

**KAILI RESOURCES LIMITED
AND CONTROLLED ENTITIES**

ARBN 077 559 525

**Half-Year Financial Report
30 June 2024**

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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

Lameroo Rare Earth Elements Exploration - South Australia

Lameroo, Karte and Coodalya

- *Company’s footprint in Limestone Coast doubled with grant of 2 new tenements, Karte EL 6977 and Coodalya EL 6978, close to the existing Lameroo tenement EL 6856.*
- *Completed drilling of 40 holes to an average depth of 17 m for 800 m at Lameroo.*
- *Results of the drilling to assist plans of further drilling programs across the 3 tenements Lameroo, Karte and Coodalya.*
- *Preparing for Phase 2 drilling program across 3 tenements Lameroo, Karte and Coodalya.*

Yilgarn Craton (Gindalbie) Gold and Critical Metals Exploration - Western Australia

Holey Dam

- *pXRF scan of samples from previously completed Aircore holes in the Saprolite Zone for a multi element suite including REE minerals Nd, Pr, Ce, La and Y and selecting samples for laboratory assays to assist in decision for further drilling programs targeting REE mineralisation.*

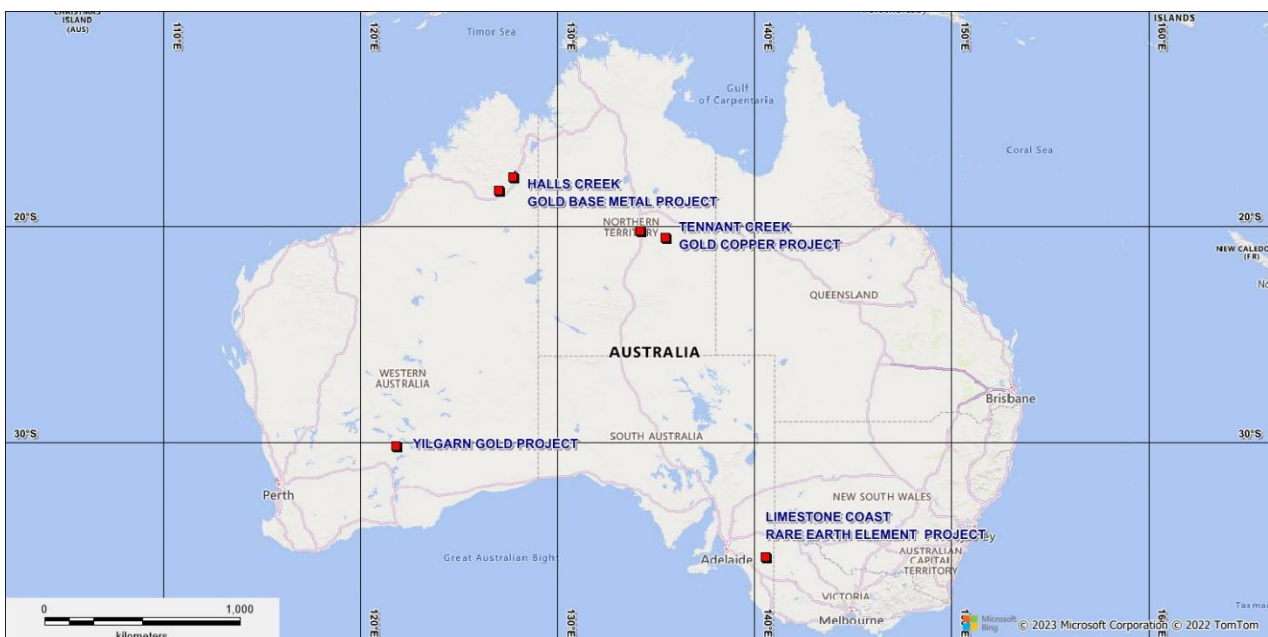


Figure 1: Kaili Resources project locations

REVIEW OF OPERATIONS (continued)

Limestone Coast – Rare Earth Elements Exploration – South Australia

Lameroo EL 6856, Karte EL 6977 and Coodalya EL 6978

Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

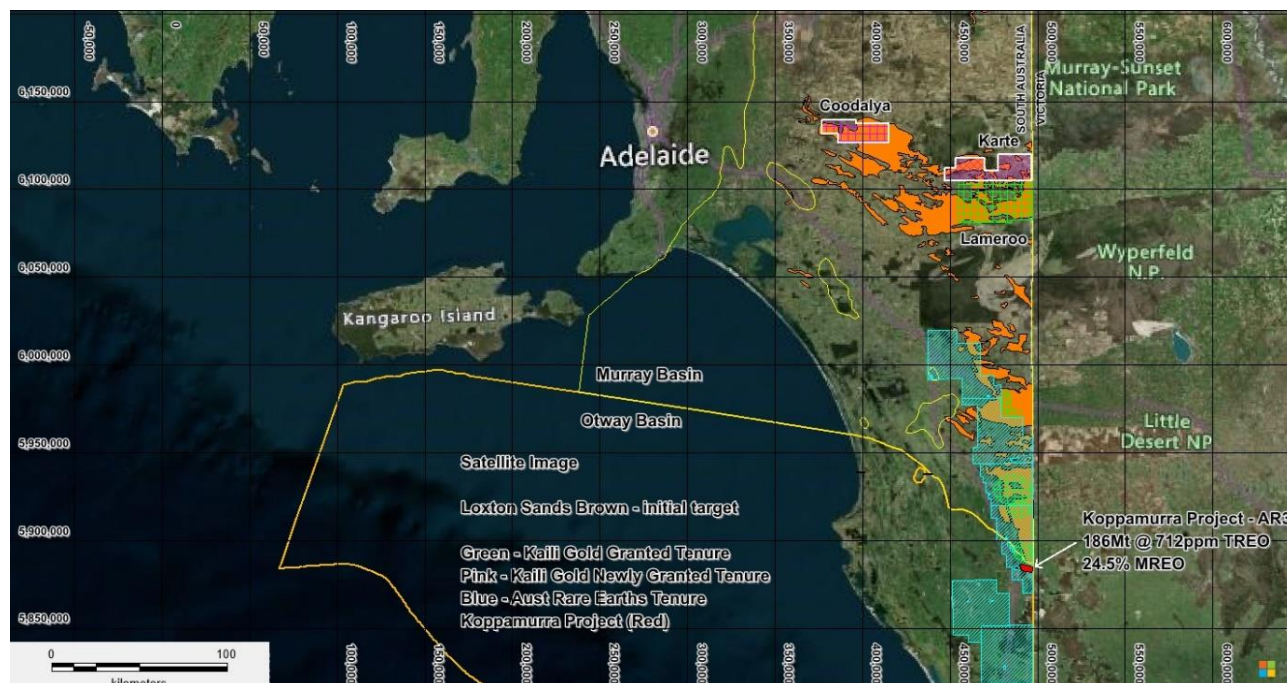


Figure 2: Location of Lameroo, Karte and Coodalya Rare Earth Exploration Tenements

In February 2024, tenements Karte EL 6977 covering an area of 590 km² and Coodalya EL 6978 covering an area of 408 km² were granted to the Company following applications lodged with the South Australia government in November 2023 under ELA 2023/00060 and ELA 2023/00061, respectively. The 2 new tenements together with the already granted Lameroo EL 6856 approximately doubled the Company’s acreage to 1,985 km² for Rare Earth Elements (“REE”) exploration within the Loxton/Parilla Sands in the Murray Basin in South Australia. Karte adjoins the north boundary of Lameroo and Coodalya is approximately 50 kms to the northwest.

The Company targets the Loxton/Parilla sands for REE mineralisation in a region where Australian Rare Earths has reported exploration success with estimated JORC 2012 resource of 186Mt @ 712ppm Total Rare Earth Oxides (TREO) (*see AR3 ASX Release of Quarterly Activities Report on 24th January 2024*). REEs are reportedly contained within the fine clay fraction of Tertiary (65 to 2.5 Million Years Ago) Strandlines (ionic clay style of deposit) in the region.

In prior period, the Company had conducted pXRF scan of samples from selected historic drill holes held by the SA Government and collected and assayed samples from fresh outcropping granite at Lameroo. This exercise was intended to provide directions on areas to focus for drill tests programs. Having regards to the information obtained the Company planned an initial low cost and widely spread drilling program during the period.

REVIEW OF OPERATIONS (continued)

After receipt of all the necessary approvals for a drilling program, in January 2024 the Company engaged a driller and other service providers for the program to be undertaken. The drilling program was completed in early February 2024 and the assay results received in March 2024 were encouraging.

A summary of significant Total Rare Earth Oxides (“TREO”) drilling intersections¹ are as follows:

- 1m @ 356 ppm from 18 m - 19 m LMAC046
- 1m @ 271 ppm from 2 m - 3 m LMAC032
- 1m @ 228 ppm from 19 m - 20 m LMAC047

Magnetic (Battery) Rare Earth Oxides - MREO (Tb+ Dy+ Pr+ Nd) comprise on average 17% of the TREO.

In this initial program the Company aimed to identify areas of potential with minimum disruptions on private land and therefore the holes were drilled along roadside verges with local council approvals and purposely widely spaced to cover a significantly large area across the target Loxton/Parilla Sands stratigraphy (**Figure 3**). A total of 40 holes to an average depth of 17 m (maximum depth 20 m) for 800 m of drilling were completed.

The results of this low-cost initial drilling at Lameroo assist in the design of further drilling programs across all 3 tenements including Karte and Coodalya targeting the REE enriched Loxton/Parilla Sands within the Murray Darling Basin.

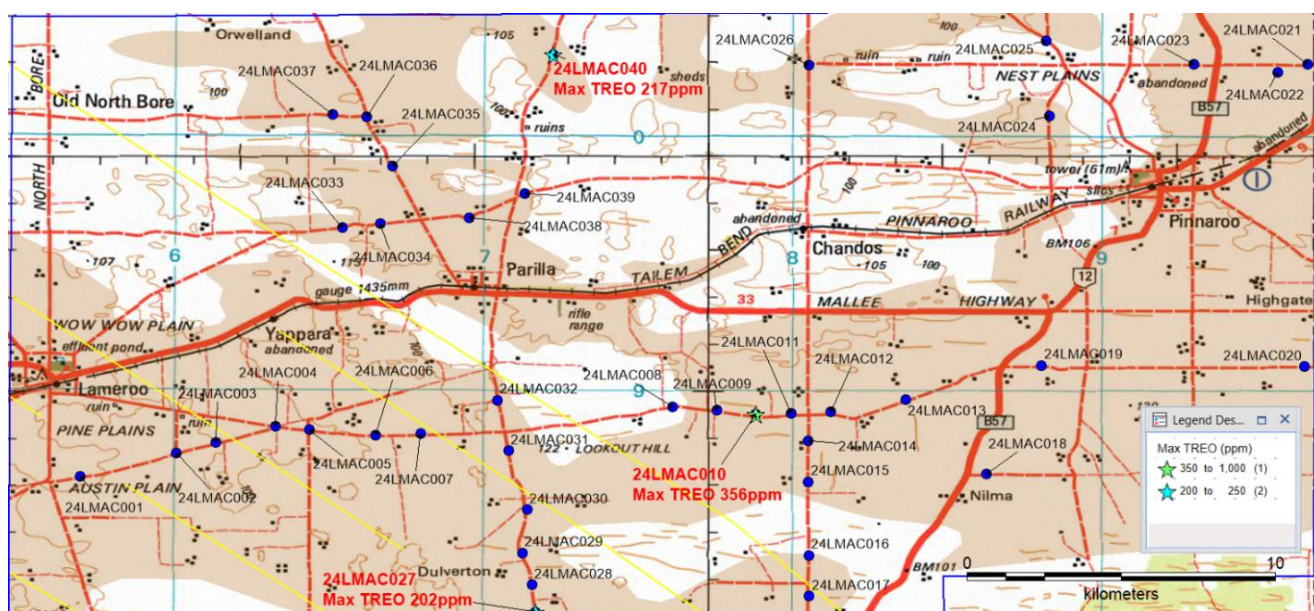


Figure 3: Location of Lameroo Aircore Drill Holes (LM series) within the target Loxton/Parilla Sands (brown) and showing maximum ppm TREO in the hole

REVIEW OF OPERATIONS (continued)

Yilgarn Craton (Gindalbie) Gold and Critical Metals - Western Australia

Canegrass E31/1113 and Holey Dam E27/550

Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

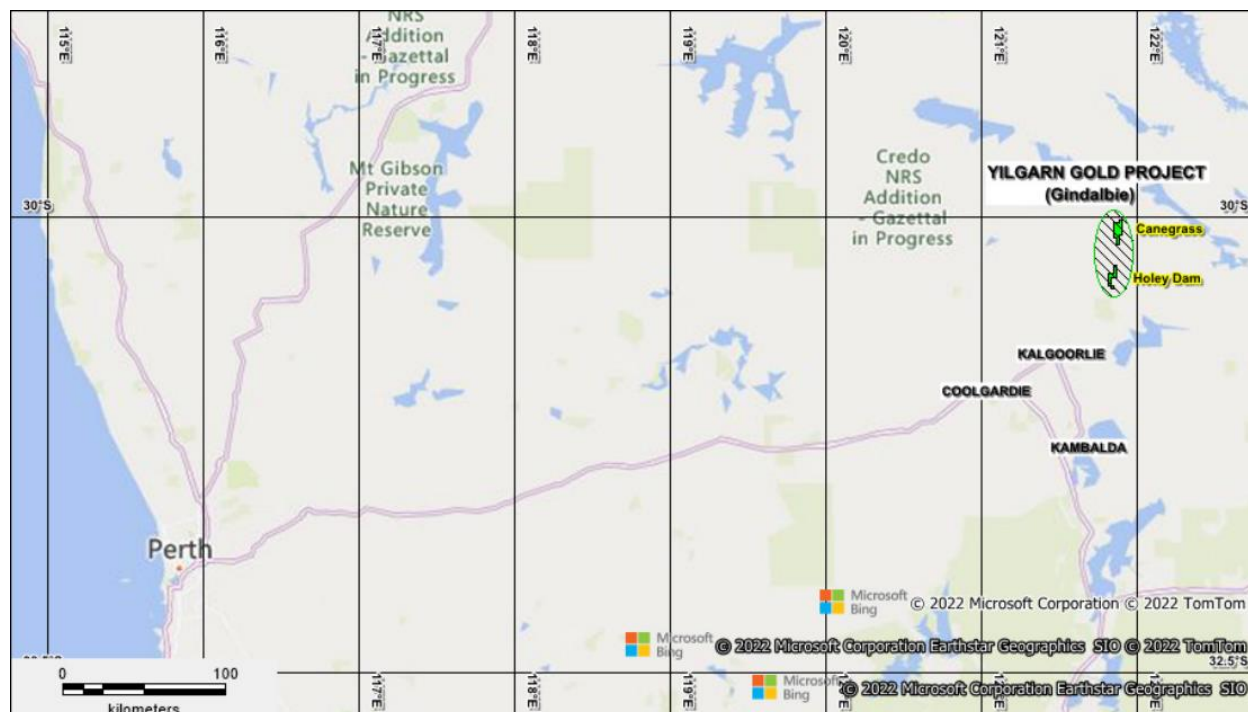


Figure 4: Yilgarn Craton (Gindalbie) Gold Project Tenement Locations

Since grant of the tenements the original focus at the Gindalbie Project was gold exploration and the Company has conducted staged exploration involving geological mapping and soil sampling followed by Vacuum and Aircore drilling and eventually sixteen RC holes between 2022 and 2023 (fourteen in Canegrass and two in Holey Dam). The gold results have not been encouraging. After careful assessment during the period on the risks of continuing gold exploration within the 2 tenements and the associated future costs, the Company has decided not to pursue any gold potential and impair all costs incurred on that gold project to date and redirect exploration activities to Rare Earth Element (REE) exploration within those tenements. In the 2023 RC drilling program there were elevated Total Rare Earth Oxides (“TREO”) results from the saprolite zone overlying altered and veined mafic intrusive/extrusive rocks. The results indicate a potential zone of TREO enrichment at the base of the saprolite clays above partially weathered mafic rocks; a location termed BOCO (Base of Complete Oxidation) and is just above the partially altered basalt or “saprock.” The Company will be having previous Aircore Drill samples reanalysed for a suite of REEs to more fully outline potential zones of REE enrichment for future drill testing.

The results from 2 holes at Holey Dam in 2023² were as follows:

HDRC002

- 4 m composite interval 48 m -52 m returned 451.6 ppm TREO
- 52 m – 56 m returned 453.7 ppm TREO
- 53 m – 54 m returned 757.3 ppm TREO

REVIEW OF OPERATIONS (continued)

HDRC001

- 4 m composite interval 24 m – 28 m returned 591.4 ppm TREO

12 m composite interval 52 m – 64 m returned 477.34 ppm including 1 m @ 609.38 ppm

The 4 m composite intervals were re-sampled in single metre intervals from these zones for a total of 59 samples to further delineate and identify any potentially higher-grade rare earth mineralisation.

The results received in November 2023³ of the single metre intervals re-sampling for Holey Dam were as follows:

- HDRC001: 4 m @ 546 ppm TREO from 24 m - 28 m and 6 m @ 641 ppm TREO from 52 m - 58 m including 1 m @ 866 ppm from 54 m - 55 m.
- HDRC002: 1 m @ 586 ppm TREO from 20 m - 21 m and 5 m 628 ppm TREO from 48 m to 54 m including 1 m @ 709 ppm TREO from 50 m - 51 m and 1 m @ 850 ppm TREO from 53 m - 54 m.
- High value Battery Metal Elements Pr, Nd, Dy and TB constitute between 20% and 30% of the individual sample assays.

The Company conducted pXRF scans of samples from previously completed Aircore Holes in the Saprolite Zone for a multi element suite including REE minerals Nd, Pr, Ce, La and Y and selected samples for assay at the laboratory. Following review of the results the Company intends to conduct further scanning of samples from past exploration and drilling to test the extent of REE mineralisation.

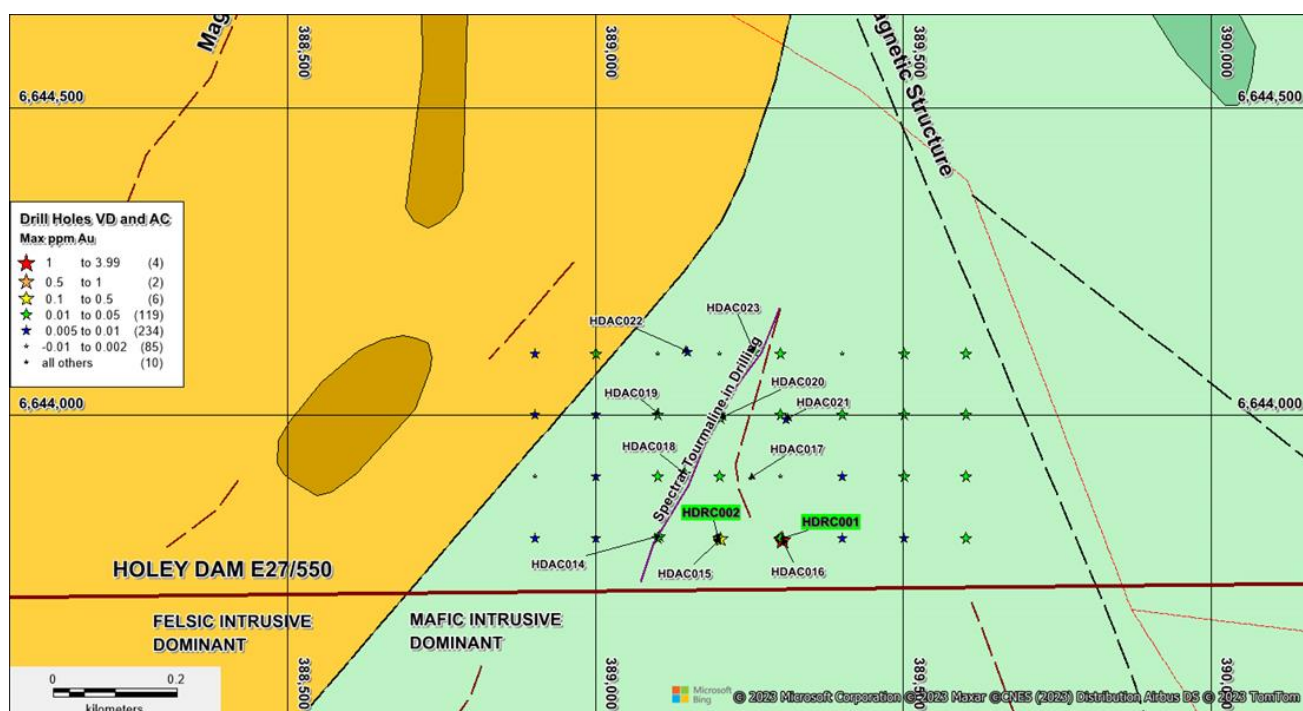


Figure 5: Holey Dam Drill Collar Locations and Interpreted Geology

REVIEW OF OPERATIONS (continued)

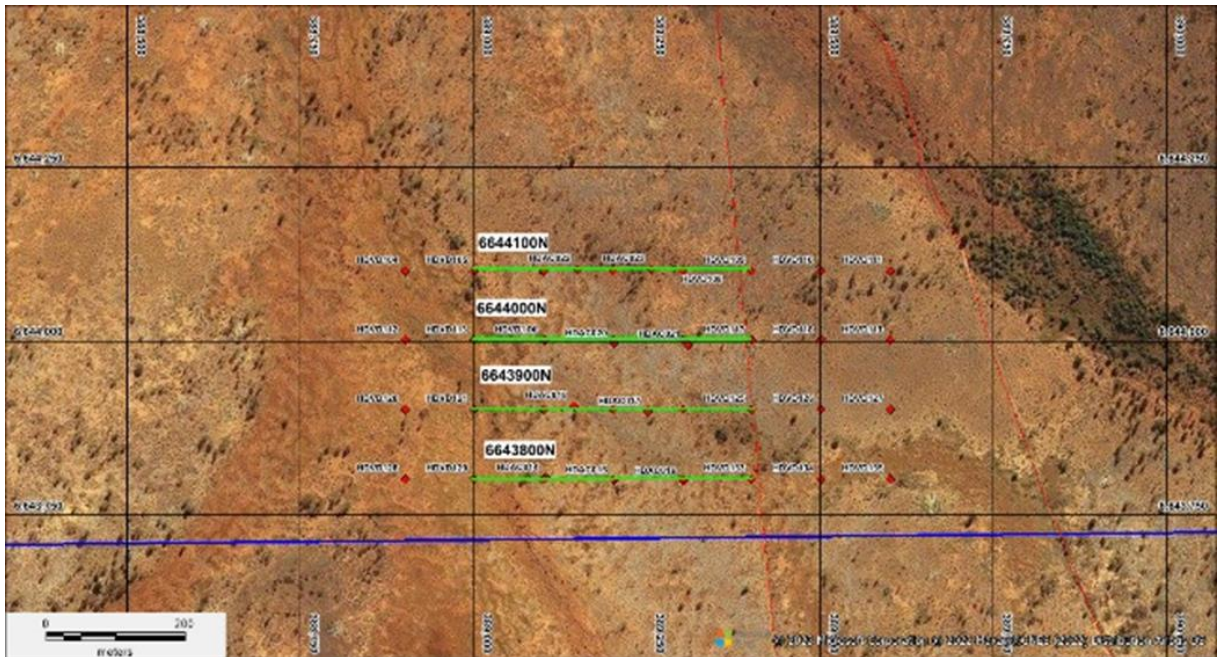


Figure 6: Holey Dam Drill Sections Lines

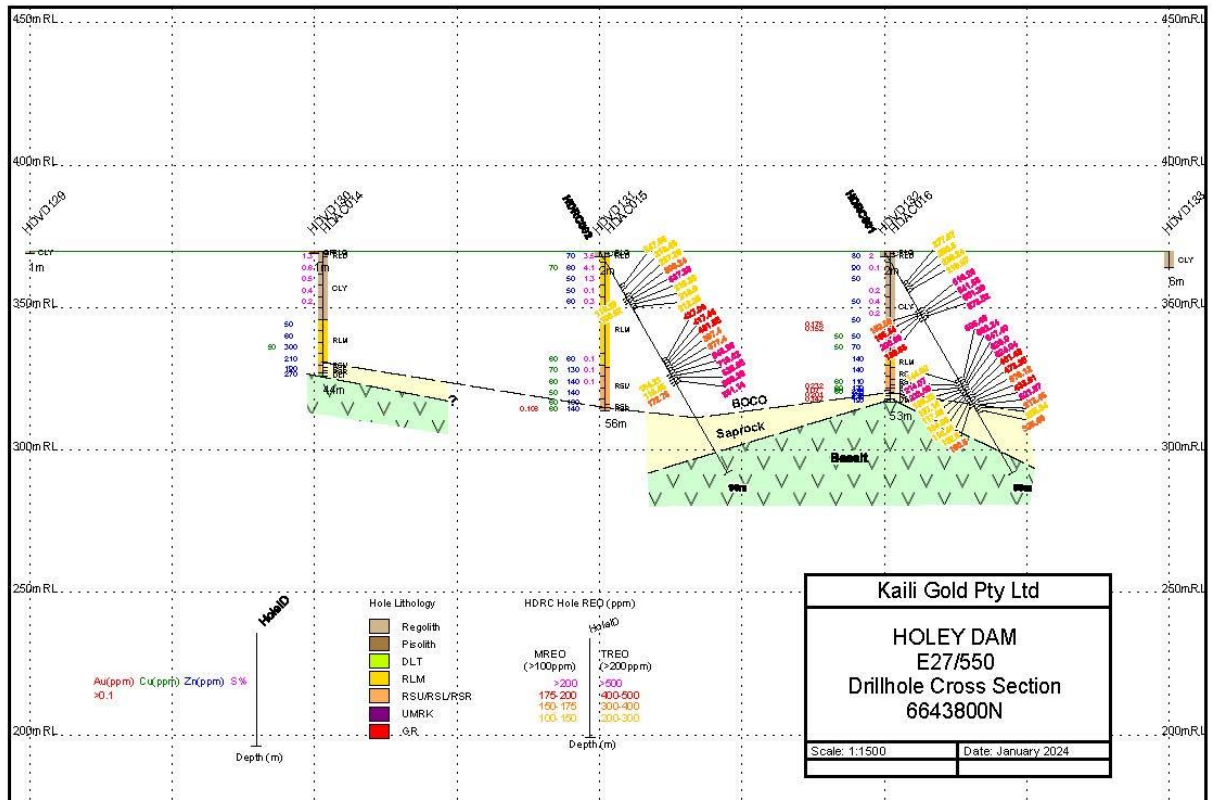


Figure 7: Holey Dam Drill Section 664380

REVIEW OF OPERATIONS (continued)

Halls Creek – Gold/Cobalt/Copper/Nickel Exploration - Western Australia

*Black and Glidden E 80/5112, Carrington E 80/5113, Sandy Creek E 80/5114, and Wild Dog E80/5115
Held 100% by wholly owned subsidiary Kaili Iron Pty Ltd*

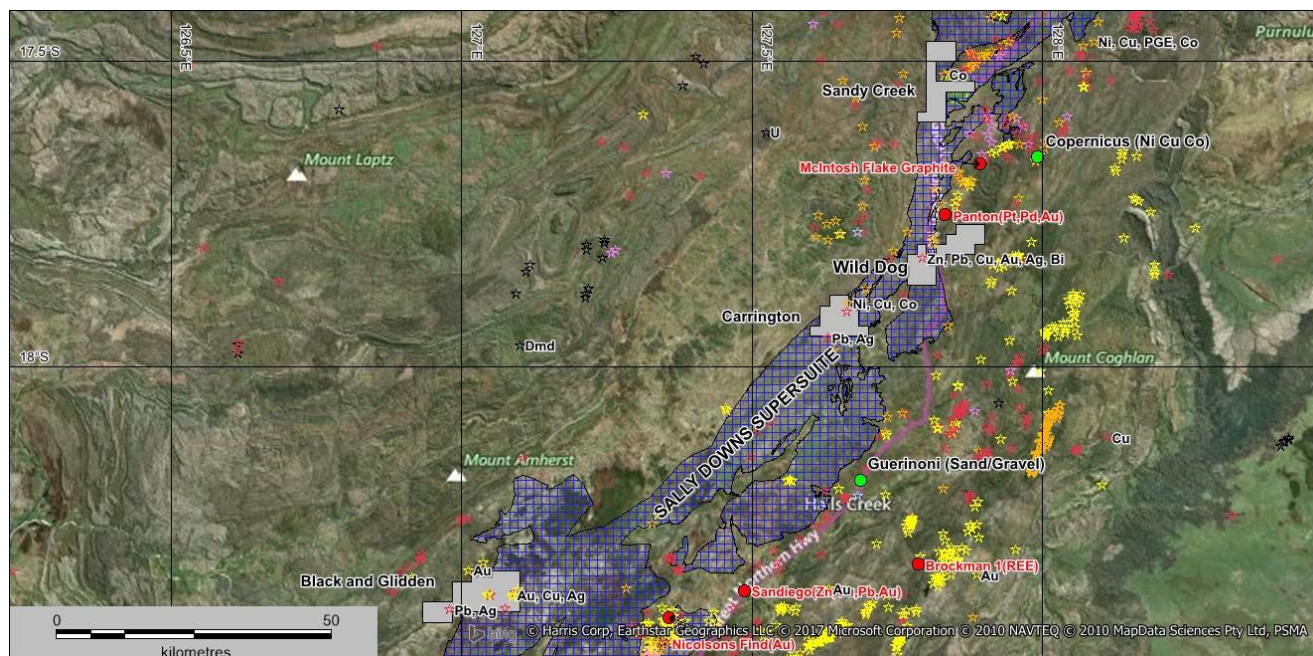


Figure 8: Halls Creek Project showing the 4 tenements located in the vicinity of Halls Creek

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 exploration program in 2021 comprised a series of foot and vehicle traverses in combination with grid-based soil sampling across targets in all four tenements. The soil sampling comprised a series of E-W traverses with samples collected every 50 m. A total of 454 soil samples and 35 rock samples were collected (**Figure 9**).

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)

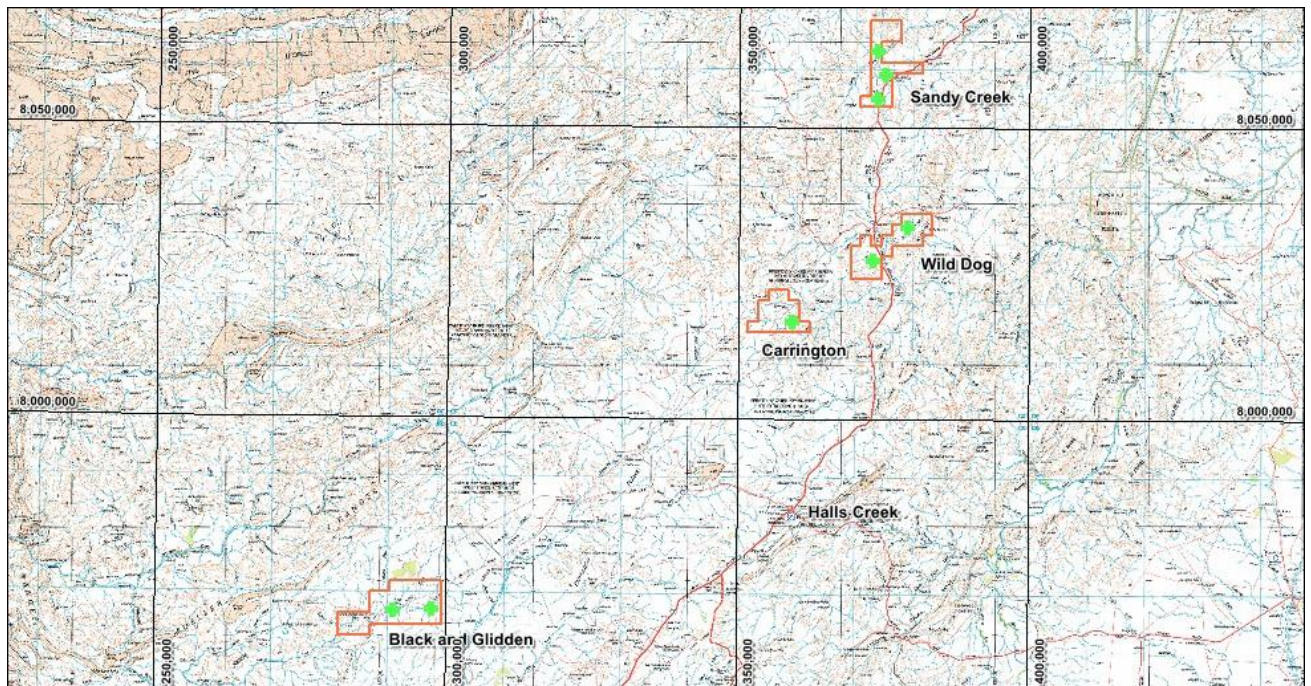
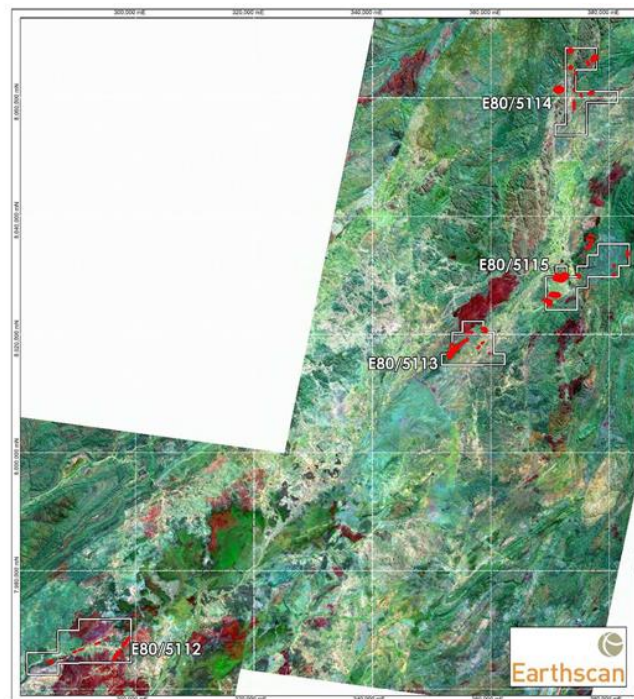


Figure 9: Halls Creek Project showing the locations of the 2021 soil sampling grids in green



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

Figure 10: ASTER Scenes used for the Remote Sensing Study and the alteration targets in red

REVIEW OF OPERATIONS (continued)

A remote sensing study including processing of Landsat and ASTER satellite imagery was 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.

Since the 2021 grid-based soil sampling the Company has submitted work programs for the four tenements to the Kimberley Land Council (KLC) for review with the native title groups. Access to the grounds for the next phase of field exploration required satisfaction of heritage management obligations with the KLC and native title groups.

The Traditional Owners requested site heritage surveys over all proposed exploration areas prior to any on-ground low impact surficial exploration (soil/rock sampling and geological mapping) commencing, with exploration to commence following receipt of the final Heritage Report. Some areas for the planned field work are not accessible by road and will require several trips by helicopter to complete the Heritage Survey thus requiring considerable exploration expense prior to commencement of on-ground exploration. The logistics of the Heritage Surveys have not yet been finalised with the Traditional Owners. Having regards to the potential high costs for initial exploration in remote green fields areas where the potential is yet unknown the Company will be seeking joint venture partners to share in the costs. As active exploration will be subject to financing the accumulated exploration expenditure has been impaired.

Tennant Creek – Gold and Copper Exploration - Northern Territory Kovacs ELA 32666

Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

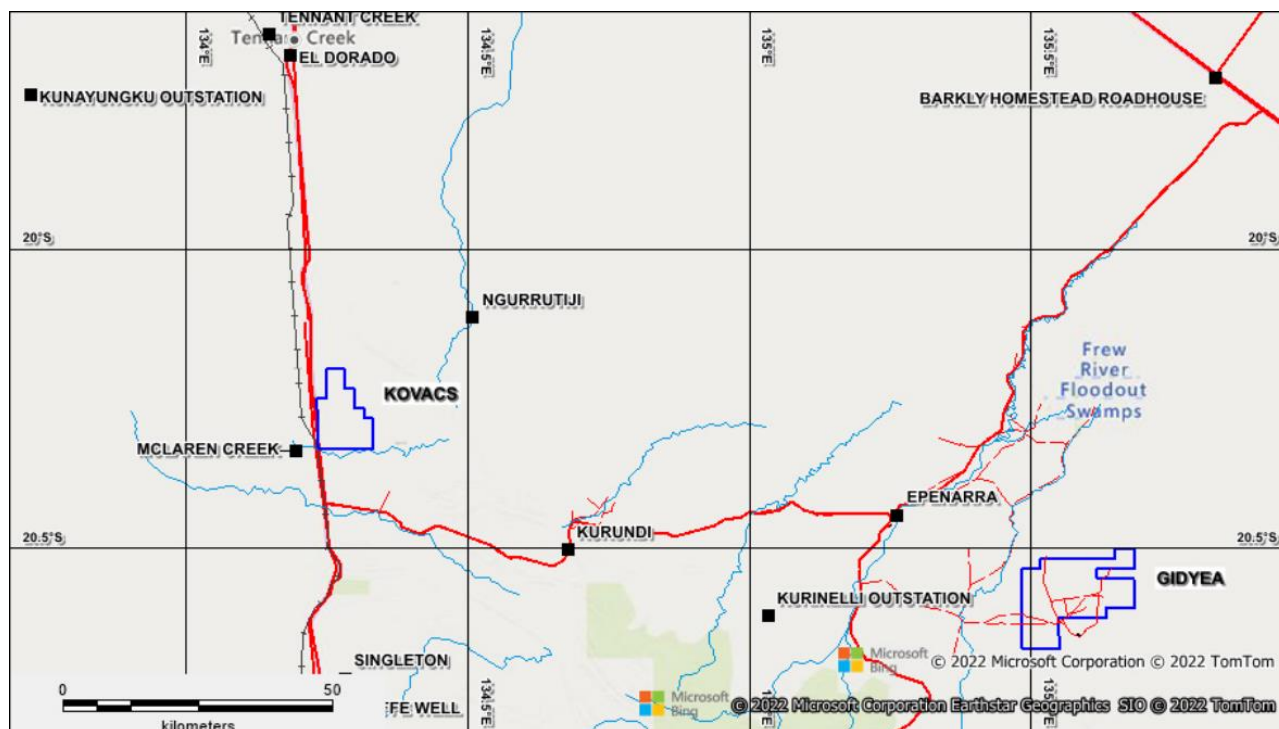


Figure 11: Regional Tenement Location SE of Tennant Creek – Kovacs

REVIEW OF OPERATIONS (continued)

The Company awaits the grant of the exploration licence under application ELA 32666 Kovacs south of Tennant Creek lodged in February 2021.

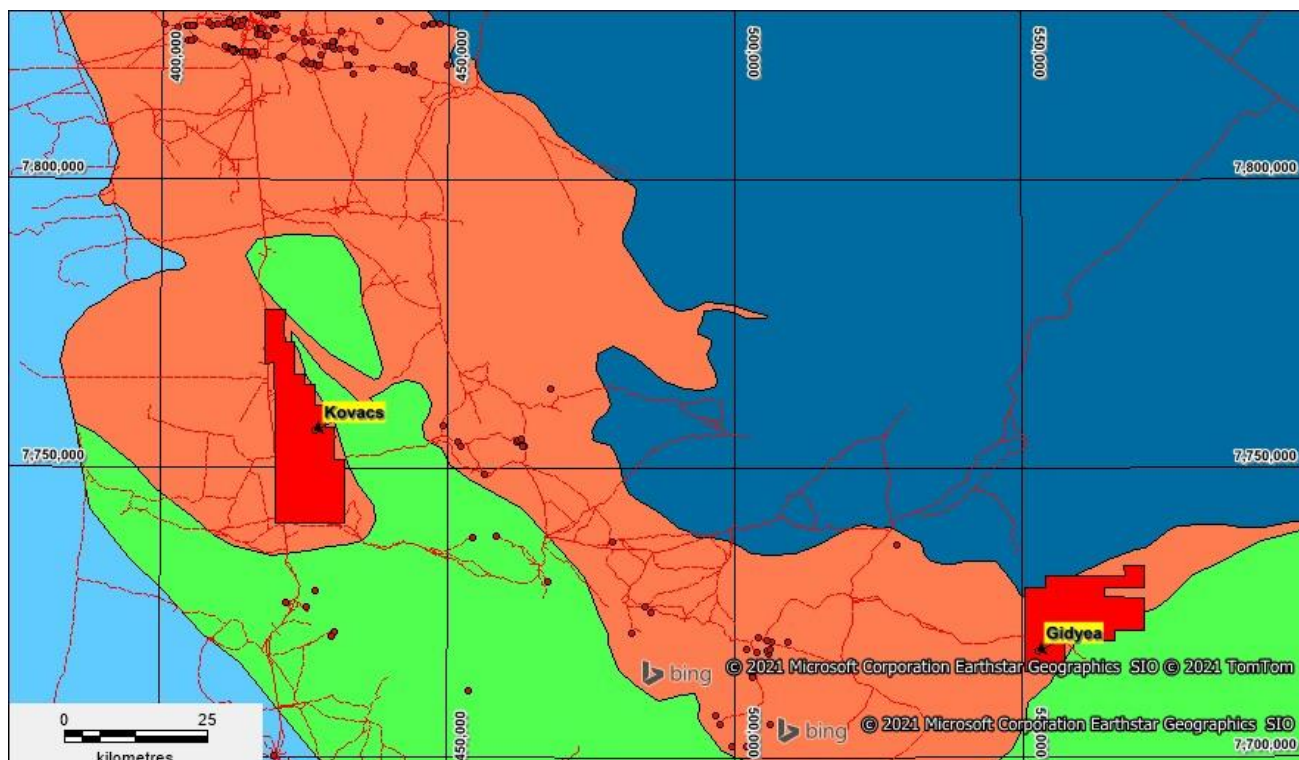


Figure 12: Regional Geological Location SE of Tennant Creek – Kovacs

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

Historic Production of the Region

Since 1932 the Tennant Creek goldfield has produced more than 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 twelve 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.

REVIEW OF OPERATIONS (continued)

Technical Releases since 1 January 2024

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:

31 January 2024	Quarterly Activities/Appendix 5B Cash Flow report
5 February 2024	Drilling Commenced in Limestone Coast SA for REEs
7 February 2024	REEs Drilling completed at Lameroo SA
19 February 2024	2 New Tenements Granted for REE Exploration in SA
25 March 2024	Drilling Results on REEs at Lameroo SA
29 April 2024	Quarterly Activities/Appendix 5B Cash Flow report
30 July 2024	Quarterly Activities/Appendix 5B Cash Flow report

See the Company ASX Announcements of

¹25 March 2024

²12 October 2023

³20 November 2023.

⁴8 September 2021

REVIEW OF OPERATIONS (continued)

LICENCES STATUS

Minerals tenements and applications for tenements held at 30 June 2024 and at the date of this report and acquired or disposed of during and since the half year ended 30 June 2024 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	
31/08/2018	E80/5112	Black and Glidden	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	104.0	Expiry on 30/08/2028	
31/08/2018	E80/5113	Carrington	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	52.1	Expiry on 30/08/2028	
31/08/2018	E80/5114	Sandy Creek	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	65.3	Expiry on 30/08/2028	
31/08/2018	E80/5115	Wild Dog	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	71.1	Expiry on 30/08/2028	
19/10/2022	EL6856	Lameroo	Rare Earth	SA - Murray Basin	Kaili Gold Pty Ltd	100%	991.0	Expiry on 18/10/2028	
15/02/2024	EL 6977	Karte	Rare Earth	SA - Murray Basin	Kaili Gold Pty Ltd	100%	590.0	Expiry on 14/02/2030	
15/02/2024	EL 6978	Coodalya	Rare Earth	SA - Murray Basin	Kaili Gold Pty Ltd	100%	408.0	Expiry on 14/02/2030	
Under application	ELA32666	Kovacs	Gold/Base Metals	NT-Warramunga Province	Kaili Gold Pty Ltd	100%	271.7	Application submitted 23/02/2021	
							Total	2,630.2	

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 loss of \$2,380,808 (2023: profit \$30,992) including impairment of exploration and evaluation expenditure of \$1,559,460 (2023: Nil) and adjustment to borrowings at amortised cost of \$579,645 (2023: gain on borrowings at amortised cost \$256,032).

Financial Position

Cash and cash equivalents at 30 June 2024 were \$62,203 (31 December 2023: \$425,401) with total current assets of \$70,572 (31 December 2023: \$483,815).

Current liabilities at 30 June 2024 increased to \$4,520,360 from \$154,322 at 31 December 2023, mainly due to unsecured and interest free loan and amounts owing under the financial support from a related party of \$4,388,440 due for repayment on 1 April 2025 being reclassified to current liabilities.

Net liabilities increased from \$1,847,847 at 31 December 2023 to \$4,228,655 at 30 June 2024 due to loss for the period.

Cash Flows

Operating activities resulted in net outflow of \$209,203 (2023: \$209,502) 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 subject to financing. 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 2024.

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 2024 was \$2,380,808 (2023: profit \$30,992).

Review of Operations

A review of operations for the half-year ended 30 June 2024 is set out on pages 3 to 15.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 17, 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 2024

**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 2024 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 2024

**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 21 to 30, which comprises the consolidated statement of financial position as of 30 June 2024, 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 2024, 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.

Yitai Group (Hongkong) Co. Ltd, a related company of Inner Mongolia Yitai Investment Co., Limited, the ultimate parent company will continue to provide financial support to the group, to 1 April 2025.

Yitai Group (Hongkong) Co. Ltd has advised the Company that it will not extend the loan past maturity date 1 April 2025 and has agreed to convert the debt into fully paid ordinary shares and other equity instruments, prior to the maturity date.

As stated in Note 4, the directors have assessed the uncertainties relating to the likelihood of securing additional funding, and are of the opinion that the Group will continue to operate as a going concern for the foreseeable future.

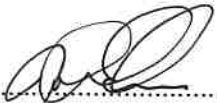
In the event the assumptions underpinning the basis of preparing the financial statements on a going concern basis do not occur, then there is material uncertainty whether the Group will continue to operate as a going concern.

We draw attention to Note 8, the Directors have reviewed the carrying value of exploration and evaluation expenditure at 30 June 2024 and based on the Group's accounting policy for exploration and evaluation expenditure have impaired the capitalised expenditure in the amount of \$1,559,460.

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 2024 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".



JOHN F SHUTE
Chartered Accountant

Dated: 13th September 2024

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 2024 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 2024

**Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For The Half-Year Ended 30 June 2024**

	Note	30 June 2024 \$	30 June 2023 \$
Other revenue			
Other	6	-	256,032
Expenses			
Depreciation		(7,561)	(8,302)
Employee benefits		(38,489)	(41,177)
Impairment of exploration and evaluation expenditure	8	(1,559,460)	-
Adjustment to borrowings at amortised cost	10	(579,645)	-
Project costs		(3,615)	(990)
Other	7	(192,038)	(174,571)
(Loss)/Profit before income tax expense		(2,380,808)	30,992
Income tax		-	-
(Loss)/Profit for the period		(2,380,808)	30,992
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/profit for the period		(2,380,808)	30,992
(Loss)/Profit attributable to:			
- members of the Parent Entity		(2,380,808)	30,992
Total comprehensive (loss)/profit attributable to:			
- members of the Parent Entity		(2,380,808)	30,992
		Cents	Cents
(Loss)/Earnings per share			
Basic and diluted (loss)/earnings per share		(1.62)	0.02

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position

As At 30 June 2024

		30 June 2024	31 December 2023
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		62,203	425,401
Trade and other receivables		8,370	10,213
Prepayments		-	48,201
TOTAL CURRENT ASSETS		70,573	483,815
NON-CURRENT ASSETS			
Property, plant and equipment		41,651	49,212
Financial assets		10,000	10,000
Exploration and evaluation expenditure	8	169,481	1,583,567
TOTAL NON-CURRENT ASSETS		221,132	1,642,779
TOTAL ASSETS		291,705	2,126,594
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	106,789	141,255
Provisions	11	25,131	13,067
Borrowings	10	4,388,440	-
TOTAL CURRENT LIABILITIES		4,520,360	154,322
NON-CURRENT LIABILITIES			
Provisions	11	-	11,324
Borrowings	10	-	3,808,795
TOTAL NON-CURRENT LIABILITIES		-	3,820,119
TOTAL LIABILITIES		4,520,360	3,974,441
NET LIABILITIES		(4,228,655)	(1,847,847)
EQUITY			
Issued capital		1,474,004	1,474,004
Reserves		(5,702,659)	(3,321,851)
TOTAL DEFICIT		(4,228,655)	(1,847,847)

The accompanying notes form part of this financial report.

Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2024

	Share capital \$	Share premium \$	Accumulated losses \$	Total \$
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)
Balance at 1 January 2024	1,474,004	24,475,363	(27,797,214)	(1,847,847)
Total comprehensive loss for the period	-	-	(2,380,808)	(2,380,808)
Balance at 30 June 2024	1,474,004	24,475,363	(30,178,022)	(4,228,655)

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

For the Half-Year Ended 30 June 2024

	30 June 2024	30 June 2023
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(209,203)	(209,502)
Net cash used in operating activities	<u>(209,203)</u>	<u>(209,502)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(153,998)	(178,345)
Net cash used in investing activities	<u>(153,998)</u>	<u>(178,345)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash inflow from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash held	(363,201)	(387,847)
Cash and cash equivalents at the beginning of period	425,401	852,770
Effect of exchange rates on cash holding in foreign currencies	3	1
Cash and cash equivalents at the end of period	<u>62,203</u>	<u>464,924</u>

The accompanying notes form part of this financial report.

Notes to Financial Statements For the Half-Year Ended 30 June 2024

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 2024 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 2023 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 2024.

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 2024. 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

During the period the Group has incurred a net loss of \$2,380,808 including impairment of accumulated exploration expenditure of \$1,559,460 and adjustment to borrowings at amortised cost of \$579,645. At balance date the Group had current assets of \$70,573 including cash and cash equivalents of \$62,203, current liabilities of \$4,520,360 including \$4,388,440 of loans and accounts payable by 1 April 2025 to Yitai Group (Hongkong) Co., Limited ("Yitai HK"), a related party of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited. In addition, the Group has an unfulfilled expenditure requirement under its exploration licences of \$310,500 for the next 12 months.

Yitai HK had confirmed financial support to the Group by making available funds of up to \$2.5 million until 1 April 2025, in addition to the fully drawn loan facility of \$2.4 million maturing on 1 April 2025 to ensure that the Group has working capital to be able to pay its debts as and when they fall due, meet its work commitments for the exploration licences and continue as a going concern. The funds provided are unsecured and interest free. At balance date, the Group has drawn \$1,988,440 under that additional financial support facility with \$511,560 available for drawdown until 1 April 2025. On 13 September 2024, Yitai HK has advised it will not extend the maturity date of the loan and financial support and has agreed to convert prior to 1 April 2025 the total debts owing to them at the time of conversion into new fully paid

Notes to Financial Statements For the Half-Year Ended 30 June 2024

ordinary shares and other equity instruments of the Company at a price and terms and conditions to be agreed subject to approvals as required by law and the Australian Security Exchange (“ASX”) listing rules acknowledging that their total shareholding in the Company may not exceed 80% of the issued capital of the Company after this conversion of debt to shares for the continued quotation of the Company on ASX.

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. To continue as a going concern, the Group requires additional funding to be secured from sources including but not limited to:

- New borrowings in addition to remaining availability of finance facility from Yitai YK;
- New equity capital raising;
- Successful development of its current and future projects;
- the sale of its interest in current exploration projects.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding, the Group’s ability to effectively manage their expenditures and cash flows from operations and the opportunity to sell or farm out interests in existing permits, the Directors believe that the Group will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there is material uncertainty whether the Group will continue to operate as a going concern. If the Group is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

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 2023.

Impairment

The Directors have reviewed the carrying value of exploration and evaluation expenditure at 30 June 2024 and based on the Group’s accounting policy for exploration and evaluation expenditure and in accordance with the requirements of AASB 6 – Exploration and Evaluation of Mineral Resources, have impaired the capitalised expenditure in the amount of \$1,559,460.

Notes to Financial Statements For the Half-Year Ended 30 June 2024 (continued)

	30 June 2024	30 June 2023
	\$	\$
Note 6 – Other income		
Gain on borrowings at amortised cost	-	256,032

Note 7 – Other expenses from ordinary activities

Audit fees	6,800	7,900
Consulting fees	43,930	31,727
Contractor payments	31,200	26,000
Internet and website maintenance	2,325	625
Legal and professional fees	36,244	44,349
Listing fees	846	850
Motor vehicle expenses	5,136	6,071
Registration fees and charges	37,249	35,780
Travel and accommodation	8,786	-
Share registry	5,158	5,076
Other	14,364	16,193
	<u>192,038</u>	<u>174,571</u>

30 June	31 December
2024	2023
\$	\$

Note 8 – Exploration and evaluation expenditure

At cost:		
Balance at beginning of period/year	1,583,567	1,157,658
Additions	145,374	461,067
Impairment	(1,559,460) ¹	(35,158) ²
Balance at end of period/year	<u>169,481</u>	<u>1,583,567</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 14.

The Company has assessed the results to date of gold exploration, the potential for future gold discovery and financing requirements at the tenements in the Gindalbie gold exploration project and has impaired the total amount of \$1,067,814 for gold exploration expenditure accumulated under that project. The Company will commence new activities in exploration for rare earth elements within those tenements.

Notes to Financial Statements For the Half-Year Ended 30 June 2024 (continued)

The total amount of \$491,646 in exploration expenditure accumulated to date at the Halls Creek gold and base metals project has been impaired in view of the uncertainty to secure financing to actively explore within the remote areas which present access difficulties and high cost of operations. The Company will seek joint venture partners to contribute in future exploration activities.

¹ Impairment in accordance with AASB 6 considered on a project by project basis.

² Impairment recognised on licence relinquished during the year.

	30 June 2024	31 December 2023
	\$	\$
Note 9 – Trade and other payables		
Trade and other payables*	97,640	120,402
Accrued expenses	9,149	20,853
	<u>106,789</u>	<u>141,255</u>

*Included is an amount of \$60,000 owing to a service provider who has agreed to settle for fully paid ordinary shares in the Company subject to agreement on price per share and the shares continued quotation on Australian Securities Exchange.

Note 10 – Borrowings**Current**

Borrowings at amortised cost at beginning of period	3,808,795	-
Add: Adjustment to borrowings at amortised cost ¹	579,645	-
Unsecured borrowings from a related party at end of period	<u>4,388,440</u>	<u>-</u>

¹The adjustment to borrowings at amortised cost arose from the difference between the net present value at 31 December 2023 of the interest-free borrowings to be settled on 1 April 2025 and the contractual settlement amount. The borrowings have been reclassified to current liabilities at contractual settlement amount as they are due within 12 months of balance date.

Non-Current

Unsecured borrowings from a related party at beginning of year	-	4,388,440
Less: Gain on borrowings at amortised cost	-	(579,645)
Borrowings at amortised cost at end of year	<u>-</u>	<u>3,808,795</u>

Yitai Group (Hongkong) Co., Limited, a related party of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited had provided the Company a loan facility of \$2.4 million due for repayment on 1 April 2025 and had confirmed financial support up to \$2.5 million until 1 April 2025. The funds advanced under the loan and under financial support are unsecured and interest free. At balance date the Group has drawn \$1,988,440 under the additional financial support facility with \$511,560 available for drawdown until 1 April 2025. In August 2024 an amount of \$17,394 was drawn reducing the amount available for drawdown until 1 April 2025 to \$494,166.

Notes to Financial Statements For the Half-Year Ended 30 June 2024 (continued)

In September 2024, Yitai Group (Hongkong) Co., Limited has advised it will not extend the maturity date of the loan and financial support.

	30 June 2024	31 December 2023
	\$	\$
Note 11 – Provisions		
Current		
Annual leave entitlements	13,126	13,067
Long service leave entitlements ¹	12,005	-
	<u>25,131</u>	<u>13,067</u>
Non-Current		
Long service leave entitlements ¹	-	<u>11,324</u>

¹ Non-current long service leave entitlements were transferred to current provisions during the period.

Note 12 – 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 13 – Commitments**Exploration Expenditure Commitments**

The Group holds nine 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 2024	31 December 2023
	\$	\$
Within twelve months	310,500	209,000
Twelve months or longer and not longer than 5 years	1,265,000	1,320,000
	<u>1,575,500</u>	<u>1,529,000</u>

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

Note 14– Contingent Liabilities

At balance date, the Group has given guarantees totalling \$30,000 (31 December 2023: \$30,000) for compliance with the conditions of the exploration licences granted in Western Australia.

Notes to Financial Statements For the Half-Year Ended 30 June 2024 (continued)

Note 15– Related Party Transaction

The Group engaged Vincerek Pty Ltd, an associate of Director Mr. Long Zhao, to provide general administration services for compensation of \$1,200 per week. The engagement may be terminated by either party with one month notice. For the half year ended 30 June 2024, a total charge of \$31,200 (2023: \$26,000) for the services was recognised and \$37,120 has been paid including for the services provided in prior periods with the amount of \$4,800 owing at balance date.

Note 16– 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:

On 13 September 2024, Yitai Group (Hongkong) Co., Limited (“Yitai HK”), a related party of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited advised it will not extend beyond 1 April 2025 the maturity date of the loan and financial support it has provided to the Company. Yitai HK has agreed to convert prior to 1 April 2025 the total debts owing to them at the time of conversion into new fully paid ordinary shares and other equity instruments of the Company at a price, and terms and conditions to be agreed subject to approvals as required by law and the Australian Security Exchange (“ASX”) listing rules. Yitai HK has also acknowledged that their total shareholding in the Company may not exceed 80% of the issued capital of the Company after this conversion of debt to shares for the continued quotation of the Company on ASX.