



28 August 2014

ASX RELEASE

Further Disclosure of loan termination request from Creditor

The board of KalNorth Gold Mines Limited (ASX:KGM) ("KalNorth" or the "Company") announced on 25 August 2014 that KalNorth had received a loan termination request from its creditor South Victory Global Limited ("South Victory") on 19 August 2014.

The board would like to announce both parties had reached the following compromise:

1. Both parties agree to convert the partial outstanding interest of SVG to equity at AUD0.01 per share which is equal to the price under the right issue (announced to ASX on 5 December 2013) which was undertaken by the Company in December 2013.
2. KalNorth agrees to offer to Mr. Yang (an authorized officer of SVG) a position as a non-executive director on the Kalnorth Board.

The company are negotiating with SVG regarding their other demands and will disclose further information as it becomes available.

Lijun Yang
Executive Director
KalNorth Gold Mines Limited