

18 February 2016

ASX RELEASE

The Manager
ASX Market Announcements
ASX Ltd
Level 4, 20 Bridge Street
Sydney, NSW 2000

Dear Sir

Disposal of Ore Stockpiles

KalNorth Gold Mines Limited ("KalNorth" or the "Company", ASX:KGM) announces completion of sale of an approximate 18,000 tonne medium grade ore stockpile from the Lindsays project to a local processing plant under a profit sharing arrangement. The counterparty was responsible for haulage, milling and processing and the Company is entitled to a 50% share of the profit after deduction of all costs from the gross revenue.

Subject to final reviews and reconciliations, it is estimated that the Company's share of the profit will be around \$180,000.

As the same strategy to reduce the rehabilitation liability, The Company has also executed a separate agreement to sell the low grade ore stockpile of approximately 80,000 tonnes from Lindsay's project at a fixed rate per tonne.

KalNorth's Executive Director Lijun Yang commented *"the disposal of ore stockpiles not only brings in near term cash but more importantly also assists in reducing the rehabilitation liability of the Lindsays project. Additionally, the processing of the ore gives us better insight into the characteristics of Lindsay's ore bodies and set a very good foundation for any future resumption of mining at the project. The grade recovery from the medium grade ore has been beyond our expectation and bodes well for any future mining at Lindsay's project, the business case for which looks stronger with the gold price trending up."*

Yours faithfully

Lijun Yang
Executive Director