Cazaly Resources Limited
ABN: 23 101 049 334
and
Controlled Entities

Annual Report

For the Year Ended
30 June 2016

CONTENTS

MANAGING DIRECTOR

Nathan McMahon

MANAGING DIRECTOR

Clive Jones

NON-EXECUTIVE DIRECTOR

Kent Hunter

COMPANY SECRETARY

Mike Robbins

PRINCIPAL & REGISTERED OFFICE

Level 2, 38 Richardson Street
WEST PERTH WA 6005

AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Tce
Perth WA 6000

SHARE REGISTRAR

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009
PERTH WA 6000

STOCK EXCHANGE LISTING

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

BANKERS

National Australia Bank
100 St Georges Terrace
PERTH WA 6000

Your directors present their report, together with the financial statements of Cazaly Resources Limited ('the Company' or 'Cazaly') and its controlled entities ('the Group') for the financial year ended 30 June 2016.

1. DIRECTORS AND COMPANY SECRETARY

Directors

The following directors have been in office since the start of the financial year to the date of this report unless otherwise stated:

Nathan McMahon
Clive Jones
Kent Hunter

Directors have been in office

Company Secretary

Mike Robbins

2. PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial period was mineral exploration.

There were no significant changes in the nature of the Group's principal activities during the financial period.

3. OPERATING RESULTS & FINANCIAL POSITION

The Group's loss after tax for the year was $1,721,210 (2015:$1,388,795). The Group's net assets at the end of the year are $20,517,095 (2015: $20,640,083).

Cash and cash equivalents as at year end were $1,585,592 (2015 - $620,947).

Exploration expenditure for the year was $410,439 (2015 - $239,813). The majority of this expenditure was on the Parker Range and McKenzie Springs projects. Exploration expenditure written off for the year was $1,129,248 compared to $1,104,148 in the previous financial year. The main write offs this year were Quartz Springs expenditure of $137,395, Mt Walkins $349,168, Gondwana $273,170, Mt Angelo $50,100 and the previously capitalised expenditures relating to the various tenements that were relinquished during the financial year.

Net administration expenses and employee benefits for the year totalled $670,414 (2015 - $883,965).

During the next financial year the Group intends to continue to further develop its newly acquired core projects whilst also exploring new key commodity opportunities both in Australia and overseas. These opportunities are being explored by the Board and corporate consultants who operate on a success fee basis only.

4. RISKS

There are specific risks associated with the activities of the Group and general risks which are largely beyond the control of the Group and the Directors. The risks identified below, or other risk factors, may have a material impact on the future financial performance of the Group and the market price of the Company's shares.

All mining ventures are exposed to risks and the Group continues to monitor risks associated with current projects whilst also analysing the risks associated with any new mining opportunities. These risks may cover such areas as:

- Title Risk

This may specifically cover mining tenure whereby country specific mining laws and legislation apply.

Any opportunity in Australia and overseas will be subject to particular risks associated with operating in Australia or the respective foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, exchange control, exploration licensing, export duties, investment into a foreign country and repatriation of income or return of capital, environmental protection, land access and environmental regulation, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits be provided to local residents.

- Exploration Risk

The Directors of the Company realise that mineral exploration and development are high risk undertakings due to the high level of inherent uncertainty. There can be no assurance that exploration of the Group's tenements, or of any other tenements that may be acquired by the Group in the future, will result in the discovery of economic mineralisation. Even if economic mineralisation is discovered there is no guarantee that it can be commercially exploited.

Any future exploration activities of the Group may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Group.

- Resource Estimates

The Group's projects may contain JORC Code compliant resources. There is no guarantee that a JORC Code compliant resource will be discovered on any of the Group's other tenements. Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Group's operations and the value of the Company's listed shares.

- Access Risks – Cultural Heritage and Native Title

The Group must comply with various country specific cultural heritage and native title legislation including access agreements which require various commitments, such as base studies and compliant survey work, to be undertaken ahead of the commencement of mining operations.

It is possible that some areas of those tenements may not be available for exploration due to cultural heritage and native title legislation or invalid access agreements. The Group may need to obtain the consent of the holders of such interests before commencing activities on affected areas of the tenements. These consents may be delayed or may be given on conditions which are not satisfactory to the Group.

- JV and Contractual Risk

The Group has and may have additional options where it can increase its holding in the selective assets by achieving or undertaking selected milestones. The Group's ability to achieve its objectives and earn or maintain an interest in these projects is dependent upon it and the registered holders of those tenements complying with their respective contractual obligations under joint venture agreements in respect of those tenements, and the registered holders complying with the terms and conditions of the tenements and any other relevant legislation.

- Economic

General economic conditions, introduction of tax reform, new legislation, the general level of activity within the resources industry, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Group's exploration, development and possible production activities, as well as on its ability to fund those activities.

- Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Group's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Group nor the Directors warrant the future performance of the Group or any return on an investment in the Company.

- Volatility in Global Credit and Investment Markets

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Group and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which any Listed Options and Shares trade regardless of operating performance and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

- Commodity Price Volatility and Exchange Rates Risks

If the Group achieves success leading to mineral production, the revenue it will derive through the sale of gold, iron ore, lithium or any other minerals it may discover exposes the potential income of the Group to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Group. Such factors include supply and demand fluctuations for commodities and metals, technological advancements, forward selling activities and other macro-economic factors such as inflation expectations, interest rates and general global economic conditions.

Furthermore, international prices of various commodities are denominated in United States dollars whereas the income and expenditure of the Group are and will be taken into account in Australian currency. This exposes the Group to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

If the price of commodities declines this could have an adverse effect on the Group's exploration, development and possible production activities, and its ability to fund these activities, which may no longer be profitable.

- Environmental Risks

The operations and proposed activities of the Group are subject to each project's jurisdiction, laws and regulations concerning the environment. As with most exploration projects and mining operations, the Group's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Future legislation and regulations governing exploration, development and possible production may impose significant environmental obligations on the Group.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Group from being able to develop potential economically viable mineral deposits. The Group may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals or to obtain them on terms acceptable to the Group may prevent the Group from undertaking its desired activities. The Group is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Group to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Group's business, financial condition and results of operations.

- Sovereign and Political Risk

The Company has an 80% interest in two uranium project applications in the Czech Republic.

The Company's interests in the Czech Republic are subject to the risks associated with operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, exchange control, exploration licensing, export duties, investment into a foreign country and repatriation of income or return of capital, environmental protection, land access and environmental regulation, mine safety, labour relations as well as government control over petroleum properties or government regulations that require the employment of local staff or contractors or require other benefits be provided to local residents.

The Company may also be hindered or preventing from enforcing its rights with respect to government instrumentalities because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in the Czech Republic that affect ownership, development or mining activities, may affect the viability and profitability of the Company.

The legal system operating in the Czech Republic is different to that in Australia and this may result in risks such as:

- Different forms of legal redress in the courts whether in respect of a breach of law or regulation, or in ownership dispute.
- A higher degree of discretion on the part of governmental agencies.
- Differences in political and administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights.
- Different attitudes of the judiciary and court.
- Difficult in enforcing judgments.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness and enforcement of such arrangements cannot be assured. Further, there is no guarantee that any applications for tenements will be granted or granted on conditions satisfactory to the Company.

The Company's future operations in the Czech Republic may be affected by changing political conditions and changes to laws and petroleum and/or mining policies. The effects of these factors cannot be accurately predicted and developments may impede the operation or development of a project or even render it uneconomic.

The above risks are not exhaustive but are the minimum exposure areas observed by the Group.

5. *DIVIDENDS PAID OR RECOMMENDED*

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

6. *REVIEW OF OPERATIONS*

<u>Projects</u>

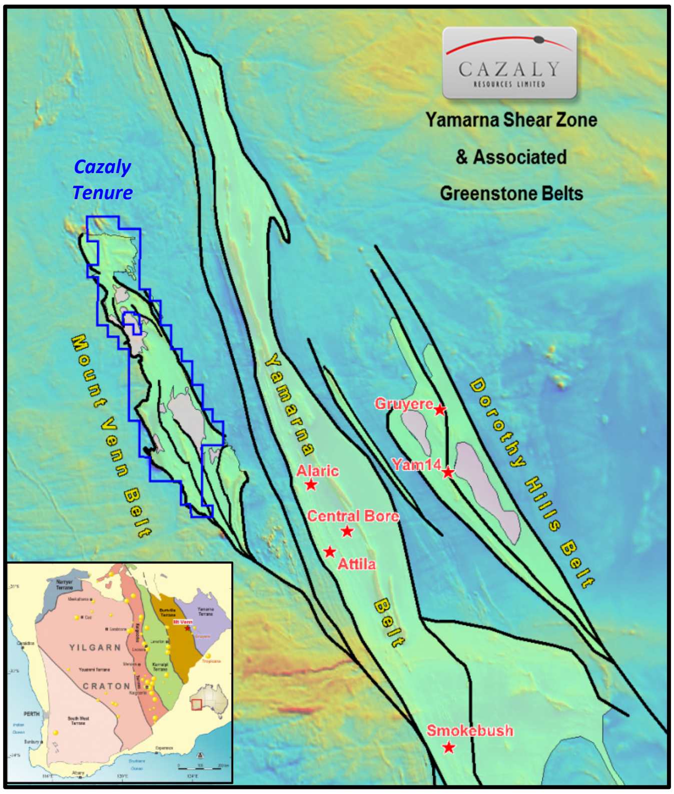
Mt Venn Gold Project (100% CAZ)

On 20 May 2016, the Company acquired all the shares in private exploration company Yamarna West Pty Ltd. Yamarna Wests' key asset is exploration licence application E38/3111 which covers the majority of the Mount Venn greenstone belt located in the north-eastern goldfields of Western Australia. The Company then added to this position by the application of a further contiguous exploration licence (E38/3150) which increased this land holding to control ~90% of the belt over ~50km.

The Mount Venn project is located 125 km northeast of Laverton and just 40 km west of Gold Road Resources' ('GOR') Gruyere gold deposit (148 Mt @ 1.30 g/t Au for 6.16M oz per GOR announcement dated 22 April 2016).

The belt lies adjacent to the boundary between the Burtville and Yamarna Terranes and has many similarities with the Dorothy Hills greenstone belt which hosts Gruyere. Gruyere is located on an inflection of the NW striking Dorothy Hills Shear, a first order structure transecting much of the belt and into which an internal granite, the Gruyere Porphyry (host to the gold mineralisation), has intruded. The Mount Venn belt also contains major shears and internal granites which are being targeted by the Company.

Figure 1: Location of the Mount Venn Project



The Mount Venn belt is probably one of the most under explored greenstone belts for gold in Western Australia. Whilst regional scale geophysical and surface geochemical programmes have been undertaken in the past the focus has been on nickel and base metal exploration and there has been almost no systematic drilling undertaken for gold.

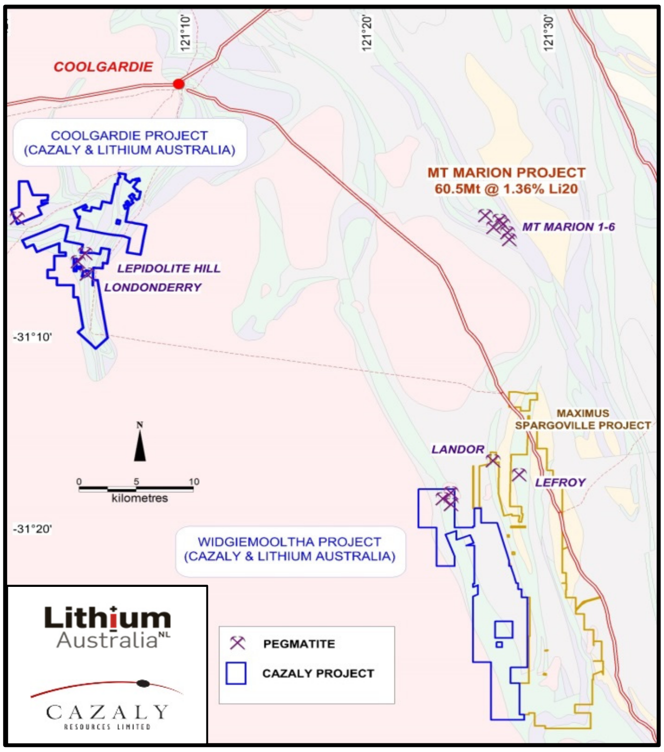
The Company has completed reprocessing of regional geophysics, re-assessed geochemical datasets and has commenced developing models targeting gold mineralisation within the belt. Preliminary assessment of this data has highlighted extensive areas considered highly prospective for gold mineralisation. This work has largely been based upon anomalous gold and pathfinder geochemistry in association with favourable lithologies and structural positions defined from geophysics and previous mapping and in areas with little to no systematic historic drilling having been conducted.

The Company recently signed a Native Title Agreement with the Yilka People and the Cosmo Newberry Aboriginal Corporation which covers the project area.

Goldfields Lithium Alliance ("GLiA", CAZ 50%/LIT 50%)

In May 2016, Cazaly and Lithium Australia Limited (ASX:LIT) signed an agreement to combine their respective holdings for the exploration and development of pegmatite minerals including lithium minerals in the Goldfields region of Western Australia ("the Alliance").

Figure 2: Location of the Goldfields Lithium Alliance



The agreement includes the obligation for both parties to offer to the Alliance rights to pegmatite minerals over any existing or additional ground secured within a 100km radius of Kalgoorlie for an initial period of 5 years.

The Alliance immediately granted Cazaly 50% of LIT's rights to the Coolgardie Rare Metals Venture (CRMV) which is contiguous with the Company's recently announced Kangaroo Hills Lithium Project (CAZ ASX release 13 April 2016). The CRMV is a LIT initiative with Focus Minerals Limited (ASX:FML) and includes the historic lithium production centres of the Lepidolite Hill and Tantalite Hill mines. Under LIT's terms of its agreement with FML, LIT has the rights to all metals derived from pegmatites on the property and will free-carry FML a 20% interest until a decision is made to commit to feasibility.

Under the Alliance agreement CAZ will not be liable for any costs associated with metallurgical testwork or feasibility studies for the CRMV which are to be borne solely by LIT.

LIT has been conducting metallurgical studies over material from Lepidolite Hill and has announced plans for bulk sampling of mine waste dumps from Lepidolite Hill to further test its 100% owned Sileach^{tm} extraction.

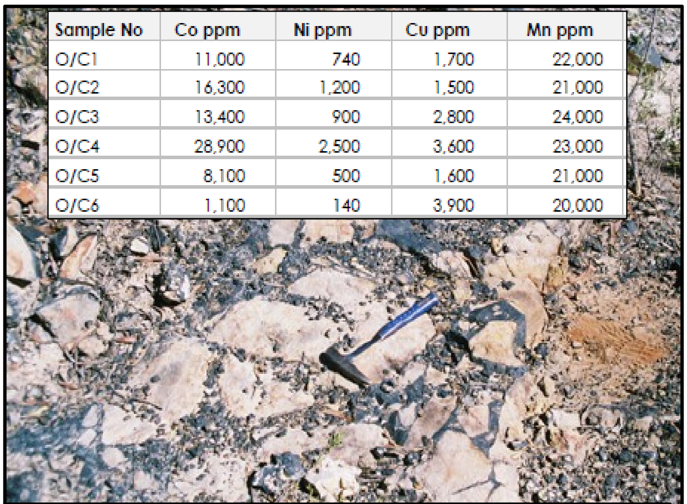
Further ground was added to the GLiA via the acquisition of the rights to 'Pegmatite Minerals' in the Widgiemooltha pegmatite field located ~45km south east of Coolgardie and 25km south of the globally significant Mount Marion Lithium Project (60.5Mt @ 1.36% Li2O; NMT:ASX Announcement 5th July 2016; "Mineral Resource Estimate increases 160% to 60.5Mt") (Figure 2). The Widgiemooltha Project contains extensive pegmatites mapped by the Geological Survey of Western Australia ("GSWA") and are part of what appears to be a significant dyke swarm in the area. Pegmatites are the primary hard rock host for lithium minerals, including spodumene and lepidolite, mined globally and being targeted at Mount Marion.

Cobalt Projects (CAZ 100%)

The Company has also applied for Exploration Permits in both Queensland and New South Wales covering historic workings and prospects with recorded significant cobalt and manganese mineralisation. Cobalt is seeing a resurgence given its role as a key battery metal alongside of graphite and lithium. Cobalt is present in lithium-ion batteries in the lithium cobaltite cathodes used in smartphones, and also with lithium-nickel-manganese-cobalt and lithium-nickel-cobalt-aluminium oxide cathodes which are both used in laptops and electric vehicles.

Cobalt supply is currently constrained as it is typically a by-product from nickel and copper mining both of which are in current decline. This, combined with the predicted escalation in demand from the lithium battery market, sees cobalt as being a particularly vulnerable component of the supply chain for battery manufacturers. Battery cell manufacturers who have secure cobalt supply chains will have a critical advantage over their competitors.

In Queensland, the Mount Tabor project licence lies to the north west of Injune and approximately 130km directly north of Mitchell in south-central Queensland. The application covers Jurassic sediments of the intra-cratonic Surat Basin and includes a series of Tertiary mafic intrusives. Manganese rich pods occur sporadically throughout the area and are found to contain appreciable amounts of potentially economic cobalt.



Sample No	Co ppm	Ni ppm	Cu ppm	Mn ppm
O/C1	11,000	740	1,700	22,000
O/C2	16,300	1,200	1,500	21,000
O/C3	13,400	900	2,800	24,000
O/C4	28,900	2,500	3,600	23,000
O/C5	8,100	500	1,600	21,000
O/C6	1,100	140	3,900	20,000

Figure 3: Analysis of Bulk Samples, Mt Manganese (Mineral Deposits

Some of these pods were explored initially by Mineral Deposits Limited ('MDL') from 1979-1982 and then by Cobalt Resources NL ('CRL') in the 1990's with further work more recently conducted by Maranoa Resources Limited ('MRL'). This work highlighted cobalt mineralisation over several prospects; *Mt Manganese, Mt Gould, Alpha, Mt Bally-Lethbridge, Mt Emily* and *Carnarvon* extending over an area of approximately 20km within the licence.

Of particular interest is the *Mt Manganese* prospect where several grab samples assaying over 1% Co were returned (MRL report Annual Report for EPM14261, October 2010). MDL drilled 62 percussion holes and estimated a resource. CRN drilled a further 139 holes, estimated a resource and carried out preliminary metallurgical studies that confirmed that several leachants, including sulphuric acid, alkaline cyanide and ammonia may be suitable for treating the mineralisation.

MRL developed a new genetic model for the mineralisation however, due to the depressed market for cobalt at the time, the licence was relinquished.

In New South Wales, the Bungonia project permit is located ~40 kilometres south east of Goulburn and covers ~240 square kilometres on the eastern edge of the Lachlan Fold Belt. The Goulburn region hosts various styles of mineralisation including base metals, gold, tin, tungsten, manganese, cobalt and nickel.

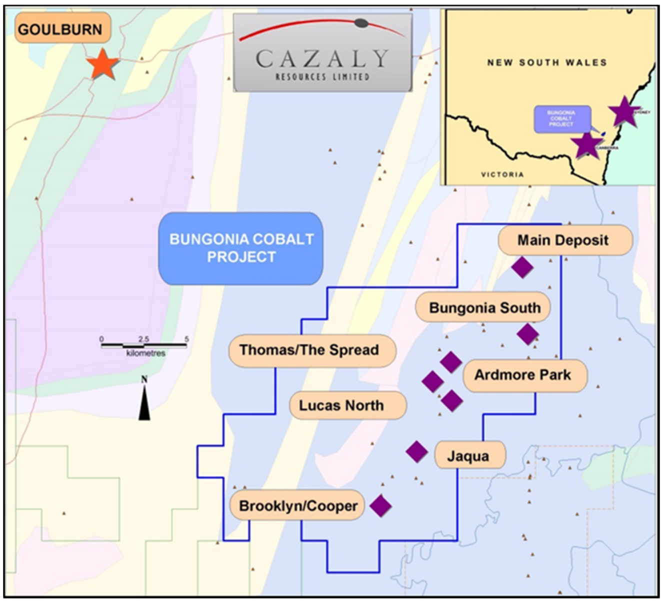


Figure 4: Location of the Bungonia Cobalt Project

Previous exploration defined several areas of significant cobalt and nickel mineralisation some of which have been historically mined as early as the 1890's. Cobalt-Nickel-Copper mineralisation is associated with intense deep weathering of mafic or other metal rich rocks associated with manganiferous deposits beneath basalt flows. This is akin to the mineralisation also observed at the Company's Mount Tabor Cobalt project in Queensland.

Of the prospects, primary areas of interest include the *Jacapa* prospect where rock chip samples returned several assays >1% cobalt from manganiferous grits whilst at *Brooklyn* similar mineralised grits were observed extending for over 700m.

Metallurgical test work previously undertaken was also positive with excellent recoveries of 83.2% cobalt, 79.5% copper and 85.9% nickel returned from acid leaching of a 80 kilogram sample containing 1.15% cobalt, 0.39% copper and 0.26% nickel (North Broken Hill Pty Ltd - GS1980/315). In 2009 an assessment of the Main (No.1) Bungonia South Cobalt Deposits and surrounds concluded that there was good potential for further discoveries of significant cobalt mineralisation within the project, however no further work was completed.

Parker Range Iron Ore Project (CAZ 100%)

Despite the relatively low iron ore price, the Company continues to seek avenues to commence the development of the Parker Range iron ore project.

The Parker Range project is the only "mine ready" iron ore deposit in the region not currently in operation. Parker Range has a fully completed definitive feasibility study and all key approvals are in place to commence development.

McKenzie Springs Nickel/Graphite Project (CAZ 100%)

Located immediately south & along strike of the Savannah Nickel Mine (Panoramic Resources Ltd), Kimberley, WA. Prospective ultramafic basal contact extends for ~15km. Limited historic work, High grade gossan samples returned 12.8% Cu, 1.92% Ni, 0.17% Co.

The project also lies adjacent to Hexagon Resources Limited's MacIntosh Graphite Project which has an Indicated and Inferred resource of 17.2Mt @ 4.63% Total Graphitic Carbon for 797,200t of contained graphite. Reconnaissance work at McKenzie Springs by the Company discovered an outcropping graphitic schist unit and 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.

Czech Republic Uranium Project (CAZ 80%)

Cazaly has two uranium project applications**,** Brzkov & Horni Venice, which are located in the Czech Republic. The State mining enterprise, Diamo, is closing the country's only operating uranium mine & has publicly indicated an interest in mining at Brzkov.

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

The Company has an agreement with 3D Resources Limited ('DDD') 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.

Corporate

On 22 December 2015, the Company announced the completion of a book build for a share placement at an issue price of $0.03 per Share to raise approximately $205,000. The placement included a free attaching unlisted Option (exercisable at $0.04 with a two (2) year expiry date from issue) on the basis of one Option for every two Shares subscribed for.

On the same date, it was also announced that Directors, Mr Nathan McMahon and Mr Clive Jones, had advanced the Company a total of $200,000 in debt funds by way of two convertible notes. The principal terms of the convertible notes were designed to mirror the placement terms. As such, each convertible note carried no coupon rate, was unsecured and was convertible at $0.03 with a free attaching Option on the basis of one option for every two shares converted. The maximum number of shares and options that could have been issued, upon conversion, was therefore 6,666,666 and 3,333,334 respectively. The issue of shares and options to Mr McMahon and Mr Jones was approved by shareholders at the general meeting held on 12 August 2016.

On 20 May 2016, Cazaly announced the completion of a placement to sophisticated and professional investors to raise $1,450,000. The issue price of the fully paid ordinary Shares was $0.065 per Share. The placement included a free attaching listed option (exercisable at $0.11 with a two (2) year expiry date from issue) on the basis of one Option for every two Shares subscribed for.

The placement shares were issued from the Company's available capacity available under ASX Listing Rules 7.1 and 7.1A. The issue of the free attaching listed option was subject to the receipt of shareholder approval, which was granted at the general meeting held on 12 August 2016.

7. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

The Group has continued to reduce its tenement holdings but is also focussed on sourcing key commodity projects.

8. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

9. AFTER BALANCE DATE EVENTS

On 23 August 2016, the Company issued the following equities:

- 2,500,000 fully paid ordinary shares, 2,500,000 unlisted options exercisable at $0.144 on or before 22 August 2019 and 2,500,000 unlisted options exercisable at $0.216 on or before 22 August 2020 (issued to the vendor in relation to the Mt Venn purchase); and
- 1,538,462 fully paid ordinary shares (issued to the vendor in relation to Widgiemooltha purchase)

On the same date, Mr McMahon and Mr Jones both converted their individual convertible note into a combined total of 6,666,666 fully paid ordinary shares and 3,333,334 unlisted options exercisable at $0.04 on or before 5 January 2018.

Apart from the above, the Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Group in subsequent financial years.

10. ENVIRONMENTAL ISSUES

The Group's exploration activities are subject to the 1978 (WA) Mining Act. The Group has a policy of complying with or exceeding its environmental performance obligations. The Board of Cazaly believes that the Group has adequate systems in place for the management of its environmental requirements. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors are not aware of any breach of environmental legislation for the financial year under review.

11. INFORMATION ON DIRECTORS

Nathan McMahon	**Managing Director (Corporate and Administration)**
Qualifications	*B.Com*
Experience	Mr McMahon has provided corporate and tenement management advice to the mining industry for nearly 25 years to in excess of twenty publicly listed mining companies. Mr McMahon specialises in native title negotiations, joint venture negotiations and project acquisition due diligence. Mr McMahon is also Non-Executive Chairman of Dempsey Minerals Ltd.
Equity Holdings	25,636,099 fully paid ordinary shares 1,500,000 options exercisable at $0.18 expiring 26 November 2016 1,666,667 options exercisable at $0.04 expiring 5 January 2018

Other Directorships	Hodges Resources Ltd (since May 2008) Dempsey Minerals Ltd (since February 2011)
Clive Jones	**Managing Director (Technical)**
Qualifications	*B.App.Sc(Geol), M.AusIMM.*
Experience	Mr Jones has been involved in mineral exploration for over 25 years and has worked on the exploration for a range of commodities including gold, base metals, mineral sands, uranium and iron ore. Mr Jones is also a director of other ASX listed mining companies.
Equity Holdings	14,479,904 fully paid ordinary shares 1,500,000 options exercisable at $0.18 expiring 26 November 2016 1,666,667 options exercisable at $0.04 expiring 5 January 2018
Other Directorships	Corazon Mining Ltd (since February 2005) Bannerman Resources Ltd (since January 2007) Unity Mining Ltd (from January 2013 to June 2016)
Kent Hunter	**Non-Executive Director**
Qualifications	*B.Bus.*
Experience	Mr Hunter is an Accountant with nearly 20 years' corporate and company secretarial experience. He has been involved in the listing of over twenty companies on the ASX over the past decade and has sound corporate governance, compliance and regulatory experience.
Equity Holdings	212,501 fully paid ordinary shares 500,000 options exercisable at $0.18 expiring 26 November 2016
Other Directorships	Classic Minerals Ltd (since November 2013) Krakatoa Resources Ltd (from January 2012 to December 2013) Stratum Metals Ltd (from December 2010 to October 2013) Carbon Conscious Ltd (from November 2010 to August 2014)

Mike Robbins
Company Secretary

Mr Robbins has over 20 years resource industry experience gathered at both operational and corporate levels, both within Australia and overseas. During that time, he has held numerous project and head office management positions and is currently Company Secretary for three other listed entities.

12. REMUNERATION REPORT - AUDITED

This report details the nature and amount of remuneration for each director of the Company.

Remuneration Policy

The remuneration policy of Cazaly has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates.

12. REMUNERATION REPORT – AUDITED (Cont'd)

The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members is set out below.

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the managing directors and approved by the board after seeking professional advice from independent external consultants.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes benefit plans and share plans.

Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

The Group is exploration and development focussed, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry.

The Board acquired and were issued shares as part of the terms of the Initial Public Offer in 2003. Board members have retained these securities which assist in aligning their objectives with overall shareholder value.

Options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board performance.

All remuneration paid to directors is valued at the cost to the Company and expensed or carried forward on the balance sheet for time that is attributable to exploration and evaluation. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The managing directors in consultation with independent advisors determine payments to the non-executive directors and review their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, all directors are encouraged to hold shares in the company.

<u>Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration</u>

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This has been achieved by the issue of shares to the majority of the directors and executives to encourage the alignment of personal and shareholder interest.

12. REMUNERATION REPORT – AUDITED (Cont'd)

Employment Contracts of Directors and Senior Executives

The employment conditions of the Managing Directors are each formalised in contracts of employment. These contracts commenced on 1 July 2010 and have 3 year terms (with an option for a 3 year extension). The contracts provide Messrs. McMahon and Jones with annual salaries of $180,000 each. The Company may terminate these agreements at any time and without prior notice if serious misconduct has occurred. In this event only the fixed proportion of the remuneration is payable and only up until the date of the termination.

There is no formal contract in place for the non-executive director, Kent Hunter. Mr Hunter was paid under terms agreed to by a directors' resolution at $27,250 per year. This fee has remained the same since 2010.

The employment contracts stipulate a range of one to three-month resignation periods. The Company may terminate an employment contract without cause by providing one to three months written notice or making payment in lieu of notice, based on the individual's annual salary component.

Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

Details of Remuneration for Year Ended 30 June 2016

The remuneration for key management personnel of the company during the year was as follows:

	Short-term Benefits				Post-Employment Benefits	Other Long-term Benefits	Share based Payment		Total	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash Benefit	Other	Super-annuation	Other	Equity	Options		
	$	$	$	$	$	$	$	$	$	%
Nathan McMahon – Managing Director (i)										
2016	180,000	-	-	-	-	-	-	-	180,000	-
2015	180,000	-	-	-	-	-	-	-	180,000	-
Clive Jones – Managing Director (ii)										
2016	180,000	-	-	-	-	-	-	-	180,000	-
2015	180,000	-	-	-	-	-	-	-	180,000	-
Kent Hunter – Non Executive Director										
2016	27,250	-	-	-	-	-	-	-	27,250	-
2015	27,250	-	-	-	-	-	-	-	27,250	-
Total Remuneration										
2016	387,250	-	-	-	-	-	-	-	387,250	-
2015	387,250	-	-	-	-	-	-	-	387,250	-

i) An aggregate amount of $180,000 (2015:$ 180,000) was paid, or was due and payable to Kingsreef Pty Ltd, a company controlled by Mr Nathan McMahon, for the provision of corporate and tenement management services to the Company.

ii) An aggregate amount of $180,000 (2015:$ 180,000) was paid, or was due and payable to Widerange Corporation Pty Ltd, a company controlled by Mr Clive Jones, for the provision of corporate and technical services to the Company.

12. REMUNERATION REPORT – AUDITED (Cont'd)

Related Party Information

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the Company and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 4 to the accounts.

During the financial year, two directors of the Company, Mr Nathan McMahon and Mr Clive Jones, advanced the Company a total of $200,000 in debt funds by way of the issue of two convertible notes. The principal terms of the convertible notes were designed to mirror the placement terms offered to sophisticated and professional investors in the December 2015 placement. As such, each convertible note carried no coupon rate, was unsecured and was convertible at $0.03 with a free attaching Option on the basis of one option for every two shares converted. The maximum number of shares and options that could have been issued, upon conversion, was therefore 6,666,666 and 3,333,334 respectively. The issue of shares and options to Mr McMahon and Mr Jones was approved by shareholders at the general meeting held on 12 August 2016 and the shares and options issued on 23 August 2016.

During the financial years ended 30 June 2016 and 30 June 2015, Mr McMahon was a director and shareholder of Hodges Resources Limited ("Hodges") and Dempsey Minerals Limited ("Dempsey"). Hodges and Dempsey had an agreement in place, based on normal commercial terms and conditions, to reimburse the Company for office rental and administration and overheads. This agreement expired on 31 May 2016.

Aggregate amounts of each of the above transactions for the financial year were as follows:

	2016 $	2015 $
• Hodges Resources Limited	45,128	56,084
• Dempsey Minerals Limited	47,765	39,980
	92,893	96,064

Receivable amounts outstanding at year end were as follows:

• Hodges Resources Limited	132,432	83,705
• Dempsey Minerals Limited	38,157	-

Key Management Personnel (KMP) Shareholdings

The number of ordinary shares in Cazaly Resources Limited held by each KMP of the Company during the financial year is as follows:

30 June 2016	Balance 01-07-15	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30-06-16
N McMahon	17,701,154	-	-	3,921,612	21,622,766
C Jones	10,075,114	-	-	1,071,457	11,146,571
K Hunter	212,501	-	-	-	212,501
	27,988,769	-	-	4,993,069	32,981,838

12. REMUNERATION REPORT – AUDITED (Cont'd)

30 June 2015	Balance 01-07-14	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30-06-15
N McMahon	17,191,690	-	-	509,464	17,701,154
C Jones	10,075,114	-	-	-	10,075,114
K Hunter	37,501	-	-	175,000	212,501
	27,304,305	-	-	684,464	27,988,769

Key Management Personnel (KMP) Option Holdings

The number of options over ordinary shares held by each KMP of the Company during the financial year is as follows.

30 June 2016	Balance 01-07-15	Issued	Exercised	Lapsed	Balance 30-06-16	Vested during the year	Vested and exercisable
N McMahon	1,500,000	-	-	-	1,500,000	-	1,500,000
C Jones	1,500,000	-	-	-	1,500,000	-	1,500,000
K Hunter	500,000	-	-	-	500,000	-	500,000
	3,500,000	-	-	-	3,500,000	-	3,500,000

30 June 2015	Balance 01-07-14	Issued	Exercised	Lapsed	Balance 30-06-15	Vested during the year	Vested and exercisable
N McMahon	1,500,000	-	-	-	1,500,000	-	1,500,000
C Jones	1,500,000	-	-	-	1,500,000	-	1,500,000
K Hunter	500,000	-	-	-	500,000	-	500,000
	3,500,000	-	-	-	3,500,000	-	3,500,000

Voting and comments made at the Company's Annual General Meeting held on 26 November 2015

At the 26 November 2015 AGM, the Company did not receive at least 75% of votes to support the adoption of the Remuneration Report for the year ended 30 June 2015. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

As the Company received votes against its Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote a first strike was received for remuneration report purposes.

The Board take shareholder concerns about executive remuneration seriously and reviewed their remuneration policy. There has been no increase in executive director salaries since 2007 and no increase in non-executive director fees since 2010. The Board remains confident that the remuneration policy and the level and structure of its executive remuneration are suitable for the company and its shareholders.

End of Remuneration Report (Audited).

13. MEETINGS OF DIRECTORS

The number of directors' meetings and/or circular resolutions held and/or conducted during the financial year, each director held office during the financial year and the number of meetings and/or circular resolutions attended and/or signed off by each director is:

	Directors Meetings/Resolutions	
Director	**Number Eligible**	**Number Participated**
N McMahon	7	7
C Jones	7	7
K Hunter	7	7

The Group does not have a formally constituted audit committee as the Board considers that the Group's size and type of operation do not warrant such a committee.

14. INDEMNIFYING OFFICERS OR DIRECTORS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, or agent of the Group shall be indemnified out of the property of the Group against any liability incurred by him in his capacity as Officer or agent of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Group has a Directors and Officers insurance policy in place.

15. OPTIONS

Options on Issue

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number Under Option
Unlisted		
26/11/2016	$0.180	3,500,000
5/1/2018 (i)	$0.040	2,915,834
5/1/2018 (ii)	$0.040	3,333,334
22/8/2018 (ii)	$0.150	175,000
22/8/2019 (ii)	$0.180	1,450,000
22/8/2019 (ii)	$0.144	2,500,000
22/8/2020 (ii)	$0.216	2,500,000
Listed		
21/8/2018 (iii)	$0.11	11,853,847

(i) Issued on 6 January 2016
(ii) Issued on 23 August 2016
(iii) Issued on 22 August 2016

Option holders do not have any rights to participate in any issue of shares or other interests in the Company or any other entity.

Options Expired or Lapsed

On 31 July 2016, 100,000 unlisted options exercisable at $0.107 expired.

Options forfeited or cancelled

During, or since the end of the financial year, no options were forfeited or cancelled.

16. PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

17. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 19.

18. NON AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services performed during the year by the Group's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2016.

This report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Nathan McMahon
Managing Director **30 September 2016**

Competent Persons Statement

This 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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Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

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

As lead audit director for the audit of the financial statements of Cazaly Resources Limited for the financial year ended 30 June 2016, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 30th day of September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For Year Ended 30 June 2016

	Note	2016 $	2015 $
Revenue from continuing operations	2	290,780	237,833
Other Income	2	23,137	1,100,000
Employee benefits		(462,741)	(564,860)
Depreciation		(12,997)	(26,083)
Administrative expenses	3	(207,672)	(319,105)
Compliance and regulatory expenses	3	(156,091)	(175,419)
Occupancy expenses		(251,634)	(336,845)
Written-off exploration expenditure		(1,129,248)	(1,104,148)
Gain/(Loss) on sale of financial assets		30,645	(28,759)
Revaluation /(Impairment) of financial assets		154,611	(171,409)
Loss before income tax		**(1,721,210)**	**(1,388,795)**
Income tax (expense)/ benefit	6	-	-
Loss for the year		**(1,721,210)**	**(1,388,795)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(1,721,210)**	**(1,388,795)**
Loss for the year attributable to:			
Members of the parent entity		(1,719,741)	(1,384,856)
Non-controlling interest		(1,469)	(3,939)
		(1,721,210)	**(1,388,795)**
Total comprehensive income attributable to:			
Members of the parent entity		(1,719,741)	(1,384,856)
Non-controlling interest		(1,469)	(3,939)
		(1,721,210)	**(1,388,795)**
Earnings/(loss) per share from continuing and discontinued operations			
		Cents	**Cents**
Basic earnings/ (loss) per share	19	(1.27)	(1.06)
Diluted earnings per share	19	(1.27)	(1.06)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	7	1,585,592	620,947
Trade and other receivables	8	205,254	172,849
TOTAL CURRENT ASSETS		1,790,846	793,796
NON CURRENT ASSETS			
Trade and other receivables	8	25,270	146,168
Financial assets	9	264,530	316,790
Property, plant and equipment	10	31,071	46,387
Exploration and evaluation assets	11	18,952,083	19,917,756
TOTAL NON CURRENT ASSETS		19,272,954	20,427,101
TOTAL ASSETS		**21,063,800**	**21,220,897**
CURRENT LIABILITIES			
Trade and other payables	12	278,923	504,763
Provisions	13	67,782	76,051
Convertible Notes	14	200,000	-
TOTAL CURRENT LIABILITIES		546,705	580,814
TOTAL LIABILITIES		**546,705**	**580,814**
NET ASSETS		**20,517,095**	**20,640,083**
EQUITY			
Issued capital	15	26,487,504	24,889,282
Reserves	16	115,744	119,642
Accumulated losses	17	(6,071,442)	(4,355,599)
Controlling entity interest		20,531,806	20,653,325
Non-controlling interest		(14,711)	(13,242)
TOTAL EQUITY		**20,517,095**	**20,640,083**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Issued Capital $	(Accumulated Losses) And Retained Earnings $	Option Reserve $	Non-Controlling Interest $	Total $
Balance at 1 July 2014	**24,889,282**	**(3,225,381)**	**374,280**	**(9,303)**	**22,028,878**
Loss for the year	-	(1,384,856)	-	(3,939)	(1,388,795)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**(1,384,856)**	**-**	**(3,939)**	**(1,388,795)**
Transactions with owners, in their capacity as owners, and other transfers:					
Shares issued during the year	-	-	-	-	-
Equity based payments	-	-	-	-	-
Option reserve	-	254,638	(254,638)	-	-
Transaction costs	-	-	-	-	-
Tax effect of equity raising cost	-	-	-	-	-
Balance at 30 June 2015	**24,889,282**	**(4,355,599)**	**119,642**	**(13,242)**	**20,640,083**
Loss for the year	-	(1,719,741)	-	(1,469)	(1,721,210)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**(1,719,741)**	**-**	**(1,469)**	**(1,721,210)**
Transactions with owners, in their capacity as owners, and other transfers:					
Shares issued during the year	1,674,950	-	-	-	1,674,950
Equity based payments	-	-	-	-	-
Option reserve	-	3,898	(3,898)	-	-
Transaction costs	(76,728)	-	-	-	(76,728)
Tax effect of equity raising cost	-	-	-	-	-
Balance at 30 June 2016	**26,487,504**	**(6,071,442)**	**115,744**	**(14,711)**	**20,517,095**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2016

	Note	2016 $	2015 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,009,943)	(1,214,228)
Interest received		5,010	5,394
Proceeds from reimbursement of expenses		253,365	198,957
Payments for exploration and evaluation		(710,423)	(420,131)
Net cash used in operating activities	20	(1,461,991)	(1,430,008)
Cash Flows From Investing Activities			
Proceeds from sale of exploration assets		270,000	750,000
Proceeds from sale of royalty		-	600,000
Proceeds from sale of investments		237,516	553,224
Proceeds term deposit bond		120,898	-
Net cash provided by investing activities		628,414	1,903,224
Cash Flows from Financing Activities			
Proceeds from issue of securities		1,674,950	-
Payment for costs of issue of securities		(76,728)	-
Proceeds from convertible notes		200,000	-
Net cash provided by financing activities		1,798,222	-
Net increase/(decrease) in cash held		964,645	473,216
Cash and cash equivalents at beginning of the financial year		**620,947**	**147,731**
Cash and cash equivalents at end of the financial year	7	**1,585,592**	**620,947**

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Cazaly Resources Limited ('the Company' or 'Cazaly') and Controlled Entities ('the Group'). Cazaly Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 30 September 2016 by the directors of the Company.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out in accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

These financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss after tax for the year of $1,721,210 (2015: $1,388,795) and net cash outflows from operating activities of $1,461,991 (2015: $1,430,008). There was a working capital surplus of $1,244,141 at 30 June 2016 compared to a surplus of $212,982 at 30 June 2015.

Pending the outcome of various applications, the Group could have lease and exploration commitments of $528,439 (2015: $2,463,436) due within the next twelve months.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate because:

- the Directors have an appropriate plan to raise additional funds as and when it is required. In light of the Group's current exploration projects, the Directors believe that the additional capital required can be raised in the market; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable; and
- the Directors will divest its interest in financial assets held for trading as and when required to fund ongoing expenditure.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Should the Group not achieve the matters set out above, there is material uncertainty whether the Group will continue as a going concern and therefore 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.

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.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities, as at 30 June 2016 is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Company.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income. The non-controlling interest in the net assets comprises their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(c) Depreciation

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment	40.0%
Office furniture and equipment	18.0%
Motor vehicle	22.5%

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration, Evaluation and Development Expenditure

Costs incurred during exploration and evaluations relating to an area of interest are accumulated. Costs are carried forward to the extent they are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not yet reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. In these instances the entity must have rights of tenure to the area of interest and must be continuing to undertake exploration operations in the area.

Accumulated costs carried forward in respect of an area of interest that is abandoned are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been estimated of future costs, current legal requirements and technology on an undiscounted basis.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Financial Instruments

Initial Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified as "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amounts calculated using the *effective interest method.*

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

(iii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(iv) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with gains or losses being recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The Group has no such financial guarantees.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(i) Revenue and Other Income

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(j) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(l) Taxation

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Cazaly and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

(m) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Equity Based Payments

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the good or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is shown in the option reserve.

The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(p) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for an bonus element.

Diluted earnings per share is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Interest in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(t) Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Judgements –Exploration and evaluation expenditure
Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(d).

Key Judgements - Share based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Key Judgments – Environmental issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Key Estimate – Taxation
Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

(u) Fair value measurements

The Group measures and recognises the asset, 'Financial assets held for trading' at fair value on a recurring basis after initial recognition.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

(i) Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(ii) Valuation techniques

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the Company is the *Market approach whereby* valuation techniques use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following table provides the fair values of the Company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		30 June 2016			
	Note	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Financial assets at fair value through profit or loss:					
- held-for-trading Australian listed shares		264,530	-	-	264,530

		30 June 2015			
	Note	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Financial assets at fair value through profit or loss:					
- held-for-trading Australian listed shares		316,790	-	-	316,790

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) New accounting standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2016. The Company does not plan to adopt these standards early.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2018
AASB 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2018
AASB 16 'Leases'	1 January 2019	30 June 2019

	2016 $	2015 $
2. *REVENUE & OTHER INCOME*		
Revenue		
- interest received	5,010	5,394
- recoupment of office costs on-charged	285,770	227,782
- other revenue	-	4,657
	290,780	237,833
Other Income		
- profit on sale of tenement	23,137	-
- proceeds on sale of royalty	-	600,000
- contingency royalty	-	500,000
	23,137	1,100,000

3. *PROFIT (LOSS) FOR THE YEAR*

Profit (loss) before income tax from continuing operations includes the following specific expenses:

Expenses

	2016 $	2015 $
Administrative expenses		
Consulting	81,670	132,129
Advertising, printing and stationery	4,454	47,548
Travel and accommodation	20,445	18,202
Insurance	21,013	18,155
Memberships	(4,901)	27,444
Other	84,991	75,627
	207,672	319,105
Compliance and regulatory expenses		
ASX, ASIC, registry and secretarial	134,342	127,709
Legal	21,749	47,710
	156,091	175,419
Employee Benefits		
Superannuation	9,833	11,624

4. *KEY MANAGEMENT PERSONNEL*

Interests of Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2016.

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

4. KEY MANAGEMENT PERSONNEL (Cont'd)

	2016 $	2015 $
Short-term employee benefits	387,250	387,250
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based payments	-	-
	387,250	387,250

No compensation was paid in respect to KMP in termination benefits

5. AUDITORS REMUNERATION

Remuneration of the auditor for:

- Auditing or reviewing the financial report	22,000	28,000
	22,000	28,000

6. INCOME TAX EXPENSE

The components of the tax expense/(income) comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
(a) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit from continuing operations	(1,721,210)	(1,388,795)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)	(516,363)	(416,639)
Add:		
Tax effect of:		
Current year capital losses not recognised	183,690	-
Effect of tax losses derecognised	287,700	491,513
Derecognition of previously recognised tax losses	285,250	40,383
Other non-allowable items	1,248	7,521
Less:		
Tax effect of:		
Tax benefit of deductible equity raising costs	(9,667)	(5,204)
Movement in unrecognised temporary differences	(231,858)	(65,380)
Utilisation of previously unrecognised capital losses	-	(52,194)
Income (tax benefit)/loss attributable to entity	-	-

6. INCOME TAX EXPENSE (Cont'd)

(b) Deferred tax assets at 30% (2015: 30%) comprise the following	2016 $	2015 $
Carry forward revenue losses	5,565,630	5,850,880
Carry forward capital losses	-	-
Unrealised Fair Value Adjustment	-	-
Capital raising and future black hole deductions	4,833	8,207
Provisions and accruals	29,909	32,286
Other	73,500	73,567
	5,673,872	5,964,940
Less: Set off of deferred tax liabilities	(5,673,872)	(5,964,940)
	-	-
Deferred tax liabilities at 30% (2015: 30%) comprise the following		
Exploration expenditure	5,673,872	5,964,940
Other	-	-
	5,673,872	5,964,940
Less: Set off of deferred tax asset	(5,673,872)	(5,964,940)
	-	-

(c) Deferred tax recognised directly in equity:

Relating to equity raising costs	-	-
	-	-

(d) Unrecognised deferred tax assets at 30% (2015: 30%) comprise the following:
Deferred tax assets have not been recognized in respect to the following as they are not considered to have met the recognition criteria:

Investments	326,165	544,672
Tax revenue losses	1,103,277	535,800
Capital losses	235,601	51,910
	1,665,043	1,132,382

7. CASH AND CASH EQUIVALENTS

Cash at bank	1,585,392	620,747
Petty cash	200	200
	1,585,592	620,947

8. TRADE AND OTHER RECEIVABLES

Current		
Other receivables (i)	205,254	172,849
	205,254	172,849

(i) Other receivables normally have 30 to 90 day terms. Other receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised any impairment because the amounts are still considered recoverable.

8. TRADE AND OTHER RECEIVABLES (CONT'D)

	2016 $	2015 $
Age of receivables over 90 days that are past due but not impaired	134,348	66,618
Non-Current		
Bonds (ii)	25,270	146,168
	25,270	146,168

(ii) Bonds are term deposits, held by way of bank guarantee.

9. FINANCIAL ASSETS

	2016 $	2015 $
Current		
Financial assets, at fair value through profit or loss:		
Held-for-trading Australian listed shares	264,530	316,790
	264,530	316,790

10. PROPERTY, PLANT AND EQUIPMENT

	2016 $	2015 $
Plant and Equipment		
At cost	309,652	316,091
Accumulated depreciation	(298,699)	(297,920)
	10,953	18,171
Office Furniture and Equipment		
At cost	40,384	42,703
Accumulated depreciation	(35,480)	(33,789)
	4,904	8,914
Motor Vehicle		
At cost	65,878	68,287
Accumulated depreciation	(50,664)	(48,985)
	15,214	19,302
	31,071	46,387

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.

2016

	Plant and Equipment $	Office Furniture $	Motor Vehicles $	Total $
Balance at the beginning of the year	18,171	8,914	19,302	46,387
Additions	-	-	-	-
Disposals	-	(2,319)	-	(2,319)
Depreciation expense	(7,218)	(1,691)	(4,088)	(12,997)
Carrying amount at the end of the year	10,953	4,904	15,214	31,071

2015

	Plant and Equipment $	Office Furniture $	Motor Vehicles $	Total $
Balance at the beginning of the year	36,968	11,031	24,471	72,470
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(18,797)	(2,117)	(5,169)	(26,083)
Carrying amount at the end of the year	18,171	8,914	19,302	46,387

11. EXPLORATION AND EVALUATION ASSETS

	2016 $	2015 $
Non-Current		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases at cost	18,952,083	19,917,756
Movement – exploration and evaluation		
Brought forward	19,917,756	20,782,091
Exploration expenditure capitalised during the year	410,439	239,813
Exploration expenditure capitalised on tenements sold during the year	(246,864)	-
Exploration expenditure written off (i)	(1,129,248)	(1,104,148)
	18,952,083	19,917,756

(i) Exploration expenditure written off for the year was $1,129,248 compared to $1,104,148 in the 2015 financial year. The main areas written off in 2016 were Quartz Springs, Mt Walkins, Gondwana, Mt Angelo and previously capitalised expenditures relating to the various tenements relinquished during the financial year.

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

12. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Current		
Trade creditors	233,539	371,020
Other creditors and accrued expenses	45,384	133,743
	278,923	504,763

Creditors are non-interest bearing and settled at 30 day terms.

13. PROVISIONS

	2016 $	2015 $
Current		
Provision for annual leave	55,031	52,084
Provision for long service leave	12,750	23,967
	67,782	76,051

14. CONVERTIBLE NOTES

	2016 $	2015 $
Current		
Convertible Notes	200,000	-
	200,000	-

In December 2015, two directors, Mr Nathan McMahon and Mr Clive Jones, advanced a total of $200,000 in debt funds by way of a convertible note to the Company. The principal terms of the convertible note were designed to mirror the terms of the placement completed in December 2015. As such, the convertible notes carried no coupon rate, were unsecured and would convertible at $0.03 with a free attaching option on the basis of one option for every two shares converted. The convertible notes were converted on 22 August 2016 after shareholder approval was obtained on 12 August 2016.

	2016 $	2015 $
15. *ISSUED CAPITAL*		
160,116,480 fully paid ordinary shares (2015: 130,477,121) with no par value	26,487,504	24,889,282

Movements in Ordinary Shares

		30 June 2016 Number	30 June 2016 $	30 June 2015 Number	30 June 2015 $
Balance at the beginning of the year		130,477,121	24,889,282	130,477,121	24,889,282
Issue of shares at $0.03 each	(i)	6,831,667	204,950	-	-
Issue of shares at $0.065 each	(ii)	22,307,692	1,450,000	-	-
Conversion of options at $0.04 each	(iii)	500,000	20,000	-	-
Less: transaction costs		-	(76,728)	-	-
Balance at the end of the year		160,116,480	26,487,504	130,477,121	24,889,282

(i) Placement shares issued on 5 January 2016
(ii) Placement shares issued on 27 May 2016
(iii) Shares issued on 15 June 2016 on the conversion of $0.04 options

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

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

Movements in Options over Ordinary Shares

Exercise Period	Exercise Price	Number on issue at 30 June 2015	Issued during the year	Exercised/ Expired/ Cancelled	Number on issue at 30 June 2016
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
On or before 5 January 2018 (i)	$0.040	-	3,415,834	(500,000)	2,915,834
		3,700,000	3,415,834	(600,000)	6,515,834

(i) Free attaching options issued with placement shares on 6 January 2016.

Capital risk management

The Board controls the capital of the Group in order to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's capital includes ordinary share capital. There are no externally imposed capital requirements.

15. ISSUED CAPITAL (Cont'd)

The working capital position of the Group at 30 June 2016 and 30 June 2015 are as follows:

	2016 $	2015 $
Cash and cash equivalents	1,585,592	620,947
Trade and other receivables	205,254	172,849
Financial assets	264,530	316,790
Current liabilities	(546,705)	(580,814)
Working capital position	1,508,671	529,772

16. OPTION RESERVE

Opening balance	119,642	374,280
Transfers to accumulated losses	(3,898)	(254,638)
Closing balance	115,744	119,642

This reserve is used to record the value of equity benefits provided to the employees and directors as part of their remuneration.

17. ACCUMULATED LOSSES

Opening balance	(4,355,599)	(3,225,381)
Net loss attributable to members	(1,719,741)	(1,384,856)
Transfers from option reserve	3,898	254,638
Closing balance	(6,071,442)	(4,355,599)

18. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, held-for-trading investments, cash and short-term deposits.

The Board of Directors has overall responsibility for the oversight and management of the Group's exposure to a variety of financial risks (including fair value interest rate risk, credit risk, liquidity risk and cash flow interest rate risk).

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Interest rate risks
The Group's exposure to market interest rates relates to cash deposits held at variable rates. The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions.

Credit risk
The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Consolidated group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

18. FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least A+. All of the Group's surplus funds are invested with AA and A+ Rated financial institutions, the amount is $1,585,592 (2015: $620,947).

Liquidity risk
The responsibility for liquidity risk management rests with the Board of Directors. The Consolidated group manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Maturity profile of financial instruments

The following tables detail the Group's exposure to interest rate risk as at 30 June 2016 and 30 June 2015:

30 June 2016	**Floating Interest Rate**	**Fixed Interest maturing in 1 year or less**	**Non-interest bearing**	**2016 Total**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	1,585,392	-	200	1,585,592
Trade and other receivables	-	25,270	205,254	230,524
Financial assets – held for trading	-	-	264,530	264,530
	1,585,392	25,270	469,984	2,080,646
Weighted average effective interest rate	0.78%			
Financial Liabilities				
Trade and other payables	-	-	278,923	278,923
	-	-	278,923	278,923

30 June 2015	**Floating Interest Rate**	**Fixed Interest maturing in 1 year or less**	**Non-interest bearing**	**2015 Total**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	620,747	-	200	620,947
Trade and other receivables	-	146,168	172,849	319,017
Financial assets – held for trading	-	-	316,790	316,790
	620,747	146,168	489,839	1,256,754
Weighted average effective interest rate	0.60%			
Financial Liabilities				
Trade and other payables	-	-	504,763	504,763
	-	-	504,763	504,763

18. FINANCIAL RISK MANAGEMENT (Cont'd)

Net Fair Values

The carrying value and net fair values of financial assets and liabilities at balance date are:

	2016		2015	
	Carrying Amount $	Net fair Value $	Carrying Amount $	Net fair Value $
Financial assets				
Cash and deposits	1,585,592	1,585,592	620,947	620,947
Receivables	230,524	230,524	319,017	319,017
Investment held for trading	264,530	264,530	316,790	316,790
	2,080,646	2,080,646	1,256,754	1,256,754
Financial liabilities				
Payables	278,923	278,923	504,763	504,763
	278,923	278,923	504,763	504,763

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. All financial instruments measured at fair value are level one, meaning fair value is determined from quoted prices in active markets for identical assets.

Sensitivity Analysis
Interest Rate Risk

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis
At 30 June 2016, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2016 $	2015 $
Change in loss		
• Increase in interest rate by 100 basis points	15,854	7,660
• Decrease in interest rate by 100 basis points	(15,854)	(7,660)
Change in equity		
• Increase in interest rate by 100 basis points	15,854	7,660
• Decrease in interest rate by 100 basis points	(15,854)	(7,660)

19. EARNINGS PER SHARE

a) Reconciliation of earnings to profit or loss:

Loss for the year	(1,719,741)	(1,384,856)
Loss used to calculate basic and diluted EPS	(1,719,741)	(1,384,856)

19. EARNINGS PER SHARE (Cont'd)

	2016 No. of Shares	2015 No. of Shares
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	135,888,537	130,477,121
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	135,888,537	130,477,121

20. CASH FLOW INFORMATION

	2016 $	2015 $
Reconciliation of cash flows from operating activities with profit/(loss) after income tax		
Profit/(Loss) after income tax	(1,721,210)	(1,388,795)
Non-operating cash flows in loss for the year:		
Depreciation	12,997	26,083
Net (Gain)/ Loss on sale of shares	(30,645)	28,759
Net Profit on sale of exploration assets	(23,137)	(1,100,000)
Employee & Consultant equity settled transactions	-	-
Fair value adjustment to investments	(154,611)	171,409
Exploration write-off	1,129,248	1,104,148
Income tax expense recognised in profit or loss	-	-
Changes in assets and liabilities:		
Decrease/(increase) in trade receivables and prepayments	(30,071)	(45,450)
Increase/(decrease) in trade payables, accruals and employee entitlements	(195,216)	13,651
Decrease/(increase) in exploration	(449,346)	(239,813)
Cash outflow from operations	(1,461,991)	(1,430,008)

21. COMMITMENTS

In order to maintain rights of tenure to mining tenements, the Group would have the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	2016 $	2015 $
No longer than one year	590,627	2,463,436
Longer than one year, but not longer than five years	1,740,681	6,736,623
Longer than five years	1,002,398	-
	3,271,518	9,200,059

21. COMMITMENTS (Cont'd)

At the moment the Group has commitments in excess of cash, however the Board believes it will be able to raise the additional funds to satisfy the commitments for the future.

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

22. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2016	Percentage Owned 2015
Parent Entity			
Cazaly Resources Limited	Australia		
Controlled Entities			
Cazaly Iron Pty Ltd	Australia	100%	100%
Sammy Resources Pty Ltd	Australia	100%	100%
Cazroy Pty Ltd	Australia	100%	100%
Baker Fe Pty Ltd	Australia	100%	100%
Baldock Fe Pty Ltd	Australia	100%	100%
Lockett Fe Pty Ltd	Australia	100%	100%
Hase Fe Pty Ltd	Australia	100%	100%
Caz Yilgarn Pty Ltd	Australia	100%	100%
Discovery Minerals Pty Ltd	Australia	80%	80%

23. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its exploration and corporate activities. Operating segments are therefore determined on the same basis.

Exploration

Segment assets, including acquisition cost of exploration licenses, all expenses related to the tenements and profit on sale of tenements are reported on in this segment.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

23. OPERATING SEGMENTS (Cont'd)

Unallocated items

Non-recurring items of revenue or expenses are not allocated to operating segments as they are not considered part of the core operations of any segment.

2016	Exploration $	Unallocated $	Total $
Revenue			
Interest received	-	5,010	5,010
Other	23,137	285,770	308,907
Total segment revenue	**23,137**	**290,780**	**313,917**
Segment net operating profit (loss) before tax	**(1,106,110)**	**(615,100)**	**(1,721,210)**
Depreciation	-	12,997	12,997
Impairment of exploration assets	1,129,248	-	1,129,248
Share based payments	-	-	-
Segment assets	**18,952,084**	**2,111,716**	**21,063,800**
Exploration expenditure	18,952,084	-	18,952,084
Capital expenditure	-	31,071	31,071
Segment liabilities	**106,395**	**479,205**	**585,600**

2015	Exploration $	Unallocated $	Total $
Revenue			
Interest received	-	5,394	5,394
Other	1,100,000	232,439	1,332,439
Total segment revenue	**1,100,000**	**237,833**	**1,337,833**
Segment net operating profit (loss) before tax	**(4,148)**	**(1,384,647)**	**(1,388,795)**
Depreciation	-	26,083	26,083
Impairment of exploration assets	1,104,148	-	1,104,148
Share based payments	-	-	-
Segment assets	**19,917,756**	**1,303,141**	**21,220,897**
Exploration expenditure	19,917,756	-	19,917,756
Capital expenditure	-	46,387	46,387
Segment liabilities	**269,460**	**311,354**	**580,814**

24. EVENTS SUBSEQUENT TO REPORTING DATE

On 23 August 2016, the Company issued the following equities:

- 2,500,000 fully paid ordinary shares, 2,500,000 unlisted options exercisable at $0.144 on or before 22 August 2019 and 2,500,000 unlisted options exercisable at $0.216 on or before 22 August 2020 (issued to the vendor in relation to the Mt Venn purchase); and
- 1,538,462 fully paid ordinary shares (issued to the vendor in relation to Widgiemooltha purchase)

On the same date, Mr McMahon and Mr Jones both converted their individual convertible note into a combined total of 6,666,666 fully paid ordinary shares and 3,333,334 unlisted options exercisable at $0.04 on or before 5 January 2018.

Apart from the above, the Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Group in subsequent financial years.

25. PARENT ENTITY DISCLOSURES

	2016 $	2015 $
(a) Statement of financial position		
Assets		
Current assets	1,720,084	797,182
Non-current assets	2,828,561	9,030,278
Total assets	4,548,645	9,827,460
Liabilities		
Current liabilities	546,705	580,571
Non-current liabilities	-	608,181
Total liabilities	546,705	1,188,752
Equity		
Issued capital	26,487,505	24,889,282
Reserves:		
Equity settled employee benefits	115,744	119,642
Retained profits	(22,601,310)	(16,370,216)
Total Equity	4,001,939	8,638,708
(b) Statement of Profit or Loss and Other Comprehensive Income		
Total profit/ (loss)	(690,480)	(266,217)
Total comprehensive income	(690,480)	(266,217)

Loans to Controlled Entities

Loans are provided by Cazaly ('the Parent') to its controlled entities for their respective operating activities. Amounts receivable from controlled entities are non-interest bearing with no fixed term of repayment. The eventual recovery of the loan will be dependent upon the successful commercial application of these projects or the sale to third parties.

26. SHARE BASED PAYMENTS

There were no options issued to directors, employees, consultants or suppliers during the financial year.

26. *SHARE BASED PAYMENTS (Cont'd)*

The following table illustrates the number and weighted average exercise prices of and movements in share options issued under the Employee Incentive Plan during the year:

	2016		2015	
	Number of Options	Weighted Ave Exercise Price $	Number of Options	Weighted Ave Exercise Price $
Balance at beginning of reporting period	3,700,000	0.18	4,725,000	0.21
Expired during the period	(100,000)	0.10	(1,025,000)	0.35
Balance at end of reporting period	3,600,000	0.18	3,700,000	0.18
Exercisable at end of reporting period	3,600,000		3,700,000	

(i) The compensation options outstanding at 30 June 2016 had a weighted average remaining life of 0.39 years (2015 – 1.37 years).
(ii) The weighted average fair value of the options outstanding at 30 June 2016 was $0.032 (2015 - $0.040).

27. *CONTINGENT LIABILITIES AND CONTINGENT ASSETS*

Except as referred below, there are no other contingent liabilities or contingent assets outstanding at the end of the year:

<u>Contingent Assets</u>

As announced to the market on 9 June 2015, the Company sold a package of royalties for a potential total of $2.35M comprising royalties held over the Kalgoorlie Gold project ("KGP") and the Halls Creek Copper project ("HCCP"). The sale was to a private mining investment group and comprises various payments subject to a range of conditions including third party waivers of pre-emptive rights and production hurdles. In summary, the schedule of payments is as follows:

(a) Payment of $453,000 received upon signing;
(b) Payment of $147,000 received following satisfaction of third party rights with respect to the HCCP;
(c) Payment of $750,000 upon commencement of mining at the KGP; and
(d) Payment of $1,000,000 upon satisfaction of conditions relating to the production of 140,000ozs gold from the KGP.

Payment parts (a) and (b) were received on the 29 June 2015. The remaining payments are contingent assets and are dependent upon the liquidity of the private investment group and the production profile from the KGP.

In accordance with a resolution of the directors of Cazaly Resources Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out, are in accordance with the Corporations Act 2001 and:
   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

On behalf of the Directors

Nathan McMahon
Managing Director

Perth,
30 September 2016

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Report

To the Members of Cazaly Resources Limited

We have audited the accompanying financial report of Cazaly Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

a. The financial report of Cazaly Resources Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter – Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a loss of $1,721,210. 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cazaly Resources Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 30th day of September 2016

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 20 September 2016.

DETAILS OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHAREHOLDERS

There are 170,996,608 fully paid ordinary shares on issue, held by 2,386 individual shareholders. Each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or a representative or a proxy of a member shall have one vote and on a poll every member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

TWENTY LARGEST SHAREHOLDERS (AS AT 20 SEPTEMBER 2016)

Ordinary Shareholders	Fully Paid Ordinary Number	Percentage
Kingsreef Pty Ltd (NB & DL Family A/C)	11,915,044	6.97%
New Page Investments Ltd	8,000,000	4.68%
Widerange Corporation Pty Ltd	7,333,647	4.29%
Clive Jones	6,916,256	4.04%
Kingsreef Pty Ltd	4,897,299	2.86%
Nathan McMahon	4,823,756	2.82%
HSBC Custody Nominees (Australia) Ltd	3,606,704	2.11%
Acuity Capital Investment Management	3,000,000	1.75%
Maincoast Pty Ltd	2,863,334	1.67%
Anthony Ramage	2,800,000	1.64%
Maximise Your Body Pty Ltd (JSH Family A/C)	2,661,402	1.56%
GGDT Developments Pty Ltd	2,500,000	1.46%
Citicorp Nominees Pty Ltd	2,472,391	1.45%
Clarksons Boathouse Pty Ltd (Clarkson Super Fund)	1,761,462	1.03%
Dennis Bell	1,629,162	0.95%
Debra Lee McMahon	1,552,595	0.91%
Pigequity Pty Ltd	1,550,000	0.91%
Buckland Capital Pty Ltd	1,538,462	0.90%
Thomas Francis Corr	1,250,000	0.73%
Mr R W Patek & Mrs M H Patek (RWP Super Fund)	1,200,000	0.70%
	74,271,514	**43.43%**

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

HOLDERS OF NON-MARKETABLE PARCELS

There are 1,052 shareholders who hold less than a marketable parcel of shares.

STOCK EXCHANGE INFORMATION

DISTRIBUTION OF SHARE HOLDERS (AS AT 20 SEPTEMBER 2016)

	Ordinary Shares
1 to 1,000	145,035
1,001 to 5,000	1,955,186
5,001 to 10,000	3,287,291
10,001 to 100,000	28,165,175
100,001 and over	137,443,921
	170,996,608

SUBSTANTIAL SHAREHOLDERS

As at report date, the following shareholders are recorded as Substantial Shareholders:

Substantial Shareholder	Ordinary Shares held	% Held
Nathan McMahon & associated entities	25,636,099	14.99%
Clive Jones & associated entities	14,479,904	8.47%

SHARE BUY-BACKS

There is no current on-market buy-back scheme.

OTHER INFORMATION

Cazaly Resources Limited, incorporated and domiciled in Australia, is a public listed Company limited by Shares.

INTEREST IN MINING TENEMENTS AS AT 20 SEPTEMBER 2016

TID	PROJECT	ENTITY	% INT
Managed			
E77/1101	PARKER RANGE	CAZI	100
E77/1235	PARKER RANGE	CAZR	100
E77/1403	PARKER RANGE	CAZI	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 (A)	PARKER RANGE	SAMR	100
M77/0766 (A)	PARKER RANGE	SAMR	100
P77/4162	PARKER RANGE	SAMR	100
P77/4164	PARKER RANGE	SAMR	100
E80/4773	HALLS CREEK	SAMR	100
E80/4808	MCKENZIE SPRINGS	SAMR	100
E39/1837	MT WELD	CAZR	100
P15/6010 *	KANGAROO HILLS	SAMR	100
P15/6011 *	KANGAROO HILLS	SAMR	100
P15/6012 *	KANGAROO HILLS	SAMR	100
P15/6013 *	KANGAROO HILLS	SAMR	100
P15/6014 *	KANGAROO HILLS	SAMR	100
P15/6015 *	KANGAROO HILLS	SAMR	100
P15/6016 *	KANGAROO HILLS	SAMR	100
P15/6019 *	KANGAROO HILLS	SAMR	100
P15/6020 *	KANGAROO HILLS	SAMR	100
P15/6021 *	KANGAROO HILLS	SAMR	100
P15/6022 *	KANGAROO HILLS	SAMR	100
E80/4902 *	SPINIFEX	SAMR	100
E38/3111 *	MOUNT VENN	YAMW	100
E38/3150 *	MOUNT VENN	YAMW	100
EPM26213 *	MOUNT TABOR (QLD)	SAMR	100
EL 5315 *	BUNGONIA (NSW)	CAZR	100

TID	PROJECT	ENTITY	% INT
Not Managed			
E31/1019	CAROSUE	CAZR	10
E31/1020	CAROSUE	CAZR	10
M31/0427	CAROSUE	CAZR	10
E37/1037	TEUTONIC BORE	SAMR	100
M47/1450	HAMERSLEY	LOFE	49
E51/1290	RUBY WELL	SAMR	75
E80/3370	MT ANGELO	CAZR	20
E80/3496	MT ANGELO	CAZR	20
E80/3517	MT ANGELO	CAZR	20
M80/0247	MT ANGELO	CAZR	20

A – sold to Hanking Gold Mining Ltd (tenements awaiting transfer)
* – application