# KAILI RESOURCES LIMITED

**(Incorporated in Bermuda with limited liability)**

**ARBN 077 559 525**

## Annual Report – 2022

**Page**

# 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
11 Bermudiana Road
Pembroke HM08
Bermuda

Telephone: +441 295 1111

**Branch Share Registry 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: +612 9264 6288
Facsimile: +612 9283 7166

**Website**

www.kailigroup.com.au

# CHAIRMAN'S REPORT

Dear Shareholders,

I am pleased to present the 2022 Annual Report.

Our operations during the financial year 2022 have returned to normal after the previous years' pandemic disruptions. There were impediments in securing service providers to conduct our field work however, our team led by Consultant Geologist Mark Derriman managed to get the work done successfully.

We have focused on gold exploration at Canegrass in the Yilgarn Craton in Western Australia where we received some very encouraging results from the drilling and Induced Polarisation survey. Consequently, we have planned another drilling program for the first half of 2023 aiming at deeper targets.

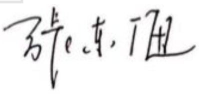
The South Australian Government granted us a new licence to explore for Rare Earth Elements (REE) on the Limestone Coast east of Adelaide, a region where many explorers have announced encouraging shallow REE drilling intersections. For 2023 we plan to direct significant efforts exploring for REEs which are recognized worldwide as the critical minerals of the future because of their use in permanent magnets for electric vehicles, wind turbines and many electronic devices.

Our licence areas in northern WA at Halls Creek are proving challenging to explore because of the short window for access only during the dry season, the cost in use of helicopters to reach many of the target areas and the Native Title requirements to be satisfied.

Our single granted licence in the Northern Territory for gold and copper is currently being reviewed on the basis of Native Title access requirements.

Yitai Group, the controlling shareholder, continues its unwavering support of the Company with interest free unsecured finance facilities for operations until April 2024.

I would like to thank all our shareholders, Board members and service providers for their support and patience as we develop our enterprise to success.



**Donghai Zhang**
Chairman
30th March 2023

# REVIEW OF OPERATIONS

## EXPLORATION HIGHLIGHTS

### Yilgarn Craton (Gindalbie) Gold Project, Canegrass in Western Australia

- 7 holes drilling program completed in February/March 2022 resulting with elevated gold intersections that encouraged further exploration.
- Induced Polarisation (IP) survey completed in November 2022 to seek deeper conductivity targets to determine plans for further drilling.
- Sampling and further drilling planned for 2023 to follow up the completed 2022 work programs.

### Halls Creek Gold Cobalt Nickel and Copper Project in Western Australia

- Processed ASTER and Landsat imagery to delineate clay, iron and carbonate alteration target to assist exploration for gold and base metal mineralisation.
- Proposed field work programs presented to the Kimberley Land Council (KLC) and Native Title Groups.
- In September 2022 meeting held with the Malarngowem Aboriginal Corporation on the proposed field work programs for the 2023 dry season within Sandy Creek (EL 80/5114) and Wild Dog (EL 80/5115).

### Tennant Creek Gold and Copper Project in Northern Territory

- Work programs that include reconnaissance mapping and sampling submitted to the Central Land Council ("GLC") for review.
- A community meeting was held in October 2022 in Tennant Creek to outline the exploration programs proposed for Kovac (ELA 32666) to the local Traditional Owners and GLC.

### Limestone Coast Rare Earth Element Project in South Australia

- In October 2022, granted an exploration licence EL 6856 (Lameroo) SE of Adelaide on the Limestone Coast within the Murray Basin to explore for Rare Earth Elements (REE).

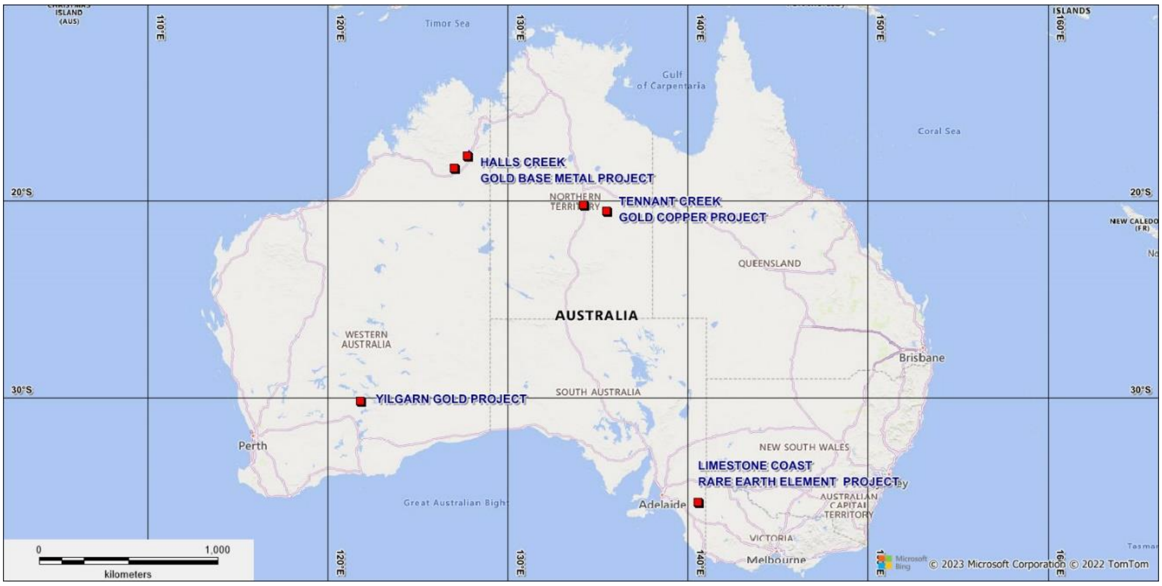



**Figure 1:** *Kaili Resources Projects Location*

## REVIEW OF OPERATIONS (continued)

### Yilgarn (Gindalbie) Gold Project – Western Australia

**Canegrass E31/1113 and Holey Dam E27/550**
*Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd*

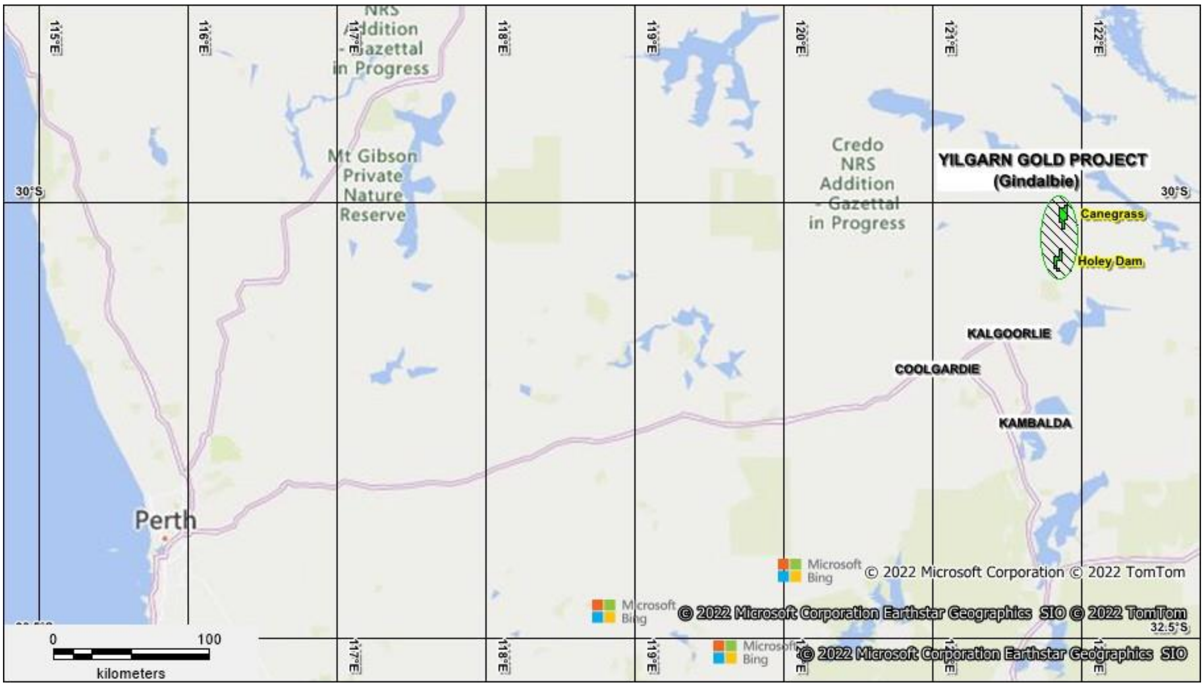



**Figure 2:** *Kaili Resources Yilgarn Gold Tenements Location*

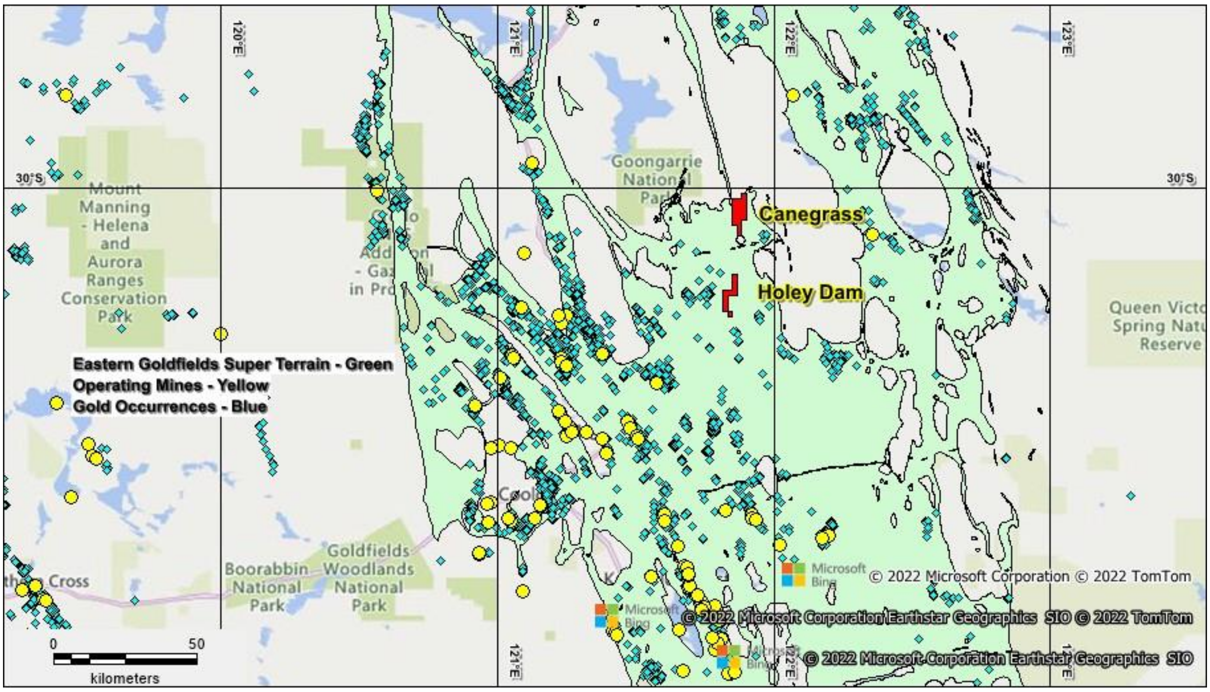



**Figure 3:** *Eastern Goldfields Super Terrain and Operating Mines*

## REVIEW OF OPERATIONS (continued)

### Canegrass 2022 RC Drilling

A 612 m drilling program comprising seven (7) Reverse Circulation (RC) holes has been completed in February 2022 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.

Significant gold intervals are as follows[1]:

**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

[1] *See ASX Announcement of 4 April 2022. 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 these announcements.*

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 RC drilling was a follow up program to the 2020 Aircore drilling program that intersected 1 m @ 3.96 g/t Au[2] on the most southern line in hole CGAC025 that had the same collar as CGRC005 with the holes drilled at 90 degrees and 270 degrees respectively.

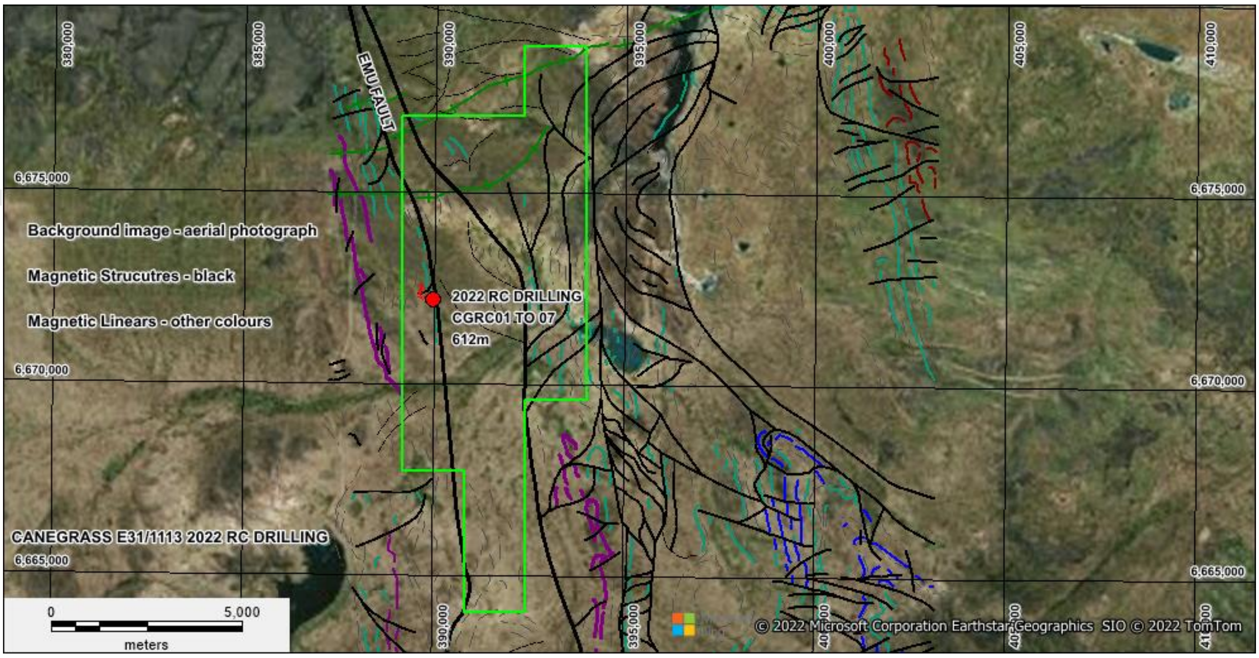



**Figure 4:** *Aerial Imagery with tenure, aeromagnetic structures and RC drilling*

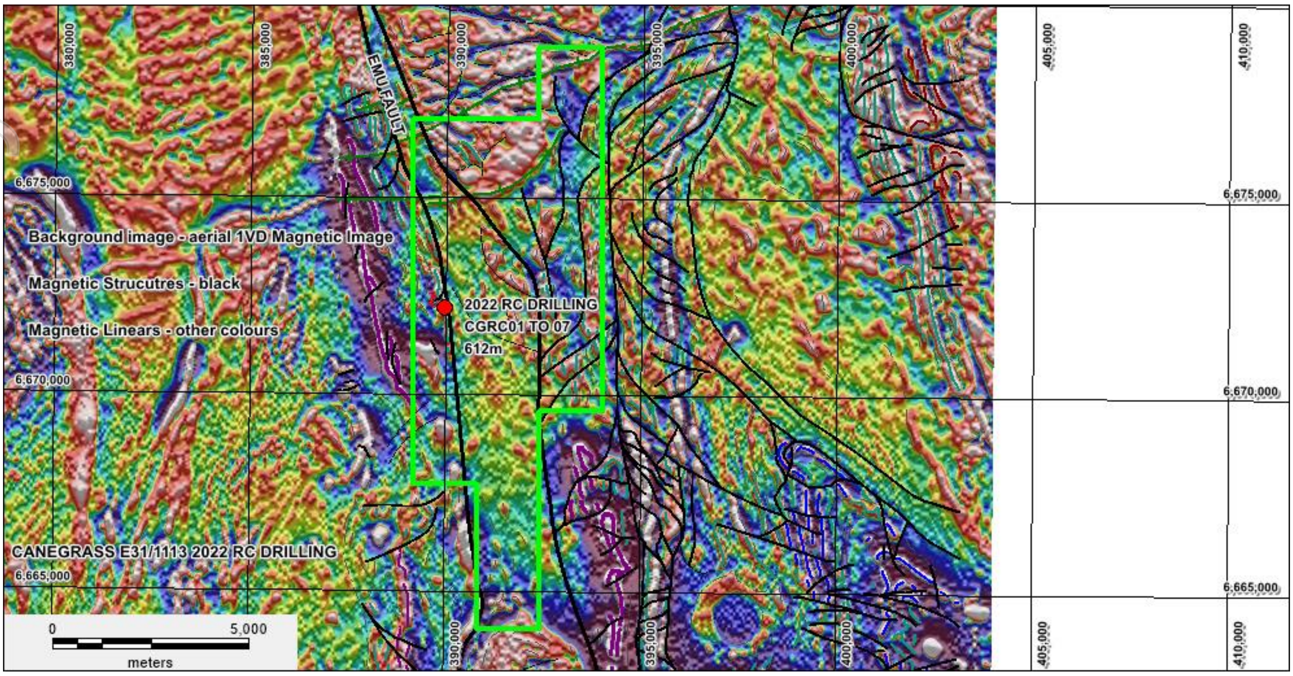



**Figure 5:** *Aeromagnetic Image with tenure, aeromagnetic structures and RC drilling*

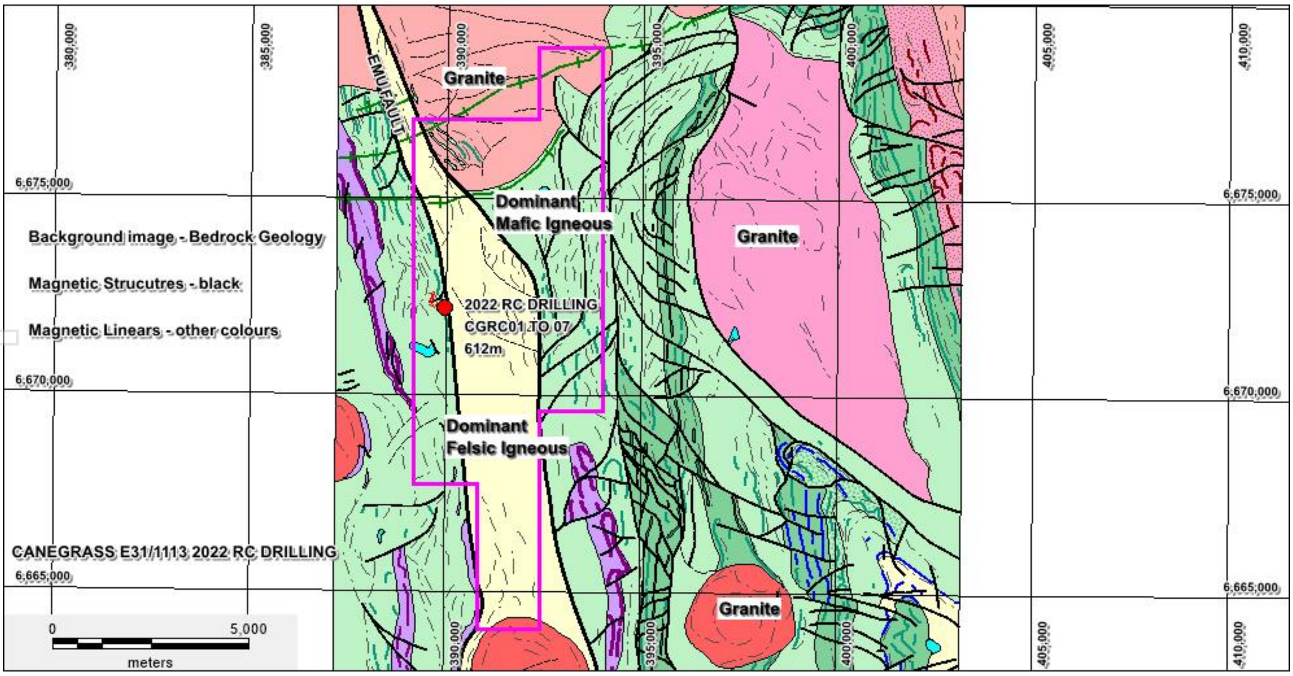



**Figure 6:** *Bedrock Geology with tenure, aeromagnetic structures and RC drilling*

# REVIEW OF OPERATIONS (continued)


**Figure 7:** *RC Drill Collars with significant gold intersections*

| Northing_GDA94_Zone51 | Easting_GDA94_Zone51 | Prospect | Hole ID | Tenement | Drill Type | Depth m | Inclination | Azimuth(magnetic) |
|---|---|---|---|---|---|---|---|---|
| 6672250 | 389975 | CG_F | **CGRC001** | Canegrass EPM 31 1113 | RC | 90 | -60 | 270 |
| 6672250 | 389925 | CG_F | **CGRC002** | Canegrass EPM 31 1113 | RC | 90 | -60 | 270 |
| 6672200 | 390000 | CG_F | **CGRC003** | Canegrass EPM 31 1113 | RC | 72 | -60 | 270 |
| 6672200 | 389950 | CG_F | **CGRC004** | Canegrass EPM 31 1113 | RC | 90 | -60 | 270 |
| 6672200 | 389900 | CG_F | **CGRC005** | Canegrass EPM 31 1113 | RC | 90 | -60 | 270 |
| 6672150 | 389975 | CG_F | **CGRC006** | Canegrass EPM 31 1113 | RC | 90 | -60 | 270 |
| 6672150 | 389925 | CG_F | **CGRC007** | Canegrass EPM 31 1113 | RC | 90 | -60 | 270 |
| | | | | | | **612** | | |

**Table 1:** *RC Drill Collars*

The Canegrass area was targeted originally by the Company as comprising extensive mafic volcanics and intrusives with an associated regionally significant structure – Emu Fault which is associated with gold mineralisation to the north at the historic Gindalbie Mining Centre. The location of the 2022 RC drilling (**Figure 7 and Table 1**) program is a follow up to the 2020 Aircore Drilling Program which highlighted Area F as an area with elevated gold in the aircore drilling. Southern Geoscience compiled all available open file geophysical data and merged/processed the data. This was followed by an interpretation of structural elements and magnetic lineaments (**Figure 5**). The final phase of the interpretation was to construct a bedrock interpretation of the tenement as shown in **Figure 6.** The interpretation is that the Emu Fault defines the contact between mafic (green) and felsic (yellow) intrusive/extrusive rocks with the prime exploration focus being the mafic dominant lithologies to the west of the Emu Fault. The 2020 Aircore drilling intersected 1 m @ 3.96 g/t Au[2] in hole CGAC025 located on the southern-most drill traverses in the Area F grid -6672000mN. The March 2022 RC program comprising 7 holes was aimed to test the gold anomalous southern line in addition to drilling 50 m to the north (6672250mN) and south (6672150N) **Figure 7**, Section 6672250 is **Figure 8** and section 6672200 is **Figure 9**.

## REVIEW OF OPERATIONS (continued)

The RC sections were interpreted as shown in **Figures 8** and **9**. 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.

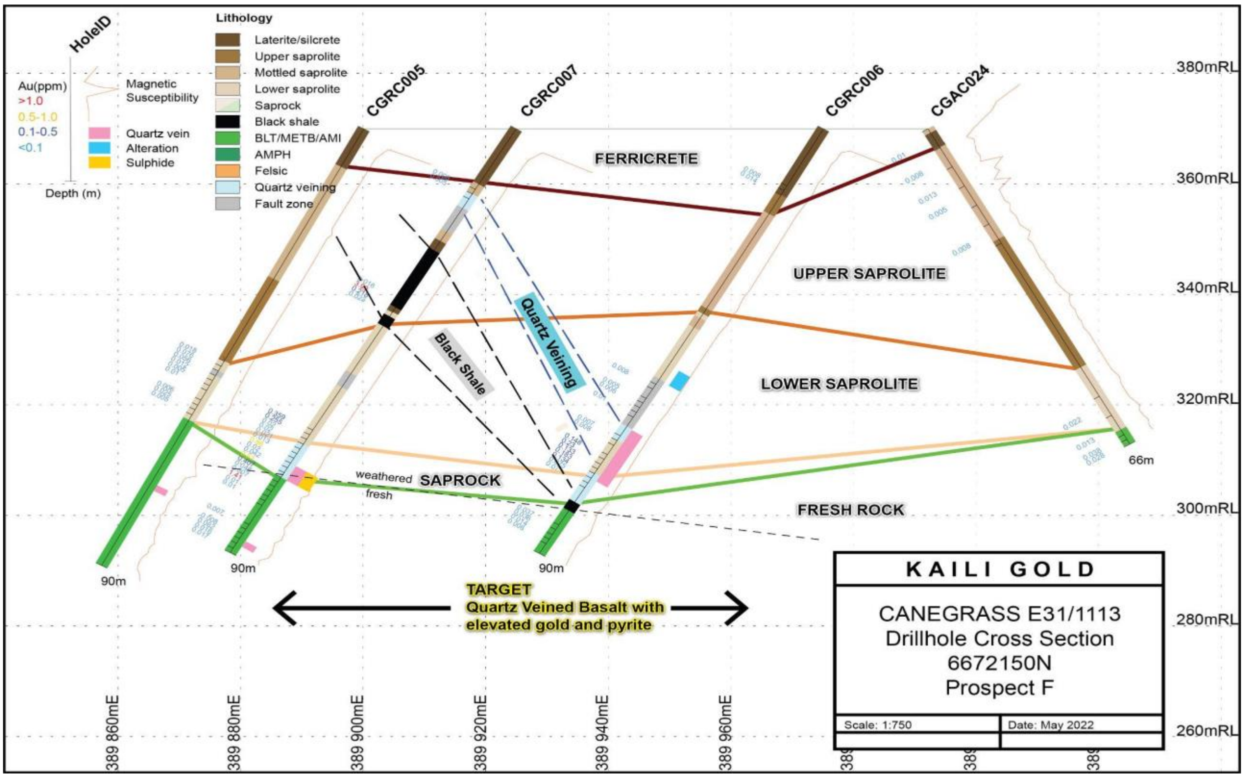



**Figure 8:** *RC Interpreted Drill Cross Section 6672150N*

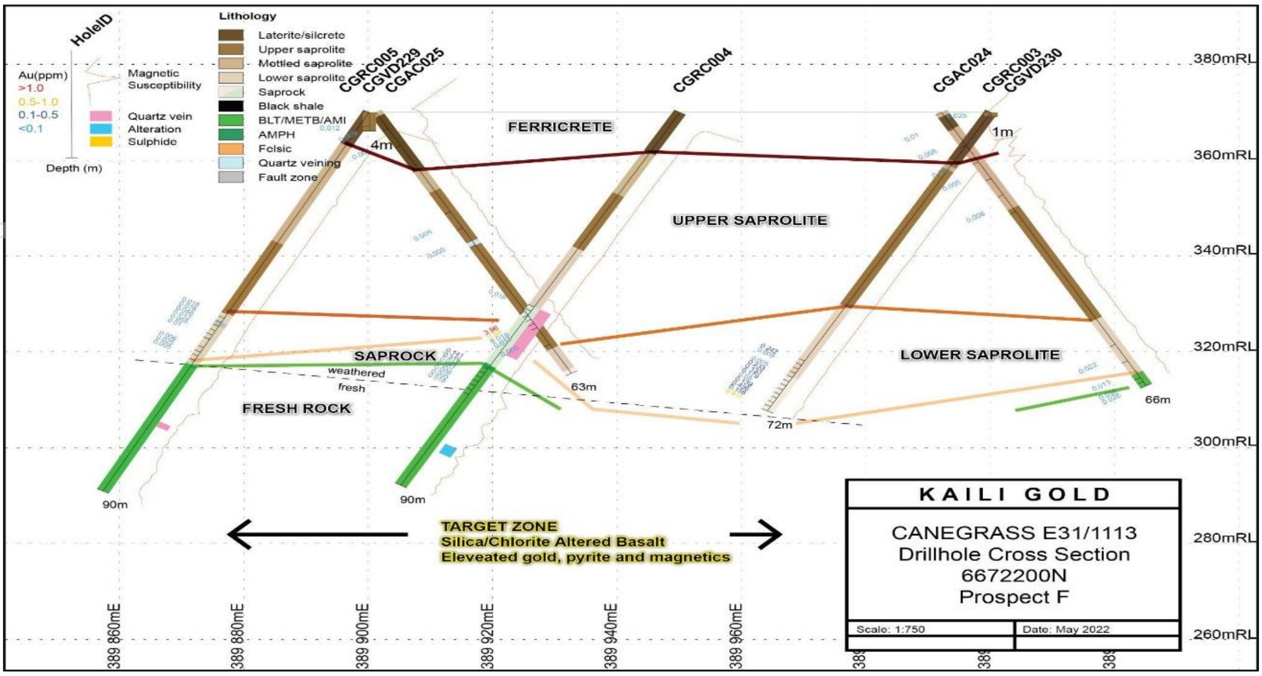



**Figure 9:** *RC Interpreted Drill Cross Section 6672200N*

# REVIEW OF OPERATIONS (continued)

## Canegrass 2022 IP Survey

An IP survey (**Figure 10**) was conducted in an area of low magnetics that corresponds to elevated gold of 1m @ 3.96 g/t Au[2] in recent drilling and also likely to be associated with silica and chlorite altered basalt. The Canegrass IP survey was completed by Moombarriga Geoscience in November 2022. Equipment used included a Search-Ex WB30 transmitter and a SmarTem 24 receiver system. Receiving electrodes were standard non-polarising porous pots and transmitter electrodes were buried steel plates or stakes. The survey consisted of six EW lines, each 1.3 km long. Line spacing was 100 m.

The most significant chargeable anomaly (high chargeability response designated by warm colours in **Figure 11** is located on lines 2600 to 2400 centred on 389800E (**Figure 10**). This chargeable anomaly is spatially associated with a linear N-S magnetic high that was the focus of the 2022 RC drilling. There is a chargeable anomaly on most lines between 389400 to 389600E and has been interpreted by the consultant geophysicist as a "lithological target". This anomaly is in an area of no drilling, so several field traverses have been completed to see if there are any geological or regolith surface expressions for this anomaly. It is likely this target will be drill tested to confirm the nature of the anomaly. There is a weak chargeability feature 100 m south of the RC drilling which will be investigated further. RC drilling is planned for Q2 2023.

[2] *See ASX Announcement of 3 December 2020. In accordance with Listing Rule 5.23 the Company is not aware of any new information or data that materially affects the information included in these announcements.*

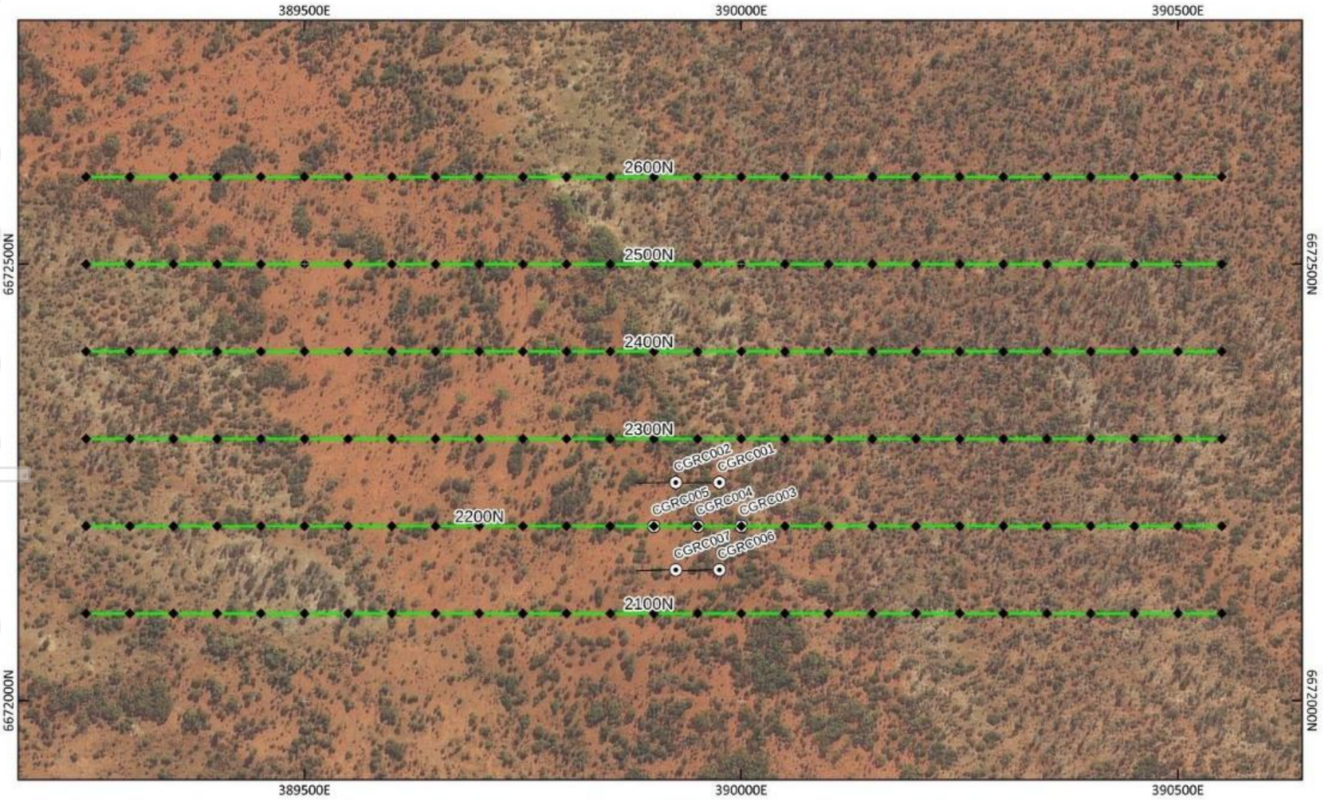



**Figure 10:** *Completed Canegrass IP survey DDIP lines and RC drill collars*

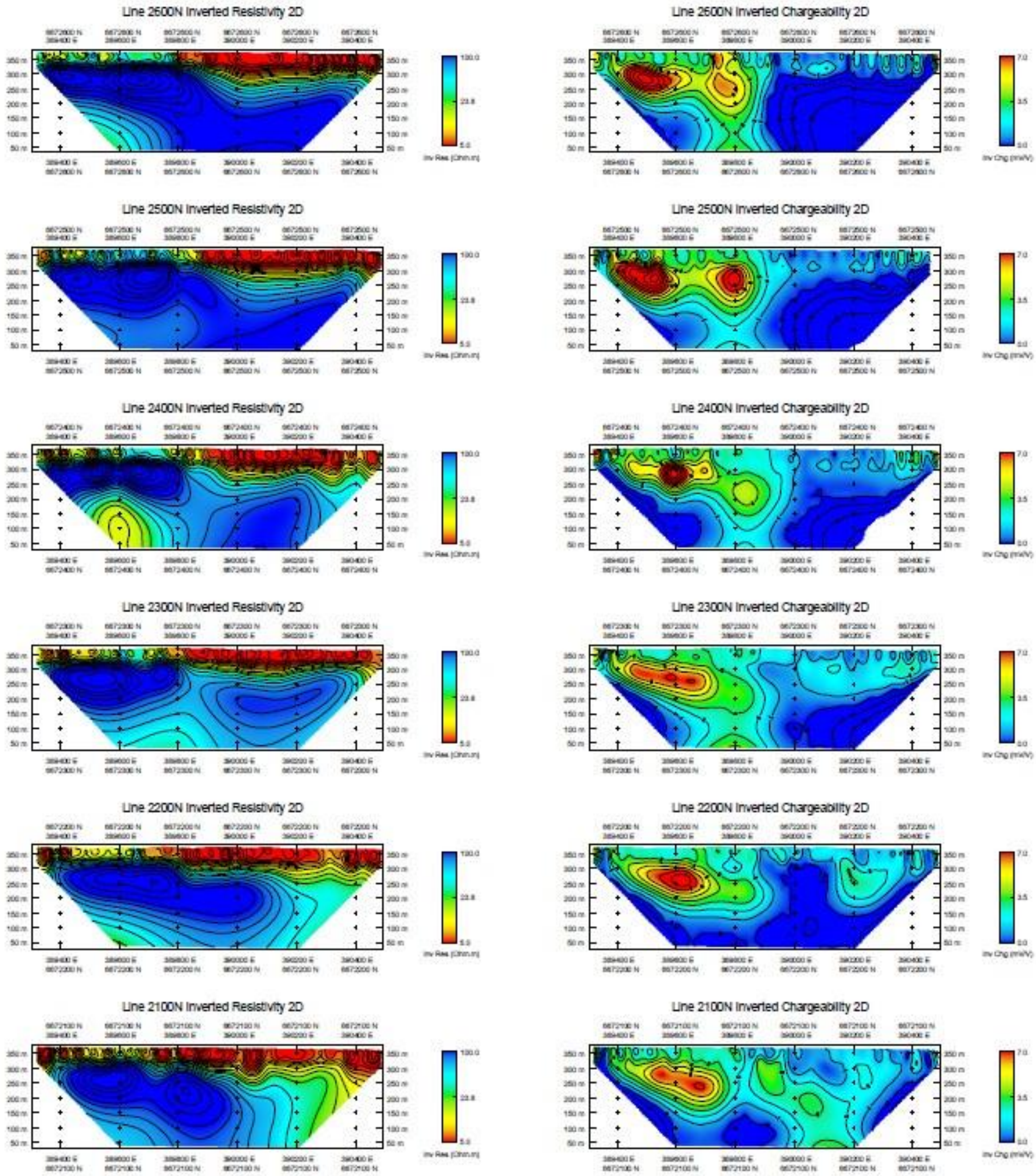



**Figure 11:** *IP Cross Sections 6672600N to 6672300N – Resistivity left and Chargeability right*

## Halls Creek – Gold/Cobalt/Copper/Nickel Projects – Western Australia

### Black and Glidden E 80/5112, Carrington E80/5113, Sandy Creek E80/5114 and Wild Dog E80/5115

*Held 100% by wholly owned subsidiary Kaili Iron Pty Ltd*

Field activities may only be carried out at Halls Creek 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. However, Native Title requirements had to be satisfied before field activities may commence.

## REVIEW OF OPERATIONS (continued)

Proposed work programs were submitted to the Kimberly Land Council and Native Title Groups for review. In September 2022 a meeting was held with the Malarngowem Aboriginal Corporation on the proposed field work programs within Sandy Creek (EL 80/5114) and Wild Dog (EL 80/5115).

Perth based remote sensing consultancy Earthscan processed Landsat and ASTER satellite imagery to delineate alteration minerals (original mineralogy that has been altered by potentially mineralised hydrothermal fluids) that will form the basis of exploration targets for the Halls Creek Project (**Figure 12**)

Minerals of exploration interest that produce recognizable spectral patterns in ASTER imagery are:

Epithermal clay minerals. There are three groups of alteration minerals that produce absorptions in SWIR bands 5, 6 and 7, i.e.

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

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

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

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

# REVIEW OF OPERATIONS (continued)


ASTER TARGETS

OVER ASTER BANDS 731

GDA 94 - MGA52

August 2022

**Figure 12:** *ASTER Scenes used for the Remote Sensing Study and the alteration targets in red*

## Background of exploration work

The results of the 2021 field season sampling and targets to be sampled in 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.

A total of 454 soil samples and 35 rock samples were collected across all 4 tenements (Figure 13). The samples were initially scanned using the Company's Olympus Delta then despatched to the ALS laboratory in Perth.

Summary of Rock Results (mainly from the Black and Glidden tenement) are as follows:

- **Gold (Au) to2.78g/t**
- **Lead (Pb) to 9.93%**
- **Zinc (Zn) to 12.6%**
- **Copper (Cu) to 0.82%**
- **Silver (Ag) to 171g/t**

*The results were reported in the ASX Announcement of 8 September 2021. In accordance with Listing Rule 5.23 the Company advises that it is not aware of any new information or data that materially affects the information included in that announcement.*

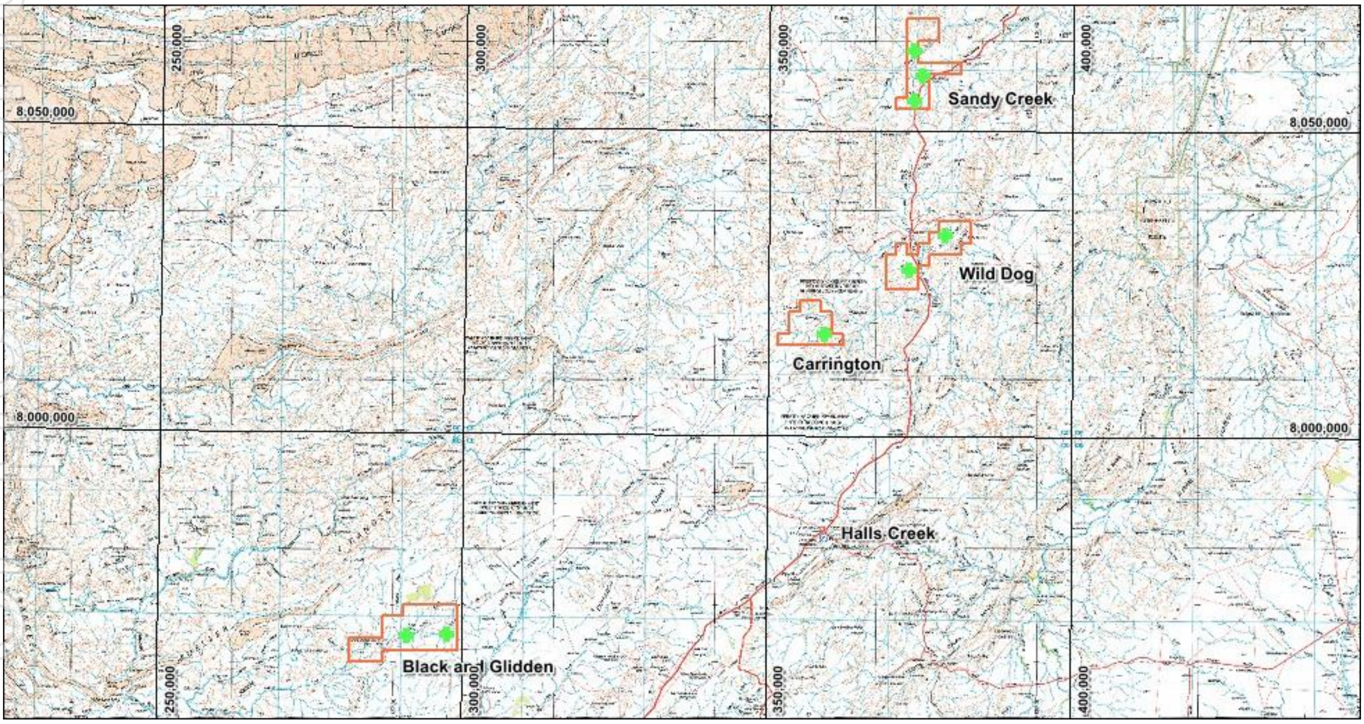



**Figure 13:** *Halls Creek Project showing the 2021 soil sampling grids in green*

### Geology of the Tenements

The Halls Creek Project comprises four granted tenements (**Figure 13**) situated within the NE-SW trending Lamboo Province comprising four 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.

### Black and Glidden E80/5112

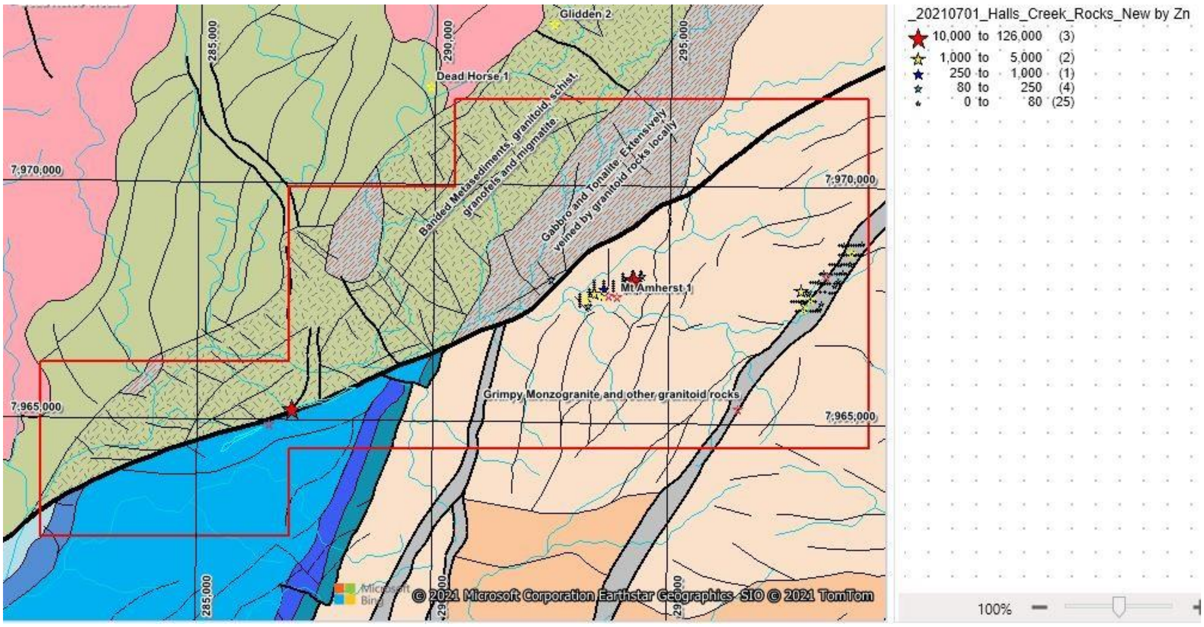



**Figure 14:** *Black and Glidden Interpreted Geology and Structure*

The Black and Glidden Tenement (**Figure 14**) 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 last field trip, the focus was on two areas of historical workings Eastern Shear 2/Soda Springs 3 in the east and Mt Amhurst5/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 14** and **15**.

The sampling was conducted within the Grumpy Monzogranite which is locally quartz veined and strongly epidote altered. A single sample (**Figure 15**) 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 315 degrees strike length of about 1.5 km (**Figure 15**). The soil geochemistry was not significantly elevated in gold or base metals apart from some elevated gold. This is due to the extensive granitic transported soils masking underlying mineralised zones.

Further targets along the Lubbock fault is planned to be evaluated in the field program in Q3 2023.

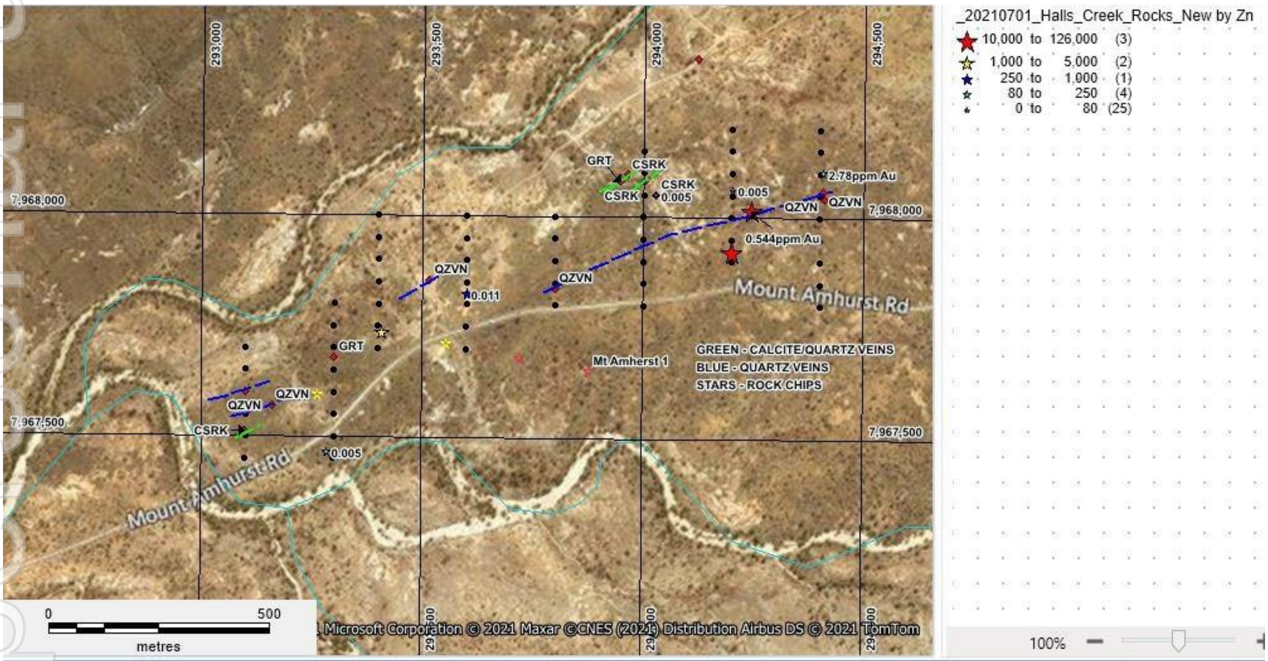



**Figure 15:** *Black and Glidden western soil grid showing distribution of quartz and calcite veining in the Grumpy Monzogranite*

# REVIEW OF OPERATIONS (continued)

**Carrington E80/5113**

The Carrington tenement (**Figure 16**) has limited vehicular access, so the initial 2021 field-based exploration involved a series of E-W soil traverses as shown in **Figure 16** across a major NE SW fault. A single rock sample of vein quartz returned 0.15% Cu. The remainder of the priority targets is planned to be sampled in the next field period in Q3 2023 including the EM conductor via helicopter traverses.

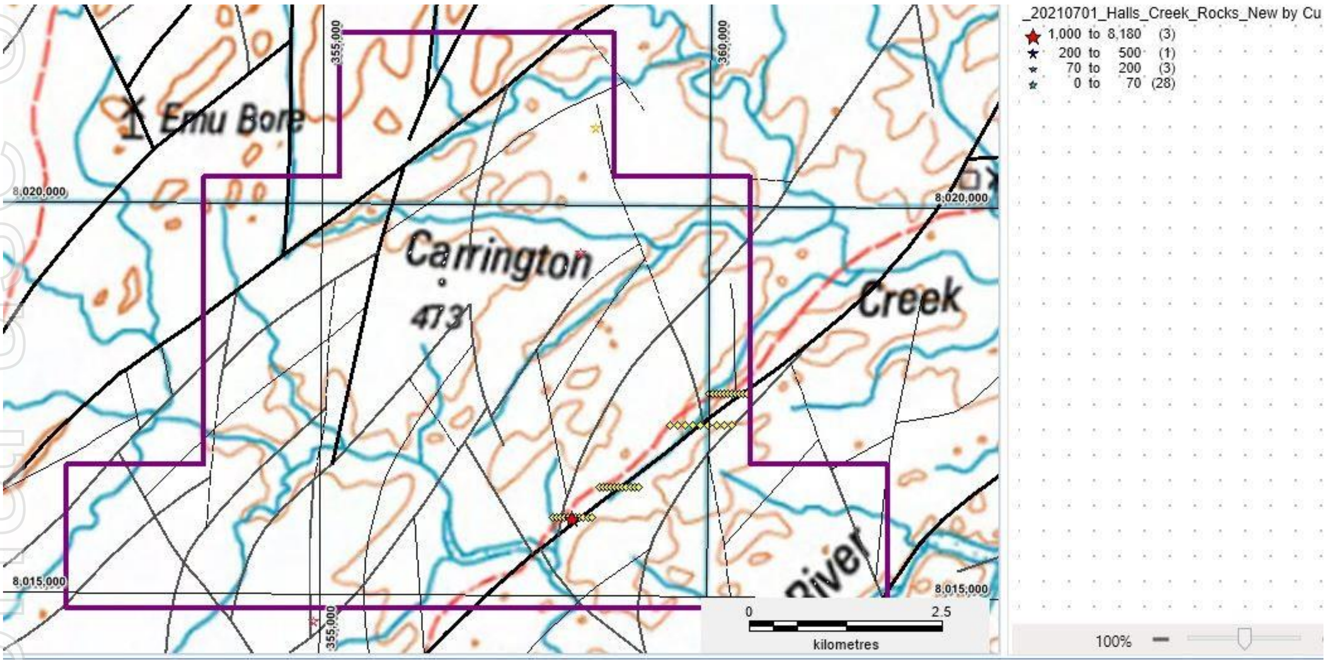



**Figure 16:** *Carrington Soil Grids (Yellow) and structures in black*

**Wild Dog E80/5115**

Surficial geochemical sampling at the Wild Dog tenement comprised two soil grids, Grids 1 and 2 (**Figure 17**). 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 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 may be explored by helicopter traverses in the next field program in Q3 2023.

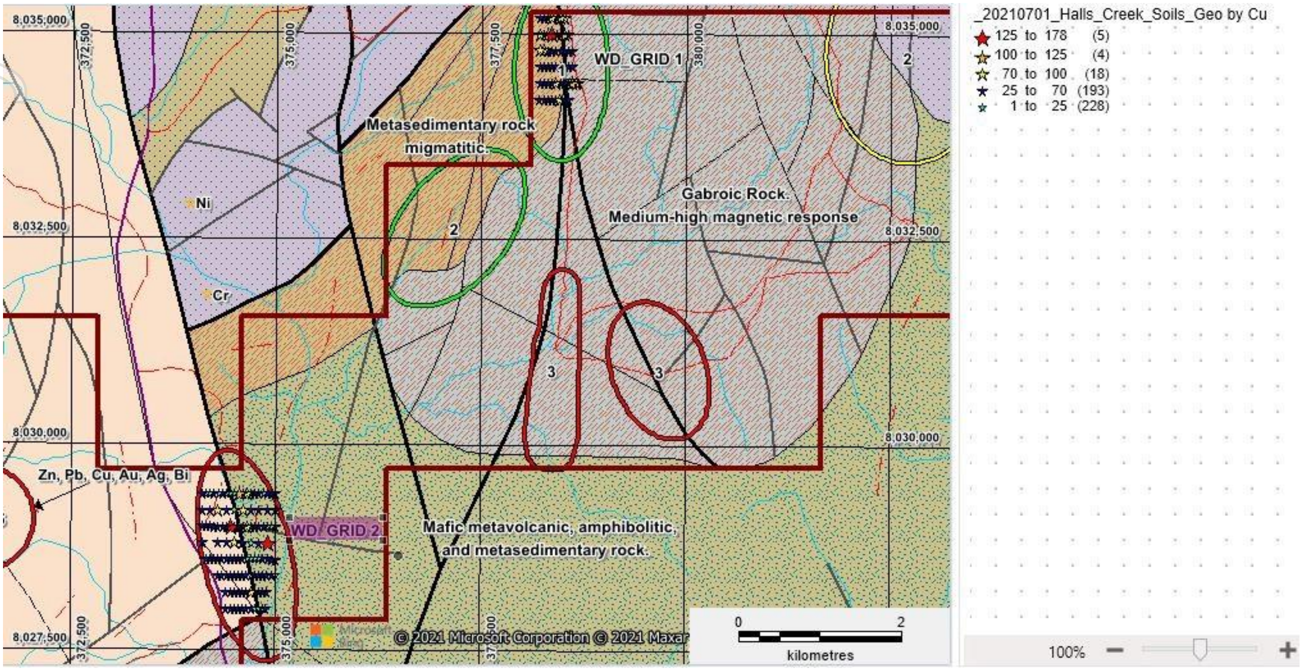



**Figure 17:** *Wild Dog Cu ppm in Soils*

**Sandy Creek E80/5114**

In the limited sampling completed in 2021 there is evidence of 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 18**. The high priority base metal target shown as green zones in the centre of the tenement (**Figure 18** and **19**) and the high priority geophysical targets within gabbroic rocks will require helicopter supported geochemical and geological mapping traverses which may be in Q3 2023.

# REVIEW OF OPERATIONS (continued)



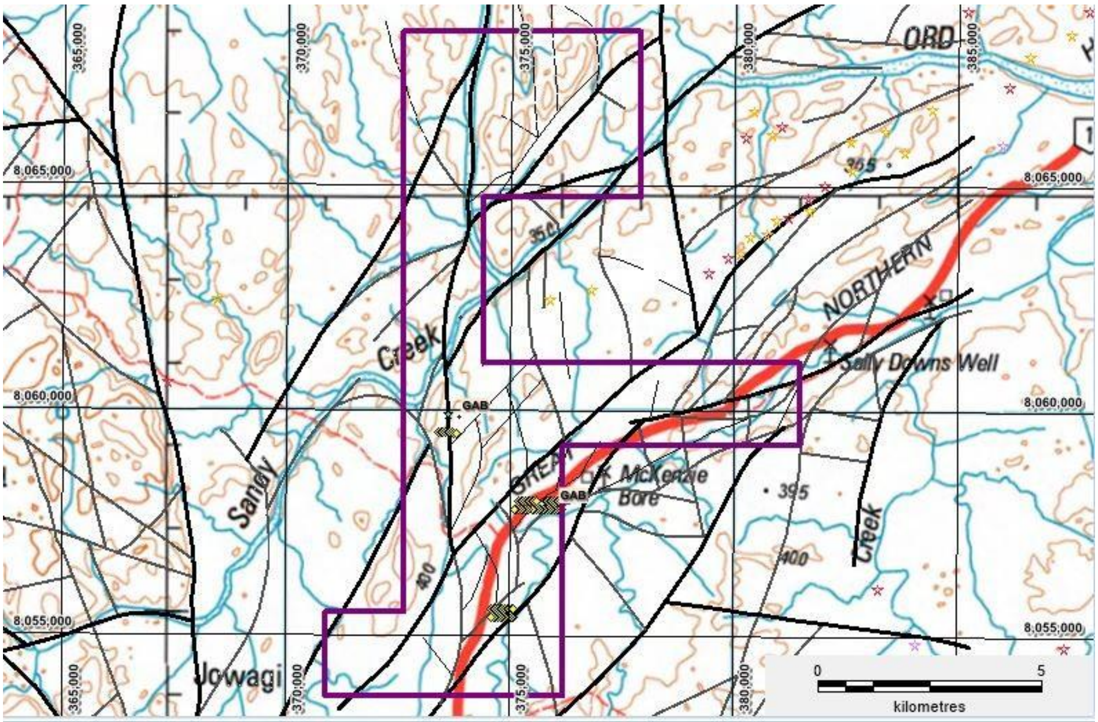



**Figure 18:** *Sandy Creek Soil Grids (Yellow)*

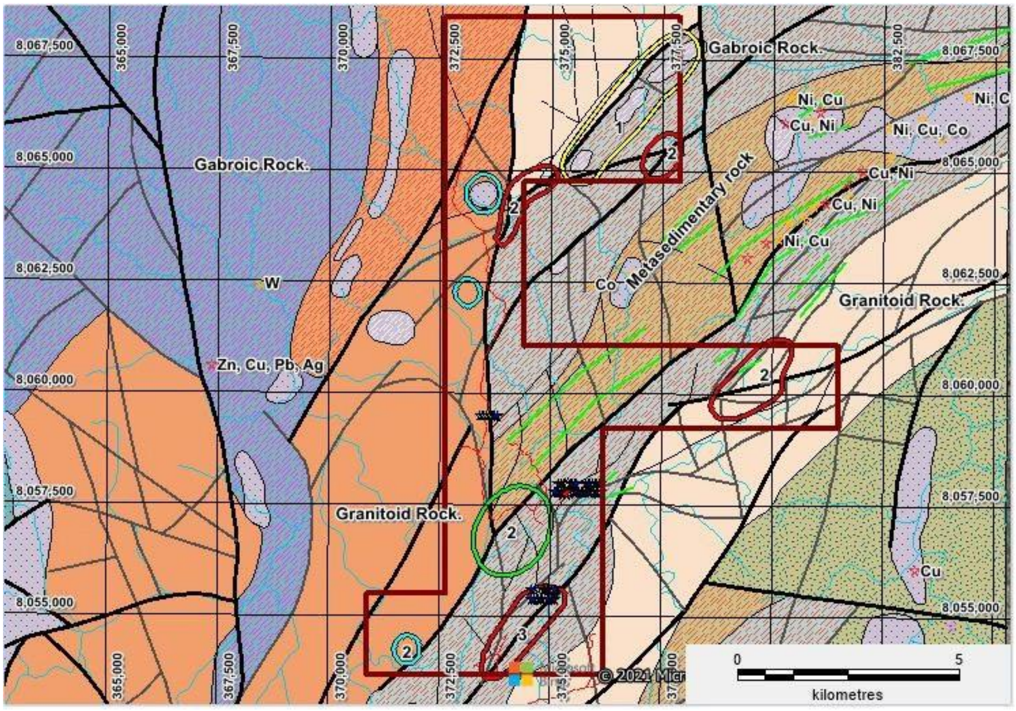



**Figure 19:** *Sandy Creek target areas and soil sampling grids*

# REVIEW OF OPERATIONS (continued)

### Tennant Creek – Gold and Copper Projects – Northern Territory

**Gidyea EL32665 and Kovacs ELA32666**

*Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd*

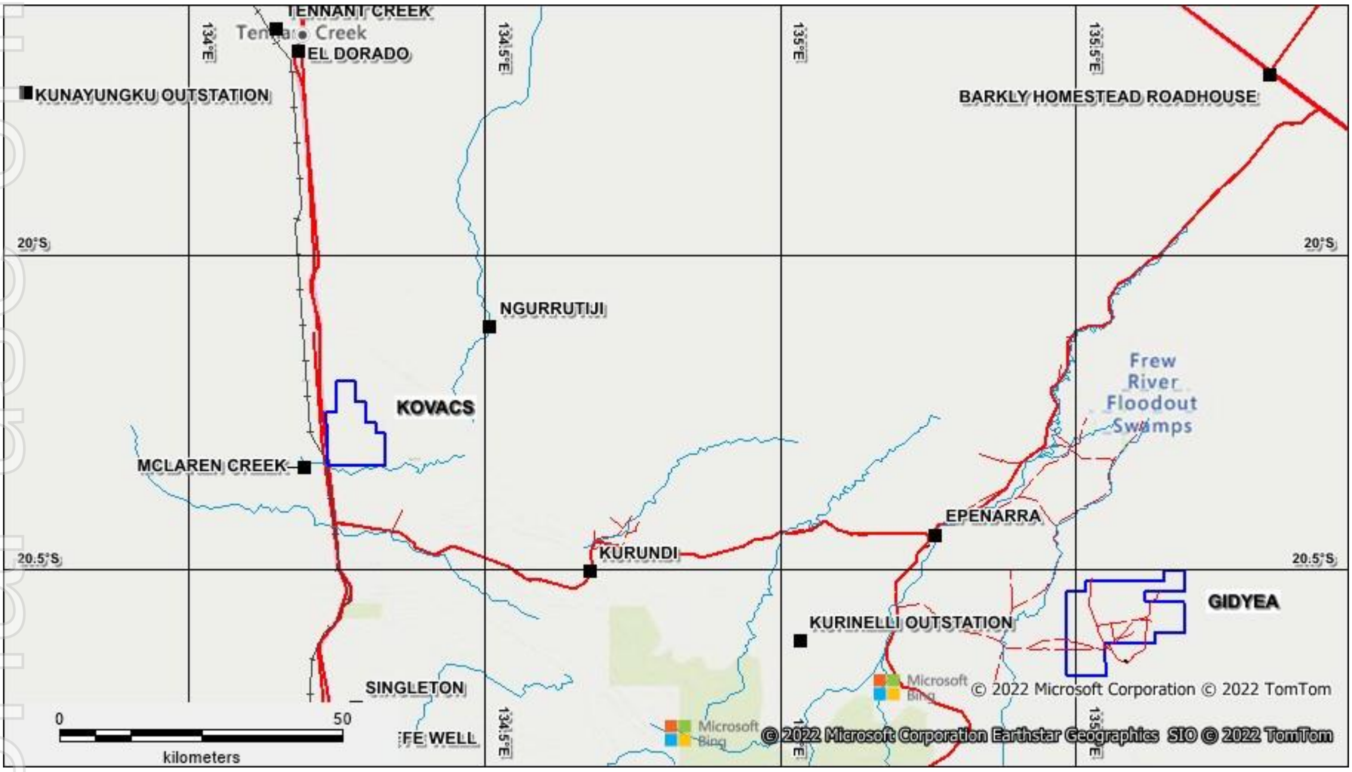



**Figure 20***: Regional Tenement Location SE of Tennant Creek – Kovacs and Gidyea*

In February 2021, the Group applied for two Exploration Licences (ELs) registered as ELA 32666 and ELA 32665 located to the south and southeast of Tennant Creek (**Figure 20**). Gidyea EL 32665 has been granted in September 2021 for a 6 year period to 14 September 2027. Grant of the tenement under ELA 32666 is awaited.

The Company has submitted detailed proposed work programs to the Central Land Council (CLC) for review. The Company also presented its work program at a meeting of the Native Title Parties in Tennant Creek on 26 October 2022 whereby its exploration plans for Kovac ELA 32666 were outlined in detail for consideration. Following the meeting the CLC has presented a budget of costs for their involvement to satisfy the Native Title Parties requirements. The Company may commence field exploration within EL 32665 when an Authority Certificate has been finalised with the CLC. The initial exploration will involve a general geological reconnaissance of the tenement involving surface geochemical exploration.

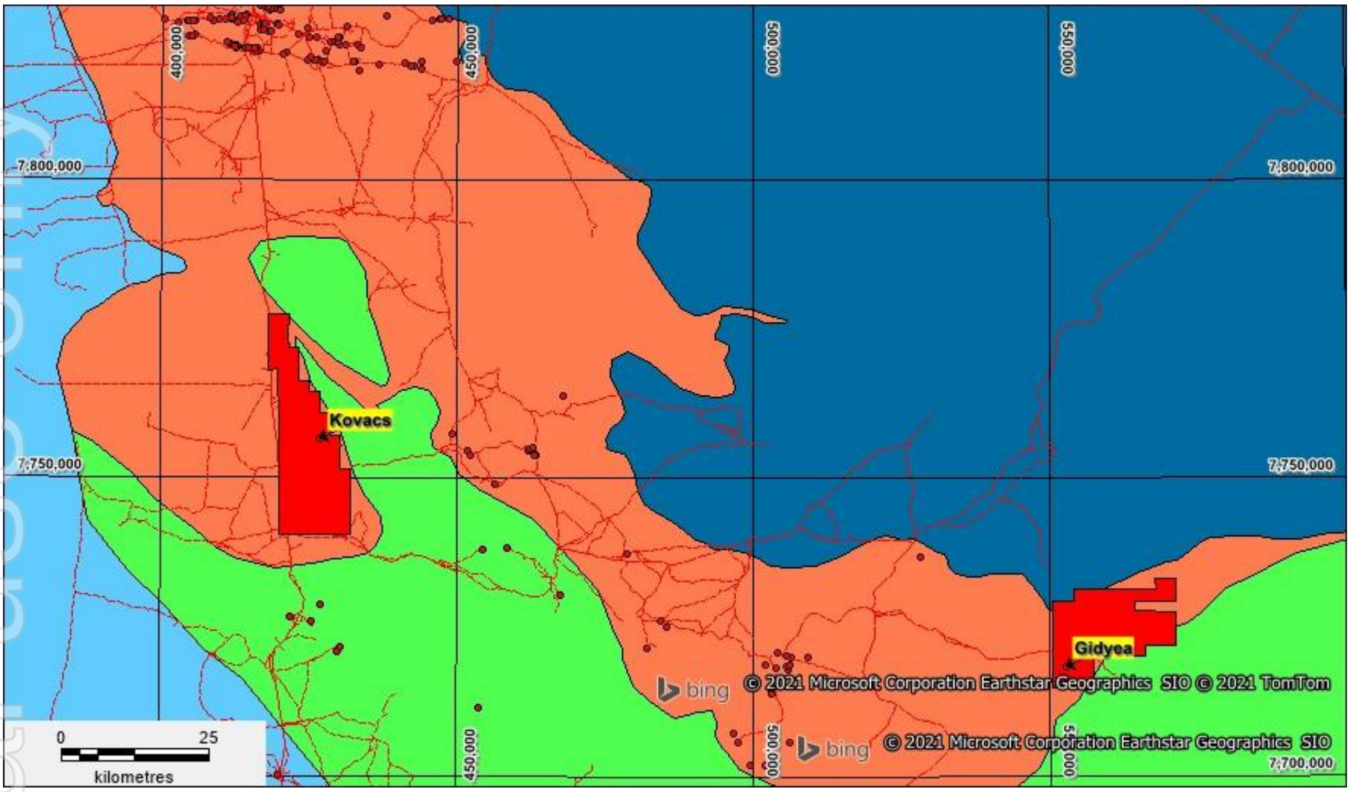



**Figure 21:** *Regional Geological Location SE of Tennant Creek – Kovacs and Gidyea*

*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 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. 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.

### Geology of the Region

The tenements are in the mineral rich Paleoproterozoic Warramunga Province (shaded brown) and flanked by the younger Palaeoproterozoic Davenport Province (shaded green) (**Figure 21**). The provinces are flanked by the Cambrian Wiso and Georgina Basins to the west and east respectively.

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

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 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 22** and is particularly evident on the Gidyea Project (east). The images indicate the stratigraphy at Gidyea is highly folded and magnetic with historical sampling at the Gidyea Prospect returning elevated Gold and Cobalt results. The convoluted magnetic stratigraphy at Kovacs (east) hosts some small gold workings that have had no exploration since the 1980's. **Figure 23** shows a uranium radiometric image which clearly outlines the Warramunga Province.

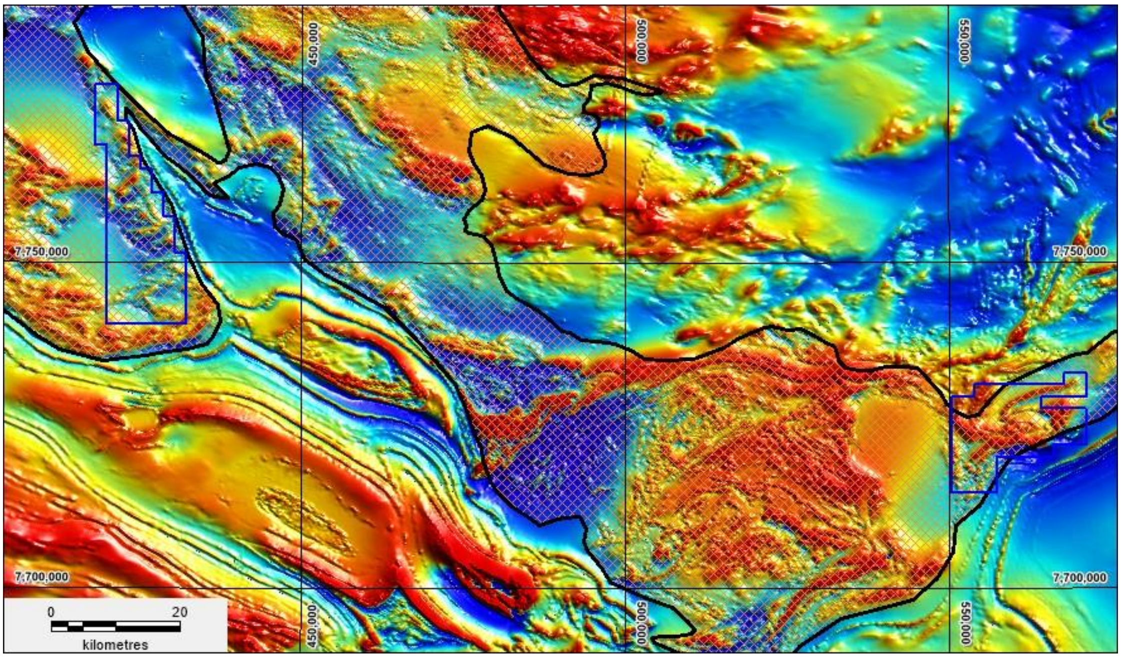



**Figure 22:** *Gidyea (east) and Kovac (west) are shown on regional TMI magnetics with the Warramunga Province shown as a light hatching over the magnetics.*

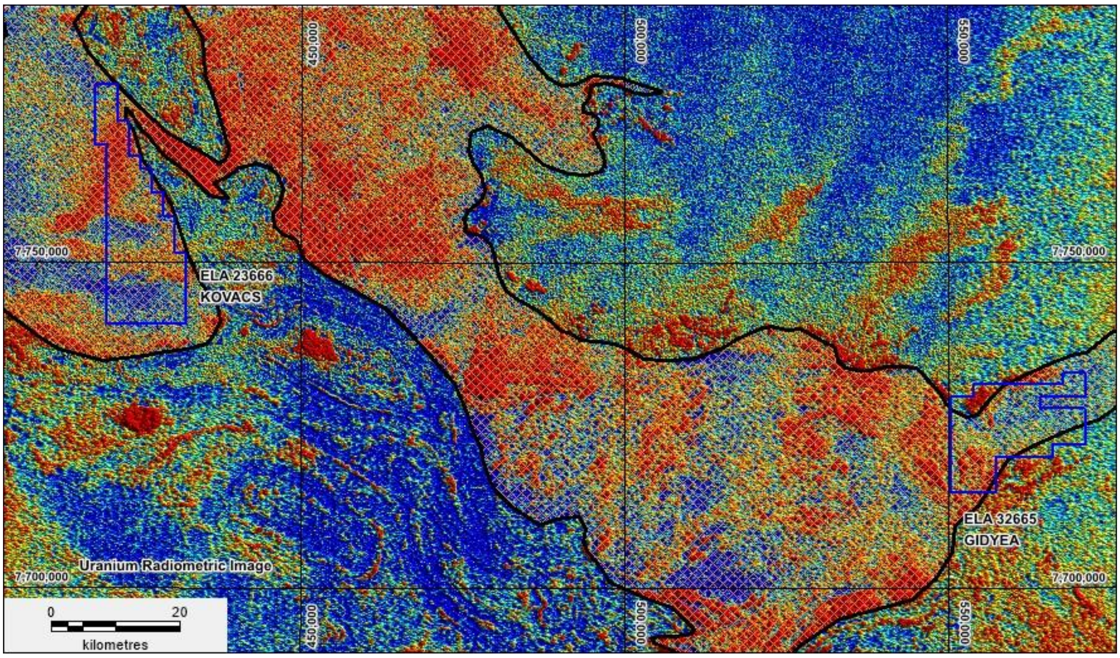



**Figure 23:** *Gidyea and Kovac projects are shown on regional Uranium radiometrics with the Warramunga Province shown as a light hatching over the radiometrics.*

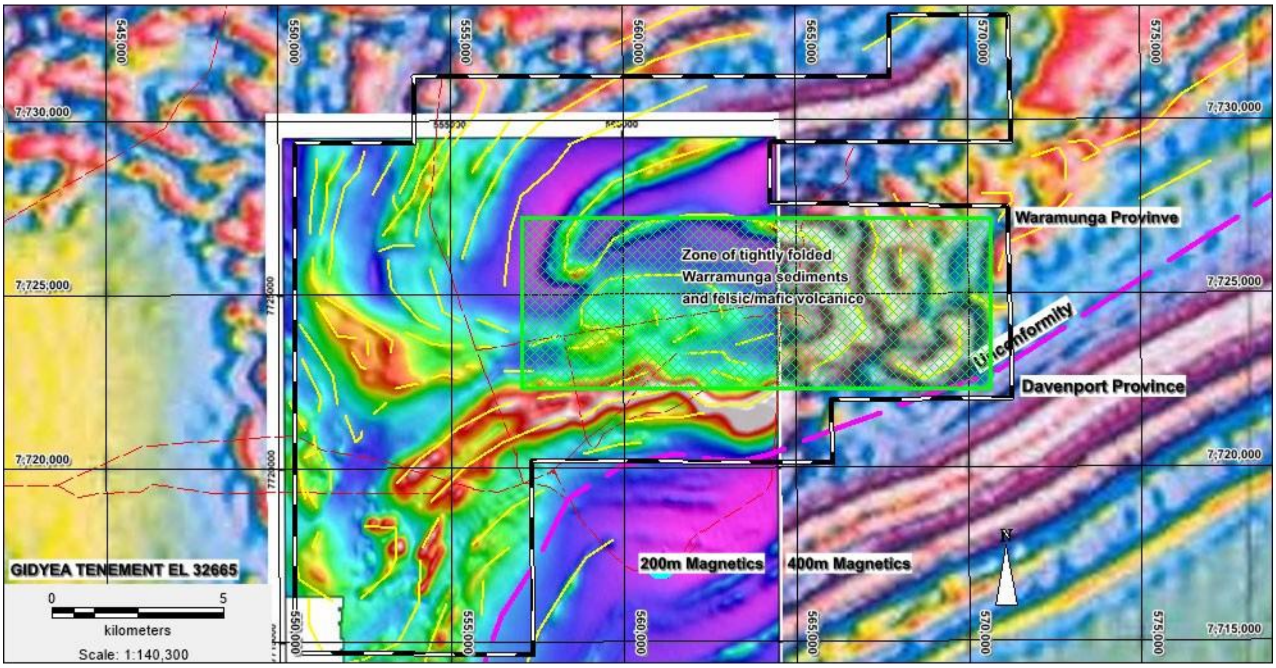



**Figure 24**: *Gidyea Project showing two generations of magnetic image with vastly different resolution and the proposed initial work area in green.*

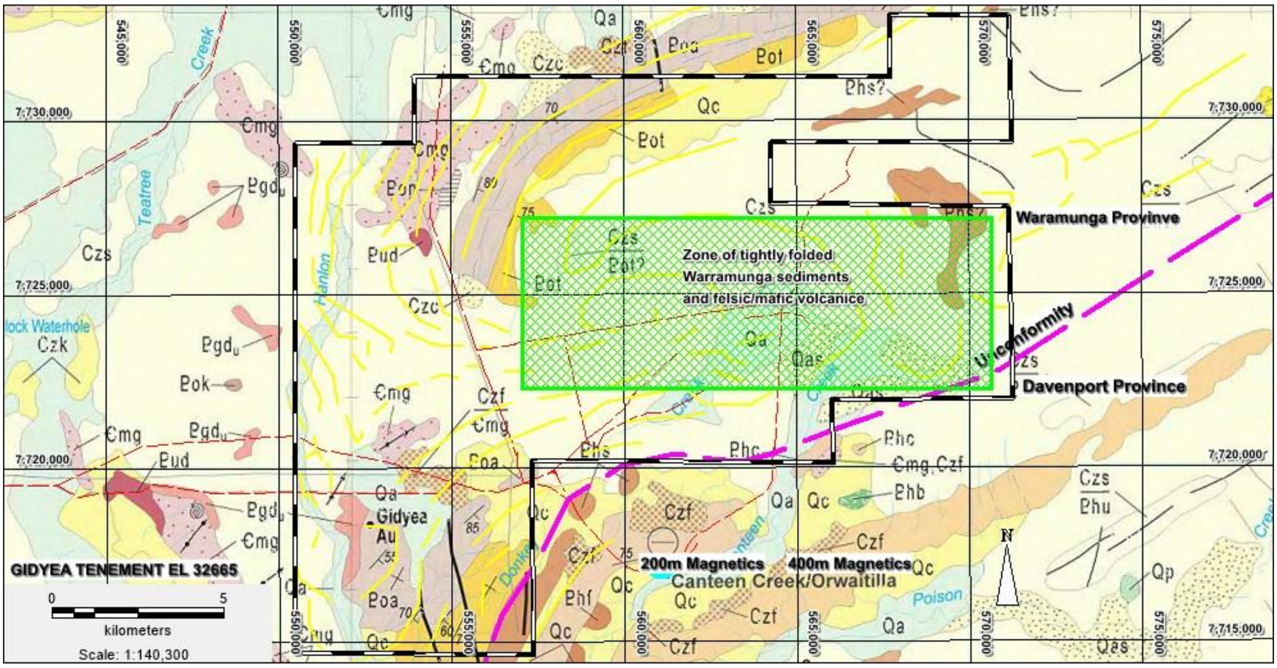



**Figure 25:** *Gidyea Project showing the initial work area on the Frew River 1:250,000 outcrop geology map*

# REVIEW OF OPERATIONS (continued)

The Gidyea area was 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 24**) 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 24**. There is one historical mineral occurrence shown on the lower right of **Figure 25** 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 200m line spaced magnetic survey. Most historical exploration concentrated on the Gidyea historical occurrence and no exploration in the initial work area shown in **Figures 24 and 25**.

### Limestone Coast – Rare Earth Element Projects – South Australia

**Lameroo EL6856 (Granted from application ELA 2022/00075)**
*Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd*

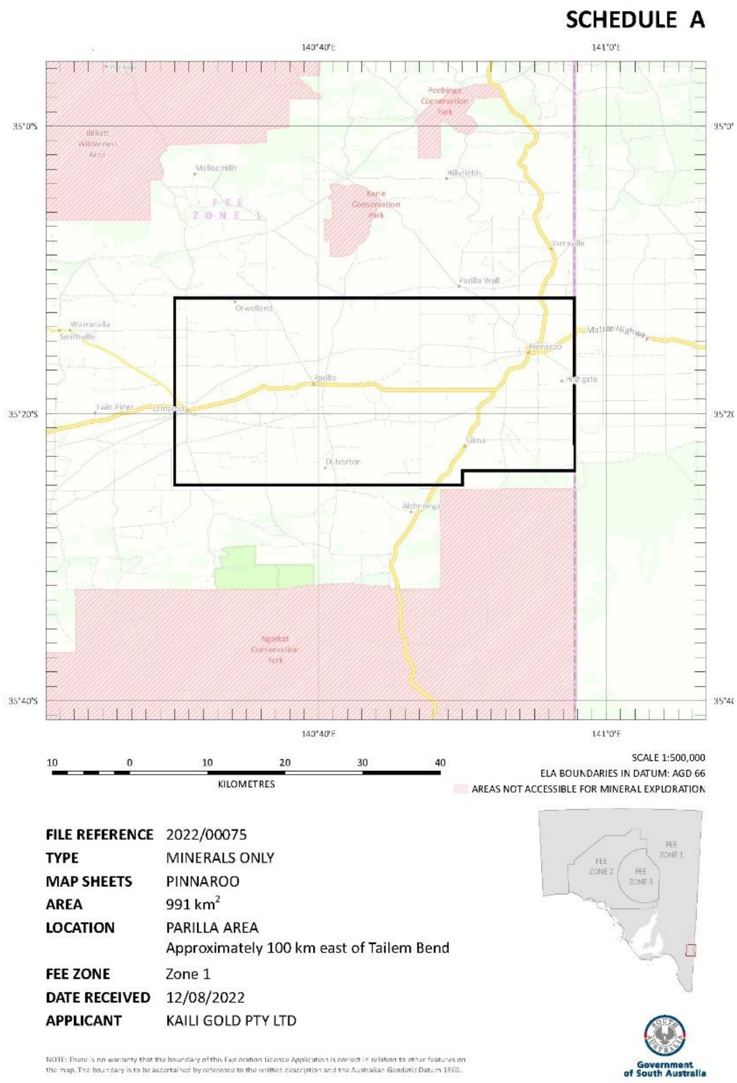



**Figure 26:** *Lameroo EL Application located on the Limestone Coast of South Australia*

## REVIEW OF OPERATIONS (continued)

On the 19th October 2022, wholly owned subsidiary Kaili Gold Pty Ltd has been granted exploration licence EL 6856 for 6 years to 18 October 2028, following its application under ELA 2022/00075 in August 2022. EL 6856 covers an area of approximately 992 $km^2$ within the Loxton Sands in the Murray Basin in South Australia for exploration of Rare Earth Elements ("**REE**")

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)

## LICENCES STATUS

Minerals tenements and applications for tenements held at 31 December 2022 and acquired or disposed of during the financial year and their locations are set out below:

| Granted | Tenement | Name | Commodity | Region | Registered Holder | Beneficial Interest | Area Km$^2$ | Status |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 19/10/2022 | EL6856 | Lameroo | Rare Earth | SA - Murray Basin | Kaili Gold Pty Ltd | 100% | 991.0 | Expiry on 18/10/2028 |
| | ELA32666 | Kovacs | Gold/Base Metals | NT-Warraminga Province | Kaili Gold Pty Ltd | 100% | 271.7 | Application submitted 23/02/2021 |
| | | | | | | Total | 1,839.4 | |

There was no acquisition or disposal or change in beneficial interests under farm-in or farm-out agreements during the year other than grant of EL 6856 (Lameroo) in South Australia.

***Competent Person Statement***

*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.*

# DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Kaili Resources Limited ("the Company") and its controlled entities ("the Group") for the year ended 31 December 2022.

## DIRECTORS

The following persons were Directors of the Company during the year and up to the date of this report:

Donghai Zhang
Chunlin Liu
Jing Li
Jianzhong Yang
Long Zhao

## DIRECTORS' INFORMATION

**Donghai Zhang**
**Non-Executive Chairman**

Mr Donghai Zhang holds a Master of Business Administration degree from Fordham University of New York. He also graduated from the Beijing International MBA Program of Peking University. He is presently Chairman and President of Yitai Group which controls Inner Mongolia Yitai Coal Co., Ltd which is listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. He is also a Director of Inner Mongolia Yitai Investment Co., Ltd which is a substantial shareholder with relevant interests in 51.38% of the Company.

**Chunlin Liu**
**Non-Executive Director**

Mr Chunlin Liu holds a Master of Senior Business Administration degree from Tsinghua University of China. He is presently a Director and the Chief Financial Officer of Yitai Group and of Inner Mongolia Yitai Investment Co., Ltd. He is also a director of Inner Mongolia Yitai Coal Co., Ltd.

**Jing Li**
**Non-Executive Director**

Miss Jing Li holds a Master of Arts degree from University of Greenwich of UK. She is a senior executive of the Yitai Group.

**Jianzhong Yang**
**Non-Executive Director**

Mr Jianzhong Yang holds a Master degree from Huazhong University of Science and Technology in China and a Diploma in Coalfield Geology and Exploration and Mining Geology from the Inner Mongolia Coal Engineering School. He has extensive experience in coal and energy industry from his home province of Inner Mongolia, China. Since 2011 he is Vice Chairman, after five years as the General Manager, of the Inner Mongolia Hengdong Energy Group Co., Ltd. He has previously held positions in Inner Mongolia as Office Director at The Office of Railway Construction Supporting Project of Zhungeer Banner, Township Head of the Township Government of Hadai Gaole Township of Zhungeer County, Deputy Director of the Bureau State Land and Resources Bureau of Zhungeer County, teacher in Coalfield Geology and Exploration & Mining Geology at a vocational school.

**Long Zhao**
**Executive Director**

Mr. Long Zhao holds a Bachelor degree of Commerce and Accounting from Macquarie University, Australia and has several years' experience in property investment and development since his graduation. He has been the Company Secretary of the Company since 28 June 2016.

## COMPANY SECRETARY

Mr. Long Zhao is the Company Secretary of the Company during the year and up to the date of this report.

## PRINCIPAL ACTIVITIES

During the year the Group has been active in exploration for base metals, cobalt and gold.

## OPERATING AND FINANCIAL REVIEW

### Review of operations

A Review of Operations for the financial year, together with future prospects, is set out on pages 3 to 26.

### Performance

The loss of the Group after income tax for the year was $34,984 (2021: loss $1,326,361) including a gain of $425,497 (2021: Nil) on amortization of interest free borrowings.

### Financial position

At 31 December 2022 the Group was in a net liability position of $1,536,602 (2021: net liability $1,501,618) with an unsecured and interest free loan and financial support totalling $3.79 million maturing on 1 April 2024 from Yitai Group (Hong Kong) Co., Limited ("Yitai HK"), a related party of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited. Total assets increased to $2,118,297 (2021: $1,041,716), mainly as a result of expenditure on exploration licences during the year, with cash and cash equivalents of $852,770 (2021: $99,667).

In July 2022, Yitai HK extended financial support to the Group by making available funds of up to $1 million until 1 April 2024, in addition to the fully drawn loan facility of $2.4 million due for repayment on 1 April 2024. At balance date the loan of $2.4 million was fully drawn and an amount of $1,388,440 has been drawn under the financial support.

In February 2023, Yitai HK confirmed an increase in its financial support with interest free and unsecured funds from $1 million to up to $1.4 million until 1 April 2024 that may be drawn as necessary to ensure that the Group continues to be able to pay its debts as and when they fall due, meets its work commitments and continues to operate as a going concern.

### Cash flows

Operating activities resulted in net outflow of $280,258 (2021: $511,325) as the Group is still in the exploration phase with no income. A total of $266,800 (2021: $230,112) was spent on exploration activities.

### State of affairs

There were no significant changes in the state of affairs of the Group during the year other than as described in the Review of Operations.

### Dividends

The Directors recommend that no dividend be declared or paid.

### Likely developments

During the subsequent financial year the likely developments of the Group will be continuation of exploration in its tenement in Western Australia, Northern Territory and South Australia.

## DIRECTORS' BENEFITS

No Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as detailed in the Remuneration Report) by reason of a contract made by the consolidated entity or a controlled entity with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial interest, except for any benefit that may be deemed to have arisen as disclosed in Note 25 of the financial statements.

**DIRECTORS' INTERESTS IN CONTRACTS**

No contracts involving Directors' interests were entered into during the financial year except as disclosed in Note 25 of the financial statements.

**DIRECTORS' MEETINGS**

Attendances by each Director to meetings of directors during the year were as follows:

| | Directors' Meetings | |
|---|---|---|
| | Number eligible to attend | Number attended |
| Donghai Zhang | - | - |
| Chunlin Liu | - | - |
| Jing Li | - | - |
| Jianzhong Yang | - | - |
| Long Zhao | - | - |

During the year Board business was carried out by execution of circulated resolutions.

**REMUNERATION REPORT**

The information provided in this remuneration report has been audited.

**A. Principles Used to Determine Amount and Nature of Remuneration**

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Transparency

The maximum aggregate annual remuneration for Directors' services as Directors is subject to approval by the shareholders in general meeting to be divided between the Directors as the Board determines.

The Group's policy regarding executive remuneration is that the executives are paid commercial salary and benefits based on the Group's performance, market rate and individual experience.

**B. Details of Remuneration of Key Management Personnel of the Group**

**I. Remuneration of Directors**

| | Short-term benefits | Post-Employment benefits | Other long-term benefits | Termination benefits | Total |
|---|---|---|---|---|---|
| | Cash salary and leave | Superannuation | Long Service leave | | |
| | $ | $ | $ | $ | $ |
| **2022** | | | | | |
| Donghai Zhang | - | - | - | - | - |
| Chunlin Liu | - | - | - | - | - |
| Jing Li | - | - | - | - | - |
| Jianzhong Yang | - | - | - | - | - |
| Long Zhao | 73,248 | 7,691 | 1,488 | - | 82,427 |
| | 73,248 | 7,691 | 1,488 | - | 82,427 |

# DIRECTORS' REPORT (continued)

| | Short-term benefits | Post-Employment benefits | Other long-term benefits | Termination benefits | Total |
|---|---|---|---|---|---|
| | Cash salary and leave | Superannuation | Long Service leave | | |
| | $ | $ | $ | $ | $ |
| **2021** | | | | | |
| Donghai Zhang | - | - | - | - | - |
| Chunlin Liu | - | - | - | - | - |
| Jing Li | - | - | - | - | - |
| Jianzhong Yang | - | - | - | - | - |
| Long Zhao | 83,368 | 7,879 | 7,857 | - | 99,104 |
| | 83,368 | 7,879 | 7,857 | - | 99,104 |

**II. Remuneration of Key Management Personnel of the Group**

There were no other key management personnel employed by the Company and Group during the year for which disclosure of remuneration is required, apart from the remuneration details disclosed above.

**III Service agreement**

There are no service agreements with Directors.

**IV. Share-based compensation**

There was no share-based compensation granted during the year.

**C. Directors' securities holdings**

The number of shares in the Company held in the financial year by each Director of the Company, including their personally related parties are as follows:

**2022**

| | **Balance at the beginning of the year** | **Acquired** | **Disposed** | **Balance at the end of the year** |
|---|---|---|---|---|
| Donghai Zhang | - | - | - | - |
| Chunlin Liu | - | - | - | - |
| Jing Li | - | - | - | - |
| Jianzhong Yang | 13,200,000 | - | - | 13,200,000[1] |
| Long Zhao | 20,000 | - | - | 20,000 |
| | 13,220,000 | - | - | 13,220,000 |

[1] Shares held by Kaili Holdings Limited, a company controlled by Director Jianzhong Yang

# DIRECTORS' REPORT (continued)

**2021**

| | Balance at the beginning of the year | Acquired | Disposed | Balance at the end of the year |
|---|---|---|---|---|
| Donghai Zhang | - | - | - | - |
| Chunlin Liu | - | - | - | - |
| Jing Li | - | - | - | - |
| Jianzhong Yang | 13,200,000 | - | - | 13,200,000[1] |
| Long Zhao | 20,000 | - | - | 20,000 |
| | 13,220,000 | - | - | 13,220,000 |

[1] Shares held by Kaili Holdings Limited, a company controlled by Director Jianzhong Yang

**ENVIRONMENTAL REGULATION**

The Group is required to carry out its activities in accordance with applicable regulations in each of the jurisdictions in which it undertakes its exploration activities. The Group is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

**NON-AUDIT SERVICES**

No non-audit services were performed by the auditor of the Company during the year.

**EVENTS AFTER THE REPORTING DATE**

Subsequent to the reporting date, there were no matters or circumstances which have arisen since the end of the year which significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future years, other than the following:

- On 1 February 2023, Yitai Group (Hongkong) Co. Ltd confirmed an increase in its financial support with interest free and unsecured funds from $1 million to up to $1.4 million until 1 April 2024 that may be drawn as necessary to ensure that the Group continues to be able to pay its debts as and when they fall due, meets its work commitments and continues to operate as a going concern.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration is included on page 32 of the Annual Report and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.

Donghai Zhang
Chairman

Sydney
30th March 2023

# Kaili Resources Limited

## AUDITORS INDEPENDENCE DECLARATION
## UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

---

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 for the year ended 31 December 2022 there has been:

a) no contraventions of the auditor independence requirements of the International Financial Reporting Standards (IFRS) in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

J F Shute

John F Shute Chartered Accountant
Suite 605, Level 6
321 Pitt Street
Sydney, NSW 2000

Dated this 30 March 2023

# CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Kaili Resources Limited and its controlled entities (‘the Group’) have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The ASX Corporate Governance Council has published the Corporate Governance Principles and Recommendations – 4th edition which takes effect for a listed entity’s first full financial year commencing on or after 1 January 2020. The Group has adopted the 4th edition from 1 January 2020.

The Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report. The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company’s website at www.kailigroup.com.au/corporate-governance-policy and http://www.kailigroup.com.au/compliance-to-corporate-governance-recommendations.

The Group’s Corporate Governance Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2022

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| | | $ | $ |
| **Revenue** | | | |
| Interest income | | - | 9,620 |
| Other income | 4, 14 | 425,497 | 69,714 |
| | | 425,497 | 79,334 |
| **Expenses** | | | |
| Depreciation expense | 13 | (18,255) | (214,548) |
| Employee benefits expense | | (82,427) | (97,357) |
| Finance costs | | - | (9,816) |
| Impairment of exploration and evaluation expenditure | 11 | - | (692,104) |
| Project costs | | (5,979) | (19,903) |
| Other expenses | 5 | (353,820) | (371,967) |
| **Loss before income tax** | | **(34,984)** | **(1,326,361)** |
| Income tax | 10 | - | - |
| **Loss after income tax** | | **(34,984)** | **(1,326,361)** |
| **Other comprehensive income (loss) for the year, net of tax** | | **-** | **-** |
| **Total comprehensive loss for the year attributable to members of the Parent Entity** | | **(34,984)** | **(1,326,361)** |
| | | **Cents** | **Cents** |
| **Loss per share** | | | |
| Basic and diluted loss per share | 21 | (0.02) | (0.90) |

The accompanying notes form part of these financial statements.

# CONSLIDATED STATEMENT OF FINANCIAL POSITION
## AT 31 DECEMBER 2022

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| | | $ | $ |
| **Current Assets** | | | |
| Cash and bank balances | 6 | 852,770 | 99,667 |
| Trade and other receivables | 7 | 14,020 | 4,945 |
| Prepayments | 8 | 27,900 | 27,377 |
| **Total Current Assets** | | 894,690 | 131,989 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 13 | 65,949 | 84,204 |
| Exploration and evaluation expenditure | 11 | 1,157,658 | 825,523 |
| **Total Non-Current Assets** | | 1,223,607 | 909,727 |
| **Total Assets** | | 2,118,297 | 1,041,716 |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | 273,783 | 44,160 |
| Provisions | 12 | 8,672 | 2,877 |
| **Total Current Liabilities** | | 282,455 | 47,037 |
| **Non-Current Liabilities** | | | |
| Provisions | 12 | 9,501 | 7,857 |
| Borrowings | 14 | 3,362,943 | 2,488,440 |
| **Total Non-Current Liabilities** | | 3,372,444 | 2,496,297 |
| **Total Liabilities** | | 3,654,899 | 2,543,334 |
| **Net (Liabilities)/Assets** | | (1,536,602) | (1,501,618) |
| **Shareholders' Equity** | | | |
| Share capital | 15 (b) | 1,474,004 | 1,474,004 |
| Reserves | 15 (c) | (3,010,606) | (2,975,622) |
| **Total (Deficit)/Equity** | | (1,536,602) | (1,501,618) |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
**FOR THE YEAR ENDED 31 DECEMBER 2022**

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (280,258) | (497,688) |
| Interest paid | | - | (13,637) |
| **Net cash used in operating activities** | 22(b) | (280,258) | (511,325) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation expenditure | | (266,800) | (230,112) |
| Net inflow from security deposits | | - | 233,314 |
| Interest received | | - | 9,620 |
| **Net cash (used)/ from in investing activities** | | (266,800) | 12,822 |
| | | | |
| **Cash flows from financing activities** | | | |
| Payments for lease liabilities | | - | (234,061) |
| Proceeds from borrowings | | 1,300,000 | 800,000 |
| **Net cash from financing activities** | | 1,300,000 | 565,939 |
| | | | |
| **Net increase in cash and cash equivalents** | | 752,942 | 67,436 |
| **Cash and cash equivalents at beginning of year** | | 99,667 | 32,111 |
| Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies | | 161 | 120 |
| **Cash and cash equivalents at end of year** | 6 | 852,770 | 99,667 |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
**FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Share capital | Share premium | Accumulated losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance as at 1 January 2021 | 1,474,004 | 24,475,363 | (26,124,624) | (175,257) |
| Loss and total comprehensive loss for the year | - | - | (1,326,361) | (1,326,361) |
| Balance as at 31 December 2021 | 1,474,004 | 24,475,363 | (27,450,985) | (1,501,618) |
| Loss and total comprehensive loss for the year | - | - | (34,984) | (34,984) |
| Balance as at 31 December 2022 | 1,474,004 | 24,475,363 | (27,485,969) | (1,536,602) |

The accompanying notes form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**Note 1 – Nature of Operations**

Kaili Resources Limited and its subsidiaries' ("the Group") principal activities are investment in the resources industry and exploration for minerals, including gold and base metals. Details are set out in Note 16 to the financial statements.

**Note 2 – General information and statement of compliance**

The consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Inner Mongolia Yitai Investment Co., Limited is the ultimate parent company of the Group. Kaili Resources Limited ("the Company") is a public limited company incorporated in Bermuda with its shares listed on the Australian Securities Exchange ("ASX"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal office is at Suite 1312, 87-89 Liverpool Street, Sydney NSW 2000, Australia.

The consolidated financial statements for the year ended 31 December 2022 were approved and authorised for issue by the Board on 30 March 2023.

**Note 3 – Summary of accounting policies**

**(a) Basis of Preparation**

These financial statements have been prepared on a going concern basis.

These financial statements are presented in Australian dollars.

These financial statements have been prepared on the basis of historical costs and, except where stated, do not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The principal accounting policies and methods of computation used by the Group in the preparation of the financial statements for the year ended 31 December 2022 are consistent with those adopted in the financial statements for the year ended 31 December 2021.

<u>Judgments</u>

The preparation of financial statements in conformity with IFRSs requires the Directors of the Company to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In calculating the net present values of interest-free non-current borrowings the Group has used an effective interest rate of 10% pa applied to the gross carrying amount of the financial liabilities.

The Directors have considered the development, selection and disclosure of the Group's critical accounting policies and estimates. There are no critical accounting judgments and estimates in applying the Group's accounting policies other than the assessments of going concern, effective interest rate used in calculation of amortised cost and impairment of exploration and development expenditure.

### (b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

The interests in the controlled entities are disclosed in Note 16.

### (c) Going concern

At balance date the Group had current assets of $894,690 (2021: $131,989) including cash and cash equivalents of $852,770 (2021: $99,667), current liabilities of $282,455 (2021: $47,037) and has incurred a net loss of $34,984 (2021: loss $1,326,361) in the year. In addition, the Group has an unfulfilled expenditure requirement under its exploration licences of $179,000.

Notwithstanding the net loss for the year, 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 Yitai Group (Hongkong) Co., Limited, a related party of the ultimate parent company.

Yitai Group (Hongkong) Co., Limited has confirmed financial support to the Group by making available funds of up to $1.4 million until 1 April 2024 in addition to the fully drawn loan facility of $2.4 million maturing on 1 April 2024 to ensure that the Group has working capital to be able to pay its debts as and when they fall due, meet their work commitments for the exploration licences and continue as a going concern. The funds provided will be unsecured and interest free. At balance date the Group has drawn $1,388,440 under that additional financial support facility with $11,560 available for drawdown until 1 April 2024. 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.

### (d) Investments

*Controlled Entities*

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and their recoverable amount. Dividends and distributions are brought to account in profit or loss when they are proposed by the controlled entities.

### (e) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less provision for depreciation and impairment losses, if any. Right-of-use assets are disclosed under this heading. Details are set out in Note 13.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the consolidated financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated income statement.

| | Depreciation Method | Depreciation Rate |
|---|---|---|
| Office Equipment | Prime Cost | 5%-20% |
| Computers | Prime Cost | 33% |
| Motor Vehicle | Prime Cost | 12.5% |

**(f) Foreign Currency**

*Translation of foreign currency transactions*

Foreign currency transactions are translated into Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the end of the reporting period are translated at the rates of exchange applicable on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the statement of profit and loss account in the financial year, as exchange gains or losses.

**(g) Income Tax**

The income tax expense/(income) for the year comprises current income tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognized only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilized.

**(h) Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

**(i) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalize costs in relation to that area of interest.

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits, such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding their nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(j) Provisions**

*Employee Entitlements*

The provision for employee entitlements relates to amounts expected to be paid to employees for long service and annual leaves and is based on legal and contractual entitlements and assessments having regard to prior experience of staff departures and leave utilization.

Current wage rates are used in the calculation of the provisions.

**(k) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:
Interest income is recognised as interest accrues using the effective interest method.

**(l) Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required other than financial assets, goodwill and non-current assets or a disposal group classified as held for sale, the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued assets.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

**(m) Financial instruments**

***Initial recognition and measurement***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

***Classification and subsequent measurement***

**Financial assets**

Financial assets are subsequently measured at:
- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:
- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;

- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;

- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

**Financial liabilities**

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;- held for trading; or
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in a effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

**Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

*Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:
- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

*Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.
The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:
- the general approach
- the simplified approach
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

**(n) Impairment testing of goodwill, other intangible assets and property, plant and equipment**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged to pro-rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

**(o) Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

**(p) Earnings per share**

Basic loss per share is determined by dividing the operating loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

When the Group has an operating loss after income tax and the conversion of ordinary share capital in respect of potential ordinary shares does not lead to a diluted earnings per share that shows an inferior view of the earnings performance of the Group, than is shown by basic loss per share, the diluted loss per share is reported as the same as basic earnings per share.

**(q) Segment reporting**

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information may be provided using different measures to those used in preparing the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the financial statements have been included, where applicable.

**(r) Parent Entity financial information**

The financial information for the Parent Entity, Kaili Resources Limited, disclosed in Note 26 has been prepared on the same basis as the consolidated financial statements.

**(s) Comparative information**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(t) Related parties**

- A person, or a close member of that person's family, is related to the Group if that person:
 (i) has control or joint control over the Group;
 (ii) has significant influence over the Group; or
 (iii) is a member of key management personnel of the Group or the Group's parent.

- An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### (u) New and amended standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and AASB interpretations effective that are mandatory for the current reporting period and has not adopted early those which are not yet effective. The adoption of these Accounting Standards and interpretations did not have and is not expected to have any significant impact on the financial performance and position of the current period or any prior period and is not likely to affect future periods.

The following amendment is effective for annual reporting period beginning on 1 January 2023:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current.

| | 2022 $ | 2021 $ |
|---|---|---|

**4. OTHER INCOME**

| | 2022 $ | 2021 $ |
|---|---|---|
| Gain on borrowings at amortised cost (note 14) | 425,497 | - |
| Gain on lease modification | - | 69,714 |
| | 425,497 | 69,714 |

**5. OTHER EXPENSES**

| | 2022 $ | 2021 $ |
|---|---|---|
| Audit fees | 21,150 | 20,900 |
| Consulting fees | 112,080 | 51,910 |
| Contractor payments | 96,000 | - |
| Registration fees and charges | 32,949 | 33,773 |
| Legal and professional fees | 79,925 | 71,721 |
| Listing fees | 15,077 | 26,261 |
| Rental expenses[1] | (39,000) | 42,443 |
| Office services charges | - | 19,265 |
| Share registry | 10,344 | 10,444 |
| Internet and website | 715 | 12,665 |
| Motor vehicle expense | 4,739 | 19,773 |
| Travel and accommodation | - | 27,552 |
| Other costs | 19,841 | 35,260 |
| | 353,820 | 371,967 |

[1]Director Long Zhao refunded rent paid to him under tenancy agreement for compliance with ASX Listing Rule 10.1. See Note 25 for further details.

**6. CASH AND CASH EQUIVALENTS**

| | 2022 $ | 2021 $ |
|---|---|---|
| Cash at bank | 852,770 | 99,667 |

**7. TRADE AND OTHER RECEIVABLES**

| | 2022 $ | 2021 $ |
|---|---|---|
| GST receivable | 14,020 | 4,945 |

**8. PREPAYMENTS**

| | 2022 $ | 2021 $ |
|---|---|---|
| Prepayments | 27,900 | 27,377 |

**9. TRADE AND OTHER PAYABLES**

| | 2022 $ | 2021 $ |
|---|---|---|
| Trade and other payables | 159,018 | 24,196 |
| Accrued expenses | 114,765 | 19,964 |
| | 273,783 | 44,160 |

## 10. INCOME TAX

No provision for income tax has been provided in the financial statements.

The prima facie tax is reconciled to the loss before income tax in the statement of profit or loss and other comprehensive income as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Loss before income tax | (34,984) | (1,326,361) |
| Tax at the Australian domestic income tax rate 30% (2021:26%) | (10,495) | (344,854) |
| Tax losses not recognised | 10,495 | 344,854 |
| Income tax expense | - | - |

At the reporting date, the Group has estimated tax losses of $10,150,000 (2021: $9,465,000). A deferred tax asset has not been recognised for these losses because it is not probable that future taxable income will be available to use against such losses.

## 11. EXPLORATION AND EVALUATION EXPENDITURE

| | 2022 $ | 2021 $ |
|---|---|---|
| At cost: | | |
| Balance at beginning of year | 825,523 | 1,293,412 |
| Additions | 332,135 | 224,215 |
| Impairment | - | (692,104) |
| Balance at end of year | 1,157,658 | 825,523 |

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 Licence Status shown on page 26.

Impairment indicators in AASB 6 are considered on a project by project basis.

## 12. PROVISIONS

| | 2022 $ | 2021 $ |
|---|---|---|
| **Current:** | | |
| Annual leave entitlements | 8,672 | 2,877 |
| **Non-Current:** | | |
| Long service leave entitlements | 9,501 | 7,857 |

### 13. PROPERTY, PLANT AND EQUIPMENT

| 2022 | Right-of-use assets $ | Furniture & office equipment $ | Motor vehicle $ | Total $ |
|---|---|---|---|---|
| **At cost:** | | | | |
| Balance at beginning and end of year | - | 61,152 | 103,498 | 164,650 |
| **Depreciation:** | | | | |
| Balance at beginning of year | - | (40,997) | (39,449) | (80,446) |
| Depreciation charge | - | (5,318) | (12,937) | (18,255) |
| Balance at end of year | - | (46,315) | (52,386) | (98,701) |
| **Carrying amount at 31 December 2022** | - | 14,837 | 51,112 | 65,949 |

| 2021 | Right-of-use assets[1] $ | Furniture & office equipment $ | Motor vehicle $ | Total $ |
|---|---|---|---|---|
| **At cost:** | | | | |
| Balance at beginning of year | 944,355 | 61,152 | 103,498 | 1,109,005 |
| Addition | 112,075 | - | - | 112,075 |
| Disposal | (1,056,430) | - | - | (1,056,430) |
| Balance at end of year | - | 61,152 | 103,498 | 164,650 |
| **Depreciation:** | | | | |
| Balance at beginning of year | (603,338) | (30,157) | (26,512) | (660,007) |
| Depreciation charge | (190,771) | (10,840) | (12,937) | (214,548) |
| Disposal | 794,109 | - | - | 794,109 |
| Balance at end of year | - | (40,997) | (39,449) | (80,446) |
| **Carrying amount at 31 December 2021** | - | 20,155 | 64,049 | 84,204 |

[1] Leased office premises was terminated in 2021.

### 14. BORROWINGS

| | 2022 $ | 2021 $ |
|---|---|---|
| **Non-Current** | | |
| Unsecured loan from a related party | 3,788,440 | 2,488,440 |
| Less: Gain on borrowings at amortised cost[1] | (425,497) | - |
| | 3,362,943 | 2,488,440 |

[1]The gain on borrowings at amortised cost arose from the difference between the net present value of the interest-free borrowings to be settled on 1 April 2024 and the contractual settlement amount at balance date.

Yitai Group (Hongkong) Co., Ltd, 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 2023 and in March 2022 has confirmed a financial support to the Group to provide funds 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. On 1 February 2023 the financial support has been increased from $1 million to up to $1.4 million. The funds advanced under the loan and under financial support are unsecured and interest free. At balance date the Group has drawn $1,388,440 under the additional financial support facility with $11,560 available for drawdown until 1 April 2024.

### 15. SHARE CAPITAL

| | | 2022 Number of shares | 2022 $ | 2021 Number of shares | 2021 $ |
|---|---|---|---|---|---|
| **(a)** | **Authorised capital:** | | | | |
| | Authorised ordinary shares: Par value $0.01 | 5,000,000,000 | 50,000,000 | 5,000,000,000 | 50,000,000 |
| **(b)** | **Issued and paid up capital:** | | | | |
| | Fully paid ordinary shares: Par value $0.01 | 147,400,363 | 1,474,004 | 147,400,363 | 1,474,004 |

| | | 2022 $ | 2021 $ |
|---|---|---|---|
| **(c)** | **Reserves** | | |
| | Share premium account | 24,475,363 | 24,475,363 |
| | Accumulated losses | (27,485,969) | (27,450,985) |
| | | (3,010,606) | (2,975,622) |

### 16. CONTROLLED ENTITIES

Investments in controlled entities comprise:

| Name of subsidiary | Place of incorporation/operation | Principal activities | Beneficial percentage held by economic entity 2022 % | 2021 % |
|---|---|---|---|---|
| Kaili Corporation Pty Ltd | Australia/Australia | Investment holding | 100 | 100 |
| APEC Coal Pty Ltd | Australia/Australia | Coal exploration | 100 | 100 |
| Kaili Minerals Management Pty Ltd | Australia/Australia | Administration | 100 | 100 |
| Kaili Gold Pty Ltd | Australia/Australia | Gold/cobalt/rare earth exploration | 100 | 100 |
| Kaili Iron Pty Ltd | Australia/Australia | Iron ore/base metals exploration | 100 | 100 |

### 17. REMUNERATION OF AUDITOR

| | 2022 $ | 2021 $ |
|---|---|---|
| Amounts received or due and receivable by the auditor for audit and review of financial statements | 21,150 | 20,900 |

## 18. SEGMENT INFORMATION

**Business segments**

The Group has identified its operating segment as the Mining Sector in Australia.

## 19. COMMITMENTS

**Exploration expenditure commitments**

At balance date, the Group holds eight granted tenements in Australia. A condition of the tenements is that the Group is required to meet minimum committed expenditure 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:

| | **2022** | **2021** |
|---|---|---|
| | $ | $ |
| Within twelve months | 179,000 | 188,000 |
| Twelve months or longer and not longer than five years | 505,000 | 689,000 |
| | 684,000 | 877,000 |

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

## 20. CONTIGENT LIABILITIES

At balance date, the Group has given guarantees totaling $30,000 (2021: $45,000) for compliance with the conditions of the exploration licences granted in Western Australia.

## 21. LOSS PER SHARE

| | **2022** | **2021** |
|---|---|---|
| | $ | $ |
| The calculation of the basic and diluted (loss) per share is based on the following data: | | |
| Loss for the purposes of basic and diluted loss per share | (34,984) | (1,326,361) |
| Number of shares | Number | Number |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 147,400,363 | 147,400,363 |

## 22. CASH FLOW INFORMATION

### (a) Reconciliation of Cash

Cash and cash equivalents include cash and bank balances.

### (b) Reconciliation of loss before income tax to cash flows from operating activities

| | 2022 $ | 2021 $ |
|---|---|---|
| Loss before income tax | (34,984) | (1,326,361) |
| Depreciation | 18,255 | 214,548 |
| Foreign exchange differences | (161) | (120) |
| Interest income | - | (9,620) |
| Gain on borrowings at amortised cost | (425,497) | - |
| Gain on lease modification | - | (69,714) |
| Impairment of exploration and evaluation expenditure | - | 692,104 |
| Operating cash (outflows) before movements in working capital | (442,387) | (499,163) |
| Changes in assets and liabilities relating to operations: | | |
| (Increase) /Decrease in trade and other receivables | (9,075) | 13,425 |
| (Increase) in prepayments | (523) | (2,571) |
| Increase/(Decrease) in trade and other payables | 164,288 | (12,703) |
| Increase/(Decrease)/Increase in provisions | 7,439 | (10,313) |
| Net cash used in operating activities | (280,258) | (511,325) |

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise of cash and bank balances, accounts receivable and payables, security deposits, borrowings, lease liabilities and loans to and from subsidiaries.

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 852,770 | 99,667 |
| Trade and other receivables | 14,020 | 4,945 |
| **Total financial assets** | 866,790 | 104,612 |
| **Financial liabilities at amortised cost** | | |
| Trade and other payables | 273,783 | 44,160 |
| Borrowings - non-current | 3,362,943 | 2,488,440 |
| **Total financial liabilitlies** | 3,636,726 | 2,532,600 |

**(a) Financial risk management policies**

The Board of Directors is responsible for, amongst other issues, monitoring and managing financial risk exposures of the Group. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk. Management, in conjunction with the Board, reviews and agrees policies for managing each of these risks.

The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. This also includes the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

**Specific Financial Risk Exposures and Management**

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below.

i. Interest rate risk

The Group has cash at bank and its income and operating cash flows are exposed to changes in market interest rates.

At balance date the Group had the following financial assets exposed to variable interest rate risk:

| | **2022** | **2021** |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 852,770 | 99,667 |

ii. Foreign currency risk

Most of the Group's monetary assets and liabilities are denominated in Australian dollars, and the Group conducted its business transactions principally in Australian dollars. The exchange rate risk of the Group is not significant.

iii. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

iv. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group relies on financial support from its ultimate parent and raising of new debt or equity capital to fund its operations.

v. Price risk

As the Group does not derive revenue from sale of products, the effect on profit and equity capital as a result of changes in the price risk is not considered material. The fair value of the exploration projects will be impacted by commodity price changes and could impact future revenues once operational.

**(b) Net fair values**

The net fair value of financial assets and liabilities at balance date approximates their carrying value.

**(c) Financial instruments**

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities, is as follows:

| | | Fixed interest rate maturing | | Non-interest bearing | | |
|---|---|---|---|---|---|---|
| | **Variable interest rate** | **Within 1 year** | **1 to 5 years** | **Within 1 year** | **1 to 5 years** | **Total** |
| **2022** | $ | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 852,770 | - | - | - | - | 852,770 |
| Trade and other receivables | - | - | - | 14,020 | - | 14,020 |
| | 852,770 | - | - | 14,020 | - | 866,790 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | - | - | - | 273,783 | - | 273,783 |
| Borrowings | - | - | - | - | 3,362,943 | 3,362,943 |
| | - | - | - | 273,783 | 3,362,943 | 3,636,726 |

| | | Fixed interest rate maturing | | Non-interest bearing | | |
|---|---|---|---|---|---|---|
| | **Variable interest rate** | **Within 1 year** | **1 to 5 years** | **Within 1 year** | **1 to 5 years** | **Total** |
| **2021** | $ | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 99,667 | - | - | - | - | 99,667 |
| Trade and other receivables | - | - | - | 4,945 | - | 4,945 |
| | 99,667 | - | - | 4,945 | - | 104,612 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | - | - | - | 44,160 | - | 44,160 |
| Borrowings | - | - | - | - | 2,488,440 | 2,488,440 |
| | - | - | - | 44,160 | 2,488,440 | 2,532,600 |

**(d) Sensitivity analysis**

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. A 1% increase in interest rate would result in an increase of $8,528 (2021: $997) in interest income for the year based on financial instruments held at each reporting date that are sensitive to changes in interest rate, with all other variables remaining unchanged. A 1% decrease in interest rate would have the opposite effect.

## 24. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain optimal returns to shareholders and benefits for other stakeholders. Moreover, the Group aims to maintain a capital structure that ensures minimal cost of capital available. Management adjusts the capital structure to the extent possible to take advantage of favorable costs or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the year ended 31 December 2022.

## 25. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Compensation of KMP of the Group:** | | |
| Short-term employee benefits | 73,248 | 83,368 |
| Post-employment benefits | 7,691 | 7,879 |
| Other long-term benefits | 1,488 | 7,857 |
| Termination benefits | - | - |
| Share-based payments | - | - |
| | 82,427 | 99,104 |

**Other transactions with Key Management Personnel**

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

- In November 2022, the Group confirmed the engagement of the spouse of Director Mr. Long Zhao for the provision of general administration services effective from 1 March 2021 for compensation of $1,000 per week. The engagement may be terminated by either party with one month notice. Following the engagement confirmation, a total charge of $96,000 for the services is recognised in the financial year 2022, consisting of $44,000 for the period ended 31 December 2021 and $52,000 for the year ended 31 December 2022, and is owing at balance date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 26. PARENT ENTITY INFORMATION

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 2,783,363 | 1,762,719 |
| Non-current assets | 492,838 | 506,759 |
| Total assets | 3,276,201 | 2,269,478 |
| | | |
| **Liabilities** | | |
| Current liabilities | 178,370 | 17,706 |
| Non-current liabilities | 3,362,943 | 2,488,440 |
| Total liabilities | 3,541,313 | 2,506,146 |
| | | |
| **Equity** | | |
| Issued capital | 1,474,004 | 1,474,004 |
| Share premium account | 24,475,363 | 24,475,363 |
| Accumulated losses | (26,214,479) | (26,186,035) |
| | (265,112) | (236,668) |
| | | |
| **Financial performance** | | |
| Loss for the year | (28,444) | (610,790) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (28,444) | (610,790) |

### 27. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, there were no matters or circumstances which have arisen since the end of the year which significantly affected or may significantly affect the Group's operations, other than the following:

- On 1 February 2023, Yitai Group (Hongkong) Co. Ltd confirmed an increase in its financial support with interest free and unsecured funds from $1 million to up to $1.4 million until 1 April 2024 that may be drawn as necessary to ensure that the Group continues to be able to pay its debts as and when they fall due, meets its work commitments and continues to operate as a going concern.

### 28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023.

# DIRECTORS’ DECLARATION

In the Directors’ opinion:

(a) the financial statements and notes set out on pages 34 to 56:
   - (i) are in accordance with International Accounting Standards; and
   - (ii) give a true and fair view of the Group’s financial position as at 31 December 2022 and of its performance for the year then ended; and

(b) there are reasonable grounds to believe that Kaili Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Donghai Zhang

Chairman

Sydney

30th March 2023

# INDEPENDENT AUDIT REPORT
# TO THE SHAREHOLDERS OF KAILI RESOURCES LIMITED
**(Incorporated in Bermuda with a limited liability)**

We have audited the accompanying Consolidated Financial Statements of Kaili Resources Limited (the "Company") and the subsidiaries (together "the Group") set out on pages **34 to 56,** which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors declaration.

***Directors' responsibilities for the Consolidated Financial Statements***

The Directors of the Company are responsible for the preparation of Consolidated Financial Statements that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRS's"), and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards ("IFRS's").

***Auditor's responsibility***

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Report are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA's) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.



ʀTERED ACCOUNTANTS
ᴜSTRALIA • NEW ZEALAND

*ABN: 73 118 831 624*
*Suite 605, Level 6, 321 Pitt Street, Sydney NSW 2000*
*Postal Address: PO Box A608, Sydney South NSW 1235*
*Telephone +61 2 8021 2645; Facsimile +61 2 8021 2745*

| Key Audit Matter | How our audit addressed this matter |
|---|---|
| ***Impairment of Exploration Assets***<br><br>Refer to Note 11 in the Consolidated Financial Statements | |
| The Consolidated Entity has capitalised exploration and evaluation expenditure, with a carrying value of $1,157,658.00 as at 31 December 2022.<br><br>Under AASB 6 Exploration for and Evaluation of Mineral Resources, the Consolidated Entity is required to test the exploration and evaluation asset for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. We determined this to be a key audit matter due to the significant management judgement involved in assessing the carrying value of the asset. | Our audit procedures in relation to the carrying value of exploration and evaluation expenditure included:<br><br>• Obtaining evidence that the Consolidated Entity has valid rights to ongoing exploration and activities to support the continued capitalisation of these assets<br><br>• Enquiring with management the basis on which they have determined that the exploration and evaluation of mineral resources has not yet reached the stage where it can be concluded that no commercially viable quantities of mineral resources exists;<br><br>• Enquiring with management and reviewing budgets to determine that the Consolidated Entity will incur substantive expenditure on further exploration and evaluation of mineral resources in the specific areas of interest;<br><br>• Testing on a sample basis the exploration costs incurred in the period to ensure that they meet the capitalisation criteria under AASB 6. |

### *Other Information*

Other Information is financial and non-financial information in Kaili Resources Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

***Independence***

In conducting our audit, we have complied with the independence requirements of the International Financial Reporting Standards (IFRS's). We confirm that the independence declaration required by the IFRS's, which has been given to the directors of Kaili Resources Limited, would be the same terms if given to the directors as at the time of this auditor's report.

***Opinion***

In our opinion:

a) the Consolidated Financial Statements of Kaili Resources Limited is in accordance with International Financial Reporting Standards (IFRS's), including:

   i. giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and International Financial Reporting Standards ("IFRS's") as disclosed in Note 2.

***Emphasis of Matter***

1. We draw attention to Note 3 (c) to the financial statements which describes the undertaking by Yitai Group (Hongkong) Co., Ltd, a related company of Inner Mongolia Yitai Investment Co., Limited, the ultimate parent company of the Group to provide financial support to the group.

   The undertaking is to provide funding up to $3.8 million until 1 April 2024 to ensure the Group has working capital to be able to meet its debts as and when they fall due and continue as a going concern.

2. We draw attention to Note 25 to the financial statements which describes a related third-party engagement for the provision of general administration services to the Company.

   The engagement commenced on 1 March 2021 and an amount of $44,000 included in the financial statements relates to the prior financial year.

Our opinion is not modified in respect of these matters.

***Report on the Remuneration Report***

We have audited the Remuneration Report included in paragraph **A** and **B** of the directors' report for the year ended 31 December 2022. The directors of the company are responsible for the preparation and presentation of the Remuneration Report. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with International Financial Reporting Standards ("IFRS's").

*Opinion*

In our opinion the Remuneration Report of Kaili Resources Limited for the year ended 31 December 2022, complies with International Financial Reporting Standards ("IFRS's").

***JOHN F SHUTE***
**Chartered Accountant**

Sydney
30 March 2023

# ADDITIONAL INFORMATION

Additional information included in accordance with Listing Rules of the ASX Limited as at 21st March 2023

## SHAREHOLDINGS

1. Substantial shareholders

Substantial shareholders in the Company: -

| Name | Number of ordinary shares held (directly and indirectly) | Percentage of issued capital |
|---|---|---|
| Treasure Unicorn Limited | 75,734,441 | 51.38 |
| Mile Ocean Limited | 16,532,222 | 11.22 |
| Kaili Holdings Limited* | 13,200,000 | 8.96 |
| Jin He | 9,361,788 | 6.35 |

* Director Jianzhong Yang has relevant interests in this entity.

2. Distribution of fully paid ordinary shares:-

| Range of shareholdings | | | Number of shareholders | Number of shares | Percentage of issued capital |
|---|---|---|---|---|---|
| 1 | — | 1,000 | 24 | 7,424 | 0.01 |
| 1,001 | — | 5,000 | 8 | 23,314 | 0.02 |
| 5,001 | — | 10,000 | 229 | 2,283,708 | 1.55 |
| 10,001 | — | 100,000 | 114 | 4,705,084 | 3.19 |
| 100,001 | and | over | 33 | 140,380,833 | 95.23 |
| | | | 408 | 147,400,363 | 100.00 |

317 shareholders held less than a marketable parcel.

3. Voting rights

Each shareholder is entitled to one vote per ordinary share.

4. The Company is incorporated in Bermuda and is not regulated in respect of Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 (Cth). There is no limitation on the acquisition of securities imposed by the jurisdiction in which the Company is incorporated.

# ADDITIONAL INFORMATION

5. Top twenty shareholders as at 21st March 2023

| Name | | Number of fully paid ordinary shares held | Percentage of issued capital |
|---|---|---|---|
| 1. | TREASURE UNICORN LIMITED | 75,734,441 | 51.38 |
| 2. | MILE OCEAN LIMITED | 16,532,222 | 11.22 |
| 3. | KAILI HOLDINGS LIMITED | 13,200,000 | 8.96 |
| 4. | JIN HE | 9,361,788 | 6.35 |
| 5. | MR YUTIAN BAI | 3,999,999 | 2.71 |
| 6. | MS JUNLAN WANG | 3,166,666 | 2.15 |
| 7. | MR SHUJUN LIU | 2,666,666 | 1.81 |
| 8. | ASF GROUP LIMITED | 2,200,000 | 1.49 |
| 9. | MR HAIYU HE | 1,999,999 | 1.36 |
| 10. | MR GUIYING JIA | 1,999,999 | 1.36 |
| 11. | MR QIUSHENG LI | 1,666,666 | 1.13 |
| 12. | MS YONGJUN LIU | 1,666,666 | 1.13 |
| 13. | WUJIANG INVESTMENT PTY LTD | 1,100,000 | 0.75 |
| 14. | SMART STEP LIMITED | 1,000,000 | 0.68 |
| 15. | MRS MAN SUN NG | 974,000 | 0.66 |
| 16. | SUO ZHANG | 430,000 | 0.29 |
| 17. | MR CALVIN AU | 322,000 | 0.22 |
| 18. | PING GAO | 250,000 | 0.17 |
| 19. | GUICHENG QIAO | 230,000 | 0.16 |
| 20. | MR SIU WAI YAN | 217,800 | 0.15 |
| **Twenty largest shareholders** | | 138,718,912 | 94.13 |
| **Others** | | 8,681,451 | 5.87 |
| | | 147,400,363 | 100.00 |

6. Register of securities are kept at the following addresses:

**Australia**

Computershare Investor Services Pty Ltd

Level 3, 60 Carrington Street

Sydney, NSW 2000

Australia

**Bermuda**

Butterfield Corporate Services Ltd

The Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

7. Ordinary shareholders - enquiries

Ordinary shareholders with enquiries about their shareholdings should contact Kaili Resources Limited ordinary shares register, Computershare Investor Services Pty Limited by telephone on 1300 850 505 (within Australia) or (613) 9415 4000 (outside Australia).

8. Trading symbol

The trading symbol for the ordinary shares listed on the Australian Securities Exchange is "KLR".