

CAZALY RESOURCES LIMITED

NEW COBALT PROJECT APPLICATION

LAKE INNES, NSW

- **New application lodged over Nickel-Cobalt resources in the New England Fold Belt of New South Wales**
- **Indicated surficial resources potentially amenable to open pit mining totalling 10.6Mt containing 86,000t nickel and 12,500t cobalt**
- **Potential for on-site processing with previous metallurgical testwork indicating greater than 80% recovery using atmospheric acid leach technology**
- **Cobalt is one of the three key elements, with lithium & graphite, that make up Lithium-ion batteries – a rapidly emerging market**

Cazaly Resources Limited (**ASX: CAZ**, “Cazaly” or “the Company”) is pleased to announce an application for an Exploration Licence in New South Wales covering several known nickel/cobalt resources. The licence application covers approximately 73 square kilometres of prospective geology within the New England Fold Belt on the mid-north coast of New South Wales. The area is 310km north-east of Sydney and ~10km from the town of Port Macquarie.

Cobalt bearing manganese oxide was first discovered at Lake Innes in 1886. Work in the area throughout the early 1900’s focused on cobalt as well as magnetite, chromite and nickel. Historic mining of hand-picked cobalt rich ore was first reported in 1897-1904 with grades of up to 7% cobalt.

Modern exploration commenced in 1962 by Carpentaria Exploration Company Pty Ltd (“CEC”), a wholly-owned subsidiary of Mount Isa Mines Limited (“MIM”). CEC conducted auger drilling, channel sampling and metallurgical testing. Significant amounts of nickel and cobalt were found in surficial weathered material overlying serpentinite. Following this Placer Prospecting Pty Ltd, VAM Ltd and others conducted further exploration throughout the 1970’s drilling the deposits around the Lake Innes area.

In 1980 Western Mining Corporation (“WMC”) reviewed the area before a hiatus in exploration for 15 years until Jervois Mining NL (“Jervois”) picked up the project in 1996. Jervois flew an airborne magnetic survey and commenced a comprehensive drill out of several deposits.

After completing more than 300 air core drill holes a maiden resource estimate was announced in 1997. The work was upgraded by Jervois with further drilling in 1998-99 resulting in a revised resource estimation including “Indicated” category resource figures, some of which are currently held under Cazaly’s ELA5475 at Lake Innes as follows:

DEPOSIT	Tonnes	Ni%	Co%	Overburden to Ore Ratio
Hurll's Hill (Combined)	8,222,631	0.77	0.12	0.7 : 1
Limeburners Flat	652,635	0.69	0.05	1.5 : 1
Pacific Highway	1,314,445	0.91	0.08	0.3 : 1
Pitkin	410,271	0.54	0.07	2.8 : 1
Totals	10,599,982	0.77	0.11	0.9 : 1

Locally the geology is dominated by a large suite of mainly serpentinised ultramafics formed from the hydration of harzburgite or dunite. A laterite profile has developed over these which is partly covered by later Quaternary sand, silt and mud. The laterite profile varies in thickness from a thin skin to as much as 30m or more. Fresh black to dark green serpentinite at the base passes into weathered grey to green mottled serpentinite overlain by soft saprolite composed of variously coloured smectite clays.

Most of the nickel is concentrated in these horizons. **The upper horizons are iron and cobalt-rich** overlain by crusty haematitic clay. The top metre or so is generally a

bright to dark red clayey soil with **elevated scandium content**.



Figure 1: Location of the Lake Innes Project

This is reminiscent of the mineralisation observed in central New South Wales near Fifield where Cleanteq’s *Syerston*, Australian Mines’ *Flemington* and Platina’s *Owendale* Sc-Co-Ni deposits. Much of the previous work at Lake Innes concentrated on the nickel potential and there was less assaying for cobalt and in particular scandium. Potential therefore exists to focus more on the cobalt (and scandium) as the cobalt is reportedly more closely associated with surficial manganese enrichment.

Historically it has been reported that between 1897 and 1904 a cobalt-bearing manganese wad had been exploited nearby at Port Macquarie with 744 tonnes of cobalt-bearing manganese material recorded as having been shipped.

Metallurgical test work by AMDEL in 2002 suggested that sulphuric acid leaching of the ore under high pressure could achieve >90% recovery of nickel and cobalt, with a probable acid consumption of 400 kg/tonne of ore. Further preliminary test work indicated that 80%+ nickel extraction could be achieved using sulphuric acid leaching at normal atmospheric pressure which is a much less capital-intensive and a lower operating cost alternative to high-pressure acid leaching.

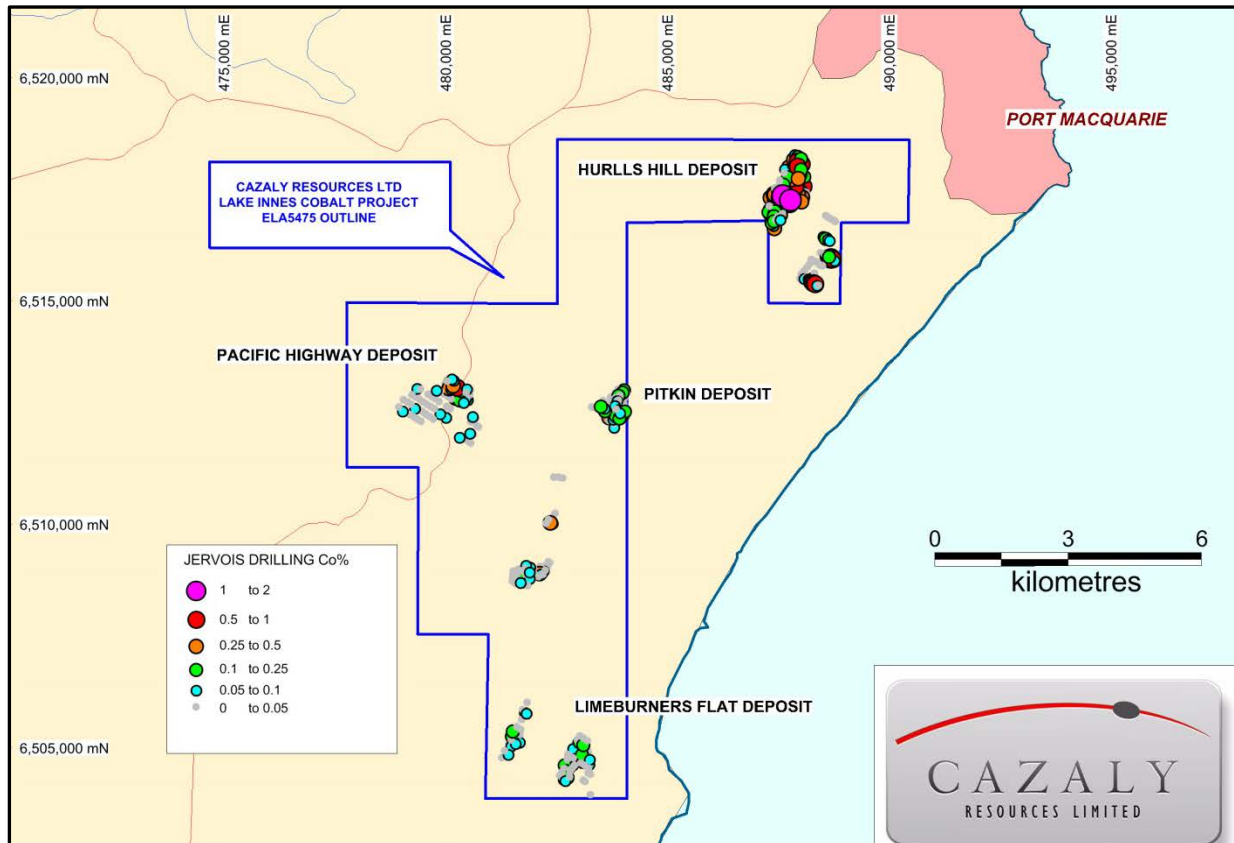


Figure 2: The Lake Innes Nickel-Cobalt Project

The Lake Innes project greatly complements the Company's existing and recently granted other eastern states located cobalt projects being Bungonia (Qld) and Mount Tabor (NSW). The Company looks forward to expediting grant of the project and beginning ground activities as soon as practicable.

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 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.

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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



COMPETENT PERSONS STATEMENT

The 1999 Resource Statement referred to at Lake Innes was prepared by A Jannink M.A., F.Aus.I.M.M., a competent person as defined in Appendix 5A of the ASX Listing Rules. The reported resource estimates are consistent with the 1999 JORC Code guidelines and are not reported in accordance with the JORC 2012 Code and a Competent Person has not completed sufficient work to accurately classify the 1999 estimates as Mineral Resources under the JORC 2012 Code. It is uncertain if, following further exploration, the 1999 estimates will be able to be reported as Mineral Resources in accordance with the JORC 2012 Code.

The information on Resources is extracted from an ASX release under ASX code "JRV" created on the 29th April 1999 titled "Third Quarter Activities and Cashflow Reports" (available on the ASX website) and open file public reporting by Jervois Mining NL to the NSW Department of Industry Resources and Energy. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information that relates to exploration results and drilling data is based on Open File information compiled by Mr Clive Jones and Mr Don Horn who are Members of The Australasian Institute of Mining and Metallurgy and are employees of the Company. Mr Jones and Mr Horn have sufficient experience which is relevant to the style of mineralisation and type 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.