

CAZALY RESOURCES LIMITED

OPTION TO ACQUIRE THE KAKO KOBALT PROJECT, NORTHERN NAMIBIA

- Located in the Kunene Cobalt Province, Northern Namibia
- Hosts the probable continuation of Celsius Resources' *Opuwo* cobalt –copper bearing 'DOF' horizon
- Project contains ~27km of prospective potential DOF equivalent in three areas
- Project includes a very large ~20km x 5km long Cu-Co soil anomaly at the *Kamwe* prospect – potential DOF Cu-Co source?
- Numerous, widespread Cu occurrences, grab samples to 38% Cu
- Option to earn the right to 95% interest
- Cobalt hits 10-year high of US\$94,500 a tonne

Cazaly Resources Limited (ASX: CAZ, "Cazaly" or "the Company") is pleased to announce it has acquired an option to earn the rights to a 95% equity interest in the Kako Kobalt project which is primarily prospective for copper-cobalt mineralisation ("the Project").

The Project is located in northern Namibia, approximately 800km by road from the capital of Windhoek and approximately 750km from port of Walvis Bay (Figure 1). There is excellent infrastructure in the region with the Project being only ~50 km from the regional capital of Opuwo, with an airport, good bitumen roads and near to the 320 MW Ruacana hydroelectric power station. Transmission lines run through both the western and eastern parts of the Project.

TENURE

The Project comprises exploration licence EPL6667, which was granted to local Namibian owned company KDN Geo Consulting CC ("KDN") in February 2018 for an initial 3 year period. The Project is very large, being ~85 km long and covering an area of approximately 967 square kilometres and abuts Celsius Resources Limited's ("Celsius") (ASX:CLA) Opuwo Cobalt project.

Cazaly has secured an option to purchase all the capital in Australian unlisted proprietary Company Kunene North Pty Ltd which has an agreement with KDN to earn up to 95% interest in the Project.

GEOLOGICAL SETTING

The area is underlain by metamorphosed and deformed rocks of the Epupa Metamorphic Complex overlain by a basal succession of Nosib group quartzite, arkose, conglomerate, phyllite with minor limestone and evaporates, which is associated with the initial rifting stage of the Damara orogeny. The Nosib group is overlain by rocks of the Ombombo and Abenab subgroups of the Otavi group.

The Neoproterozoic Ombombo Subgroup is considered to be the western extension of the Copperbelt in the DRC and Zambia and the region to the east is well known for hosting a range of base metal deposits in the Otavi Mountainland. The project is highly prospective for stratiform to stratabound Co-Cu and structurally controlled Copperbelt styles of mineralisation. Substantial thickness changes in the Nosib Group may be indicative of rift faulting giving potential for mineralised fluids to migrate through feeder zones creating large scale stratabound mineralisation.

Celsius began exploring nearby in early 2017 and has recently stated that a maiden resource for the project is imminent (CLA ASX release 13 March, 2018). The host for the mineralisation is known as the *Dolomite Ore Formation* ("DOF"), a carbon rich, marly dolomite horizon. The DOF is regionally extensive and hosts cobalt mineralisation in the form of the cobalt-sulphide *linnaeite* with low deleterious elements (As, Cd, U). Celsius has intersected consistent cobalt-copper sulphide mineralisation in the DOF over a 15km long zone to date. Recent flotation test-work was positive with 80% recoveries yielding a concentrate of 1.5% cobalt.

THE PROJECT

The Kaoko Kobalt project is situated immediately to the north of, and abuts, Celsius's Opuwo cobalt project and covers ~27km of the postulated continuation of the Co-Cu bearing DOF (Figures 2 & 3). Additionally, the project shows numerous indicators of a potentially large hydrothermal mineralised system. There is widespread copper mineralisation at surface, including broad areas of malachite, chalcocite and galena veining in some areas.

Regional soil sampling was undertaken by Kunene Resources Ltd in 2014 on a very broad 1km by 1km grid. The survey comprised 7,436 samples analysed by pXRF and 988 samples chemically by ICPS (Inductively Coupled Plasma Spectrometry) for a suite of elements. Due to the coarse nature of the sample grid the survey would not have detected the narrow DOF horizon. It is understood that this survey was also conducted in the Opuwo project area where it did not detect the DOF mineralisation.

Another prime target for Co-Cu mineralisation is highlighted by a 20km by 5 km area of subdued magnetics, possibly due to alteration, coincident with anomalous Cu-Co-Zn-Mn uncovered from the regional soils survey at the *Kamwe* prospect (Figure 4).



Figure 1: Location of the Kaoko Kobalt Project

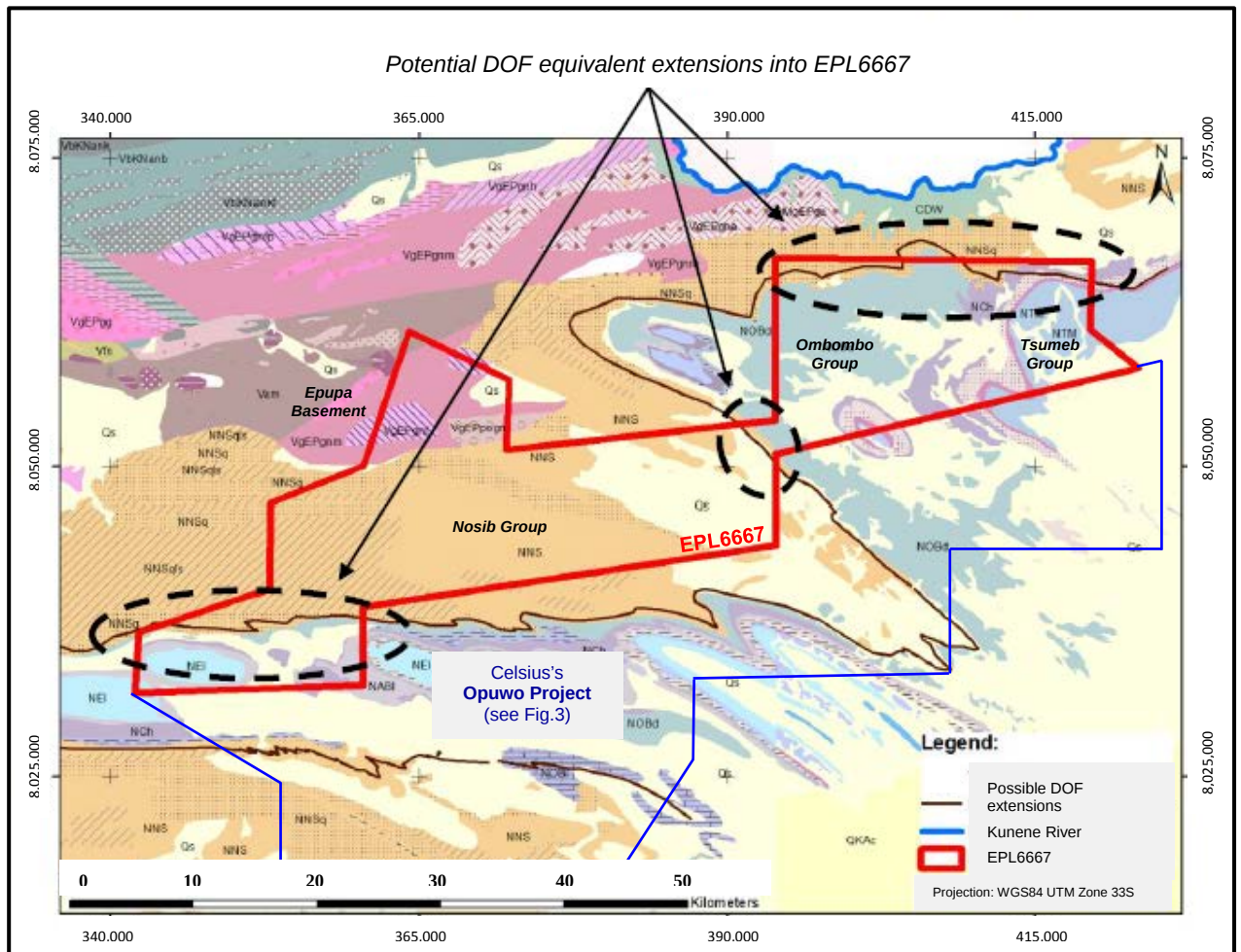


Figure 2: Geology of the Kaoko Kobalt project showing the potential extent of DOF

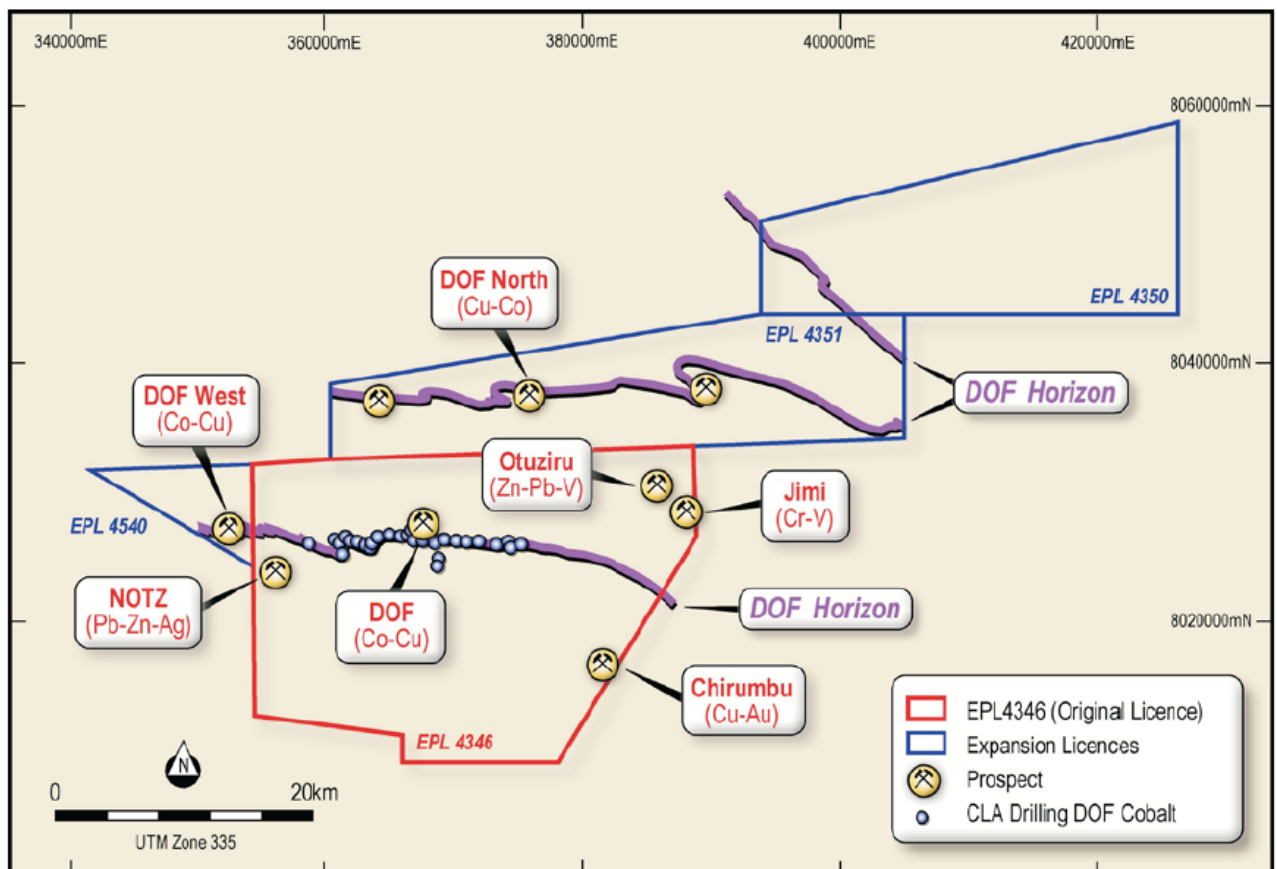


Figure 3: CLA's Opuwo project showing regional targets & potential extent of the DOF Horizon
(CLA Quarterly Activities Report, Dec. 2017)

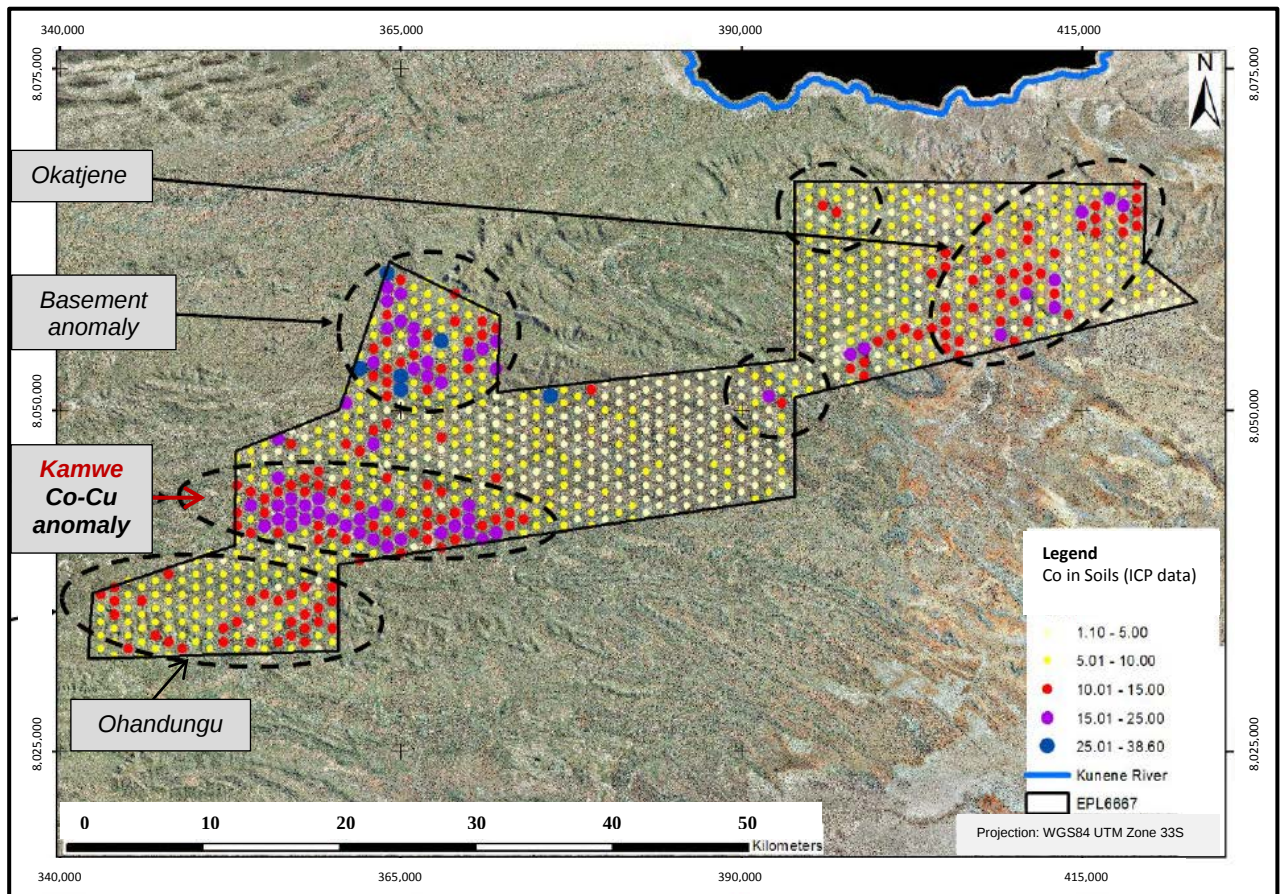


Figure 4: Cobalt in soils, prospects (ICPS data, 1km by 1km sample grid)

A short presentation with further information on the project is attached to this presentation.

Commenting on the transaction, Cazaly Managing Director Clive Jones said:

"Should Cazaly complete this transaction, Kaoko will greatly add to our project portfolio and continues our strategy of being in the right place, at the right time with the right commodity. The Kaoko Kobalt project ticks all the boxes. It is located close to excellent infrastructure and adjoins Celsius Resources' rapidly growing Opuwo cobalt – copper project within what appears to be a significant emerging cobalt bearing belt in Namibia. There is no doubt that we are also experiencing a major inflection point in the demand for cobalt as cobalt prices continue to surge on the back of growing concern that future cobalt supplies may be unable to meet burgeoning demand. I look forward to updating investors as we seek to finalise this acquisition."

ACQUISITION

Cazaly has acquired an Option for the right to purchase 100% of the capital in **Kunene North Pty Ltd** ("Kunene"), an Australian unlisted proprietary company. Kunene's main asset is the Joint Venture ("KDN JV") that Kunene holds with **KDN Geo Consulting CC** ("KDN", a local Namibian company controlled by historically disadvantaged Namibians). The KDN JV is administered through a jointly owned Namibian company, Philco One Hundred and Seventy Three (Proprietary) Limited ("Philco").

KDN JV:

Philco is currently owned 51% by Kunene and 49% by KDN. Licence EPL6667 is currently being transferred into Philco. Kunene can earn further equity in Philco and the Project as follows;

- i) Spending N\$1 million (~A\$90,000) by 15 March 2019 to earn a further 25% in Philco (76% total)
- ii) Paying KDN N\$1 million (~A\$90,000) no later than when Kunene has earned 76% equity
- iii) Spend N\$2 million (~A\$180,000) by 18 November 2020 to earn a further 19% in Philco (95% total)
- iv) KDN's remaining 5% free carried to a definitive feasibility study and to be NEEEF compliant (governmental draft "New Equitable Economic Empowerment Framework")
- v) KDN's expenditure thereafter to be carried in a loan account

KUNENE PURCHASE AGREEMENT:

Cazaly has entered into an option agreement to purchase all of the capital in Kunene, and therefore its rights under the KDN JV, as follows;

- i) Pay an Option Fee of US\$5,000 for an exclusive option period expiring on 15 April 2018. Should Cazaly exercise the option then it shall;
- ii) Issue 4 million fully paid shares in CAZ to the shareholders of Kunene
- iii) Issue 10.5 million CAZ fully paid shares upon the delineation of a JORC compliant mineral resource containing at least 10,000t of contained cobalt (or other metal equivalent)
- iv) Pay A\$1 million (or issuing fully paid CAZ shares to that amount) upon a formal Decision to Mine

Furthermore, Cazaly will issue KDN 2 million fully paid shares in the Company to obviate the N\$1 million payment due in clause (ii) of the KDN JV.

Therefore, in summary, should it complete the transaction, Cazaly will be required to;

- issue 6 million CAZ shares and be obligated to,
- Spend N\$3 million (~A\$270,000) by 18 November 2020 on the project,
- Issue 10.5 million fully paid CAZ shares upon the delineation of a JORC compliant resource containing at least 10,000t of contained cobalt (or other metal equivalent), and
- Pay A\$1 million (or issuing fully paid CAZ shares to that amount) upon a formal Decision to Mine

BACKGROUND ON COBALT

Cobalt has a diverse range of metallurgical and chemical uses ranging from aircraft engines to rechargeable batteries with recent demand being driven by the requirements of the rapidly expanding electric vehicles (EV) sector. It is becoming very evident that cobalt supply is the major constraint on the growth of the battery market. BMO Capital Markets (Dec. 2017) state that even without the battery market the market for cobalt is tight and have forecast an increase of 60% in cobalt demand to 2025; there is *"simply not enough supply to match this"*. Canaccord Genuity have recently revised their long term (from 2025) forecast for cobalt pricing upwards by 32% to US\$49/lb (~US\$108,000/t) and potentially breaching US\$50/lb in 2019.

Other recent developments include China introducing new EV subsidy policies to encourage take up and the manufacturing of longer range EV's utilising higher battery energy densities (>160wh/kg). There was also an actual decrease (3%) in recoverable cobalt supply in 2017 due to mine closures, highlighting the uncomfortable reliance of cobalt users on mines where cobalt is

merely a by-product of other metal production, notably nickel or copper (which accounts for ~97% of world production). Ethical sourcing of cobalt is also placing increased pressure on end users who are looking to secure direct supply whilst some users, eg; Apple and Samsung, are for the first time, looking to potentially finance or directly invest in future mine supply.

Last week, LME cobalt price hit a decade long high and closed at US\$94,500/t on Friday 23rd March, up 26% since the beginning of 2018 (Figure 5).

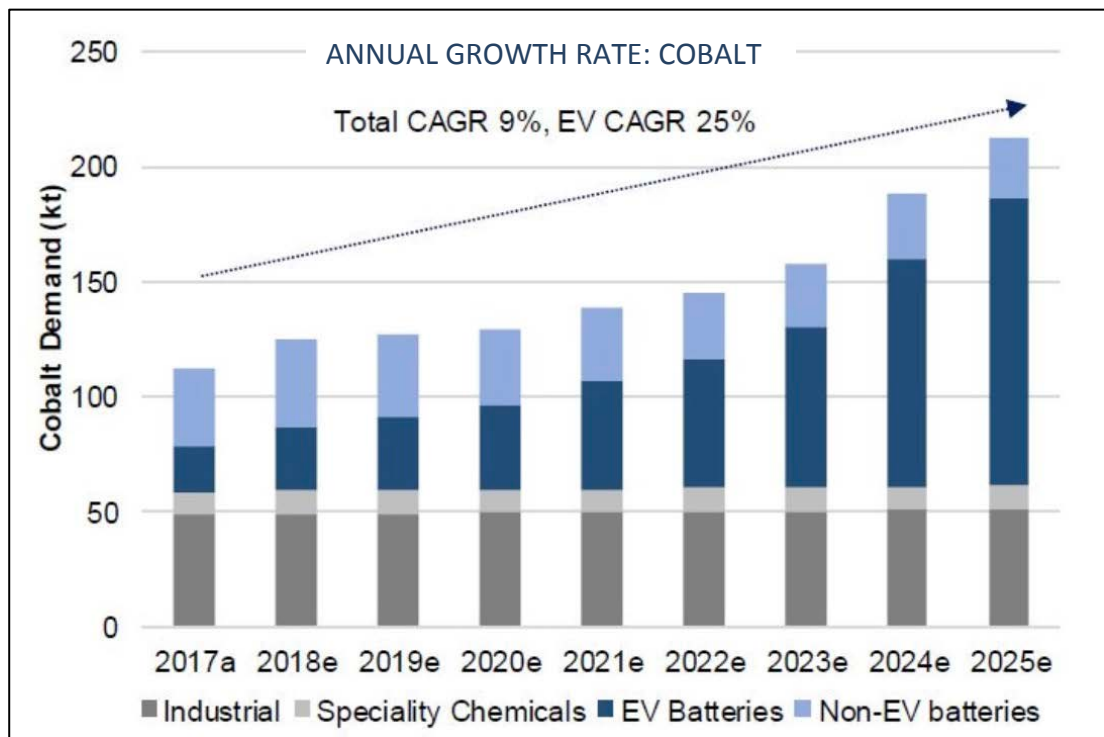


Figure 4: Cobalt demand 2017 – 2025 (Canaccord Genuity estimates)

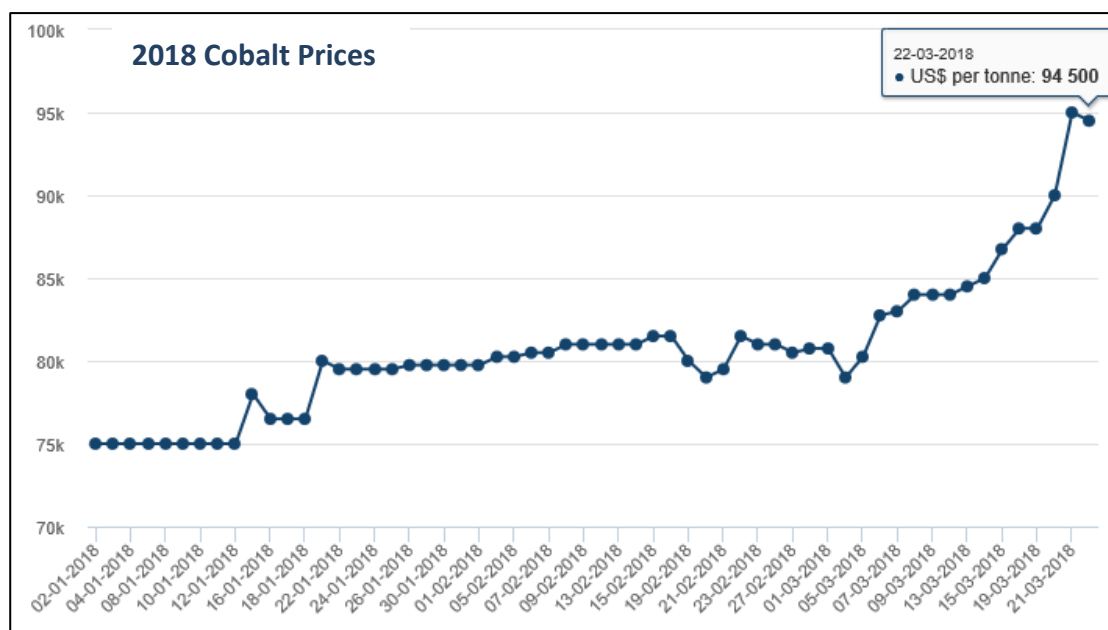


Figure 5: LME Cobalt Price since the beginning of 2018 (LME data)

Corporate

The Company still has the Controlled Placement Deed (CPD) in place with Acuity Capital. The CPD provides Cazaly with standby equity capital of up to \$2m until April 2019. Importantly, Cazaly retains full control of the placement process, including having sole discretion as to whether or not to utilise the CPD. Cazaly is under no obligation to raise capital under the CPD. If Cazaly does decide to utilise the CPD, it is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by CAZ and a 10% discount to a Volume Weighted Average Price (VWAP) over a period of CAZ's choosing (again at the sole discretion of CAZ).

ENDS

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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, who is an employee of the Company. Mr Jones is a Member of the Australasian Institute of Mining and Metallurgy and has 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 consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

Disclaimer Certain statements contained in this announcement, including information as to the future financial or operating performance of Cazaly Resources Limited and its projects, are forward-looking statements that:

- may include, among other things, statements regarding targets, estimates and assumptions in respect of mineral reserves and mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions;
- are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Cazaly Resources Limited, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies; and,
- involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.



APPENDIX 1

Historical Reporting of Results

COMMENTS REGARDING THE REPORTING OF ANOTHER ENTITIES EXPLORATION RESULTS

- The Exploration Results have previously been reported by Kunene Resources Limited (“KNE”) and not Cazaly Resources Ltd (“CAZ”)
- All data was sourced from data as reported in various KNE ASX releases and reports dated;
 - 3 June 2014: Update on exploration at Kaoko Project, Namibia
 - 3 September 2014: Update on exploration at Kaoko Project, Namibia
 - 14 April 2015: 4 Projects to be drilled at Kaoko Project, Namibia
 - 14 July 2015: First copper-cobalt discovery in Namibia confirmed by drilling
- The results were reported under the 2012 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves
- A summary of work conducted can be found in the several ASX releases by KNE
- The information in the announcement is an accurate representation of the available data for project
- The Exploration Results were reported in accordance with the JORC Code 2012
- Nothing has come to the attention of Cazaly that causes it to question the accuracy or reliability of the former owner’s Exploration Results, however Cazaly has yet to independently validate the former owner’s Exploration Results and therefore is not to be regarded as reporting, adopting or endorsing those results.