

**KAILI RESOURCES LIMITED
AND CONTROLLED ENTITIES**

ARBN 077 559 525

**Half-Year Financial Report
30 June 2021**

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CORPORATE DIRECTORY

Board of Directors

Donghai Zhang - Chairman
Chunlin Liu
Jing Li
Jianzhong Yang
Long Zhao

Company Secretary

Long Zhao

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REVIEW OF OPERATIONS

EXPLORATION HIGHLIGHTS

Yilgarn (Gindalbie) Gold Project in Western Australia

The RC drill program, a follow up drilling based on the results of the September 2020 aircore drilling, for Holey Dam and Canegrass has been approved by Department of Mines. Drilling planned for the 2021 financial year.

Halls Creek Gold, Cobalt and Base Metals Project in Western Australia

A surficial exploration has been completed with the collection of 454 soil samples and 35 rock samples across all 4 tenements E80/5112 (Black and Glidden), 5113 (Carrington), 5114 (Sandy Creek) and 5115 (Wild Dog). All results have not been received and will be reported on when they have been.

Tennant Creek Gold and Base Metals Project in Northern Territory

In February 2021, the Group applied for 2 new tenements under ELA 32665-Gidyea and ELA 32666-Kovacs over a combined area of approximately 531 km² southeast of Tennant Creek in the gold and base metal prospective Warramunga Province of the Northern Territory. Following lodgement of detailed work programs with the Central Land Council the Northern Territory Department of Tourism and Trade has advised in August 2021 of its intention to grant the tenement applied for under ELA 32665 Gidyea. ELA 32666 Kovacs is still under usual application process.



Figure 1: Kaili Resources project locations

REVIEW OF OPERATIONS (continued)

Yilgarn Craton (Gindalbie and Kookynie) Gold and Iron Projects – Western Australia

E40/354 (8 Mile Dam), E31/1114-I (Jungle Hill), E31/1113 (Canegrass), E27/550 (Holey Dam) and E27/549 (Gindalbie Dam) are held 100% by wholly owned subsidiary Kaili Gold Pty Ltd.



Figure 2: Kaili Resources Yilgarn Craton Projects Locations

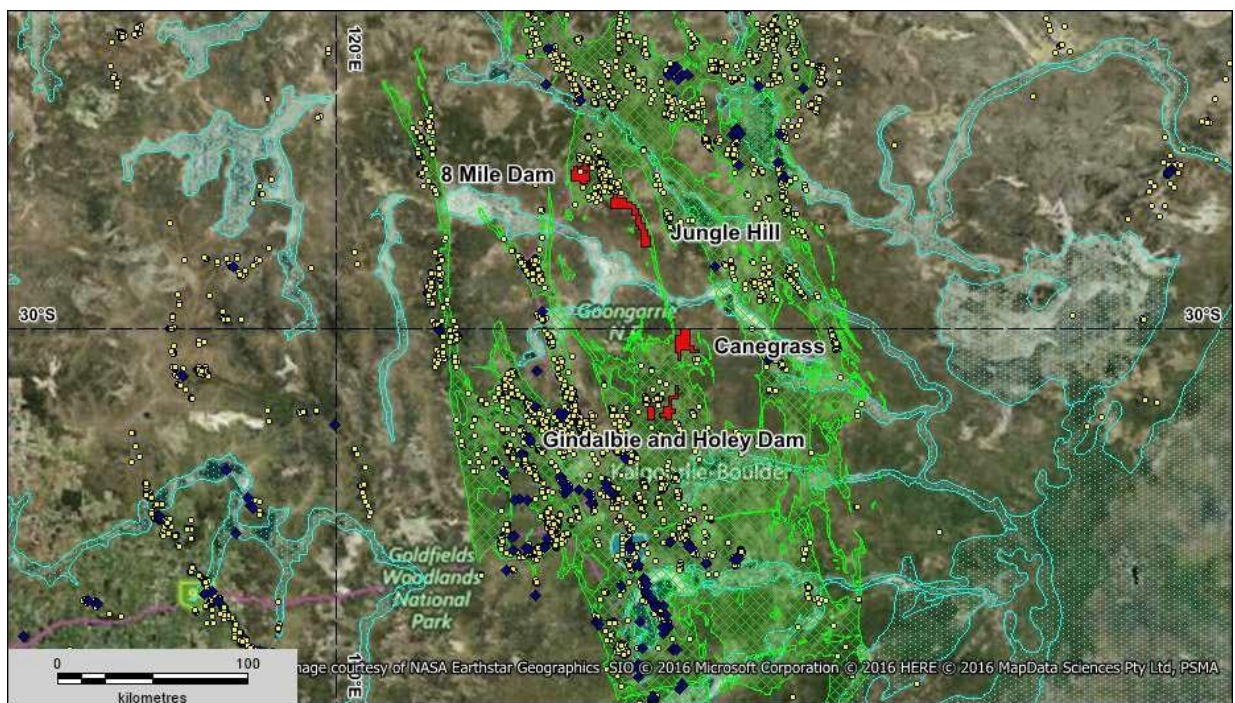


Figure 3: Satellite Image with Eastern Goldfields Superterrane (green hatching) and Kaili tenements in red. Blue diamonds are operating mines of third parties. Yellow dots are gold occurrences reported by other explorers

REVIEW OF OPERATIONS (continued)

Based on the results announced on 3 December 2020¹ of the September 2020 Aircore Drilling Program a follow up drilling program was planned within the Holey Dam (Area E) and Canegrass (Area F) tenements. Approval for the drilling was sought and received from the WA Department of Mines Industry Regulation and Safety (DMIRS). Drilling is planned for the December 2021 quarter having regards to current travel restrictions due to the Covid-19 pandemic.

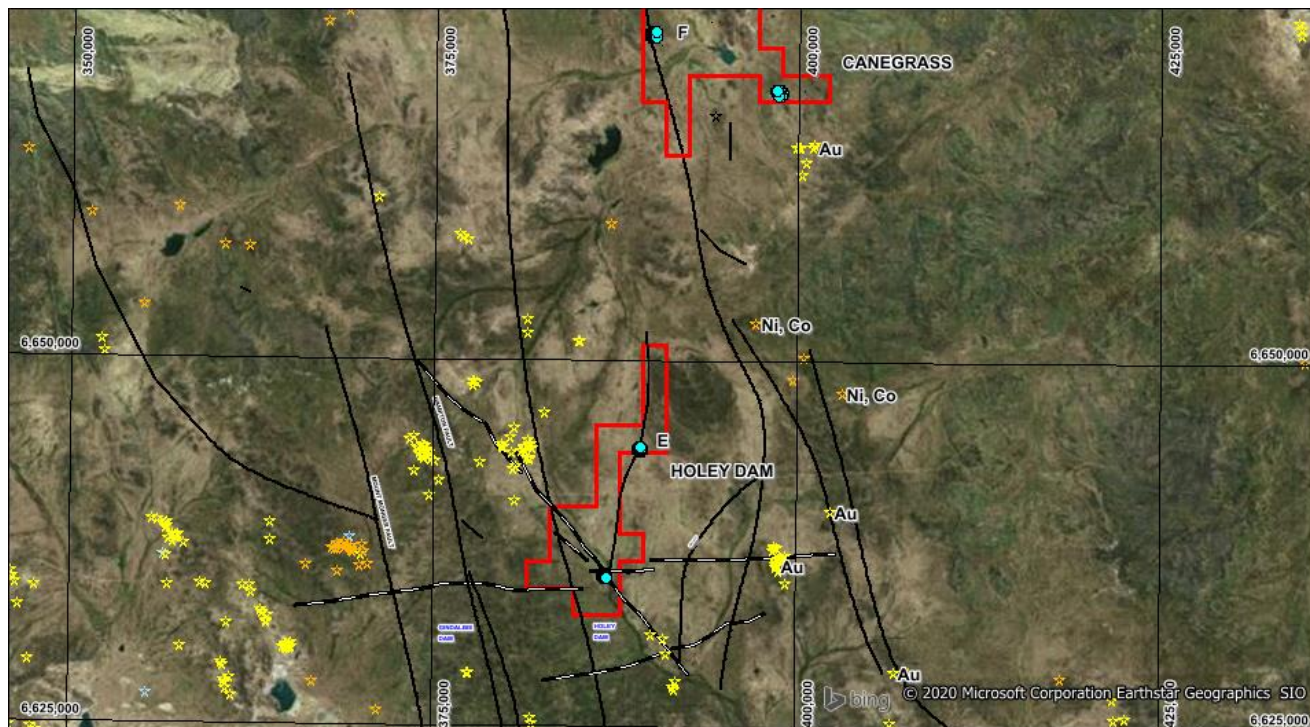


Figure 4: Gindalbie Gold Project with regional structures and gold occurrences with of Area E and Area F

Figure 4 shows the location of the Holey Dam and Canegrass tenements in relation to regional structures with gold and base metal mineral occurrences in yellow. In the Yilgarn Craton, these regional structures are channel ways for gold mineralising fluids that are quite often localised by later cross cutting structures. The September 2020 Aircore Drilling Program highlighted Holey Dam Area E and Canegrass Area F as potential areas where gold mineralising fluids has been localised within mafic (gabbro/dolerite and basalt) lithologies containing vein quartz and pyrite and possible associated white mica, chlorite, tourmaline and epidote alteration. The follow up Aircore drilling will be in and around significant occurrences of alteration, pyrite mineralisation and elevated gold with maximum of 1 m @ 3.96 ppm Au and 1 m @ 0.88 ppm Au¹.

The highest Au encountered was between areas f3 and f4 in **Figure 5**. The depth of drilling is shown by the coloured diamonds and the legend in the top right of the figure. Within the four drill areas, the E-W drill line will be 50 m apart with drill collars situated every 100 m along the drill lines. In **Figure 5** the Emu Fault is shown as a black WNW-ESE linear adjacent to linear magnetic highs.

REVIEW OF OPERATIONS (continued)

The most significant gold assay result was 4 m @ 0.42 ppm Au including 1 m @ 1.08 ppm Au¹ (Figure 6). In addition, tourmaline and white mica were noted as part of the spectral mineralogical scanning of the sampling and as these minerals are not part of unaltered mafic lithologies it is interpreted that they were formed as part of alteration of the primary mafic lithologies. Follow up Aircore drilling will involve E-W traverses spaced at 50 m intervals in and around the alteration and elevated gold responses.

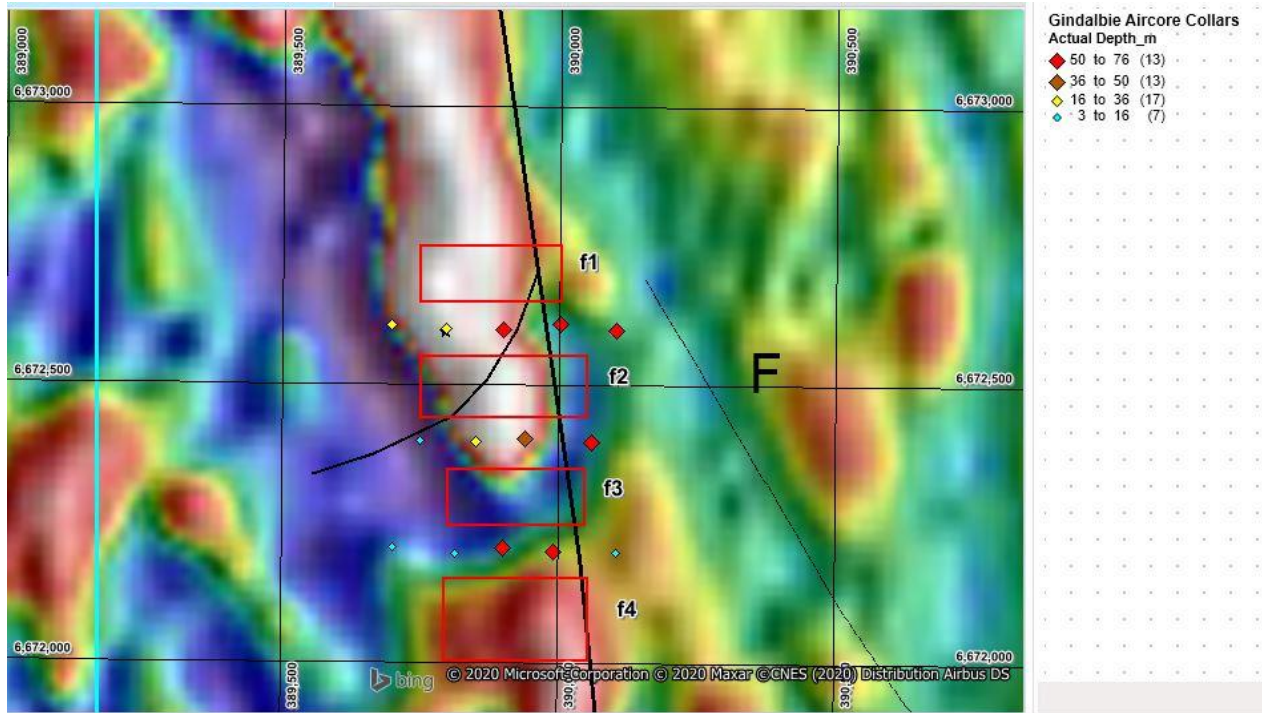


Figure 5: Canegrass Area F showing the proposed drill areas over an aeromagnetic image

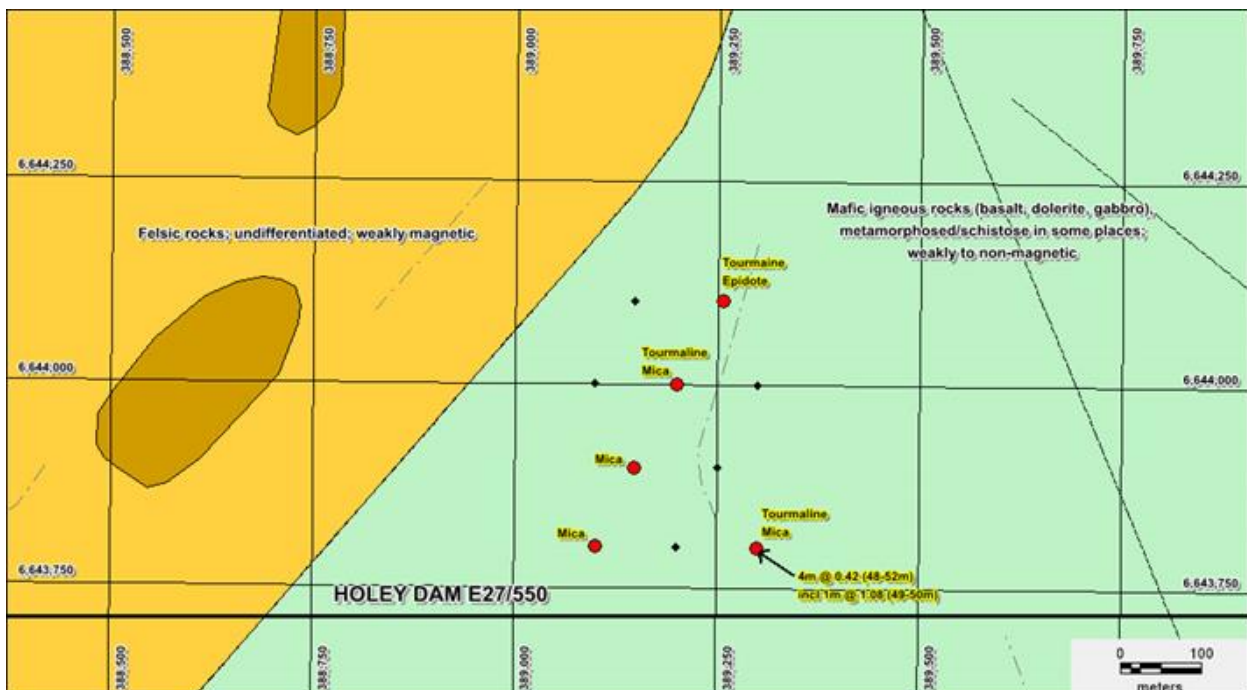


Figure 6: Holey Dam Area E showing interpreted geology and possible alteration mineralogy

REVIEW OF OPERATIONS (continued)

Renewal application has been lodged for E40/354 (Eight Mile). Renewal applications for E31/1114 (Jungle Hill), E31/1113 (Canegrass) and E27/550 (Holey Dam) for a 5 Year period were granted in July 2021. E27/549 (Gindalbie Dam) was relinquished during the period.

¹ *The results are reported in the ASX Announcement of 3 December 2020. In accordance with Listing Rule 5.23 the Company is not aware of any new information or data that materially affects the information included in that announcement.*

Halls Creek – (Black and Glidden, Carrington, Sandy Creek and Wild Dog) Gold/Cobalt/Base Metals Projects - Western Australia

E 80/5112, 5113, 5114 and 5115 are held 100% by wholly owned subsidiary Kaili Iron Pty Ltd.

The Halls Creek tenements in the Western Australian Kimberley Biosecurity Area has been totally inaccessible from March 2020 until the June 2021 quarter because of the Covid-19 pandemic lock down followed by the annual wet season of the region. The field exploration that was planned for 2020 had to be deferred until the dry season of 2021 in the June 2021 Quarter.

Since the grant of the tenements the Company has completed the acquisition and processing of all available airborne magnetic, radiometric, gravity and electromagnetic data covering the 4 tenements and completed lithostructural targeting in preparation for field exploration. Earth-AI applied Artificial Intelligence in merging and analysing all publicly available geochemical, geological, and geophysical data to generate targets for field assessments.

Field based exploration at the Halls Creek Gold and Base Metals Project commenced in second half of June 2021 was completed on 1 July 2021 with no travel or access restrictions because of the COVID 19 pandemic imposed by the WA Government. A total of 454 soil samples and 35 rock samples were collected across all 4 tenements (**Figure 7**). The exploration program comprised a series of foot and vehicle traverses in combination with grid based soil sampling across targets generated in all four tenements. A follow up exploration after the results from the laboratory have been received and analysed will likely involve a component of helicopter support in the more remote parts of the tenements.

REVIEW OF OPERATIONS (continued)

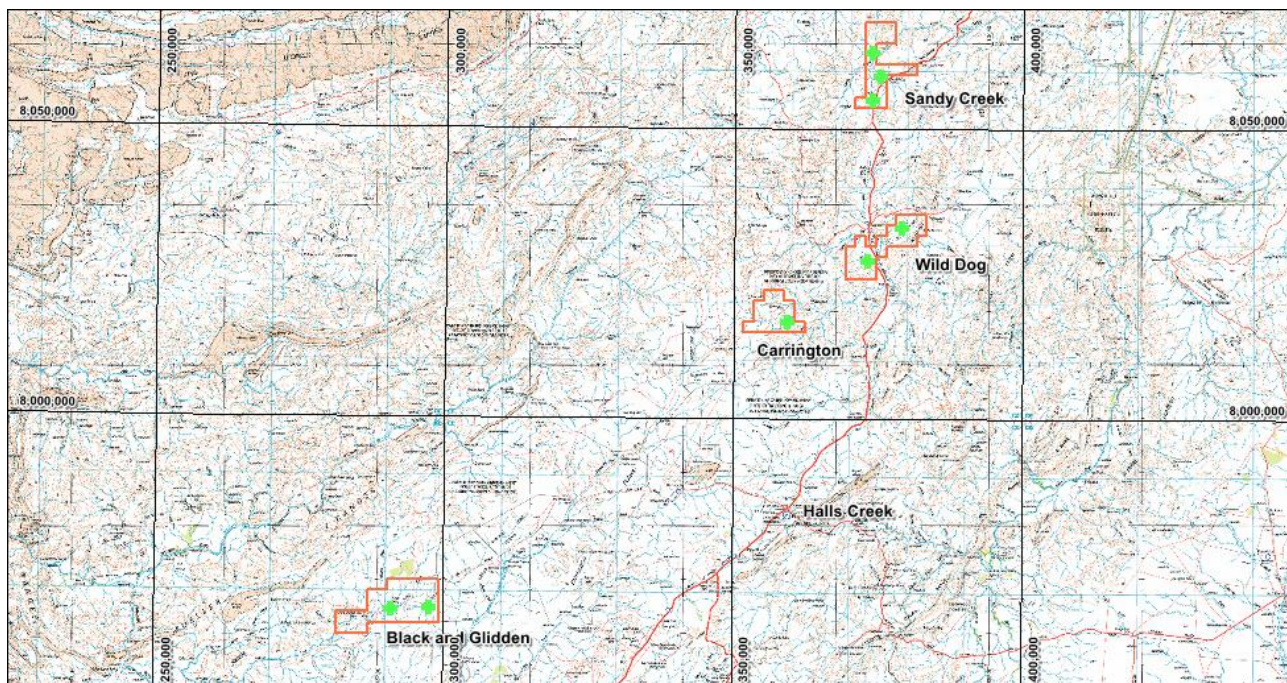


Figure 7: Halls Creek Project showing the 4 tenements and the soil/rock sampling areas in green

Geology of the Tenements

The Halls Creek Project comprises 4 granted tenements (**Figure 7**) situated within the NE-SW trending Lamboo Province comprising 4 tectonostratigraphic terranes – Western, Central and Eastern.

The western terrane is postulated to be an exotic crustal fragment that was accreted to the Kimberley Craton before 1900 Ma via north-westerly directed subduction. Easterly directed subduction led to the development of an oceanic arc at c. 1865 Ma, outboard of the Kimberley Craton; this initiated the formation of the Central Zone. Eastern Zone rocks are associated with a passive continental margin linked to the North Australian Craton. The Central Terrane comprises a broad suite of felsic to lesser mafic rocks, the Sally Downs Supersuite within which occurs a subsuite of gabbro to norite dominated rocks known as the Sally Malay and McIntosh Suites. The Sally Malay nickel-copper sulphide deposit lies at the base of a small, layered intrusion enclosed within granulite facies garnet-cordierite paramigmatites and mafic granulites norite which host most of the mineralization are interpreted as a chilled border zone to the intrusion, into which settled an early separated sulphide liquid. The Hall Creek Project is situated primarily within gabbro to norite rocks of the McIntosh Suite.

REVIEW OF OPERATIONS (continued)

Black and Glidden E80/5112

The Black and Glidden tenement is located 100 km west of Halls Creek with the dominant structure being the NE/SW trending Black and Glidden fault which forms a linear topographic feature to the south of the abandoned Mt Amhurst station. A small amount of Pb and Ag was mined from the Black and Glidden mine in the SW of the tenement with a report indicating the mineralisation was associated with a surface gossan. Elevated gold results were obtained from granite hosted quartz veins in the SE of the tenement associated with NE/SW trending shear zones. Several target zones have been delineated as shown in **Figures 8 and 9** with the main focus being structurally hosted Au mineralisation. There has been no historical drill testing of the Black and Glidden tenement.

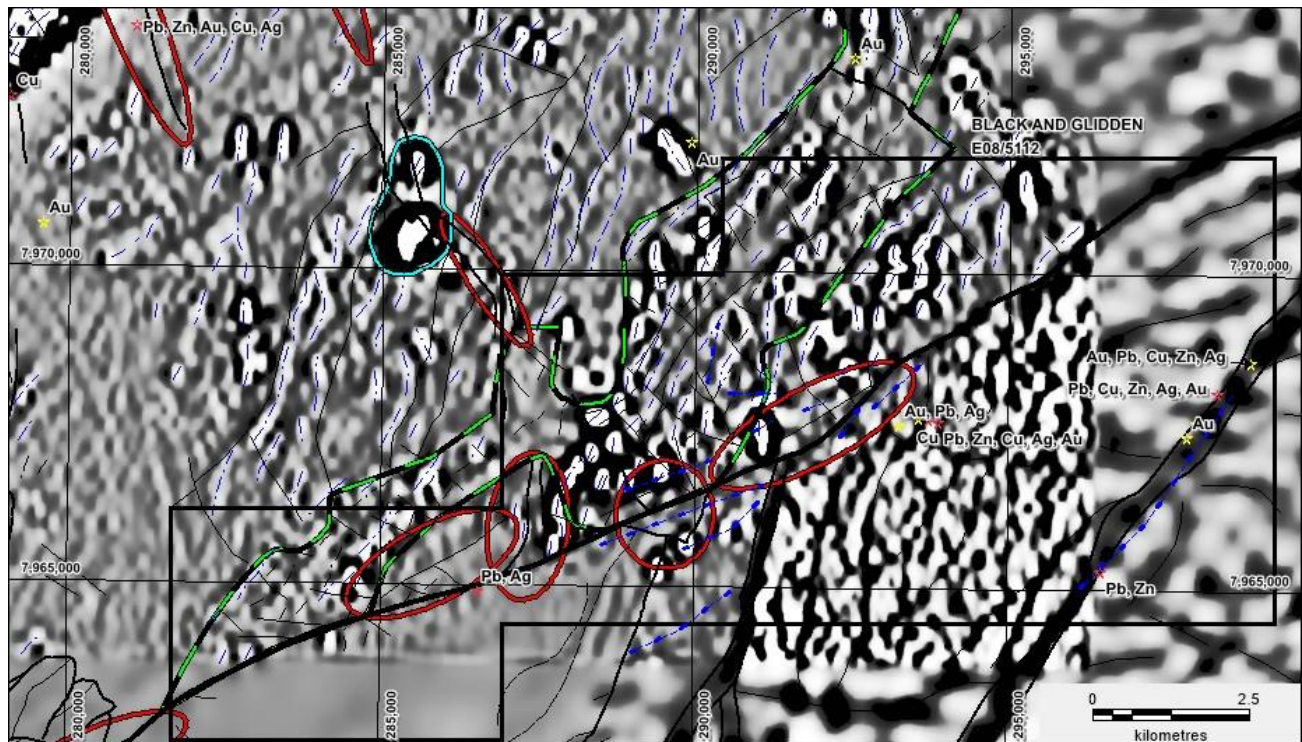


Figure 8: Black and Glidden tenement showing 2VD aeromagnetics, structures and target

REVIEW OF OPERATIONS (continued)

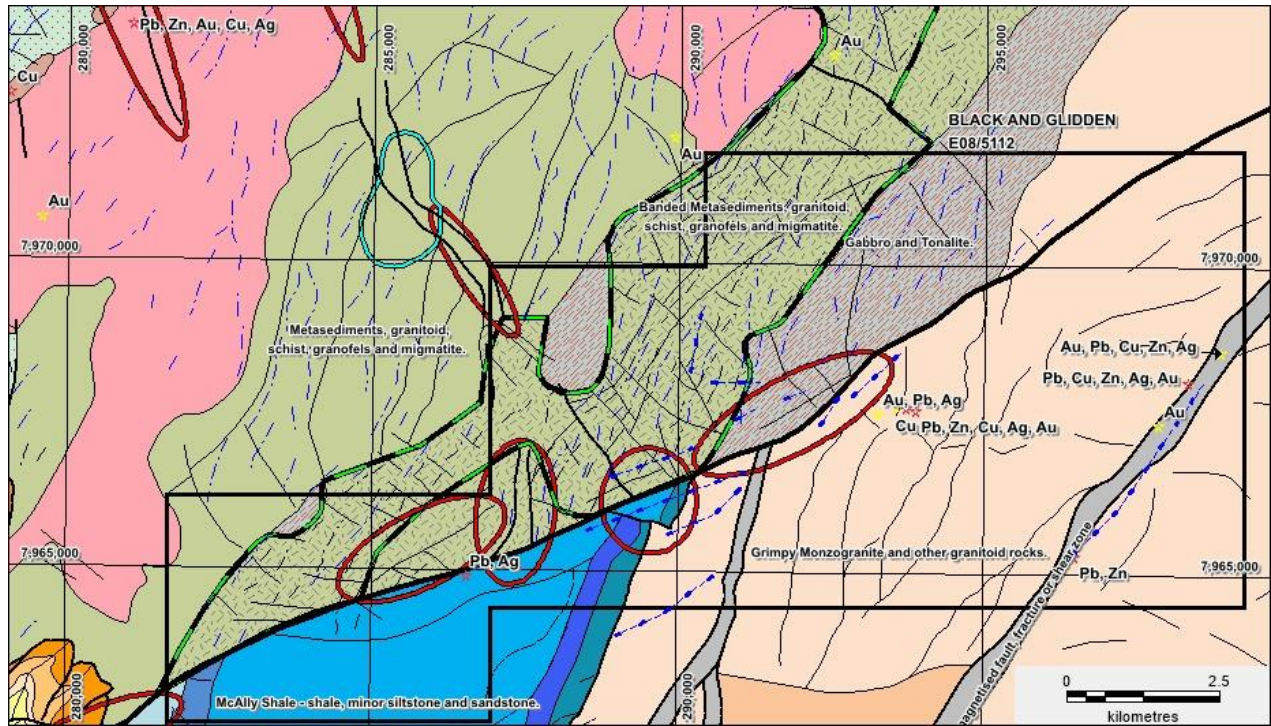


Figure 9: Black and Glidden tenement showing interpreted geology, structures and target

Carrington E80/5113

The Carrington tenement (**Figures 10 and 11**) comprises primarily the McIntosh gabbro/norite which is the main Co/Ni target for the Company in addition to other structural gold/base metal targets delineated by the SCG team. An historical Nickel (Ni) Copper (Cu) Cobalt (Co) mineral occurrence is located in the north of the tenement and is associated with a discrete ElectroMagnetic (EM) conductor as shown in **Figure 12**.

REVIEW OF OPERATIONS (continued)

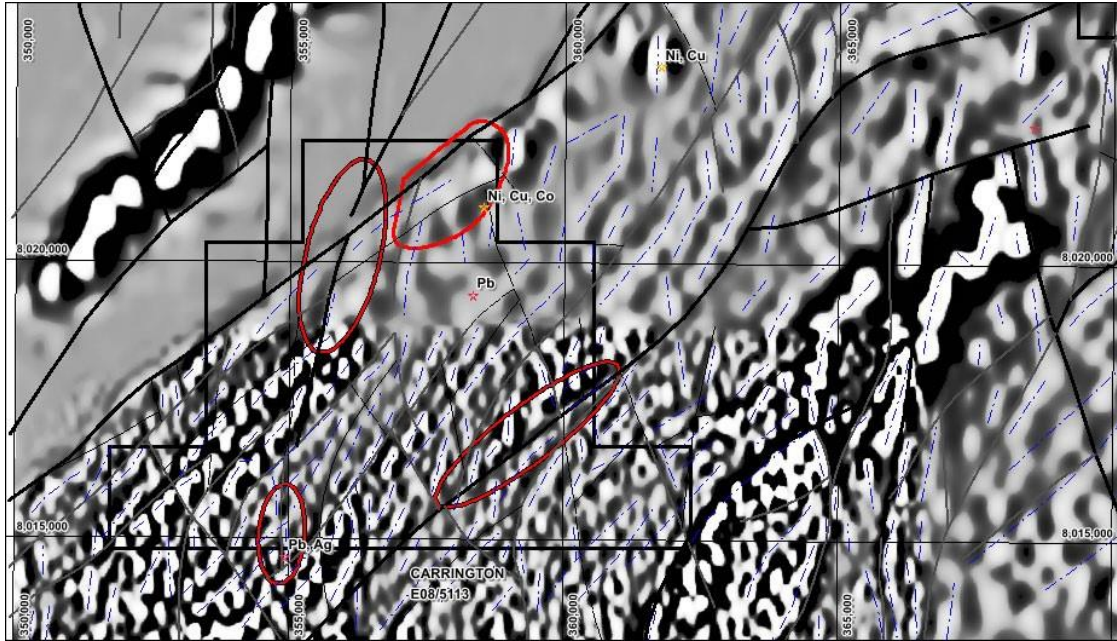


Figure 10: Carrington tenement showing 2VD aeromagnetics, structures and targets

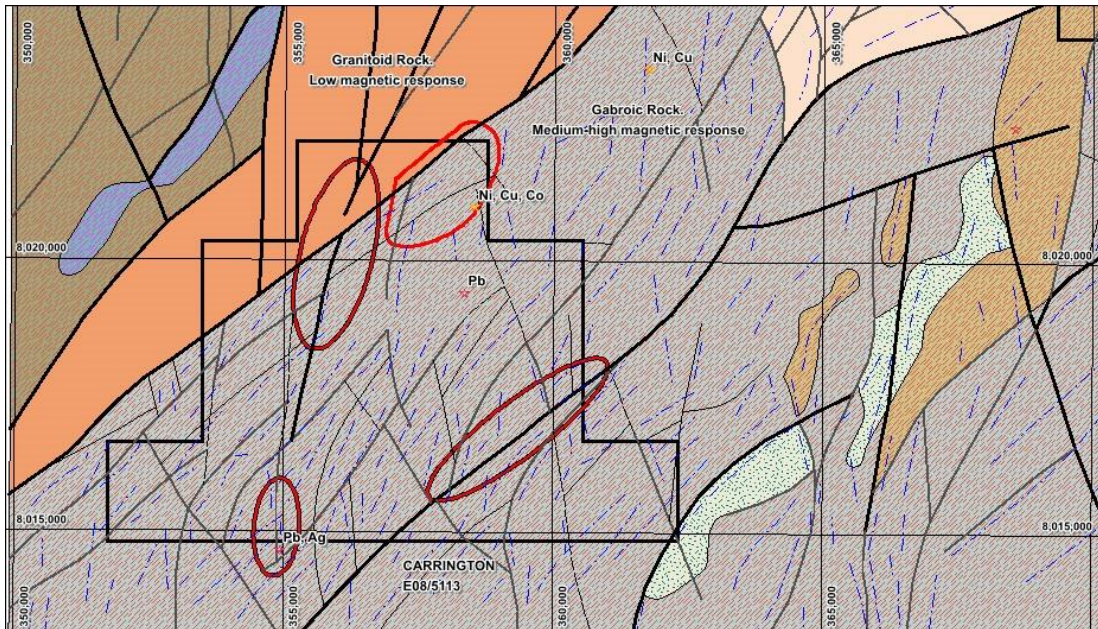


Figure 11: Carrington tenement showing interpreted geology, structures and targets

REVIEW OF OPERATIONS (continued)

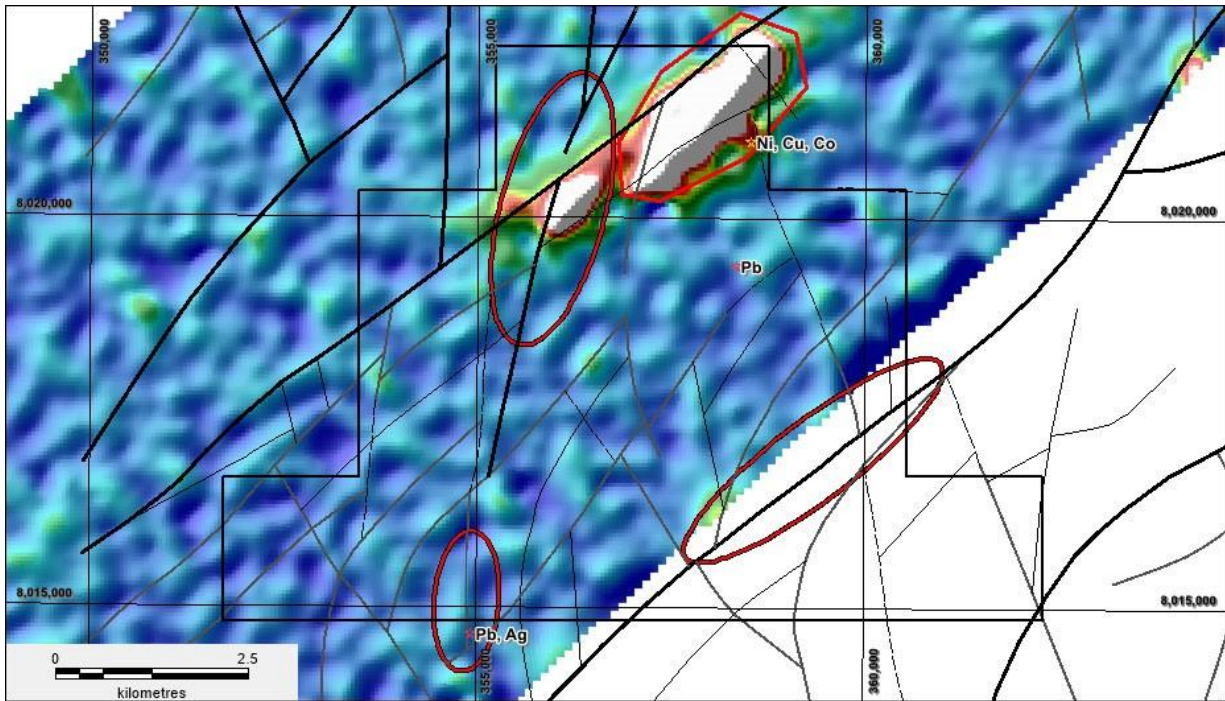


Figure 12: Carrington tenement showing EM anomaly structures and target

Wild Dog E80/5114 and Sandy Creek E80/5115

The Wild Dog and Sandy Creek tenements (**Figures 13 and 14**) are structurally complex and comprise layered mafic/ultramafic intrusions and McIntosh gabbro/norite in the north and south of the tenement. A series of Cu, Ni workings are aligned NE/SW to the north of the Sandy Creek with the same lithostructural contact extending into the Sandy Creek tenement and associated with a linear EM conductor.

REVIEW OF OPERATIONS (continued)

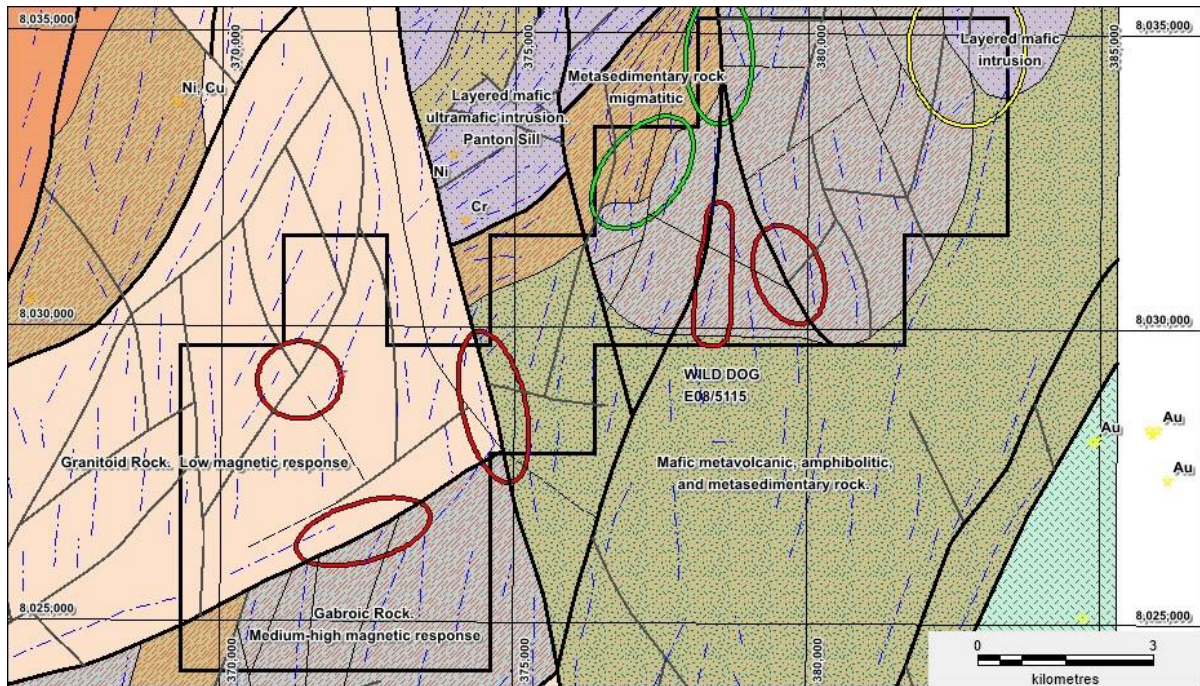


Figure 13: Wild Dog tenement showing interpreted solid geology, structures and target areas

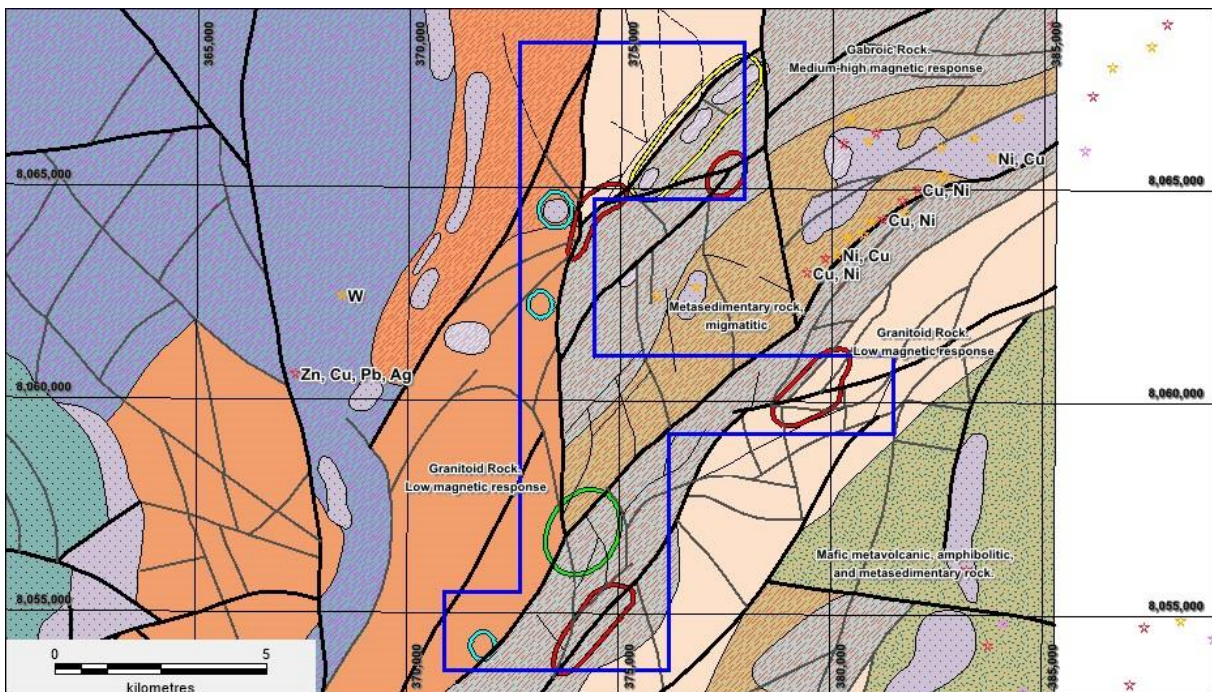


Figure 14: Sandy Creek tenement showing interpreted solid geology, structures and target areas

REVIEW OF OPERATIONS (continued)

Tennant Creek – (Kovac and Gidyea) Base Metal/Gold Projects - Northern Territory

Applications ELAs 32666 and 32665 are held 100% by wholly owned subsidiary Kaili Gold Pty Ltd.

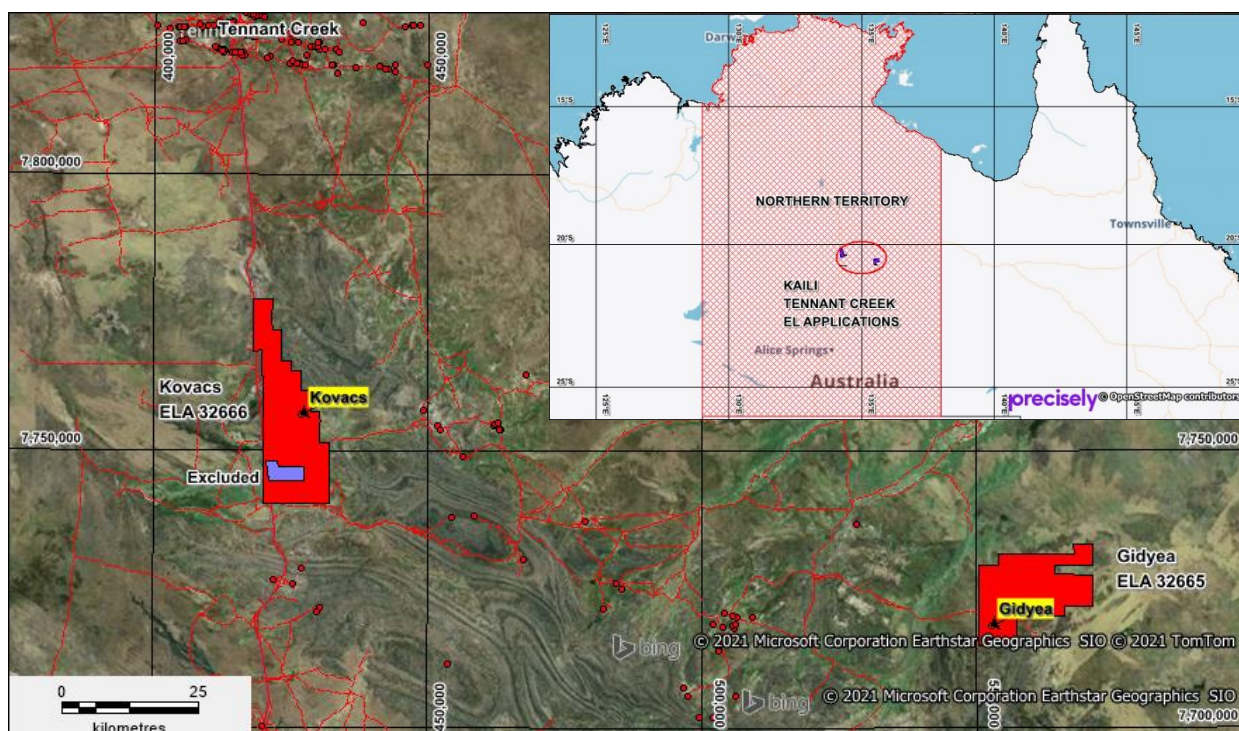


Figure 15: Regional Tenement Location SE of Tennant Creek – Kovacs and Gidyea

In February 2021, the Group applied for two exploration licences registered as ELA 32666 and ELA 32665 for tenements located to the south and south east of Tennant Creek (**Figure 15**). The Company has submitted detailed work programs to the Central Land Council (CLC) for review. In August 2021, the Northern Territory Department of Tourism and Trade has advised its intention to grant the tenement applied for under ELA 32665 Gidyea. ELA 32666 Kovacs is still under usual application process.

The next stage will involve face to face meetings with Traditional Owners and representatives of the CLC to establish a time line for commencement of exploration after the licences have been granted.

Planned Exploration

For the first two years following grant the following activities are planned:

- Detailed review of all historic exploration including digitising of historic maps and exploration data.
- Geological and regolith mapping.
- Surficial geochemical sampling
- Ground based geophysical surveys such as magnetics and gravity.
- Shallow aircore drilling of the interface between transported sediments and residual bedrock.

REVIEW OF OPERATIONS (continued)

Historic Production of the Region

Since 1932 the Tennant Creek goldfield has produced in excess of 5 M ounces of gold (156 tonnes), 345,000 tonnes copper, 1.8 M ounces of silver (56 tonnes), 14,000 tonnes bismuth and 220 tonnes of selenium. Although production has come from over a hundred small to medium-sized deposits, the bulk of the historical production has come from 12 main orebodies, including Peko, Warrego, Nobles Nob and Juno. Gold and copper grades are variable, but the deposits typically have high gold grades. Mineralisation is generally related to ironstones, which have formed in structural ‘traps’ within the sedimentary pile and is not associated with quartz veining, which is typical of many Proterozoic goldfields.

Gold has been reported at two locations just west of Gidyea: at Kurinelli, approximately 50 km due west and in several small mines near the Hatches Creek Wolfram (Tungsten) Field, 30 km to the southwest. Reports are that the Kurinelli goldfield produced an estimated 2,600 ounces of gold since about 1900.

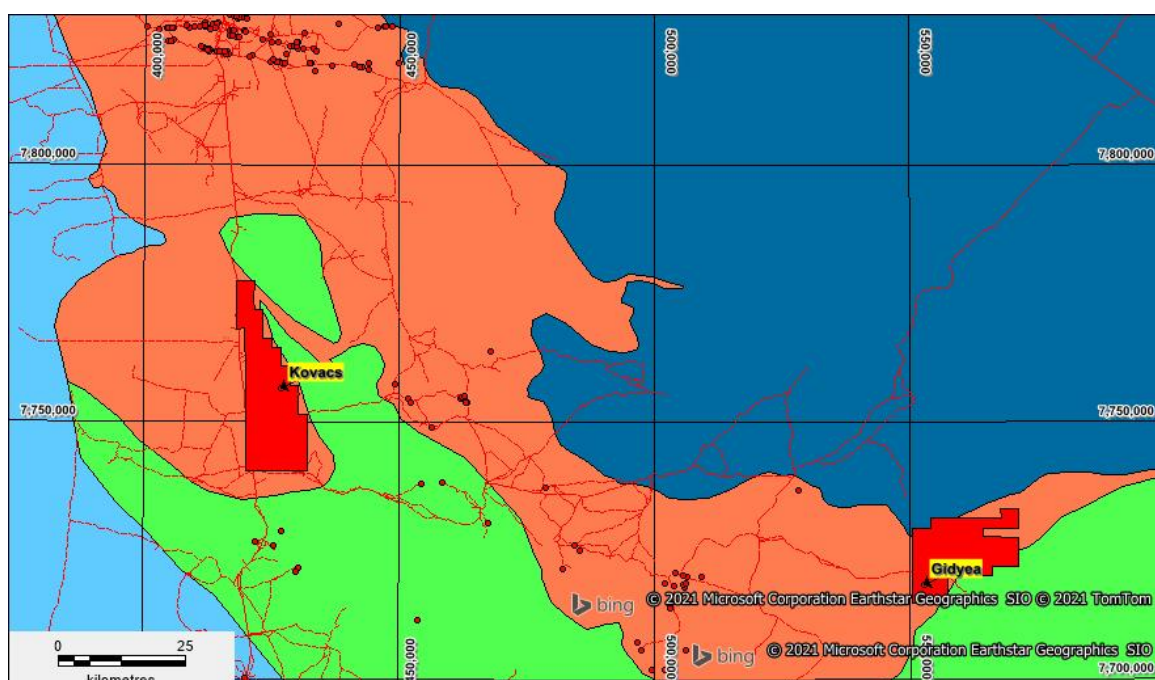


Figure 16: Regional Geological Location SE of Tennant Creek – Kovacs and Gidyea

Warramunga Province (Shaded Brown), Davenport Province (Shaded Green), Georgina Basin (Shaded Dark Blue) and Wiso Basin (Shaded Light Blue)

Geology of the Region

The tenements are located in the mineral rich Paleoproterozoic Warramunga Province (shaded brown) and flanked by the younger Palaeoproterozoic Davenport Province (shaded green) (**Figure 16**). The Provinces are flanked by the Cambrian Wiso and Georgina Basins to the west and east respectively.

The Warramunga is represented by the Ooradidgee Group and the Davenport by the Hatches Creek Group; both comprise various sedimentary units including sandstone, siltstone, limestone and dolostone as well as felsic to mafic volcanics. Very low-grade regional greenschist metamorphism associated with folding and faulting has affected the Paleoproterozoic rocks. Locally there are indications of lower amphibolite facies metamorphism in the volcanics.

REVIEW OF OPERATIONS (continued)

The Cambrian age sediments include sandstone, conglomerate, dolostone and chert. Fossiliferous units occur in the younger Cambrian stratigraphy. Intrusive igneous rocks include sills of granophyre, microgranite and feldspar porphyry, sills, dikes and irregular bodies of dolerite and gabbro and, granites of varying ages. The igneous suites both pre and postdate the various deformational episodes.

The placement of the Ooradidgee Group into the Warramunga Province has opened up new economic implications for the region, given the world class Tennant Creek copper-gold-bismuth deposit style occurs in similar aged rocks. In the case of Gidyea, the presence of anomalous gold in ferruginous sediments of what have been mapped as Ooradidgee Group is very encouraging.

Magnetics and Radiometrics

The regional stratigraphy is quite convoluted as shown by **Figure 17** and is particularly evident on the Gidyea Project (east). The images indicate the stratigraphy at Gidyea is highly folded and magnetic with historical sampling at the Gidyea Prospect returning elevated Gold and Cobalt results. The convoluted magnetic stratigraphy at Kovacs (east) hosts some small gold workings that have had no exploration since the 1980's. **Figure 18** shows a uranium radiometric image which clearly outlines the Warramunga Province.

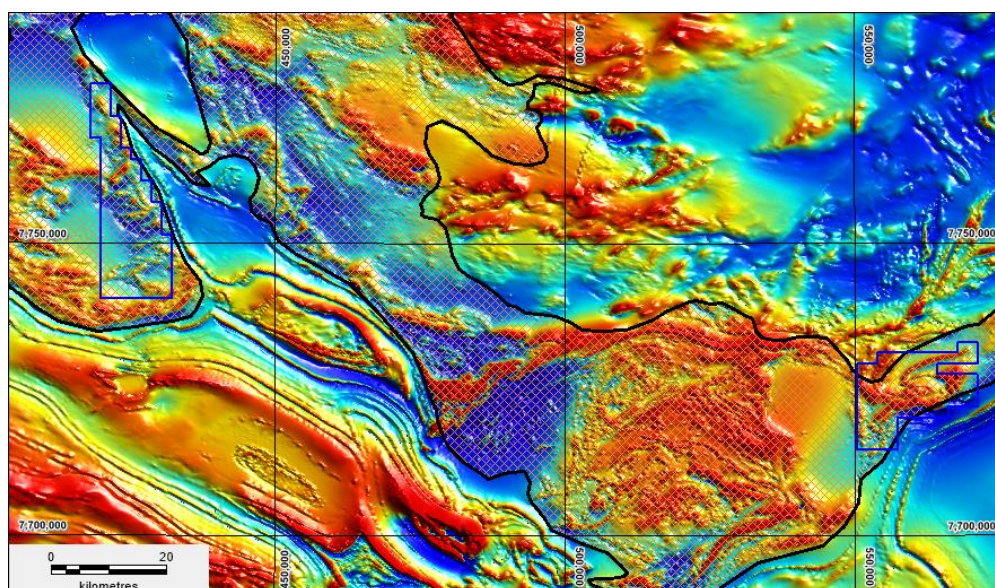


Figure 17: Gidyea (east) and Kovac (west) are shown on regional TMI magnetics with the Warramunga Province shown as a light hatching over the magnetics.

REVIEW OF OPERATIONS (continued)

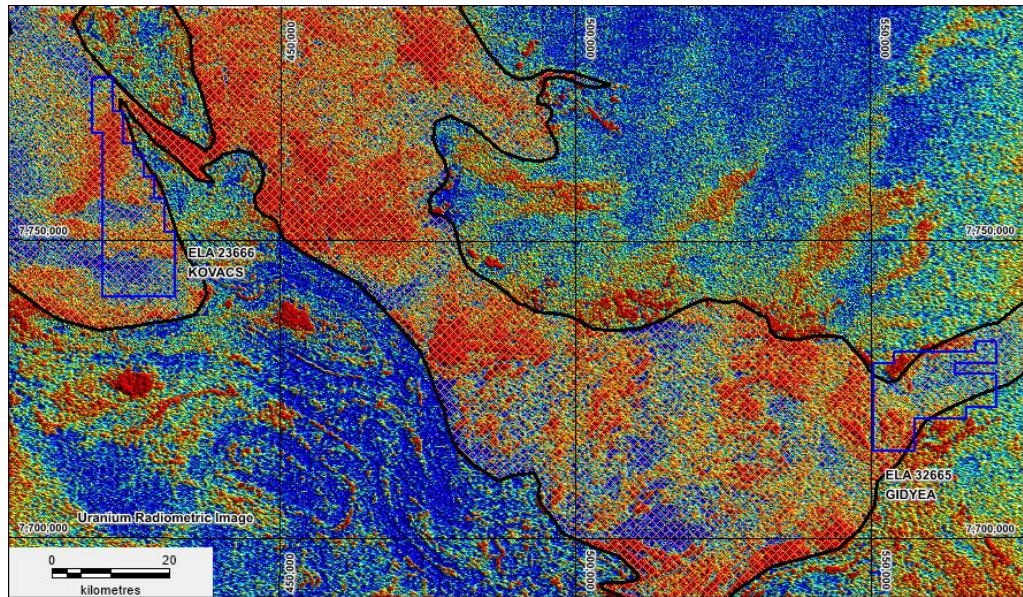


Figure 18: Gidyea and Kovac projects are shown on regional Uranium radiometrics with the Warramunga Province shown as a light hatching over the radiometrics.

REVIEW OF OPERATIONS (continued)**LICENCES STATUS**

Minerals tenements held at 30 June 2021 and their locations are in **Table 1**. No tenements were acquired during the half-year. E27/549 (Gindalbie Dam) was relinquished in June 2021.

Granted	Tenement	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area	Expiry	Comments
							Km ²		
8/07/2016	E40/354	8 Mile Dam	Gold	WA – Yilgarn Craton	Kaili Gold Pty Ltd	100%	32.2	7/07/2021	5 Year renewal lodged 21/06/2021
30/05/2016	E31/1114	Jungle Hill	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	68.7	29/05/2026	5 Year renewal granted 29/07/2021
30/05/2016	E31/1113	Canegrass	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	50.4	29/05/2026	5 Year renewal granted 29/07/2021
1/07/2016	E27/550	Holey Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	29.6	30/06/2026	5 Year renewal granted 23/07/2021
31/08/2018	E80/5112	Black and Glidden	Cobalt/Gold/ Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	104.0	30/08/2023	
31/08/2018	E80/5113	Carrington	Cobalt/Gold/ Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	52.1	30/08/2023	
31/08/2018	E80/5114	Sandy Creek	Cobalt/Gold/ Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	65.3	30/08/2023	
31/08/2018	E80/5115	Wild Dog	Cobalt/Gold/ Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	71.1	30/08/2023	
		Kovacs	Gold/Base Metals	NT-Warraminga Province	Kaili Gold Pty Ltd	100%	289.1		Application submitted 23/02/2021
		Gidyea	Gold/Base Metals	NT-Warraminga Province	Kaili Gold Pty Ltd	100%	241.9		Application submitted 23/02/2021
							Total		1,004.4

Table 1: Tenement schedule

Competent person

The information in the report above that relates to Exploration Results, Exploration Targets and Mineral Resources is based on information compiled by Mr Mark Derriman, who is the Company's Consultant Geologist and a member of The Australian Institute of Geoscientists (1566).

Mr Mark Derriman has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Mark Derriman consents to the inclusion in this report of matters based on his information in the form and context in which it appears.

Forward-Looking Statement

This report may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although Kaili Resources Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements

REVIEW OF OPERATIONS (continued)

OPERATING AND FINANCIAL REVIEW

Performance

During the half-year the Group incurred net losses of \$541,653 (2020: losses \$974,368) which included the impairment of accumulated exploration and evaluation expenditure of \$96,021 (2020: 493,228) on tenement relinquished during the period.

Financial Position

Cash and cash equivalents at 30 June 2021 were \$206,790 (2020: \$32,111) with total current assets of \$456,066 (2020: \$75,286) consisting mainly of cash and financial assets maturing within one year.

Current liabilities at 30 June 2021 decreased from \$591,696 at 31 December 2020 to \$159,312 at 30 June 2021 mainly due to the surrender of office lease during the period.

Non-current borrowings at balance date of \$2.4 million (2020: \$1.6 million) are under a varied loan agreement with a related party and are not due for repayment until 1 April 2023 at the Group's discretion. In addition, the Group has a financial support facility from the related party of up to \$1 million that can be drawn as and when required until 1 April 2023.

Net liabilities increased from \$175,257 at 31 December 2020 to \$716,910 at 30 June 2021 as a result of impairment of accumulated exploration and evaluation expenditure and operating expenses during the period.

Cash Flows

Operating activities resulted in net outflow of \$324,718 (2020: \$293,436) as the Group is still in the exploration phase with no revenue. This outflow was funded from existing cash on hand and borrowings.

STRATEGIES AND PROSPECTS FOR FUTURE

The Group will continue its mineral exploration program and search for new projects in the resources sector and already has funding in place to finance such activities. However, no indication as to likely results in the future can be given due to the uncertainties usually associated with exploration activities and new projects. Future financial performance will depend on the success of exploration in its existing tenements and new projects.

DIRECTORS' REPORT

The Directors of Kaili Resources Limited submit the financial report of the consolidated group for the half-year ended 30 June 2021.

Directors

The names of Directors who held office during or since the end of the half-year are:

Donghai Zhang - Chairman
Chunlin Liu
Jing Li
Jianzhong Yang
Long Zhao

Operating Results

Total comprehensive loss for the half-year ended 30 June 2021 was \$541,653 (2020: loss \$974,368).

Review of Operations

A review of operations for the half-year ended 30 June 2021 is set out on pages 3 to 19.

Covid-19

During the half-year, the Group continued to address the challenges presented by the Covid-19 global pandemic. Measures taken by various governments to contain the virus have affected economic activity and operations. The Group has taken reasonable measures to monitor and to the extent possible avoid infection by the Covid-19 virus, such as safety and health measures for its employees and contractors (like social distancing and working from home).

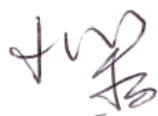
There has been no adverse financial effect on the Group's operations including the ability to obtain financial support from a related party.

The Group will continue to follow the various government policies and advice and will do its utmost to continue its operations in a safe way to not jeopardize the health of employees and contractors.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 21, and forms part of this Directors' Report.

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



Long Zhao
Director

Dated this 7th day of September 2021

**AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Kaili Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Kaili Resources Limited and Controlled Entities for the half year ended 30 June 2021 there has been:

- a) no contraventions of the 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.



John F. Shute
Chartered Accountant

Dated this 7th September 2021

Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements to the Members of Kaili Resources Limited And Controlled Entities (Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed financial report of Kaili Resources Limited (the "Company") and the subsidiaries (together "the Group") set out on pages 25 to 33, which comprises the consolidated statement of financial position as of 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, for the six-months period ended 30 June 2021, and notes to the interim financial statements. The directors of the Company are responsible for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, 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 International Standards on Auditing 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.

Emphasis of matter

We draw attention to Note 4 to the financial statements which describes the undertaking by Yitai Group (Hong Kong) Co. Ltd, a related company of Inner Mongolia Yitai Investment Co. Limited, the ultimate parent company of the Group to provide financial support to the group.

The existing loan facility of \$2.4 million is due for repayment on 1 April 2023, and a further additional funding up to \$1 million is available to the Group up to 1 April 2023. These facilities have provided working capital to the Group to be able to meet its debts as and when they fall due and continue as a going concern.

Our opinion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 June 2021 are not prepared, in all material respects, in accordance with IAS 34 “Interim Financial Reporting”.



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JOHN F SHUTE
Chartered Accountant

Dated: 7 September 2021

DIRECTORS' DECLARATION

In the opinion of the Directors of Kaili Resources Limited:

- a. The consolidated financial statements and notes of Kaili Resources Limited are in accordance with the Corporations Act 2001, including:
 - I Giving a true and fair view of its financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
 - ii Complying 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.

Signed in accordance with a resolution of the Directors.



Long Zhao
Director

Dated this 7th day of September 2021

**Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For The Half-Year Ended 30 June 2021**

	Note	30 June 2021 \$	30 June 2020 \$
Revenue			
Interest		5,849	5,835
Other	6	69,714	17,260
		75,563	23,095
Expenses			
Depreciation		(202,560)	(169,214)
Employee benefits		(47,966)	(119,417)
Finance costs		(9,816)	(35,968)
Impairment of exploration and evaluation expenditure		(96,021)	(493,228)
Project costs		(17,603)	-
Other	7	(243,250)	(179,636)
Loss before income tax expense		(541,653)	(974,368)
Income tax		-	-
Loss for the period		(541,653)	(974,368)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(541,653)	(974,368)
Loss attributable to:			
- members of the Parent Entity		(541,653)	(974,368)
Total comprehensive loss attributable to:			
- members of the Parent Entity		(541,653)	(974,368)
		Cents	Cents
Earnings per share			
Basic and diluted loss per share		(0.37)	(0.66)

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position

As At 30 June 2021

		30 June 2021 \$	31 December 2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		206,790	32,111
Trade and other receivables		13,962	18,370
Prepayments		2,000	24,805
Financial assets	8	233,314	-
TOTAL CURRENT ASSETS		456,066	75,286
NON-CURRENT ASSETS			
Property, plant and equipment	10	96,192	448,998
Financial assets	8	-	233,314
Exploration and evaluation expenditure	9	1,290,144	1,293,412
TOTAL NON-CURRENT ASSETS		1,386,336	1,975,724
TOTAL ASSETS		1,842,402	2,051,010
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	146,837	180,618
Provisions		12,475	21,047
Lease liabilities		-	390,031
TOTAL CURRENT LIABILITIES		159,312	591,696
NON-CURRENT LIABILITIES			
Lease liabilities		-	34,571
Borrowings	12	2,400,000	1,600,000
TOTAL NON-CURRENT LIABILITIES		2,400,000	1,634,571
TOTAL LIABILITIES		2,559,312	2,226,267
NET LIABILITIES		(716,910)	(175,257)
EQUITY			
Issued capital		1,474,004	1,474,004
Reserves		(2,190,914)	(1,649,261)
TOTAL DEFICIT		(716,910)	(175,257)

The accompanying notes form part of this financial report.

Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2021

	Share capital \$	Share premium \$	Accumulated losses \$	Total \$
Balance at 1 January 2020	1,474,004	24,475,363	(24,700,133)	1,249,234
Total comprehensive loss for the period	-	-	(974,368)	(974,368)
Balance at 30 June 2020	1,474,004	24,475,363	(25,674,501)	274,866
Balance at 1 January 2021	1,474,004	24,475,363	(26,124,624)	(175,257)
Total comprehensive loss for the period	-	-	(541,653)	(541,653)
Balance at 30 June 2021	1,474,004	24,475,363	(26,666,277)	(716,910)

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

For the Half-Year Ended 30 June 2021

	30 June 2021	30 June 2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(311,081)	(280,103)
Interest paid	(13,637)	(30,593)
Receipts under Government cash flow boost	-	17,260
Net cash outflow from operating activities	(324,718)	(293,436)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(72,104)	(65,457)
Receipt from security deposits	-	2,500
Interest received	5,849	5,835
Net cash outflow from investing activities	(66,255)	(57,122)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for lease liabilities	(234,061)	(134,334)
Proceeds from borrowings	800,000	1,100,000
Net cash inflow from financing activities	565,939	965,666
Net increase in cash held	174,966	615,108
Cash and cash equivalents at the beginning of period	32,111	249,816
Effect of exchange rates on cash holding in foreign currencies	(287)	196
Cash and cash equivalents at the end of period	206,790	865,120

The accompanying notes form part of this financial report.

Notes to Financial Statements For the Half-Year Ended 30 June 2021 (continued)

Note 1 – Nature of operations

Kaili Resources Limited and subsidiaries' (the Group) principal activities are investment in the resources industry and exploration for minerals, including gold and base metals.

Note 2 – General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six months ended 30 June 2021 and are presented in Australian dollar (\$), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 7 September 2021.

Note 3 – Significant accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent financial statements.

The Group has reviewed all the new and amended Accounting Standards and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2021. It has been determined that there is no material impact of the new and revised Accounting Standards and Interpretations on its business.

The Group has not early adopted new Accounting Standards and Interpretations that are not yet mandatory in this reporting period. No significant impact on the Group's financial performance or position is expected when they are adopted.

Note 4 – Going Concern

At balance date the Group had current assets of \$456,066 including cash and cash equivalents of \$206,790, current liabilities of \$159,312 and has incurred a net loss of \$541,653 which included impairment of \$96,021 of exploration and evaluation expenditure in the period. In addition, the Group has an unfulfilled expenditure requirement under its exploration licences of \$212,000 and short-term lease commitment of \$26,000 for the next 12 months.

The Group is planning exploration activities on its tenements and has budgeted for those amounts that the financial position of the Group allows. Consistent with the Group's activities, it will require funding which may be by farmout of interest, new equity capital or increased loan facility from its related company.

Notwithstanding the net loss for the period, the Directors have reviewed the cash flow forecasts for the next twelve months including consideration of the unfulfilled expenditure requirement and of other committed expenses. The Directors believe the Group has sufficient funds to settle its debts as and when they become due and payable having regards to the financial support commitment provided by its ultimate parent company (see below).

Notes to Financial Statements For the Half-Year Ended 30 June 2021 (continued)

Yitai Group (Hongkong) Co., Ltd, a related party of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited, has confirmed financial support to the Group by making available additional funds of up to \$1 million until 1 April 2023 to ensure that the Group has working capital to be able to pay its debts as and when they fall due, meet their work commitments for the exploration licences and continue as a going concern. The funds provided will be unsecured and interest free. Existing loan facility of \$2.4 million due for repayment on 1 April 2023 was fully drawn down during the half year 2021. Based on that financial support, the consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to pay its debts as and when they become due and payable.

Note 5 – Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2020.

	30 June 2021	30 June 2020
	\$	\$
Note 6 – Other income		
Gain on lease surrender	69,714	-
Government cash flow boost	-	17,260
	<u>69,714</u>	<u>17,260</u>

Note 7 – Other expenses from ordinary activities

Audit fees	5,900	5,760
Consulting fees	28,073	32,388
Entertainment	9,473	-
Internet and website maintenance	12,080	1,060
Legal and professional fees	42,754	38,985
Listing fees	9,181	-
Motor Vehicle expense	14,993	2,966
Office services charges	19,265	38,823
Registration fees and charges	33,773	32,521
Rental expenses	16,443	11,531
Share registry	4,928	4,708
Travel and accommodation	27,552	-
Other	18,835	10,894
	<u>243,250</u>	<u>179,636</u>

Notes to Financial Statements For the Half-Year Ended 30 June 2021 (continued)

	30 June 2021	31 December 2020
	\$	\$
Note 8 – Financial assets		
Current		
Security deposit on surrendered office lease refundable	233,314	-
Non-Current		
Security deposit	-	233,314

Note 9 – Exploration and evaluation expenditure

At cost

Balance at beginning of period/year	1,293,412	1,530,252
Additions	92,753	254,088
Impairment	(96,021)	(490,928)
Balance at end of period/year	1,290,144	1,293,412

Exploration and evaluation expenditures are capitalised in respect of each identifiable area of interest. Ultimate recoupment of the carrying value of the exploration areas is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest. The areas of interest are exploration licences held by the Group and are detailed in the schedule contained in the Licences Status shown on page 18.

Impairment indicators in AASB 6 are considered on a project by project basis at each balance date. Impairment has been recognised during the half-year on licences relinquished

Note 10 – Property, plant and equipment

	Right-of- use assets¹	Furniture & office equipment	Motor vehicle	Total
2021	\$	\$	\$	\$
At cost:				
Balance at beginning of period	944,355	61,152	103,498	1,109,005
Additions	112,075	-	-	112,075
Disposals	(1,056,430)	-	-	(1,056,430)
Balance at end of period	-	61,152	103,498	164,650
Depreciation:				
Balance at beginning of period	(603,338)	(30,157)	(26,512)	(660,007)
Depreciation charge	(190,771)	(5,374)	(6,415)	(202,560)
Disposals	794,109	-	-	794,109
Balance at end of period	-	(35,531)	(32,927)	(68,458)
Carrying amount at 30 June 2021	-	25,621	70,571	96,192

Notes to Financial Statements For the Half-Year Ended 30 June 2021 (continued)

	Right-of- use assets	Furniture & office equipment	Motor vehicle	Total
2020	\$	\$	\$	\$
At cost:				
Balance at beginning of year and end of year	944,355	61,152	103,498	1,109,005
Depreciation:				
Balance at beginning of year	(288,553)	(19,318)	(13,575)	(321,446)
Depreciation charge	(314,785)	(10,839)	(12,937)	(338,561)
Balance at end of year	(603,338)	(30,157)	(26,512)	(660,007)
Carrying amount at 31 December 2020	341,017	30,995	76,986	448,998

¹ On 31 March 2021 the Group surrendered the lease of its office premises.

Note 11 – Trade and other payables

	30 June 2021	31 December 2020
	\$	\$
Trade and other payables	51,707	74,648
Accrued expenses	95,130	105,970
	<u>146,837</u>	<u>180,618</u>

Note 12 – Borrowings**Non-Current**

Unsecured loan from a related party	<u>2,400,000</u>	<u>1,600,000</u>
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Yitai Group (Hongkong) Co., Ltd, a related party of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited entered in February 2021 into a Varied Loan Agreement to increase an existing loan facility to the Company of \$1.6 million to \$2.4 million and to extend the maturity date from 1 April 2021 to 1 April 2022. During the half year, \$2.4 million was fully drawn by the Company under the loan facility. In March 2021 a financial support to the Group to provide funds of up to \$1 million until 1 April 2022 has been confirmed by Yitai Group (Hongkong) Co., Ltd. The funds advanced under the loan and under financial support are unsecured and interest free. Yitai Group (Hongkong) Co, Ltd has extended both the repayment date of the loan and the end availability date of the financial support to 1 April 2023.

Note 13 – Operating segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group has identified its operating segment as the Mining Sector in Australia. All segments assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared. This position has not changed from the prior period.

Notes to Financial Statements For the Half-Year Ended 30 June 2021 (continued)**Note 14 – Commitments****Exploration Expenditure Commitments**

The Group holds eight granted tenements in Australia. A condition of the tenements is that the Group is required to meet minimum committed requirements to maintain current rights of tenure. These commitments may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements and are due as follows from balance date:

	30 June 2021	31 December 2020
	\$	\$
Within twelve months	212,000	171,000
Twelve months or longer and not longer than 5 years	1,062,000	282,000
	<u>1,274,000</u>	<u>453,000</u>

The Group has obligations to restore land and rehabilitate areas disturbed during exploration.

Lease commitments

Commitments for minimum short-term lease payments are as follows:

Within twelve months	26,000	77,500
Twelve months or longer and not longer than 5 years	-	57,640
	<u>26,000</u>	<u>135,140</u>

Note 15– Contingent Liabilities

At balance date, the Group has given guarantees totalling \$45,000 (2020: \$45,000) for compliance with the conditions of the exploration licences granted in Western Australia.

Note 16– Related Party Transaction

The Group entered into a tenancy agreement for a property owned by Director Long Zhao for the Company's use for the period from 31 March 2021 to 31 December 2021. The total rent payable under that agreement is \$39,000.

Note 17– Events after Balance Date

In the opinion of the Directors, no items, transactions or events of a material or unusual nature have arisen in the interval between the end of the financial period and the date of this report which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years other than the following:

- Tenement extensions of E31/1113, E31/1114 and E27/550 for further 5 years each were granted in July 2021 by Government of Western Australia