

Cessation of Mining at Lindsay's



- *Mining at Lindsay's suspended due to lower gold prices*
 - *Remaining mined ore to be processed at Carosue Dam Mill*
 - *All future options being evaluated*
 - *Board assessing the carrying value of assets*
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The Board of KalNorth Gold Mines Limited (ASX: KGM) advises that the Lindsay's mining operation ceased on 3 August, 2013. Lower prevailing gold prices were primarily responsible for this difficult but strategic decision. Continuing to mine would not have been in the best interest of shareholders as it would have resulted in erosion of the value of the Lindsay's asset.

As previously reported (ASX announcements dated 30 April, 2013 and 28 May, 2013 respectively) a deterioration in the gold price prompted adjustments to the mining plan at Lindsay's on two occasions. These changes resulted in lower than expected mined ounces and higher associated costs in the early stages of the mining operation.

Subsequently, accessing higher grade fresh ore at Lindsay's gave better results but the ongoing fall in the gold price caused the Board to make the prudent decision to cease mining, rather than risk the inherent value remaining in the asset.

It is important to note that a small portion of the main Lindsay's quartz vein has been exposed at the bottom of the pit. It has been sampled and assayed. Results suggest that whilst the grades are variable, they clearly illustrated the high grade nature of the vein. This is a key point and will provide the basis for consideration of a future potential underground operation.

Ore will continue to be processed through Saracen's Carosue Dam Mill during August and the results reported in due course.

Infrastructure related to the Lindsay's operations is being dismantled and will be available for an immediate start-up should gold prices improve.

Date: 21 August 2013

ASX Code: KGM

www.kalnorthgoldmines.com

Shares on issue: 169.9M ordinary shares

Share Price: \$0.042

Market Capitalisation: \$7.1M

Directors

Laurence Freedman AM: Chairman

Robert Schuitema: Executive Director and
Company Secretary

Henry Jian Yu: Non-executive Director

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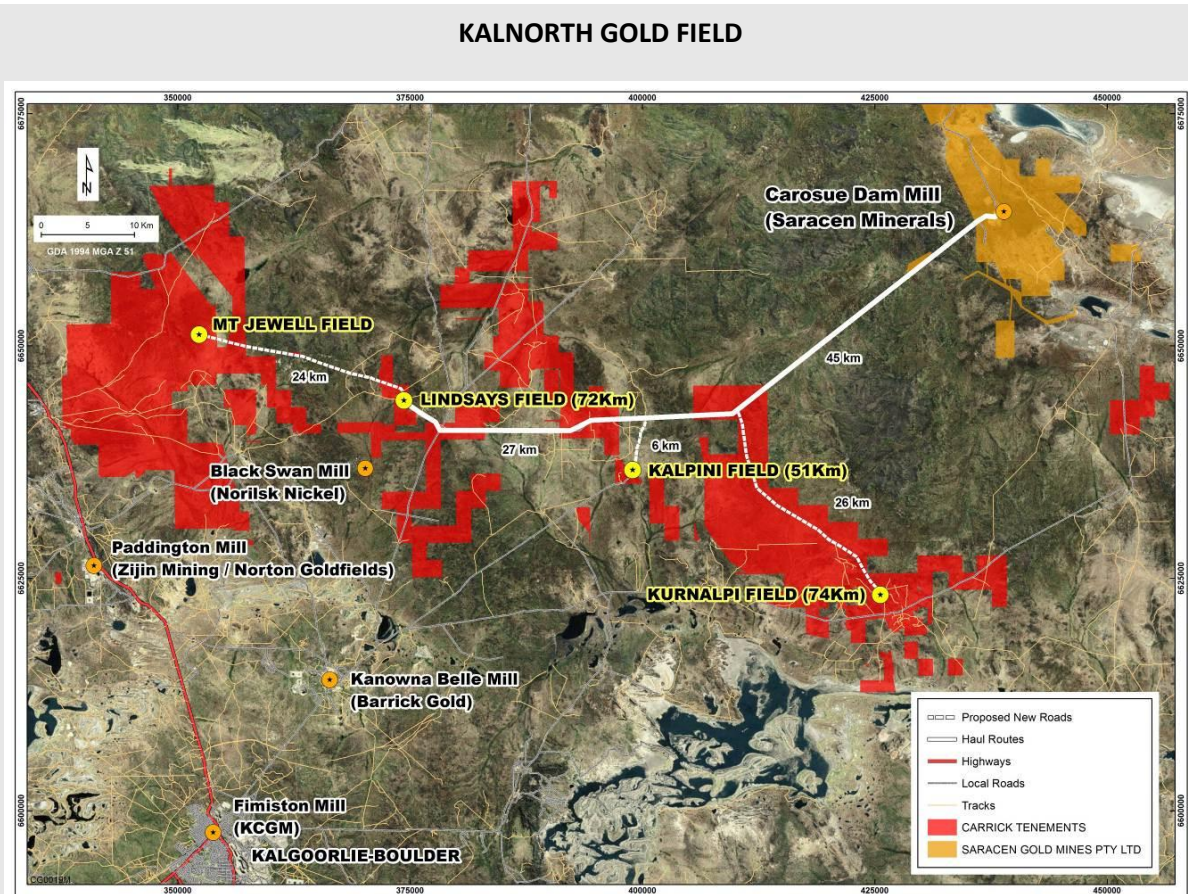
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In light of the cessation of mining at Lindsay's and the current low gold price, the Board is also conducting a review of the carrying value of the company's capitalised exploration and evaluation expenditure as well as mine development expenditure. The review is ongoing. It is likely to result in a significant write down in the value of the Company's capitalised exploration and evaluation expenditure and also mine development expenditure. Both are expected to be finalised when the Company releases its full year results in the week of 9-13 September.

Chairman of KalNorth Gold Mines, Mr. Laurence Freedman AM, stated, "Whilst the decision to cease mining at Lindsay's was very disappointing, it was absolutely necessary to ensure that we preserved the inherent value of the Company's assets.

"KalNorth has a highly prospective, valuable and strategic asset position across the 1,200km² field and we are actively evaluating all options available, in order to retain the ability to deliver value to shareholders.



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 Kalgoorlie, Western Australia (WA).

The Company's suite of tenements are located some 50km north-east of the world-renowned gold mining town of Kalgoorlie, WA. They cover approx. 1,200km² of highly prospective land containing existing gold resources.

There are currently four discovered gold fields within the KGM tenement holding: Mt Jewell, Lindsay's, Kalpini, and Kurnalpi (collectively the KalNorth Gold Field). Spargoville, south of Kalgoorlie, is a JV project with Mithril Resources Limited.

KalNorth Gold Mines transitioned to a gold producer in January 2013 when it brought the Lindsay's field into production. Due to a decline in prevailing gold prices, mining of the Lindsay's deposit were suspended in August, 2013. Given favourable economic conditions Lindsay's could be re-established as a producing mine and the other three discoveries developed in due course.