

## 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")

30 June 2016

### Consolidated statement of cash flows

|                                                   |                                                            | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|---------------------------------------------------|------------------------------------------------------------|----------------------------|----------------------------------------|
| <b>Cash flows related to operating activities</b> |                                                            |                            |                                        |
| 1.1                                               | Receipts from product sales and related debtors            | 91                         | 1,319                                  |
| 1.2                                               | Payments for (a) exploration & evaluation                  | (250)                      | (1,002)                                |
|                                                   | (b) development                                            | -                          | -                                      |
|                                                   | (c) production                                             | -                          | (1,029)                                |
|                                                   | (d) administration                                         | (136)                      | (602)                                  |
| 1.3                                               | Dividends received                                         | -                          | -                                      |
| 1.4                                               | Interest and other items of a similar nature received      | -                          | 3                                      |
| 1.5                                               | Interest and other costs of finance paid                   | (56)                       | (56)                                   |
| 1.6                                               | Income taxes paid                                          | -                          | -                                      |
| 1.7                                               | Other sales                                                | 40                         | 161                                    |
| 1.7                                               | Other payments                                             | -                          | (119)                                  |
| <b>Net Operating Cash Flows</b>                   |                                                            | <b>(311)</b>               | <b>(1,325)</b>                         |
| <b>Cash flows related to investing activities</b> |                                                            |                            |                                        |
| 1.8                                               | Payment for purchases of: (a) prospects                    | -                          | -                                      |
|                                                   | (b) equity investments                                     | -                          | -                                      |
|                                                   | (c) other fixed assets                                     | (1)                        | (8)                                    |
| 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>(1)</b>                 | <b>(8)</b>                             |
| 1.13                                              | Total operating and investing cash flows (carried forward) | <b>(312)</b>               | <b>(1,333)</b>                         |

+ See chapter 19 for defined terms.

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|      |                                                            |       |         |
|------|------------------------------------------------------------|-------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (312) | (1,333) |
|      | <b>Cash flows related to financing activities</b>          |       |         |
| 1.14 | Proceeds from issues of shares, options, etc.              | -     | 895     |
| 1.15 | Proceeds from sale of forfeited shares                     | -     | -       |
| 1.16 | Proceeds from borrowings – unsecured                       | 17    | 317     |
| 1.17 | Repayment of borrowings                                    | (50)  | (50)    |
| 1.18 | Dividends paid                                             | -     | -       |
| 1.19 | Other (capital raising costs)                              | -     | (34)    |
|      | <b>Net financing cash flows</b>                            | (33)  | 1,128   |
|      | <b>Net increase (decrease) in cash held</b>                | (345) | (205)   |
| 1.20 | Cash at beginning of quarter/year to date                  | 379   | 239     |
| 1.21 | Exchange rate adjustments to item 1.20                     | -     | -       |
| 1.22 | <b>Cash at end of quarter**</b>                            | 34    | 34      |

\*\* On 8 July 2016, the Company received \$137,000 as the final settlement for sale of an ore stockpile, and on 22 July 2016 the Company completed a \$700,000 drawdown under a convertible note facility (as described at 3.1).

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

|      |                                                                  | Current quarter<br>\$A'000 |
|------|------------------------------------------------------------------|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 42                         |
| 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

N/A

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

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

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

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             | 2,000                       | 300                    |
| 3.2 Credit standby arrangements | -                           | -                      |

The loan facility comprises a \$2M convertible note facility of which \$300,000 was drawn down at Quarter-end. On 22 July 2016, subsequent to the end of the quarter, the Company drew down a further amount of \$700,000 under this facility.

### Estimated cash outflows for next quarter

|                                | \$A'000    |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 225        |
| 4.2 Development                | -          |
| 4.3 Production                 | -          |
| 4.4 Administration             | 125        |
| <b>Total</b>                   | <b>350</b> |

### 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--------------------------------------------------|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 34                         | 379                         |
| 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> | <b>34</b>                  | <b>379</b>                  |

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+ See chapter 19 for defined terms.

### 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 | <div>E28/2303</div> <div>E28/2304</div> <div>P15/5766</div> <div>P27/2111</div> <div>Divested</div> <div>Divested</div> <div>Relinquished</div> <div>Relinquished</div> | 100%                             | 0%                         |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased           | -                                                                                                                                                                       | -                                | -                          |

+ See chapter 19 for defined terms.

### 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<br>number | Number<br>quoted | Issue price per<br>security (see<br>note 3) (cents) | Amount paid up<br>per security (see<br>note 3) (cents) |
|------|-------------------------------------------------------------------------|-----------------|------------------|-----------------------------------------------------|--------------------------------------------------------|
| 7.1  | <b>Preference <sup>+</sup>securities</b><br><i>(description)</i>        | -               | -                | -                                                   | -                                                      |
| 7.2  | Changes during quarter                                                  |                 |                  |                                                     |                                                        |
|      | (a) Increases through<br>issues                                         | -               | -                | -                                                   | -                                                      |
|      | (b) Decreases through<br>returns of capital, buy-<br>backs, redemptions |                 |                  |                                                     |                                                        |
| 7.3  | <b><sup>+</sup>Ordinary securities</b>                                  | 894,240,060     | 894,240,060      |                                                     |                                                        |
| 7.4  | Changes during quarter                                                  |                 |                  |                                                     |                                                        |
|      | (a) Increases through<br>issues                                         |                 |                  |                                                     |                                                        |
|      | (b) Decreases through<br>returns of capital, buy-<br>backs              |                 |                  |                                                     |                                                        |
| 7.5  | <b><sup>+</sup>Convertible debt<br/>securities</b>                      | 30              | -                | \$10,000                                            | \$10,000                                               |
| 7.6  | Changes during quarter                                                  |                 |                  |                                                     |                                                        |
|      | (a) Increases through<br>issues                                         |                 |                  |                                                     |                                                        |
|      | (b) Decreases through<br>securities matured,<br>converted               |                 |                  |                                                     |                                                        |
| 7.7  | <b>Options</b> <i>(description<br/>and conversion factor)</i>           |                 |                  |                                                     |                                                        |
| 7.8  | Issued during quarter                                                   | -               | -                |                                                     |                                                        |
| 7.9  | Exercised during quarter                                                | -               | -                |                                                     |                                                        |
| 7.10 | Expired during quarter                                                  |                 |                  |                                                     |                                                        |
| 7.11 | <b>Debentures</b><br><i>(totals only)</i>                               | -               | -                |                                                     |                                                        |
| 7.12 | <b>Unsecured notes</b><br><i>(totals only)</i>                          | -               | -                |                                                     |                                                        |

\* On 24 February 2016, 30 Convertible Notes (with conversion rights to 30,000,000 shares) were issued after shareholder approval was received at the AGM on 25 November 2015. Each note has a face value of \$10,000 and the right to convert to 1M shares on or before 30 April 2017.

## 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:

Print name:



..... Date: 27 July 2016

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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