

CAZALY RESOURCES LIMITED

2017 Convertible Note Update

Cazaly Resources Limited (**ASX: CAZ**) (**Cazaly** or **the Company**) is pleased to provide shareholders with an update in relation to the unsecured 2017 convertible note deed (**2017 Deed**) due to expire today.

The Company and Oracle Capital Group Pty Ltd (Oracle) have agreed that the Company will repay the original notes and all accrued interest.

Oracle, a Perth based portfolio management and corporate advisory firm, have provided the Company with a new unsecured note facility of \$748,000 (**Deed**) via the issue of 748,000 unsecured notes (face value of one dollar (\$1.00)) (**Notes**). The Company and Oracle each agree and acknowledge that by entering into the Deed, any and all liabilities, amounts and obligations which are outstanding or owing by the Company in favour of Oracle and/or its nominees or any other any other person under the 2017 Deed are deemed to have been repaid, satisfied and extinguished in full and the Company is released and discharged from all of its liabilities, amounts and obligations under the 2017 Deed.

At the date of the Deed, the Notes are not convertible into shares in the Company. Company shareholder (**Shareholder**) approval for the issue of the Notes as convertible notes for the purposes of ASX Listing Rule 7.1 will be sought at a meeting to be convened by no later than 28 February 2019 (**Conversion Approval**). If Conversion Approval is not obtained, the Notes cannot be converted into shares in the Company and the principal sum in respect of each Note issued, together with all accrued interest, will become immediately due and payable in cash.

Under the terms of the Deed, Oracle and/or its nominees, will also be entitled to 29,920,000 unquoted Company options exercisable at a price that is equal to 150% of the Share price calculated on the basis of 85% of the VWAP of the Shares on the ASX calculated over the 5 consecutive trading days which immediately precede the date of the Deed.

The final terms of the Notes are set out below:

- (a) Maturity Date - 12 months from the date of issue (**Repayment Date**)
- (b) Interest - 10% per annum. Paid on conversion and/or redemption date (as applicable).
- (c) Conversion Price – the lower of:
 - 85% of the VWAP of the Shares on the ASX calculated over the 5 consecutive trading days which immediately precede the date of the Deed; and
 - 85% of the VWAP of the Shares on the ASX calculated over the 5 consecutive trading days which immediately precede the date of the relevant conversion notice; and
 - the price of any capital raising completed by the Company from the date of execution of the Deed up to and including the date of the relevant conversion notice,
- (d) Conversion Approval – Notes can only be converted upon receipt of Conversion Approval on the basis set out above.
- (e) Redemption - the Company may redeem all or part of the principal sum of each Note at any time and at any frequency on or before the Repayment Date by giving to Oracle a redemption notice. A redemption notice must not be given in respect of a Note the subject of a conversion notice. A redemption notice must specify not less than 374,000 Notes for redemption (when aggregated with all redemption notices issued on the same day as that redemption notice).

(f) Conversion prior to Repayment Date – subject to Conversion Approval, the Oracle may convert all or any of the Notes into Ordinary Shares at any time and at any frequency as at a date prior to the Repayment Date by giving a conversion notice to the Company.

(g) Conversion on Repayment Date - All outstanding Notes (excluding any Notes in respect of which a redemption notice has been issued or a conversion notice has been issued) will automatically convert into Shares on the Repayment Date and the Company will be deemed to have issued a conversion notice converting all outstanding Notes held by Oracle at the Repayment Date.

(h) Security - the Notes are unsecured.

(i) Transferability and other restrictions: the Notes will only be transferrable with the Company's prior written consent.

ENDS

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