



ABN 23 101 049 334

Quarterly Report for September 2015

Summary

Despite the decline in the iron ore market, the Company continues to seek avenues in order to commence the development of the Parker Range iron ore project. At Parker Range the Company has also reviewed the area's gold potential and identified several shallow gold resources which have the potential to be mined and treated at the nearby Southern Cross gold operation.

The Company has continued to focus on its McKenzie Springs nickel-graphite project with recent interpretation of airborne electromagnetic data highlighting several areas of particular interest some coincident with known nickel bearing gossans.

Cazaly also notes recent media attention with respect to uranium mining in the Czech Republic which may affect the Company where it holds rights to applications for uranium licences.

The Company has reduced its tenement holdings and is focussing on its key projects. Cost cutting measures have continued. The Company also has listed shareholdings which are an asset to the Company.

Parker Range Project (CAZ 100%)

The Parker Range project has a fully completed definitive feasibility study and all key approvals are in place to commence development. Previously, the State announced that Yilgarn Esperance Solution (YES) Limited, a consortium headed up by Asciano had been chosen to design, build and operate a new Multi-User Iron Ore Facility (MUIOF) planned for the Port of Esperance. Given the state of the iron ore market no progress has been made on the development by Asciano.

Meanwhile, Cazaly has undertaken an assessment of the gold potential of its holdings in the area which lead to the recognition of a group of potentially viable gold prospects situated immediately north of the Mount Caudan iron ore deposit called the Burbidge Group. The prospects are located on granted mining leases and are near existing haul roads and associated infrastructure within 15 kilometres of the Marvel Loch gold mill which was recently recommissioned by Hanking Gold Mining Pty Ltd. In-house resource estimates are shown in Table 1:

Table 1 – Burbidge Gold Resource Estimate

PROSPECT	RESOURCE CATEGORY	Tonnes	Grade (g/t Au)	Ounces Au
ZEUS	INFERRED	86,100	2.85	7,900
BURBIDGE	INFERRED	121,700	1.64	6,400
ZEUS SOUTH	INFERRED	29,100	1.08	1,000
LITTLE BURBIDGE EAST	INFERRED	129,300	1.59	6,600
BURBIDGE EAST	INFERRED	45,500	1.99	2,900
TOTAL	INFERRED	411,700	1.88	24,800

All Resources reported at a lower cut-off grade of 1.0 g/t gold. No upper grade cuts have been applied (see Cazaly June 2015 Quarterly report for further information)

The Company has commenced discussions with the owners of the Southern Cross operations with a view towards potentially exploiting the resources.

McKenzie Springs Nickel/Graphite Project (CAZ 100%)

Nickel

The Company controls a major position in the Kimberley region of Western Australia 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.

Mineralisation within the Company's 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 taken from the Mackenzie Springs No.1 gossan. Previous work here included mapping, geophysics and rock chip sampling by Anglo American ("AAM") and Dampier Mining Company Limited (BHP) in the early 1970's. The gossan is of interest due to the consistent nature of elevated copper and nickel results (eg; 93m @ 0.16% Ni, 43m @ 0.23% Ni).

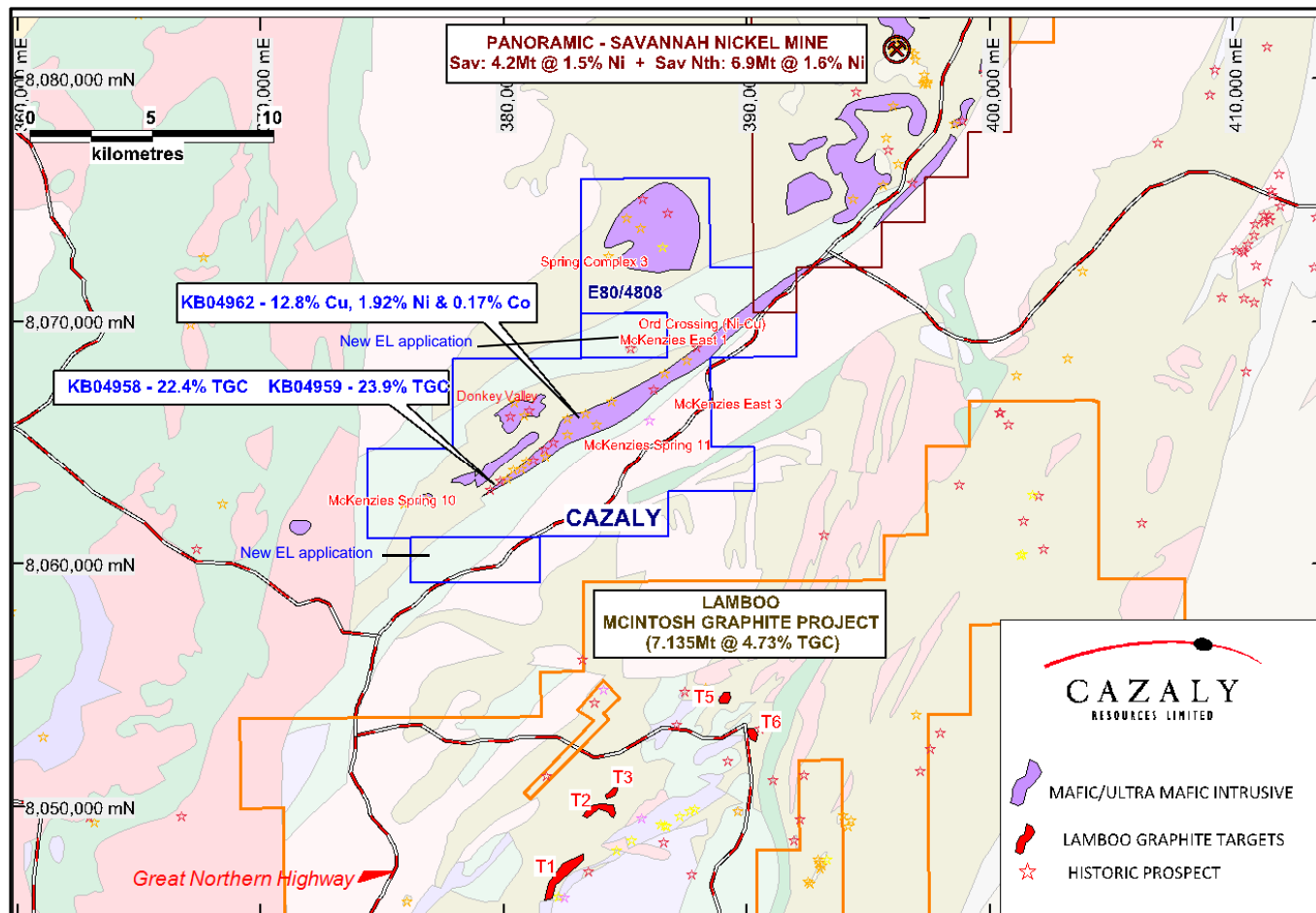


Figure 1: McKenzie Springs Project

Graphite

The project also lies adjacent to Lamboo Resources Limited's 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). Reconnaissance work at McKenzie Springs by the Company discovered an outcropping graphitic schist unit. Research of historic data identified further evidence of graphite bearing units associated with high grade metamorphic rocks of the Tickalara Metamorphic suite which trend throughout the tenement for ~15 kilometres. This is the same unit hosting Lamboo Resources Limited's neighbouring *Macintosh Graphite Project*. Of particular note is that the graphite has been identified as high grade flake graphite with the potential to be chemically converted into graphene.

Due to the highly friable/'soft' nature of the host graphitic schist it is rarely seen in outcrop although the prospective stratigraphy could be accurately traced using airborne and ground electromagnetic (EM) geophysical methods. Two samples returned from the outcropping unit returned exceptional Total Graphitic Carbon (TGC) grades of **22.4** and **23.9% TGC**. Petrographic analyses of a composite sample from these returned particularly encouraging first pass results as shown in Table 2:

Table 2 – Mackenzie Springs Flake Size Results (>1mm screen)

Size Classification	Micron	Flake Distribution %
Jumbo	>500µm	20%
Extra Large	>300µm	45%
Large	>200µm	15%
Medium	<200µm	20%

As noted in Table 2 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.

Electromagnetic Data

The company has recently accessed data from an airborne electromagnetic survey flown by BHP in 1997 which covers most of the prospective area within the company's project area. The Geotem survey was flown on 300 metre spaced lines the data from which has been 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. Five 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 costeained 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.

Area 3 occurs within an outlier of ultramafic known as Donkey Valley and occurs over 800 metres. Some historic work has included costeaming 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.

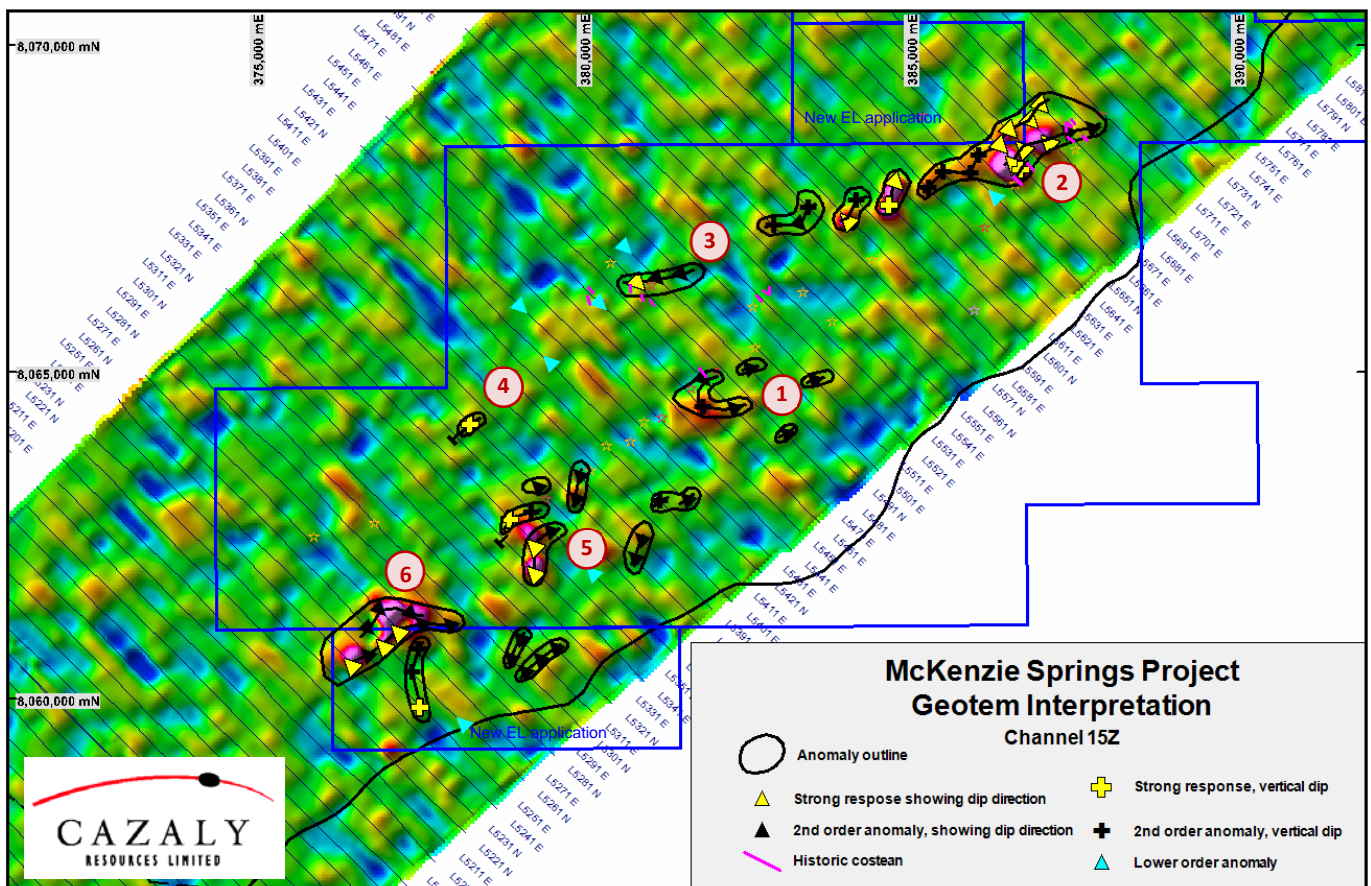


Figure 2: Regional EM image showing selected anomalies, McKenzie Springs Project

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 has also recently expanded its tenure in the area with two new exploration licence applications.

The Company is greatly encouraged by these nickel and graphite results and is currently conducting further work to better define drill targets for both nickel and graphite mineralisation in this highly prospective belt.

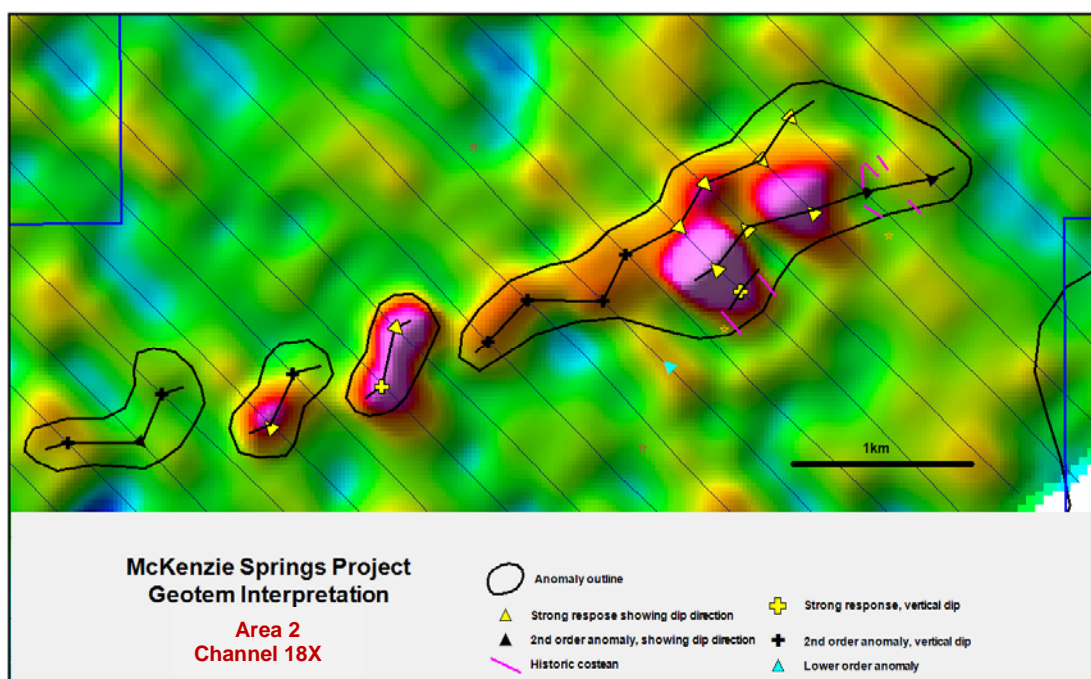


Figure 3: McKenzie Springs Project, Area 2 Geotem Anomaly

Czech Republic Uranium Projects (CAZ 80%)

Cazaly previously entered into an agreement in February 2012 to purchase an 80% interest in private company Discovery Minerals Pty Limited. Discovery owns 100% of Urania Mining, a company registered in the Czech Republic, who in turn hold applications to licences for uranium in the country. Recent assessment on the standings of the applications has resulted in the Company looking to focus on two key applications; the *Brzkov 2* and *Horní Věžnice 2* licences. The Company has been awaiting the issuance of a new state natural resources policy which is expected to open the door for further uranium mining in the Czech Republic. Intensive historic exploration at Brzkov included diamond drilling, trenching, pitting and underground diamond drilling. An exploration shaft was also sunk in 1989 and bulk sampling undertaken. Currently the Czech Republic operates six nuclear reactors generating about one third of its nuclear capacity. It has only the one operating uranium mine in country; the *Rozna* mine operated by the state enterprise Diamo. The Rozna mine has recently been flagged as closing in 2017 and employs over 900 people. Recently, Diamo has indicated that it is considering mining uranium at Brzkov so as to continue its operations (see; <http://www.world-nuclear-news.org/ENF-Rozna-uranium-mine-closing-in-2017-1208201401.html>).

Cazaly has approached Diamo with a view towards commencing discussions on the future development of the Brzkov project and is awaiting reply.

A summary of the status of the uranium industry in the Czech Republic can be found at; <http://www.world-nuclear.org/info/Country-Profiles/Countries-A-F/Czech-Republic/>.

Other Projects

No significant work was reported during the quarter on the company's other projects.

A handwritten signature in black ink, appearing to be "N. McMahon".

Nathan McMahon

Joint Managing Director

A handwritten signature in black ink, appearing to be "Clive Jones".

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.





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APPENDIX A - MINING TENEMENTS HELD AT 30 SEPTEMBER 2015

TID	PROJECT	ENTITY	% INT
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Managed

E80/4772	ALICE DOWNS	CAZR	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
E47/1561	MT WALKINS	CAZI	100
E52/3020	ROBINSON RANGES	CAZR	100
E77/1101	PARKER RANGE	CAZI	100
E77/1235	PARKER RANGE	CAZR	100
E77/1403	PARKER RANGE	CAZI	100
E77/2135	PARKER RANGE	CAZI	100
E77/2142	JILBADJI	SAMR	100
L77/0220	PARKER RANGE	CAZI	100
L77/0228	PARKER RANGE	CAZI	100
L77/0229	PARKER RANGE	CAZI	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
E63/1689	LEAKE	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
P77/4164	PARKER RANGE	SAMR	100
E80/4811	LAMBOO	SAMR	100
E80/4773	HALLS CREEK	SAMR	100
E80/4808	MABEL DOWNS	SAMR	100
E47/2774	MT FARQUHAR	CAZR	100
E47/2884	GREGORY	CAZR	100
E39/1829	TROPICANA	SAMR	100

TID	PROJECT	ENTITY	% INT
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Not Managed

E31/1019	CAROSUE	CAZR	10
E31/1020	CAROSUE	CAZR	10
E36/0733	YEELIRRIE	SAMR	100
E37/1037	TEUTONIC BORE	SAMR	100
E38/1540	JUTSON ROCKS	CAZR	30
E47/1617	HAMERSLEY	LOFE	49
M47/1450	HAMERSLEY	LOFE	49
E51/1290	RUBY WELL	SAMR	100
E69/2230	NEBO	SAMR	100
M31/0427	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

Any changes in mining tenement interests during the quarter are covered in Section 6 of Appendix 5B for Sep'15