

Novo Exercises Option and enters Joint Venture with Kalamazoo on the Queens Project in Victoria

Highlights

- Canadian listed gold explorer and developer Novo Resources Corp. has exercised its Option to earn an initial **50%** interest in Kalamazoo's Victorian Exploration Licence EL007112 ("Queens Project")
- The exercise consideration is the issue to Kalamazoo of **A\$2 million** in Novo common shares
- Under the terms of the joint venture Novo now has the right to earn a further **20%** in the Queens Project by incurring **A\$5 million** of exploration expenditure over the next five years, and an **additional 10% (to a maximum of 80%)** by delivering a preliminary economic assessment within three years of Novo's election
- The Queens Project spans the highly prospective Taradale Fault and immediately surrounds GBM Resources' (ASX: GBZ) Malmsbury Gold Project that is subject to a joint venture option with Novo
- The Queens Project and greater Malmsbury goldfield area has known gold endowment and is considered prospective for high grade Fosterville-style mineralisation
- Both Kalamazoo and Novo consider the Queens Project area to be under-explored as it has not been subjected to any systematic modern exploration techniques with only limited shallow drilling

Kalamazoo's Chairman and CEO Luke Reinehr said today, "We are delighted that Novo has exercised its Option to become a 50% holder in the Queens Project and enter into an exploration JV with Kalamazoo. Novo has a similar arrangement on the ground adjacent to our Queens Project so there are obvious synergies for it to consolidate exploration activities at Malmsbury. Given our existing relationship with Novo, as a strategic Kalamazoo investor and that Novo's President and Chairman Dr. Hennigh is part of our technical team, this is a great opportunity to merge and apply our technical and regional skills to the exciting Queens Project."

"The nature of this JV agreement sees Kalamazoo retaining a significant interest in the Queens Project whilst continuing to maintain our Victorian focus on exploration and drilling across our Castlemaine and South Muckleford Gold Projects.

"The \$2 million in Novo shares further strengthens our treasury and the likely farm-in expenditure by Novo of \$5 million will ensure that the Queens Project receives the exploration attention it clearly deserves. We look forward to partnering with Novo on this very prospective project to the south of the Fosterville Gold Mine."

Perth

16 Douro Place
West Perth WA 6005
1300 782 988

ASX: KZR

ACN: 150 026 850
admin@kzr.com.au
www.kzr.com.au

Melbourne

Unit 3, 328 Reserve Road
Cheltenham VIC 3192
+61 3 9988 7796

Kalamazoo Resources Limited (**ASX: KZR**) (“Kalamazoo” or the “Company”), is pleased to advise that Novo Resources Corp (“Novo”) (**TSX: NVO; OTCQX: NSRPF**) has now exercised its Option¹ to acquire an initial 50% interest in and to enter into a Joint Venture Agreement (“JV”) with Kalamazoo in respect of exploration licence EL007112 (“Queens Project”).

As consideration for the Option exercise, Novo has issued 584,215 common Novo shares (“Shares”) to Kalamazoo. The Shares will be subject to a statutory holding period expiring on July 23, 2021.

Queens Project Description

Kalamazoo’s Castlemaine Gold Project in the Bendigo Zone of Central Victoria comprises three exploration tenements, EL006679 (“Wattle Gully”, ~70 km²), EL006752 (“Wattle Gully South”, 218 km²) and EL007112 (“Queens Project”, ~22 km²) for a total area of 310 km² (Figure 1). Located on the south eastern border of Kalamazoo’s Wattle Gully South tenure, the Queens Project exploration licence was granted in July 2020².

The Queens Project straddles the highly prospective Taradale Fault and includes parts of the historic Malmsbury goldfield, which has a proven high-grade gold endowment and contains numerous historical gold mine workings. Like the rest of the Castlemaine Gold Project, the Queens Project is considered under-explored as it has not been subjected to modern exploration techniques with only limited shallow drilling.

The Queens Project encircles GBM Resources Limited’s (**ASX: GBZ**) (“GBM”) Malmsbury goldfield and covers multiple structural extensions of the primary lode Au deposits of this important high-grade Au camp (Figure 2). The Malmsbury goldfield is situated in the eastern part of the prolific Bendigo Zone, approximately 55km south of Kirkland Lake Gold Inc’s (**ASX: KLA**) high-grade Fosterville Gold Mine. Given the similar geologic setting and historic high-grade gold production, Novo’s Dr. Quinton Hennigh considers the Queens Project to be potentially a geological analogue to the high-grade Fosterville epizonal orogenic gold deposit³.

The Queens Project exploration partnership further strengthens the technical relationship between Kalamazoo and Novo following the strategic investment in Kalamazoo made by Novo and Canadian investor Eric Sprott in January 2020⁴. Dr. Hennigh is also a member of Kalamazoo’s Technical Advisory Committee.

Queens Project Joint Venture Terms

Under the terms of the Option, Farm In and Joint Venture Agreement (“Agreement”) Novo has the right to earn an additional 20% interest in the Queens Project by incurring A\$5 million in exploration expenditure (the “Earn-In Amount”) over a five-year period (the “Earn-In Period”). Any expenditure incurred during any year of the Earn-In Period which surpasses the minimum yearly requirement will be credited against the subsequent year’s commitment.

If Novo satisfies the Earn-In Amount by the expiry of the Earn-In Period, it will have 30 days to elect to either:

- (i) earn an additional 10% (to a maximum of 80%) in the Queens Project by delivering a preliminary economic assessment (the “PEA”) which must include a minimum 1 million ounces of gold of which at least 60% must be comprised of indicated mineral resources within three years of the Company’s election (the “PEA Conditions”), or
- (ii) maintain its 70% interest in the Queens Project.

¹ ASX: KZR 23 September 2020

² ASX: KZR 14 July 2020

³ ASX: GBZ 31 March 2020

⁴ ASX: KZR 15 January 2020

Should Novo elect to maintain its 70% interest in the Queens Project, Kalamazoo must elect to either:

- (i) contribute to 30% of exploration expenditure, or
- (ii) automatically convert to a 2% net smelter returns gold royalty.

Should Novo elect to complete the PEA but fails to satisfy the PEA Conditions, Novo will retain a 70% interest in the Queens Project and Kalamazoo can elect to contribute to 30% of exploration expenditure or dilute at a rate of 1% for every \$100,000 not contributed. If Kalamazoo’s interest dilutes below 10%, Kalamazoo’s interest will automatically convert to a 2% net smelter returns gold royalty.

If Novo does not satisfy the Earn-In Amount during the Earn-In Period, Novo’s interest in the Queens Project will decrease to 49%.

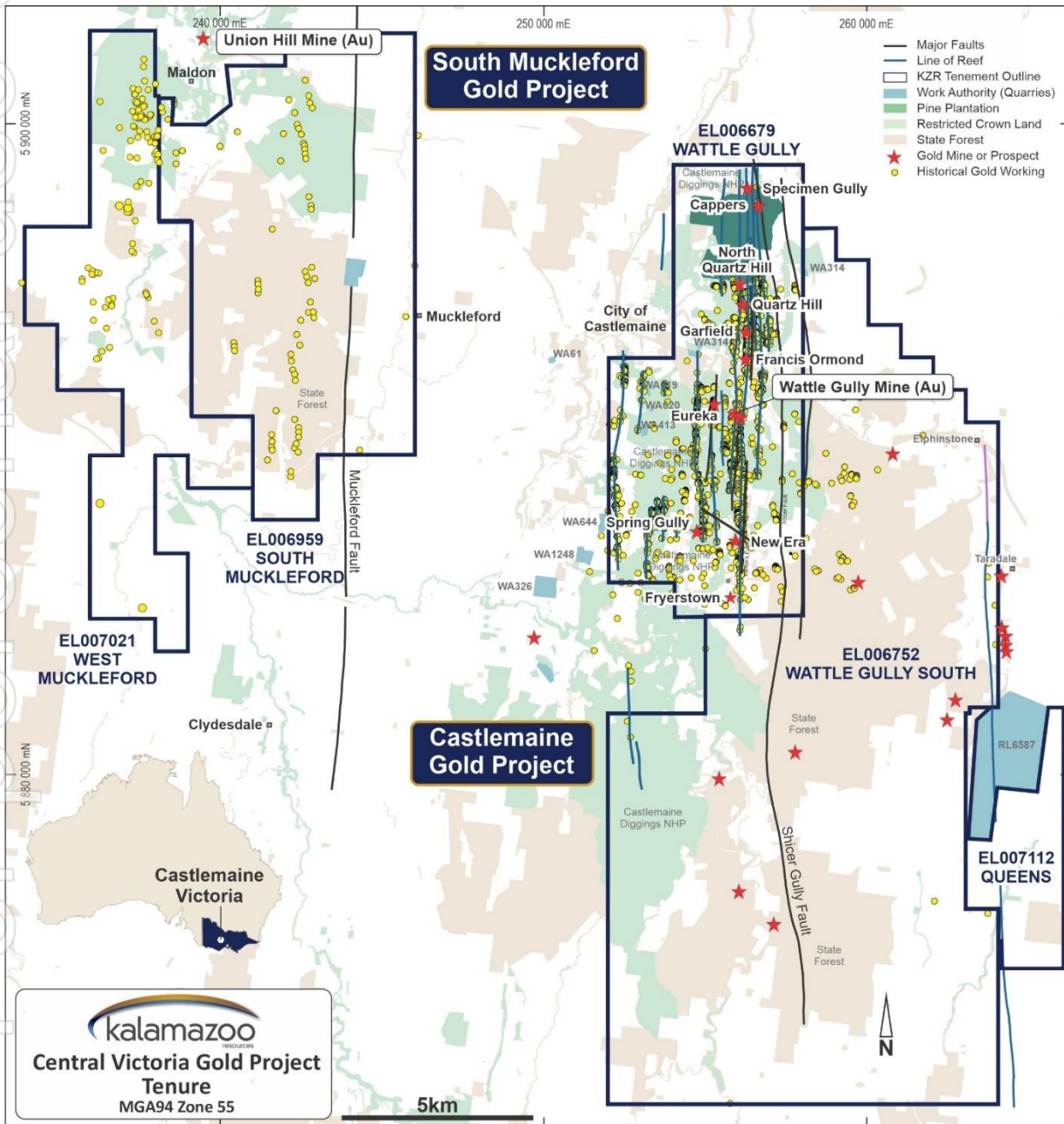


Figure 1: Location of the Castlemaine and South Muckleford Gold Projects and the Queens Project (EL007112) exploration tenement

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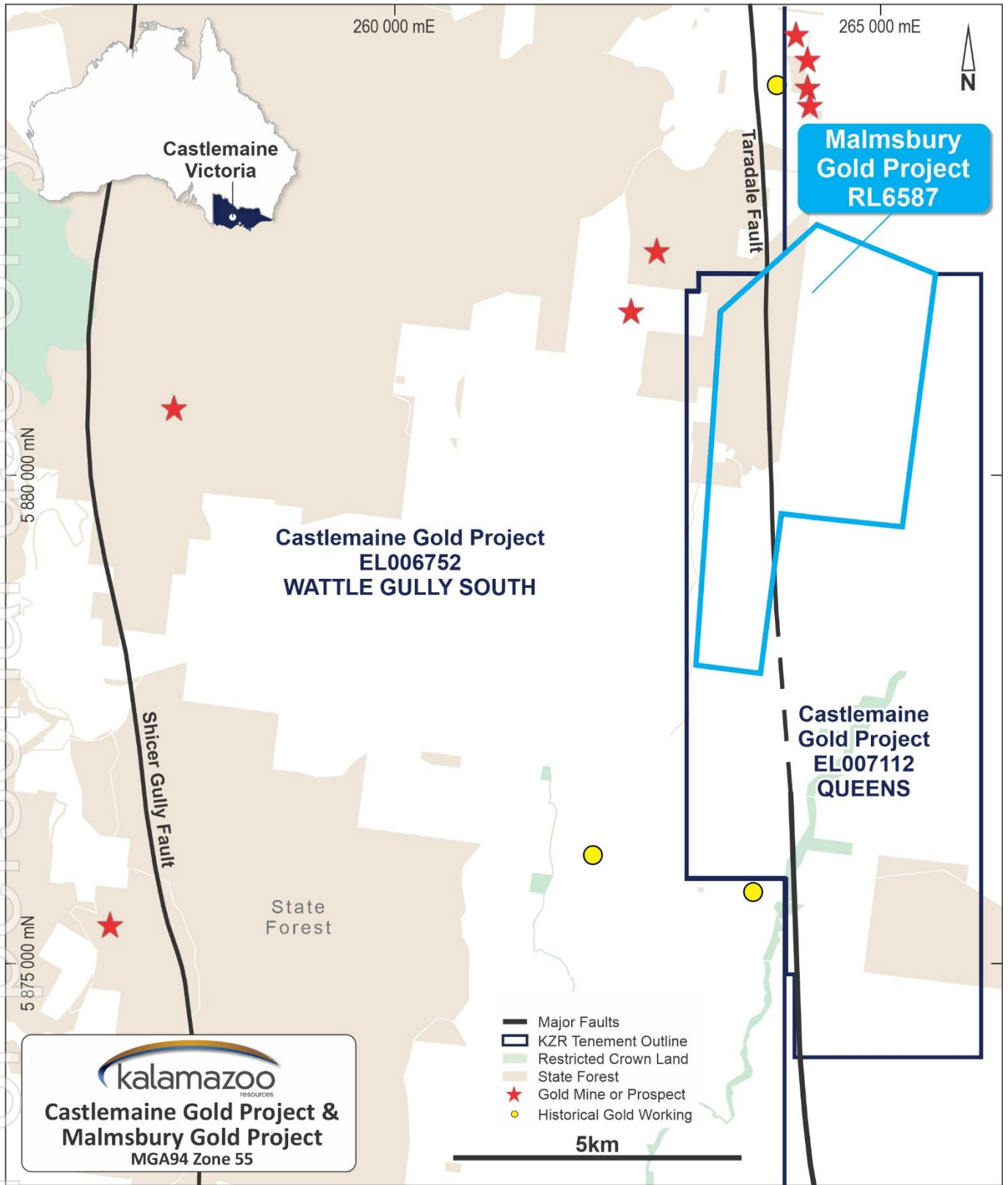


Figure 2: Location of EL007112 Queens Project with respect to the Castlemaine Gold Project (Kalamazoo 100%) and RL6587 Malmsbury Gold Project (GBM-Novo Option JV)

This announcement has been approved for release to the ASX by Luke Reinehr, Chairman and CEO, Kalamazoo Resources Limited.

For further information, please contact:

Luke Reinehr
Chairman/CEO
luke.reinehr@kzr.com.au

Media & Investor Relations (Australia)
Victoria Humphries
victoria@nwrcommunications.com.au

Response to COVID-19

Kalamazoo has been proactively managing the potential impact of COVID-19 and has developed systems and policies to ensure the health and safety of its employees and contractors, and of limiting risk to its operations. These systems and policies have been developed in line with the formal guidance of State and Federal health authorities and with the assistance of its contractors and will be updated should the formal guidance change. Kalamazoo's first and foremost priority is the health and wellbeing of its employees and contractors.

To ensure the health and wellbeing of its employees and contractors, Kalamazoo has implemented a range of measures to minimise the risk of infection and rate of transmission to COVID-19 whilst continuing to operate. All operations and activities have been minimised only to what is deemed essential. Implemented measures include employees and contractors completing COVID-19 risk monitoring, increased hygiene practices, the banning of non-essential travel for the foreseeable future, establishing strong infection control systems and protocols across the business and facilitating remote working arrangements, where practicable and requested. Kalamazoo will continue to monitor the formal requirements and guidance of State and Federal health authorities and act accordingly.

Competent Persons Statement

The information for the Victorian Projects is based on information compiled by Dr Luke Mortimer, a competent person who is a Member of The Australian Institute of Geoscientists. Dr Mortimer is an employee engaged as the Exploration Manager Eastern Australia for the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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'. Dr Mortimer consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

Forward Looking Statements

Statements regarding Kalamazoo's plans with respect to its mineral properties and programs are forward-looking statements. There can be no assurance that Kalamazoo's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Kalamazoo will be able to confirm the presence of additional mineral resources/reserves, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Kalamazoo's mineral properties. The performance of Kalamazoo may be influenced by a number of factors which are outside the control of the Company and its Directors, staff and contractors.