

17 March 2021

ASX RELEASE

SALE OF KURNALPI PROJECT

KalNorth Gold Mines Limited (ASX: KGM) (“KGM” or “Company”) is pleased to announce that it, together with its wholly owned subsidiary Shannon Resources Pty Ltd (the “Group”), has entered into a binding agreement (“SPA”) for the sale of the Group’s Kurnalpi Project for a total consideration of \$18 million. The purchaser of the Kurnalpi Project is Northern Star (Carosue Dam) Pty Ltd (“NSCD”), a wholly owned subsidiary of Northern Star Resources Limited (ASX: NST).

The Kurnalpi Project is located approximately 85km north-east of Kalgoorlie, Western Australia and comprises a number of tenements (“Tenements”), as listed on Appendix 1. Included in the Tenements the subject of sale is mining lease M28/70, which adjoins and is surrounded by the Group’s mining leases M28/374, M28/76 and M28/92.

The Company has acquired M28/70 from Ms Petalyn Fisher under the terms of a purchase agreement for an amount of \$4,602,500. The acquisition of M28/70 has settled and the purchase price, GST thereon and stamp duty has been funded by a secured loan of \$5.4 million provided to the Group by NSCD. NSCD and Ms Fisher are not related parties of the Group.

The SPA is subject to a number of conditions precedent:

- a) the receipt of the written consent of the Minister or an officer of the Department acting with the authority of the Minister under the Mining Act to the transfer to NSCD of each of the Tenements;
- b) KalNorth obtaining shareholder approval (pursuant to the ASX Listing Rules, in particular Listing Rule 11.2, and for all other purposes) for the sale of the Kurnalpi Project; and
- c) the execution by the Group, NSCD and, in some instances, third parties of deeds of assignment and assumption in relation to various royalty, access and alluvial rights agreements affecting a number of the Tenements.

Completion under the SPA (“Completion Date”) will be on the date that is five business days after the date on which all of the conditions precedent have been satisfied or waived or such other date as the parties may agree in writing. If the conditions precedent are not satisfied by the Sunset Date (on or around 14 July 2021), either party may terminate the SPA.

The Directors have not yet set a date for a shareholders meeting to consider and approve the sale transaction, but it is anticipated that the meeting will be held in late April or early May 2021.

Under the SPA, a break fee of \$180,000 would be payable to NSCD in certain circumstances including:

- KGM directors not recommending shareholders approve the sale, or withdrawing or adversely qualifying that recommendation or recommending a competing proposal;
- a third party completing a competing proposal (noting that from the date of execution of the SPA until the Completion Date, the Group is subject to “no shop, no talk” provisions under the SPA); and
- NSCD terminating the SPA for breach of completion obligations or material breach of warranty.

The break fee is not payable if KGM shareholders vote against the sale of the Kurnalpi Project.

NSCD Secured Loan

The \$5.4 million loan from NSCD drawn down to acquire mining lease M28/70 is secured against the Tenements. The loan is subject to a rate of interest that is equivalent to the Official Cash Rate set by the Reserve Bank of Australia plus 2%. Interest is calculated on the daily outstanding balance from the date of drawdown until the loan is repaid in full.

The loan amount plus accrued interest will be set off from the purchase price payable by NSCD on the Completion Date under the SPA. If KGM does not obtain shareholder approval for the sale of the Kurnalpi Project, the interest rate under the NSCD loan will increase by 12% from the base rate of the Official Cash Rate set by the Reserve Bank of Australia plus 2%. The final repayment date will be the earlier of the Completion Date or the Sunset Date or such date otherwise agreed between the parties in writing, being the date on which the loan principal amount and all interest, costs, fees and charges will become due and payable.

Events of default under the NSCD loan include:

- KGM Directors not recommending KGM shareholders vote in favour of the sale of the Kurnalpi Project or recommending a competing proposal;
- solicitation of or entry into competing proposals to the sale of the Kurnalpi Project to NSCD; and
- breach of, or an event of default occurring under, the SPA or the SPA terminating, or becoming void or unenforceable.

Transaction Rationale

The Group's exploration activities have been severely restricted over the past several years as a result of lack of funding and the Company's inability to attract new investors with a properly documented vision for comprehensive exploration programs targeting new discoveries and extending existing discoveries on the Kurnalpi Project. Having been in discussion with various parties prior to now and having taken specialist corporate advice, the Directors are strongly of the view that this sale transaction to NSCD represents the best outcome for the Group's realisation of value from the Kurnalpi Project and will be recommending that shareholders approve the sale of the Kurnalpi Project.

The Company has previously announced the sale of the Lindsay's Project (refer last announcement, dated 29 January 2021). Upon completion of the sale of the Kurnalpi Project, the Group will not have any remaining mineral assets. At this stage, the Board has not determined the Group's future activities or business plan. Over the coming weeks the Board will give that matter due consideration and make such announcements as are necessary as soon as possible.

Authorised for release by the Board of KalNorth Gold Mines Limited

Jiajun Hu
Executive Chairman

Appendix 1

Kurnalpi Project Tenements

No.	Tenement	Registered Holder
1.	E 28/2256	Shannon Resources Pty Ltd
2.	M 28/7	Shannon Resources Pty Ltd
3.	M 28/66	Shannon Resources Pty Ltd
4.	M 28/72	Shannon Resources Pty Ltd
5.	M 28/76	Shannon Resources Pty Ltd
6.	M 28/84	Shannon Resources Pty Ltd
7.	M 28/89	Shannon Resources Pty Ltd
8.	M 28/90	Shannon Resources Pty Ltd
9.	M 28/92	Shannon Resources Pty Ltd
10.	M 28/113	Shannon Resources Pty Ltd
11.	M 28/374	Shannon Resources Pty Ltd
12.	M 28/375	Shannon Resources Pty Ltd
13.	M 28/377	Shannon Resources Pty Ltd
14.	M 28/379	Shannon Resources Pty Ltd
15.	M 28/380	Shannon Resources Pty Ltd
16.	M 28/381	Shannon Resources Pty Ltd
17.	M 28/382	Shannon Resources Pty Ltd
18.	M 28/383	Shannon Resources Pty Ltd
19.	M 28/384	Shannon Resources Pty Ltd
20.	P 28/1350	KalNorth Gold Mines Limited
21.	P 28/1349	KalNorth Gold Mines Limited
22.	P 28/1351	KalNorth Gold Mines Limited
23.	P 28/1352	KalNorth Gold Mines Limited
24.	P 28/1353	KalNorth Gold Mines Limited
25.	P 28/1354	KalNorth Gold Mines Limited
26.	P 28/1358	KalNorth Gold Mines Limited
27.	M 28/70	Petalyn Fisher* (* ML currently in the process of being transferred to and registered in the name of KalNorth Gold Mines Limited)