



14 August 2014

Mr. Jeremy Newman
Adviser, Listings Compliance (Perth)
Australian Securities Exchange Limited
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Jeremy

Re: ASX Quarterly report Query

We refer to your letter of 11 Aug. 2014 and we respond to the questions you raise as follows:

1. Kalnorth Gold Mines ("Kalnorth" or the Company) have been in ongoing discussions with one of our largest shareholders who is supportive of our plans and is willing to provide a loan for further equity which will provide the company with sufficient finance to allow coverage for the quarter indicated by the Appendix 5B. The terms of the loan are being finalised at present.
2. The company does not believe therefore that it will have negative operating cash flows in future. In addition to the loan coverage referred to in item 1 above the company Board has confirmed a plan to raise further capital and embarked on a cost reduction program by relinquishment of non-core assets. Through those steps, the company is seeking to ensure it has sufficient funds to continue its operations.
3. The company has reduced its ongoing costs significantly through surrendering small less prospective tenements, and will continue to do so as it completes a review program. The company has received a tribute mining proposal to restart the Lindsay's mine which has been suspended since last August, and will formally begin this program in the near future to provide the further cash flow to support the company.
4. The company confirms that it is in compliance with ASX Listing Rules and in particular Listing Rule 3.1
5. The company confirms that it is in compliance with ASX Listing Rules 12.2 and through the steps mentioned above confirms its financial condition to warrant the continued quotation of its securities and its continued listing.

If you have any queries in relation to the above please contact me.

Yours sincerely

Lijun Yang
Executive director
Kalnorth Gold Mines Limited



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11 August 2014

Mr James Church
Company Secretary
KalNorth Gold Mines Limited

By email: jchurch@connell-lawyers.com.au

Dear James

KalNorth Gold Mines Limited ("Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 30 June 2014, released to ASX Limited ("ASX") on 31 July 2014, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales of \$16,000.
2. Net negative operating cash flows for the quarter of \$321,000.
3. Cash at end of quarter of \$160,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an 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. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rules 3.1 – 3.1B".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent by email to jeremy.newman@asx.com.au. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **3.00 pm WST on Thursday, 14 August 2014**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries please let me know.

Yours sincerely,

[sent electronically without signature]

Jeremy Newman
Adviser, Listings Compliance (Perth)