



**Kalimantan**  
**GOLD**  
Corporation Limited

**First Quarter Report**

**For the three months ended March 31, 2012**



# **Kalimantan GOLD**

Corporation Limited

## **Management Discussion and Analysis**

(expressed in US dollars)

**For the three month period ended March 31, 2012**

# Kalimantan Gold Corporation Limited

## MANAGEMENT DISCUSSION AND ANALYSIS

### For the three month period ended March 31, 2012

#### Date

The following discussion is management's assessment and analysis of the results of operations and financial conditions ("MD&A") of Kalimantan Gold Corporation Limited (the "Company" or "Kalimantan Gold") and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the three months ended March 31, 2012 (the "Financial Statements"), and with the audited consolidated financial statements for the year ended December 31, 2011, and 2010, which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

All financial information in this MD&A related to 2012 and 2011 has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in US dollars unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The effective date of this MD&A is May 28, 2012.

#### Overview

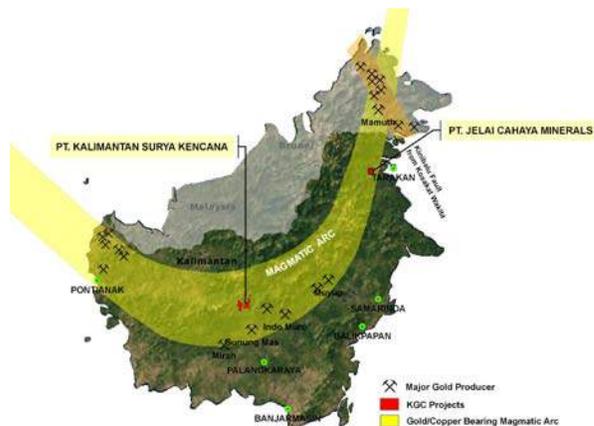
##### Description of the Business

Kalimantan Gold is incorporated in Bermuda and is an exploration stage company engaged in the business of acquiring and exploring mineral properties in Kalimantan, Indonesia. The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades in Canadian dollars on the TSX Venture Exchange in Canada and in British pence on the AIM Market in London under the symbol KLG.

The Company has two principal areas of interest: the Jelai Cahaya Minerals, Jelai epithermal gold prospect in East Kalimantan; and the KSK Contract of Work (the "KSK CoW") in Central Kalimantan with multiple porphyry copper and gold prospects.

***The highlights for the three month period ended March 31, 2012, and up to the date of this report include:***

- Raised \$480,000 from the issue of 6,000,000 common shares
- Commenced drilling at Jelai
- Commenced drilling at KSK CoW



#### KSK CoW

The holder of the KSK CoW is PT Kalimantan Surya Kencana ("KSK"). KSK is owned 75% by Indokal and 25% by PCK. Indokal owns 100% of PCK. On April 18, 2011, the Company entered into a joint venture agreement (the "Agreement") with a wholly-owned subsidiary of Freeport-McMoRan Exploration Corporation ("Freeport") in relation to the KSK CoW. Pursuant to the Agreement, Freeport can earn a 51% equity interest in Indokal by expending a minimum of \$7,000,000 on funding KSK expenditures over three years (the "Initial Period"). Freeport is obligated to expend not less than \$3,000,000 on specific areas of the KSK CoW by March 12, 2013. On completion of the \$7,000,000 expenditure, Freeport can earn a further 24% equity interest in Indokal (total 75%) by sole funding the completion of a feasibility study on the KSK CoW with best efforts to complete it within ten years. Subsequently, if a decision to

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mine is made, Freeport must use commercially reasonable efforts to arrange non-recourse project financing on reasonable terms and conditions for the costs of development on terms mutually agreeable to each of the participants. Upon a decision to mine, if a participant declines to fund its share, then that party will assign all of its rights and interests in Indokal to the other participant in consideration of a 1% net smelter return royalty ("NSR") on the KSK CoW. During the Initial Period, KSK is the operator of the exploration program, and the Company earns a 3%-5% management fee on all expenditures incurred on the KSK CoW pursuant to the Agreement.

A portion of the KSK CoW is within a Hutan Lindung (protected / reserved forest) area. The KSK CoW was granted prior to the enactment of the 1999 Government of Indonesia Law No. 41 on Forestry which prohibits open pit mining in Hutan Lindung areas. A subsequent Presidential Decree has confirmed that when the Company's property meets the necessary criteria it may apply for a permit to exploit that portion of the properties within the KSK CoW that fall within the Hutan Lindung. On March 12, 2012, KSK received the extension to the expired forestry permit granting full permission to explore certain areas of the KSK CoW for two years and denied permission to explore certain other areas of the CoW within the Hutan Lindung. The phase one forestry permit is for an area totaling 7,422 hectares of the KSK CoW and gives the rights to the holder to carry out full mineral exploration activities within the permitted concession area. The Company will continue to work through the permitting process to secure permitting over the remaining prospective areas, including Tambang Huoi, one of the three highest priority targets, of the KSK CoW. The portion of the KSK CoW that has not been permitted will remain in suspension until a forestry permit is issued.

This successful initial phase of the forestry permitting process will allow the company to execute drill tests of key prospects at Beruang Tengah and Beruang Kanan, resource definition drilling at Beruang Kanan as well as bring other priority prospects to the drilling stage with additional important ground follow-up work. Multiple deep drilling targets have collectively been defined and prioritized at five of the priority copper porphyry targets with the Freeport exploration team.

The main focus of the exploration programs will be drill testing the deeper porphyry copper targets that have been identified on the KSK CoW. Advanced magnetic survey inversion modeling identified numerous massive deep seated bodies below extensive surface geochemical anomalies and existing drill holes where copper mineralization was present. The three highest priority targets identified are the Beruang Tengah, Beruang Kanan and Tambang Huoi prospects, which are all expected to be drill tested by at least one hole to a depth of up to 1,500 meters in the first year of the program. Previous drilling results at Beruang Kanan have included intersections of 167 meters at 0.59% copper from 4.5 meters, 79 meters at 0.89% copper from 6.5 meters and 102 meters at 0.62% copper from 3 meters. Further details on the inversion modeling and identified targets are contained in technical reports on the Company's website at [www.kalimantan.com](http://www.kalimantan.com).

On May 28, 2012, the Company announced that drilling commenced on May 23, 2012. This first deep hole is being drilled at Beruang Tengah; drilling for a second deep hole is expected to commence at Beruang Kanan in early June, 2012.

Freeport, as the world's second largest copper producer with extensive Indonesian experience, is an exceptional and ideal partner to rapidly advance the KSK Copper Project and create value for all stakeholders.

To March 31, 2012, Freeport funded activities on the KSK CoW of \$2,390,304 and \$23,872 of equipment purchases.

#### **Jelai**

The holder of the Jelai Izin Usaha Pertambangan ("IUP") is PT Jelai Cahaya Minerals ("JCM"). The Company's indirect corporate ownership of JCM is in the final stages of being unwound, so that a wholly-owned subsidiary of the Company, KLG Singapore Private Limited ("KLG SING") will hold all of 99.9% of the shares of JCM and the Company will hold the remaining 0.1% of the shares of JCM.

**Kalimantan Gold Corporation Limited**  
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**For the three month period ended March 31, 2012**

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On February 16, 2011, the Company executed an option agreement (the "Deed") with Tigers Realm Minerals Pty Ltd. which was subsequently assigned to Tigers Realm Metals Pty Ltd. ("Tigers"). The effectiveness of the Deed was conditional upon the IUP being extended and forestry permits being granted as necessary to enable the on-ground activities to be conducted. The IUP was extended until June 2, 2015 and the forestry permit was issued on November 7, 2011 so that the Deed took effect on November 7, 2011.

Tigers can incrementally earn up to a 70% interest in KLG SING by funding \$6,000,000 expenditures on the IUP and by completing a bankable feasibility study ("BFS") by June 2, 2015. Tigers must spend \$2,000,000 within eighteen-months of receipt of the forestry permit. If Tigers does not complete the BFS by June 2, 2015, its interest earned in KLG SING will convert to a NSR royalty on the Jelai project capped at two times its sole-funding contribution funding the IUP. The applicable percentage of the royalty shall be 1/20<sup>th</sup> of Tigers' interest earned in KLG SING at that time. By way of example, if Tigers' interest is 35% the percentage shall be 1.75%; or if Tigers' interest is 70% the percentage shall be 3.5%.

By February 21, 2012, the community consultation in respect of planned exploration activities at the Jelai Gold project was complete and we have full support from the local government, community and village leaders. Community development programs commenced prior to exploration activities with sustainable projects that are aimed at contributing to the welfare of local people. The programs will involve more than one hundred local community members (from three villages), and group members will be trained and mentored by KGC and Tiger's multi-disciplined community team in forage and fodder cultivation, farming, animal husbandry, accounting and small business development.

Drilling began in the first week of May 2012 and the first drill hole is targeting high grade shoots at a depth below the epithermal gold – silver mineralization intersected by hole JCM-067 (9.50m @ 7.08 g/t Au).

Tigers are an ideal partner to rapidly advance the Jelai gold project and create value for all stakeholders. They have extensive experience in Indonesia across exploration, project development, and mine operations, a skilled team able to rapidly explore and develop projects and Tigers' board and management team have a strong track record in raising capital globally. Tigers share the Company's commitment to building a sustainable relationship with the local communities.

The Jelai project has a total of 126 shallow diamond drill holes totaling approximately 14,000 meters. Grid soils, surface mapping and drilling confirmed more than 6km combined strike length of low sulphidation, vein-style, epithermal, gold-silver mineralization, comprising the Mewet, Sembawang, Lipan and Nyabi veins. Previously, shallow drill holes targeted the central areas of the Mewet, Sembawang and Lipan Veins, with high grade mineralized shoots intersected at each.

To March 31, 2012, Tigers had funded \$378,486 of Jelai project expenditures.

### **Qualified Person**

The Qualified Person responsible for the technical content and verification in this MD&A is Dr. Peter Pollard, a consultant to the Company and the Company's Qualified Person.

### **Aim Rule 26**

We confirm that our website ([www.kalimantan.com](http://www.kalimantan.com)) includes the information required by AIM Rule 26.

### **Results of Operations**

*Results of operations for the three months ended March 31, 2012*

The Company incurred a loss and comprehensive loss for the three month period ended March 31, 2012, of \$134,741 (2011 - \$325,769).

The more significant differences between the three-month periods were exploration costs, legal fees, management fees, share-based compensation, and travel and accommodation.

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- Exploration costs: March 31, 2012 - \$78,183 (March 31, 2011 - \$175,496)  
Gross exploration expenditures in the current fiscal period are significantly higher than in the comparative period; however, the majority of these costs are now being funded by our joint venture partners, whereas in the comparative period, we were funding the majority of the costs.
- Legal fees: March 31, 2012 - \$4,238 (March 31, 2011 - \$42,000)  
Legal fees have now generally returned to normal levels for the first quarter of 2012. The comparative quarter was higher due to the costs to formalize the agreements with Freeport and Tigers on the KSK COW and Jelai projects respectively.
- Management fees: March 31, 2012 – (\$73,207) (March 31, 2011 - \$nil)  
These are a new source of funds for the Company that relate to the Company being the operator of the KSK CoW and Jelai operations.
- Share-based compensation: March 31, 2012 - \$25,067 (March 31, 2011 - \$nil)  
This expense is related to the continued vesting of options granted to the CEO on April 21, 2011. There were no stock options granted or vesting in the comparative period.
- Travel and accommodation: March 31, 2012 - \$nil (March 31, 2011 - \$9,584)  
Travel costs have now generally returned to normal levels for the first quarter of 2012. The comparative quarter was higher due to the travel costs associated with formalizing the agreements with Freeport and Tigers on the KSK COW and Jelai projects respectively.

**Summary of Quarterly Results**

The unaudited financial results for each of the eight most recently completed quarters are summarized below:

	3 months ended March 31, 2012	3 months ended December 31, 2011	3 months ended September 30, 2011	3 months ended June 30, 2011	3 months ended March 31, 2011	3 months ended December 31, 2010	3 months ended September 30, 2010	3 months ended June 30, 2010
Total revenues	-	-	-	-	-	-	-	-
Loss for the quarter	(134,741)	(152,853)	(268,759)	(674,849)	(325,769)	(442,281)	(245,567)	(225,665)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

The Company is an exploration stage enterprise. At this time any issues of seasonality or market fluctuations have no significant impact. The Company currently expenses all its mineral exploration costs and general and administration costs and these amounts are included in the loss for each quarter. The Company's finances determine the levels of exploration. Period over period variances will occur from time-to-time for non-cash items including the granting of stock options and the resulting stock-based compensation expense for that period.

**Liquidity**

The Company began the current fiscal quarter with \$791,511 in cash. The Company used \$419,451 to fund operations, recognized restricted cash becoming unrestricted of \$209,167, and recorded \$1,134 of unrealized foreign exchange loss on cash balances, to end the quarter with \$580,093 in cash.

Management believes that the Company's cash on hand at March 31, 2012, combined ongoing operator management fees and with the proceeds of the private placement, which closed on May 9, 2012, of \$480,000 is sufficient to fund exploration activities and operations through the next twelve months. The Company's ability to continue on a going concern basis beyond the next twelve months depends on its ability to successfully raise additional financing for continued operations and for the substantial capital expenditures required to achieve planned principal operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

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On May 9, 2012, the Company closed a private placement and issued 6,000,000 common shares at a price of US\$0.08 or £0.05 per share to raise US\$480,000 (£300,000).

**Capital Resources**

At the date of this MD&A, the Company has 6,745,000 stock options outstanding. Upon an increase in the Company's share price and share volume traded, it would be expected that the stock options would be exercised, thereby contributing additional cash to the treasury.

The Company has met its expenditure requirements pursuant to its KSK CoW for the entire exploration phases of the contract due to the ability to carry over excess work expenditures.

**Transactions with Related Parties**

- a) The Company's related parties consist of companies owned by executive officers and directors as follows:

<b>Name</b>	<b>Nature of transactions</b>
Golden Oak Corporate Services Limited ("Golden Oak")	Financial reporting and corporate compliance services
Romfal Corporate Pty Ltd. ("Romfal")	Chief Executive Officer

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

	March 31, 2012	March 31, 2011
Consulting fees – Golden Oak (CFO's company)	\$ 29,369	\$ 20,400
Consulting fees – Romfal (CEO's company)	15,000	-
<b>Total</b>	<b>\$ 44,369</b>	<b>\$ 20,400</b>

- b) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel, including amounts disclosed above, during the three month period ended March 31, 2012, and 2011 were as follows:

For the three months ended:	March 31, 2012	March 31, 2011
Consulting fees	\$ 44,369	\$ 20,400
Salaries, wages and related costs (exploration and evaluation expenditures)	62,143	50,486
Directors fees to non-management directors	6,000	6,000
Share-based compensation	25,067	-
<b>Total</b>	<b>\$ 112,512</b>	<b>\$ 76,886</b>

**Future Canadian Accounting Standards**

Refer to the discussion of "Future Accounting standards" in our MD&A for the year ended December 31, 2011. The Company has not applied any of the new and revised IFRS standards detailed therein, all of which have been issued but are not yet effective at the date of this MD&A.

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**Management of Capital**

The Company manages common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash and the fair value approximates the carrying value.

**Financial Instruments and Related Risks**

**Categories of Financial Assets and Financial Liabilities**

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	March 31, 2012	December 31, 2011
Cash and Restricted cash	Loans and Receivables	\$ 580,093	\$ 1,000,678
Government deposit and receivable	Loans and Receivables	81,449	61,310
Trade and other receivables	Loans and Receivables	164,943	85,774
Trade and other payables	Other liabilities	711,627	950,024

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, all receivables and trade and other payables approximate their fair value due to their short-term nature.

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**Risk Management**

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, receivables, and balances receivable from the government. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's current financial liabilities anticipated to mature within the next sixty days.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

- a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and short-term investments and on the Company's obligations are not considered significant.
- b) Foreign Currency risk: The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The majority of the Company's cash is held in Canada in Canadian (CDN) dollars and the Company expects to continue to raise equity predominantly in Pounds Sterling ("GBP"). The Company conducts its business in Indonesia in Indonesian Rupia ("Rp") with a significant portion of expenditures in that country denominated in United States ("US") dollars and in addition, a portion of the Company's business is conducted in CDN, GBP and the Australia ("AUS") dollar. As such, it is subject to risk due to fluctuations in the exchange rates between the US dollar and each of the Rp, GBP and CDN and AUS dollars. A significant change in the currency exchange rates between the US dollars relative to foreign currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

The Company's exposure to the foreign currency amount in US dollars on financial instruments is as follows:

	As at March 31, 2012			As at December 31, 2011		
	Currency	Foreign currency amount	Amount in US dollars \$	Currency	Foreign currency amount	Amount in US dollars \$
Cash	CDN	94,395	94,631	CDN	95,111	93,523
	Rp	409,843,960	45,137	-	435,222,560	47,932
Government deposits and receivables	Rp	739,556,920	81,449	Rp	554,007,438	61,310
Trade and other payables	CDN	(3,270)	(3,282)	CDN	(980)	(948)
	GBP	(8,650)	(13,883)	GBP	(2,916)	(4,812)
	AUD	-	-	AUD	-	-
			204,052			197,005

Based upon the above net exposures and assuming that all other variables remain constant, a 10% depreciation of the US dollar against the GBP and CDN and AUS dollars would result in a

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**For the three month period ended March 31, 2012**

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decrease in the loss of approximately \$20,400 in the quarter ended March 31, 2012, (\$19,700 in the quarter ended December 31, 2011). This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

- c) Commodity price risk - While the value of the Company's core mineral resource properties, the KSK CoW and the Jelai IUP, are related to the price of copper and gold and the outlook for these minerals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities.

Historically, gold and copper prices have fluctuated significantly, and are affected by numerous factors outside of the Company's control, including but not limited to: industrial and retail demand; central bank lending; forward sales by producers and speculators; levels of worldwide production; short-term changes in supply and demand because of speculative hedging activities; and other factors related specifically to gold.

Political Uncertainty

In conducting operations in Indonesia, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Indonesia, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

**Forward Looking Statements**

This MD&A contains forward-looking statements that are based on the Company's current expectations and estimates. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans to continue to be refined; possible variations in ore grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

**Additional Disclosure for Venture Issuers without Significant Revenue**

The components of exploration costs are described in Note 7 to the condensed consolidated interim financial statements for the three months ended March 31, 2012.

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**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three month period ended March 31, 2012**

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**Outstanding Share Data**

At March 31, 2012, the authorized share capital comprised \$5,000,000 divided into 500,000,000 common shares at a par value of \$0.01 each. All issued shares are fully paid.

	<b>Common Shares Issued and Outstanding</b>	<b>Common Share Purchase Options</b>
Balance at March 31, 2012	165,407,156	8,105,000
Shares issued pursuant to a private placement	6,000,000	-
Stock options expired	-	(1,360,000)
Balance at the date of this MD&A	171,407,156	6,745,000

**Risks and Uncertainties**

The Company is subject to risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, continuing financial losses, dependence on key individuals, and the ability to secure adequate financing to meet minimum capital required to successfully complete its projects and continue as a going concern. These factors should be reviewed carefully.

The discussion of "Risks and Uncertainties" in our MD&A for the year ended December 31, 2011, in addition to the risks noted above in the "Financial Instruments and Related Risks" section, should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business.

**Other information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.kalimantan.com](http://www.kalimantan.com).



# **Kalimantan GOLD**

Corporation Limited

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**Three months ended March 31, 2012 and 2011**

(In United States dollars, unless otherwise noted)

(Unaudited)

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### Notice to Reader

These interim financial statements of Kalimantan Gold Corporation Limited have been prepared by management and approved by the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

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**KALIMANTAN GOLD CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(unaudited - expressed in United States dollars, unless otherwise noted)

	Note	March 31, 2012	December 31, 2011
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	3	\$ 580,093	\$ 791,511
Restricted cash	3	-	209,167
Government deposit and receivable	4	81,449	61,310
Trade and other receivables	5	164,943	111,672
		<u>826,485</u>	<u>1,173,660</u>
<b>Non-current assets</b>			
Security deposit		24,858	25,055
Property, plant and equipment	6	10,639	12,186
		<u>\$ 861,982</u>	<u>\$ 1,210,901</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	8	\$ 711,627	\$ 950,024
		<u>711,627</u>	<u>950,024</u>
<b>Non-current liabilities</b>			
Provision for employee service entitlements		98,350	99,198
		<u>809,977</u>	<u>1,049,222</u>
<b>Shareholders' equity</b>			
Share capital	9	1,621,612	1,621,612
Equity reserves	9	24,992,664	24,967,597
Deficit		<u>(26,562,271)</u>	<u>(26,427,530)</u>
		<u>52,005</u>	<u>161,679</u>
		<u>\$ 861,982</u>	<u>\$ 1,210,901</u>
Nature of operations	1		
Subsequent events	12		

These condensed consolidated interim financial statements are authorized for issue on behalf of the Board of Directors on May 28, 2012.

They are signed on the Company's behalf by:

/s/ Peter Bojtos  
Peter Bojtos  
Director

/s/ Faldi Ismail  
Faldi Ismail  
Director

The accompanying notes form an integral part of these condensed consolidated interim financial statements

**KALIMANTAN GOLD CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(unaudited - expressed in United States dollars, unless otherwise noted)

	Note	three months ended	
		March 31, 2012	March 31, 2011
<b>Expenses</b>			
Accounting and audit		\$ 7,113	\$ 806
Consultants	10	83,625	71,918
Directors fees	10	6,000	6,000
Exploration and evaluation expenditures	7	78,183	175,496
Investor relations		1,142	1,184
Legal		4,238	42,000
Management fees	7	(73,207)	-
Office and administrative services		1,956	4,585
Share-based compensation	9	25,067	-
Telephone and facsimile		1,210	1,470
Transfer agent, filing and exchange fees		26,805	33,010
Travel and accommodation		-	9,584
		<u>162,132</u>	<u>346,053</u>
<b>Other items</b>			
Foreign exchange gain		(105)	(20,126)
Gain on sale of equipment		-	-
Interest income		(27,286)	(158)
		<u>(27,391)</u>	<u>(20,284)</u>
<b>Loss and comprehensive loss for the period</b>		<b>\$ 134,741</b>	<b>\$ 325,769</b>
<b>Basic and diluted loss per common share</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding</b>		<b>165,407,156</b>	<b>162,907,156</b>

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

**KALIMANTAN GOLD CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(unaudited - expressed in United States dollars, unless otherwise noted)

	three months ended	
Note	March 31, 2012	March 31, 2011
<b>Cash provided from (used for):</b>		
<b>Operating activities</b>		
Loss for the period	\$ (134,741)	\$ (325,769)
Adjustment for non-cash items:		
Depreciation	1,547	10,883
Share-based compensation	25,067	-
Unrealized foreign exchange loss	1,331	1,913
Changes in non-cash working capital:		
Trade and other receivables	(73,410)	(102,956)
Trade and other payables	(238,397)	(230,501)
Provision for employee service entitlements	(848)	-
	(419,451)	(646,430)
<b>Investing activities</b>		
Purchase of property, plant and equipment	-	(6,770)
Restricted cash	209,167	-
	209,167	(6,770)
<b>Financing activities</b>		
Share subscriptions received	-	996,503
Share issue costs	-	(19,914)
	-	976,589
Unrealized foreign exchange gain (loss) on cash	(1,134)	-
<b>Increase (decrease) in cash</b>	(211,418)	323,389
<b>Cash, beginning of the period</b>	791,511	306,156
<b>Cash, end of the period</b>	\$ 580,093	\$ 629,545

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

**KALIMANTAN GOLD CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(unaudited - expressed in United States dollars, unless otherwise noted)

	Number of shares	Amount	Equity reserves	Deficit	Total
<b>Balance, December 31, 2010</b>	162,907,156	\$ 1,599,564	\$ 24,063,393	\$ (25,005,300)	\$ 657,657
Share issues	-	-	-	-	-
Share issue costs	-	-	-	-	-
Share-based compensation	-	-	-	-	-
Loss and comprehensive loss for the period	-	-	-	(325,769)	(325,769)
<b>Balance, March 31, 2011</b>	162,907,156	1,599,564	24,063,393	(25,331,069)	331,888
Share issues	2,500,000	25,000	338,939	-	363,939
Share issue costs	-	(2,952)	-	-	(2,952)
Share-based compensation	-	-	565,265	-	565,265
Loss and comprehensive loss for the period	-	-	-	(1,096,461)	(1,096,461)
<b>Balance, December 31, 2011</b>	165,407,156	1,621,612	24,967,597	(26,427,530)	161,679
Share-based compensation	-	-	25,067	-	25,067
Loss and comprehensive loss for the period	-	-	-	(134,741)	(134,741)
<b>Balance, March 31, 2012</b>	165,407,156	\$ 1,621,612	\$ 24,992,664	\$ (26,562,271)	\$ 52,005

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

## **Kalimantan Gold Corporation Limited**

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2012

(unaudited - expressed in United States dollars, unless otherwise noted)

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### **1. NATURE OF OPERATIONS**

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Kalimantan Gold Corporation Limited (the “Company” or “Kalimantan Gold”) is a publicly listed company incorporated under the laws of Bermuda. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) and the Alternative Investment Market (“AIM”) of the London Stock Exchange. The Company’s principal business activities include the acquisition, exploration and development of mineral properties. The address of the Company in Canada is Unit 1 – 15782 Marine Drive, White Rock, British Columbia, Canada V4B 1E6. The condensed consolidated interim financial statements of the Company as at and for the period ended March 31, 2012, comprise the Company and its subsidiaries. The Company is the ultimate parent. The Company’s principal mineral property interests are the KSK Contract of Work and the Jelai Gold projects which are both located in Indonesia.

The Company is in the process of exploring its Kalimantan mineral property interests and has not yet determined whether any of its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. Management believes that the Company’s cash on hand at March 31, 2012, combined with the private placement that subsequently closed on May 9, 2012, is sufficient to fund exploration activities and operations through the next twelve months. The Company’s ability to continue on a going concern basis beyond the next twelve months depends on its ability to successfully raise additional financing for continued operations and for the substantial capital expenditures required to achieve planned principal operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

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#### **a) Statement of compliance and conversion to International Financial Reporting Standards**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 – *Interim Financial Reporting*.

#### **b) Basis of preparation and consolidation**

The unaudited condensed consolidated interim financial statements, prepared in conformity with IAS 34, follow the same accounting principles and methods of application as the most recent annual consolidated financial statements. Since the unaudited condensed consolidated interim financial statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2011.

#### **c) Functional and presentation currency**

The unaudited condensed consolidated interim financial statements are presented in United States dollars. The functional currency of the Company and its subsidiaries is the United States dollar.

**Kalimantan Gold Corporation Limited**

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2012

(unaudited - expressed in United States dollars, unless otherwise noted)

**3. CASH and RESTRICTED CASH**

	As at March 31, 2012	As at December 31, 2011
Canadian denominated cash held in Canada	\$ 94,631	\$ 93,523
US dollar denominated cash held in Canada	75,255	321,853
Cash held in Indonesia	78,181	68,525
Restricted cash held in Indonesia	-	(209,167)
Cash held in Indonesia exclusively for use on joint venture projects	332,026	516,777
Cash	\$ 580,093	\$ 791,511
Restricted cash held in Indonesia	\$ -	\$ 209,167

Restricted cash in Indonesia was the subject of a temporary hold restriction, which was removed in January 2012.

**4. GOVERNMENT DEPOSIT AND RECEIVABLE**

	As at March 31, 2012	As at December 31, 2011
Current deposits paid to file tax appeals	\$ 60,050	\$ 61,618
Accrued interest receivable, net of accrued penalties	21,399	-
Total	\$ 81,449	\$ 61,681

During 2008 the Indonesian tax authorities conducted audits of the Company's Indonesian subsidiaries and in 2009 delivered assessments on several levels of withholding tax, employee withholding tax, corporate income tax and value added tax for the 2006 and 2007 tax years. The Company paid deposits in Rupiah to have the tax appeals heard. The Company has confirmation that the appeals were in all cases successful, with the exception of one immaterial case that will result in a deduction of less than \$1,000 from the deposits paid. The Company subsequently recovered the deposits paid and accrued interest, net of accrued penalties, of \$21,399.

**5. TRADE AND OTHER RECEIVABLES**

	As at March 31, 2012	As at December 31, 2011
Amounts receivable – employee advances	\$ 24,138	\$ 20,352
Amounts receivable – JV partner employee advances	6,593	-
Amounts receivable – other receivables including VAT	94,942	65,422
Amounts receivable – JV partner other receivables	3,156	-
Amounts receivable – prepayments	17,711	25,898
Amounts receivable – JV partner prepayments	18,403	-
Total	\$ 164,943	\$ 111,672

**Kalimantan Gold Corporation Limited**

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2012

(unaudited - expressed in United States dollars, unless otherwise noted)

**6. PROPERTY, PLANT AND EQUIPMENT**

The following is a reconciliation of the carrying amounts of property, plant and equipment, all located in Indonesia.

	Balance as of December 31, 2011	Additions	Recoveries	Balance as of March 31, 2012
<b>At cost:</b>				
Property, plant and equipment	\$ 422,716	\$ -	\$ -	\$ 422,716
Accumulated depreciation:				
Property, plant and equipment	410,530	\$ 1,547	\$ -	412,077
Net book value	\$ 12,186			\$ 10,639

**7. EXPLORATION AND EVALUATION ASSETS**

The Company's exploration and evaluation assets comprise the KSK Contract of Work (the "KSK CoW") porphyry copper prospect in Central Kalimantan and an Izin Usaha Pertambangan ("IUP") for the Jelai gold project in East Kalimantan.

	For the three months ended	
	March 31, 2012	March 31, 2011
<b>KSK CoW</b>		
Prior exploration costs	\$ -	\$ -
Exploration costs during the period:		
Community development	100,794	18,000
Consultants and contractors	125,200	4,009
Contracted drilling	33,200	-
Field support	44,623	3,185
Land tax and dead rent	7,465	-
Salaries, wages and related costs	174,735	38,291
Sample preparation and analysis	8,500	-
Supplies and equipment	52,229	8,270
Taxation	62,180	17,284
Transport (including helicopters)	14,706	-
Travel and accommodation	25,818	19,878
	649,450	108,917
Depreciation	569	700
Current period exploration	650,019	109,617
Recovery from Freeport	(628,915)	(49,775)
Current period net exploration	21,104	59,842

- Table continued on next page -

**Kalimantan Gold Corporation Limited**

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2012

(unaudited - expressed in United States dollars, unless otherwise noted)

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

	For the three months ended	
	March 31, 2012	March 31, 2011
<b>Jelai</b>		
Exploration costs during the period:		
Community development	2,017	10,699
Consultants and contractors	7,093	-
Contracted drilling	19,075	-
Field support	17,635	297
Land tax and dead rent	1,249	-
Road and bridge repairs	-	75
Salaries, wages and related costs	134,076	55,401
Sample preparation and analysis	-	-
Supplies and equipment	40,221	7,358
Taxation	59,728	10,423
Transport (including helicopters)	-	-
Travel and accommodation	9,615	9,417
	<u>290,709</u>	<u>93,670</u>
Depreciation	978	9,713
Current period exploration	<u>291,687</u>	<u>103,383</u>
Recovery from Tigers	<u>(234,608)</u>	<u>-</u>
Current period net exploration	<u>57,079</u>	<u>103,383</u>
<b>Project investigations</b>		
Consultants and contractors	-	-
Drilling	-	-
Field support	-	3,643
Road and bridge repairs	-	90
Salaries, wages and related costs	-	6,273
Taxation	-	485
Transport (including helicopters)	-	1,310
	<u>-</u>	<u>11,801</u>
Depreciation	-	470
Current period exploration	<u>-</u>	<u>12,271</u>
Total current period exploration	78,183	175,496
Cumulative exploration expenditures included in the deficit, beginning of the period	<u>20,337,138</u>	<u>19,937,473</u>
Cumulative exploration expenditures included in the deficit, end of the period	<u>\$ 20,415,321</u>	<u>\$ 20,112,969</u>

**Kalimantan Gold Corporation Limited**

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2012

(unaudited - expressed in United States dollars, unless otherwise noted)

**8. TRADE AND OTHER PAYABLES**

Falling due within the next twelve months	As at March 31, 2012	As at December 31, 2011
Trade and other payables	\$ 263,154	\$ 330,040
Trade and other payables in Indonesia to be paid with cash held for use on joint venture projects	275,291	343,742
Working capital held in excess of KSK-CoW and Jelai IUP expenditures	84,887	199,929
Trade and other payables owed to related parties	88,295	76,313
Total	\$ 711,627	\$ 950,024

**9. SHARE CAPITAL AND RESERVES**

## a) Authorized share capital

At March 31, 2012 and December 31, 2011, the authorized share capital comprised \$5,000,000 divided into 500,000,000 common shares at a par value of \$0.01 each. All issued shares are fully paid.

## b) Issued share capital

A summary of changes in share capital and reserves is contained in the Condensed Consolidated Interim Statement of Changes in Equity, for the three month periods ended March 31, 2012, and 2011, and the year ended December 31, 2011.

At March 31, 2012, the issued share capital comprised 165,407,156 common shares (March 31, 2011 – 165,407,156).

## c) Stock Options

The continuity of stock options for the three month period ended March 31, 2012, is as follows:

Expiry date	<i>Exercise price</i> Cdn \$	Balance, December 31, 2011	Granted	Exercised	Expired / Cancelled	Balance, March 31, 2012
April 25, 2012	\$ 0.35	1,360,000	-	-	-	1,360,000
January 23, 2013	\$ 0.20	50,000	-	-	-	50,000
April 1, 2013	\$ 0.20	50,000	-	-	-	50,000
July 25, 2013	\$ 0.11	1,370,000	-	-	-	1,370,000
April 21, 2016	\$ 0.11	4,875,000	-	-	-	4,875,000
June 17, 2016	\$ 0.12	200,000	-	-	-	200,000
July 4, 2016	\$ 0.07	200,000	-	-	-	200,000
		8,105,000	-	-	-	8,105,000
Weighted average exercise price Cdn\$		\$ 0.15	\$ -	\$ -	\$ -	\$ 0.15

The weighted average remaining contractual life of the options outstanding as at March 31, 2012, was 2.9 years.

Of 4,875,000 options granted on April 21, 2011, 1,000,000 were not exercisable at March 31, 2012. These options vest as to 500,000 on each of April 21, 2012, and October 21, 2012.

**Kalimantan Gold Corporation Limited**

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2012

(unaudited - expressed in United States dollars, unless otherwise noted)

**9. SHARE CAPITAL AND RESERVES (continued)**

## d) Stock-based Compensation

During the three month period ended March 31, 2012, the Company recorded \$25,067 (2011 - \$nil) in non-cash stock-based compensation expense for options vesting in the period.

**10. RELATED PARTY TRANSACTIONS**

- a) The Company's related parties consist of companies owned by executive officers and directors as follows:

Name	Nature of transactions
Golden Oak Corporate Services Limited ("Golden Oak")	Financial reporting and corporate compliance services
Romfal Corporate Pty Ltd. ("Romfal")	Chief Executive Officer

The Company incurred the following fees in the normal course of operations in connection with companies owned by key management and directors.

	March 31, 2012	March 31, 2011
Consulting fees – Golden Oak (CFO's company)	\$ 29,369	\$ 20,400
Consulting fees – Romfal (CEO's company)	15,000	-
<b>Total</b>	<b>\$ 44,369</b>	<b>\$ 20,400</b>

- b) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel, including amounts disclosed in Note 10(a), during the three month periods ended March 31, 2012, and 2011 were as follows:

For the three months ended:	March 31, 2012	March 31, 2011
Consulting fees	\$ 44,369	\$ 20,400
Salaries, wages and related costs (exploration and evaluation expenditures)	62,143	50,486
Directors fees to non-management directors	6,000	6,000
Share-based compensation	25,067	-
<b>Total</b>	<b>\$ 112,512</b>	<b>\$ 76,886</b>

**Kalimantan Gold Corporation Limited**

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2012

(unaudited - expressed in United States dollars, unless otherwise noted)

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**11. SEGMENT DISCLOSURES**

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IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the Chief Executive Officer.

The Company operates in a single segment, being mineral exploration and development.

With the exception of the majority of its cash, all of the Company's significant assets are held in Indonesia.

**12. SUBSEQUENT EVENTS**

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Subsequent to March 31, 2012, the Company:

1. Closed a non-brokered private placement which raised \$480,000 through the issue of 6,000,000 common shares; and
2. Recorded the expiration of 1,360,000 stock options on April 25, 2012.