CAZALY RESOURCES LIMITED

CLARIFICATION – ASX ANNOUNCEMENT 31 MARCH 2017

Cazaly Resources Limited (**ASX: CAZ, "Cazaly"** or **"the Company"**) refers to its announcement on 31 March 2017 ("Announcement") regarding its application for an Exploration Licence in New South Wales, the Lake Innes Project.

Contained within the Announcement were references to resource estimates undertaken by previous project holder Jervois Mining Limited. Investors are advised that the Company now provides further detail on these estimates.

Please find following a revised announcement.

CAZALY RESOURCES LIMITED

NEW COBALT PROJECT APPLICATION

LAKE INNES, NSW

- **New application lodged over Nickel-Cobalt resources in the New England Fold Belt of New South Wales**
- **Indicated surficial resources potentially amenable to open pit mining totalling 10.6Mt containing 86,000t nickel and 12,500t cobalt**
- **Potential for on-site processing with previous metallurgical testwork indicating greater than 80% recovery using atmospheric acid leach technology**
- **Cobalt is one of the three key elements, with lithium & graphite, that make up Lithium-ion batteries – a rapidly emerging market**

Cazaly Resources Limited (**ASX: CAZ, "Cazaly"** or **"the Company"**) is pleased to announce an application for an Exploration Licence in New South Wales covering several known nickel/cobalt resources. The licence application covers approximately 73 square kilometres of prospective geology within the New England Fold Belt on the mid-north coast of New South Wales. The area is 310km north-east of Sydney and ~10km from the town of Port Macquarie.

Cobalt bearing manganese oxide was first discovered at Lake Innes in 1886. Work in the area throughout the early 1900's focused on cobalt as well as magnetite, chromite and nickel. Historic mining of hand-picked cobalt rich ore was first reported in 1897-1904.

Modern exploration commenced in 1962 by Carpentaria Exploration Company Pty Ltd ("CEC"), a wholly-owned subsidiary of Mount Isa Mines Limited ("MIM"). CEC conducted auger drilling, channel sampling and metallurgical testing. Significant amounts of nickel and cobalt were found in surficial weathered material overlying serpentinite. Following this Placer Prospecting Pty Ltd, VAM Ltd and others conducted further exploration throughout the 1970's drilling the deposits around the Lake Innes area.

In 1980 Western Mining Corporation ("WMC") reviewed the area before a hiatus in exploration for 15 years until Jervois Mining NL ("Jervois") picked up the project in 1996. Jervois flew an airborne magnetic survey and commenced a comprehensive drill out of several deposits.

CAZALY RESOURCES LIMITED
Level 2, 38 Richardson Street, West Perth, Western Australia, 6005. PO Box 396, West Perth, Western Australia, 6872
Phone: +61 8 9322 6283 Fax: +61 8 9322 6398 email: admin@cazalyresources.com.au
ACN 101 049334 www.cazalyresources.com.au

After completing more than 300 air core drill holes a maiden resource estimate was announced in 1997. The work was upgraded by Jervois with a further 206 aircore holes drilled and metallurgical testwork in 1998-99 resulting in a revised resource estimation (1999 JORC code compliant). A summary of the relevant information relating to the reliability of criteria used to determine these estimates is provided for in Appendix 2. Some of these resources are currently held under Cazaly's ELA5475 at Lake Innes, as follows:

DEPOSIT	Resource Category	Tonnes	Ni%	Co%	Overburden to Ore Ratio
Hurll's Hill (Combined)	Indicated	8,222,631	0.77	0.12	0.7 : 1
Limeburners Flat	Indicated	652,635	0.69	0.05	1.5 : 1
Pacific Highway	Indicated	1,314,445	0.91	0.08	0.3 : 1
Pitkin	Indicated	410,271	0.54	0.07	2.8 : 1
Total	Indicated	10,599,982	**0.77**	**0.11**	**0.9 : 1**

* Refer to Appendix 2 for estimation parameters

Note: The reported resources are historical estimates consistent with the 1999 JORC Code guidelines and are not reported in accordance with the JORC 2012 Code. A Competent Person has not completed sufficient work to accurately classify the 1999 estimates as Mineral Resources under the JORC 2012 Code. It is uncertain if, following further exploration, the 1999 estimates will be able to be reported as Mineral Resources in accordance with the JORC 2012 Code.

Locally the geology is dominated by a large suite of mainly serpentinised ultramafics formed from the hydration of harzburgite or dunite. A laterite profile has developed over these which is partly covered by later Quaternary sand, silt and mud. The laterite profile varies in thickness from a thin skin to as much as 30m or more. Fresh black to dark green serpentinite at the base passes into weathered grey to green mottled serpentinite overlain by soft saprolite composed of variously coloured smectite clays.

Most of the nickel is concentrated in these horizons. **The upper horizons are iron and cobalt-rich** overlain by crusty haematitic clay. The top metre or so is generally a bright to dark red clayey soil with **elevated scandium content**.

This is reminiscent of the mineralisation observed in central New South Wales near Fifield where Cleanteq's *Syerston*, Australian Mines' *Flemington* and Platina's *Owendale* Sc-Co-Ni deposits. Much of the previous work at Lake Innes concentrated on the nickel potential and there was less assaying for cobalt and in particular scandium. Potential therefore exists to focus more on the cobalt (and scandium) as the cobalt is reportedly more closely associated with surficial manganese enrichment.

Historically it has been reported that between 1897 and 1904 a cobalt-bearing manganese wad had been exploited nearby at Port Macquarie with 744 tonnes of cobalt-bearing manganese material recorded as having been shipped.

Metallurgical test work by AMDEL in 2002 suggested that sulphuric acid leaching of the ore under high pressure could achieve >90% recovery of nickel and cobalt, with a probable acid consumption of 400 kg/tonne of ore.

Further preliminary test work indicated that 80%+ nickel extraction could be achieved using sulphuric acid leaching at normal atmospheric pressure which is a much less capital-intensive and a lower operating cost alternative to high-pressure acid leaching.

Figure 1: Location of the Lake Innes Project

The Lake Innes project greatly complements the Company's existing and recently granted other eastern states located cobalt projects being Bungonia (Qld) and Mount Tabor (NSW). The Company looks forward to expediting grant of the project and beginning ground activities as soon as practicable.

Cobalt Market

Cobalt is seeing a major resurgence given its role as a key battery metal alongside of graphite and lithium. Cobalt is present in lithium-ion batteries, in the lithium cobaltite cathodes used in smartphones and also with lithium-nickel-manganese-cobalt and lithium-nickel-cobalt-aluminium oxide cathodes which are both used in laptops and electric vehicles.

Cobalt supply is currently constrained as it is typically a by-product from nickel and copper mining both of which are in current decline. According to the Cobalt Development Institute, 94% of global cobalt supply comes from nickel and copper mines that produce cobalt as a by-product. This means only 6% of global cobalt supplies come from mines that might be able to increase production in response to growing demand from the battery industry.

This predicted escalation in demand from the lithium battery market sees cobalt as being a particularly vulnerable component of the supply chain for battery manufacturers. As a result, cobalt prices have improved by ~40% in just the last six months alone, with little sign of that escalation ceasing. Battery cell manufacturers who have secure cobalt supply chains will have a critical advantage over their competitors.

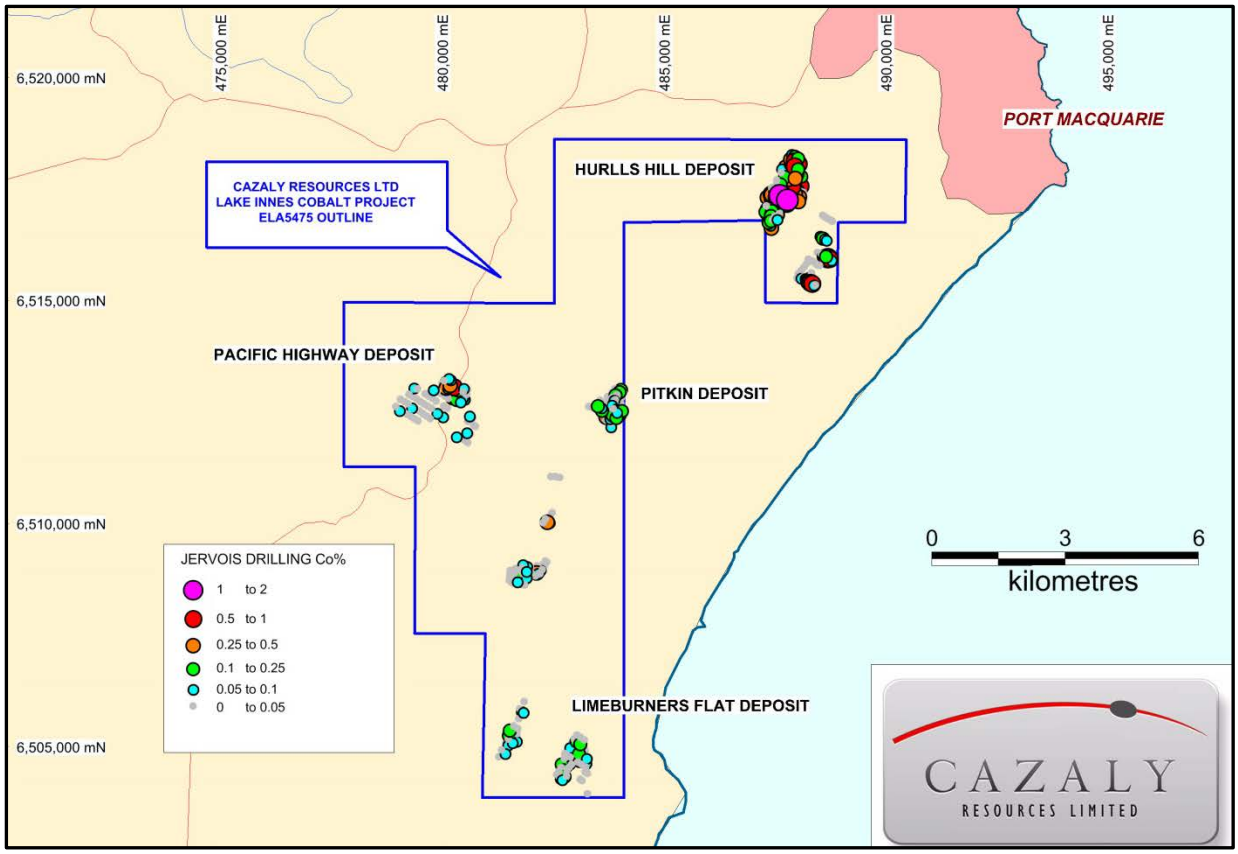

Figure 2: The Lake Innes Nickel-Cobalt Project

ENDS

For further information please contact:
Nathan McMahon / Clive Jones
Joint Managing Directors
Cazaly Resources Limited
Tel: +618 9322 6283
Em: admin@cazalyresources.com.au
Website: www.cazalyresources.com.au

Competent Person's Statement

The information contained herein that relates to Exploration Results, Mineral Resources, Targets or Ore Resources and 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 Australasian 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 types 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 of their names in the matters based on the information in the form and context in which it appears. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement. Mr Jones and Mr Horn confirm that the information in the market announcement is an accurate representation of the available data and studies for the Lake Innes project. 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.

Appendix 1 – Information on Reporting of the Resource Estimates

Sources and Date of the historical estimates

The information on Resources is extracted from an ASX release under ASX code "JRV" created on the 29th April 1999 titled "Third Quarter Activities and Cashflow Reports" (available on the ASX website) and open file public reporting by Jervois Mining NL to the NSW Department of Industry Resources and Energy.

Whether the historical estimates uses categories of mineralisation other than those defined in JORC 2012 and if so, an explanation of those differences.

The reported resource estimates are consistent with the 1999 JORC Code guidelines and are not reported in accordance with the JORC 2012 Code and a Competent Person has not completed sufficient work to accurately classify the 1999 estimates as Mineral Resources under the JORC 2012 Code.

The relevance and materiality of the historical estimates to the entity.

The Company considers the historical estimates to be both material and relevant given the similarities with other nickel-cobalt deposits including Cleanteq's Syerston, AustralianMines' Flemington and Platina's Owendale Sc-Co-Ni deposits.

The reliability of historical estimates, including any reference to any criteria in Table 1 of the JORC 2012 which are relevant to understanding the reliability of the historical estimates.

The 1999 Resource Statement referred to at Lake Innes were reported by Jervois Mining NL and prepared by A.Jannink (M.A., F.Aus.I.M.M.), a competent person as defined in Appendix 5A of the ASX Listing Rules. The reported resource estimates are consistent with the 1999 JORC Code guidelines.

To the extent known, a summary of the work programs on which the historical estimates are based and a summary of the key assumptions, mining, processing parameters and methods used to prepare the historical estimates.

The historical resources contained the ASX announcement of 31 March 2017 were based upon 506 aircore holes drilled by Jervois which formed the basis of a geological interpretation. Some 9019 samples were collected from the drilling which were used for assaying and specific gravity testwork.

Any more recent estimates or data relevant to the reported mineralisation available to the entity.

No recent estimates or new data is available for the resource is available.

The evaluation and/or exploration work that needs to be completed to verify the historical estimates in accordance with Appendix 5A (JORC).

A revision of all the relevant historic work will be conducted including drilling, geological and metallurgical to ensure full integrity of the data. It is assumed that further drilling will be required to satisfy QA/QC of the historic data and to obtain further samples for metallurgical testwork and to conduct our own resource estimate. It is assumed that initial work will focus on the Hurlls Hill resource.

The proposed timing on any evaluation and/or exploration work that the entity intends to undertake and a comment on how the entity intends to fund that work.

The Company intends to commence its intended work once the licence is granted. The initial work will take approximately 12 to 18 months and will be funded from the Company's working capital.

A cautionary statement proximate to, and with equal prominence as, the reported historical estimates.

Refer to the note below the resource table on page 2.

A statement by a named competent person or persons that the information in the market announcement provided is an accurate representation of the available data and studies for the material mining project.

Refer to the Competent Persons Statement.

APPENDIX 2

JORC Code, 2012 Edition – Table 1 report

Section 3 Estimation and Reporting of Mineral Resources

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	• Data has been acquired from online Open file reports submitted by Jervois Mining Ltd in various formats and imported into company software systems. • Data was checked against hard copy company and laboratory reports and validated for errors using software
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• No site visits by company personnel has been undertaken as the tenement is still under application
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	• Company geologists have assessed drill spacing and geological information and are satisfied in the confidence of the geological interpretation by the Competent Person • Data consists of 506 air core drill holes at an approximate average spacing of 100m x 100m (infill to 50m in some areas). 9019 one metre samples were collected and analysed for nickel, cobalt and select samples for scandium and other elements • The drill methods, analytical technique and lithological logging are considered consistent with good industry practices • Continuity of flat lying saprolite and weathered mineralization is well defined by the drill method and drill spacing
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	• The extent of mineralization is considered to be consistent for the style of mineralization. The largest deposit (Hurlls Hill) is approx. 1.6km x 0.6km x 5m
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).* • *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.*	• The estimation was completed using sections and plans using polygonal areas of influence around drill holes. Lateral edges of mineralization were defined on geophysical/geological evidence as well as drilling. “Dummy” holes were used where no lateral limiting hole occurred with no mineral values to limit the polygon size • A previous in-house estimate (1997) was available for comparison. • Nickel, Cobalt and Scandium analyses were used in two separate estimations • No deleterious elements were considered • Lithological categories were used to constrain the polygonal estimation. The combined totals for each deposit are the same. The estimation allowed the quantity of nickel to be ascertained in saprolite and weathered serpentinite lithologies. • A lower cut of 0.60% Ni was applied in the estimation. No upper cut off was applied. • Checking processes and comparison methods

Criteria	JORC Code explanation	Commentary
	• *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.* • *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	are not available, however Jervois has completed previous estimations on all deposits
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	• Not available
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	• Not available
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	• A minimum of 2m thickness of mineralization was used in the estimation. • Waste was calculated using polygonal plan area times depth to top of mineralization • No internal dilution was calculated
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	• Calculations using lithological categories was to ascertain the quantity of nickel and cobalt contained in the saprolite and weathered serpentinite lithologies that are amenable to pressure acid leaching and atmospheric leaching methods being tested • Test work resulted in the conclusion that there were reasonable prospects for economic extraction
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	• Not available
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.*	• A value of 1.4 was used as per AMDEL calculations using two methods; dry tamping and a wet pug test work. Specific gravity was measured using an air pycnometer • Two composite samples from 7 intervals each were used for the calculations of bulk density

Criteria	JORC Code explanation	Commentary
	• *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	• The degree of geological continuity and confidence in lithological continuity has resulted in reporting of "Inferred" and "Indicated" resource categories by the Competent Person. Only the "Indicated" resource categories fall within Cazaly's ELA5475 • The results as reported in this release reflect the Competent Person's view of the deposits
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	• Not available
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	• The 1999 upgrade of the initial resource estimation (1997) was based upon infill drilling, geological logging and increased confidence in deposit geology, application of statistical analysis and metallurgical test work. Consequently overall confidence in the estimation was improved. Resources were hence categorized as "Indicated" for some deposits. The estimates are appropriate for the style and nature of mineralization.