

ACTIVITIES REPORT – SEPTEMBER 2024 QUARTER

Review of Exploration Investment

In September 2024 the Company reviewed its business strategy following the decision of the parent company to cease by 1 April 2025 its debt financing facilities for the group's activities.

Pending a new financing structure a critical assessment has been made on the exploration tenements portfolio. Essentially the areas which have not shown potential after exploration investment made to date and those with higher risks were earmarked for disposal.

The Company's current direction is to focus on exploration for rare earths and precious metals where value accretion is perceived for the future. In that respect the Company will maintain its investment in the three tenements within the Limestone Coast in South Australia, namely Lameroo, Karte and Cooldalya, which are prospective for rare earths elements within ionic clay and the tenement Holey Dam E 27/550 in the Yilgarn Craton in Western Australia, where rare earths elements have been identified from recent field exploration activities, but unfortunately the exploration for gold in the area has not been encouraging. The Company will be seeking for new tenements with gold potential to reinvigorate its portfolio.

The four tenements at Halls Creek in Western Australia, namely Black and Glidden E 80/5112, Carrington E 80/5113, Sandy Creek E 80/5114, and Wild Dog E 80/5115, were identified for farm out in view that exploration in those areas will be high costs requiring helicopter support for grassroot exploration which may only be conducted during the 6 months annual dry season. However, with limited interests shown from prospective joint venture partners the tenements have been surrendered in October 2024 to cease incurring further ongoing costs. The tenement Canegrass E 31/1113 in the Yilgarn Craton in Western Australia has also been surrendered in October 2024 and the exploration for gold conducted within that tenement during the last few years has not rendered encouraging results.

During the quarter, the focus of activities has been in the exploration strategy and studies, and associated financing and no field based exploration has taken place. Subject to funding, exploration for rare earths will be conducted at Holey Dam and within the Limestone Coast in the forthcoming Quarters.

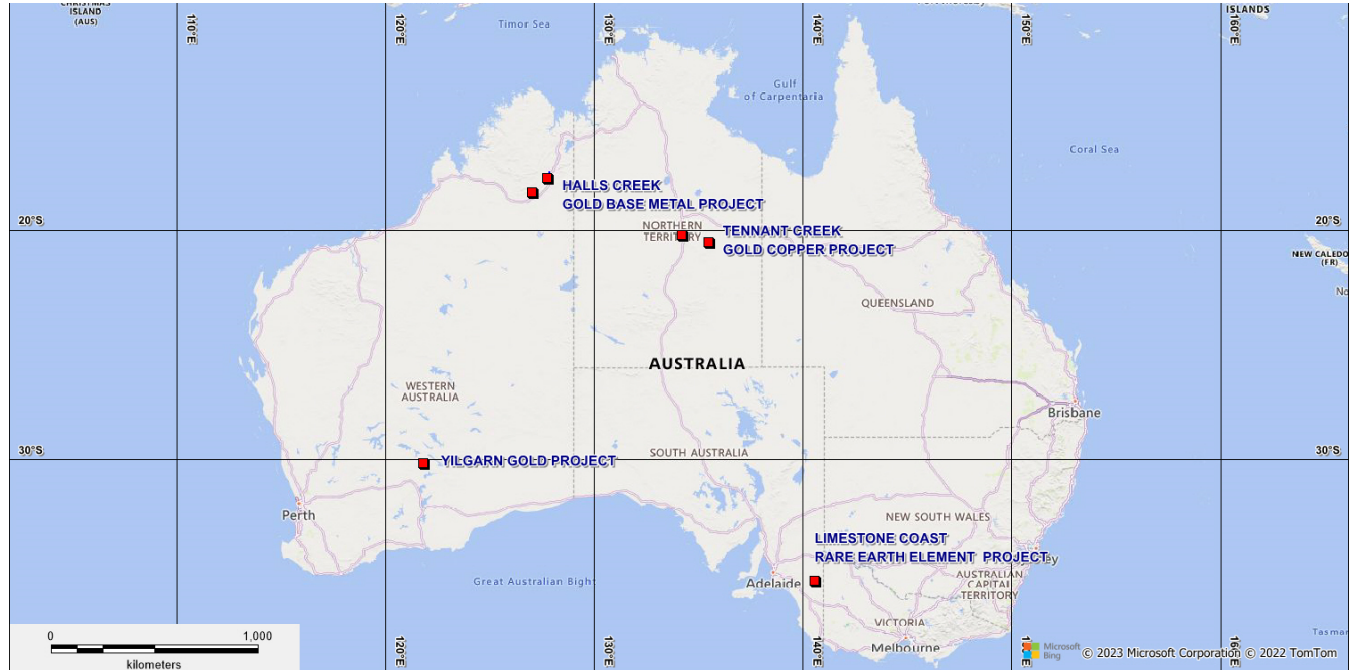


Figure 1: Kaili Resources Projects Locations

Limestone Coast – Rare Earth Element Projects – South Australia

Lameroo EL 6856, Karte EL 6977 and Coodalya EL 6978

Held 100% by wholly owned subsidiary Kaili Gold Pty Ltd

The 3 tenements with Coodalya within 50 kms NW of contiguous Lameroo and Karte cover a total area of 1,985 km² approximately 200 kms east of Adelaide within the Loxton/Parilla Sands in the Murray Basin in South Australia.

The Company targets the Loxton/Parilla sands for REE mineralisation in a region where Australian Rare Earths has reported exploration success with estimated JORC 2012 resource of 236Mt @ 748ppm Total Rare Earth Oxides (TREO) (see AR3 ASX Release of 30th September 2024). REEs are reportedly contained within the fine clay fraction of Tertiary (65 to 2.5 Million Years Ago) Strandlines (ionic clay style of deposit) in the region.

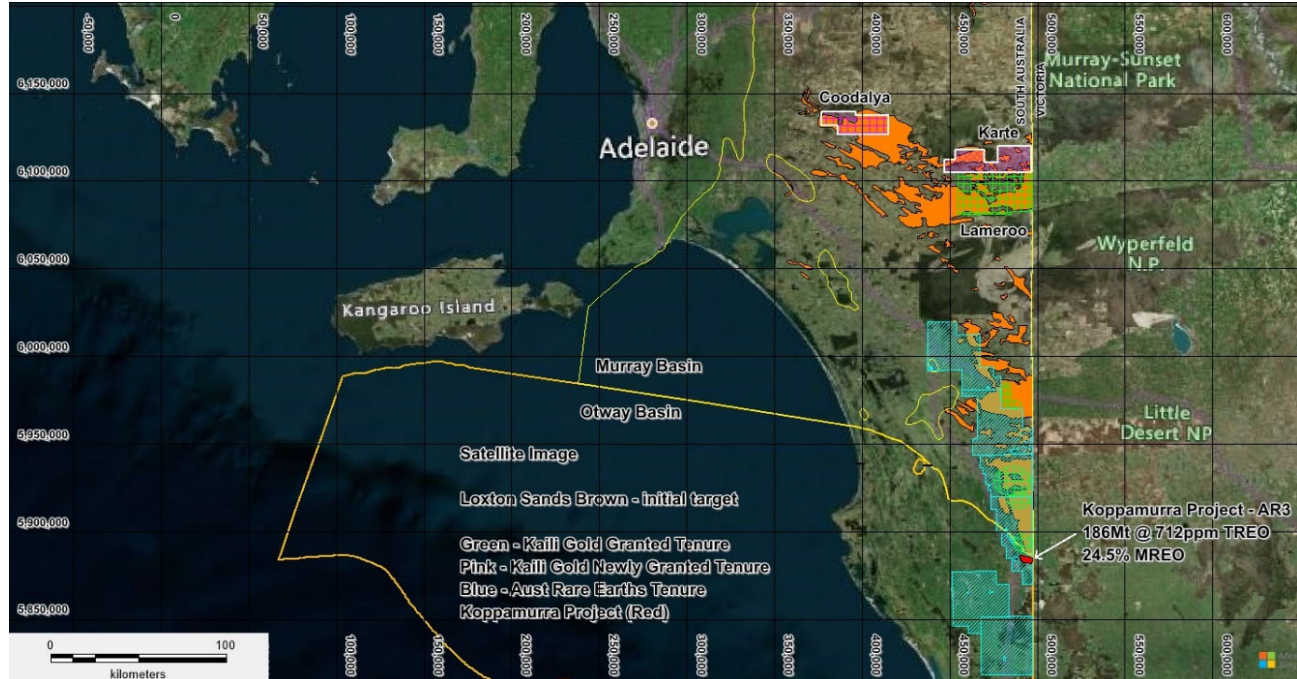


Figure 2: Location of Lameroo, Karte and Coodaly Rare Earth Exploration Tenements in Murray Basin, Limestone Coast, South Australia

In prior periods, the Company had conducted pXRF scan of samples from selected historic drill holes held by the SA Government, and collected and assayed samples from fresh outcropping granite at Lameroo. Having regards to the information obtained the Company completed an initial widely spread drilling program along road verges at Lameroo in February 2024 to identify areas for infill drilling.

The assay results of the initial drilling program were encouraging. They have been used as reference in the design, planning and budgeting of larger drill programs across all 3 tenements to be conducted in forthcoming quarters.

A summary of significant Total Rare Earth Oxides (“TREO”) drilling intersections in February 2024 are as follows:

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

Magnetic (Battery) Rare Earth Oxides - MREO (Tb+ Dy+ Pr+ Nd) comprise on average 17% of the TREO. (See the Company’s ASX Announcement on 25th March 2024 for the JORC table and list of results for each hole.)

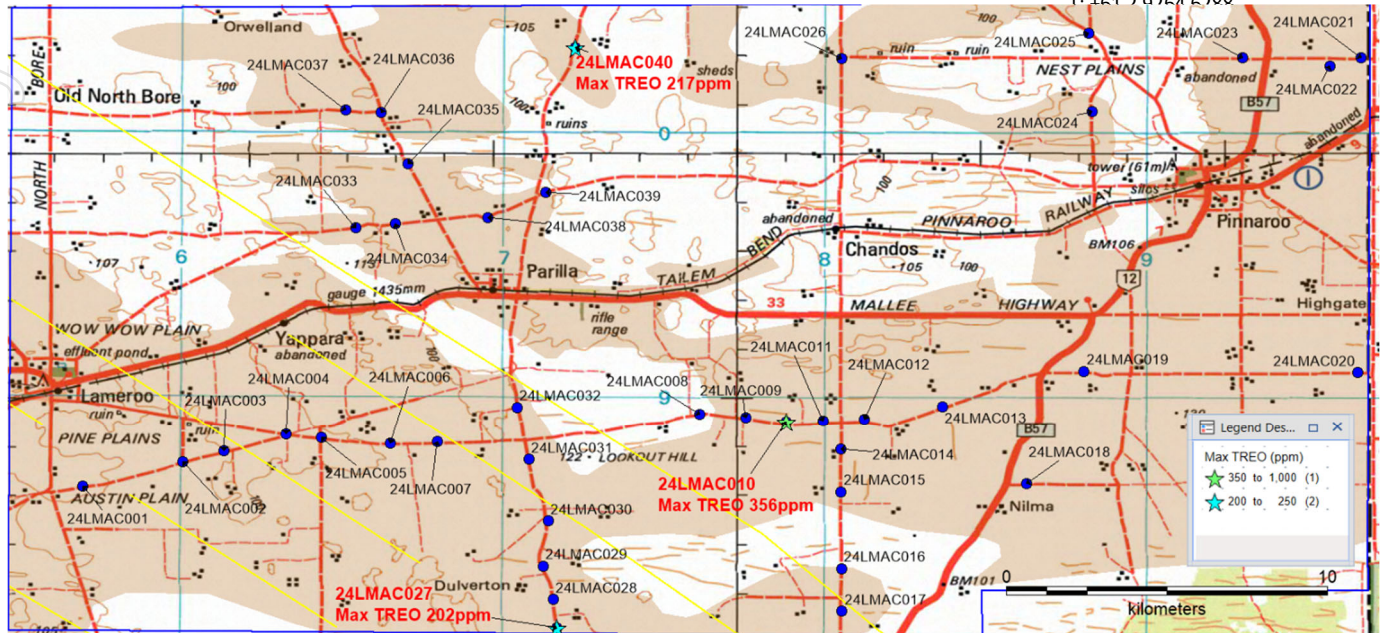


Figure 3: Location of Lameroo Aircore Drill Holes (LM series) within the target Loxton/Parill Sands (brown) and showing maximum ppm TREO in the hole

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

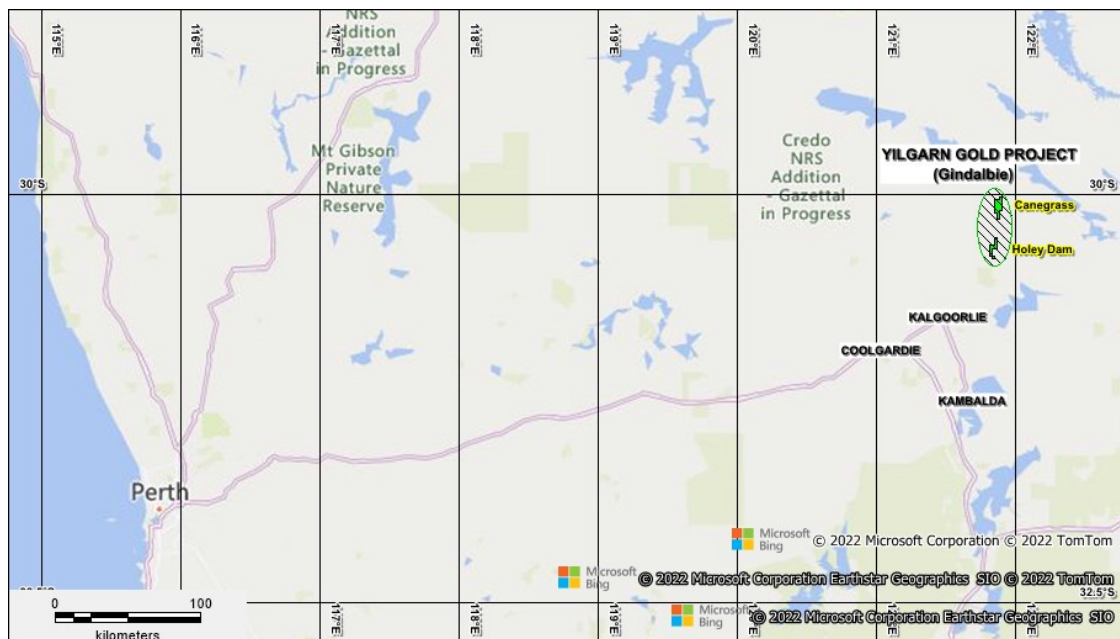


Figure 4: Kaili Resources Yilgarn Gold Tenement Locations

In the 2023 RC drilling program there were elevated Total Rare Earth Oxides (“TREO”) results from the saprolite zone overlying altered and veined mafic intrusive/extrusive rocks. The results indicate a zone of TREO enrichment at the base of the saprolite clays above partially weathered mafic rocks; a location termed BOCO (Base of Complete Oxidation) and is just above the partially altered basalt or “saprock.”

The results from 2 holes at Holey Dam in 2023 (*see ASX Announcement of 12 October 2023*) were as follows:

HDRC002

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

HDRC001

- 4 m composite interval 24 m – 28 m returned 591.4 ppm TREO
- 12 m composite interval 52 m – 64 m returned 477.34 ppm including 1 m @ 609.38 ppm

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

The results received in November 2023 (*see ASX Announcement of 20 November 2023*) of the single metre intervals re-sampling for Holey Dam were as follows:

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

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

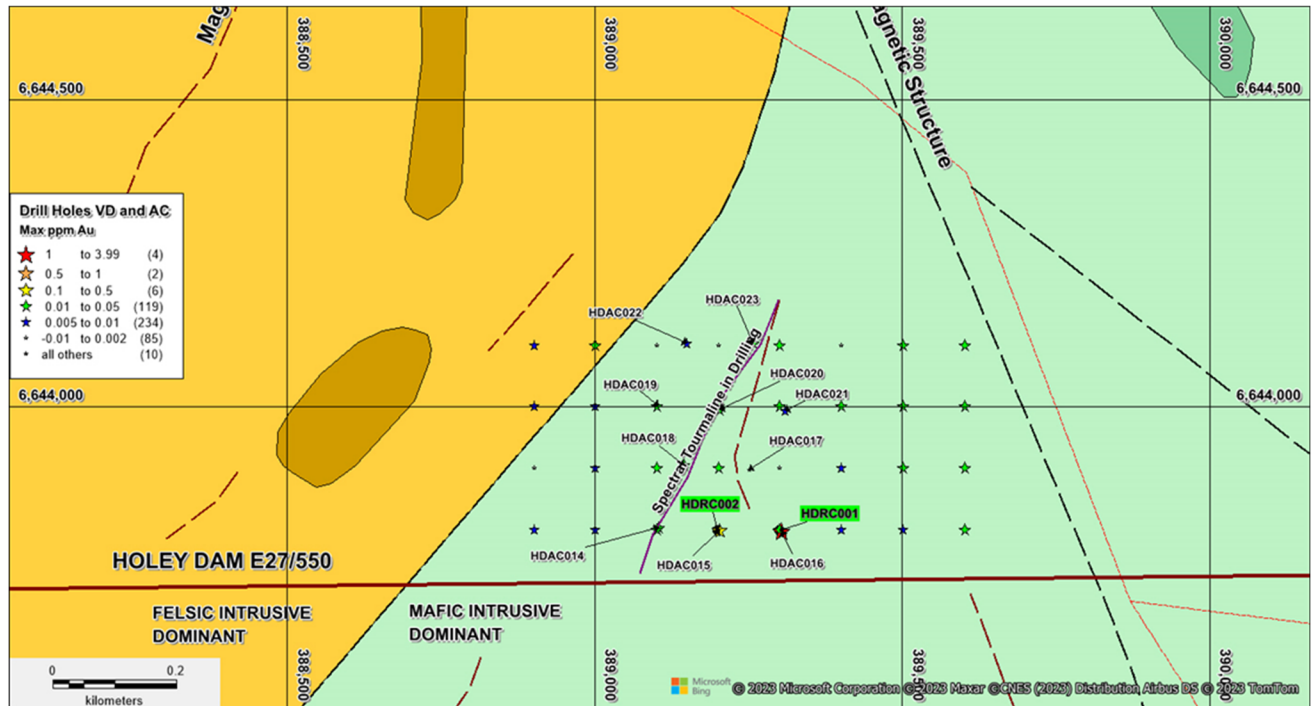


Figure 5: Holey Dam Drill Collar Locations and Interpreted Geology

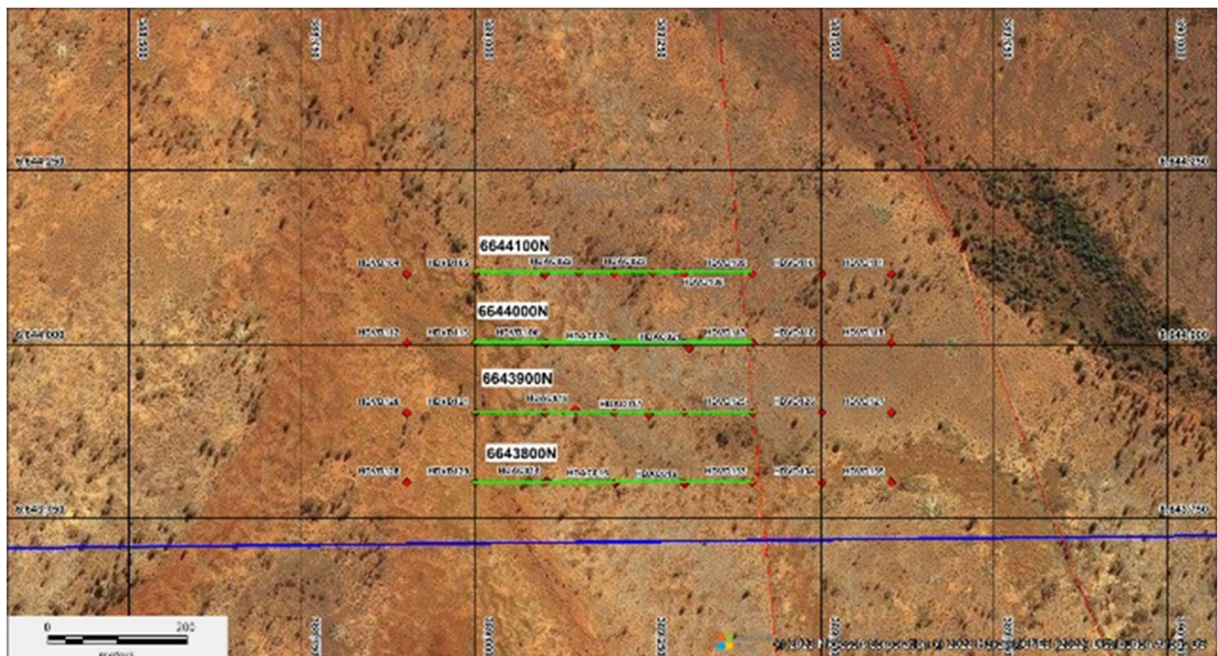


Figure 6: Holey Dam Drill Sections Lines

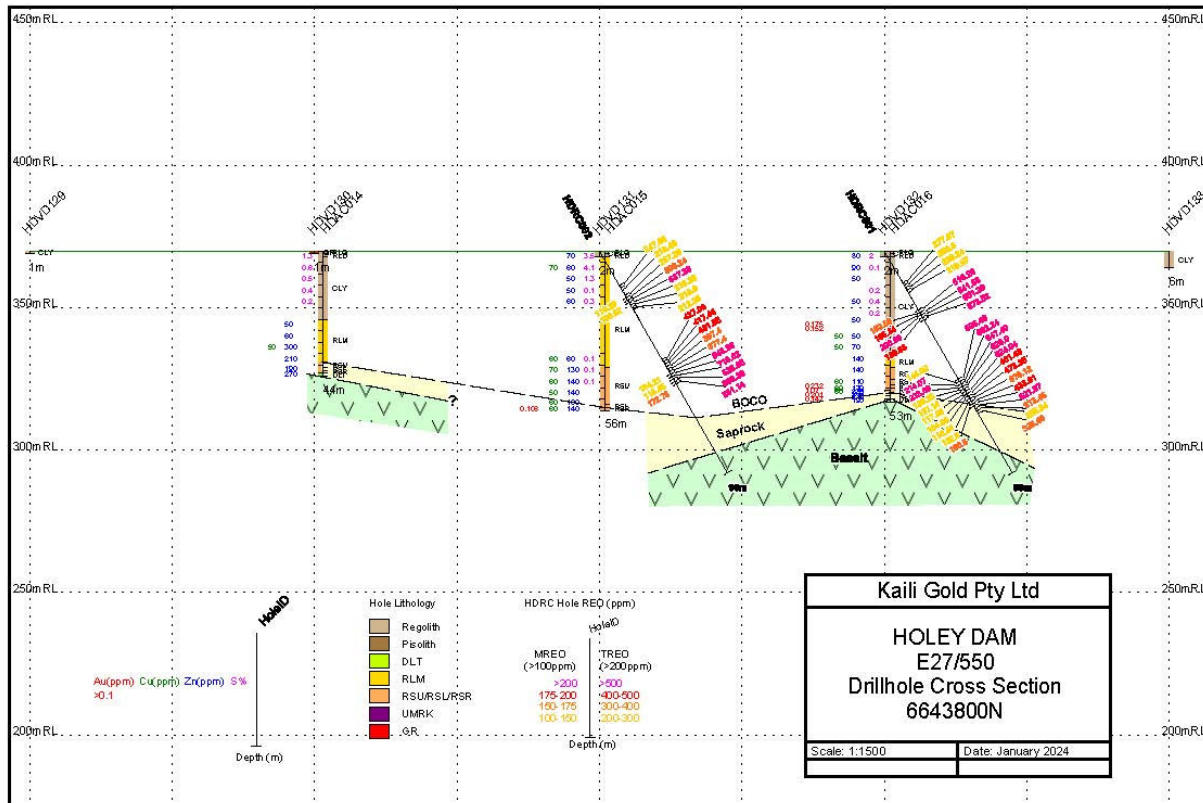


Figure 7: Holey Dam Drill Section 664380

Planned Future Exploration Activities:

- Review all results from the surface geochemical sampling and drilling at Holey Dam.
- Review the results of pXRF scans and laboratory assays of previously completed Aircore Holes in the Saprolite Zone for a multi element suite including REE minerals Nd, Pr, Ce, La and Y.
- Plan further drilling to test extent of REE mineralisation.

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.

Having regards to the potential high costs for initial exploration in remote green fields areas where the potential is yet unknown the Company has been seeking joint venture partners to share in the costs. In face of lack of interests from prospective farminees the four tenements have been surrendered in October.

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

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

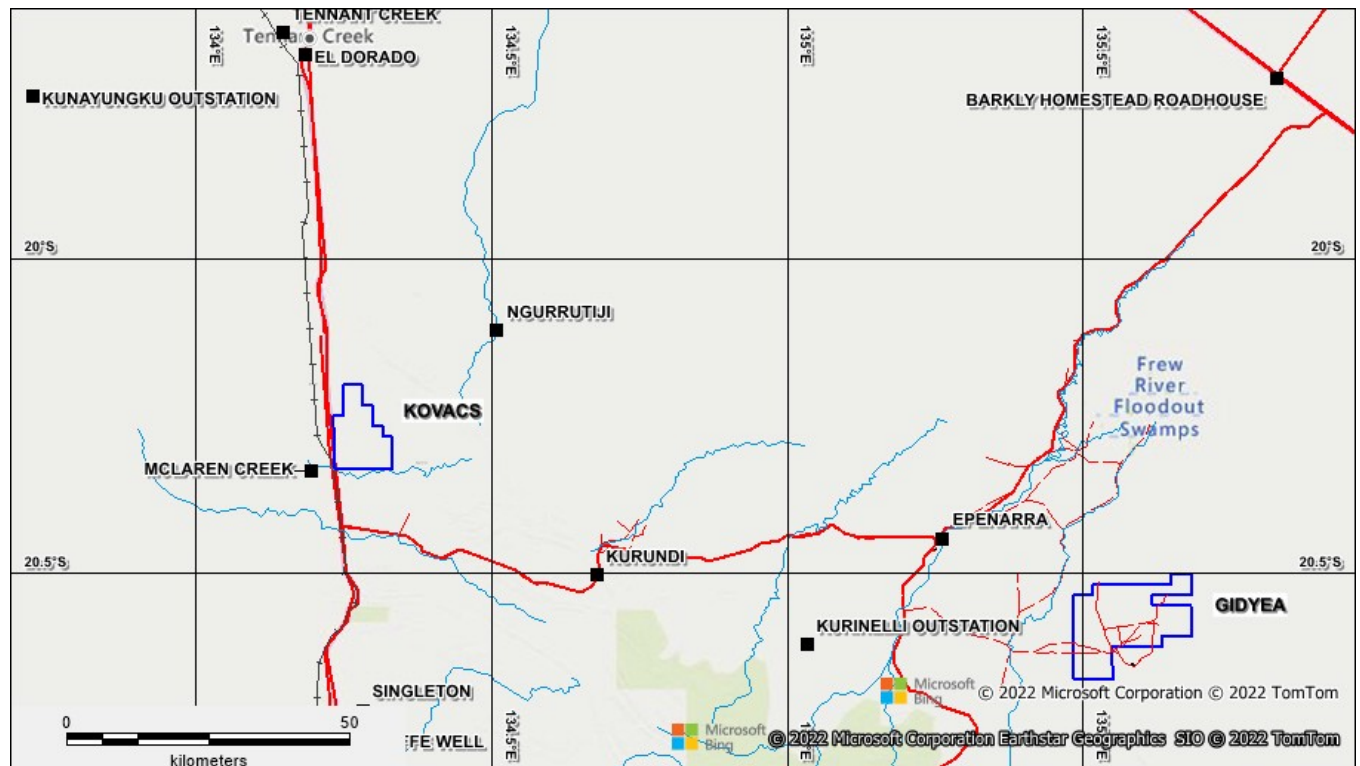


Figure 9: Regional Tenement Location SE of Tennant Creek – Kovacs

There has been no exploration activity during the quarter as the Company awaits the grant of the exploration licence under application ELA 32666 Kovacs south of Tennant Creek lodged in February 2021. Background information on the geology of the region and licence areas is contained in the Activities Report released to ASX on 30 January 2023.

Technical Releases Applicable to the September 2024 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:

- 30th July 2024 Quarterly Activities/Appendix 5B Cashflow Report
- 13th September 2024 Half Yearly Report and Accounts

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.

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 as follows:

| | |
|----------------------------|-----------------|
| - Geology/geophysics | \$9,000 |
| - Project management costs | \$10,000 |
| - Tenement rent & rates | \$62,000 |
| Total | \$81,000 |

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

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 September 2024 quarter and their locations. During the quarter there have been no changes in tenement holdings.

| 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 | Surrendered in Oct 2024 |
| 01/07/2016 | E27/550 | Holey Dam | Gold | WA - Yilgarn Craton | Kaili Gold Pty Ltd | 100% | 26.6 | Expiry on 30/06/2026 |
| 31/08/2018 | E80/5112 | Black and Glidden | Cobalt/Gold/Copper/Nickel | WA - Lamboo Province | Kaili Iron Pty Ltd | 100% | 104.0 | Surrendered in Oct 2024 |
| 31/08/2018 | E80/5113 | Carrington | Cobalt/Gold/Copper/Nickel | WA - Lamboo Province | Kaili Iron Pty Ltd | 100% | 52.1 | Surrendered in Oct 2024 |
| 31/08/2018 | E80/5114 | Sandy Creek | Cobalt/Gold/Copper/Nickel | WA - Lamboo Province | Kaili Iron Pty Ltd | 100% | 65.3 | Surrendered in Oct 2024 |
| 31/08/2018 | E80/5115 | Wild Dog | Cobalt/Gold/Copper/Nickel | WA - Lamboo Province | Kaili Iron Pty Ltd | 100% | 71.1 | Surrendered in Oct 2024 |
| 19/10/2022 | EL6856 | Lameroo | Rare Earth | SA - Murray Basin | Kaili Gold Pty Ltd | 100% | 991.0 | Expiry on 18/10/2028 |
| 15/02/2024 | EL 6977 | Karte | Rare Earth | SA - Murray Basin | Kaili Gold Pty Ltd | 100% | 590.0 | Expiry on 14/02/2030 |
| 15/02/2024 | EL 6978 | Coodalya | Rare Earth | SA - Murray Basin | Kaili Gold Pty Ltd | 100% | 408.0 | Expiry on 14/02/2030 |
| Under application | ELA32666 | Kovacs | Gold/Base Metals | NT-Warramunga Province | Kaili Gold Pty Ltd | 100% | 271.7 | Application submitted 23/02/2021 |
| Total | | | | | | | 2,630.2 | |

Table 2: Tenement schedule

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 to the executive director Long Zhao as follows:

| | |
|--|-----------------|
| - Salary and superannuation contribution | \$10,000 |
| - Service fee to his associate | \$5,000 |
| | <u>\$15,000</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 October 2024

Authorised by:

Jing Li - Director

Long Zhao - Director/Secretary

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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 2024

| 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 | (10) | (48) |
| (e) administration and corporate costs | (48) | (220) |
| 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 | - |
| 1.9 Net cash from / (used in) operating activities | (57) | (268) |
| 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 | (17) | (169) |
| (e) investments | | |
| (f) other non-current assets | | |

| 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 | (17) | (169) |

| | | | |
|-----------|---|-----------|-----------|
| 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 | 17 | 17 |
| 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 | 17 | 17 |

| | | | |
|-----------|--|------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 62 | 425 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (57) | (268) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (17) | (169) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 17 | 17 |

| 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 | 5 | 5 |

| 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 | 5 | 62 |
| 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) | 5 | 62 |

| 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 | 15 |
| 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> | | |

| | | | |
|-----------|---|---|--|
| 7. | Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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 | 4,405 |
| 7.2 | Credit standby arrangements | | |
| 7.3 | Other (please specify) | | |
| 7.4 | Total financing facilities | 4,900 | 4,405 |
| 7.5 | Unused financing facilities available at quarter end | | 495 |
| 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 financial support to the Group undertaking to provide interest free and unsecured funds up to \$2.5 million until 1 April 2025 in addition to the fully drawn loan facility of \$2.4 million maturing on 1 April 2025. | | |

| | | |
|-----------|---|----------------|
| 8. | Estimated cash available for future operating activities | \$A'000 |
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (57) |
| 8.2 | (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | (17) |
| 8.3 | Total relevant outgoings (item 8.1 + item 8.2) | (74) |
| 8.4 | Cash and cash equivalents at quarter end (item 4.6) | 5 |
| 8.5 | Unused finance facilities available at quarter end (item 7.5) | 495 |
| 8.6 | Total available funding (item 8.4 + item 8.5) | 500 |
| 8.7 | Estimated quarters of funding available (item 8.6 divided by item 8.3) | 6.76 |
| | <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 October 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.