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# Quarterly Report for September 2016

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## Summary

During the quarter the Company began collating, reprocessing and analysing the large regional datasets available for the Mount Venn gold project which was acquired during the June quarter. This work highlighted striking similarities with the nearby Gruyere deposit (6.16M ozs) which has recently undergone a feasibility study for development by Gold Road Resources Ltd (ASX:GOR).

Work also commenced on assessing lithium ore from Lepidolite Hill, part of the company's Goldfields Lithium Alliance with Lithium Australia Limited (ASX: LIT). Extraction of lithium using LIT's proprietary Sileach™ process exceeded 95% in the leach circuit, validating both the overall extraction and accelerated rate of extraction of lithium achieved in the laboratory test work program. The results point towards potential processing at low cost and bodes well for the potential economic extraction of lithium from the alliance projects.

Elsewhere, the Company awaits grant of the recently applied licences in Queensland and New South Wales containing known cobalt mineralisation. The Company notes that as cobalt supply is becoming constrained and, as a key battery metal along with lithium and graphite, with a predicted increase in demand pure cobalt projects will become increasingly in demand.

The Company also has several other projects including the Parker Range Iron Ore project (a 4Mtpa development ready project, WA), the Halls Creek project (copper-zinc deposit, WA), McKenzie Springs (nickel, graphite, WA) and Brzkov & Horni (uranium, Czech Republic). It also retains exposure to an ongoing royalty from the Georges Reward project (MetalsX Limited) and a potential royalty stream from the West Kalgoorlie project from a third party.

## Mount Venn Gold Project (CAZ 100%)

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In the previous quarter Cazaly had acquired all the shares in private exploration company Yamarna West Pty Ltd. Yamarna West's 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 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 GOR's 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.

During the quarter the Company began collating, reprocessing and analysing the large regional datasets available for the Mount Venn gold project. This involved the reprocessing of regional geophysics and geochemical datasets and the development of 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 work has highlighted the 'Wartu Granite' area as being an area of key focus moving forward (Figure 1). This area extends for ~12+km in the south-central part of the belt and displays several features highly analogous to the geological setting for GOR's Gruyere deposit (figure 4) including;

- Large internal monzogranitic intrusions
- Favourable host greenstone lithologies
- Major shear zones with marked inflections
- Widespread gold anomalism

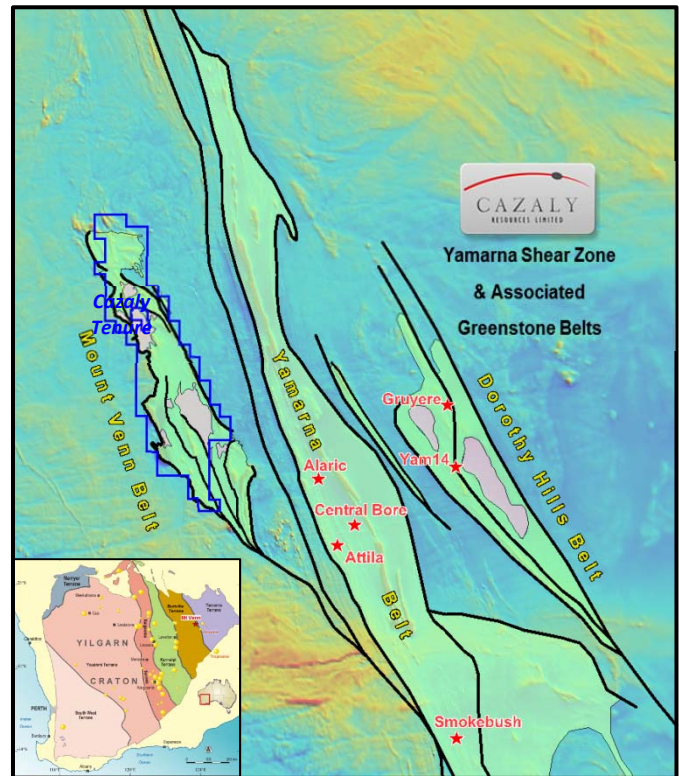


Figure 1: Regional setting of the Mount Venn greenstone belt

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 is the current focus of targeting by the Company.

The recent work at Mount Venn has shown striking similarities between the geological setting of the Gruyere gold deposit and the Company's *Wartu Granite* area. The Wartu Granite area has been virtually unexplored however it contains several large gold in soil/auger anomalies coincident with major structural and geological target positions.

Only the *Three Bears* prospect, which sits in the postulated 'Gruyere position', has had any systematic drilling completed over it and then only by 6 lines of RAB and Aircore drilling into weathered rock. Mineralisation recorded anomalous gold in this weathered material over ~2km with results including; 12m @ 1.13, 26m @ 0.27 & 16m @ 0.36 g/t Au (ASX:GXN April 17th 2012, 26th June 2012 and 13th May 2013). No drilling below ~50 metres into fresh rock has been completed to date. The prospect is a walk up drill target for the Company.

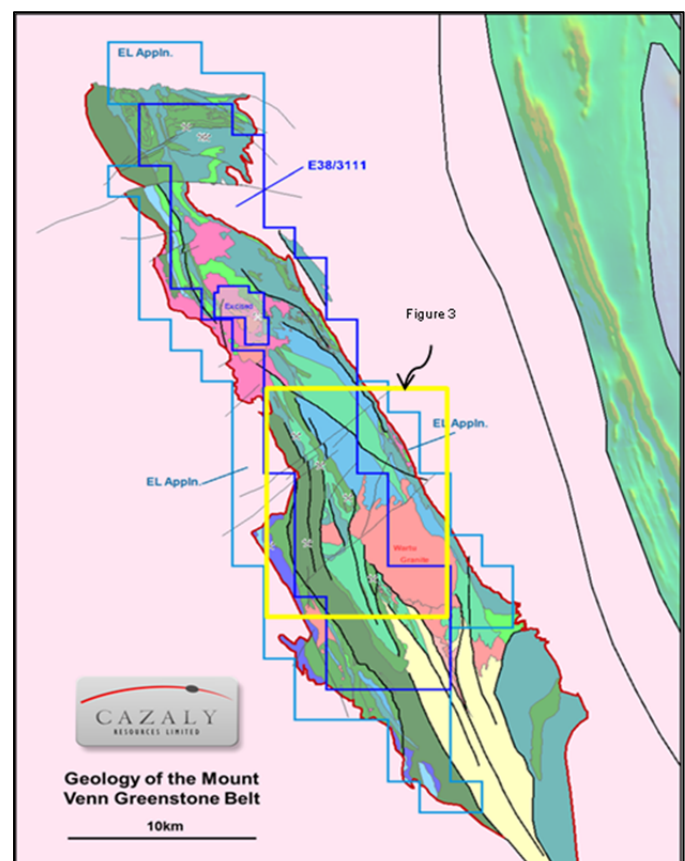


Figure 2: Geology of the Mount Venn greenstone belt

Figure 3 shows the historic RAB drill section across the Three Bears anomaly whilst figure 4 shows the striking similarities between the geological setting of GOR's Gruyere deposit and Cazaly's Three Bears prospect.

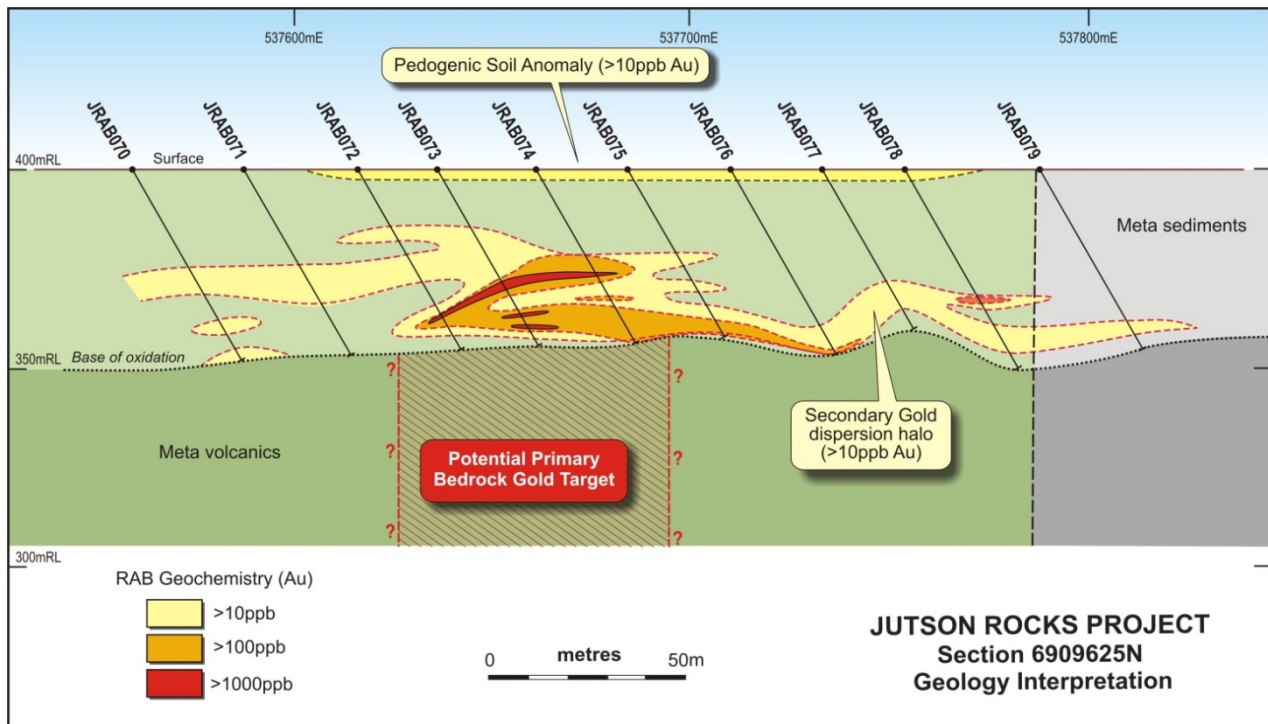


Figure 3: RAB drill section showing widespread anomalism at base of weathering, Three Bears Prospect

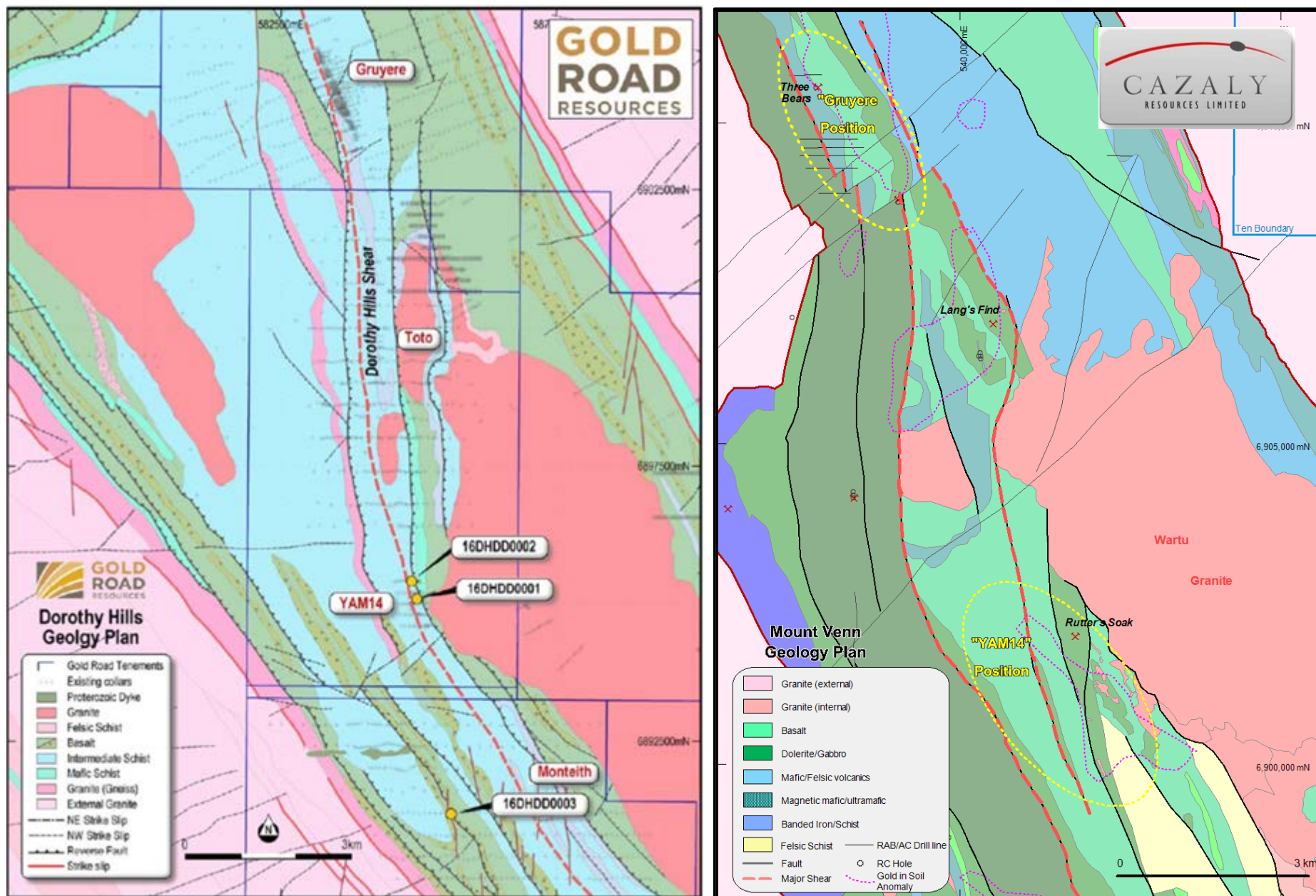
Cazaly continues to work through the existing data to further highlight areas of interest and is developing comprehensive work programmes.

During the quarter the Company also executed the signing of a Native Title agreement covering the Company's application for tenements at the Mount Venn project. The Native Title Agreement signed with the Yilka People and the Cosmo Newberry Aboriginal Corporation (CNAC) on 28th July 2016 is a major step forward that paves the way for the grant of Exploration Licences 38/3111 and 38/3150 and the commencement of exploration on the highly prospective Mount Venn gold project.

Further to this the Company is continuing to work through the regulatory process in order to expedite grant of the licences.

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.





**Figure 4: Geological comparison between the Dorothy Hills Shear system, host to GOR's Gruyere deposit, and the Wartu Granite area at Mount Venn**  
 Note; plans at same scale. (GOR figure source: GOR ASX announcement 21 June 2016)

## Goldfields Lithium Alliance (“GLiA”, CAZ 50%/LIT 50%)

Cazaly and Lithium Australia Limited (ASX:LIT) signed an agreement during the previous quarter to combine their respective holdings for the exploration and development of Pegmatite Minerals including lithium minerals in the Goldfields region of Western Australia (the Goldfields Lithium Alliance or “GLiA”).

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.

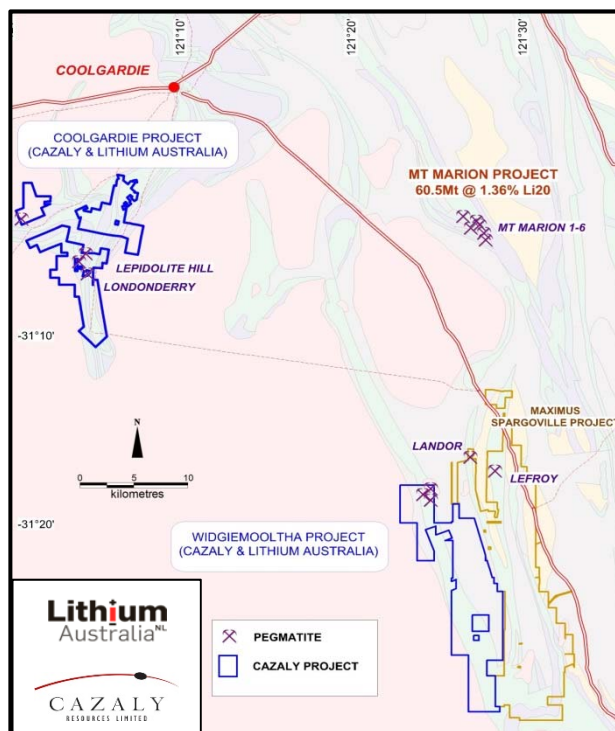


Figure 5: Location of the Goldfields Lithium Alliance

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.

During September LIT announced the commencement of pilot plant testing at ANSTO Minerals (a division of the Australian Nuclear Science and Technology Organisation) Lucas Heights testing facility utilising approximately 650kg of lepidolite ore from Lepidolite Hill. The pilot plant consisted of leaching and impurity removal circuits. The design was based on test work conducted by ANSTO Minerals on similar ore to that processed during the continuous pilot plant run. The campaign produced a purified lithium-containing liquor, devoid of impurities.

Extraction of lithium in the Sileach™ process exceeded 95% in the leach circuit, validating both the overall extraction and accelerated rate of extraction of lithium achieved in the laboratory test work program. The performance in the impurity removal circuits was comparable with the laboratory test work program, producing a liquor suitable for further processing. The operation of the pilot plant was robust and provided valuable materials handling and additional engineering design data for Lithium Australia’s Sileach™ process.

The plant performance showed exceptional extraction of lithium without the need for fine grinding. The ore was not subjected to pre-concentration with minimal feed preparation, which are key parameters for processing at low cost and bodes well for the potential economic extraction of lithium from the Alliance projects.

## Cobalt Projects (CAZ 100%)

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The Company was still awaiting grant of two Exploration Permits in 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-aluminum 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 in south-central Queensland. The application covers manganese rich pods which occur sporadically throughout the area found to contain appreciable amounts of potentially economic cobalt. Previous work has 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. Preliminary metallurgical studies confirmed that several leachants, including sulphuric acid, alkaline cyanide and ammonia may be suitable for treating the mineralisation.

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.

Previous exploration defined several areas of significant cobalt and nickel mineralisation 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.

## Other Projects

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No work of note was conducted over the Company's other projects during the quarter. These include;

**Parker Range Iron Ore (CAZ 100%):** A near mine-ready iron ore deposit located in the Yilgarn of Western Australia. Ultra-low Phosphorous haematite ore, full DFS, near major infrastructure with key approvals in place.



# Quarterly Report for September 2016

**McKenzie Springs Nickel/Graphite (CAZ 100%):** Located immediately south & along strike of the Savannah Nickel Mine (Panoramic Res.), 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.

**Halls Creek Copper (DDD 80%, CAZ 20%):** Hosts the VMS Mt Angelo North copper-zinc deposit and the Mt Angelo Cu Porphyry. Numerous look-alike VMS targets to explore. Kimberley, WA

**Czech Republic (CAZ 80%):** Two uranium project applications ,Brzkov & Horni Venice, located in the Czech Republic. State enterprise Diamo are closing the country's only operating uranium mine & has indicated interest in mining at Brzkov

## Corporate

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The Company has received notification of a further payment due from MetalsX Ltd (ASX:MLX) pursuant to a royalty of \$1/tonne mined and milled from the Georges Reward project for a sum of \$54,131. Details of the project have been included in the MLX announcement dated 15<sup>th</sup> November 2015.

During the quarter the Company issued a total of 10,880,128 fully paid ordinary shares in the capital of the Company. The shares were issued as follows:

- 2,500,000 shares issued as part consideration for the Mt Venn project;
- 1,538,462 shares issued as consideration for the Widgiemooltha project;
- 175,000 shares issued to a consultant; and
- 6,666,666 shares issued on the conversion of two convertible notes

The Company also issued a total of 11,853,847 listed options exercisable at \$0.11 on or before 21 August 2018 as per the terms and conditions set out in the cleansing prospectus lodged with the ASX on 17 August 2016.

The Company had \$1.14m in cash at the end of the quarter.

*For further information please contact:*

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*The information contained herein that relates to Exploration Results, Mineral Resources, Targets or Ore Resources and Reserves is based on information compiled or reviewed by Mr Clive Jones and Mr Don Horn, who are employees of the Company. Mr Jones is a Member of the Australasian Institute of Mining and Metallurgy and Mr Horn is a member of the Australian Institute of Geoscientists. Mr Jones and Mr Horn have sufficient experience which is relevant to the style of mineralisation and types 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 of their names in the matters based on the information in the form and context in which it appears.*





# Quarterly Report for September 2016

## MINING TENEMENTS HELD AT 30 September 2016

TID	PROJECT	ENTITY	% INT
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### 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
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
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
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### 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

\* License Application