



KalNorth Gold Mines Limited and Controlled Entities
ACN 100 405 954

Financial Report

For the half-year ended 31 December 2020

KalNorth Gold Mines Limited and Controlled Entities
Half Year ended 31 December 2020

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by KalNorth Gold Mines Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**KalNorth Gold Mines Limited and Controlled Entities
Half Year ended 31 December 2020**

CORPORATE DIRECTORY

Directors	Jiajun Hu (Executive Chairman) Yuanguang Yang (Non-Executive Director) Xiaojing Wang (Non-Executive Director)
Company Secretary	Jiajun Hu
Registered Office	224 Dugan Street Kalgoorlie, Western Australia 6430
Corporate Office	224 Dugan Street Kalgoorlie, Western Australia 6430
Share Registry	Advanced Share Registry Limited 110 Stirling Highway Perth WA 6009
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Stock Exchange Listing	Australian Securities Exchange ASX code: KGM*

* KalNorth Gold Mines Limited's securities have been suspended from trading on the ASX with effect from 12 August 2020

DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of KalNorth Gold Mines Limited and the entities it controlled ("the Consolidated Entity") for the half-year ended 31 December 2020.

Directors

The names of directors who held office during the half year and until the date of this report are provided below. Directors were in office for the entire period unless otherwise stated.

Jiajun Hu
Yuanguang Yang
Xiaojing Wang

Principal Activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of mineral exploration.

Results and Review of Operations

The loss attributable to members of KalNorth Gold Mines Limited for the half year ended 31 December 2020 was \$386,735 (2019: loss of \$542,092). The reduction in loss from the previous half year is due to COVID 19 related Government incentives and a non-refundable deposit for the sale of the Lindsay's Project, which sale was declared unconditional following the period end.

No dividends were paid or declared payable during or since the half-year.

Exploration Activities

Kurnalpi Project (100 % KGM)

The Kurnalpi project is located approximately 85km north-east of Kalgoorlie with easy road access. It has been subject to extensive historic small scale gold mining and a number of companies have completed extensive work on this project previously. A series of small to moderate size mineral resources have been defined in the project area and KalNorth is focusing on exploration to define additional resources to increase the potential for development.

During the Half-Year period, the Company continued reviewing exploration potential and development options for the Kurnalpi project, although some activities were delayed due to the Covid-19 pandemic and the consequential restrictions imposed by the Government.

Lindsay's Project (100 % KGM)

The Lindsay's project is located approximately 65km to the north east of Kalgoorlie and contains the Lindsay's mine site which continues to remain under care and maintenance since 2013.

The Company announced the sale of Lindsay's Project on 4 December to a subsidiary of a locally based mining company Nu Fortune Gold Limited for a total consideration of \$5,000,000 comprising an initial non-refundable deposit of \$100,000 received in the Half-Year period, a completion payment of \$2,400,000 receivable at the end of March 2021 and deferred payments of \$2,500,000 over 2 years after completion.

DIRECTORS' REPORT (Cont'd)

Corporate

Loan Facility – A loan agreement was entered into with Sinobase International Trading Limited (“Sinobase”) for A\$250,000 on 29 August 2020 for working capital purpose. The full amount was drawn down on 1 September 2020. The loan is subject to an annual 8% interest rate charge and repayable in full by 30 March 2022. The loan facility will also be secured by a security charge over the Company’s tenements, subject to shareholders’ approval.

Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor’s independence declaration under section 307C of the *Corporations Act 2001* is set out on the next page and forms part of the Directors’ Report for the half-year ended 31 December 2020.

Signed in accordance with a resolution of the Directors.



Jiajun Hu
Executive Chairman

Dated at Perth this 15th day of March 2021

DECLARATION OF INDEPENDENCE GLYN O'BRIEN TO THE DIRECTORS OF KALNORTH GOLD MINES LIMITED

As lead auditor for the review of KalNorth Gold Mines Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of KalNorth Gold Mines Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2021

KalNorth Gold Mines Limited and Controlled Entities
Half Year ended 31 December 2020

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income for the half year ended 31 December 2020

	Note	Consolidated	
		31 December 2020	31 December 2019
		\$	\$
Other income		105,458	78
Government incentives		75,071	-
Director and corporate employee costs		(123,870)	(169,919)
Professional fees and consultants		(61,038)	(74,084)
Depreciation expenses		-	(466)
Listing and registry fees		(8,545)	(5,299)
Exploration expenses	3	(291,171)	(216,942)
Interest expense		(38,733)	(14,322)
Other expenses		(43,907)	(61,137)
Loss before income tax		<u>(386,735)</u>	<u>(542,092)</u>
Income tax expense		-	-
Loss for the period		<u>(386,735)</u>	<u>(542,092)</u>
Other Comprehensive income/(loss)		<u>-</u>	<u>-</u>
Total Comprehensive Income/(loss) for the period		<u>(386,735)</u>	<u>(542,092)</u>
 Earnings Per Share			
Basic and diluted (loss) per share (cents)		(0.04)	(0.06)

The accompanying notes form an integral part of these financial statements.

KalNorth Gold Mines Limited and Controlled Entities
Half Year ended 31 December 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	Consolidated	
		31 December 2020	30 June 2020
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		11,822	4,270
Trade and other receivables		-	7,367
Other assets		7,500	7,500
Asset held for sale	2	<u>2,819,727</u>	-
Total Current Assets		<u>2,839,049</u>	19,137
Non-Current Assets			
Property, plant and equipment		290,865	290,865
Exploration and evaluation expenditure	3	<u>2,439,924</u>	5,259,651
Total Non-Current Assets		<u>2,730,789</u>	5,550,516
Total Assets		<u>5,569,838</u>	5,569,653
Liabilities			
Current Liabilities			
Trade and other payables	4	345,988	235,847
Borrowings	5	1,073,378	796,599
Liabilities held for sale	6	<u>1,040,650</u>	-
Total Current Liabilities		<u>2,460,016</u>	1,032,446
Non-Current Liabilities			
Restoration provision		<u>54,916</u>	1,095,566
Total Non-Current Liabilities		<u>54,916</u>	1,095,566
Total Liabilities		<u>2,514,932</u>	2,128,012
Net Assets		<u>3,054,906</u>	3,441,641
Equity			
Issued capital	7	92,438,807	92,438,807
Accumulated losses		<u>(89,383,901)</u>	(88,997,166)
Total Equity		<u>3,054,906</u>	3,441,641

The accompanying notes form an integral part of these financial statements.

KalNorth Gold Mines Limited and Controlled Entities
Half Year ended 31 December 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2020

	Issued Capital	Accumulated Losses	Total
At 1 July 2019	92,438,807	(88,096,811)	4,341,996
Loss for the period	-	(542,092)	(542,092)
Total comprehensive loss for the period	-	(542,092)	(542,092)
At 31 December 2019	<u>92,438,807</u>	<u>(88,638,903)</u>	<u>3,799,904</u>
At 1 July 2020	92,438,807	(88,997,166)	3,441,641
Loss for the period	-	(386,735)	(386,735)
Total comprehensive loss for the period	-	(386,735)	(386,735)
At 31 December 2020	<u>92,438,807</u>	<u>(89,383,901)</u>	<u>3,054,906</u>

The accompanying notes form an integral part of these financial statements.

KalNorth Gold Mines Limited and Controlled Entities
Half Year ended 31 December 2020

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2020

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Cash flows from Operating Activities		
Payments to suppliers and employees	(205,444)	(184,047)
Interest received	58	78
Interest paid	-	(1,653)
Rental income	5,400	-
Government incentives	75,071	-
Net cash used in operating activities	(124,915)	(185,622)
Cash flows from Investing Activities		
Payments for mineral exploration activities	(217,533)	(254,502)
Deposit received (Lindsay's Project sale)	110,000	-
Net cash used in investing activities	(107,533)	(254,502)
Cash flows from Financing Activities		
Repayment of borrowings	(41,000)	-
Loan from director	31,000	90,000
Loan from shareholder	250,000	331,884
Net cash provided by financing activities	240,000	421,884
Net increase / (decrease) in cash held	7,552	(18,240)
Cash and cash equivalent at the beginning of the half-year	4,270	94,736
Cash and cash equivalent at the end of the half-year	11,822	76,496

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2020

1. Basis of Preparation

KalNorth Gold Mines Limited is a listed public company, incorporated and domiciled in Australia. During the half year ended 31 December 2020 (the “period”), the consolidated entity conducted operations in Australia.

These consolidated interim financial statements of the consolidated entity for the period ended 31 December 2020 are general purpose financial statements prepared in accordance with the requirements of the Australian Corporations Act 2001 (Cth), applicable accounting standards including AASB 134 ‘Interim Financial Reporting’, other authoritative pronouncements of the Australian Accounting Standards Board (‘AASB’) and Urgent Issues Group Interpretations.

These interim financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report. It is recommended that these interim financial statements be read in conjunction with the annual financial report for the year ended 30 June 2020, and any public announcements made by the group during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

Going Concern

The Financial Statements have been prepared on a going concern basis, which contemplates the continuation of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

For the period ended 31 December 2020, the Group recorded a loss from continuing operations after income tax of \$386,735 (2019: loss \$542,092) and had net cash outflows from operating and investing activities of \$232,448 (2019: \$440,124). At 31 December 2020, the Company had total current liabilities of \$2,460,016 (30 June 2020: \$1,032,446) and cash and cash equivalents of \$11,822.

The ability of the Group to continue as a going concern is dependent on securing additional funding through either equity or debt, or a combination of both to continue to fund its operational and exploration activities. These conditions indicate a material uncertainty that may cast a significant doubt about the Group’s ability to continue as a going concern, and therefore that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that the Company will continue as a going concern and be able to pay its debt as and when they fall due. The financial report has been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- (i) During the Half-Year period, the Group entered into an agreement for the sale of its Lindsay’s Project for \$5 million with a \$100,000 non-refundable deposit being received in October 2020. The sale agreement was declared unconditional in January 2021 and a \$2.4 million completion amount is scheduled for receipt at the end of March 2021 with the remaining \$2.5 million receivable over a two year period; and
- (ii) Included in current liabilities as at 31 December 2020 is a restoration provision of just under \$1.1 million relating to the Lindsay’s Project. Upon completion of sale at the end of March 2021, restoration obligations, if any, will no longer be a liability for the Group and the provision will be written back to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Group not be able to continue as a going concern.

Significant Accounting Judgements and Key Estimates

Asset held for sale are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; - An active programme to locate a Buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification.

Following their classification as held for sale, non-current assets are not depreciated. The results of operations disposed during the period are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale. Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the profit or loss of the discontinued operation along with the gain or loss of the re-measurement to fair value less costs.

Statement of Compliance

The interim financial statements were authorised for issue on 15 March 2021.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

2. Asset classified as held for sale

On 4 December 2020, the Company concluded a binding sale and purchase agreement (SPA) to sell its Lindsay's Project for a total consideration of \$5,000,000. A non-refundable deposit of \$100,000 has been received by the Company. This asset is now classified as an Asset held for sale as follows:

	31 December 2020	30 June 2020
Asset held for sale	\$ 2,819,727	\$ -

KalNorth Gold Mines Limited and Controlled Entities
Half Year ended 31 December 2020

3. Exploration and Evaluation Expenditure	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Cost	2,439,924	5,259,651
<i>Reconciliation</i>		
Balance at beginning of period/year	5,259,651	5,259,651
Exploration expenditure incurred for the period/year	291,171	346,177
Exploration expenditure expensed	(291,171)	(346,177)
Reclassification to asset held for sale (refer note 2)	(2,819,727)	-
Balance at end of period/year	2,439,924	5,259,651

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

4. Trade and Other Payables	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Current		
Trade payables	181,056	79,913
GST and other taxes (receivable) / payable	(554)	5,563
Sundry payables and accrued expenses	142,087	122,761
Provision for annual leave	23,399	27,610
	345,988	235,847

5. Borrowings	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Current:		
Loan – Cross Straits ⁽ⁱ⁾	364,675	351,291
Loan – Director ⁽ⁱⁱ⁾	200,940	203,715
Loan – Mintu ⁽ⁱⁱⁱ⁾	251,133	241,592
Loan – SinoBase ^(iv)	256,630	-
	1,073,378	796,599

(i) The Cross-Straits loan was provided in August 2019 for working capital purposes. This loan will be secured by the Company's assets (subject to shareholder approval if required), 8% pa interest chargeable and repayable on or before 30 June 2021.

(ii) A director loan was extended to the Company for working capital purposes, and as at 31 December 2020, \$180,000 (June 2020 - \$180,000) has been drawn down. This loan will be secured by the Company's tenements, subject to shareholder approval, 8% pa interest chargeable and repayable on or before 30 June 2021.

(iii) A loan of \$236,563 was provided by Mintu Infrastructure Development Holdings Co., Limited for working capital purposes. The loan will be secured by the Company's assets (subject to shareholder approval if required), 8% pa interest chargeable and repayable on or before 30 June 2021.

(iv) A loan of \$250,000 was provided by SinoBase International Trading Limited for working capital purposes in September 2020. The loan will be secured by the Company's assets (subject to shareholder approval if required), 8% pa interest chargeable and repayable on or before 31 March 2022. This loan has been recognised as a current liability.

6. Liabilities held for sale	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Restoration provision (Lindsay's Project)	1,040,650	-

The estimated provision for restoration liabilities at the Lindsay's Project has been classified as a current liability in reflection of the entering into of an agreement in early December 2020 for the sale of all of the tenements comprising the Lindsay's Project

7. Issued Capital	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Ordinary Shares		
894,240,060 fully paid ordinary shares (June 2020: 894,240,060)	92,438,807	92,438,807

8. Dividends

No dividends were paid or declared payable during or since the half-year.

9. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. During the period the consolidated entity operated in one geographical segment being Australia, and one business segment being mineral exploration and development.

10. Related party transactions

Related Parties

The Group's main related parties are as follows:

- a. **Key management personnel**
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.
- b. **Entities subject to significant influence**
An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement

Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties (refer to note 5 Borrowings for details on loan terms and conditions):

10. Related party transactions (continued)

Amounts payable to related parties:

	Consolidated	
	31 December 2020	30 June 2020
Loans from key management personnel:	\$	\$
Beginning of the period	203,715	90,000
Loan advanced	31,000	110,000
Repayment of loan	(41,000)	(10,000)
Interest charged	7,225	13,715
End of the period	200,940	203,715
Loans from entities with significant influence:	\$	\$
Beginning of the period	351,291	-
Loan advanced	250,000	331,884
Interest charged	20,524	19,407
End of the period	621,815	351,291

11. Events Subsequent to Reporting Date

Since the end of the reporting period and to the date of this report, no other matter or circumstance has arisen which significantly affected, or may significantly effect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods other than as noted below.

As referred to elsewhere in this report, the agreement for the sale of the Lindsay's Project was declared unconditional in January 2021. Consequently, a completion amount of \$2.4 million is scheduled for receipt at the end of March 2021, and deferred consideration amounts of \$1 million and \$1.5 million are receivable at the end of March 2022 and March 2023 respectively.

DIRECTORS' DECLARATION

The Directors of KalNorth Gold Mines Limited declare that:

1. The financial statements and notes, are in accordance with the Corporations Act 2001, including :
 - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Jiajun Hu
Executive Chairman

Dated at Perth this 15th day of March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of KalNorth Gold Mines Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of KalNorth Gold Mines Limited and its subsidiaries, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', written over a faint, light-colored BDO logo.

Glyn O'Brien

Director

Perth, 15 March 2021