



KalNorth Gold Mines Limited and Controlled Entities
ACN 100 405 954

Annual Report
For the year ended 30 June 2023



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KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

CORPORATE DIRECTORY

Directors Jiajun Hu (Executive Chairman)
Yuanguang Yang (Non-Executive Director)
Xiaojing Wang (Non-Executive Director)

Company Secretary Jiajun Hu

Registered Office and Principal Place of Business Level 3, Suite 301
401-403 Sussex Street
Sydney, NSW 2000

Share Registry Advanced Share Registry Limited
110 Stirling Highway
Perth WA 6009

Auditor BDO (Audit) WA Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

Company Website www.kalnorthgoldmines.com

KalNorth Gold Mines Limited delisted from the Australian Securities Exchange (ASX) in August 2022 but remains a Disclosing Entity as defined by section 111AC of the Corporations Act 2001. The Company's securities do not trade on any stock exchange at present. As a Disclosing Entity, it is subject to a continuous disclosure regime under section 675 of the Corporations Act.

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2023
DIRECTORS' REPORT

The Directors of KalNorth Gold Mines Limited (“the Company”) present their financial report on the consolidated entity, being the company and its controlled entities, for the financial year ended 30 June 2023. As at the date of this report, the Company is a Disclosing Entity (refer to the preceding page for details) but its securities are not listed for trading on any stock exchange.

Directors

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

- | | |
|------------------|------------------------|
| • Jiajun Hu | Executive Chairman |
| • Yuanguang Yang | Non-executive Director |
| • Xiaoqing Wang | Non-executive Director |

Information on Directors

JIAJUN HU

Executive Chairman & Company Secretary

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

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

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

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

Interest in shares and options: Nil

YUANGUANG YANG

Non-Executive Director

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

He has over 20 years’ experience in audit and assurance, global tax planning, corporate advisory, family business and M & A business.

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

KalNorth Gold Mines Limited and Controlled Entities
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DIRECTORS' REPORT

Information on Directors (cont'd)

XIAOJING WANG (REBECCA)

Non-Executive Director

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

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

Interest in shares and options: Nil

Principal Activities

The consolidated entity's principal activity during the year consisted of evaluation and exploration of new project investment opportunities. The consolidated entity will utilise its skills and expertise to seek for more valuable investment opportunities that can add value to the organisation.

Operating Results and Financial Performance

The operating loss of the consolidated entity for the year ended 30 June 2023 was \$1,090,213 (2022 Loss: \$310,171).

As at 30 June 2023 the Company had \$11,344,492 (2022: \$15,418,782) in cash reserves and term deposits at bank and aggregate liabilities of \$97,971 (2022: \$95,371).

At 30 June 2023, the consolidated entity had net assets of \$14,249,718 (2022: \$15,339,931).

Significant Changes in the State of Affairs

KalNorth Gold Mines Limited delisted from the Australian Securities Exchange (ASX) in August 2022 but remains a Disclosing Entity as defined by section 111AC of the Corporations Act 2001.

Dividends Paid or Recommended

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

Significant Events after the Reporting Date

On 16 June 2023, Beijing SinoHytec announced the 2022 Profit Distribution and Capital Reserve Capitalization Plan. The company will issue 4 new shares for every 10 existing shares to shareholders by way of capitalization of capital reserve. The expected timetable for the despatch of share certificate for the Capitalization H shares and commencement of dealing in the Capitalization H shares was July 2023. On 7 July 2023, KGM's share holding increased from 342,800 to 479,920 with share price of HKD 39.05 per share.

On 3 July 2023, KGM entered into a loan agreement to provide a loan of USD100,000 available for drawdown to SCCC Petroleum at an annual rate of 12%.

Likely Developments and Expected Results

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

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2023
DIRECTORS' REPORT

Environmental regulation

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

The directors of the consolidated entity are not aware of any breach of environmental legislation for the year under review.

Meetings of Directors

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

	Directors' Meetings	
	Number of meetings eligible to attend	Number attended
Jiajun Hu	1	1
Yuanguang Yang	1	1
Xiaojing Wang	1	1

No Audit or Remuneration Committee meetings were held in the year, with all matters dealt with by the Board as a whole. In addition, matters of Board business have been resolved by circular resolutions of Directors, which are a record of decisions made at a number of informal meetings of the Directors held to control, implement and monitor the Company's activities throughout the period.

Options

At the date of this report, there were no unissued ordinary shares of KalNorth Gold Mines Limited under option (2022: Nil).

During the year ended 30 June 2023 and to the date of this report, no shares were issued on the exercise of options (2022: nil).

Risk Management

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

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

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

Key Management Personnel Remuneration

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

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

Jiajun Hu	Executive Chairman
Yuanguang Yang	Non-Executive Director
Xiaojing Wang	Non-Executive Director

Remuneration Policy

The remuneration policy of KalNorth Gold Mines Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2023
DIRECTORS' REPORT

Key Management Personnel Remuneration (cont'd)

offering specific long-term incentives based on key performance areas affecting the consolidated entity's ability to attract and retain the best Directors and executives to run and manage the consolidated entity.

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

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

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

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

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

Performance-Based Remuneration

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

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

Non-Executive Director Remuneration

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

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

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

Relationship between Remuneration Policy and Consolidated Entity Performance

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

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2023
DIRECTORS' REPORT

Key Management Personnel Remuneration (cont'd)

Key management personnel service agreements

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

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

There are no other agreements with key management personnel.

Remuneration Details

(a) Key management personnel compensation:

2023	Short-term benefits		Post-employment benefits	
	Salary and fees \$	Annual Leave Entitlements ¹ \$	Superannuation \$	Total \$
Name				
<i>Directors</i>				
Jiajun Hu	70,000	5,923	7,350	83,273
Yuanguang Yang	30,000	-	-	30,000
Xiaojing Wang	30,000	-	3,150	33,150
Total	130,000	5,923	10,500	146,423

2022	Short-term benefits		Post-employment benefits	
	Salary and fees \$	Annual Leave Entitlements ¹ \$	Superannuation \$	Total \$
Name				
<i>Directors</i>				
Jiajun Hu	70,000	6,043	7,000	83,043
Yuanguang Yang	30,000	-	-	30,000
Xiaojing Wang	30,000	-	3,000	33,000
Total	130,000	6,043	10,000	146,043

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

Share-based payment compensation

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

KalNorth Gold Mines Limited and Controlled Entities
For the year ended 30 June 2023
DIRECTORS' REPORT

Key Management Personnel Remuneration (cont'd)

No options were granted to Directors or key management personnel during the year ended 30 June 2023 (2022: nil).

Key management personnel shareholdings

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

2023	Balance 1 July 2022	Granted as Remuneration	Net Change Other	Balance 30 June 2023
<i>Directors</i>				
Jiajun Hu	-	-	-	-
Yuanguang Yang	2,375,300	-	-	2,375,300
Xiaojing Wang	-	-	-	-
Total	2,375,300	-	-	2,375,300

2022	Balance 1 July 2021	Granted as Remuneration	Net Change Other	Balance 30 June 2022
<i>Directors</i>				
Jiajun Hu	-	-	-	-
Yuanguang Yang	2,375,300	-	-	2,375,300
Xiaojing Wang	-	-	-	-
Total	2,375,300	-	-	2,375,300

Key management personnel option holdings

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

Loans to key management personnel and their related parties

There were no loans outstanding at the reporting date (30 June 2022: Nil) to key management personnel and their related parties.

Other transactions with KMPs

There were no other transactions with KMPs for the year ended 30 June 2023.

Use of Remuneration Consultants

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

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Sales revenue	-	-	-	-	-
EBITDA	(1,090,213)	(310,171)	12,410,885	(858,670)	(823,513)
EBIT	(1,090,213)	(310,171)	12,410,885	(859,137)	(825,373)
Profit / (Loss) after income tax	(1,090,213)	(310,171)	12,208,461	(900,355)	(825,373)

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

DIRECTORS' REPORT

Key Management Personnel Remuneration (cont'd)

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

	2023	2022	2021	2020	2019
Share price at financial year end (\$)	-	0.013 ¹	0.013 ¹	0.007	0.008
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings / (loss) per share (cents per share)	(0.12)	(0.03)	1.38	(0.10)	(0.09)

¹Shares last traded on ASX in August 2020

Indemnification and Insurance of Officers and Auditors

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

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

Proceedings on Behalf of Company

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

Non-Audit Services

There have been no non-audit services provided by the consolidated entity's auditor during the year.

Auditor's Independence Declaration

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

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



Jiajun Hu
Executive Chairman

Dated: 7 November 2023

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF KALNORTH GOLD MINES LIMITED

As lead auditor of KalNorth Gold Mines Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of KalNorth Gold Mines limited and the entities it controlled during the period.



Neil Smith
Director

BDO Audit (WA) Pty Ltd

Perth

7 November 2023

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
Other income	3	363,773	22,614
Gain on sale of mineral tenements		-	88,066
Gain on sale of property, plant and equipment		-	94,447
Director and corporate employee costs		(151,084)	(158,301)
Professional fees and consultants		(62,955)	(186,743)
Listing and registry fees		(14,126)	(27,556)
Other expenses		(92,062)	(142,697)
Unrealised Foreign Exchange Gain/(Loss)		43,373	-
Unrealised Gain/(Loss) on Investment	7	(1,177,132)	-
(Loss) / Profit before income tax		(1,090,213)	(310,171)
Income tax expense	4	-	-
(Loss) / Profit after income tax for the year		(1,090,213)	(310,171)
 (Loss) / Earnings per share for the year attributable to the members of KalNorth Gold Mines Limited:			
Basic and diluted (loss) / earnings per share (cents)	12	(0.12)	(0.03)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income Should be read in conjunction with the accompanying notes.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	30 June 2023 \$	30 June 2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents	14(b)	3,276,634	12,418,782
Other receivables	5	137,894	9,020
Other assets	6	8,078,184	3,007,500
Total Current Assets		11,492,712	15,435,302
Non-Current Assets			
Financial Asset	7	2,741,687	-
Loan Receivable	5	113,290	-
Total Non-Current Assets		2,854,977	-
TOTAL ASSETS		14,347,689	15,435,302
LIABILITIES			
Current Liabilities			
Trade and other payables	8	97,971	95,371
Total Current Liabilities		97,971	95,371
TOTAL LIABILITIES		97,971	95,371
NET ASSETS		14,249,718	15,339,931
EQUITY			
Issued capital	9	92,438,807	92,438,807
Accumulated losses	10	(78,189,089)	(77,098,875)
TOTAL EQUITY		14,249,718	15,339,931

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income Should be read in conjunction with the accompanying notes.

KalNorth Gold Mines Limited and Controlled Entities**For the year ended 30 June 2023****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2023

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
2023			
As at 1 July 2022	92,438,807	(77,098,876)	15,339,931
Loss after income tax for the year	-	(1,090,213)	(1,090,213)
Total comprehensive loss for the year, net of tax	-	(1,090,213)	(1,090,213)
As at 30 June 2023	92,438,807	(78,189,089)	14,249,718
	Issued Capital \$	Accumulated Losses \$	Total Equity \$
2022			
As at 1 July 2021	92,438,807	(76,788,705)	15,650,102
Loss after income tax for the year	-	(310,171)	(310,171)
Total comprehensive loss for the year, net of tax	-	(310,171)	(310,171)
As at 30 June 2022	92,438,807	(77,098,876)	15,339,931

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Note	30 June 2023	30 June 2022
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(320,453)	(532,238)
Payment for exploration and evaluation (expensed)		-	(683)
Interest received		234,898	22,614
Net cash used in operating activities	14(a)	<u>(85,555)</u>	<u>(510,307)</u>
Cash flows from investing activities			
Term Deposit matured		3,000,000	-
Proceeds from sale of tenements		-	2,400,000
Cost associated with tenement sale		-	(169,055)
Net GST paid on sale of tenements		-	(1,746,591)
Net proceeds from sale of property, plant and equipment		-	385,312
Net funds placed on term deposit		(8,067,858)	(3,000,000)
Net funds for investment		(3,918,819)	-
Net cash (used in) / from investing activities		<u>(8,986,677)</u>	<u>(2,130,334)</u>
Cash flows from financing activities			
Proceeds from borrowings		(107,677)	-
Net cash from financing activities		<u>(107,677)</u>	<u>-</u>
Net (decrease) / increase in cash held		(9,179,909)	(2,640,641)
Cash and cash equivalents at the beginning of the financial year		12,418,782	15,036,283
Foreign exchange movements		37,761	23,140
Cash and cash equivalents at the end of the financial year	14(b)	<u>3,276,634</u>	<u>12,418,782</u>

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Notes to the Consolidated Financial Statements

Note 1: Statement of Significant Accounting Policies

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

The financial report was authorised for issue 7 November 2023 by the Board of Directors.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

New and amended standards issued but not yet mandatory

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2023. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

New or amended standards adopted by the Company

The Company has not adopted any new or amended standards during the year ended 30 June 2023.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of KalNorth Gold Mines Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. KalNorth Gold Mines Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Notes to the Consolidated Financial Statements

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

Principles of consolidation (cont'd)

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

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

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

Operating Segments

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

Income tax

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

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

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

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

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

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

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

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Notes to the Consolidated Financial Statements

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

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

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

Employee benefits

Short-term employee benefits

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

Defined contribution superannuation expense

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

Property, plant and equipment

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

Property

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

Plant and equipment

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

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

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

Depreciation

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

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

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Notes to the Consolidated Financial Statements

Note 1: Statement of Significant Accounting Policies (cont'd) Property, plant and equipment (cont'd)

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

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

Current and non-current classification

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

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

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

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

Impairment of non-financial assets

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

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

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

Cash and cash equivalents

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Notes to the Consolidated Financial Statements

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

Trade and Other Receivables

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

Trade and Other Payables

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

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Borrowings

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

Goods and services tax (GST)

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

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

Revenue Recognition

Interest income

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

Contributed equity

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Notes to the Consolidated Financial Statements

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

Comparative figures

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

Finance costs

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

Note 2: Critical accounting estimates and judgments

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

As a result of the disposal of all mineral assets and other non-current assets during the reporting period and the prior period, there are no aspects of the Company's assets, liabilities and activities during the period that require critical accounting estimates and judgments.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Note 3: Other income	2023	2022
	\$	\$
Interest received	363,773	22,614
	363,773	22,614

Note 4: Income tax

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

	2023	2022
	\$	\$
Profit/(Loss) before income tax	(1,090,213)	(310,171)
Income tax expense / (benefit) calculated at 30% (2022: 25%)	(327,064)	(77,543)
Tax effect of temporary differences	303,593	(10,812)
Other deferred tax assets not recognised	23,471	88,355
Income tax expense / benefit reported in the statement of comprehensive income	-	-

(b) Unrecognised deferred tax balances

Losses available for offset against future taxable income - revenue	64,502,191	63,942,288
Potential tax benefit at 30% (2022:25%)	19,350,657	15,985,572

The ability to utilise carry forward tax losses is dependent on the group satisfying applicable tax legislation requirements at the time of proposed recoupment of these tax losses.

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

Note 5: Other receivables

	2023	2022
	\$	\$
Current		
Interest receivable from term deposit	137,894	9,020
	137,894	9,020
Non-current		
Loan Receivable	113,290	-
Total	113,290	-

KGM has entered into a financial arrangement with SCCC Petroleum Corporation during the year 2022-2023 to provide CAD 100,000 at an annual interest of rate of 8%. The loan receivable amount is equivalent to AUD 113,290 as of 30 June 2023. The arrangement matures on 31 December 2024.

Note 6: Other assets

	2023	2022
	\$	\$
Current		
Credit card facility - security deposit	7,500	7,500
GST Refundable	2,826	-
Term deposit at bank	8,067,858	3,000,000
	8,078,184	3,007,500

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Note 7: Available for sale assets

	2023	2022
	\$	\$
Non-Current		
Investment	2,741,687	-
	2,741,687	-
Reconciliation of balance:		
Opening balance as of 1 July 2023	-	-
Investment during the year	3,918,819	-
Fair value movement	(1,177,132)	-
Closing balance as of 30 June 2023	2,741,687	-

KGM has invested in 342,800 units of shares in Beijing SinoHytec Co Ltd during 2022 - 2023. The shares invested are held by Mintu Infrastructure Development Holdings Co.,Ltd. under investment agreement

At the end of June 2023, Beijing SinoHytec Co Ltd has announced that the company will issue additional 4 shares for every 10 shares held by the investor, which will be executed in July 2023.

Note 8: Trade and other payables

	2023	2022
	\$	\$
Current		
Trade payables ⁽ⁱ⁾	48,113	27,997
GST and other taxes payable	4,531	(4,029)
Sundry payables and accrued expenses	7,014	39,014
Provision for annual leave	38,313	32,390
	97,971	95,372

(i) There are no amounts included within these balances that are not expected to be settled within the next 12 months. The average credit terms for services received by the Group are 30 days from invoice date and are non-interest bearing

Note 9: Contributed equity

	2023	2022
	\$	\$
894,240,060 fully paid ordinary shares (2022: 894,240,060)	92,438,807	92,438,807
Movements in ordinary shares on issue for the year:	No. of shares	Paid up capital \$
Opening Balance of the year	894,240,060	92,438,807
Closing Balance of the year	894,240,060	92,438,807

Ordinary shares

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

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Capital risk management

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

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

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

Note 10: Accumulated Losses

	2023	2022
	\$	\$
Accumulated losses at the beginning of the year	(77,098,876)	(76,788,705)
(Loss) / Profit for the year	(1,090,213)	(310,171)
Accumulated losses at the end of the year	<u>(78,189,089)</u>	<u>(77,098,876)</u>

Note 11: Key management personnel compensation

Refer to the Key Management Personnel Remuneration section contained in the Directors' Report for details of the remuneration paid to each member of the consolidated entity's key management personnel for the year ended 30 June 2023.

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

	2023	2022
	\$	\$
Short-term employee benefits	135,923	136,043
Post-employment benefits	10,500	10,000
	<u>146,423</u>	<u>146,043</u>

Note 12: (Loss) / Profit per share

	2023	2022
	\$	\$
a) Basic (loss) / profit per share		
(Loss) / Profit after income tax	<u>(1,090,213)</u>	<u>(310,171)</u>
Weighted average number of ordinary shares on issue during the year used as the denominator in calculating basic loss per share	<u>894,240,060</u>	<u>894,240,060</u>
Basic and diluted loss per share (cents)	0.12	0.03

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

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

	2023	2022
Note 13: Auditors' remuneration	\$	\$
Remuneration of the auditor for:		
- audit and review of financial reports - BDO Audit (WA) Pty Ltd	42,558	51,078
	42,558	51,078

Note 14: Cash flow information

	2023	2022
	\$	\$
a) Reconciliation of the net profit / (loss) after income tax to the net cash flows from operating activities:		
Net (loss) / profit for the year	(1,090,213)	(310,171)
<i>Non-cash items included in net profit / (loss):</i>		
Others	1,133,759	33,120
<i>Changes in assets and liabilities:</i>		
(Increase) / decrease in trade and other receivables	(125,758)	(1,801,109)
Increase in trade and other creditors	(3,342)	1,567,853
Net cash outflow from operating activities	(85,554)	(510,307)
b) Reconciliation of cash		
Cash balance comprises:		
- Cash at bank and on hand	3,276,634	12,418,782

c) Non-Cash Financing and Investing Activities

There were no non-cash financing and investing activities for the year ended 30 June 2023 and 2022.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Note 15: Commitments

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

Note 16: Controlled entities

	Country of Incorporation	Percentage Owned (%)	
		2023	2022
Subsidiaries of KalNorth Gold Mines Limited:			
Shannon Resources Pty Ltd	Australia	100	100
Lusitan Prospecting Pty Ltd	Australia	100	100

There was no income earned and no expenses incurred by these entities for the year end 30 June 2023 (2022: nil).

Note 17: Segment information

Identification of reportable operating segments

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

30 June 2023	Investment in SinoHytec	Admin	Total consolidated group
	\$	\$	\$
Revenue			
<i>Other income</i>	-	363,773	363,773
Total income	-	363,773	363,773
EBITDA	(1,177,132)	86,919	(1,090,213)
Profit / (Loss) before income tax	(1,177,132)	86,919	(1,090,213)
<i>Income tax benefit</i>	-	-	-
Profit / (Loss) after income tax	(1,177,132)	86,919	(1,090,213)
Assets			
<i>Unallocated assets:</i>			
<i>Cash and cash equivalents</i>	-	276,634	276,634
<i>Other receivables</i>	-	137,894	137,894
<i>Other current assets</i>	-	11,078,184	11,078,184
<i>Other non-current assets</i>	2,741,687	113,290	2,854,977
Total assets	2,741,687	11,606,002	14,347,689
Liabilities			
<i>Segment liabilities</i>			
Trade and other payables	-	(97,971)	(97,971)
Total liabilities	-	(97,971)	(97,971)

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

Note 18: Financial risk management objectives and policies

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

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

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

(a) Interest rate risk

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

(b) Credit risk

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

(c) Liquidity risk

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

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

	Less than 12 months \$	12 months or more \$	Total \$
30 June 2023			
Financial liabilities due for payment			
Trade and other payables	(97,971)	-	(97,971)
	<u>(97,971)</u>	<u>-</u>	<u>(97,971)</u>
	Less than 12 months \$	12 months or more \$	Total \$
30 June 2022			
Financial liabilities due for payment			
Trade and other payables	(95,371)	-	(95,371)
	<u>(95,371)</u>	<u>-</u>	<u>(95,371)</u>

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

(d) Foreign exchange risk

The Company is exposed to fluctuations in foreign currencies arising from financial asset denominated in a currency other than the functional currency of the Group.

The main currency exposure is to the United States dollars through maintaining a cash balance in United States dollars.

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follows:

	2023 \$	2022 \$
Cash and cash equivalents	142,081	2,023,139

(d) Net fair value of financial assets and liabilities

The carrying amounts of financial instruments included in the statement of financial position approximate their fair values due to their short terms of maturity, except other receivables (Note 5) which has been discounted to net present value.

Note 19: Contingent liabilities and contingent assets

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

Note 20: Parent Information

As referred to in Note 20, the consolidated entity comprises KalNorth Gold Mines Limited, the parent entity and two wholly-owned subsidiaries. The Parent entity disclosures are not materially different to the consolidated entity's disclosures in the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income. In addition, there are:

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

Note 21: Events subsequent to reporting date

On 16 June 2023, Beijing SinoHytec announced the 2022 Profit Distribution and Capital Reserve Capitalization Plan. The company will issue 4 new shares for every 10 existing shares to shareholders by way of capitalization of capital reserve. The expected timetable for the despatch of share certificate for the Capitalization H shares and commencement of dealing in the Capitalization H shares was July 2023. On 7 July 2023, KGM's share holding increased from 342,800 to 479,920 with share price of HKD 39.05 per share.

On 3 July 2023, KGM entered into a loan agreement to provide a loan of USD100,000 available for drawdown to SCCC Petroleum at an annual rate of 12%.

KalNorth Gold Mines Limited and Controlled Entities

For the year ended 30 June 2023

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

- a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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

On behalf of the Directors:



Jiajun Hu
Executive Chairman

Dated: 7 November 2023

INDEPENDENT AUDITOR'S REPORT

To the members of KalNorth Gold Mines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of KalNorth Gold Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of KalNorth Gold Mines Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors report, but does not include the financial report and our auditor's report thereon.

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



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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Neil Smith', with a stylized flourish extending to the right.

Neil Smith

Director

Perth

7 November 2023