



ABN 23 101 049 334

Quarterly Report for June 2016

Summary

During the quarter the Company signed an agreement with Lithium Australia Limited (ASX: LIT) to combine the two companies' respective holdings in the Goldfields region of Western Australia for the exploration and development of Pegmatite Minerals including lithium minerals. This expanded the company's lithium interest in the region following the recent application at Kangaroo Hills for a group of 11 tenements situated south of Coolgardie. Further ground was added to the alliance by the acquisition of the 'pegmatite minerals' rights to the Widgiemooltha project.

The company is also secured an extensive ground position nearby Gold Road Resources' (ASX:GOR) Yamarna gold project with the Mount Venn project. Striking similarities with the geological setting of GOR's Gruyere deposit (6.16M oz.s) to Mount Venn points to the highly prospective nature of the project in what is probably one of the least gold explored belts in the goldfields of Western Australia.

Elsewhere, the Company has recently applied for 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), Spinifex (uranium, WA) and Brzkov & Horni (uranium, Czech Republic). It also retains exposure to a potential royalty stream from the West Kalgoorlie project from a third party and from the Georges Reward project (MetalsX Limited).

Mount Venn Gold Project (CAZ 100%)

During the quarter the Company 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 Gold Road Resources' 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 is the current focus of targeting by the Company.

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.

Currently the company is rebuilding the database, has reprocessed the geophysics and geochemistry and is designing exploration programmes with a focus on targeting large ‘Camp Scale’ gold deposits. The work is highlighting major areas of interest and more information will be supplied once this work is more advanced.

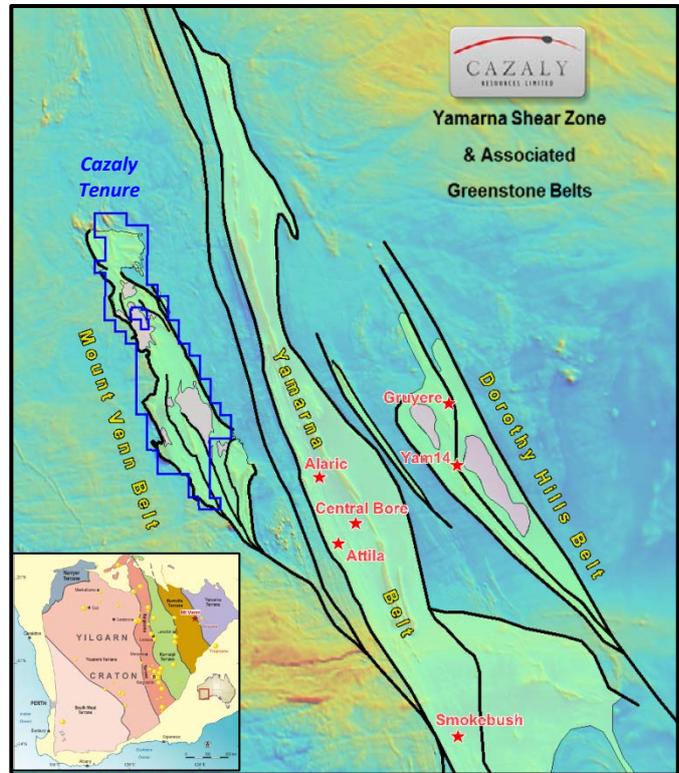


Figure 1: Location of the Mount Venn Project

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

Cazaly and Lithium Australia Limited (ASX:LIT) signed an agreement during the 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 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

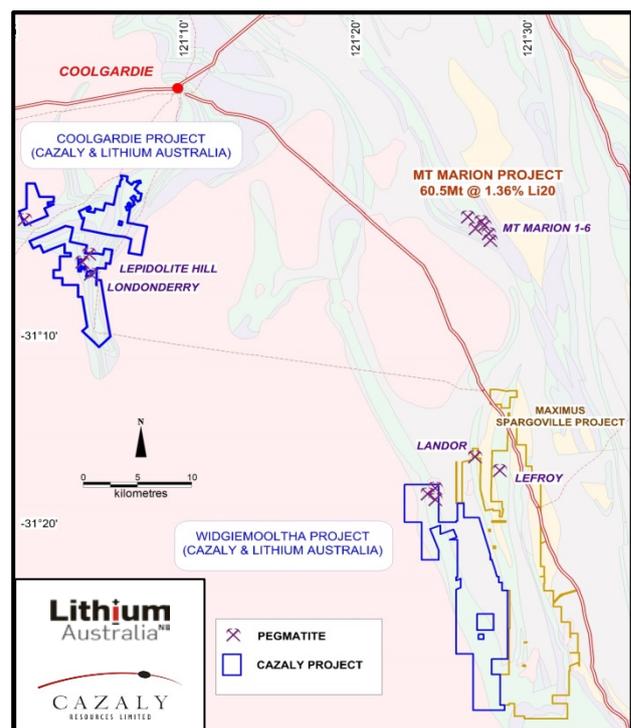


Figure 2: Location of the Goldfields Lithium Alliance

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[™] 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.

As part of the arrangement LIT also granted a licence to use the Sileach[™] technology for use over GLiA projects in the region.

Cobalt Projects (CAZ 100%)

During the quarter the Company 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-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 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. Some of these pods were explored initially by Mineral Deposits Limited from 1979-1982 and then by Cobalt Resources NL in the 1990's with further work more recently conducted by Maranoa Resources Limited. 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.

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

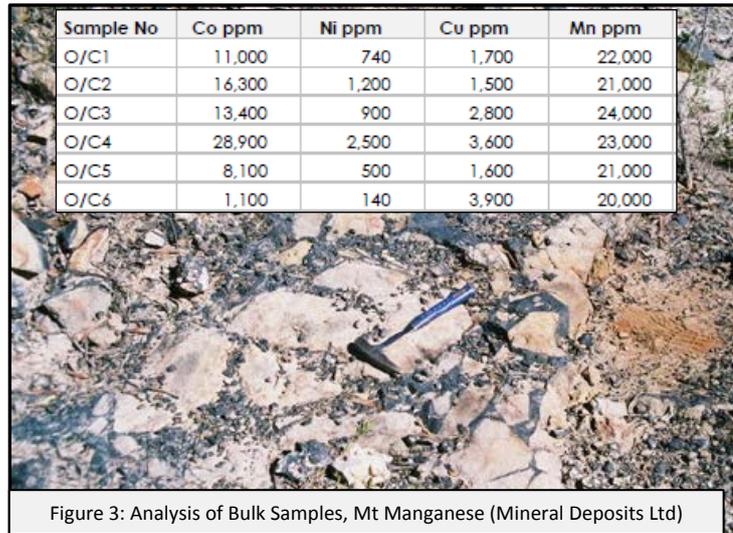


Figure 3: Analysis of Bulk Samples, Mt Manganese (Mineral Deposits Ltd)

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 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.

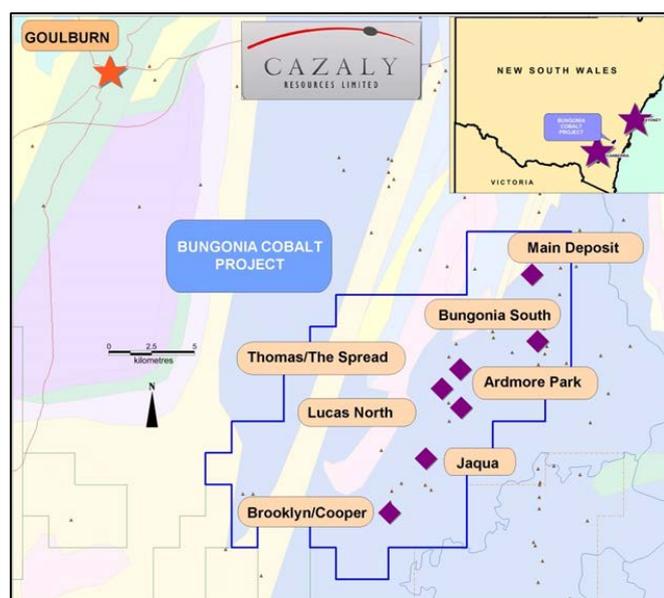


Figure 4: Location of the Bungonia Cobalt Project



Other Projects

No work of note was conducted over the company's other projects during the quarter. These include;
Parker Range Iron Ore: 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.

McKenzie Springs Nickel/Graphite: 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

Spinifex Uranium: Llocated just south of Kununurra in the Kimberley region of Western Australia. The project has potential for unconformity and vein style uranium mineralisation as evidenced by previously reported rock chip grades of up to 4.16% U3O8 (Thundelarra Exploration Ltd, ('Thundelarra') ASX announcement 19th December 2007). Historic records show very high grade uranium mineralisation discovered in 1972 with assays of up to 13.5% U3O8 (Thundelarra ASX announcement 17th July 2007).

Corporate

The Company has received its first payment from MetalsX Ltd (ASX:MLX) pursuant to a royalty of \$1/tonne mined and milled from the Georges Reward project for a sum of \$84,963.86. Details of the project have been included in the MLX announcement dated 15th November 2015.

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 June 2016

MINING TENEMENTS HELD AT 30 June 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
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

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

Any changes in mining tenement interests during the quarter are covered in Section 6 of Appendix 5B for Jun'16
 A – Sold to Hanking Gold Mining Pty Ltd (tenements awaiting transfer)

* - Application

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

CAZALY RESOURCES LIMITED

ABN

23 101 049 334

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	100	253
1.2 Payments for		
(a) exploration and evaluation	(203)	(739)
(b) development	-	-
(c) production	-	-
(d) administration	(187)	(962)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received	-	-
1.7 Other	-	-
Net Operating Cash Flows	(290)	(1,444)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) plant & equipment	-	-
(b) equity investments	(1)	(1)
(c) subsidiaries	-	-
(d) prospects	-	-
1.9 Proceeds from royalties and sale of:		
(a) prospects	-	270
(b) equity investments	84	238
(c) other fixed assets	-	-
(d) subsidiaries	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	123
Net investing cash flows	83	630
1.13 Total operating and investing cash flows (carried forward)	(207)	(814)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(207)	(814)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,450	1,655
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from convertible notes	-	200
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - costs of share issues	(74)	(77)
	Net financing cash flows	1,376	1,778
	Net increase (decrease) in cash held	1,169	964
1.20	Cash at beginning of quarter/year to date	416	621
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,585	1,585

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	97
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 includes directors' fees and salaries for executive and non-executive directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	250
4.2	Development	-
4.3	Production	-
4.4	Administration	125
Total		375

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	385	416
5.2	Deposits at call	1,200	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		1,585	416

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Managed			
		E77/2135	Parker Range	100%	0%
		E77/2142	Jilbadji	100%	0%
		E63/1689	Leake	100%	0%
		E80/4772	Alice Downs	100%	0%
		E39/1829	Tropicana	100%	0%
		Not Managed			
	E47/1617	Hamersley	49%	0%	
	P46/1825-1829	Quartz Circle	20%	0%	
6.2	Interests in mining tenements acquired or increased	EPM26213	Mount Tabor (QLD)	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security	Amount paid up per security
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	160,116,480	160,116,480		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	22,307,692 500,000	22,307,692 500,000	\$0.065 \$0.04 (option conversion)	Fully paid Fully paid
7.5 +Convertible debt securities	2	-	\$200,000 (total)	Convertible notes with a maturity date of 31 December 2016, zero % interest rate and convertible at \$0.03 plus a free attaching option on the basis of one option for every two shares issued on conversion (with an exercise price of \$0.04 and an expiry date of 5 January 2018).
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	100,000 3,500,000 2,915,834		<u>Exercise price</u> \$0.107 \$0.180 \$0.040	<u>Expiry date</u> 31 July 2016 26 November 2016 5 January 2018
7.8 Issued during quarter				
7.9 Exercised during quarter	500,000		\$0.040	5 January 2018
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 28 July 2016
(Company Secretary)

Print name: Mike Robbins

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.