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CAZALY

RESOURCES LIMITED

ABN 23 101 049 334

AND CONTROLLED ENTITIES

Consolidated Half Year Financial Report

31 December 2020

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

CONSOLIDATED HALF YEAR FINANCIAL REPORT

31 December 2020

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CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

**COMPANY DIRECTORY
HALF YEAR ENDED 31 DECEMBER 2020**

MANAGING DIRECTOR

Nathan McMahon

DIRECTORS

Clive Jones
Terry Gardiner

COMPANY SECRETARY

Mike Robbins

PRINCIPAL & REGISTERED OFFICE

Level 3, 30 Richardson Street,
West Perth, WA, 6005
Telephone: (08) 9322 6283
Facsimile: (08) 9322 6398

AUDITORS

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

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
50 St Georges Terrace
PERTH WA 6000

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CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2020

Your directors submit the financial report of Cazaly Resources Limited ('Cazaly' or 'the Company') and its controlled entities ('the Group') for the half-year ended 31 December 2020.

DIRECTORS

The names of Directors who held office during or since the end of the half year:

Nathan Bruce McMahon
Clive Bruce Jones
Terry James Gardiner

COMPANY SECRETARY

Mike Robbins

REVIEW OF OPERATIONS

Projects

Halls Creek Copper Project (CAZ 100%)

On 17 December 2020, the Company finalised the purchase of the outstanding 80% equity in the Halls Creek project from 3D Resources Limited ("**3D Resources**", ASX:DDD) bringing Cazaly equity to 100% in the project (transaction details included in CAZ ASX announcement dated 12 November, 2020).

The project is a copper-zinc project in the East Kimberley region located near the historic township of Halls Creek and hosts the *Mt Angelo North volcanogenic massive sulphide* ("VMS") deposit where previous results from work conducted by Cazaly prior to the joint venture included; **64m @ 2.72% Cu (1.13% Zn), 62m @ 2.41% Cu (2.75% Zn), 37m @ 2.63% Cu (6.05% Zn), 16m @ 5.91% Cu, 18m @ 2.53% Cu** (refer to CAZ ASX announcements dated 11 December 2012 & 20 June 2013 and Table 1).

Cazaly has begun a complete review of all previous exploration on the project where there remains very good upside potential with existing downhole EM conductors sitting beneath the known mineralisation yet to have been drill tested. Additionally, previous geological mapping by the Company defined the untested northern extensions of the deposit including mapping of the important Banded Iron Formation capping unit.

Table 1: Drill Intercepts referred to herein, Mount Angelo North Prospect

HoleID	East	North	Hole Depth	From	Length m	Intercept				
						Cu (%)	Pb (%)	Zn (%)	Ag (ppm)	Au (ppm)
HCDD001	340486	7960661	60	5	18	2.53	0.23	1.16	22	0.22
HCDD003	340444	7960566	75.5	25	37	2.63	0.52	6.05	21	0.28
HCRC005	340433	7960590	100	86	62	2.41	0.10	2.75	16.00	0.04
HCRC015	340498	7960684	102	14	64	2.72	0.06	1.13	12.00	0.19

nb; Cu, Pb, Zn and Ag analysed by 4 acid digest and ICP-MS finish. Au analysed by Fire Assay and AAS finish.
All holes located on a MGA94-52 GDA grid

See ASX:CAZ releases dated 11 December 2012 & 20 June 2013 for further drill assay results

DIRECTORS' REPORT
 HALF YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

The information provided was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

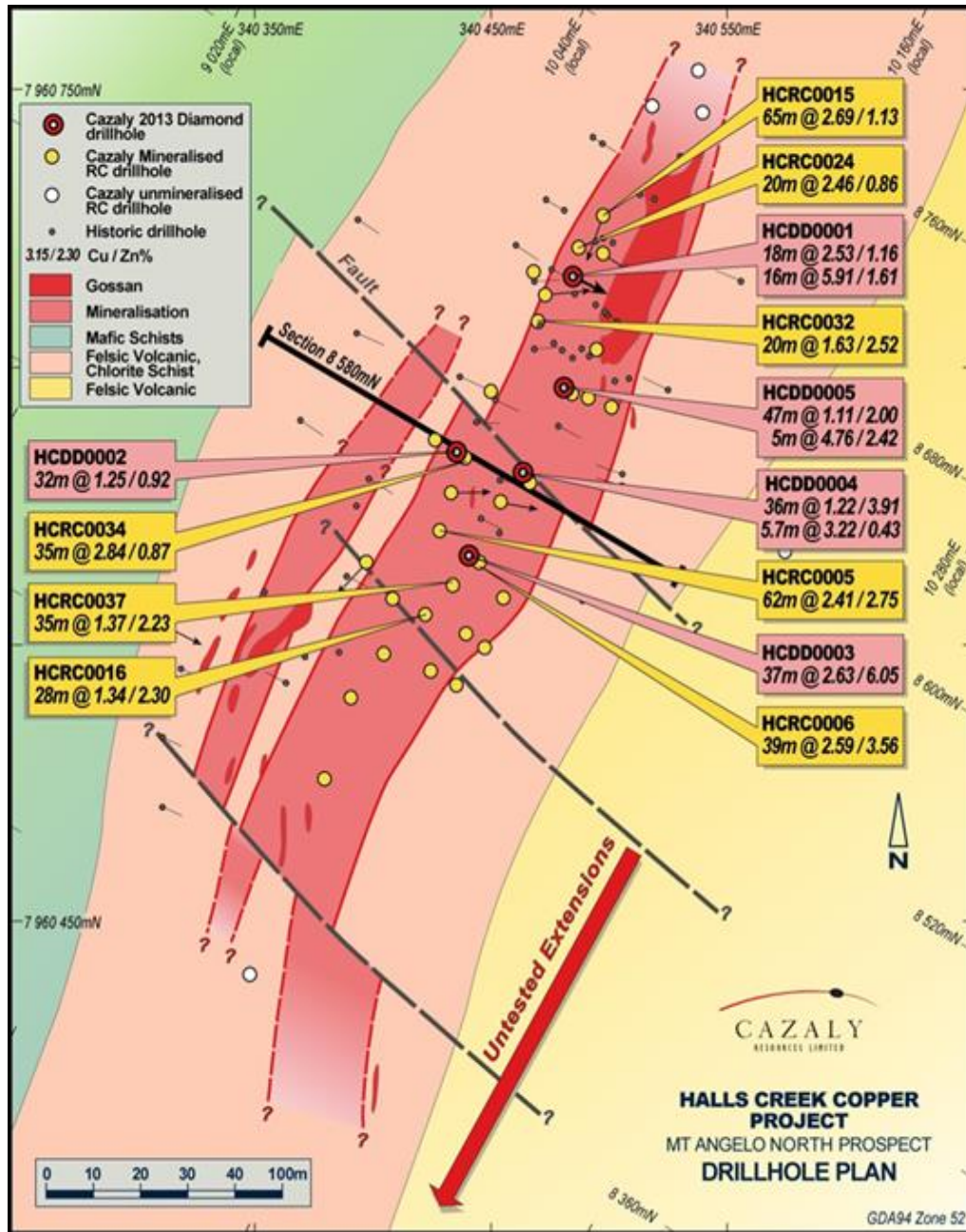


Figure 2: Halls Creek Copper Project

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Ashburton Basin (CAZ 100%)

In September 2020, the Company secured the rights to a major land position covering more than 2,600 square kilometres in the Ashburton Basin in the Pilbara region of Western Australia (figure 1). The project covers major regional structures thought to be highly prospective for major gold mineralisation and occurs in the region hosting Northern Star's (ASX:NST) Paulsen's gold deposit and Kalamazoo's (ASX:KZR) recently acquired Mount Olympus gold deposit.

The project is located within the Ashburton Basin which forms the northern part of the Capricorn Orogen, a ~1000km long, 500km wide region of variably deformed metamorphosed igneous and sedimentary rocks located between the Yilgarn and Pilbara cratons. A governmental collaborative project conducted a deep seismic survey transecting over ~450km covering the region aimed at identify the crustal architecture of the region. The survey identified the *Baring Downs Fault*, which lies centrally within the Ashburton Basin, as a major deeply seated, crustal scale structure with the potential to host significant mineralisation. To date, there has been very little exploration along the extent of the Baring Downs fault over which the Company's applications cover approximately 80km strike.

The basin is known to host several smaller primary and numerous alluvial gold deposits (Star of the West, Dead Finish, Big Sarah, Hearn's Find, Glen Florrie, Soldiers Secret) and in the late 1890's to 1910 mining occurred in several centres with the Dead Finish diggings alone having over 8,000 men working the field, however true gold production was largely unreported. Some detailed work has occurred along the northern and southern margins of the basin, where the Paulsens and Mount Olympus gold mines lie, but no systematic work has focussed along the Baring Downs structure. Diamond exploration in the 1990's reported several kimberlite and lamproite intrusions in the area. The presence of kimberlites and lamproites, along with the widespread gold mineralisation, is further evidence that the Baring Downs fault is a major, deep seated mantle tapping structure requiring modern exploration.

In October 2020, the Company conducted field reconnaissance work programs on site and acquired important project data sets to prepare for the 2021 field season. Early work has included reprocessing of available airborne geophysics data to highlight prospective lithological units and structural elements for targeting purposes. Deep seismic survey data was reprocessed to help define the structural architecture within the 2D profile that was completed by the GSWA in 2010 and transects the project. All of this work will culminate in prioritisation and planning for field programs in 2021 and includes a comprehensive open file data search which has already highlighted a number of gold targets for follow up.

Part of the preliminary work during the quarter included field reconnaissance programs. Low-impact field reconnaissance mapping and soil sampling of priority targets commenced in late 2020 across 8 areas. These were selected by the exploration team as potentially favourable structural/lithological settings for gold mineralisation. The work comprised first pass regolith mapping, prospecting and soil sampling. Samples were dispatched to Perth laboratories for analysis by standard acid digests as well as two additional ultra low-level analytical methods. The results have been recently received and are being interpreted, along with collected geological information, which will assist in determining the most effective sampling procedures and analytical methods for the upcoming programs.

DIRECTORS' REPORT
 HALF YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

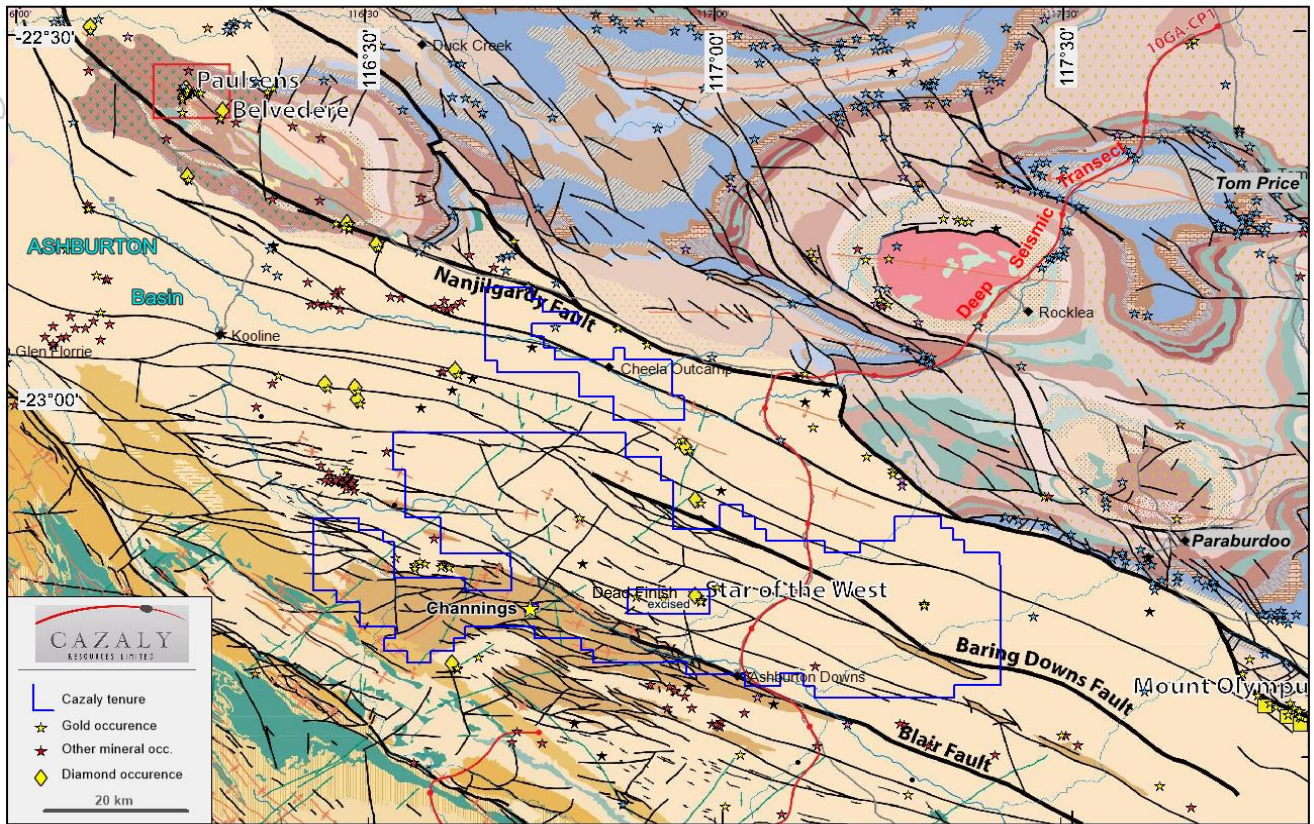


Figure 1: Regional geological setting, Ashburton project (Fielding et al, 2020)

Preliminary results from reprocessing and interpretation of deep seismic data sets has also recently become available. These continue to be interpreted but have already highlighted deep mantle tapping structures that may represent new important controls for mineralising fluids within the Ashburton project area. Final data sets with priority target areas will be available to the company in the current quarter.

The Company will accelerate the compilation of all work to finalise and prioritise targets for follow-up as soon as possible.

Mount Venn Gold Project (CAZ 20% WML 80%)

The Mt Venn Gold Project covers approximately 400 square kilometres located 125km northeast of Laverton in the Eastern Goldfields Region of Western Australia. In September 2019, Woomera Mining Limited (ASX:WML) (**Woomera**) purchased an 80% interest in the project from Cazaly who retains a 20% interest in the tenements through the establishment of an unincorporated Joint Venture.

The project area lies within the Mount Venn-Dorothy Hills greenstone belt which is the most easterly major NW/SE striking greenstone belt of the Yilgarn Craton. Together these greenstone belts account for 30% of the world's gold reserves, most of Australia's nickel production and other base metal and rare earth deposits.

During December 2020, Woomera conducted a programme of aircore drilling and rock chip sampling on the project including a maiden reverse circulation programme at the Chapman's Reward prospect and aircore drilling programmes at the Lang's Find prospect and Three Bears prospects.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

The initial aircore program aimed to outline the potential for large scale mineralised zones analogous to Gold Roads' Gruyere deposit within the Mt Venn Gold project. Aircore results from the Three Bears and Lang's Find prospects were received from a total of 86 holes for 2,468m drilled at these two prospects. The aircore program at Lang's Find was supplemented with rock chip sampling at locations where the aircore rig could not access.

A coherent +100 ppb gold anomaly was defined at the Three Bears prospect, extending the strike length of the gold trend identified in the previous aircore drilling program to a total of 7km and highlighting the large scale potential of this area.

Drilling at Lang's Find was hampered by difficult access with the main target area not tested however rock chip sampling returned grades of 9.2g/t Au, 7.74 g/t Au and 6.63 g/t Au, confirmed the potential of the prospect to host higher grade mineralisation.

On 12 February 2021, WML announced that that it had received encouraging assay results from its maiden, reconnaissance RC drilling programme over Chapman's Reward. Chapman's Reward is located 8kms north of the Three Bears Prospect.

WML completed a programme of seventeen RC drill holes for an aggregate of 1,673 metres. The drilling defined a shallow (30-45°) east dipping quartz monzonite (granite) and mafic schist contact at Chapman's Reward, with gold mineralisation hosted by stockwork/sheeted quartz veins within the granite.

Excellent potential is seen to identify dip and strike extensions to the mineralisation along with higher grade lodes situated within dilatant zones or embayments at depth. Over 2km of untested strike is available not the south below shallow alluvial cover which will be subject to future exploration drilling within the pipeline of targets currently being generated and prioritized.

Kaoko Kobalt Project (CAZ 95%)

Cazaly has a 95% interest in the Kaoko Copper-Cobalt project located in northern Namibia approximately 800km by road from the capital of Windhoek and approximately 750km from port of Walvis Bay. The Project is situated immediately north of, and abuts, Celsius Resources Limited's (ASX:CLA) *Opuwo Cobalt* project resource of **112Mt @ 0.11% Co & 0.41% Cu** (CLA ASX: 16 April & 5 November 2018).

Historic work at Kaoko highlighted the potential for base metal and cobalt mineralisation akin to Opuwo within the extensive prospective DOF, host to the Opuwo cobalt mineralisation. Previous geochemistry at Kaoko delineated a 20km by 5km area of subdued magnetics coincident with anomalous Cu-Co-Zn-Mn at the *Kamwe* prospect. Priority target areas have recently been selected for follow up work in the north east over largely soil covered prospective Ombombo sequence with surface geochemical sampling planned for the forthcoming quarter. Results from wide-spaced reconnaissance lines of sampling highlighted an area of anomalous copper and a single high (>50 x background) gold result. Follow up work is being planned for the current year.

McKenzie Springs (CAZ 30% FIN 70%)

Sammy Resources Pty Ltd (a subsidiary of Cazaly) is in joint venture with Fin Resources Ltd (ASX:FIN) over Exploration Licence 80/4808, the McKenzie Springs Project, located in the Kimberley region of Western Australia. The project lies south along strike from the Savannah nickel mine owned by Panoramic Resources Ltd and is prospective for intrusive - hosted nickel copper mineralisation. FIN has recently earned its full interest in the Project by spending \$500,000 on exploration.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

On 25 February 2021, FIN announced the results of their maiden drill program. The drillholes were designed to test multiple modelled strong high priority conductors defined from Fixed Loop Electromagnetic (FLEM) geophysical surveys. Following the drilling, downhole transient electromagnetic (DHTEM) surveying was completed on each drillhole. The aim of the DHTEM was to detect and delineate bedrock conductors of interest adjacent to the diamond drillholes.

Whilst the drilling did not intersect significant sulphides, broad disseminated zones of sulphides were encountered and several weak to strong in-hole and off-hole anomalies were identified, many of which are likely to be related to sulphide mineralisation. Further geological and geophysical modelling is in process.

Hamersley Project (CAZ 30% PF1 70%)

The Hamersley Iron Ore Project is an unincorporated Joint Venture between the Company and Pathfinder Resources Ltd. (ASX:PF1) formerly Winmar Resources Limited. The project comprises granted Mining Lease (ML47/1450) located in the heart of the world-renowned Pilbara iron ore district. The Project currently has a total Mineral Resource estimate of **343.2 Mt at 54.5% Fe** (see below)(as per PF1 ASX announcement dated 23 February 2022).

Table 2: JORC Code 2012 Mineral Resource Estimate for the Hamersley Iron Ore Project

	Tonnes Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %	Calcined Fe %
DID Inferred#	24.3	46.4	24.8	5.2	0.03	2.5	47.6
CID Indicated*	42.6	55.2	10.9	5.5	0.04	3.6	57.3
CID Inferred*	276.3	55.2	9.7	4.4	0.04	6.3	58.9
Total	343.2	54.5	10.9	4.6	0.04	5.7	57.9

Note: Tonnage figures have been rounded and as a result may not add up to the totals quoted.

* DID reported at a 40% Fe Cut-off grade.

* CID reported at a 52% Fe Cut-off grade.

The Mineral Resource estimate is reported in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012) (JORC Code 2012) (refer to Pathfinder's ASX announcement dated 23 February 2021 and the formerly named Winmar Resources Ltd ASX announcement dated 24 January 2020).

Other Projects

The Company has completed and continues to review, several potential project opportunities. Project specifics cannot be discussed due to confidentiality requirements. The Company's preference is for advanced exploration to near mining assets in jurisdictions amenable to mining and exploration.

Corporate

The Company had cash and investments totalling \$11 million at 31 December 2020. This excludes any unclaimed cash distribution proceeds from the Return of Capital and unfranked dividend.

Cazaly continues to monitor the COVID-19 situation closely and provides updates to staff as appropriate and is managing the situation in a balanced, calm and measured way.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT HALF YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Option conversions

During the half year, a total of 5,830,000 unquoted options (exercisable at \$0.029 on or before 31 March 2021) were exercised.

On 19 November 2020, all 6,500,000 Director options (exercisable at \$0.039) were exercised.

On 25 November 2020, all 2,250,000 employee options (exercisable at \$0.039) were exercised.

RESULTS OF OPERATIONS & FINANCIAL POSITION

The operating loss after income tax of the Group for the half-year ended 31 December 2020 was \$405,665 (31 December 2019: profit \$1,826,764).

The Group had a working capital surplus, being current assets less current liabilities of \$9,371,720 at 31 December 2020 (30 June 2019: surplus of \$9,795,759).

SUBSEQUENT EVENTS

There have not been any other matters or circumstances that have arisen which have significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

LEAD AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 20 of the half-year ended 31 December 2020.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

This report is signed in accordance with a resolution of the Board of Directors.



Nathan McMahon
Managing Director

Perth

Dated: 12 March 2021

Competent Persons Statement

The information that relates to exploration targets, exploration results, resource reporting and drilling data of Cazaly operated projects is based on information compiled by Mr Clive Jones and Mr Don Horn who are Members of The Australasian Institute of Mining and Metallurgy and/or The Australian Institute of Geoscientists and are employees of the Company. Mr Jones and Mr Horn have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones and Mr Horn consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
HALF YEAR ENDED 31 DECEMBER 2020**

		31 December 2020 \$	31 December 2019 \$
Revenue	2	90,659	174,268
Other Income	2	314,393	4,126,168
Employee benefits expense		(290,190)	(1,110,843)
Borrowing costs and interest		(6,426)	(156,635)
Depreciation & amortisation expense		(37,988)	(4,452)
Administration expenses		(180,041)	(121,800)
Project break fee		-	(250,000)
Compliance & Regulatory expenses		(112,889)	(123,960)
Occupancy costs		(15,771)	(125,031)
Exploration expenditure written off		(171,209)	(261,355)
Equity based payments		-	(255,438)
Diminution in fair value of financial assets through profit and loss		3,797	(64,158)
		<hr/>	<hr/>
Profit/(Loss) before income tax		(405,665)	1,826,764
Income tax benefit		-	-
		<hr/>	<hr/>
Profit/(Loss) for the period		<u>(405,665)</u>	<u>1,826,764</u>
Profit/(Loss) attributable to:			
Members of the controlling entity		(405,481)	1,826,817
Non-controlling interest		(184)	(53)
		<hr/>	<hr/>
		<u>(405,665)</u>	<u>1,826,764</u>
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive loss for the period		<u>(405,665)</u>	<u>1,826,764</u>
Net loss and total comprehensive income for the period attributable to:			
Members of the controlling entity		(405,481)	1,826,817
Non-controlling interest		(184)	(53)
		<hr/>	<hr/>
		<u>(405,665)</u>	<u>1,826,764</u>
Basic earnings/(loss) per share (cents per share)		<hr/>	<hr/>
		(0.12)	0.56

The accompanying notes form part of this financial report.

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CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	31 December 2020 \$	30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		9,570,920	10,085,562
Trade and other receivables		88,208	59,396
TOTAL CURRENT ASSETS		9,659,128	10,144,958
NON-CURRENT ASSETS			
Trade and other receivables		49,679	59,717
Financial assets		1,376,535	1,514,427
Property, plant and equipment		20,100	15,276
Rights of use assets		180,484	215,417
Exploration, evaluation and development		4,994,877	4,324,283
TOTAL NON-CURRENT ASSETS		6,621,675	6,129,120
TOTAL ASSETS		16,280,803	16,274,078
CURRENT LIABILITIES			
Trade and other payables		67,155	143,619
Short-term provisions		150,380	145,607
Interest bearing loans and borrowings		69,873	59,973
TOTAL CURRENT LIABILITIES		287,408	349,199
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings		126,232	162,371
TOTAL CURRENT LIABILITIES		126,232	162,371
TOTAL LIABILITIES		413,640	511,570
NET ASSETS		15,867,163	15,762,508
EQUITY			
Issued Capital	3	26,362,791	25,852,471
Reserves		358,724	358,724
Accumulated profits/(losses)	4	(10,838,781)	(10,433,300)
Controlling entity interest		15,882,734	15,777,895
Non-controlling interest		(15,571)	(15,387)
TOTAL EQUITY		15,867,163	15,762,508

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
HALF YEAR ENDED 31 DECEMBER 2020**

	31 December 2020 \$	31 December 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from services agreements	46,335	86,602
Cash received from government grants	50,000	-
Payments to suppliers and employees	(689,676)	(1,059,258)
Interest and bill discounts received	34,728	72,702
	<u>(558,613)</u>	<u>(899,954)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(7,880)	(5,826)
Purchase of equity investments	334,004	(24,000)
Payments for exploration and evaluation	(841,924)	(958,746)
Proceeds from the Sale of Subsidiary	2,078	934,470
Proceeds on sale of exploration assets	70,000	19,898,215
Proceeds from term deposit bond	10,038	-
	<u>(433,684)</u>	<u>19,844,113</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of equity	510,320	821,304
Payments for costs of issue of securities	(32,665)	-
Payment for the return of capital	-	(7,256,700)
Payment for Unfranked Dividend	-	(1,743,300)
	<u>477,655</u>	<u>(8,178,696)</u>
Net cash provided by financing activities	<u>477,655</u>	<u>(8,178,696)</u>
Net (decrease) in cash held	(514,642)	10,765,464
Cash at beginning of period	<u>10,085,562</u>	<u>836,709</u>
Cash at end of reporting period	<u>9,570,920</u>	<u>11,602,173</u>

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CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF YEAR ENDED 31 DECEMBER 2020

	Issued Capital \$	Accumulated Profits/(Losses) \$	Option Reserve \$	Non- Controlling Interest \$	Total \$
Balance at 1 July 2019	31,288,827	(10,603,110)	777,627	(15,334)	21,448,010
Net profit/(loss) and total comprehensive income for the period attributable to members	-	1,826,817	-	(53)	1,826,764
Shares issued	1,339,763	-	-	-	1,339,763
Options expired	-	193,751	(193,751)	-	-
Fair value of options exercised	480,590	-	(480,590)	-	-
Option Reserve	-	-	255,438	-	255,438
Return of Capital	(7,256,709)	-	-	-	(7,256,709)
Unfranked Dividend Paid	-	(1,743,300)	-	-	(1,743,300)
Balance at 31 December 2019	25,852,471	(10,325,842)	358,724	(15,387)	15,869,966
Balance at 1 July 2020	25,852,471	(10,433,300)	358,724	(15,387)	15,762,508
Net profit/(loss) and total comprehensive income for the period attributable to members	-	(405,481)	-	(184)	(405,665)
Shares issued	510,320	-	-	-	510,320
Options expired	-	-	-	-	-
Fair value of options exercised	-	-	-	-	-
Option Reserve	-	-	-	-	-
Return of Capital	-	-	-	-	-
Unfranked Dividend Paid	-	-	-	-	-
Balance at 31 December 2020	26,362,791	(10,838,781)	358,724	(15,571)	15,867,163

The accompanying notes form part of these financial statements.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate information

The interim financial report of Cazaly Resources Limited ('Cazaly' or the 'Company') for the half year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 12 March 2021.

Cazaly is a company limited by shares incorporated and domiciled in Australia whose shares (CAZ) are publicly traded on the Australian Securities Exchange. The principal activity of Cazaly Resources Limited is the exploration and development of mineral resources.

(b) Statement of compliance

The interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS34: *Interim Financial Reporting*.

The condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Cazaly and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

(c) Basis of preparation

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the standards and interpretations below in note 1(e). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial statements are for the consolidated entity consisting of Cazaly Resources Ltd and its subsidiaries (the 'Group').

The financial report has also been prepared on an historical cost basis, except for available for sale investments which have been measured at fair value through profit and loss. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian Dollars, which is the Company's functional currency.

(d) New accounting standards, interpretations and amendments adopted by the Group

Standards and Interpretations applicable to 31 December 2020

In the period ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2020

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

(e) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2020.

Capitalised exploration costs carried forward

The future recoverability of capitalised exploration costs carried forward has been reviewed by the directors. They are dependent on a number of factors, including whether the Group decides to exploit the related lease/licence itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, sovereign risk, future technological changes, availability of funds, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration expenditure is determined not to be recoverable in the future, results and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable resources. To the extent it is determined in the future that this capitalised expenditure should be written off, results and net assets will be reduced in the period in which this determination is made.

(f) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Managing Director of Cazaly.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
HALF YEAR ENDED 31 DECEMBER 2020

2. INCOME AND EXPENSES

	31 Dec 2020	31 Dec 2019
	\$	\$
The following revenue and expense items are relevant in explaining the income statement for the half-year:		
Revenue		
Interest received	34,728	73,079
Office service recharges	55,931	101,189
	<u>90,659</u>	<u>174,268</u>
Other Income		
Gain on value of financial assets	192,315	-
Government grants	50,000	-
Gain on sale of subsidiary (refer note 3)	2,078	209,163
Gain on sale of tenements (refer note 3)	60,000	3,917,005
Other Income	10,000	-
	<u>314,393</u>	<u>4,126,168</u>

3. ISSUED CAPITAL

	31 Dec 2020	30 June 2020
	\$	\$
346,113,267 (30 June 2020: 346,113,267) fully paid ordinary shares with no par value	<u>26,362,791</u>	<u>25,852,471</u>

	31 Dec 2020	31 Dec 2020	30 June 2020	30 June 2020
	Number	\$	Number	\$
(a) Movements in ordinary shares				
Balance at the beginning of the year/period	346,113,267	25,852,471	287,862,168	31,288,827
Issue of shares at \$0.0183 each (i)	-	-	28,331,099	518,459
Issue of shares at \$0.02745 each (ii)	-	-	27,720,000	760,714
Issue of shares at \$0.02745 each (ii)	-	-	2,200,000	60,390
Issue of shares at \$0.029 each (iii)	5,830,000	169,070	-	-
Issue of shares at \$0.039 each (iv)	6,500,000	253,500	-	-
Issue of shares at \$0.039 each (v)	2,250,000	87,750	-	-
	<u>360,693,267</u>	<u>26,362,791</u>	<u>346,113,267</u>	<u>32,628,590</u>
Less Fair value of options exercised	-	-	-	480,590
Less Return of capital (vi)	-	-	-	(7,256,709)
Balance at the end of the period	<u>360,693,267</u>	<u>26,362,791</u>	<u>346,113,267</u>	<u>25,852,471</u>

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2020

3. ISSUED CAPITAL (continued)

- (i) Shares issued on 23 August 2019 for the full conversion of notes and accrued interest under the 2018 note deed.
- (ii) Shares issued on 10 September (27,720,000) and 17 September 2019 (2,200,000) for the full conversion of options issued under the 2018 note deed.
- (iii) Shares issued on 22 July 2020 (200,000) and 19 August 2020 (5,630,000) for the conversion of options with an exercise price of \$0.029.
- (iv) Shares issued on 19 November 2020 (6,500,000) for the full conversion of Director options with an exercise price of \$0.039.
- (v) Shares issued on 25 November 2020 (2,250,000) for the full conversion of employee options with an exercise price of \$0.039.
- (vi) On 18 October 2019, there was a Board Determination that subject to business as usual and Shareholder Approval being obtained there would be a cash distribution of \$0.026 per share (\$9 million) to Shareholders in December 2019. This followed the completion of the 100% sale of Parker Range the Parker Range Iron Ore Project (ASX announcement dated 30 August 2019) and the 80% sale of the Mt Venn Project (ASX announcement dates 20 September 2019). The cash distribution would comprise a payment of \$0.005 per Share as a declared unfranked dividend plus a payment of \$0.021 per Share as a return of capital (Return of Capital). The Record Date for both the unfranked dividend and the Return of Capital was 25 November 2019. Shareholder approval was obtained at the Company's AGM held on 20 November 2019.

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.

(b) Movements in Unquoted Options over ordinary shares

Exercise Period	Exercise Price	Number on issue at 30 June 2020	Issued during the half year	Exercised/ Expired/ Cancelled	Number on issue at 31 December 2020
On or before 22 August 2020	\$0.195	2,500,000	-	(2,500,000)	-
On or before 26 November 2020	\$0.039	8,750,000	-	(8,750,000)	-
On or before 31 March 2021	\$0.029	15,000,000	-	(5,830,000)	9,170,000
On or before 19 November 2022	\$0.0495	10,000,000	-	-	10,000,000
Total unquoted options		36,250,000	-	(17,080,000)	19,170,000

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2020

4. ACCUMULATED LOSSES

This reserve records the value of equity benefits provided to employees, consultants and directors as part of their remuneration, share based payments to third parties and option consideration for acquisitions.

	31 Dec 2020	30 Jun 2020
	\$	\$
Opening balance	(10,433,300)	(10,603,110)
Net loss attributable to members	(405,481)	1,719,359
Unfranked Dividend Paid (i)	-	(1,743,300)
Transfer of expired options	-	193,751
Closing Balance	<u>(10,838,781)</u>	<u>(10,433,300)</u>

- (i) On 18 October 2019, there was a Board Determination that subject to business as usual and Shareholder Approval being obtained there would be a cash distribution of \$0.026 per share (\$9 million) to Shareholders in December 2019. This followed the completion of the 100% sale of Parker Range the Parker Range Iron Ore Project (ASX announcement dated 30 August 2019) and the 80% sale of the Mt Venn Project (ASX announcement dates 20 September 2019). The cash distribution would comprise a payment of \$0.005 per Share as a declared unfranked dividend (**Unfranked Dividend**) plus a payment of \$0.021 per Share as a return of capital. The Record Date for both the Unfranked Dividend and the return of capital was 25 November 2019. Shareholder approval was obtained at the Company's AGM held on 20 November 2019.

5. SUBSEQUENT EVENTS

No events have arisen that would be likely to materially affect the operations of the Group, or the state of affairs of the Group not otherwise disclosed in the Group's financial report.

6. KEY MANAGEMENT PERSONNEL

As previously announced, Mr Clive Jones stepped down as Joint Managing Director of the Company but will remain as a Director of the Company undertaking a part time executive role. Mr Nathan McMahon will be the sole Managing Director of the Company.

7. CONTINGENT LIABILITIES AND ASSETS

There has been no change in contingent liabilities since the last annual reporting date, other than during the half-year period the Company finalised the purchase of the outstanding 80% interest in the Halls Creek Project from 3D Resources. All consideration was paid for the purchase with an additional contingent deferred payment of \$250,000 to be made upon commencement of commercial mineral production.

8. OPERATING SEGMENTS

The Company operates in one geographical area being Australia and one industry, being exploration, for the half year ended 31 December 2020 which was the same as reported in the financial report for the year ended 30 June 2020. The Chief Operating Decision Makers are the Board of Directors and the management of the Group. There is currently only one operating segment identified, being exploration activities based in Australia based on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources. The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) HALF YEAR ENDED 31 DECEMBER 2020

9. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade and other receivable, trade and other payables and convertible notes. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

The Group's held for trading financial assets are level-1 financial instruments and valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

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CAZALY RESOURCES LIMITED AND CONTROLLED ENTITIES

ABN 23 101 049 334

**DIRECTORS' DECLARATION
HALF YEAR ENDED 31 DECEMBER 2020**

In the opinion of the directors:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors, made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Board.



Nathan McMahon
Managing Director

PERTH
Dated 12 March 2021

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To the Board of Directors

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

As lead audit partner for the review of the financial statements of Cazaly Resources Limited for the half year ended 31 December 2020, 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
Chartered Accountants


DOUG BELL CA
Partner

Dated at Perth this 12th day of March 2021

Independent Auditor's Review Report

To the Members of Cazaly Resources Limited

Conclusion

We have reviewed the accompanying half-year financial report of Cazaly Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cazaly Resources Limited and Controlled Entities does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of Cazaly Resources Limited financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting and Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Independent Auditor's Review Report

To the Members of Cazaly Resources Limited (Continued)



Responsibility of the Directors for the Financial Report

The directors of Cazaly Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 12th day of March 2021

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