

## Quarterly Activities Report: March 2015

### KalNorth Gold Mines Limited

**Date:** 29 April 2015

**ASX Code:** KGM

**Issued Capital**  
315 million ordinary shares

**Current Share Price**  
\$0.02

**Market Capitalisation**  
\$6.32 million

**Board Members**  
Jiajun Hu  
Chairman  
\*appointment on 15 April 2015

Lijun Yang  
Executive Director & Company Secretary

Yuanguang Yang  
Non-executive Director

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### Projects

#### Eastern Goldfields-Western Australia

- Kurnalpi (100%)
- Lindsays (100%)
- Kalpini (100%)
- Roe (100%)
- Spargoville (80%)

The board of KalNorth Gold Mines Limited ("KalNorth" or the "Company", ASX: KGM) are pleased to report on activities and progress made during the March 2015 Quarter. The quarter is considered a milestone period for the company with the completion of the first drilling undertaken on its projects since the suspension of mining at Lindsays in August 2013 and the reinstatement of the company's securities to the ASX. The board and management continue to focus on realizing shareholder value by the development of one or more of the existing gold resources.

### Quarterly Highlights:

- High grade gold results returned from three Diamond drill holes targeting the Parrot Feathers lode beneath the stage 2 pit at Lindsays including **2.3m @12.4gpt** from 70.7m downhole in LIND007.
- Five RC precollared diamond drill holes completed at Kalpini to support geological model. Results pending
- Engaged a consultant geophysicist to commence geophysical interpretation of the Kurnalpi Project to aid in generating targets considered prospective for gold mineralisation, and later prioritizing for evaluation.
- Completed detailed ground based gravity survey on key tenement at Lindsays and Kalpini.
- Will Resume 100% ownership of the Spargoville project after being notified of withdrawal and transfer of equity earned by Joint Venture partner.
- Reinstated the Company's securities to quotation on 19 March 2015.
- Reached agreement for the restructuring of loans with secured and unsecured lenders to the company.
- Received a cash refund of \$533,785 for a successful Research and Development Tax Incentive claim.

# EXPLORATION REPORT

**KalNorth holds a portfolio of tenements in five exploration projects in close proximity to Kalgoorlie in the Eastern Goldfields region of Western Australia. Four of the project areas contain gold resources at which the company is focussing on options to realise shareholder value from development opportunities.**

The March 2015 quarter was a landmark period for the Company, being the first quarter where significant exploration that includes drilling was completed since February 2013. Work during the quarter involved RC (reverse circulation) precollared diamond drilling, ground based gravity surveys, geophysical interpretation and geological appraisal. This work has been completed in line with the company's strategy to realise value from and develop one or more of its existing gold resources. In addition, the company continued to maintain and advance prospecting activities on the significant tenement holding by working with prospectors whom operate under agreement with the Company. This prospecting assists the company by contributing expenditure to maintain tenement compliance, delivery of a small revenue from gold nuggets and providing valuable regolith information that helps unravel the underlying geology.

## **Lindsays Project (KGM 100%)**

The Lindsays Project contains the Lindsays mine site which remains on care and maintenance since mining was suspended in August 2013. Mining was conducted at the stage 1, stage 2 and trial open pits with the production of 138,229 tonnes of ore grading 1.93gpt Au. The stage 2 pit was the largest of the three pits with gold mineralisation hosted by a narrow shallow dipping quartz vein known as Parrot Feathers, which lies along the Eastern Structure. During the quarter three RC precollared diamond drill holes were completed to evaluate and confirm the geometry and style of mineralisation of the Parrot Feathers lode approximately 30m below the base of the stage 2 open pit. The Parrot Feathers lode is exposed along the entire length of the open pit and historical drilling has shown the lode to have good continuity both along strike and down dip.

The Parrot Feathers lode had been previously evaluated predominantly via reverse circulation (RC) drilling over a strike length of approximately 300m and to a depth of 150m from surface and to a nominal 20m by 20m drill pattern.

Wider spaced diamond drilling had tested the lode at depth and demonstrated both the continuity and higher grade nature of the vein.

The recent drill holes were drilled on three sections spaced approximately 40m apart to target the central portion of the lode (refer Figures 2&3). The drilling has confirmed the narrow and flat dipping nature of the Parrot Feathers lode and style of mineralisation (Figure 1). Better results from the program (Table 1) include:-

- **2.3m @12.4gpt from 70.7m downhole**  
*Including 0.5m @30.8gpt from 70.2m downhole*
- **0.7m @ 11.3gpt from 61m downhole**
- **0.3m @ 8.08gpt from 74.8m downhole**
- **0.7m @ 5.85gpt from 71.1m downhole**

The results from this drilling will be incorporated into a revised resource estimate for the Parrot Feathers lode (refer to Figure 2 for location) which was commenced during the quarter by Ravensgate Geological Consultants. This estimate will form the basis to consider the opportunity to develop the lode via underground mining from the base of the Stage 2 pit. It is anticipated the Parrot Feathers resource will be completed and released in the coming month.

In addition to the drilling at the Lindsays mine, a detailed ground based gravity survey was completed during the quarter over an exploration licence to the north and adjoining the minesite. This survey will complement the gravity survey completed over the Lindsays mine site tenements in early 2012. The merged and processed will be used to define structural and geological characteristics of the Lindsays area to assist in focussing future exploration.

## **Kalpini Project (KGM 100%)**

The Kalpini Project is located midway between Lindsays and Kurnalpi and consists of three tenements, one of which contains the Kalpini gold resource. The gold resource is hosted at three prospects, namely Atlas, Gambia and Camelia all hosted within dolerite but having contrasting controls on the mineralisation. During the quarter five RC pre collared diamond holes totaling 513 m were drilled at the Gambia and Camelia prospects to gain further information on the geometry and style of the gold mineralisation. Hole depths ranged from 89m to 143m and were sited proximal to the previous drilling. The drill core is yet to be processed and sampled with results expected to be released over the next month.

A detailed ground based gravity survey was also completed on the two exploration licenses located along strike to the north and south of the Kalpini mining lease, host to the gold resource. The survey was completed to aid in defining structural and geological trends that will be used to focus exploration. Results of the survey will be released in the coming month.

### **Kurnalpi Project (KGM 100%)**

The Kurnalpi project is located some 90 kilometres to the east of Kalgoorlie and covers approximately 100 square kilometres of land considered to have favourable regional geological characteristics considered prerequisites for large gold deposits. During the report period, work was focussed on advancing the understanding of the geological controls to underpin target generation for gold mineralisation.

This ongoing work involves producing an interpretation of the geology at Kurnalpi utilising both company and publically acquired geophysical data (aeromagnetics, gravity). At quarter's end, this interpretation was well advanced and due to be completed by the end of April. The interpretation will be interrogated with other company data (drilling, surface geochemistry) to aid in generating a number of prioritized targets that will be considered for further exploration.

### **Spargoville Project (KGM 80%, Mithril 20% )**

The Spargoville Project, located some 45km to the south east of Kalgoorlie, was subject to a farm in and Joint Venture with Mithril Resources Limited (ASX:MTH) where Mithril had earned an initial 20% interest. During the quarter, Mithril advised the company that it was withdrawing from the Mining Farm-In and Joint Venture agreement and that it had agreed to hand back its existing 20% interest for nil consideration. The company will resume 100% ownership and management of the project on May 11 2015.

### **Roe Project (KGM 100%)**

The Roe Project consists of two exploration licenses located approximately 50km to the east of Kurnalpi. The tenements were acquired in 2013 to cover prospective ground on the Claypan Fault over and around the Stag gold prospect. During the quarter, compilation of previous exploration data and a geological appraisal was commenced over the project in order to assist ranking the prospectivity of gold and base metal targets against other projects in the Kalnorth exploration portfolio. The project appraisal is expected to be completed in the coming month.

### **Exploration Outlook**

Exploration during the June 2015 quarter will focus on the completion and announcement of the Parrot Feathers resource, drill results from Kalpini, completion of the geophysical targeting interpretation at Kurnalpi and evaluation of the gravity data acquired at Kalpini and Lindsays.

## **CORPORATE REPORT**

The Company applied for and was granted reinstatement to quotation of its securities on the ASX on March 19, 2015.

### **Loan facilities**

During the quarter, the Board actively discussed and negotiated with its key lenders in order to seek a satisfactory outcome to manage the level of debt.

On March 11 2015, the Company announced (ASX) that it had executed Deeds of Settlement and Release with all lenders with revised terms. The key terms of the new loan arrangements are:

- Principal amounts of the loans (aggregate \$4.2million) have a maturity date of 30 April 2015
- Interest due and payable as at 30 December 2014 of \$667,072.88 on all loans were settled by the issue of 41,177,334 fully paid ordinary shares at an issue price of \$0.0162 per share and
- With effect from 1 January 2015, the interest rate applicable to all loans has been reduced to 10% per annum and payable at six monthly intervals.

In addition, the Company has a \$350,000 convertible loan outstanding and which has a maturity date of 5 March 2016.

### **Cash Reserves**

Total expenditure for the March 2015 quarter amounted to \$364,000 of which \$179,000 was attributable to exploration and evaluation, compared to a total expenditure of \$355,000 in the December 2014 quarter.

During the quarter the company received a successful outcome after completing the required documentation and submission of a claim under the Federal Governments Research and Development (R&D) tax

incentive scheme ("scheme") for the 2014 financial year. The company received a cash refund of \$533,785 pursuant to its R&D claim which relates to costs incurred in relation to mine design and mining processes at the Lindsays Gold mine.

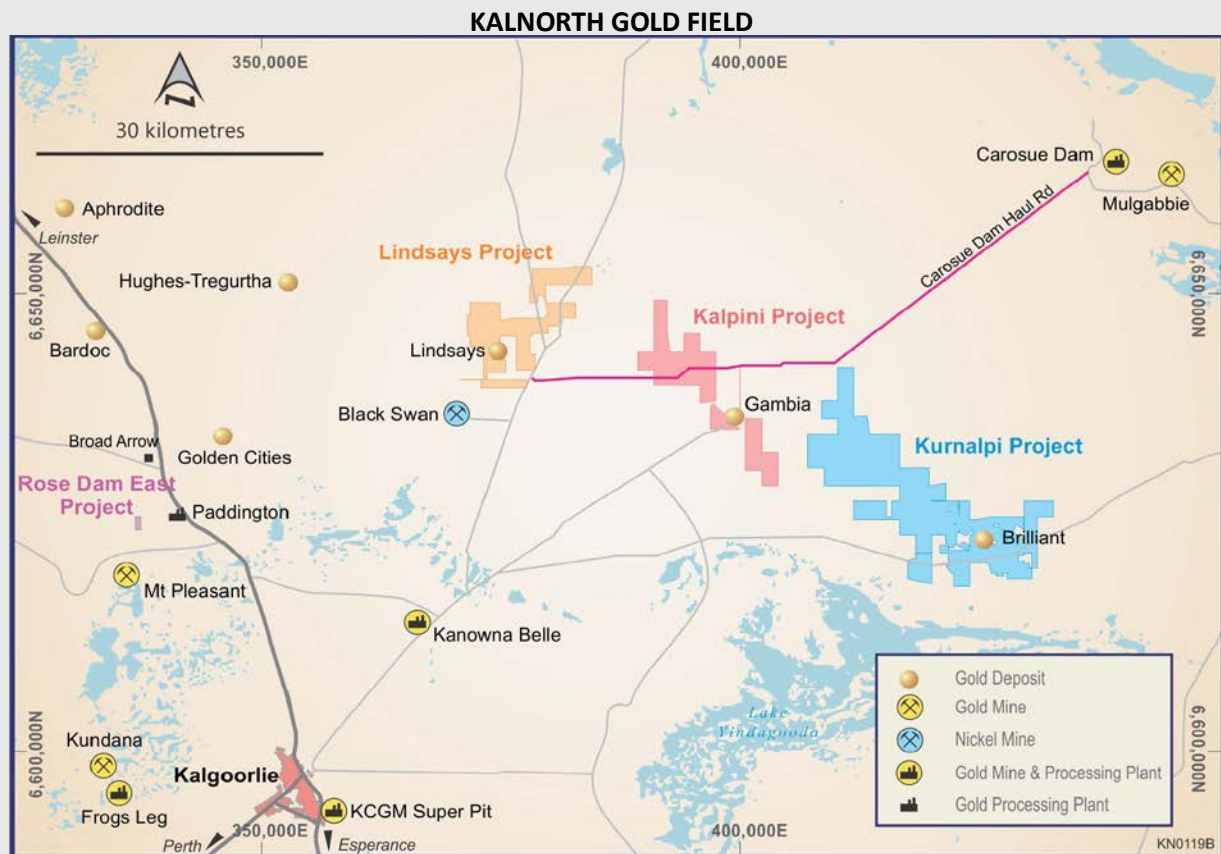
The cash balance at the end of the quarter was \$721,000.

**For further information please contact**

**Lijun Yang**

**Executive Director and Company Secretary**

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*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 three gold projects each with resources within the KGM holding: Lindsays, Kalpini and Kurnalpi (collectively the KalNorth Field). Spargoville, south of Kalgoorlie, is a JV project with Mithril Resources Limited.

KalNorth transitioned to gold producer in January 2013 when it brought the Lindsays Project into production. KalNorth mined Lindsays for 7 months before ceasing mining in August 2013. KalNorth is currently exploring opportunities to develop Lindsays as an underground mine focussing upon the Parrot Feathers lode beneath the Stage 2 open pit.

### **Competent Person Statement-Exploration Results and Mineral Resources**

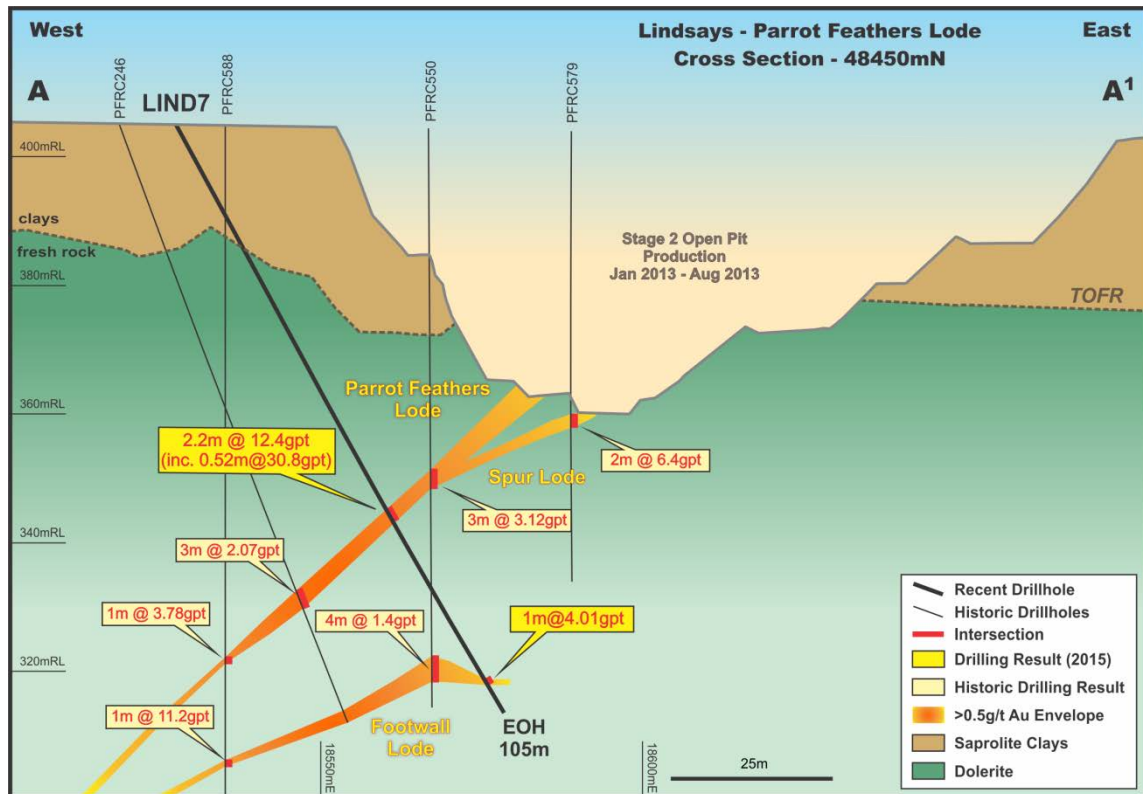
*Information in this announcement that relates to exploration results is based on information compiled and reviewed by Mr. Wade Johnson who is the Exploration Manager of KalNorth. Mr. Johnson is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity which he is undertaking 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. Johnson consents to the inclusion in the document of the information in the form and context in which it appears.*

**Table 1 Lindsays –Parrot Feathers Lode Significant Intersections (All gold intercepts >1.00 g/t gold)**

**Results released to ASX 31 March 2015**

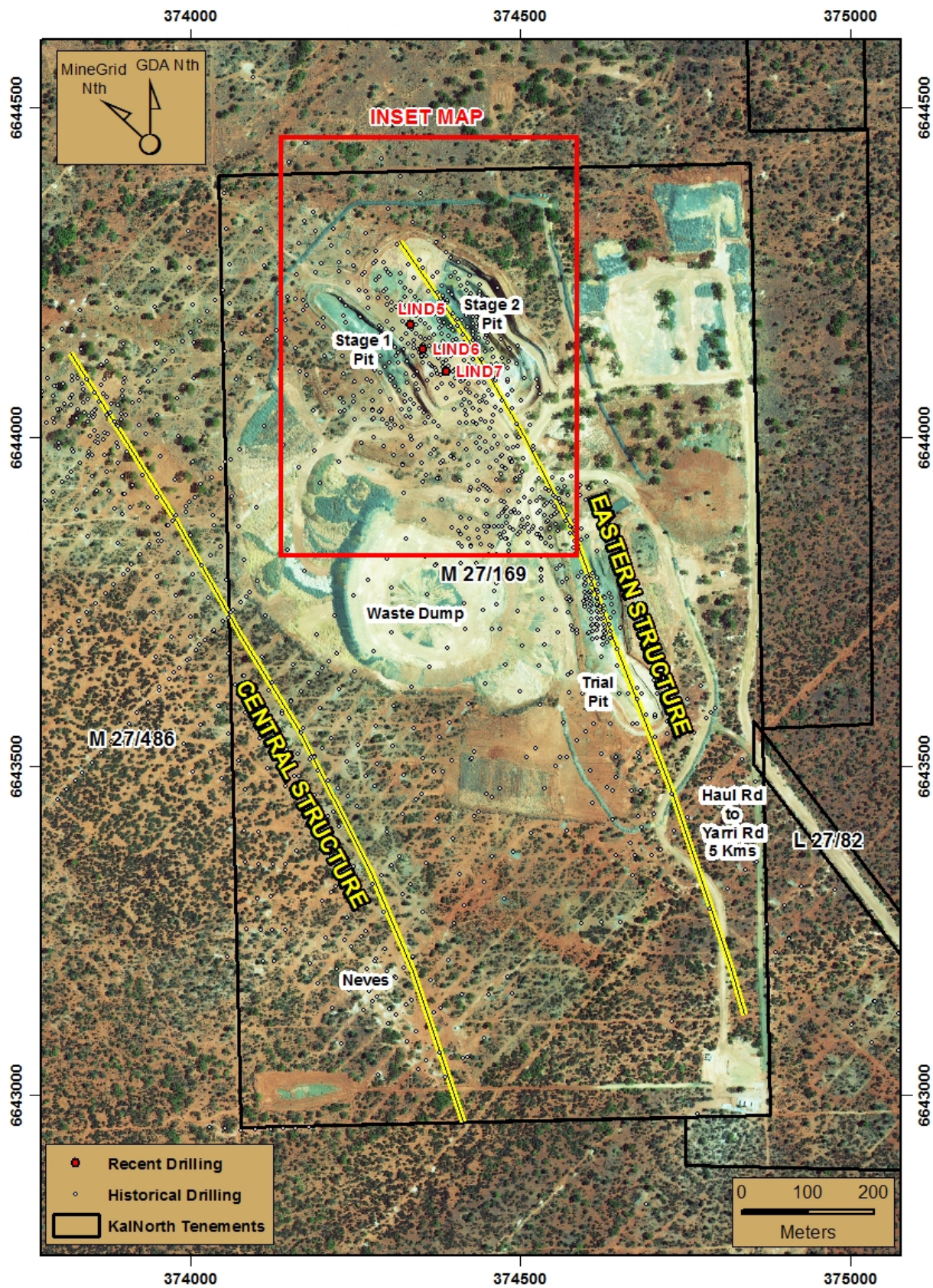
Hole	Northing(m) (Mine Grid)	Easting(m) ( Mine Grid)	Drill Collar RL (Mine Grid)	Dip (Deg.)	Azimuth (magnetic)	Final Hole Depth (m)	Downhole From (m)	Downhole To (m)	Downhole Intersection (m)	Au (gpt) uncut
LIND005	48539.06	18542.86	405.02	59	25.2	95.9	59.2	61.4	2.2	4.68
						<i>includes</i>	60.3	61.0	0.7	11.3
							68.0	71.0	3.0	3.27
						<i>includes</i>	69.0	70.0	1.0	5.69
							74.8	76.0	1.2	4.68
						<i>includes</i>	74.8	75.1	0.3	8.08
LIND006	48499.58	18528.51	405.41	60	40.7	91.8	70.5	71.8	1.3	3.97
						<i>includes</i>	71.1	71.8	0.7	5.85
LIND007	48541.34	18527.49	405.21	61.3	36	105	68.4	70.7	2.3	12.4
						<i>includes</i>	70.2	70.7	0.5	30.8
							99	100	1.0	4.01

Note: Hole Co-ordinates presented as Mine Grid but acquired in MGA Grid GDA94 Zone 51 and transformed.



**Figure 1-Lindsays –Parrot Feathers Lode drill section depicting hole LIND 7**





**Figure 2-Lindsays Mine site layout, mineralised trends and recent drill hole location**





**Figure 3-Lindsay's Mine-Stage 2 open pit location, recent drill holes and Extent of Parrot Feathers lode**



## Tenement Holdings and Movements

Schedule of Mining Tenements and Beneficial Interest

Held as at the end of the March 2014 Quarter

TENEMENT	LOCALITY	PROJECT	HOLDER	INTEREST %
M27/485	KALPINI	KALPINI	KALNORTH GOLD MINES	100
E27/412	KALPINI HILL	KALPINI	KALNORTH GOLD MINES	100
E27/411	MAGGIES DAM	KALPINI	KALNORTH GOLD MINES	100
E28/2015	COLOUR DAM	KURNALPI	KALNORTH GOLD MINES	100
M28/0092	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/0072	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1190	KURNALPI	KURNALPI	KALNORTH GOLD MINES	100
P28/1191	KURNALPI	KURNALPI	KALNORTH GOLD MINES	100
M28/0007	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1228	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1224	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1225	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1226	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1227	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1229	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1230	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1231	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
M28/0084	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
E28/2088	DAVIES DAM	KURNALPI	KALNORTH GOLD MINES	100
E28/2014	MOOREE HILL	KURNALPI	KALNORTH GOLD MINES	100
E28/2226	6 MILE SOUTH	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/374	KURNALPI 1	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/375	KURNALPI 2	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/0090	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1180	KURNALPI	KURNALPI	KALNORTH GOLD MINES	100
P28/1154	RICHES FIND	KURNALPI	KALNORTH GOLD MINES	100
P28/1155	KURNALPI	KURNALPI	KALNORTH GOLD MINES	100
P28/1156	KURNALPI	KURNALPI	KALNORTH GOLD MINES	100
P28/1157	KURNALPI	KURNALPI	KALNORTH GOLD MINES	100
P28/1184	SUCCESS	KURNALPI	KALNORTH GOLD MINES	100
M28/0089	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/0076	SCOTTISH LASS	KURNALPI	SHANNON RESOURCES PTY LTD	100
E28/2153	5 MILE DAM	KURNALPI	KALNORTH GOLD MINES	100
M28/0066	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/0113	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1187	COLOUR DAM	KURNALPI	KALNORTH GOLD MINES	100
P28/1186	PURPLE PATCH	KURNALPI	KALNORTH GOLD MINES	100
P28/1097	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100

TENEMENT	LOCALITY	PROJECT	HOLDER	INTEREST %
P28/1100	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1101	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1102	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1103	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1104	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1105	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1106	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1107	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1108	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1111	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1112	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1113	KURNAPLI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1114	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1115	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1116	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1118	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1119	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1125	KURNALPI 2	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1126	KURNALPI 3	KURNALPI	SHANNON RESOURCES PTY LTD	100
E28/2256	LAPAGE HILL	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1254	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1255	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
E28/2056	6 MILE DAM	KURNALPI	KALNORTH GOLD MINES LIMITED	100
E28/1477	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1117	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
M27/34	LINDSAY FIND	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
M27/169	LINDSAY FIND	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
P27/2111	LINDSAYS NORTH	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
P27/2058	GINDALBIE	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
P27/2084	GINDALBIE	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
P27/2083	GINDALBIE	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
P27/2094	LINDSAY DAM	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
M27/486	LINDSAYS	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
P24/4654	BARDOC	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
P24/4655	BARDOC	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
P15/5264	LOGANS FIND	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/4801	SPARGOVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/4802	SPARGOVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/5494	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
E15/1174	SPARGOVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/5216	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
M15/1806	LADY ALLISON	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/5236	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/5537	LARKINVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80

TENEMENT	LOCALITY	PROJECT	HOLDER	INTEREST%
P15/5545	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/5546	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/5547	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/5548	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/5392	LARKINVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P15/5409	LARKINVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P24/4317	ROSE DAM EAST	MOUNT PLEASANT	KALNORTH GOLD MINES LIMITED	100
L27/82	LINDSAYS HAUL	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
L27/84	LINDSAYS HAUL	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
L27/88	KALPINI HAUL	KALPINI	KALNORTH GOLD MINES LIMITED	100
P27/2110	LINDSAYS	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
P 15/5766	NORTH DAM	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
P 15/5772	LADY ALLISON	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	80
E 27/517	LINDSAYS EAST	LINDSAYS	KALNORTH GOLD MINES LIMITED	100
E28/2303	CLAYPAN EAST	ROE	KALNORTH GOLD MINES LIMITED	100
E28/2304	LAKE ROE	ROE	KALNORTH GOLD MINES LIMITED	100
E27/524	WELLINGTON	KALPINI	HERON RESOURCES LIMITED	100% Au

#### Schedule of Mining Tenements Relinquished During the Quarter

TENEMENT	PROJECT	HOLDER	COMMENT
P24/4654	Mt Jewell	KalNorth Gold Mines Ltd	Surrendered
P24/4655	Mt Jewell	KalNorth Gold Mines Ltd	Surrendered