



Quarterly Activities Report: June 2018

KalNorth Gold Mines Limited

Date: 31 July 2018

ASX Code: KGM

Issued Capital

894.24 million Ordinary shares

Current Share Price

\$0.006

Market Capitalisation

\$5.37 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

- 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 June 2018 Quarter.

Highlights

Kurnalpi Project

A heritage survey conducted during the Quarter did not identify any new sites of cultural or archaeological significance. Similarly a flora and fauna survey did not identify any threatened flora or fauna, migratory fauna or threatened ecological communities. 50 early stage Air Core holes, for a total of 1,446 metres were drilled in Kurnalpi project to test potential gold targets generated from previous geophysical and mapping works. Assay results were received in mid-July and, following review, it has been concluded that no significant intercepts were recorded; however the Company will continue testing additional targets within Kurnalpi project in the current quarter.

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)

Flora and Fauna Survey

During the Quarter, the Company commissioned Botanica Consulting (BC) to undertake a reconnaissance flora survey and fauna survey of the Kurnalpi Project covering an area of 4,795 ha (Figure 1).

No threatened flora or fauna, migratory fauna or threatened ecological communities as listed under the Western Australian Wildlife Conservation (WC) Act 1950 or Commonwealth Environment Protection and Biodiversity Conservation (EPBC) Act 1999 were identified within the survey area. No fauna of conservation significance is likely to be materially impacted on by any development and the survey area does not contain any world or national heritage places and does not occur within a Bush Forever site.

Heritage Survey

During the Quarter, the Company conducted a heritage survey within the Kurnalpi project area as a prerequisite to the planned air core drill program. The survey was conducted by a team comprising the Company's employees, an independent consultant and representatives of the registered traditional owners of this region – the Maduwongga people. The survey area comprised 11 mining tenements and 3 exploration tenements (Figure 2).

On completion of the survey, the Aboriginal Heritage Consultant Team confirmed that the surveyed area contains no previously unidentified sites of cultural or archaeological significance.

Air Core Drill Program

In the June Quarter, the Company finished stage 1 of 50 planned wide spaced air-core drill holes, for an aggregate of 1,446 metres (Figure 3). The plan was to test potential gold targets in the north and south extension areas along the Brilliant prospect mineralisation corridor as well as other targets which were 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). No significant gold intercepts were recorded, however the Company will drill test further targets within Kurnalpi project in the current quarter.

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.

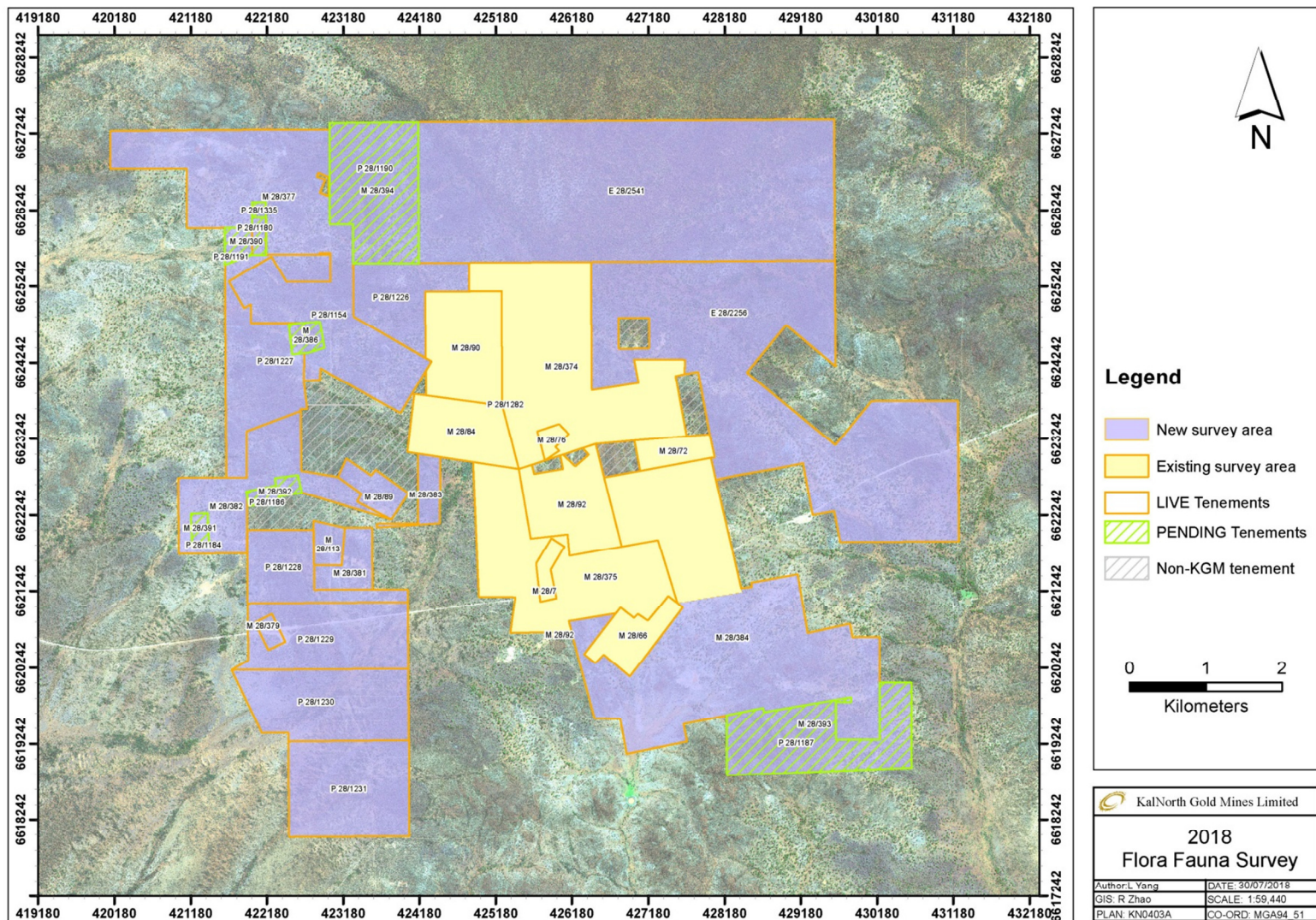


Figure 1. Flora and Fauna Survey area

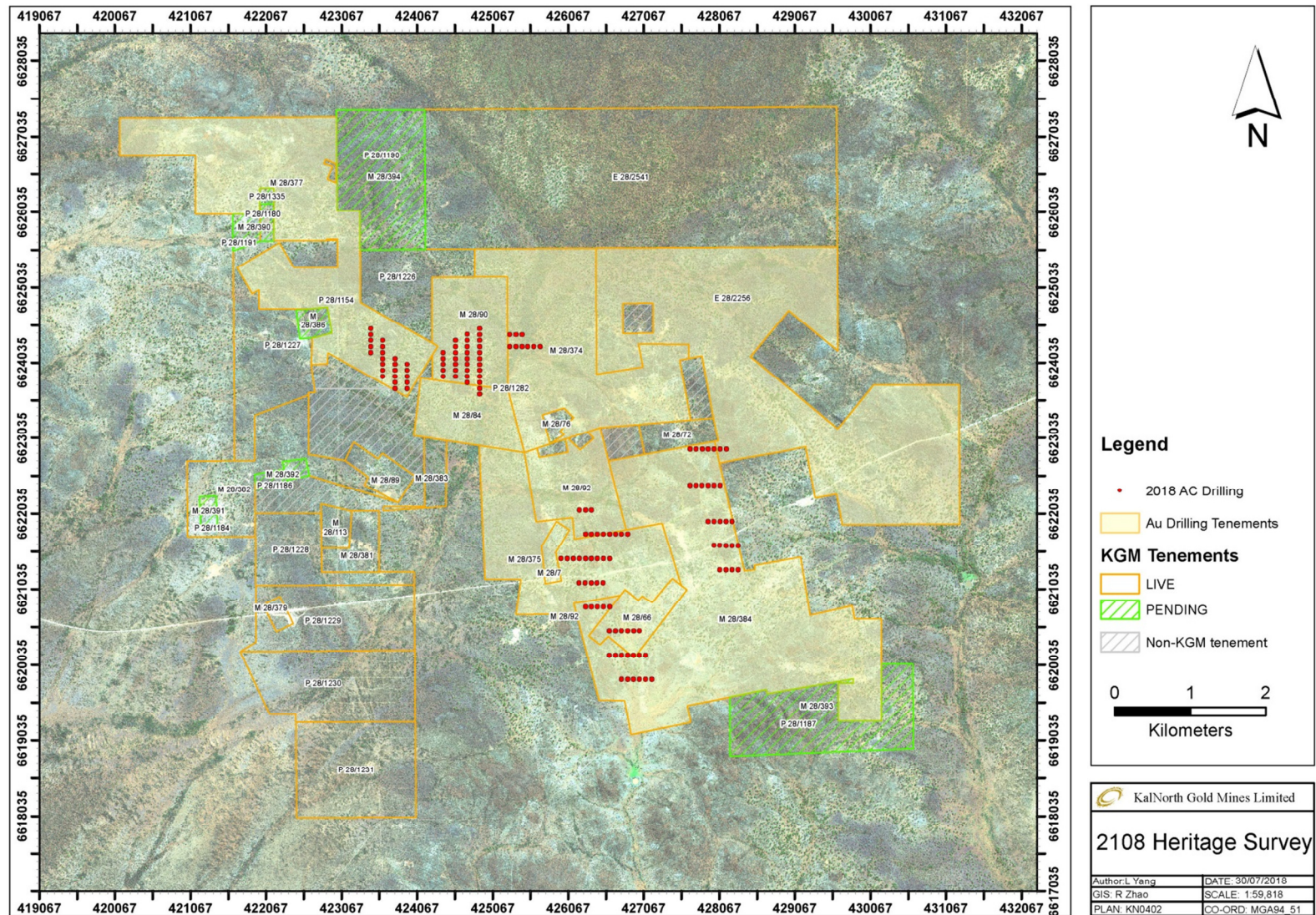
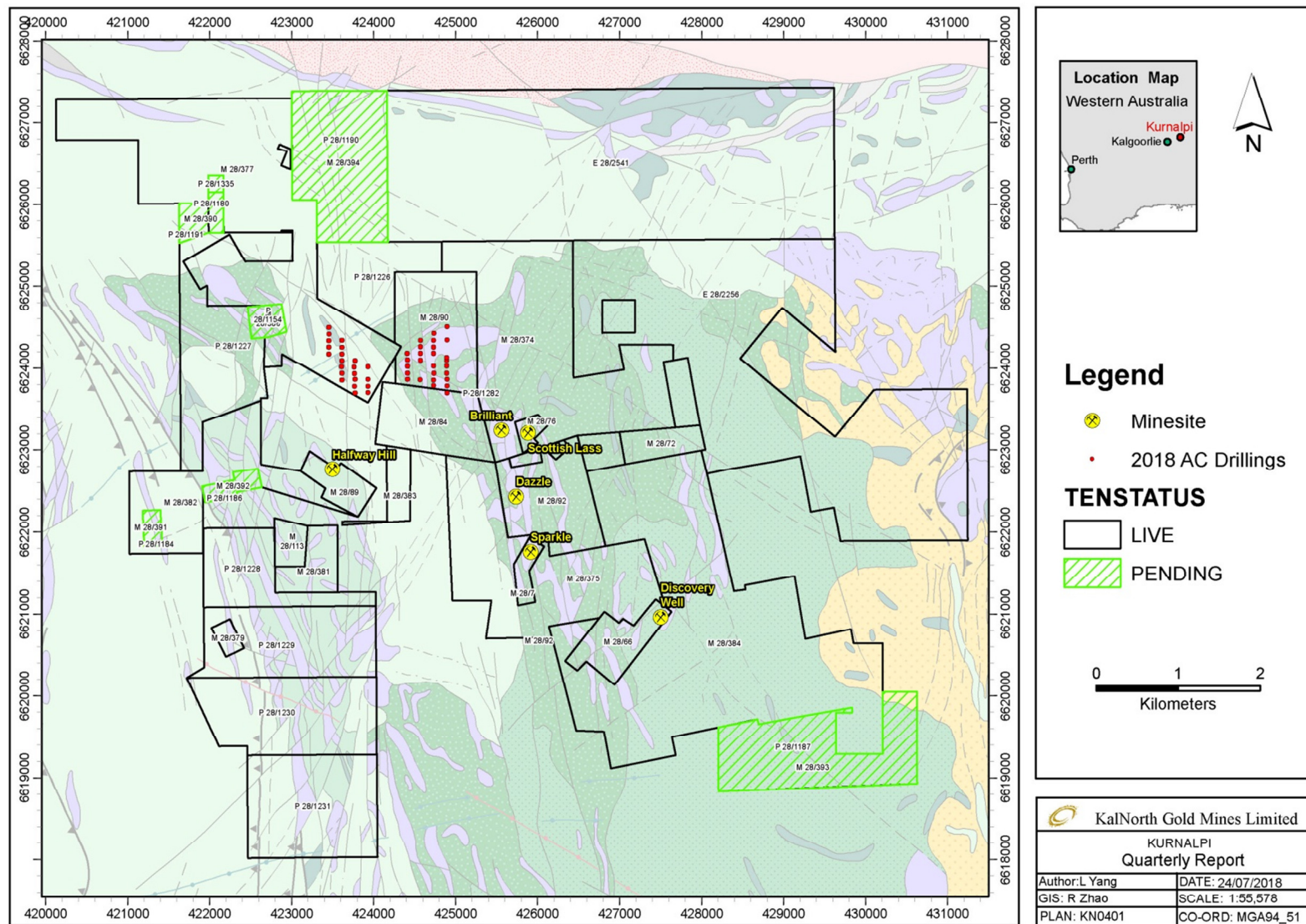


Figure 2. Heritage Survey area



CORPORATE REPORT

Convertible Loan Facility

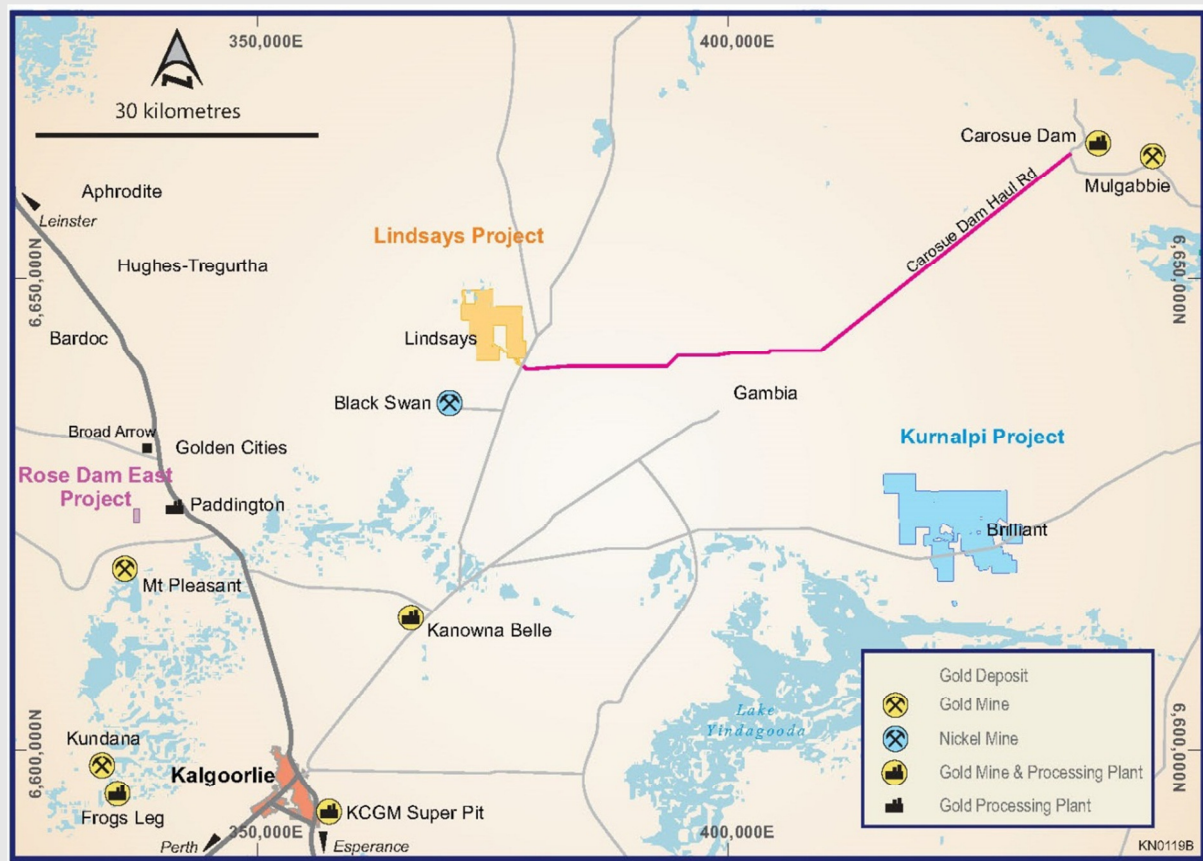
The Company had a \$2 million convertible note facility made available to it by the then largest shareholder Cross-Strait Common Development Fund Co., Limited (“Cross Strait”) (refer to ASX announcement on 16 September 2015), of which \$1.3 million was drawn down. The facility expired on 30 April 2018 and the parties remain in discussion about repayment of the principal and interest amounts owing under the facility.

Cash Reserves

Net cash outflows for the June 2018 quarter amounted to approximately \$277,456 (approximately \$164,000 in the previous quarter) of which approximately \$139,953 was attributable to exploration and evaluation activity. Cash assets at the end of the Quarter were \$2.47M with outstanding convertible notes and interest of \$1.49 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 June 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
P28/1335	KalNorth Gold Mines Ltd	Pending	Kurnalpi	100
E27/0524	Heron Resources Ltd	Live	Binti Binti	100% Au rights

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

Tenements Relinquished / Disposed during the June 2018 Quarter

Nil

Tenements Acquired During the June 2018 Quarter

Tenement	Holder	Status	Date	Project	Interest %
P28/1335	KalNorth Gold Mines Ltd	Pending	19/03/2018	Kurnalpi	100

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