

ACTIVITIES REPORT – SEPTEMBER 2023 QUARTER EXPLORATION HIGHLIGHTS

Yilgarn Craton (Gindalbie) Gold and Critical Metals Project in Western Australia

Holey Dam

Drilling results

Hole HDRC001

- 4m @ 591.4ppm TREO from 24-28m and 12m @ 477.34ppm from 52-64m incl 4m @ 609.38ppm from 52-56m

Hole HDRC002

- 4m @ 461.6ppm TREO from 48-52m
- 1m @ 453.7ppm TREO from 52-53m and 1m @ 757.3ppm TREO from 53-54m

Canegrass

Drilling results

- CGRC13 intersected a 4m zone of elevated sulphur and zinc from 66-70m - 1.8% -7.8% sulphur and zinc 673ppm and 1,870ppm.
- CGRC12 and 13 have been drilled 100m south of the previous drilling that intersected 1m @ 3.96g/t¹ Au.

¹ See ASX Announcement of 3 December 2020

Limestone Coast Rare Earth Element Project in South Australia

- Planning a 1,000m Aircore drilling program across the Lameroo Tenements in December 2023 quarter.

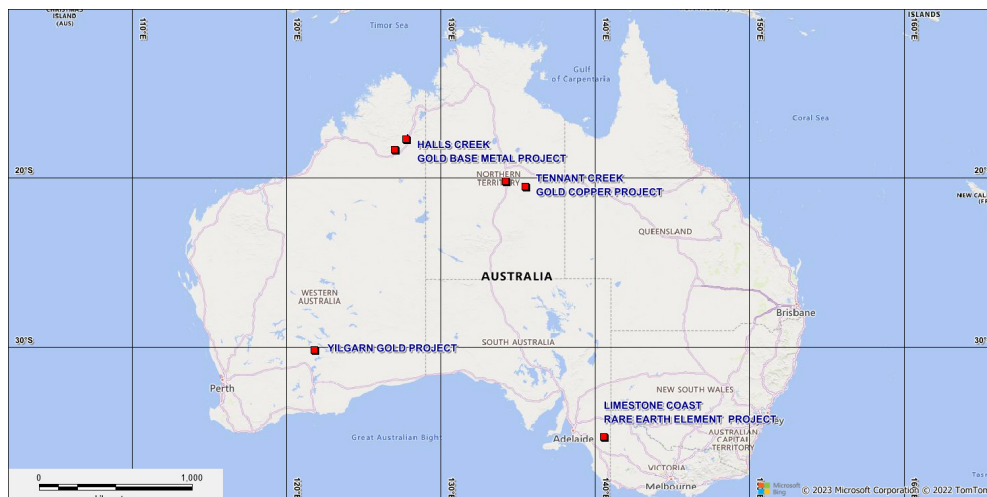


Figure 1: Kaili Resources Projects Location

Yilgarn (Gindalbie) Gold Exploration Project – Western Australia
Canegrass E31/1113 and Holey Dam E27/550
 Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

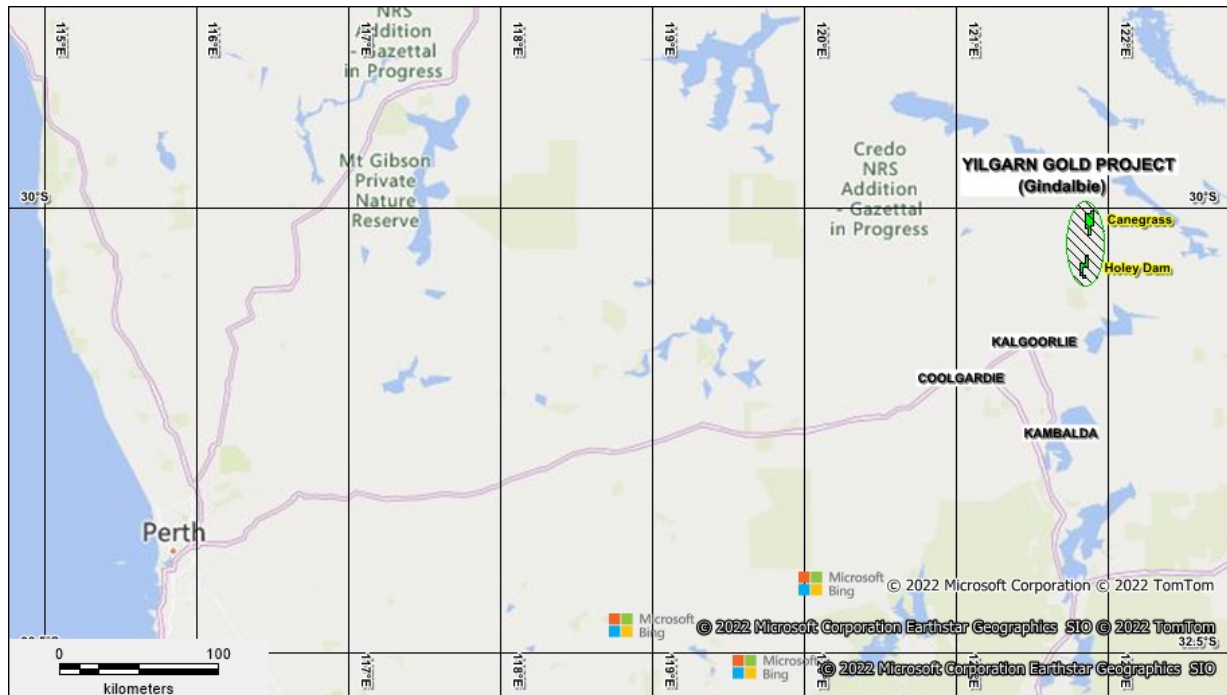


Figure 2: Kaili Resources Yilgarn Gold Tenement Locations

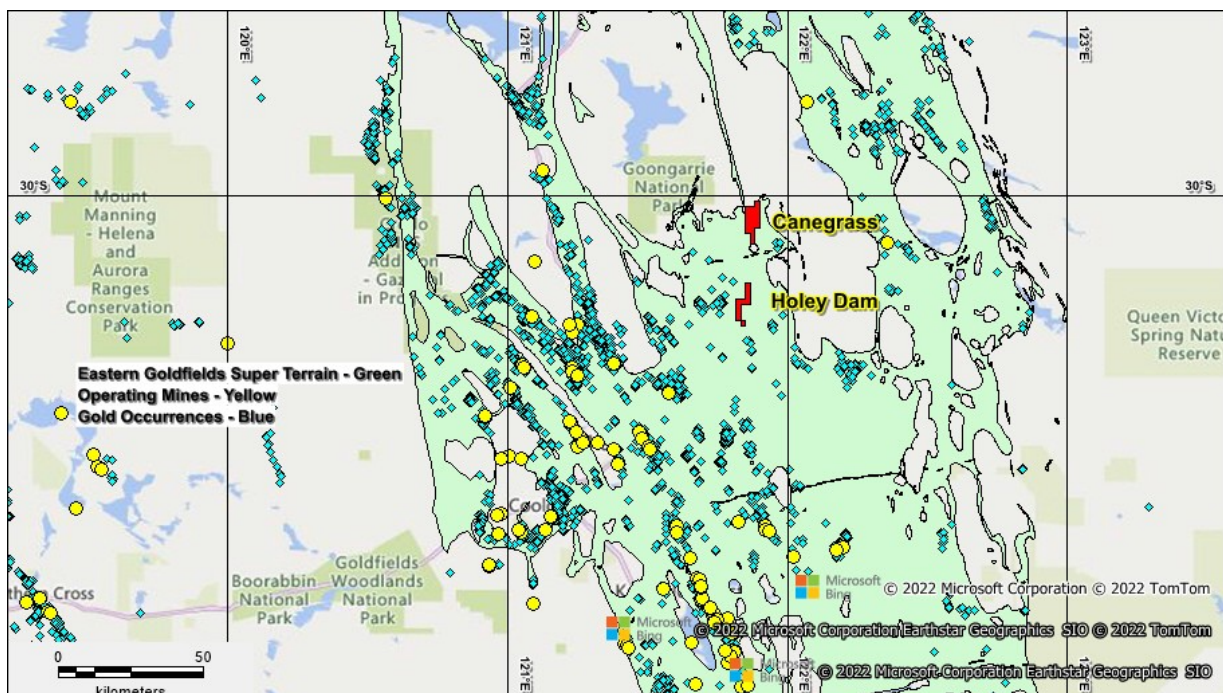


Figure 3: Eastern Goldfields Super Terrain and Other Companies Operating Mines

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The Company completed a total of 1,148m of RC drilling at the Canegrass EL 31/1113 and Holey Dam EL 27/550 (Figures 3 to 5 and Table 1) on the 3 August 2023, and received the results in October 2023 due to delays at the laboratory. The drilling followed up previous RC drilling and Ground IP survey at Canegrass and RC drilling and Aircore Drilling programs (Figures 6 and 7) at Holey Dam.

The IP/Magnetic target extends over 800m and tested by only two drill holes (CGRC008 and GCR009). Ground IP survey covers 20% of the magnetic trend evaluation ongoing as to the relationship between the magnetic high and IP chargeability high.

See ASX announcements on 4th April 2022, 8th March 2023 and 3rd May 2023 for background description of the previous exploration work and results.

DRILLING RESULTS

BASE METALS

- CGRC013 was drilled to the south of the previous RC drilling that intersected 1m @3.96g/t¹ Au and intersected a 4m zone from 66-70m to 7.8% sulphur and 1.870ppm Zn associated with trace chlorite alteration and quartz veining.

GOLD

- CGRC008 intersected four discrete zones of elevated gold, associated with quartz veining and blebby pyrite hosted in a chlorite-epidote altered and sheared mafic intrusive unit. 0.32g/t Au occurred at 72m-73m; 0.33g/t Au occurred at 89m-90m; 0.57g/t Au occurred at 124m-125m; and 0.23g/t occurred at 125m-126m. A zone of gold anomalism in soil and weathered outcrop located approximately 100m due west-northwest, was identified during a soil sampling programme in February 2023. A sample of sheared quartz-mafic breccia returned 0.6g/t¹ Au.

TREO

- Two holes were drilled at the Holey Dam Prospect to test for extensions of gold mineralisation and tourmaline alteration identified from prior drilling. No elevated gold intersections were encountered however there were some encouraging Total Rare Earth Oxides (TREO) intersections within mottled clays and saprolite, formed on dolerite. The rare earth mineralisation was possibly developed from supergene enrichment processes of the below rock units.

HDRC002

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

HDRC001

- 4m Composite interval 24-28m returned 591.4ppm TREO

- 12m Composite interval 52-64m returned 477.34ppm incl 1m @ 609.38ppm

Re-sampling of the individual metre intervals from these zones will further delineate and identify potentially higher-grade rare earth mineralisation.

Prospect	Tenement	Hole ID	Easting_MGA94_Z51	Northing_MGA94_Z51	Dip (°)	Azimuth (°)	Planned Depth (m)	EOH (m)
Holey Dam	E27/550	HDRC001	389300	6643800	60	90	90	90
Holey Dam	E27/550	HDRC002	389200	6643800	60	90	90	90
Canegrass	E31/1133	CGRC008	389830	6672612	60	270	200	180
Canegrass	E31/1133	CGRC009	389809	6672503	60	270	200	200
Canegrass	E31/1133	CGRC010	389540	6672500	60	270	150	150
Canegrass	E31/1133	CGRC011	389720	6672373	60	270	150	150
Canegrass	E31/1133	CGRC012	555555	6672083	60	90	90	108
Canegrass	E31/1133	CGRC013	389897	6672083	60	90	90	90
Canegrass	E31/1133	CGRC014	389846	6672083	60	90	90	90
								1148

Table 1: Gindalbie RC Drill Collars

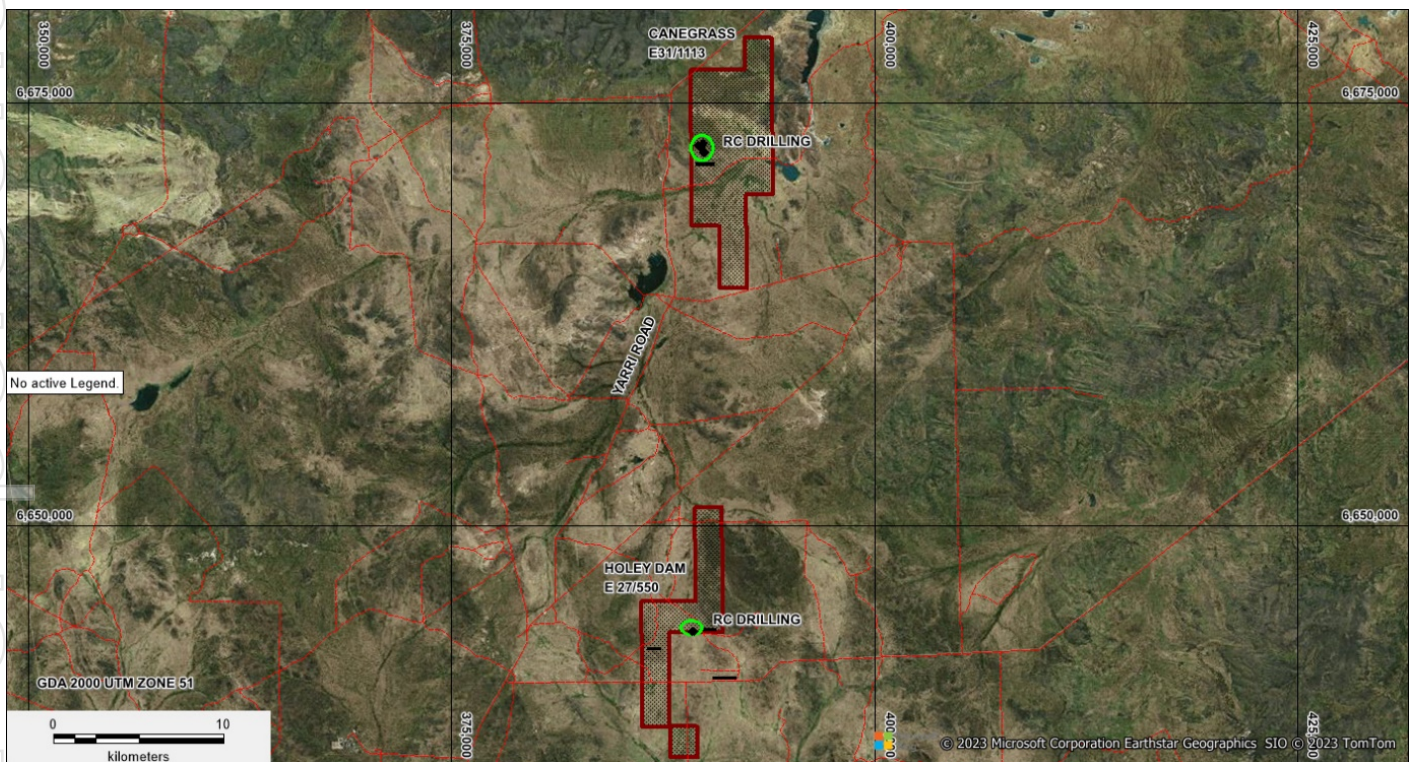


Figure 4: Holey Dam and Canegrass Drill Collar Regional Locations

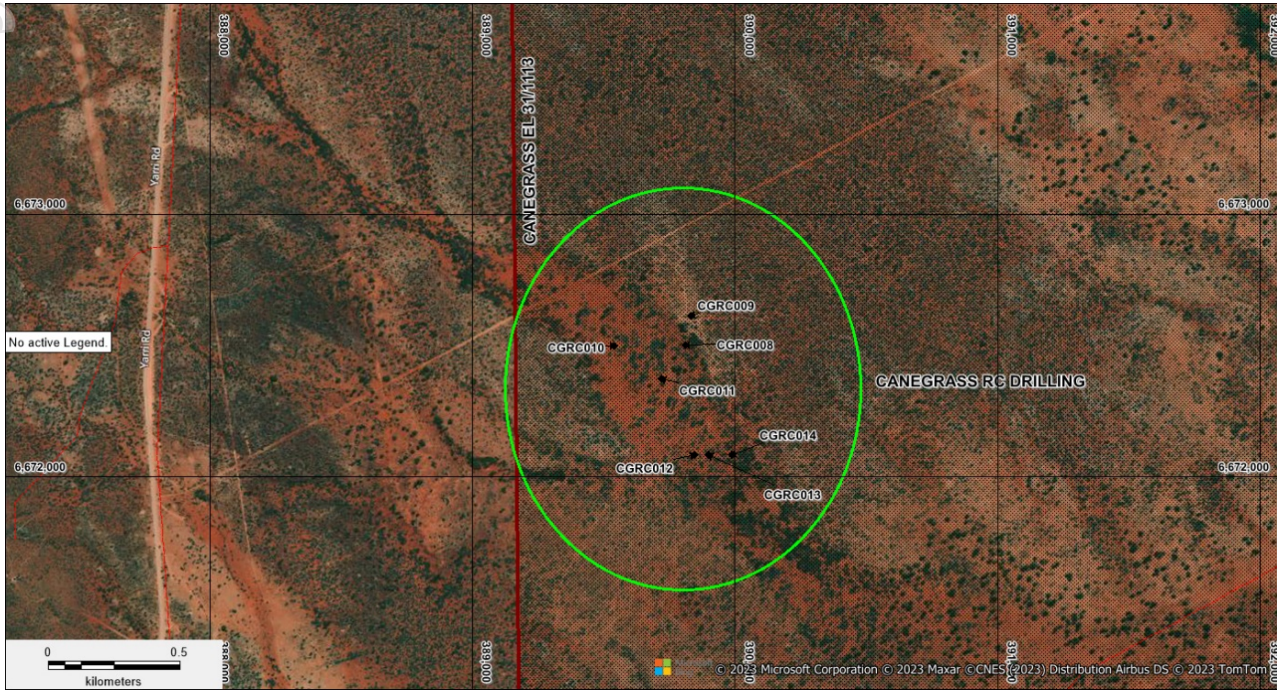


Figure 5: Canegrass Drill Collar Regional Locations

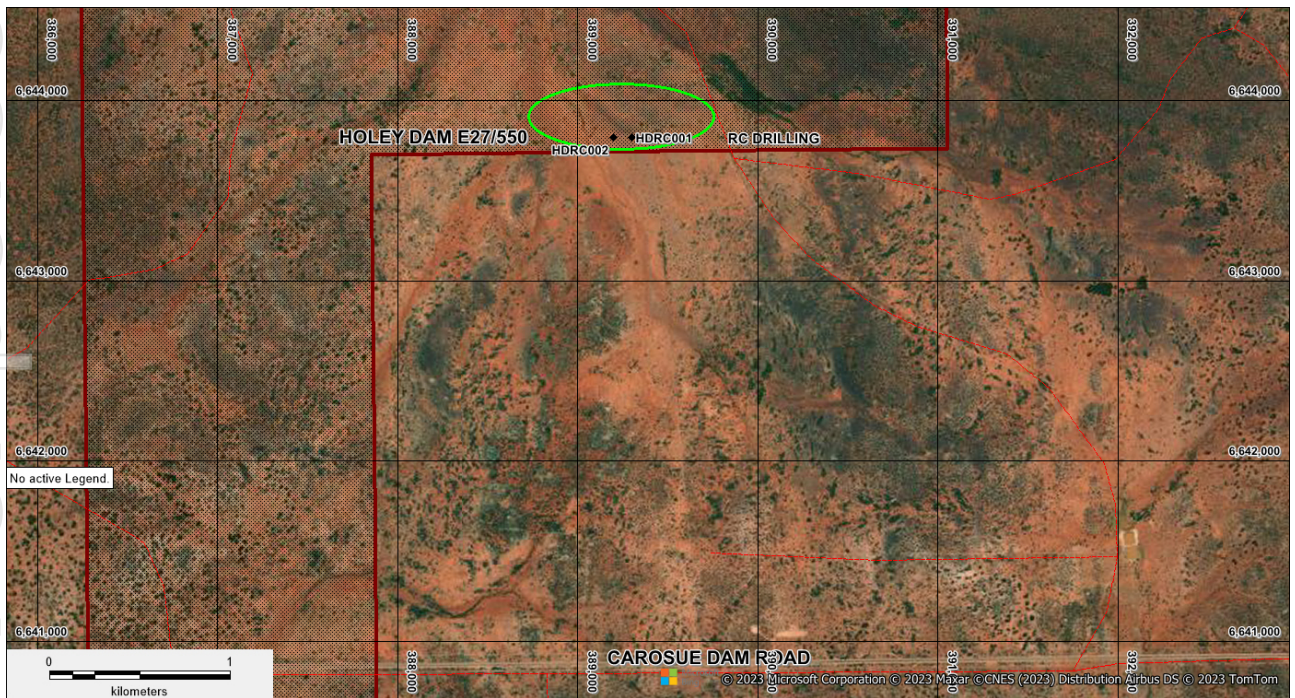


Figure 6: Holey Dam Drill Collar Regional Locations

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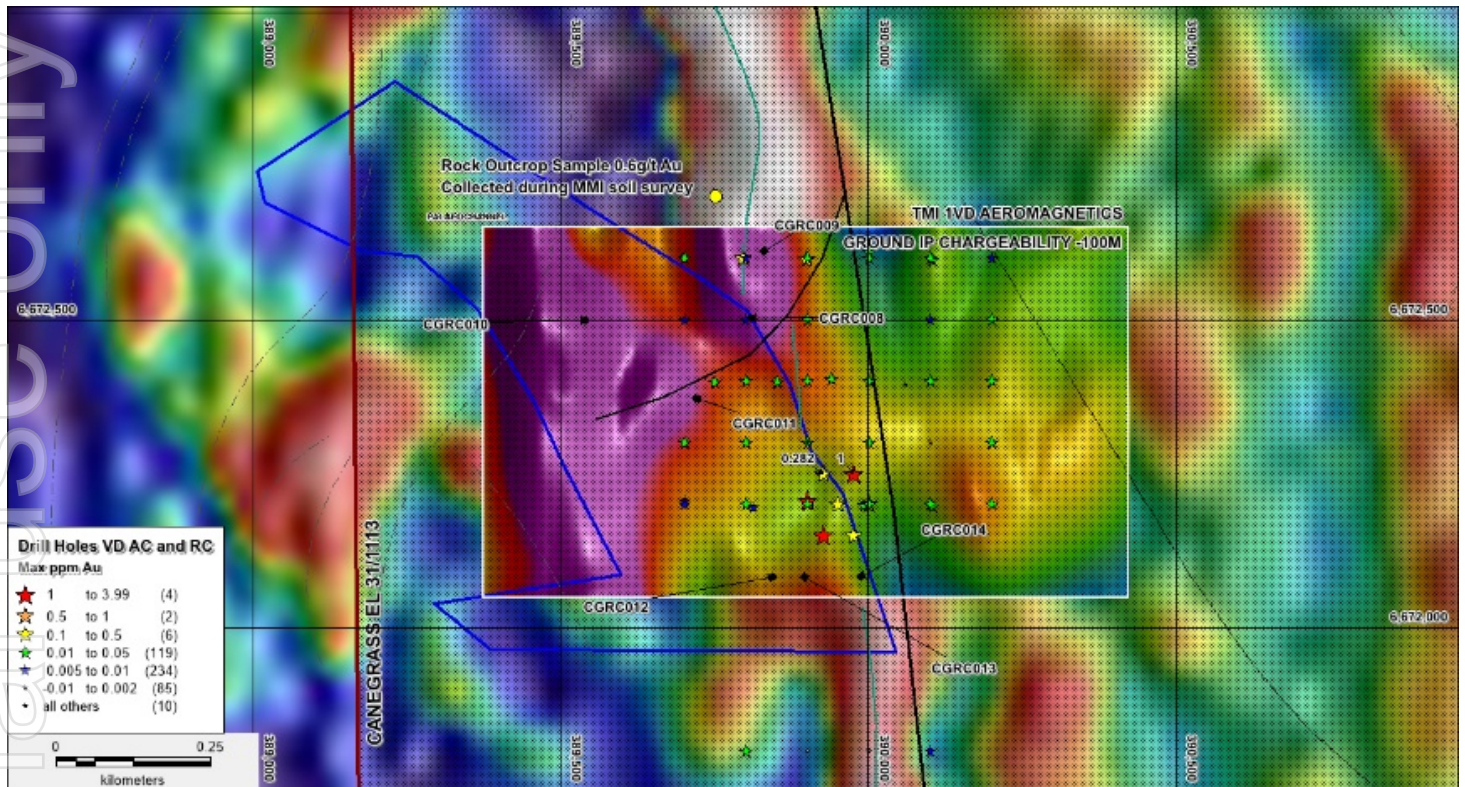


Figure 7: Canegrass Drill Collars and Max Gold in Drilling

Planned Future Exploration Activities:

- Review all results from the surface geochemical sampling and drilling at Canegrass and Holey Dam.
- Based on REE results from the lab assays complete a soil sampling program at Holey Dam to follow up elevated TREO in the RC drilling.

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

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

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

The Company has in earlier quarters submitted work programs for the four tenements to the Kimberley Land Council (KLC) for review with the Native Title Groups. There is no event to report on that in this quarter. No field activities have been possible during the quarter and to the end of 2023 dry season in October.

Planned Future Exploration Activities:

- Review targets planned for next phase of helicopter supported exploration
- Follow up with the KLC as to the heritage requirements for the next phase of exploration.
- Follow up surficial geochemical exploration results from previous field work.

Background information on the geology of the region and licence areas is contained in the Activities Report released to ASX on 30 January 2023.

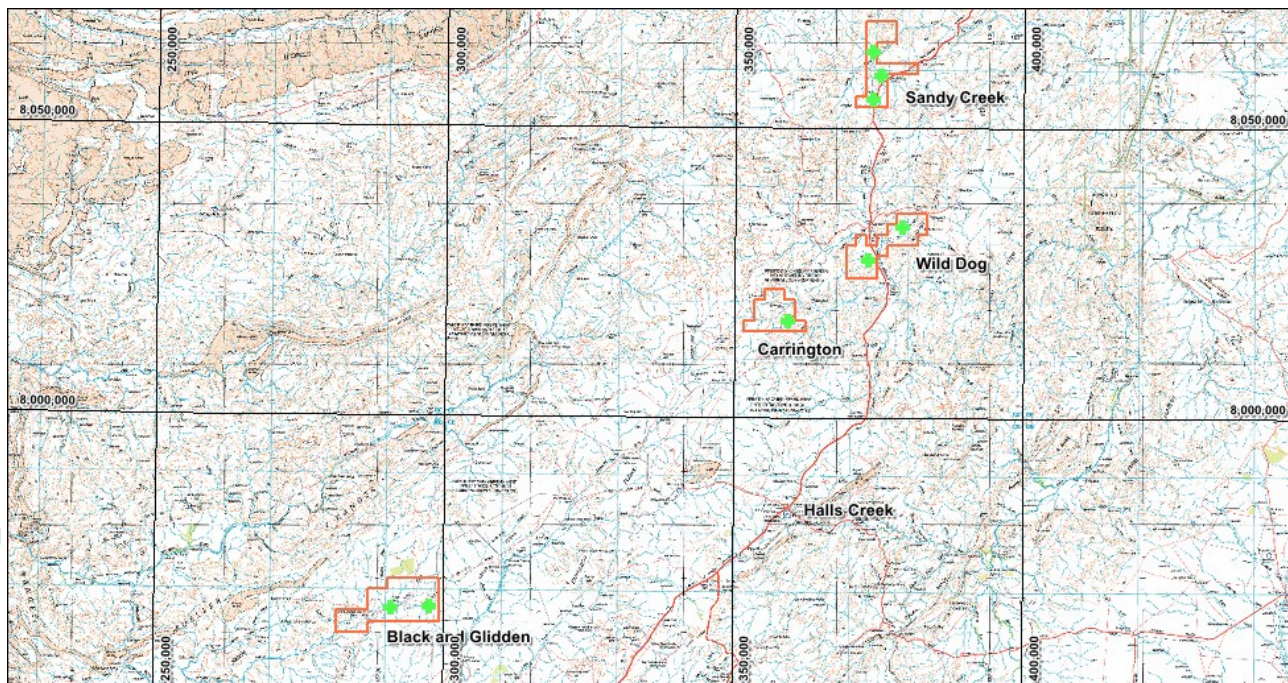


Figure 8: Halls Creek Project showing the 2021 soil sampling grids in green.

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Tennant Creek – Gold and Copper Exploration Projects - Northern Territory
Gidyea EL 32665 and Kovacs ELA 32666
Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd.

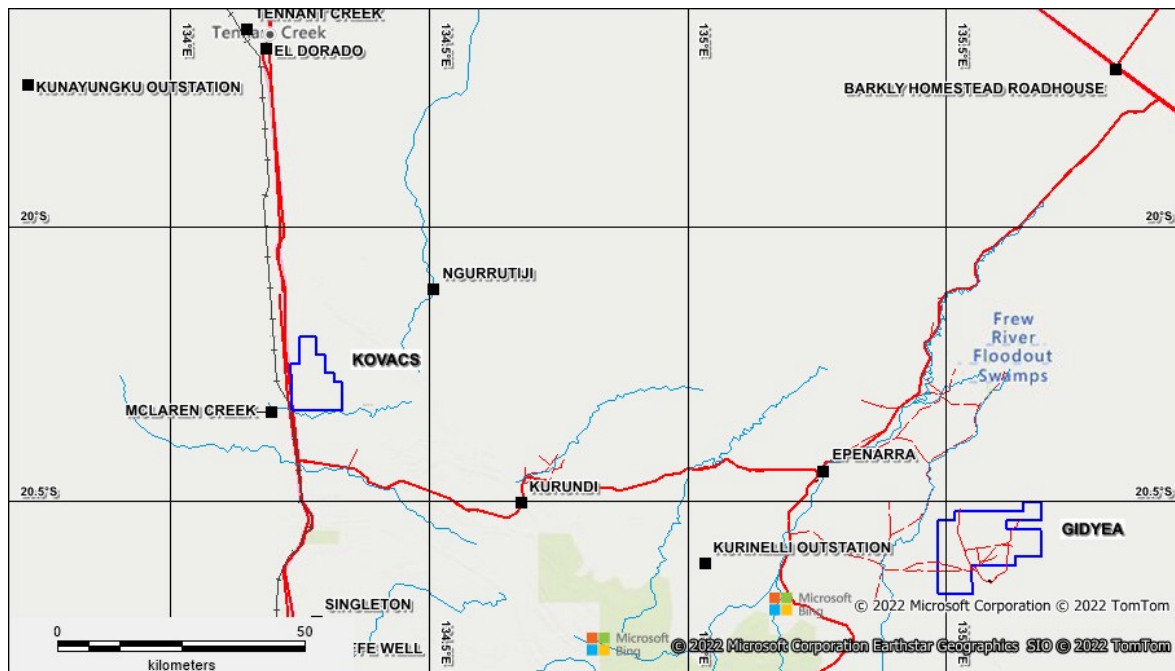


Figure 9: Regional Tenement Location SE of Tennant Creek – Kovacs and Gidyea

There has been no field-based exploration activity during the quarter as the Company manages the Native Title requirements for access. The Company has submitted detailed work programs to the Central Land Council (CLC) for review.

An Authority Certificate is required from the CLC before field exploration may commence within Gidyea EL 32665. The initial exploration will involve a general geological reconnaissance of the tenement involving surface geochemical sampling.

A relinquishment of EL 32665 has been submitted in October 2023.

Grant of the tenementers under ELA 32666 Kovacs is awaited.

Background information on the geology of the region and licence areas is contained in the Activities Report released to ASX on 30 January 2023.

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Limestone Coast – Rare Earth Element Projects - South Australia
Lameroo EL 6856
Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd.

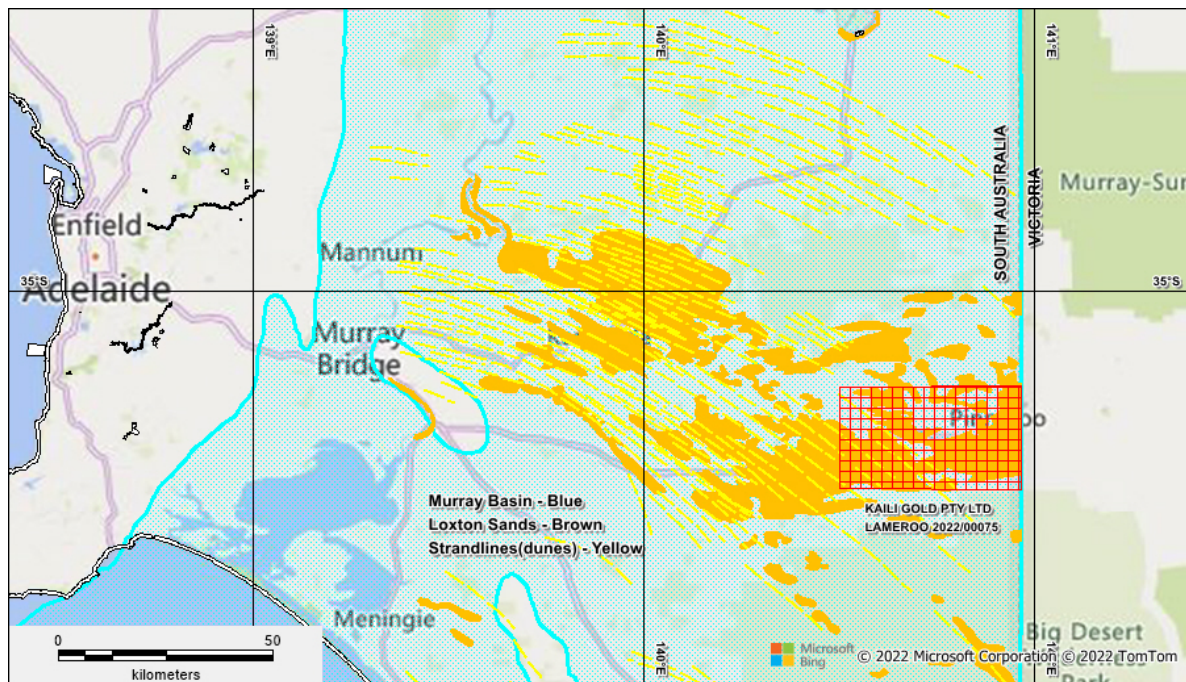


Figure 10: Location of Lameroo Rare Earth Exploration Project in Murray Basin South Australia

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

After having completed pXRF scanning and assay of samples from historic holes in the prior quarter, in this quarter the Company has been planning, seeking necessary approvals and engaging service providers for a drilling program to be undertaken in the December quarter.

Planned Future Exploration Activities:

- Finalise drill sites to test for REE mineralisation
- Conduct phase 1 drilling in December quarter

Technical Releases Since Commencement and Applicable to the September Quarter 2023

This Quarterly Activities Report contains information extracted from the Company’s ASX market announcements reported in accordance with the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (2012 JORC Code). Further details (including 2012 JORC Code reporting

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tables where applicable) of exploration results can be found in the following announcements lodged on the ASX:

- 5th April 2023 Results of Surface Sampling at Canegrass WA
- 20th April 2023 REE Exploration in SA – Drill Site Inspection Completed
- 27th April 2023 Quarterly Activities/Appendix 5B Cashflow Report
- 3rd May 2023 Soil Results from Surface Sampling at Canegrass WA
- 10th July 2023 RC Drilling Commences at Canegrass and Hole Dam WA
- 28th July 2023 Quarterly Activities/Appendix 5B Cashflow Report
- 3rd August 2023 RC Drilling Completed at Gindalbie Gold Project
- 12th October 2023 Gindalbie RC Drilling Results

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

LICENCES STATUS

Pursuant to ASX Listing Rule 5.3.3 the Company reports as follows in relation to minerals tenements (**Table 2**) held at the end of the September 2023 quarter and their locations. There has been no change in the tenements position in the June Quarter.

Granted	Tenement	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area	Status	
							Km ²		
30/05/2016	E31/1113	Canegrass	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	50.4	Expiry on 29/05/2026	
01/07/2016	E27/550	Holey Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	26.6	Expiry on 30/06/2026	
14/09/2021	EL32665	Gidyea	Gold/Base Metals	NT-Warramunga Province	Kaili Gold Pty Ltd	100%	207.2	Relinquishment submitted in October 2023	
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	
Under application	ELA32666	Kovacs	Gold/Base Metals	NT-Warramunga Province	Kaili Gold Pty Ltd	100%	271.7	Application submitted 23/02/2021	
							Total	1,839.4	

Table 2: Tenement schedule

Exploration Expenditure

The expenditure incurred (adjusted for accrual basis of accounting to the cash payment reported in Appendix 5B item 2.1 (d)) for exploration in the tenements for the quarter was \$281,000 as follows:

- Drilling	121,000
- Assay	30,000
- Geology/geophysics	49,000
- Tenement rent & rates	63,000
- Project management costs	18,000
Total	<u>281,000</u>

There were no mining production and development activities during the quarter.

Payments To Related Parties of The Entity and Their Associates

The aggregate amount of payments in the Quarter to related parties and their associates included in item 1 (Cash Flows from Operating Activities) reported in item 6.1 of the Appendix 5B Cash Flow Report was \$32,000 to the executive director Long Zhao as follows:

	\$
- Salary and superannuation contribution	18,000
- Service fee to his associate	14,000
Total	<u>32,000</u>

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 document 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.

Authorised by:

Jing Li - Director

Long Zhao - Director/Secretary

Contact T: +61 2 9264 6288 E: contact@kailigroup.com.au

31 October 2023

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

KAILI RESOURCES LIMITED

ABN

39 077 559 525

Quarter ended ("current quarter")

30 SEPTEMBER 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs	(18)	(56)
(e) administration and corporate costs	(77)	(239)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST, projects)	(1)	(11)
1.9 Net cash from / (used in) operating activities	(96)	(306)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation	(244)	(422)
(e) investments		
(f) other non-current assets		

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Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other		
2.6	Net cash from / (used in) investing activities	(244)	(422)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	600	600
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	600	600
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	465	853
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(96)	(306)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(244)	(422)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	600	600

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Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	725	725

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	725	465
5.2	Call deposits	-	-
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	725	465

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	32
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p>		

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Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	4,400	4,388
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	4,400	4,388
7.5 Unused financing facilities available at quarter end		12
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Yitai Group (Hongkong) Co., Ltd, a related company of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited has confirmed financial support to the Group undertaking to provide interest free and unsecured funds up to \$2.0 million until 1 April 2025 in addition to the fully drawn loan facility of \$2.4 million maturing on 1 April 2025.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(96)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(244)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(340)
8.4 Cash and cash equivalents at quarter end (item 4.6)	725
8.5 Unused finance facilities available at quarter end (item 7.5)	12
8.6 Total available funding (item 8.4 + item 8.5)	737
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.17
<p><i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i></p>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

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Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2023

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Authorised by: Jing Li, Director

Long Zhao, Director and Secretary

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(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.