

CAZALY RESOURCES LIMITED

PROPOSED SALE OF PARKER RANGE IRON ORE PROJECT FOR \$13M PLUS ROYALTY STREAM

- Exclusive due diligence period for sale of the Parker Range Iron Ore Project to a private Australian iron ore development group
- Total cash consideration of \$13M plus royalties
- Additional \$350,000 received upfront via an Exclusivity Fee and Strategic Placement Investment in Cazaly Resources Ltd

Cazaly Resources Limited ("Cazaly" or "the Company") (ASX: CAZ) is pleased to announce it has agreed commercial terms for the sale of its Parker Range Iron Ore Project ("the Agreement") to private Australian based diversified group, Gold Valley Iron Pty Ltd ("Gold Valley"), by way of the sale of the 100% owned subsidiary of Cazaly, Cazaly Iron Pty Ltd ("Cazaly Iron") which holds the tenements that comprise the Parker Range Iron Ore Project ("Project").

The Agreement allows for an initial three-month due diligence and exclusivity period following the payment of an exclusivity fee and a strategic investment in shares of Cazaly as detailed below. This period may be extended for a further three months by mutual agreement.

The sale follows a comprehensive process over an extended period whereby the Company dealt with several parties interested in the Project. The arrangement with Gold Valley was considered the best option to advance the Parker Range Project towards production whilst retaining a potential royalty stream. The directors of the Company believe the deal is a great result for Cazaly, unlocking immediate value for the Company's shareholders. Gold Valley's strategic investment to subscribe for 10 million ordinary shares in the Company ("Shares") provides further confidence in the alliance.

Cazaly's Joint Managing Director Nathan McMahon said:

"This agreement realises some immediate value from the Parker Range Project in an iron ore market that has recently shown signs of recovery. Following completion of the proposed transaction, the Company will receive a significant cash injection and provide shareholders further upside by way of additional payments and a royalty from production. We are highly confident that the project will grow further and are confident Gold Valley has the requisite technical, managerial and importantly, marketing skills to develop the asset."

TERMS OF THE AGREEMENT

In consideration for the payment of \$50,000 (plus GST) and subscribing for 10,000,000 Shares at a price of \$0.03 per Share (issued under the Company's existing ASX Listing Rule 7.1 capacity), Cazaly grants Gold Valley exclusivity to evaluate the transaction for a period of three months. This exclusivity period may be extended by a further period of three months by the agreement of the parties and upon the payment by Gold Valley to Cazaly of a further fee of \$250,000 (plus GST).

The Agreement allows for the payment of an initial \$5,000,000 upon the signing of formal agreements in respect of the Transaction and a further payment of \$8,000,000 upon commencement of production from the Project. Furthermore, Gold Valley is liable to pay Cazaly \$500,000 per annum, or pro rata thereof, as a holding cost prior to production up to a maximum of \$8,000,000 with any holding cost payments to reduce the second production payment. Funds raised from the proposed sale will be used for ongoing exploration work on the Company's current projects and for new project generation.

In addition, a royalty ranging from A\$0.50 to A\$1.00 per tonne is payable to Cazaly on all ore produced from the Project as follows:

- when the Platts Iron ore 58 index averages US\$80 per tonne or above during the quarterly payment period - A\$1.00 per tonne;
- when the Platts Iron ore 58 index averages between US\$60 per tonne and US\$80 per tonne during the quarterly payment period - A\$0.75 per tonne; and
- when the Platts Iron ore 58 index averages US\$60 per tonne or below during the quarterly payment period - A\$0.50 per tonne.

The Agreement is conditional upon, amongst other things, Cazaly obtaining shareholder approval for the entry into and completion of the transactions contemplated by the Agreement and Gold Valley being satisfied with its due diligence investigations in respect of the Project and Cazaly Iron. Gold Valley can also claim a break fee of \$250,000 (being what the parties consider to be a genuine and reasonable pre-estimate of the costs Gold Valley will incur if the transaction does not proceed including the costs of its due diligence investigations in respect of Cazlron and the Project) if Cazaly terminates the Agreement under certain circumstances including any breach of exclusivity, the failure by Cazaly to satisfy certain conditions precedent or if Cazaly has received another proposal or offer from a third party involving the sale of, or the granting of any rights with respect to, shares in Cazlron or any mining tenement or other property owned by Cazlron, which is more favourable to Cazaly and its shareholders than the Gold Valley offer but only where, within 30 days after giving Gold Valley notice that it has received such a proposal or offer, Cazlron gives Gold Valley further notice that it intends to terminate the Agreement and/or any formal agreements entered into pursuant to it.

The Company has received confirmation from ASX that ASX Listing Rules 11.1.3 and 11.2 do not apply to the proposed transaction pursuant to the Agreement.

Proposed Timetable

The Agreement requires that the last of the conditions precedent to completion (which includes the receipt by Cazaly of any necessary consents, notices, approvals or waivers in respect of the transactions contemplated by the Agreement, Cazaly shareholders approving the transactions contemplated by the Agreement and Gold Valley being satisfied with its due diligence investigations in respect of Cazlron and the Project and advising Cazaly that it wishes to complete the sale of Cazlron) be satisfied by no later than 30 November 2019 (or such later date as the parties may agree in writing).

The parties expect that the sale of Cazlron will be completed within [ten (10) business days] after the completion or waiver of the last of the conditions precedent. On that basis, Cazaly anticipates that the sale will be complete before the end of the 2019 calendar year, subject to the satisfaction or waiver of those conditions precedent, however both Cazaly and Gold Valley are keen to finalise the sale of Cazlron at the earliest opportunity and intend to work together to achieve completion before that time if possible.

About Gold Valley

Gold Valley Iron Pty Ltd is part of the Gold Valley Group, a diversified Australian based company with interests in mining, agriculture and energy. Gold Valley is currently developing the *Yarram Iron Ore deposit* in the Northern Territory and has the right to mine the *Ridges Iron Ore deposit* owned by Kimberley Metals Group, in northern Western Australia. Gold Valley also recently announced a contractual arrangement with IndiOre Ltd (ASX: IOR 20 March, 2019) for the provision of processing the Ridges deposit. Gold Valley Iron plans to develop small to medium scale iron ore assets to sell into niche markets. It also holds other mineral interests including Mt Holland Mining (Li/Au, WA), Mt Hampton Pty Ltd (gold, WA) and recently acquired the assets of Territory Resources Ltd.

For further information please contact:

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About the Parker Range Iron Ore Project:

The Parker Range project is a near mine-ready iron ore project strategically located in the Yilgarn region of Western Australia adjacent to accessible, publicly owned infrastructure including towns, roads, rail and port. Key features include an ultra-low Phosphorous haematite with all key approvals to mine in place and has the potential to become the next major source of iron ore production in the Yilgarn region of Western Australia.

