

## Quarterly Activities Report: September 2015

### KalNorth Gold Mines Limited

**Date:** 28 October 2015

**ASX Code:** KGM

**Issued Capital**

345.50 million Ordinary shares

**Current Share Price**

\$0.007

**Market Capitalisation**

\$2.419million

**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 September 2015 Quarter. Limited exploration was undertaken during the quarter but very productive and fruitful corporate progress had been achieved including commencement of a right issue, entered into agreement with main creditors to settle the loan as well as signed CN facility agreement. The Company will continue to process all engaged transactions and 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:

- A pro-rata non-renounceable issue of shares had been offered to all shareholders as a 1 for 2 existing shares at \$0.01 per share.
- Binding agreement were entered into with main creditors through settlement by issue of shares at an issue price of \$0.01 each.
- A 2M Convertible Notes facility agreement had been achieved between the Company and its largest shareholder to fund the exploration activities cost and working capitals.
- Continued to manage prospectors who are active on a portfolio of tenements primarily at Kurnalpi but also Lindsays.
- Progressed negotiations with a third party for the off site processing of the Lindsays low and medium grade stockpiles.
- Additional parties expressed interest in and commenced evaluation of mining opportunities at Lindsays and Kurnalpi

# EXPLORATION REPORT

Limited field exploration was conducted over the company's tenement portfolio during the quarter with an emphasis on reviewing areas for tenement rationalization and planning work to commence in the December quarter. The company continues to host a number of third party prospectors who operate under agreement with the company on numerous tenements to assist with tenement compliance and provide geological information.

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

During the quarter the company commenced and progressed negotiations with a party for the removal and processing of the medium and low grade stockpiles located at the Lindsays mine site. General terms of an ore processing agreement have been discussed and the company is hopeful that an agreement can be reached in the December Quarter.

As outlined in the previous quarter the company continues to seek ways to recommence mining at the Lindsays mine site which remains under suspension. During the quarter a third party commenced a detailed review of the Lindsays Project and specifically the Parrot Feathers lode to determine the economics of developing a tribute style of underground operation to mine the ore beneath the Stage 2 open pit. In addition discussions also commenced and data supplied to another party whom has expressed interest in developing the previously approved open pit resources.

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

The company continues to manage several prospectors who operate over much of the Kurnalpi tenement package. The prospecting activities not only provide a very small income from a share of the nuggets recovered, but valuable information on the spatial distribution of the nuggets in relation to the regolith and geology. Technical discussions had been in progress over the past six months with a group interested in pursuing a research project into the origin and provenance of the gold nuggets at Kurnalpi. This research opportunity could provide a vector to the primary source or sources of the widespread occurrence of the gold nuggets at Kurnalpi.

Subsequent to the completion of the geophysical interpretation of the Kurnalpi Project reported last quarter, planning for an infill gravity survey to further refine key geological targets was completed. This work

is planned to be commenced in early October.

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

No field work was undertaken during the quarter and the company continues to seek and discuss divestment opportunities with interested parties.

# CORPORATE REPORT

## ***Right Issue***

The Company announced a 1 for 2 Non-Renounceable Rights Issue at 1 cent per new share, to raise up to \$1.58 million before costs(*refer to ASX announcement on 29 July 2015*). 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.

## ***Loan settlement agreement signed***

During the Quarter, the Company announced that it had reached agreement for the settlement of various loans and interest through the issue of shares. Outstanding loans for principal amounts of \$4.15M in aggregate, together with all interest accruing on those loans from 1 January 2015, are proposed to be settled by issue of shares in the Company(*refer to the ASX announcement on 1 September 2015*). Shareholder approval for settlement of these loans will be sought at the forthcoming annual general meeting.

## ***CN facility agreement signed***

the Company announced a \$2M convertible note facility agreement had been signed with the Company's largest existing shareholder Cross-Strait Common Development Fund Co., Limited (*refer to the ASX announcement on 16 September 2015*) and an advance of \$300,000 had been received under the terms of the proposed facility. Shareholder approval for the convertible note facility will be sought at the forthcoming annual general meeting.

## ***Cash Reserves***

Total expenditure for the September 2015 quarter amounted to \$212,264 of which \$121,602 was attributable to exploration and evaluation, compared to

a total expenditure of \$340,497 in the June 2015 quarter. The cash balance at the end of the quarter was \$326,376.

Subsequent to quarter-end, the Company raised \$295,321 from a rights issue. The rights offer was originally initiated in late July 2015 and had targeted a raising of up to \$1.6M under a 1 for 2 offer at \$0.01 per share. Trading in the Company's shares on ASX had been resumed after news shares of Right Issue had been allotted.

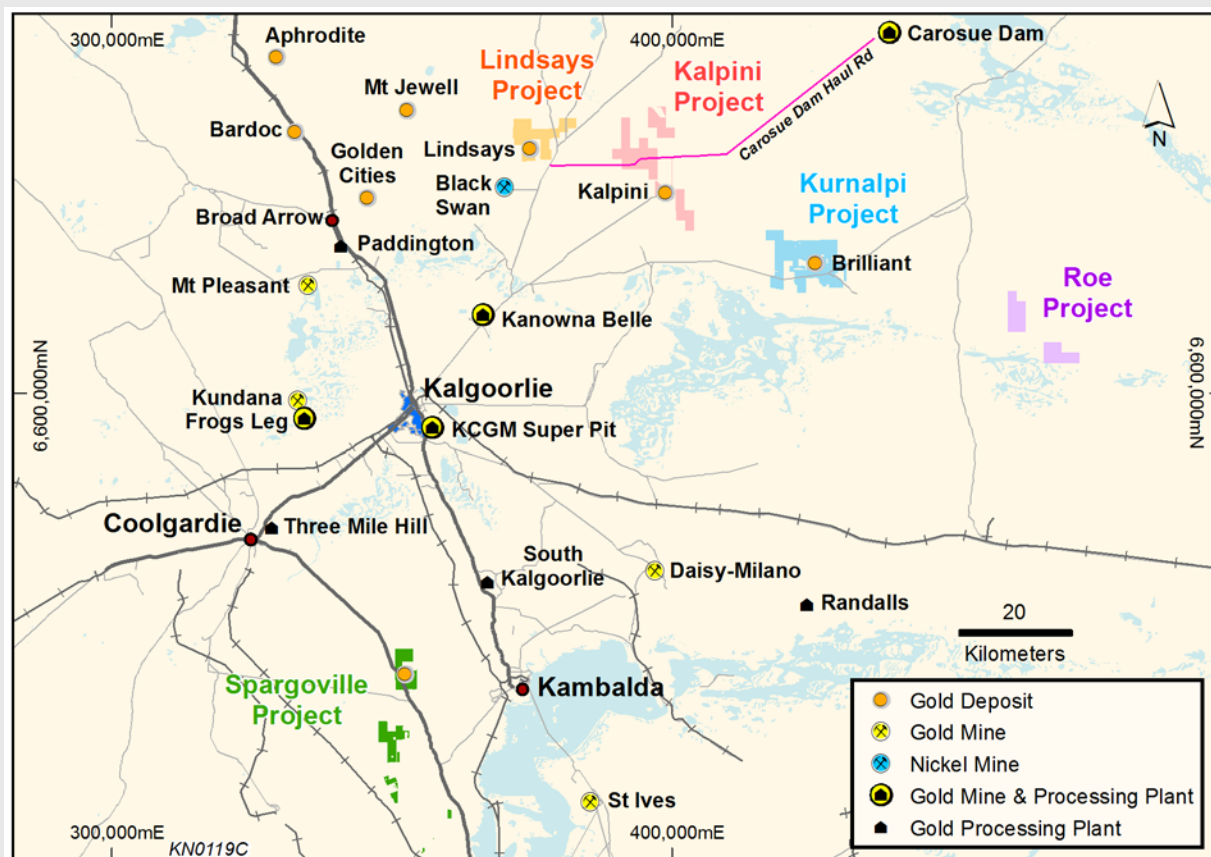
**For further information please contact**

**Lijun Yang**

**Executive Director and Company Secretary**

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## 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 main gold projects each with resources within the KGM holding: Lindsays, Kalpini and Kurnalpi (collectively the KalNorth Field)..

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.

## Tenement Holdings and Movements

Mining Tenements and Beneficial Interest Held as at the end of the September 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
E28/2541	BRILLIANT NORTH	KURNALPI	SHANNON RESOURCES PTY LTD	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
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

TENEMENT	LOCALITY	PROJECT	HOLDER	INTEREST %
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
E28/1477	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
P27/2094	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
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 RD	KALPINI	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

TENEMENT	LOCALITY	PROJECT	HOLDER	INTEREST%
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
P27/2110	Lindsays	KalNorth Gold Mines Ltd	surrendered
P27/2083	Lindsays	KalNorth Gold Mines Ltd	surrendered
P27/2084	Lindsays	KalNorth Gold Mines Ltd	surrendered
E28/2014	Kurnalpi	KalNorth Gold Mines Ltd	surrendered
E28/2056	Kurnalpi	KalNorth Gold Mines Ltd	surrendered
E28/2088	Kurnalpi	KalNorth Gold Mines Ltd	surrendered