

22 July 2016

**ASX RELEASE**

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

Dear Sir

**Draw Down under Convertible Note Facility**

KalNorth Gold Mines Limited (ASX: KGM) (the “Company” or “KGM”) refers to the \$2 million convertible note facility (“CNF”) made available to it by the then largest shareholder, Cross-Strait Common development fund Co., Limited (“Cross Strait”). The Cross Strait CNF was approved by shareholders at the November 2015 AGM and subsequently received other regulatory approvals in late February 2016.

The CNF was previously drawn down for an amount of \$300,000 and the Company has now drawn down a further \$700,000.

At the Company’s Lindsay’s project, the subject of a mining arrangement with AIM listed company, Keras Resources plc(“Keras”) (refer to the ASX announcement on 14 March 2016), Keras has submitted a Mining Proposal for approval by the Department of Mines and Petroleum (DMP). Subject to DMP’s approval, it is anticipated that Keras will commence mining activities at Lindsay’s Project in August 2016.

Yours faithfully



**Lijun Yang**  
**Executive Director**