



30 July 2015

Dear Shareholder

PARTICIPATION IN PRO-RATA NON-RENOUNCEABLE ENTITLEMENTS ISSUE

KalNorth Gold Mines Limited (the "Company") has issued a Pro-Rata Non-Renounceable Entitlement Issue Prospectus ("Prospectus") for the offer of approximately 157,983,017 Shares at \$0.01 per Share, on the basis of 1 Share for every 2 Shares held by Eligible Shareholders as at the Record Date to raise up to approximately \$1,579,830 (**Rights Issue**). The Rights Issue prospectus will be sent to all shareholders but holders with registered addresses outside Australia, New Zealand and Hong Kong must ensure that they are in compliance with their country's securities law if they plan to apply for their Entitlement.

You will receive a hard copy of the Prospectus, together with a personalised Entitlement and Acceptance Form soon after the despatch date of 11 August 2015 — please refer to the timetable below. In calculating Entitlements, fractions will be rounded up to the nearest whole number.

The Rights Issue is not underwritten.

The net proceeds of the Rights Issue will be used to repay Interest on loans and convertible notes, to fund exploration and evaluation expenditure including tenement rents, rates, salaries, wages and exploration activity comprising some or all of surveying, mapping, geochemical, geophysics and drilling and supplement general working capital for administration and corporate overheads.

The Company proposes to conduct the Rights Issue according to the following timetable:

Prospectus lodged with ASIC and ASX	29 July 2015
Shares trade "ex" the entitlements issue on ASX	4 August 2015
Record Date	6 August 2015
Despatch of Prospectus and Opening Date	11 August 2015
Closing Date	5.00pm WST on 20 August 2015
Shares quoted on a deferred settlement basis	21 August 2015
Allotment of Shares and despatch of holding statements	27 August 2015
Normal trading of Shares commences	28 August 2015

The Company reserves the right to extend the closing date, subject to the ASX Listing Rules in which case the date of issue of the securities will alter accordingly. The Prospectus has been lodged with ASX and the Australian Securities and Investments Commission (ASIC) and is available on the ASX website, www.asx.com.au and on the Company's website.

Yours faithfully

A handwritten signature in dark ink, appearing to read "Lijun Yang", is written in a cursive, flowing style.

Lijun Yang
Executive Director