



# **HALF-YEAR FINANCIAL REPORT**

**31 DECEMBER 2018**

**ABN 33 150 026 850**

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## CORPORATE DIRECTORY

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### DIRECTORS

Luke Reinehr	Executive Chairman and Interim Chief Executive Officer
Angus Middleton	Non-Executive Director
Paul Adams	Non-Executive Director

### COMPANY SECRETARY

Bernard Crawford

### REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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### AUDITOR

Grant Thornton Audit Pty Ltd  
Chartered Accountants  
Level 43 Central Park  
152-158 St Georges Terrace  
Perth, WA 6000

### SHARE REGISTRY

Advanced Share Registry  
110 Stirling Highway  
Nedlands, WA 6009

### STOCK EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange Ltd ("ASX")

Home Exchange: Perth, Western Australia  
ASX Code: KZR

## DIRECTORS' REPORT

The Directors of Kalamazoo Resources Limited ("Kalamazoo" or "the Company") submit the financial report for the Company for the half-year ended 31 December 2018.

### DIRECTORS

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

- Luke Reinehr, Executive Chairman and Interim Chief Executive Officer
- Angus Middleton, Non-Executive Director
- Paul Adams, Non-Executive Director (appointed 2 July 2018)
- Peter Benjamin, Managing Director (retired 13 July 2018)

### OPERATING RESULT

The Company's loss for the half-year ended 31 December 2018 after providing for income tax amounted to \$872,544 (2017: profit of \$190,247).

### PRINCIPAL ACTIVITIES

The principal activities of the Company during the period were:

- to carry out exploration on its mineral tenements;
- to seek extensions of areas held and to seek out new areas with mineral potential; and
- to evaluate new opportunities for joint venture or acquisition.

### REVIEW OF OPERATIONS

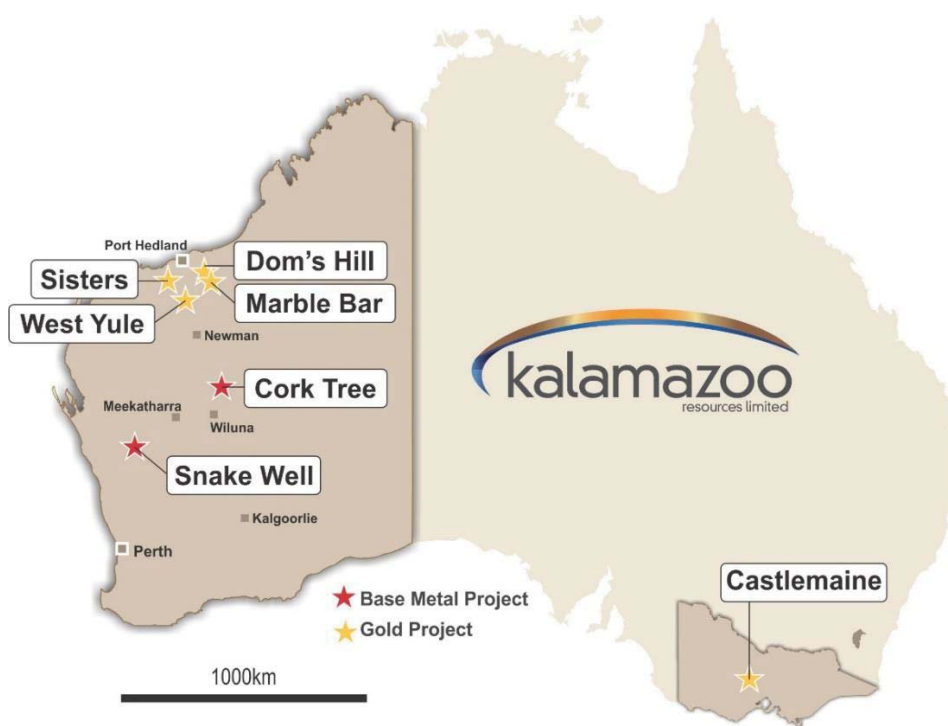


Figure 1: Location of Kalamazoo's Projects

## Castlemaine Gold Project

During the half year Kalamazoo continued to evaluate the project and identify the areas which will be the initial focus of its exploration program at the Castlemaine Gold Project, which consists of Exploration Licence EL006679. This licence lies immediately east and south of the town of Castlemaine and covers almost the entire historic Castlemaine Goldfield with a total area of 70km<sup>2</sup>. Kalamazoo has made a further exploration licence application EL006752, to the east and south of the granted tenement, covering an area of 218km<sup>2</sup> which includes regional geological structures known to be associated with potential gold mineralisation.

The Castlemaine Gold Project is located approximately 100km northwest of Melbourne and is well serviced with infrastructure, available work force and by a network of roads, railway and air services. The project area lies within easy distance of the major regional population centres of Ballarat and Bendigo. Strategically, the region is well supported with a number of gold processing plants within 80km haulage distance of the Castlemaine Gold Project and is in a supportive mining region which is becoming increasingly active with significant exploration and development success across multiple projects including Fosterville, Tandarra and Costerfield.

Kalamazoo conducted a review and clean-up of the 200GB+ database during the reporting period. The database includes 3D models of various deposits and the entire drill core farm. The replacement value of this dataset is estimated by Kalamazoo to be more than \$20 million.

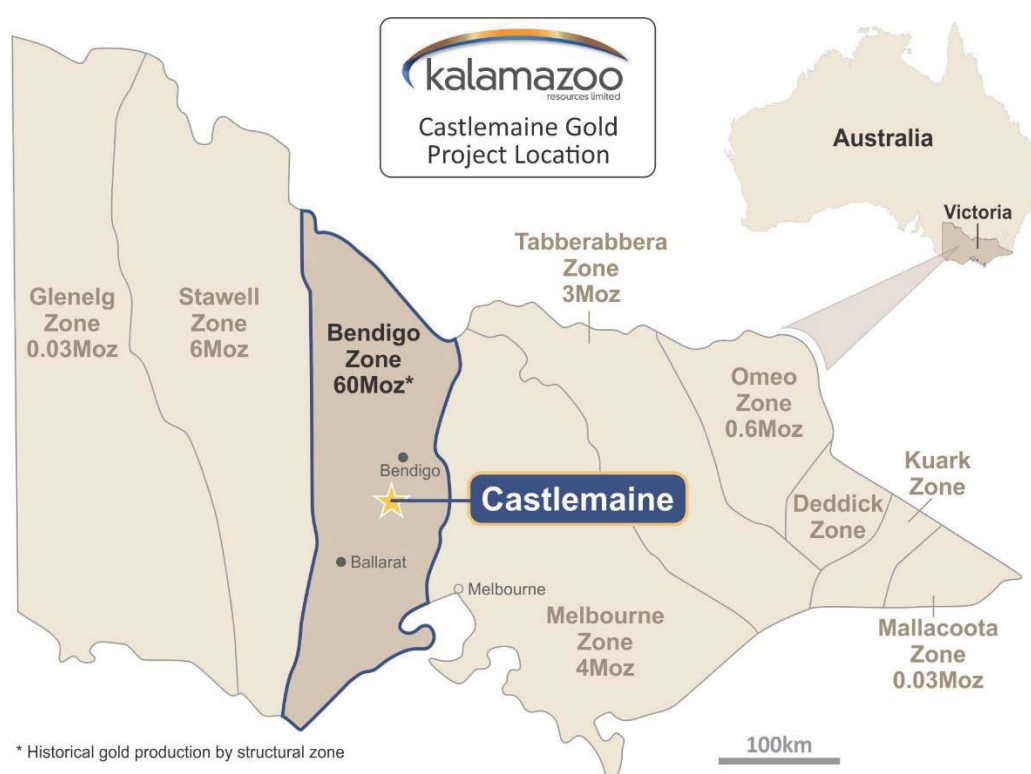


Figure 2: Castlemaine Gold Project Location

## Pilbara Gold Projects

### DOM's Hill Gold Project (E45/4722, E45/4887, ELA45/4919 and ELA 45/5146)

The DOM's Hill Gold Project consists of two granted tenements and two exploration license applications located 110km south east of Port Hedland within the Archaean East Pilbara Region (Figure 3).

The project contains an array of exploration targets including advanced prospects with significant gold grade intersections and is considered prospective for a range of gold, nickel, cobalt and base metal deposits.

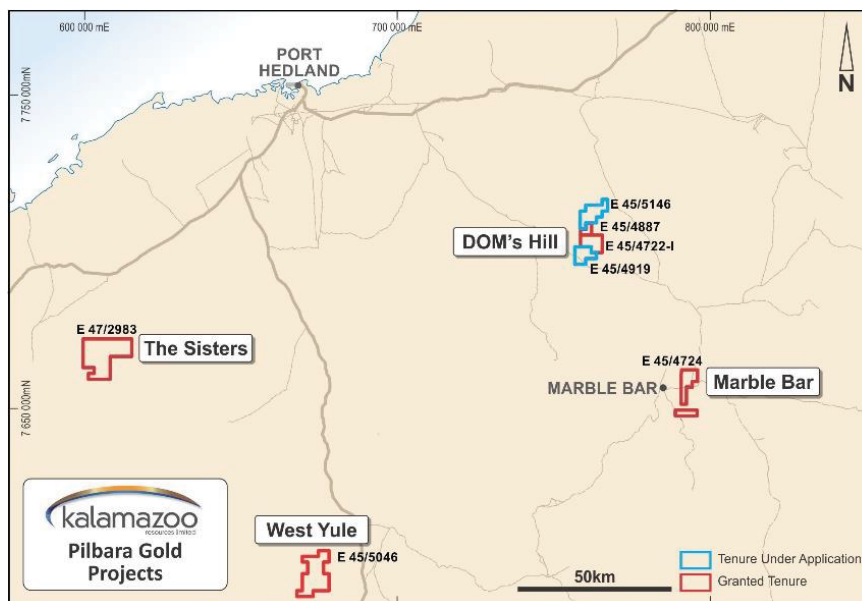


Figure 3: Location of Sisters, DOM's Hill and Marble Bar Gold Project Tenements

### The Sisters Gold Project (80% interest in mineral rights other than lithium E47/2983)

The Sisters Gold Project comprises a granted 136km<sup>2</sup> exploration licence located 100km south west of Port Hedland (Figure 3) and is prospective for epigenetic gold mineralisation associated with the Mt Wohler Shear, a prospective splay off the gold mineralised Mallina Shear Zone.

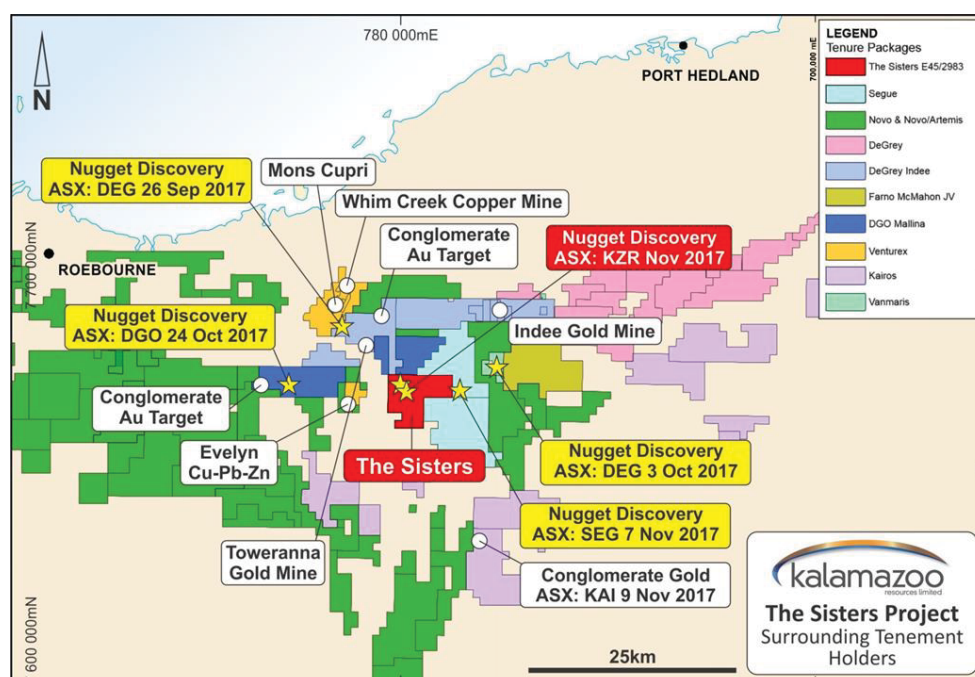


Figure 4: The Sister's Project and surrounding tenements

#### Marble Bar Gold Project (100% interest in mineral rights other than lithium over EL45/4724)

The Marble Bar Project comprises of one granted 48km<sup>2</sup> tenement located 6.5km east of Marble Bar and 11km north-west of ASX-listed Calidus Resources' Klondyke Gold Project, which lies within the Warrawoona Gold project area.

The southern boundary of E45/4724 is adjacent to Calidus' tenement E45/4555 which contains the high grade Klondyke Gold deposit. Approximately 12km of the prospective Warrawoona Formation stratigraphy occurs within E45/4724. The tenement straddles the western intrusive contact of the Archaean Mt Edgar Batholith and the adjacent basalts, amphibolites and ultramafic units of the Warrawoona Formation. Major northerly trending arcuate regional structures traverse the project.

Kalamazoo's review of the data during 2018 indicates that it contains a sheared meridional greenstone belt and has great potential for previously unknown gold occurrences in the favourable and structurally modified zones in the mafics/ultramafics.



## Snake Well Gold and Base Metals Project

Kalamazoo announced the sale of the Snake Well Gold Project to Adaman Resources Pty Ltd to the ASX on 14 November 2018 and 27 December 2018. The consideration for the sale of the Snake Well Gold Project is \$7.0 million. The sale price represents \$50 per resource ounce. A key part of the transaction is the retention by Kalamazoo of a 2.5% Net Smelter Royalty on any base metals mined within the project area.

The sale proceeds will be payable over 24 months and will fund Kalamazoo's exploration and drilling program at the Castlemaine Gold Project, Pilbara Gold Projects and Cork Tree Copper Project. As part of the transaction Kalamazoo can elect to engage Adaman to provide up to \$4.0m of drilling services (deducted from the sale proceeds) at the Castlemaine Gold Project.



Figure 5: Snake Well Project Location Map

## Cork Tree Copper Project

Kalamazoo was pleased to announce during the quarter the consolidation of its tenement position at the Cork Tree Project by acquiring Atlas Iron's 49% share of two joint venture tenements, resulting in Kalamazoo now being the sole owner of the Cork Tree Project. Kalamazoo entered into a Joint Venture with Atlas over the two tenements (E52/2056 and E52/2057) in March 2013 and completed the Stage 1 earn-in for 51%. The Atlas holdings were exchanged for a gross smelter royalty of 2.5% which applies to all minerals other than iron ore, stone, gravel, clay and sand across all six tenements.

The Cork Tree Project consists of six granted Exploration Licences (E52/2056, E52/2057, E52/3042, E52/3514, E52/3515 and E52/3540) comprising 117 blocks and covering approximately 370km<sup>2</sup> mainly within the Earahedy Basin and partly along the contact with the Yerrida Basin.

Preparation for a drilling program comprising up to 7 holes for 1,050m is underway, with the Program of Works (POW) approved by DMIRS and a heritage clearance survey completed in late September 2018. The drill hole locations have been marked on the ground and field checked and final preparations are underway for the program to be completed in early 2019.



## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is included on page 9.

This report is made in accordance with a resolution of the directors.

A handwritten signature in blue ink, appearing to read "Luke Reinehr".

Luke Reinehr

**Chairman**

Perth, 6 March 2019

## Competent Person's Statement

The information in this release that relating to the exploration data for all projects is based on information compiled by Mr Lance Govey, a competent person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Govey is an employee of BinEx Consulting who is engaged as the Exploration Manager for the Company. Mr Govey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Govey consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

The information for the Castlemaine Project relates to Mr John Collier who is the Principal Consultant to Conarco Consulting who is engaged as a Consultant to the Company.

Mr Collier has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves'. Mr Collier consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

## Forward Looking Statements

Statements regarding Kalamazoo's plans with respect to its mineral properties and programmes are forward-looking statements. There can be no assurance that Kalamazoo's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Kalamazoo will be able to confirm the presence of additional mineral resources/reserves, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Kalamazoo's mineral properties. The performance of Kalamazoo may be influenced by a number of factors which are outside the control of the Company and its Directors, staff and contractors.

## Auditor's Independence Declaration

### To the Directors of Kalamazoo Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Kalamazoo Resources Limited for the half-year ended 31 December 2018. I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner – Audit & Assurance

Perth, 06 March 2019

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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Half-year ended 31 Dec 2018	Half-year ended 31 Dec 2017
	\$	\$
Other income	4,692	28,784
Research and development tax rebate	-	702,111
Employee benefits expense	(95,551)	(105,068)
Share based payment	(525,290)	-
Depreciation expense	(2,269)	(2,405)
Other expenses	(254,136)	(433,175)
<b>Profit / (Loss) from continuing operations before income tax</b>	<b>(872,554)</b>	<b>190,247</b>
Income tax benefit/(expense)	-	-
<b>Profit / (Loss) after income tax attributable to the owners of Kalamazoo Resources Limited</b>	<b>(872,554)</b>	<b>190,247</b>
<b>Other comprehensive income, net of tax</b>	-	-
<b>Total comprehensive profit / (loss) for the period attributable to the owners of Kalamazoo Resources Ltd</b>	<b>(872,554)</b>	<b>190,247</b>
<b>Earnings per share:</b>	<i>Cents</i>	<i>Cents</i>
Basic / diluted earnings / (loss) per share	(0.98)	0.22

*The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		31 Dec 2018	30 Jun 2018
	Note	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	471,085	1,138,441
Trade and other receivables	5	27,906	85,055
Assets held for sale	6	3,584,996	-
Other current assets		39,044	22,940
<b>TOTAL CURRENT ASSETS</b>		<b>4,123,031</b>	<b>1,246,436</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,598	8,866
Exploration and evaluation assets	7	2,126,746	5,302,172
Other non-current assets	8	13,750	13,750
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,147,094</b>	<b>5,324,788</b>
<b>TOTAL ASSETS</b>		<b>6,270,125</b>	<b>6,571,224</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		256,606	348,961
Unearned income	6	150,000	-
Short-term provisions		2,980	14,460
<b>TOTAL CURRENT LIABILITIES</b>		<b>409,586</b>	<b>363,421</b>
<b>TOTAL LIABILITIES</b>		<b>409,586</b>	<b>363,421</b>
<b>NET ASSETS</b>		<b>5,860,539</b>	<b>6,207,803</b>
<b>EQUITY</b>			
Issued capital	9	11,936,245	11,936,245
Reserves		1,293,367	1,146,032
Accumulated losses		(7,369,073)	(6,874,474)
<b>TOTAL EQUITY</b>		<b>5,860,539</b>	<b>6,207,803</b>

*The Statement of Financial Position should be read in conjunction with the accompanying notes.*

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2017</b>	<b>11,486,245</b>	<b>1,072,232</b>	<b>(6,639,635)</b>	<b>5,918,842</b>
Total comprehensive profit for the period	-	-	190,247	190,247
Other comprehensive income	-	-	-	-
<b>Total comprehensive profit for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>190,247</b>	<b>190,247</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued for Pilbara tenements	200,000	-	-	200,000
<b>Balance at 31 December 2017</b>	<b>11,686,245</b>	<b>1,072,232</b>	<b>(6,449,388)</b>	<b>6,309,089</b>
<b>Balance at 1 July 2018</b>	<b>11,936,245</b>	<b>1,146,032</b>	<b>(6,874,474)</b>	<b>6,207,803</b>
Total comprehensive loss for the period	-	-	(872,554)	(872,554)
<b>Total comprehensive loss for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>(872,554)</b>	<b>(872,554)</b>
<b>Transactions with owners in their capacity as owners</b>				
Issue of options to directors and employees	-	525,290	-	525,290
Transfer from share option reserve:				
– due to expiry of options	-	(377,955)	377,955	-
<b>Balance at 31 December 2018</b>	<b>11,936,245</b>	<b>1,293,367</b>	<b>(7,369,073)</b>	<b>5,860,539</b>

*The Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

## STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Half-year ended 31 Dec 2018	Half-year ended 31 Dec 2017
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(353,911)	(611,656)
Interest received	7,338	36,619
Research and development tax rebate	-	702,111
<b>NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(346,573)</b>	<b>127,074</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	-	(3,205)
Payments for exploration activities	(470,783)	(1,222,197)
Payments in relation to Pilbara tenements	-	(323,366)
Deposit received in relation to the Snake Well sale	150,000	-
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>	<b>(320,783)</b>	<b>(1,548,768)</b>
Net increase / (decrease) in cash and cash equivalents	(667,356)	(1,421,694)
Cash at the beginning of the period	1,138,441	3,567,884
<b>CASH AT THE END OF THE PERIOD</b>	<b>471,085</b>	<b>2,146,190</b>

*The Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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### NOTE 1: CORPORATE INFORMATION

The general purpose financial report of Kalamazoo Resources Limited ("the Company") for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 6 March 2019.

The Company's principal activities are to carry out exploration of mineral tenements, to continue to seek extensions of areas held and to seek out new areas and opportunities with mineral potential and to evaluate results achieved through geological studies, surface sampling, geophysical surveys and drilling activities.

Kalamazoo Resources Limited is a company incorporated in Australia and limited by shares which are quoted on the Australian Securities Exchange.

### NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

This general purpose interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Kalamazoo Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

Except for Note 2(b) the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The half-year financial report has been prepared on a historical cost basis, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### b) New accounting standards and interpretations

In the half-year ended 31 December 2018, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018.

A number of new or amended standards became applicable for the current reporting period and the Company has changed its accounting policies as a result of the adoption of the following standards:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.

##### **AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.



### AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

### c) Going concern

These financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business

### d) Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual financial statements as at and for the year ended 30 June 2018.

## NOTE 3: SEGMENT INFORMATION

The Company continues to operate in one geographical segment, being Australia and in one operating category, being mineral exploration and evaluation.

The Board has considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed by the chief operating decision maker (the Chief Executive Officer) in allocating resources and have concluded at this time that there are no separately identifiable segments.

## NOTE 4: CASH AND CASH EQUIVALENTS

	31 Dec 2018 \$	30 Jun 2018 \$
Cash at bank and on hand	471,085	538,441
Short-term deposits	-	600,000
	<b>471,085</b>	<b>1,138,441</b>

## NOTE 5: TRADE AND OTHER RECEIVABLES

Debtors	-	1,569
GST receivable	27,906	83,486
	<b>27,906</b>	<b>85,055</b>

## NOTE 6: ASSETS HELD FOR SALE

	31 Dec 2018	30 Jun 2018
	\$	\$
Tenements held for sale	3,584,996	-
	<b>3,584,996</b>	-

On 27 December 2018 the Company announced that it had executed a Mining Property Sale and Purchase Agreement ("Agreement") with Adaman Resources Pty Ltd ("Adaman") for the sale of its Snake Well Gold Project in Western Australia. The consideration for the sale is \$7 million in cash to be paid in installments to 31 December 2020 and covers Exploration Licences 59/2137, 59/2239 and 59/2240 and Mining Leases 59/41, 59/474, 59/476, 59/477 and 59/565. As at 31 December 2018 the Agreement had not been completed. The tenements subject to the Agreement are held at the lower of the carrying value and the agreed sale price.

A refundable deposit of \$150,000 was paid by Adaman on execution of the Term Sheet (refer note 14). This is shown as "Unearned income" in the Statement of Financial Position.

## NOTE 7: EXPLORATION AND EVALUATION ASSETS

<b>Capitalised cost at the beginning of the period</b>	<b>5,302,172</b>	5,302,172
Capitalised cost at the beginning of the period	5,302,172	2,882,605
Exploration expenditure incurred during the period	409,570	2,437,006
Transfers to assets held for sale (refer note 6)	(3,584,996)	-
Impairment of exploration and evaluation assets	-	(17,439)
<b>Capitalised cost at end of the period</b>	<b>2,126,746</b>	5,302,172

## NOTE 8: OTHER NON-CURRENT ASSETS

Deposits paid	13,750	13,750
	<b>13,750</b>	13,750

## NOTE 9: ISSUED CAPITAL

<b>Issued capital</b>		
Fully paid ordinary shares	11,936,245	11,936,245

## NOTE 9: ISSUED CAPITAL (Continued)

### a) Movement in ordinary shares on issue

	Half-year ended 31 Dec 2018		Year ended 30 Jun 2018	
	No.	\$	No.	\$
Opening balance	89,488,577	11,936,245	83,391,016	11,486,245
Shares issued for Pilbara tenements	-	-	6,097,561	450,000
Closing balance	89,488,577	11,936,245	89,488,577	11,936,245

### b) Movement in options on issue

	Half-year ended 31 Dec 2018		Year ended 30 Jun 2018	
	No.	\$	No.	\$
Opening balance	29,864,745	1,146,032	27,864,745	1,072,232
Options expired	(10,000,000)	(377,955)	-	-
Options granted	9,500,000	525,290	2,000,000	73,800
Closing balance	29,364,745	1,293,367	29,864,745	1,146,032

## NOTE 10: SHARE BASED PAYMENTS

At the Company's Annual General Meeting held on 14 November 2018, shareholders approved the issue of 7,000,000 options to directors. In addition 2,500,000 options were issued to employees under the Company's Employee Incentive Plan during the period.

The fair value of these options was determined using a Black Scholes pricing model. The following table lists the inputs to the model for options granted during the six months ended 31 December 2018:

Inputs	Issue G	Issue H
Exercise price	\$0.25	\$0.25
Grant date	17 Jul 2018	14 Nov 2018
Expiry date	30 Nov 2021	30 Nov 2021
Share price at grant date	\$0.096	\$0.115
Historical volatility (%)	120%	100%
Risk-free interest rate (%)	2.095%	2.175%
Expected dividend yield (%)	0%	0%

The expense for the half-year was \$525,290 (2017: \$Nil).

## NOTE 11: DIVIDENDS

No dividends have been declared or paid during the half-year.

## NOTE 12: COMMITMENTS AND CONTINGENCIES

In order to maintain its interest in the exploration tenements in which the Company is involved, the Company is committed to meet the expenditure conditions under which the tenements were granted. As at 30 June 2018 the minimum expenditure commitments for the granted tenements was \$910,300 per annum. With the completion (in February 2019) of the sale of the Snake Well Gold Project (refer note 6), as at the reporting date the Company's minimum expenditure commitments for its granted tenements was \$417,500.

Two production royalties payable on gold recovered and sold from Mining Leases M59/474, M59/476, M59/477 and M59/565 were assigned to Adaman Resources Pty Ltd as part of the sale of the Snake Well Gold Project.

There has been no other material change in the commitments and contingencies since the 30 June 2018 annual report.

## NOTE 13: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Due to their short term nature, the carrying amounts of current receivables and current payables is assumed to approximate their fair value.

## NOTE 14: EVENTS SUBSEQUENT TO THE REPORTING DATE

On 12 February 2019 the Company announced that it had completed the Mining Property Sale and Purchase Agreement ("Agreement") for the sale of its Snake Well Gold Project in Western Australia (refer note 6).

The consideration for the sale is \$7 million in cash to be paid as follows:

- a refundable deposit of \$150,000 on execution of the Term Sheet (paid);
- \$1,350,000 payable on 31 December 2018 or on signing the Agreement (paid);
- \$500,000 on or before 30 June 2019;
- \$1,000,000 on or before 31 December 2019;
- \$750,000 on or before 31 March 2020;
- \$750,000 on or before 30 June 2020;
- \$1,000,000 on or before 30 September 2020; and
- \$1,500,000 on or before 31 December 2020.

Kalamazoo retains a 2.5% Net Smelter Royalty on the value of all base metals mined and recovered from the tenements.

With the sale of the Snake Well Gold Project, the Company also paid to Atlas Iron Limited (ASX: AGO), the previous owner of the Snake Well Gold Project, the sum of \$625,000 in full satisfaction of an outstanding gold royalty across the project.

No other matters or circumstances have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs in future years.

## DIRECTORS' DECLARATION

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In the opinion of the directors of Kalamazoo Resources Limited:

- 1) the financial statements and notes of Kalamazoo Resources Limited are in accordance with the *Corporations Act 2001*, including:
  - a) giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
  - b) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- 2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in blue ink, appearing to read "Luke Reinehr", is written over a faint dotted line.

Luke Reinehr  
**Chairman**

6 March 2019

# Independent Auditor's Review Report

## To the Directors of Kalamazoo Resources Ltd

### Report on the review of the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of Kalamazoo Resources Ltd (the Company) which comprises the condensed statement of financial position as at 31 December 2018, and the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Kalamazoo Resources Ltd does not give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

#### Directors' responsibility for the half year financial report

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kalamazoo Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner – Audit & Assurance

Perth, 6 March 2019