



KalNorth Gold Mines Limited and Controlled Entities

ACN 100 405 954

Annual Report

For the year ended 30 June 2021



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KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

CORPORATE DIRECTORY

Directors	Jiajun Hu (Executive Chairman) Yuanguang Yang (Non-Executive Director) Xiaojing Wang (Non-Executive Director)
Company Secretary	Jiajun Hu
Registered Office and Principal Place of Business	Level 2, Suite 9 389 Oxford Street Mount Hawthorn, Western Australia 6016
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: KGM)*
Company Website	www.kalnorthgoldmines.com

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

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
DIRECTORS' REPORT

The Directors of KalNorth Gold Mines Limited (“the Company”) present their financial report on the consolidated entity, being the company and its controlled entities, for the financial year ended 30 June 2021.

Directors

The names of directors in office at any time during or since the end of the financial year are listed hereunder. Directors have been in office from the start of the financial year to the date of this report unless otherwise stated.

- | | |
|---|------------------------|
| • Jiajun Hu | Executive Chairman |
| • Yuanguang Yang | Non-executive Director |
| • Xiaojing Wang | Non-executive Director |
| • Lionel Liew (appointed 24 May 2021, resigned 25 May 2021) | Non-executive Director |

Information on Directors

JIAJUN HU

Executive Chairman & Company Secretary

Mr. Jiajun Hu acts as Regional Business Executive of Cross-Strait Common Development Fund Co., Ltd (hereinafter referred to as “Cross-Strait”). Cross-Strait, with its global headquarters in Hong Kong, is one of the largest shareholders in the Company.

He is responsible for supervision and administration of Cross-Strait’s investment projects in Oceania and reports directly to the managing director of Cross-Strait and has gained significant experience in international investment, financial accounting, commercial contract negotiation and contract dispute negotiation through corporate transactions in North America, Africa, Asia and Oceania.

He has a Bachelor’s Degree in Commerce in 2008 from the Australian National University majoring in finance and accounting. Mr. Hu has specialized knowledge of the financial transactions market and investment capital market and is familiar with Chinese business and capital market operation. Mr. Hu is fluent in both English and Chinese.

Mr Hu has held no other directorships of other public companies within the last three years.

Interest in shares and options: Nil

YUANGUANG YANG

Non-Executive Director

Mr. Yang is a Hong Kong CPA (practising) and currently operates a CPA firm in Hong Kong with business focus in markets of Hong Kong, Mainland China, Australia and New Zealand. Mr. Yang is also a Chartered Accountant in Australia and New Zealand.

He has over 20 years’ experience in audit and assurance, global tax planning, corporate advisory, family business and M & A business and also worked with the Industrial and Commercial Bank of China for several years before running his CPA business.

Mr Yang resides in Hong Kong and is an authorised officer of South Victory Global Limited, a major shareholder in the Company.

Mr. Yang has held no other directorships of other public companies within the last three years.

Interest in shares and options: 2,375,300 shares

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
DIRECTORS' REPORT

Information on Directors (cont'd)

XIAOJING WANG (REBECCA)

Non-Executive Director

Mrs Wang holds a Bachelor of Applied Finance, from Macquarie University, NSW and is currently the Finance Manager for a Sydney based private company.

Mrs Wang has held no other directorships of other public companies within the last three years.

Interest in shares and options: Nil

LIONEL LIEW (appointed 24 May 2021, resigned 25 May 2021)

Non-Executive Director

Mr Liew is an accountant by profession and a member of CPA Australia. He has been involved with public listed companies, particularly those in the mining sector for the past 12 years in accounting and finance roles and he also has a background in public company audits.

Mr Liew has held no other directorships of other public companies within the last three years.

Interest in shares and options: Nil

Principal Activities

The consolidated entity's principal activity during the year was gold exploration on its projects in the Eastern Goldfields region in Western Australia. The consolidated entity disposed the Lindsay's and Kurnalpi Projects during the year. These projects provide development and mineral production potential, which the Board considered was outside the consolidated entity's expertise and resources and hence their disposal represented a better return on investment. The consolidated entity will use its exploration expertise and long history and experience in gold exploration in the Goldfields area to target greenfield exploration.

Review of Operations

Kurnalpi Project disposal

During the year, the Company entered into a binding agreement with Northern Star (Carosue Dam) Pty Ltd, a wholly owned subsidiary of ASX listed Northern Star Resources Limited for the sale of its Kurnalpi project for a total consideration of \$18 million. Shareholders approved this disposal at a general meeting on 24 May 2021 and completion and settlement took place in mid-June 2021.

Lindsay's Project disposal

A binding agreement was executed for the sale of Lindsay's project to Lindsays Find Pty Ltd, a wholly owned subsidiary of Nu Fortune Gold Limited, an unlisted public company involved in the exploration and production of gold in the Eastern Goldfields for \$5 million. The sale agreement went unconditional on 29 January 2021 and was completed on 29 March 2021, with \$2.5 million received at that time with the balance of \$2.5 million receivable over the next two years.

Operating Results and Financial Performance

The operating profit after income tax of the consolidated entity for the year ended 30 June 2021 was \$12,208,461 (2020: \$900,355). The increase in operating profit for the year was due to the completion of the sale of Lindsay's and Kurnalpi projects.

As at 30 June 2021 the Company had \$15,036,283 (2020: \$4,270) in cash reserves and an aggregate liability of \$1,896,480 (2020: \$1,032,446), comprising primarily of the GST payable on the sale of the Kurnalpi Project.

At 30 June 2021, the consolidated entity had net assets of \$15,650,102 (2020: \$3,441,641).

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
DIRECTORS' REPORT

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year, other than the disposal of mineral assets as noted in this financial report.

Dividends Paid or Recommended

The Directors do not recommend the payment of a dividend and no dividends have been paid or declared since the end of the last financial year.

Significant Events after the Reporting Date

In July 2021, the Company entered into a binding contract to divest its Kalgoorlie land and buildings located at 224 & 226 Dugan Street, for \$400,000 cash consideration. As a program for disposal of the property was initiated prior to 30 June 2021, the property has been reclassified to available for sale assets in the financial report. The property sale was completed on the 9 September 2021.

Other than the above, no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity.

Likely Developments and Expected Results

As noted earlier in this report, the consolidated entity will use its exploration expertise and long history and experience in gold exploration in the Goldfields area of Western Australia to target greenfield exploration.

Environmental regulation

The consolidated entity was subject to environmental regulation in respect of its exploration activities, until the disposal of all its projects during the year.

The consolidated entity aims to ensure the appropriate standard of environmental care is achieved and, in doing so, comply with National Greenhouse and Energy Reporting Act 2007 ("NGER Act 2007"). The directors of the consolidated entity are not aware of any breach of environmental legislation for the year under review.

Meetings of Directors

During the financial year, 10 meetings of Directors were held. Attendances by each Director during the year were as follows:

	Directors' Meetings	
	Number of meetings eligible to attend	Number attended
Jiajun Hu	10	10
Yuanguang Yang	10	10
Xiaojing Wang	10	10
Lionel Liew (appointed 24 May 2021, resigned 25 May 2021)	-	-

No Audit or Remuneration Committee meetings were held in the year, with all matters dealt with by the Board as a whole.

Options

At the date of this report, there were no unissued ordinary shares of KalNorth Gold Mines Limited under option (2020: Nil).

During the year ended 30 June 2021 and to the date of this report, no shares were issued on the exercise of options (2020: nil).

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
DIRECTORS' REPORT

Risk Management

The Board is responsible for ensuring that risks and opportunities are identified in a timely manner and that activities are aligned with the risks and opportunities identified by the Board.

The consolidated entity believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee but considers these matters at Board meetings.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include Board approval of a strategic plan which encompasses strategy statements designed to meet stakeholders needs and manage business risk, and implementation of Board approved operating plans and budgets and the monitoring thereof.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for Directors and executives of the consolidated entity.

The following were Key Management Personnel of the Company during or since the end of the financial year:

Jiajun Hu	Executive Chairman
Yuanguang Yang	Non-Executive Director
Xiaojing Wang	Non-Executive Director
Lionel Liew	Non-Executive Director (appointed 24 May 2021, resigned on 25 May 2021)

Remuneration Policy

The remuneration policy of KalNorth Gold Mines Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity's ability to attract and retain the best Directors and executives to run and manage the consolidated entity.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated entity is as follows:

The remuneration policy setting out the terms and conditions for executive directors and other senior executives was developed by the Board. All executives receive a base salary (which is based on factors such as the length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the consolidated entity's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses, and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to Directors and executives is valued at the cost to the consolidated entity and expensed.

Executives are also entitled to participate in the employee share and option arrangements. Shares given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the Director or executive. Options are valued using the Black-Scholes methodology.

Performance-Based Remuneration

The consolidated entity currently has no compulsory performance-based remuneration component built into Director and executive remuneration packages. However, performance-based bonuses may be awarded from time to time at the discretion of the Board, and this will be dependent on individual performance linked to the consolidated entity's strategic objectives for that period.

In the current year, no bonuses were paid or declared.

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Board considers the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Independent advice is obtained when considered necessary to confirm that remuneration is in line with market practice. Each Director may receive a fee for being a Director of the Company.

Non-executive Directors may also receive options or performance rights (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves.

Relationship between Remuneration Policy and Consolidated Entity Performance

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and executives. From time to time, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The consolidated entity believes this policy will be effective in increasing shareholder wealth.

Key management personnel service agreements

Details of the key conditions of service agreements for key management personnel in place at the date of this report are as follows:

	Commencement Date	Notice Period Base Salary	Base Salary	Termination Payments Provided
Jiajun Hu – Executive Chairman	11/01/2017	One month	\$70,000	-

There are no other agreements with key management personnel.

Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')

At the 2020 AGM held on 22 December 2020, over 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Remuneration Details

(a) Key management personnel compensation:

2021	Short-term benefits			Post-employment benefits	
	Salary and fees	Cash Bonus	Annual Leave Entitlements ¹	Superannuation	Total
Name	\$	\$	\$	\$	\$
<i>Directors</i>					
Jiajun Hu	70,000	50,000	5,896	11,650	137,547
Yuanguang Yang	30,000	-	-	-	30,000
Xiaojing Wang	30,000	-	-	2,850	32,850
Lionel Liew	20,000	-	-	-	20,000
Total	150,000	50,000	5,896	14,500	220,397

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

2020	Short-term benefits		Post-employment benefits	
	Salary and fees	Annual Leave Entitlements ¹	Superannuation	Total
Name	\$	\$	\$	\$
<i>Directors</i>				
Jiajun Hu	70,000	5,896	6,650	82,546
Yuanguang Yang	30,000	-	-	30,000
Xiaojing Wang	30,000	-	2,850	32,850
Total	130,000	5,896	9,500	145,396

¹ The amounts disclosed in this column represent the increase in the associated provisions.

Share-based payment compensation

To ensure that the consolidated entity has appropriate mechanisms to continue to attract and retain the services of Directors and Executives of a high calibre, the consolidated entity has a policy of issuing options that are exercisable in the future at a certain fixed price.

No options were granted to Directors or key management personnel during the year ended 30 June 2021 (2020: nil).

Key management personnel shareholdings

The number of ordinary shares in KalNorth Gold Mines Limited held by each key management personnel of the consolidated entity during the financial year is as follows:

2021	Balance 1 July 2020	Granted as Remuneration	Net Change Other	Balance 30 June 2021
<i>Directors</i>				
Jiajun Hu	-	-	-	-
Yuanguang Yang	2,375,300	-	-	2,375,300
Xiaojing Wang	-	-	-	-
Lionel Liew	NA	-	-	NA
Total	2,375,300	-	-	2,375,300

2020	Balance 1 July 2019	Granted as Remuneration	Net Change Other	Balance 30 June 2020
<i>Directors</i>				
Jiajun Hu	-	-	-	-
Yuanguang Yang	2,375,300	-	-	2,375,300
Xiaojing Wang	-	-	-	-
Total	2,375,300	-	-	2,375,300

Key management personnel option holdings

No options were granted or held by key management personnel in the current or prior year.

Loans to key management personnel and their related parties

There were no loans outstanding at the reporting date (30 June 2020: Nil) to key management personnel and their related parties.

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

Other transactions with KMPs

During the year ended 30 June 2021, Jiajun Hu extended additional loans of \$71,000 (2020: \$100,000) to the Company for working capital purposes, bringing the total amount lent to \$261,000. The Company made repayment of \$41,000 in September 2020 and a final repayment of \$220,000, including accrued interest at 8% pa in June 2021. Refer to Note 12 Borrowing for more details.

There were no other transactions with KMPs for the year ended 30 June 2021.

Use of Remuneration Consultants

The Company did not use any remuneration consultants during the year.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$
Sales revenue	-	-	-	-	13,422
EBITDA	12,410,885	(858,670)	(823,513)	(235,792)	66,419
EBIT	12,410,885	(859,137)	(825,373)	(251,999)	34,858
Profit / (Loss) after income tax	12,208,461	(900,355)	(825,373)	(357,446)	(95,951)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end (\$)	0.013¹	0.007	0.008	0.006	0.009
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings / (loss) per share (cents per share)	1.38	(0.10)	(0.09)	(0.04)	(0.01)

¹Shares last traded on ASX in August 2020

[END OF AUDITED REMUNERATION REPORT]

Indemnification and Insurance of Officers and Auditors

The Company's Constitution requires it to indemnify Directors and officers of any entity within the consolidated entity against liabilities incurred to third parties and against costs and expenses incurred in defending civil or criminal proceedings, except in certain circumstances. An indemnity is also provided to the Company's auditors under the terms of their engagement. Directors and officers of the consolidated entity have been insured against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The insurance premium relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome;
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Proceedings on Behalf of Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
DIRECTORS' REPORT

Non-Audit Services

The Company may decide to employ the auditors, BDO (Audit) WA Pty Ltd on assignments additional to their statutory audit duties where their expertise and experience with the Company is important and relevant.

Details of the amounts paid or payable for audit and non-audit services provided during the year are set out in Note 19 to the financial statements.

Auditor's Independence Declaration

The auditor, BDO Audit (WA) Pty Ltd, has provided the Board of Directors with an independence declaration in accordance with section 307C of the Corporations Act 2001 and this is set out on the following page.

The Report of Directors, incorporating the Remuneration Report, is signed pursuant to section 298(2) (a) of the Corporations Act 2001 in accordance with a resolution of the Board of Directors.



Jiajun Hu
Executive Chairman

Dated at Perth 25 October 2021

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

As lead auditor of KalNorth Gold Mines Limited for the year ended 30 June 2021, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 25 October 2021

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Other income	3	84,760	47,076
Reduction / (Increase) in rehabilitation obligation	13	1,095,566	(30,692)
Gain on sale of mineral tenements		12,156,009	-
Director and corporate employee costs		(288,034)	(315,080)
Professional fees and consultants		(66,956)	(52,712)
Depreciation expenses		-	(467)
Listing and registry fees		(37,997)	(30,520)
Exploration costs		(428,191)	(337,461)
Interest expense		(86,424)	(38,151)
Other expenses		<u>(220,272)</u>	<u>(142,348)</u>
Profit / (Loss) before income tax		12,208,461	(900,355)
Income tax expense	4	-	-
Profit / (Loss) after income tax for the year		<u>12,208,461</u>	<u>(900,355)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Revaluation of available for sale asset		-	-
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income / (loss) for the year		<u>12,208,461</u>	<u>(900,355)</u>
Earnings / (Loss) per share for the year attributable to the members of KalNorth Gold Mines Ltd:			
Basic and diluted earnings / (loss) per share (cents)	18	1.37	(0.10)

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

KaiNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	20(b)	15,036,283	4,270
Trade receivables	5	-	7,367
Other receivables	6	925,926	-
Other assets	7	7,500	7,500
Available for sale assets	10	290,865	-
Total Current Assets		16,260,574	19,137
Non-Current Assets			
Other receivables	6	1,286,008	-
Property, plant and equipment	8	-	290,865
Exploration and evaluation expenditure	9	-	5,259,651
Total Non-Current Assets		1,286,008	5,550,516
TOTAL ASSETS		17,546,582	5,569,653
LIABILITIES			
Current Liabilities			
Trade and other payables	11	1,896,480	235,847
Borrowings	12	-	796,599
Total Current Liabilities		1,896,480	1,032,446
Non-Current Liabilities			
Restoration provision	13	-	1,095,566
Total Non-Current Liabilities		-	1,095,566
TOTAL LIABILITIES		1,896,480	2,128,012
NET ASSETS		15,650,102	3,441,641
EQUITY			
Issued capital	14	92,438,807	92,438,807
Accumulated losses	15	(76,788,705)	(88,997,166)
TOTAL EQUITY		15,650,102	3,441,641

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

KaiNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
2020			
As at 1 July 2019	92,438,807	(88,096,811)	4,341,996
Loss after income tax for the year	-	(900,355)	(900,355)
Total comprehensive loss for the year, net of tax	-	(900,355)	(900,355)
As at 30 June 2020	92,438,807	(88,997,166)	3,441,641
	Issued Capital \$	Accumulated Losses \$	Total Equity \$
2021			
As at 1 July 2020	92,438,807	(88,997,166)	3,441,641
Profit after income tax for the year	-	12,208,461	12,208,461
Total comprehensive profit for the year, net of tax	-	12,208,461	12,208,461
As at 30 June 2021	92,438,807	(76,788,705)	15,650,102

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021	2020
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		9,600	2,200
Payments to suppliers and employees (inclusive of GST)		(682,898)	(430,386)
Payment for exploration and evaluation (expensed)		(459,438)	(370,894)
Government grant received		75,071	44,755
Interest received		89	121
Interest paid		(4,912)	(1,653)
Net cash used in operating activities	20(a)	(1,062,488)	(755,857)
Cash flows from investing activities			
Acquisition of tenements		(5,317,399)	(3,056)
Proceeds from sale of tenements		22,763,687	-
Cost associated with tenement sales		(475,778)	-
Net cash from / (used in) investing activities		16,970,510	(3,056)
Cash flows from financing activities			
Proceeds from borrowings		5,721,000	678,447
Repayment of borrowings		(6,479,448)	(10,000)
Interest on borrowings paid		(117,561)	-
Net cash (used in) / from financing activities		(876,009)	668,447
Net increase / (decrease) in cash held		15,032,013	(90,466)
Cash and cash equivalents at the beginning of the financial year		4,270	94,736
Cash and cash equivalents at the end of the financial year	20(b)	15,036,283	4,270

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Notes to the Consolidated Financial Statements

Note 1: Statement of Significant Accounting Policies

The financial statements cover KalNorth Gold Mines Limited ("KalNorth", "Company") as a consolidated entity consisting of KalNorth Gold Mines Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is KalNorth's functional and presentation currency.

The financial report was authorised for issue on 25 October 2021 by the Board of Directors.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

New and amended standards issued but not yet mandatory

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2021. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

New or amended standards adopted by the Company

The Company has not adopted any new or amended standards during the year ended 30 June 2021.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of KalNorth Gold Mines Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. KalNorth Gold Mines Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Notes to the Consolidated Financial Statements

Note 1: Statement of Significant Accounting Policies (cont'd)

Principles of consolidation (cont'd)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit of loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax related to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Notes to the Consolidated Financial Statements

Note 1: Statement of Significant Accounting Policies (cont'd) Income tax (cont'd)

Current tax assets and liabilities are offset where a largely enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Mining tenements and exploration and evaluation expenditure

Mining tenements and exploration and evaluation expenditure are carried at cost, less accumulated impairment losses.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured on the cost basis less depreciation and impairment losses.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Notes to the Consolidated Financial Statements

Note 1: Statement of Significant Accounting Policies (cont'd)

Property, plant and equipment (cont'd)

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Plant and equipment	10-33%
Motor vehicles	25%
IT assets	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Notes to the Consolidated Financial Statements

Note 1: Statement of Significant Accounting Policies (cont'd)

Impairment of non-financial assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the comprehensive statement of income.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Provision for restoration

Long term environmental obligations are based on the Group's environmental management plans in compliance with current environmental and regulatory requirements. Full provision is made based on the value of the estimated cost restoring the environmental disturbance that has occurred up to the reporting date. The restoration provision relates to exploration and evaluation expenditure and rehabilitation relating to the exploration and mining lease.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Notes to the Consolidated Financial Statements

Note 1: Statement of Significant Accounting Policies (cont'd)

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Revenue Recognition

Interest income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the consolidated entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Finance costs

Finance costs are expensed in the period in which they are incurred.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 2: Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

The critical accounting estimates and judgments are:

Restoration provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates could affect the carrying amount of this provision.

Deferred exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at statement of financial position date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in Note 1.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 3: Other income	2021	2020
	\$	\$
Interest received	89	121
Government grants	75,071	44,755
Rental income	9,600	2,200
	<u>84,760</u>	<u>47,076</u>

Note 4: Income tax

(a) Income tax recognised

No income tax expense was recognised for the year even though the Company was in a net profit before tax position because the Company has sufficient tax losses from previous years that can be utilised, subject to submission of tax returns and assessment from the tax office.

(b) Numerical reconciliation between income tax expense and the profit / (loss) before income tax

	2021	2020
	\$	\$
Profit / (Loss) before income tax	12,208,461	(900,355)
Income tax expense / (benefit) at 26% (2020: 27.5%)	3,174,200	(247,598)
Tax effect of permanent differences	(8,989)	95,199
Tax effect of temporary differences	1,083,756	47,648
Tax effect of deduction for tax losses not previously recognised	(4,248,968)	104,751
Income tax expense	<u>-</u>	<u>-</u>

(c) Unrecognised deferred tax balances

Tax losses attributable to members of the tax consolidated group – revenue	<u>64,169,904</u>	<u>79,652,756</u>
Potential tax benefit at 25% (2020: 27.5%)	<u>16,042,476</u>	<u>21,904,508</u>

A deferred tax asset attributable to income tax losses has not been recognised at reporting date as the probability criteria disclosed in Note 1 (Income Tax) is not satisfied and such benefit will only be available if the conditions of deductibility also disclosed in Note 1 (Income Tax) are satisfied.

For the purposes of taxation, KalNorth Gold Mines Limited and its 100% owned Australian subsidiaries are a tax consolidated group. The head entity of the tax consolidated group is KalNorth Gold Mines Limited. The group has not entered into a tax sharing agreement.

Note 5: Trade receivables	2021	2020
	\$	\$
Current		
Trade receivables ⁽ⁱ⁾	-	550
GST receivable	-	6,817
	<u>-</u>	<u>7,367</u>

(i) Trade receivables are non-interest bearing and have payment terms between 30 – 90 days. No impairment has been provided for.

KaiNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 6: Other receivables	2021	2020
	\$	\$
Current		
Sale proceeds receivable within 12 months ¹	1,000,000	-
Less: discount	(74,074)	-
Net present value	925,926	-
Non-current		
Sale proceeds receivable after 12 months ²	1,500,000	-
Less: discount	(213,992)	-
Net present value	1,286,008	-

¹ Sale proceeds receivable at the earlier of commencement of underground mining operations or 29 March 2022.

² Sale proceeds receivable on 29 March 2023.

Note 7: Other assets	2021	2020
	\$	\$
Current		
Credit card facility - security deposit	7,500	7,500

Note 8: Property, plant and equipment	2021	2020
	\$	\$
Plant and equipment		
At cost	167,200	167,200
Accumulated depreciation	(167,200)	(167,200)
	-	-
IT Assets		
At cost	297,681	297,681
Accumulated depreciation	(297,681)	(297,681)
	-	-
Land and buildings		
At cost	380,866	380,866
Accumulated depreciation	(90,001)	(90,001)
Reclassify to available for sale asset (refer to Note 10)	(290,865)	-
	-	290,865
Total written down value	-	290,865

(a) Movements in carrying amounts

	Land & Buildings	Plant & Equipment	IT Assets	Total
Balance at 1 July 2020	290,865	-	-	290,865
Transfer and movements	(290,865)	-	-	(290,865)
Balance at 30 June 2020	-	-	-	-
Balance at 1 July 2020	290,865	-	-	290,865
Depreciation expense	-	-	-	-
Transfer and movements	(290,865)	-	-	(290,865)
Balance at 30 June 2021	-	-	-	-

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 9: Exploration and evaluation expenditure	2021	2020
	\$	\$
Cost	-	5,259,651
<i>Reconciliation</i>		
Balance at beginning of year	5,259,651	5,259,651
Exploration expenditure incurred	424,067	346,177
Exploration expenditure immediately expensed ⁽ⁱ⁾	(424,067)	(346,177)
Write-off of expenditure on disposal of tenements	(5,259,651)	-
Balance at end of year	-	5,259,651

(i) During the year the Company incurred exploration expenditure costs which were immediately expensed as their recoverability was uncertain. All previously capitalised exploration and evaluation expenditure was written off in the period as the consolidated entity disposed the Lindsay's and Kurnalpi projects.

Note 10: Available for sale assets	2021	2020
	\$	\$
Current		
Property at 224 & 226 Dungan Street, Kalgoorlie	290,865	-
	<u>290,865</u>	<u>-</u>

A contract for the sale of the property in Kalgoorlie was entered into on 19 July 2021 and completion and settlement took place on 9 September 2021. As an active program for this disposal was entered into prior to year-end, the asset has been reclassified to 'Available for Sale' from Property, Plant and Equipment in this financial report.

Note 11: Trade and other payables	2021	2020
	\$	\$
Current		
Trade payables ⁽ⁱ⁾	19,784	79,913
GST and other taxes payable ⁽ⁱⁱ⁾	1,754,838	5,563
Sundry payables and accrued expenses	95,512	122,761
Provision for annual leave	26,347	27,610
	<u>1,896,481</u>	<u>235,847</u>

(i) There are no amounts included within these balances that are not expected to be settled within the next 12 months. The average credit terms for services received by the Group are 30 days from invoice date and are non-interest bearing. Includes \$1,763,688 net GST collected for the sale of Kurnalpi project and paid to the ATO post year-end and withholding tax on interest paid to lenders of \$7,014.

Note 12: Borrowings	2021	2020
	\$	\$
Current liabilities		
Loan – Cross Straits and SinoBase	-	351,291
Loan – Director	-	203,715
Loan – 3 rd party	-	241,592
	<u>-</u>	<u>796,599</u>

All loans were fully repaid during the year from the proceeds of sale of the consolidated entity's mineral assets.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 13: Restoration provision	2021	2020
	\$	\$
Non-current		
Restoration provision ⁽ⁱ⁾	-	1,095,566
 (i) <i>The provision movement for the year is as follows:</i>	2021	2020
	\$	\$
Carrying amount at the start of the year	1,095,566	1,064,874
Movement during the year	(1,095,566)	30,692
Carrying amount at the end of the year	-	1,095,566

During the year, the restoration provision was reversed following the sale of all mineral assets.

Note 14: Contributed equity	2021	2020
	\$	\$
894,240,060 fully paid ordinary shares (2020: 894,240,060)	92,438,807	92,438,807
Movements in ordinary shares on issue for the year:	No. of	Paid up
	shares	capital
		\$
Balance 30 June 2020	894,240,060	92,438,807
Balance 30 June 2021	894,240,060	92,438,807

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the consolidated entity, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

KaiNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 15: Accumulated Losses

	2021	2020
	\$	\$
Accumulated losses at the beginning of the year	(88,997,166)	(88,096,811)
Profit / (Loss) for the year	12,317,598	(900,355)
Accumulated losses at the end of the year	(76,679,568)	(88,997,166)

Note 16: Key management personnel compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid to each member of the consolidated entity's key management personnel for the year ended 30 June 2021.

The totals of remuneration paid to key management personnel of the consolidated entity during the year are as follows:

	2021	2020
	\$	\$
Short-term employee benefits	205,896	135,896
Post-employment benefits	14,500	9,500
	220,396	145,396

Note 17: Related party transactions

All transactions were made on normal commercial terms and conditions and at market rates.

Transactions:

During the financial year, other than remuneration paid or payable to key management personnel, the Company had no other related party transactions (2020: no related party transactions).

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2021	2020
	\$	\$
Accrued Directors' fees	-	102,761
Accrued Directors' bonus	50,000	-
	50,000	-

Loans to/from related parties

During the year ended 30 June 2021, the Company drew down an additional \$71,000 loan (30 June 2020: \$90,000) from Chairman, Jiajun Hu for working capital purposes. The total outstanding loan, including interest payable was fully repaid during the year.

Apart from the above, there were no other loans to or from related parties at the current and previous reporting date.

Note 18: Profit / (Loss) per share

	2021	2020
	\$	\$
a) Basic profit / (loss) per share		
Profit / (Loss) after income tax	12,208,461	(900,355)
Weighted average number of ordinary shares on issue during the year used as the denominator in calculating basic loss per share	894,240,060	894,240,060

Diluted loss per share is the same as basic loss per share as there are no securities to be classified as dilutive potential ordinary shares on issue.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 19: Auditors' remuneration	2021	2020
	\$	\$
Remuneration of the auditor for:		
- audit and review of financial reports - BDO Audit (WA) Pty Ltd	49,120	42,893
- other services – audit of tenement expenditure report - BDO Audit (WA) Pty Ltd	1,288	-
	<u>50,408</u>	<u>42,893</u>

Note 20: Cash flow information

	2021	2020
	\$	\$
a) Reconciliation of the net profit / (loss) after income tax to the net cash flows from operating activities:		
Net profit / (loss) for the year	12,208,461	(900,355)
<i>Non-cash items included in net profit / (loss):</i>		
Depreciation expense	-	467
Sale of tenements	(12,156,009)	-
Tenements acquired expensed off	-	3,056
Loan interest accrued	57,530	38,151
Rehabilitation provision	(1,095,566)	30,692
Other receivables – net present value	288,067	-
Others	178,962	-
<i>Changes in assets and liabilities:</i>		
(Increase) / decrease in trade and other receivables	(2,204,567)	14,141
Increase in trade and other creditors	1,660,633	57,991
	<u>(1,062,488)</u>	<u>(755,857)</u>
Net cash outflow from operating activities		
b) Reconciliation of cash		
Cash balance comprises:		
- Cash at bank and on hand	15,036,283	4,270

c) Non-Cash Financing and Investing Activities

There were no non-cash financing and investing activities for the year ended 30 June 2021 and 2020.

Note 21: Commitments

The consolidated entity has no commitments as a result of the disposal of all its mineral exploration assets during the year.

Note 22: Controlled entities

	Country of Incorporation	Percentage Owned (%)	
		2021	2020
Subsidiaries of KalNorth Gold Mines Limited:			
Shannon Resources Pty Ltd	Australia	100	100
Lusitan Prospecting Pty Ltd	Australia	100	100

There was no income earned and no expenses incurred by these entities for the year end 30 June 2021 (2020: nil).

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 23: Segment information

Identification of reportable operating segments

The consolidated entity is organised into two operating segments: mine development and mineral exploration, both within Australia.

30 June 2021	Mine development	Mineral Exploration	Admin	Total consolidated group
Revenue	\$	\$	\$	\$
Other income	-	-	84,760	84,760
Gain on sale of mineral tenements	-	12,156,009	-	12,156,009
Total income	-	12,156,009	84,760	12,240,769
EBITDA	-	11,731,942	(528,499)	11,203,444
Reduction in rehab provision	1,095,566	-	-	1,095,566
Impairment of exploration expenditure	-	(4,125)	-	(4,125)
Finance costs	-	-	(86,424)	(86,424)
Profit / (Loss) before income tax	1,095,566	11,727,818	(614,923)	12,208,461
Income tax benefit	-	-	-	-
Profit / (Loss) after income tax	1,095,566	11,727,818	(614,923)	12,208,461
	Mine Development	Mineral Exploration	Admin	Total consolidated group
	\$	\$	\$	\$
30 June 2021				
Assets				
<i>Unallocated assets:</i>				
Cash and cash equivalents	-	-	15,036,286	15,036,286
Other receivables	-	2,211,934	-	2,211,934
Other current assets	-	-	7,500	7,500
Available for sale assets	-	-	290,865	290,865
Total assets	-	2,211,934	15,334,648	17,546,582
Liabilities				
<i>Segment liabilities</i>				
Trade and other payables	-	(1,764,371)	(132,110)	(1,896,480)
Total liabilities	-	(1,764,371)	(132,110)	(1,896,480)

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 23: Segment information (cont'd)

<u>30 June 2020</u>	Mine development	Mineral Exploration	Admin	Total consolidated group
Revenue	\$	\$	\$	\$
Other income	-	-	47,076	47,076
Total income	-	-	47,076	47,076
EBITDA	-	(346,177)	(484,868)	(831,045)
Depreciation and amortisation	-	-	(467)	(467)
Loss on reduction in rehab provision	-	(30,692)	-	(30,692)
Finance costs	-	-	(38,151)	(38,151)
(Loss) before income tax	-	(376,869)	(523,486)	(900,355)
Income tax benefit	-	-	-	-
(Loss) after income tax	-	(376,869)	(523,486)	(900,355)
<u>30 June 2020</u>	Mine development	Mineral Exploration	Admin	Total consolidated group
Assets				
<i>Segment assets</i>				
Exploration assets	-	5,259,651	-	5,259,651
Property, plant and equipment	-	2	290,863	290,865
<i>Unallocated assets:</i>				
Cash and cash equivalents	-	-	4,270	4,270
Trade and other receivables	-	-	7,367	7,367
Other current assets	-	-	7,500	7,500
Total assets	-	5,259,653	310,000	5,569,653
Liabilities				
<i>Segment liabilities</i>				
Trade and other payables	-	(41,754)	(194,093)	(235,847)
Restoration provision	(1,095,566)	-	-	(1,095,566)
<i>Unallocated liabilities:</i>				
Borrowings	-	-	(796,599)	(796,599)
Total liabilities	(1,095,566)	(41,754)	(990,691)	(2,128,011)

Note 24: Financial risk management objectives and policies

The consolidated entity's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to finance the consolidated entity's operations. The Consolidated entity has various other financial assets and liabilities such as receivables and payables, which arise directly from its operations.

The main risks arising from the consolidated entity's financial instruments are interest rate risks, commodity price risks, and, indirectly, foreign exchange risk. Other minor risks have been summarised below. The Board reviews and agrees on policies for managing each of these risks.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 24: Financial risk management objectives and policies (cont'd)

(a) Interest rate risk

The consolidated entity's exposure to market interest rate relates primarily to the consolidated entity's cash and short-term deposits. All other financial assets in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the consolidated entity's exposure to interest rate risk and the effective weighted interest rate for each class of these financial instruments

	Weighted average interest Rate %	Floating interest rate \$	Fixed interest maturing 1 year or less \$
30 June 2021			
Cash at bank	0.005%	15,036,283	-
Total assets		15,036,283	-

	Weighted average interest Rate %	Floating interest rate \$	Fixed interest maturing 1 year or less \$
30 June 2020			
Cash at bank	0.44%	4,270	-
Total assets		4,270	-
Interest bearing liabilities	-	-	-
Total liabilities		-	-

Interest rate sensitivity analysis – cash at bank

At 30 June 2021, if interest rates had changed by 1% during the entire year with all other variables held constant, profit for the year and equity would have been \$17,062 higher/lower (2020: \$518), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

The maximum exposure to credit risk at reporting date on financial assets of the consolidated entity is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

(c) Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast and actual cash flows and ensuring that adequate reserves and borrowing facilities are available to meet its financial obligations as they fall due.

The table below details the Group's expected maturity for its financial liabilities. These have been drawn based on undiscounted contractual maturities of the financial liabilities based on the earliest date on which the Group can be required to pay.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

Note 24: Financial risk management objectives and policies (cont'd)

	Less than 12 months \$	12 months or more \$	Total \$
30 June 2021			
Financial liabilities due for payment			
Trade and other payables	(1,896,480)	-	(1,896,480)
	<u>(1,896,480)</u>	<u>-</u>	<u>(1,896,480)</u>
30 June 2020			
Financial liabilities due for payment			
Trade and other payables	(235,847)	-	(235,847)
Borrowings	(796,599)	-	(796,599)
	<u>(1,032,446)</u>	<u>-</u>	<u>(1,032,446)</u>

(d) Foreign exchange risk

There were no financial instruments with a foreign currency exposure at the reporting date or at the end of the preceding financial year.

(e) Net fair value of financial assets and liabilities

The carrying amounts of financial instruments included in the statement of financial position approximate their fair values due to their short terms of maturity, except other receivables (Note 6) which has been discounted to net present value.

Note 25: Contingent liabilities and contingent assets

There are no contingent liabilities or assets at the reporting date or arising since.

Note 26: Parent Information

As referred to in Note 22, the consolidated entity comprises KalNorth Gold Mines Limited, the parent entity and two wholly-owned subsidiaries. The Parent entity disclosures are not materially different to the consolidated entity's disclosures in the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income. In addition, there are:

- a) no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.
- b) no contingent liabilities of the parent entity as at the reporting date.
- c) no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at the reporting date.

Note 27: Events subsequent to reporting date

In July 2021, the Company entered into a binding contract to divest its Kalgoorlie land and buildings located at 224 & 226 Dugan Street, for \$400,000 cash consideration. As a program for disposal of the property was initiated prior to 30 June 2021, the property was reclassified at carrying value to available for sale assets in this financial report. The property sale was completed on 9 September 2021.

Other than the above, there are no matters or circumstances that have arisen which have significantly affected, or may significantly affect, the operations of the consolidated entity subsequent to year end.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2021

DIRECTORS' DECLARATION

In the opinion of the Directors of KalNorth Gold Mines Limited (the 'Company'):

- a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

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

On behalf of the Directors:



Jiajun Hu
Executive Chairman

Dated at Perth 25 October 2021

INDEPENDENT AUDITOR'S REPORT

To the members of KalNorth Gold Mines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of KalNorth Gold Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of KalNorth Gold Mines Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', with a long horizontal stroke extending to the right.

Glyn O'Brien

Director

Perth, 25 October 2021

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
Statement of Corporate Governance

Statement of Corporate Governance Practices

The Board of Directors of KalNorth Gold Mines Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of KalNorth Gold Mines Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company's governance approach aims to achieve exploration, development and financial success while meeting stakeholders' expectations of sound corporate governance practices by proactively determining and adopting the most appropriate corporate governance arrangements.

ASX Listing Rule 4.10.3 requires listed companies to disclose the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council ("CGC") in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at 30 June 2021, and has been approved by the Board of Directors. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX Corporate Governance Principles and Recommendations (4th Edition).

The Company's directors are fully cognisant of the Corporate Governance Principles and Recommendations published by CGC and have adopted those recommendations where they are appropriate to the Company's circumstances. However, a number of those principles and recommendations are directed towards listed companies considerably larger than KalNorth Gold Mines Limited, whose circumstances and requirements accordingly differ markedly from the Company's. For example, the nature of the Company's operations and the size of its staff mean that a number of the board committees and other governance structures recommended by the CGC are not only unnecessary in the Company's case, but the effort and expense required to establish and maintain them would, in the directors' view, be an unjustified diversion of shareholders' funds.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Company's website at www.kalnorthgoldmines.com contains a corporate governance section that includes copies of the Company's corporate governance policies.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management and disclose those functions.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board is responsible for:

- overseeing the Company's commitment to the health and safety of employees and contractors, the environment and sustainable development;
- overseeing the activities of the Company, including its control and accountability systems;
- appointing and removing the Managing Director, Company Secretary, and other senior executives, evaluating their performance, reviewing their remuneration and ensuring an appropriate succession plan;
- setting the strategic objectives of the Company and monitoring its progress against those objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control;
- setting the operational and financial objectives and goals for the Company;
- ensuring that there are effective corporate governance policies and practices in place
- approving and monitoring budgets, capital management and acquisitions and divestments;
- approving and monitoring all financial reporting to the market;
- appointing external auditors and principal professional advisors; and
- making formal determinations required by the Company's constitutional documents or by law or other external regulation.

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
Statement of Corporate Governance

Statement of Corporate Governance Practices (cont'd)

The Managing Director (MD) is normally responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out those responsibilities, the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results. Given the present size and scale of operations, the Company does not have a Managing Director but rather an Executive Chairman supported by a small management team. Consequently, the Board as a whole takes a closer interest in the day to day affairs of the Company.

Recommendation 1.2:

Companies should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background.

All security holder releases will contain material information about any candidate to enable an informed decision to be made on whether or not to elect or re-elect a director.

Recommendation 1.3:

Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.

All directors have in place a formal letter of appointment including a director's interest agreement with respect to disclosure of security interests.

Recommendation 1.4:

The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Given the present size and scale of operations, the Executive Chairman also serves as the Company Secretary. In any case the Company Secretary has a direct reporting line to the Board.

Recommendation 1.5:

The Company should establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to developing a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company has not yet formalised this policy into a written document. It is the Board's intention to formalise the policy at a time when the size of the Company and its activities warrants such a structure.

The Company has 6 staffs (three directors including one female director, contracted exploration manager, contracted corporate accountant and part-time female bookkeeper) as at 30 June 2021.

Recommendation 1.6:

The Company should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman conducted an informal review during the financial year whereby the performance of the Board as a whole and the individual contributions of each director were discussed. The Board considers that at this stage of the Company's development an informal process is appropriate.

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For the year ended 30 June 2021
Statement of Corporate Governance

Statement of Corporate Governance Practices (cont'd)

Recommendation 1.7:

The Company should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board undertakes a review of the senior executives' performance annually, including setting the goals for the coming year and reviewing the achievement of these goals.

Performance has been measured to date by the efficiency and effectiveness of the enhancement of the Company's mineral interest portfolio, the designing and implementation of the exploration and development programme and the securing of ongoing funding so as to continue its exploration and development activities. This performance evaluation is not based on specific financial indicators such as earnings or dividends as the Company is at the exploration stage and during this period is expected to incur operating losses.

Due to the size of the Company and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of senior executives. The Non-executive directors conducted an informal review process whereby they discussed with the Executive Director the approach toward meeting the short and long term objectives of the Company. The Board considers that at this stage of the Company's development an informal process is appropriate.

Principle 2: Structure the board to add value

Recommendation 2.1:

The Board should establish a Nomination Committee comprising a majority of independent directors (including the Chair).

The Company established a nomination committee comprising the two non-executive directors, including the Chairman but no separate meetings of this committee were held in the reporting year. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify separate committee meetings at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a nomination committee. However, the Board considers that no efficiencies or other benefits would be gained by having separate nomination committee meetings.

Directors are appointed under the terms of the Company's constitution. Appointments to the Board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise, and experience of the board. The categories considered necessary for this purpose are a blend of accounting and finance, business, technical and administration skills. Casual appointments must stand for election at the next annual general meeting of the Company.

Retirement and rotation of Directors are governed by the Corporations Act 2001 and the Constitution of the Company. All Directors, with the exception of the Managing Director (if appointed), serve for a period of three years before they are requested to retire and if eligible offer themselves for re-election.

Recommendation 2.2:

The Company should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company has a skills or diversity matrix in relation to its Board members which reflects the current size and scope of the Company's operations. The Board will adopt a more detailed and comprehensive matrix if and when there is a significant change in the size and scale of its activities.

Director	Gender	Skills/Qualifications	Experience Based on Skills/Knowledge				
			Accounting / Finance	Communications/ Investor Relations	Corporate Management	Fund Raising	Geology
Jiajun Hu (Chairman)	Male	Finance and accounting BSc in Commerce	√	√	√	√	
Yuanguang Yang	Male	Accounting CPA	√	√	√	√	
Xiaojing Wang	Female	Bachelor of Applied Finance	√	√	√	√	

KalNorth Gold Mines Limited and Controlled Entities
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Statement of Corporate Governance

Statement of Corporate Governance Practices (cont'd)

The Board recognises that since January 2017, there are no directors with technical skills in geology and mining. Given the present size and scale of activities, the Board believes that the risks of not having those skills at a Board level is manageable. The Company sources such skills on a consulting basis and Mr Lijun Yang has continued to provide geological services to the Company since his resignation as an Executive Director in January 2017.

Recommendation 2.3:

The Company should disclose the names of the directors considered to be independent directors and length of service of each director.

The names, position, appointment date and independence classification are set out in the table below:

Director	Position	Date Appointed	Independent
Jiajun Hu	Executive Chairman	Appointed as a non-executive director on 13 December 2013, then appointed as Non-Executive Chairman on 14 April 2015, and subsequently appointed Executive Chairman on 11 January 2017	No
Xiaojing Wang	Non-executive Director	11 January 2017	Yes
Yuanguang Yang	Non-executive Director	28 August 2014	No

Recommendation 2.4:

A majority of the Board of the Company should be independent directors.

In assessing whether a director is classified as independent, the Board considers the independence criteria set out in the ASX Corporate Governance Council Recommendation 2.1 and other facts, information and circumstances deemed by the Board to be relevant. Using the ASX Best Practice Recommendations on the assessment of the independence of Directors, the Board considers that at present only Mrs Wang can be considered independent. Mr Jiajun Hu and Mr Yuanguang Yang have been nominated to the Board by major shareholders of the Company.

The Company considers that each of the directors possesses the skills and experience suitable for building the Company. Although the Company does not currently have a majority of independent directors, the current composition of the Board is considered appropriate in the circumstances.

It is the Board's intention to review its composition on a continual basis and in line with any future changes to Company's size and level of activities.

Recommendation 2.5:

The Chair of the Board should be an independent director, and should not be the CEO of the Company.

The Chair of the Board, Mr Jiajun Hu had a non-executive role until January 2017, however since then he acts in an executive capacity. In the absence of a separate CEO, Mr Hu also effectively fulfils that role since January 2017. For the further reasons explained in the preceding section, Mr Hu is not an independent director.

Given the size of the Company and the complexity of its affairs as well as the Board's desire to maximise exploration expenditure within the constraints of the Company's overall working capital, the Company is not presently in a position to have an independent Chairman.

Recommendation 2.6:

The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company does not currently have a formal induction program for new Directors nor does it have a formal professional development program for existing Directors. The Board does not consider that a formal induction program is necessary given the current size and scope of the Company's operations.

KalNorth Gold Mines Limited and Controlled Entities
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Statement of Corporate Governance

Statement of Corporate Governance Practices (cont'd)

The Board seeks to ensure that all of its members understand the Company's operations. Directors also attend, on behalf of the Company and otherwise, technical and commercial seminars and industry conferences which enable them to maintain their understanding of industry matters and technical advances. Noting the above, the Board considers that a formal induction program is not necessary given the current size and scope of the Company's operations, though the Board may adopt such a program in the future as the Company's operations grow and evolve.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Recommendation 3.1, 3.2, 3.3 and 3.4:

The Company has established a Code of Conduct which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside the Company. A copy of the Code is available on the Company's website (www.kalnorthgoldmines.com/irm/content/corporate-governance.aspx).

Principle 4: Safeguard Integrity in Financial Reporting

Recommendation 4.1

The Board should have an Audit Committee.

The Board established an audit committee comprising the two non-executive directors of the Company but no separate committee meetings were held during the reporting year. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify separate committee meetings at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee. However, the Board considers that no efficiencies or other benefits would be gained by holding separate audit committee meetings.

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

The external audit firm partner or an appropriate delegate responsible for the Company audit attends meetings of the Board by invitation.

Recommendation 4.2

The Board of the Company should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company has in place a procedure whereby prior to approval of financial statements by the Board (in addition to any formal management representation letter to the Company's auditor) a declaration is provided in accordance with Sections 286 and 295(3)(b) of the Corporations Act 2001 (Cth) that financial records have been properly maintained, the financial statements comply with the accounting standards, and give a true and fair view of the financial position based on sound risk management and internal controls operating effectively.

Recommendation 4.3

The Company should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by its external auditor.

The Board reviews all periodic reports and seeks professional assistance and advice where required to ensure the integrity of those reports. No additional disclosures are made separately on these reports.

Statement of Corporate Governance Practices (cont'd)

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.

The Company has developed an ASX Listing Rules Disclosure Strategy which has been endorsed by the Board. The ASX Listing Rules Disclosure Strategy ensures compliance with ASX Listing Rules and Corporations Act obligations to keep the market fully informed of information which may have a material effect on the price or value of its securities and outlines accountability at both the Board and (where and when applicable) senior executive level for that compliance. All ASX announcements are posted to the Company's website as soon as possible after confirmation of receipt is received from ASX.

A copy of the Share Trading policy is available on the Company's website (www.kalnorthgoldmines.com/irm/content/corporate-governance.aspx).

Recommendation 5.2:

Companies should ensure that its Board receives all material market announcements promptly after they have been made.

The Company Secretary is in charge of releasing all market announcements and providing the Board with copies of that announcement promptly after it has been released to the market.

Recommendation 5.3:

Companies that give a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcement Platform ahead of the presentation.

As a general practice, the Company releases all new and substantive investors presentations on the ASX Market Announcement Platform.

Principle 6 – Respect the rights of security holders

Recommendation 6.1

Companies should provide information about itself and its governance to investors via its website.

The Company is committed to maintaining a Company website with general information about the Company and its operations, information about governance and information specifically targeted at keeping the Company's shareholders informed about all major developments affecting the Company's state of affairs.

Recommendations 6.2 and 6.3:

Companies should design and implement an investor relations program to facilitate two-way communication with investors.

Companies should disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.

The Company has a Shareholder Communication Policy which is available on the Company's website. Through this the Board aims to ensure that the shareholders are informed of the Company's governance and all major developments affecting the Company's state of affairs. Information is communicated to shareholders through the:

- Company website;
- ASX Company Announcements platform;
- Quarterly Operational and Cash flow reports;
- Half-year Financial Report;
- Annual Report;
- Investor Presentations
- Shareholder meetings
- Other correspondence from time to time regarding matters impacting on shareholders.

In accordance with the Company's Shareholder Communications Policy, the Company supports shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation. The Company will use general meetings as a tool to effectively communicate with shareholders and allow

KalNorth Gold Mines Limited and Controlled Entities
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Statement of Corporate Governance

Statement of Corporate Governance Practices (cont'd)

shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting.

Mechanisms for encouraging and facilitating shareholder participation will be reviewed regularly to encourage the highest level of shareholder participation.

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner. In accordance with the Shareholder Communication Policy, the Company has, as a matter of Practice, provided new shareholders with the option to receive communications from the Company electronically and the Company encourages them to do so. Existing shareholders are also encouraged to request communications electronically. All shareholders that have opted to receive communications electronically are provided with notifications by the Company when an announcement or other communication (including annual reports, notices of meeting etc) is uploaded to the ASX announcements platform.

Recommendation 6.4

Companies should ensure all substantive resolutions at a meeting of security holders be decided by a poll rather than a show of hands.

Effective from the 2020 Annual General Meeting held on 22 December 2020, all resolutions are decided on a poll.

Recommendation 6.5

Companies should give security holders the option to receive and send communication electronically.

The Company encourages its shareholders to communicate electronically through the share register. The contact details of the registrar can be found on our website.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

The Board should have a committee or committees to oversee risk.

The Board established a risk management committee comprising the two non-executive directors of the Company but no separate committee meetings were held in the reporting year. The role of the risk management committee is therefore undertaken by the full Board. The Board considers that, given the current size and scope of the Company's operations, efficiencies or other benefits would not be gained by having separate risk management committee meetings at present.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of having separate risk management committee meetings. However, the Board has adopted a Risk Management Policy that sets out a framework for a system of risk management and internal compliance and control, and this is available on the Company's website.

Recommendation 7.2:

The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively. The Board believes that the Consolidated Group is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing, monitoring and managing risk in the Company.

Recommendation 7.3:

The Company should disclose if it has an internal audit function.

The Company does not have an internal audit function. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of an internal audit function at this time. The Board as a whole continually evaluates and improves the effectiveness of its risk management and internal control processes.

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
Statement of Corporate Governance

Statement of Corporate Governance Practices (cont'd)

Recommendation 7.4:

The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the mineral exploration industry, the Company does not currently have material exposure to environmental and social sustainability risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should have a Remuneration Committee.

The Board has established a remuneration committee comprising the two non-executive directors of the Company but no separate remuneration committee meetings were held in the reporting year. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the separate committee meetings at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a remuneration committee. However, the Board considers that no efficiencies or other benefits would be gained by having separate remuneration committee meetings at this stage.

Recommendation 8.2:

Companies should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company's policies and practices regarding the remuneration of Executive and Non-Executive Directors is set out in its Remuneration committee charter which is available on the website (www.kalnorthgoldmines.com/irm/content/corporate-governance.aspx).

This information is also set out in the Remuneration Report contained in the Company's Annual Report for each financial year

Recommendation 8.3:

A Company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or summary of it.

The Company does not have an equity based remuneration scheme which is affected by this recommendation. Recipients of equity-based remuneration (e.g. incentives options) are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
Shareholder Information

Shareholder Information

The shareholder information set out below was applicable as at 20 October 2021.

A. Distribution of Equity Securities

Analysis of number of equity holders by size of holding:

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 to 1,000	131	48,941	0.01%
1,001 to 5,000	169	541,169	0.06%
5,001 to 10,000	125	1,023,496	0.11%
10,001 to 100,000	313	12,813,934	1.43%
100,001 and over	136	879,812,520	98.39%
Total	874	894,240,060	100%

The number of shareholders holding less than a marketable parcel is 602.

B. Voting Rights

At a general meeting of shareholders:

- a. On a show of hands, each person who is a member or sole proxy has one vote.
- b. On a poll, each shareholder is entitled to one vote for each fully paid share.

C. Equity Security Holders

The names of the twenty largest quoted equity security holders are listed below:

Rank	Shareholder	Total Units	Issued Capital %
1	SOUTH VICTORY GLOBAL LIMITED	260,688,116	29.15
2	REENERGY PTY LTD	188,594,646	21.09
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	100,841,358	11.28
4	GOLD FRESH LIMITED	86,615,562	9.69
5	SMARTER GROUP (AUSTRALIA) PTY LTD	64,147,459	7.17
6	FINANCIAL MARKET INFRASTRUCTURE FUND PTY LTD	54,745,000	6.12
7	GROUP # 49768	30,208,172	3.38
8	REGALWEST PTY LTD	14,603,632	1.63
9	HSBC CUSTODY NOMINEES (AUSTRALIA) PTY LIMITED	6,008,148	0.67
10	MR JOHN MCKINSTRY	5,793,155	0.65
11	CITICORP NOMINEES PTY LIMITED	5,349,104	0.60
12	SMARTER GROUP (AUSTRALIA) PTY LTD	5,000,000	0.56
13	MR BRYAN WUKKUAN ALEXANDER & MRS HELEN JOY ALEXANDER	4,220,000	0.47
14	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	2,760,003	0.31
15	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	2,403,000	0.27
16	Mr JUSTIN JOHN WOOD + MRS CAROLYN WOOD	2,316,839	0.26
17	MR ANDREW GUTWIRTH	2,200,000	0.25
18	GROUP # 37901	1,800,000	0.20
19	YUCAJA PTY LTD	1,765,051	0.20
20	STEVEN WILLIS CHALLCRASS	1,710,000	0.19
Totals		841,769,245	94.13

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2021
Shareholder Information

D. Substantial Shareholders

Holdings of substantial shareholders as advised to the Company are set out below:

Rank	Shareholder	Total Units
1.	SOUTH VICTORY GLOBAL LIMITED	260,688,116
2.	REENERGY PTY LTD	188,594,646
3.	CROSS-STRAIT COMMON DEVELOPMENT FUND CO., LIMITED	88,703,335
4.	GOLD FRESH LIMITED	86,615,562