CAZALY
RESOURCES LIMITED

EL25296 Partial Relinquishment Report

PROJECT NAME: Quartz Hill Project

TENMENT NUMBER: EL25296

HELD BY: Cazaly Iron Pty Ltd

MANAGER & OPERATOR: Cazaly Resources Limited

REPORT TYPE: Partial Relinquishment

REPORT TITLE: EL25296 Partial Relinquishment Report.

REPORT PERIOD: 2 November 2006 – 1 November 2009

AUTHOR: G Miles

DATE OF REPORT: 23 March 2010

MAP SHEETS: 1:250,000: Illogwa Creek SF53-15, 1:100,000: Quartz 5951

COMMODITY(s): Uranium

KEY WORDS: Open File Research, Arunta Region, Rare Earth elements, rock chips.

ABSTRACT:

Location: The project is located about 150 km ENE of Alice Springs and 46 km SE of the Harts Range settlement.

Geology: The Project lies within the eastern Arunta Region in the southern NT, towards the south western flank of the Entia Dome.

Work Done: Exploration activities carried out in the reporting period includes open file research, Landsat TM acquisition and processing, GIS review and target generation and rock chip sampling.

Results: The work done over the tenement has focussed exploration towards the more prospective areas of the tenement. The surrendered portion of the tenement, while maintaining some prospectivity for uranium and REE mineralisation, has been downgraded against the remainder of the tenement.

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Summary

The Partial Relinquishment Report for EL25296 tables the exploration activities completed over the surrendered portions of the tenement between 2nd November 2006 and 1st November 2009.

EL25296 is located about 150 km ENE of Alice Springs and 46 km SE of the Harts Range settlement (Figure 1). The Project lies within the eastern Arunta Region in the southern NT, towards the western flank of the Entia Dome.

Exploration activities carried out during the reporting period on the surrendered portions of the tenement include acquisition and processing of Landsat TM and GIS data and general reconnaissance primarily for Rare Earth Elements (REE) and uranium.

1.0 Introduction

Cazaly Resources Limited's Quartz Hill Project includes EL25296 and is located about 150 km ENE of Alice Springs and 46 km SE of the Harts Range settlement (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.

The nearest medical clinics and RFDS-rated airstrips are located at Harts Range. Additional light aircraft-capable airstrips are located at Claraville.

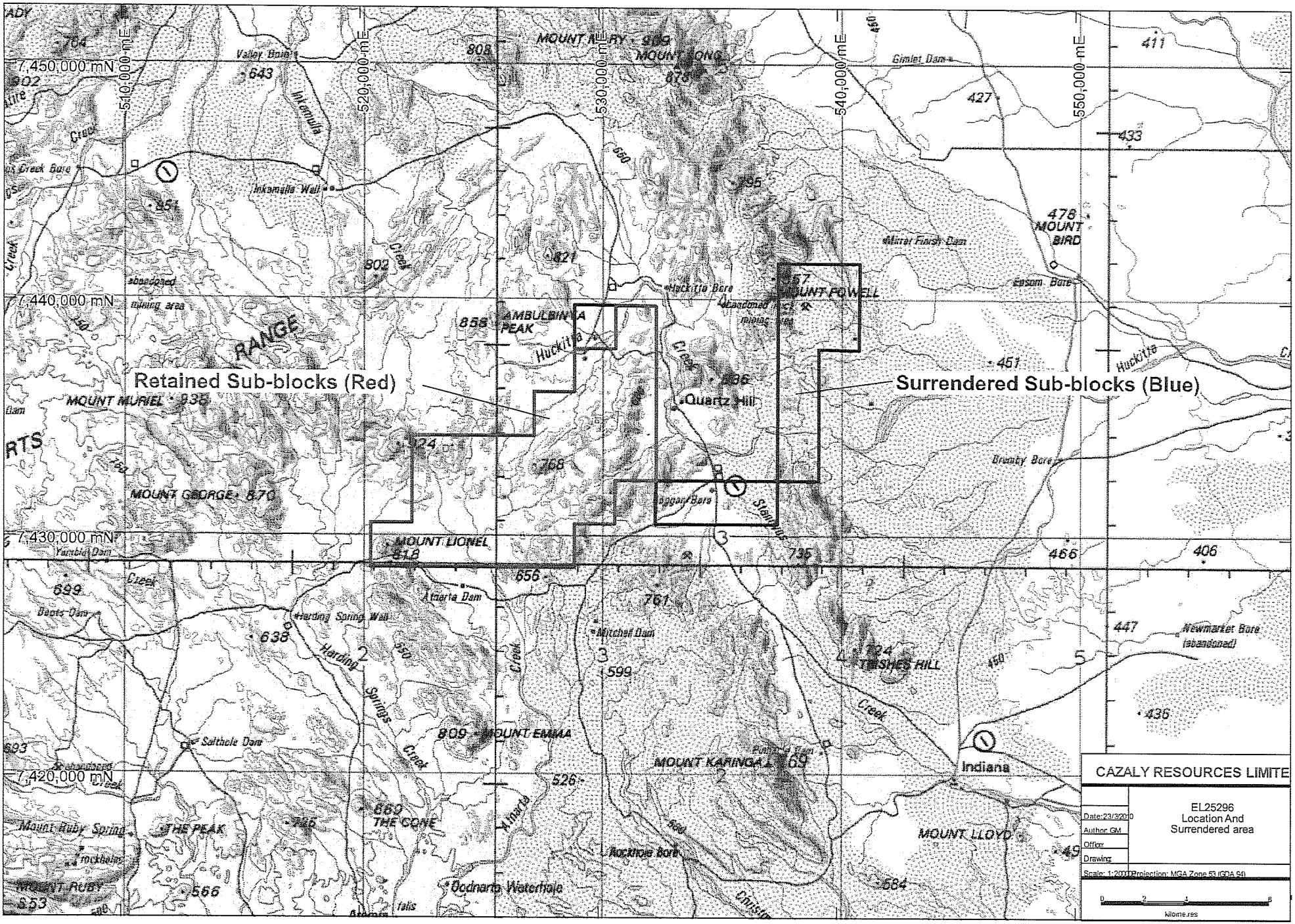
2.0 Tenement Status

EL25296 is held by Cazaly Resources Limited through its wholly owned subsidiary Cazaly Iron Pty Ltd. The tenement was previously managed by Newera Uranium Limited (Newera) through a Joint Venture Agreement with Cazaly Iron. Newera withdrew from the JV on the 5th August 2009.

The tenement was granted on the 2nd of November 2006, comprising 33 sub-blocks (Table 1). On the tenements 3rd anniversary on 2nd November 2009, 11 sub-blocks were surrendered as part of a compulsory 50% reduction. Cazaly has sought a waiver for 20% of the reduction equating to 5 sub-blocks.

Table 1: Tenement Details

Tenement No.	*Area*	*Holder*	*Manager*	Granted	Commitment
EL25296	22 blocks	Cazaly Iron Pty Ltd	Cazaly Resources Limited	2/11/06	$43,000



Retained Sub-blocks (Red)
Surrendered Sub-blocks (Blue)
7,450,000 mN
7,440,000 mN
7,430,000 mN
7,420,000 mN
510,000 mE
520,000 mE
530,000 mE
540,000 mE
550,000 mE
MOUNT MURIEL
MOUNT GEORGE
MOUNT LIONEL
AMBULBINYA PEAK
MOUNT POWELL
MOUNT BIRD
Quartz Hill
TRISHES HILL
MOUNT EMMA
MOUNT KARINGA
THE CONE
THE PEAK
MOUNT LLOYD
Indiana
Inkamulla Wall
Valley Bore
Gimlet Dam
Mirror Finish Dam
Huckitta Bore
Brumby Bore
Newmarket Bore (abandoned)
Mitchell Dam
Harding Spring Wall
Saltbole Dam
Oodnarto Waterhole
Rockhole Bore
Mount Ruby Spring
Yamble Dam
Dents Dam
Atnarta Dam
Harding Springs Creek
Huckitta Creek
Stanley Creek
Atnarta Creek
Christmas Creek
RANGE
CAZALY RESOURCES LIMITE
EL25296
Location And
Surrendered area
Date:23/3/2010
Author: GM
Office:
Drawing:
Scale: 1:20000
Projection: MGA Zone 53 (GDA 94)
kilome.res

3.0 Geology

3.1 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).

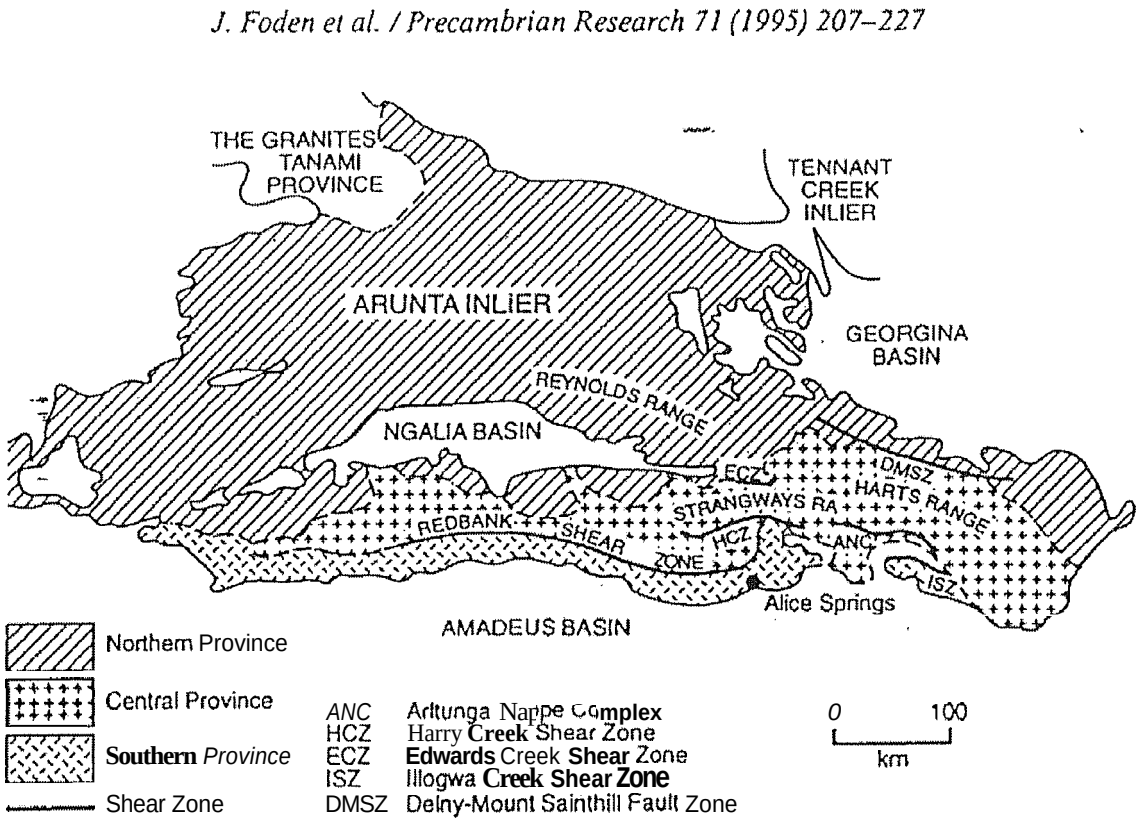


Figure 2: Regional Map of the Arunta Inlier.

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 greenschist 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 lrindina Gneiss and the younger Brady Gneiss, show little evidence of having exceeded amphibolite facies and are clearly younger than the Entia Dome (Figures 3 & 4). 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 (1 830-1800Ma) and the Reynolds Range Group (1820-1780Ma) are now both considered SMC equivalents. The Simpsons Gap Metasediments of the lwupataka 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 lnlier 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 lgneous Complex (I635Ma), Mordor Igneous Complex (1200Ma), Stuart (mafic) Dyke Swarm (1050Ma), Gum Tree Granite (990Ma), Mud Tank Carbonatite (730Ma) and the Harts Range Pegmatites (520,400Ma).

4.0 Exploration History

PNC began their exploration of the Quartz Hill area (then known as EL 8036) 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 Quartz 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, but the relevant research paper has not been located to date by Newera.

PNC initially flew airborne radiometrics, by both Kevron and Geoterrex, and followed up the data in 1993-4. Their 1996 surrender report (Drake-Brockman et al) copies directly from their 1994 Annual report (Drake-Brockman, 1995). 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.

5.0 2008 Exploration Programme

Exploration activity undertaken on the surrendered portion of EL25296 includes:

- Database compilation
- Aboriginal Areas Authority Certificate
- Landsat TM acquisition, processing and review

5.1 Database compilation

Geological data from open file historical reports has been compiled to provide background on the past exploration activities.

5.2 Aboriginal Areas Authority Certificate

An Authority Certificate has been received covering the entire Quartz Hill project.

5.3 kandsat 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 images cover the retained portion of the tenement.

These were systematically reviewed in conjunction with the magnetics and radiometric images to assess zones of interest worthy of field reconnaissance. Most field reconnaissance (including rock chip sampling) was conducted on the retained portion of the tenement.

6.0 Conclusions

EL25296 has undergone broad, reconnaissance-style exploration for REE and uranium mineralisation. Areas deemed to be less prospective have been surrendered under the required compulsory 3rd anniversary reduction.

Cazaly is actively seeking a new Joint Venture partner to continue exploration on the retained portion of the tenement.

7.0 References

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