

**KAILI RESOURCES LIMITED
AND CONTROLLED ENTITIES**

ARBN 077 559 525

**Half-Year Financial Report
30 June 2022**

CONTENTS

	Page
Corporate Directory	2
Review of Operations	3
Directors' Report	31
Auditor's Independence Declaration	32
Independent Auditor's Review Report	33
Directors' Declaration	35
Consolidated Statement of Profit or Loss and Other Comprehensive Income	36
Consolidated Statement of Financial Position	37
Consolidated Statement of Changes in Equity	38
Consolidated Statement of Cash Flows	39
Notes to Consolidated Financial Statements	40

CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Long Zhao

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Auditor

John Shute
Chartered Accountant
Suite 605
321 Pitt Street
Sydney NSW 2000
Australia

Home Stock Exchange

ASX Limited
20 Bridge St
Sydney NSW 2000
Australia

ASX Code: KLR

Principal Registry and Transfer Office

Butterfield Corporate Services Ltd

The Rosebank Centre
14 Bermudiana Road
Pembroke HM08
Bermuda

Telephone: +441 295 1111

Branch Share Register and Transfer Office

Computershare Investor Services Pty Limited

Level 3, 60 Carrington Street
Sydney NSW 2000
Australia

Telephone: +612 8234 5000

Representative Office in Australia

Suite 1312
87-89 Liverpool Street
Sydney NSW 2000
Australia

Telephone: +61 2 9264 6288

Website

www.kailigroup.com.au

REVIEW OF OPERATIONS

EXPLORATION HIGHLIGHTS

Yilgarn Craton (Gindalbie) Gold Exploration Project in Western Australia

A 612 m drilling program comprising seven (7) Reverse Circulation (RC) holes has been completed within the Canegrass tenement. Elevated gold intersections >0.25 g/t Au were obtained in most drill holes with the southern-most line having 4 m composite intersections of 0.6 g/t Au and 0.5 g/t Au in addition to other intersection to 1 m @ 1.4 g/t Au and 1m @ 3.99 g/t Au. An Induced Polarisation (IP) survey is planned for the end of 2022 to cover the area of the RC drilling and the broader aeromagnetic low to delineate any significant conductive targets for follow up RC drilling.

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

Plans were prepared for field surficial geochemical exploration in the half year to follow up the initial 2021 field work. Unavailability of helicopter services for sites access in that next phase has required deferral of commencement to September 2022. But in August 2022 the field work has been further postponed to 2023 in order to first complete heritage management obligations required by the Kimberley Land Council to satisfy relevant native title groups. However, the planned remote sensing study including processing of satellite imagery was completed in August 2022.

Tennant Creek Gold/Base Metals Exploration Project in Northern Territory

Planning of initial exploration commenced for the newly granted Gidyea tenement (EL 32665). The plan for reconnaissance mapping and sampling with a view to start in April 2023 will be discussed with the Traditional Owners and Central Land Council at a meeting scheduled for October 2022.

Lameroo Rare Earth Elements Exploration Project in South Australia

In August 2022, wholly owned subsidiary Kaili Gold Pty Ltd has applied for an exploration licence within the Loxton Sands in the Murray Basin in South Australia for exploration of Rare Earth Elements.



Figure 1: Kaili Resources project locations

REVIEW OF OPERATIONS (continued)

Yilgarn Craton (Gindalbie) Gold Project in Western Australia

Canegrass E31/1113 and Holey Dam E27/550 are held 100% by wholly owned subsidiary Kaili Gold Pty Ltd.

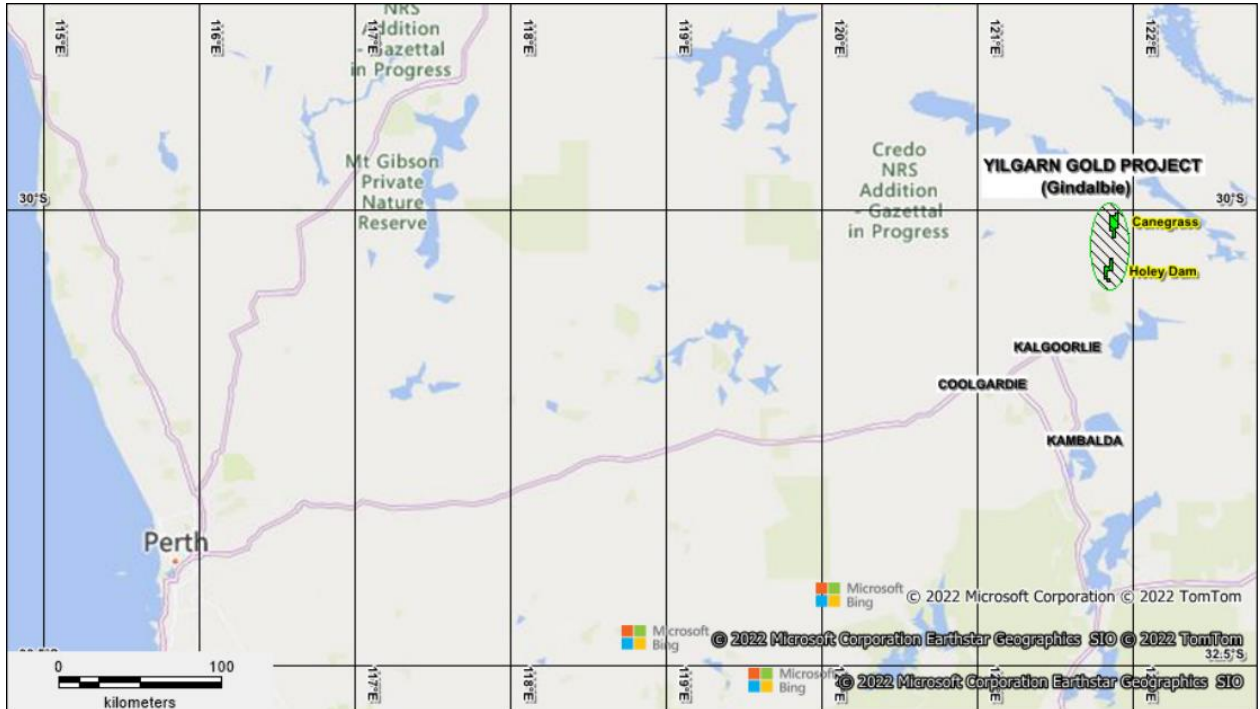


Figure 2: Yilgarn Craton Gold Project Tenement Locations

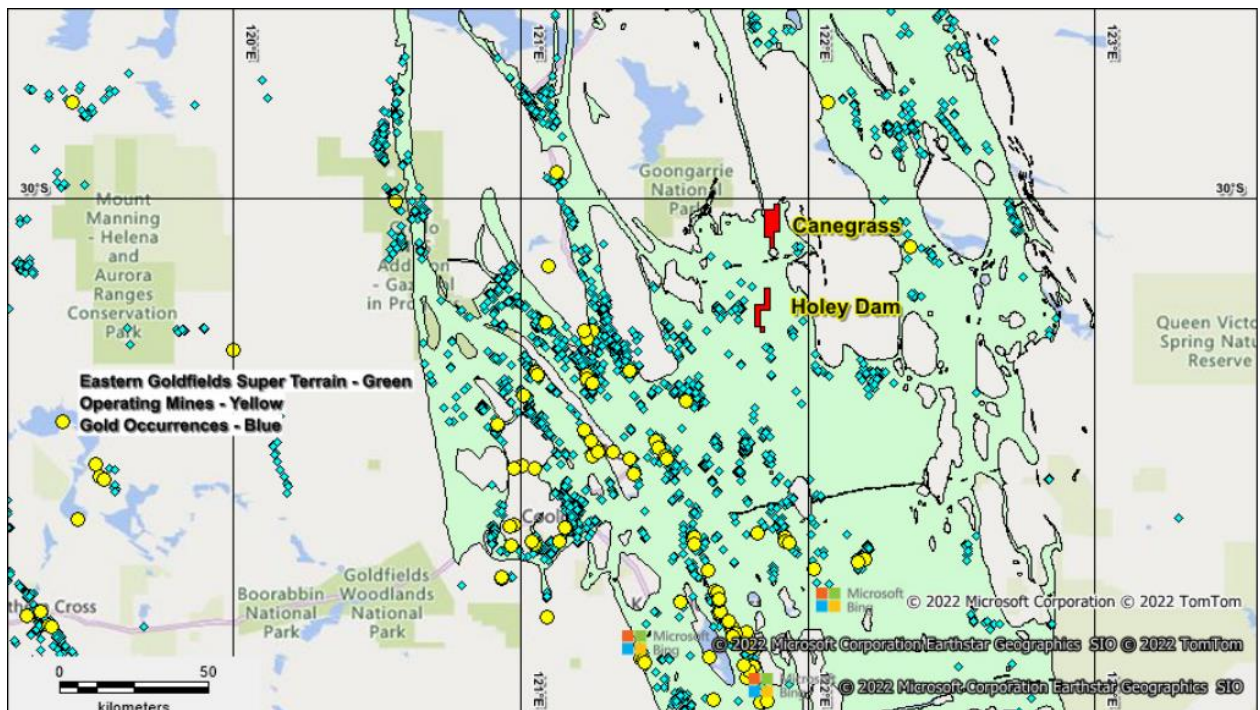


Figure 3: Eastern Goldfields Super Terrain and Operating Mines of Third Parties

REVIEW OF OPERATIONS (continued)

Drilling at Canegrass

In February 2022, the Company completed a 7-hole drilling program at Drilling Area F (**Figure 4**) within the Canegrass tenement (**Figures 2 and 3**) of the Gindalbie Gold Project in the Yilgarn Craton in Western Australia (WA). The planned program was for 90 m per hole for a total of 630 m. However, hole CGRC004 was terminated at 72 m due to a high percentage of clay that could not be drilled. That hole was at an adequate depth to test the target given that all the other drill holes reached their planned depth of 90 m.

The Company has been fortunate in engaging an experienced Kalgoorlie based field crew and drilling team to complete the planned drilling with minimal delays in the then prevailing environment of Covid-19 pandemic with inter-state border closures, restrictions for the Company's Sydney based personnel to travel to WA and lack of readily available drillers. The drilling program was managed by geological consultancy BMGS using Goldfields Drilling.

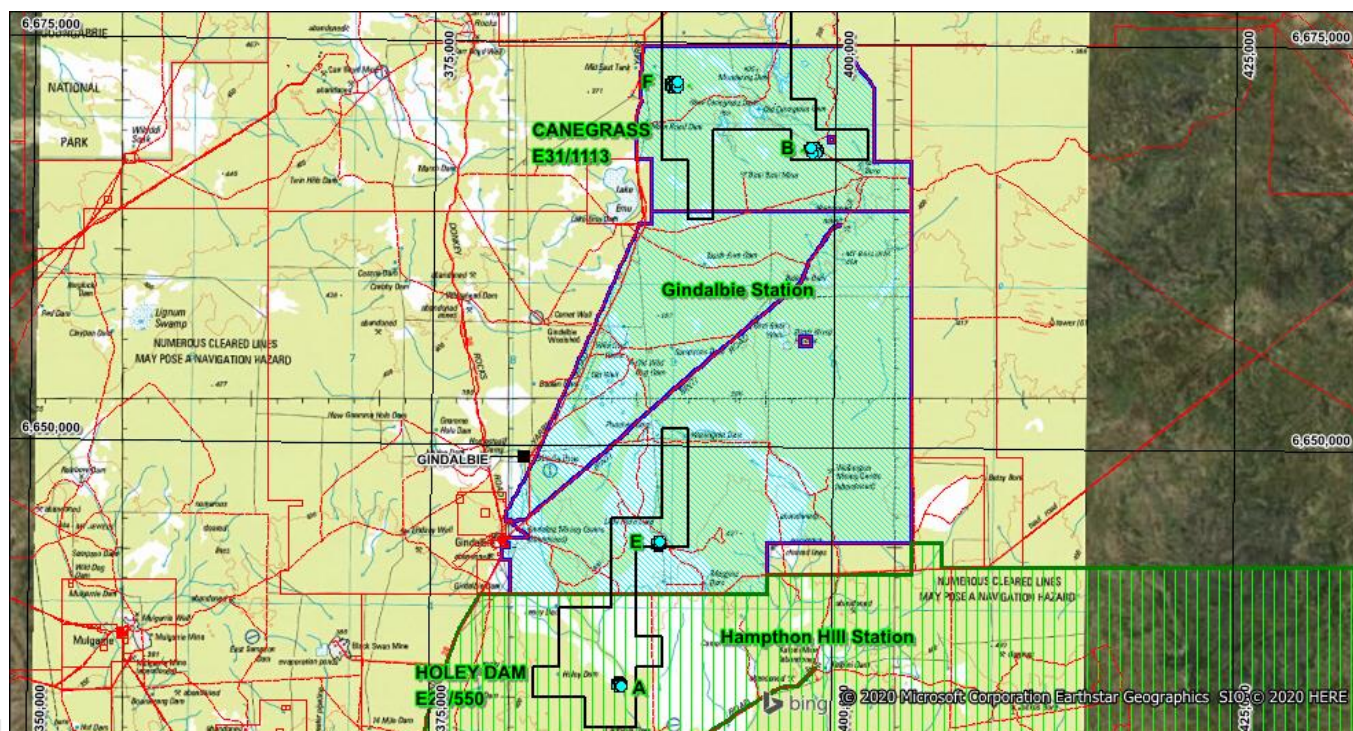


Figure 4: Location of drill area CG_F within the Canegrass Tenement

Drilling Area F is shown in **Figure 4** within the area situated in Gindalbie Station and E31/1113. A shallow (average drilling depth of 7 m) vacuum drilling was completed in 2019 (see **ASX Releases of 12th and 17th September 2019**) across the Holey Dam and Canegrass tenements to look for gold geochemical signatures beneath transported overburden. The program was followed by deeper (average depth of 45 m) Aircore drilling in 2020 (see **ASX Releases of 17th and 21st September 2020 and 3rd December 2020**) at 4 target prospects shown in **Figure 4**. Of these 4 targets Prospect CG_F (Canegrass Area F) was chosen for the RC drill testing using 3 drill lines.

REVIEW OF OPERATIONS (continued)

Northing_GDA94_Zone51	Easting_GDA94_Zone51	Prospect	Hole ID	Tenement	Drill_Type	Depth m	Inclination	Azimuth(magnetic)
6672250	389975	CG_F	CGR001	Canegrass EPM 31 1113	RC	90	-60	270
6672250	389925	CG_F	CGR002	Canegrass EPM 31 1113	RC	90	-60	270
6672200	390000	CG_F	CGR003	Canegrass EPM 31 1113	RC	72	-60	270
6672200	389950	CG_F	CGR004	Canegrass EPM 31 1113	RC	90	-60	270
6672200	389900	CG_F	CGR005	Canegrass EPM 31 1113	RC	90	-60	270
6672150	389975	CG_F	CGR006	Canegrass EPM 31 1113	RC	90	-60	270
6672150	389925	CG_F	CGR007	Canegrass EPM 31 1113	RC	90	-60	270
						612		

Table 1: Canegrass Target Area F Drill Collars

Canegrass Prospect CG_F lies on the Emu Fault shown in **Figure 3** which transgresses the Canegrass tenement from North to South. There is a group of several historical gold workings located to the north and just outside the Canegrass tenement (Gindalbie Workings) and they lie adjacent to the Emu Fault. The key gold mineralised intersections are shown in **Figure 6** on an RTP Aeromagnetic Image. A drill hole in the center of the southernmost Aircore drilling program within CG_F intersected 4 m @ 0.16 g/t Au from 48-52 m, which included 1m @ 3.96 g/t Au (48-49 m) and 1m @ 0.88g/t (49-50 m) in Aircore Hole CGAC025 which was terminated at 63m down hole. (see **ASX Release of 3rd December 2020**) (in accordance with ASX Listing Rule 5.23 the Company is not aware of any new information or data that materially affects the information included in that announcement).

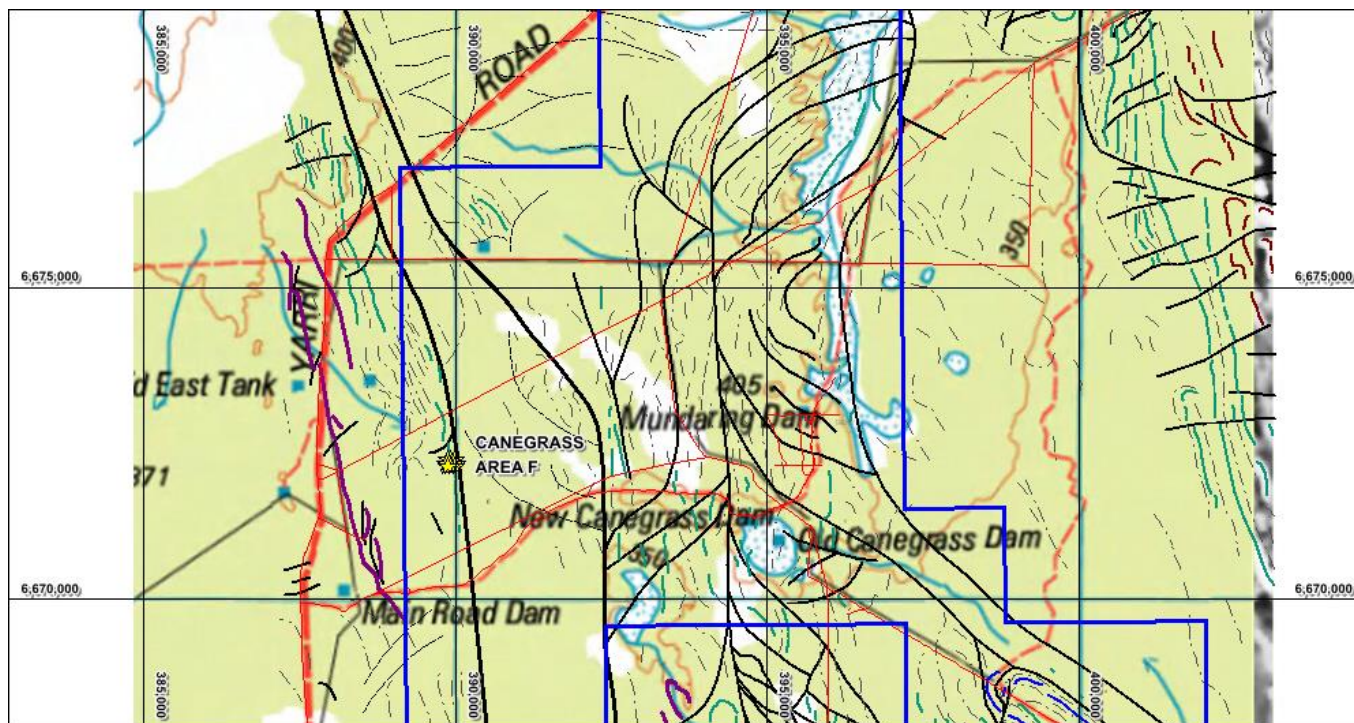


Figure 5: Canegrass CG_F Prospect with structures interpreted from processed aeromagnetics.
Note CG_F is located on the regionally significant Emu Fault

REVIEW OF OPERATIONS (continued)

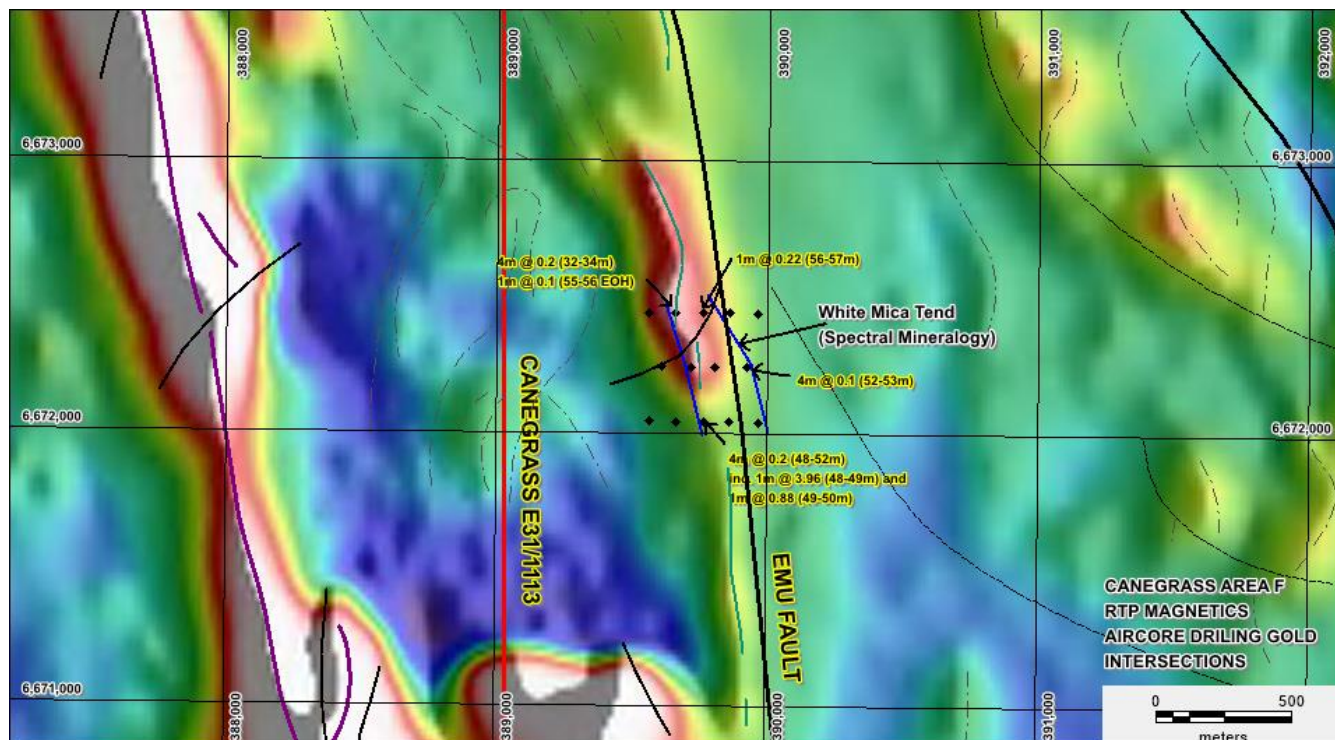


Figure 6: Canegrass CG_F Prospect showing significant Aircore gold drill intersections in yellow

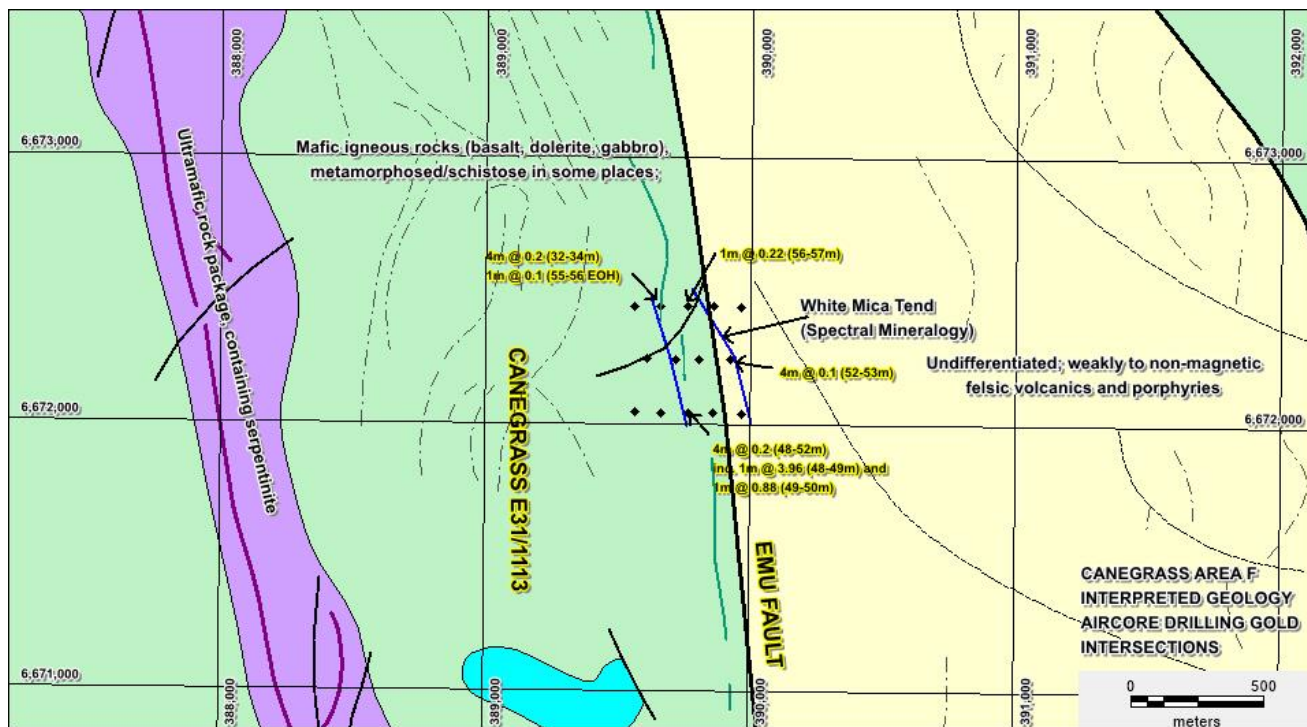


Figure 7: Canegrass CG_F Prospect with structures on interpreted geology

REVIEW OF OPERATIONS (continued)

Figure 7 shows the interpreted geology for CG_F showing the Emu Fault located at the boundary of mafic dominant rocks (basalt and dolerite) to the west and felsic dominant (felsic volcanics and intrusives) rocks to the east. The significant gold intersections are located within the mafic dominant rocks where spectral mineralogy carried out on the drill pulps by ALS Laboratory as part of the geochemical analyses highlighted a white mica (sericite) trend adjacent to the Emu Fault. The program comprised of 3 lines of drilling (**Table 1 and Figure 8**) with one line the same as the southern line of the Aircore Program of 2020 (**Figures 6 and 7**) with two further drill lines 50 m to the north and 50 m to the south (**Figure 8**). The RC drillholes were angled towards 270 degrees as shown in drill section 6672200N in **Figure 12**.



Figure 8: RC Drill Collars with significant gold intersections

Every drilled meter was sampled using the Company's Olympus Delta PXRF. A total of 285 samples was dispatched to ALS Laboratory for gold and multi element analyses. At that time explorers and miners in WA were highly active and high volume of samples were being delivered to the ALS Kalgoorlie facility prolonging turnaround time for results delivery.

The results were announced on the ASX on 4 April 2022 (in accordance with ASX Listing Rule 5.23 the Company is not aware of any new information or data that materially affects the information included in that announcement). Elevated gold intersections >0.25 g/t Au were obtained in most drill holes with the southern-most line having 4 m composite intersections of 0.6 g/t Au and 0.5 g/t Au in addition to other intersection to 1 m @ 1.4 g/t Au. These and other 4 m composite intervals >4 m @ 0.25 g/t Au required re-sampling as 4 x 1 m samples. The association of a significant regional fault, a competency contrast between the mafic and felsic volcanics and elevated gold/pyrite in the RC drilling indicates further drilling may be warranted once all the data has been reviewed along with all historical data (**Figures 9 to 12**).

REVIEW OF OPERATIONS (continued)

Significant gold intervals are shown below:

CGRC001

3 m @ 0.6 g/t 51-53 m including 1 m @ 1.0 g/t 51-52 m

CGRC003

3 m @ 0.38 g/t 69-71 m

CGRC004

1 m @ 0.32 g/t 62-63 m

CGRC006

4 m @ 0.52 g/t (4 m composite to be split into 1 m samples)

CGRC007

4 m @ 0.6 g/t (4 m composite to be split into 1m samples)

1 m @ 0.54 g/t 73-74 m

1 m @ 1.4 g/t 77-78 m

Two 4 m composites in holes CGRC006 and GCRC007 returned significant results over the interval (see above) and have been re-sampled as 4 x 1 m intervals (CGRC007 – 36-40 m and 64-72m, CGRC006 – 68-76 m and 84-88 m) for a total of 20 x 1 m splits of the original 4m composite samples.

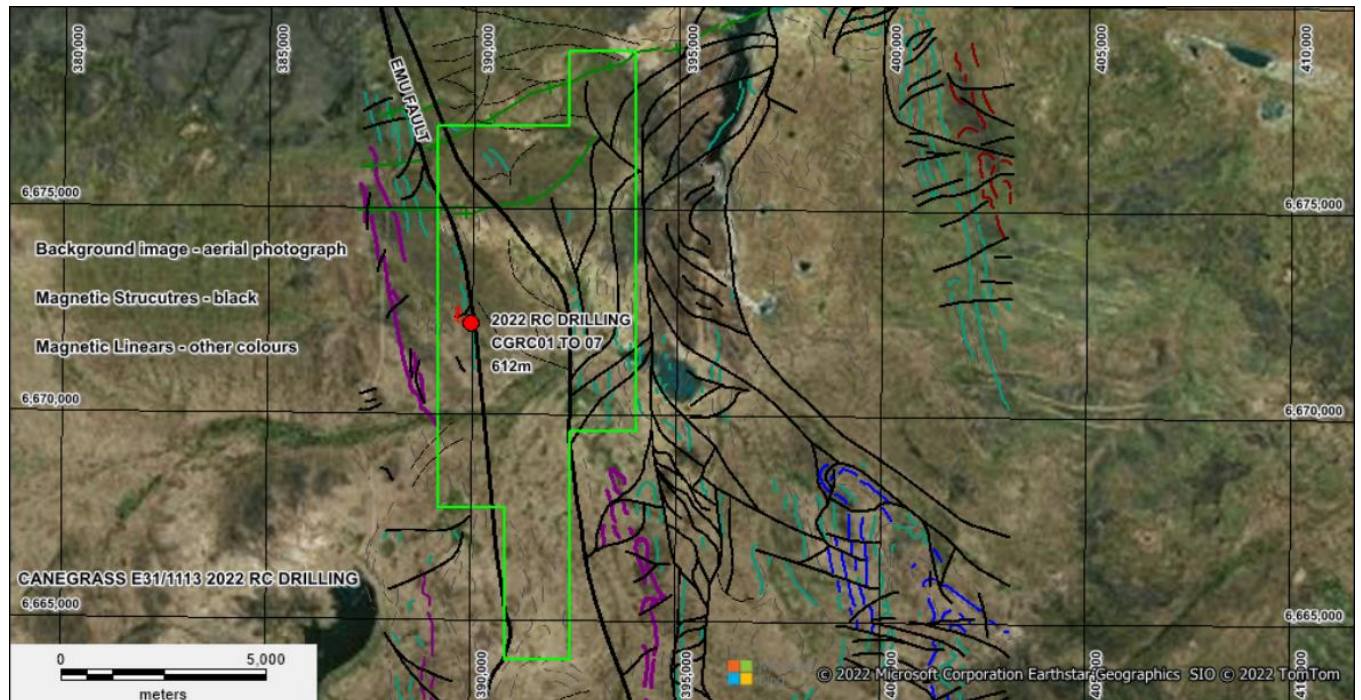


Figure 9: Aerial Imagery with tenure, aeromagnetic structures and RC drilling

REVIEW OF OPERATIONS (continued)

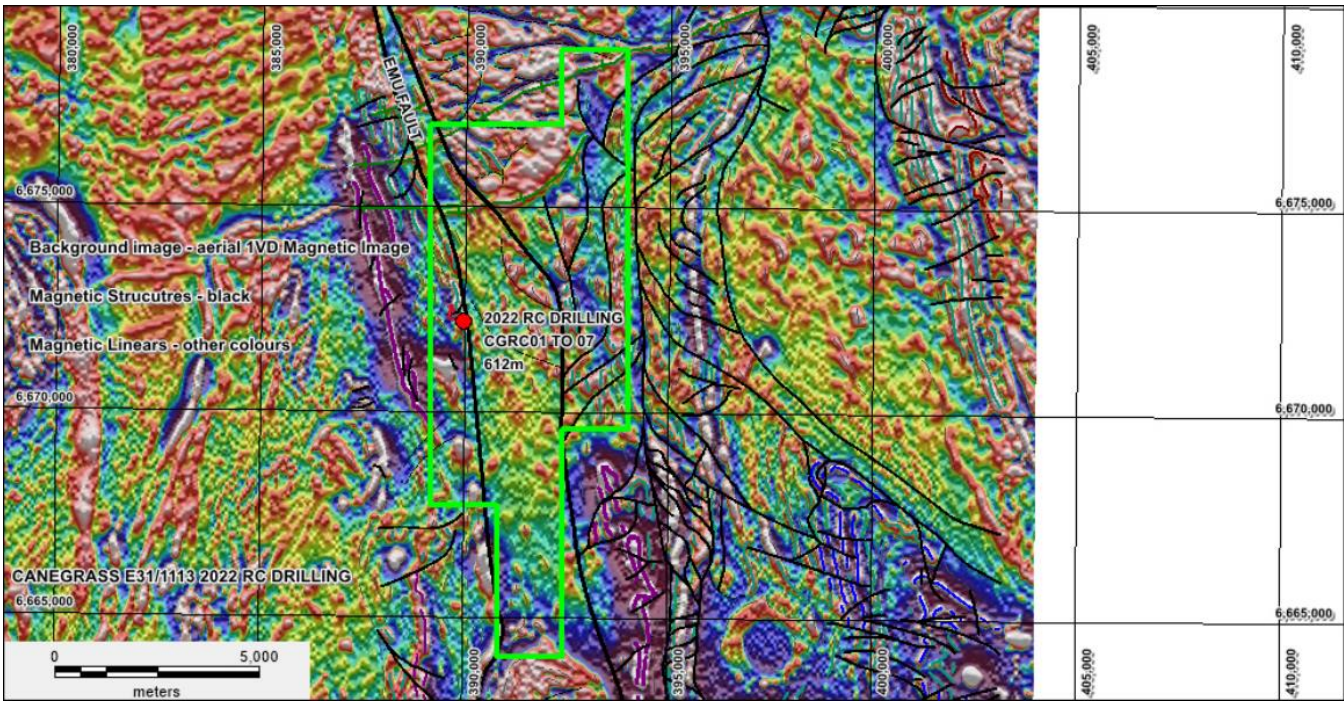


Figure 10: Aeromagnetic Image with tenure, aeromagnetic structures and RC drilling

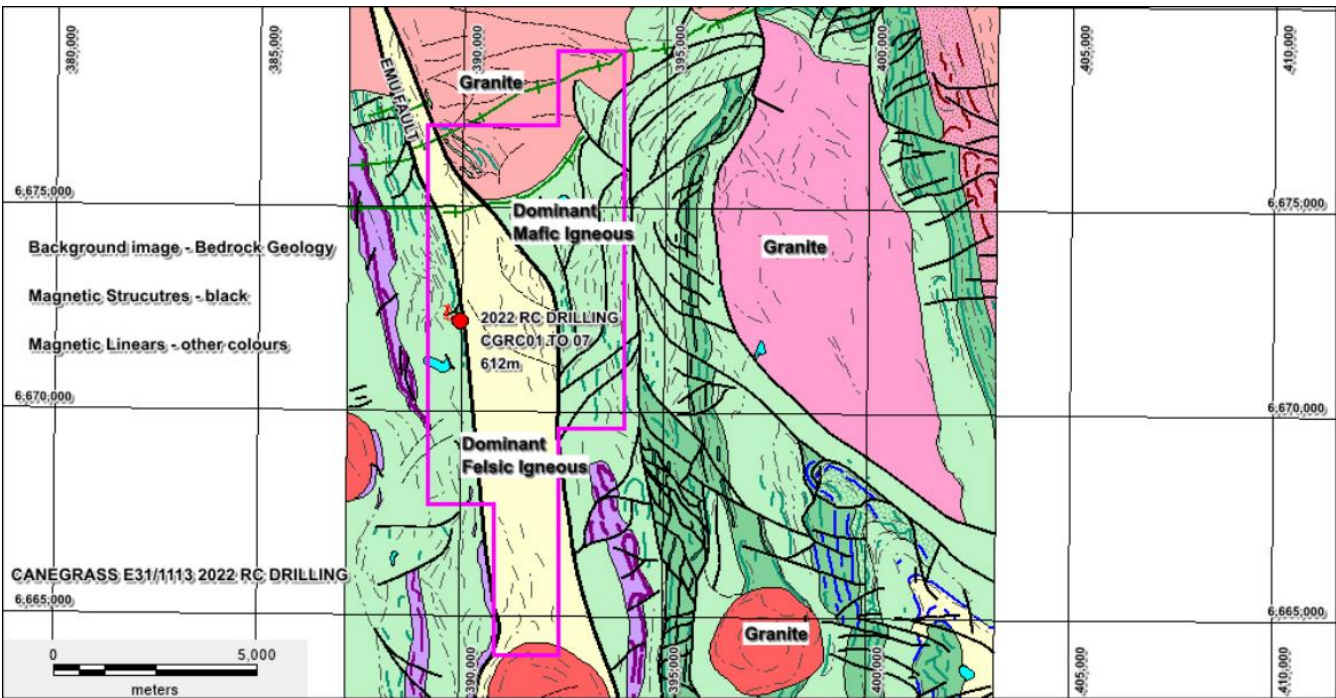


Figure 11: Bedrock Geology with tenure, aeromagnetic structures and RC drilling

REVIEW OF OPERATIONS (continued)

The RC sections were interpreted as shown in **Figures 12 and 13**. The surface layer comprises ferricrete and silcrete that grades downwards into upper saprolite (usually mottled), lower saprolite and saprock as fresh bedrock is approached. The ferricrete is magnetic comprising maghemite. All holes intersected basalt or variations of a mafic extrusive rock and in some cases the basalt was altered (silica and chlorite) with local quartz veins and trace to 5% disseminate pyrite.

An IP survey (**Figures 14 and 15**) is planned to test an area of low magnetics that corresponds to elevated gold in drilling to 1m @ 3.96 g/t Au and likely also to be associated with silica and chlorite altered basalt. However, the industry is facing shortage of service providers and the earliest that the survey may be conducted is earmarked for late 2022.

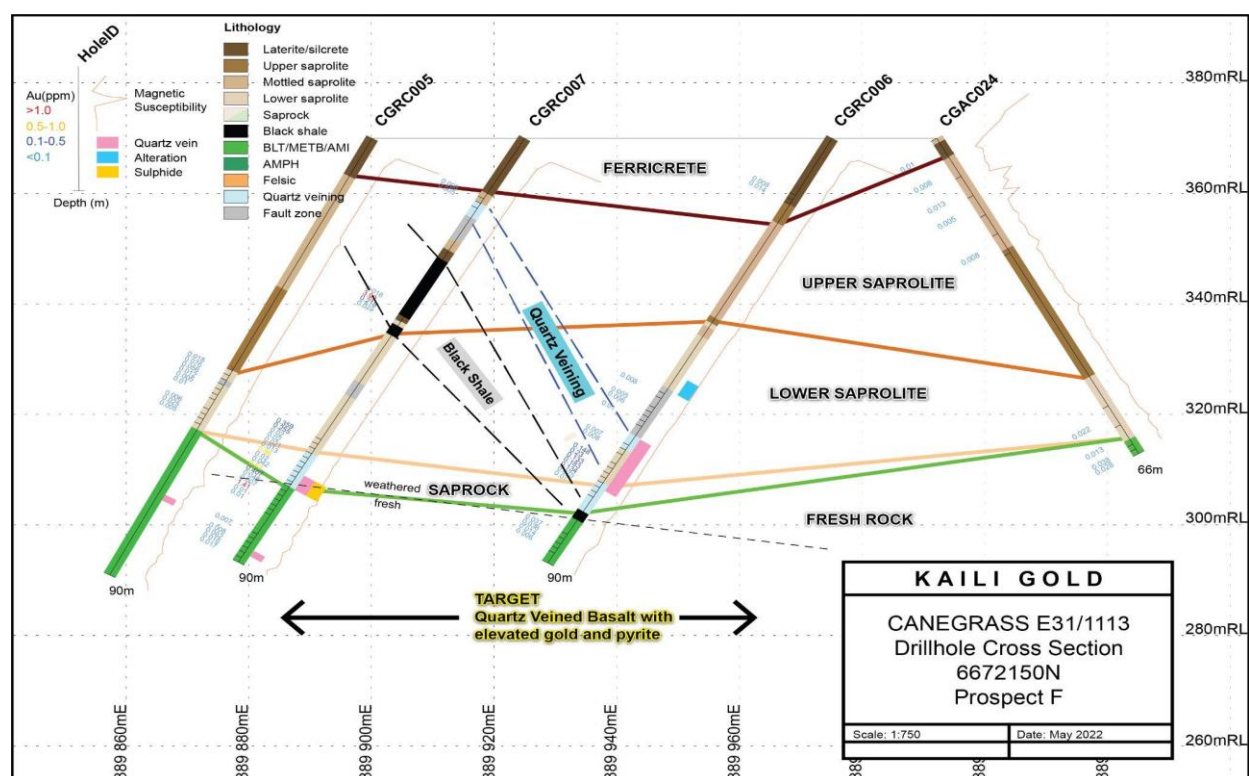


Figure 12: RC Interpreted Drill Cross Section 6672150N

REVIEW OF OPERATIONS (continued)

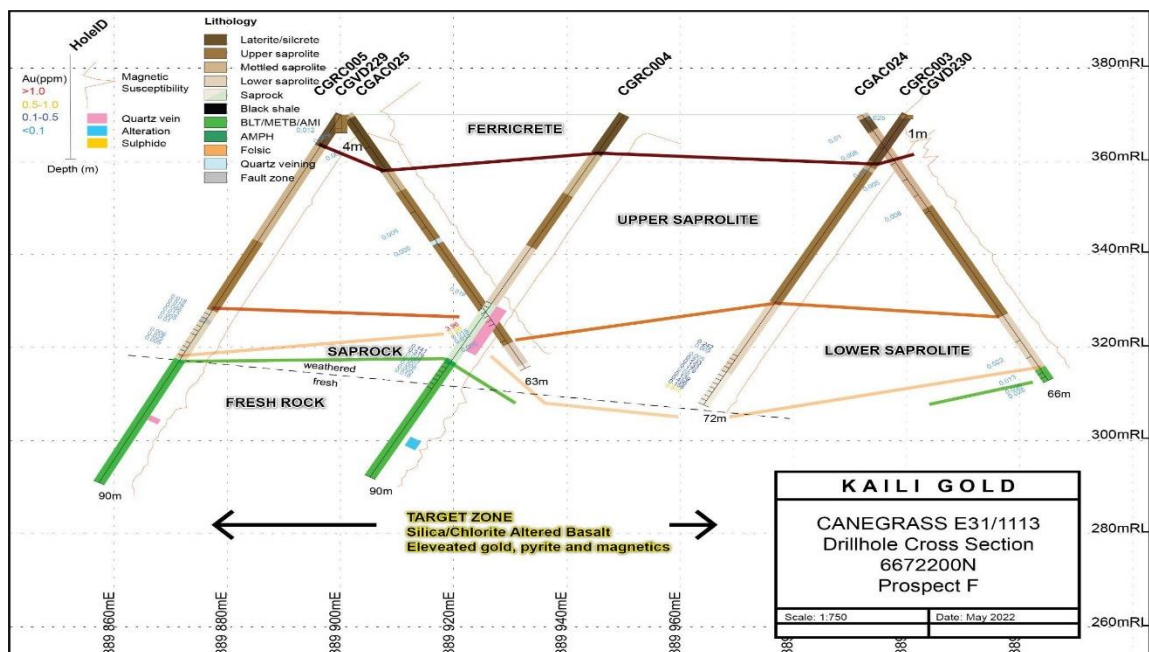


Figure 13: RC Interpreted Drill Cross Section 6672200N

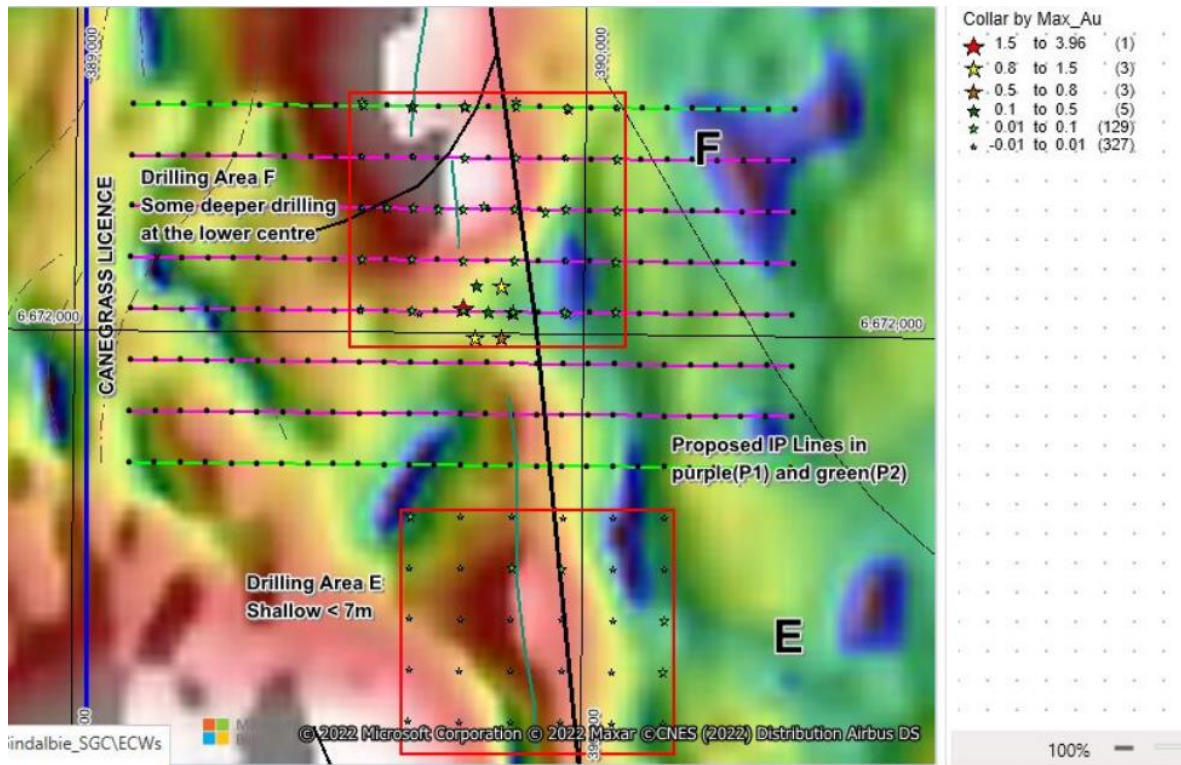


Figure 14: TMI Magnetics with proposed IP Grid and Prospects E and F

REVIEW OF OPERATIONS (continued)



Figure 15: Aerial Photograph showing IP grid and vegetation cover

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

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

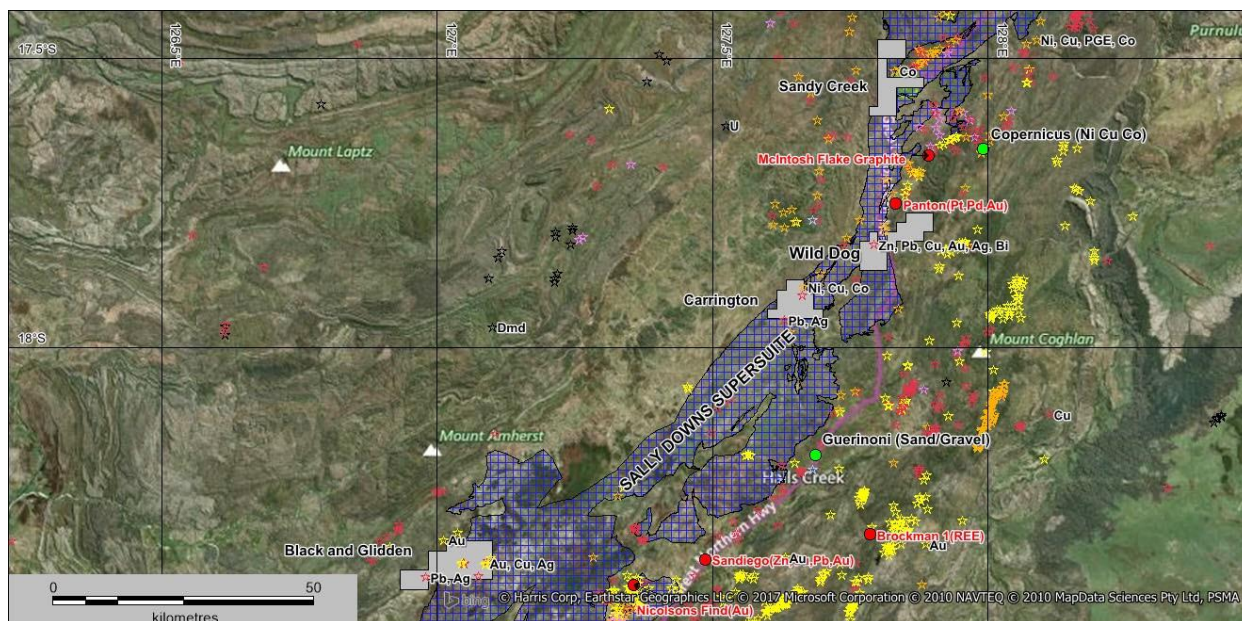


Figure 16: Halls Creek Project showing the 4 tenements located in the vicinity of Halls Creek

REVIEW OF OPERATIONS (continued)

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 had planned a field based exploration for the 2022 dry season that includes processing of satellite imagery followed by a field program comprising helicopter and ground traverses to carry out surficial geochemical exploration in continuation of the initial 2021 field work. Unavailability of helicopter services for sites access in that next phase has required deferral of commencement to September 2022. But in August 2022 the field work has been further postponed to 2023 in order to first complete heritage management obligations required by the Kimberley Land Council to satisfy relevant native title groups. However, the planned remote sensing study including processing of satellite imagery has been completed in August 2022.

The results of the 2021 field season sampling and targets planned to be sampled in 2022 (postponed to 2023) 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.

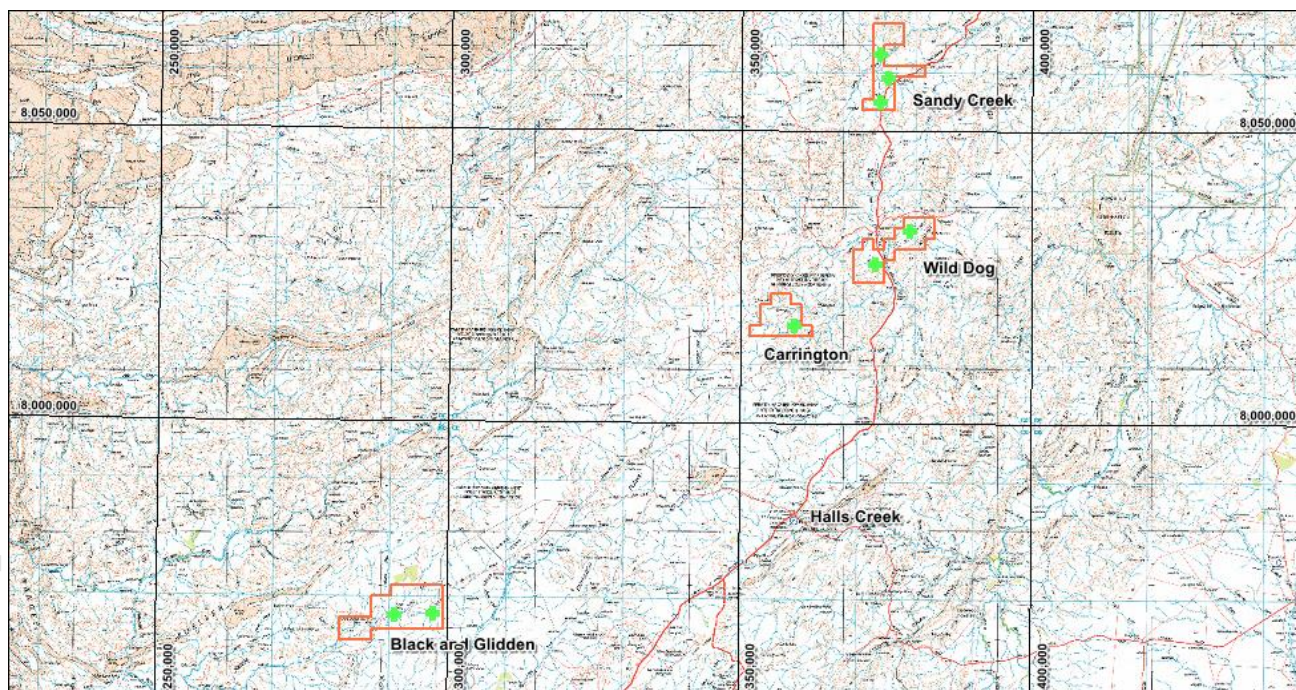


Figure 17: Halls Creek Project showing the locations of the soil sampling grids in green

REVIEW OF OPERATIONS (continued)

A total of 454 soil samples and 35 rock samples were collected across all 4 tenements (**Figure 17**). The samples were initially scanned using the Company's Olympus Delta PXRF then dispatched to the ALS laboratory in Perth.

Summary of Rock Results¹ (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**

¹The results are reported in the ASX Announcement of 8 September 2021. 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.

Geology of the Tenements

The Halls Creek Project comprises 4 granted tenements (**Figures 16 and 17**) 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 granulates 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

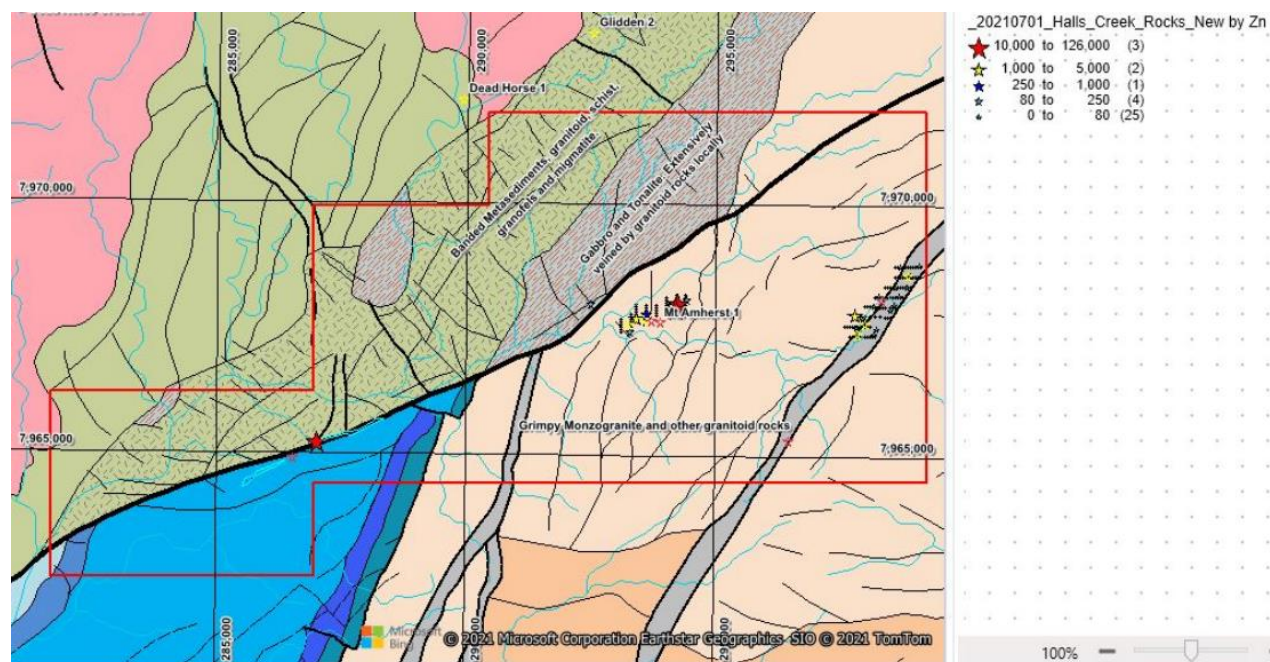


Figure 18: Black and Glidden Interpreted Geology and Structure

The Black and Glidden Tenement (**Figure 18**) comprises the Grumpy Monzogranite in the east with mafic intrusives and metasediments to the west. These two lithostructural groups are separated by the NE-SW Lubbock Range Fault. During the 2021 trip, the focus was on two areas of historical workings Eastern Shear 2/Soda Springs 3 in the east and Mt Amhurst 5/Soda Springs 1 in the west. The western group of workings are associated with an intermittent ENE-WSW quartz vein (locally gossanous) and a NE-SW prominent quartz ridge in the east. The near vertical mineralised quartz lode has a general orientation of 300 degrees and comprises quartz and carbonate veining.

There is a second set of veining oriented at 350 degrees and likely a conjugate set. Narrow dolerite dykes parallel the lodes. Epidote alteration of the host monzogranite is evident adjacent to the lode whereas the monzogranite elsewhere is grey. The lode is locally gossanous with boxwork textures and very high base metal assays along with visual malachite and azurite mineralisation. The soils sampling grids are shown in **Figures 18** and **19**.

The sampling was conducted within the Grumpy Monzogranite which is locally quartz veined and strongly epidote altered. A single sample (**Figure 19**) was taken of a small quartz vein adjacent to the Lubbock Range Fault and returned 0.27% Pb and 9.6% Zn. The veining at the western prospect was a mixture of quartz and calcite with local gossanous zones to 0.82% Cu, 9.93% Pb and 12.6% Zn. A portion of this veins system had the highest Au and Ag at 2.78 g/t and 171 g/t respectively. Vein quartz outcrops over a 315 degrees strike length of about 1.5 km (**Figure 19**). The soil geochemistry was not significantly elevated in gold or base metals apart from some elevated gold. This is likely due to the extensive granitic transported soils masking underlying mineralised zones.

REVIEW OF OPERATIONS (continued)

Further targets along the Lubbock fault will be evaluated in the next field program scheduled for the 2023 dry season.

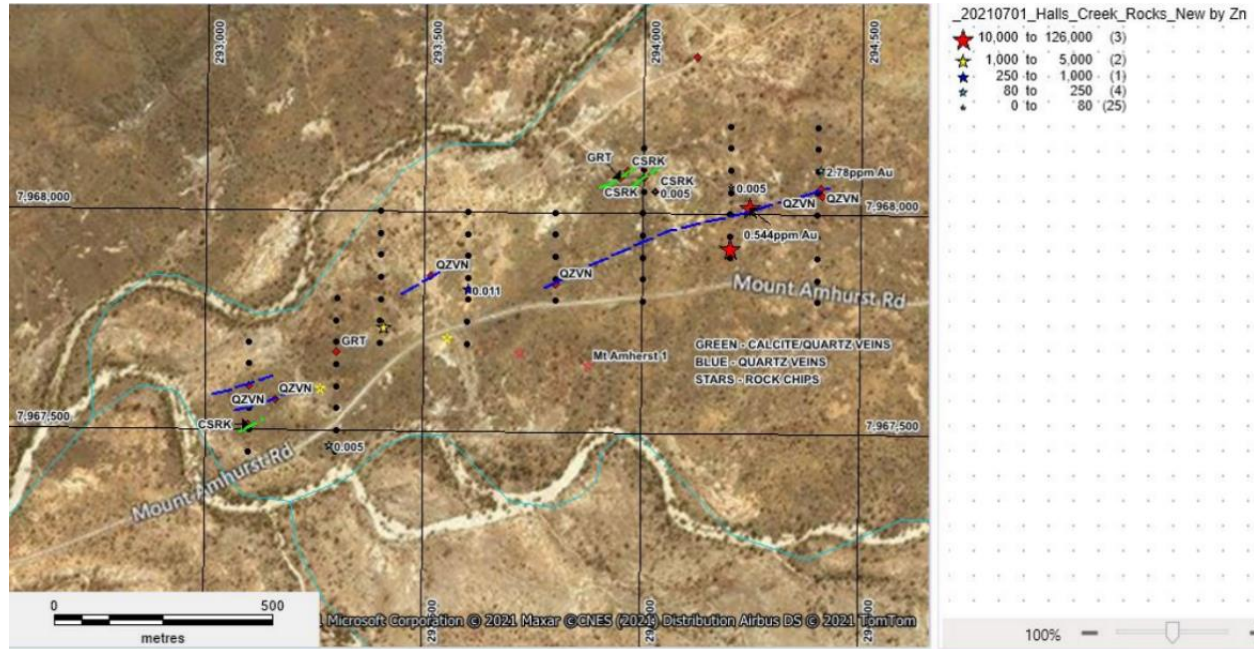


Figure 19: Black and Glidden western soil grid showing distribution of quartz and calcite veining in the Grumpy Monzogranite

CARRINGTON E80/5113

The Carrington tenement (**Figure 20**) has limited vehicular access, so the initial 2021 field-based exploration involved a series of E-W soil traverses as shown in **Figure 20** across a major NE SW fault. A single rock sample of vein quartz returned 0.15% Cu. The remainder of the priority targets will be sampled including the EM conductor via helicopter traverses in the next field work scheduled for the 2023 dry season.

REVIEW OF OPERATIONS (continued)

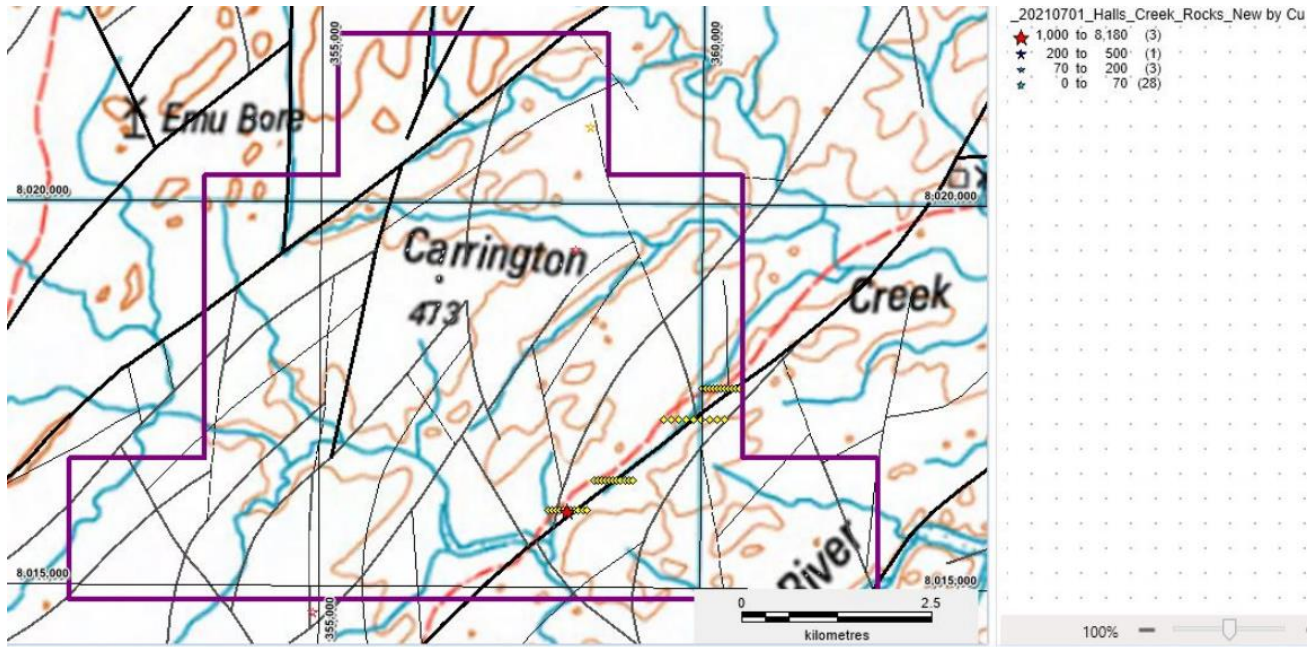


Figure 20: Carrington Soil Grids (Yellow) and structures in black

WILD DOG E80/5115

Surficial geochemical sampling at the Wild Dog tenement comprised two soil grids, Grids 1 and 2 (**Figure 21**). The grids were chosen to cover Priority 1 targets associated with N-S structures at lithology contacts. The dominant lithology for both grids was a coarse gabbro with localised sericite alteration. The base metal (Co, Cu and Ni) response for both areas was low with only Cu being locally elevated but not a level requiring further exploration. Several vehicle and foot traverses were completed in 2021 across the NE of the tenement SE of Grid 1 encountering unaltered gabbro. A further foot traverse was made east of WD2 towards the Triangle Au and base metal prospect however there were no signs of any workings in a fairly open area. Several high priority targets in the western half of the tenement will need to be explored by helicopter traverses in the next field program scheduled for the 2023 dry season.

REVIEW OF OPERATIONS (continued)

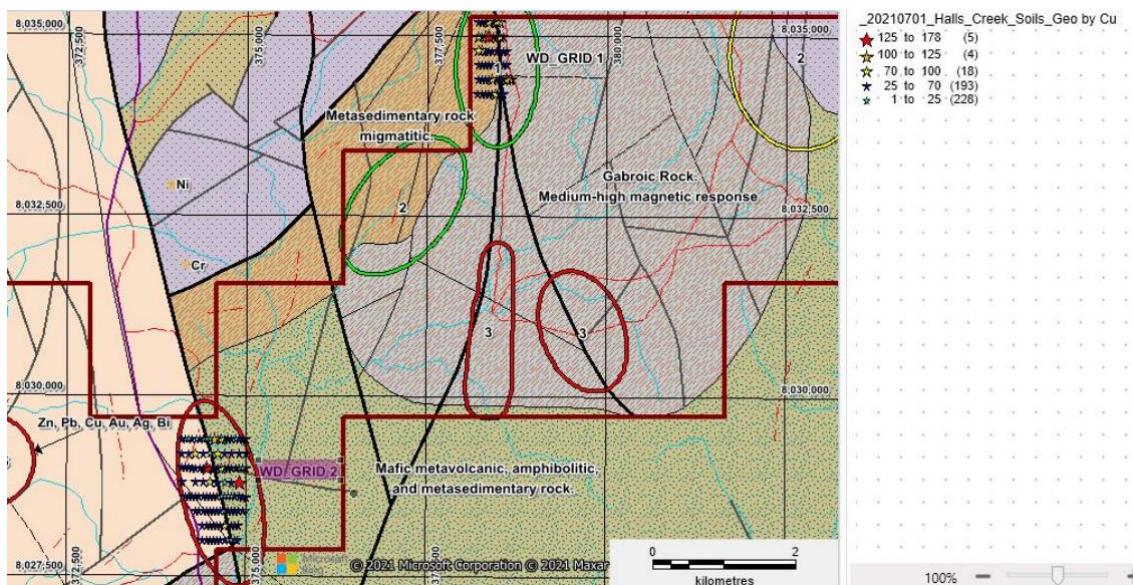


Figure 21: Wild Dog Cu ppm in Soils

SANDY CREEK E80/5114

In the limited sampling completed in 2021 there is evidence of possible mineralisation with local abundant quartz veining and possible pink potassic alteration of some felsic intrusives. Vehicular access restrictions for most of the northern half of the tenement meant that soils sampling was only possible at select areas shown in **Figure 22**. The high priority base metal target shown as green zones in the center of the tenement (**Figures 22 and 23**) and the high priority geophysical targets within gabbroic rocks will require helicopter supported geochemical and geological mapping traverses in the next scheduled field work in the 2023 dry season.

REVIEW OF OPERATIONS (continued)

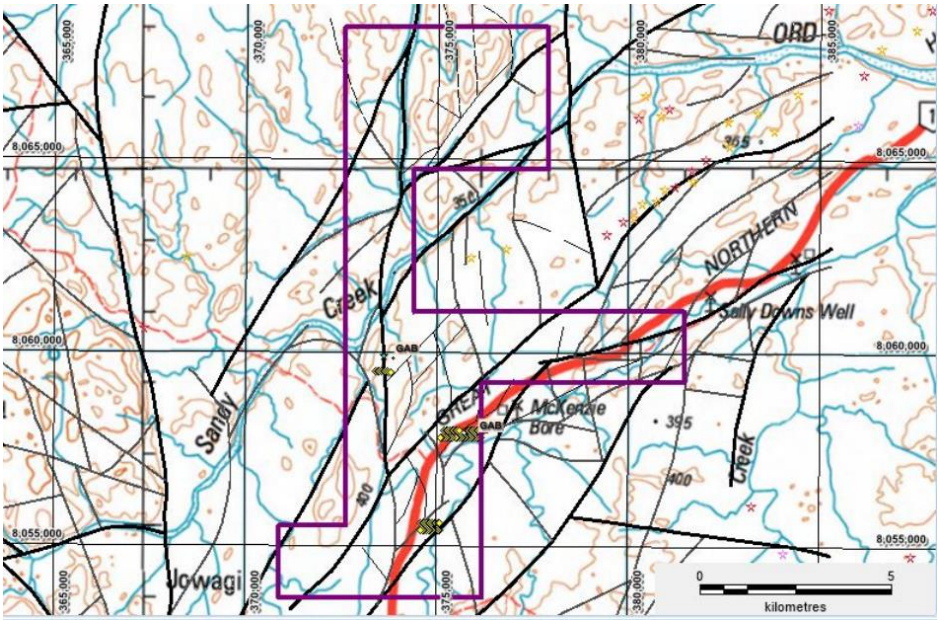


Figure 22: Sandy Creek Soil Grids (Yellow)

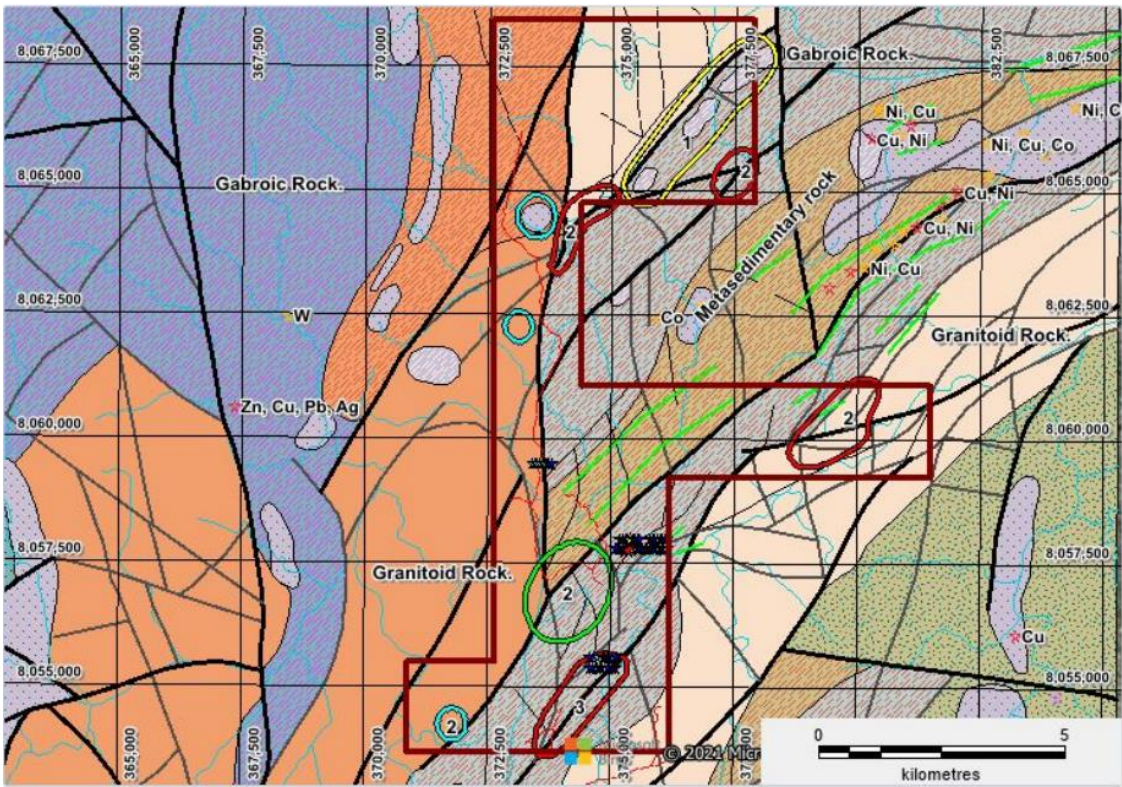


Figure 23: Sandy Creek target areas and soil sampling grids

REVIEW OF OPERATIONS (continued)

Tennant Creek Gold/Base Metals Exploration Project in Northern Territory

EL 32665 (Gidyea) and Application ELA 32666 (Kovacs) are held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

In February 2021, wholly owned subsidiary Kaili Gold Pty Ltd applied for two Exploration Licences ELA 32665 (Gidyea) and ELA 32666 (Kovacs) located to the south and south-east of Tennant Creek (**Figure 24**). EL 32665 (Gidyea) has been granted in September 2021 for a 6-year period to 14 September 2027. Grant of the tenement under ELA 32666 (Kovacs) is awaited.

The Company has submitted detailed work programs to the Central Land Council (CLC) for review and with a plan to meet in person with Traditional Owners and representatives of the CLC to establish a timeline for commencement of field exploration. A meeting has been scheduled for October 2022. When an access agreement has been finalised with the CLC the Company plans to commence field exploration as soon as possible. The initial exploration will involve a general geological reconnaissance of the tenement involving surface geochemical exploration.

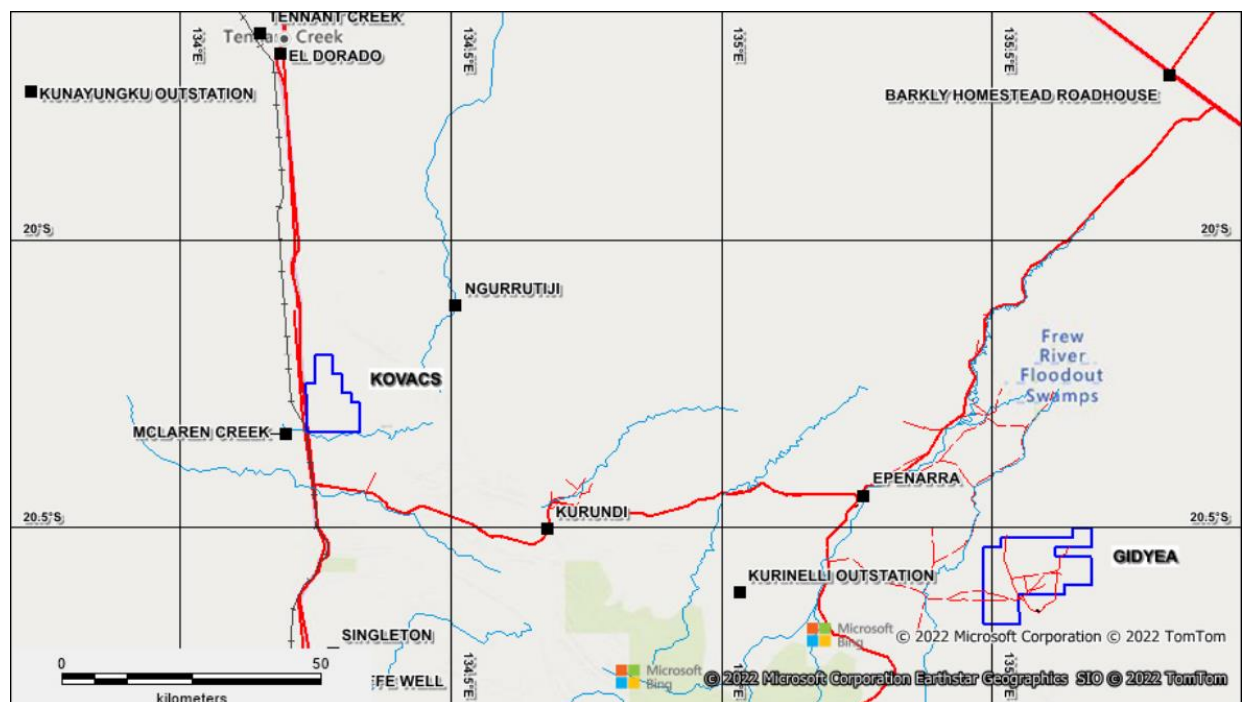


Figure 24: Regional Tenement Location SE of Tennant Creek – Kovas and Gidyea

REVIEW OF OPERATIONS (continued)

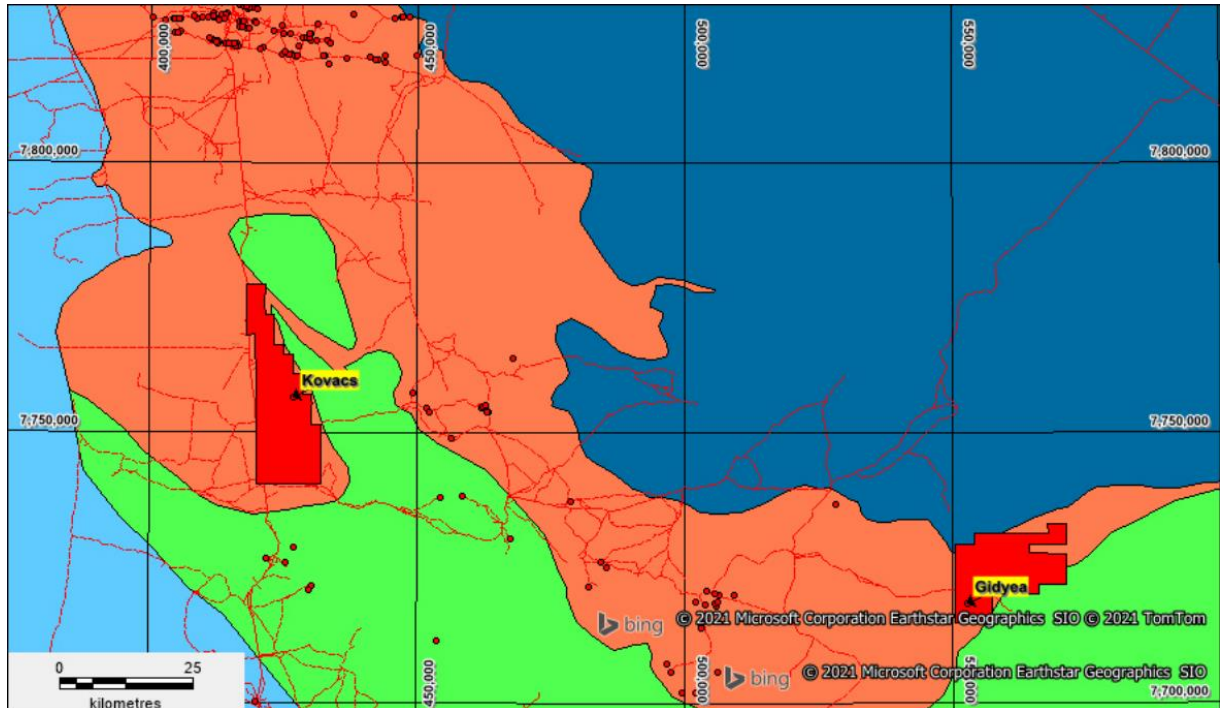


Figure 25: Regional Geological Location SE of Tennant Creek – Kovacs and Gidyea

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

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.

REVIEW OF OPERATIONS (continued)

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 25**). 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 amphibolites facies metamorphism in the volcanics.

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 26** and is particularly evident on the Gidyea Prospect (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 27** shows a uranium radiometric image which clearly outlines the Warramunga Province.

REVIEW OF OPERATIONS (continued)

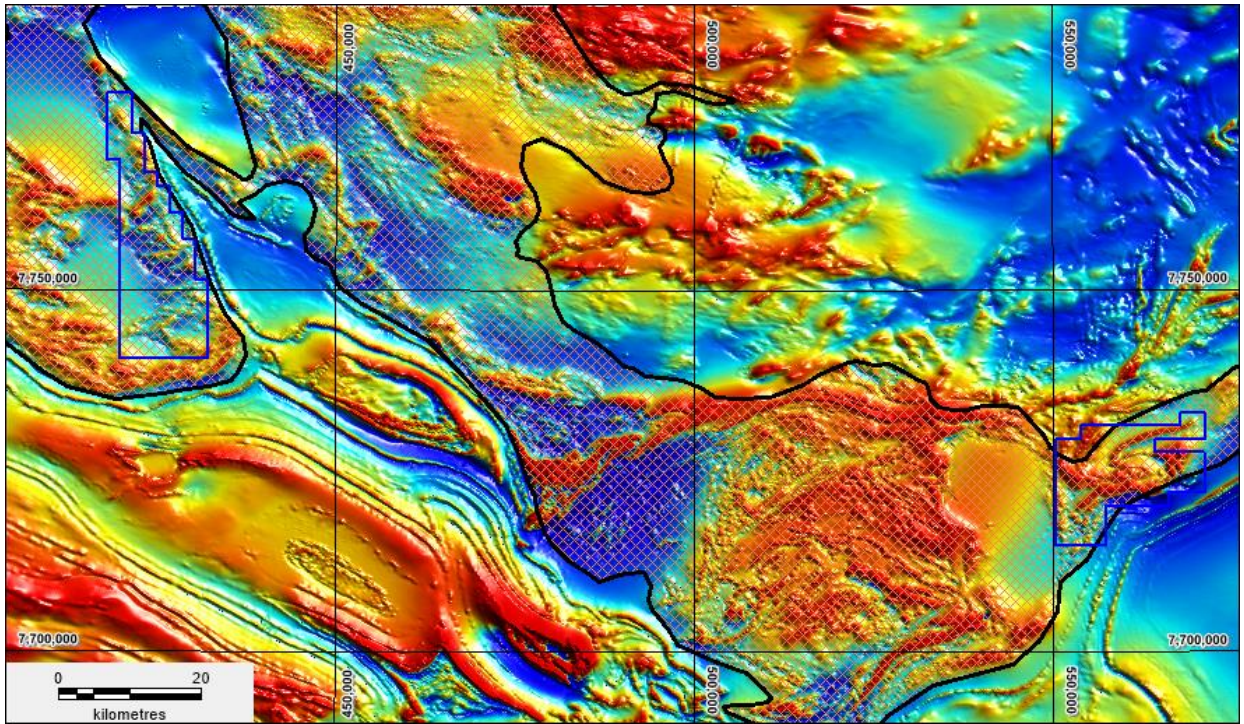


Figure 26: Gidyea (east) and Kovac (west) are shown on regional TMI magnetics with the Warramunga Province shown as a light hatching over the magnetics.

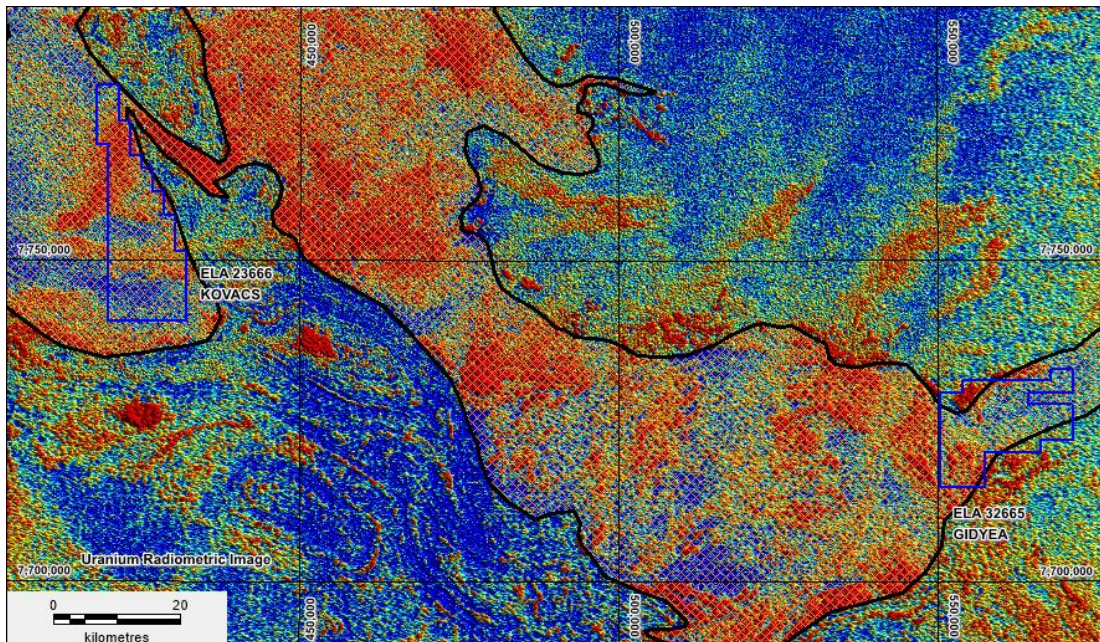


Figure 27: Gidyea and Kovac projects are shown on regional Uranium radiometrics with Warramunga Province shown as a light hatching over the radiometrics

REVIEW OF OPERATIONS (continued)

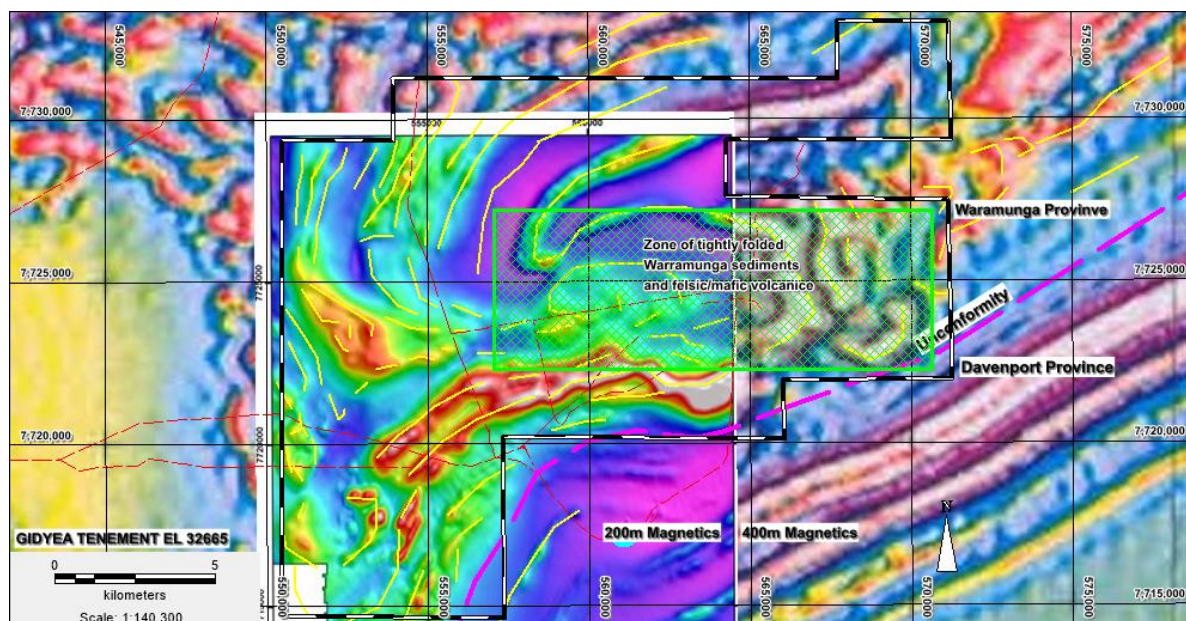


Figure 28: Gidyca Project showing two generations of magnetic image with vastly different resolution and the proposed initial work area in green

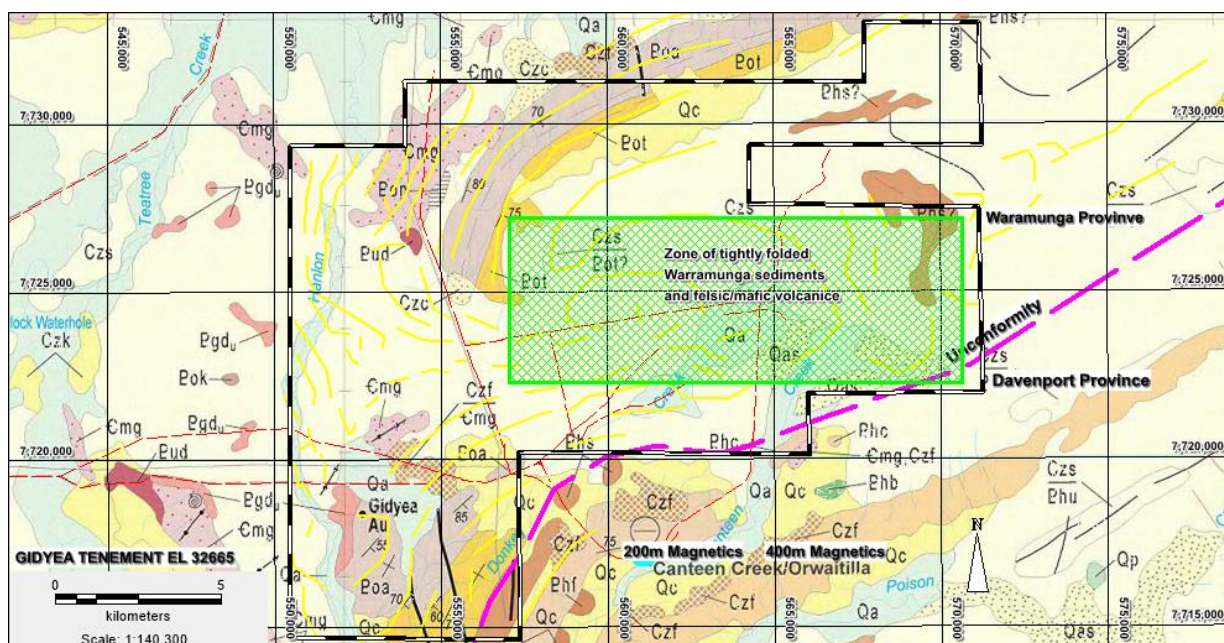


Figure 29: Gidyea Project showing the initial work area on the Frew River 1:250,000 outcrop geology map

REVIEW OF OPERATIONS (continued)

The Gidyea area has been chosen as it comprised a relatively under explored area of Warramunga Province sediments and volcanics as shown by the area of higher overall magnetic response (**Figure 29**) compared to the overlying sediments of the Davenport Province. Note also the “linear” stratigraphy of the Davenport Province compared to the highly faulted and faulted of the Warramunga Province also evident on **Figure 29**. There is one historical mineral occurrence shown on the lower right of **Figure 29** named Gidyea where elevated gold and cobalt assays were obtained from a small outcrop of gabbro flanked by granite to the west as shown by the circular area of low magnetic response to the 200 m line spaced magnetic survey shown in **Figure 29**. Most historical exploration concentrated on the Gidyea historical occurrence and no exploration in the initial work area shown in **Figures 28 and 29**.

Lameroo Rare Earth Elements Exploration Project in South Australia

Licence Application ELA 2022/00075 is held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

In August 2022, wholly owned subsidiary Kaili Gold Pty Ltd has applied for an exploration licence covering an area of 991 km² within the Loxton Sands in the Murray Basin in South Australia for exploration of Rare Earth Elements (“REE”) (**Figure 30**).

The aim of the Company is to explore for REE contained within the fine clay fraction of Tertiary (65 to 2.5 Million Years Ago) Strandlines (“ionic clay style of deposit) reportedly existing in the region. Australian Rare Earth (ASX:AR3) has a large exploration area in the region and recently announced following a drilling program an increased JORC inferred mineral resource of 81.4 MT @ 785 ppm TREO (Total Rare Earth Oxides) at their Koppamurra project prospective for ionic clay REE deposit (see AR3’s ASX announcement of 4 July 2022). Several other entities are also exploring for REE in the region.

With the lowering of the overall levels, the Loxton Sands or equivalents of the Murray Basin were formed on the beach on the shore of the emergent land (Strandlines). Locally, heavy minerals were concentrated by wave action, including rutile zircon and ilmenite (Mineral Sands). In addition, Light and Heavy Rare Earth Elements have formed an ionic bond with the fine clay fraction (Ionic Clays) of the Loxton Sands at shallow depths.

REE have been designated critical minerals by Australia, EU, USGS and IEA and are used in rare earth permanent magnets for electric vehicles (EV), wind turbines and many electronic devices.

REVIEW OF OPERATIONS (continued)

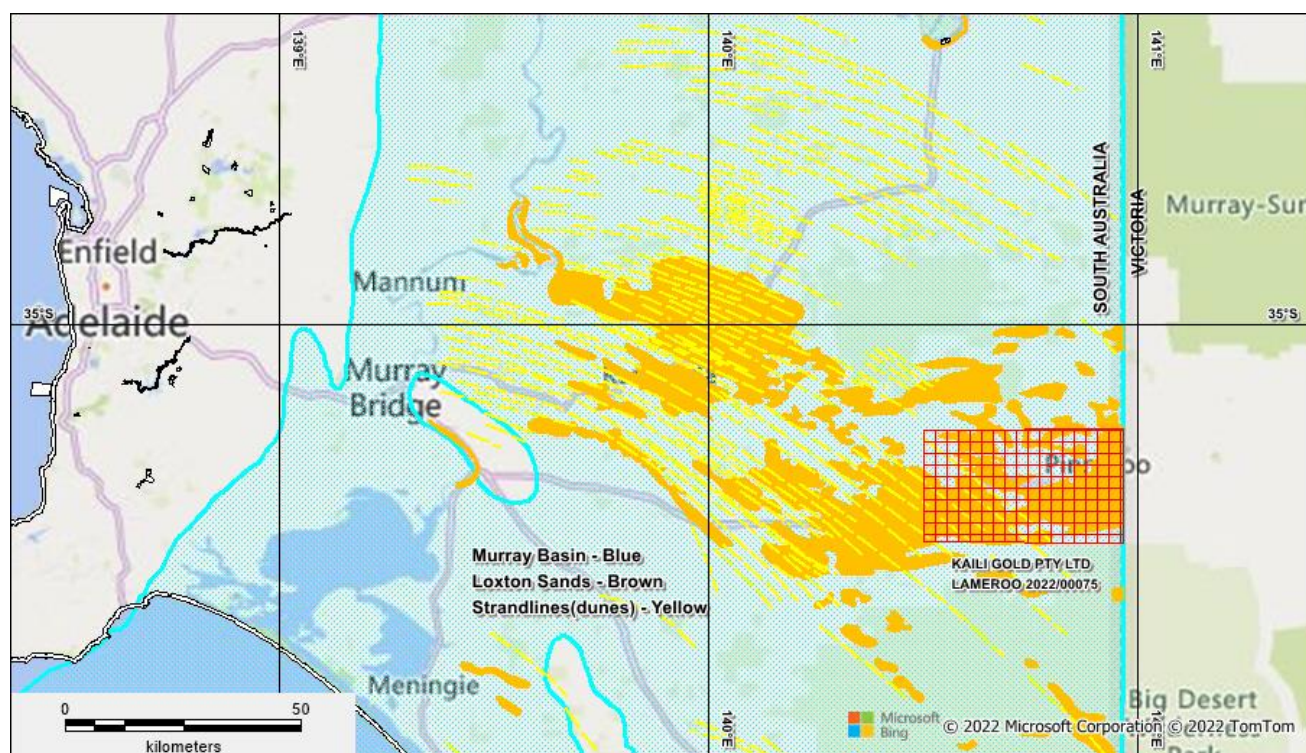


Figure 30: Location of Lamerook ELA 2022/00075 in Murray Basin

REVIEW OF OPERATIONS (continued)

LICENCES STATUS

Minerals tenements and applications for tenements held at 30 June 2022 and at the date of this report and acquired or disposed of during and since the half year ended 30 June 2022 and their locations are set out below:

Granted	Tenement	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area Km ²	Status
At 30 June 2022:								
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
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
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
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
Awaited	ELA32666	Kovacs	Gold/Base Metals	NT-Warraminga Province	Kaili Gold Pty Ltd	100%	271.7	Application submitted 23/02/2021
Addition post 30 June 2022:								
Awaited	ELA2022/00075	Lameroo	Rare Earth	SA - Murray Basin	Kaili Gold Pty Ltd	100%	991.0	Application submitted 12/08/2022
							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",

REVIEW OF OPERATIONS (continued)

“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 \$192,520 (2021: losses \$541,653).

Financial Position

Cash and cash equivalents at 30 June 2022 were \$380,911 (2021: \$99,667) with total current assets of \$394,483 (2021: \$131,989) consisting mainly of cash and cash equivalents.

Current liabilities at 30 June 2022 increased by \$3,047,480 to \$3,094,517, mainly due to unsecured and interest free loan and financial support with a related party of \$2,988,440 due for repayment on 1 April 2023 being reclassified to current liabilities. In July 2022 the repayment date of the loan and the end availability date of the financial support were extended to 1 April 2024.

Net liabilities increased from \$1,501,618 at 31 December 2021 to \$1,694,138 at 30 June 2022.

Cash Flows

Operating activities resulted in net outflow of \$104,320 (2021: \$324,718) 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 2022.

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 2022 was \$192,520 (2021: loss \$541,653).

Review of Operations

A review of operations for the half-year ended 30 June 2022 is set out on pages 3 to 30.

Covid-19

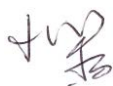
The Covid-19 pandemic continued to prevail in 2022, with significant number of infections. The Group has taken reasonable measures to monitor and to the extent possible avoid infection by the Covid-19 virus, such as safety and health measures, for its employees and contractors (like social distancing and working from home).

At this stage, the impact on the Group's business and results is limited. 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 32, 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 2022

**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 2022 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 2022

**Independent Auditors' 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 35 to 43, which comprises the consolidated statement of financial position as of 30 June 2022, 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 2022, 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 2024, and a further additional funding up to \$1 million is available to the Group up to 1 April 2024. 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 half year financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".


.....
JOHN F SHUTE
Chartered Accountant

Dated: 13 September 2022

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 2022 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 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Half-Year Ended 30 June 2022

	Note	30 June 2022 \$	30 June 2021 \$
Other revenue			
Interest		-	5,849
Other		-	69,714
		-	75,563
Expenses			
Depreciation		(9,819)	(202,560)
Employee benefits		(40,907)	(47,966)
Finance costs		-	(9,816)
Impairment of exploration and evaluation expenditure		-	(96,021)
Project costs		(1,968)	(17,603)
Other	6	(139,826)	(243,250)
Loss before income tax expense		(192,520)	(541,653)
Income tax		-	-
Loss for the period		(192,520)	(541,653)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(192,520)	(541,653)
Loss attributable to:			
- members of the Parent Entity		(192,520)	(541,653)
Total comprehensive loss attributable to:			
- members of the Parent Entity		(192,520)	(541,653)
		Cents	Cents
Earnings per share			
Basic and diluted loss per share		(0.13)	(0.37)

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position**As At 30 June 2022**

		30 June 2022	31 December 2021
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		380,911	99,667
Trade and other receivables		13,572	4,945
Prepayments		-	27,377
TOTAL CURRENT ASSETS		394,483	131,989
NON-CURRENT ASSETS			
Property, plant and equipment		74,385	84,204
Exploration and evaluation expenditure	7	939,962	825,523
TOTAL NON-CURRENT ASSETS		1,014,347	909,727
TOTAL ASSETS		1,408,830	1,041,716
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	100,296	44,160
Provisions		5,781	2,877
Borrowings	9	2,988,440	-
TOTAL CURRENT LIABILITIES		3,094,517	47,037
NON-CURRENT LIABILITIES			
Provisions		8,451	7,857
Borrowings	9	-	2,488,440
TOTAL NON-CURRENT LIABILITIES		8,451	2,496,297
TOTAL LIABILITIES		3,102,968	2,543,334
NET LIABILITIES		(1,694,138)	(1,501,618)
EQUITY			
Issued capital		1,474,004	1,474,004
Reserves		(3,168,142)	(2,975,622)
TOTAL DEFICIT		(1,694,138)	(1,501,618)

The accompanying notes form part of this financial report.

Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2022

	Share capital \$	Share premium \$	Accumulated losses \$	Total \$
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)
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)

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

For the Half-Year Ended 30 June 2022

	30 June 2022 \$	30 June 2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(104,320)	(311,081)
Interest paid	-	(13,637)
Net cash outflow from operating activities	<u>(104,320)</u>	<u>(324,718)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(114,595)	(72,104)
Interest received	-	5,849
Net cash outflow from investing activities	<u>(114,595)</u>	<u>(66,255)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for lease liabilities	-	(234,061)
Proceeds from borrowings	500,000	800,000
Net cash inflow from financing activities	<u>500,000</u>	<u>565,939</u>
Net increase in cash held	281,085	174,966
Cash and cash equivalents at the beginning of period	99,667	32,111
Effect of exchange rates on cash holding in foreign currencies	159	(287)
Cash and cash equivalents at the end of period	<u>380,911</u>	<u>206,790</u>

The accompanying notes form part of this financial report.

Notes to Financial Statements For the Half-Year Ended 30 June 2022

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 2022 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 2021 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 2022.

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 \$394,483 including cash and cash equivalents of \$380,911, current liabilities of \$3,094,517 (\$2,988,440 being amount owing to a related party with support of the ultimate parent company) and has incurred a net loss of \$192,520. In addition, the Group has an unfulfilled expenditure requirement under its exploration licences of \$193,000 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.

Notes to Financial Statements For the Half-Year Ended 30 June 2022

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, 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, extended to 1 April 2024 in July 2022, in addition to the fully drawn loan facility of \$2.4 million due for repayment on 1 April 2024. \$588,440 has already been drawn under the additional financial support of \$1 million with \$411,560 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 2021.

	30 June 2022 \$	30 June 2021 \$
Note 6 – Other expenses from ordinary activities		
Audit fees	5,500	5,900
Consulting fees	84,360	28,073
Internet and website maintenance	715	12,080
Registration fees and charges	32,949	33,773
Legal and professional fees	39,420	42,754
Listing fees	86	9,181
Share registry	5,323	4,928
Motor Vehicle expense	582	14,993
Rental expenses ¹	(39,000)	16,443
Other	9,891	75,125
	139,826	243,250

¹Director Long Zhao refunded rent paid to him under tenancy agreement for compliance with ASX Listing Rule 10.1. See Note 13 for further details.

Notes to Financial Statements For the Half-Year Ended 30 June 2022

	30 June 2022 \$	31 December 2021 \$
Note 7 –Exploration and evaluation expenditure		
At cost		
Balance at beginning of period/year	825,523	1,293,412
Additions	114,439	224,215
Impairment	-	(692,104)
Balance at end of period/year	<u>939,962</u>	<u>825,523</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 28.

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 8 – Trade and other payables

Trade and other payables	92,869	24,196
Accrued expenses	7,427	19,964
	<u>100,296</u>	<u>44,160</u>

Note 9 – Borrowings**Current**

Unsecured loan from a related party	<u>2,988,440</u>	-
-------------------------------------	------------------	---

Non-Current

Unsecured loan from a related party	-	<u>2,488,440</u>
-------------------------------------	---	------------------

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 2023. In March 2022, Yitai Group (Hongkong) Co., Ltd confirmed a further financial support to the Company of up to \$1 million until 1 April 2023. In July 2022, 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 2024. The funds advanced under the loan and under financial support are unsecured and interest free. At balance date \$411,560 was available for drawdown under the financial support.

Notes to Financial Statements For the Half-Year Ended 30 June 2022**Note 10 – 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 11 – Commitments**Exploration Expenditure Commitments**

The Group holds seven 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 2022	31 December 2021
	\$	\$
Within twelve months	193,000	188,000
Twelve months or longer and not longer than 5 years	589,000	689,000
	<u>782,000</u>	<u>877,000</u>

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

Note 12– Contingent Liabilities

At balance date, the Group has given guarantees totalling \$40,000 (2021: \$45,000) for compliance with the conditions of the exploration licences granted in Western Australia.

Note 13– Related Party Transaction

In March 2021, the Company entered into a tenancy agreement for a property owned by Director Long Zhao for the Company's use. The total rent paid under that agreement was \$39,000 in 2021. During the half year 2022 further rent totalling \$26,000 has been paid. As that tenancy agreement has not been approved by the shareholders as required under ASX Listing Rule 10.1 it has been cancelled and Mr. Long Zhao has accordingly refunded the total of \$65,000 in rent paid to him.

Note 14– 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 29 July 2022, Yitai Group (Hongkong) Co., Ltd extended both the repayment date of the loan and the end availability date of the financial support extended to the Company to 1 April 2024.