



Quarterly Activities Report: March 2018

KalNorth Gold Mines Limited
Date: 30 April 2018
ASX Code: KGM
Issued Capital 894.24 million Ordinary shares
Current Share Price \$0.01
Market Capitalisation \$8.94 million
Board Members
Jiajun Hu Executive Chairman & Company Secretary
Yuanguang Yang Non-executive Director
Xiaojing Wang Non-executive Director
Contact Details
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Projects located at Eastern Goldfields, Western Australia
<ul style="list-style-type: none"> • Kurnalpi (100%) • Lindsays (100%)

The Board of KalNorth Gold Mines Limited (“KalNorth or the “Company”, ASX: KGM) is pleased to report on activities and progress made during the March 2018 Quarter.

Highlights

Kurnalpi Project

The Company has lodged a further 4 applications to convert existing prospecting licences to Mining Leases via the Small Mining Operation (SMO) mechanism, as a result of which there are presently 6 Mining Lease applications pending for approval.

At the same time, a wide spaced Air-Core exploration drilling programme for up to 8,000 meters has been planned to test potential gold targets at north and south extension areas along the Brilliant prospect mineralisation corridor as well as other targets identified by previous exploration.

Lindsays project

During the Quarter, the Company continued to hold the Lindsays project under care and maintenance and in compliance with environmental regulations, thus allowing for a resumption of mining activities with minimal lead time. The Company continued its strategic review of the project and progressed discussions with several interested parties to redevelop or divest the project.

EXPLORATION REPORT

Kurnalpi Project (100% KGM)

During the Quarter, the Company lodged 4 applications to convert existing prospecting licences to Mining Leases via the Small Mining Operation (SMO) mechanism for prospecting purpose, which now results in 6 Mining Leases (Figure 1) in total pending for approval.

The Company has planned to carry out a wide spaced Air-Core exploration drilling programme for up to 8,000 meters to test potential gold targets in the north and south extension areas along the Brilliant prospect mineralisation corridor as well as other targets (Figure 2) which have been identified from the 2015 multi-source geophysical interpretation (refer to ASX announcement on 20 July 2015) and project review and targeting exercise conducted by CSA Global in 2016 (refer to ASX announcement on 1 November 2016). A Programme of Works (POWs) application for the drill program has been lodged and is pending approval.

The Company announced the sale of three (3) non-core tenements (M28/0378, E28/1477 and E28/2226) which form part of the larger Kurnalpi Gold Project on 19 March 2018 to Carnavale Resources Limited (ASX: CAV) for a cash amount of \$110,000 which amount was received subsequent to quarter-end.

Lindsays Project (100% KGM)

During the Quarter, the Company continued to hold the Lindsays project under care and maintenance and in compliance with environmental regulations which will allow any future mining activity to resume immediately.

The Company continued its strategic review of the project and has progressed discussions with several interested parties to redevelop or divest the project.

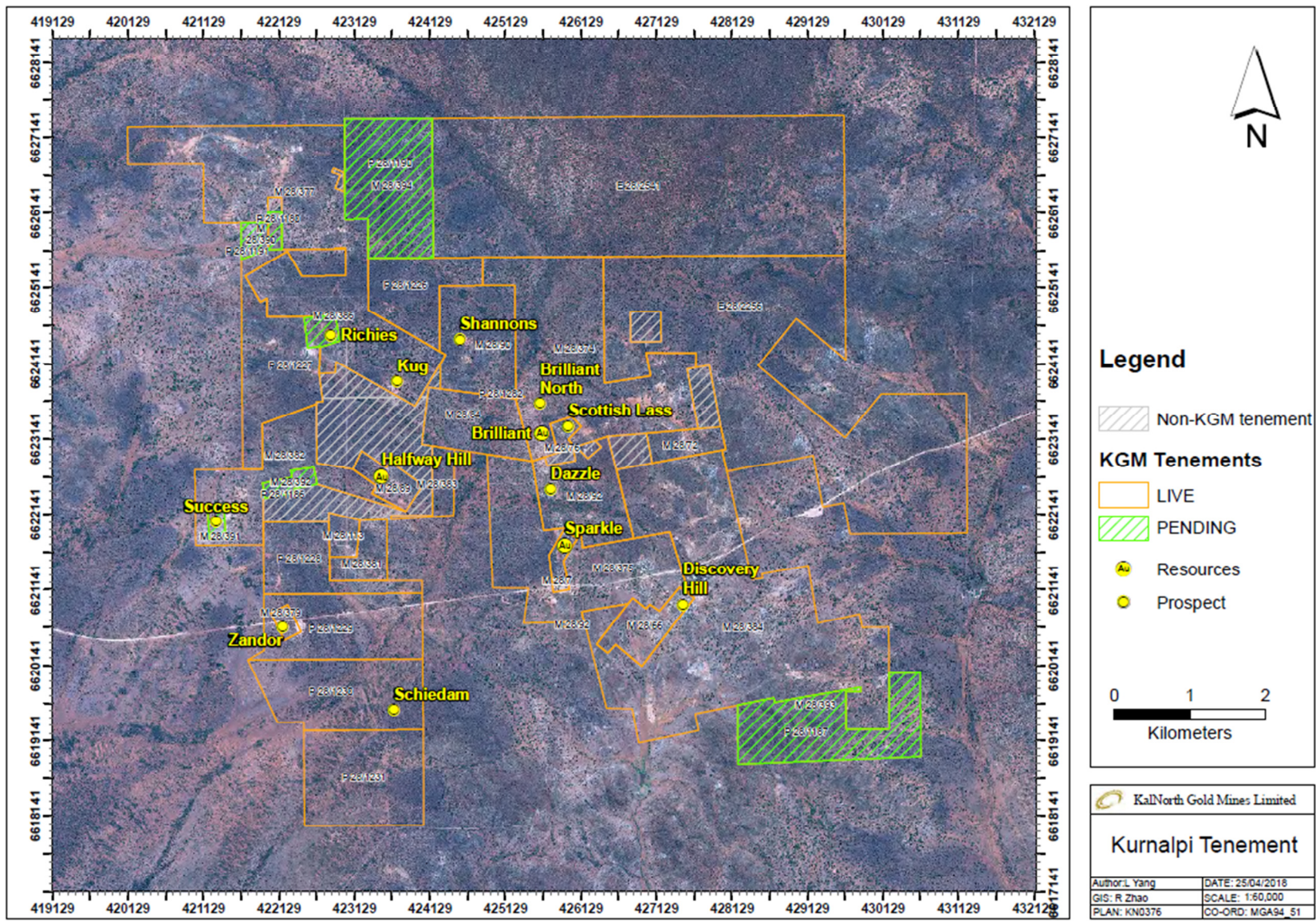


Figure 1. Tenement map of Kurnalpi project

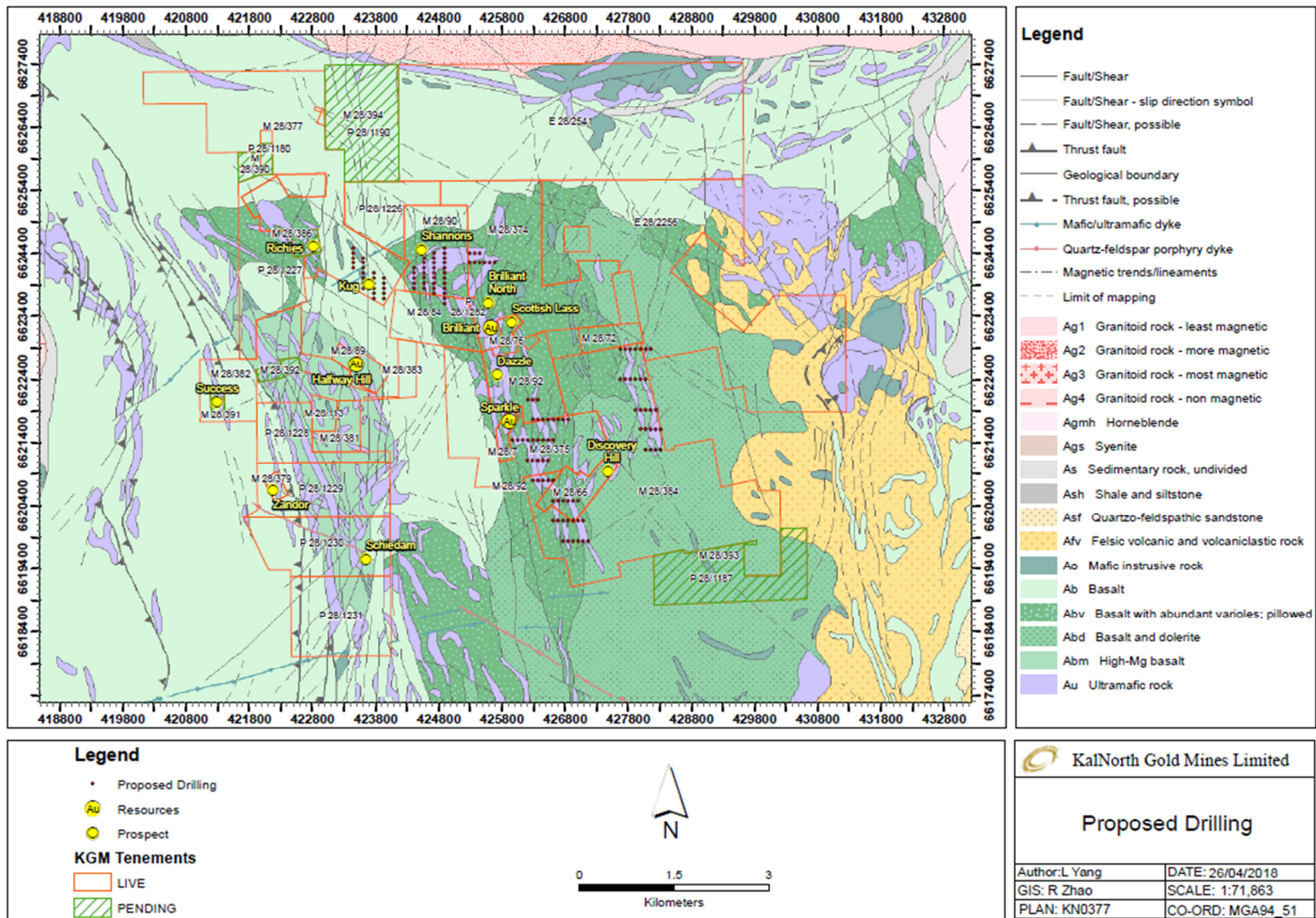


Figure 2. Planned drilling hole of Kurnalpi project

CORPORATE REPORT

Convertible Loan Facility

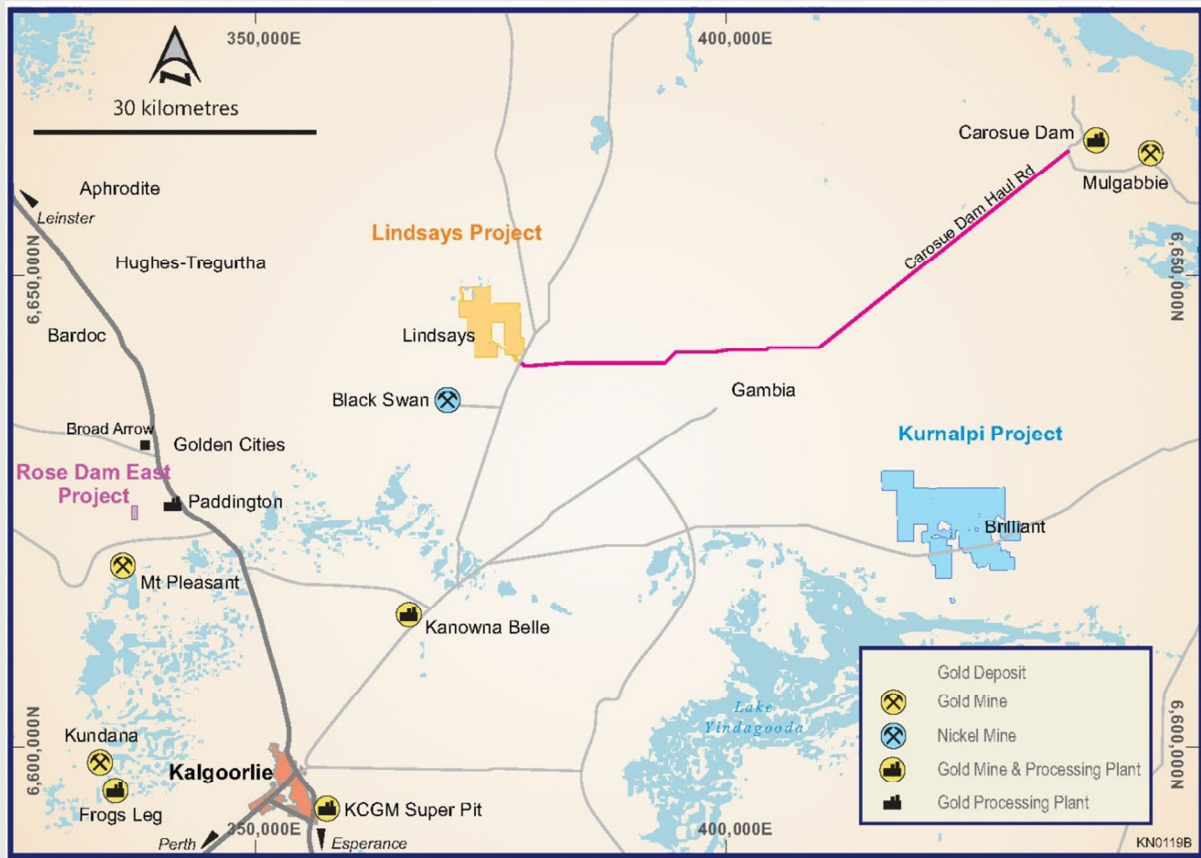
The Company refers to the \$2 million convertible note facility (“CNF”) made available to it by the then largest shareholder Cross-Strait Common Development Fund Co., Limited (“Cross Strait”) (refer to ASX announcement on 16 September 2015). The CNF has been drawn down to the extent of \$1.3 million, which amount together with accrued interest is due for repayment no later than 30 April 2018.

Cash Reserves

Net cash outflows for the March 2018 quarter amounted to approximately \$164,000 (approximately \$97,000 in the previous quarter) of which approximately \$97,000 was attributable to exploration and evaluation activity. Cash assets at the end of the Quarter were \$2.58M with outstanding convertible notes of \$1.3 million.

For further information please contact

Jiajun (Jerry) Hu
Executive Chairman and Company Secretary
Email: info@kalnorthgoldmines.com



Location map of KalNorth projects showing roads and local processing plants

About KalNorth Gold Mines Limited

KalNorth Gold Mines Limited (ASX Code: KGM) is a gold exploration company based in Kalgoorlie, Western Australia (WA). The Company's core suite of tenements, all 100% owned, are located some 50 to 80km north-east of the world renowned gold mining town of Kalgoorlie, WA. There are currently two main gold projects each with resources within the KGM holding: Kurnalpi and Lindsays (collectively the KalNorth Field).

Competent Person Statement-Exploration Results and Mineral Resources

The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr Lijun Yang, a Competent Person who is a member of Australian Institute of Geoscientists. Mr Yang is a consultant to the Company. Mr Yang has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Yang consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Tenement Holdings and Movements

Mining Tenements and Beneficial Interest Held as at the end of the March 2018 Quarter

Tenement	Holder	Status	Project	Interest %
E28/2256	Shannon Resources Pty Ltd	Live	Kurnalpi	100
E28/2541	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0007	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0066	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0072	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0076	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0084	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0089	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0090	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0092	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0113	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0374	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0375	Shannon Resources Pty Ltd	Live	Kurnalpi	100
P28/1154	KalNorth Gold Mines Ltd	Live (Conversion)	Kurnalpi	100
P28/1180	KalNorth Gold Mines Ltd	Live (Conversion)	Kurnalpi	100
P28/1191	KalNorth Gold Mines Ltd	Live (Conversion)	Kurnalpi	100
P28/1184	KalNorth Gold Mines Ltd	Live (Conversion)	Kurnalpi	100
P28/1186	KalNorth Gold Mines Ltd	Live (Conversion)	Kurnalpi	100
P28/1187	KalNorth Gold Mines Ltd	Live (Conversion)	Kurnalpi	100
P28/1190	KalNorth Gold Mines Ltd	Live (Conversion)	Kurnalpi	100
P28/1226	Lusitan Prospecting Pty Ltd	Live	Kurnalpi	100
P28/1227	Lusitan Prospecting Pty Ltd	Live	Kurnalpi	100
P28/1228	Lusitan Prospecting Pty Ltd	Live	Kurnalpi	100
P28/1229	Lusitan Prospecting Pty Ltd	Live	Kurnalpi	100
P28/1230	Lusitan Prospecting Pty Ltd	Live	Kurnalpi	100
P28/1231	Lusitan Prospecting Pty Ltd	Live	Kurnalpi	100
P28/1282	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0377	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0379	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0380	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0381	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0382	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0383	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0384	Shannon Resources Pty Ltd	Live	Kurnalpi	100
M28/0386	KalNorth Gold Mines Ltd	Pending	Kurnalpi	100
M28/0390	KalNorth Gold Mines Ltd	Pending	Kurnalpi	100
M28/0391	KalNorth Gold Mines Ltd	Pending	Kurnalpi	100
M28/0391	KalNorth Gold Mines Ltd	Pending	Kurnalpi	100
M28/0391	KalNorth Gold Mines Ltd	Pending	Kurnalpi	100
M28/0391	KalNorth Gold Mines Ltd	Pending	Kurnalpi	100
E27/0517	KalNorth Gold Mines Ltd	Live	Lindsays Find	100
L27/0082	KalNorth Gold Mines Ltd	Live	Lindsays Find	100
L27/0084	KalNorth Gold Mines Ltd	Live	Lindsays Find	100
M27/0034	KalNorth Gold Mines Ltd	Live	Lindsays Find	100
M27/0169	KalNorth Gold Mines Ltd	Live	Lindsays Find	100
M27/0486	KalNorth Gold Mines Ltd	Live	Lindsays Find	100
E27/0524	Heron Resources Ltd	Live	Binti Binti	100% Au rights

Tenements Relinquished / Disposed during the March 2018 Quarter

Tenement	Holder	Status	Date	Project	Interest %
M28/378	Shannon Resources Pty Ltd	Live	19/03/2018	Kurnalpi	0
E28/1477	Shannon Resources Pty Ltd	Live	19/03/2018	Kurnalpi	0
E28/2226	Shannon Resources Pty Ltd	Live	19/03/2018	Kurnalpi	0

Tenements Acquired During the March 2018 Quarter

Nil

Shannon Resources Pty Ltd and Lusitan Prospecting Pty Ltd are wholly owned subsidiaries of the Company.

None of the mineral interests listed above are the subject of any farm-in / farm-out or joint venture arrangements.