

CAZALY RESOURCES LIMITED

TSUMKWE PROJECT UPDATE

- **Large historic exploration database recently acquired for the Tsumkwe Project, Namibia**
- **Initial analyses of database indicates no significant Co mineralisation in historic drilling**
- **Database continuing to be analysed, however Cazaly unlikely to proceed to acquisition**

Cazaly Resources Limited (ASX: CAZ, "Cazaly" or "the Company") provides an update on its due diligence for the Option Agreement to purchase an 85% equity interest in the Tsumkwe base metals project (licence EPL6532, "the Project") located in north-eastern Namibia (refer ASX announcement dated 19 December 2017). The Project, which lies approximately 750km by road from the capital of Windhoek and about 40km from the border with Botswana, has largely been explored for diamonds in the past with limited exploration for base metals.

Previous drilling over a strong magnetic anomaly on the Project by Mount Burgess Mining NL ("MTB", MTB ASX release, July 2011) identified highly anomalous cobalt results, including a reported intercept in drill-hole NAM917 of 71M @ 0.38% Co from 10 to 81m and a coincident intercept of gallium from 37 to 81m of 45m at 17.11g/t Ga.

The Co interval was determined on site with the MTB's XRF analyser, with MTB advising that these results were to be verified by chemical analysis from an independent laboratory. It was not clear if this was carried out as it was never reported by MTB. MTB also reported a nearby large ~3km long coincident Cu-Co soil anomaly in the region.

Given the MTB results were only reported from portable XRF analysis, the paucity of information and lack of data verification available from the historic reporting, Cazaly expressly mentioned within its 19 December 2017 ASX announcement that the results from the historic MTB drilling, as presented, needed to be treated with caution. It further cautioned in that ASX announcement that Cazaly had yet to independently validate MTB's results and therefore the Company is not to be regarded as reporting, adopting or endorsing those results.

It also advised that it would be embarking on a detailed due diligence process to verify this historical information. As a first step in this process Cazaly contacted MTB to source any available databases for historic exploration work conducted over EPL6532.

This database has now been secured by Cazaly, with initial analysis of the data showing that chemical assaying of samples from drill hole NAM917 was conducted and that the results were largely negative for anomalous cobalt. Chemical assaying did however verify the gallium intercept.

In addition to the highly anomalous cobalt results reported by MTB at the Project, Cazaly was also initially encouraged by the presence of a nearby coincident Cu-Co soil anomaly. However analysis by Cazaly of the just acquired database shows that the soil samples were also analysed by portable XRF in the field and that follow up drilling over the anomaly failed to replicate the presence of any significant Cu-Co mineralisation, although outcropping copper minerals (malachite) were noted.

As mentioned in its 19 December 2017 ASX announcement Cazaly was cautious about the reliability of the XRF analyses in respect of the previously reported results by MTB and that it was possible that following further evaluation and/or exploration work the confidence in the prior reported exploration results may be further reduced when reported under the 2012 JORC Code. Cazaly also cautioned in that announcement that a Competent Person had not done sufficient work to disclose these results in accordance with the 2012 JORC Code.

Whilst the results are disappointing, Cazaly intends to undertake a thorough desktop analysis of the extensive database it has acquired over the Project area. It should be noted that on the basis of the results to date it is unlikely to exercise its option and acquire the Project.

The Company will also update the market shortly on results from recent work conducted at its Bungonia Cobalt Project located in New South Wales, where recent test work has yielded highly encouraging results.

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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, who is an employee of the Company. Mr Jones is a Member of the Australasian Institute of Mining and Metallurgy and has 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 Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.