

**KAILI RESOURCES LIMITED
AND CONTROLLED ENTITIES**

ARBN 077 559 525

**Half-Year Financial Report
30 June 2023**

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CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Long Zhao

Registered Office

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Bermuda

Independent Auditor

John Shute
Chartered Accountant
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REVIEW OF OPERATIONS

EXPLORATION ACTIVITIES HIGHLIGHTS

Yilgarn Craton (Gindalbie) Gold Exploration Project in Western Australia

- Completed broader soil sampling program over four IP targets at Prospect F with the following results:
 - Elevated soil gold trend to 11.9 ppb associated with linear magnetic high and IP target CGIP 1 which is open to the north.
 - Elevated Rare Earth Element (“REE”) response associated with Target CGIP 4 and adjacent to the Emu Fault.
- Based on the results of the 2022 IP survey and March 2023 surface geochemical survey, drill testing completed in July/August 2023.

Halls Creek Gold/Cobalt/Base Metals Exploration Project in Western Australia

Awaiting response for 3 of the 4 tenements’ work programs submitted to the Kimberley Land Council (KLC) for review by the Native Title Groups.

Tennant Creek Gold/Base Metals Exploration Project in Northern Territory

The Central Land Council (“CLC”) has presented a budget of costs for their work which is under review by the Company. An Authority Certificate is required from the CLC before field exploration may commence within Gidyea EL 32665.

Lameroo Rare Earth Elements Exploration Project in South Australia

Samples from 11 historic drill holes were scanned with pXRF and some assayed at ALS laboratory for REEs with no significant reportable results, however, they are used to plan locations for a broad drilling program.

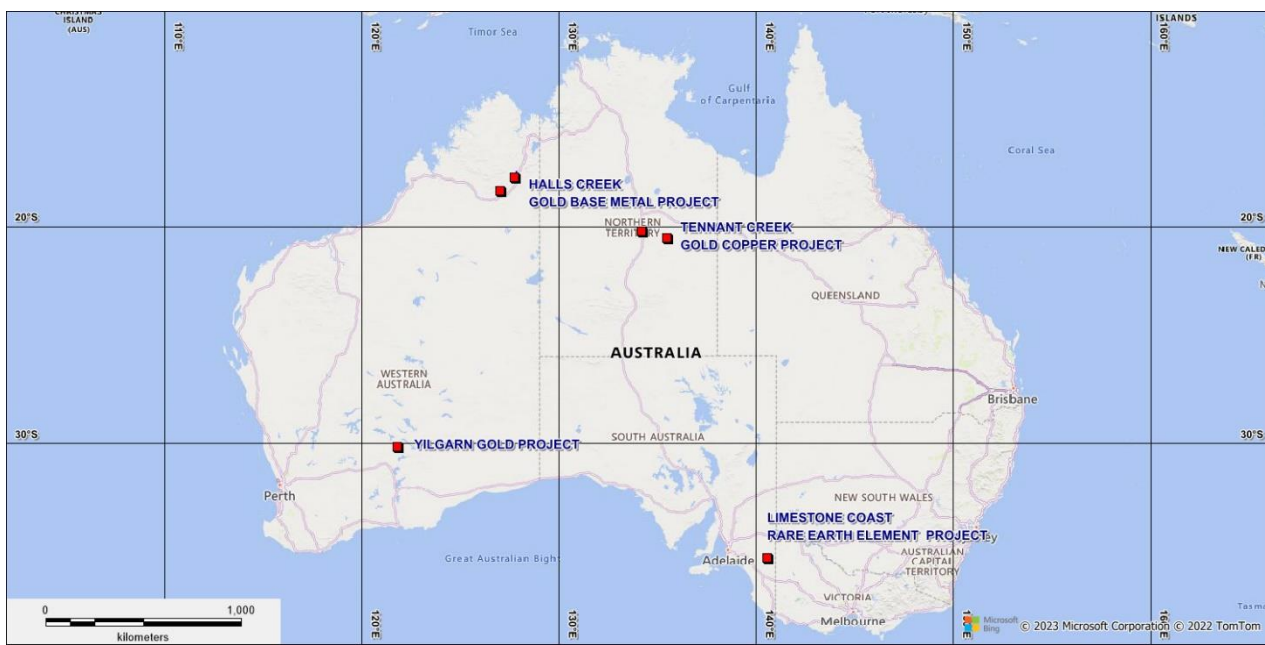


Figure 1: Kaili Resources project locations

REVIEW OF OPERATIONS (continued)

Yilgarn Craton (Gindalbie) - Gold Exploration Project - Western Australia

Canegrass E31/1113 and Holey Dam E27/550

Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

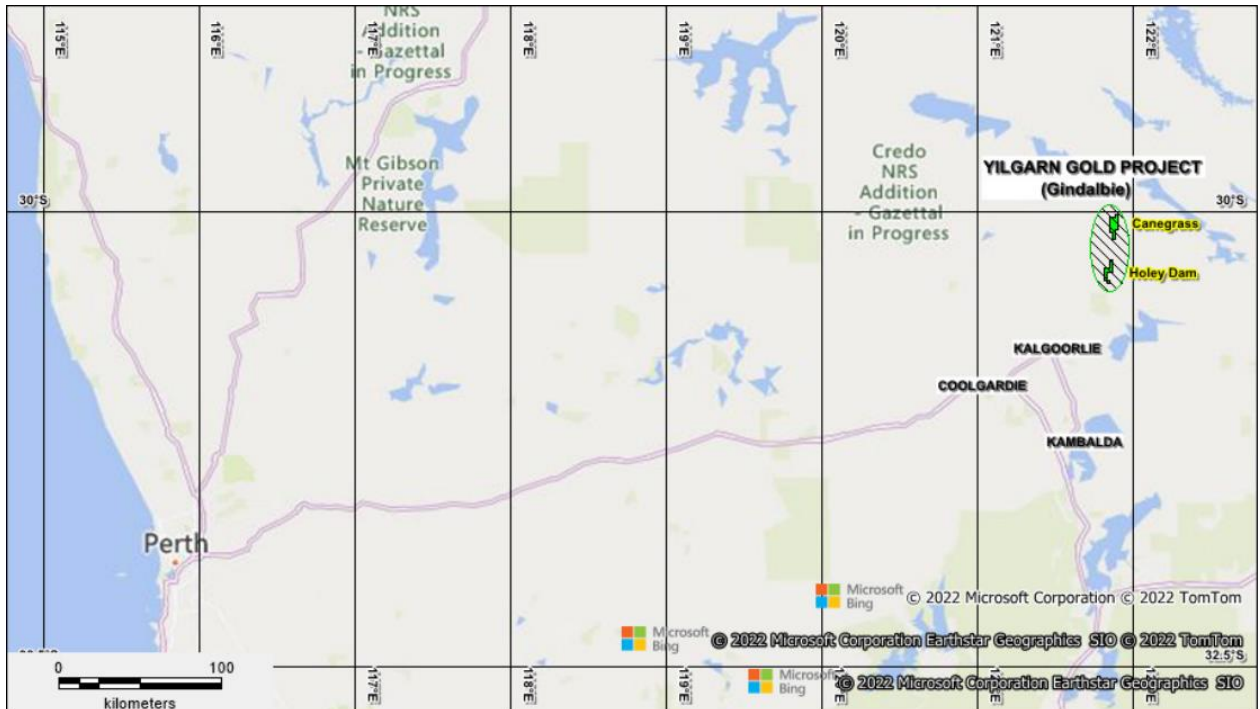


Figure 2: Yilgarn Craton (Gindalbie) Gold Project Tenement Locations

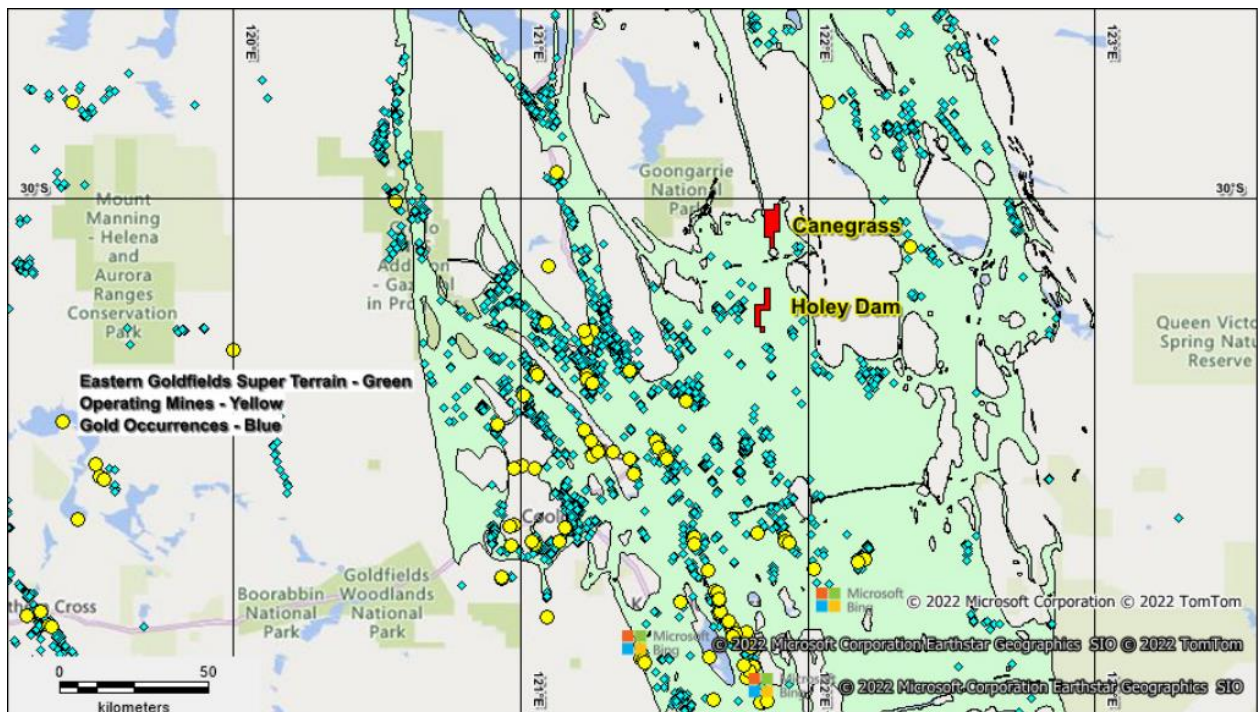


Figure 3: Eastern Goldfields Super Terrain and Operating Mines of Third Parties

REVIEW OF OPERATIONS (continued)

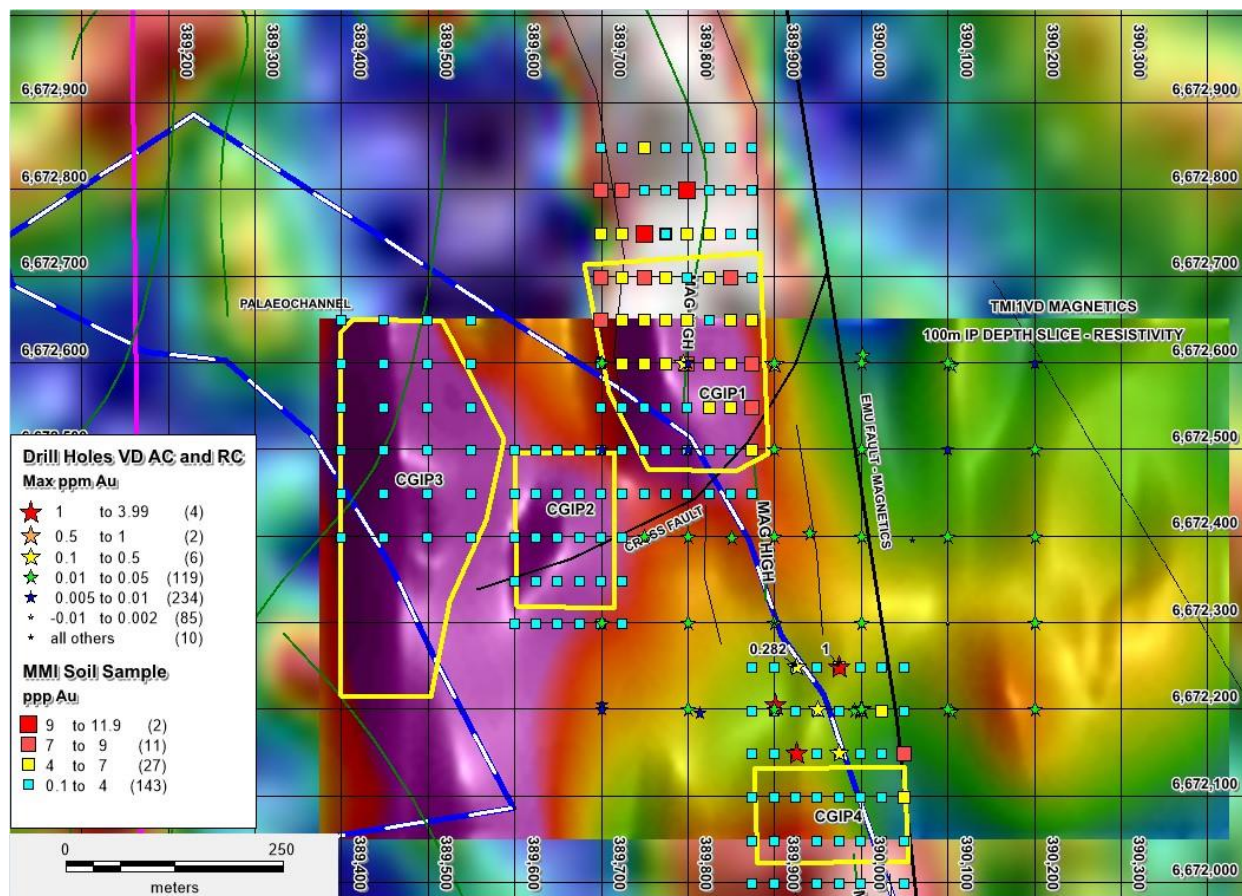


Figure 4: Canegrass MMI Soil Survey – Au ppb

Following a review of the results of the Canegrass IP Survey completed in December 2022¹, four areas were chosen for field geochemical evaluation prior to an RC drill testing. **Figure 4** shows the 4 target areas CGIP 1 to 4.

The December 2022 IP survey area is traversed by a NW-SE paleochannel (**Figure 4**) which from the results of the 2022 RC drilling is generally < 15 m thick and is the prime reason for applying the Mobile Metal Ion (MMI) technique for the soil sampling. A distinctive N-S magnetic high runs parallel to the regionally significant Emu Fault that separates a dominantly mafic igneous terrain to the west and a dominantly felsic igneous domain to the east.

Exploration to date has highlighted an area of anomalous gold from previous RC drilling to **1m @ 3.96 g/t²**. The drilling area is associated with a break on the magnetic trend and coincides with chlorite/silica altered basalt/amphibolite.

The December 2022 IP survey (**Figure 5**) highlighted a number of conductive target (CGIP 1 to 3) with CGIP 1 being the highest priority target and located adjacent to the paleochannel. Further information on the results of the survey is contained in the 2022 Annual Report.

REVIEW OF OPERATIONS (continued)

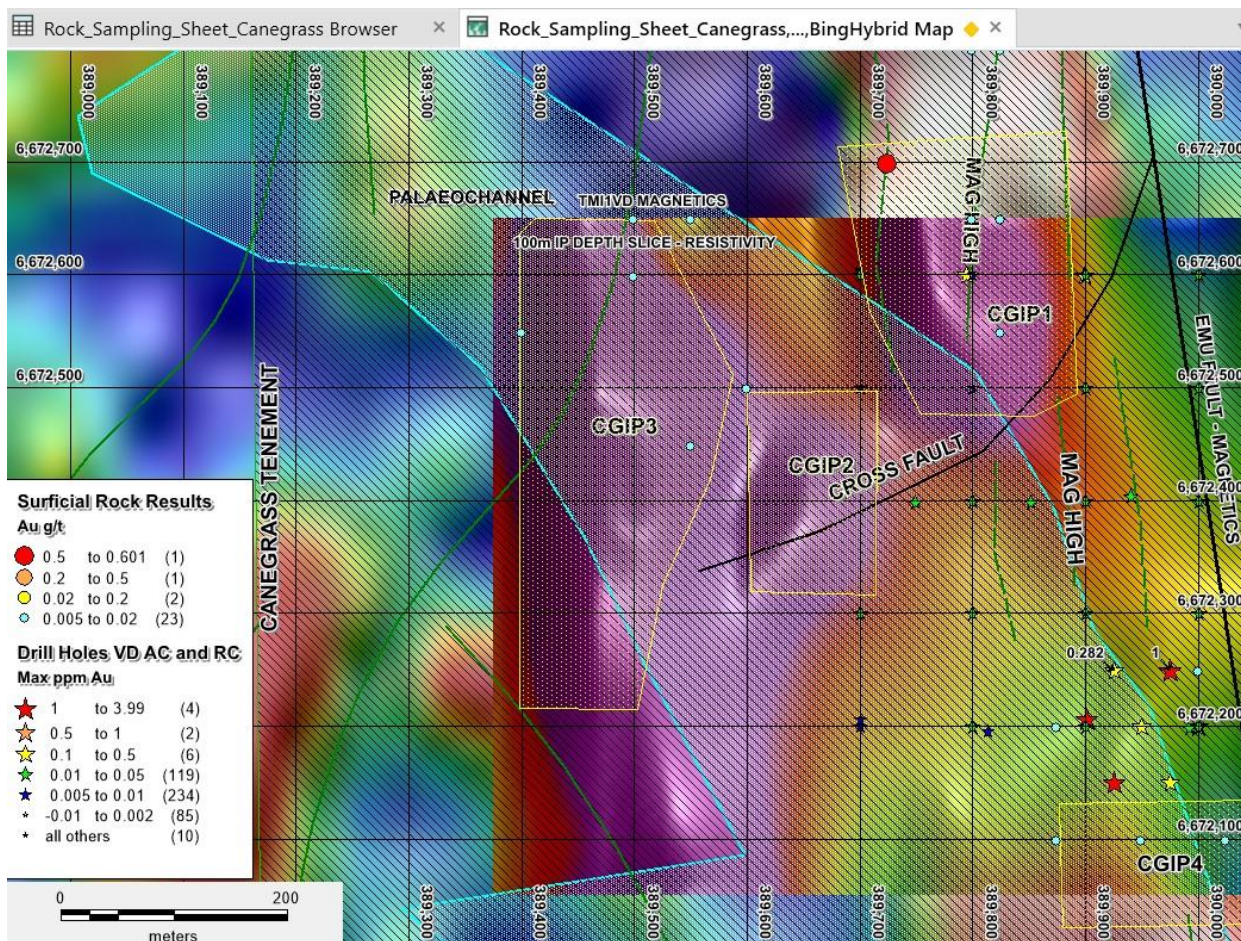


Figure 5: Targets CGIP 1 to 4 with surface rock sample sites on 100 m depth slice IP chargeability

During March/April 2023, a grid-based rock and soil sampling program adopting the MMI process was conducted at the Canegrass Project E31/1113. A total of 183 samples was collected across Targets CGIP 1 to CGIP 4 (Figure 4). The exercise located a small area of sub crop adjacent to the paleochannel in CGIP 1 and two rock samples returned assays of **0.6 g/t³** and **0.25 g/t³** Au (Figure 6) with the former associated with a brecciated mafic volcanic (see Photo 1) with local vein quartz. Target CGIP 1 is coincident with the N-S magnetic high and was collected outside the IP survey and associated with the magnetic high.



Photo 1: CGRC045–0.6g/t Au with elevated Ba (220ppm), Cr (245ppm), Mn (1,060ppm), P (1,000ppm) and Sr (577ppm)

REVIEW OF OPERATIONS (continued)

The results clearly show an elevated Au in soil trend associated with a linear aeromagnetic anomaly and an IP conductive anomaly. The IP anomaly is open to the north along the gold in soil/magnetic trend. In addition, an area of elevated REE results is associated with target CGIP 4 (**Figure 6**) adjacent to the regionally significant Emu Fault with Nd to 334 ppb, Ce to 389 ppb and Y to 360 ppb.

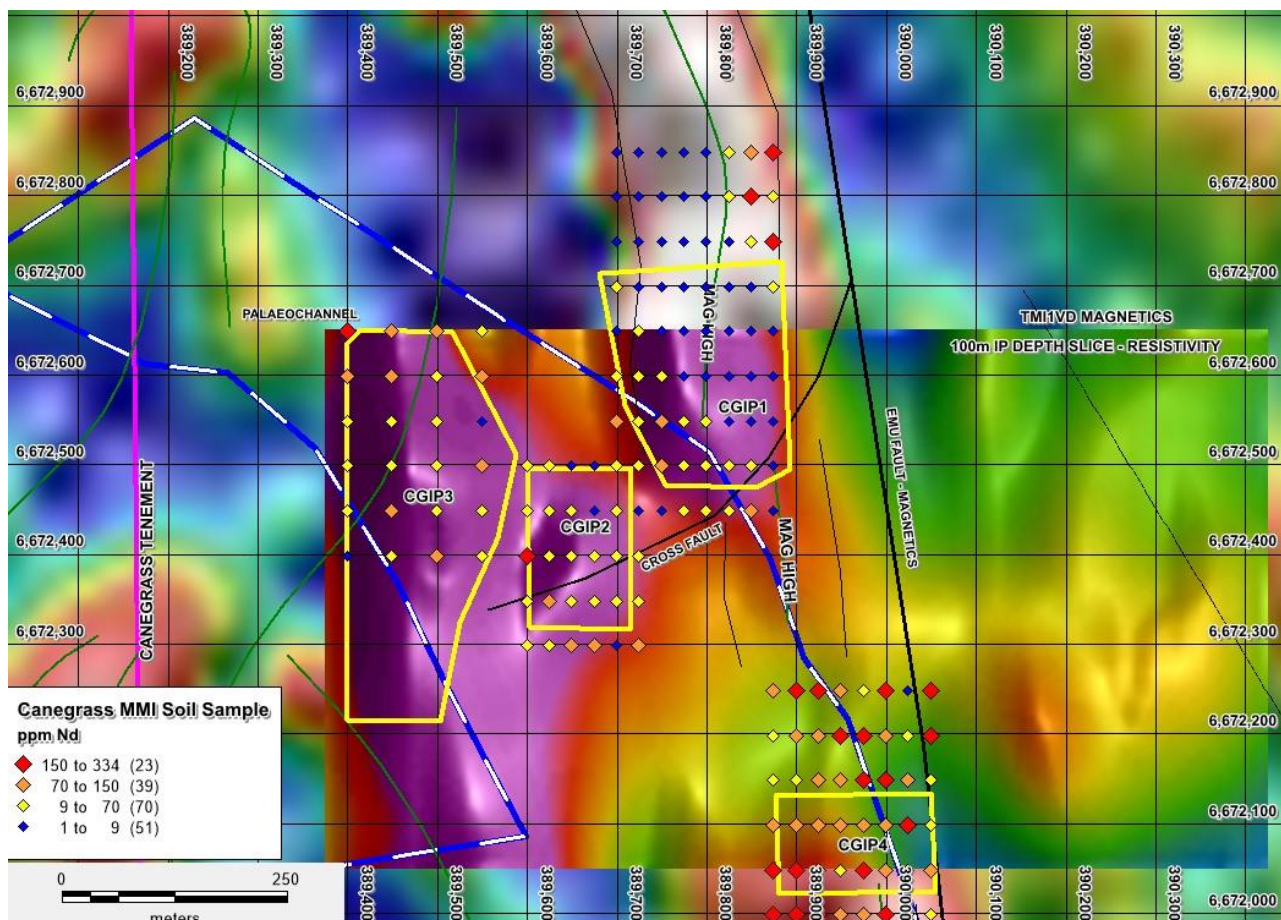


Figure 6: Canegrass MMI Soil Survey showing elevated REE response of Target CGIP 4

A 1,148 m RC drill program has been completed in July/August 2023 to test Targets CGIP 1, CGIP 2 and CGIP 4 in addition to two holes within the Holey Dam tenement. The results are awaited.

REVIEW OF OPERATIONS (continued)

Halls Creek – Cobalt/Gold Projects - Western Australia

Black and Glidden, Carrington, Sandy Creek and Wild Dog - E 80/5112, 5113, 5114 and 5115

Held 100% by wholly owned subsidiary Kaili Iron Pty Ltd

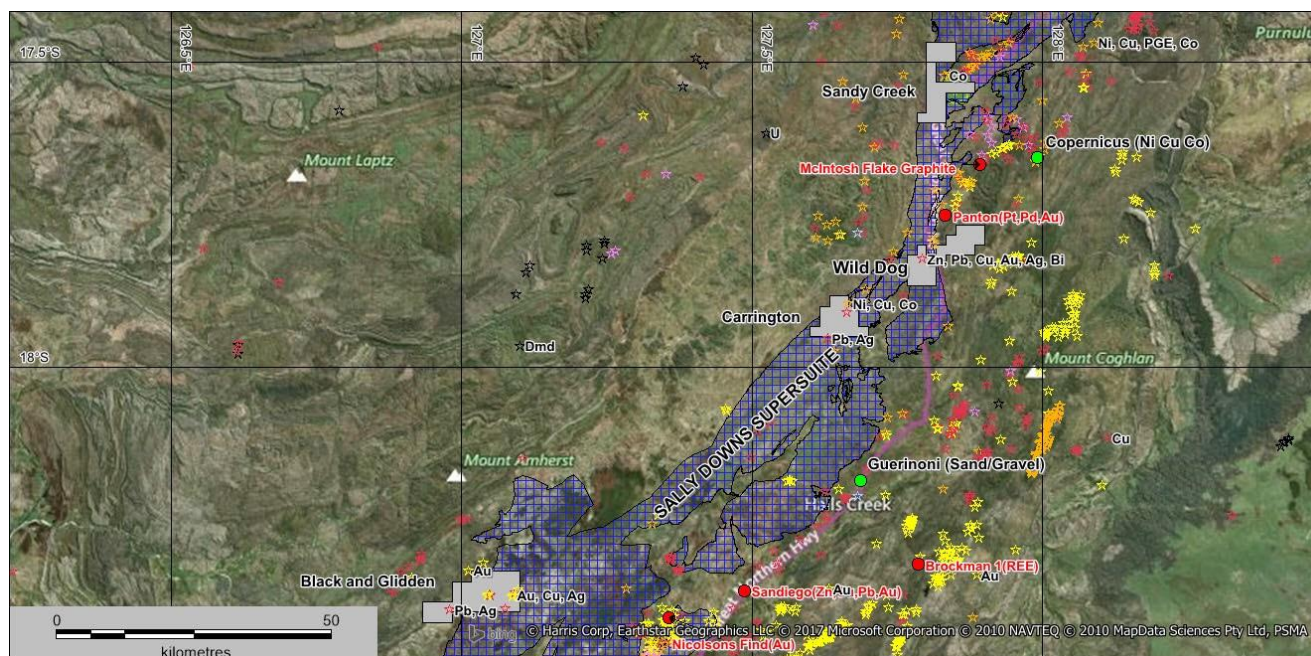


Figure 7: Halls Creek Project showing the 4 tenements located in the vicinity of Halls Creek

Field activities may only be carried out at Halls Creek tenements during the dry season, usually April to October, in that northern part of Western Australia.

The Company has submitted work programs for the four tenements to the Kimberley Land Council (KLC) for review with the Native Title Groups. Apart from a meeting at Halls Creek with Traditional Owners relating to Black and Glidden E80/5112 there has been no response from Native Title groups for the other 3 projects.

There has been no field based exploration since the 2021 grid-based soil sampling across targets in all four tenements. In the 2022 season no field activities were conducted through lack of availability of helicopter services required to access the remote areas and the requirement to first complete a heritage management obligations requested by the KLC to satisfy relevant Native Title groups.

A remote sensing study including processing of Landsat and ASTER satellite imagery has been completed in 2022 by Perth based remote sensing consultancy Earthscan to delineate alteration minerals (original mineralogy that has been altered by potentially mineralised hydrothermal fluids) that will form the basis of exploration targets for the Halls Creek Project (**Figure 8**).

REVIEW OF OPERATIONS (continued)

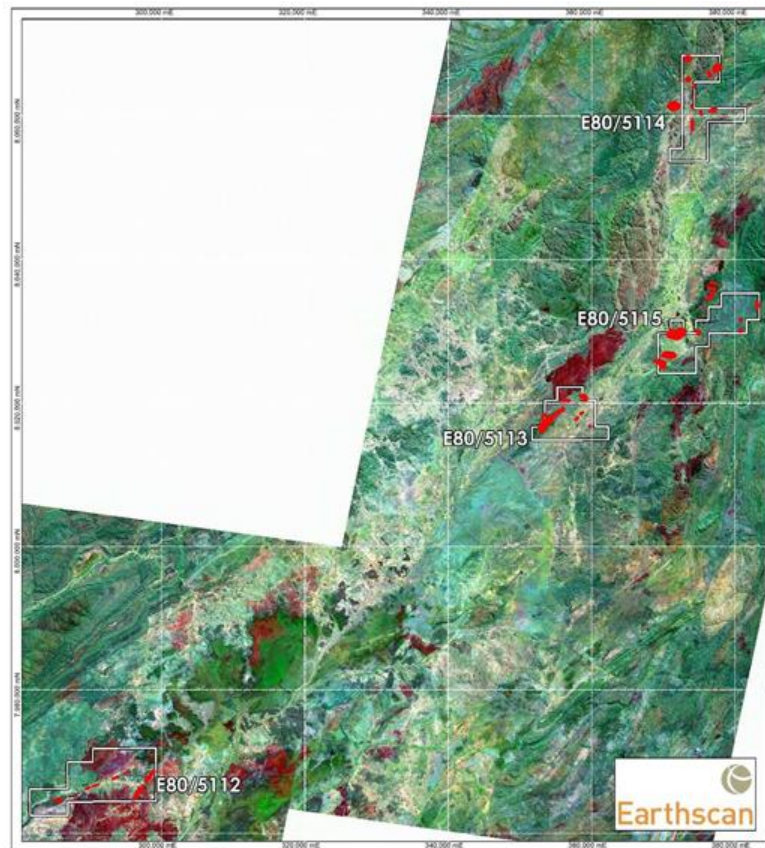
Minerals of exploration interest that produce recognizable spectral patterns in ASTER imagery are epithermal clay minerals. There are three groups of alteration minerals that produce absorptions in SWIR bands 5, 6 and 7, i.e.

- alunite/pyrophyllite
- kaolinite group minerals
- illite group minerals

Iron oxides: Ferric iron is predicted with a b2/b1 ratio. This method is not as definitive as a Landsat b3/b1 ratio but works sufficiently well. Ferrous iron is predicted using the ratio of $(b5/b3) + (b1/b2)$.

Silica: The only method of estimating silica is with the TIR data, and this is difficult because of the 90 m resolution of the data and the high noise levels.

Propylitic alteration is characterized by epidote, chlorite, actinolite and carbonate minerals all of which produce absorption in band 8 of the ASTER SWIR data. Definition of this absorption is not helped by the crosstalk problem however, the best estimator of the absorption is the Relative Band Depth estimator $(b7+b9)/B8$.



ASTER TARGETS
OVER ASTER BANDS 731
GDA 94 - MGA52
August 2022

Figure 8: ASTER Scenes used for the Remote Sensing Study and the alteration targets in red.

REVIEW OF OPERATIONS (continued)

The results of the 2021 field season sampling and the targets planned to be sampled in the 2024 season are presented below. The 2021 exploration program comprised a series of foot and vehicle traverses in combination with grid-based soil sampling across targets generated in all four tenements. The soils sampling comprised a series of E-W traverses across the target areas with samples collected every 50 m along the sampling lines.

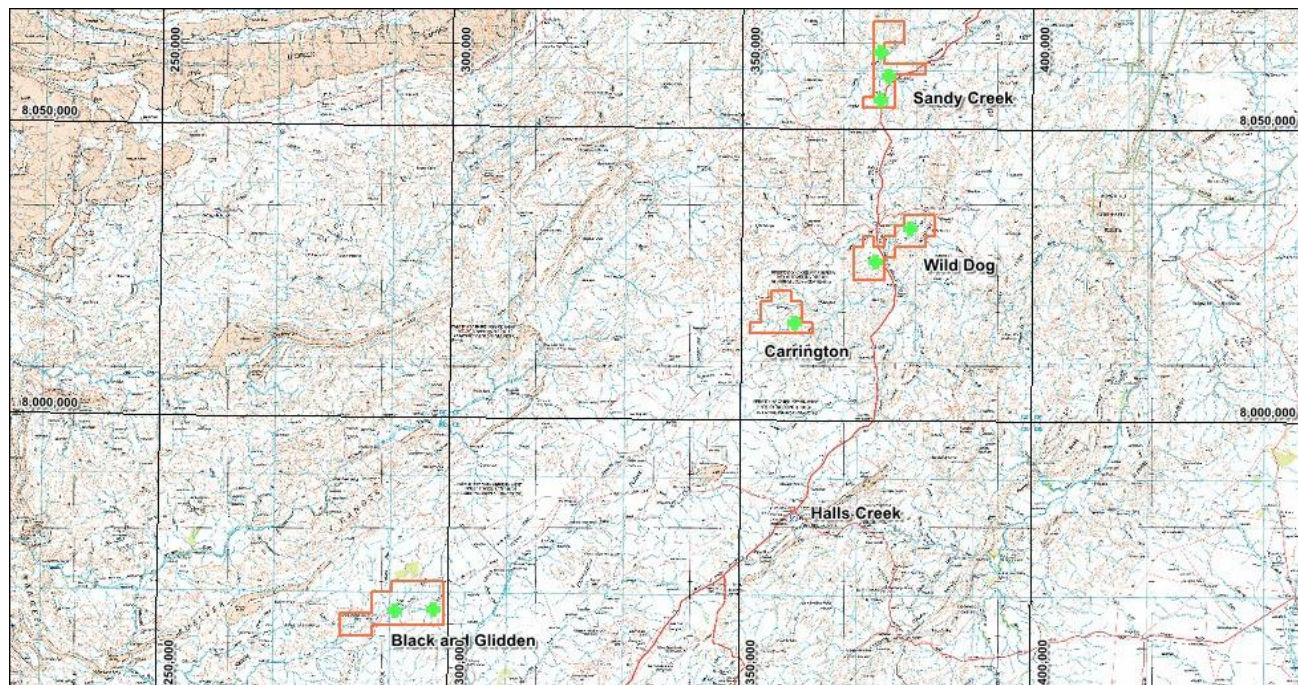


Figure 9: Halls Creek Project showing the locations of the soil sampling grids in green

A total of 454 soil samples and 35 rock samples were collected across all 4 tenements (**Figure 9**). The samples were initially scanned using the Company’s Olympus Delta PXRF then dispatched to the ALS laboratory in Perth.

Summary of rock results⁴ (mainly from the Black and Glidden tenement) are as follows:

- **Gold (Au) to 2.78g/t**
- **Lead (Pb) to 9.93%**
- **Zinc (Zn) to 12.6%**
- **Copper (Cu) to 0.82%**
- **Silver (Ag) to 171g/t**

REVIEW OF OPERATIONS (continued)

Tennant Creek - Gold/Base Metals Exploration Project - Northern Territory

EL 32665 (Gidyea) and Application ELA 32666 (Kovacs)

Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

In February 2021, the Company applied for two Exploration Licences registered as ELA 32666 and ELA 32665 located to the south and southeast of Tennant Creek (**Figure 10**). EL 32665 Gidyea was granted in September 2021 for a 6-year period to 14 September 2027. Grant of the tenement under ELA 32666 Kovacs is awaited.

There has been no field-based exploration activity as the Company must first manage the Native Title requirements for access.

The Company has submitted detailed work programs to the Central Land Council (CLC) for review. The Company’s Consultant Geologist attended a meeting of the Native Title Parties in Tennant Creek in October 2022 and presented the exploration plans for consideration. The CLC has presented a budget of costs for their work which is under review by the Company. An Authority Certificate is required from the CLC before field exploration may commence within Gidyea EL 32665. The initial exploration will involve a general geological reconnaissance of the tenement involving surface geochemical sampling.

Information on the geology of the region and licence areas is contained in the 2022 Annual Report.

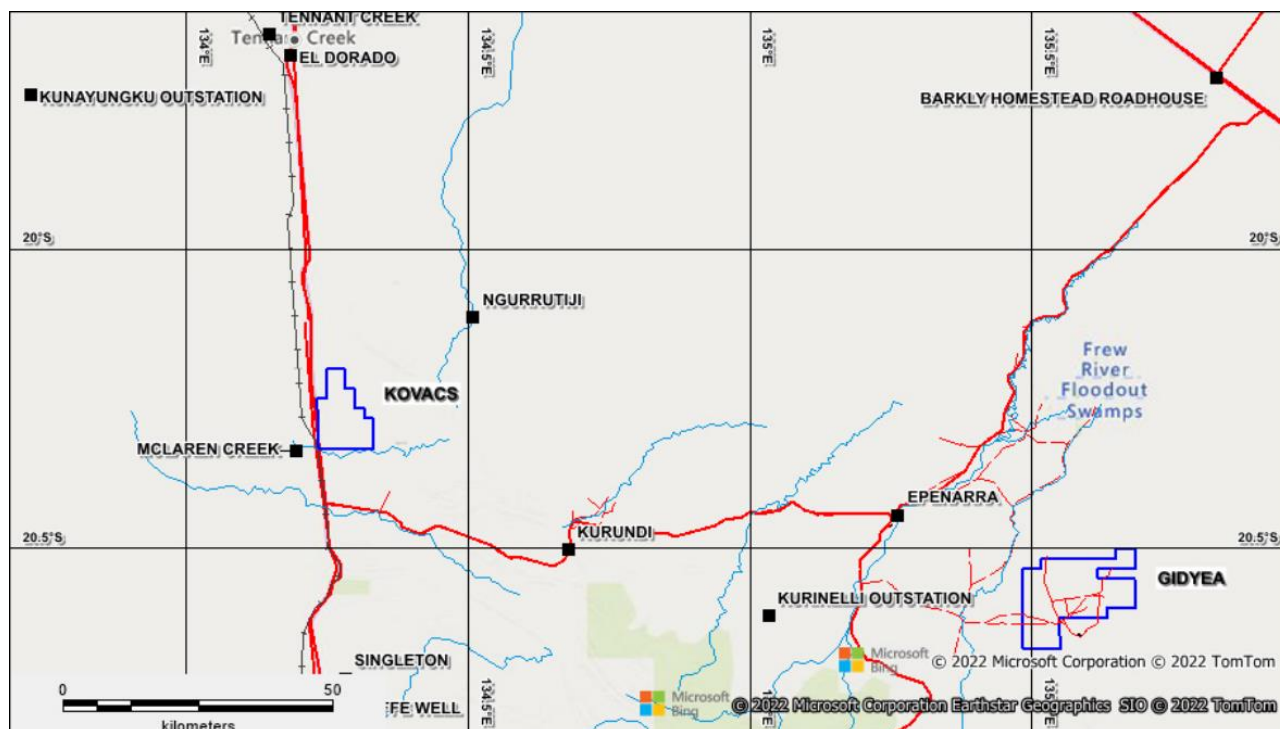


Figure 10: Regional Tenement Location SE of Tennant Creek – Kovacs and Gidyea

REVIEW OF OPERATIONS (continued)

Limestone Coast – Rare Earth Element Exploration Project - South Australia

Lameroo EL 6856

Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

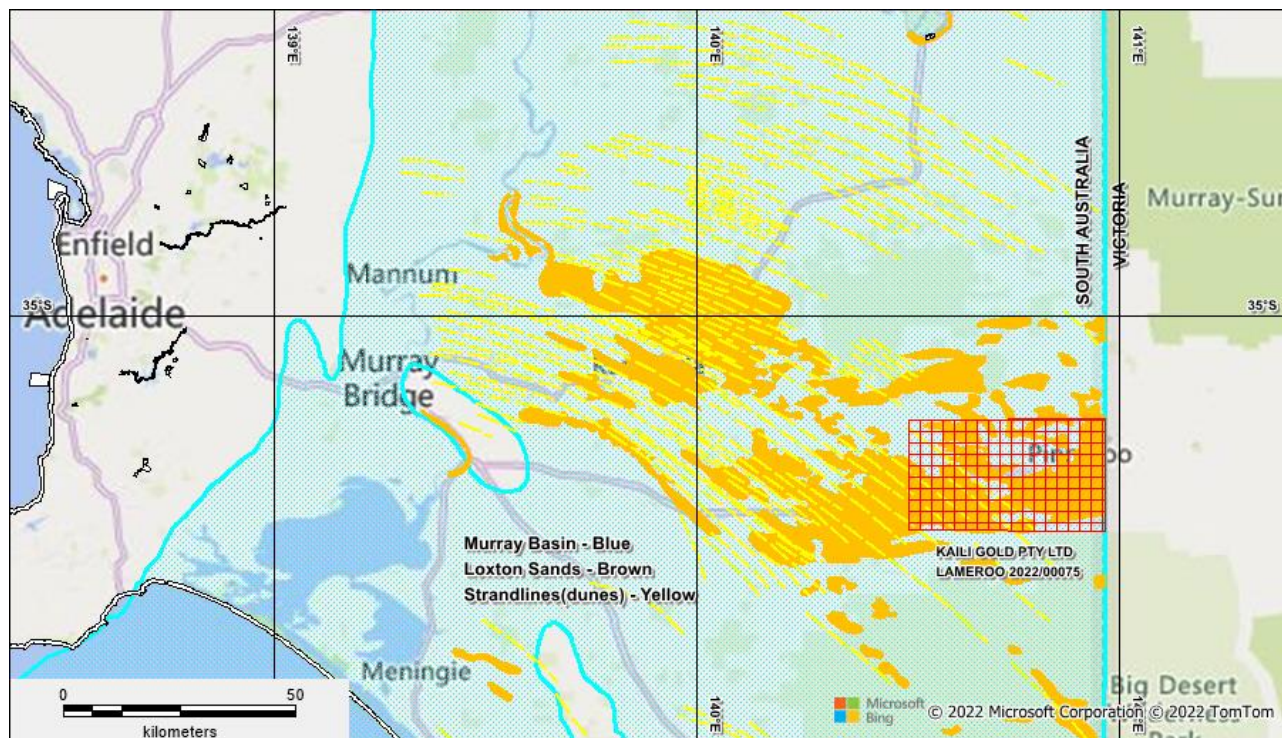


Figure 11: Location of Lameroo Rare Earth Exploration Project in Murray Basin South Australia

Lameroo EL 6856, granted in October 2022, covers an area of 991 km² within the Loxton Sands in the Murray Basin in South Australia for exploration of Rare Earth Elements (“REE”).

The Company has completed scanning with pXRF of samples from 11 holes historic drill holes (**Figure 12**) within the tenement and some located just outside to enable a better assessment of the area having regards to the lack of reasonable spread of historic holes across the tenement. In addition 21 of the scanned samples have been sent to ALS laboratory for assay of REEs. The results were not significant for report however, they are used in the planning of locations for a broad drilling program.

Planned Future Exploration Activities in 2023/2024:

- Locate drill sites and conduct drilling to test for REE mineralisation

REVIEW OF OPERATIONS (continued)

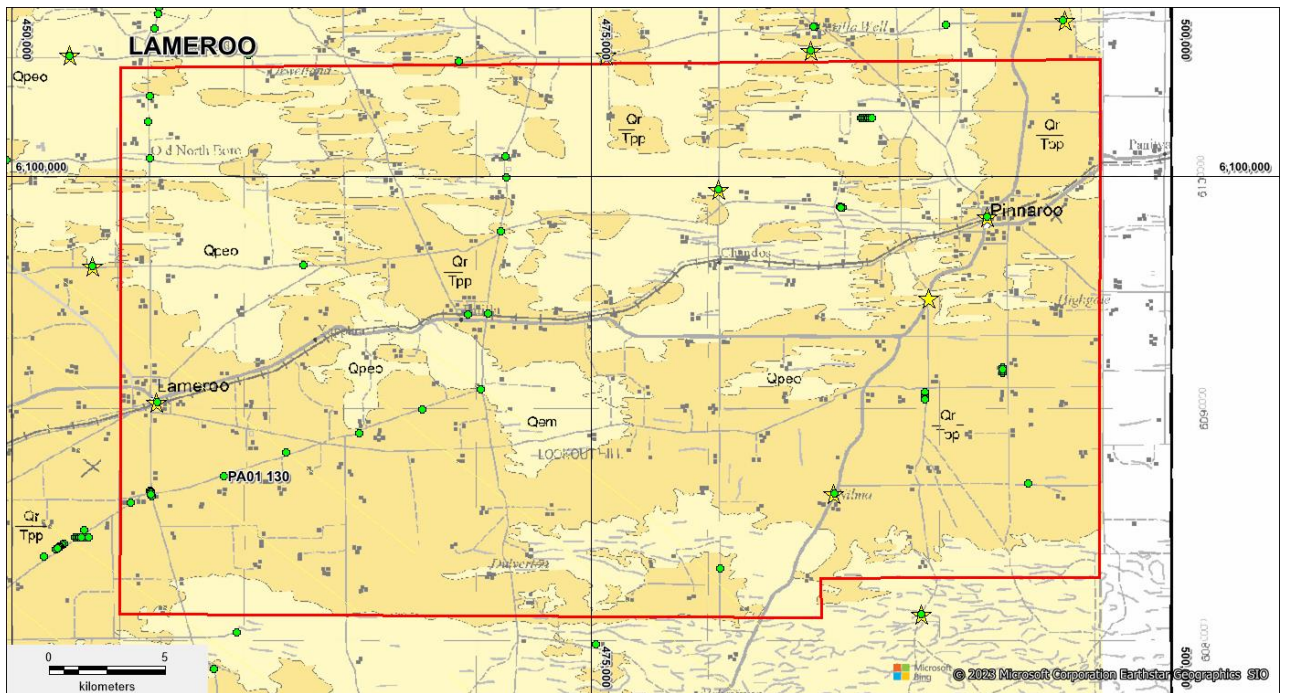


Figure 12: Lameroo Project showing all historic holes sampled with the pXRF instrument in green

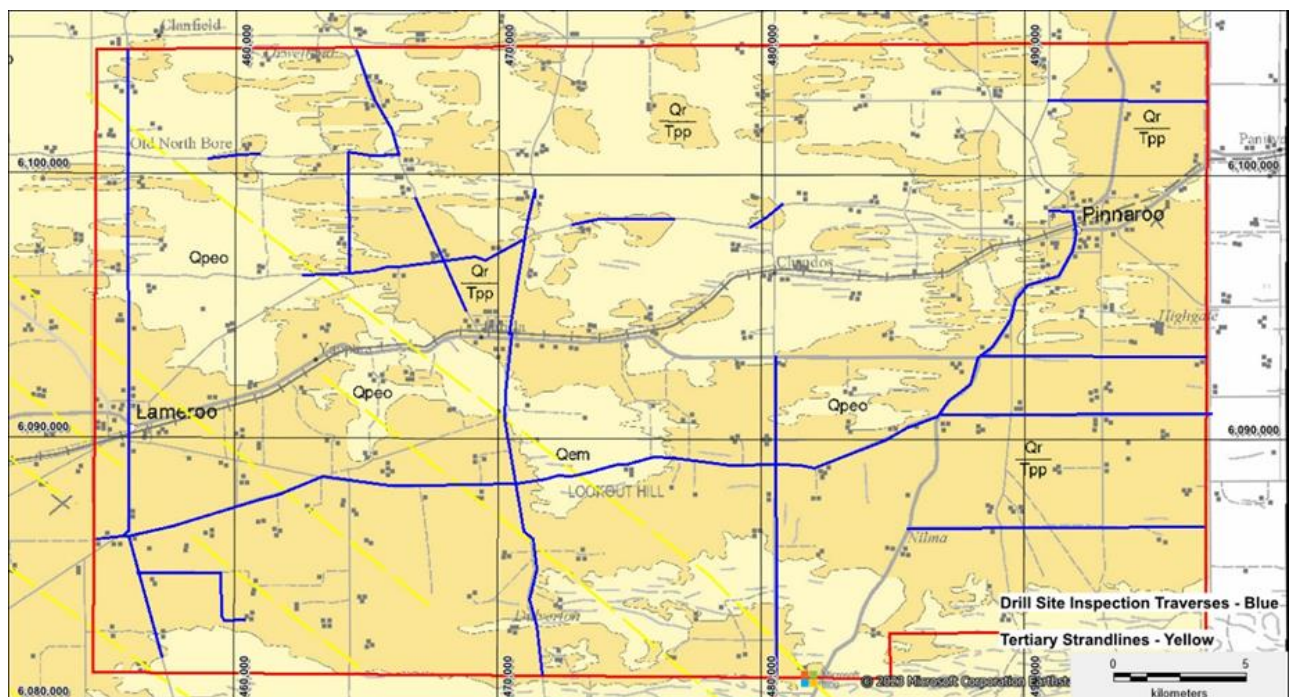


Figure 13: Field traverses within proposed drill sites selection at Lameroo

REVIEW OF OPERATIONS (continued)

Technical Releases since 1 January 2023

This review of operations contains information extracted from the Company’s ASX market announcements reported in accordance with the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (2012 JORC Code). Further details (including 2012 JORC Code reporting tables where applicable) of exploration results can be found in the following announcements lodged on the ASX:

30 th January 2023	Quarterly Activities/Appendix 5B Cash Flow report
27 th February 2023	Surface Exploration Commences at Canegrass WA
8 th March 2023	Surface Exploration of IP Targets at Canegrass Completed
5 th April 2023	Results of Surface Sampling at Canegrass WA
20 th April 2023	REE Exploration in SA – Drill Site Inspection Completed
27 th April 2023	Quarterly Activities/Appendix 5B Cash Flow report
3 rd May 2023	Soil Results from Surface Sampling at Canegrass WA Received
10 th July 2023	RC Drilling Commences at Canegrass and Holey Dam
28 th July 2023	Quarterly Activities/Appendix 5B Cash Flow report
3 rd August 2023	RC Drilling Completed at Gindalbie Gold Project

See ASX Announcements of

¹ 9th December 2022

² 3rd December 2020

³ 5th April 2023

⁴ 8th September 2021

In accordance with Listing Rule 5.23 the Company reports that it is not aware of any new information or data that materially affects the information included in the above announcements.

REVIEW OF OPERATIONS (continued)

LICENCES STATUS

Minerals tenements and applications for tenements held at 30 June 2023 and at the date of this report and acquired or disposed of during and since the half year ended 30 June 2023 and their locations are set out below:

Granted	Tenement	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area	Status	
							Km ²		
30/05/2016	E31/1113	Canegrass	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	50.4	Expiry on 29/05/2026	
01/07/2016	E27/550	Holey Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	26.6	Expiry on 30/06/2026	
14/09/2021	EL32665	Gidyea	Gold/Base Metals	NT-Warraminga Province	Kaili Gold Pty Ltd	100%	207.2	Expiry on 14/09/2027	
31/08/2018	E80/5112	Black and Glidden	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	104.0	Expiry on 30/08/2023 and under renewal application	
31/08/2018	E80/5113	Carrington	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	52.1	Expiry on 30/08/2023 and under renewal application	
31/08/2018	E80/5114	Sandy Creek	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	65.3	Expiry on 30/08/2023 and under renewal application	
31/08/2018	E80/5115	Wild Dog	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	71.1	Expiry on 30/08/2023 and under renewal application	
19/10/2022	EL6856	Lameroo	Rare Earth	SA - Murray Basin	Kaili Gold Pty Ltd	100%	991.0	Expiry on 18/10/2028	
	ELA32666	Kovacs	Gold/Base Metals	NT-Warraminga Province	Kaili Gold Pty Ltd	100%	271.7	Application submitted 23/02/2021	
							Total	1,839.4	

There was no acquisition or disposal or change in beneficial interests under farm-in or farm-out agreements during the half year.

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 made a net profit of \$30,992 (2022: loss \$192,520) including a gain on amortisation of interest free borrowings of \$256,032 (2022: Nil)

Financial Position

Cash and cash equivalents at 30 June 2023 were \$464,924 (31 December 2022: \$852,770) with total current assets of \$498,359 (31 December 2022: \$894,690) consisting mainly of cash and cash equivalents.

Current liabilities at 30 June 2023 decreased to \$229,725 from \$282,455 at 31 December 2022.

Net liabilities decreased from \$1,536,602 at 31 December 2022 to \$1,505,610 at 30 June 2023.

Cash Flows

Operating activities resulted in net outflow of \$209,502 (2022: \$104,320) 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 2023.

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 profit for the half-year ended 30 June 2023 was \$30,992 (2022: loss \$192,520).

Review of Operations

A review of operations for the half-year ended 30 June 2023 is set out on pages 3 to 16.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 18, and forms part of this Directors' Report.

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



Long Zhao
Director

Dated this 13th day of September 2023

**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 2023 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 13th September 2023

**Independent Auditor's Report on Review of the Half Year
Financial Report to the Members of
Kaili Resources Limited and Controlled Entities
(Incorporated in Bermuda with limited liability)**

Introduction

We have reviewed the half year financial report of Kaili Resources Limited (the "Company") and the subsidiaries (together "the Group") set out on pages 22 to 29, which comprises the consolidated statement of financial position as of 30 June 2023, 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 2023, and notes to the interim financial report. The directors of the Company are responsible for the preparation and fair presentation of these interim financial report in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report 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, Going Concern to the financial report which describes the basis on which the financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of the liabilities in the normal course of business.

The note details the undertaking by Yitai Group (Hongkong) 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.

As stated in Note 4 the Directors believe that the consolidated group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

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 half year financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".



JOHN F SHUTE
Chartered Accountant

Dated: 13th September 2023



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 2023 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 13th day of September 2023

**Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For The Half-Year Ended 30 June 2023**

	Note	30 June 2023 \$	30 June 2022 \$
Other revenue			
Other	6	256,032	-
Expenses			
Depreciation		(8,302)	(9,819)
Employee benefits		(41,177)	(40,907)
Project costs		(990)	(1,968)
Other	7	(174,571)	(139,826)
Profit/(loss) before income tax expense		30,992	(192,520)
Income tax		-	-
Profit/(loss) for the period		30,992	(192,520)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit/(loss) for the period		30,992	(192,520)
Profit/(Loss) attributable to:			
- members of the Parent Entity		30,992	(192,520)
Total comprehensive profit/(loss) attributable to:			
- members of the Parent Entity		30,992	(192,520)
		Cents	Cents
Earnings/(loss) per share			
Basic and diluted profit/(loss) per share		0.02	(0.13)

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position**As At 30 June 2023**

		30 June 2023	31 December 2022
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		464,924	852,770
Trade and other receivables		27,723	14,020
Prepayments		5,712	27,900
TOTAL CURRENT ASSETS		<u>498,359</u>	<u>894,690</u>
NON-CURRENT ASSETS			
Property, plant and equipment		57,647	65,949
Exploration and evaluation expenditure	8	1,285,176	1,157,658
TOTAL NON-CURRENT ASSETS		<u>1,342,823</u>	<u>1,223,607</u>
TOTAL ASSETS		<u>1,841,182</u>	<u>2,118,297</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	218,110	273,783
Provisions		11,615	8,672
TOTAL CURRENT LIABILITIES		<u>229,725</u>	<u>282,455</u>
NON-CURRENT LIABILITIES			
Provisions		10,156	9,501
Borrowings	10	3,106,911	3,362,943
TOTAL NON-CURRENT LIABILITIES		<u>3,117,067</u>	<u>3,372,444</u>
TOTAL LIABILITIES		<u>3,346,792</u>	<u>3,654,899</u>
NET LIABILITIES		<u>(1,505,610)</u>	<u>(1,536,602)</u>
EQUITY			
Issued capital		1,474,004	1,474,004
Reserves		(2,979,614)	(3,010,606)
TOTAL DEFICIT		<u>(1,505,610)</u>	<u>(1,536,602)</u>

The accompanying notes form part of this financial report.

Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2023

	Share capital \$	Share premium \$	Accumulated losses \$	Total \$
Balance at 1 January 2022	1,474,004	24,475,363	(27,450,985)	(1,501,618)
Total comprehensive loss for the period	-	-	(192,520)	(192,520)
Balance at 30 June 2022	1,474,004	24,475,363	(27,643,505)	(1,694,138)
Balance at 1 January 2023	1,474,004	24,475,363	(27,485,969)	(1,536,602)
Total comprehensive profit for the period	-	-	30,992	30,992
Balance at 30 June 2023	1,474,004	24,475,363	(27,454,977)	(1,505,610)

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

For the Half-Year Ended 30 June 2023

	30 June 2023	30 June 2022
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(209,502)	(104,320)
Net cash used in operating activities	<u>(209,502)</u>	<u>(104,320)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(178,345)	(114,595)
Net cash used in investing activities	<u>(178,345)</u>	<u>(114,595)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	500,000
Net cash inflow from financing activities	<u>-</u>	<u>500,000</u>
Net (decrease)/ increase in cash held	(387,847)	281,085
Cash and cash equivalents at the beginning of period	852,770	99,667
Effect of exchange rates on cash holding in foreign currencies	1	159
Cash and cash equivalents at the end of period	<u>464,924</u>	<u>380,911</u>

The accompanying notes form part of this financial report.

Notes to Financial Statements For the Half-Year Ended 30 June 2023

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, base metals and rare earth elements.

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 2023 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 2022 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 13 September 2023.

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 2023. 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 \$498,359 including cash and cash equivalents of \$464,924, current liabilities of \$229,725 and has made a net profit of \$30,992 in the period. In addition, the Group has an unfulfilled expenditure requirement under its exploration licences of \$257,000 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.

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.

Notes to Financial Statements For the Half-Year Ended 30 June 2023 (continued)

In June 2023, 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 \$2 million until 1 April 2025, in addition to the fully drawn loan facility of \$2.4 million due for repayment on 1 April 2025. At balance date, the Group has drawn \$1,388,440 under the financial support facility with \$611,560 available for drawdown at balance date. 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 2022.

	30 June 2023	30 June 2022
	\$	\$

Note 6 – Other income

Gain on borrowings at amortised cost (see Note 10)	256,032	-
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Note 7 – Other expenses from ordinary activities

Audit fees	7,900	5,500
Consulting fees	31,727	84,360
Contractor payments	26,000	-
Internet and website maintenance	625	715
Legal and professional fees	44,349	39,420
Listing fees	850	86
Motor vehicle expenses	6,071	582
Registration fees and charges	35,780	32,949
Rental expenses/(refund)	-	(39,000)
Share registry	5,076	5,323
Other	16,193	9,891
	174,571	139,826

Notes to Financial Statements For the Half-Year Ended 30 June 2023 (continued)

	30 June 2023	31 December 2022
	\$	\$
Note 8 – Exploration and evaluation expenditure		
At cost:		
Balance at beginning of period/year	1,157,658	825,523
Additions	127,518	332,135
Balance at end of period/year	<u>1,285,176</u>	<u>1,157,658</u>

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 15.

Impairment indicators in AASB 6 are considered on a project by project basis at each balance date. No impairment has been recognised during the half year.

Note 9 – Trade and other payables

Trade and other payables	210,490	159,018
Accrued expenses	7,620	114,765
	<u>218,110</u>	<u>273,783</u>

Note 10 – Borrowings**Non-Current**

Unsecured borrowings from a related party	3,788,440	3,788,440
Less: Gain on borrowings at amortised cost ¹	(681,529)	(425,497)
	<u>3,106,911</u>	<u>3,362,943</u>

¹The gain on borrowings at amortised cost arose from the difference between the net present value of the interest-free borrowings to be settled on 1 April 2025 (2022: 1 April 2024) and the contractual settlement amount at balance date. A discount rate of 12% (2022: 10%) was applied to the future cash flows to determine their net present values. The gain at amortised cost increased by \$256,032 during the half year as a result of extension to the repayment date of the borrowings and higher discount rate.

Yitai Group (Hongkong) Co., Ltd, a related party of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited has provided the Company a loan facility of \$2.4 million due for repayment on 1 April 2024. In February 2023, Yitai Group (Hongkong) Co., Ltd confirmed a financial support to the Company of up to \$1.4 million, increased from \$1 million, until 1 April 2024. In June 2023, Yitai Group (Hongkong) Co, Ltd extended both the repayment date of the loan and the end availability date of the financial support to 1 April 2025 and increased the financial support from up to \$1.4 million to up to \$2 million. The funds advanced under the loan and under financial support are unsecured and interest free. At balance date \$611,560 was available for drawdown under the financial support.

Notes to Financial Statements For the Half-Year Ended 30 June 2023 (continued)**Note 11 – 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.

Note 12 – 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 2023	31 December 2022
	\$	\$
Within twelve months	257,000	179,000
Twelve months or longer and not longer than 5 years	351,000	505,000
	<u>608,000</u>	<u>684,000</u>

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

Note 13– Contingent Liabilities

At balance date, the Group has given guarantees totalling \$30,000 (31 December 2022: \$30,000) for compliance with the conditions of the exploration licences granted in Western Australia.

Note 14– Related Party Transaction

The Group engaged Vincerek Pty Ltd, an associate of Director Mr. Long Zhao, to provide general administration services for compensation of \$1,000 per week. The engagement may be terminated by either party with one month notice. For the half year ended 30 June 2023, a total of \$26,000 for the services was due and payable and \$30,000 has been paid for the services provided in prior periods with the amount of \$92,000 owing at balance date.

Note 15– 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.