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ASX Announcement

15 January 2020

KALAMAZOO WELCOMES NOVO RESOURCES AND ERIC SPROTT AS CORNERSTONE STRATEGIC INVESTORS

Highlights

- Canadian listed gold explorer Novo Resources Corp and Eric Sprott each subscribe to 10 million Kalamazoo shares at \$0.40 per share to raise \$8.0 million
- Novo has a market capitalisation of ~C\$600 million (US\$460 million)
- Each new share issued will have an attaching option, exercisable at \$0.80 within 18 months
- Novo's Dr. Quinton Hennigh appointed to Kalamazoo's Technical Advisory Committee
- Kalamazoo cash balance of \$9m after Placement with a further \$4m of receivables over the next 12 months from the Company's recent sale of its Snake Well Gold Project
- Kalamazoo will use funds to expand its exploration and drilling programs at Castlemaine, South Muckleford and Tarnagulla Central Gold Projects in Victoria

Kalamazoo Resources Limited (ASX: KZR) ("Kalamazoo" or "Company") is pleased to advise it has received firm commitments to raise \$8.0 million via a placement of 20 million ordinary fully paid shares ("Shares") and 20 million attaching unlisted options ("Options") ("Placement") to Novo Resources Corp ("Novo") (TSX-V: NVO; OTCQX: NSRPF) and investor Eric Sprott.

Kalamazoo Chairman and CEO Luke Reinehr said, *"The investment of \$8 million by Novo and Eric Sprott is a terrific endorsement of our Central Victorian Goldfield's strategy to explore smarter, using new technologies and innovations in a low impact manner."*

Whilst still in the very early days of our maiden drill program at the Castlemaine Gold Project, the exceptionally high-grade intersection of 1.42m @ 261.3 g/t Au from 100.32m in drill hole MU19DD04 (KZR: ASX 23 December 2019) is extremely encouraging, especially as the visible gold-bearing quartz vein appears to have only been partially intersected or clipped.

This high-grade intersection supports our exploration strategy to focus on the incredibly rich historical Castlemaine and South Muckleford goldfields in our search for the next major gold deposit in Central Victoria, particularly due to their close proximity and geological similarities to Kirkland Lake's (ASX: KLA) world class high-grade underground mine at Fosterville 45km north-east.

Kalamazoo's asset base in Victoria and the Pilbara region of Western Australia is complementary to Novo's and Eric Sprott's existing investment strategy in Australia. It is very pleasing that both Quinton and Eric recognise and support our exploration and commercial strategy and we firmly believe that Quinton will add tremendous technical and practical experience to our team, led by our Victorian Exploration Manager Dr. Luke Mortimer.

Eric Sprott's participation in the Placement is also a wonderful validation and endorsement of the Bendigo Zone and its potential to host the next major gold discovery in Victoria. As we advance our exploration programs with further geophysical/geochemical surveys and drilling programs, we look forward to receiving his commercial input and support."

Dr. Quinton Hennigh is an internationally renowned economic geologist, with more than 25 years of exploration experience and expertise with major gold mining companies including Homestake Mining Company, Newcrest Company, Newcrest Mining Limited, and Newmont Mining Corporation. Quinton has made several significant gold discoveries for Canadian exploration companies such as the 5 million oz. Springpole alkaline gold deposit near Red Lake, Ontario, for Gold Canyon Resources, and the Rattlesnake Hills Gold Project for Evolving Gold. He is Chairman and President of Novo Resources Corp., which he was one of the founders of in 2009.

Novo's primary focus is to explore and develop gold projects in the Pilbara region of Western Australia, and Novo has built a significant land package covering approximately 13,000km² with varying ownership interests. The company has a market capitalisation of approximately C\$600 million (US\$460 million).

Novo's President and Chairman Dr. Quinton Hennigh said, *"Novo is delighted to acquire a significant stake in Kalamazoo. Many companies are exploring the Victoria goldfields since the success of Fosterville. Here at Novo, we quickly recognized the potential of Kalamazoo's new discovery to be of the same ilk...epizonal orogenic high-grade vein mineralization...as the recent high-grade veins found at Fosterville. High-grade epizonal mineralization forms at shallow depths and is usually eroded away during the mountain-building processes associated with the formation of such deposits. It is extremely rare to find these systems preserved. Kalamazoo's recent results display many of the right geologic indicators of this special type of high-grade deposit, remarkable given these recent results are at such an early stage. We look forward to working with Kalamazoo as it accelerates and expands its exploration campaign at this exciting new discovery."*

During Eric Sprott's tenure as Chairman, Kirkland Lake Gold emerged as one of the leading global gold companies, with the Fosterville Gold mine, 45km north-east of Castlemaine in Victoria, considered one of the world's highest grade and profitable gold operations, as well as being among the most exciting exploration projects in the gold industry.

Eric Sprott commented, *"The Victorian goldfields appear ripe for more high-grade discoveries. We are excited to have found an opportunity with Kalamazoo to pursue what may be yet another significant new discovery."*

The Placement is being made at a 24% premium to the five-day VWAP (Volume Weighted Average Price) of Kalamazoo's shares.

The Shares will be issued under the Company's available placement capacity as follows:

- 9,803,857 Shares pursuant to Listing Rule 7.1
- 10,196,143 Shares pursuant to Listing Rule 7.1A

The 20 million Options will be issued subject to shareholder approval at a General Meeting, to be convened as soon as possible. A notice convening the General Meeting will be dispatched to shareholders shortly. The Board unanimously recommends that shareholders vote in favour of the resolution for the issue of the Options ("Resolution"). Each Director who holds or controls voting rights in respect of shares in the Company intends to vote in favour of the Resolution. As at the date of this announcement, the Directors hold or control voting rights in respect of an aggregate of 1,303,151 shares, comprising 1.28% of the Company's share capital. The Company has also received a written statement from its largest shareholder, Doux Argent Pty Ltd ("DAPL"), confirming its intention to vote in favour of the Resolution. As at the date of this announcement, DAPL is the beneficial owner of and directly or indirectly owns, controls or represents, 39,044,234 shares, comprising 38.30% of the Company's share capital. DAPL has consented to the disclosure of its voting intention in this announcement.

An Appendix 3B for the Shares will be lodged under separate cover. The Shares will be issued on receipt of cleared funds.

Following the completion of the Placement, the Company will have a cash balance of approximately \$9m with a further \$4m of receivables over the next 12 months from the Company's recent sale of its Snake Well Gold Project (KZR: ASX 12 February 2019). The Company will use funds from the Placement to expand its exploration and drilling programs at Castlemaine, South Muckleford and Tarnagulla Central Gold Projects in Victoria.

The Company acknowledges and thanks Taylor Collison in assisting and advising on the Placement and associated matters and will be paid a fee of \$160,000 by the issue of 400,000 shares (at a deemed issue price of \$0.40 per share). These shares will be issued pursuant to the Company's placement capacity under Listing Rule 7.1.

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Competent Person's Statement

The exploration results referred to in this announcement were first disclosed in the Company's announcement of 23 December 2019, titled 'Assays confirm exceptional high-grade gold drill hole intersection at the Castlemaine Gold Project'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcement.