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

Annual Report

For the Year Ended
30 June 2014

CONTENTS

MANAGING DIRECTOR
Nathan McMahon

MANAGING DIRECTOR
Clive Jones

NON-EXECUTIVE DIRECTOR
Kent Hunter

COMPANY SECRETARY
Mike Robbins

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

AUDITORS
Bentleys Audit & Corporate (WA) Pty Ltd
Level 1, 12 Kings Park Road
WEST PERTH WA 6005
Telephone: (08) 9226 4500
Facsimile: (08) 9226 4300

SHARE REGISTRAR
Advanced Share Registry Services
110 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
100 St Georges Terrace
PERTH WA 6000

Your directors present their report, together with the financial statements of Cazaly Resources Limited ('the Company' or **'Cazaly'**) and its controlled entities (**'the Group'**) for the financial year ended 30 June 2014.

1. DIRECTORS AND COMPANY SECRETARY

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 (resigned 26/7/13)
Mike Robbins (appointed 26/7/13)

2. PRINCIPAL ACTIVITIES

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

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

3. OPERATING RESULTS & FINANCIAL POSITION

The loss after tax for the year was $1,776,871 (2013:$1,262,416). The Group's net assets at the end of the year are $22,260,242 (2013: $23,596,905).

Cash and cash equivalents as at year end were $147,731 (2013 - $598,083).

At year end the Group had trade receivables of $377,399 (2013 - $1,051,899). Included in trade receivables is the Phoenix Gold Limited contingency payment royalty for the June 2014 quarter of $250,000 (ex GST). This was subsequently paid on 2 July 2014.

Exploration expenditure for the year was $1,464,971 (2013 - $3,284,321). The majority of this expenditure was on the Halls Creek and Parker Range projects. Exploration expenditure written off for the year was $2,543,058 compared to $1,027,153 in the previous financial year.

Net administration expenses and employee benefits for the year totalled $1,088,203 (2013 - $1,137,451).

During the next financial year the Company intends to continue to develop its core projects (Parker Range and Halls Creek) and explore new mining opportunities both in Australia and overseas. These opportunities are being explored by the Board and corporate consultants who operate on a success fee basis only.

4. *RISKS*

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

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

- Title Risk

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

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

- Exploration Risk

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

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

- Resource Estimates

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

- Access Risks – Cultural Heritage and Native Title

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

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

- JV and Contractual Risk

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

- Economic

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

- Market conditions

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

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

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

- Volatility in Global Credit and Investment Markets

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

- Commodity Price Volatility and Exchange Rates Risks

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

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

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

- Environmental Risks

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

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

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

The above risks are not exhaustive but are the minimum exposure areas observed by the Group. Outside of the above, the Group is continually assessing Industry type risk (covering resources, commercial, commodity prices & volatility, insurance and environmental) and general type risk (economic, share markets, government & legal and global volatility).

5. *DIVIDENDS PAID OR RECOMMENDED*

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

6. *REVIEW OF OPERATIONS*

Corporate

Under a sale agreement, the Company is entitled to receive quarterly payments of $250,000 from Phoenix Gold Limited (**'Phoenix'**) for a total of eight (8) quarters (totalling $2,000,000) from the start of the March'13 quarter. These payments are a part of the deferred consideration resulting from the sale of tenements to Phoenix. As at 30 June 2014, $750,000 remains outstanding.

In addition, a gold production royalty stream is also due from the Catherwood gold project. The royalty due to the Company is $40/ounce and is capped at $3,000,000. This financial year the Company received $76,561 (2013: $446,873) in production royalties from the Catherwood gold project.

Projects

Halls Creek Copper Project (CAZ earning 75%)

The Company is in agreement with 3D Resources Limited to earn up to a 75% interest in the Halls Creek Copper Project, located in the Kimberley region of Western Australia.

The Halls Creek Project comprises a large package of six tenements near the township of Halls Creek covering part of the Halls Creek Mobile Zone which is highly prospective for a range of commodities including base metals, gold, diamonds and nickel. Initial work has concentrated on copper mineralisation previously discovered at the *Mt Angelo North* Cu-Ag-Zn and the *Mt Angelo Porphyry* prospects.

The Mount Angelo North prospect is a Cu-Zn-Ag volcanogenic massive sulphide deposit and the Mount Angelo Porphyry prospect is a large low grade copper deposit associated with a high level felsic intrusive. The two prospects occur in association with the Angelo Microdiorite, a 5km by 1km long elongate intrusive occurring along the boundary, and the Koongie Park and Olympio Formations. The Koongie Park Formation is widely considered to have potential regionally for the development of stratabound base metals.

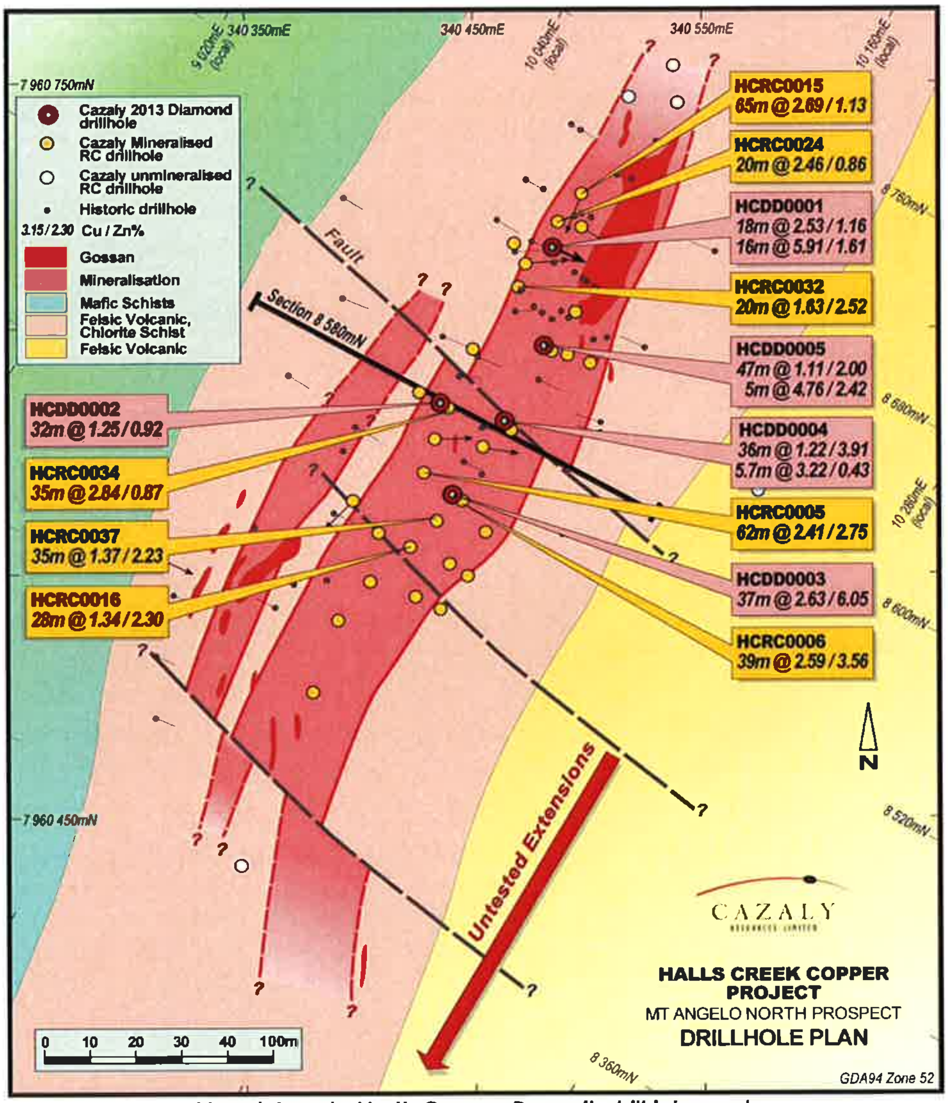
The *Mount Angelo North deposit* is represented at the surface by two prominent limonitic copper bearing gossans 60 m long and up to l8 m wide and occur ~150 m apart. Copper and silver mineralisation is hosted in the lower part of a zone of interbedded volcanogenic metasedimentary rocks, carbonate, chert, and iron formation, and comprises two lenses of massive chalcopyrite, with lesser amounts of pyrrhotite, magnetite, arsenopyrite, and galena, together with associated stringer zones. The deposit is zoned with a more zinc dominant zone also present. A pyritic halo surrounds the mineralised zone.

Since taking on the project the Company has conducted four drilling programmes for a total of 48 RC and 14 diamond core holes totalling 4,423m RC and 1,021m diamond core. The majority of this drilling has occurred at the Mount Angelo North copper deposit.

Better intercepts from Cazaly's drilling over the deposit include; **65m @ 2.69% Cu & 1.13% Zn, 62m @ 2.41% Cu & 2.75% Zn, 39m @ 2.59% Cu & 3.56% Zn**.

The deposit has all the hallmarks of a classic volcanogenic massive sulphide deposit. It is located close to surface and comprises a shallow zone of oxidized mineralisation overlying a zoned zinc-copper/zinc-copper sulphide blanket.

Over the course of the year, the Company conducted further diamond core and RC drilling, field mapping and completed a program of downhole electromagnetic (DHEM) surveying at Mt Angelo North.



Mount Angelo North Copper Deposit, drill intercepts

During the year the company completed a programme of Reverse Circulation (RC) and diamond core drilling over the Mount Angelo North deposit. The program successfully delineated further copper-zinc mineralisation and confirmed results previously obtained from RC drilling. A total of 10 pre-collar RC and 9 diamond core 'tails' were drilled for 1,115 metres RC and 681 metres diamond in the programme. Of these 8 of the diamond holes successfully extended known mineralisation further east. Significant drill intercepts are listed in the tables below.

Table - Significant Diamond Core drill intercepts, Mount Angelo North Prospect: 2013/14 year

Hole ID	East	North	Dip/Azl	Hole Depth (m)	Intercept							Cu Eq
					From (m)	Length (m)	Cu (%)	Pb (%)	Zn (%)	Ag (ppm)	Au (ppm)	(%)
HCRD0043	340518	7960555	-60/300	171.5	50	**23**	0.60	0.17	1.97	9.0	0.13	1.13
			Includes		65	2	1.31	0.39	5.98	21.4	0.18	2.90
HCRD0044	340488	7960540	-70/300	114.1	74	**21**	**1.11**	**0.07**	**3.29**	**10.5**	**0.11**	**1.95**
			Includes		76	3	0.77	0.05	5.27	5.2	0.11	2.09
			and		85	8	1.71	0.14	3.43	20.4	0.17	2.59
					103	2	0.10		1.66	1.0		0.51
					130	7	1.11		0.03	2.6		1.12
HCRC0045	340516	7960605	-90	50	16	2	0.45	0.06	0.81	6.5		0.66
					25	4	0.98	0.09	1.30	22.0	0.12	1.33
					38	11	0.54	0.06	1.95	7.6	0.08	1.04
HCRD0046	340504	7960591	-70/300	139	38	6	0.52	0.06	0.77	8.2	0.06	0.73
HCRD0047	340471	7960631	-80/120	134.3	10	12	0.32	1.79	1.80	67.0	0.44	1.28
			Includes		19	2	0.15	4.92	7.17	170.0	0.56	3.31
					26	**27**	**2.60**	**0.06**	**0.94**	**14.8**	**0.30**	**2.86**
HCRD0048	340475	7960496	-75/300	237.6	93	5	0.57	0.21	2.11	18.4	0.14	1.15
					104	2	1.12	0.18	1.63	13.8	0.09	1.58
HCRD0049	340538	7960570	-67/300	196.2	*No significant assays*							
HCRD0050	340530	7960536	-65/300	120	63	**18**	**0.88**	**0.19**	**2.69**	**15.7**	**0.20**	**1.60**
			Includes		66	2	0.49		7.72	8.6	0.36	2.42
					141	2	0.56		2.20	3.1		1.11
HCRD0051	340504	7960529	-75/300	272.6	76	9	1.12	0.25	2.42	16.8	0.25	1.79
			Includes		79	3	1.88	0.30	3.29	23.3	0.35	2.78
HCRD0053	340530	7960536	-65/300	149.5	*No significant assays*							

Table - Significant RC drilling intercepts, Mount Angelo North Prospect – 2013 September Quarter drilling

Hole ID	East	North	Dip/Azi	Intercept							Cu Eq
				From (m)	Length (m)	Cu (%)	Pb (%)	Zn (%)	Ag (ppm)	Au (ppm)	(%)
HCRD0043	340518	7960555	-60/300	50	**23**	**0.60**	**0.17**	**1.97**	**9.0**	**0.13**	1.13
		includes		*65*	*2*	*1.31*	*0.39*	*5.98*	*21.4*	*0.18*	2.90
HCRC0045	340516	7960605	-90	20	4	0.98	0.11	1.21	15.7	0.13	1.31
				36	13	0.52		2.03	7.4		1.03
HCRD0044	340488	7960540	-70/300	74	**21**	**1.11**		**3.29**	**10.5**	**0.11**	1.95
		includes		*76*	*3*	*0.77*		*5.27*	*5.2*	*0.11*	2.09
				85	8	1.71	0.14	3.43	20.4	0.17	2.59
HCRD0047	340471	7960631	-80/120	13	9	0.30	2.38	2.23	86.8	0.58	1.53
		includes		*19*	*2*	*0.15*	*4.92*	*7.17*	*170.0*	*0.56*	3.31
				26	**27**	**2.60**		**0.94**	**14.8**	**0.30**	2.86
HCRD0048	340475	7960496	-75/300	93	5	0.57	0.21	2.11	18.4	0.14	1.15
HCRD0050	340530	7960536	-65/300	63	**18**	**0.88**	**0.19**	**2.69**	**15.7**	**0.20**	1.60
		includes		*66*	*2*	*0.49*		*7.72*	*8.5*	*0.36*	2.42
HCRD0051	340504	7960529	-75/300	76	9	1.12	0.25	2.42	16.8	0.25	1.79
		includes		*79*	*3*	*1.88*	*0.30*	*3.29*	*23.3*	*0.35*	2.78

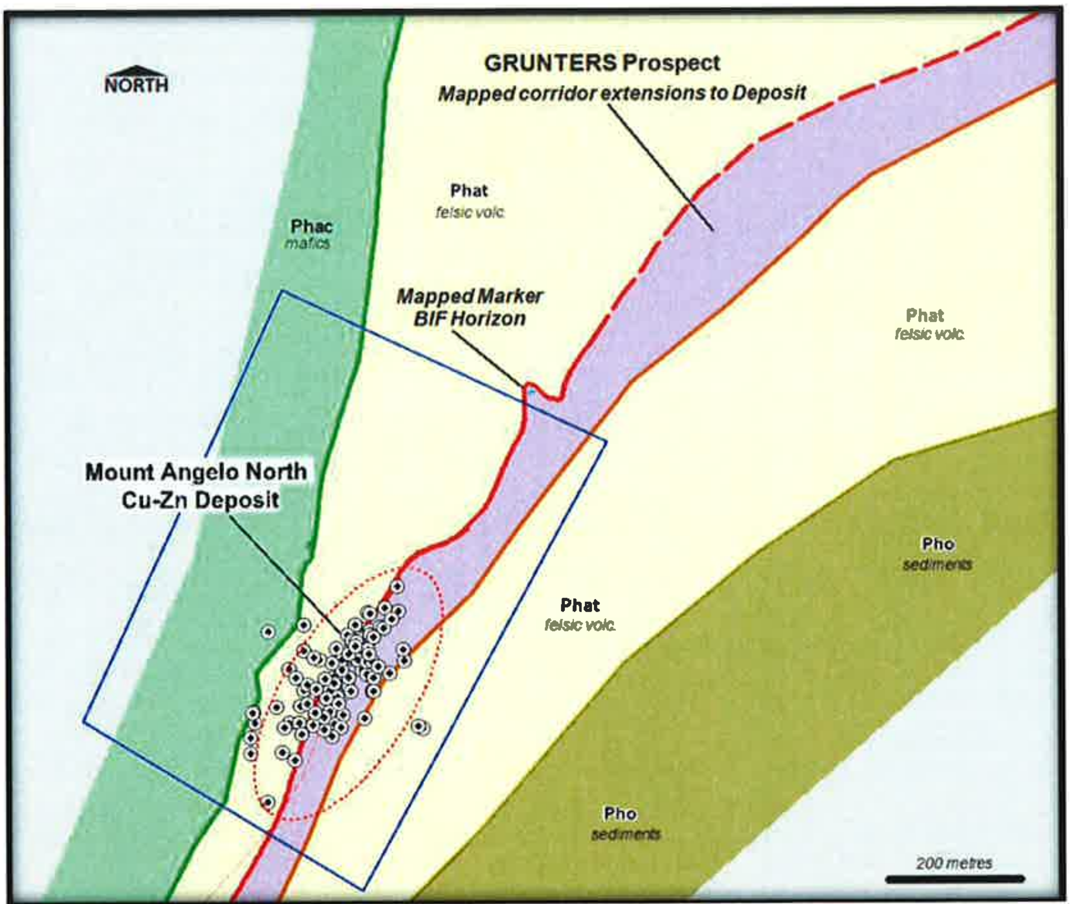
Notes:
All holes located by DGPS with accuracy ≤1 metre, GRID GDA94 Zone 52.
Down-hole surveys conducted between 15-30m intervals
There is insufficient geological information to determine the true widths of the mineralised intercepts
Cu, Pb, Zn and Ag analysed by 4 acid digest and ICP-MS finish
Au analysed by Fire Assay and AAS finish
Cu Eq% Calculated using prices of US$7,500/t Copper, US$2,100/t Lead, US$1,850/t Zinc, US$25/oz Silver, US$1,500/oz Gold
Cu Eq% intercepts calculated using a 0.5% lower cut, no internal waste of greater than 3 metres, no more than two segments of internal waste per intercept

The Company conducted a Downhole Electromagnetic (DHEM) Survey at the Mt Angelo North copper deposit utilising holes drilled in the diamond core programme. Two of the deeper holes drilled and surveyed, HCRD043 & HCRD048, were targeted for DHEM to delineate additional potential sulphide mineralisation. The survey successfully defined known mineralisation in the vicinity of both holes and also delineated two further zones of conductivity which may represent new zones of sulphide mineralisation adjacent at depth to drillhole HCRD048.

Modelling of the two off-hole conductors in HCRD048 indicated that an upper source of moderate conductance of limited areal size centred above and slightly west of hole HCRD048 at ~145m downhole was present coincident with some narrow in-hole Cu intercepts at this level.

The second, lowermost conductor identified from this hole is of more interest showing higher moderate to high conductance levels and a greater overall size at ~50x50m. This anomaly was only partially defined as it was at the limit of the survey which ended at 188m due to a blockage in the hole. It is considered that this anomaly could potentially lead to larger conductive units of interest further at depth.

Geological mapping by the company has defined the northern extensions of the sequence hosting the mineralisation. One of the key defining features of the Mount Angelo deposit is the recognition of a BIF unit which acts as a marker horizon. The unit represents seafloor sedimentation and is a unit typically associated with volcanogenic massive sulphide deposits. Importantly, this unit is seen in sporadic outcrops along strike for over 1km to the north of the deposit within felsic sediments which host the deposit mineralisation. This area, called the *Grunters prospect*, is largely covered by surficial alluvium and has never been drill tested.



Simplified geological map showing trend of the 'mine sequence' to the Grunters prospect

The majority of VMS deposits around the world do not occur as a single lens of massive sulphides as currently observed at Mt Angelo North. An analysis of the multi-element data collected from the drilling programs at the Mount Angelo North Prospect as well as the recent surface mapping at Grunters, has highlighted the potential for repetitions at depth and along strike of other massive sulphide lenses.

The Halls Creek project also hosts the Mt Angelo Porphyry Copper deposit which comprises widespread low grade copper mineralisation occurring with the granophyric phase of the Angelo Microgranite. Historical deep diamond drilling was conducted by several groups in the early 1960s and 70s but was not systematic and only occurred in a relatively small area. Significant drill intercepts included **134.11m @ 0.54% Cu** and **76.05m @ 0.53% Cu**.

Reverse circulation drilling by Cazaly within the quartz porphyry intrusive has returned intercepts up to **117m @ 0.32% Cu** and **150m @ 0.30% Cu**. The porphyry system is large with extensive intercepts of disseminated and occasional semi-massive sulphides and it appears that the entire intrusive is mineralised. Some higher grade intercepts of mineralisation included 23m @ 1.00% Cu and 7m @ 1.26% Cu were observed in these zones, indicating potential for the delineation of higher grade zones in the system

Parker Range Iron Ore Project (CAZ 100%)

The Parker Range Iron Ore Project is located in the Yilgarn region of Western Australia 15km south of the township of Marvel Loch. The project hosts the Mount Caudan iron ore deposit, a haematite-goethite deposit which outcrops over approximately 4km within a minerlaised formation traced for over 16 km.

The project has a fully completed Definitive Feasibility Study (DFS, conducted in 2010) completed and has all of its key major approvals in place. It is planned to produce up to 4.6 million tonnes per annum (Mtpa) of haematite-goethite ore for an initial 8.5-year mine life, with excellent potential to go beyond this through exploration upside and orebody beneficiation. The economics of the project are very sound with the DFS defining an internal rate of return of 129% and a net present value of approximately $384 million.

To date development of the project has been delayed due to lack of available port space to export the ore. Recently however, in May 2014 the WA Transport Minister, Dean Nalder, announced that Yilgarn Esperance Solution (YES) Limited, a consortium which includes Asciano and Marubeni, had been chosen to design, build and operate the new Multi-User Iron Ore Facility (MUIOF) planned for the Port of Esperance.

This is a long awaited development, and, together with the recently completed $120M Esperance Port Access Upgrade, is a step forward for the development of the Group's Parker Range Iron Ore Project.

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

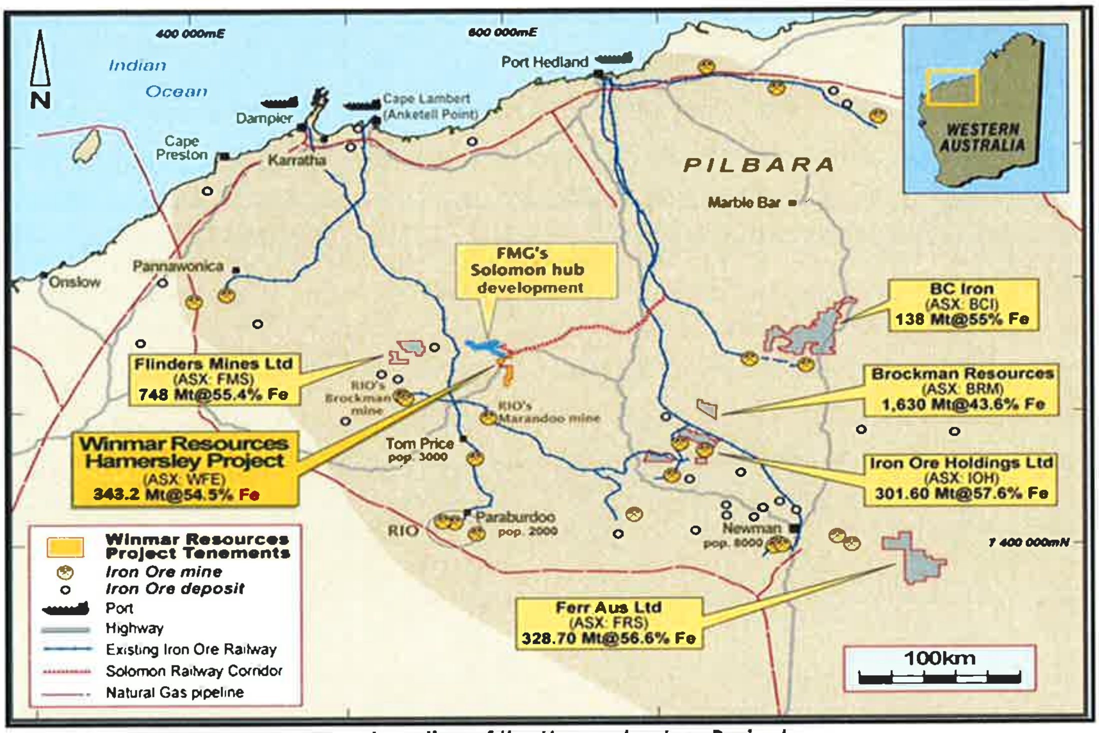
Cazaly intends to update the feasibility study once the YES syndicate and the port have finalised formal documentation. The update will ensure relevant rail and road transportation costs and port charges are incorporated into the financial modelling. Preliminary discussions with potential project finance and commercial partners ahead of a Final Investment Decision (FID) have commenced.

Hamersley Iron Ore Project
(Cazaly 49% interest and Winmar Resources Ltd 51% interest)

During the year the Winmar Exploration Joint Venture (WEJV) conducted metallurgical test work, a Mine Gate Study to assess the economic viability of the Hamersley Iron Project (HIP) and determine the size of the mining inventory to facilitate strategic planning of the Project and an Infrastructure Study.

The project has a total Resource of **343.2Mt @ 54.5% Fe (57.9% Ca Fe)** comprising an Indicated Resource of 42.6 Mt @ 55.2% Fe (57.3% Ca Fe) and an Inferred Resource of 300.6 Mt @ 54.5% Fe (57.9% Ca Fe). The Indicated Resource estimate was calculated by independent mining consultants RungePincockManarco (ASX: RUL), and remains open in several areas, particularly to the north.

The metallurgical test work was aimed at further defining product specifications of the resource, in particular the characteristics of the shallow CID ore body in the south west corner of the deposit. Results indicated that there is potential to market this material as a Direct Shipping Ore (DSO) either through dry crushing and screening the material, or through additional de-sliming of the material to further upgrade the product.



Location of the Hamersley Iron Project

The Mine Gate study reported on development options for developing the Indicated Mineral Resource component of the global resource at Hamersley. This area contains Channel Iron Deposit (CID) mineralisation in the south-west area of the HIP mining lease application. Here, the CID is relatively shallow (from 26m) and suitable to open cut mining methods. The Indicated category is **42.6Mt at 55.2% Fe**, in addition to **300.6Mt** of Inferred category **at 54.5% Fe.** The production schedule based on a DSO/BFO operation demonstrates that a product grade of ~57% Fe can be maintained with a minor increase in the cut-off grade.

The purpose of the Scoping Study was to assess the project viability, and determine the size of mining inventory and associated costs for input into financial modelling. The mine planning work completed to date indicates that the Project is potentially economically viable for a range of iron ore prices for the grades anticipated:

- Based only on the Indicated Mineral Resource (**42.6Mt** at **55.2% Fe**)
- Mining Operation with a 2Mtpa dry Direct Shipping Ore (DSO) product
- Supported by cash flow after 3-4 years, the mine would look to introduce a wet Beneficiated Fines Ore (BFO) processing operation
- Life of Mine is expected to be a minimum of 14 years for a combined DSO/BFO operation at a 57% Fe grade

The WEJV also completed an Infrastructure Study which compliments the Mine Gate study and confirmed the potential economic viability of an initial Direct Shipping Ore operation.

The study reported on four transport options to transport ore from the proposed mine site to a port on the Pilbara coast. The four options selected for detailed analysis included a combination of existing and new road and rail infrastructure. Based on the destination port and the ability to negotiate with 3rd party infrastructure owners, three options were identified as potentially economically viable at forecast Iron Ore prices for the optimal usage of the existing roads through to rail infrastructure, as based on the following parameters:

- Utilising only the Project's Indicated Mineral Resource (42.6Mt at 55.2% Fe)
- Based on Industry accepted forecast Iron Ore prices
- Based on a 2Mtpa to 4Mtpa mining operation over 10-15 years
- Providing encouraging Cash Flow and NPV at forecast iron ore prices

The combined results of the Mine Gate and Transport Infrastructure scoping studies provide key information to assist in discussions with multiple parties when identifying and collaborating on strategic infrastructure solutions in line with the project's development plan. To progress the level of confidence in the estimates, the WEJV plan to undertake the following next steps:

1) Commence discussions with 3rd party infrastructure owners with regards to road and rail access.
2) Determine the condition and acceptability of the existing roads for haul road traffic and to refine the cost estimates.
3) Commence discussions with local shire road owners to determine the process for gaining access to the existing roads.
4) Undertake a preliminary hydrological and geotechnical assessment of the mine exit road.

For further detailed information please consult the Winmar Resources Limited website (www.winmarresources.com).

Other Joint Venture Projects

Musgrave JV (Cazaly diluting to 10% - Traka Resources Ltd (ASX: TKLK) acquiring 90%)

For further detailed information please consult the Traka Resources Limited website (www.trakaresources.com.au).

Huckitta JV (Cazaly 20% - Mithril Resources Ltd (ASX: MTH) 80%)

For further detailed information please consult the Mithril Resources Limited website (www.mithrilresources.com.au).

Earaheedy JV

Cazaly and Vector Resources Limited (ASX:VEC) (collectively the Earaheedy Joint Venture, "EJV") had a farm-in agreement with Anglo American ("Anglo"), covering a large part of the Earaheedy East Iron project in the Wiluna region of Western Australia. Anglo had the opportunity to earn a 75% interest via staged payments of up to $51m and the completion of a BFS. On 3 April 2014, it was announced that Anglo had withdrawn from the EJV. Anglo is responsible for all rehabilitation required and the tenements under the EJV were surrendered.

7. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

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

8. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

9. *AFTER BALANCE DATE EVENTS*

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

10. *ENVIRONMENTAL ISSUES*

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

11. *INFORMATION ON DIRECTORS*

Nathan McMahon	**Managing Director (Corporate and Administration)**
Qualifications	*B.Com*
Experience	Mr McMahon has provided 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.
Equity Holdings	Fully Paid Ordinary Shares - 17,191,690 Unlisted Options – 1,500,000 exercisable at $0.18 expiring 26 November 2016
Other Directorships	Hodges Resources Limited (since May 2008) Whitestar Resources Limited (from December 2009 to April 2012) Dempsey Minerals Limited (since February 2011)
Clive Jones	**Managing Director (Technical)**
Qualifications	*B.App.Sc(Geol), M.AusIMM.*
Experience	Mr Jones has been involved in mineral exploration for over 25 years and has worked on the exploration for a range of commodities including gold, base metals, mineral sands, uranium and iron ore. Mr Jones is a Director of several ASX listed companies. He is Chairman of Unity Mining Ltd, joint Managing Director of Cazaly Resources Ltd, Chairman of Corazon Mining Ltd and a Director of Bannerman Resources Ltd.
Equity Holdings	Fully Paid Ordinary Shares – 10,075,114 Unlisted Options – 1,500,000 exercisable at $0.18 expiring 26 November 2016

Other Directorships	Corazon Mining Limited (since February 2005) Cortona Resources Limited (from January 2006 to January 2013) Bannerman Resources Limited (since January 2007) Unity Mining Limited (since January 2013)
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.
Equity Holdings	Fully Paid Ordinary Shares – 37,501 Unlisted Options – 500,000 exercisable at $0.18 expiring 26 November 2016
Other Directorships	Krakatoa Resources Limited (since January 2012) Stratum Metals Limited (since December 2010) Western Manganese Limited (since June 2010) Carbon Conscious Limited (since November 2010)

Mike Robbins
Company Secretary (Appointed 26/7/13)

Mr Robbins has over 20 years resource industry experience gathered at both operational and corporate levels, both within Australia and overseas. During that time, he has held numerous project and head office management positions and is currently CFO and Company Secretary for Blackham Resources Ltd, Dempsey Minerals Ltd and Hodges Resources Ltd.

12. REMUNERATION REPORT - AUDITED

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

Remuneration Policy

The remuneration policy of Cazaly has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

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

12. *REMUNERATION REPORT – AUDITED (Cont'd)*

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 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 Group and an incentive for their future involvement with and commitment to the Group.

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.

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.

12. *REMUNERATION REPORT – AUDITED (Cont'd)*

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 a 3 year terms (with an option for a 3 year extension). The contracts provide Messrs. McMahon and Jones with annual salaries of $180,000 each. The company may terminate these agreements at any time and without prior notice if serious misconduct has occurred. In this event only the fixed proportion of the remuneration is payable and only up until the date of the termination.

There is no formal contract finalized at the completion of the 30 June 2014 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 Company may terminate an employment contract without cause by providing one to three months written notice or making payment in lieu of notice, based on the individual's annual salary component.

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

Details of Remuneration for Year Ended 30 June 2014

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

	Short-term Benefits				Post-Employ-ment 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)										
2014	180,000	-	-	-	-	-	-	47,622	227,622	20.9%
2013	180,000	-	-	-	-	-	-	-	180,000	-
Clive Jones – Managing Director (iii)										
2014	180,000	-	-	-	-	-	-	47,622	227,622	20.9%
2013	180,000	-	-	-	-	-	-	-	180,000	-
Kent Hunter – Non Executive Director										
2014	27,250	-	-	-	-	-	-	15,874	43,124	36.8%
2013	27,250	-	-	-	-	-	-	-	27,250	-
Julie Hill – Company Secretary (iv)										
2014	-	-	-	-	-	-	-	-	-	-
2013	50,000	-	-	-	-	-	-	-	50,000	-
Total Remuneration										
2014	387,250	-	-	-	-	-	-	111,118	498,368	22.3%
2013	437,250	-	-	-	-	-	-	-	437,250	-

12. *REMUNERATION REPORT – AUDITED (Cont'd)*

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

ii) An aggregate amount of $180,000 (2013:$ 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.

iii) An aggregate amount of $180,000 (2013:$ 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 $Nil (2013: $50,000) were paid the DZB Pty Ltd, a company controlled by Ms Hill, for the provision of company secretarial services to the company. Ms Hill resigned on 26 July 2013.

Related Party Information

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

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the 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 2014 and 30 June 2013, a director and shareholder of Hodges Resources Limited ("Hodges") and Dempsey Minerals Limited ("Dempsey"). Hodges and Dempsey have an agreement in place, based on normal commercial terms and conditions, to reimburse the Company for office rental and administration and overheads.

Aggregate amounts of each of the above types of other transaction with related parties of the Company:

	2014 $	2013 $
Sales		
Rent, administrative and office overheads:		
• Hodges Resources Limited	61,566	132,768
• Dempsey Minerals Limited	42,860	49,395
	104,426	182,163

Key Management Personnel (KMP) Shareholdings

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

30 June 2014	Balance 1 July 2013	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2014
N McMahon	16,822,939	-	-	368,751	17,191,690
C Jones	9,563,862	-	-	511,252	10,075,114
K Hunter	2,052,103	-	-	(2,014,602)	37,501
	28,438,904	-	-	(2,014,602)	27,304,305

30 June 2013	Balance 1 July 2012	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2013
N McMahon	16,212,939	-	-	610,000	16,822,939
C Jones	9,563,862	-	-	-	9,563,862
K Hunter	2,052,103	-	-	-	2,052,103
	27,828,904	-	-	610,000	28,438,904

12. *REMUNERATION REPORT – AUDITED (Cont'd)*

Key Management Personnel (KMP) Option Holdings

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

30 June 2014	Balance 01-07-13	Issued	Exercised	Lapsed	Balance 30-06-14	Vested during the year	Vested and exercisable
N McMahon	-	1,500,000	-	-	-	-	1,500,000
C Jones	-	1,500,000	-	-	-	-	1,500,000
K Hunter	-	500,000	-	-	-	-	500,000
J Hill (i)	100,000	-	-	(100,000)	-	-	-
	100,000	3,500,000	-	(100,000)	-	-	3,500,000

30 June 2013	Balance 01-07-12	Issued	Exercised	Lapsed	Balance 30-06-13	Vested during the year	Vested and exercisable
N McMahon	700,000	-	-	(700,000)	-	-	-
C Jones	100,000	-	-	(100,000)	-	-	-
K Hunter	-	-	-	-	-	-	-
J Hill (i)	100,000	-	-	-	100,000	-	100,000
	900,000	-	-	(800,000)	100,000	-	100,000

(i) Ms Hill resigned as Company Secretary on 26 July 2013.

Options issued as part of remuneration for the year ended 30 June 2014

The following Options were issued to executives as part of their remuneration for the year ended 30 June 2014. No cash consideration was paid by the recipients.

Allottee	Number Granted	Number Vested	Fair Value at Grant Date	Grant Date	Expiry Date	Exercise Price
N McMahon	1,500,000	1,500,000	$0.032	25 Nov 2013	26 Nov 2016	$0.18
C Jones	1,500,000	1,500,000	$0.032	25 Nov 2013	26 Nov 2016	$0.18
K Hunter	500,000	500,000	$0.032	25 Nov 2013	26 Nov 2016	$0.18

The above options were approved by shareholders at the AGM held on 25 November 2013.

End of Remuneration Report (Audited).

13. MEETINGS OF DIRECTORS

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

	Directors Meetings/Resolutions	
Director	**Number Eligible**	**Number Attended**
N McMahon	10	10
C Jones	10	10
K Hunter	10	10

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

14. INDEMNIFYING OFFICERS OR DIRECTORS

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

The Group has insurance policies in place for Directors and Officers insurance. The premium paid on this policy was $14,157.

15. OPTIONS

Options on Issue

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

Expiry Date	Exercise Price	Number Under Option	Grant Date
11/01/2015	$0.330	925,000	12/01/2010
04/02/2015	$0.490	100,000	05/02/2010
31/07/2015	$0.100	100,000	01/08/2013
31/07/2016	$0.107	100,000	01/08/2013
26/11/2016	$0.180	3,500,000	25/11/2013

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 Group during or since the reporting date.

Options Expired or Lapsed

On 14 September 2013, 100,000 unlisted options exercisable at $0.40 expired.

On 15 December 2013, 250,000 unlisted options exercisable at $0.28 expired.

On 18 March 2014, 500,000 unlisted options exercisable at $0.52 expired.

Options forfeited or cancelled

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

16. PROCEEDINGS ON BEHALF OF GROUP

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

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

17. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 22.

18. NON AUDIT SERVICES

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

No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2014.

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 **23 September 2014**

Competent Persons Statement

The relevant information contained in the report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled or reviewed by Mr Clive Jones and Mr Don Horn, who are employees of the Company. Mr Jones is a Member of the Australian Institute of Mining and Metallurgy and Mr Horn is a Member of the Australian Institute of Geoscientists. Mr Jones and Mr Horn have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones and Mr Horn consent to the inclusion of their names in the matters based on the information in the form and context in which it appears.

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 for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 23rd day of September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For Year Ended 30 June 2014

	Note	2014 $	2013 $
Revenue from continuing operations	2	613,668	665,445
Other Income	2	1,149,798	2,448,156
Employee benefits		(630,327)	(446,950)
Depreciation		(37,578)	(53,649)
Administrative expenses		(457,426)	(690,503)
Compliance and regulatory expenses		(266,110)	(288,701)
Occupancy expenses		(329,311)	(299,305)
Written-off exploration expenditure		(2,543,058)	(1,027,153)
Equity based payments		(119,642)	-
Reversal /(Impairment) of financial assets		77,241	(1,331,026)
Loss before income tax		**(2,542,745)**	**(1,023,686)**
Income tax (expense)/ benefit	6	765,874	(238,730)
Loss for the year		**(1,776,871)**	**(1,262,416)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(1,776,871)**	**(1,262,416)**
Loss for the year attributable to:			
Members of the parent entity		(1,775,571)	(1,255,476)
Non-controlling interest		(1,300)	(6,940)
		(1,776,871)	**(1,262,416)**
Total comprehensive income attributable to:			
Members of the parent entity		(1,775,571)	(1,255,476)
Non-controlling interest		(1,300)	(6,940)
		(1,776,871)	**(1,262,416)**
Earnings/(loss) per share from continuing and discontinued operations			
		Cents	**Cents**
Basic earnings/ (loss) per share	18	(1.37)	(1.01)
Diluted earnings per share	18	(1.37)	(1.01)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	7	147,731	598,083
Trade and other receivables	8	377,399	1,051,899
Other assets		-	16,438
TOTAL CURRENT ASSETS		525,130	1,666,420
NON CURRENT ASSETS			
Trade and other receivables	8	146,168	165,800
Financial assets	9	1,070,182	975,640
Property, plant and equipment	10	72,470	114,080
Exploration and evaluation assets	11	20,782,091	21,860,178
Deferred tax assets	6	6,154,058	5,758,330
TOTAL NON CURRENT ASSETS		28,224,969	28,874,028
TOTAL ASSETS		**28,750,099**	**30,540,448**
CURRENT LIABILITIES			
Trade and other payables	12	517,127	392,528
Provisions	13	50,036	66,409
TOTAL CURRENT LIABILITIES		567,163	458,937
NON CURRENT LIABILITIES			
Deferred tax liabilities	6	6,154,058	6,484,606
TOTAL NON CURRENT LIABILITIES		6,154,058	6,484,606
TOTAL LIABILITIES		**6,721,221**	**6,943,543**
NET ASSETS		**22,028,878**	**23,596,905**
EQUITY			
Issued capital	14	24,889,282	24,800,080
Reserves	15	374,280	358,325
Accumulated losses	16	(3,225,381)	(1,553,497)
Controlling entity interest		22,038,181	23,604,908
Non-controlling interest		(9,303)	(8,003)
TOTAL EQUITY		**22,028,878**	**23,596,905**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Issued Capital	(Accumulated Losses) And Retained Earnings	Option Reserve	Non-Controlling Interest	Total
	$	$	$	$	$
Balance at 1 July 2012	**23,711,847**	**(801,609)**	**861,913**	**-**	**23,772,151**
Loss for the year	-	(1,255,476)	-	(6,940)	(1,262,416)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**(1,255,476)**	**-**	**(6,940)**	**(1,262,416)**
Transactions with owners, in their capacity as owners, and other transfers:					
Shares issued during the year	1,142,000	-	-	-	1,142,000
Shares to be issued	25,279	-	-	-	25,279
Equity based payments	-	-	-	-	-
Non-controlling interest	-	-	-	(1,063)	(1,063)
Option reserve	-	503,588	(503,588)	-	-
Transaction costs	(72,384)	-	-	-	(72,384)
Tax effect of equity raising cost	(6,662)	-	-	-	(6,662)
Balance at 30 June 2013	**24,800,080**	**(1,553,497)**	**358,325**	**(8,003)**	**23,596,905**
Loss for the year	-	(1,775,571)	-	(1,300)	(1,776,871)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**(1,775,571)**	**-**	**(1,300)**	**(1,776,871)**
Transactions with owners, in their capacity as owners, and other transfers:					
Shares issued during the year	140,800	-	-	-	140,800
Shares to be issued	-	-	-	-	-
Equity based payments	-	-	119,642	-	119,642
Non-controlling interest	-	-	-	-	-
Option reserve	-	103,687	(103,687)	-	-
Transaction costs	(12,000)	-	-	-	(12,000)
Tax effect of equity raising cost	(39,598)	-	-	-	(39,598)
Balance at 30 June 2014	**24,889,282**	**(3,225,381)**	**374,280**	**(9,303)**	**22,028,878**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2014

	Note	2014 $	2013 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(953,028)	(1,435,873)
Interest received		9,398	99,130
Other revenue		-	677,655
Proceeds from gold sale		290,040	233,392
Payments for exploration and evaluation		(1,336,156)	(3,355,980)
Net cash used in operating activities	19	(1,989,746)	(3,781,676)
Cash Flows From Investing Activities			
Proceeds from sale of exploration assets		1,335,500	504,670
Proceeds from sale of equity investments		65,195	918,322
Purchase of plant and equipment		(969)	(21,348)
Purchase of equity investments		-	(146,398)
Recoupment of exploration expenditure from Joint Venture operations		-	11,078
Purchase of tenement		-	(496,411)
Proceeds for Joint Venture Management		-	8,089
Net cash provided by investing activities		1,399,726	778,002
Cash Flows from Financing Activities			
Proceeds from issue of securities		151,668	814,411
Payment for costs of issue of securities		(12,000)	(60,000)
Net cash provided by financing activities		139,668	754,411
Net increase/(decrease) in cash held		(450,352)	(2,249,263)
Cash and cash equivalents at beginning of the financial year		**598,083**	**2,847,346**
Cash and cash equivalents at end of the financial year	7	**147,731**	**598,083**

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue on 23 September 2014 by the directors of the Company.

Basis of Preparation

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

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

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

Going Concern

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

The Group incurred a loss after tax for the year of $1,776,871 (2013: Loss of $1,262,416) and net cash outflows from operating activities of $1,989,746 (2013: $3,781,676). There was a working capital deficit of $42,033 at 30 June 2014 compared to a working capital surplus of $1,207,483 at 30 June 2013.

Pending the outcome of various applications, the Group could have lease and exploration commitments of $6,164,151 (2013: $6,397,199) 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;
- the Directors expect to received contingent payments from the previous sale of tenements and related royalty payments from these tenements as set out in note 26; and
- the Directors will divest its interest in financial assets held for trading as and when required to fund ongoing expenditure.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Should the Group not achieve the matters set out above, there is material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

(a) Principles of Consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 21 to the financial statements.

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

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

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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 Profit or Loss and other 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.

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 Profit or Loss and other 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 Profit or Loss and other 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

(d) Exploration, Evaluation and Development Expenditure

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

Accumulated costs carried forward in respect of an area of interest that is abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

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

(e) Leases

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

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

(f) Financial Instruments

Initial Recognition and Measurement

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

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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Classification and Subsequent Measurement

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

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

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

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

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

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

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

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

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

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

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

Impairment

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

Financial guarantees

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

De-recognition

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

(g) Cash and Cash Equivalents

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Trade and Other Receivables

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

(i) Revenue and Other Income

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

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

(j) Impairment of Assets

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

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

(k) Goods and Services Tax (GST)

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

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

(l) Taxation

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

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

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

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

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

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

Tax Consolidation

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

(m) Trade and Other Payables

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Provisions

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

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

(o) Equity Based Payments

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

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

(p) Issued Capital

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

(q) Earnings Per Share

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

(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) Interest in Joint Operations

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

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

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

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

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

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

(u) 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 26.

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.

(v) Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Financial assets held for trading

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

(i) Fair Value Hierarchy

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

(ii) Valuation techniques

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the Company is:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

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

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

		30 June 2014			
	Note	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Financial assets at fair value through profit or loss:					
- held-for-trading Australian listed shares		1,070,182	-	-	1,070,182

		30 June 2013			
	Note	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Financial assets at fair value through profit or loss:					
- held-for-trading Australian listed shares		975,640	-	-	975,640

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) New accounting standards for application in future periods

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135– Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments"	1 January 2014	30 June 2015

	2014 $	2013 $
2. *REVENUE & OTHER INCOME*		
Revenue		
- interest received	9,398	68,478
- option fees	260,494	4,670
- management fees	-	21,935
- recoupment of office costs on-charged	286,596	384,284
- profit on sale of shares	4,430	26,433
- other revenue	52,750	159,645
	613,668	665,445
Other Income		
- proceeds on sale of tenement	93,150	1,200,000
- royalty received	56,648	466,786
- contingency royalty received	1,000,000	500,000
- research & development tax refund	-	281,370
	1,149,798	2,448,156

3. *PROFIT (LOSS) FOR THE YEAR*

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

Expenses

	2014 $	2013 $
Administrative expenses		
Consulting	133,553	318,478
Advertising, printing and stationery	69,373	73,298
Travel and accommodation	29,856	58,846
Insurance	42,639	37,340
Memberships	23,603	25,725
Other	158,402	176,816
	457,426	690,503
Compliance and regulatory expenses		
ASX, ASIC, registry and secretarial	223,027	221,090
Legal	43,083	67,611
	266,110	288,701
Employee Benefits		
Superannuation	45,044	22,149
Termination benefits	21,960	-

4. *KEY MANAGEMENT PERSONNEL*

Interests of Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

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

4. KEY MANAGEMENT PERSONNEL (Cont'd)

	2014 $	2013 $
Short-term employee benefits	387,250	437,250
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based payments	111,118	-
	498,368	437,250

No compensation was paid in respect to KMP in termination benefits

5. AUDITORS REMUNERATION

Remuneration of the auditor for:

- Auditing or reviewing the financial report	42,900	58,245
	42,900	58,245

6. INCOME TAX EXPENSE

The components of the tax expense/(income) comprise:		
Current tax	-	-
Deferred tax	(765,874)	238,730
	(765,874)	238,730
(a) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit from continuing operations	(2,542,745)	(1,023,686)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)	(762,824)	(307,106)
Add:		
Tax effect of:		
Current year capital losses not recognised	104,000	105
Movement in unrecognised temporary differences	(128,561)	391,273
Effect of tax losses derecognised	3,904	-
Under provision in prior year	-	147,325
Other non-allowable items	44,754	123,082
Less:		
Tax effect of:		
Tax benefit of deductible equity raising costs	(27,147)	(28,377)
Non-assessable income	-	(87,572)
Income (tax benefit)/loss attributable to entity	(765,874)	238,730

6. INCOME TAX EXPENSE (Cont'd)

(b) Deferred tax assets at 30% (2013: 30%) comprise the following	2014 $	2013 $
Carry forward revenue losses	5,891,263	5,151,218
Carry forward capital losses	-	-
Unrealised Fair Value Adjustment	-	-
Capital raising and future black hole deductions	11,581	44,093
Provisions and accruals	176,384	485,604
Other	74,830	77,415
	6,154,058	5,758,330

Deferred tax liabilities at 30% (2012: 30%) comprise the following	2014 $	2013 $
Exploration expenditure	6,154,058	6,483,865
Investments	-	-
Other	-	741
	6,154,058	6,484,606

(c) Deferred tax recognised directly in equity:

	2014 $	2013 $
Relating to equity raising costs	(39,597)	(6,662)
Other	-	-
	(39,597)	(6,662)

(d) Unrecognised deferred tax assets at 30% (2013: 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:

	2014 $	2013 $
Investments	633,852	746,363
Tax revenue losses	3,904	-
Capital losses	104,105	105
	741,861	746,468

7. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at bank	147,531	597,588
Petty cash	200	495
	147,731	598,083

8. TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Current		
Trade receivables (i)	334,635	673,862
Other debtors	42,764	378,037
	377,399	1,051,899
Non-Current		
Bonds (ii)	146,168	165,800
	146,168	165,800

(i) Trade receivables have 30 to 90 day terms.
(ii) Bonds are term deposits, held by way of bank guarantee.

There were no trade receivables past due but not impaired.

	2014 $	2013 $
9. *FINANCIAL ASSETS*		
Current		
Financial assets, at fair value through profit or loss:		
Held-for-trading Australian listed shares	1,070,182	975,640
	1,070,182	975,640
10. *PROPERTY, PLANT AND EQUIPMENT*		
Land & Property at Cost	-	5,000
Plant and Equipment		
At cost	316,091	315,122
Accumulated depreciation	(279,123)	(251,444)
	36,968	63,678
Office Furniture and Equipment		
At cost	42,703	42,703
Accumulated depreciation	(31,672)	(28,853)
	11,031	13,850
Motor Vehicle		
At cost	68,287	68,287
Accumulated depreciation	(43,816)	(36,736)
	24,471	31,551
Leasehold Improvement		
At cost	5,344	5,344
Accumulated amortisation	(5,344)	(5,344)
	-	-
	72,470	114,080

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

2014

	Land & Property $	Plant and Equipment $	Office Furniture $	Motor Vehicles $	Total $
Balance at the beginning of the year	5,000	63,679	13,850	31,551	114,080
Additions	-	968	-	-	968
Disposals	(5,000)	-	-	-	(5,000)
Depreciation expense	-	(27,679)	(2,819)	(7,080)	(37,578)
Carrying amount at the end of the year	-	36,968	11,031	24,471	72,470

2013

	Land & Property $	Plant and Equipment $	Office Furniture $	Motor Vehicles $	Total $
Balance at the beginning of the year	5,000	81,170	19,554	40,679	146,403
• Additions	-	21,326	-	-	21,326
• Disposals	-	-	-	-	-
• Depreciation expense	-	(38,817)	(5,704)	(9,128)	(53,649)
Carrying amount at the end of the year	5,000	63,679	13,850	31,551	114,080

	2014 $	2013 $
11. EXPLORATION AND EVALUATION ASSETS		
Non-Current		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases at cost	20,782,091	21,860,178
Movement – exploration and evaluation		
Brought forward	21,860,178	19,072,479
Exploration expenditure capitalised during the year	1,464,971	3,284,321
Acquisitions	-	541,608
Recoupment of exploration expenditure from joint venture partners	-	(11,077)
Exploration expenditure written off	(2,543,058)	(1,027,153)
	20,782,091	21,860,178

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

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

The Group's 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.

12. TRADE AND OTHER PAYABLES

Current		
Trade creditors	399,159	324,464
Other creditors and accrued expenses	117,968	68,064
	517,127	392,528

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

13. PROVISIONS

Current		
Provision for annual leave	38,450	45,761
Provision for long service leave	11,586	20,648
	50,036	66,409

	2014 $	2013 $
14. ISSUED CAPITAL		
130,477,121 fully paid ordinary shares (2013: 129,597,118) with no par value	24,889,282	24,800,080

Movements in Ordinary Shares

		30 June 2014 Number	30 June 2014 $	30 June 2013 Number	30 June 2013 $
Balance at the beginning of the year		129,597,118	24,800,080	122,589,125	23,711,847
Issue of shares at $0.19 each	(i)	-	-	1,250,000	240,000
Issue of shares at $0.17 each	(ii)	-	-	600,000	102,000
Issue of shares at $0.16 each	(iii)	-	-	5,000,000	800,000
Issue of shares at $0.16 each	(iv)	880,003	140,800	-	-
Less: tax effect of equity raising costs	(v)	-	(39,598)	-	(6,662)
Less: transaction costs		-	(12,000)	-	(72,384)
Sub total		130,477,121	24,889,282	129,439,125	24,774,801
Shares to be issued	(vi)	-	-	157,993	25,729
Balance at the end of the year		130,477,121	24,889,282	129,597,118	24,800,080

(i) On 8 November 2012, the Company issued 1,250,000 ordinary shares to 3D Resources as part consideration for the farm-in agreement to earn up to 75% in the Halls Creek Copper Project.

(ii) On 29 January 2013, the Company issued 600,000 ordinary shares to Sulphide Resources Pty Ltd as consideration for a 1.5% net smelter royalty which covers M80/247, which includes the Mount Angelo North copper deposit.

(iii) On 16 April 2013, a placement was successfully completed of 5,000,000 ordinary shares at an issue price of $0.16 to raise $800,000 (before costs).

(iv) Shares issued on 12 July 2013 under the Company Non-Renounceable Entitlement Issue. The entitlement was based on the issue of 1 new share for every 12 shares held, at an issue price of $0.16 per new share.

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

(vi) Funds of $25,279 were received by the Company during May 2013. These funds represented proceeds for 157,993 shares that were issued on 12 July 2013 as per the terms and conditions of the Company Non-Renounceable Entitlement Issue which closed on 5 July 2013.

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.

14. ISSUED CAPITAL (Cont'd)

Movements in Options over Ordinary Shares

Exercise Period	Exercise Price	Number on issue at 30 June 2013	Issued during the year	Exercised/ Expired/ Cancelled	Number on issue at 30 June 2014
On or before 14 September 2013	$0.400	100,000	-	(100,000)	-
On or before 15 December 2013	$0.280	250,000	-	(250,000)	-
On or before 18 March 2014	$0.520	500,000	-	(500,000)	-
On or before 11 January 2015	$0.330	925,000	-	-	925,000
On or before 4 February 2015	$0.490	100,000	-	-	100,000
On or before 31 July 2015 (i)	$0.100	-	100,000	-	100,000
On or before 31 July 2016 (i)	$0.107	-	100,000	-	100,000
On or before 26 November 2016 (ii)	$0.180	-	3,500,000	-	3,500,000
		1,875,000	3,700,000	(850,000)	4,725,000

(i) Options issued to a consultant of the Company. The fair value of these options was based on the Black-Scholes model incorporating the following inputs:

Estimated Volatility	Life of Option	Exercise Price	Share Price	Risk Free Rate
100%	2 years	$0.100	$0.081	2.25%
100%	3 years	$0.107	$0.081	2.25%

(ii) Options issued to Directors of the Company (approved by shareholders at the AGM held on 25 November 2013). The fair value of these options was based on the Black-Scholes model incorporating the following inputs:

Estimated Volatility	Life of Option	Exercise Price	Share Price	Risk Free Rate
70%	3 years	$0.18	$0.10	2.25%

Capital risk management

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

The working capital position of the Group at 30 June 2014 and 30 June 2013 are as follows:

	2014 $	2013 $
Cash and cash equivalents	147,731	598,083
Trade and other receivables	377,399	1,051,899
Financial assets	1,070,182	975,640
Trade and other payables	(517,127)	(392,528)
Working capital position	1,078,185	2,233,094

15. OPTION RESERVE

	2014 $	2013 $
Opening balance	358,325	861,913
Equity based payments	119,642	-
Transfers to accumulated losses	(103,687)	(503,588)
Closing balance	374,280	358,325

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

16. ACCUMULATED LOSSES

	2014 $	2013 $
Opening balance	(1,553,497)	(801,609)
Net loss attributable to members	(1,775,571)	(1,255,476)
Transfers from option reserve	103,687	503,588
Closing balance	(3,225,381)	(1,553,497)

17. 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 $147,731 (2013: $598,083).

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.

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

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

Maturity profile of financial instruments

The following tables detail the Group's exposure to interest rate risk as at 30 June 2014 and 30 June 2013:

30 June 2014	**Floating Interest Rate**	**Fixed Interest maturing in 1 year or less**	**Non-interest bearing**	**2014 Total**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	147,531	-	200	147,731
Trade and other receivables	-	146,168	377,399	523,567
Financial assets – held for trading	-	-	1,070,182	1,070,182
	147,531	146,168	1,447,781	1,741,480
Weighted average effective interest rate	2.29%			
Financial Liabilities				
Trade and other payables	-	-	517,127	517,127
	-	-	517,127	517,127

30 June 2013	**Floating Interest Rate**	**Fixed Interest maturing in 1 year or less**	**Non-interest bearing**	**2013 Total**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	597,588	-	495	598,083
Trade and other receivables	-	165,800	1,051,899	1,217,699
Financial assets – held for trading	-	-	975,640	975,640
	597,588	165,800	2,028,034	2,791,422
Weighted average effective interest rate	3.06%			
Financial Liabilities				
Trade and other payables	-	-	392,528	392,528
	-	-	392,528	392,528

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

Net Fair Values

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

	2014		2013	
	Carrying Amount $	Net fair Value $	Carrying Amount $	Net fair Value $
Financial assets				
Cash and deposits	147,731	147,731	598,083	598,083
Receivables	523,567	523,567	1,217,699	1,217,699
Investment held for trading	1,070,182	1,070,182	975,640	975,640
	1,741,480	1,741,480	2,791,422	2,791,422
Financial liabilities				
Payables	517,127	517,127	392,528	392,528
	517,127	517,127	392,528	392,528

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 2014, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014 $	2013 $
Change in loss		
• Increase in interest rate by 100 basis points	3,015	5,963
• Decrease in interest rate by 100 basis points	(3,015)	(5,963)
Change in equity		
• Increase in interest rate by 100 basis points	3,015	5,963
• Decrease in interest rate by 100 basis points	(3,015)	(5,963)

18. *EARNINGS PER SHARE*

a) Reconciliation of earnings to profit or loss:

Loss for the year	(1,775,571)	(1,255,476)
Loss used to calculate basic and diluted EPS	(1,775,571)	(1,255,476)

18. EARNINGS PER SHARE (Cont'd)

		2014 No. of Shares	2013 No. of Shares
b)	Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	130,442,996	124,667,756
	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	130,442,996	124,667,756

19. CASH FLOW INFORMATION

	2014 $	2013 $
Reconciliation of cash flows from operating activities with profit/(loss) after income tax		
Profit/(Loss) after income tax	(1,776,871)	(1,262,416)
Non-operating cash flows in loss for the year:		
Depreciation	37,578	53,649
Net Loss on sale of shares	-	(26,433)
Net Profit on sale of exploration assets	(1,335,500)	(2,171,431)
Employee & Consultant equity settled transactions	119,642	-
Fair value adjustment to investments	(77,241)	1,331,026
Exploration write-off	2,543,058	1,017,612
Management fees received	-	(21,935)
Income tax expense recognised in profit or loss	(765,874)	238,730
Changes in assets and liabilities:		
Decrease/(increase) in trade receivables and prepayments	710,570	(481,812)
Increase/(decrease) in trade payables, accruals and employee entitlements	19,864	386,853
Increase/(decrease) in provisions		
Decrease/(increase) in exploration	(1,464,972)	(2,845,519)
Cash outflow from operations	(1,989,746)	(3,781,676)

20. 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, was for a three (3) years expiring on 1 April 2013, this has been extended for a further term which expires on 31 May 2016 in consideration for a rental fee of $225,350 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:

20. COMMITMENTS (Cont'd)

	2014 $	2013 $
No longer than one year	6,164,151	6,397,199
Longer than one year, but not longer than five years	15,651,245	10,455,527
Longer than five years	-	-
	21,815,396	16,852,727

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.

21. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2014	2013
Parent Entity			
Cazaly Resources Limited	Australia		
Controlled Entities			
Cazaly Iron Pty Ltd	Australia	100%	100%
Sammy Resources Pty Ltd	Australia	100%	100%
Cazroy Pty Ltd	Australia	100%	100%
Baker Fe Pty Ltd	Australia	100%	100%
Baldock Fe Pty Ltd	Australia	100%	100%
Lockett Fe Pty Ltd	Australia	100%	100%
Hase Fe Pty Ltd	Australia	100%	100%
Caz Yilgarn Pty Ltd	Australia	100%	100%
Discovery Minerals Pty Ltd	Australia	80%	80%

22. OPERATING SEGMENTS

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

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

Exploration

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

Segment assets

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

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

22. *OPERATING SEGMENTS (Cont'd)*

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;
- deferred tax assets and liabilities.

2014	Exploration $	Unallocated $	Total $
Revenue			
Interest received	-	9,398	9,398
Other	1,149,798	604,270	1,754,068
Total segment revenue	**1,149,798**	**613,668**	**1,763,466**
Segment net operating profit (loss) before tax	**(1,393,260)**	**(1,149,485)**	**(2,542,745)**
Depreciation	-	37,578	37,578
Impairment of exploration assets	2,543,058	-	2,543,058
Share based payments	-	119,642	119,642
Segment assets			
Exploration expenditure	20,782,091	-	20,782,091
Capital expenditure	-	72,470	72,470
Segment liabilities	**-**	**6,721,221**	**6,721,221**

2013	Exploration $	Unallocated $	Total $
Revenue			
Interest received	-	68,478	68,478
Other	2,448,156	596,967	3,045,123
Total segment revenue	**2,448,156**	**665,445**	**3,113,601**
Segment net operating profit (loss) before tax	**(781,956)**	**(241,730)**	**(1,023,686)**
Depreciation	-	53,649	53,649
Impairment of exploration assets	1,027,153	-	1,027,153
Share based payments	-	-	-
Segment assets			
Exploration expenditure	21,860,178	-	21,860,178
Capital expenditure	-	114,080	114,080
Other assets	-	-	-
Segment liabilities	**-**	**6,943,543**	**6,943,543**

23. *EVENTS SUBSEQUENT TO REPORTING DATE*

There has not been any other matter or circumstance that has arisen since the end of the financial Year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

24. *PARENT ENTITY DISCLOSURES*

	2014 $	2013 $
(a) Statement of financial position		
Assets		
Current assets	459,944	1,633,823
Non-current assets	9,620,574	9,048,571
Total assets	10,080,518	10,682,394
Liabilities		
Current liabilities	567,399	458,935
Non-current liabilities	608,181	560,090
Total liabilities	1,175,580	1,019,025
Equity		
Issued capital	24,889,282	24,800,080
Reserves:		
Equity settled employee benefits	477,967	358,325
Retained profits	(16,462,311)	(15,495,036)
Total Equity	8,904,938	9,663,369
(b) Statement of Profit or Loss and Other Comprehensive Income		
Total profit/ (loss)	(967,266)	(1,171,325)
Total comprehensive income	(967,266)	(1,171,325)

Loans to Controlled Entities

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

25. *SHARE BASED PAYMENTS*

Options are issued to vendors as part of purchase consideration and also to directors and employees as part of their remuneration. The options issued may be subject to performance criteria, and are issued to directors and employees of the Company to increase goal congruence between executives, directors and shareholders.

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

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 2014:

Allottee	Fair Value at Grant Date	Estimated Volatility	Expiry Date	Exercise Price	Share Price	Risk Free Interest Rate
Consultant	$0.039	100%	31 July 2015	$0.100	$0.081	2.25%
	$0.046	100%	31 July 2016	$0.107	$0.081	2.25%
Directors	$0.032	70%	26 November 2016	$0.180	$0.100	2.25%

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.

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

	2014		2013	
	Number of Options	Weighted Ave Exercise Price $	Number of Options	Weighted Ave Exercise Price $
Balance at beginning of reporting period	1,875,000	0.39	5,075,000	0.47
Granted during the period				
Employee & consultants	200,000	0.10	-	-
Directors	3,500,000	0.18	-	-
Exercised during the period	-	-	-	-
Expired during the period	(850,000)	0.44	(3,200,000)	0.51
Balance at end of reporting period	4,725,000	0.21	1,875,000	0.39
Exercisable at end of reporting period	4,725,000		1,875,000	

(i) The compensation options outstanding at 30 June 2014 had a weighted average remaining life of 1.97 years (2013 – 1.105 years).

(ii) The weighted average fair value of the options outstanding at 30 June 2014 was $0.065 (2013 - $0.1597).

26. *CONTINGENT LIABILITIES AND CONTINGENT ASSETS*

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

<u>Contingent Asset</u>

As per the binding West Kalgoorlie Tenements sale to Phoenix Gold Pty Ltd (**'Phoenix'**), the Company is due $2,000,000 in cash, to be paid in eight equal instalments of $250,000 each, with the first instalment due to be paid three months after the first gold produced by Phoenix from the West Kalgoorlie tenements (March 2013). As at 30 June 2014 $750,000 remains outstanding.

The Company also has a production royalty of A$40 per ounce of gold recovered by Phoenix from the West Kalgoorlie Tenements up to 75,000 ounces and a once off payment of A$3,000,000 on Phoenix having recovered 140,000 ounces from the royalty tenements.

The contingent assets disclosed above are dependent upon the liquidity of Phoenix Gold Pty Ltd and the production profile from the West Kalgoorlie Tenements.

26. *CONTINGENT LIABILITIES AND CONTINGENTS ASSETS (Cont'd)*

Contingent Liability

As announced to the ASX on 30 October 2012, the Company signed an agreement with 3D Resources Ltd to earn up to a 75% interest in the Halls Creek Copper Project, located in the Kimberley region of Western Australia. In order to earn up to 75% in the project, under the terms of the Tenement Sale, Farm-In and Joint Venture Agreement, the Company is required to:

- Make a payment of a further $100,000 cash, issue 1,250,000 fully paid Cazaly shares and incur expenditures of $500,000 within 24 months to earn a total of 51%
- Complete a pre-feasibility study within 36 months to earn a 75% interest

If the pre-feasibility is positive, or the Company transacts on the project, then a further payment of $500,000 in shares is payable to 3D Resources Ltd.

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

1. the financial statements and notes, as set out, are in accordance with the Corporations Act 2001 and:
   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2014 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,
23 September 2014

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 statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation 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*.

Opinion

In our opinion:

a. The financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the **Consolidated Entity's** financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter – Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a loss of $1,776,871. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cazaly Resources Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 23rd day of September 2014

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 16 September 2014.

DETAILS OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHAREHOLDERS

There are 130,477,122 fully paid ordinary shares on issue, held by 2,464 individual shareholders. Each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or a representative or a proxy of a member shall have one vote and on a poll every member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

TWENTY LARGEST SHAREHOLDERS (AS AT 16 SEPTEMBER 2014)

	Fully Paid Ordinary	
Ordinary Shareholders	**Number**	**Percentage**
Kingsreef Pty Ltd (NB & DL Family A/C)	10,942,932	8.39%
New Page Investments Ltd	8,000,000	6.13%
Clive Bruce Jones	6,646,256	5.09%
Nathan McMahon	4,793,755	3.67%
Clive Jones (Alyse Investment A/C)	2,500,001	1.92%
GGDT Developments Pty Ltd	2,500,000	1.92%
Maximise Your Body Pty Ltd (JSH Family A/C)	2,014,602	1.54%
Citicorp Nominees Pty Ltd	1,628,870	1.25%
Concettina Schiavello	1,610,000	1.23%
Debra Lee McMahon	1,552,595	1.19%
HSBC Custody Nominees (Australia) Ltd	1,529,781	1.17%
P Anastasiou & K P Anastasiou (Anastasiou Super Fund)	1,509,770	1.16%
Anthony Robert Ramage	1,400,000	1.07%
Kris Chambers	1,150,000	0.88%
Anthony Robert Rumage (ARR Super Fund)	1,131,684	0.87%
Apollinax Inc	1,000,000	0.77%
Michael John Hamill	1,000,000	0.77%
Fusion Resources Pty Ltd	1,000,000	0.77%
Widerange Corporation Pty Ltd	913,856	0.70%
Velgo investments Pty Ltd (Godfrey Vella Family A/C)	875,000	0.67%
	53,699,102	**41.16%**

VOTING RIGHTS

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

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

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

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

HOLDERS OF NON-MARKETABLE PARCELS

There are 1,262 shareholders who hold less than a marketable parcel of shares.

STOCK EXCHANGE INFORMATION

DISTRIBUTION OF SHARE HOLDERS (AS AT 16 SEPTEMBER 2014)

	Ordinary Shares
1 to 1,000	147,169
1,001 to 5,000	2,168,873
5,001 to 10,000	3,560,590
10,001 to 100,000	27,333,254
100,001 and over	97,267,236
	130,477,122

SUBSTANTIAL SHAREHOLDERS

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

Substantial Shareholder	Ordinary Shares held	% Held
Nathan McMahon	17,190,939	13.18%
Clive Jones	10,075,114	7.72%
New Page Investments Ltd	8,000,000	6.13%

SHARE BUY-BACKS

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

OTHER INFORMATION

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

INTEREST IN MINING TENEMENTS AS AT 16 SEPTEMBER 2014

TID	PROJECT	%	TID	PROJECT	%
Managed			**Not Managed**		
E24/0188	GIDJI	100	E09/1194	JAILOR BORE	20
E25/0500	MADOONIA DOWNS	100	E31/1019	CAROSUE	10
E80/4772	ALICE DOWNS	100	E31/1020	CAROSUE	10
E28/2273	PINNACLES	100	E37/1037	TEUTONIC BORE	100
E31/0886	CAROSUE	100	E38/1540	JUTSON ROCKS	30
E80/4774	HALLS CREEK	100	E47/1617	HAMERSLEY	49
E80/3370	MT ANGELO	20	E51/1290	RUBY WELL	20
E80/3496	MT ANGELO	20	E69/2230	NEBO	100
E80/3517	MT ANGELO	20	E69/2362	RAWLINSON RANGE	100
E80/3938	MT ANGELO	20	EL 25643	MT ISABEL (NT)	20
M80/0247	MT ANGELO	20	EL 25653	ACACIA BORE (NT)	20
E31/1047	EDJUDINA	100	M31/0427	CAROSUE	10
E31/1048	EDJUDINA	100	P26/3369	TEN MILE HILL	10
E47/1561	MT WALKINS	100	P27/1682	TEN MILE HILL	10
E47/2012	MT. STUART	100	P27/1688	TEN MILE WELL	10
E47/2027	MT. STUART	100	P31/1746	CAROSUE	10
E47/2042	MARILLANA	100	P46/1360	QUARTZ CIRCLE	20
E47/2043	MT. STUART	100	P46/1361	QUARTZ CIRCLE	20
E51/1567	MT PADBURY	100	P46/1362	QUARTZ CIRCLE	20
E52/2861	FORTNUM	100	P46/1363	QUARTZ CIRCLE	20
E52/3020	ROBINSON RANGES	100	P46/1364	QUARTZ CIRCLE	20
E77/1101	PARKER RANGE	100	P46/1365	QUARTZ CIRCLE	20
E77/1235	PARKER RANGE	100	P46/1366	QUARTZ CIRCLE	20
E77/1403	PARKER RANGE	100	E38/1541	JUTSON ROCKS	30
E77/1689	MT RANKIN	100	P47/1276	KANGEENARINA	100
E77/1787	PARKER RANGE	100	P47/1277	KANGEENARINA	100
E77/1788	PARKER RANGE	100			
E77/1789	PARKER RANGE	100			
E77/1792	MOORINE ROCKS	100			
E77/2068	PARKER RANGE	100			
E77/2078	PARKER RANGE	100			
E77/2115	SOUTHERN CROSS	100			
E77/2135	PARKER RANGE	100			
E77/2177	STRAWBERRY ROCKS	100			
L77/0220	PARKER RANGE	100			
L77/0228	PARKER RANGE	100			
L77/0229	PARKER RANGE	100			
M77/0671	PARKER RANGE	100			
M77/0741	PARKER RANGE	100			
M77/0742	PARKER RANGE	100			
M77/0764	PARKER RANGE	100			
M77/0765	PARKER RANGE	100			
M77/0766	PARKER RANGE	100			
P77/3700	PARKER RANGE	100			
P77/3702	PARKER RANGE	100			
P77/4046	PARKER RANGE	100			
P77/4047	PARKER RANGE	100			
P77/4162	PARKER RANGE	100			
P77/4163	PARKER RANGE	100			
P77/4164	PARKER RANGE	100			
E77/2176	PARKER RANGE	100			
P24/4786	BARDOC	100			
P24/4785	BARDOC	100			

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 financial year ended 30 June 2014 (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 2013/14. 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 2014 are set out below:

	2014		**2013**	
	No.	**%**	**No.**	**%**
Women on the Board	0	0%	0	0%
Women in senior management roles (*)	0	0%	1	33%

(*) Resigned 26 July 2013.

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 (www.cazalyresources.com.au).