

15 November 2019

Ms M Green
Senior Adviser, Listings Compliance (Perth)
ASX Compliance Pty Ltd
Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000 **By email: ListingsCompliancePerth@asx.com.au**

Dear Ms Green

I refer to your letter dated 12 November 2019 in relation to KalNorth Gold Mines Limited's ("KGM" or the "Company") September 2019 Quarterly Cashflow Report (the "Appendix 5B") lodged with ASX on 30 October 2019.

We respond to ASX's questions and information requests as follows:

1. *Does KGM expect that it will continue to have negative operating cash flows for the time being and, if not, why not?*

Yes, KGM expects that it will continue to have negative operating cash flows for the time being.

2. *Has KGM taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?*

As noted in Appendix 5B, the Company has been provided loan funding by a director and a substantial shareholder. Both these parties have advised their intention to provide further loan funds if necessary. The Company is working towards finalising more sustainable plans for equity funding and notes that it has a track record of raising equity capital. The Company also has the capacity to raise cash by the issue of convertible notes, as it has done in the past, and remains in discussion with a number of prospective investors in this regard.

3. *Does KGM expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

Yes, the Company expects to be able to continue its operations and meet its business objectives on the basis that it will be able to raise further cash as indicated in (2) above. As noted in the Company's Quarterly Activities Report for the September 2019 quarter, KGM continues discussions with interested parties for farmout and/or joint venture with respect to the Lindsays Project.

4. *Please confirm that KGM is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.*

Confirmed

5. *Please confirm that KGM's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of KGM with delegated authority from the board to respond to ASX on disclosure matters.*

The Company confirms that this response to the questions above has been authorised and approved by its Board of Directors.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jiajun Hu', written in a cursive style.

Jiajun Hu
Executive Chairman



12 November 2019

Reference: 10544

Mr Jiajun Hu
Company Secretary
Kalnorth Gold Mines Limited

By email: jiajun.hu@kalnorthgoldmines.com

Dear Mr Hu

Kalnorth Gold Mines Limited ('KGM'): Appendix 5B Query

ASX refers to KGM's Appendix 5B quarterly report for the period ended 30 September 2019 lodged with ASX Market Announcements Platform on 30 October 2019 (the 'Appendix 5B').

ASX notes that KGM has reported:

- negative net operating cash flows for the quarter of \$301,000;
- cash at the end of the quarter of \$36,000; and
- estimated cash outflows for the next quarter of \$230,000.

It is possible to conclude, based on the information in the Appendix 5B that if KGM were to continue to expend cash at the rate indicated by the Appendix 5B, KGM may not have sufficient cash to continue funding its operations.

In view of that, ASX asks KGM to respond separately to each of the following questions and requests for information:

1. Does KGM expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has KGM taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does KGM expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that KGM is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that KGM's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of KGM with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **12:00 PM AWST Friday, 15 November 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in KGM's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, KGM's

obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to KGM’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that KGM’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in KGM’s securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Madeleine Green
Senior Adviser, Listings Compliance (Perth)