



CAZALY

RESOURCES LIMITED

ABN 23 101 049 334

AND CONTROLLED ENTITIES

Consolidated Half Year Financial Report

31 December 2015

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

CONSOLIDATED HALF YEAR FINANCIAL REPORT

31 December 2015

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CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

**COMPANY DIRECTORY
HALF YEAR ENDED 31 DECEMBER 2015**

MANAGING DIRECTOR

Nathan McMahon

MANAGING DIRECTOR

Clive Jones

NON-EXECUTIVE DIRECTOR

Kent Hunter

COMPANY SECRETARY

Mike Robbins

PRINCIPAL & REGISTERED OFFICE

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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 2015

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 2015.

DIRECTORS

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

Nathan Bruce McMahon
Clive Bruce Jones
Kent Michael Hunter

COMPANY SECRETARY

Mike Robbins

REVIEW OF OPERATIONS

Projects

Parker Range (100%)

The Parker Range project has a fully completed DFS in place and all key approvals have been granted in order for it to commence development.

The Yilgarn Esperance Solution (YES) Limited, a consortium headed up by Asciano has 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.

Over the past six months or so, Cazaly has undertaken an assessment of the gold potential of its holdings in the area which has led 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 owned by Hanking Gold Mining Pty Ltd.

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

McKenzie Springs (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) commenced production in 2004 but was recently moved into care and maintenance by Panoramic to preserve the value of the Savannah orebody. 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

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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).

Graphite

The project also lies adjacent to Hexagon Resources Limited's MacIntosh Graphite Project where an Indicated and Inferred resource of 17.2Mt @ 4.63% Total Graphitic Carbon for 797,200t of contained graphite has been released (ASX:HXG, released 27 January 2016). 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 Hexagon's 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 1:

Table 1 – 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 1 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 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.

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 conducting further work to better define drill targets for both nickel and graphite mineralisation in this highly prospective belt.

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Australian Uranium Projects (100%)

The Spinifex tenement application E80/4902 is located 50 km south of Kununurra in the Kimberley region of Western Australia. The project has high potential for unconformity and vein style uranium mineralisation as evidenced by previous rock chip grades of up to 4.16% U₃O₈ reported (Thundelarra Exploration Ltd, "Thundelarra" ASX announcement 19th December 2007). Thundelarra compiled historic records which included very high grade uranium mineralisation discovered in 1972 at Spinifex (assays of up to 13.5% U₃O₈ - Thundelarra ASX announcement 17th July 2007).

The Spinifex Project is situated in rough terrain of the Carr Boyd Range of the East Kimberley region, 50 km south of Kununurra township and 50 km north of Rio Tinto's Argyle Diamond Mine in Western Australia. The project contains clearly defined uranium mineralisation and several geophysical targets have been outlined from Thundelarra's interpretation of airborne radiometric data. Two types of mineralisation are going to be targeted by Cazaly once the tenement is granted: high grade vein-style mineralisation related to major structures; and unconformity-style mineralisation (between the Middle Proterozoic Hensman Sandstone and the Lower Proterozoic Revolver Creek Formation) such as is found at Alligator River in the Northern Territory.

Czech Republic Uranium (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 waiting on 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. Diamo has recently indicated that it is considering mining uranium at Brzkov so as to continue its operations and Cazaly has commenced discussions with Diamo on the future development of the Brzkov project.

Corporate

Potential Royalty Streams

Through its 100% owned subsidiary (Caz Roy Pty Ltd) the Company retains potential royalty streams from the Kalgoorlie Gold Project ("KGP") of

- a. Payment of \$750,000 upon commencement of mining at the KGP (subject to mining commencing within 24 months of the completion date); and
- b. Payment of \$1,000,000 upon satisfaction of conditions relating to the production of 140,000 ozs gold from the KGP.

The KGP is currently owned by Evolution Mining Ltd (ASX:EVN) following its takeover of Phoenix Gold Ltd (ASX:PXG). The royalty is payable from a third party. Refer to ASX announcement of 9th June 2015.

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Furthermore, the Company has a royalty stream of \$1/tonne mined and milled from the Georges Reward project, which is managed by MetalX Ltd (ASX:MLX). Details of the project have been included in the MLX announcement dated 15th November 2015.

Capital Raising

As announced to the ASX on 22 December 2015, the Company raised \$404,950 via a placement and issue of convertible notes. The funds will assist Cazaly to fund the ongoing exploration of its diversified resources portfolio, evaluation of new projects and for working capital.

The placement was for 6,831,667 shares at an issue price of \$0.03 per Share to raise \$204,950. A free attaching option with an exercise price of \$0.04 and an expiry date of 5 January 2018 was also issued on the basis of one option for every two shares subscribed for.

The joint Managing Directors, Mr Nathan McMahon and Mr Clive Jones (or their nominees) also advanced a total of \$200,000 in debt funds by way of a convertible note to the Company to supplement the Placement. The principal terms of the convertible note are designed to mirror the placement terms. As such, the convertible notes carry no coupon rate, are unsecured and are convertible at \$0.03 with a free attaching option on the basis of one option for every two shares converted. In accordance with listing Rule 10.11, the Convertible Notes are convertible at any time until 31 December 2016, however cannot be converted without Shareholder Approval.

During December 2015, an agreement was signed for the sale of tenement E47/2774 to FMG Limited for \$50,000 plus a minor royalty.

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. 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.

RESULTS OF OPERATIONS

The operating loss after income tax of the Group for the half-year ended 31 December 2015 was \$696,193 (31 December 2014: \$660,980).

FINANCIAL POSITION

The Group had a working capital deficit, being current assets less current liabilities of \$23,302 at 31 December 2015 (30 June 2015: surplus of \$212,982).

SUBSEQUENT EVENTS

Since 31 December 2015, there has not been any matter or circumstance that has arisen which has 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.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT
HALF YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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

The lead auditor's independence declaration is set out on page 18 of the half-year ended 31 December 2015.

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

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



Nathan McMahon
Managing Director

Perth
Dated: 15 March 2016

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 2015

		31 December 2015 \$	31 December 2014 \$
Revenue	2	144,757	98,427
Other Income	2	126,315	500,000
Employee benefits expense		(275,722)	(279,702)
Depreciation & amortisation expense		(7,561)	(16,236)
Administration expenses		(37,257)	(107,967)
Advertising & Promotional expenses		(2,900)	(11,248)
Compliance & Regulatory expenses		(81,273)	(95,736)
Consultancy costs		(50,474)	(35,746)
Occupancy costs		(142,171)	(187,056)
Write off of exploration expenditure		(369,907)	(262,421)
Gain/(Loss) on disposal of shares		-	(68,278)
Diminution in fair value of financial assets through profit and loss		-	(195,017)
Profit/(Loss) before income tax		(696,193)	(660,980)
Income tax benefit		-	-
Profit/(Loss) for the period		(696,193)	(660,980)
Profit/(Loss) attributable to:			
- Members of the controlling entity		(696,144)	(660,980)
- Non-controlling interest		(49)	-
		<u>(696,193)</u>	<u>(660,980)</u>
Other comprehensive income		-	-
Total comprehensive loss for the period		<u>(696,193)</u>	<u>(660,980)</u>
Net loss and total comprehensive income for the period attributable to:			
- Members of the controlling entity		(696,144)	(660,980)
- Non-controlling interest		(49)	-
		<u>(696,193)</u>	<u>(660,980)</u>
Basic earnings / (loss) per share (cents per share)		(0.53)	(0.50)

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 2015

	Note	31 December 2015 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents		461,883	620,947
Trade and other receivables		206,280	172,849
TOTAL CURRENT ASSETS		668,163	793,796
NON-CURRENT ASSETS			
Trade and other receivables		23,576	146,168
Financial assets		238,139	316,790
Property, plant and equipment		38,827	46,387
Exploration, evaluation and development		19,868,900	19,917,756
TOTAL NON-CURRENT ASSETS		20,169,442	20,427,101
TOTAL ASSETS		20,837,605	21,220,897
CURRENT LIABILITIES			
Trade and other payables		409,652	504,763
Short-term provisions		81,813	76,051
Convertible notes	4	200,000	-
TOTAL CURRENT LIABILITIES		691,465	580,814
TOTAL LIABILITIES		691,465	580,814
NET ASSETS		20,146,140	20,640,083
EQUITY			
Issued Capital	3	25,091,532	24,889,282
Reserves		115,752	119,642
Accumulated profits/(losses)		(5,047,853)	(4,355,599)
Controlling entity interest		20,159,431	20,653,325
Non-controlling interest		(13,291)	(13,242)
TOTAL EQUITY		20,146,140	20,640,083

The accompanying notes form part of this financial report.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT HALF YEAR ENDED 31 DECEMBER 2015

	31 December 2015 \$	31 December 2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenant recoupments	99,122	107,127
Payments to suppliers and employees	(565,281)	(674,075)
Interest and bill discounts received	2,205	3,311
Payments for exploration and evaluation	(434,918)	(320,792)
Net cash used in operating activities	(898,872)	(884,429)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from deposit bond	122,592	-
Proceeds from sale of equity investment	-	341,495
Proceeds from disposal of investments	154,966	-
Proceeds on sale of exploration assets	60,000	500,000
Net cash provided by investing activities	337,558	841,495
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	204,950	-
Payments for costs of issue of shares	(2,700)	-
Proceeds from convertible note	200,000	-
Net cash provided by financing activities	402,250	-
Net (decrease) in cash held	(159,064)	(42,934)
Cash at beginning of period	620,947	147,731
Cash at end of reporting period	461,883	104,797

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 2015

	Issued Capital \$	Accumulated Profits/(Losses) \$	Option Reserve \$	Non- Controlling Interest \$	Total \$
Balance at 1 July 2015	24,889,282	(4,355,599)	119,642	(13,242)	20,640,083
Net loss and total comprehensive income for the period attributable to members	-	(696,144)	-	(49)	(696,193)
Shares issued	204,950	-	-	-	204,950
Issue costs	(2,700)	-	-	-	(2,700)
Options issued	-	-	-	-	-
Options expired	-	3,890	(3,890)	-	-
Deferred tax asset component	-	-	-	-	-
Balance at 31 December 2015	25,091,532	(5,047,853)	115,752	(13,291)	20,146,140
Balance at 1 July 2014	24,889,282	(3,225,381)	374,280	(9,303)	22,028,878
Net loss and total comprehensive income for the period attributable to members	-	(660,980)	-	-	(660,980)
Shares issued	-	-	-	-	-
Issue costs	-	-	-	-	-
Options issued	-	-	-	-	-
Options expired	-	-	-	-	-
Deferred tax asset component	-	-	-	-	-
Balance at 31 December 2014	24,889,282	(3,886,361)	374,280	(9,303)	21,367,898

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 2015

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 2015 was authorised for issue in accordance with a resolution of the Directors on 15 March 2016.

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 2015 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) Going concern

The half-year financial report for the period ended 31 December 2015 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the half-year ended 31 December 2015 the Group recorded a net loss after tax of \$696,193 (2014: \$660,980) and had a net working capital deficit of \$23,302 (30 June 2015: surplus of \$212,982).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2015

The Group will require further funding during the 2016 calendar year in order to meet day to day obligations as they fall due and to progress its exploration projects. Based on the Group's cash flow forecast, the Board of Directors is aware of the Group's need to access additional working capital funds in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

Based on above, the Directors consider the going concern basis of preparation to be appropriate for this half-year report.

In the event that the Group is not successful in raising funds from the issue of new equity, containing operating and exploration expenditures and the receipt of royalty payments from previous tenement sale agreements, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as going concern.

(e) New and revised standards and interpretations that are first effective in the current reporting period

The Group has adopted all of the new, revised and amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position in this financial report.

Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted by the Group.

(f) 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 2015.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2015

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.

(g) 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2015

2. INCOME AND EXPENSES

	31 December 2015 \$	31 December 2014 \$
The following revenue and expense items are relevant in explaining the income statement for the half-year:		
Revenue		
Interest received	2,205	3,311
Recoupment of office costs on-charged	142,552	90,993
Other	-	4,123
	<u>144,757</u>	<u>98,427</u>
Other Income		
Sale of tenement	50,000	-
Gain on sale of shares	17,111	-
Contingent payment received	-	500,000
Gain on revaluation of assets held for trading	59,204	-
	<u>126,315</u>	<u>500,000</u>

3. ISSUED CAPITAL

Number of fully paid ordinary shares	130,477,121	130,477,121
	31 Dec 2015 Number	31 Dec 2015 \$
	30 June 2015 Number	30 June 2015 \$
(a) Movements in ordinary shares		
Balance at the beginning of the year/period	130,477,121	24,889,282
Shares to be issued at \$0.03 each (i)	-	204,950
Less: transaction costs	-	(2,700)
Balance at the end of the period	<u>130,477,121</u>	<u>25,091,532</u>
	<u>1</u>	<u>1</u>

- (i) 6,831,667 fully paid ordinary shares were issued on 6 January 2016 as part of the capital raising announced to the market on 22 December 2015. The placement was done at \$0.03 per share. A free attaching option with an exercise price of \$0.04 and an expiry date of 5 January 2018 was also issued on the basis of one option for every two shares subscribed for.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
HALF YEAR ENDED 31 DECEMBER 2015

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 Options over ordinary shares

Exercise Period	Exercise Price	Number on issue at 30 June 2015	Issued during the half year	Exercised/ Expired/ Cancelled	Number on issue at 31 December 2015 (i)
On or before 31 July 2015	\$0.100	100,000	-	(100,000)	-
On or before 31 July 2016	\$0.107	100,000	-	-	100,000
On or before 26 November 2016	\$0.180	3,500,000	-	-	3,500,000
		3,700,000	-	(100,000)	3,600,000

- (i) As part of the placement announced to the market on 22 December 2015, 3,415,834 options were to be issued at an exercise price of \$0.04 and an expiry date of 5 January 2018 on the basis of one option for every two shares subscribed for. These options were issued on 6 January 2016.

4. CONVERTIBLE NOTES

The joint Managing Directors, Mr Nathan McMahon and Mr Clive Jones (or their nominees) also advanced a total of \$200,000 in debt funds by way of a convertible note to the Company to supplement the Placement. The principal terms of the convertible note are designed to mirror the placement terms. As such, the convertible notes carry no coupon rate, are unsecured and are convertible at \$0.03 with a free attaching option on the basis of one option for every two shares converted. In accordance with listing Rule 10.11, the Convertible Notes are convertible at any time until 31 December 2016, however cannot be converted without Shareholder Approval.

5. SUBSEQUENT EVENTS

Since 31 December 2015, no event has 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 other than as set out below.

6. OPERATING SEGMENTS

The Company operates in one geographical area being Australia and one industry, being exploration, for the half year ended 31 December 2015 which was the same as reported in the financial report for the year ended 30 June 2015. 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.

7. CONTINGENT LIABILITIES

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

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
HALF YEAR ENDED 31 DECEMBER 2015

8. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade and other receivable and trade and other payables. 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 2015**

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 2015 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 15 March 2016

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To the Board of Directors

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

As lead audit director for the review of the financial statements of Cazaly Resources Limited for the half year ended 31 December 2015, 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



MARK DELAURENTIS CA
Director

Dated at Perth this 15th day of March 2016

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 condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed 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.

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 2015 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 2015 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.

Emphasis of Matter – Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a loss of \$696,193. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Director

Dated at Perth this 15th day of March 2016