



ASX Announcement and Media Release

27 December 2018

KALAMAZOO SIGNS SALE AGREEMENT OF W.A. GOLD PROJECT FOR \$7.0 MILLION

Highlights

- Kalamazoo and Adaman Resources have executed the Mining Property Sale and Purchase Agreement for the \$7.0 million sale of the Snake Well Gold Project in Western Australia, as proposed in the Term Sheet dated 14 November 2018¹
- \$7.0 million sale proceeds payable over 24 months and will fund Kalamazoo's aggressive exploration and drilling program at its Wattle Gully Gold Project, at Castlemaine in Victoria, its Cork Tree Copper Project and its Pilbara gold tenements in WA
- Kalamazoo maintains a 2.5% Net Smelter Royalty on any base metals mined within the project area
- A \$150,000 deposit has been paid to Kalamazoo with the next instalment of \$1,350,000 to be paid on or before 14 January 2019

Kalamazoo Resources Limited (ASX: "KZR") is pleased to advise that the parties have now signed the Mining Property Sale and Purchase Agreement for the sale of the Snake Well Gold Project in the Murchison region, WA for \$7.0 million to Adaman Resources Pty Ltd ("Adaman").

As part of the transaction Kalamazoo can elect to engage Adaman to provide up to \$4.0m of drilling services, which if exercised, further accelerates Kalamazoo's drilling program at the Wattle Gully Gold Project.

The Snake Well sale follows Kalamazoo's acquisition in June this year of the entire Wattle Gully Gold Project and the surrounding Castlemaine Goldfield in Victoria.

"Signing the Mining Property Sale and Purchase Agreement on time is an excellent result" Kalamazoo's Chairman, Mr Luke Reinehr, said today.

1. Refer to ASX: KZR 14 November 2018



Mr Reinehr said that in the past 12 months Kalamazoo had acquired two major gold exploration projects with significant potential (the Wattle Gully Gold Project and the Pilbara Gold Project). As part of that strategy, these project's exploration and drilling programs for the next two years will be funded by the proceeds received from the sale of Snake Well. "The Company is also delighted to have kept an interest in the base metal rights at Snake Well and the opportunity to establish an on-going relationship with Adaman," Mr Reinehr said.

Adaman, a privately-owned mining solutions provider with drilling, logistics and corporate capabilities, is co-owned by two independent mining services companies, headed by Mark Rowsthorn of the Rivet Group and Nathan Mitchell of The Mitchell Group. In May of this year Adaman purchased the Kirkalocka gold mine near Mt Magnet in the Mid-West.

The \$7.0m sale proceeds will be paid in cash progressively over the next 24 months and is secured across the project. The sale is subject to all necessary governmental consents and approvals normal for a transaction of this type, including any requisite consent of the Minister under the Mining Act 1978 (WA). Once consent is received, Kalamazoo will pay to Atlas Iron Limited (ASX: AGO), the previous owner of the Snake Well Gold Project, the sum of \$625,000 in full satisfaction of an outstanding gold royalty across the project.

Kalamazoo acquired the entire Wattle Gully Gold Project and the surrounding 288km² Castlemaine Goldfield in June 2018. The Company's Exploration Licence (EL006679) and application (EL006752) cover major structures interpreted to be commonly associated with high gold potential. Included in the acquisition of this advanced regional gold asset is an extensive exploration database and substantial drill core farm at minimal cost.

The Castlemaine Goldfield produced 5.6M ounces* of gold across its life and is one of the richest gold fields in Australia, with only minor exploration activity having been undertaken over the past decade and with limited effective drilling below 400m. (*refer to Willman et al 2002, Geology Survey Victoria, report 121).

Kalamazoo considers there is significant potential to apply modern exploration techniques, and to look for mineral zones at depth. This is a similar strategy that has been successfully applied at Kirkland Lake Gold Ltd's (ASX: KLA) Fosterville gold mine, 45km to the north east and Catalyst Metals Limited (ASX: CYL) Tandarra gold project north of Castlemaine.



Details of the Transaction

The principal terms of the transaction are as follows:

- The Agreement will cover Exploration Licences 59/2137, 59/2239 and 59/2240 and Mining Leases 59/41, 59/474, 59/476, 59/477 and 59/565 including the right to all minerals.
- Consideration of \$7.0 million in cash will be paid as follows:
 - a refundable deposit of \$150,000 on execution of the Term Sheet (paid);
 - \$1,350,000 payable by 14 January 2019;
 - \$500,000 on or before 30 June 2019;
 - \$1,000,000 on or before 31 December 2019;
 - \$750,000 on or before 31 March 2020;
 - \$750,000 on or before 30 June 2020;
 - \$1,000,000 on or before 30 September 2020; and
 - \$1,500,000 on or before 31 December 2020.
- Kalamazoo retains a 2.5% Net Smelter Royalty on the value of all base metals mined and recovered from the tenements;
- The parties may agree for Adaman to provide up to \$4.0 million of drilling services for Kalamazoo's Wattle Gully Gold Project on commercial arms' length terms with any amounts used deducted from the final payment instalment/s.

For further information, please contact:

Luke Reinehr, Chairman

Ph: +61 03 9988 9007

Mob: +61 413 866 611

Email: luke.reinehr@kzr.com.au

Competent Persons Statement

The information in this release that relates to the exploration data is based on information compiled by Mr Lance Govey, a competent person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Govey is an employee of **BinEx Consulting** who is engaged as the Exploration Manager for the Company. Mr Govey 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'. Mr Govey 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 programmes 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.

Kalamazoo Resources Ltd ACN 150 026 850

Suite 7, 8 Clive Street West Perth WA 6005

Postal: PO Box 804 West Perth WA 6872

Phone: 1300 782 988 Office: +61 8 9481 8188 Fax: +61 8 9481 8488

Email: admin@kzr.com.au www.kzr.com.au