



Date 24 October 2012

ASX Code: KGM

www.kalnorthgoldmines.com

Share Capital: 168.9M ordinary shares

Share Price: \$0.265

Market Capitalisation: \$44.7M

Directors

Laurence Freedman AM, Chairman
John McKinstry Managing Director
Ross Gillon
Robert Schuitema, Company Secretary

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Highlights

- **Binding term sheet signed for Ore Processing Agreement with Saracen**
- **Mt Jewell total gold Resource increased by 27%**
- **Completion of rights issue raising \$7.3 million**
- **Change of company name to KalNorth Gold Mines Limited (ASX code: KGM)**
- **On track to mine at Lindsay's in January 2013**

During the quarter KalNorth Gold Mines Limited (ASX: KGM) continued to progress towards production from its KalNorth Gold Field, north of Kalgoorlie.

The Company signed a processing agreement for ore to be treated at Saracen's nearby Carosue Dam processing plant. Tenders have been called for mining and transport of the ore.

Drilling at Mt Jewell during the quarter resulted in a significant Resource upgrade of 27% on the Inferred Resource category.

A 1 for 5 non-renounceable pro rata rights issue was heavily oversubscribed during the quarter, raising \$7.3 million on completion subsequent to the quarter end. The funds will be used to progress mine development and increase the exploration program.

Also subsequent to the quarter end, shareholders overwhelmingly approved the Company's name change to KalNorth Gold Mines Limited, acknowledging the Company's transformation over the past two years.

Managing Director, John McKinstry said:

"We have elected to commence mining the Parrot Feathers Deposit on Lindsay's Field, and the tendering process has commenced for both mining and transportation.

"Resource growth is now the focus of our exploration program. We aim to have design and estimation work to deliver initial mining reserves at Kalpini as well as Mt Jewell completed by the year end.

"The long list of tasks and necessary approvals to mine is progressing steadily, and we remain on schedule and within budget."

Expressions of Interest have been sought from local and Perth-based mining contractors. The contract is expected to be let in mid-November for commencement in early January 2013.

Haulage from Lindsay's will be via Saracen's existing private access road. Haulage tenders for the contract to deliver ore to Carouse Dam will be let shortly.

All agreements to allow the submitting of the permit applications on M27/169 have been received. Permits are expected to be in place before the end of 2012.

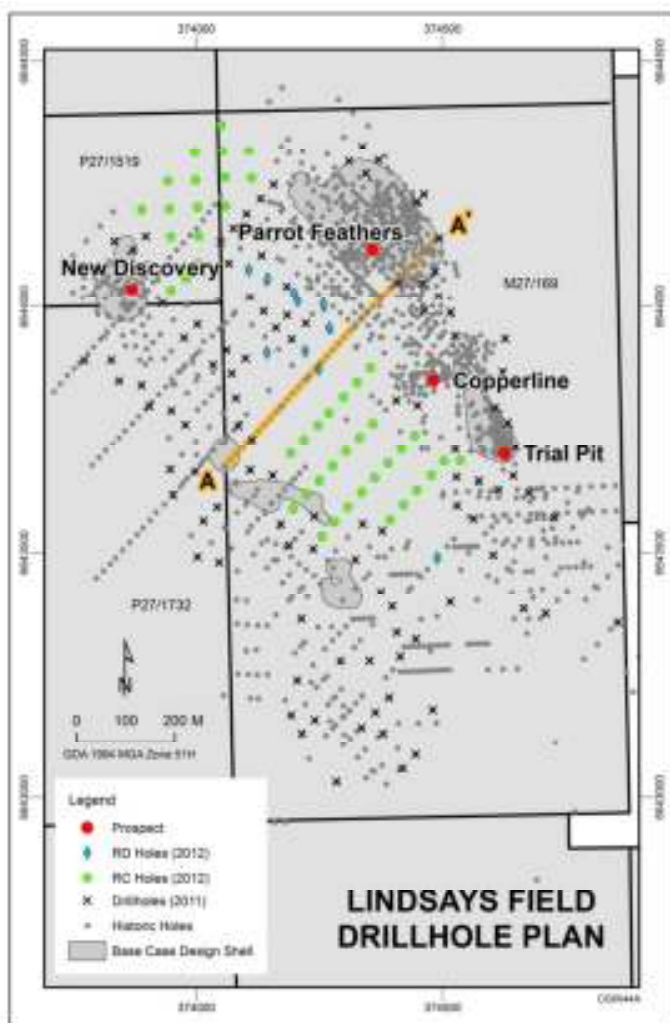


Figure 2 Lindsay's Field drillhole plan

Mt Jewell Field

During the quarter, KalNorth completed its first round of drilling at the Mt Jewell Field: infill drilling at approximately 20m x 20m spacing.

	KalNorth Drilling		Total Drilling	
	Holes	Metres	Holes	Metres
Hughes	58	7,894	159	18,940
Tregurtha	61	7,673	145	16,816
Total	119	15,567	304	35,756

Table 2 Infill drilling at Mt Jewell

Across the two deposits at Mt Jewell, there were 437 significant intersections in 102 holes, with mineralisation greater than 0.5g/t totalling 2,186m. The average intersection width was 5m, with most holes containing multiple intersections. Best grade times width intersections are shown in Table 3.

The open sections on drilling suggest the mineralised systems at both Hughes and Tregurtha are considerably larger than currently demarcated. Accordingly, an ongoing drilling program will enable the resource to be upgraded to the Indicated category and will test the potential extension of the mineralisation.

Hole	From (m)	Width (m)	Grade (g/t)	g x m
JTRC048	17	5	6.9	35
JTRC028	119	18	2.4	44
JTRC025	123	21	1.9	39
JTRC021	41	28	1.3	35
JTRC013	110	11	3.5	39
JHRC055	122	29	1.2	36
JHRC054	85	22	1.8	40
JHRC028	97	25	1.4	35
JHRC024	35	26	1.7	45
JHRC022	113	21	2.4	49

Table 3 Best drill intersections from KalNorth drilling at Mt Jewell

The net result of infill drilling during the quarter is that the Indicated and Inferred Mt Jewell Resource, based on a 0.5g/t cut off, increased by 27% to 8.62Mt @ 1.0 g/t for 275,600oz of gold.

The new modelling indicates the presence of considerably more mineralised material within the proposed pit limits, particularly at Hughes. This will favourably influence the Company's plans for the mining and processing of these deposits.

Of the total Mt Jewell Resource, 72% is now in the Indicated category. On this basis, the Company expects to be able to deliver an initial mining Reserve in late October 2012.

A Mining Lease Application over the two deposits is currently being processed and a miscellaneous lease application is being prepared, covering the 23km distance between Mt Jewell and Lindsay's Fields.

Kurnalpi Field

Work at Kurnalpi during the quarter was focused on establishing a mineable oxide and transition ore pit suitable for processing off site.

Mine design has established that, with the initial reserve, an oxide and transition pit can be developed to deliver 437,000t @ 1.8g/t for 25,570oz of contained gold.

The pit to extract oxide and transition ore at the Brilliant deposit is designed; however, the Lindsay's Field has been selected as the preferred choice for initial mining. The decision to develop Lindsay's first, enables expenditure on pre-production items at Kurnalpi, such as haul road construction, borefield development and site preparation, to be deferred.

Permitting is in progress with a Mining Lease grant imminent. All permits will be obtained to enable mining to proceed at relatively short notice.

Kurnalpi has good prospects for additional exploration success. A program of drilling, comprising up to 10 RC holes, is planned at Brilliant North, and further closer spaced RAB drilling at Success (approximately 5km west of Brilliant). This drilling will fit in with the demands of preparing Lindsay's for mining.

Kalpini Field

Work at Kalpini during the quarter was focused on advancing the field towards the generation of an initial mining reserve.

Initial drilling was completed in May 2012. The drilling campaign was designed to more closely space the drilling, enabling an upgrade of Resources from the Inferred category to Indicated. The closer spaced drilling was performed on the central section of the orebody; however, the optimal pit has proven significantly larger than expected.

The second round of drilling was completed during the quarter (see Table 4). Results have been added to the database and further refinements made to the orebody model. The model is currently with the mining engineers for optimisation and pit design. This work is expected to be completed by the end of October 2012.

	Latest Drilling		Total Drilling	
	Holes	Metres	Holes	Metres
Gambia	104	10,314	329	18,940
Atlas	0	0	194	14,139
Total	104	10,314	523	33,079

Table 4 Drilling at Kalpini Field

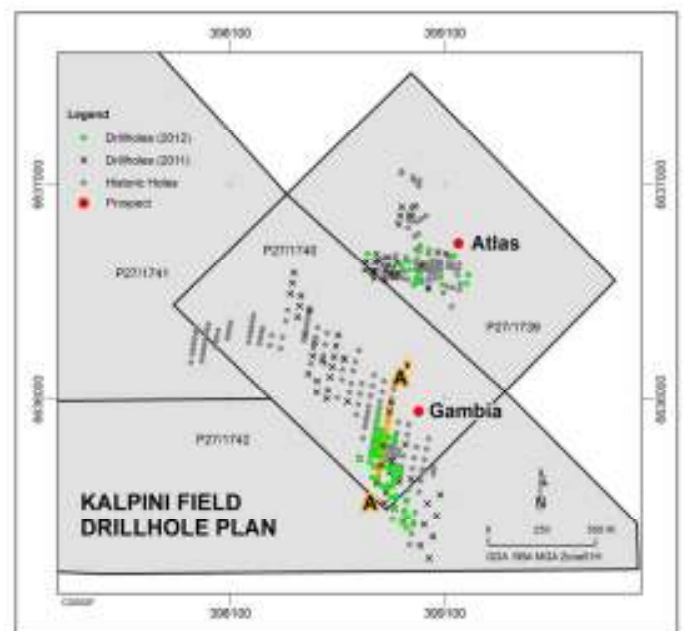


Figure 3 Kalpini drill hole and tenement location plan

Sale of Kalgoorlie West Tenements

In early April 2012, KalNorth announced the sale of its non-core Kalgoorlie West tenements to Phoenix Gold Limited (PXG) for a consideration of \$350,000 cash and 1,620,000 PXG shares.

Settlement of the sale occurred on 16 October 2012.

The sale consideration provides a modest boost to KalNorth's funding capacity, and maintains exposure to any potential exploration success through the share component of the transaction.

Spargoville (KGM 100%)

The Spargoville project is located 30km west of Kambalda and hosts the Lady Allison Inferred Resource of 2.1Mt @ 1.3g/t of gold. The deposit is interpreted to be hosted within a series of easterly trending and south dipping lodes with quartz biotite feldspar schist.

Given the extensive size and prospective nature of the KalNorth Gold Field, the Spargoville Field is not the Company's priority focus. The Board has approved of management seeking ways to accelerate activity at Spargoville without drawing on the Company's limited resources. This includes a range of options including partnerships through to an outright sale.

Regional Exploration

At the Success Prospect, approximately 6km to the west of the Brilliant deposit at Kurnalpi, RAB drilling is planned to follow up the significant results from the previous broad spaced drilling campaign, which included a best result of 12m @ 12.5g/t of gold.

Follow-up drilling is planned for E27/413 (Gindalbie) where results from soil sampling have been merged with results from previous exploration companies. Soil sampling has delivered several gold anomalies.

Although priority is given to the known prospects within KalNorth's tenements, greater importance will be given to generating new prospects based on the regional exploration efforts.

RESOURCES AND RESERVES

A copy of the KalNorth reserves and resources Statement is included the Appendix.

Reserves	2011	2012	Increase
Brilliant	59,930	59,930	0
Lindsays	0	42,997	42,997
	59,930	102,927	42,997

Resources	2011	2012	Increase
Kurnalpi	189,400	228,800	39,400
Kalpini	161,600	255,600	94,000
Lindsay's	201,600	323,600	122,000
Spargoville	86,800	86,800	0
Mt Jewell	0	275,600	275,600
	639,400	1,170,400	531,000

Table 5 Comparison of Reserves and Resources of the past 12 months

Work is underway on pit optimisation and design on the Gambia orebody at Kalpini. This will be followed by optimisation and pit design on the Hughes and Tregurtha deposits at Mt Jewell.

CORPORATE AND FINANCE

Expenditure for the quarter was \$2.73M compared to the previous quarter's expenditure of \$8.3M which was abnormally high due to including the settlement on the Mt Jewell acquisition. Of this, \$2.0M was spent on exploration activity, mainly related to drilling at the Kalpini Field. Interest received during the quarter was \$82,000.

At the end of the quarter, KalNorth had \$325,000 cash (not including \$110,000 in security deposits). The Company has subsequently completed a fully subscribed rights issue, raising \$7.3M, and has settled on the sale of the Kalgoorlie West tenements (\$350,000 cash plus 1.62M Phoenix Gold shares).

Expenditure in the December quarter is expected to be \$1.82M.

Subsequent to the end of the September quarter, shareholders approved the Company's name change to KalNorth Gold Mines Limited. Trading under the ASX code of KGM commenced on 22 October 2012.

Key areas of focus for KalNorth Gold Mines during the December 2012 quarter:

- Grant of Mining Leases
- Approval of all permits to allow commencement of mining
- Tendering and award of contracts for mining and haulage at Lindsay's
- Grade control drilling and pre-mining site establishment.
- Finalising of planning and scheduling for mining at Lindsay's
- Mine design and reserve estimation on the deposits within the Kalpini and Mt Jewell Fields

Additional Notes for tables;

* All figures for Lindsays, Kurnalpi, Kalpini and Spargoville used a 0.5g/t lower cut off.

*The Lignum Dam figures are reported above a cut off grade of 0.8g/t Au

* (1) denotes models completed by Mr Shane Fieldgate who is a member of the Australian Institute of Mining and Metallurgy and is employed full time by Snowden Mining Industry Consultants (Snowden).

* (2) denotes models completed by Mr Mark Carder who is a member of the Australian Institute of Geoscientists and is a former employee of Carrick Gold Limited (Carrick).

* (3) denotes design reviewed and approved by Mr John McKinstry who is a member of the Australasian Institute of Mining and Metallurgy and is employed by Carrick Gold Limited (Carrick).

* (4) denotes models completed by Dr Bielin Shi who is a member of the Australian Institute of Geoscientists and Australian Institute of Mining and Metallurgy and is employed full time by CSA Global Pty Ltd (CSA).

* (5) denotes models completed by Mr Paul Boamah who is a member of the Australian Institute of Geoscientists and Australian Institute of Mining and Metallurgy and is employed full time by Carrick Gold Limited (Carrick).

* All models completed by Shane Fieldgate (Snowdens) used a 0.3g/t lower cut off mineralised wireframe with minimum 2m thickness and 2m maximum internal dilution.

* All models completed by Mark Carder (Carrick) used a 0.3g/t lower cut off mineralised wireframe with minimum 1m thickness and 2m maximum internal dilution.

* All models completed by Dr Bielin Shi used a 0.5g/t lower cut off mineralised wireframe with minimum 1m thickness and 2m maximum internal dilution.

* Mineral Resources are inclusive of Ore Reserves.

* Figures have been rounded to 2 or 3 significant figures to reflect accuracy of the estimates (note that rounding can yield apparent computational discrepancies)

* Contained gold for Mineral Resources is insitu.

* The resources for Discovery Hill, Scottish Lass, Sparkle, Dazzle, Camelia and Atlas are transected by historic underground workings and have been depleted for mining.

Competent Persons Statement:

The information within this report as it relates to geology and mineralisation on all deposits was reviewed and approved by Mr Wade Johnson who is a full time employee of KalNorth Gold Mines Limited. Mr Johnson is a member of The Australian Institute of Geoscientists (AIG), and is a Competent Person as defined by the 2004 JORC Code, having more than five years' experience relevant to the style of mineralisation and type of deposit described in the Report. This person consents to the inclusion of this information in the form and context in which it appears in this presentation.

The information within this report as it relates to mine design and ore reserves was reviewed and approved by Mr John McKinstry who is a full time employee of KalNorth Gold Mines Limited. Mr McKinstry is a member of The Australasian Institute of Mining and Metallurgy (AusIMM), and is a Competent Person as defined by the 2004 JORC Code, having more than five years' experience relevant to the mining method and type of deposit described in the Report. This person consents to the inclusion of this information in the form and context in which it appears in this presentation.

Table 6 KalNorth Gold Mines Ore Reserves as at 08 October 2012

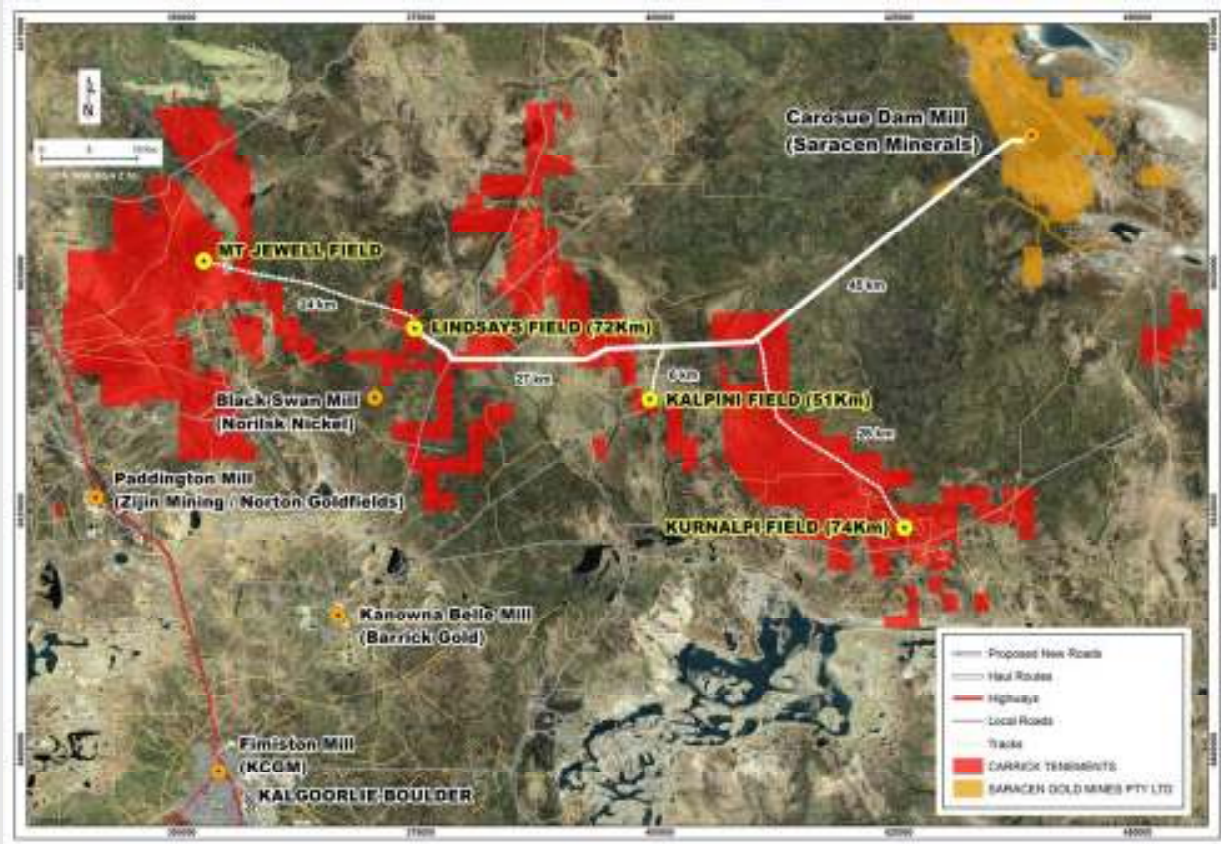
Kurnalpi Field									
Deposit	Proven			Probable			Total		
	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)
Brilliant (3)	-	-	-	1,090,000	1.7	59,930	1,090,000	1.7	59,930
Lindsay's (3)				664,000	2.2	42,997	664,000	2.2	42,997
Total	-	-	-	1,754,000	1.8	102,927	1,754,000	1.8	102,927

Note: The Resource numbers below include the ore reserve

Table 7 KalNorth Gold Mines Mineral Resources as at 08 October 2012

Kurnalpi Field									
Deposit	Indicated			Inferred			Total		
	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)
Discovery Hill (1)	-	-	-	219,000	0.8	5,700	219,000	0.8	5,700
Halfway Hill (1)	-	-	-	934,600	1.4	40,500	934,600	1.4	40,500
Scottish Lass (1)	-	-	-	84,700	1.0	3,200	84,700	1	2,600
Brilliant (1)	2,821,300	1.3	115,200	1,117,700	1.1	38,000	3,939,000	1.2	153,100
Sparkle (1)	288,900	0.9	9,000	190,000	1	6,000	479,700	0.9	14,300
Dazzle (1)	-	-	-	511,000	0.8	12,300	511,000	0.8	12,600
Total	3,110,200	1.2	124,200	3,057,000	1.1	105,700	6,167,000	1.2	228,800
Kalpini Field									
Deposit	Indicated			Inferred			Total		
	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)
Gambia/Camelia (4)	3,072,000	1.9	183,700	1,074,000	1.6	53,900	4,146,000	1.8	237,600
Atlas (4)	169,000	1.3	6,900	299,000	1.2	11,100	468,000	1.2	18,000
Total	3,241,000	1.8	190,600	1,373,000	1.5	65,000	4,614,000	1.7	255,600
Lindsays Field									
Deposit	Indicated			Inferred			Total		
	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)
Eastern Structure (2)	2,345,400	2.1	156,800	904,800	3.1	92,200	3,250,200	2.4	249,000
Central Structure (2)	1,315,100	1.1	46,500	47,900	1.1	1,700	1,363,000	1.1	48,200
Neves Prospect (2)	490,900	1.6	24,900	37,700	1.3	1,500	528,600	1.5	26,400
Total	4,151,400	1.7	228,200	990,400	3.0	95,400	5,141,800	2.0	323,600
Mt Jewell Field									
Deposit	Indicated			Inferred			Total		
	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)
Tregurtha (4)	2,407,000	1.2	93,500	473,000	1.1	15,800	2,880,000	1.2	109,300
Hughes(4)	3,760,000	1.0	118,900	1,979,000	0.8	47,400	5,739,000	0.9	166,300
Total	6,167,000	1.1	212,400	2,452,000	0.8	63,200	8,619,000	1.0	275,600
Spargoville Field									
Deposit	Indicated			Inferred			Total		
	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)
Lady Allison (1)	-	-	-	2,127,700	1.3	86,800	2,127,700	1.3	86,800
KalNorth Gold Total									
Total	Indicated			Inferred			Total		
	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)
Total	16,669,600	1.4	755,400	10,000,100	1.3	416,100	26,669,500	1.4	1,170,400

KALNORTH GOLD FIELD



Location map showing roads and local processing plants

About KalNorth Gold Mines Limited

KalNorth Gold Mines Limited (ASX Code: KGM) is a gold exploration and development company based in Perth, Western Australia.

The Company's suite of tenements covers an area of over 1,235km² and is located within 50-80km of the world-renowned gold mining town of Kalgoorlie, Western Australia, where KalNorth Gold Mines maintains an operations base.

Four gold fields are being evaluated for mining – Lindsay's, Kalpini, Kurnalpi and Mt Jewell (collectively the KalNorth Gold Field) and Spargoville.

KalNorth Gold Mines is well-funded to pursue the exploration and development of its projects.

The Company is focused on commencing first mining by January 2013.

As from 22 October 2012 the Company's name changed to KalNorth Gold Mines Limited, from Carrick Gold Limited (ASX code: CRK).