

ACTIVITIES REPORT – DECEMBER 2023 QUARTER

EXPLORATION HIGHLIGHTS

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

Holey Dam

- HDRC001: 4 m @ 546 ppm TREO from 24-28 m and 6 m @ 641 ppm TREO from 52-58 m incl 1 m @ 866 ppm from 54-55 m.
- HDRC002: 1 m 586 ppm TREO from 20-21 m and 5 m 628 ppm TREO from 48 to 54 m incl 1 m @ 709 ppm TREO from 50-51 m and 1 m @ 850 ppm TREO from 53-54 m.
- High value Battery Metal Elements Pr, Nd, Dy and TB constitute between 20% and 30% of the individual sample assays.
- pXRF scan of samples from previously completed Aircore holes in the Saprolite Zone for a multi element suite including REE minerals Nd, Pr, Ce, La and Y.

Canegrass

- pXRF scan of samples from previously completed Aircore holes in the Saprolite Zone for a multi element suite including REE minerals Nd, Pr, Ce, La and Y.

Limestone Coast Rare Earth Element Project in South Australia

- Preparation for an 800 m Aircore drilling program across the Lameroo Tenement EL 6856 in Q1 2024.
- Lodge applications for 2 new tenements close to the Lameroo Tenement EL 6856 to increase footprint in Limestone Coast.

Halls Creek Gold Cobalt Nickel and Copper Project in Western Australia

- The 4 tenements have been successfully renewed for a further 5-year period to 31st August 2028.
- No responses from relevant Native Title Groups on the presented project work programs. No field activities could be conducted.

Tennant Creek Gold and Copper Project in Northern Territory

- No field activities and no response from the Central Land Council (CLC) on the application Kovacs ELA 32666

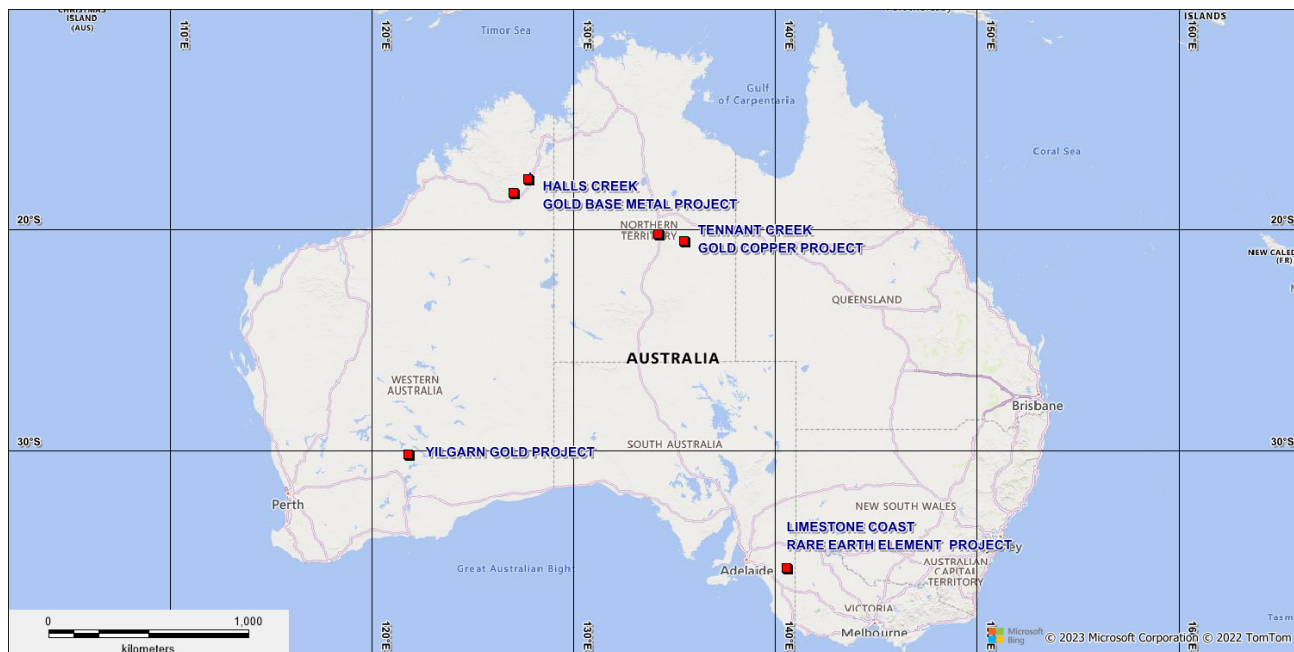


Figure 1: Kaili Resources Project Locations

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

Canegrass E31/1113 and Holey Dam E27/550

Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

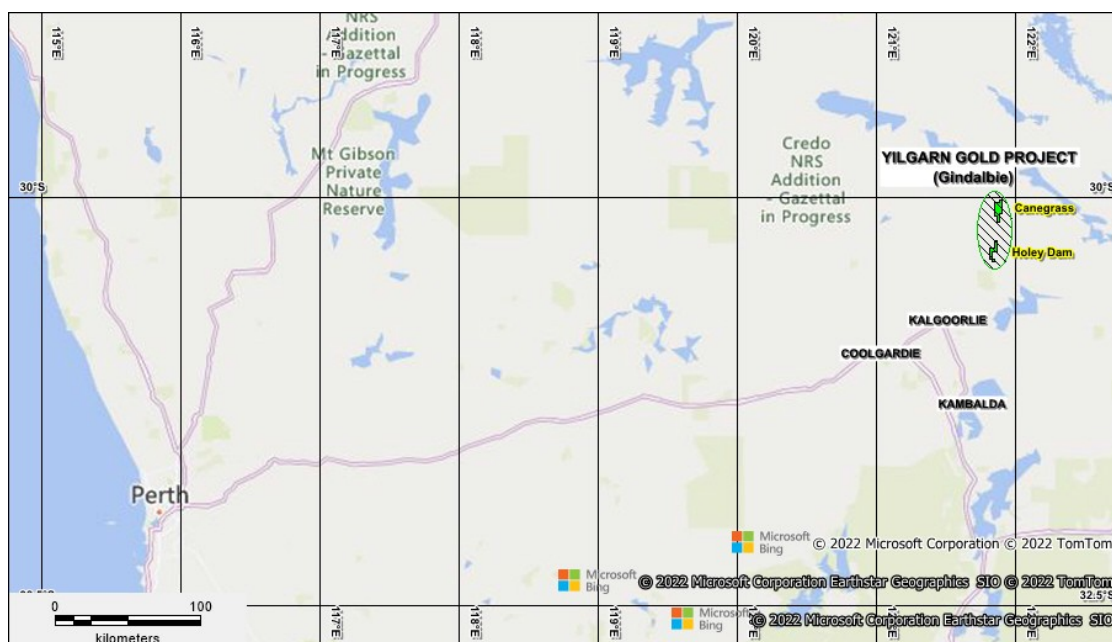


Figure 2: Kaili Resources Yilgarn Gold Tenement Locations

Kaili Resources Limited completed single meter sampling of the original 4 m composite samples from the RC drilling at the Holey Dam EL 27/550 tenement (**Figures 3**) for a total of 59 samples. The single meter REE focussed sampling follows up previous RC drilling and Aircore Drilling programs (**Figures 4 to 6 and Table 1**) at Holey Dam.

The results received in November 2023 of the single metre re-sampling were as follows:

Holey Dam

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

The initial focus of the Holey Dam exploration programs was gold whereby a stage exploration approach involving geological mapping and soil sampling was followed up with Vacuum and Aircore drilling followed by two RC holes. The gold results have been disappointing however in the most recent RC drilling program elevated TREO results were noted from the saprolite zone overlying altered and veined mafic intrusive/extrusive rocks. The initial REE sampling within the saprolite zone involved 4 m composites, with assays > 200 ppm TREO being sub sampled at 1 m intervals by ALS Laboratory. The results indicate a zone of TREO enrichment at the base of the saprolite clays above partially weathered mafic rocks, this location is termed BOCO (Base of Complete Oxidation) and is just above the partially altered basalt or “saprock” as shown in **Figure 7**. Interestingly as can be seen in **Figure 7** the BOCO horizon shallows to the west and it is these more shallow horizons that will be the focus of the next round of Aircore Drilling.

(see ASX announcements on 4th April 2022, 8th March 2023 3rd May 2023 and 12th October 2023 for background description of the previous exploration work and results).

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

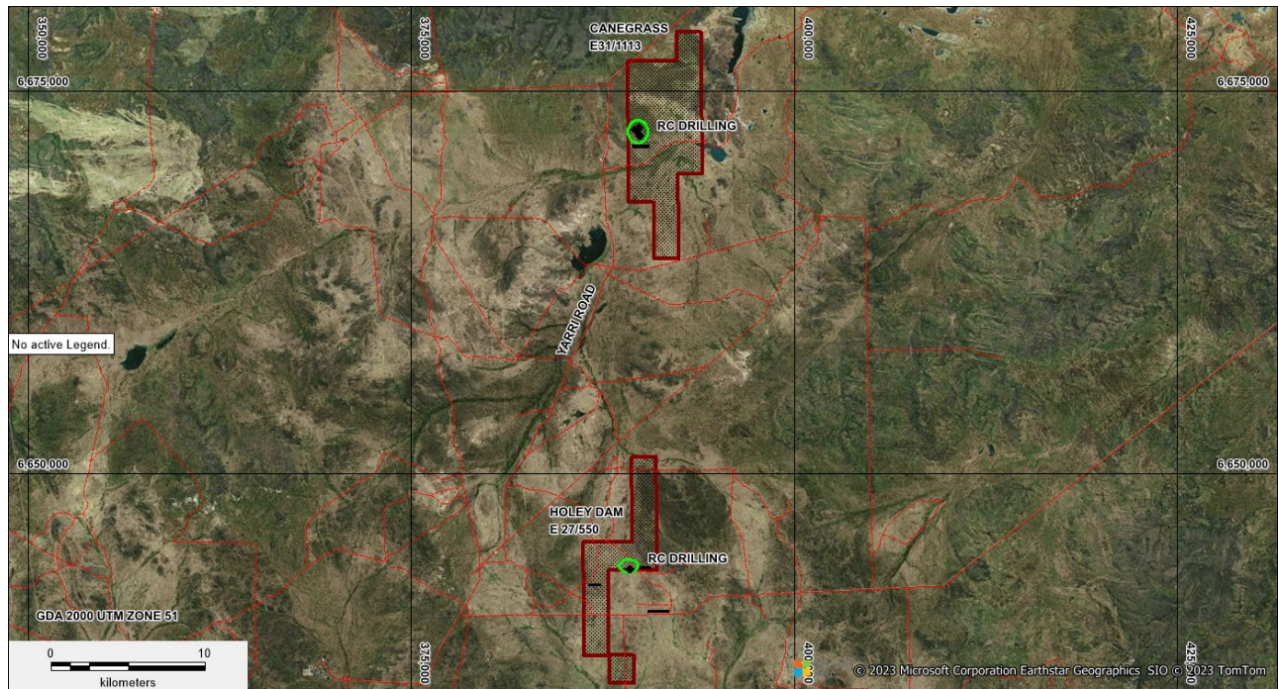


Figure 3: Holey Dam and Canegrass Drill Collar Regional Locations

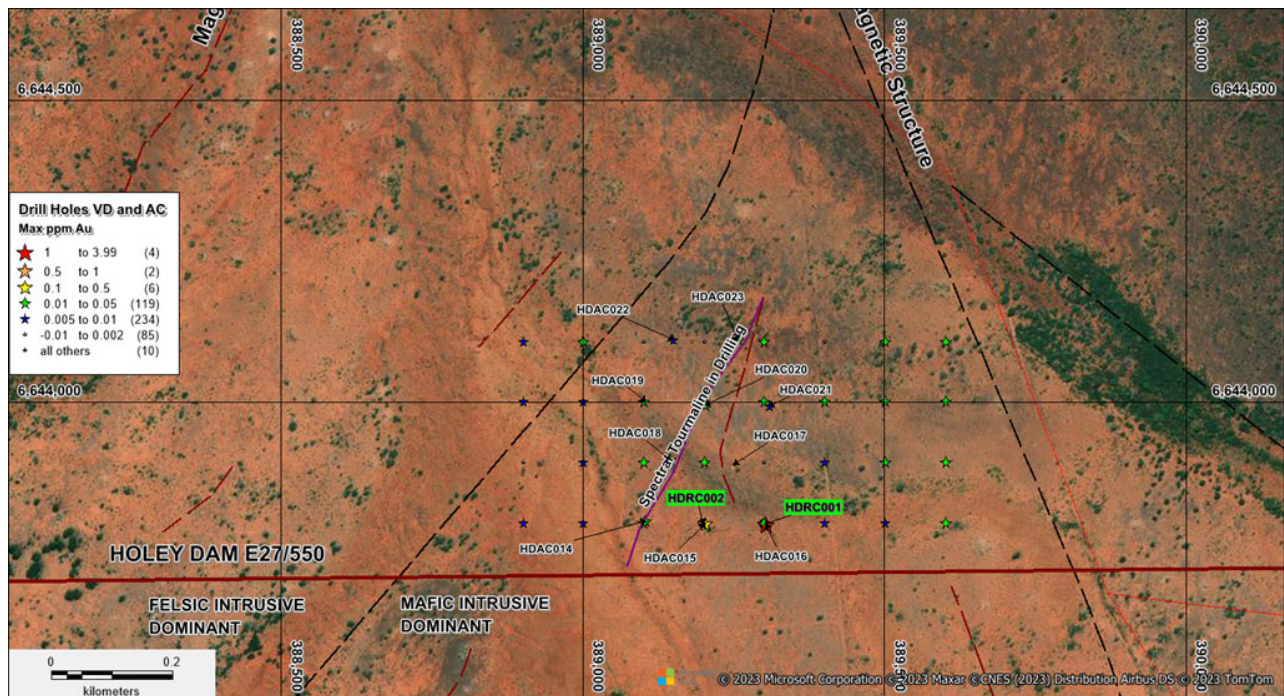


Figure 4: Holey Dam Drill Collar Locations

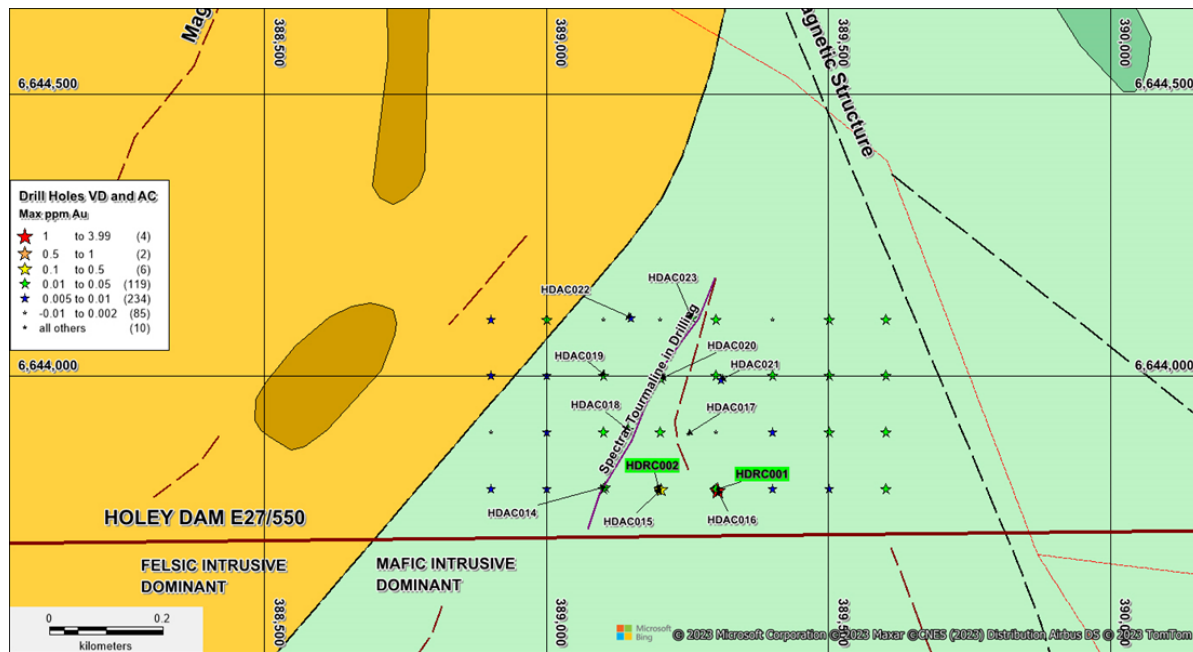


Figure 5: Holey Dam Drill Collar Locations and Interpreted Geology

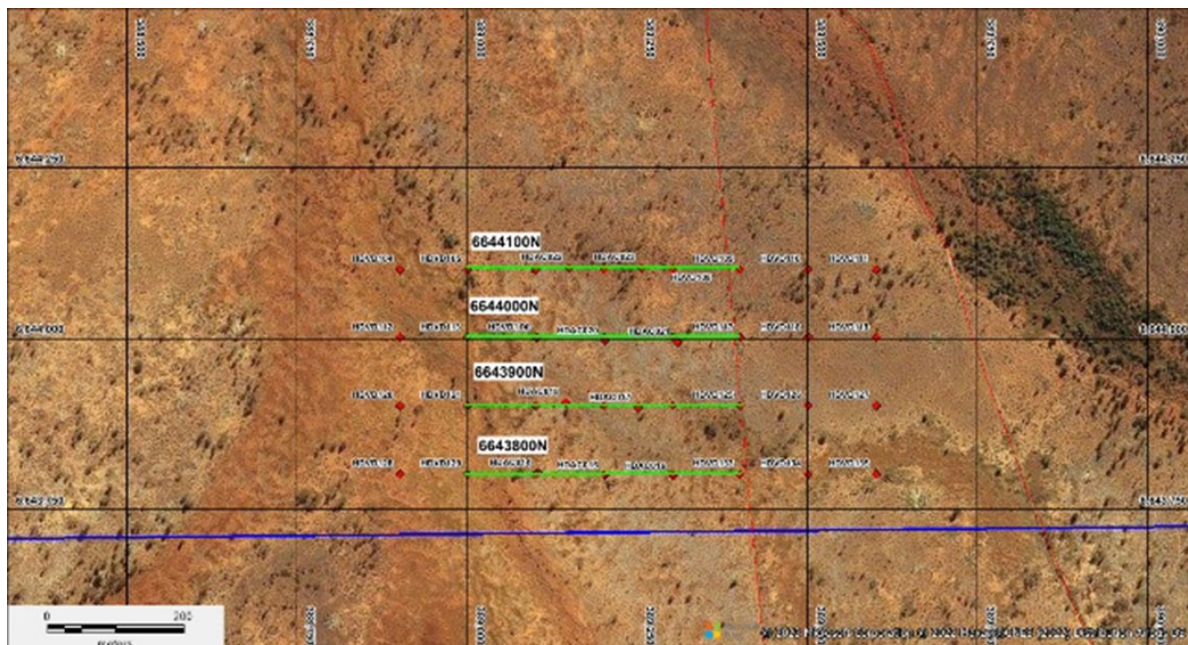


Figure 6: Holey Dam Drill Section Lines

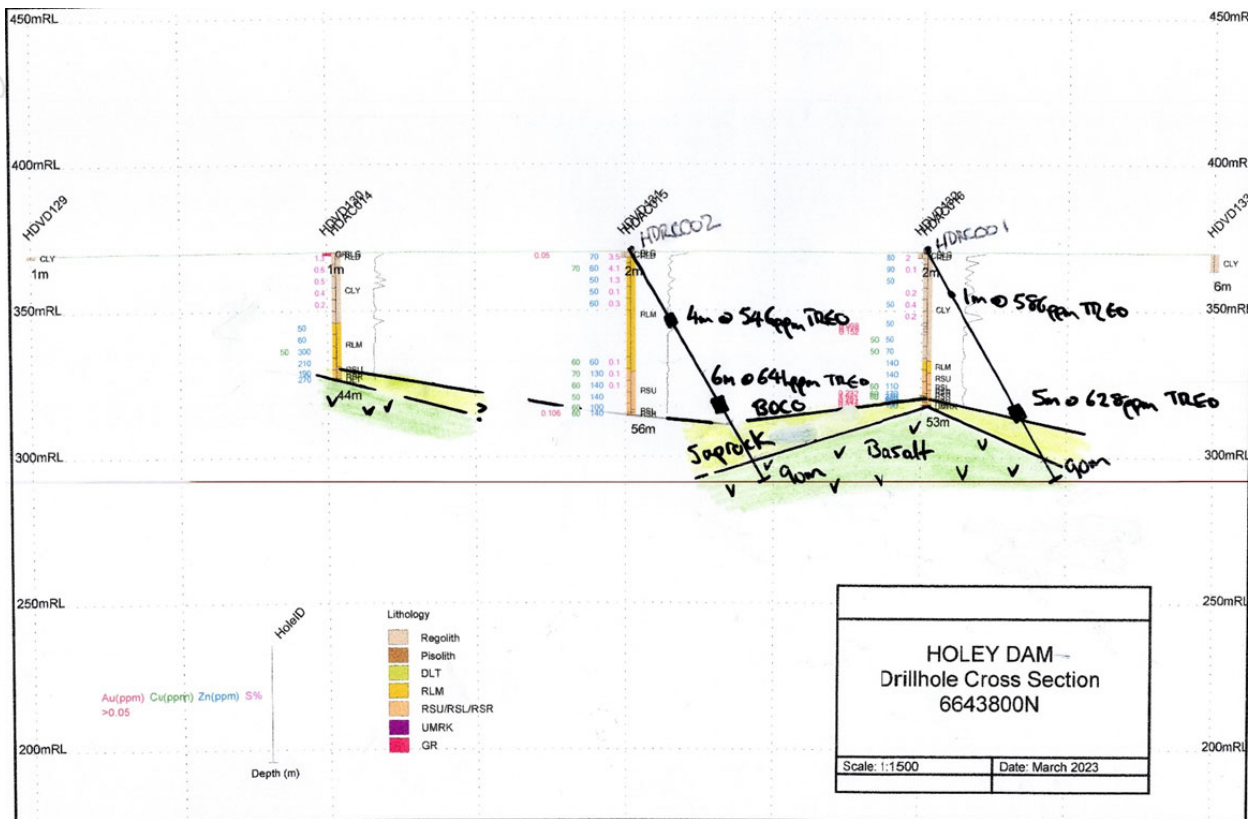


Figure 7: Holey Dam Drill Section 6643800N

Planned Future Exploration Activities:

- Review all results from the surface geochemical sampling and drilling at Canegrass and Holey Dam.
- Review the results of pXRF scan of previously completed Aircore Holes in the Saprolite Zone for a multi element suite including REE minerals Nd, Pr, Ce, La and Y.
- Search for additional critical metal projects in WA that suit the Company's goals going forward.

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.

In prior quarter, the Company has submitted work programs for the four tenements to the Kimberley Land Council (KLC) for review with the Native Title Groups. Apart from a meeting at Halls Creek with Traditional Owners relating to Black and Glidden E80/5112 there has been no response from Native Title groups for the other 3 projects. Consequently, there has been insufficient time to organise travel by helicopter for proposed site surveys as may be required by the Traditional Owners before the end of the last dry season. No field activities have been possible in the current wet season December quarter. The Company has successfully renewed the four (4) tenements for a further 5 years with the tenements now expiring on the 31st August 2028.

See the Activities Report released to ASX on 30 January 2023 for background information on the geology of the region and geological work performed to date.

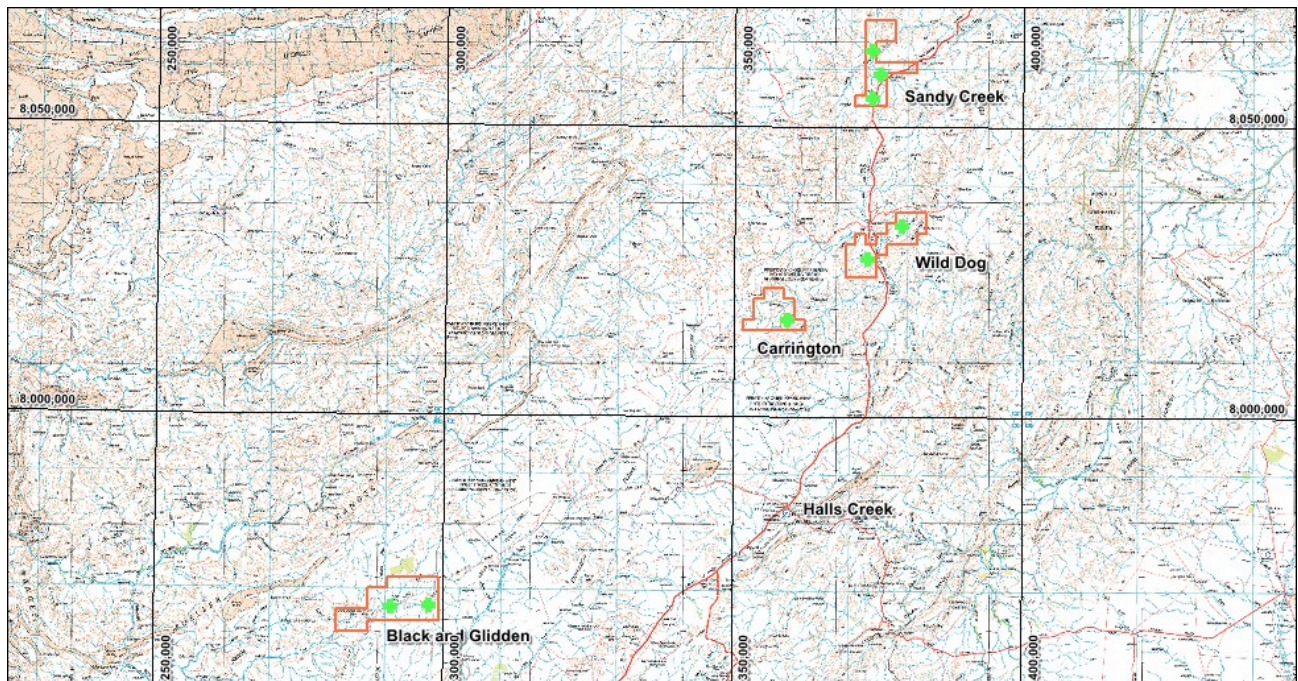


Figure 8: Halls Creek Project showing the 2021 soil sampling grids in green.

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 in Q2 2024

Tennant Creek – Gold and Copper Exploration Projects - Northern Territory
Gidyea EL32665 and Kovacs ELA 32666
Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd.

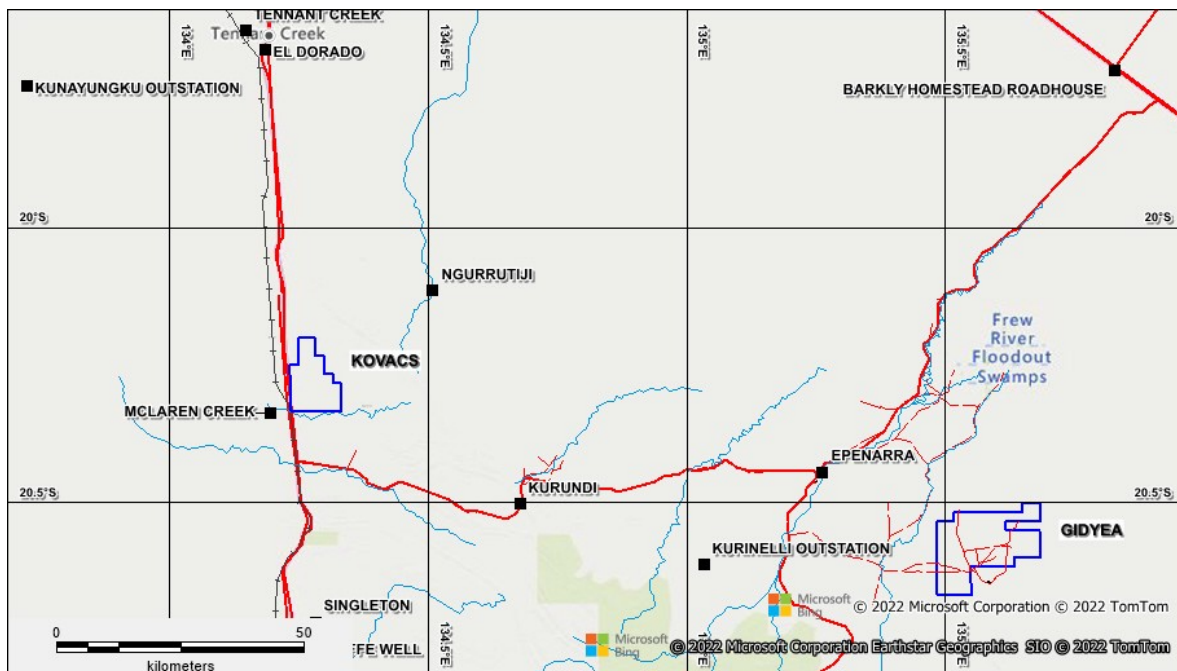


Figure 9: Regional Tenement Location SE of Tennant Creek – Kovacs and Gidyea

There has been no field-based exploration activity during the quarter as the Company manages the Native Title requirements for access.

In February 2021, the Company applied for two Exploration Licences registered as ELA 32666 and ELA 32665 located to the south and southeast of Tennant Creek (**Figure 10**). A relinquishment application has been lodged in October 2023 for ELA 32665 Gidyea. Grant of the tenement 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.

Limestone Coast – Rare Earth Element Projects - South Australia

Lameroo EL 6856

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

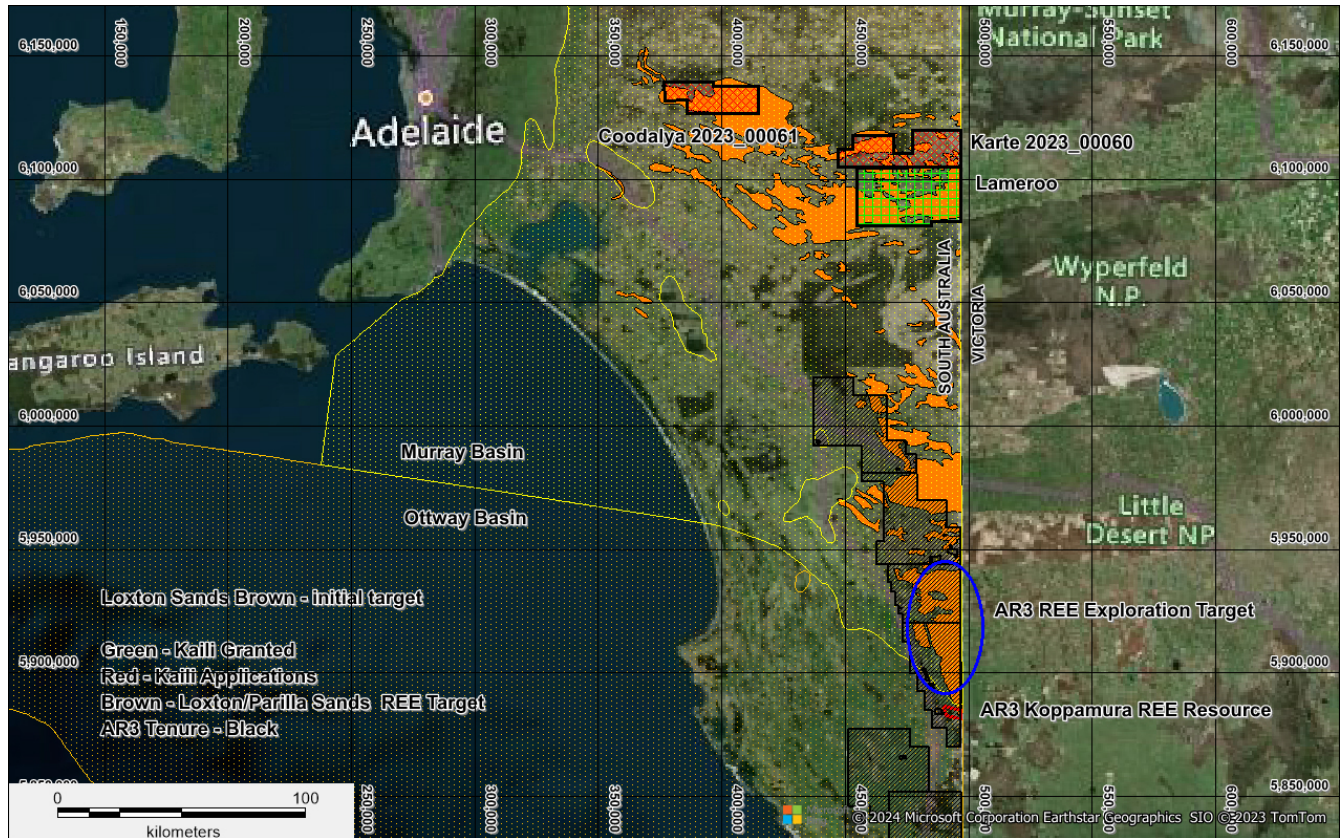


Figure 10: Location of Lameroo Rare Earth Exploration Project in Murray Basin South Australia

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”)

In November the Company has lodged applications for 2 new tenements Karte ELA 2023/00060 and Coodalya ELA 2023/00061 covering 590 square kilometres and 408 square kilometres respectively close to the Lameroo Tenement EL 6856 which when granted will increase the Company’s total footprint for RRE exploration to 1,989 square kilometres.

Rare Earth Elements (“REE”) are reportedly contained within the fine clay fraction of Tertiary (65 to 2.5 Million Years Ago) Strandlines (“ionic clay style of deposit”) in the region. Australian Rare Earth (ASX:AR3) has a large area in the region and has declared its Koppamurra Project a world scale ionic clay-hosted rare earths province with a latest JORC mineral resource estimate of 186 million tonnes @712 ppm TREO (Total Rare Earth Oxides) (see AR3’s ASX announcement of 19 September 2023).

During the quarter, the Company has obtained required approvals, completed “Dial Before You Dig” checks of proposed drill sites and, has selected a locally based driller and a traffic management service provider for an Aircore drill program of 800 metres along roadside verges at Lameroo to be conducted in February 2024.

For this initial program, the drilling along roadside verges with local council approvals minimises disruptions on private land and aims to identify areas of potential for future programs. The drilling sites have been selected based on geological work carried out to date by the Company and the information obtained from pXRF scans and laboratory assays for Rare Earth Elements of a selection of core and drill chips from historical drilling that were available at the SA Mines Department.

Planned Future Exploration Activities:

- Complete phase 1 drilling in February 2024.
- Plan additional phases of drilling

Technical Releases Applicable to the December 2023 Quarter

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 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
- 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 Project
- 12th October 2023 Gindalbie RC Drilling Results
- 31st October 2023 Quarterly Activities/Appendix 5B Cashflow Report
- 20th November 2023 Encouraging Rare Earth Assays at Holey Dam WA

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

LICENCES STATUS

Pursuant to ASX Listing Rule 5.3.3 the Company reports in the Table 2 below in relation to minerals tenements held at the end of the December 2023 quarter and their locations. During the quarter there have been no changes in tenement holdings other than that the Company has lodged relinquishment documents for EL 32665 Gidyea in Northern Territory and has lodged applications for 2 new tenements ELA 2023/00060 Karte and ELA 2023/00061 Coodalya in South Australia.

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 Lodged
31/08/2018	E80/5112	Black and Glidden	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	104.0	Expiry on 30/08/2028
31/08/2018	E80/5113	Carrington	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	52.1	Expiry on 30/08/2028
31/08/2018	E80/5114	Sandy Creek	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	65.3	Expiry on 30/08/2028
31/08/2018	E80/5115	Wild Dog	Cobalt/Gold/Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	71.1	Expiry on 30/08/2028
19/10/2022	EL6856	Lameroo	Rare Earth	SA - Murray Basin	Kaili Gold Pty Ltd	100%	991.0	Expiry on 18/10/2028
Under application	ELA32666	Kovacs	Gold/Base Metals	NT-Warramunga Province	Kaili Gold Pty Ltd	100%	271.7	Application submitted 23/02/2021
Under application	ELA 2023/00060	Karte	Rare Earth	SA - Murray Basin	Kaili Gold Pty Ltd	100%	590.0	Application submitted 7/11/2023
Under application	ELA 2023/00061	Coodalya	Rare Earth	SA - Murray Basin	Kaili Gold Pty Ltd	100%	408.0	Application submitted 7/11/2023
Total							2,837.4	

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 \$64,000 as follows:

	\$
- Native title	14,000
- Assay	2,000
- Geology/geophysics	28,000
- Project management costs	20,000
Total	64,000

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 \$114,000 to the executive director Long Zhao as follows:

	\$
- Salary and superannuation contribution	19,000
- Service fee to his associate including incurred and unpaid in prior quarters	95,000
	<u>114,000</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.

31 January 2024

Authorised by:

Jing Li - Director

Long Zhao - Director/Secretary

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

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")

31 DECEMBER 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(19)	(75)
(e) administration and corporate costs	(175)	(414)
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)	2	(9)
1.9 Net cash from / (used in) operating activities	(192)	(498)
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	(98)	(520)
(e) investments		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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 (Security deposit paid)	(10)	(10)
2.6	Net cash from / (used in) investing activities	(108)	(530)

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
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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	725	853
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(192)	(498)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(108)	(530)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	600

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	425	425

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	425	725
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)	425	725

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	114
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<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>		

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	4,900	4,388
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	4,900	4,388
7.5 Unused financing facilities available at quarter end		512
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.		
Yitai Group (Hongkong) Co., Ltd, a related company of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited has confirmed, during the December quarter, an increase in its financial support with interest free and unsecured funds from \$2.0 million to up to \$2.5 million until 1 April 2025 in addition to the interest free and unsecured fully drawn loan facility of \$2.4 million maturing on 1 April 2025.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(192)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(98)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(290)
8.4 Cash and cash equivalents at quarter end (item 4.6)	425
8.5 Unused finance facilities available at quarter end (item 7.5)	512
8.6 Total available funding (item 8.4 + item 8.5)	937
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.23
<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>	
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	

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 January 2024

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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.