CAZALY RESOURCES LIMITED

PRELIMINARY EM INTERPRETATION

MCKENZIE SPRINGS PROJECT

- **Analysis of recently acquired historic electromagnetic data highlights numerous anomalies**
- **High order Nickel & Graphite targets defined**
- **Some nickel targets associated with known gossans, most largely not drill tested to date**
- **Ground position enlarged with two new adjoining applications**

Cazaly Resources Limited (**ASX: CAZ, "Cazaly"** or **"the Company"**) has recently acquired an extensive database from an electromagnetic survey (GEOTEM) flown by BHP in 1997 which covers most of the prospective area within the company's McKenzie Springs project.

The Geotem survey was flown on 300 metre spaced lines and has only just become available and interpreted by the company's geophysical consultants. This analysis, in combination with known geology and results from previous geochemical surveys, has highlighted numerous conductive targets within both the prospective nickel and graphite corridors. Six areas of particular interest have been highlighted as shown on the accompanying plan.

Area 1 contains nickeliferous gossans which have been sampled in the past and by the company yielding the up to 12.8% Cu, 1.92% Ni values reported. Very limited historic drilling has been conducted and the area will be a key focus moving forward.

Area 2 occurs along the basal contact of the fertile ultramafic and has parallel anomalism in the adjacent Tickalara Metamorphics. The anomalism in the ultramafics occurs over an approximate 1.5km strike length and has some known gossans in the area. These have been costeaned in the past (with historic analyses of up to 0.28% Ni and 0.52% Cu recorded) however no drilling has been undertaken. The anomalism in the adjoining metamorphics is some of the most conductive within these rocks and is considered potentially representative of shallow, highly conductive graphitic units being the stratigraphic continuation of that previously sampled by the company.

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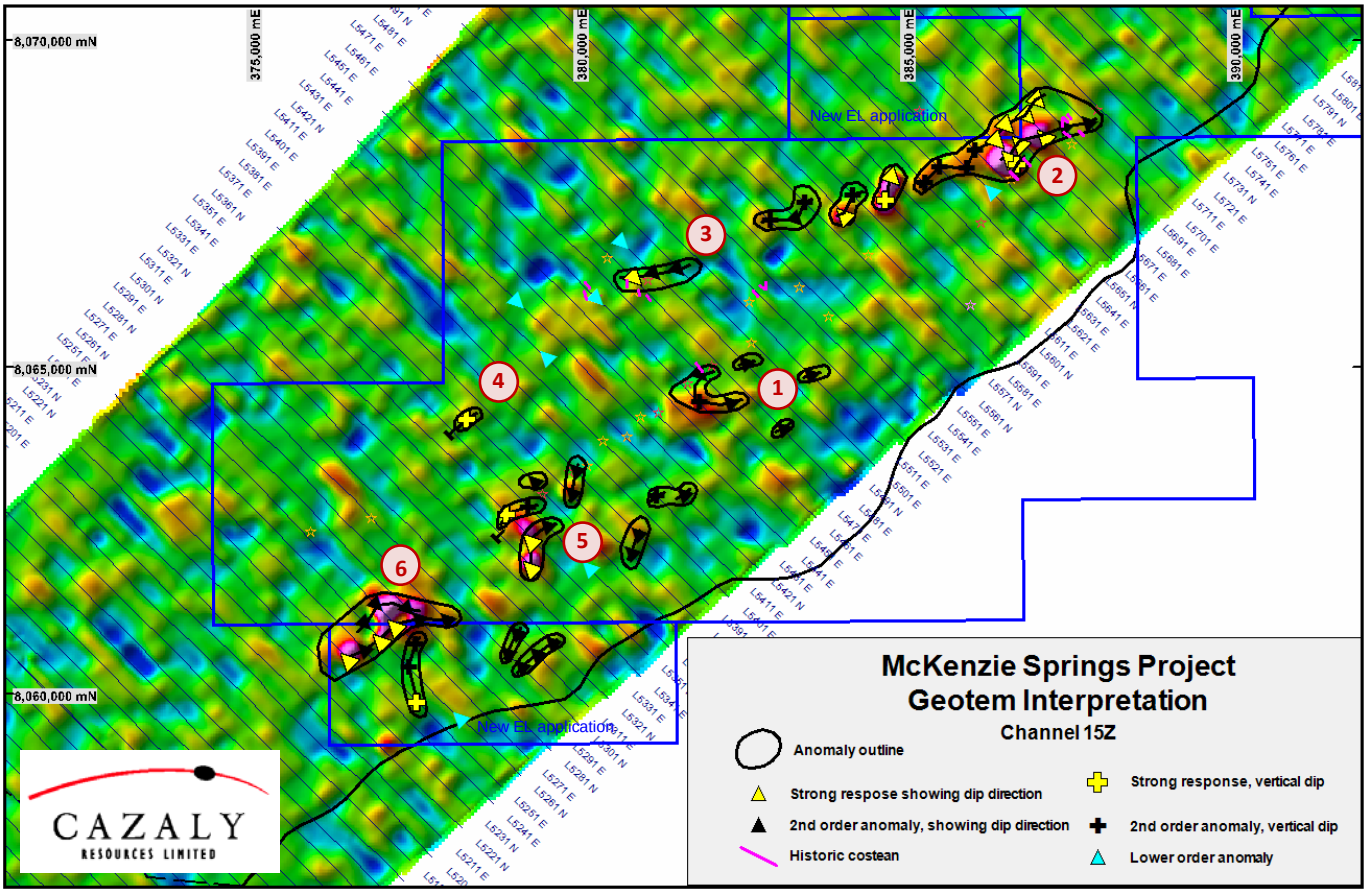
Area 3 occurs within an outlier of ultramafic known as Donkey Valley and occurs over 800 metres. Some historic work has included costeaning which highlighted anomalous nickel and copper values up to 0.25% Ni and 0.21% Cu.

Area 4 is a high order conductive anomaly in an area of little previous information.

Area 5 is a complex area of known ultramafic and metamorphic lithologies and, in part, hosts the outcropping graphitic unit sampled by the company.

Area 6 is an extensive area of moderate to high conductivity striking over ~2km and is thought to largely represent the graphitic unit within the Tickalara metamorphics which is mostly under shallow cover. Much of this area falls under a new exploration licence application made by the company today.

The company is currently assessing all of these areas on the ground. This work will be followed up by more detailed ground geophysics, probably fixed or moving loop EM so that the company can more effectively site drill holes to test the targets.



Cazaly controls a major position in the region with the project lying immediately along strike to the south of the Savannah Nickel Mine, owned by Panoramic Resources Ltd (ASX CODE: PAN). The Savannah mine (4.18Mt @ 1.55% Ni, PAN:ASX 1 October 2015) has been in production since 2004 and exports concentrate to China via the port of Wyndham (240km to the north via the Great Northern Highway). Panoramic also recently announced further

resources from a major upgrade for the Savannah North deposit (6.88Mt @ 1.59% Ni, PAN:ASX 1 October 2015) which has the potential to significantly add to the mine life at Savannah.

Nickel mineralisation within the project is associated with the basal contact of mafic-ultramafic rocks in a similar geological setting to the Savannah Nickel Mine. This unit extends for some 13km throughout the project. Gossan outcrops sampled, together with very limited historic drilling, confirm the potential for ore grade mineralisation and previous results. Sampling of the "No.1" gossan returned a very high grade result of **12.8% Cu, 1.92% Ni** and **0.17% Co**.

Previously the company discovered and sampled outcropping zones of graphitic schist at McKenzie Springs. The graphite bearing unit is associated with high grade metamorphic rocks of the Tickalara Metamorphic suite and potentially trend through the tenement for ~15 kilometres. This is the same unit hosting Lamboo Resources Limited's neighbouring *Macintosh Graphite Project* where an Indicated and Inferred resource of **7.135Mt @ 4.73% Total Graphitic Carbon for 337,700t** of contained graphite has been released (ASX:LMB, released January 2014). The samples returned Total Graphitic Carbon (TGC) grades of **22.4 and 23.9% TGC** and recent petrographic analyses of a composite sample has confirmed that the graphite is dominated by Large to Jumbo size flakes and appears similar to that occurring in the Macintosh graphite deposits. The graphite is generally free of inclusions.

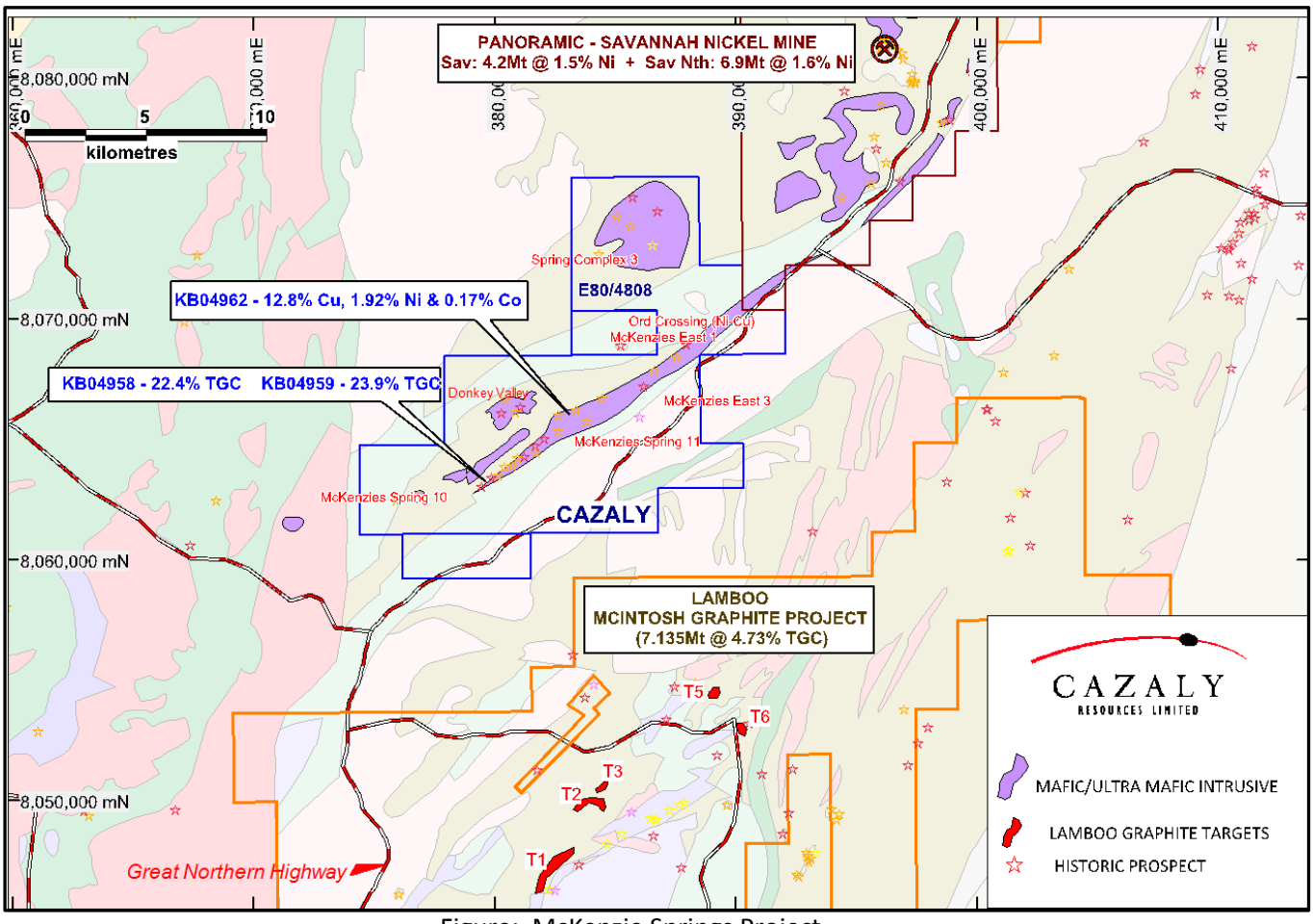
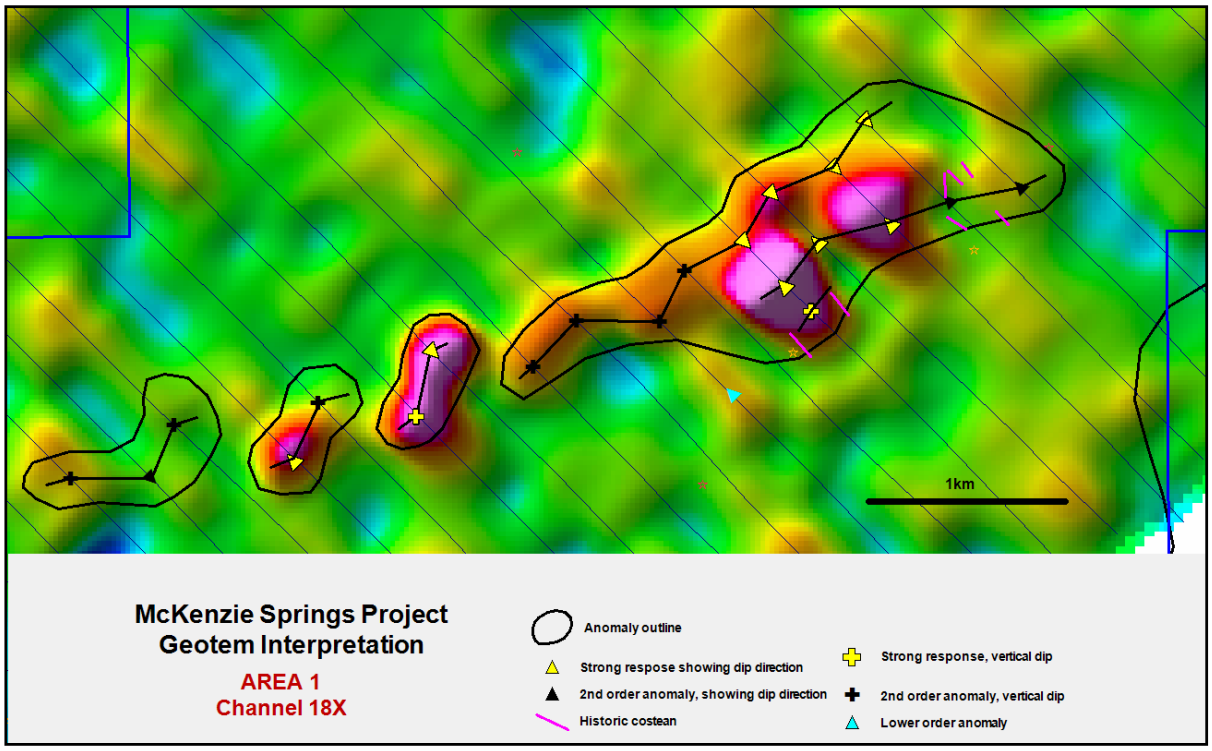


Figure: McKenzie Springs Project



The company is greatly encouraged by the results of this early assessment and is currently conducting further work to further define drill targets for both nickel and graphite mineralisation in this highly prospective belt.

ENDS
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Competent Person's Statement

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

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

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

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Rock chip samples collected from gossan outcrop and sub-crop at surface, sometimes exposed by historic costean/channels. • Rock chip samples selected by historic work, geology, visible mineralization and alteration. Sufficient sample was collected as first pass reconnaissance and geological mapping. Rock chip samples were between 0.5 – 1.5kg. • The rock chip samples were highly weathered • Rock chip samples were sent to Bureau Veritas laboratories in Perth where they were sorted, dried, crushed to 3mm particle size, cone split and a portion pulverized. A 0.2g charge was subjected to four acid digest with an ICP/AES finish for a base metal suite of elements. A 40g charge was used for lead collection fire assay with AAS finish to determine gold and PGE's. TGC have been determined by Total Combustion Analysis. A portion of sample was dissolved in weak acid to liberate carbonate carbon. The residue was dried at 420C driving off organic carbon and then analysed by a Sulphur/Carbon analyser to give total graphitic or elemental carbon (TGC). Further to this, the sample was screened at 1 mm and a polished thin section was made of the +1 mm fraction, and a polished section of the -1 mm fraction. Modal analyses were used to quantify the graphite content. Note this content is volume rather than weight. A mineralogical analysis was conducted for flake size/distribution
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
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*	• Rock chip sample located by GPS. This data subsequently downloaded, plotted and verified

Criteria	JORC Code explanation	Commentary
	used in Mineral Resource estimation. • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• 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 done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• A total of 7 drill holes and 17 costeans over 13.5km of strike have been completed by previous explorers. This work, along with geochemical and geophysical data, is currently being assessed
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Magmatic Nickel, Copper, Cobalt ore bodies occur in the area (Savannah Nickel Mine) in similar geological settings and rock types

Criteria	JORC Code explanation	Commentary
		to the project • Graphite is known to be hosted within gneisses and graphitic schist contained in the Tickalara Metamorphic Group
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:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth* o *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• 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 intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• No information was determined from surface observations and historic trenches regarding the geometry and width of mineralisation
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• A plan view map of rock chip sample locations in relation to historical mineral occurrences has been included
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades*	• All rock chip analyses were previously provided in tabular form

Criteria	JORC Code explanation	Commentary
	and/or widths should be practiced to avoid misleading reporting of Exploration Results.	
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. The majority of geophysical data sets are currently not available however one data set has recently been placed on Open file (GEOTEM 1997)
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 GEOTEM data 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