

Notice of General Meeting and Explanatory Statement

KalNorth Gold Mines Limited

ACN 100 405 954

Date: Monday, 24 May 2021

Time: 11.00am WST

Place Venue: Level 2, 389 Oxford Street, Mount Hawthorn

Western Australia 6016

The Board of Directors recommends that Shareholders vote in favour of the resolution for the sale of the Kurnalpi Project, in the absence of a superior proposal.

Each KalNorth Director intends to vote, or cause to be voted, all Shares which they hold or control in favour of the resolution for the sale of the Kurnalpi Project, in the absence of a superior proposal.

This Notice of Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9021 8327

Notice of General Meeting

Notice is hereby given that a General Meeting of Shareholders of KalNorth Gold Mines Limited ACN 100 405 954 (**Company**) will be held at 11.00am WST on Monday, 24 May 2021 at Level 2, 389 Oxford Street, Mount Hawthorn Western Australia 6016.

The Explanatory Statement accompanying this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

AGENDA

ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolution as an ordinary resolution

1. Resolution 1 – Disposal of Kurnalpi Project

To consider and, if thought fit, to pass, with or without amendment the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the disposal by the KalNorth Group of the Kurnalpi Project to Northern Star (Carosue Dam) Pty Ltd under the Asset Sale Agreement described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of this resolution by Northern Star (Carosue Dam) Pty Ltd and any other person who will obtain a material benefit as a result of the disposal of the Kurnalpi Project (except a benefit solely by reason of being a holder of ordinary securities in the Company), or an associate of Northern Star (Carosue Dam) Pty Ltd or those persons. However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

PROXIES

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a “proxy”) to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions on the form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- a proxy need not be a member of the Company; and
- a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

If you are a registered Shareholder of the Company and are unable to attend the Meeting in person, please date and execute the accompanying Proxy Form in accordance with its instructions prior to 11.00am WST on Saturday, 22 May 2021 by:

 ONLINE VOTE www.advancedshare.com.au/investor-login	 BY FAX +61 8 6370 4203
 BY MAIL Advanced Share Registry Limited 110 Stirling Hwy, Nedlands WA 6009; or PO Box 1156, Nedlands WA 6909	 IN PERSON Advanced Share Registry Limited 110 Stirling Hwy, Nedlands WA 6009
 BY EMAIL TO admin@advancedshare.com.au	 ALL ENQUIRIES TO Telephone: +61 8 9389 8033

If you are a beneficial Shareholder and receive these materials through your broker or through another intermediary, please complete and return the form of proxy or voting instruction form in accordance with the instructions provided to you by your broker or by the other intermediary.

HOW THE CHAIR WILL VOTE AVAILABLE PROXIES

The Chair of the Meeting intends to vote all available proxies in favour of the resolution set out in the Notice.

ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding Shares at 11.00am WST on Saturday, 22 May 2021 will be entitled to attend and vote at the Meeting.

CORPORATIONS

A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to the Company, before the Meeting.

REVOCATION OF PROXIES

A Shareholder executing and delivering a proxy has the power to revoke it in accordance with the provisions of the Corporations Act, which provides that every proxy may be revoked by an instrument in writing executed by the Shareholder or by his or her attorney authorised in writing and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

By Order of the Board of Directors

Mr Jiajun Hu
Company Secretary and Director
Perth, Australia
16 April 2021

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders of KalNorth Gold Mines Limited ACN 100 405 954 (**Company**) in connection with the business to be considered at the General Meeting to be held at 11.00am WST on Monday, 24 May 2021 at Level 2, 389 Oxford Street, Mount Hawthorn, Western Australia 6016.

This Explanatory Statement is incorporated in, and forms part of, the accompanying Notice of Meeting. The purpose of this Explanatory Statement is to provide Shareholders with information relevant to the Resolutions to be put to Shareholders at the General Meeting.

Terms and expressions used in this Explanatory Statement, the Notice of Meeting and the Proxy Form have the meaning given to them in the '**Definitions**' section located at the end of this Explanatory Statement.

Details of the items of business to be considered at the General Meeting are set out below.

ASX takes no responsibility for the contents of this Notice.

1. RESOLUTION 1 – Disposal of Kurnalpi Project

Background & summary of transaction

On 17 March 2021, the Company announced to ASX that it and its wholly owned subsidiary, Shannon had entered into a binding Asset Sale Agreement ("ASA") for the disposal of the KalNorth Group's Kurnalpi Project (the "**Transaction**") for sale consideration of \$18,000,000. The purchaser of the Kurnalpi Project is Northern Star (Carosue Dam) Pty Ltd, a wholly owned subsidiary of ASX listed Northern Star Resources Limited (ASX: NST).

The Kurnalpi Project is located in the Goldfields region of Western Australia – refer Appendices 2 and 3.

Completion of the Transaction is subject to a number of conditions precedent, including Shareholder approval.

Concurrently with entering into the ASA, KalNorth executed the Fisher Agreement under the terms of which KalNorth acquired mining lease 28/70, which adjoins and is surrounded by the KalNorth Group's mining leases 28/374, 28/76 and 28/92, 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 KalNorth Group by NSCD. M28/70 forms part of the Kurnalpi Project for sale to NSCD. On completion of the Transaction, the loan together with accrued interest will be offset against the sale proceeds of \$18 million.

ASX Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The Transaction is a disposal of KalNorth's main undertaking (being the Kurnalpi Project) for these purposes. Resolution 1 seeks the required Shareholder approval to the Transaction under and for the purposes of Listing Rule 11.2. If Resolution 1 is passed, KalNorth will be able to proceed with the Transaction, the consequences of which are stated in detail in the following sections of this Explanatory Statement. If Resolution 1 is not passed, KalNorth will not be able to proceed with the Transaction, the consequences of which are also stated in detail in the following sections of this Explanatory Statement.

Assets to be disposed by the KalNorth Group

The asset the subject of disposal, under the terms of the ASA, is the Kurnalpi Project comprising the following:

- (a) the mining tenements listed on Appendix 1 of this Explanatory Statement ("Tenements");
- (b) Contract Interests – as further explained below;
- (c) Mining Information – all information and data in any material form within the possession or control of the KalNorth Group which relates to the Tenements or any minerals situated within the area the subject of the Tenements, including all technical mining information and drill core;
- (d) Improvements – all improvements situated on the land the subject of the Tenements as at the date of the ASA; and
- (e) Plant and Equipment – all plant, equipment, sheds, motor vehicles, machinery, furniture, computer and communications hardware, fixtures and fittings, consumables, spare parts, tools and other maintenance items and office supplies owned by the KalNorth Group and situated on the land the subject of the Tenements as at the date of the ASA.

Contract Interests

Contract Interests means the rights and obligations of the KalNorth Group under the contracts noted below in so far as they affect some of the Tenements:

- (a) Kurnalpi Gold Access Agreement – under this agreement, the KalNorth Group has granted and received access rights to and from a third party, Kurnalpi Gold Pty Ltd (“KGPL”). KGPL has applied for new tenements (Miscellaneous Licences 28/60 and 28/61) which include land the subject of the KalNorth Group’s tenements E28/2256, M28/92 and M28/375. The Access Agreement provides access rights to both parties in relation to the areas of land common to both parties’ tenements and both parties have mutual obligations in relation to allowing access to personnel and vehicles, and compliance with the Mining Act including rehabilitation and revegetation etc in relation to the areas of land common to both parties’ tenements. In the event of any future development activities on the KalNorth Group tenements listed above, NSCD (assuming completion of the Transaction) can give notice to KGPL to remove all or part of any infrastructure constructed by KGPL on the affected area of land.
- (b) Kurnalpi Royalty and Alluvial Rights Agreements – these are various agreements with various parties under which these parties have rights to royalties (or rights to alluvial workings) on future minerals production on some of the Tenements.
- (c) Wellington Gold Rights Agreement – an agreement under which KalNorth owns the exclusive rights to explore for gold on E27/524, a tenement held by unrelated third party Kalgoorlie Nickel Pty Ltd, a subsidiary of ASX listed Ardea Resources Limited.

Contract Interest (a) above comprises both rights and obligations for the KalNorth Group, whereas Contract Interest (b) above comprises obligations of the KalNorth Group. These rights and obligations will be assigned to and assumed by NSCD upon conclusion of the sale of the Kurnalpi Project. Contract Interest (c) on the other hand is an asset of the KalNorth Group (ie rights to explore for gold), albeit one that is considered immaterial in value. These rights will be assigned to NSCD upon conclusion of the sale of the Kurnalpi Project.

It is noted that Improvements and Plant and Equipment forming part of the Kurnalpi Project are minor in nature and immaterial in value.

Sale Consideration and Completion

Sale proceeds receivable by the KalNorth Group on completion of the Transaction will comprise \$18 million in cash, reduced by the loan amount of \$5.4 million together with interest owing to NSCD. The completion date in the ASA is 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. KalNorth anticipates that all of the other conditions’ precedent will be satisfied prior to the date of the Meeting, leaving Shareholder approval as the last remaining condition precedent. Consequently, completion of the Transaction (subject to Shareholder approval) and receipt of sale proceeds will take place soon (and no later than 5 Business Days) after the conclusion of the Meeting.

Approvals required by the Company

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders. The Company’s Constitution imposes a similar requirement.

For the last several years (approximately 4 years), the KalNorth Group’s focus has been on exploration at the Kurnalpi Project and the majority of its exploration expenditure has been on the Kurnalpi tenements. On completion of this Transaction, the KalNorth Group will have no remaining mineral assets and its only assets will comprise cash, receivables (deferred consideration in relation to the previously announced sale of the Lindsays Project – refer ASX announcement dated 30 March 2021) and a freehold property in Kalgoorlie, Western Australia.

The KalNorth Group’s Balance Sheet in its latest financial report, the financial report for the Half Year ended 31 December 2020, evidences that the Kurnalpi Project is the Company’s main undertaking. Consequently, the requirements of ASX Listing Rule 11.2 and the Company’s Constitution apply and Shareholder approval is required prior to the Company completing the Transaction.

Resolution 1 seeks Shareholder approval for the disposal of the Kurnalpi Project.

Approvals required by NSCD

No approvals are required by NSCD to complete the Transaction.

Conditions Precedent to completion of the Transaction

	Condition Precedent	Status as at the date of the Notice
(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.	Satisfied
(b)	KalNorth obtaining: (i) all requisite approvals pursuant to the ASX Listing Rules (including ASX Listing Rule 11.2); or (ii) written confirmation from the ASX that no approvals are required pursuant to the ASX Listing Rules (including ASX Listing Rule 11.2), to give effect to the Transaction.	Subject matter of this Meeting (NB: ASX has advised that Shareholder approval is required under Listing Rule 11.2)
(c)	Completion of the sale and purchase of M28/70 has occurred under the Fisher Agreement.	Satisfied
(d)	The execution by the KalNorth Group and NSCD of all deeds of assignment and assumption in relation to the Kurnalpi Royalty and Alluvial Rights Agreements which comply with the requirements of the Kurnalpi Royalty and Alluvial Rights Agreements.	In progress
(e)	The execution by KalNorth Group, NSCD, Ardea Resources Limited and Kalgoorlie Nickel Pty Ltd of a deed of assignment and assumption in relation to the Wellington Gold Rights Agreement which complies with the requirements of the Wellington Gold Rights Agreement.	In progress
(f)	The execution by KalNorth Group and NSCD of a deed of assignment and assumption in relation to the Kurnalpi Gold Access Agreement which complies with the requirements of the Kurnalpi Gold Access Agreement	In progress

Representation, Warranties and Indemnities

Representations made and warranties provided by each party are customary for a transaction of this nature. Key warranties provided by the Company include the following:

- The KalNorth Group is the sole beneficial owner and, where applicable, the sole registered holder of each of the assets comprising the Kurnalpi Project
- The Tenements are unencumbered, not the subject of any legal actions or claims and each Tenement is in good standing and not liable to forfeiture
- There are no agreements in existence affecting or relating to the Tenements other than the contracts referred to under Contract Interests earlier in this Explanatory Statement. Further, that each of these contracts is in full force and effect and, so far as the KalNorth Group is aware, neither the KalNorth Group nor any third party is in default of any material term of any of these contracts
- To the best of the Company's knowledge, it has disclosed to NSCD all the information it possesses concerning the Kurnalpi Project which the Company considers a prudent and reasonable purchaser experienced and competent in operating and managing assets of the same nature would require as a buyer
- The KalNorth Group has complied with all environmental laws insofar as they apply to the Tenements and all environmental liabilities of which it is aware have been fully and fairly disclosed to NSCD

The KalNorth Group has agreed to indemnify NSCD and keep it indemnified against any loss suffered or incurred by NSCD in respect of any breach by it of any of the warranties given by it.

The Directors consider the warranties and indemnities provided by the KalNorth Group to be reasonable in the circumstances and customary for a transaction of this nature.

Financial effect of the sale on the KalNorth Group

Cash Assets

The change to net cash assets upon close of the Transaction is noted below:

	\$
Gross proceeds from sale of the Kurnalpi Project ¹	18,000,000
Less: Loan amount payable to NSCD – principal amount ²	(5,400,000)
Estimated interest on NSCD loan	(20,000)
Corporate advisory fee payable on successful close of the Transaction	(363,125)
Net cash increase on close of Transaction	<u>12,216,875</u>

¹Gross proceeds are stated exclusive of GST for this purpose as accounting for GST will have a net nil effect on cash assets.

²The loan drawdown amount was to fund the acquisition of M28/70 (\$4,602,500), GST (\$460,250) and stamp duty thereon (\$254,649). The Company will, in due course, receive the GST amount of \$460,250 as an input tax credit from the ATO, resulting in an increase in cash assets by that amount at that time.

At 31 December 2020, the reporting date for the KalNorth Group's last publicly disclosed financial statements, the carrying value of the Kurnalpi Project was stated at \$2,439,924. Since 31 December 2020, there has been minimal expenditure on the Kurnalpi Project. However, as noted elsewhere in the Explanatory Statement, the Company acquired M28/70 under the Fisher Agreement for \$4,602,500 and incurred stamp duty of \$254,649 thereon. Consequently, the carrying value of the Kurnalpi Project in the KalNorth Group management accounts is approximately \$7.3 million at the date of this Notice.

Reasons for disposal

The Directors believe that the following non-exhaustive list of reasons explain why the disposal of the Kurnalpi Project is in the best interests of the KalNorth Group.

- (i) Although it is a mineral explorer, the Company has not been able to raise equity capital for a significant period of time. It has been reliant on working capital funding from asset sales (for example Mount Jewell project in late 2014, Kalpini Project in 2017 and more recently Lindsays Project) as well as loans from Directors and major Shareholders. This lack of funding and lack of investor interest has been exacerbated due to the Company's lack of promotion to the investment community and its inability to formulate a properly documented vision for comprehensive exploration programs targeting new discoveries and extending existing discoveries on the Kurnalpi Project. Consequently, the Board is of the view that this sale transaction to NSCD represents the best outcome for the KalNorth Group's realisation of value from the Kurnalpi Project.
- (ii) Whilst the Board acknowledges that there has been a lack of active exploration on the Kurnalpi Project in the recent past, it is also of the view that the likelihood of significant new discoveries of gold mineralisation is low and therefore it is unlikely that a stand-alone economic mining operation could be conducted on the Kurnalpi Project. This again reinforces the Board's view that this sale transaction to NSCD represents the best outcome for the KalNorth Group's realisation of value from the Kurnalpi Project.
- (iii) It should also be noted that the Company could possibly have negotiated a toll treatment arrangement for ore from the Kurnalpi Project at NSCD's gold plant at Carosue Dam, however the outcome was unlikely to be superior to an outright sale of the Project after taking into account mining, haulage and treatment costs. In such a scenario the Company would also have to employ experienced mining professionals as none of those skills are available inhouse and this would add significantly to the cost base.
- (iv) In the recent past, the KalNorth Group has been in discussion with various parties for farm-out or joint venturing of the Kurnalpi Project in addition to outright sale. Counterparties in all such discussions indicated a value for Kurnalpi Project significantly lower than that which will be realised under the Transaction. In many of these discussions, there was also significant settlement risk based on the credentials of the counterparties. In the case of this transaction, the KalNorth Group is dealing with NSCD, a subsidiary of Northern Star Resources Limited, a successful global-scale Australian gold producer with Tier-1 world-class projects located in highly prospective and low sovereign risk regions of Australia and North America. In relation to the Transaction, the KalNorth Group has taken specialist corporate advice and, based on that 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.

Advantages

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed disposal:

- a) The Company will receive net cash consideration of approximately \$12.7 million (inclusive of GST recovery on purchase of M28/70 – refer previous page) on completion of the Transaction; and
- b) If the Company desists from the sale and continues to explore Kurnalpi Project by itself, existing Shareholders would be subject to ongoing dilution from new equity issues (noting the difficulty, in any case, of raising equity capital).

Disadvantages

The Directors believe that the key disadvantage relevant to a Shareholder's decision on how to vote on the proposed disposal is as follows:

The Company will not be able to participate in any potential profits from the future development and gold production, if any, from the Kurnalpi Project.

Independent Assessment of the Transaction

NSCD is not a related party and the proposed Transaction does not require independent assessment (and the provision of an independent report) for the purposes of the ASX Listing Rules or the Corporations Act. The negotiations with NSCD were carried out on an arm's length basis. The Directors are satisfied that the agreement negotiated with NSCD presents as the best opportunity in the circumstances. The negotiations for the sale price with NSCD were on an arm's length, robust and vigorous basis with the intention of extracting the best possible consideration price for the Company's benefit.

The Directors did consider whether to appoint an independent expert to assess the Transaction to assist Shareholders in their decision making. However, the Directors concluded that the expense and time for such an exercise were not warranted and not in the best interests of the Shareholders.

An independent expert would have used a number of criteria to assess the sale value of the Transaction:

- Comparable transactions

The following is an extract of the KalNorth Group's annual Mineral Resource estimate as reported in the June 2020 Annual Report.

Summary of Mineral Resource Estimates (at 30 June 2020) Reported according to JORC Category and Deposit (JORC 2004 & 2012 Compliant)

Deposit	Indicated			Inferred			Total		
	Tonnes (t)	Grade (g/t)	Ounces (oz.)	Tonnes (t)	Grade (g/t)	Ounces (oz.)	Tonnes (t)	Grade (g/t)	Ounces (oz.)
Kurnalpi Project									
Discovery Hill	-	-	-	130,000	0.9	3,600	130,000	0.9	3,600
Halfway Hill	-	-	-	510,000	1.1	18,700	510,000	1.1	18,700
Scottish Lass	-	-	-	84,700	1.0	2,600	84,700	1.0	2,600
Brilliant ¹	2,620,000	1.3	109,300	920,000	1	28,300	3,530,000	1.2	137,600
Sparkle	288,900	0.9	8,500	190,000	1.0	5,800	478,900	0.9	14,300
Dazzle	-	-	-	511,000	0.8	12,600	511,000	0.8	12,600
Total ²	2,908,900	1.3	117,800	2,345,700	0.9	71,600	5,244,600	1.1	189,400

¹Brilliant reported under JORC 2012, all others under JORC 2004.

² The Company confirms that it is not aware of any new information or data that materially affects the information noted above and provided in the June 2020 Annual Report and that all material assumptions and technical parameters

underpinning the mineral resource estimates continue to apply and have not materially changed.

The Transaction results in net cash consideration of approximately \$12.7 million. Based on that amount and applying that to the mineral resource estimate of 189,400 ounces, a transaction value of \$67 per ounce is implied. 38% of the total mineral resource is inferred resources and such resources would not command a value even close to \$67 per ounce by reference to comparable transactions.

The number of disparate deposits comprising the mineral resource do not have scale nor an attractive grade. Therefore, if the net cash consideration of \$12.7 million is applied to indicated resources only of 117,800 ounces, the implied transaction value would be approximately \$108 per ounce. Based on their analysis of other transactions (and accepting that NSCD would be highly unlikely to sustain a standalone mining and treatment operation at Kurnalpi and therefore would need to truck ore to its Carosue Dam plant), the Directors believe that a return of \$108 per ounce is a fair outcome.

- **Alternative Arrangements**

Based on the Company's analysis, the reported mineral resources cannot be exploited in a standalone scenario – neither the scale nor the gold grade makes that possible. The only viable means of profitably exploiting the mineral resources in their current state is through sale of ore or a toll treatment arrangement at a nearby gold plant. Such scenarios have also been analysed by the Company and, as noted elsewhere, they do not conclusively provide a superior return than the outright sale of the Kurnalpi Project under this Transaction and additionally would carry a high degree of execution risk.

- **Market capitalisation**

The Company's Shares have been suspended from trading on the ASX since August 2020 but last traded at 1.3 cents each. At that share price, the Company's market capitalisation was approximately \$11.6 million. With a loan liability in the order of approximately \$1 million, the enterprise value would be in the order of \$12.6 million. The KalNorth Group's assets included the Lindsays Project and the Kurnalpi Project. Lindsays Project has since been disposed for \$5 million. On that basis, the adjusted enterprise value informed by the market capitalisation would be approximately \$7.6 million for the Kurnalpi Project.

The Transaction resulting in a net cash increase of approximately \$12.7 million thus provides a substantial premium to the market capitalisation.

Other Matters for Consideration

The Directors believe that the commentary under this section is not directly relevant or germane to the specific question of whether or not to approve the sale of the Kurnalpi Project to NSCD on the terms and conditions noted above. However, the following commentary is provided for completeness purposes.

(a) Transaction does not proceed to completion and settlement

If the Transaction does not proceed to completion and settlement (be it because Shareholders do not approve it or the ASA is terminated by NSCD due to material breaches of warranties given by the KalNorth Group), the consequences to the Company could be significant.

- The \$5.4 million loan from NSCD drawn down to acquire 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. If KalNorth 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 for the loan will be the earlier of the Completion Date or the sunset date of 14 July 2021 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. Having to repay the loan in the absence of Shareholder approval for the sale of the Kurnalpi Project would be a significantly adverse event and, in the absence of the Company raising funds from alternative sources to repay the loan, NSCD would enforce its security rights (noting the Board's view that it would not only be extremely hard to raise funds in a short time frame but it could also be highly dilutive to existing Shareholders).
- Events of default under the NSCD loan include the following, which, if triggered, would require immediate payment of the \$5.4 million NSCD loan plus all interest, costs, fees and charges:
 - the Directors not recommending 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 ASA or the ASA terminating, or becoming void or unenforceable.
- Under the conditions of the ASA, the KalNorth Group is required to stop sale and / or joint venture discussions with all other parties (ie “no shop, no talk” restriction). On termination of the Transaction, the Company would have to resume discussions with other parties for an outright sale or farmout / joint venturing or alternatively seek funding from equity markets. After a hiatus of several months, this would be a difficult process to resurrect, particularly given the relative softness in the spot gold price in the last few weeks with possible further deterioration adversely impacting investor sentiment.

(b) Break Fee

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

- the 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 the KalNorth Group is subject to “no shop, no talk” provisions under the ASA); and
- NSCD terminating the ASA for breach of completion obligations or material breach of warranty.

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

(c) Transaction proceeds to completion and settlement

On completion of the Transaction, the Company would be in receipt of net cash of approximately \$12.7 million.

Upon completion of the sale of the Kurnalpi Project, the KalNorth Group will not have any remaining mineral assets. At this stage, the Board has not determined the KalNorth 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.

It should be noted that, in order to lift the ASX trading suspension, the Company would very likely be required to comply with Chapters 1 and 2 of the ASX Listing Rules, which stipulate the admission criteria for new listings to the ASX upon embarking on any new activity, including mineral exploration.

Directors recommendation

Based on the information available and for the reasons noted above, each Director considers that the proposed disposal is in the best interests of the Company and recommends that the Shareholders vote in favour of Resolution 1, in the absence of a superior proposal.

Each Director intends to vote, or cause to be voted, all Shares held or controlled by them in favour of Resolution 1, in the absence of a superior proposal.

A voting exclusion statement is included in the Notice.

GLOSSARY

ASA or Asset Sale Agreement means the agreement between Northern Star (Carosue Dam) Pty Ltd, KalNorth Gold Mines Limited and Shannon Resources Pty Ltd for the sale of the Kurnalpi Project.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means a day that is not a Saturday, Sunday, public holiday or bank holiday in Perth, Western Australia.

Company or **KalNorth** means KalNorth Gold Mines Limited (ACN 100 405 954).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory Statement accompanying the Notice.

Fisher Agreement means the Tenement Purchase Agreement between KalNorth and Ms Petalyn Fisher dated on or about the date of the ASA.

General Meeting or **Meeting** means the meeting convened by the Notice.

KalNorth Group means KalNorth Gold Mines Limited and its wholly owned subsidiary Shannon Resources Pty Ltd.

Kurnalpi Project means all the mining tenements listed in Appendix 1, tenement information and data in any material form, improvements and plant and equipment on the land the subject of the tenements listed in Appendix 1 as well as rights and obligations of the KalNorth Group under any contracts affecting any of these tenements.

Mining Act means the Mining Act 1978 (WA) and the Mining Regulations 1981 (WA).

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

NSCD means Northern Star (Carosue Dam) Pty Ltd ACN 116 649 122.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Shannon means Shannon Resources Pty Ltd ACN 117 306 322.

Share means a fully paid ordinary share in the capital of the Company.

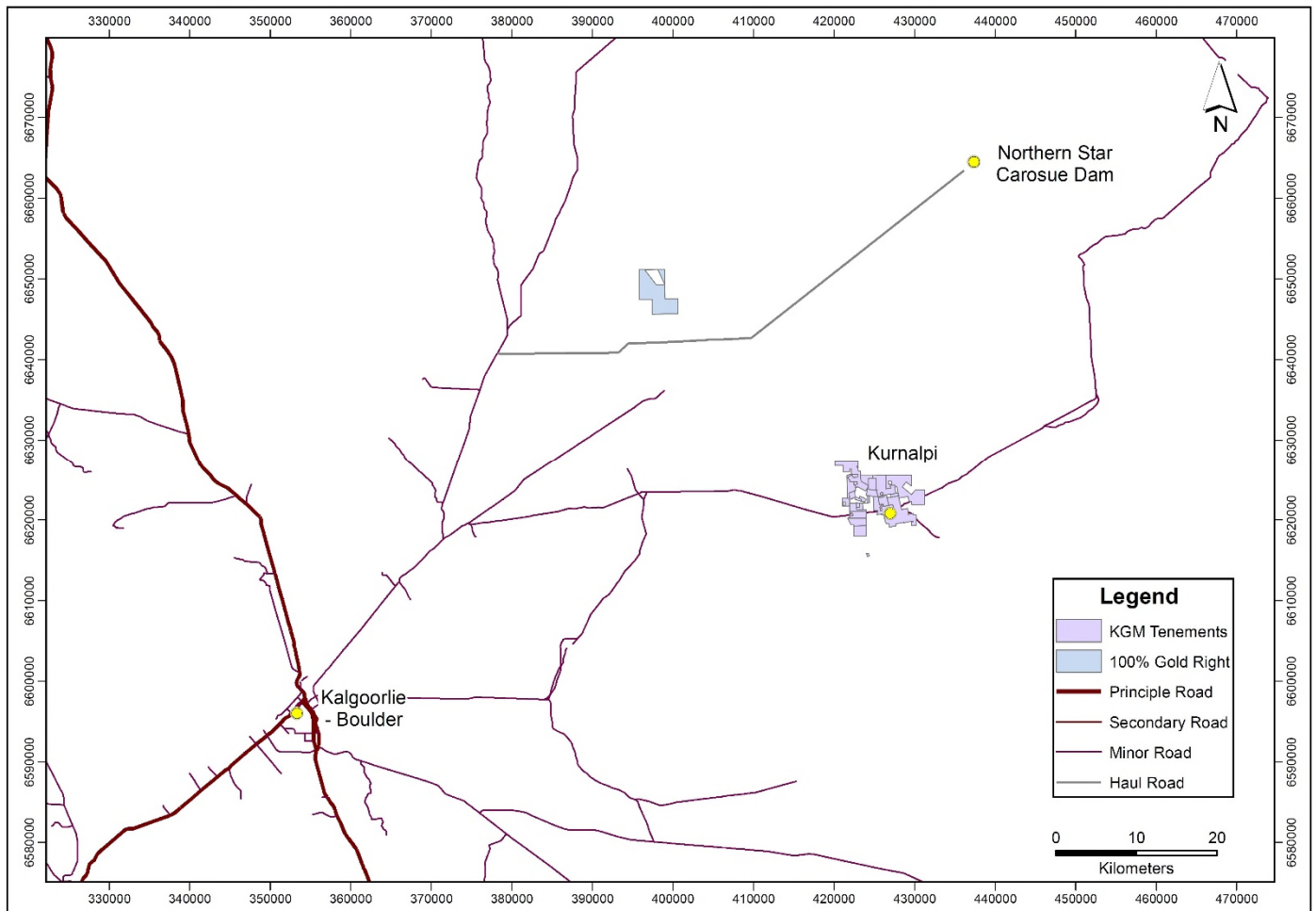
Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

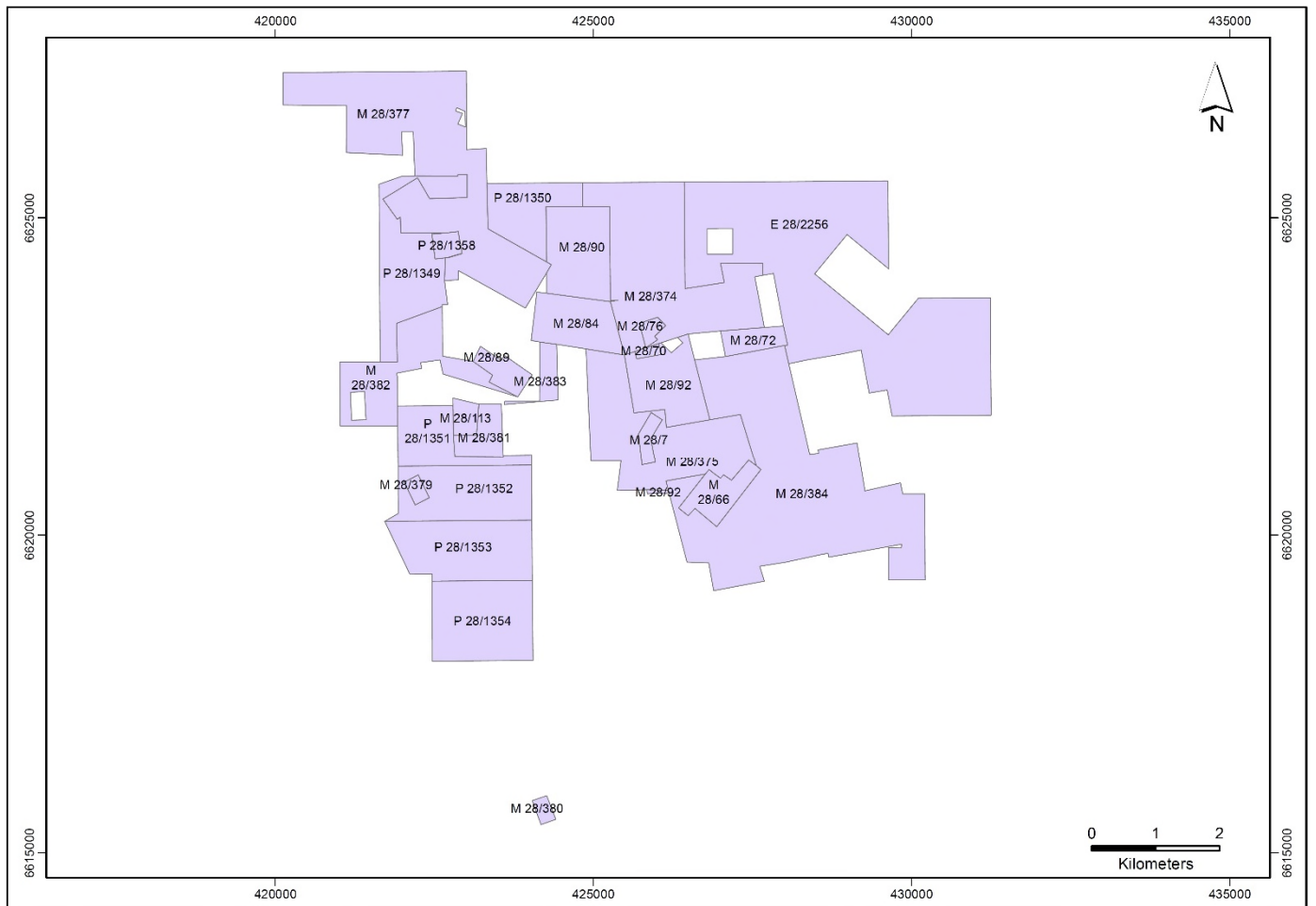
Appendix 1
Kurnalpi Project Tenements

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)

Appendix 2



Appendix 3





LODGE YOUR PROXY APPOINTMENT ONLINE



ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login



MOBILE DEVICE PROXY APPOINTMENT

Lodge your proxy by scanning the QR code below, and enter your registered postcode.

It is a fast, convenient and a secure way to lodge your vote.

2021 GENERAL MEETING PROXY FORM

I/We being shareholder(s) of KalNorth Gold Mines Limited and entitled to attend and vote hereby:

APPOINT A PROXY

The Chair of the Meeting

OR



PLEASE NOTE: If you leave the section blank, the Chair of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) are named, the Chair of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the General Meeting of the Company to be held at Level 2, 389 Oxford Street, Mount Hawthorn on 24 May 2021 at 11.00am WST and at any adjournment or postponement of that Meeting.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES:

The Chair intends to vote undirected proxies in favour of the Resolution. In exceptional circumstances the Chair may change his/her voting intention on the Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

VOTING DIRECTIONS

Resolution

For Against Abstain*

1 Disposal of Kurnalpi Project

☐
☐
☐


* If you mark the Abstain box for the Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all the shareholders should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

☐

Please tick here to agree to receive communications sent by the Company via email. This may include meeting notifications, dividend remittance, and selected announcements.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chair as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIR OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chair of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each resolution of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given resolution, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on a resolution, your vote on that resolution will be invalid.

PLEASE NOTE: If you appoint the Chair as your proxy (or if he is appointed by default) but do not direct him how to vote on a resolution (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that resolution), the Chair may vote as he sees fit on that resolution.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

COMPLIANCE WITH LISTING RULE 14.11

In accordance with Listing Rule 14.11, if you hold shares on behalf of another person(s) or entity/entities or you are a trustee, nominee, custodian or other fiduciary holder of the shares, you are required to ensure that the person(s) or entity/entities for which you hold the shares are not excluded from voting on resolutions where there is a voting exclusion. Listing Rule 14.11 requires you to receive written confirmation from the person or entity providing the voting instruction to you and you must vote in accordance with the instruction provided.

By lodging your proxy votes, you confirm to the company that you are in compliance with Listing Rule 14.11.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, the security holder whose name appears first on the Company's share register should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR PROXY FORM

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 11.00am WST on 22 May 2021, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled Meeting.



ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 6370 4203



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033