Annual Report

QUARTZ HILL PROJECT
EL25296

For the Period
02 November 2009 to 01 November 2010

Exploration Activities on Tenement: EL25296

Sheet 1:250 000: Illogwa Creek (SF53-15)
Sheet 1:100 000: Quartz (5951)

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1.0 SUMMARY

The Mineral Exploration Report on the Quartz Hill Project details exploration activities undertaken by Cazaly Resources Limited during the reporting period from 02 November 2009 to 01 November 2010.

Exploration Licence 25296 lies within the Harts Range province of the eastern Arunta block in the Northern Territory, approximately 150 km east-northeast of Alice Springs (Figure 1). The area is considered prospective for base metals, Nickel, Rare Earth Elements (REE’s) and uranium.

EL 25296 was acquired by Cazaly Iron Pty Ltd, a wholly owned subsidiary of Cazaly Resources Limited, in November 2006. The lease was subsequently packaged and vended into the listing of Newera Uranium Ltd (Newera), which occurred on 6 June 2006. Newera withdrew from the Joint Venture on 5 August 2009 and Cazaly regained management of the Project.

Exploration activities undertaken by Cazaly during the reporting period were limited to desk-top studies, including a review of the project geology and Newera’s recent exploration.
2.0 INTRODUCTION

The Mineral Exploration Report on the Quartz Hill Project details exploration activities undertaken by Cazaly Resources Limited (Cazaly) during the reporting period from 02 November 2009 to 01 November 2010.

The Quartz Hill Project is located approximately 150 km east-northeast of Alice Springs and 46 km southeast of the Harts Ranges settlement, on the Illogwa Creek 1:250,000 map sheet (Figure 1).

Access is good with the major graded tourist route of the Ross Highway from Alice Springs to the Arltunga Tourist Camp (~105km), then after Arltunga there is a graded road north to the Claraville (~15km), there after are a number of station tracks which head east to the tenement.

3.0 TENURE

EL 25296 was acquired by Cazaly Iron Pty Ltd, a wholly owned subsidiary of Cazaly Resources Limited, in November 2006. The lease was subsequently packaged and vended into the listing of Newera Uranium Ltd (Newera), which occurred on 6 June 2006. Newera withdrew from the Joint Venture on 5 August 2009 and Cazaly regained management of the Project. In November 2009 Cazaly relinquished 11 sub-blocks from EL25296, as part of the statutory agreement as per the Mining Act.

Table 1: Tenement Status.

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Area (ha)</th>
<th>Registered Holder</th>
<th>Grant Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL 25296</td>
<td>6,945</td>
<td>Cazaly Iron Pty Ltd*</td>
<td>02 November 2006</td>
</tr>
</tbody>
</table>

* Cazaly Iron Pty Ltd is a wholly owned subsidiary of Cazaly Resources Ltd.
4.0 GEOLOGY

4.1 Regional Geology

The Quartz Hill Project area is situated towards the SE extent of the Arunta Inlier. This inlier is a complex of high grade metamorphic sedimentary and igneous rocks, located at the southern margin of the North Australian Craton. The contact with the Central Australian Craton is overlain by the Neoproterozoic Amadeus Basin (Figure 2).

*Figure 2: Regional Map of the Arunta Inlier.*

The Arunta complex is transected by a series of regional and local scale east-west and northwest-southeast trending faults, which have been the loci of multiple phases of north-over-south thrusting during the Proterozoic and later the Carboniferous Alice Springs Orogeny. This orogeny was responsible for retrograde metamorphism along the east-west structures, more widespread in the Harts Ranges than in the Central Province where it is intensely focussed on these structures. Metamorphic grades range from
green schist to granulite in the Northern Province and from amphibolite to granulite in the Central and Southern Provinces, with greenschist grades being associated with the retrogression in the south and central provinces.

Stratigraphy is largely overprinted by the structural thrusting and the division of the Inlier into structural provinces, but there are divisions of groups based on age dating and relationships. The older basement rocks have been considered to be the Strangways Metamorphic Complex, but age dating by AGSO suggests the Weldon and Aileron Metamorphics in the Napperby area to the west may be older.

The Harts Range Group in the south eastern Arunta is essentially a pelitic and calcareous metasedimentary assemblage metamorphosed predominantly to amphibolite facies. The basal unit, the Entia Gneiss, has attained granulite facies but has been retrogressed to amphibolite facies and affected by the Palaeozoic Alice Springs Orogeny. The bulk of the Harts Range Group, the Irindina Gneiss and the younger Brady Gneiss, show little evidence of having exceeded amphibolite facies and are clearly younger than the Entia Dome. The Bruna Gneiss, a felsic intrusive, or less likely a part-extrusive porphyroblastic rock, has been dated at 1750Ma but this date only puts a minimum age to the sequence.

Post-orogenic platform cover sediments are sporadically distributed throughout the Arunta Inlier. At least three age groups were named but the Hatches Creek Group (1830-1800Ma) and the Reynolds Range Group (1820-1780Ma) are now both considered SMC equivalents. The Simpsons Gap Metasediments of the Iwupataka Metamorphic Complex (1660Ma) are truly covered.

The youngest sediments are the neo-proterozoic Amadeus Basin to the south and the Ngalia Basin in the centre (Figure 2), which cover substantial portions of the Inlier.

The Arunta Inlier has a complex and virtually continuous history of igneous activity. There are at least six major recorded felsic igneous intrusive episodes. Of these the Ngadarunga Granite (1880Ma), the Napperby-Huckitta-Jervois Granites (1780-1760Ma) and the Yarangunyi Granite (1600-1570Ma) are the most extensive and geologically most important. Other recorded igneous events, of relatively small areal extent, are the Andrew Youngs Igneous Complex (1635Ma), Mordor Igneous Complex (1200Ma), Stuart
(mafic) Dyke Swarm (1050Ma), Gum Tree Granite (990Ma), Mud Tank Carbonatite (730Ma) and the Harts Range Pegmatites (520,400Ma).

4.2 Mineralization

Previous work in the project has identified uranium and Rare Earth Element (REE) mineralisation within a series of radioactive pegmatites and associated quartz veins which have been intruded along NW-SE trending structures.

These fractionated pegmatites and more importantly the minerals within them, are a prime target at Quartz Hill. The garnets contain Samarskite and Euxenite. These minerals occur as garnet-shaped crystals in the pegmatites, and as inclusions within garnets themselves.

Garnet aggregates are known to grow to very large sizes in the Harts Ranges, with a reserve to the north of the project said to contain a specimen over 10m in size.

Newera has identified uraniferous Samarskite and Euxenite, grading to in excess of 1000 ppm U, within the Spartacus pegmatite system on E25296 with a strike extent of over 1300 m. The host pegmatites outcrop as a pair of overlapping, sub-parallel units each in excess of 650m long and with a lateral extent of in excess of 100m. Smaller parallel external units surround the main pegmatites and they contain internal rafts of the host granitoid gneiss.

The volume at Spartacus gives ample scope for scale. Concentrations have yet to be determined, but mapping evidence suggests the minerals occur throughout the pegmatites with higher density clusters or patches.

Rare Earth Elements

Rare earth designated minerals consist of the 15 elements between atomic numbers 58 and 71. Today the metal derivatives of rare earths are essential components to products relating to the electronics and technology industries, energy efficiency and greenhouse gas reduction.

The Samarskite and Euxenite found at Quartz Hill are highly radioactive minerals forming a solid solution, and contain significant amounts of Niobium, Tantalum and other
REEs in an iron oxide matrix which also contain up to 38% U. Both massive and crystalline forms are present on the project and specimens found to date are up to 55mm in diameter.

Markets for rare earth metals and/or their alloys have enormous future world wide growth potential. Production of REEs is currently dominated (97%) by China, and currently China controls 100% of the refining of these strategic metals.

Reflecting rising demand, prices of rare earth elements have continued to rise over the past several years and of late have increased strongly.
5.0 PREVIOUS EXPLORATION

Pacific Nuclear Corporation (PNC) explored Quartz Hill in 1992. Prior work to that had been poorly recorded mica mining from the depression era, with re-opening of the mica mines allegedly using POW labour during the war. Many of the Italians who had worked here during the war may have returned in the post-war era, as the anecdotal evidence from prospectors and station managers in the area is that much of the post-war work in what would have been very isolated, primitive and remote camps was carried out by the newly immigrated Italian community.

Some geological work had been done on the mica mines however, as PNC report that one of the mica mines on the Qtz Hill project was known to contain uraniferous minerals. This was probably related to the burst of exploration for uranium that occurred shortly after the war in the 1950’s.

PNC initially flew airborne radiometrics, and followed up the data in 1993-4. In general their work consisted of large-scale airborne magnetic and radiometric surveys followed by ground mapping and rock chip sampling.

Follow-up of two airborne anomalies resulted in the discovery of the Quartz and Felspar pegmatite prospects. The Feldspar pegmatite prospect coincides with the Spartacus prospect.

Felspar was a strong anomaly caused by float of a uranium rich mineral associated with a large E-W pegmatite. The mineral was massive, black, glassy, had a conchoidal fracture and didn’t show weathering. It was identified as a Y-Nb>U mineral of the fergusonite series plus alteration products. They found only one anomaly roughly 30 X 30 m in extent and claimed it was caused by a small mineral occurrence spread by movement of float downhill, though they did mention other hot-spots. The mineral assayed 6.8% U. Further prospecting was limited.

During 2007 reporting period, CSA Australia was commissioned by Newera to summarise previous exploration efforts across the Quartz Hill Project. They concluded that the area was prospective for base metals, Nickel, Rare Earth Elements (REE’s) and uranium. They summarized the findings from various reports and found that of all the
work done, that undertaken by PNC Australia is by far the most exhaustive and of the greatest value.

During 2008 reporting period Newera undertook an exploration programme including database compilation, aboriginal areas authority certificate, landsat TM acquisition and GIS review. Two Landsat TM scenes were acquired by EarthScan Pty Ltd, merged and processed to produce 14 Mapinfo images mapping the various channels and useful ratios that reflect potential mineral alteration and bedrock lithology changes. These were systematically reviewed in conjunction with the magnetics and radiometric images to assess zones of interest worthy of field reconnaissance.

6.0 EXPLORATION ACTIVITIES

Exploration activities undertaken by Cazaly during the reporting period were limited to desk-top studies, including a review of the project geology and Newera’s recent exploration.

7.0 CONCLUSION

Having received the Project back from the previous operator, Newera Uranium Limited, a review of the uranium and Rare Earth Element (REE) potential has been on-going, as well as the search for a new Joint Venture partner to manage the next phase of exploration.
8.0 REFERENCES


