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# Quarterly Report for June 2018

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## HIGHLIGHTS

- **Cazaly completes acquisition of Kaoko Kobalt project in the Kunene Cobalt Province, northern Namibia**
- **Increases land position to ~1,410km<sup>2</sup> through application of two further, first priority applications**
- **Local team set up and initial reconnaissance work completed**
- **Outcropping copper bearing gossans identified at the Kamwe target, returns results including 17.8% & 10.2% Cu**
- **Airborne EM and magnetic survey scheduled to commence in August**

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## Kaoko Kobalt Project (CAZ earning 95%)

The project - in which Cazaly has the right to earn a 95% interest - is primarily prospective for base metal mineralisation (refer to ASX announcement dated 26 March 2018). The Company also recently extended its potential land position in the region through the application of two new Exploration Prospecting Licences contiguous with the existing EPL6667 (Figure 1) (refer to ASX announcement dated 3 May 2018).

The Kaoko Kobalt ('Kaoko') project is situated immediately to the north of, and abuts, Celsius Resources Limited's ("Celsius") (ASX:CLA) *Opuwo Cobalt* project. Celsius recently announced a maiden resource for the project of 112Mt @ 0.11% Co & 0.41% Cu (CLA ASX release 16 April, 2018).

The Kaoko project has only had cursory exploration in the past, the results of which highlighted widespread base metal mineralisation. Aside from having the potential of ~80km of prospective dolomite ore formation ('DOF') a previous regional 1km by 1km soils programme delineated a 20km by 5km area of subdued magnetics coincident with anomalous Cu-Co-Zn-Mn at the *Kamwe* prospect.

Initial work by the Company included a review of historical data and geological and logistical reconnaissance of the Kamwe target, the extrapolated 'DOF' stratigraphic horizon in the southwest and the Tsumeb stratigraphy in the far northeast.

The data review included analysing the historic multi-element geochemical database with particular focus on the main target areas where mapping, airborne geophysics and further geochemical sampling is planned to commence shortly. A number of metal associations, geochemical trends and anomalies were identified from this work with several areas potentially related to bedrock mineralisation or alteration highlighted. The review confirmed the ~20km x 5km *Kamwe* target as a high priority target with a highly anomalous and coherent association of elements including Cu, Co, As, Ag, Pb, Zn, Ni, Mo and Ti associated with structural trends.

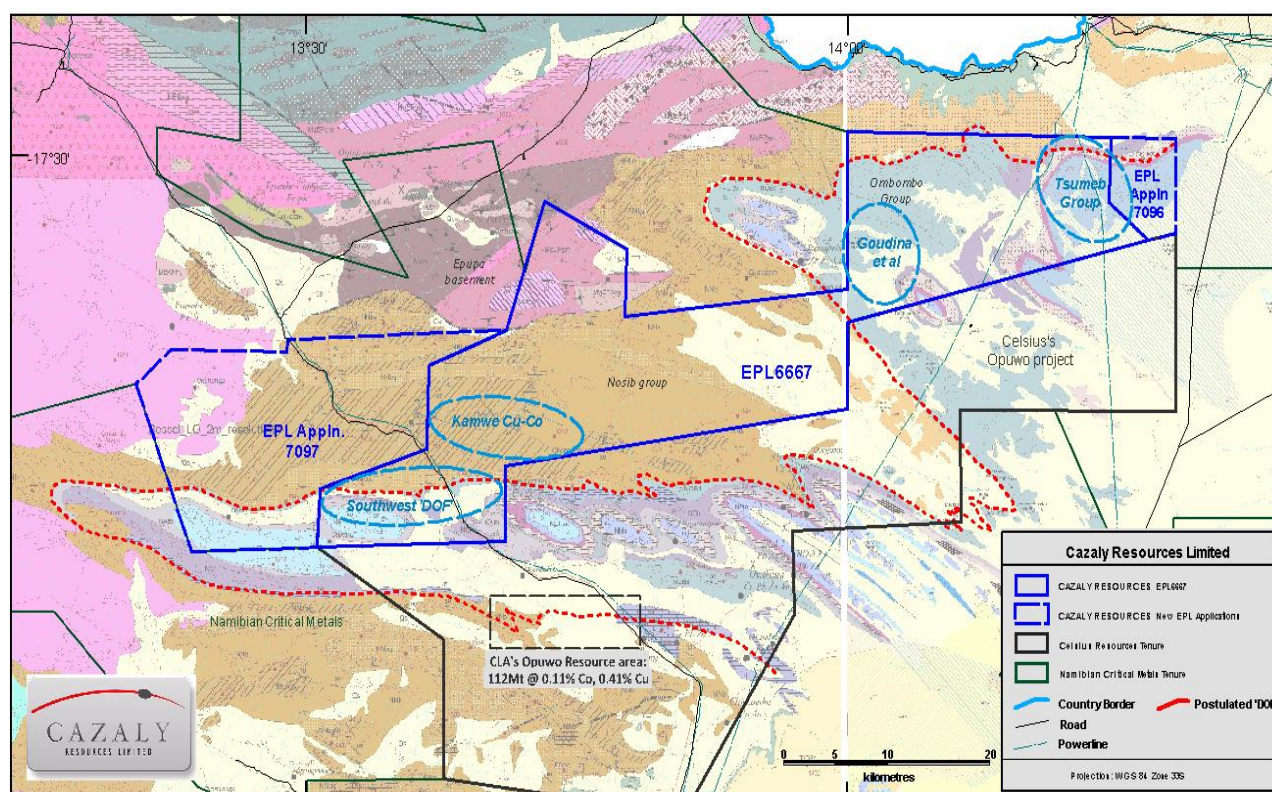


Figure 1: Geology of the Kaoko Kobalt project showing target areas and extrapolated 'DOF' horizon

Two areas of outcropping copper bearing gossans were encountered within the Kamwe target during initial field reconnaissance. The gossans, hosted by a sequence of dolomite dominant rocks within the central Nosib Formation, occur as quartz-carbonate-barite-pyrite-chalcopryrite veins associated with WNW-ESE trending shear zones. Kamwe represents a major target with significant potential and an ideal 'plumbing' system related to major first and second order faults/shears. Laboratory delays were experienced in analysing the samples however this has now been resolved with results from sampling of the gossans returning high grade copper values including; **17.8%** and **10.2%** Cu (Table 1). Follow up detailed geological mapping of this extensive target is currently being conducted and an in-country exploration team has been established.

Reconnaissance in the southwest portion of EPL6667 targeted a ~20km long area being the extrapolated stratigraphic position of the 'DOF'. Being a dominantly shaley unit however, the 'DOF' is rarely observed in outcrop as it weathers quickly and is typically covered by more recent alluvial and



colluvial cover. Accordingly, the unit was not observed in the work. Review of aerial photography of the other potential positions of the 'DOF' in the licence indicated that it was unlikely to outcrop and that the optimal way to explore the presence of the unit was to conduct an airborne electromagnetic ('EM') survey. Accordingly, a major combined airborne EM and magnetic survey covering the extrapolated positions of the 'DOF', as well as other target areas including the Kamwe target, has been contracted and due to commence in mid-August.

Table 1: Anomalous (>1%Cu) rock chip and float samples, Kamwe prospect

Sample ID	Easting	Northing	Fe %	Cu %	Au ppm	Description
69501	356,496	8,043,596	20.90	<b>10.20</b>	0.10	Massive haematite with calcite and extensive malachite
69503	356,483	8,043,597	25.00	<b>5.96</b>	0.38	Massive haematite with calcite and extensive malachite
69504	356,486	8,043,596	18.10	<b>17.80</b>	0.17	Quartz vein boulder with malachite, haematite and minor chalcocite
69510	361,466	8,043,093	4.59	<b>1.52</b>	0.01	Qtz vein float with hm filled vug and common malachite and chrysocolla. Py>cpy in chalcocite vein
69511	361,473	8,043,091	6.97	<b>7.79</b>	0.53	Ferruginous marble float with qtz veining and widespread malachite staining. Specks of chalcocite present
69512	365,000	8,040,252	1.00	<b>2.88</b>	0.02	Qtz/cpy/malachite vein in quartzite float
69517	361,507	8,043,086	4.56	<b>5.54</b>	0.01	Qtz vein float with malachite and haematite
69602	361,473	8,043,090	1.66	<b>1.17</b>	0.00	Qtz vein boulder with hematite veins hosts malachite, pyrite, chalcocite and haematite
69604	361,466	8,043,124	4.63	<b>3.41</b>	0.01	Silicified carbonate, quartz rich with quartz veins with pyrite, hematite, minor malachite and chalcocite
69605	361,510	8,043,077	7.88	<b>5.21</b>	0.03	Dolomite, grey, surface weathered to brown, highly ferruginous, with malachite, chalcocite, pyrite and hamatite. Minor chalcopyrite.
69612	357,906	8,037,672	4.65	<b>1.49</b>	0.04	Shale, dk gray, very fine, thinly laminated

Note: Refer Appendix 1 in the ASX announcement dated 25 July 2018 for full list of results

Other areas to be investigated in the upcoming work include the *Goudina*, *Etoto West* and *Okatjene* base metal occurrences (Figure 1) where outcropping rocks hosting galena (Pb) – malachite/azurite (Cu) mineralisation have previously been observed.

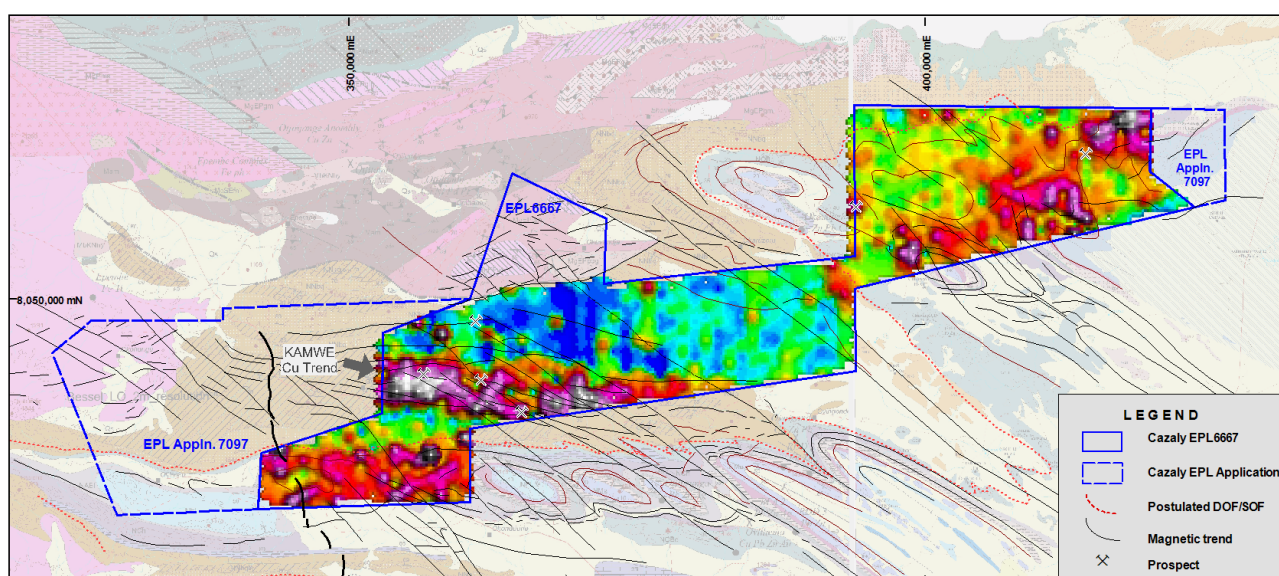


Figure 2: Copper distribution, ICP data on geology, Kaoko project

Cazaly has contracted Skytem ApS to conduct an airborne EM/magnetic survey planned to commence in August. The survey is designed to delineate conductive horizons including sulphide mineralisation associated with base metals to depths of around 300-400 metres. SkyTem has recently commenced working in-country utilising its equipment to fly surveys for neighbouring Celsius Resources and Namibian Critical Metals (TSX:NMI) at properties adjacent to Cazaly's Kaoko Kobalt Project.

The Company has commenced further follow up work with detailed mapping of the Kamwe target. The targets generated by the SkyTem work will be followed up with initial drilling.

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## Parker Range Iron Ore Project (CAZ 100%)

The project hosts a near mine-ready iron ore deposit located in the Yilgarn of Western Australia key features of which include ultra-low Phosphorous haematite ore, completed full DFS, located nearby to major infrastructure and has its key approvals to mine in place. The Company is in continued discussions with infrastructure advisors and is reviewing export solutions. The nature of the ultra-low phosphorous ore makes this orebody in demand as a blending ore.

The Company notes the recent announcements of Mineral Resources Limited (ASX:MIN) dated 13 June 2018 and 19 July 2018 whereby it was announced that MIN has entered into a definitive agreement with Cleveland-Cliffs Inc. (NYSE: CLF, Cliffs) to acquire the assets that were used by its wholly owned subsidiary, Cliffs Asia Pacific Iron Ore Pty Ltd, to run its Koolyanobbing iron ore operation in the Yilgarn region of Western Australia. The assets that MIN will acquire include Cliffs' tenements and all remaining iron ore as well as the fixed plant, equipment and non-process infrastructure items on those tenements.

The Company notes that the Port of Esperance has previously exported up to 13M tonnes per annum of iron ore and MIN have indicated that they aim to export 6-6.25M tonnes per annum.

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## Mount Venn Project (CAZ 100%)

The Company has entered into a Share Sale Agreement with Sulphide X Limited ('Sulphide'), a private company that plans to list on the ASX. An option fee has been paid and Sulphide has a three month exclusivity period to conduct its due diligence on the Mount Venn project. Cazaly will keep the market informed of any developments.

If Sulphide proceeds with the acquisition, the Company receives proceeds of \$1m plus 3,000,000 consideration shares or a minimum 5% equity in the Sulphide vehicle once listed. The Company will also receive a once off payment of \$500,000 upon the delineation of a 500,000 ounce JORC gold resource and a further \$500,000 payment upon the delineation of a 1,000,000 ounce JORC resource.

The Company will also retain a 1.5% Net Smelter Royalty which Sulphide may purchase for \$1,000,000 at any stage.

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## Mount Tabor and Bungonia Cobalt Projects (CAZ 100%)

In order to focus on the Kaoko Kobalt project in Namibia, the Company has elected to divest the Mount Tabor and Bungonia projects. An option agreement has been signed with a private company intending to list on the ASX which includes the payment of a nominal fee for a three month exclusivity option. Broad terms of the agreement are:

- The issue of 1,500,000 shares in the listed entity at settlement.
  - Payment of \$100,000 in cash
  - The issue of a further 1,000,000 shares in the listed entity upon them receiving drilling results of at least 1% Co.metres (eg;  $\geq 2\text{m @ } 0.5\% \text{ Co}$ ,  $4\text{m @ } 0.25\% \text{ Co}$ ,  $20\text{m @ } 0.1\% \text{ Co}$  etc...) in at least two holes from either the Mount Tabor or the Bungonia projects
  - The purchaser is required to conduct at least 500 metres of drilling at each of the projects within two years of settlement.
  - A production royalty payable to Cazaly equal to 2.5% of the net smelter returns on minerals derived from the projects within the boundaries of the tenements at settlement
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## Kurabuka Creek Project (CAZ 100%)

The Kurabuka Creek Project comprises exploration licence application 09/2267 over 69 sub blocks in the Bangemall Basin of Western Australia. The area is prospective for shale hosted base metal mineralisation as demonstrated by historic work. BHP reported rock chip sampling of workings in 1985 containing lead mineralization between 245ppm and 28.1% Pb (2.12% Pb average) and zinc mineralization between 32ppm and 26.1% Zn (1.5% Zn average) from 20 samples.

Cazaly has collated all open file data sets and is preparing for field reconnaissance work investigating the potential of this area to host significant mineralisation. Grant of the tenement is expected during the current quarter.

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## McKenzie Springs Project (CAZ 100% - FIN earning 51%)

During the quarter, FIN Resources Limited (ASX:FIN) listed on the ASX. Previously the Company entered into an agreement with FIN whereby FIN may earn an upfront 51% working interest in McKenzie Springs for the following consideration:

- 5,000,000 shares in FIN

- 10 million options in FIN (post consolidation) exercisable at 3 cents per share 3 years from date of readmission – this will be approximately 4.34% of the issued capital in FIN
- FIN will also commit to expenditure of \$500,000 within 18 months from readmission following which it will earn another 19% in the project to take its ownership in the project to 70%.

The project is located immediately south & along strike of the Savannah Nickel Mine (Panoramic Resources Ltd), Kimberley, WA. Prospective ultramafic basal contact extends for ~15km. Work by Cazaly has identified high grade gossan samples returned 12.8% Cu, 1.92% Ni, 0.17% Co. The project is also within 10km of the Hexagon Resources McIntosh Graphite Resource. Reprocessing and imaging of historic VTEM data was completed by Cazaly with several conductor targets potentially representing graphitic units ready for follow up.

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## 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).

*For further information please contact:*

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*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 and Mr Horn are Members of the Australasian Institute of Mining and Metallurgy. 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.*





# Quarterly Report for June 2018

## INTEREST IN MINING TENEMENTS AS AT 30 JUNE 2018

TID	PROJECT	ENTITY	% INT	TID	PROJECT	ENTITY	% INT
<b><u>Managed</u></b>				<b><u>Not Managed</u></b>			
E77/1403	PARKER RANGE	CAZI	100	E31/1019	CAROSUE	CAZR	10
L77/0220	PARKER RANGE	CAZI	100	E31/1020	CAROSUE	CAZR	10
L77/0228	PARKER RANGE	CAZI	100	M31/0427	CAROSUE	CAZR	10
L77/0229	PARKER RANGE	CAZI	100	E37/1037	TEUTONIC BORE	SAMR	100
M77/0741	PARKER RANGE	CAZI	100	M47/1450	HAMERSLEY	LOFE	49
M77/0742	PARKER RANGE	CAZI	100	M80/0247	MT ANGELO	CAZR	20
M77/0764	PARKER RANGE	CAZI	100	E39/1837	MT WELD	CAZR	100
P77/4162	PARKER RANGE	SAMR	100	P26/4297	KALGOORLIE EAST	CAZR	100
P77/4164	PARKER RANGE	SAMR	100	E80/4808	MCKENZIE SPRINGS	SAMR	100
P15/6010	GLIA	SAMR	100				
P15/6014	GLIA	SAMR	100				
P15/6015	GLIA	SAMR	100				
P15/6016	GLIA	SAMR	100				
P15/6019	GLIA	SAMR	100				
P15/6020	GLIA	SAMR	100				
P15/6021	GLIA	SAMR	100				
P15/6022	GLIA	SAMR	100				
E38/3111	MOUNT VENN	YAMW	100				
E38/3150	MOUNT VENN	YAMW	100				
EPM26213	MOUNT TABOR (QLD)	SAMR	100				
EL 8483	BUNGONIA (NSW)	CAZR	100				
E09/2267 *	KURABUKA CREEK	SAMR	100				
Czech Rep *	Horní Věžnice	Discovery	80				
Czech Rep *	Brzkov II	Discovery	80				

\* – application