



HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2019

ABN 33 150 026 850

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Bernard Crawford

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Suite 7, 8 Clive Street
West Perth, WA 6005

Telephone: +61 (8) 9481 8188
Facsimile: +61 (8) 9481 8488
Email: admin@kzr.com.au
Web: www.kzr.com.au

AUDITOR

Grant Thornton Audit Pty Ltd
Chartered Accountants
Collins Square, Tower 5
727 Collins Street
Melbourne, VIC 3008
Australia

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") and the Frankfurt Stock Exchange ("FRA")

Home Exchange: Perth, Western Australia
ASX Code: KZR
FRA Code: KR1

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 2019.

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 Chief Executive Officer
- Angus Middleton, Non-Executive Director
- Paul Adams, Non-Executive Director

OPERATING RESULT

The Company's loss for the half-year ended 31 December 2019 after providing for income tax amounted to \$2,963,788 (2018: \$872,554).

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

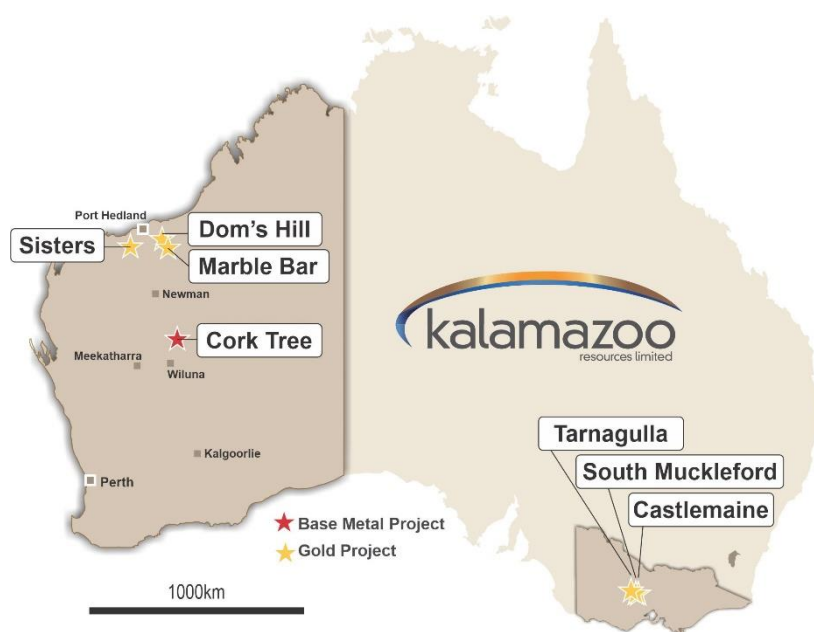


Figure 1: Location of Kalamazoo's Projects

Castlemaine Gold Project

Kalamazoo made significant advancements in its flagship asset the Castlemaine Gold Project in Victoria during the half year. The Castlemaine Gold Project consists of two granted exploration licences EL006679 and EL006752 (granted 10 July 2019) and one exploration licence application EL007112. Once all licences are granted the entire project will cover 310km².

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.

During the reporting period Kalamazoo engaged Planetary Geophysics to conduct detailed Induced Polarisation (IP) and Ground Magnetic Surveys of its ten highest ranked prospects within EL006679. The completed geophysical surveys involved approximately 36.9 and 448 line km of IP and ground magnetic lines, respectively. These geophysical surveys achieved their aim of mapping the sub-surface geology and identifying potentially gold mineralised fault/fold structures for follow-up diamond drill testing (ASX: KZR 23 October 2019).

Stage One of Kalamazoo's maiden diamond drilling program commenced in early November 2019. Early encouraging results followed the first four holes of Stage One for a total depth of 1,782.3m. Assay results received for hole MU19DD004 recorded an exceptional high-grade gold intersection of **1.42m @ 261.3 g/t Au from 100.32m** (ASX: KZR 23 December 2019) over a wider than interpreted interval which includes a visible gold intersection containing **0.17m @ 1,916 g/t Au** (ASX: KZR 19 December 2019).

A further eight to ten diamond drill holes are scheduled for Stage One which is expected to take ten weeks to complete. Stage Two drilling consists of a further ~8,000m and is expected to start in the June 2020 quarter dependent upon receiving the requisite permits.

The collaborative minerals research program with the CSIRO "Mapping Geochemical Zonation Patterns at the Wattle Gully Gold Deposit" was completed during the reporting period (ASX: KZR 20 December 2019). Outcomes of the study determined that Al-rich white mica and Fe-rich chlorites are consistently found around the Wattle Gully Gold Mine – this feature is potentially a very powerful tool for exploration, as the white micas are preserved in the saprolite (weathered rocks). CSIRO's data predicts that alteration halos around the mineral zonation patterns in the area could be detected by low cost gridded soil sampling over the saprolite at 100 meters spacing (in contrast to the detection of the ore zone which would require gridded sample spacing of less than 20 meters).

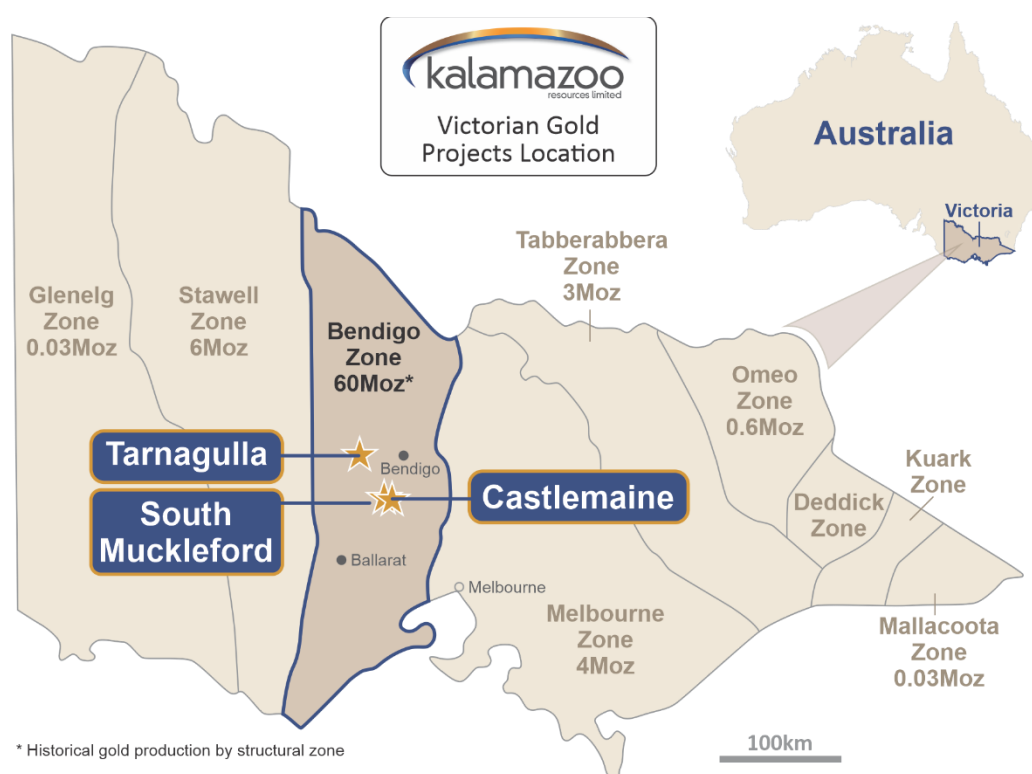


Figure 2: Victorian Gold Project Location

South Muckleford Gold Project

The South Muckleford Gold Project consists of one granted Exploration Licence EL006959 (~93km²) and one Exploration Licence Application EL007021 (~68km²) which once granted, will collectively cover 161km². It is conveniently located just 20km west of the Castlemaine Gold Project.

This project covers the highly prospective regional Muckleford Fault and adjacent historical workings to the west as well as the southern strike extent of the Union Hill Gold Mine. The project contains numerous historical gold workings coincident with prospective 2nd and 3rd order faults associated with the regional Muckleford Fault. The historical gold workings reveal linear trends indicative of lines of lodes/reefs similar to those that are found in the nearby Castlemaine Gold Project.

Exploration activities undertaken during the reporting period included continued compilation and review of the substantial historical open file exploration and mine production records to assist with initial target area selection for follow-up field investigations. Field reconnaissance exercises have confirmed that the surface of EL006959 consists largely of in-situ soils and regolith material meaning it is highly amenable to the use of soil geochemistry surveys which are scheduled to commence early 2020.

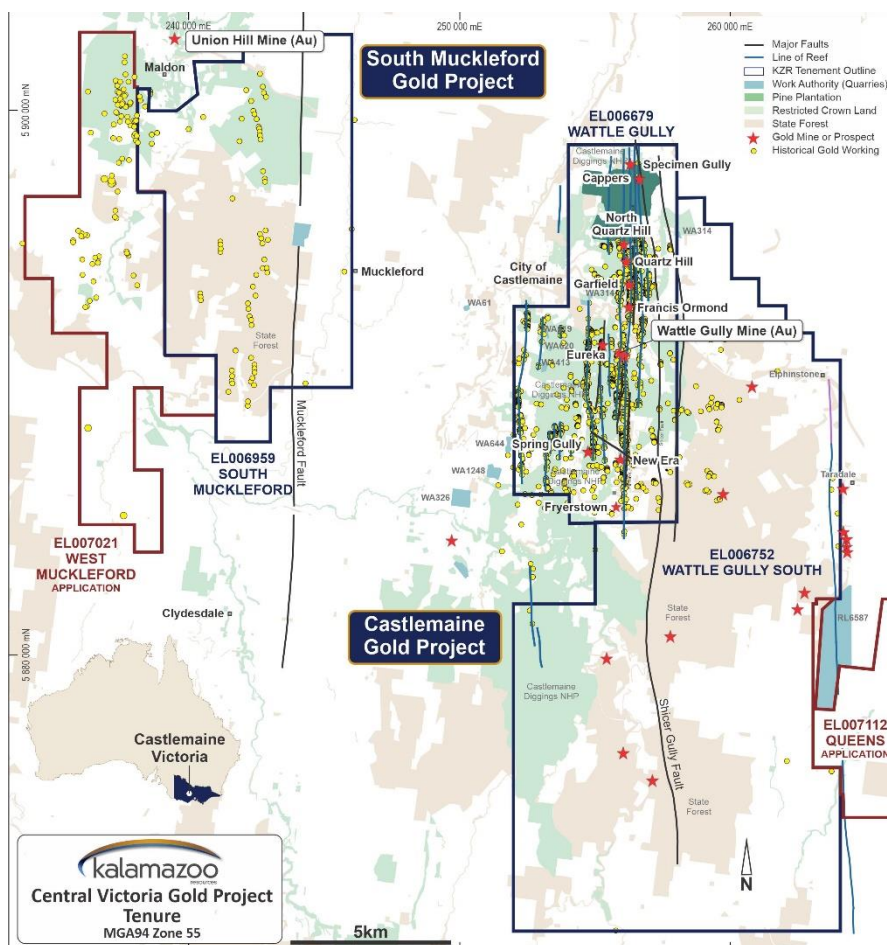


Figure 3: Castlemaine and South Muckleford Gold Project locations

Tarnagulla Gold Project

During the reporting period desktop studies and historical data compilations with plans for field reconnaissance and validation exercises in 2020 were completed.

Pilbara Gold Projects

DOM's Hill Gold Project

The DOM's Hill Gold Project consists of three granted tenements (E45/4722, E45/4887, EL45/5146) and one exploration license application (ELA45/4919) located 110km south east of Port Hedland within the Archaean East Pilbara Region (Figure 4).

During the reporting period a reconnaissance field investigation including metal detecting was undertaken in tenements E45/5146 and E45/4722 with numerous gold nuggets located (ASX: KZR 2 December 2019).

The Heritage Agreement with the relevant Native Title Claimant Group for E45/5146 was also executed during the half year following which the tenement proceeded to grant.

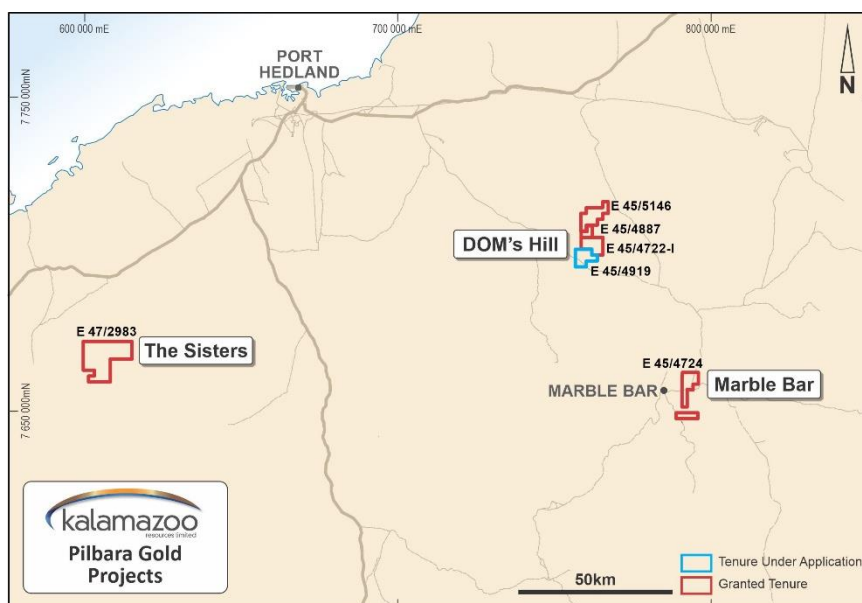


Figure 4: Location of Sisters, DOM's Hill and Marble Bar Gold Project Tenements

The Sisters Gold Project (80% interest in mineral rights other than lithium)

The Sisters Gold Project comprises a granted 136km² exploration licence E47/2983 located 100km south west of Port Hedland (Figure 4) and is prospective for epigenetic gold mineralisation associated with the Mt Wohler Shear, a prospective splay off the gold mineralised Mallina Shear Zone.

Marble Bar Gold Project (100% interest in mineral rights other than lithium)

The Marble Bar Project comprises of one granted 48km² tenement E45/4724 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.

During the reporting period a reconnaissance soil sampling program was completed which identified a high priority soil gold anomaly in the southern area of the tenement. Gold values peaked at 261ppb (0.26ppm) in an anomalous zone stretching over 500m along an east-west grid line. A single point anomaly of 104ppb Au (0.1ppm Au) is located on a line one kilometre to the south. Following this work an infill soil traverse was completed midway between the two original one kilometre spaced lines at 100m spacing along the traverse (ASX: KZR 2 December 2019).

Cork Tree Copper Project

The Cork Tree Project, located north of Wiluna and ~830km northeast of Perth in the Doolgunna province, is within 20km of the Monty project, owned and being developed by Talisman Mining Ltd (ASX:TLM) and Sandfire Resources NL (ASX:SFR), and 28km from Sandfire's DeGrussa Copper Mine.

The Cork Tree Project consists of four granted exploration licences E52/3042, E52/3514, E52/3515 and E52/3540. Exploration licences E52/2056 and E52/2057 were relinquished during the reporting period.

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", is shown on a light blue background.

Luke Reinehr
Chairman

Perth, 28 February 2020

Competent Person's Statement

The information for Kalamazoo's Victorian Projects is based on information compiled by Dr Luke Mortimer, a competent person who is a Member of The Australian Institute of Geoscientists. Dr Mortimer is an employee engaged as the Exploration Manager Eastern Australia for the Company and 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'. Dr Mortimer 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 in this release relating to the exploration data for all Western Australian 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 Western Australia 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.

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 2019, 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



T S Jackman
Partner – Audit & Assurance

Melbourne, 28 February 2020

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

		Half-year ended 31 Dec 2019 \$	Half-year ended 31 Dec 2018 \$
Other income	4	168,754	4,692
Employee benefits expense		(145,296)	(95,551)
Share based payment	11	(1,530,400)	(525,290)
Depreciation expense		(24,331)	(2,269)
Exploration expenditure written off	7	(1,100,560)	-
Finance costs		(3,301)	-
Other expenses		(328,654)	(254,136)
Profit / (Loss) from continuing operations before income tax		(2,963,788)	(872,554)
Income tax benefit/(expense)		-	-
Profit / (Loss) after income tax attributable to the owners of Kalamazoo Resources Limited		(2,963,788)	(872,554)
Other comprehensive income, net of tax		-	-
Total comprehensive profit / (loss) for the period attributable to the owners of Kalamazoo Resources Ltd		(2,963,788)	(872,554)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic and diluted loss per share	12	(2.97)	(0.98)

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 2019

	Note	31 Dec 2019 \$	30 Jun 2019 \$
CURRENT ASSETS			
Cash and cash equivalents	5	624,944	766,204
Trade and other receivables	6	4,833,889	2,532,373
Other current assets		78,521	38,009
TOTAL CURRENT ASSETS		5,537,354	3,336,586
NON-CURRENT ASSETS			
Property, plant and equipment		76,068	47,547
Right of use assets	2 b)	66,445	-
Exploration and evaluation assets	7	2,962,715	2,633,217
Trade and other receivables	6	-	2,054,810
TOTAL NON-CURRENT ASSETS		3,105,228	4,735,574
TOTAL ASSETS		8,642,582	8,072,160
CURRENT LIABILITIES			
Trade and other payables	8	492,817	165,481
Short-term provisions		22,040	15,440
Lease liabilities	9	31,806	-
TOTAL CURRENT LIABILITIES		546,663	180,921
NON-CURRENT LIABILITIES			
Lease liabilities	9	35,835	-
TOTAL NON-CURRENT LIABILITIES		35,835	-
TOTAL LIABILITIES		582,498	180,921
NET ASSETS		8,060,084	7,891,239
EQUITY			
Issued capital	10	13,489,743	11,936,245
Reserves		2,308,490	1,293,367
Accumulated losses		(7,738,149)	(5,338,373)
TOTAL EQUITY		8,060,084	7,891,239

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 2019

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2018	11,936,245	1,146,032	(6,874,474)	6,207,803
Total comprehensive loss for the period	-	-	(872,554)	(872,554)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period net of tax	-	-	(872,554)	(872,554)
Transactions with owners in their capacity as owners				
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	-
Balance at 31 December 2018	11,936,245	1,293,367	(7,369,073)	5,860,539
Balance at 1 July 2019	11,936,245	1,293,367	(5,338,373)	7,891,239
Total comprehensive loss for the period	-	-	(2,963,788)	(2,963,788)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period net of tax	-	-	(2,963,788)	(2,963,788)
Transactions with owners in their capacity as owners				
Issue of shares	1,690,571			1,690,571
Transaction costs of issuing shares	(267,338)			(267,338)
Issue of broker options		179,000		179,000
Issue of options to directors and employees	-	1,530,400	-	1,530,400
Transfer from share option reserve:				
– due to exercise of options	130,265	(130,265)	-	-
– due to expiry of options	-	(564,012)	564,012	-
Balance at 31 December 2019	13,489,743	2,308,490	(7,738,149)	8,060,084

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 2019

	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(509,803)	(353,911)
Interest received	3,556	7,338
Interest paid	(3,301)	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(509,548)	(346,573)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(36,509)	-
Payments for exploration activities	(1,182,288)	(470,783)
Deposit received in relation to the Snake Well sale	-	150,000
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	(1,218,797)	(320,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,690,571	-
Share issue costs	(88,339)	-
Lease principal repayments	(15,147)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,587,085	-
Net increase / (decrease) in cash and cash equivalents	(141,260)	(667,356)
Cash at the beginning of the period	766,204	1,138,441
CASH AT THE END OF THE PERIOD	624,944	471,085

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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 2019

NOTE 1: CORPORATE INFORMATION

The general purpose financial report of Kalamazoo Resources Limited ("the Company") for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 28 February 2020.

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 and the Frankfurt Stock 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 2019 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 2019 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 2019, 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 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 16 *Leases*; and
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*.

AASB 16 Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees i.e. leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the

lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset or ROU asset).

Lessees will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

AASB 16 became effective for the Company for the accounting period beginning 1 July 2019. The Company has chosen the modified retrospective approach to the application of AASB 16 and has consequently not restated the comparative information.

The Company leases its corporate office and its core yard and these have been recognised as right-of-use-assets with a corresponding lease liability. For leases of 'low-value' assets and short-term leases the Company has opted to recognise the lease expense on a straight-line basis as incurred.

Impact of application of AASB 16 Leases

As at 1 July 2019 the Company recognised right-of-use assets with a net book value of \$82,788 and corresponding lease liabilities of \$82,788. After accounting for depreciation and lease principal payments during the half-year the balances as at 31 December 2019 were right-of-use assets with a net book value of \$66,445 and lease liabilities of \$67,641.

The impact on the statement of profit or loss (increase / (decrease)) for the period is:

Expense	\$	Notes
Tenancy and operating	18,448	Rent expense on previously recognised operating lease
Depreciation expense	(16,343)	Depreciation of lease asset recognised under AASB 16
Finance costs	(3,301)	Interest on lease recognised under AASB 16
Net impact on loss for the period	(1,196)	

There is no material impact on other comprehensive income and the basic and diluted earnings per share.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	\$
Total operating lease commitments disclosed at 30 June 2019	91,862
Recognition exemptions:	
Leases with a remaining term of less than 12 months	(51,588)
Operating lease liabilities before discounting	40,274
Discounted using incremental borrowing rate	(3,771)
Reasonably certain extension options	46,285
Total lease liabilities recognised under AASB16 at 1 July 2019	82,788

AASB Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies the application of the recognition and measurement criteria in *AASB 112 Income Taxes* when there is uncertainty over income tax treatments. The Interpretation addresses (a) whether an entity considers uncertain tax treatments separately; (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and (d) how an entity considers changes in facts and circumstances.

The adoption of this Interpretation 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. The directors have prepared a cash flow forecast which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Further, in January 2020 the Company raised \$8 million via a placement to Novo Resources Corp. (TSX-V: NVO; OTCQX: NSRPF) and investor Eric Sprott.

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 2019.

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: OTHER INCOME

	31 Dec 2019	31 Dec 2018
	\$	\$
Interest income	3,556	4,465
Interest income on Adaman receivable (Note 6)	165,198	-
Other income	-	227
	168,754	4,692

NOTE 5: CASH AND CASH EQUIVALENTS

	31 Dec 2019	30 Jun 2019
	\$	\$
Cash at bank and on hand	624,944	766,204
	624,944	766,204

NOTE 6: TRADE AND OTHER RECEIVABLES

	31 Dec 2019	30 Jun 2019
	\$	\$
Current		
Debtors	2,635	-
GST receivable	111,246	32,373
Snake Well Gold Project proceeds receivable	4,720,008	2,500,000
	4,833,889	2,532,373
Non-Current		
Snake Well Gold Project proceeds receivable	-	2,054,810
	-	2,054,810

In February 2019, the Company completed the sale of its Snake Well Gold Project ("Project") to Adaman Resources Pty Ltd ("Adaman") for \$7 million in cash to be paid in instalments to 31 December 2020. As at 31 December 2019, \$2 million of the consideration had been paid. An instalment of \$1 million was also paid in January 2020. The remaining \$4 million in consideration is payable in instalments by 31 December 2020. The carrying value of the non-current instalment payments (as at 30 June 2019) were adjusted to its present value amount. The present value adjustment at 30 June 2019 was partially unwound at 31 December 2019 to reflect the current nature of the receivable and is shown as "interest income Adaman receivable" at Note 4.

Trade and other receivables are normally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

NOTE 7: EXPLORATION AND EVALUATION ASSETS

	31 Dec 2019 \$	30 Jun 2019 \$
Exploration and evaluation assets	2,962,715	2,633,217
Capitalised cost at the beginning of the period	2,633,217	5,302,172
Exploration expenditure incurred during the period	1,430,058	925,446
Sale of Snake Well Gold Project	-	(3,584,996)
Impairment of exploration and evaluation assets	(1,100,560)	(9,405)
Capitalised cost at end of the period	2,962,715	2,633,217

In September 2019 the Company surrendered the Cork Tree tenements E52/2056 and E52/2057 and wrote down the carrying value of the exploration assets for this project to zero.

NOTE 8: TRADE AND OTHER PAYABLES

	31 Dec 2019 \$	30 Jun 2019 \$
Trade creditors	412,448	98,787
Other payables and accruals	80,369	66,694
	492,817	165,481

These amounts represent liabilities for goods and services provided to the Company prior to the end of the period and which are unpaid. Trade creditors are unsecured, non-interest bearing and are normally settled on 30-day terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 9: LEASE LIABILITIES

	31 Dec 2019 \$	30 Jun 2019 \$
Current	31,806	-
Non-Current	35,835	-
	67,641	-

The Company has leases for its corporate office and its core yard. The Company has elected not to recognize a lease liability for 'low-value' and short-term leases. Refer also to Note 2 b) AASB 16 *Leases*.

NOTE 9: LEASE LIABILITIES (Continued)

Future minimum lease payments as at 31 December 2019 were as follows:

	Within one year	One to two years	Two to five years	Total
31 December 2019				
Lease payments	37,052	35,055	2,705	74,812
Finance charges	(5,246)	(1,903)	(22)	(7,171)
Net present values	31,806	33,152	2,683	67,641

	Within one year	One to two years	Two to five years	Total
30 June 2019				
Lease payments	-	-	-	-
Finance charges	-	-	-	-
Net present values	-	-	-	-

NOTE 10: ISSUED CAPITAL

	31 Dec 2019	30 Jun 2019
	\$	\$
Issued capital		
Fully paid ordinary shares	13,489,743	11,936,245

a) Movement in ordinary shares on issue

	Half-year ended 31 Dec 2019		Year ended 30 Jun 2019	
	No.	\$	No.	\$
Opening balance	89,488,577	11,936,245	89,488,577	11,936,245
Placement ⁽¹⁾	10,000,000	1,200,000	-	-
Exercise of options ⁽²⁾	2,452,857	620,836	-	-
Transaction costs	-	(267,338)	-	-
Closing balance	101,941,434	13,489,743	89,488,577	11,936,245

(1) In July 2019, the Company raised \$1,200,000 (before costs) via a placement of 10,000,000 ordinary fully paid shares ("Shares") and 5,000,000 attaching unlisted options ("Options"). The Shares were issued at \$0.12 per Share along with a one for two attaching Option exercisable at \$0.25 and expiring on 10 July 2020.

(2) During the half-year 2,452,857 Options exercisable at \$0.20 and expiring on 1 November 2019 were exercised.

b) Movement in options on issue

	Half-year ended 31 Dec 2019		Year ended 30 Jun 2019	
	No.	\$	No.	\$
Opening balance	29,364,745	1,293,367	29,864,745	1,146,032
Options granted	18,500,000	1,709,400	9,500,000	525,290
Options exercised	(2,452,857)	(130,265)	-	-
Options expired	(15,411,888)	(564,012)	(10,000,000)	(377,955)
Closing balance	30,000,000	2,308,490	29,364,745	1,293,367

NOTE 11: SHARE BASED PAYMENTS

At the Company's Annual General Meeting held on 13 November 2019, shareholders approved the issue of 6,000,000 options to directors. In addition, 3,500,000 options were issued to employees and consultants 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 2019:

Inputs	Issue K	Issue L	Issue M
Exercise price	\$0.42	\$0.42	\$0.42
Grant date	23 Sep 2019	15 Oct 2019	13 Nov 2019
Expiry date	30 Nov 2022	30 Nov 2022	30 Nov 2022
Share price at grant date	\$0.29	\$0.25	\$0.30
Historical volatility (%)	102%	102%	100%
Risk-free interest rate (%)	0.76%	0.76%	0.84%
Expected dividend yield (%)	0%	0%	0%

The expense for the half-year was \$1,530,400 (2018: \$525,290).

Fair Value of Share Options Granted

In July 2019, the Company raised \$1,200,000 (before costs) via a placement of 10,000,000 ordinary fully paid shares and 5,000,000 attaching unlisted options (Note 10). Taylor Collison was Lead Manager for the Placement and received fees equal to approximately 6% of the funds raised, 2,000,000 unlisted options exercisable at \$0.25 on or before 10 July 2020 and 2,000,000 unlisted options exercisable at \$0.30 on or before 10 July 2021 ("Lead Manager Options"). The fair value of the Lead Manager Options of \$179,000 has been accounted for as a cost of equity.

NOTE 12: EARNINGS PER SHARE

	31 Dec 2019 cents	31 Dec 2018 cents
Basic and diluted loss per share	(2.97)	(0.98)

The following reflects the income and share data used in the calculations of basic and diluted loss per share.

	31 Dec 2019 \$	31 Dec 2018 \$
Loss used in calculating basic and undiluted earnings per share	(2,963,788)	(872,554)

	31 Dec 2019 Number	31 Dec 2018 Number
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	99,724,509	89,488,577

NOTE 13: DIVIDENDS

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

NOTE 14: 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 2019 the minimum expenditure commitments for the granted tenements was \$463,250 per annum.

With the surrender of the Cork Tree tenements E52/2056 and E52/2057 and the grant of the Victorian tenements EL006752 and EL006959 the minimum expenditure commitments for granted tenements was \$395,750 as at 31 December 2019.

NOTE 15: EVENTS SUBSEQUENT TO THE REPORTING DATE

On 17 January 2020 the Company completed a placement of \$8 million via the issue of 20 million ordinary shares at \$0.40 and 20 million attaching unlisted options exercisable at \$0.80 to Novo Resources Corp. (TSX-V: NVO; OTCQX: NSRPF) and investor Eric Sprott.

DIRECTORS' DECLARATION

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 2019 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



Luke Reinehr
Chairman

28 February 2020

Independent Auditor's Report

To the Members of Kalamazoo Resources Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Kalamazoo Resources Limited (the Company), which comprises the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Limited does not give a true and fair view of the financial position of the Company as at 31 December 2019, 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 2019 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 Limited, 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



T S Jackman
Partner – Audit & Assurance

Melbourne, 28 February 2020