Quarterly Activities Report: June 2014



Date: 31 July 2014
ASX Code: KGM
www.kalnorthgoldmines.com
Shares on issue: 238.9M ordinary shares
Share Price: $0.02
Market Capitalization: $4.8M

Directors
Lijun Yang: Executive Director
Jiajun Hu: Non-executive Director
Brendan Connell: Non-executive Director

James Church: Company Secretary

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At the start of the June Quarter, the Board of KalNorth Gold Mines Limited ("KalNorth or the "Company", ASX: KGM) undertook a detailed review of the Company's operations and strategy in consultation with its key management team. The Board identified the following goals:

- Eliminate the company's current level of debt;
- Substantially reduce the company's overheads;
- Progress opportunities with third parties to develop its existing projects; and
- Secure the future direction of the Company by establishing an ongoing revenue stream.

Over the last three months the Board has identified a number of promising opportunities with third parties and is currently in the process of negotiating with those third parties. The Board feels confident they will be able to achieve their stated goals within the short term whilst ensuring its portfolio of tenements remains compliant with statutory obligations.

Quarterly Summary:

- Maintained reduced operating and overhead costs.
- Continued to progress plans to re–commence mining at Lindsays with Confidentiality Agreement signed with Curtin University of Technology to promote further collaboration on developing innovative engineering solutions to exploit the narrow flat dipping lode beneath the open pit.
- At Spargoville, joint venture operator Mithril Resources Limited evaluated three targets with reverse circulation drilling, and earnt its initial 20% interest in the project
- At Kurnalpi, the company maintains prospecting activity by a core group of prospectors, which yields a small income from gold nuggets, but more importantly maintains the statutory tenement expenditure compliance and provides valuable geological information.

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OPERATIONS REPORT:

Lindsays Mine

The company continued to focus on the re commencement of mining at Lindsays with the signing of a Confidentiality Agreement with the Curtin University of Technology (CUT), where by the company will supply information for the parties to continue progressing discussions and formulating an MOU into developing research opportunities on innovative underground mining practices at the Lindsays mine site. This work will involve collaboration with Curtin University's Western Australia School of Mines (WASM) campus.

Outlook

The company will continue to progress the development of tribute mining at Lindsays with an aim to secure an agreement with a preferred party during the September quarter and to commence initial redevelopment activities such as permitting. To complement the underground development the company plans to update the resource model.

EXPLORATION REPORT:

Continuing on the previous quarter, the company maintained its exploration activities during the June 2014 quarter to minimize operating expense but also to ensure meeting statutory compliance with the Department of Mines and Petroleum tenement conditions. Work has been restricted to project reviews, reconnaissance, and inspection of prospecting activities but to ensure minimum tenement expenditure commitments are met. At Kurnalpi, six prospecting parties working under agreement with the company continue to maintain an active working presence on almost the entire Kurnalpi tenement portfolio. This activity, whilst yielding very small revenue to the company in gold nuggets does assist both in complimenting the company's project expenditure to maintain tenement commitment, but also and more importantly adding geological knowledge to the Kurnalpi project. The Kurnalpi Mining centre is noted for its long history of gold won by prospectors over a wide area but as yet the source has not been discovered.

A prospecting party also under agreement with the company has recently commenced activity at Lindsays, adjacent to the suspended mining operation. Again this work will assist with meeting the statutory tenement conditions.

No new drilling or surface geochemical sampling activity was conducted during the quarter.

Spargoville (Mithril Resources Ltd 20% and earning up to 80%)

During the Quarter, Mithril Resources Limited (ASX:MTH) reported conducting a program of reverse circulation drilling and downhole geophysics at its West Kambalda Project, located 30 kilometres west of Kambalda.

Three targets (**Hendrix**, **Floyd**, and **Zeppelin**) were drill tested with downhole EM surveying also undertaken at Hendrix and Floyd.

The drilling confirmed and extended a near surface zone of nickel mineralisation at Hendrix, and identified a zone of weak copper – zinc anomalism in a sulphidic shale horizon at Floyd. No significant results were returned from the drilling targeting the surface gold mineralisation at Zeppelin.

The targets are subject to a Farm-in and Joint Venture with Mithril Resources **Limited** (ASX: **MTH**) where Mithril during the Quarter, has successfully earnt an initial 20% interest having completed expenditure of $0.32M (Stage 1). The Company is currently in the process of transferring the 20% interest to Mithril. Mithril can earn an additional 60% interest by spending a further $1.68M by no later than 17 May 2017 (total expenditure of $2 million over 4 years for an 80% interest).

Outlook

The focus of exploration activity for the June 2014 Quarter by the company will be the continued ongoing re-assessment of the four key project areas to determine tenements or areas of tenements that are considered less prospective that could be either divested or relinquished to reduce the compliance costs. The company will also continue to assist prospecting parties to maintain a presence working tenements at Kurnalpi and Lindsays.

CORPORATE REPORT:

Finance

The Board have progressed negotiations with third parties and considered a number of alternatives to improve the company's financial position. The Board aims to once again become an active gold explorer and miner in the short term. The company has a portfolio of gold projects with resources within close proximity to existing third party processing facilities and discussions have involved ways to realize value from some of these assets.

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Total expenditure for the quarter amounted to $321,000 of which $113,000 was attributable to exploration and evaluation, compared to $287,000 the previous quarter.

The company's principal debt to loan holders remains unchanged.

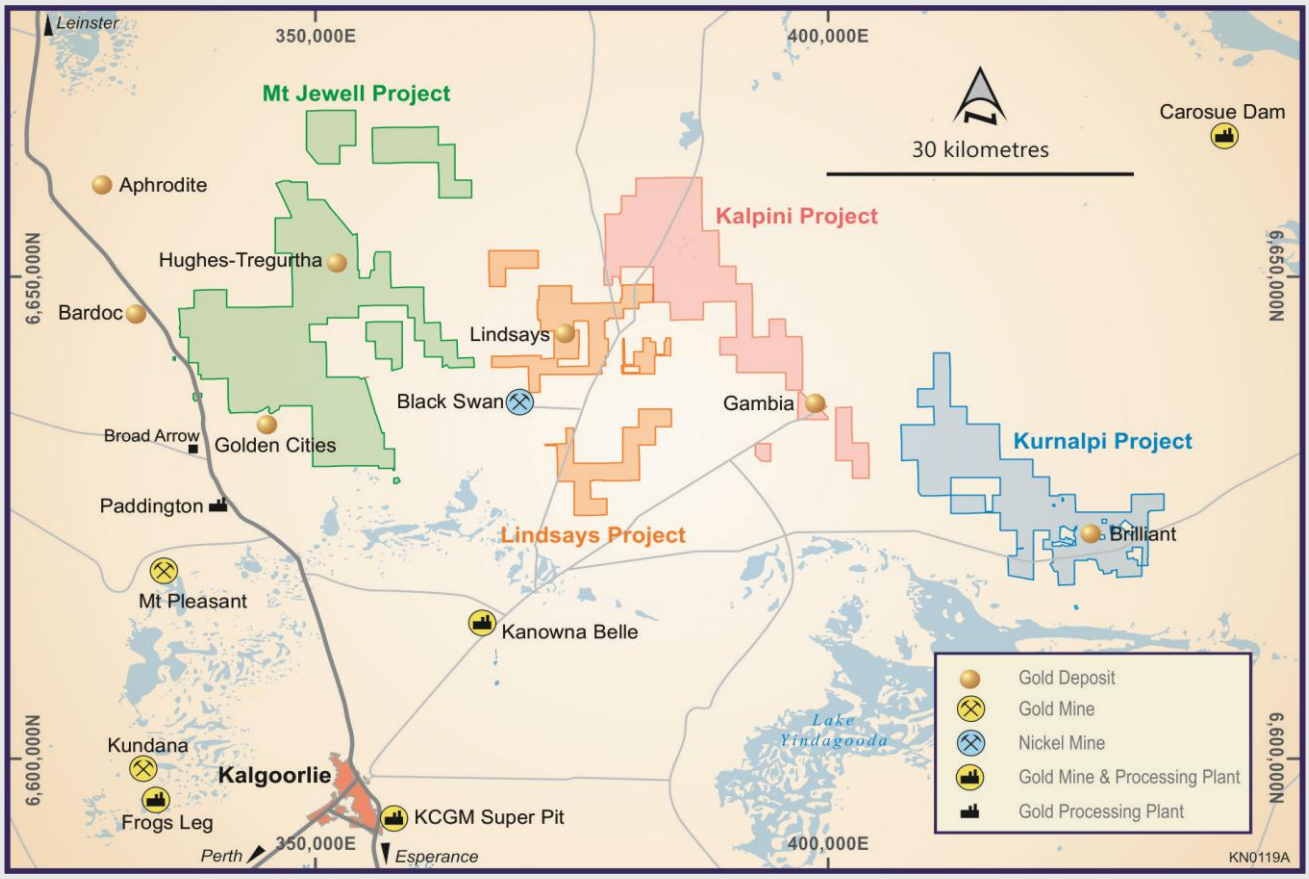
In addition the company has a $1.1million final deferred payment due to be paid to Pioneer Resources Limited by 6 March 2015.

The cash balance at the end of the quarter was $160,000.

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KALNORTH GOLD FIELD



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 mining 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. They cover approx. 1,200km^2 of highly prospective land. There are currently four gold projects each with resources within the KGM holding: Mount Jewell, Lindsays, Kalpini and Kurnalpi (collectively the KalNorth Field). Spargoville, south of Kalgoorlie, is a JV project with Mithril Resources Limited.

KalNorth Gold Mines is working towards establishing four gold mines across the KalNorth Field. Initially, all will be open pit operations, but each also has future underground potential. Ultimate development of these mines is dependent on favourable economic conditions. KalNorth transitioned to gold producer in January 2013 when it brought the Lindsay's Project into production. KalNorth mined Lindsay's for 7 months before ceasing mining in August 2013. KalNorth is currently exploring opportunities to develop the Lindsay's as an Underground Mine focussing upon the Parrot Feathers lode beneath the Stage2 open pit.

Competent Person Statement-Exploration Results and Mineral Resources

Information in this announcement that's relates to exploration results is based on information compiled and reviewed by Mr Wade Johnson who is the Exploration Manager of KalNorth. Mr Johnson is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Johnson consents to the inclusion in the document of the information in the form and context in which it appears.

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Tenement Holdings and Movements

Schedule of Mining Tenements and Beneficial Interest
Held as at the end of the Jun 2014 Quarter

TENEMENT NUMBER	STATUS	LOCALITY	KALNORTH PROJECT	HOLDER	INTEREST %
E27/339	LIVE	MAYDAY	KALPINI	KALNORTH GOLD MINES LIMITED	100
E27/413	LIVE	EMU LAKE	KALPINI	KALNORTH GOLD MINES LIMITED	100
M27/485	LIVE	KALPINI	KALPINI	KALNORTH GOLD MINES LIMITED	100
E27/412	LIVE	KALPINI HILL	KALPINI	KALNORTH GOLD MINES LIMITED	100
E27/411	LIVE	MAGGIES DAM	KALPINI	KALNORTH GOLD MINES LIMITED	100
E28/2015	LIVE	COLOUR DAM	KURNALPI	KALNORTH GOLD MINES LIMITED	100
M28/0092	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/0072	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1190	LIVE	KURNALPI	KURNALPI	KALNORTH GOLD MINES LIMITED	100
P28/1191	LIVE	KURNALPI	KURNALPI	KALNORTH GOLD MINES LIMITED	100
M28/0007	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1228	LIVE	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1224	LIVE	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1225	LIVE	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1226	LIVE	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1227	LIVE	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1229	LIVE	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1230	LIVE	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
P28/1231	LIVE	KURNALPI	KURNALPI	LUSITAN PROSPECTING PTY LTD	100
M28/0084	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
E28/2088	LIVE	DAVIES DAM	KURNALPI	KALNORTH GOLD MINES LIMITED	100
E28/2014	LIVE	MOOREE HILL	KURNALPI	KALNORTH GOLD MINES LIMITED	100
E28/2226	LIVE	6 MILE SOUTH	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/374	LIVE	KURNALPI 1	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/375	LIVE	KURNALPI 2	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/0090	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1180	LIVE	KURNALPI	KURNALPI	KALNORTH GOLD MINES LIMITED	100
P28/1154	LIVE	RICHES FIND	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1155	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1156	LIVE	KURNALPI	KURNALPI	KALNORTH GOLD MINES LIMITED	100
P28/1157	LIVE	KURNALPI	KURNALPI	KALNORTH GOLD MINES LIMITED	100
P28/1184	LIVE	SUCCESS GOLD MINE	KURNALPI	KALNORTH GOLD MINES LIMITED	100
M28/0089	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/0076	LIVE	SCOTTISH LASS WELL	KURNALPI	SHANNON RESOURCES PTY LTD	100
E28/2153	LIVE	5 MILE DAM	KURNALPI	KALNORTH GOLD MINES LIMITED	100
M28/0066	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
M28/0113	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1187	LIVE	COLOUR DAM	KURNALPI	KALNORTH GOLD MINES LIMITED	100
P28/1186	LIVE	KURNALPI - PURPLE PATCH	KURNALPI	KALNORTH GOLD MINES LIMITED	100
P28/1097	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1100	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100

TENEMENT NUMBER	STATUS	LOCALITY	KALNORTH PROJECT	HOLDER	INTEREST %
P28/1101	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1102	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1103	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1104	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1105	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1106	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1107	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1108	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1111	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1112	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1113	LIVE	KURNAPLI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1114	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1115	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1116	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1118	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1119	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1125	LIVE	KURNALPI 2	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1126	LIVE	KURNALPI 3	KURNALPI	SHANNON RESOURCES PTY LTD	100
E28/2256	LIVE	LAPAGE HILL	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1254	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
P28/1255	LIVE	KURNALPI	KURNALPI	SHANNON RESOURCES PTY LTD	100
E28/2056	LIVE	6 MILE DAM	KURNALPI***	KALNORTH GOLD MINES LIMITED	100
E28/1477	LIVE	KURNALPI	KURNALPI***	SHANNON RESOURCES PTY LTD	100
P28/1117	LIVE	KURNALPI	KURNALPI***	SHANNON RESOURCES PTY LTD	100
E28/1786	LIVE	ACRA NORTH	KURNALPI***	KALNORTH GOLD MINES LIMITED	100
M27/34	LIVE	AT LINDSAY	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
M27/169	LIVE	LINDSAY FIND	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2111	LIVE	LINDSAYS NORTH	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2058	LIVE	GINDALBIE	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2081	LIVE	GINDALBIE	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2084	LIVE	GINDALBIE	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2082	LIVE	GINDALBIE	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2083	LIVE	GINDALBIE	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
E27/370	LIVE	GINDALBIE SOUTH	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2094	LIVE	LINSDAY DAM	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
M27/486	LIVE	LINDSAYS	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
E27/417	LIVE	14 MILE DAM	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
E24/146	LIVE	RINGLOCK DAM	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
E24/149	LIVE	GIMLET DAM	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
E24/171	LIVE	MULGARRIE	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
E27/404	LIVE	MT JEWELL	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
E27/422	LIVE	MULGARRIE	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
P27/2017	LIVE	MUGARRIE	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
E27/333	LIVE	SILVER SWAN NORTH	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
P24/4654	LIVE	BARDOC	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100

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TENEMENT NUMBER	STATUS	LOCALITY	KALNORTH PROJECT	HOLDER	INTEREST %
P24/4655	LIVE	BARDOC	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
E24/157	LIVE	KANOWNA	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
P27/2019	LIVE	MULGARRIE	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
P24/4233	LIVE	SCOTIA EAST	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
P24/4234	LIVE	SCOTIA EAST	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
E27/300	LIVE	MT JEWELL	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
P15/5264	LIVE	LOGANS FIND	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/4801	LIVE	SPARGOVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/4802	LIVE	SPARGOVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5494	LIVE	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
E15/1174	LIVE	SPARGOVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5216	LIVE	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
M15/1806	LIVE	LADY ALLISON	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5236	LIVE	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5537	LIVE	LARKINVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5545	LIVE	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5546	LIVE	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5547	LIVE	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5548	LIVE	LOGANS	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5392	LIVE	LARKINVILL	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P15/5409	LIVE	LARKINVILLE	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P24/4317	LIVE	ROSE DAM EAST		KALNORTH GOLD MINES LIMITED	100
L27/82	LIVE	LINDSAYS	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
L27/84	LIVE	LINDSAYS DEVIATION	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
L27/88	LIVE	KALPINI	KALPINI	KALNORTH GOLD MINES LIMITED	100
P27/2110	LIVE	LINDSAYS SOUTH	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2132	LIVE	LINDSAYS SOUTH NO2	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2133	LIVE	LINDSAYS SOUTH NO3	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P27/2134	LIVE	LINDSAYS SOUTH NO1	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
L27/86	PENDING	MT JEWELL	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
M24/944	PENDING	LIGNUM DAM	MOUNT JEWELL	KALNORTH GOLD MINES LIMITED	100
P 15/5766	LIVE	NORTH DAM	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
P 15/5772	LIVE	LADY ALLISON	SPARGOVILLE	KALNORTH GOLD MINES LIMITED	100
E 27/506	LIVE	GINDALBIE STATION	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
P 27/2162	LIVE	LINDSAYS SOUTH	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
E 27/514	LIVE	WEELADDIE WELL	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
E 27/516	PENDING	NEW GNAMMA HOLE DAM	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
E 27/517	LIVE	LINDSAYS EAST	LINDSAYS FIND	KALNORTH GOLD MINES LIMITED	100
E28/2303	LIVE	CLAYPAN EAST	YINIDI WOOLSHED	KALNORTH GOLD MINES LIMITED	100
E28/2304	LIVE	LAKE ROE	YINIDI WOOLSHED	KALNORTH GOLD MINES LIMITED	100

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