

# CAZALY RESOURCES LIMITED

## DRILLING COMMENCING AT BUNGONIA COBALT PROJECT

- Aircore drilling programme commencing at the high grade *Avanti Cobalt Prospect*
- Untested primary basement mineralisation discovered in two areas 5km apart grading up to 0.15% Co in surface samples

Cazaly Resources Limited (ASX: CAZ, “Cazaly” or “the Company”) is pleased to announce the commencement of the inaugural drilling programme at the *Avanti* prospect, one of nine prospects within the Bungonia cobalt project.

The *Avanti* prospect is at least 700m long and open along strike and up to 150m wide.

Drilling commenced today and results will be announced as they come to hand.

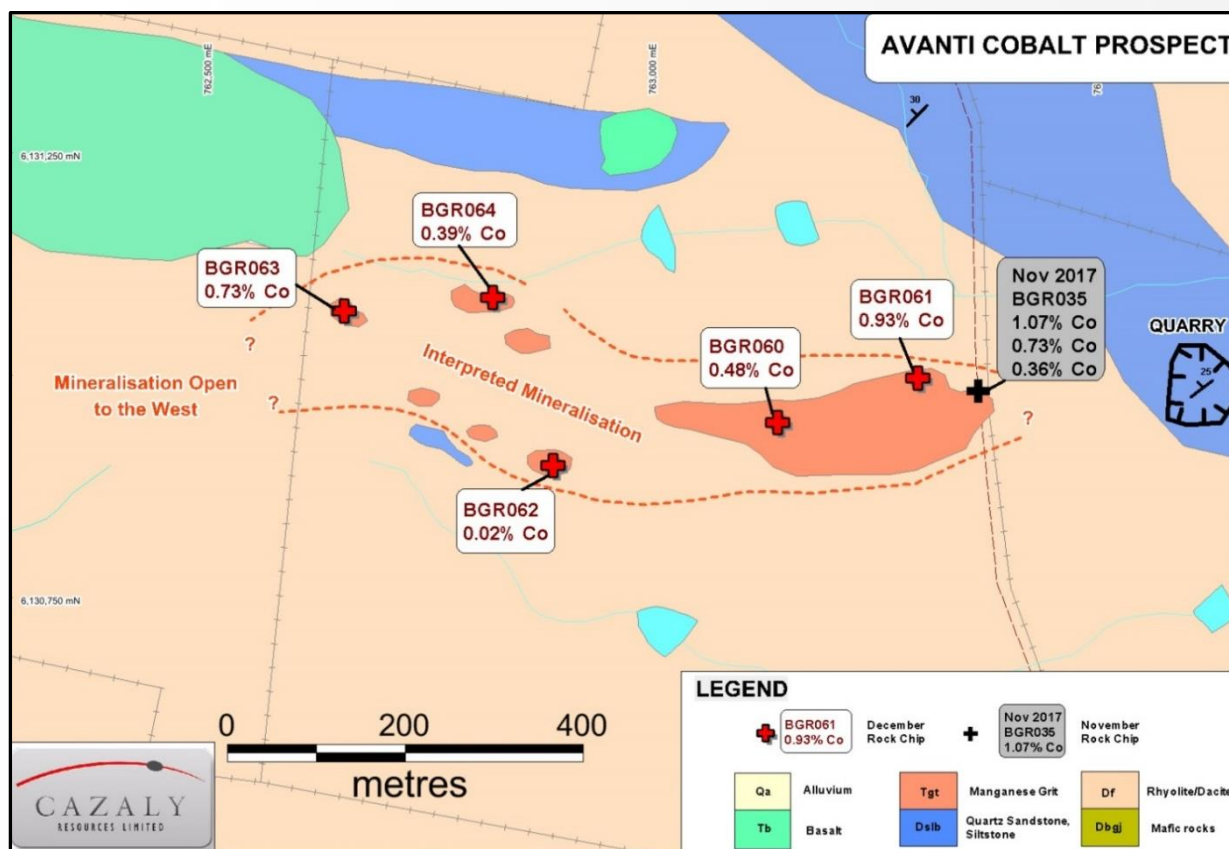


Figure 1. Geology, key prospects & recent sampling - Bungonia Cobalt Project

The programme will consist of approximately 80 holes with the majority of the focus at the Avanti prospect. Please refer to the ASX announcement entitled "Further High Cobalt Grades from Bungonia Project" dated 2nd January 2018.

The Company notes the very strong cobalt price (approximately USD\$84,000 per tonne) and the recent developments in the Democratic Republic of Congo (which produces approximately 60% of the world's cobalt), whereby new legislation has increased the royalty on cobalt.

### **Background Information**

The project is held under Exploration Licence EL8483, covers approximately 242 sq km and is located 130km north east of Canberra and 25km south east of Goulburn in New South Wales. 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. 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, and now work by Cazaly, points to significant potential to extend known deposits as well as make new discoveries within the project area. The potential is highlighted by the results of rock chip grades from this programme along with historic mining from several locations.

Historic records show that cobalt was produced in the region from the late 1800's to early 1900's. Intermittent exploration for manganese, cobalt and, more recently, bauxite has been undertaken by North Broken Hill Ltd, Stuart Metals (Cobalt Resources NL), Central West Gold NL, McIntyre Mines Pty Ltd, VAM Ltd and ABx2 Pty Ltd. This work confirmed widespread occurrences of coarse-grained arenaceous sediments (grits) with variable concentrations of manganese oxide-cobalt mineralisation up to 700m long and between 0.5 to 6m in thickness. A primary source of cobalt within basement was highlighted in historic work as a target for further exploration drilling in the area.

In addition to drilling, metallurgical test work was also undertaken 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 (North Broken Hill Pty Ltd - GS1980/315).

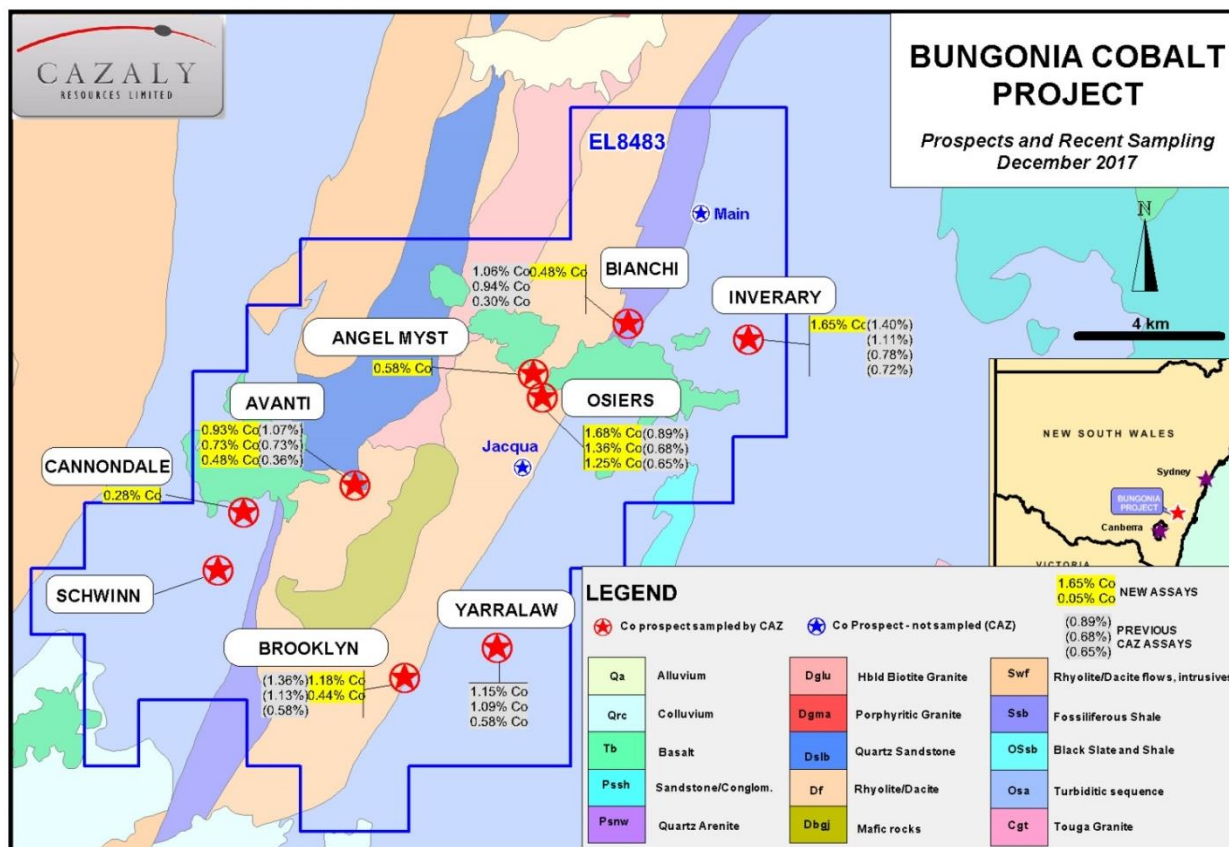


Figure 2. Geology and Rock Chip Sampling at the Avanti Prospect

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## Competent Person's Statement

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 is a Member of the Australasian Institute of Mining and Metallurgy and Mr Horn is a member of the Australian Institute of Geoscientists. 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.