

Notice of Annual General Meeting and Explanatory Memorandum

KalNorth Gold Mines Limited

ACN 100 405 954

Date: Friday, 28 November 2014

Time: 10:00 am

Venue: The Offices of RSM Bird Cameron

Level 7

8 St. Georges Terrace

Perth, WA

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 Annual General Meeting

Notice is hereby given that the 2014 Annual General Meeting of Shareholders of KalNorth Gold Mines Limited ACN 100 405 954 (**Company**) will be held at 10.00 am on Friday, 28 November 2014 at the Office of RSM Bird Cameron, Level 7, 8 St. Georges Terrace, Perth, WA.

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

Agenda

ORDINARY BUSINESS

2014 Financial Statements Report

To receive and consider the financial report of the Company for the year ended 30 June 2014, together with the reports of the directors and auditors thereon.

There is no vote on this item of business.

Resolution 1 - Adoption of the Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act 2001, and for all other purposes, the Remuneration Report forming part of the Company's 2014 annual financial report for the financial year ended 30 June 2014 be adopted."

Voting Exclusion applies and is described below

Optional Resolution 2 – Spill Resolution

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

"That, for the purposes of section 250V(1) of the Corporations Act 2001, and for all other purposes, approval is given for:

- (a) the Company to hold another meeting of Shareholders within 90 days of the date of this Meeting (Spill Meeting); and*
- (b) all Vacating Directors to cease to hold office immediately before the end of the Spill Meeting; and*
- (c) resolutions to appoint persons to offices that will be vacated pursuant to (b) to be put to vote at the Spill Meeting."*

Voting Exclusion applies and is described below

Resolution 3 - Re-election of Mr Lijun Yang as a Director

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

"That Mr Lijun Yang having been appointed a director of the Company since the last annual general meeting, retires in accordance with Clause 11.12 of the Constitution of the Company and, being eligible, offers himself for re-election, and is hereby re-elected as a Director of the Company."

Resolution 4 - Re-election of Mr Jerry Jiajun Hu as a Director

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

"That Mr Jerry Jiajun Hu having been appointed a director of the Company since the last annual general meeting, retires in accordance with Clause 11.12 of the Constitution of the Company and, being eligible, offers himself for re-election, and is hereby re-elected as a Director of the Company."

Resolution 5 - Re-election of Mr Yuanguang Yang as a Director

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

"That Mr Yuanguang Yang having been appointed a director of the Company since the last annual general meeting, retires in accordance with Clause 11.12 of the Constitution of the Company and, being eligible, offers himself for re-election, and is hereby re-elected as a Director of the Company."

Resolution 6 – Ratification of Placement Shares

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

"That, for the purposes of Listing Rule 7.4 and all other purposes, approval is given to ratify the issue of 35,842,004 shares at 1 cent each on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion applies and is described below

Resolution 7 – Approval of Convertible Notes Issue

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

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue to Gold Fresh Limited of 23,333,333 convertible notes and the subsequent issue of up to 23,333,333 Shares upon conversion of the convertible notes on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion applies and is described below

Resolution 8 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion applies and is described below

OTHER BUSINESS

To conduct or transact any other business that may be properly brought before the Annual General Meeting.

VOTING EXCLUSIONS

Resolutions 1 and 2 – Key Management Personnel (KMP) Remuneration related Voting Exclusion: In accordance with the Corporations Act, the Company will disregard any votes cast (in any capacity) on Resolutions 1 and 2 by or on behalf of a member of the Company's Key Management Personnel details of whose remuneration are included in the 2014 Remuneration Report for the Company and their Closely Related Parties.

However, the Company will not disregard a vote cast on Resolutions 1 and 2 by the Company's Key Management Personnel or their Closely Related Parties if:

- it is cast by a person as a proxy appointed in writing by a person entitled to vote that specifies how the proxy is to vote on Resolutions 1 and/or 2; or
- it is cast by the person chairing the Annual General Meeting as an undirected proxy which expressly authorises the chair to vote the proxy on a Resolution directly or indirectly connected with the remuneration of the Key Management Personnel.

Resolution 6 Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who participated in the issues and any of their associates. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 7 Voting Exclusion: The Company will disregard any votes cast on this Resolution by Gold Fresh Limited, any of their associates, and persons who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company will not disregard a vote if it is cast by the person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.

Resolution 8 Voting Exclusion: The Company will disregard any votes cast on this special resolution by any person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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 10:00 am WST on 26 November 2014 by:

1. Post to Kalnorth Gold Mines Limited, C/- PO Box 131, Subiaco, Western Australia 6904; or
2. Facsimile to Kalnorth Gold Mines Limited at (61 8) 9380 6761.

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.

ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding Shares at 4.00 pm WST on 26 November 2014 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



Lijun Yang
Company Secretary
Perth, Australia
22 October 2014

Explanatory Memorandum

This Explanatory Memorandum 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 Annual General Meeting to be held at 10:00 am on Friday, 28th November 2014 at the Office of RSM Bird Cameron, Level 7, 8 St. Georges Terrace, Perth, WA.

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

Terms and expressions used in this Explanatory Memorandum, 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 Memorandum.

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

1. 2014 Annual Report

In accordance with the requirements of the Company's Constitution and the Corporations Act, the Company's audited financial statements for the financial year ended June 2014, together with the report of the auditor thereon will be tabled at the Meeting, and shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report. Representatives from the Company's auditors, RSM Bird Cameron, will be present to take shareholders' questions and comments about the conduct of the audit and the preparation and content of the audit report.

The Annual Report is available on the Company's website at www.kalnorthgoldmines.com for you to download or read online. Alternatively you can obtain a hard copy by contacting the Company

2. Resolution 1 - Adoption of the Remuneration Report

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The Remuneration Report sets out the company's remuneration arrangements for the directors and senior management of the company. The Remuneration Report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the Remuneration Report at the annual general meeting.

2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a Remuneration Report resolution are voted against adoption of the Remuneration Report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings. If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the previous financial year was approved, other than the managing director of the company), will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the Remuneration Report considered at that annual general meeting were more than 25%. Accordingly, the Spill Resolution will be relevant for this Annual General Meeting if at least 25% of the votes cast on the Remuneration Report resolution are voted against adoption of the Remuneration Report.

It is noted that, the entire board of Directors in place at the Company's previous Annual General Meeting, was removed and replaced by the current Directors during the intervening period up to the date of this notice.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following restrictions placed on certain proxies:

Proxy being appointed	Directed Votes	Undirected Votes
Key Management Personnel (other than the Chair) ¹	Can vote directed votes	Cannot vote undirected votes ³
Chair ²	Can vote directed votes	Can vote at discretion of Proxy ⁴
Other third party	Can vote directed votes	Can vote at discretion of Proxy

Notes:

- 1) Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.
- 2) Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of such a member).
- 3) Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.
- 4) The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

3. Resolution 2 – Spill Resolution

If less than 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report, the Chair will withdraw Resolution 2.

3.1 General

The Corporations Act requirements for this Resolution to be put to vote are set out in Section 2.2.

The effect of this Resolution being passed is the Company will be required to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**) and the Vacating Directors will cease to hold office immediately before the end of the Spill Meeting. The business of the Spill Meeting will be to put to vote resolutions to appoint persons to offices vacated by the Vacating Directors.

In the event a Spill Meeting is required a separate notice of meeting will be distributed to Shareholders with details about those persons that will seek election as directors of the Company at the Spill Meeting.

3.2 Proxy voting restrictions

Shareholders appointing a proxy for this resolution should note the voting restrictions set out in Section 2.4 apply in the same manner to this Resolution.

4. Resolutions 3, 4 and 5 – Re-election of Director

In accordance with the requirements of the Company's Constitution, ASX Listing Rules and the Corporations Act, all directors holding office were appointed by the Board since the last annual general meeting. On that basis Mr Lijun Yang, Mr Jerry Jianjun Hu and Mr Yuanguang Yang who will retire at the Meeting and offer themselves for re-election.

4.1 Mr Lijun Yang

Mr Lijun Yang was appointed as a Director on 8 November 2013, and details of his qualifications and experience are available in the 2014 Annual Report.

The Company has conducted personal searches on Mr Lijun Yang, including criminal record and bankruptcy searches. The Company confirms that no material adverse results were returned from such searches.

The Directors (other than Mr, Lijun Yang, who makes no recommendation) recommend the re-election of Mr Yang as a Director. The Directors do not consider Mr Lijun Yang to be an independent director.

4.2 Mr Jerry Jiajun Hu

Mr Jerry Jiajun Hu was appointed as a Director on 13 December 2013, and details of his qualifications and experience are available in the 2014 Annual Report.

The Company has conducted personal searches on Mr Jerry Jiajun Hu, including criminal record and bankruptcy searches. The Company confirms that no material adverse results were returned from such searches.

The Directors (other than Mr, Jerry Jiajun Hu, who makes no recommendation) recommend the re-election of Mr Hu as a Director. The Directors do not consider Mr Jerry Jiajun Hu to be an independent director.

4.3 Mr Yuanguang Yang

Mr Yuanguang Yang was appointed as a Director on 28 August 2014, and details of his qualifications and experience are available in the 2014 Annual Report.

The Company has conducted personal searches on Mr Yuanguang Yang, including criminal record and bankruptcy searches. The Company confirms that no material adverse results were returned from such searches.

The Directors (other than Mr, Yuanguang Yang, who makes no recommendation) recommend the re-election of Mr Yang as a Director. The Directors do not consider Mr Yuanguang Yang to be an independent director.

5. Resolution 6 – Ratification of Placement Shares

5.1 General

On 28 August 2014, the Company entered into an agreement with one of its secured lenders, South Victory Global Limited, to convert the partial outstanding accrued interest liability on its \$2M loan facility to equity.

Settlement of the debt to equity resulted in the issue of 35,842,004 ordinary fully paid shares at an issue price of 1 cent each, for a total value of \$358,420.04, and were issued under the 15% placement capacity under the Listing Rules.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares. By ratifying this issue, the Company will retain flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior shareholder approval.

5.2 Specific information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to ratification of the Share issue:

- (a) 35,842,004 Shares were issued on 28 August 2014;
- (b) The issue price for the shares was \$0.01 per Share;
- (c) the Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Shares were issued to South Victory Global Limited, a Company which is not a related party of the Company;
- (e) the Share issue was for the purpose of partially settling on the outstanding interest with respect to the \$2M secured loan facility from South Victory Global Limited; and
- (f) a voting exclusion statement is included in the Notice

6. Resolution 7 - Approval of Convertible Note Issue

6.1 General

Resolution 7 seeks approval by Shareholders of the issue of Convertible Notes, pursuant to ASX Listing Rule 7.1

The purpose of seeking Shareholder approval and ratification of the issue of securities is to effectively maintain the maximum limit under the Listing Rules on the number of securities that the Company may issue in any 12 month period without Shareholder approval.

On 8 September 2014, the Company entered into a \$350,000 Convertible Loan agreement with Gold Fresh Limited. The key terms of the Convertible Note being:

- (a) Principal - \$350,000
- (b) Interest rate – 8% p.a.
- (c) Maturity – 5 March 2016
- (d) Conversion Price – The lower of 1.5 cents or price of any shares issued after agreement execution date.

Until such time as Shareholder approval, the outstanding principal is classified as a loan. Subject to Shareholder approval, the loan amount of \$350,000 will be settled by the issue of 23,333,333 notes, convertible to 23,333,333 Shares on or before 5 March 2016.

Resolution 7 seeks Shareholder approval for the issue of 23,333,333 convertible notes and the issue of up to 23,333,333 Shares upon the conversion, if any, of the convertible notes.

6.2 Specific information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the convertible notes and of Shares on conversion of the convertible notes:

- (a) The principal terms of the Notes are as follows;
 - (i) 23,333,333 convertible notes at a conversion price of \$0.015 each for a total face value of \$350,000;
 - (ii) If the Company issues shares after 8 September 2014 at a price below 1.5 cents, then the conversion will be re-calculated on the basis of that issue price;
 - (iii) Maturity date: 5 March 2016; and
 - (iv) Coupon rate: 8% per annum.
- (b) The 23,333,333 convertible notes will be issued to Gold Fresh Limited who is not a related party of the Company;
- (c) The convertible notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue will occur on the same date;
- (d) The convertible notes are unsecured and can be transferred, subject to the approval of the Directors of the Company;
- (e) The convertible notes are convertible to up to 23,333,333 Shares at any time up to the maturity date referred to above at the sole discretion of the note holder;
- (f) The terms and conditions of the fully paid ordinary shares to be issued upon conversion of the convertible notes will be the same as the Shares in the Company already on issue and will from the date of issue rank equally in all respects with the Company's existing ordinary shares;
- (g) The convertible notes issue is in settlement of the \$350,000 loan due to Gold Fresh Limited.
- (h) A voting exclusion statement is included in the Notice.

Resolution 8 - Approval of 10% Placement Capacity

7.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the AGM (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 6.2(c) below).

The Directors believe that Resolution 8 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

7.2 Description of Listing Rule 7.1A

- (a) *Shareholder approval*
The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an AGM.
- (b) *Equity Securities*
Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. The Company, as at the date of the Notice, has on issue one class of quoted Equity Securities, being the Shares (ASX Code: KGM).

(c) *Formula for calculating 10% Placement Facility*

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
- (iv) less the number of fully paid shares cancelled in the 12 months.

D is 10%;

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) *Minimum Issue Price*

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days (on which trades in that class were recorded) immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(e) *10% Placement Period*

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), or such longer period if allowed by ASX (**10% Placement Period**).

7.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days (on which trades in that class were recorded) immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

- (b) If Resolution 8 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Convertible Securities, only if the Convertible Securities are converted into Shares). There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer), or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.0125 50% decrease in Issue Price	\$0.025 Issue Price	\$0.05 100% increase in Issue Price
Current Variable A 298,122,033 Shares	10% voting dilution	29,812,203 Shares	29,812,203 Shares	29,812,203 Shares
	Funds raised	\$372,652	\$745,305	\$1,490,610
50% increase in current Variable A 447,183,049 Shares	10% voting dilution	44,718,304 Shares	44,718,304 Shares	44,718,304 Shares
	Funds raised	\$558,979	\$1,117,958	\$2,235,915
100% increase in current Variable A 596,244,066 Shares	10% voting dilution	59,624,407 Shares	59,624,407 Shares	59,624,407 Shares
	Funds raised	\$745,305	\$1,490,610	\$2,981,220

The table has been prepared on the following assumptions:

- (i) There are currently 298,122,033 Shares on issue comprising: 274,788,700 existing Shares as at the date of this Notice of Meeting; and 23,333,333 Shares which will be issued if Resolution 7 is passed at this meeting.
- (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iii) No Convertible Securities (including any Convertible Securities issued under the 10% Placement Facility) are converted into Shares before the date of the issue of the Equity Securities.
- (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of this Meeting.
- (vi) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
- (viii) The issue price is \$0.025, being the closing price of Shares on the ASX on 8th October 2014.

- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
 - (i) for cash consideration, in which case the Company may use the funds raised towards making (or to securing the right to make) one or more acquisitions and/or to further its existing projects; meet some of its debt obligations, and/or general working capital; so that the Company has the necessary working capital and flexibility to consider, and if thought fit, to put it in a stronger position to make (or to secure the right to make) one or more acquisitions and/or to further its existing projects; or
 - (ii) non-cash consideration for the acquisition of (or securing the right to make acquisitions of) new projects and investments or to further its existing projects. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

- (e) The Company's allocation policy is dependent on the purpose of the proposed issue and prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.

The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an Associate of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (f) The Company did not previously obtain approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 18 November 2013 (**Previous Approval**). As such, the Company has not issued and Equity Securities pursuant to the Previous Approval.
- (g) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

8. Definitions

Unless the context requires otherwise, the following words shall have the following meanings in this Explanatory Memorandum, the Notice of Meeting and the Proxy Form:

10% Placement Capacity has the meaning given in Section 6.1 of this Notice.

ASX means ASX Limited.

Board means the board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means chair of the Meeting.

Closely Related Party has the meaning given in section 9 of the Corporations Act and includes a spouse, dependent and certain other close family members, as well as companies controlled by a KMP.

Company means KalNorth Gold Mines Limited ACN 100 405 954.

Constitution means the Company's constitution.

Corporations Act means Corporations Act 2001 (Cth);

Directors means the current directors of the Company;

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities has the same meaning as in the Listing Rules;

Explanatory Memorandum means the explanatory memorandum accompanying this Notice;

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company;

Listing Rules means the Listing Rules of the ASX;

Managing Director means the managing director of the Company who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office.

Meeting or Annual General Meeting means the meeting convened by this Notice;

Notice or **Notice of Meeting** means this Notice of annual general meeting;

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Option means an option to acquire a Share.

Proxy Form means the proxy form attached to this Notice.

Remuneration Report means the remuneration report of the Company contained in the Director's Report.

Resolution means a resolution contained in this Notice.

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

Shareholder means the holder of a Share.

Vacating Directors means the Directors who were directors of the Company when the resolution to make the directors' report considered at the last annual general meeting of the Company was passed, other than the Managing Director at that time.

VWAP means volume weighted average price.

WST or **Western Standard Time** means Australian Western Standard Time.

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STEP 1**APPOINTMENT OF PROXY**

I/we being a member/s of Kalnorth Gold Mines Limited and entitled to attend and vote hereby appoint

The Chairman
of the Meeting
(mark with an "X")

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding your own name) you are appointing as your proxy.

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Kalnorth Gold Mines Limited to be held on 28 November 2014 and at any adjournment of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 marking the appropriate box below under **VOTING DIRECTIONS (STEP 2)**.

Important for Resolution 3 If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Resolution 3 below, **please mark the box in this section**. If you do not mark this box and you have not otherwise directed your proxy how to vote on Resolution 3 the Chairman of the Meeting will not cast your votes on Resolution 3 and your votes will not be counted in computing the required majority if a poll is called on this resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 3.

I/we acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Resolution 3 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2**VOTING DIRECTIONS TO YOUR PROXY****PLEASE MARK ☒ TO INDICATE YOUR DIRECTIONS**

	For	Against	Abstain*
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of Mr. Lijun Yang as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Re-election of Mr. Jerry Jiajun Hu as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Re-election of Mr. Yuanguang Yang as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Ratification of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Approval of Convertible Notes Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business

* If you mark the Abstain box for a particular item, 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.

SIGN

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and
Sole Company Secretary
Dated: __/__/2014

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Completed Proxy can be lodged:

BY MAIL: **Level 1, Suite 5, The Business Centre,
55 Salvado Road, Subiaco,
Western Australia 6008**
Or
**P O Box 131
Subiaco, Western Australia 6904**

BY FAX: **(61 8) 9380 6761**

For your vote to be effective, the completed proxy form must be received by 10.00am (Perth time),
26th November 2014

How to complete the Proxy Form**1 Appointment of a Proxy**

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

2 Votes on Items of Business

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

3 Appointment of a Second Proxy

You are entitled to appoint up to two 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 the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities 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.
- (b) return both forms together.

4 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach 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 also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 48 hours before the time of the Annual General Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.