CAZALY RESOURCES LIMITED

COBALT PROJECT LICENCES GRANTED

- **Applications for the Bungonia (NSW) and Mount Tabor (Qld) projects granted**
- **Both projects contain several small but significant pods of known cobalt-manganese mineralisation**
- **Cobalt is one of the three key elements, with lithium & graphite, that make up Lithium-ion batteries – a rapidly emerging market**
- **Cobalt supply constrained with cobalt only mines a rarity**

Cazaly Resources Limited (**ASX: CAZ, "Cazaly"** or **"the Company"**) is pleased to announce that its applications for Exploration Permits located in both Queensland and New South Wales have now been granted. Both licences cover several prospects with significant historic cobalt mineralisation with little modern exploration conducted to date.

BUNGONIA, NSW (100% CAZ)

In New South Wales the *Bungonia Project,* held under Exploration Licence EL8483, covers approximately 240 square kilometres on the eastern edge of the Lachlan Fold Belt. Previous exploration defined several areas of significant cobalt and nickel mineralisation some of which have been historically mined as early as the 1890's. Cobalt mineralisation occurs as flat lying residual on hills extending for several hundred metres associated with manganiferous deposits over intense deeply weathered mafic or other metal rich rocks. The deposits typically contain relatively rich cobalt values, with minor nickel and copper credits, and have been worked historically with high cobalt recoveries.

The areal extent and assay results from historic work point to significant potential to extend known deposits as well as make new discoveries within the project area. The potential is highlighted by rock chip grades of up to 1.8% cobalt along with historic mining from several locations.

Metallurgical test work previously undertaken was also positive with excellent recoveries of 83.2% cobalt, 79.5% copper and 85.9% nickel returned from acid leaching of a 80 kilogram sample containing 1.15% cobalt, 0.39% copper and 0.26% nickel.

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

Drilling of the Main Deposit east of Bungonia in 1970, along with drilling by others over other localities at *Minalinka, Angel Myst, Osiers, Jacqua Creek, Dogleg, Hillydale* and *Yarralaw*, has produced results that indicate the area is highly prospective for small to modest sized individual cobalt ore bodies. Preliminary assessment indicates that there is potential for further extensions to these bodies as well as the discovery of new cobalt sources, including blind ore bodies beneath Tertiary cover, basement primary cobalt mineralisation as well as new discoveries at surface.

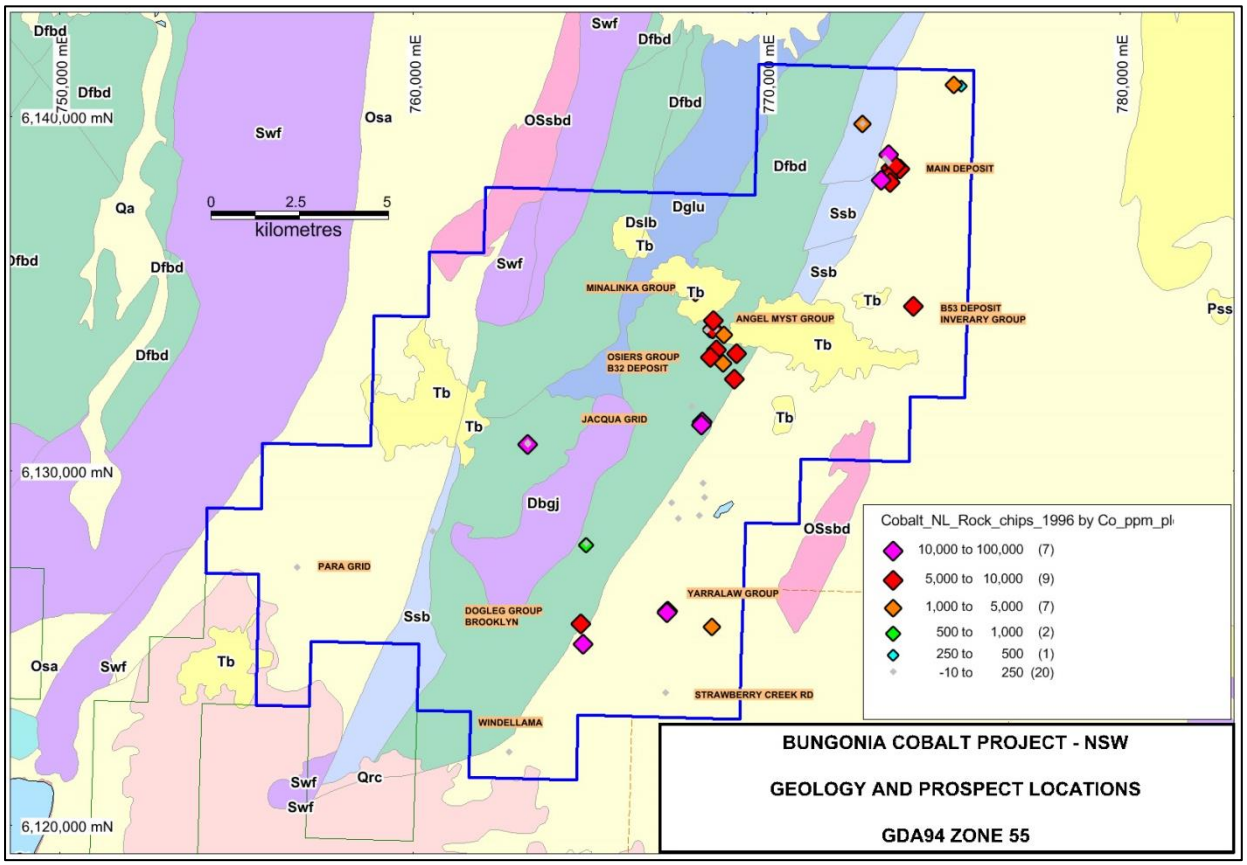

Figure 1. Geology & key prospects, Bungonia Cobalt Project

MOUNT TABOR, QUEENSLAND (CAZ 100%)

In Queensland the *Mount Tabor Project,* held under Exploration Licence EPM26213, covers approximately 325 square kilometres located near the eastern margin of the Eromanga Basin in Central Queensland.

The area contains several prospects several deposits of manganese oxide impregnated sand and grit of Tertiary age with potentially significant cobalt and manganese mineralisation over an extensive area. The licence lies to the north west of Injune and approximately 130km directly north of Mitchell in south-central Queensland.

Manganese rich pods occur sporadically throughout the area and are found to contain appreciable amounts of potentially economic cobalt. Some of these pods were explored initially by Mineral Deposits Limited ("MDL") from 1979-1982 and then by Cobalt Resources NL ("CRN") in the 1990's with further work more recently conducted by Maranoa Resources Limited ("MRL"). This work highlighted cobalt mineralisation over several prospects; *Mt Manganese, Mt Gould, Alpha, Mt Bally-Lethbridge, Mt Emily* and *Carnarvon* and extend over approximately 20km within the project area.

Of particular interest was the Mt Manganese prospect where MDL returned grab samples assaying up to 2.89% Co. MDL also drilled 62 percussion holes whilst CRN drilled a further 139 holes. CRN also carried out preliminary metallurgical studies that confirmed that several leachants may be suitable for treating the mineralisation. MRL developed a new genetic model for the mineralisation however due to the depressed market for cobalt at the time the licence was relinquished.

Very little modern systematic exploration has been completed to examine the economic potential of the deposits. Further drilling and assessment is necessary to confirm the reported resources as well as to test for additional mineralisation. The project demonstrated its prospectivity for standalone cobalt deposits.

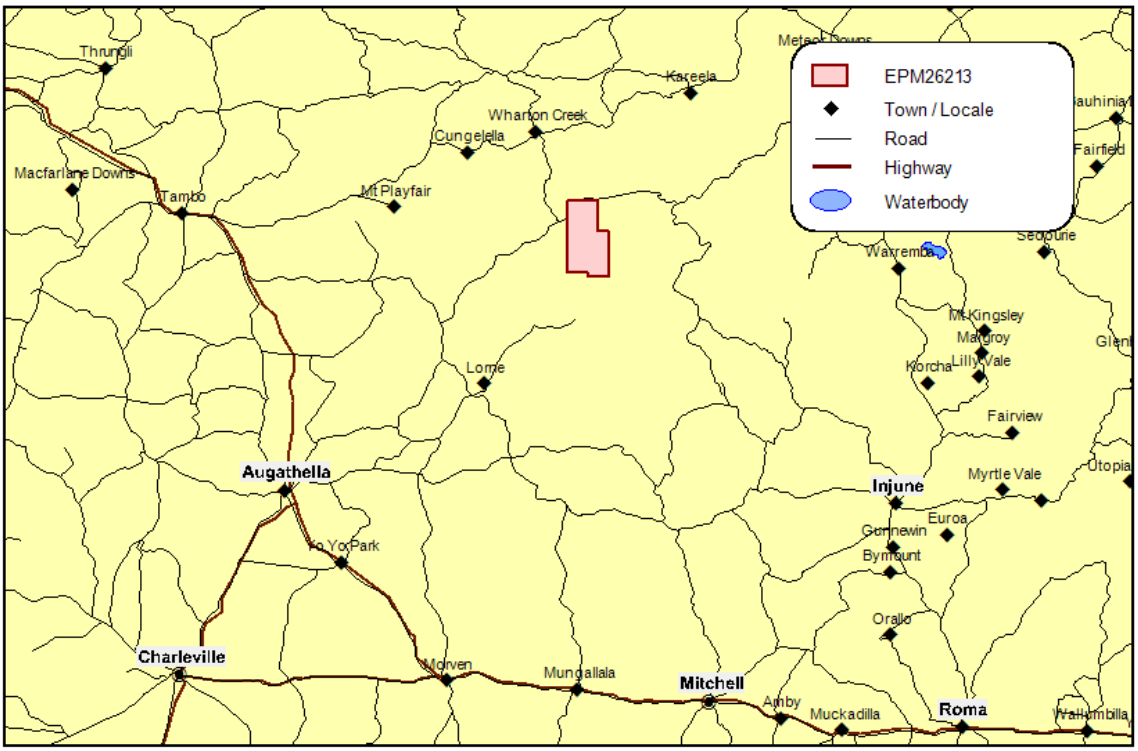

Figure 2. Location of the Mount Tabor Cobalt Project, Queensland

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, combined with the 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. As noted energy and sustainability analyst John Petersen states;

"*Given the current production dynamics for both lithium and cobalt, increased demand can only lead to higher raw material prices. Since most competitive users of lithium and cobalt are far less sensitive to raw material prices than battery manufacturers, it's a safe bet that they'll protect their supply chains and the battery industry will either have to pay up or do without.*" http://seekingalpha.com/article/4027400-teslas-evolving-cobalt-nightmare#alt1(Nov.30, 2016).

Cazaly's Joint Managing Director, Clive Jones said:

"*The grant of these licences gives Cazaly excellent exposure to the burgeoning cobalt market. We look forward to expediting access to the ground and to commencing fieldwork as soon as possible with a view towards determining cobalt resources within the project areas. Pure cobalt mines are a rare breed, making up less than 6% of global cobalt supply, and are set to become increasingly important in this increasingly competitive end user market."*

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