



Quarterly Activities Report: March 2016

KalNorth Gold Mines Limited

Date: 29 April 2016

ASX Code: KGM

Issued Capital

894.24 million Ordinary shares

Current Share Price

\$0.026

Market Capitalisation

\$23.25 million

Board Members

Jiajun Hu

Non-executive Chairman

Lijun Yang

Executive Director & Company Secretary

Yuanguang Yang

Non-executive Director

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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) is pleased to provide the report on activities and progress made during the March 2016 Quarter. A drilling program at the Brilliant gold deposit in the Kurnalpi project to evaluate the northern strike extension of the altered host dolerite successfully extended gold mineralization a further 120 metres to the north. The divestment and treatment of the stockpiled low and medium grade ore at the Lindsays mine site has brought welcome cash flow to the Company and will assist to reduce rehabilitation liabilities at the site. The Company also executed a Heads of Agreement with an AIM listed company which has set the foundation for re-development of the Lindsays Minesite.

Quarterly Highlights:

- A four hole RC-Diamond drill program to evaluate the northern strike extension of the west lode dolerite in Brilliant deposit confirmed the continuity of mineralisation and alteration a further 120metres to the north.
- Low and medium grade stockpiles totaling 100,000tonne were monetized during the quarter by either sale or treatment with local mill operators. These transactions strengthened the Company's balance sheet providing cash flow and will assist in the reduction of rehabilitation liabilities at the Lindsays Minesite.
- A Heads of Agreement was executed with Keras Mining to enable it to consider and propose redevelopment at Lindsays mine site which has been under suspension since August 2013.
- \$4.5M Loans settled through issue of shares.

EXPLORATION REPORT

During the March 2016 Quarter the Company completed a 4 hole RC-Diamond drilling program at the Brilliant deposit within the Company's wholly owned Kurnalpi project. The drilling was aimed at evaluating the northern strike extension of the altered host dolerite located under transported cover and was successful in extending the mineralization a further 120 meters to the north. The divestment of stockpile ore and execution of a development agreement at the Lindsay's Minesite provides the Company its first opportunity to achieve progress at the project since mining suspension in mid-2013.

Kurnalpi Project (100% KGM)

Brilliant

The Company's wholly owned Kurnalpi project is located some 90 kilometres to the east of Kalgoorlie, covers the historical Kurnalpi Mining Centre and is easily accessed via the Kurnalpi Pinjin road. Exploration by the Company over the last 7 years at Kurnalpi has identified six gold resources totaling 205,000 ounces on its tenement package (Refer to 2015 KGM Annual Report).

In mid-December 2015 the Company initiated a small phase of RC and diamond drilling to test the northern strike extension with three 40m step out sections (refer to ASX announcement on 15 February 2016). Two RC holes were drilled to probe the shallower parts of the system; with two diamond tails drilled using RC holes drilled in 2011 evaluated the deeper targets at some 160m from surface.

The drill program successfully intersected the mineralised and altered dolerite host unit below 30-40m of palaeochannel sediments thus extending the limits of the system a further 120m to the north and to a vertical depth of 165m. The mineralised dolerite unit is completely altered and characterised by hematite-pyrite-carbonate-leucosilene alteration predominantly as an alteration selvage around narrow stacked flat west dipping quartz carbonate veins. The hanging and footwall komatiite is talc carbonate altered but in section 6623500mN, the footwall ultramafic is altered to a quartz carbonate chlorite assemblage with rare fuchsite up to 30m from the contact. This is considered an important development, as this is the first occurrence of this style of alteration on the west lode and is weakly (0.1-0.5gpt Au) gold mineralised.

The results from the drilling campaign support the geological interpretation with gold intercepts (> 0.5gpt Au) being reported from the altered dolerite in each of the four holes drilled. Importantly the extent of the gold mineralisation when contoured at a >0.1gpt Au shows a broad zone that appears to be widening to the north and at depth and gives support to an increasing alteration system to the north and at depth.

The company is encouraged by the confirmation of the continuity of the pervasively altered and mineralised dolerite at the north end of the Brilliant trend (known as "Brilliant North") and supports the Company's interpretation of an encouraging gold associated alteration trend to the north of Brilliant based upon broad spaced air core drilling completed in 2012. The recent drilling has defined the mineralised and altered dolerite over a 500m strike length and is open at depth and to the north. The company will continue to progressively evaluate the Brilliant North alteration system with additional step out deeper drilling to locate a higher grade part of the system.

Project Review and Targeting Exercise

The Company engaged CSA Global Pty Ltd (CSA) to commence a staged project review with the intention to physically assess the project area in respect to geology, structure, alteration and mineralization in order to deliver an integrated interpretation that will allow the delivery of constrained targets. It will allow the Company to prioritize targets and progress exploration.

The 1st stage scope includes review of the existing data including surface geochemistry, drilling data, geophysical data, satellite imagery as well as other data that may be available, the 2nd stage as field reconnaissance, mapping and sample collection for lithogeochemical analysis and 3rd stage as regional interpretation and target analysis and exploration model development.

The work program has progressed very well with stage 1 and 2 being completed and the final results anticipated in the June quarter.

Schiedam

Late in the quarter, preparations were well advanced for a second pass 3,000m Air Core drill program at Schiedam where the company reported encouraging gold intersections from air core drilling in the December 2015 quarter. This drilling is expected to be commenced in the June 2016 quarter.

Lindsay's Project (100% KGM)

Lindsays is one of three projects which held JORC compliance mineral resources , 100% owned by KalNorth and located 70 kilometres northeast of Kalgoorlie. The Company developed this project, mainly the Parrot Feathers deposit, in early 2013 but suspended mining after 6 months as a result of the falling gold price. The board of KalNorth has been in discussions with several third parties over the past 18 months to consider recommencing mining. The gold price improvement over the past few months is providing further encouragement for resumption of mining.

The Company divested approximately 100,000 tonne of low and medium grade stockpiled ore to different parties (Refer to ASX announcement on 18 February 2016), which, in addition to providing cash flow of the Company, will reduce the rehabilitation liability of the project.

Later in the quarter, the Company executed a Heads of Agreement ("HOA") to recommence the development of Lindsay's Mine with Keras Resources plc ("Keras") (refer to ASX announcement on 14 March 2016). KalNorth has granted Keras an exclusive and irrevocable option to mine presently published JORC compliant resources at Lindsays project. 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)... In the event that the option is exercised and mining proceeds, 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.

CORPORATE REPORT

Loan Conversion Transactions completed

Significant progress was made in repairing the Company's Balance Sheet with agreement reached for

settlement of \$4.15 million of loans (together with interest accruing on those loans) by issue of shares at \$0.01 per share. Shareholder approval for the loan to equity settlement was received at the November 2015 AGM, with completion subject to FIRB approval which was received in February 2016.

A \$2M Convertible Note facility from the Company's then largest shareholder, Cross-Strait Common Development Fund Co., Limited (Cross Strait) was also approved by shareholders at the 2015 AGM with FIRB approval being granted in February 2016. \$0.3M has been drawn down from this facility with a further \$1.7M available for future drawdown up to 31 December 2016.

Cash Reserves

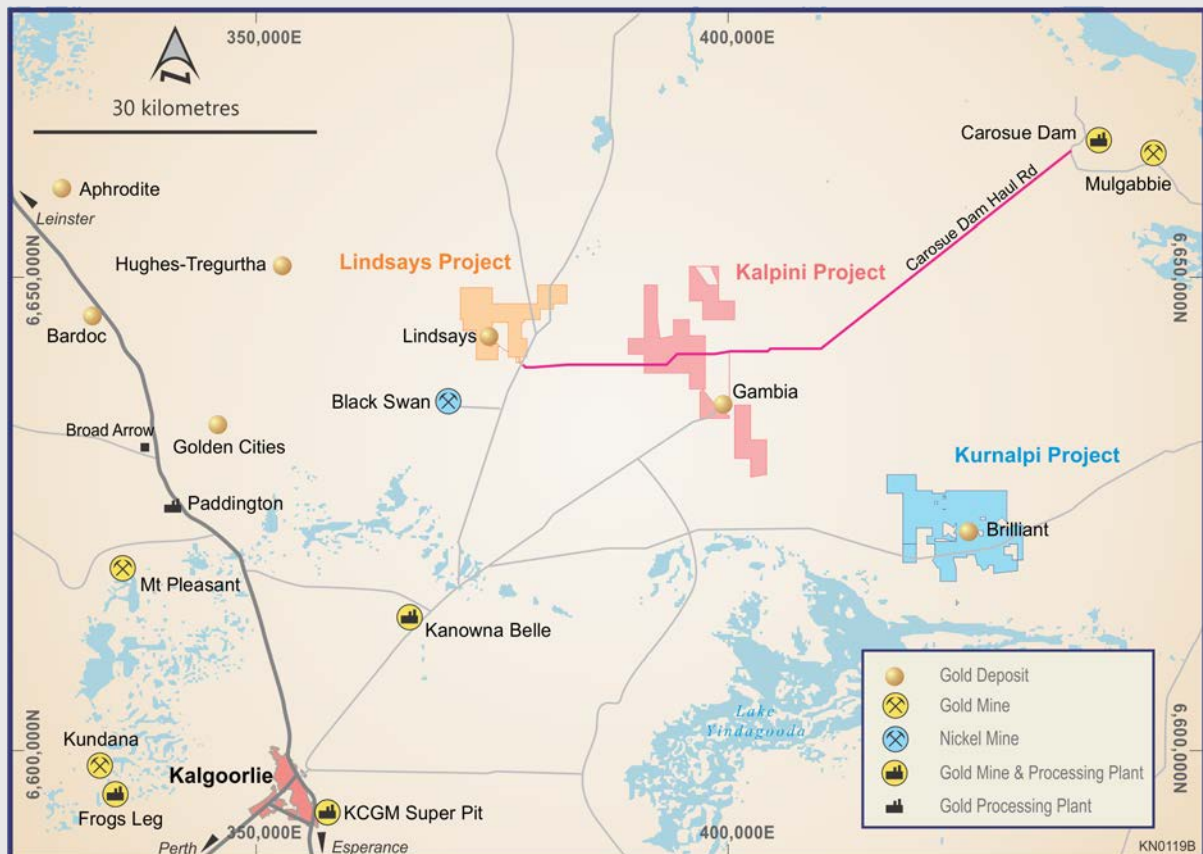
Total expenditure for the March 2016 quarter amounted to \$1,585,808 of which \$385,013 was attributable to exploration and evaluation, compared to a total expenditure of \$220,225 in the December 2015 quarter. There were cash receipts of just over \$1.2M from the sale of ore stockpiles. The cash balance at the end of the quarter was \$379,227.

For further information please contact

Lijun Yang

Executive Director and Company Secretary

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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: Lindsay's, 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 focusing upon the Parrot Feathers lode beneath the Stage 2 open pit.

Competent Person Statement-Exploration Results and Mineral Resources

The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr Lijun Yang, a Competent Person who is a member of Australian Institute of Geoscientists. Mr Yang is an Executive Director and a full time employee of the Company now. Mr Yang has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Yang consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Tenement Holdings and Movements

Mining Tenements and Beneficial Interest Held as at the end of the March 2016 Quarter

Tenement	Holder	Status	Project	Interest %
E 28/2541	SHANNON RESOURCES PTY LTD	LIVE		100
L 27/88	KALNORTH GOLD MINES LIMITED	LIVE	Kalpini	100
M 27/485	KALNORTH GOLD MINES LIMITED	LIVE	Kalpini	100
E 28/1477	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
E 28/2015	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
E 28/2153	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
E 28/2226	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
E 28/2256	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/113	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/374	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/375	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/66	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/7	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/72	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/76	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/84	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/89	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/90	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
M 28/92	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1097	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1100	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1101	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1102	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1103	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1104	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1105	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1106	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1107	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1108	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1111	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1112	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1113	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1114	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1115	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1116	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1117	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1118	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1119	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1125	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1126	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1154	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
P 28/1155	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
P 28/1156	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
P 28/1157	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
P 28/1180	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
P 28/1184	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
P 28/1186	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
P 28/1187	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100

P 28/1190	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
P 28/1191	KALNORTH GOLD MINES LIMITED	LIVE	Kurnalpi	100
P 28/1226	LUSITAN PROSPECTING PTY LTD	LIVE	Kurnalpi	100
P 28/1227	LUSITAN PROSPECTING PTY LTD	LIVE	Kurnalpi	100
P 28/1228	LUSITAN PROSPECTING PTY LTD	LIVE	Kurnalpi	100
P 28/1229	LUSITAN PROSPECTING PTY LTD	LIVE	Kurnalpi	100
P 28/1230	LUSITAN PROSPECTING PTY LTD	LIVE	Kurnalpi	100
P 28/1231	LUSITAN PROSPECTING PTY LTD	LIVE	Kurnalpi	100
P 28/1254	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1255	SHANNON RESOURCES PTY LTD	LIVE	Kurnalpi	100
P 28/1282	SHANNON RESOURCES PTY LTD	PENDING	Kurnalpi	100
E 27/517	KALNORTH GOLD MINES LIMITED	LIVE	Lindsays Find	100
L 27/82	KALNORTH GOLD MINES LIMITED	LIVE	Lindsays Find	100
L 27/84	KALNORTH GOLD MINES LIMITED	LIVE	Lindsays Find	100
M 27/169	KALNORTH GOLD MINES LIMITED	LIVE	Lindsays Find	100
M 27/34	KALNORTH GOLD MINES LIMITED	LIVE	Lindsays Find	100
M 27/486	KALNORTH GOLD MINES LIMITED	LIVE	Lindsays Find	100
P 27/2111	KALNORTH GOLD MINES LIMITED	LIVE	Lindsays Find	100
E 28/2303	KALNORTH GOLD MINES LIMITED	LIVE	Roe	100
E 28/2304	KALNORTH GOLD MINES LIMITED	LIVE	Roe	100
M 15/1806	KALNORTH GOLD MINES LIMITED	LIVE	Spargoville	100
P 15/5216	KALNORTH GOLD MINES LIMITED	LIVE	Spargoville	100
P 15/5236	KALNORTH GOLD MINES LIMITED	LIVE	Spargoville	100
P 15/5264	KALNORTH GOLD MINES LIMITED	LIVE	Spargoville	100
P 15/5547	KALNORTH GOLD MINES LIMITED	LIVE	Spargoville	100
P 15/5766	KALNORTH GOLD MINES LIMITED	LIVE	Spargoville	100
P 15/5772	KALNORTH GOLD MINES LIMITED	LIVE	Spargoville	100
E27/524	HERON RESOURCES LIMITED	LIVE	Kalpini	100% Au rights

Tenements Relinquished During the March 2016 Quarter

Tenement	Holder	Status	Death Date	Reason	Project	Interest %
E28/2512	SHANNON RESOURCES PTY LTD	Withdrawn	20-Jan-2016	Withdrawn		
P27/2094	KALNORTH GOLD MINES LIMITED	Surrendered	14-Mar-2016	Surrendered	Lindsays	100
E27/411	KALNORTH GOLD MINES LIMITED	Surrendered	14-Mar-2016	Surrendered	Kalpini	100
E27/412	KALNORTH GOLD MINES LIMITED	Surrendered	14-Mar-2016	Surrendered	Kalpini	100
P15/5392	KALNORTH GOLD MINES LIMITED	Transferred	30-Mar-2016	Return to Royalty holder	Spargoville	100
P15/5409	KALNORTH GOLD MINES LIMITED	Transferred	30-Mar-2016	Return to Royalty holder	Spargoville	100
P15/5537	KALNORTH GOLD MINES LIMITED	Transfer in Progress		Return to Royalty holder	Spargoville	100
P15/5545	KALNORTH GOLD MINES LIMITED	Transferred	30-Mar-2016	Return to Royalty holder	Spargoville	100
P15/5546	KALNORTH GOLD MINES LIMITED	Transferred	30-Mar-2016	Return to Royalty holder	Spargoville	100
P15/5548	KALNORTH GOLD MINES LIMITED	Transferred	30-Mar-2016	Return to Royalty holder	Spargoville	100

Tenements Acquired During the March 2016 Quarter

Tenement	Holder	Status	Project	Interest %
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None of the mineral interests listed above are the subject of any farm-in / farm-out or joint venture arrangements