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

Annual Report

For the Year Ended
30 June 2012

CAZALY
RESOURCES LIMITED

CONTENTS

MANAGING DIRECTOR
Nathan McMahon

MANAGING DIRECTOR
Clive Jones

NON-EXECUTIVE DIRECTOR
Kent Hunter

COMPANY SECRETARY
Julie Hill

PRINCIPAL & REGISTERED OFFICE
Level 2, 38 Richardson Street
WEST PERTH WA 6005
Telephone: (08) 9322 6283
Facsimile: (08) 9322 6398

AUDITORS
Bentleys
Level 1,
12 Kings Park Road
WEST PERTH WA 6005

SHARE REGISTRAR
Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

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

BANKERS
National Australia Bank
50 St Georges Terrace
PERTH WA 6000

Your directors present their report, together with the financial statements of the company and its controlled entities ("Consolidated Group") for the financial year ended 30 June 2012.

1. DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Nathan McMahon
Clive Jones
Kent Hunter

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

Julie Hill (appointed 7 September 2011)

Ms Hill is a Chartered Accountant and Chartered Secretary and has extensive experience in corporate financial management; administration and finance of ASX listed companies and corporate governance.

Lisa Wynne held the position of company secretary until her resignation on 7 September 2011.

2. PRINCIPAL ACTIVITIES

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

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

3. OPERATING RESULTS & FINANCIAL POSITION

The loss of the Consolidated Group after providing for income tax amounted to ($1,875,229) (2011: profit of $1,281,825).

The Group has $23.8 million in net assets as at 30 June 2012 (2011: $25.2m).

4. 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.

5. REVIEW OF OPERATIONS

Parker Range (CAZ 100%)

Capacity Reservation Deed Executed, interim export solutions being examined.

Australian iron ore company Cazaly Resources Limited (**ASX: CAZ**) ("Cazaly" or "the Company") has further enhanced its logistics solutions for its Parker Range Iron Ore Project in the Yilgarn region of Western Australia, through the signing of Capacity Reservation Deed with the Esperance Port Authority and by appointing Engenium Limited to conduct a detailed review of interim shipping options prior to the expansion at Esperance being completed.

The Parker Range project is the most advanced DSO resource in the Yilgarn with a published Definitive Feasibility Study, (refer ASX announcement dated 12th May 2011). The project greatly benefits from its close location to existing and accessible infrastructure including road, rail, port, power and township.

Commenting on these developments, Cazaly Managing Director, Nathan McMahon said, "*These positive results now allow for the advancement of government and non-government stakeholder consultation and the completion of discussions for financing.*"

Capacity Reservation Deed with Esperance Port Authority

Cazaly entered into an agreement with Esperance Port Sea and Land (EPSL) for access to the expanded Esperance Port, located in the Great Southern Region of Western Australia.

The agreement, a Capacity Reservation Deed, provides Cazaly with a five (5) million tonne allocation at the Esperance Port, subject to the expansion occurring and commercial terms being entered into between Cazaly and the operator of the proposed facility.

The proposed mining and export of Hematite DSO product from the port of Esperance is planned to coincide with the completion of the infrastructure corridor to the port of Esperance, being managed by the Western Australian Government, and the expansion of the Port itself.

On 19 January 2012 Western Australian Minister for Transport, Hon Troy Buswell BEc MLA, confirmed that export capacity at Esperance Port will potentially increase by up to 20 million tonnes per annum (mtpa) in a staged plan, with the State Government formally committing to expansion of the port.

Cazaly considers this landmark decision further enhances the economic value of the Parker Range project and commends the State Government for advancing the interests of the planned producers in the Yilgarn iron ore province.

Appointment of Engenium Limited as Project Manager

The Company has appointed Engenium Ltd ("Engenium") as Project Manager, to review a number of alternate interim options which will allow for development of the Parker Range Iron Ore Project prior to the expansion of the Esperance Port.

Perth based Engenium are a leading Project Delivery company servicing the Resources, Rail and Infrastructure sectors, They have extensive experience in the evaluation of logistics solutions for a range of resources projects, so as to fast track projects into production and in turn generate meaningful cash flow.

It is expected the Engenium review of the interim infrastructure options available to the Company will be completed in this current quarter.

General Project Update

The Company has previously announced the final environmental approvals for the development of the Parker Range Iron Ore Project (PRIOP) in the Yilgarn region of Western Australia from the Western Australian Minister for the Environment, Hon. Bill Marmion MLA.

This approval, granted under section 45(1) of the Environmental Protection Act 1986, is a significant milestone for the project and the Company and represents the culmination of well over 12 months work by Cazaly. With the granting of this key approval, Cazaly is now in a position to take a step closer to the development of the PRIOP. The Company now has an extremely good understanding of the regional environmental, social and heritage values of the project area, and will ensure that all conservation and environmental management measures are fully integrated into the construction and operational planning phases of the project.

The Company continues to work closely and cooperatively with the Western Australian Government and local authorities to seek the best possible combination of infrastructure solutions to enable the project to be developed as soon as possible. This includes both a longer term expanded production profile based upon the planned expansion of the Esperance port and a shorter term, lower tonnage solution. Cazaly has been greatly encouraged by the commitments made by the State to increasing the export capacity at the port of Esperance and to the commencement of upgrade works on the port access corridor at Esperance.

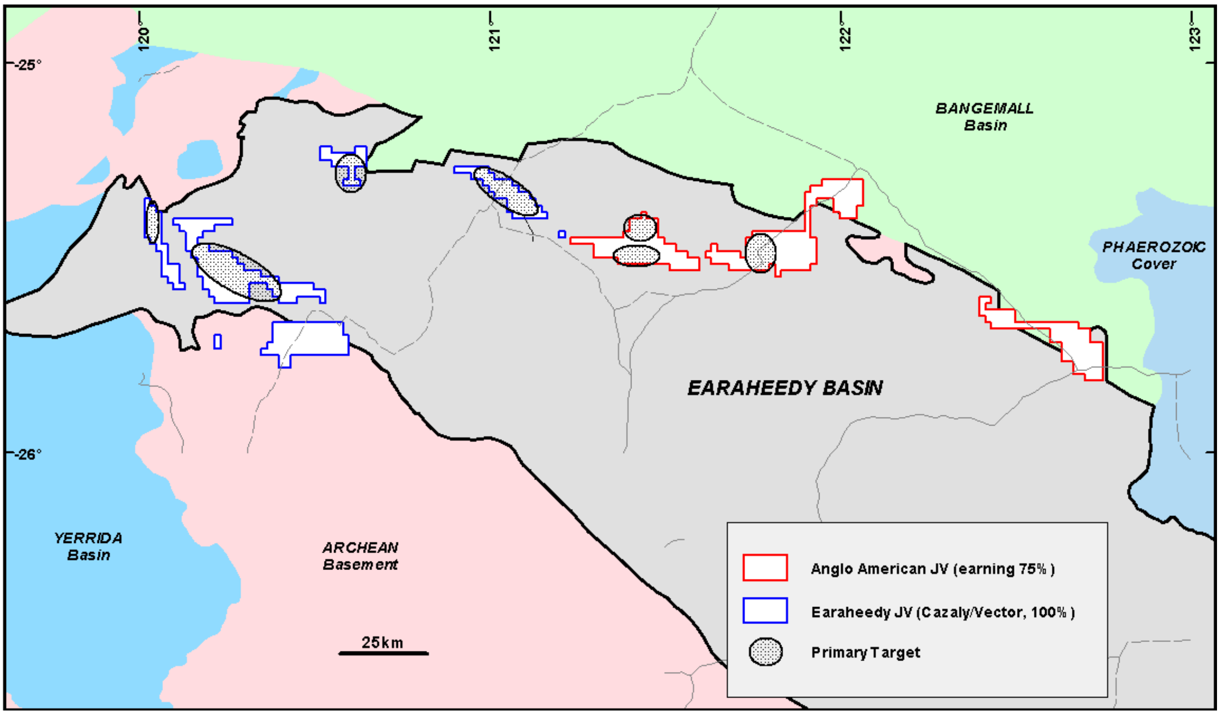
The company continues to engage with potential partners for the project.

Earaheedy Joint Venture

Anglo American to commence drilling programme on Potential Major New Iron Ore Province

Cazaly and Vector Resources Limited (ASX:VEC) (collectively the Earaheedy Joint Venture, "EJV") previously announced a farm-in agreement with Anglo American ("Anglo"), the global diversified mining house, covering a large part of EJV's Earaheedy Iron project in the Wiluna region of Western Australia.

EJV's Earaheedy project covers an area in excess of 1,700km^2 and includes a substantial strike extent of the iron ore prospective Frere Formation. The Farm-In Agreement relates to an area of approximately 890 km^2.



WESTERN EARAHEEDY JV

EASTERN EARAHEEDY ANGLO JV

During the quarter, Anglo received results from a native title heritage survey conducted during the last quarter allowing access for low impact activities on areas within E69/2064, E69/2065 and E69/2375. Some areas will require heritage monitors during exploration.

Anglo completed a 1:20,000 scale geological map and enrichment/mineralisation map on the Cecil Rhodes Project (E69/2375), covering an area of ~200km2. Anglo geologists have identified two iron rich units ('Lower Iron Formation', LIF and 'Upper Iron Formation', UIF). These two iron rich units coincide with the interpretation from the aeromagnetic survey conducted by Fugro in late 2011.

Three rock chip samples were collected and submitted to ALS Analytical Laboratories in Perth. Detrital iron stones crop out sparsely and discontinuously in several areas proximal to good hematite enrichment of the granular iron formation with Fe content up to 49.9%. A total of 11 samples were submitted to Minerex Petrographic Services for polished thin sections.

The first reverse circulation drilling campaign to be conducted by Anglo at the Earaheedy Joint Venture (Cecil Rhodes Project) is scheduled to commence in late August. Permits have been submitted and a high impact heritage survey completed.

WESTERN EARAHEEDY JV (CAZ/VEC 50:50)

Manganese Exploration E69/2063 (Blue Cliffs and Blue Nugget Prospects)

Twenty (20) RC drill holes for 1,523m were drilled within Exploration Licence E 69/2063 at the *Blue Cliffs* and *Blue Nugget* manganese prospects during the quarter. Drilled holes tested the near surface manganese mineralisation potential over a broad strike length of manganese enriched outcrop of the Frere Formation.

All RC drill results have now been received. Low to moderate grade manganese enrichment was intercepted at the Blue Cliffs Prospect interpreted to have enriched siltstone and chert units within the Frere Formation. The manganese enriched intercepts are from 1-8m thick, and grade up to 38.4% manganese (using a cut-off grade of 5% Mn). Manganese enrichment is from surface or near surface and relatively flat-lying. Table 1 shows the enriched manganese intersections from the drilling.

Table: Earaheedy Manganese Drill Intersections:

HoleID	East	North	Depth	Azm	Dip	From	To	Length	Mn%	Fe %	SiO2%	Al2O3%
EARC0022	223781	7177472	60	270	-60	2	4	2	32.95	14.9	7.14	1.09
					Incl.	2	3	1	38.40	13.0	9.4	2.1
EARC0023	223689	7177546	60	270	-60	0	1	1	24.40	13.8	13.06	2.47
EARC0024	223636	7177645	60	270	-60	3	4	1	24.30	9.7	18.11	1.38
EARC0028	223863	7177914	60	270	-60	22	25	3	26.13	14.0	12.08	1.56
EARC0029	223738	7177644	119	270	-60	12	13	1	20.20	10.7	15.02	4.67
						16	18	2	20.65	17.1	13.60	2.15
EARC0032	223824	7177641	60	270	-60	23	24	1	23.80	9.9	18.44	0.94
EARC0033	223785	7177544	149	270	-60	14	15	1	27.40	9.1	15.94	1.11

Further work is being completed by the company to evaluate the potential of the prospects to host further significant manganese mineralisation for follow-up.

Hamersley Iron Ore Project

(Cazaly currently 100%, reducing to 49% - Winmar Resources Ltd earning an initial 51% interest)

The following is an extract from Winmar Resources Ltd's Quarterly Report for June 2012:

HIGHLIGHTS:

- *Completion of a 4,012m RC drill program*
- *Significant intercepts intersected in 13 holes*
- *Highlight results include;*
  - *74m @ 59.15%Fe (60.5% Calcined Fe) from 28m within a CID zone of 102m thickness.*
- *Diamond Rig has commenced drilling for metallurgical samples from the Channel Iron Deposit material*
- *New Heritage survey completed*
- *Completion of second season Flora and vegetation study*

Exploration and Development Plans

Winmar's priorities for its 2012 works program at the Hamersley project are:

- Defining the extent of the current Resource base
- Extending the Resource base
- Improving Metallurgical understanding at the project
- Progressing infrastructure access negotiations
- Native Title agreements, including Heritage agreements
- Base line environmental studies
- Defining new regional targets, and
- Mining Plans

Latest Phase of Drilling completed

During the June quarter Winmar completed a 20 hole, 4012 metre RC drilling program at the Hamersley project, and assay results from all holes have now been received. The drill program returned excellent CID extensions at depth in a number of holes, and, as a result fewer holes were required to be drilled than initially planned.

The majority of holes intersected Channel Iron Deposit (CID) material with the higher grade and thicker zones occurring on the Northern side of the deposit. In total, 13 holes intersected significant iron mineralisation. The project remains open in most directions and at depth.

Highlight results included;

- An outstanding shallow high grade intercept (from 28 metres) of; **74 metres @ 59.14% Fe** (60.47% Calcined Fe) in hole PLRC0162, within a broader Channel Iron Deposit (CID) zone of 102 metres @ 56.00% Fe (58.33% Calcined Fe), and

- High grade intercepts of up to **28m @ 57.03% Fe** (60.63% Calcined Fe) in hole PLRC0145, along with mineralised CID zones of up to 90m @ 51.63% Fe (55.98% Calcined Fe) in hole PLRC0154 on the northern extent of drilling.

A summary of the most significant intersections are presented in below.

Hole ID	From	To	Intercept	Fe %	SiO2%	Al2O3%	P%	LOI%	Calcined Fe%
PLRC0145	116	144	28m	57.03	8.07	3.64	0.036	5.94	60.63
PLRC0147	112	136	24m	52.34	12.92	5.81	0.025	5.33	55.30
Incl	120	132	12m	55.84	9.27	4.55	0.029	5.48	59.07
PLRC0149	116	188	8m	53.14	9.99	5.95	0.023	6.72	56.97
PLRC0151	90	132	42m	51.62	9.82	8.60	0.048	6.48	55.08
Incl	106	130	24m	56.30	7.08	5.89	0.059	5.65	59.65
PLRC0152	112	142	30m	52.09	9.06	8.06	0.047	7.23	56.09
Incl	126	142	16m	53.99	9.55	6.25	0.053	6.09	57.45
PLRC0153	130	154	24m	52.50	11.49	6.60	0.026	5.97	55.83
PLRC0154	140	230	90m	51.84	11.85	5.90	0.024	7.38	55.98
Incl	170	226	56m	53.43	9.66	5.47	0.026	7.82	57.96
Incl	190	222	32m	54.27	9.25	5.08	0.027	7.48	58.64
PLRC0157	112	136	24	50.35	9.76	8.32	0.038	8.97	55.31
Incl	114	132	18	51.29	8.92	7.76	0.039	9.11	56.42
PLRC0158	96	140	44	55.08	9.68	6.29	0.044	4.25	57.55
Incl	112	140	28	57.62	7.31	5.13	0.046	4.29	60.22
PLRC0159	114	166	52	54.43	9.51	3.91	0.038	7.33	58.70
Incl	116	148	32	56.81	8.12	3.51	0.036	6.21	60.57
PLRC0160	210	228	18	55.94	10.92	3.88	0.020	4.37	58.48
PLRC0161	68	88	20	51.76	14.39	6.55	0.049	4.23	54.05
PLRC0162	28	130	102	55.99	9.76	5.36	0.049	4.10	58.33
Incl	28	102	74	59.13	8.00	4.55	0.041	2.22	60.47
Incl	28	90	62	59.96	7.17	4.42	0.041	2.02	61.20

Significant intercepts from Detrital Overburden

Hole ID	From	To	Intercept	Fe	SiO2	Al2O3	P	LOI	Calcined Fe
PLRC0157	26	44	18	47.51	24.07	4.46	0.036	2.45	48.70
PLRC0158	24	62	38	52.15	16.33	5.56	0.034	2.61	53.55
PLRC0161	34	60	26	55.00	12.00	5.88	0.037	2.41	56.36

CID mineralisation was logged in new drill holes up to 800 metres in distance from the current resource, which was extremely encouraging. The results of this phase of drilling were designed to deliver a significant Resource upgrade, due in Q3, which will be used to provide an updated scoping study and as input for potential mining plans.

The current drilling was positioned on 400 metre spacings from previous drilling, and was designed to test for extensions to mineralisation. Drill holes to the northern side and south west of the previous resource have shown the most consistent extensions and mineralised zones. Importantly these results are outside the area of the current resource.

Also, significant results from the overlying detrital material were returned in 3 holes in the southwest of the deposit (Table above). These included; 26 metres @ 55.01% Fe (56.36% Calcined Fe) in PLRC0161, from 34 metres depth. The south western zone of CID and high grade Detrital material will be the initial focus of Winmar's development plans for the deposit, and may provide an early pathway to production of beneficiated material and DSO.

The current Hamersley project global inferred resource estimate is;

July 2011 Resource Estimate (COG: 40%Fe Detrital, 52%Fe Channel & Bedded)

Type	Inferred Mineral Resource						
	Tonnes	**Fe**	**Al_2O_3**	**P**	**SiO_2**	**LOI**	**CaFe**
	Mt	**%**	**%**	**%**	**%**	**%**	**%**
Detrital	29.1	47.1	5.6	0.03	23.9	2.6	48.3
Channel	169.3	55.6	4.1	0.04	10.1	5.7	59.0
Bedded	43.2	54.0	4.5	0.05	10.0	7.4	58.3
Total	**241.6**	**54.3**	**4.3**	**0.04**	**11.8**	**5.6**	**57.6**

*CaFe (calcined iron) calculated by: (Fe% / (100-LOI%))*100*

The Resource estimate was completed in July 2011 with results from just over half of the RC drill program. All significant results were subsequently reported during 2011 and July 2012, however many of the results were not included in the current model.

As a result of the successful exploration to date, with mineralisation remaining open in most directions, the Exploration Target for the Project has been upgraded to 350-400mt @ 54-56% Fe (57-60% CaFe) based on the potential for extensions to the known resource.

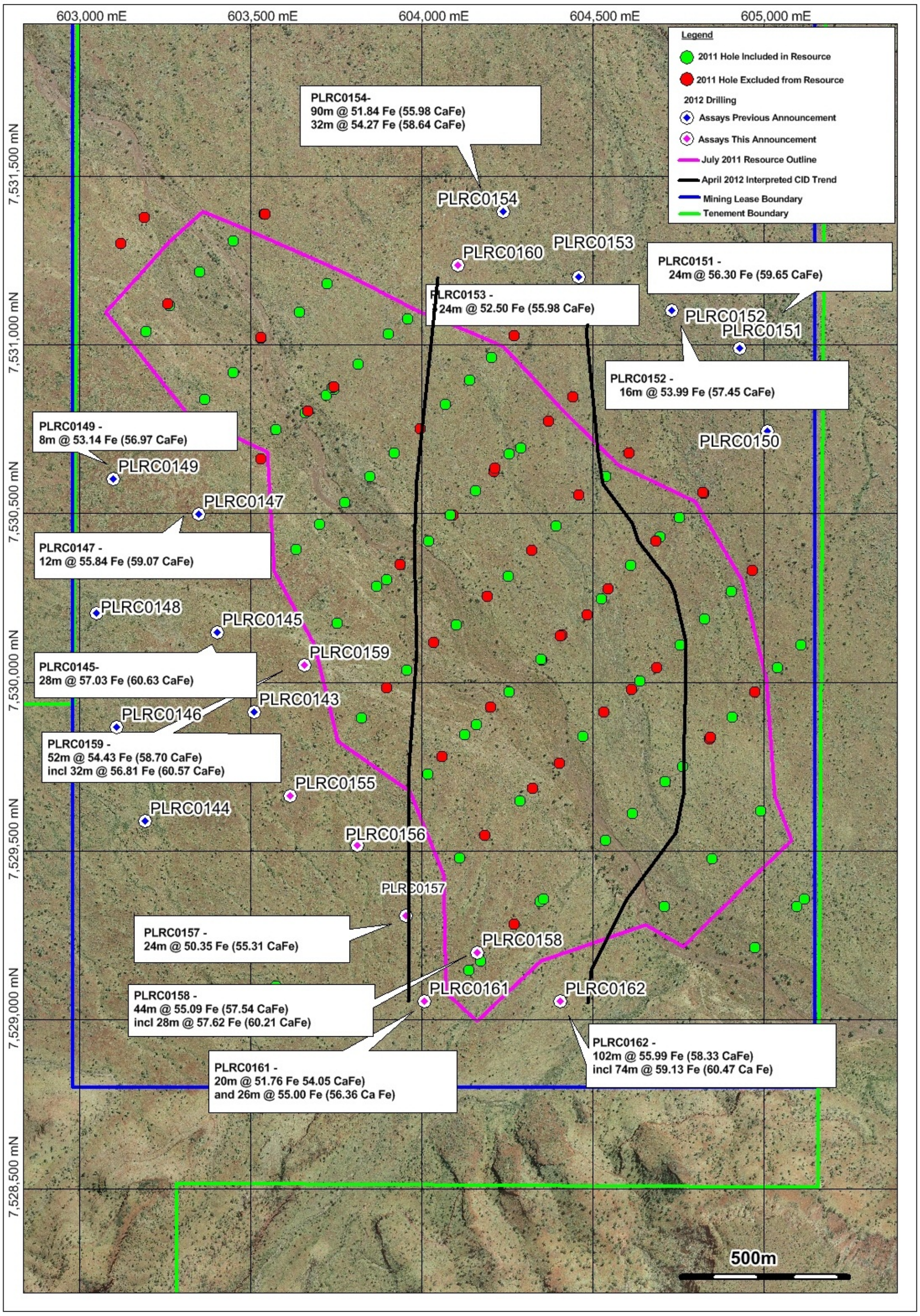
Beneficiation testing program

Metallurgical work commenced on PQ and Sonic core drilled during 2010 and 2011, to determine the beneficiation potential of the CID and overlying detrital material. A diamond drill program is now underway to provide further CID material for metallurgical testing. A Bauer (large diameter) rig is also due to collect bulk samples of the detrital material, in late July.

Preliminary ore characterization has been completed. A mineralogical study was also completed during the quarter to provide valuable information on the ore composition and impurity profile. The information has been used to design further metallurgical testing during the next quarter. Preliminary metallurgical testing has indicated that there is potential for beneficiation of the quaternary detrital material to produce a saleable product, as well as an upgrading of the CID material.

Initial results suggest that gravity separating, following crushing and screening, may be sufficient to upgrade the material to a more premium product. Further work will include using bulk samples, up to 15Mt. Testing on smaller portions will be completed to define a flow-sheet, and then a larger test will be completed to determine yields and grades of products.

Figure: Locaton of new significant intercepts 2012 drill program.



Environmental Survey

A second season level 2 Flora and Vegetation survey of M47/1450 was completed during April in accordance with the Environmental Protection Authority's (EPA) Guidance Statement 51 (Terrestrial Flora and Vegetation Surveys for Environmental Impact Assessment in Western Australia). Planning for an initial Level 1 Fauna survey was completed during the June quarter with the survey to proceed during the current quarter. A new heritage survey has now been completed across an area immediately south of the FMG Zion deposit. Clearance for a new programme of works is pending.

Joint Venture Projects

Huckitta JV – Cazaly diluting to 20% - Mithril Resources Ltd (ASX: MTH) earning 80%

The focus of Mithril's work during the quarter was on EL25643 which forms the major part of the newly defined *Illogwa IOCG Target Area (IITA)* where multiple outcropping copper occurrences have recently been discovered by Mithril.

The IITA is now recognised as a ~50km long belt of anastomosing shear zones structures variably characterised by siliceous veining and strong haematite, fluorite and copper mineralisation. The area has not previously been explored for by modern exploration and is considered to represent a major tectonic margin with the potential to host significant copper-gold mineralisation. The mineralisation is consistent with structurally controlled iron–oxide–copper-gold (IOCG) mineralising systems akin to those found within the world class Mount Isa–Cloncurry District of North West Queensland.

Recent field activities have identified a number of new mineral occurrences during the reporting period and include the *Mini Me, El Gordo* and *Nigel* copper prospects. At Mini Me the surface expression of the mineralisation and alteration has been located sporadically over a <u>strike length of 2,000m and is from 2m to 50m wide</u>, as observed by geological mapping and analytical results. The copper bearing sulphide chalcopyrite has been observed at a number of locations at surface at Mini Me suggesting a sulphide source for the copper mineralisation.

The analytical results from eight grab samples taken from mineralised surface outcrops over a 800m strike extent at El Gordo returned copper values ranging from 0.7% to 12.6%, gold values ranging up to 1.0g/t and silver values up to 12.5g/t. In addition to this a channel sample where seven 1-metre continuous surface samples collected from a north-south oriented traverse across one of the mineralised horizons at EL Gordo returned 7 metres grading 0.94% copper.

A major soil sampling program also commenced on a 200m x 400m grid over the southeast portion of EL25643 during the quarter. This program comprised ~800 samples and was analyzed for base metals. This technique has worked well elsewhere in the IITA in locating copper occurrences (ie Austin prospect). Analytical results are expected in late July.

Work planned for the next quarter includes shallow RC drill testing of existing prospects and other targets followed by deeper RC and/or diamond drilling of selected prospects. This drilling will commence once the results from a heritage survey completed during the quarter are received (expected in late July). In addition to this work, geological mapping and sampling will continue and an airborne EM survey (VTEM) is being considered over existing mineralisation and associated structures.

Figure: Illogwa Copper Belt showing Reduced to Pole (RTP) magnetic image and prospects

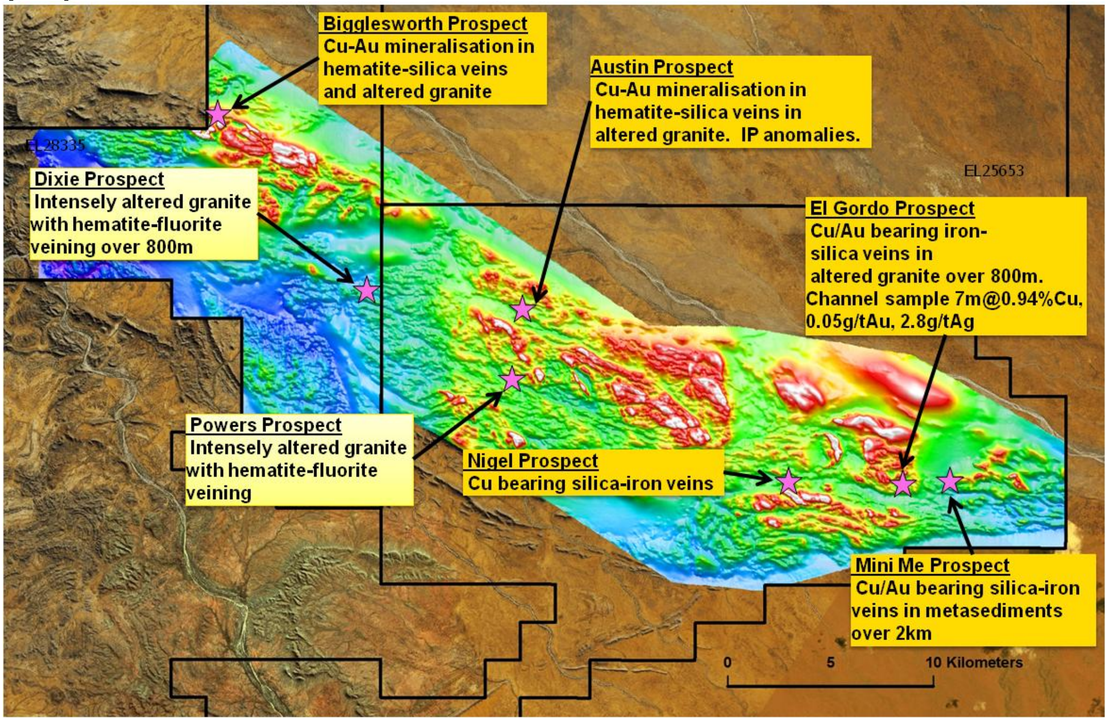


Figure: RTP magnetic image of Southeast portion of the Illogwa Copper belt showing prospects, anomalous copper in rockchips and area of soil sampling

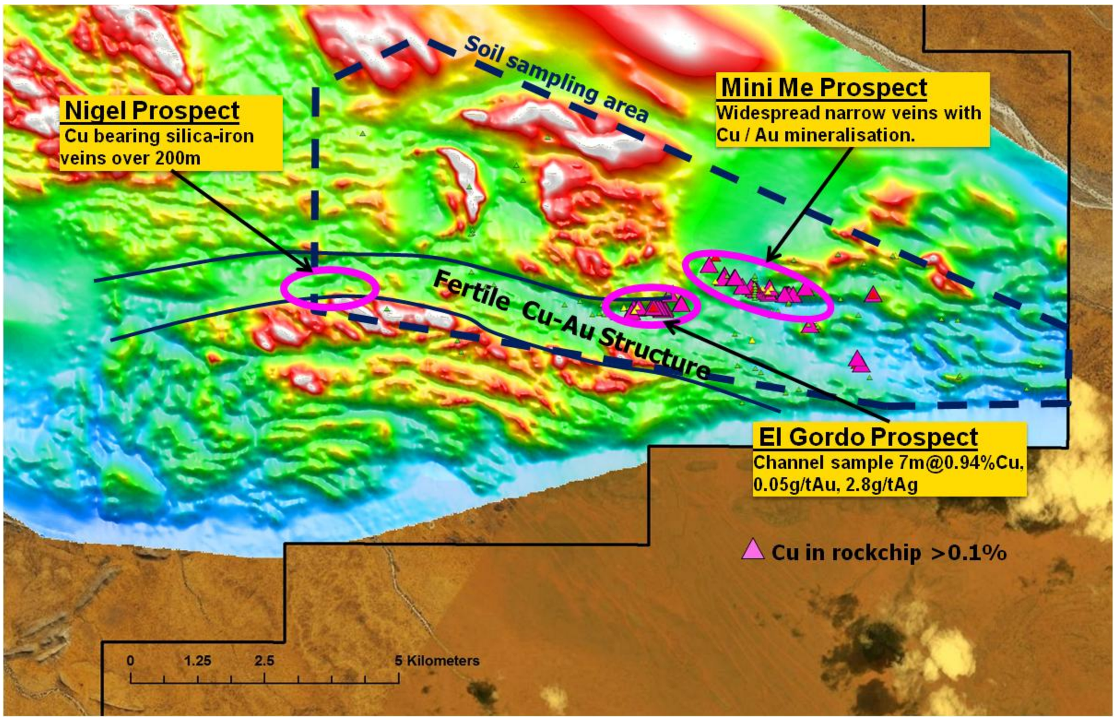


Figure: Fluorite, Massive Haematite and oxidized Chalcopyrite samples from the Illogwa Project

New Project Generation

The Company has continued to review several exploration opportunities during the quarter and has recently applied for an area prospective for gold mineralisation near the Binduli gold project, Kalgoorlie.

The Company has also taken an option to acquire several tenement applications in Europe targeting potential uranium mineralisation.

Competent Persons Statement

The information that relates to exploration targets, exploration results 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 The Australian Institute of Geoscientists respectively and are employees of the Company. The information in this report that relates to the Winmar Deposit Resource Estimate is based on information compiled by Mr Craig Allison who is a Member of the AusIMM and also a full-time employee of Runge Limited. Mr Jones, Mr Horn and Mr Allison 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones, Mr Horn and Mr Allison consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

6. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

The Consolidated Group will also continue to identifying new mineral exploration opportunities within Australia and the rest of the world for further potential acquisitions which may offer value enhancing opportunities for shareholders.

7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Group occurred during the financial period:

On 18 July 2011, the Company issued 1,000,000 ordinary shares to Director, Clive Jones following the exercise of 1,000,000 30 cent Options expiring 30 June 2012.

In July 2011, the Company registered five wholly owned subsidiaries, Caz Yilgarn Pty Ltd; Baker Fe Pty Ltd; Baldock Fe Pty Ltd; Hase Fe Pty Ltd and Lockett Fe Pty Ltd.

On 4 August 2011, the Company announced a conditional sale and an alliance arrangement with an Investment Group over the Parker Range Iron Ore Project. The arrangement allowed for an initial 45 day due diligence and exclusivity period. Subject to being satisfied with its due diligence and the transaction proceeding, the Investment Group is entitled to be issued with a convertible note in the principal amount of $5 million. The arrangement allowed for the payment of an initial $40 million within 6 months of the execution of a formal Sale and Purchase Agreement ("SPA") and a further payment of $55 million upon the earlier of first iron ore being explored or 24 months from signing the SPA. On 26 September 2011, the Company announced it had reached mutual agreement with the Investment Group to extend the due diligence and exclusivity period for the sale of the Parker Range Project by 45 days. Due diligence is on-going however there is no longer exclusivity for the sale to the Investment Group.

On 7 September 2011, the Company appointed Ms Julie Hill to the role of Company Secretary following the resignation of Ms Lisa Wynne.

On 26 September 2011, the Company announced that Cazaly Resources Limited and Vector Resources Limited (ASX:VEC) (collectively the Earaheedy Joint Venture (EJV) signed a farm-in agreement with Anglo American, the global diversified mining house, covering part of EJV's Earaheedy Iron project in the Wiluna region of Western Australia. The Farm-In Agreement relates to an area of approximately 890 km2 and allows for Anglo American to complete an initial "proof of concept" program with a minimum of 7,500m of RC or diamond drilling to be completed as due diligence within 18 months. Following this, Anglo American may earn an initial 51% interest in the project by payment of an initial $1M in cash to the EJV and the expenditure of $20M within 4 years. Anglo American may then earn a total 75% interest in the project by the completion of a Bankable Feasibility Study (BFS) and payment of a further $5M to the EJV. In addition, following delivery of a positive BFS, a success payment of $45M would become payable by Anglo American to the EJV. The EJV may then elect to contribute to project expenditure or dilute to a royalty of 1.25% FOB. Normal industry standard terms also apply.

8. AFTER BALANCE DATE EVENTS

On 22 August 2012 the Consolidated Group acquired 80% of the issued capital in Discovery Minerals Pty Ltd ("Discovery"). Discovery, via its fully owned European subsidiary, has several tenement applications in Europe targeting potential uranium mineralisation.
The purchase was satisfied by payments of $36,719 option fee and $200,000 for the 80% of the issued capital. The financial effect of this transaction has not been brought into account in the 2012 financial statements.

9. ENVIRONMENTAL ISSUES

The Consolidated Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The directors have considered the enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current or subsequent financial year. The directors will reassess this position as and when the need arises.

10. INFORMATION ON DIRECTORS

Nathan McMahon	Managing Director (Corporate and Administration)	
Qualifications	*B.Com*	
Experience	Mr McMahon has provided tenement management advice to the mining industry for approximately 16 years to in excess of 20 public listed mining companies. Mr McMahon has specialised in native title negotiations, joint venture negotiations and project acquisition due diligence. Mr McMahon is a Director of several listed companies.	
Interest in Shares and Options	Fully Paid Ordinary Shares $0.53 Options expiring on 18 October 2010	16,702,939 700,000
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 a Director of several ASX listed companies. He is Chairman of Cortona Resources Ltd., joint Managing Director of Cazaly Resources Ltd and Chairman of Corazon Mining Ltd and a Director of Bannerman Resources Ltd.	
Interest in Shares and Options	Fully Paid Ordinary Shares $0.53 Options expiring on 18 October 2012	9,563,862 100,000

INFORMATION ON DIRECTORS (Cont'd)

Kent Hunter	Non-Executive Director	
Qualifications	*B.Bus, CA.*	
Experience	Mr Hunter is a Chartered Accountant with over 16 years' corporate and company secretarial experience. He has been involved in the listing of over 20 exploration companies on ASX in the past 9 years. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a director of Cazaly Resources Limited and is company secretary of two other ASX Listed entities.	
Interest in Shares and Options	Fully Paid Ordinary Shares -	2,052,103

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	*Company*	*Period of directorship*
Nathan McMahon	Hodges Resources Limited	Since May 2008
	Whinnen Resources Limited	From December 2009 to April 2012
	Winmar Resources Limited	From October 2010 to May 2011
	Catalyst Metals Limited	From July 2008 to September 2009
	Universal Coal PLC	From May 2005 to December 2009
	Dempsey Minerals Limited	Since February 2011
Clive Jones	Corazon Mining Limited	Since February 2005
	Cortona Resources Limited	Since January 2006
	Bannerman Resources Limited	Since January 2007
Kent Hunter	Red Emperor Resources NL	From 2 April 2007 to 1 August 2010
	Cauldron Energy Limited	From November 2002 to 31 March 2011
	Venture Minerals Limited	From May 2006 to July 2009
	Stratum Metals Limited	Since December 2010
	Western Manganese Limited	Since June 2010
	Carbon Conscious Limited	Since November 2010

11. REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director of Cazaly Resources Limited.

Remuneration Policy

The remuneration policy of Cazaly Resources Limited 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. The board of Cazaly Resources Limited 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.

All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

The Consolidated Group is an exploration entity, 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 have been issued to Board members to provide a mechanism to participate in the future development of the Company and an incentive for their future involvement with and commitment to the Company.

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. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

REMUNERATION REPORT (Cont'd) (Audited)

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.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

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.

Details of Remuneration for Year Ended 30 June 2012

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 & commiss-ions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options (i)		
	$	$	$	$	$	$	$	$	$	%
Nathan McMahon – Managing Director (ii)										
2012	180,000	-	-	-	-	-	-	-	180,000	-
2011	180,000	-	-	-	-	-	-		180,000	-
Clive Jones – Managing Director (iii)										
2012	180,000	-	-	-	-	-	-	-	180,000	-
2011	180,000	-	-	-	-	-	-	-	180,000	-
Kent Hunter – Non Executive Director										
2012	27,250	-	-	-	-	-	-	-	27,250	-
2011	27,250	-	-	-	-	-	-	-	27,250	-
Lisa Wynne – Company Secretary (iv)										
2012	-	-	-	37,409	-	-	-	-	37,409	-
2011	-	-	-	59,983	-	-	-	20,173	80,156	25%
Julie Hill – Company Secretary (v)										
2012	-	-	-	41,667	-	-	-	11,396	53,063	21%
2011	-	-	-	-	-	-	-	-	-	-
Total Remuneration										
2012	387,250	-	-	79,076	-	-	-	11,396	477,722	2%
2011	387,250	-	-	59,983	-	-	-	20,173	467,406	4%

i) The fair value of the Options is calculated at the date of grant using a Black-Scholes model.

ii) An aggregate amount of $180,000 (2011:$ 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.

***REMUNERATION REPORT (Cont'd)* (Audited)**

iii) An aggregate amount of $180,000 (2011:$ 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 geological services to the Company.

iv) Fees of $2,409 (2011: $54,772) were paid to Sila Consulting Pty Ltd for the provision of company secretarial services. Ms Wynne is a Director of Sila Consulting Pty Ltd. Fees of $35,000 were paid to Blue Horse Corporate Pty Ltd for the provision of company secretarial services to the Company. Ms Wynne is a director and shareholder of Blue Horse Corporate Pty Ltd.

v) Fees of $41,667 were paid the DZB Pty Ltd, a company controlled by Ms Hill, for the provision of company secretarial services to the company.

Options issued as part of remuneration for the year ended 30 June 2012

No Options were issued to directors as part of their remuneration for the year ended 30 June 2012.

The following Options were issued to executives as part of their remuneration for the year ended 30 June 2012. No cash consideration was paid by the recipients.

	Number Granted	Number Vested	Grant Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $
J Hill	100,000	100,000	14.09.2011	14.09.2013	$0.40	0.114

Employment Contracts of Directors and Senior Executives

The employment conditions of the joint Managing Directors, Nathan McMahon and Clive Jones, are each formalised in contracts of employment. These contracts commenced on 1 July 2010 and have terms of 3 years. 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 finalized at the completion of the 30 June 2012 financial year for the non-executive director. The non-executive director was paid under terms agreed to by a directors' resolution at $27,250 per year.

The employment contracts stipulate a range of one to three-month resignation periods. The Consolidated Group 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.

End of remuneration report.

12. MEETINGS OF DIRECTORS

The number of directors' meetings and resolutions held during the financial year each director held office during the financial year and the number of meetings attended by each director is:

	Directors Meetings	
Director	**Number Eligible to Attend**	**Meetings Attended**
N McMahon	5	5
C Jones	5	5
K Hunter	5	5

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

13. 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 Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company 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 Company has insurance policies in place for Directors and Officers insurance. The premium paid on this policy was $15,540.

14. OPTIONS

Unissued Shares under Option

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

Expiry Date	Exercise Price	Number Under Option	Grant Date
18/10/2012	$0.53	1,600,000	18/10/2010
18/10/2012	$0.53	100,000	04/11/2010
18/10/2012	$0.53	850,000	06/12/2010
18/10/2012	$0.53	250,000	14/12/2010
26/10/2012	$0.45	225,000	26/10/2007
22/05/2013	$0.30	100,000	22/05/2008
14/09/2013	$0.40	100,000	14/09/2011
15/12/2013	$0.28	250,000	15/12/2011
18/03/2014	$0.52	300,000	18/03/2011
18/03/2014	$0.52	200,000	15/04/2011
11/01/2015	$0.33	925,000	12/01/2010
04/02/2015	$0.49	100,000	05/02/2010

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

There have been no unissued shares or interest under option of any controlled entity within the Consolidated Group during or since the reporting date.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

14. OPTIONS (Cont'd)

During the year ended 30 June 2012, the following ordinary shares of Cazaly Resources Ltd were issued on the exercise of options granted. No amounts are unpaid on any of the shares.

	Grant Date	Exercise Price	Number of Shares Issued
Unlisted Options	13/11/2009	$0.30	1,000,000
Unlisted Options	13/11/2009	$0.25	500,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

15. PROCEEDINGS ON BEHALF OF COMPANY

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

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

16. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 21 of the directors' report.

17. 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 2012.

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

28 September 2012

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
Level 1, 12 Kings Park Road
West Perth WA 6005
Australia
PO Box 44
West Perth WA 6872
Australia
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 and Controlled Entities for the financial year ended 30 June 2012, 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

CHRIS WATTS CA
Director

DATED at PERTH this 28th day of September 2012

Kreston International
A global network of independent accounting firms
Chartered Accountants
NUMBER ONE IN NUMBERS
A member of Bentleys, an association of independent accounting firms in Australia.
The member firms of the Bentleys association are affiliated only and not in partnership.
Liability limited by a scheme approved under Professional Standards Legislation.
Accountants
Auditors
Advisors

	Note	2012 $	2011 $
Revenue from continuing operations	2	**730,459**	**1,495,020**
Other Income	2	1,738,608	5,924,380
Employee benefits expense		(439,833)	(488,517)
Depreciation expense		(68,379)	(44,537)
Finance costs		(6,708)	(540,040)
Administrative expense		(598,336)	(564,643)
Legal Fees		(151,284)	(85,069)
Advertising and promotional expenses		(53,353)	(72,015)
Consultancy expenses		(302,063)	(450,871)
Compliance and Regulatory expenses		(176,962)	(140,911)
Occupancy expenses		(292,304)	(356,274)
Written-off exploration expenditure		(1,411,634)	(185,195)
Loss on disposal of shares		(57,274)	(80,846)
Loss on sale of tenements		-	(238,500)
Impairment of financial assets		(996,190)	-
Other expenses		(6,554)	(9,296)
Profit/(Loss) before income tax	3	**(2,091,807)**	**4,162,686**
Income tax (expense)/ benefit	7	216,578	(1,501,305)
Profit /(Loss) from continuing operations		(1,875,229)	2,661,381
Loss from discontinued operations after tax	24	-	(1,379,554)
Profit /(Loss) for the period		**(1,875,229)**	**1,281,825**
Other comprehensive income		-	-
Total comprehensive income attributable to members of the parent entity		**(1,875,229)**	**1,281,825**

	Note	2012 Cents	2011 Cents
Earnings/(loss) per share from continuing and discontinued operations			
Basic earnings/ (loss) per share	19	(1.53)	1.13
Diluted earnings per share	19	(1.53)	1.13
Earnings/(loss) per share from continuing operations:			
Basic earnings/ (loss) per share	19	(1.53)	2.34
Diluted earnings per share	19	(1.53)	2.34
Earnings/(loss) per share from discontinued operations:			
Basic earnings/ (loss) per share	19	-	(1.22)
Diluted earnings per share	19	-	(1.22)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	8	2,847,346	3,948,670
Trade and other receivables	9	666,012	1,215,134
Other assets		18,466	7,509
TOTAL CURRENT ASSETS		3,531,824	5,171,313
NON CURRENT ASSETS			
Trade and other receivables	9	164,650	163,655
Financial assets	10	1,852,157	3,961,462
Property, plant and equipment	11	146,403	130,880
Exploration and evaluation assets	12	19,072,479	17,477,365
Deferred tax assets	7	5,274,863	4,645,192
Other assets		36,719	-
TOTAL NON CURRENT ASSETS		26,547,271	26,378,554
TOTAL ASSETS		**30,079,095**	**31,549,867**
CURRENT LIABILITIES			
Trade and other payables	13	468,764	934,274
Provisions	14	82,432	81,099
TOTAL CURRENT LIABILITIES		551,196	1,015,373
NON CURRENT LIABILITIES			
Deferred tax liabilities	7	5,755,748	5,311,600
TOTAL NON CURRENT LIABILITIES		5,755,748	5,311,600
TOTAL LIABILITIES		**6,306,944**	**6,326,973**
NET ASSETS		**23,772,151**	**25,222,894**
EQUITY			
Issued capital	15	23,711,847	23,145,290
Reserves	16	861,913	1,210,019
Retained earnings/ (Accumulated losses)	17	(801,609)	867,585
TOTAL EQUITY		**23,772,151**	**25,222,894**

The accompanying notes form part of these financial statements.

	Issued Capital	(Accumulated Losses) And Retained Earnings	Option Reserve	Total
	$	$	$	$
Balance at 1 July 2010	**20,348,703**	**(414,240)**	**613,744**	**20,548,207**
Profit for the year	-	1,281,825	-	1,281,825
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	1,281,825	-	1,281,825
Transactions with owners, in their capacity as owners, and other transfers:				
Shares issued during the year	2,829,284	-	-	2,829,284
Transaction costs	(2,348)	-	-	(2,348)
Option reserve	-	-	596,275	596,275
Transfers to retained earnings	(30,349)	-	-	(30,349)
Balance at 30 June 2011	**23,145,290**	**867,585**	**1,210,019**	**25,222,894**
Profit/(Loss) for the year	-	(1,875,229)	-	(1,875,229)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**(1,875,229)**	**-**	**(1,875,229)**
Transactions with owners, in their capacity as owners, and other transfers:				
Shares issued during the year	425,000	-	-	425,000
Option reserve	172,611	206,035	(348,106)	30,540
Tax effect of equity raising cost	(31,054)	-	-	(31,054)
Balance at 30 June 2012	**23,711,847**	**(801,609)**	**861,913**	**23,772,151**

The accompanying notes form part of these financial statements

	Note	2012 $	2011 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,491,499)	(1,250,564)
Interest received		157,614	181,166
Other revenue		525,201	568,270
Payments for exploration and evaluation		(3,146,196)	(9,269,114)
Net cash used in operating activities	20	(3,949,880)	(9,770,242)
Cash Flows From Investing Activities			
Proceeds from sale of exploration assets		994,956	4,162,402
Proceeds from sale of equity investments		1,723,909	162,469
Purchase of plant and equipment		(83,902)	(57,100)
Proceeds from sale of plant and equipment		-	4,573
Purchase of equity investments		(668,068)	(49,000)
Proceeds from disposal of subsidiary	24	-	1,380,000
Recoupment of exploration expenditure from Joint Venture operations		456,016	1,923,055
Proceeds for Joint Venture Management		645	97,121
Net cash provided by investing activities		2,423,556	7,623,520
Cash Flows from Financing Activities			
Proceeds from borrowings		-	2,550,000
Repayment of borrowings		-	(2,672,145)
Proceeds from issue of securities		425,000	2,829,284
Payment for costs of issue of securities			(2,349)
Net cash provided by financing activities		425,000	2,704,790
Net increase/(decrease) in cash held		(1,101,324)	558,068
Cash and cash equivalents at beginning of the financial year		**3,948,670**	**3,390,602**
Cash and cash equivalents at end of the financial year	8	**2,847,346**	**3,948,670**

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 and Controlled Entities (the "consolidated group" or "group"). Cazaly Resources Limited is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Cazaly Resources Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001.*

The financial statements were authorised for issue on 28 September 2012 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.

Going Concern

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.

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 for the year of $1,875,229 (2011: Profit of $1,281,825) and net cash outflows from operating of $3,949,880 (2011: $9,770,242).

The Group has lease and exploration commitments of $2,634,676 (2011: $920,427) 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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 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 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.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination on of the combining entities must be identified as the acquirer i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of a non-controlling interest to be recognised in the acquiree where less than 100% ownership inters is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(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%
Leasehold improvements	Term of Lease

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 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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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).

(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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

(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).

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 Resources Limited 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. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2004.

(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.

(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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Share 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 company'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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Royalty Assets

Royalty assets are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

(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, using the assumptions detailed in note 28.

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.

2. REVENUE & OTHER INCOME

	2012 $	2011 $
Revenue		
- interest received	183,972	179,093
- option fees	137,501	650,545
- management fees	645	97,121
- recoupment of office costs on-charged	408,341	338,261
- other revenue	-	230,000
	730,459	1,495,020
Other Income		
- profit on sale of tenement	457,455	5,393,636
- contingent payment received on sale of subsidiary in prior year	400,000	-
- research & development tax refund	881,153	-
- net gain on financial assets at fair value through profit or loss		
- held for trading	-	530,744
	1,738,608	5,924,380

3. PROFIT (LOSS) FOR THE YEAR

Profit (loss) before income tax from continuing operations

Includes the following specific expenses:

	2012 $	2011 $
Expenses		
Borrowing costs		
- other persons	-	90,958
- director related entities	-	40,817
- share based payment	-	408,265
	-	540,040
Depreciation of non-current assets		
- plant and equipment	56,569	29,353
- motor vehicle	11,810	15,184
	68,379	44,537
Rental expense on operating leases		
- minimum lease payments	178,419	21,520
Loss on sale of tenements	-	238,500
Net loss on financial assets held for trading	57,274	80,846
Exploration expense written off	1,411,634	185,195
Employee benefits:		
- Superannuation benefits	19,345	16,290
- Employee equity settled benefits	30,527	156,549

4. INTERESTS OF KEY MANAGEMENT PERSONNEL ("KMP")

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 2012.

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

	2012 $	2011 $
Short-term employee benefits	466,326	447,233
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based payments	11,396	20,173
	477,722	467,406

No compensation was paid in respect to termination benefits

b) KMP Shareholdings

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

30 June 2012	Balance 1 July 2011	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2012
N McMahon	14,463,530	-	-	1,749,409	16,212,939
C Jones	8,563,862	-	1,000,000	-	9,563,862
K Hunter	2,052,103	-	-	-	2,052,103
	25,079,495	-	1,000,000	1,749,409	27,828,904

30 June 2011	Balance 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2011
N McMahon	9,526,554	-	1,678,803	3,258,173	14,463,530
C Jones	7,566,802	-	850,002	147,058	8,563,862
K Hunter	1,830,757	-	221,346	-	2,052,103
	18,924,113	-	2,750,151	3,405,231	25,079,495

5. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (cont'd)

c) KMP Option and Rights Holdings

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

Number Options held by Directors and Executives:

	Balance 1 July 2011	Issued	Exercised	Lapsed	Balance 30 June 2012	Vested during the year	Vested and exercisable	Vested and unexercis-able
Nathan McMahon	700,000	-	-	-	700,000	-	700,000	-
Clive Jones	1,100,000	-	(1,000,000)	-	100,000	-	100,000	-
Kent Hunter	250,000	-	-	(250,000)	-	-	-	-
Lisa Wynne	325,000	-	-		325,000	-	325,000	-
Julie Hill	-	100,000			100,000	100,000	100,000	-
	2,375,000	100,000	(1,000,000)	(250,000)	1,225,000	100,000	1,225,000	-

d) Compensation Options

No compensation options were issued to directors or executives for the reporting period ending 30 June 2012.

e) Shares issued on exercise of compensation options

	Date of exercise of options		Number of ordinary shares issued on exercise of options during the year	
	2012	2011	2012	2011
N McMahon	-	25 August 2010		1,000,000
C Jones	18 July 2011	-	1,000,000	-
K Hunter	-	-	-	-

f) Other KMP transactions

During the year ended 30 June 2011, directors N McMahon and C Jones provided a bridging facility, in conjunction with other sophisticated investors. The terms of the facility included an interest (cash paid) component and an equity component. For details of interest paid, refer to Note 3, for details of the equity based payment refer to Note 28. All loans were on the same arm's length transactions as those made to other sophisticated investors.

6. AUDITORS' REMUNERATION

	2012 $	2011 $
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	65,965	64,142
	65,965	64,142

7. INCOME TAX EXPENSE

	2012 $	2011 $
The components of the tax expense/(income) comprise:		
Current tax		-
Deferred tax	(216,578)	1,501,305
	(216,578)	1,501,305

(a) Numerical reconciliation of income tax expense to prima facie tax payable:

	2012 $	2011 $
Profit from continuing operations	(2,091,807)	4,162,686
Loss from discontinuing operations	-	(1,379,554)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2011: 30%)	(627,542)	834,940
Add:		
Tax effect of:		
Derecognition of losses on sale of subsidiary	-	865,399
Movement in unrecognised temporary differences	355,090	-
Under provision in prior year	284,398	
Other non-allowable items	65,809	384,399
Less:		
Tax effect of:		
Tax benefit of deductible equity raising costs	(31,054)	(31,054)
Non-assessable income	(263,279)	-
Recognition of previously unrecognised prior year tax losses	-	(552,379)
Income tax benefit attributable to entity	(216,578)	1,501,305

7. INCOME TAX EXPENSE (Cont'd)

	2012 $	2011 $
(b) Deferred tax assets at 30% (2011: 30%) comprise the following		
Carry forward revenue losses	4,824,131	4,042,781
Carry forward capital losses	-	-
Unrealised Fair Value Adjustment	-	141,416
Capital raising and future black hole deductions	104,937	194,397
Provisions and accruals	265,701	40,836
Other	80,094	225,762
	5,274,863	4,645,192
Deferred tax liabilities at 30% (2011: 30%) comprise the following		
Exploration expenditure	5,746,113	5,224,653
Investments	-	85,089
Other	9,635	1,858
	5,755,748	5,311,600
(c) Deferred tax recognised directly in equity:		
Relating to equity raising costs	(31,054)	(30,349)
Other	-	-
	(31,054)	(30,349)
(d) Unrecognised deferred tax assets at 30% (2011: 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	355,090	-
Other	-	-
	355,090	-

8. CASH AND CASH EQUIVALENTS

	2012 $	2011 $
Cash at bank	313,432	819,854
Petty cash	495	495
Deposits at call (i)	2,533,419	3,128,321
	2,847,346	3,948,670

(i) The effective interest rate on short-term bank deposits was 5.67% (2011:5.31%); these deposits-have an average maturity of 96 days.

9. TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Current		
Trade receivables	67,082	380,976
Other debtors	598,930	834,158
	666,012	1,215,134
Non-Current		
Bonds (i)	164,650	163,655
	164,650	163,655

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

Trade receivables have 30 to 90 day terms

10. FINANCIAL ASSETS

	2012 $	2011 $
Current		
Financial assets, at fair value through profit or loss:		
Held-for-trading Australian listed shares	1,852,157	3,961,462
	1,852,157	3,961,462

11. PROPERTY, PLANT AND EQUIPMENT

	2012 $	2011 $
Land & Property at Cost	5,000	-
Plant and Equipment		
At cost	293,796	229,076
Accumulated depreciation	(212,626)	(166,991)
	81,170	62,085
Office Furniture and Equipment		
At cost	42,703	32,803
Accumulated depreciation	(23,149)	(16,497)
	19,554	16,306
Motor Vehicle		
At cost	68,287	68,287
Accumulated depreciation	(27,608)	(15,798)
	40,679	52,489
Leasehold Improvement		
At cost	5,344	5,344
Accumulated amortisation	(5,344)	(5,344)
	-	-
	146,403	130,880

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

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	2012 $				
	Land & Property	Plant and Equipment	Office Furniture	Motor Vehicles	Total
Balance at the beginning of the year	-	62,085	16,306	52,489	130,880
• Additions	5,000	71,786	7,117	-	83,903
• Disposals	-	(7,065)	-	-	(7,065)
• Depreciation expense	-	(45,636)	(3,869)	(11,810)	(61,315)
Carrying amount at the end of the year	5,000	81,170	19,554	40,679	146,403

	2011 $				
	Land & Property	Plant and Equipment	Office Furniture	Motor Vehicles	Total
Balance at the beginning of the year	-	31,898	23,318	67,674	122,890
• Additions	-	57,100	-	-	57,100
• Disposals	-	(1,249)	(3,324)	-	(4,573)
• Depreciation expense	-	(25,664)	(3,688)	(15,185)	(44,537)
Carrying amount at the end of the year	-	62,085	16,306	52,489	130,880

12. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS	2012 $	2011 $
Non-Current		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases at cost	19,072,479	17,477,365
Royalty assets		-
	19,072,479	17,477,365
Movement – exploration and evaluation		
Brought forward	17,477,365	12,036,805
Exploration expenditure capitalised during the year	3,027,119	8,594,268
Disposals	-	(557,494)
Recoupment of exploration expenditure from joint venture partners	(20,371)	(2,411,019)
Assets classified as non-current assets held for sale	-	-
Exploration expenditure written off	(1,411,634)	(185,195)
	19,072,479	17,477,365

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

- the continuance of the Consolidated group 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.

The Consolidated group exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

	2012 $	2011 $
13. *TRADE AND OTHER PAYABLES*		
Current		
Trade creditors	344,460	860,551
Other creditors and accrued expenses	124,304	73,723
	468,764	934,274

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

14. *PROVISIONS*

Current		
Provision for annual leave	48,571	52,631
Provision for long service leave	33,861	28,468
	82,432	81,099

15. *ISSUED CAPITAL*

122,589,125 fully paid ordinary shares (2011: 121,089,125) with no par value	23,711,847	23,145,290

a. *Movements in Ordinary Shares*

	Notes	Number of shares	Issue price	$
Opening balance at 1 July 2011		121,089,125		23,145,290
Unlisted options exercised	(i)	1,000,000	$0.30	300,000
Unlisted options exercised	(ii)	500,000	$0.25	125,000
Option reserve				172,611
Tax effect of equity raising costs	(iii)			(31,054)
Closing balance at 30 June 2012		122,589,125		23,711,847

(i) On 15 July 2011, the Company issued 1,000,000 ordinary shares to Director, Clive Jones following the exercise of 1,000,000 unlisted options exercisable at 30 cents each.

(ii) On 11 October 2011, the Company issued 500,000 ordinary shares following the exercise of 5 00,000 unlisted options exercisable at 25 cents each.

(iii) Deferred tax recognised directly in equity relating to equity raising costs.

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.

15. ISSUED CAPITAL (Cont'd)

b. Capital risk management

Management controls the capital of the Group when managing capital their intentions are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. Management's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group at 30 June 2012 and 30 June 2011 are as follows:

	2012 $	2011 $
Cash and cash equivalents	2,847,346	3,948,670
Trade and other receivables	666,012	1,215,134
Financial assets	1,852,157	3,961,462
Trade and other payables	(468,764)	(934,274)
Working capital position	4,896,751	8,190,992

16. OPTION RESERVE

	2012 $	2011 $
	861,913	1,210,019

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

17. RETAINED EARNINGS/ (ACCUMULATED LOSSES)

	2012 $	2011 $
Opening balance	867,585	(414,240)
Net profit/(loss) attributable to members	(1,875,229)	1,281,825
Transfers from option reserve	206,035	-
Closing balance	(801,609)	867,585

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.

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 $2,847,346 (2011: $3,948,670).

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.

18. *FINANCIAL RISK MANAGEMENT (Cont'd)*

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk as at 30 June 2012:

2012	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2012 Total $
Financial assets					
Cash and cash equivalents	313,432	2,533,419	-	495	2,847,346
Trade and other receivables	-	164,650	-	666,012	830,662
Financial assets – held for trading	-	-	-	-	1,852,157
	313,432	2,698,069	-	666,507	5,530,165
Weighted average Interest rate	-	5.57%	-		
Financial Liabilities					
Trade and other payables				468,764	468,764
				468,724	468,724
Weighted average interest rate					

The following table details the Group's exposure to interest rate risk as at 30 June 2011:

2011	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2011 Total $
Financial assets					
Cash and cash equivalents	819,854	3,128,321	-	495	3,948,670
Trade and other receivables	-	163,655		1,215,134	1,378,789
Financial assets – held for trading	-	-	-	3,961,462	3,961,462
	819,854	3,291,976	-	5,177,091	9,288,921
Weighted average Interest rate	-	5.31%	-		
Financial Liabilities					
Trade and other payables				934,274	934,274
				934,274	934,274
Weighted average interest rate					

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:

	2012		2011	
	Carrying Amount $	**Net fair Value $**	**Carrying Amount $**	**Net fair Value $**
On-balance sheet financial instruments				
Financial assets				
Cash and deposits	2,847,346	2,847,346	3,948,670	3,948,670
Receivables	830,662	830,662	1,378,789	1,378,789
Investment held for trading	1,852,157	1,852,157	3,961,462	3,961,462
	5,530,165	5,530,165	9,288,921	9,288,921
Financial liabilities				
Payables	468,764	468,764	934,274	934,274
	468,764	468,764	934,274	934,274

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 2012, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2012 $	**2011 $**
Change in loss		
— Increase in interest rate by 100 basis points	28,474	39,487
— Decrease in interest rate by 100 basis points	(28,474)	(39,487)
Change in equity		
— Increase in interest rate by 100 basis points	28,474	39,487
— Decrease in interest rate by 100 basis points	(28,474)	(39,487)

19. EARNINGS PER SHARE

	2012 $	2011 $
a) Reconciliation of earnings to profit or loss:		
Profit/(loss)	(1,875,229)	1,281,825
Earnings used to calculate basic and diluted EPS	(1,875,229)	1,281,825
b) Reconciliation of earnings to profit or loss from continuing operations:		
Profit/(loss) from continuing operations	(1,875,229)	2,661,380
Earnings used to calculated basic and diluted EPS from continuing operations	(1,875,229)	2,661,380
c) Reconciliation of earnings to profit of loss from discontinued operations:		
Profit/(loss) from discontinued operations	-	(1,379,554)
Earnings used to calculated basic and diluted EPS from discontinued operations	-	(1,379,554)
	No. of Shares	**No. of Shares**
d) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	122,402,825	112,950,184
Weighted average number of dilutive options outstanding	8,621	946,341
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	122,411,446	113,896,525
e) Diluted earnings per share is not reflected for discontinued operations as the result is anti-dilutive in nature.	-	-
f) Anti-dilutive options on issue not used in dilutive EPS calculation	-	-

20. CASH FLOW INFORMATION

	2012 $	2011 $
(i) Reconciliation of cash flows from operating activities with profit/(loss) after income tax		
Profit/(Loss) after income tax	(1,875,229)	1,281,825
Non-operating cash flows in loss for the year:		
Depreciation	68,379	44,537
Finance costs on loans	-	530,410
Net Loss on sale of shares	57,274	80,846
Net Profit on sale of exploration assets	(994,956)	(5,805,683)
Net loss on disposal of controlled entity	-	1,379,554
Employee & Consultant equity settled transactions	30,527	188,011
Fair value adjustment to investments	996,190	(530,744)
Exploration write-off	1,411,634	185,195
Management fees received	(645)	(97,121)
Changes in assets and liabilities:		
Decrease/(increase) in trade receivables and prepayments	101,525	(345,645)
Increase/(decrease) in trade payables, accruals and employee entitlements	(464,174)	57,818
Increase/(decrease) in provisions	-	10,230
Decrease/(increase) in exploration	(3,063,838)	(8,250,780)
Decrease/(increase) in deferred tax assets	(629,671)	289,514
(Decrease)/increase in deferred tax liabilities	413,094	1,211,791
Cash outflow from operations	(3,949,890)	(9,770,242)
(ii) Non-cash financing and investing activities	-	596,275
Share based payments (note 28)		

21. COMMITMENTS

On 25 February 2010, the Group entered into a lease agreement with CB Richard Ellis (C) Pty Ltd for the premises at Level 2, 38 Richardson Street, West Perth, Western Australia. The initial term, is for three (3) years expiring on 1 April 2013 in consideration for a rental fee of $216,804 per annum.

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:

	2012 $	2011 $
No longer than one year	2,417,872	703,623
Longer than one year, but not longer than five years	5,443,424	3,232,591
Longer than five years	-	-
	7,861,296	3,936,214

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

Parent Entity	Country of Incorporation	Percentage Owned 2012	2011
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%	-
Baldock Fe Pty Ltd	Australia	100%	-
Lockett Fe Pty Ltd	Australia	100%	-
Hase Fe Pty Ltd	Australia	100%	-
Caz Yilgarn Pty Ltd	Australia	100%	-

23. OPERATING SEGMENTS

The Group operates predominantly in one geographical segment, being Western Australia, and in one business segment, mineral mining and exploration and substantially all of the entity's resources are deployed for this purpose.

Segment Information

Identification of reportable 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.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics

Types of reportable segments

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.

Corporate

Corporate, including treasury, corporate and regulatory expenses arising from operating an ASX listed entity. Segment assets, including cash and cash equivalents, and investments in financial assets are reported in this segment.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

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.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities.

23. OPERATING SEGMENTS (Cont'd)

(i) Segment performance	Exploration $	Corporate $	Total $
30 June 2012:			
Total segment revenue	2,285,095	183,972	2,469,067
Reconciliation of segment revenue to total revenue:			
Inter-segment elimination			-
Unallocated revenue			-
Revenue from discontinued operations			-
Total group revenue			2,469,067
Segment net profit/(loss) before tax	796,989	(869,491)	(72,502)
Reconciliation of segment result to group net (loss) before tax:			
Amounts not included in segment result but reviewed by the Board:			
Unallocated items:			
Employee benefits			(439,833)
Occupancy costs			(292,304)
Consultants			(302,063)
Other			(985,105)
Net gain before tax from continuing operations			(2,091,807)
30 June 2011:			
Total segment revenue	5,745,287	179,084	5,924,380
Reconciliation of segment revenue to total revenue:			
Inter-segment elimination			-
Unallocated revenue			-
Revenue from discontinued operations			-
Total group revenue			5,924,380
Segment net profit/(loss) before tax	4,908,206	(139,929)	4,768,277
Reconciliation of segment result to group net (loss) before tax:			
Amounts not included in segment result but reviewed by the Board:			
Unallocated items:			
Employee benefits			(488,517)
Occupancy costs			(356,274)
Consultants			(336,004)
Other			(926,101)
Net gain before tax from continuing operations			2,661,381

23. OPERATING SEGMENTS (Cont'd)	**Exploration**	**Corporate**	**Total**
	$	**$**	**$**
(ii) Segment assets			
30 June 2012:			
Segment assets	19,072,479	5,731,753	24,804,232
Segment asset increases for the period:			
Capital expenditure	3,027,119	-	3,027,119
Acquisitions	36,719	668,068	704,787
Interest received	-	183,972	183,972
Capital raising	-	425,000	425,000
	3,063,838	1,277,040	4,340,878
Reconciliation of segment assets to total assets:			
Inter-segment eliminations			
Unallocated assets:			-
Deferred tax assets			5,274,863
Other assets			-
Total assets from continuing operations			30,079,095
30 June 2011:			
Segment assets	17,477,364	9,427,311	26,904,675
Segment asset increases for the period:			
Capital expenditure	9,269,114	-	9,269,114
Acquisitions		49,000	49,000
Interest received	-	179,093	179,093
Capital raising	-	2,829,284	2,829,284
	9,269,114	3,057,377	12,326,491
Reconciliation of segment assets to total assets:			
Inter-segment eliminations			
Unallocated assets:			-
Deferred tax assets			4,645,192
Other assets			-
Total assets from continuing operations			31,549,867
(iii) Segment liabilities			
30 June 2012:			
Segment liabilities	-	-	-
Reconciliation of segment liabilities to liabilities:			
Inter-segment eliminations			-
Unallocated liabilities:			
Deferred tax liabilities			5,755,748
Other liabilities			551,196
Total liabilities from continuing operations			6,306,944

23. OPERATING SEGMENTS (Cont'd)

	Exploration	Corporate	Total
30 June 2011:	**$**	**$**	**$**
Segment liabilities	-	-	-
Reconciliation of segment liabilities to liabilities:			
Inter-segment eliminations			-
Unallocated liabilities:			
Deferred tax liabilities			5,311,600
Other liabilities			1.015,373
Total liabilities from continuing operations			6,326,973

24. DISCONTINUED OPERATIONS

(a) On 17 June 2010, the Company announced that it had signed an agreement with Phoenix Gold Pty Ltd ("Phoenix") to sell its West Kalgoorlie Gold assets, including the 100% owned subsidiary Hayes Mining Pty Ltd. The sale was conditional on Phoenix receiving approval from the ASX for admission of its securities to the official list and obtaining ministerial consents for tenement transfers to Phoenix.

Hayes Mining Pty Ltd was sold on 22 December 2010.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of sale which is included in profit/ (loss) from discontinued operations per the statement of comprehensive income is nil.

	2012	2011
	$	**$**
Net loss on disposal of Hayes Mining Pty Ltd	-	1,379,554

Loss on disposal of the subsidiary included in loss from discontinued operations per the statement of comprehensive income.

The net cash flows of the discontinuing division which have been incorporated into the cash flow statement are as follows:

Cash consideration for sale of Hayes Mining Pty Ltd	-	1,380,000

(b) Discontinued Operations - Income Tax Expense of $1,379,554

The income tax expense recognised in the prior period is due to the deferred tax liability that was building up within Hayes. The tax losses were transferred to Cazaly on sale, as Cazaly did not have income to offset them against these losses the group derecognised these assets and booked a tax loss.

25. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 August 2012 the Consolidated Group acquired 80% of the issued capital in Discovery Minerals Pty Ltd ("Discovery"). Discovery, via its fully owned European subsidiary, has several tenement applications in Europe targeting potential uranium mineralisation.
The purchase was satisfied by payments of $36,719 option fee and $200,000 for the 80% of the issued capital. The financial effect of this transaction has not been brought into account in the 2012 financial statements.

26. PARENT ENTITY DISCLOSURES

	2012 $	2011 $
(a) Statement of financial position		
Assets		
Current assets	3,345,207	5,073,936
Non-current assets	7,092,567	9,075,259
Total assets	10,437,774	14,149,195
Liabilities		
Current liabilities	551,197	1,015,370
Non-current liabilities	140,115	550,829
Total liabilities	691,312	1,566,199
Equity		
Issued capital	23,711,848	23,145,288
Reserves:		
Equity settled employee benefits	861,938	1,210,019
Retained profits	(14,827,324)	(11,772,311)
Total Equity	9,746,462	12,582,996
(b) Statement of comprehensive income		
Total profit/ (loss)	(3,261,045)	5,432,207
Total comprehensive income	(3,261,045)	5,432,207
(c) Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries	-	-
(d) Contingent Liabilities of the Parent Entity	-	-
(e) Commitments for the Acquisition of Property, Plant and Equipment by the Parent Entity	-	-

Loans to Controlled Entities

Loans are provided by the Parent Entity 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.

27. *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.

Transactions with related entities:

(i) Director related Entities

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

Mr McMahon was at any time during the financial years ended 30 June 2012 and 30 June 2011, a director and shareholder of Hodges Resources Limited ("Hodges"), Winmar Resources Limited ("Winmar"), Dempsey Minerals Limited ("Dempsey") and Whinnen Resources Limited ("Whinnen"). Hodges, Dempsey and Whinnen have an agreement based on normal commercial terms and conditions to reimburse Cazaly for office rental and administration and overheads. Winmar and Cazaly Iron Pty Ltd have entered into a farm-in agreement whereby Winmar has the right to earn-in to an initial 51% interest in the Hamersley Iron Ore project. Winmar paid a non-refundable option fee of $400,000 and $3.1million in cash and 2.5 million Winmar shares in consideration for the right to earn-in under the agreement. Under the terms of the agreement the Cazaly group is managing the exploration activities at the Hamersley Iron Ore project and re-coups all exploration expenditure from Winmar plus a management fee.

Mr Jones was at any time during the financial years ended 30 June 2012 and 30 June 2011, a director and shareholder of Cortona Resources Limited ("Cortona") Cortona had an agreement based on normal commercial terms and conditions to reimburse Cazaly for office rental and administration and overheads.

Aggregate amounts of each of the above types of other transaction with related parties of Cazaly Resources Limited:

	2012 $	2011 $
Sales		
Rent, administrative and office overheads:		
• Hodges Resources Limited	119,719	81,781
• Dempsey Minerals Limited	80,767	-
• Cortona Resources Limited	-	11,349
• Whinnen Resources Limited	18,223	47,098
Consideration received from Winmar Resources Limited under farm-in agreement		
• Cash consideration and option fees	-	3,500,000
• Value of equity securities received	-	500,000
	-	4,000,000
On-charge of exploration under joint venture arrangements:		
• Winmar Resources Limited	387,237	2,218,324

28. SHARE BASED PAYMENTS

Options are issued to vendors as part of purchase consideration and also to directors and employees as part of their remuneration as disclosed in Note 4. The options issued may be subject to performance criteria, and are issued to directors and employees of Cazaly Resources Limited to increase goal congruence between executives, directors and shareholders.

On 29 September 2010, the Company announced that it had entered into a bridging facility with a range of Institutions, Sophisticated Investors and Directors to provide a loan amount of a minimum of A$2 million and maximum of A$4 million. Kingsreef Pty Ltd provided $700,000 and Widerange Corporation Limited provided $100,000 to the Company by way of short-term finance under the facility. Kingsreef Pty Ltd is an entity controlled by Mr Nathan McMahon and Widerange Corporation Pty Ltd is an entity controlled by Mr Clive Jones, both of whom are Directors and therefore are related parties of the Company. The finance provided by Messers McMahon and Jones was based on the same arm's length terms as the other lenders.

The bridging facility was arranged as a short-term finance for the purpose of allowing for completion of the Parker Range Bankable Feasibility Study, Parker Range environmental, mining and other permitting activities and for general working capital requirements. The Company has drawn down A$2,550,000 under the facility.

In accordance with the terms of the bridging facility, the Company issued 2,550,000 Options exercisable at 53 cents, expiring 18 October 2012. The Options were issued on the basis of 100,000 Options for every $100,000 drawn down.

The following table illustrates the number and weighted average exercise prices of and movements in share options issued under Share Based Payment Scheme during the year:

	2012		2011	
	Number of Options	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
At beginning of reporting period	9,775,000	0.43	6,475,000	0.35
Granted during the period				
Employee & consultants options	350,000	0.31	4,300,000	0.53
Director remuneration	-	-	-	-
Exercised during the period	(1,500,000)	0.28	(1,000,000)	0.30
Expired during the period	(4,550,000)	0.42	-	-
Balance the end of reporting period	5,075,000	0.47	9,775,000	0.44
Exercisable at end of reporting period	5,075,000		9,775,000	

(i) The compensation options outstanding at 30 June 2012 had a weighted average exercise price between $0.28 and $0.53 and a weighted average remaining life between 3 months and 2 ½ years.

(ii) The respective weighted average fair values of options granted during 2012 were $0.0872.

(iii) Included under employee benefits expense and consultancy expenses in the Statement of Comprehensive Income is $30,527 (2011: $156,549), and relates to equity-settled payment transactions.

28. SHARE BASED PAYMENTS (Cont'd)

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Bridging Facility	1,600,000	18/10/2010	18/10/2012	$0.53	$0.1755
Bridging Facility	100,000	4/11/2010	18/10/2012	$0.53	$0.1435
Bridging Facility	850,000	6/12/2010	18/10/2012	$0.53	$0.1331
Employees & Consultants	250,000	14/12/2010	18/10/2012	$0.53	$0.1258
Employees & Consultants	300,000	18/3/2011	18/3/2014	$0.52	$0.1345
Consultant	200,000	15/4/2011	18/3/2014	$0.52	$0.1641
Consultant	1,000,000	15/4/2011	30/6/2012	$0.55	$0.0834
Consultant	100,000	14/9/2011	14/9/2013	$0.40	$0.1140
Employee	250,000	15/12/2011	15/12/2013	$0.28	$0.0765

The following share options were exercised during the year:

Option series	Number exercised	Exercise date	Share price at exercise date
Granted 13 November 2009	1,000,000	5/7/2011	$0.345
Granted 13 November 2009	500,000	11/10/2011	$0.285
	1,500,000		

The fair value of the options granted is determined by using the Black-Scholes methodology. The following table lists the inputs to the models used for period ended 30 June 2012:

Allottees	Fair Value at Grant Date	Estimated Volatility	Life of Option (yrs)	Exercise Price	Share Price	Risk Free Interest Rate
Consultant	$0.1140	73%	2.00	$0.40	$0.32	4.75%
Employee	$0.0765	73%	2.00	$0.0.28	$0.22	4.25%

The expected volatility is based on the historical volatility (based on remaining life of the options), adjusted for any expected changes to future volatility based on publicly available information.

29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are currently no other contingent liabilities or contingent assets outstanding at the end of the year.

30. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting Years and which the consolidated entity has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

AASB Reference	Title and Description	Effective date (i.e. annual reporting periods ending on or after)	Likely impact
AASB 2011-9	*Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]* This standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially classifiable to profit or loss subsequently (reclassification adjustments).	30 June 2013	Impacts on separating components in other comprehensive income between reclassification and non-reclassification adjustments
AASB 2011-4	*Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel* *Disclosure Requirements [AASB 124]* This standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.	30 June 2014	This will result in the removal of various key management personnel disclosures relating to disclosing entities within the financial report.

30. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS (Cont'd)

AASB 9	*Financial instruments* AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) - The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11	31 December 2013	Depending on assets held, there may be significant movement of assets between fair value and cost categories and ceasing of impairment testing on available for sale assets. If the entity holds any 'own credit risk' financial liabilities, the fair value gain or loss will be incorporated in the OCI, rather than profit or loss, unless accounting mismatch.

30. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS (Cont'd)

AASB 10	*Consolidated Financial Statements* AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 127.	31 December 2013	Entities most likely to be impacted are those that: - have significant, but not a majority equity interests in other entities; - hold potential voting rights over investments , such as options or convertible debt.
AASB 11	*Joint Arrangements* AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG- 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB128.	31 December 2013	For entities, that have joint ventures that have been previously accounted using proportionate consolidation, they will need to change to equity accounting.
AASB 12	*Disclosure of Interests in Other Entities* AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	31 December 2013	There are some additional enhanced disclosures centred around significant judgements and assumptions made around determining control, joint control and significant influence.

30. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS (Cont'd)

AASB 13	*Fair Value Measurement* AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	31 December 2013	For financial assets, AASB 13's guidance is broadly consistent with existing practice. It will however also apply to the measurement of fair value for non-financial assets and will make a significant change toexisting guidance in the applicable standards.
AASB 119	*Employee Benefits* The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn. Consequential amendments were also made to other standards via AASB 2011-10.	31 December 2013	Only impacts entity's which have any defined benefit plans, and the removal of the deferral of gains and losses under the corridor approach.
Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine* This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.	1 January 2013	

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 on pages 22 to 62, 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 2012 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,
28 September 2012

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd

Level 1, 12 Kings Park Road
West Perth WA 6005
Australia

PO Box 44
West Perth WA 6872
Australia

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 consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 and fair presentation of the financial report 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 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 and fair presentation of the financial report 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 followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the Company and Consolidated Entity's financial position as at 30 June 2012 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 report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2012. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Cazaly Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 28th day of September 2012

Shareholding

The distribution of members and their holdings of equity securities in the company as at 19 September 2012 were as follows:

	Class of Equity Securities
Number Held as at 19 September	**Fully Paid Ordinary Shares**
1-1,000	308
1,001 - 5,000	883
5,001 – 10,000	515
10,001 - 100,000	872
100,001 and over	183
TOTALS	2,761

Substantial Shareholders

Substantial shareholders in the Company are set out below

Shareholder	Number
Nathan McMahon	15,828,560
Clive Jones	7,566,802

Unquoted Securities

Class of Equity Security	Exercise Price	Number Under Option	Number of Security Holders
18 October 2012	$0.53	2,800,000	15
26 October 2012	$0.45	225,000	2
22 May 2013	$0.30	100,000	1
6 July 2013	$0.30	750,000	1
14 September 2013	$0.40	100,000	1
15 December 2013	$0.28	250,000	1
18 March 2014	$0.52	500,000	3
11 January 2015	$0.33	925,000	5
4 February 2015	$0.49	100,000	1

Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each
- member present at a meeting or by proxy has one vote on a show of hands.

Quoted and Unquoted Options

- These options have no voting rights.

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 19 September 2012 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Kingsreef Pty Ltd <NB & DL Family A/C>	10,994,363	8.968
New Page Investments Limited	8,000,000	6.526
Clive Bruce Jones	6,135,004	5.005
Nathan McMahon	4,455,005	3.634
Clive Jones <The Alyse Investment A/C>	2,500,001	2.039
GGDT Developments Pty Ltd	2,500,000	2.039
Debra McMahon	1,552,595	1.267
HSBC Custody Nominees (Australia) Limited	1,535,781	1.253
Peter Anastasiou & Kristine Anastasiou	1,509,770	1.232
Kent Michael Hunter	1,311,352	1.070
Citicorp Nominees Pty Limited	1,077,500	0.879
Appolinax Inc	1,000,000	0.816
Fusion Resources Pty Ltd	1,000,000	0.816
UBS Wealth Management Australia Nominees Pty Ltd	920,975	0.751
Texas Woods Pty ltd	744,000	0.607
JP Morgan Nominees Australia Limited	709,197	0.579
Kouta Bay Pty Ltd <the Houndy Family A/C>	703,250	0.574
Halcyon One Pty Ltd	700,000	0.571
Fifty-Fifth Leprechaun Pty Ltd <The Andria A/C>	676,000	0.551
Anthony Ramage	650,000	0.530
TOTAL	49,674,793	40.521

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

The Board of Directors of Cazaly Resources Limited is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of Cazaly Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

For further information on corporate governance policies adopted by Cazaly Resources Limited, refer to our website: www.cazalyresources.com.au.

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2011/2012 financial year (Reporting Period).

Board

Roles and responsibilities of the Board and Senior Executives
(Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the two Managing Directors and assisting the Managing Directors in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Directors or, if the matter concerns one of the Managing Director, directly to other Managing Director or the lead independent director, as appropriate.

The Company's Board Charter is available on the Company's website.

Skills, experience, expertise and period of office of each Director
(Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

Director independence
(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of Directors who are independent.

Mr Hunter is a Non-Executive Director and is considered to be Independent. Mr Hunter is independent as he is a non-executive director who is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgement. The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds.

Mr McMahon is an Executive Director of the Company and does not meet the Company's criteria for independence. Mr McMahon's experience and knowledge of the Company make his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr Jones is an Executive Director of the Company and does not meet the Company's criteria for independence. Mr Jones experience and knowledge of the Company make his contribution to the Board such that it is appropriate for him to remain on the Board.

Given the size of the company and the industry in which it operates, the current Board structure is considered to best serve the Company in meeting its objectives, given its small capitalisation, limited resources and existing operations. The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

The Board has agreed on the following guidelines, as set out in the Company's Board Charter, for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Independent professional advice
(Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re)appointment of Directors
(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting and re-appointment of directors is not automatic.

Board committees

Nomination Committee
(Recommendations: 2.4, 2.6)

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a nomination committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee.

Audit Committee
(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has not established a separate Audit Committee, and therefore it is not structured in accordance with Recommendation 4.2. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board, in its capacity as the Audit Committee, held one meeting during the Reporting Period. To assist the Board to fulfil its function as the Audit Committee, the Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

All of the directors consider themselves to be financially literate and possess relevant industry experience. Details of each of the director's qualifications are set out in the Directors' Report.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Remuneration Committee
(Recommendations: 8.1, 8.2, 8.3)

The Board has not established a separate Remuneration Committee. Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of

Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report. The remuneration of non-executive directors is set by reference to payments made by other companies of similar size and industry, and by reference to the director's skills and experience. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to non-executive directors, subject to obtaining the relevant approvals. The Remuneration Policy is subject to annual review. All of the directors' option holdings are fully disclosed. Executive Pay and rewards consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness. Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Performance evaluation

Senior executives
(Recommendations: 1.2, 1.3)

The Managing Directors are responsible for evaluating the performance of senior executives. The evaluation of senior executives is undertaken via an informal interview process which occurs annually or more frequently as required and otherwise takes place as part of the annual salary review under the senior executives' employment contract.

During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed above.

Board, its committees and individual directors
(Recommendations: 2.5, 2.6)

The Chair is responsible for evaluating the performance of the Board and, when appropriate, Board committees and individual directors deemed. The Board is responsible for evaluating the Managing Directors. The evaluations of the Board, and any applicable Board committees and individual directors are undertaken via informal discussions on an on-going basis with the Chair.

The evaluation of the Managing Directors is undertaken via an informal interview process which occurs annually or more frequently, at the Board's discretion.

Ethical and responsible decision making

Code of Conduct
(Recommendations: 3.1, 3.3)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Diversity Policy
(Recommendations: 3.2, 3.3, 3.4 & 3.5)

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

During the Reporting Period the Company developed and the Board adopted a Diversity Strategy which details the Company's measurable objectives for achieving gender diversity in accordance with the Diversity Policy. In doing this, and assigning the responsibility for the Diversity Policy and its administration, monitoring and review, the Company has achieved its structural and procedural measurable objectives set for [2011/12]. The Diversity Strategy includes a number of concepts including contribution to enhance local workforce and provision of opportunities for career development. Initiation of programs and schemes to achieve these goals were achieved during the Reporting Period. The Board has also adopted a policy to address harassment and discrimination in the Company, which it believes will facilitate an environment that encourages a diverse workforce.

A summary of the Company's Diversity Policy is available on the Company's website.

The proportions of, women in senior executive positions and women on Board as at 30 June 2012 are set out below:

	2012	
	No.	**%**
Women on the Board	0	0
Women in senior management roles	1	25

Continuous Disclosure
(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure is available on the Company's website.

Shareholder Communication
(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

A copy of the Company's Shareholder Communication Policy is available on the Company's website.

Risk Management
Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Directors**,** who are responsible for identifying, assessing, monitoring and managing risks. The Managing Directors are also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Directors may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and

- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

During the Reporting Period, management regularly reported to the Board on the following categories of risks affecting the Company as part of the Company's systems and processes for managing material business risks: operational, financial reporting, sovereignty and market-related risks.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company's Risk Management Policy is available on the Company's website.

SCHEDULE OF MINERAL TENEMENTS AS AT 28 AUGUST 2012

TENEMENTS	PROJECT NAME	TENEMENTS	PROJECT NAME
2 ELA's	ALICE DOWNS	1 EL	FE-TOODYAY
1 ELA	AU-7 MILE HILL	1 ELA	FE-TURNER RIVER
19 PL's	AU-BALAGUNDI	1 ELA	FE-YALLEEN
6 EL's, 1 ELA, 3 PL's, 1 ML	AU-CAROSUE	1 PL	GOLDEN RIDGE
3 EL's, 1 PL	AU-JILLEWARRA	1 EL, 1 ELA	IOCG-POLLOCK HILL
5 EL's	AU-MT WELD	1 EL, 1 ELA	IOCG-WEBB
5 EL's	AU-RANDALS	1 ELA	JUNCTION
1 EL	AU-RUBY WELL	9 PLA's	KALGOORLIE
10 PL's	BARDOC	1 EL	KOOLYANOBBING
2 EL's	BIG BEN-ALICE HILL	1 ELA	LAKEWAY
1 ELA	BOOLALOO	1 EL, 1 ELA	MAGELLEN
1 EL	COSMO NEWBERRY	1 ELA	MOONARGIDDING
2 ELA's	EDJUDINA	1 EL	MT RANKIN
2 ELA's	FE-BLUE BUSH WELL	2 EL's	NEBO
10 EL's, 10 ELA's, 1 PL, 3 PLA's	FE-EARAHEEDY	1 EL	NT-ACACIA BORE
1 EL, 1 ELA	FE-ETHEL CREEK	1 ELA	NT-BALMA GROUP
4 ELA's	FE-HAMERSLEY	1 ELA	NT-DAVENPORT
1 ELA	FE-HIGH RANGE	1 EL	NT-MT ISABEL
1 EL	FE-HILLSIDE	1 ELA	NT-MT RIGG
2 PL's, 1 MLA	FE-KANGEENARINA	1 ELA	NT-ROPER GROUP
1 EL	FE-MARILLANA	1 ELA	NT-WAUCHOPE
1 EL	FE-MOORINE ROCKS	1 MLA, 7 PL's	QUARTZ CIRCLE
1 EL, 1 ELA	FE-MT GOULD	1 ELA	SOUTHERN CROSS
1 EL	FE-MT WALKINS	1 PL	TEN MILE WELL
2 EL's	FE-MT. STUART	1 EL	UR-BIDGEMIA
1 EL	FE-MULGA DOWNS	1 EL	UR-HINKLER WELL
3 ELA's	FE-NEWMAN NTH	1 EL	UR-JAILOR BORE
1 EL	FE-NOREENA DOWNS	1 ELA	UR-LEOPOLD DOWNS
7 EL's, 3 L's, 3 ML's, 8 PL's	FE-PARKER RANGE	1 EL	UR-PELLS RANGE
1 EL	FE-PINARRA WELL	1 ELA	UR-RAWLINSON RANGE
1 EL, 2 ELA's	FE-ROCKLEA	2 EL's	U-YEELIRRIE
1 ELA	FE-ROY HILL	1 PL	VETTERSBURG
1 EL	FE-STRAWBERRY ROCKS	1 ELA	YAMARNA

Notes: EL = Granted Exploration Licence MLA = Mining Lease Application M = Granted Mining Lease
ELA= Exploration Licence Application P = Granted Prospecting Licence PLA =