

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

KalNorth Gold Mines Limited

ABN

55 100 405 954

Quarter ended ("current quarter")

31 December 2015

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(220)	(342)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(212)	(303)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – product for sale inventory costs*	(119)	(119)
<b>Net Operating Cash Flows</b>		<b>(550)</b>	<b>(762)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – GST collected/(remitted) on sale of prospect	-	-
<b>Net investing cash flows</b>		<b>(2)</b>	<b>(2)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(552)</b>	<b>(764)</b>

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(552)	(764)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	895	895
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings – unsecured	-	300
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	(50)	(50)
	<b>Net financing cash flows</b>	845	1,145
	<b>Net increase (decrease) in cash held</b>	293	381
1.20	Cash at beginning of quarter/year to date	327	239
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	620	620

\* Product inventory was disposed subsequent to end of the December quarter with full recoupment of costs and a small profit as part of the Company's assessment of new business opportunities

### Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	48
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' salaries and fees.

### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 20 November 2015, the Company issued 35m shares upon conversion of convertible notes (face value -\$350,000) held by Gold Fresh Limited, as previously approved by shareholders (refer also to 3.1).

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

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## **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	4,500	4,500
3.2 Credit standby arrangements	-	-

The loan facilities consist of the following:

- (a) Principal amounts of the loans (\$3,500,000 secured and \$700,000 unsecured for an aggregate of \$4,200,000) with a maturity date of 30 April 2016 and an interest rate of 10% per annum;
- (b) \$300,000 advance (which was received in late September 2015) against a proposed \$2M convertible note facility.

The loan facilities are subject to the following proposed transactions:

- (i) Lenders to whom an aggregate amount of \$4.15M is owed (refer (a) above) have agreed to accept shares in the Company in settlement of the loans and outstanding interest at an issue price of \$0.01 per share. Settlement of these loans by issue of shares received shareholder approval at the annual general meeting held in November 2015, but completion is pending Foreign Investment Review Board (FIRB) approval which process is ongoing at the date of this Report.
- (ii) A proposed \$2M convertible note facility was approved by shareholders at the annual general meeting held in November 2015 but completion is pending Foreign Investment Review Board (FIRB) approval which process is ongoing at the date of this Report. In the absence of completion, the \$300,000 advance received in the previous quarter against the note facility (together with accrued interest thereon) shall be repaid by the Company on or before 30 June 2016 either in cash or by the issue of shares in the Company at an issue price of \$0.01 per share (subject to the receipt of any Shareholder approvals that may be necessary), at the election of the Company. Subject to FIRB approval, the balance of the convertible note facility amount of \$1.7M can be drawn down at any time up to 31 December 2016.

Convertible notes with a face value of \$350,000 and maturing on 5 March 2016 were converted into ordinary shares during the December quarter (Refer to 2.1).

## **Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation**	250
4.2 Development	-
4.3 Production	-
4.4 Administration	120
<b>Total**</b>	<b>370</b>

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## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'ooo	Previous quarter \$A'ooo
5.1	Cash on hand and at bank	620	327
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		620	327

## Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	P28/1224 Surrendered	100%	-%
		P28/1225 Surrendered	100%	-%
		P27/2058 Surrendered	100%	-%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	P28/1282 Acquired tenement	-%	100%

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### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference +securities</b> <i>(description)</i>	-	-	-	-
7.2	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy- backs, redemptions				
7.3	<b>+Ordinary securities</b>	443,988,960	443,988,960		
7.4	Changes during quarter				
	(a) Increases through issues	128,522,926	128,522,926	1 cent	1 cent
	(b) Decreases through returns of capital, buy- backs	(500,000) <sup>1</sup>	(500,000)	n/a	n/a-
7.5	<b>+Convertible debt securities</b>	-	-	-	-
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted	35,000,000 <sup>2</sup>	-	n/a	n/a
7.7	<b>Options</b> <i>(description and conversion factor)</i>				
7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	-	-		
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

<sup>1</sup> Cancellation of shares previously acquired under a company funded Employee Share Scheme

<sup>2</sup> On 20 November 2015, the notes were converted into 35,000,000 shares (Refer 2.1).

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~does not~~\* (delete one) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 29 January 2016  
Print name: Lijun Yang  
(Director and Company secretary)

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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