

ACTIVITIES REPORT – MARCH 2024 QUARTER

SUMMARY OF EXPLORATION ACTIVITIES

Limestone Coast Rare Earth Element Project in South Australia

Lameroo, Karte and Coodalya

- Grant of 2 new tenements, Karte EL 6977 and Coodalya EL 6978, close to the existing Lameroo tenement EL 6856 doubles the Company's footprint in Limestone Coast.
- Completed drilling of 40 holes to an average depth of 17 m for 800 m.
- Results of the drilling to assist in planning of further drilling programs across the 3 tenements Lameroo, Karte and Coodalya.

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

Holey Dam and 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 and selecting samples for laboratory assays to assist in decision for further drilling programs targeting REE mineralisation.

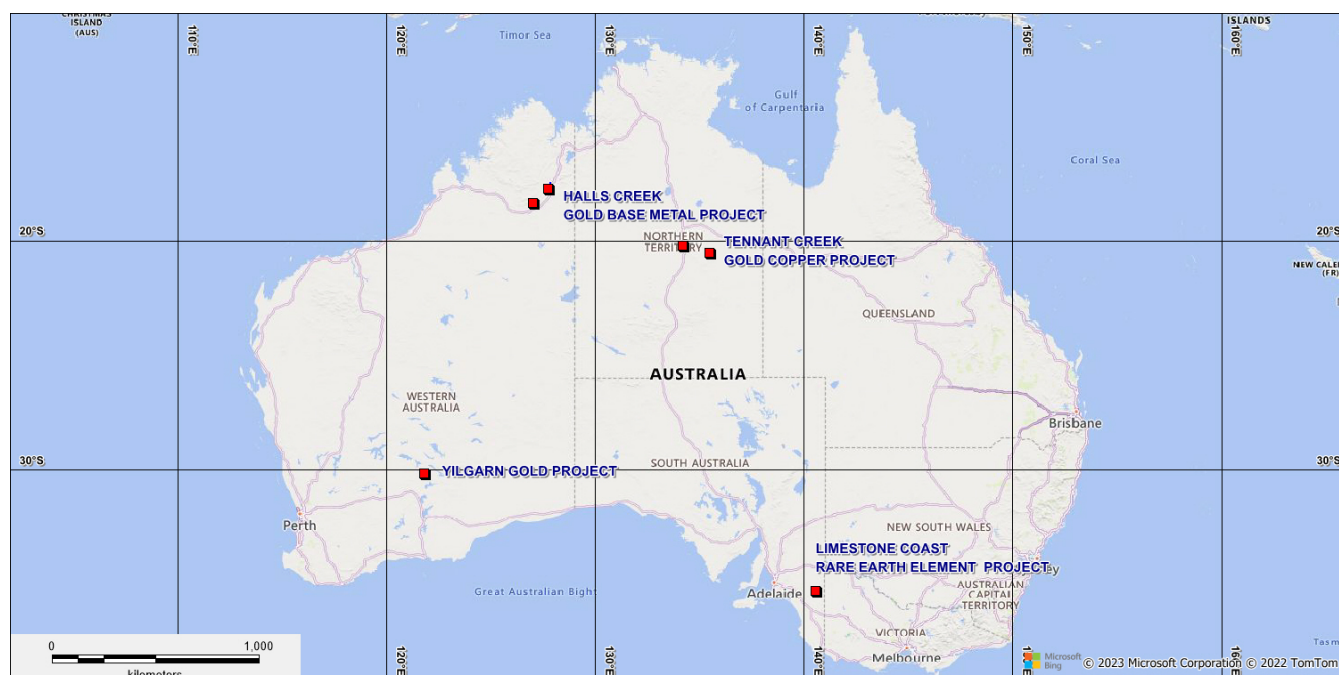


Figure 1: Kaili Resources Projects Locations

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

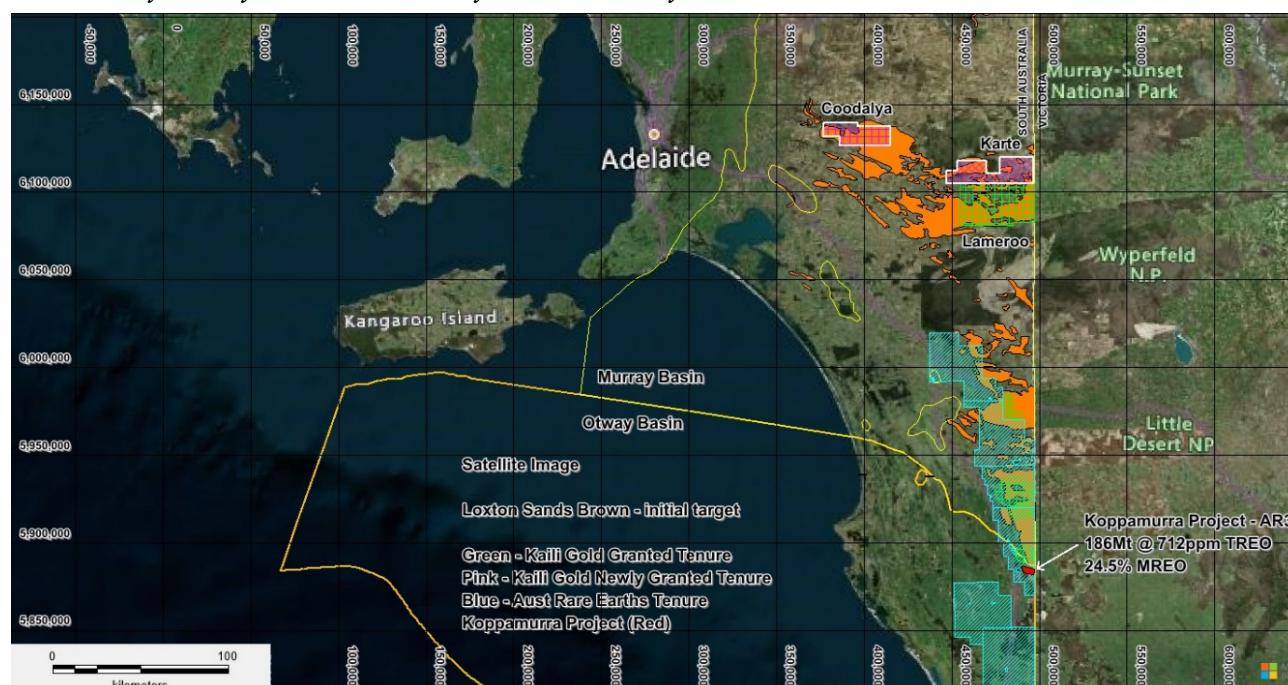


Figure 2: Location of Lameroo, Karte and Coodalya Rare Earth Exploration Tenements in Murray Basin, Limestone Coast, South Australia

In February 2024, tenements Karte EL 6977 covering an area of 590 km² and Coodalya EL 6978 covering an area of 408 km² were granted to the Company following applications lodged with the South Australia government in November 2023 under ELA 2023/00060 and ELA 2023/00061 respectively. The 2 new tenements together with the already granted Lameroo EL 6856 doubled the Company’s acreage to 1,985 km² for Rare Earth Elements (“REE”) exploration within the Loxton/Parilla Sands in the Murray Basin in South Australia. Karte adjoins the north boundary of Lameroo and Coodalya is approximately 50 kms to the northwest.

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 186Mt @ 712ppm Total Rare Earth Oxides (TREO) (*see AR3 ASX Release of Quarterly Activities Report on 24th January 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.

In prior periods, the Company had conducted pXRF scan of samples from selected historic drill hole held by the SA Government, and collected and assayed samples from fresh outcropping granite at Lameroo. This exercise was intended to provide directions on areas to focus for drill tests programs.

After receipt of all the necessary approvals for a drilling program, in January 2024 the Company engaged a driller and other service providers for the program to be undertaken. The drilling program was completed in early February 2024 and assay results were received in March 2024.

A summary of significant Total Rare Earth Oxides (“TREO”) drilling intersections 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.)

In this initial program the Company aimed to identify areas of potential with minimum disruptions on private land and therefore the holes were drilled along roadside verges with local council approvals and purposely widely spaced to cover a significantly large area across the target Loxton/Parilla Sands stratigraphy (**Figure 3**). A total of 40 holes to an average depth of 17 m (maximum depth 20 m) for 800 m of drilling were completed.

The results of this low-cost initial drilling at Lameroo assist in the design of further drilling programs across all 3 tenements including Karte and Coodalya targeting the REE enriched Loxton/Parilla Sands within the Murray Darling Basin.

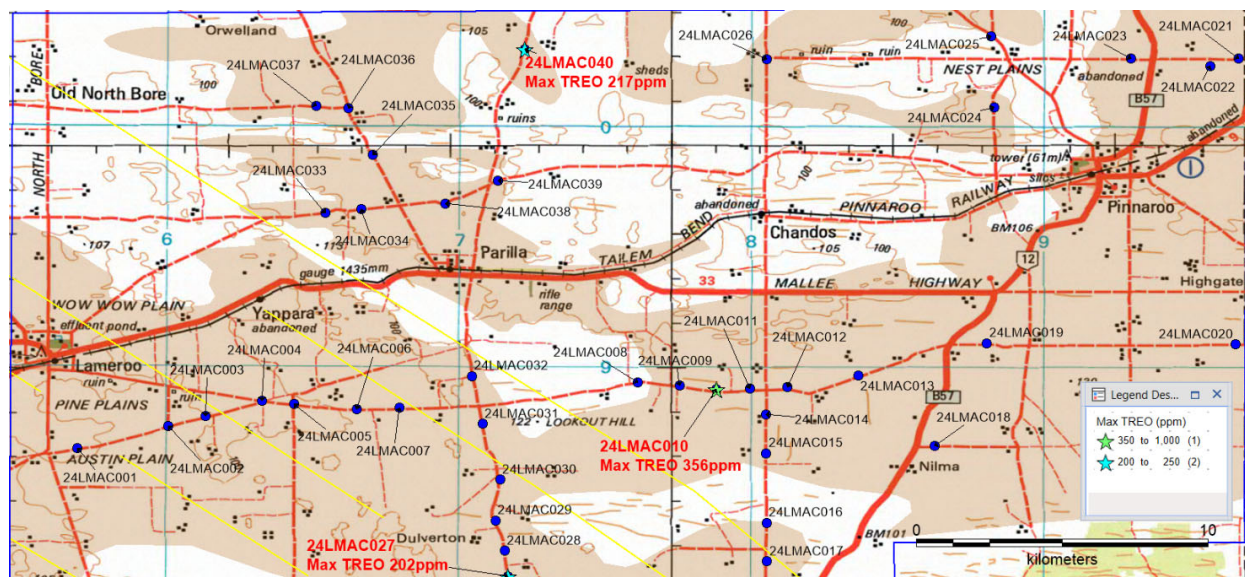


Figure 3: Location of Lameroo Aircore Drill Holes (LM series) within the target Loxton/Parilla Sands (brown) and showing maximum ppm TREO in the hole

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

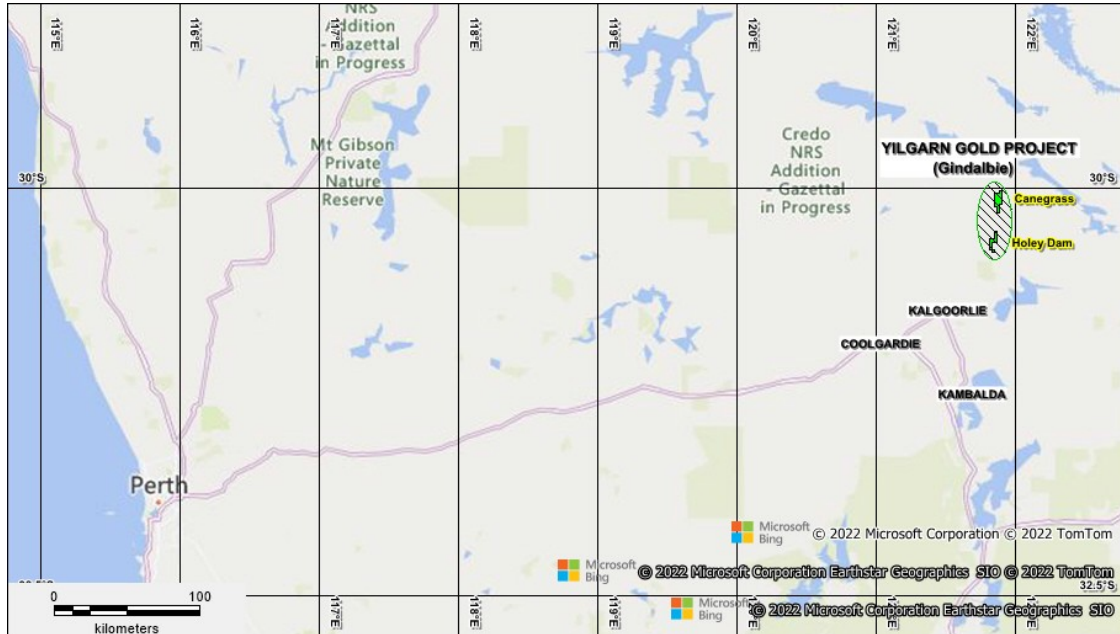


Figure 4: Kaili Resources Yilgarn Gold Tenement Locations

Since grant of the tenements the original focus at the Gindalbie Project was gold exploration and the Company has conducted staged exploration involving geological mapping and soil sampling followed by Vacuum Aircore drilling then two RC holes in 2023. The gold results have not been encouraging. However, 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 “saprocks”.

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 has conducted pXRF scans of 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 to be assayed at the laboratory in order to plan further drilling for REE mineralisation assessment.

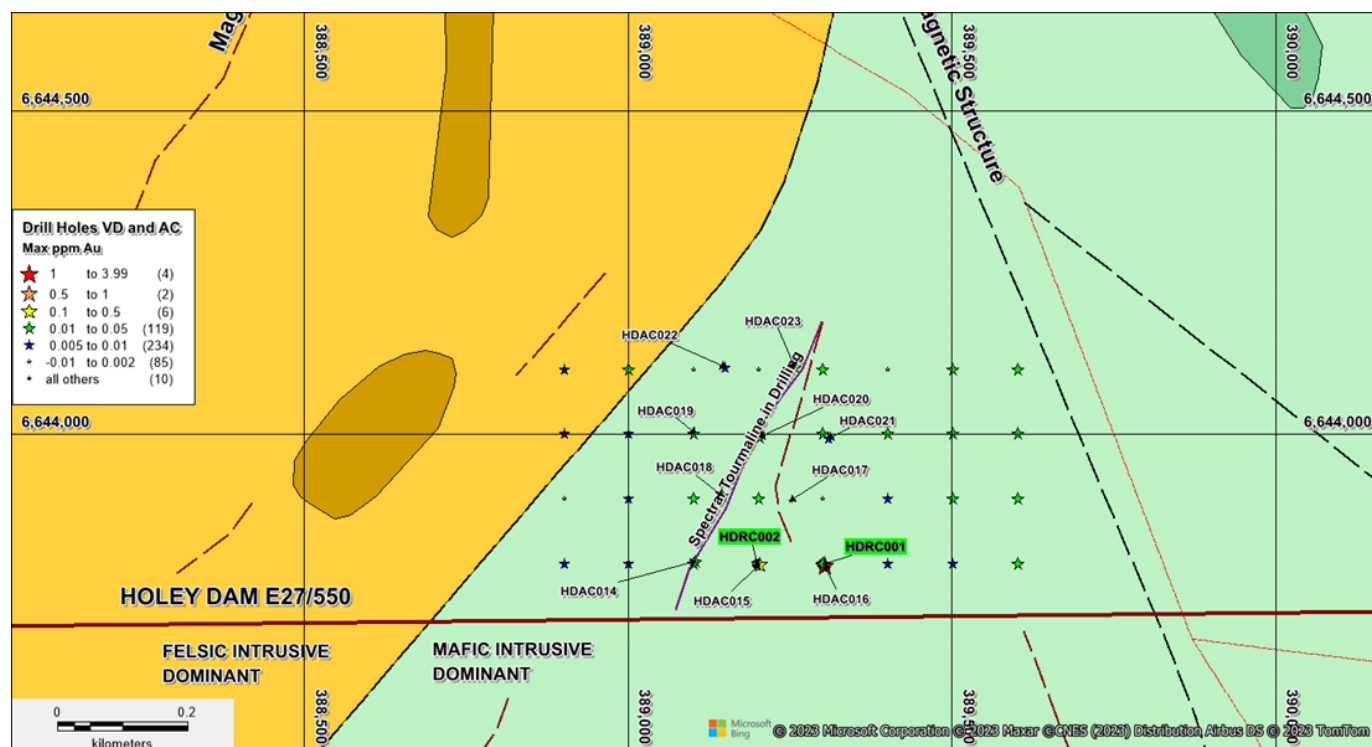


Figure 5: Holey Dam Drill Collar Locations and Interpreted Geology

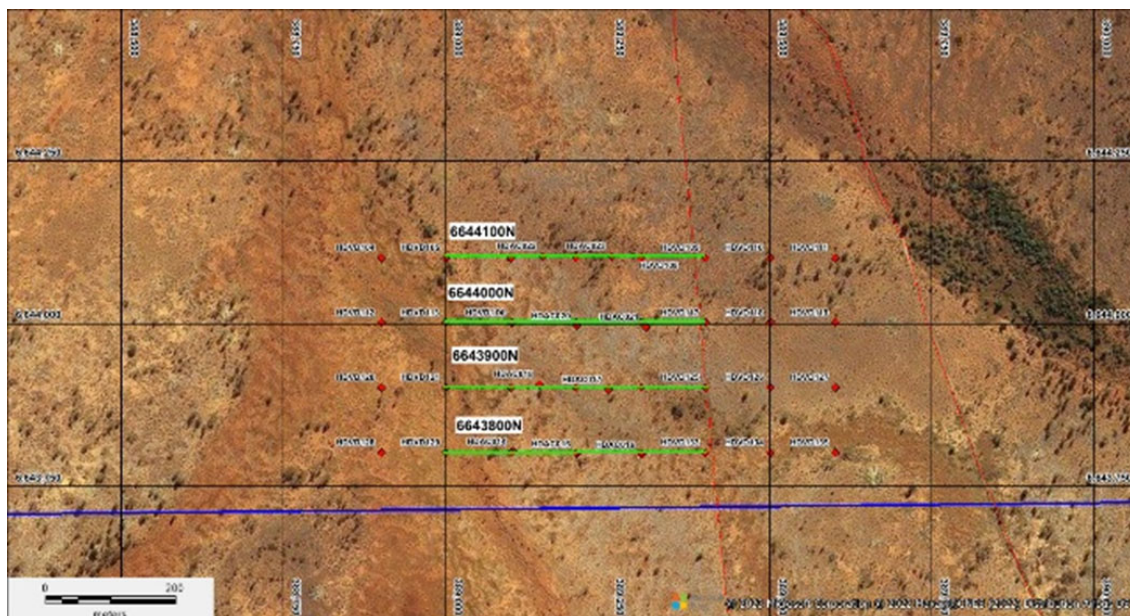


Figure 6: Holey Dam Drill Sections Lines

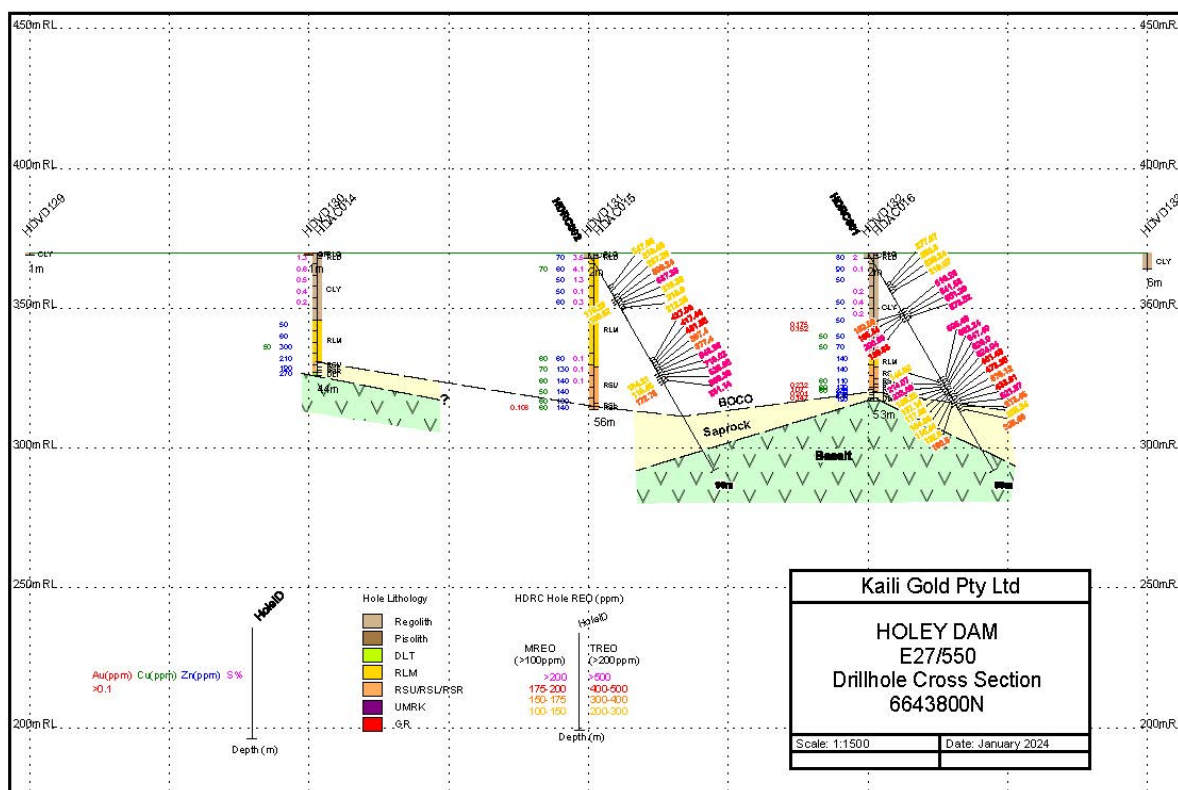


Figure 7: Holey Dam Drill Section 664380

Planned Future Exploration Activities:

- Review all results from the surface geochemical sampling and drilling at Canegrass and 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.

The onset of the wet season in the Halls Creek region precludes the conduct of field work during the quarter. The Company awaits responses from Native Title groups on the proposed field work programs to be conducted during the forthcoming 2024 dry season.

Site heritage surveys were suggested by the Traditional Owners prior to their considering approvals for the Company to conduct soil and rock sampling programs. Some areas for the field work are not accessible by road and several trips by helicopter will be required making the exercise high cost. The logistics of the exercise have yet to be agreed with the Traditional Owners.

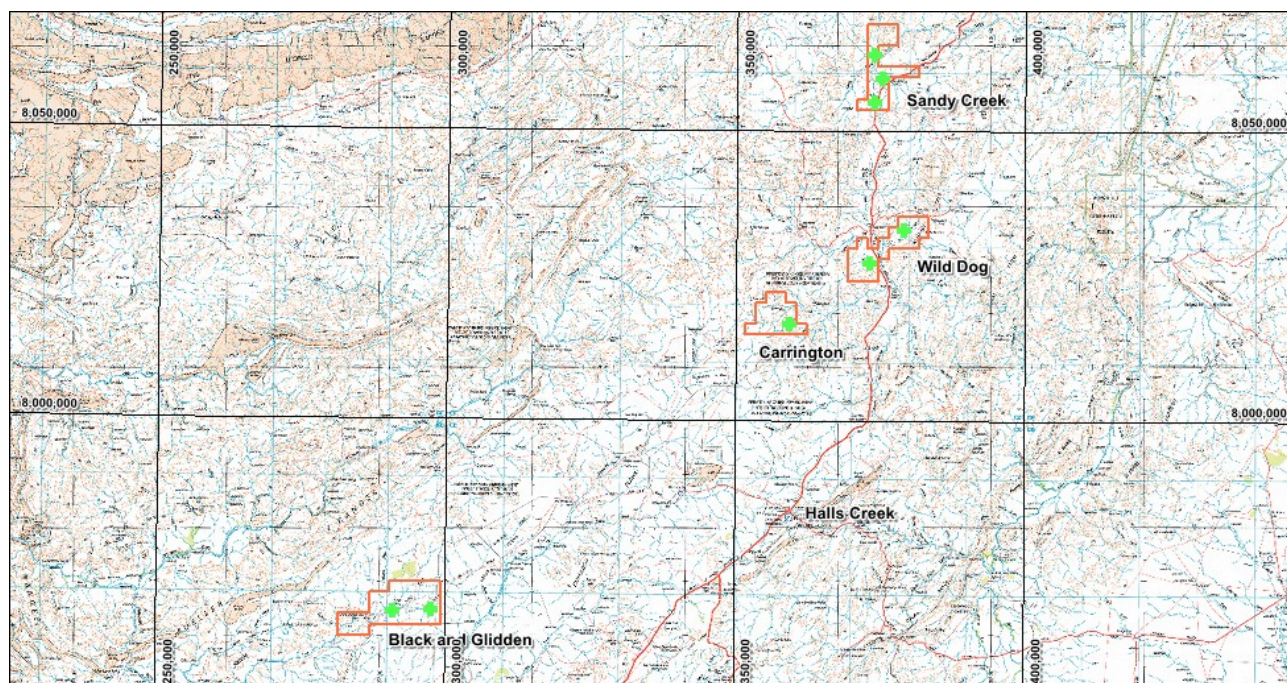


Figure 8: Halls Creek Project showing the 2021 soil sampling grids in green

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.

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

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

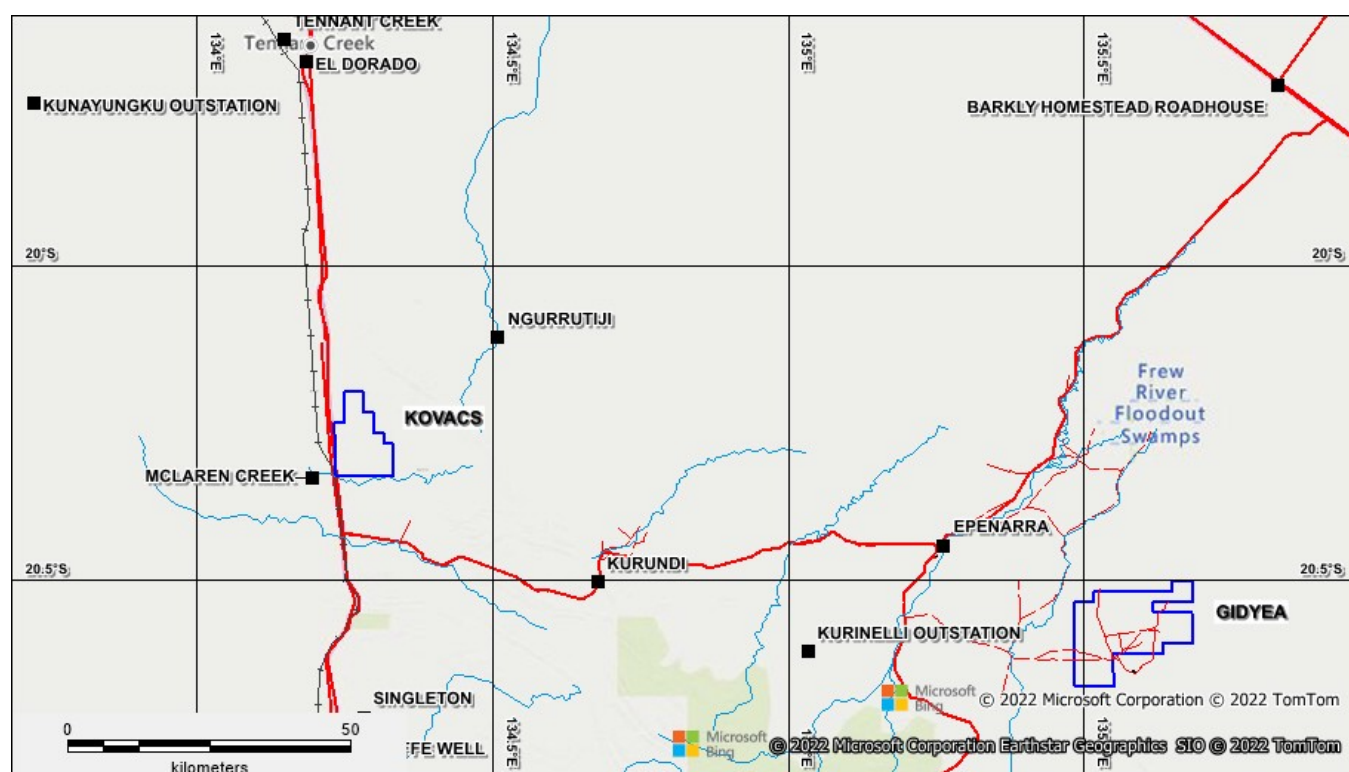


Figure 9: Regional Tenement Location SE of Tennant Creek – Kovacs

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 March 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:

- 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
- 31st January 2024 Quarterly Activities/Appendix 5B Cash Flow Report
- 5th February 2024 Drilling Commenced in Limestone Coast SA for REEs
- 7th February 2024 REEs Drilling Completed at Lameroo SA
- 19th February 2024 2 New Tenements Granted for REE Exploration in SA
- 25th March 2024 Drilling Results on REEs at Lameroo SA

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 \$106,000 as follows:

	\$
- Drilling & field staff	69,000
- Assay	8,000
- Geology/geophysics	3,000
- Project management costs	11,000
- Tenement rent & rates	15,000
Total	<u>106,000</u>

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 March 2024 quarter and their locations. During the quarter there have been no changes in tenement holdings other than that the Company has been granted 2 new tenements EL 6977 Karte and EL 6978 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
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
Total							2,837.4	

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 \$44,000 to the executive director Long Zhao as follows:

	\$
- Salary and superannuation contribution	18,000
- Service fee to his associate including incurred and unpaid in prior quarters	26,000
	<u>44,000</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.

29 April 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 MARCH 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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)	(18)
(e) administration and corporate costs	(66)	(66)
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)	(7)	(7)
1.9 Net cash from / (used in) operating activities	(91)	(91)
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	(112)	(112)
(e) investments		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(112)	(112)

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		
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	425	425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(91)	(91)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(112)	(112)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	222	222

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	222	425
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)	222	425

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	44
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	4,388
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 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)	(91)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(112)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(203)
8.4	Cash and cash equivalents at quarter end (item 4.6)	222
8.5	Unused finance facilities available at quarter end (item 7.5)	512
8.6	Total available funding (item 8.4 + item 8.5)	734
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.62
	<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: 29 April 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.