

CAZALY RESOURCES LIMITED

PARKER RANGE ALLIANCE AND DEAL WORTH \$180M+

- **Exclusive Period for Due Diligence for Conditional Sale and Ongoing Alliance arrangement over Parker Range Iron Ore Project agreed with major South East Asian diversified investment group**
- **Total cash consideration of \$100M plus anticipated royalties in excess of \$80M (on current resources)**
- **Joint venture - Cazaly to manage ongoing Parker Range exploration**

Cazaly Resources Limited ("Cazaly" or "the Company") (ASX: CAZ) is pleased to announce it has agreed commercial terms and signed a Heads of Agreement ("The Agreement") for the sale of its Parker Range Iron Ore Project to a major South East Asian diversified investment group ("Investment Group"). The transaction is subject to ratification from the Investment Group's Board of Directors at its scheduled meeting within the next 10 days and to other conditions precedent including the execution of formal documentation.

The Agreement allows for an initial 45 day due diligence and exclusivity period (and may be extended by mutual agreement). Subject to being satisfied with its due diligence and the transaction proceeding to execution of formal documentation, the Investment Group is entitled to be issued with a convertible note in the principal amount of \$5M. The convertible note will have a term of 2 years from the date of issue and is convertible into ordinary shares at any time during that period. There will not be any interest, voting or dividend rights attached to the note. The issue price for the shares in Cazaly to be issued on conversion of the note is at the 14 days VWAP (Volume Weighted Average Price) prior to the date of execution of the Agreement, plus a 10% premium.

Cazaly managing director Nathan McMahon said the sale of Parker Range was a tremendous achievement for Cazaly and would unlock value for the Company's shareholders.

"This Agreement unlocks and realises the value we've created in the Parker Range Project for Cazaly shareholders, while allowing Cazaly to retain a share of the exploration upside. We are highly confident the Parker Range project will continue to grow in size and scale, and we are delighted to be partnering development of the project with a major international group."

TERMS OF THE DEAL

The Agreement allows for the payment of an initial \$40M within 6 months of the execution of a formal Sale and Purchase Agreement ("SPA") (which may be extended by mutual agreement) and a further payment of \$55M upon the earlier of first iron ore being exported or 24 months from signing of the SPA. In addition, a royalty of \$2.50 per tonne is payable on all ore produced. The per tonne royalty rate is capped at a maximum of 10% of the gross profit margin should that calculation be lower than \$2.50 per tonne.

The SPA is conditional upon, among other standard conditions precedent:

- Execution of legally enforceable agreements for port access;
- Approvals including EPA and mining approvals;
- Acceptable contract mining agreements;
- Project finance; and
- FIRB approval.

Cazaly is liable for a Break-Fee capped at \$1,500,000 if the Company breaches various trigger events or does not complete the transaction. It is also intended that the parties enter into a 50/50 jointly funded regional exploration agreement, whereby Cazaly will manage all ongoing exploration, including over the Parker Range tenements, within the greater Parker Range region.

These arrangements provide for a well-funded party to aggressively pursue the development and construction of a mining operation at the Mount Caudan resource, whilst Cazaly focuses its exploration expertise on expanding the resources of the greater Parker Range project.

Cazaly is being advised in respect of the transaction by Minaret Capital.

For further information please contact:

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About the Parker Range Iron Ore Project:

The Parker Range project is an advanced iron ore project strategically located adjacent to accessible, publicly-owned infrastructure (towns, roads, rail and port) in the Yilgarn region of Western Australia. A Definitive Feasibility Study has indicated that the project can produce up to 4.2 mtpa of highly marketable ultra-low phosphorous iron ore fines product. The project has the potential to become the next major source of iron ore production in the Yilgarn region of Western Australia.