



ABN 33 150 026 850

**Half-Year Financial Report
31 December 2016**

Corporate Directory

Directors

Luke Reinehr	Chairman
Peter Benjamin	Managing Director
Angus Middleton	Non-Executive Director

Company Secretary

Bernard Crawford

Registered Office & Principal Place of Business

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Auditor

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1, 10 Kings Park Road
West Perth, WA 6005

Share Registry

Advanced Share Registry
110 Stirling Highway
Nedlands, WA 6009

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd ("ASX")
Home Exchange: Perth, Western Australia

ASX Code: **KZR**

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Directors' Report

The Directors of Kalamazoo Resources Limited ("the Company") submit the financial report for the Company for the half-year ended 31 December 2016.

DIRECTORS

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

Luke Reinehr, Non-Executive Chairman
Peter Benjamin, Managing Director
Angus Middleton, Non-Executive Director

OPERATING RESULT

The Group's loss for the half-year ended 31 December 2016 after providing for income tax amounted to \$1,204,447 (2015: \$132,552).

PRINCIPAL ACTIVITIES

The principal activities of the Company during the period were:

- to complete all of the regulatory and compliance activities necessary for the Company to be admitted to the Official List of the Australian Securities Exchange;
- to carry out exploration on its mineral tenements;
- to seek extensions of areas held and to seek out new areas with mineral potential; and
- to evaluate new opportunities for joint venture or acquisition.

REVIEW OF OPERATIONS

Prospectus

During the half-year the Directors recommended to the shareholders that the Company be converted from a private Company to a publicly listed Company on the ASX.

The main operational activities were the preparation and completion of a Prospectus, initially targeting a capital raising of \$10M, followed by a Supplementary Prospectus to raise a minimum subscription of \$5M. The subscription was successful and the Company received the funds in late December and then progressed to listing on the ASX on 16 January, 2017.

The Offer in the Supplementary Prospectus was for 25,000,000 Shares at \$0.20 per Share to raise \$5,000,000 with the minimum subscription being \$5,000,000, the Offer being fully underwritten by DJ Carmichael Pty Limited.

Company and Projects Overview

During the half-year the Company maintained the minimum expenditure required to keep the tenements and the asset base in good standing at both Snake Well and Cork Tree. At Snake Well, the tenement expenditure was maintained by the successful trial pit mining and milling at the Mixy Lode and at Cork Tree, some geological review and geophysics were completed.

Directors' Report

As outlined in the Prospectus, Kalamazoo will focus its immediate attention on:

Snake Well Gold and Copper Area

- (i) staged mineral resource definition RC and some diamond drilling at the Mixy Lode and LOP prospect;
- (ii) development of the A-Zone Prospect in conjunction with Minjar;
- (iii) development works including mining, metallurgical, geotechnical, hydrological and environmental studies;
- (iv) exploration at priority targets such as the Royal Standard Mine; and
- (v) commencement of project generation review of new projects,

with a primary objective of achieving early cash flow.

At the Mixy Lode, resource development drilling for a stage 2 open pit expansion is planned ahead of a feasibility study, predominantly in year 1. An initial phase of RC drilling in year 1 will test for extensions to the current resource at depths between 100-200m below surface, with potential for future underground exploitation. Phase 2 diamond drilling would proceed contingent on the results from phase 1.

Infill RC drilling at A-Zone will be undertaken to upgrade the current gold resource to a higher level of confidence, followed by a feasibility study for an open pit mine initially targeting the oxide mineralisation.

At A-Zone metallurgical drilling and test work would be undertaken for additional evaluation of the transitional and sulphide mineralisation.

Desktop studies are planned in year 1 to test the viability of a heap leach operation on the laterite resources at Snake Well which may include drilling and sampling to obtain fresh material for metallurgical test work. Contingent on these results, development studies at other laterite prospects would ensue in year 2.

Exploration of other lode targets will focus initially at Royal Standard, testing for near surface mineralisation above the base of the workings and then below the high grade historic mine workings that only extended to 75m below surface, and along strike of the lode which has been traced for 800m at surface. Drilling below the main workings would be staged with follow-up contingent on early results.

Other targets may include the high grade Calisi lodes, Warren, Conquistador (base metals) and other prospects located in the felsic shear zone.

Dependent on success, a total of approximately 11,000m of drilling is planned for the first two years at the Snake Well Project comprising RC and diamond core drilling.

Directors' Report

Cork Tree Copper Project

Initial drilling proposed at the Cork Tree Prospect comprises vertical aircore holes to locate the prospective dolomite/shale contact, to define the stratigraphy under areas of shallow cover and to further determine the extent of the supergene copper blanket. Follow up drilling will involve angled RC drilling to test structural, lithological and geochemical targets.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is included on page 7.

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



Luke Reinehr
Chairman

Perth, 14 March 2017

Competent Person's Statement

The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled and/or thoroughly reviewed by Mr David Reid, a Competent Person who is who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Reid is an employee of Ravensgate Mining Industry Consultants. Mr Reid has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Reid consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

No new information that is considered material is included in this document. All information relating to exploration results has been previously released to the market and is appropriately referenced in this document. JORC tables are not considered necessary to accompany this document.

Forward Looking Statements

This document may contain certain forward-looking statements. Forward-looking statements include, but are not limited to statements concerning Kalamazoo Resources Limited's (Kalamazoo's) current expectations, estimates and projections about the industry in which Kalamazoo operates, and beliefs and assumptions regarding Kalamazoo's future performance. When used in this document, words such as "anticipates", "could", "plans", "estimates", "expects", "seeks", "intends", "may", "potential", "should", and similar expressions are forward-looking statements. Although Kalamazoo believes that its expectations reflected in these forward-looking statements are reasonable, such statements are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Kalamazoo and no assurance can be given that actual results will be consistent with these forward-looking statements. Actual values, results or events may be materially different to those expressed or implied in this document. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements. Any forward-looking statements in this document speak only at the date of issue of this document. Subject to any continuing obligations under applicable law and the ASX Listing Rules, Kalamazoo does not undertake any obligation to update or revise any information or any of the forward-looking statements in this document or any changes in events, conditions or circumstances on which any such forward-looking statement is based.

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**Auditor's Independence Declaration
To The Directors of Kalamazoo Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Kalamazoo Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B L Taylor
Partner - Audit & Assurance

Melbourne, 14 March 2017

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Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half-Year Ended 31 December 2016

	Note	Consolidated Group Half-year ended	
		31 December 2016 \$	31 December 2015 \$
Other income		18,182	3,734,890
Cost of sales		-	(2,929,005)
Impairment of exploration and evaluation assets	6	-	(575,831)
Employee benefits expense		(208,334)	(147,960)
Share based payment	9	(542,541)	(151,736)
Depreciation expense		(1,964)	(2,179)
Finance expenses		(5,657)	(459)
Other expenses		(464,133)	(60,272)
Loss before income tax expense		(1,204,447)	(132,552)
Income tax benefit/(expense)		-	-
Loss from continuing operations		(1,204,447)	(132,552)
Loss attributable to members of the parent entity		(1,204,447)	(132,552)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,204,447)	(132,552)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(2.19)	(0.04)
Diluted earnings per share		(2.19)	(0.04)

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

**Consolidated Statement of Financial Position
As at 31 December 2016**

	Note	Consolidated Group	
		31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents	4	5,066,775	77,762
Trade and other receivables	5	57,826	56,876
Other current assets		29,370	19,621
TOTAL CURRENT ASSETS		5,153,971	154,259
NON-CURRENT ASSETS			
Property, plant and equipment		9,759	11,723
Exploration and evaluation assets	6	2,041,815	1,605,440
Other non-current assets		13,750	-
TOTAL NON-CURRENT ASSETS		2,065,324	1,617,163
TOTAL ASSETS		7,219,295	1,771,422
CURRENT LIABILITIES			
Trade and other payables		852,697	82,739
Borrowings		-	200,000
TOTAL CURRENT LIABILITIES		852,697	282,739
TOTAL LIABILITIES		852,697	282,739
NET ASSETS		6,366,598	1,488,683
EQUITY			
Issued capital	8	11,491,547	6,329,681
Reserves		1,072,232	151,736
Accumulated losses		(6,197,181)	(4,992,734)
TOTAL EQUITY		6,366,598	1,488,683

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

Consolidated Statement of Changes in Equity For the Half-year Ended 31 December 2016

	Consolidated Group			
	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2015	5,786,660	-	(3,577,549)	2,209,111
Shares issued	543,021	-	-	543,021
Issue of options to directors and employees	-	151,736	-	151,736
Total comprehensive loss for the period	-	-	(132,552)	(132,552)
Balance at 31 December 2015	6,329,681	151,736	(3,710,101)	2,771,316
Balance at 1 July 2016	6,329,681	151,736	(4,992,734)	1,488,683
Shares issued	6,055,000	-	-	6,055,000
Share issue costs	(515,179)	-	-	(515,179)
Issue of options to DJ Carmichael	(377,955)	377,955	-	-
Issue of options to directors and employees	-	542,541	-	542,541
Total comprehensive loss for the period	-	-	(1,204,447)	(1,204,447)
Balance at 31 December 2016	11,491,547	1,072,232	(6,197,181)	6,366,598

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

**Consolidated Statement of Cash Flows
For the Half-year Ended 31 December 2016**

	Note	Consolidated Group	
		Half-year ended	Half-year ended
		31 Dec 2016	31 Dec 2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	3,188,674
Payments to suppliers and employees		(421,388)	(3,023,937)
Interest received		5,496	-
Interest paid		(5,657)	(459)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		(421,549)	164,278
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		-	(5,050)
Payments for exploration activities		(381,138)	(367,359)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(381,138)	(372,409)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		6,055,000	20,000
Share issue costs		(63,300)	-
Proceeds from borrowings		-	300,000
Repayment of borrowings		(200,000)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,791,700	320,000
Net increase in cash and cash equivalents		4,989,013	111,869
Cash at the beginning of the period		77,762	15,717
CASH AT THE END OF THE PERIOD	4	5,066,775	127,586

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

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2016

1. CORPORATE INFORMATION

The financial report of Kalamazoo Resources Limited (“the Company”) for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 14 March 2017.

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

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Kalamazoo Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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

(b) Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (“AASB”) that are relevant to its operations and effective for the current half-year reporting period. The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Company’s/Group’s accounting policies and has had no material effect on the amounts reporting for the current or prior periods.

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2016

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Critical accounting estimates and judgements

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

In preparing the interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual consolidated financial statements as at and for the year ended 30 June 2016.

3. SEGMENT INFORMATION

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

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

	31 December 2016 \$	30 June 2016 \$
4. CASH AND CASH EQUIVALENTS		
Cash on hand	2,783	40
Cash at bank	5,063,992	77,722
	<u>5,066,775</u>	<u>77,762</u>
5. TRADE AND OTHER RECEIVABLES		
Debtors and prepayments	8,395	-
GST receivable	49,431	56,876
	<u>57,826</u>	<u>56,876</u>
6. EXPLORATION AND EVALUATION ASSETS		
Exploration and evaluation assets	<u>2,041,815</u>	<u>1,605,440</u>

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2016

6. EXPLORATION AND EVALUATION ASSETS (continued)

	31 December 2016 \$	30 June 2016 \$
Capitalised cost at the beginning of the period	1,605,440	2,861,518
Exploration expenditure for the period	436,375	681,356
Disposals	-	(274,908)
Impairment of exploration and evaluation assets	-	(1,662,526)
Capitalised cost at end of the period	<u>2,041,815</u>	<u>1,605,440</u>

7. COMMITMENTS AND CONTINGENCIES

As at the reporting date there has been no material change in the commitments and contingencies since the 30 June 2016 annual report.

8. ISSUED CAPITAL

	31 December 2016 \$	30 June 2016 \$
Issued Capital		
Fully paid ordinary shares	<u>11,491,547</u>	<u>6,329,681</u>

	Half-year ended 31 Dec 2016		Year ended 30 Jun 2016	
	No.	\$	No.	\$
(a) Movement in ordinary shares on issue				
Opening balance	333,742,060	6,329,681	279,439,961	5,786,660
Shares issued	-	-	54,302,099	543,021
1 for 7 Share consolidation	(286,064,621)	-	-	-
Shares issued Aug 2016	4,550,000	455,000	-	-
Shares issued Sep 2016	6,000,000	600,000	-	-
Shares issued pursuant to Prospectus	25,000,000	5,000,000	-	-
Transaction costs	-	(893,134)	-	-
Closing balance	<u>83,227,439</u>	<u>11,491,547</u>	<u>333,742,060</u>	<u>6,329,681</u>

The transaction costs relating to the initial public offering were paid after the half-year.

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2016

8. ISSUED CAPITAL (continued)

	Half-year ended 31 Dec 2016		Year ended 30 Jun 2016	
	No.	\$	No.	\$
(b) Movement in options on issue				
Opening balance	39,303,219	151,736	19,303,219	-
Options issued Nov 2015	-	-	20,000,000	151,736
1 for 7 Option consolidation	(33,688,474)	-	-	-
Options issued to executives	12,250,000	542,541	-	-
Options issued to DJ Carmichael	10,000,000	377,955	-	-
Closing balance	27,864,745	1,072,232	39,303,219	151,736

9. SHARE BASED PAYMENTS

During the half-year the Company issued 12,250,000 options to directors and executives for services rendered and 10,000,000 options to DJ Carmichael as part of the costs of the initial public offer of shares. The fair value of these options was determined using the Binomial pricing model. The following table lists the inputs to the model for options granted during the six months ended 31 December 2016:

Inputs	Issue C	Issue D	Issue E
Exercise price	\$0.30	\$0.20	\$0.25
Grant date	9 Sep 2016	23 Dec 2016	23 Dec 2016
Expiry date	31 Dec 2019	23 Dec 2018	23 Dec 2018
Share price at grant date	\$0.10	\$0.10	\$0.10
Annualised volatility (%)	108.67%	112.05%	112.05%
Risk-free interest rate (%)	1.591%	1.654%	1.654%
Expected dividend yield (%)	0%	0%	0%

The expense for the half-year was \$542,541 (2015: \$151,736), which pertains to the options granted to Directors and employees. The fair value of the options issued to DJ Carmichael for services pertaining to the company's initial public offering of \$377,985 (2015: \$Nil) was accounted for as a cost of equity.

10. DIVIDENDS

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

11. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2016

12. EVENTS SUBSEQUENT TO THE REPORTING DATE

The Company was admitted to the Official List of ASX Limited on 12 January 2017. Official quotation of the Company's securities commenced on 16 January 2017.

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

Directors' Declaration

In the opinion of the directors of Kalamazoo Resources Ltd:

- (a) the consolidated financial statements and notes of Kalamazoo Resources Ltd are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- (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.

On behalf of the Board



Luke Reinehr
Chairman

14 March 2017

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Independent Auditor's Review Report To The Members of Kalamazoo Resources Limited

We have reviewed the accompanying half-year financial report of Kalamazoo Resources Limited (the Company), which comprises the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration, comprising both the Company at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Kalamazoo Resources Limited financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Kalamazoo Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kalamazoo Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B L Taylor
Partner - Audit & Assurance

Melbourne, 14 March 2017