

Quarterly Activities Report: June 2015

KalNorth Gold Mines Limited

Date: 29 July 2015

ASX Code: KGM

Issued Capital

315.97 million Ordinary shares

Current Share Price

\$0.009*

Market Capitalisation

\$2.844 million*

* Voluntary Suspension since 17 July 2015.

Board Members

Jiajun Hu Chairman

Lijun Yang

Executive Director & Company Secretary

Yuanguang Yang

Non-executive Director

Contact Details

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Projects

Eastern Goldfields-Western Australia

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

The board of KalNorth Gold Mines Limited ("KalNorth or the "Company", ASX: KGM) are pleased to provide the report on activities and progress made during the June 2015 Quarter. The quarter has been a productive and fruitful period for the company since the company recommenced exploration on its three main projects initiated in the March quarter. The board and management team continue to address the strategy to realize shareholder value by focussing exploration on higher priority targets in parallel with seeking development opportunities on one or more of the existing gold resources.

Quarterly Highlights:

- Announced a JORC 2012 Indicated and Inferred mineral resource estimate of 401,000t at 4.2g/t Au for 54,000 ounces of gold at the Parrot Feathers lode, being part of the Lindsay's Project.
- Encouraging assay results returned from five RC precollared diamond holes that confirm the narrow flat dipping high grade gold mineralization along the Gambia-Camelia trend at the Kalpini Project.
- Initiated and completed a detailed geological interpretation of the Kurnalpi project using compilation of both open file and company aeromagnetic and ground based gravity surveys.
- Five high priority target areas considered prospective for gold mineralisation identified from the Kurnalpi geophysical interpretation with initial drill testing planned for the next quarter.
- Resumed 100% ownership of the Spargoville project after the Joint Venture partner formally withdrew on 11 May 2015.

EXPLORATION REPORT

KalNorth had established five exploration projects in past 10 years in close proximity to Kalgoorlie in the Eastern Goldfields region of Western Australia. Each of the four remaining projects (Lindsays, Kalpini, Kurnalpi & Spargoville) contain gold resources and with tenure covering areas considered highly prospective for gold mineralisation. The company is focusing its efforts on gold exploration in parallel with a strategy to realise value from the existing gold resources via development opportunities.

The June quarter of 2015 was a productive and fruitful period for the Company since recommencement of exploration at its three core gold exploration projects during February 2015. The company finalized the resources estimation at Parrot Feathers being part of the Lindsay's project, drilling results returned from the Kalpini project supported the resource model interpretation to assist with future development, and geophysical interpretation of the Kurnalpi project has delivered prioritized targets for further drill evaluation.

In addition, the company continued to maintain and advance prospecting activities by third parties 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, realizing a small revenue from gold nuggets and providing valuable regolith information that helps unravel the underlying geology.

Lindsays Project (KGM 100%)

Open pit mine production at Lindsay's by KalNorth commenced in January 2013 with development of three open pits, the largest being the Stage 2 Pit which hosts the Parrot Feathers lode. Mining ceased in August 5 2013 after the production of 138,229 tonnes of ore grading 1.93gpt which was hauled to and processed at Saracen Mineral Holdings Carosue Dam operation located some 75km to the east.

The company elected to focus on re modelling and resource estimation at the Parrot Feather lode as it was exposed at the base of the suspended stage 2 pit (Figures 1&2), contained higher grade intercepts from

previous drilling than other zones at Lindsay's and had exhibited down dip continuity to some 250m from surface. Furthermore the Stage 2 open pit provided a sound option from which to develop an underground mining operation.

The Parrot Feathers lode resource was previously reported as part of the Eastern Structure in the Lindsay's Resource estimate (*refer KGM ASX Annual report 2014 and announcement on 20 July 2015*). The Parrot Feathers resource estimate below the stage 2 open pit at the Lindsay's project reported under JORC 2012 is shown in Table 1 .

Table 1 Lindsays- Parrot Feathers Deposit 2015 Resource Estimate at 3.0g/t Au Lower Cut.

Material	Tonnes (t)	Grade (g/t)	Ounces (oz)
Indicated	140,000	4.0	18,000
Inferred	261,000	4.3	36,000
Total	401,000	4.2	54,000

All the required regulatory approvals and permitting and infrastructure are in place to recommence open pit mining in Lindsay's Gold mine after it was placed under suspension in August 2013. The more robust geological model and improved grade distribution within the Parrot Feathers lode gives further confidence to KalNorth to consider underground development from the base of the stage 2 open pit. The company has recently completed an initial scoping study and preliminary economic evaluation to assess the potential to develop the Parrot Feathers lode via underground mining. The company continues to progress negotiations with parties interested in a tribute type of mining development of the Parrot Feathers lode.

Kalpini Project (KGM 100%)

The company re initiated exploration at Kalpini and completed a five hole programme of infill RC precollared diamond holes along the Gambia-Camelia Trend during March 2015 quarter. The programme was specifically designed to provide further geological and structural controls on the flat dipping mineralisation.

The assay results received (*Refer ASX announcement July 20 2015*) in this quarter coupled with the structural data interpreted from the drill core confirm the flat dipping high grade nature of the lodes at Gambia and Camelia with the new information providing confidence in the current geological interpretation (Figures 3&4).

The drilling campaign at Kalpini is part of the company's strategy to realize value from the existing resource base through development. The information from the recent drilling will be incorporated into the existing Kalpini resource model to support reporting to JORC 2012 compliance. Resource modelling and targeting for additional styles of gold mineralization is planned for next quarter.

Kurnalpi Project (KGM 100%)

The company's wholly owned Kurnalpi project is located some 90 kilometres to the east of Kalgoorlie and covers approximately 100 square kilometres centered on the historical Kurnalpi townsite.

Kurnalpi was the site of a major alluvial gold rush in the late 1890's, was exploited in the mid 1980's by modern alluvial mining and continues to yield gold nuggets to this day over a wide area by prospectors who work the company's ground under agreement. Numerous small historical gold workings are located throughout the Kurnalpi area but a primary source to the extensive alluvial gold areas is yet to be located.

The company considers the Kurnalpi Project to have the core geological, geophysical, geochemical and structural characteristics that are required to host major Archaean orogenic lode gold deposits, and has initiated work to progress exploration over this high priority area.

In March quarter, the company engaged a geophysical consultant to commence an interpretation of the Kurnalpi area using all available open file company and Government aeromagnetic data sets that were merged to create a seamless mosaic over the wider area surrounding the interpretation block. The purpose of the interpretation was to deliver both a significantly improved geological and structural framework of Kurnalpi, but also a range of ranked target areas considered prospective for gold mineralisation that would assist the prioritisation and focussing of future exploration.

The interpretation was timely, given the Geological Survey of Western Australia (GSWA) completed the Kurnalpi South and North aeromagnetic surveys in July 2013, which covered a large area to the east of Kalgoorlie at 100m line spacings, a major improvement over the previously publically available 200m dataset. In addition to the aeromagnetic data, merging and processing of the company's detailed ground gravity survey that was undertaken in early 2012, with the regional GSWA dataset was also completed. Merging of the aeromagnetic and gravity data was completed in order to offer the highest resolution datasets for the interpretation process.

Given the level of detail produced from the merged geophysical datasets, some 50 targets were selected from the interpretation and were presented as an empirical ranking of low, medium and high (*refer ASX announcement 20 July 2015*). Some of these targets are in close proximity to each other and were thus considered as one or as a "cluster" (Figure 5&6). The company has completed a field review and inspection of the higher ranked targets and has selected five areas considered top tier for further follow up evaluation by drilling. Three of these target areas have had no previous areas of drilling.

To complement the geophysical interpretation at Kurnalpi the company is planning to complete a detailed fact geological and geochemical (alteration) mapping program and initial drill evaluation of the five top tier targets during the next quarter. The geological mapping and geophysical interpretation datasets will be integrated to deliver an improved geological interpretation and further re prioritisation of areas considered to have the strongest vectors (geology, alteration, and geochemistry) to a major gold system.

Spargoville Project (KGM 100%)

The Spargoville Project, located 45km to the south east of Kalgoorlie, and was farmed out to Mithril Resources Limited (ASX: MTH) and had earned an initial 20% interest in the project on 15 May 2014. During the March quarter 2015, Mithril withdrew from the JV agreement and handed back the 20% interest for nil consideration, effective from 11 May 2015. The Company resumed 100% ownership and management of the project during the quarter and had commenced divestment discussions with an interested party.

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 adjacent to the Claypan Fault over and around the Stag gold prospect. During the quarter, compilation of previous exploration data and a geological appraisal commenced in March quarter had been finalized and some ranking of the prospectivity of gold and base metal targets had been completed. The company has proposed to evaluate key targets during the December quarter.

For further information please refer to the following ASX announcements:

- 8-July-2015 Kalpini Project-High Grade intersections
- 20-July-2015 Lindsays Gold Mine-Parrot Feathers Resource.
- 20-July-2015 Kurnalpi Project-Exploration Update

Exploration outlook

The further exploration and evaluation had been scheduled in all three main projects Lindsay's, Kalpini and Kurnalpi as the company followed the same strategy to focus on the exploration as well realizing existing project resources. The company is seeking the support from different parties to improve the financial position to implement the plan.

CORPORATE REPORT

Cash Reserves

Total expenditure for the June 2015 quarter amounted to \$484,455 of which \$340,497 was attributable to exploration and evaluation, compared to a total expenditure of \$363,441 in the March 2015 quarter.

The cash balance at the end of the quarter was \$231,716.

Working Capital

At 30 June 2015, outstanding loans, convertible notes and interest thereon amounted to approximately \$4.76 million. Included in that amount is interest of approximately \$217,000 that was due and payable at 30 June 2015, whereas the loans and convertible notes have a maturity date of April and March 2016 respectively. The Company is presently in negotiation with its lenders and convertible note holders for a restructuring of debt. Other measures to address the Company's working capital position include advanced plans for a non-renounceable rights offer.

Trading in the Company's shares on ASX is presently subject to Voluntary Suspension whilst the Directors address the working capital position of the Company.

For further information please contact

Lijun Yang

Executive Director and Company Secretary

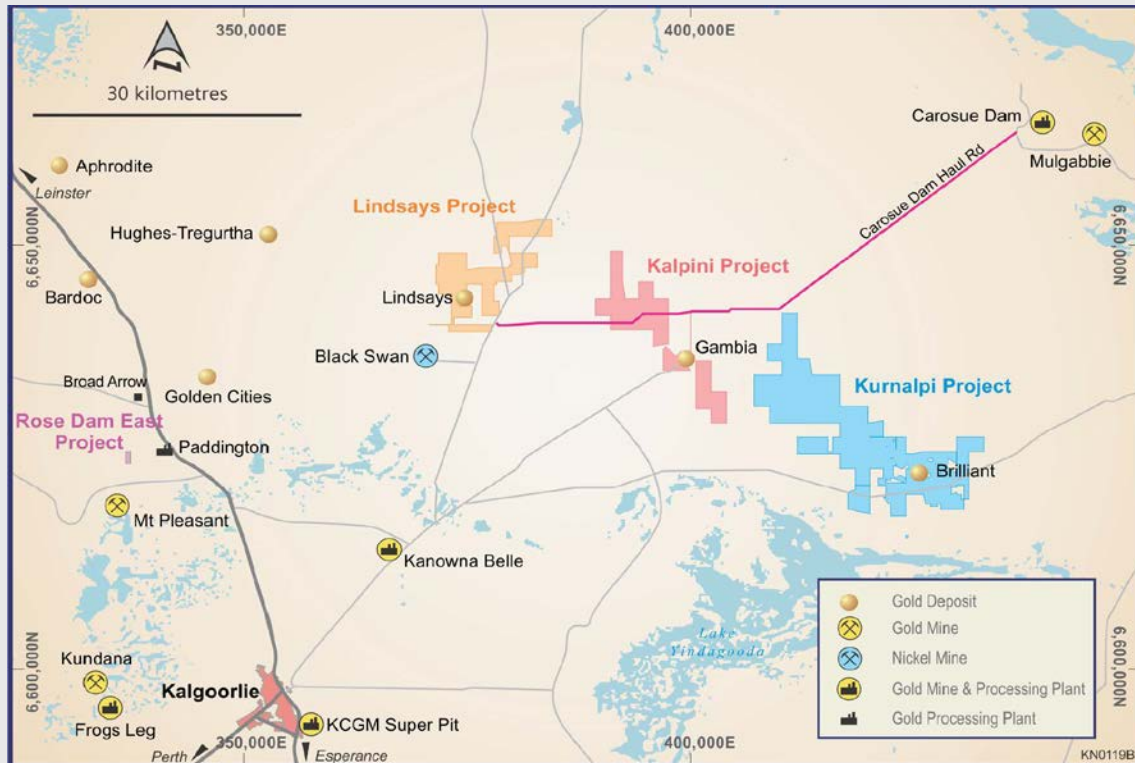
Email: info@kalnorthgoldmines.com

Competent Person Statement-Exploration Results and Mineral Resources

Information in this announcement that relates to Exploration Results and Mineral Resources 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

The information on Mineral Resources has been extracted from the ASX announcement titled "Lindsays Gold Mine-Parrot Feathers Resource" dated 20 July 2015. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and in the case of estimates of Mineral Resources and Ore Reserves that all market assumptions and technical assumptions underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Persons findings are presented have not materially modified from the original market announcement.

KALNORTH GOLD FIELD



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.

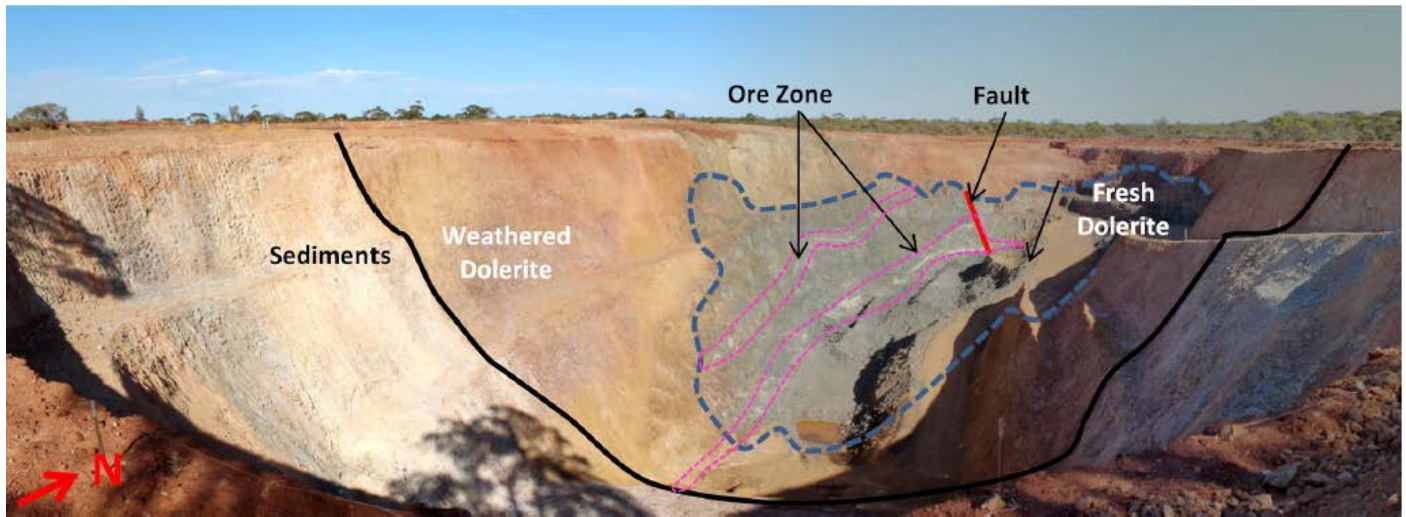


Figure 1-Stage 2 pit at the Lindsay's Project showing the local geology (Base of Pit is 360mRL, Surface 404mRL). Source: Mineral Resource Estimate Report-Parrot Feathers 2015-Ravensgate

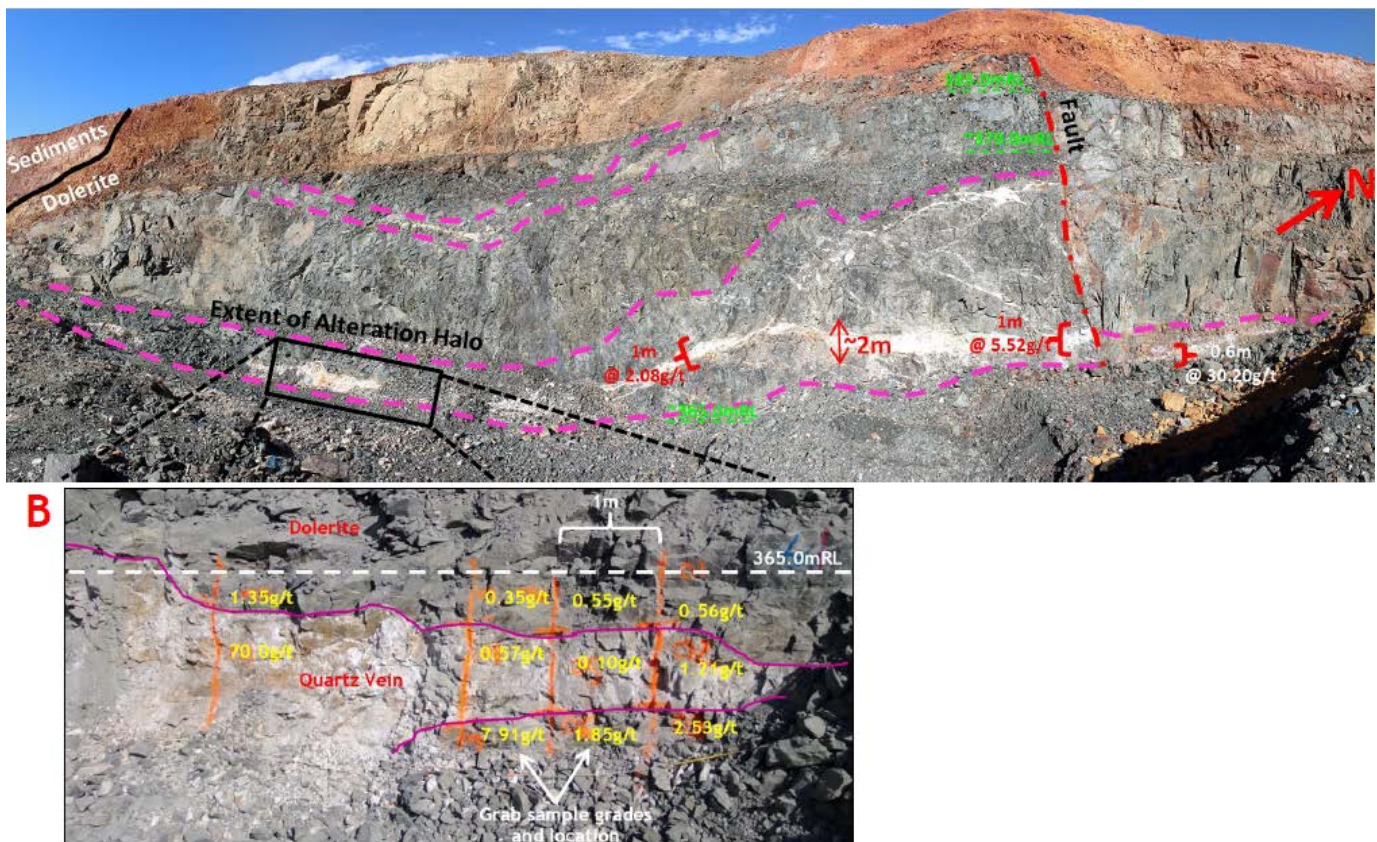


Figure2 Close up of remnants of the ore in the west and North west wall of the Lindsay's Stage 2 pit (look approximately 330°) showing gold variability in the quartz vein (Parrot Feathers Lode) and channel sampling (B)- Source: Mineral Resource Estimate Report 2015-Parrot Feathers-Ravensgate

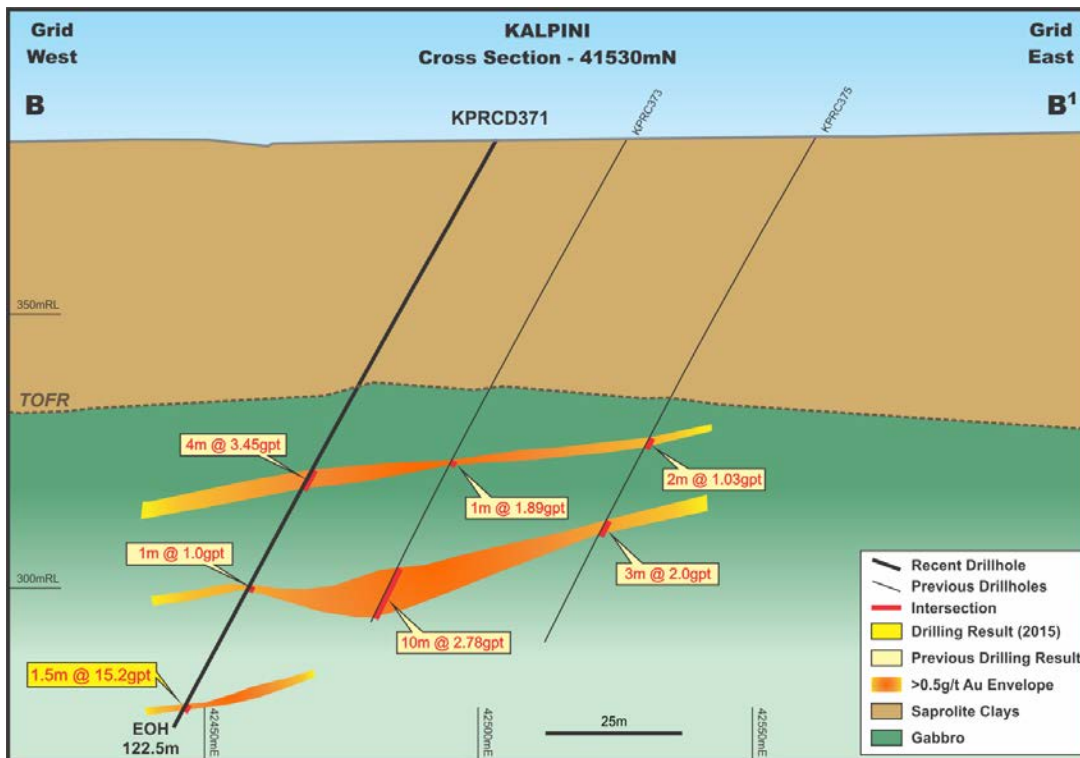


Figure 3-Drill Core KPRCD371 (drilled as KPDD13), showing high grade mineralised interval

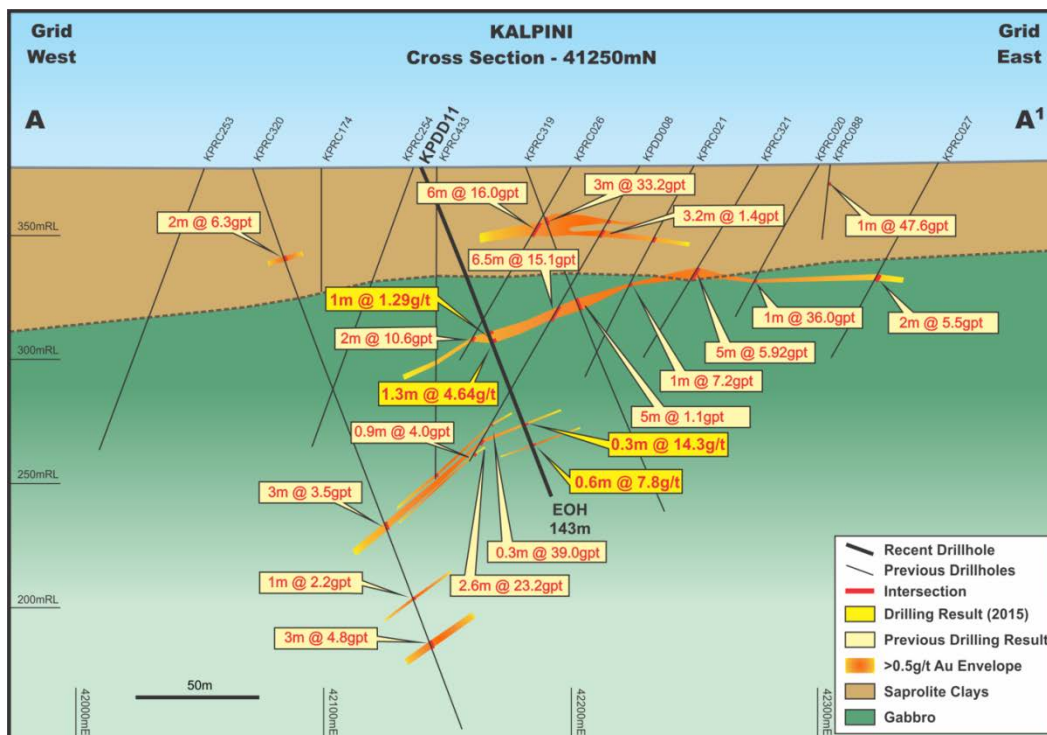


Figure 4- Gambia Drill section 41250mN and hole KPDD011

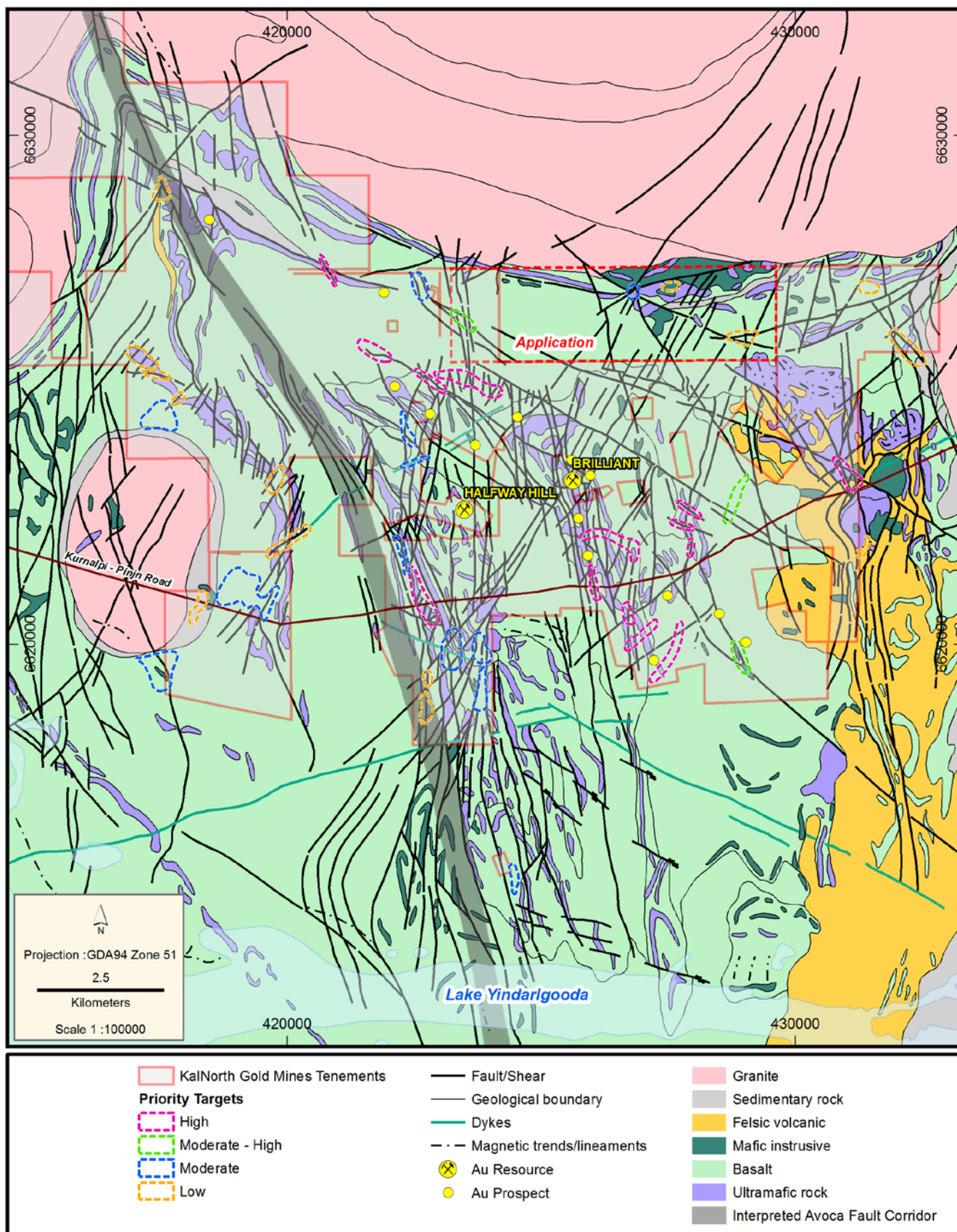


Figure5-Geophysical Interpretation of the Kurnalpi Project and targets Identified. (Bisset 2015)

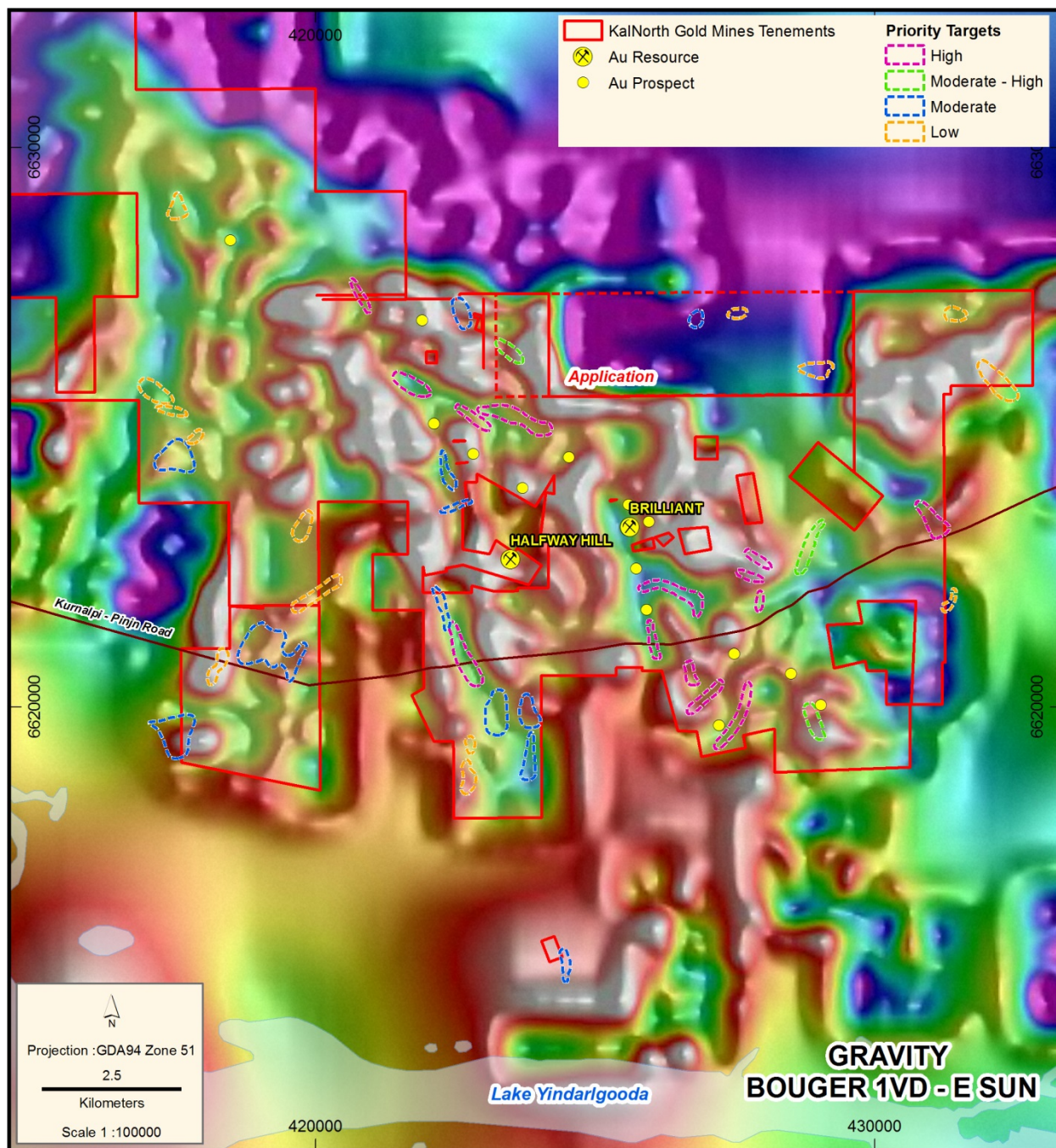


Figure 6-Image of processed and merged detailed gravity data, Kalnorth tenure and geophysical targets.

Tenement Holdings and Movements

Mining Tenements and Beneficial Interest Held as at the end of the June 2015 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
E28/2541	BRILLIANT NORTH	KURNALPI	SHANNON RESOURCES PTY LTD	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
P15/5264	LOGANS FIND	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/4801	SPARGOVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/4802	SPARGOVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5494	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
E15/1174	SPARGOVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5216	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
M15/1806	LADY ALLISON	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5236	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100

TENEMENT	LOCALITY	PROJECT	HOLDER	INTEREST%
P15/5545	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5546	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5547	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5548	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5392	LARKINVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5409	LARKINVILLE	SPARGOVILLE	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	100
P 15/5772	LADY ALLISON	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
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

Mining Tenements Relinquished During the Quarter

TENEMENT	PROJECT	HOLDER	COMMENT
P24/4317	Rose Dam	KalNorth Gold Mines Ltd	Returned to Vendor
P15/5537	Spargoville	KalNorth Gold Mines Ltd	Returned to Vendor