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ASX RELEASE

Development and Mining Proposal at Lindsays Project

The Directors of KalNorth Gold Mines Limited (ASX: KGM) (the “Company” or “KGM”) are pleased to announce that a Heads of Agreement (“HOA”) has been executed with AIM listed company, Keras Resources plc (“Keras”) which could result in the near term development and mining of the Company’s Lindsays Project.

Lindsays, 100% owned by KalNorth, located 70 kilometres northeast of Kalgoorlie, Western Australia was the subject of mining (Parrot Feathers deposit) in early 2013 for approximately six months before a deteriorating gold price resulted in a shutdown. Over the past few months, the Company has received expressions of interest from a number of parties wishing to recommence mining and production at Lindsays in light of an increasing gold price and an improved sentiment amongst investors.

The key terms and conditions of the HOA are as follows:

1. KalNorth has granted Keras an exclusive and irrevocable option to mine presently published JORC compliant resources (refer Table 1) at Lindsays project.
2. Mining at the Lindsays project may comprise an open pit mining prospect (Open Pit Mining Proposal) and an underground deposit known as the Parrot Feathers Deposit (Parrot Feathers Proposal).
3. Within two (2) months of the execution of the HOA, Keras must submit a final plan for the Open Pit Mining Proposal operations to KalNorth. In order to exercise the option, Keras must give written notice no later than one (1) month following receipt of approval from the Western Australian Department of Mines and Petroleum (“DMP”) for the Open Pit Mining Proposal. Thereafter, Keras must commence mining operations at the Project in accordance with the Open Pit Mining Proposal within two months of approval from the DMP.
4. The exercise of the option to proceed with the Open Pit Mining Proposal is at the sole discretion of Keras and remains subject to its further economic evaluation.
5. If the option is exercised, Keras must then prepare and submit (and cover all costs associated with) the Parrot Feathers Proposal within six (6) months of the execution of the HOA. If Keras’s economic evaluation of the Parrot Feathers Proposal meets a specified hurdle rate of return, Keras must then proceed with the implementation of the Parrot Feathers Proposal subject to receipt of the necessary approvals from the DMP.

6. Keras will be responsible for the management and handling of all mining, ore haulage and milling. KalNorth will have representation on a Technical Committee that shall have oversight over all operations.
7. Profits after deducting royalties, operating costs and Keras management fees from gross revenue shall be split on a 51% / 49% for KalNorth and Keras respectively for that part of the profit derived from gold sales at AUD\$1,600 or less per ounce. For that part of the project profit derived from a gold price greater than AUD\$1,600 per ounce, the split will be 30% and 70% for KalNorth and Keras respectively.

“The development agreement for Lindsay’s project provides KalNorth with an opportunity for exploiting the project resources whilst minimising risk but also assists in renewing exploration focus on high potential targets,” KalNorth Executive Director, Lijun Yang said.



Lijun Yang
 Executive Director

Table 1: Lindsay's mineral resource estimate, reported under the JORC Code 2004 or 2012.

Deposit	Indicated			Inferred			Total		
	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces
Eastern Structure	1,479,000	1.6	76,000	203,000	1.6	10,500	1,682,000	1.6	86,500
Parrot Feathers ¹	140,000	4.0	18,000	261,000	4.3	36,000	401,000	4.2	54,000
Central Structure	1,315,100	1.1	46,500	47,900	1.1	1,700	1,363,000	1.1	48,200
Neves Prospect	490,900	1.6	24,900	37,700	1.3	1,500	528,600	1.6	26,400
Total	3,425,000	1.5	165,400	549,600	2.8	49,700	3,974,600	1.7	215,100

¹ Parrot Feathers resource estimate complies with the JORC Code 2012 and was first published on 20 July 2015. The information reported above for Eastern Structure, Central Structure and Neves Prospect was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.