884	GREGORY	CAZR	100

Any changes in mining tenement interests during the quarter are covered in Section 6 of the Appendix 5B for December ‘14

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

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

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

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

Criteria	JORC Code explanation	Commentary
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Rock chip sample located by GPS. This data subsequently downloaded, plotted and verified • GDA94 Zone 52
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• N/A
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• N/A
Sample security	• *The measures taken to ensure sample security.*	• Samples were stored and transported securely
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Internal review of sampling techniques and the assay data conclude that methods are appropriate for the mineralization being tested

Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• Reported results are all from 100% owned Cazaly Resources Ltd tenements E80/4808 and E80/4812 • No Aboriginal sites or places have been recorded over the tenements • There are no National Parks or Reserves over the tenements • The tenements are in good standing
Exploration	• *Acknowledgment and appraisal of exploration by other parties.*	• A total of 7 drill holes over 13.5km of strike has been completed by

Criteria	JORC Code explanation	Commentary
done by other parties		previous explorers. This work, along with geochemical and geophysical data, is currently being assessed
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Magmatic Nickel, Copper, Cobalt ore bodies occur in the area (Savannah Nickel Mine) in similar geological settings and rock types to the project

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information 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.*
	• *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.*
		• Further details are not material at this early stage of exploration
		• Historical drill hole information is currently being compiled and reviewed

Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• For rock chip data, no averaging or aggregation has been used
Relationship between mineralisation widths and	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true*	• No information was determined from surface observations and historic trenches regarding the geometry and width of mineralisation

Criteria	JORC Code explanation	Commentary
intercept lengths	*width not known').*	
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• A plan view map of rock chip sample locations in relation to historical mineral occurrences has been included
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• All rock chip analyses are provided in tabular form
Other substantive exploration 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 historical data is currently being compiled. A proportion of geophysical data sets are currently not available on open file searches
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Further field reconnaissance mapping and surface sampling is planned after review of the new rock chip assays as well as all historical data sets (ongoing process)

Section 3 Estimation and Reporting of Mineral Resources

N/A

Section 4 Estimation and Reporting of Ore Reserves

N/A

Section 5 Estimation and Reporting of Diamonds and Other Gemstones

N/A