KAILI RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

ARBN 077 559 525

Annual Report – 2021

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CHAIRMAN'S REPORT

Dear Shareholders,

I am pleased to present you the 2021 Annual Report.

In spite of restrictions on travel and lockdowns imposed because of the Covid-19 pandemic in the states that the Group operates we have been able to implement part of our planned work programs while a follow up drilling in the Yilgarn Craton in Western Australia was deferred and completed after the year end because of unavailability of drillers.

During a short period of eased restrictions to enter northern WA during the dry season in June 2021 our crew completed a successful long awaited field exploration program within our 4 tenements in the Halls Creek area. We were unable to conduct exploration in 2020 because the area was locked down due to the Covid-19 pandemic and being within the Western Australian Kimberley Biosecurity Area. A follow up phase is planned for 2022 Quarter 2.

In February 2021, we lodged applications for 2 new exploration licences registered as ELA 32665-Gidyea and ELA 32666-Kovacs over areas near Tennant Creek in the gold and base metals prospective Warramunga Province of the Northern Territory. EL 32665-Gidyea has been granted and we await the grant of the second licence. We have planned initial exploration in 2022 in those 2 tenements.

We have relinquished 3 licences in the Yilgarn Craton when the exploration results failed to meet our expectations. However, our Consultant Geologist continues to research for available gold and base metals prospective areas in Australia to replenish our portfolio of tenements. We conducted an assessment RC drilling at our retained Canegrass tenement in the Yilgarn Craton in February 2022 and are awaiting the results of analysis from the laboratory. Subject to the results, we intend to carry out a more extensive drilling program in 2022.

Yitai Group, the controlling shareholder, continues its steadfast support of the Company in the current uncertain business environment with an interest free unsecured loan facility of $2.4 million together with a financial support of up to $1 million until April 2023.

I would like to thank all our shareholders, Board members and service providers for their support as we face an uncharted global economic environment adversely impacted by the continued pandemic and international conflicts.

Donghai Zhang
Chairman
30th March 2022

REVIEW OF OPERATIONS

EXPLORATION HIGHLIGHTS

Yilgarn (Gindalbie) Gold Project in Western Australia

- The Department of Mines approved a 2,000 m RC drill program planned for Holey Dam and Canegrass as a follow up to the September 2020 aircore drilling. A 7 hole assessment drill program planned within the Canegrass tenement was initially delayed for lack of an available local driller and completed in February 2022 for 612 m with 6 of the 7 holes reaching their target depth of 90m. The results of laboratory analysis of the drill samples are awaited.
- Successful renewal of E31/1113 (Canegrass) and E27/550 (Holey Dam) for a 5 Year Period to 2026. E31/1114 (Jungle Hill), E40/354 (8 Mile Dam) and E27/549 (Gindalbie Dam) have been surrendered for lack of potential based on results of exploration.

Halls Creek Gold/Cobalt/Base Metals Project in Western Australia

- A surficial exploration program was completed during the dry season with the collection of 454 soil samples and 35 rock samples across all 4 tenements.
- A summary of significant rock results (mainly from the Black and Glidden tenement) are as follows:
    - **Gold (Au) to 2.78g/t**
    - **Lead (Pb) to 9.93%**
    - **Zinc (Zn) to 12.6%**
    - **Copper (Cu) to 0.82%**
    - **Silver (Ag) to 171g/*t***

Tennant Creek Gold/Base Metals Exploration Licence Applications in Northern Territory

- In February 2021, the Group applied for 2 new tenements near Tennant Creek in the gold and base metal prospective Warramunga Province of the Northern Territory. ELA 32665 (Gidyea) and ELA 32666 (Kovacs) exploration licence applications were registered.

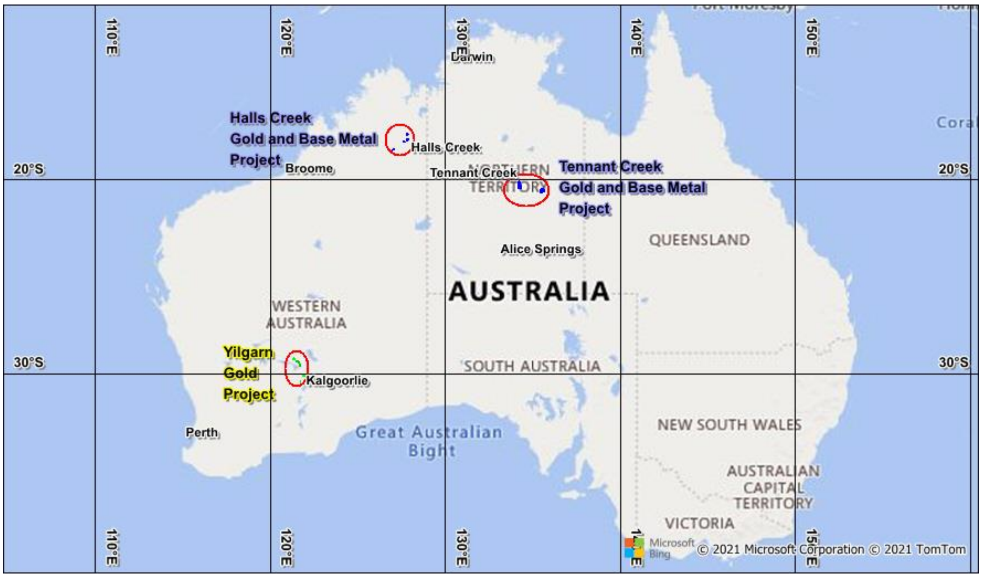

Figure 1: Location of the exploration projects

REVIEW OF OPERATIONS

Yilgarn Craton (Gindalbie) Gold Project– Western Australia

E31/1113 (Canegrass) and E27/550 (Holey Dam) are held 100% by wholly owned subsidiary Kaili Gold Pty Ltd.

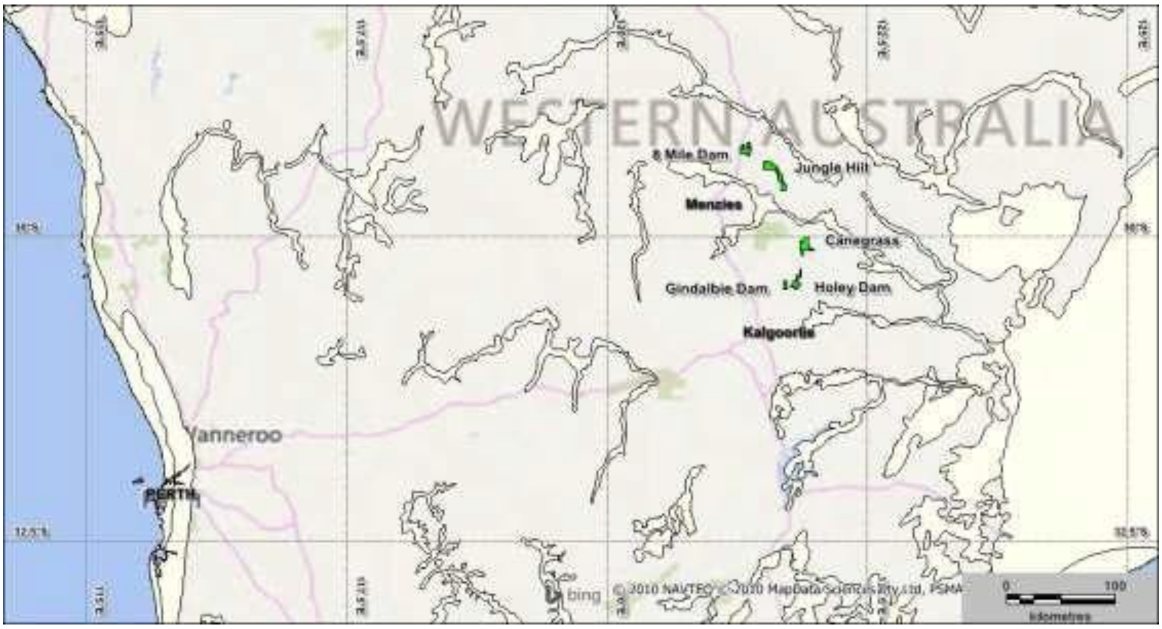

Figure 2: Yilgarn Craton Projects Locations

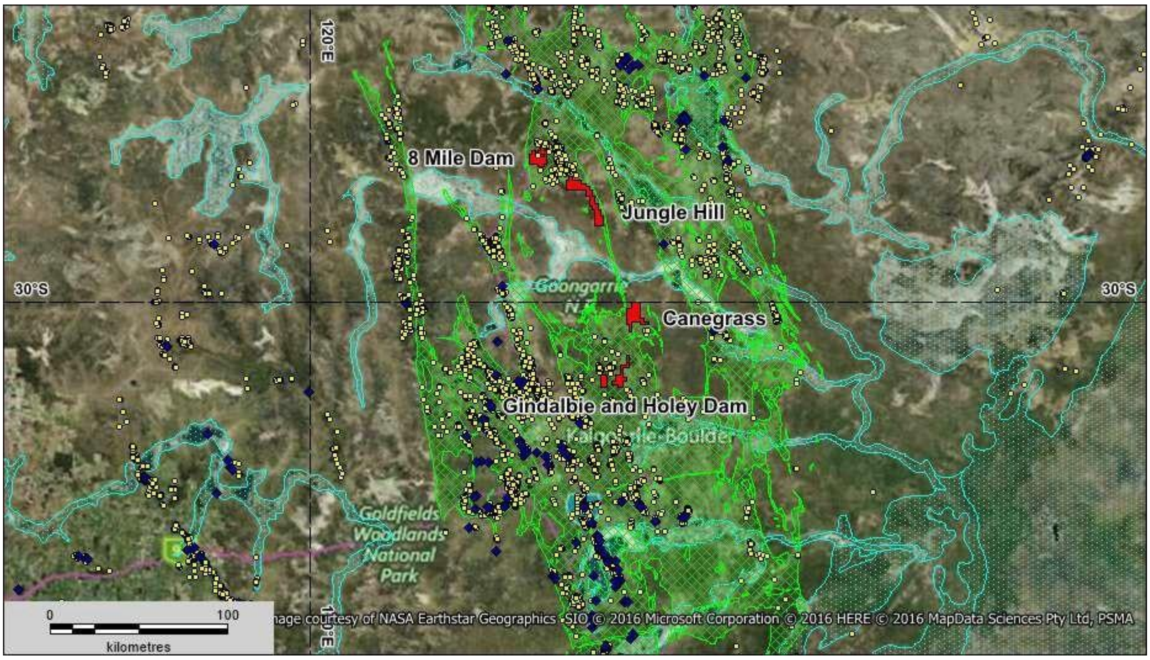

Figure 3: Satellite Image with Eastern Goldfields Superterrane (green hatching)

Kaili Gold tenements in red. Blue diamonds are operating mines of third parties and yellow dots are gold occurrences reported by other explorers

REVIEW OF OPERATIONS

Drilling at Canegrass and Holey Dam

The September 2020 Aircore Drilling Program (ASX Announcement of results on 3rd December 2020) highlighted Holey Dam Area E and Canegrass Area F as potential areas where gold mineralising fluids has been localised within mafic (gabbro/dolerite and basalt) lithologies containing vein quartz and pyrite and possible associated white mica, chlorite, tourmaline and epidote alteration.

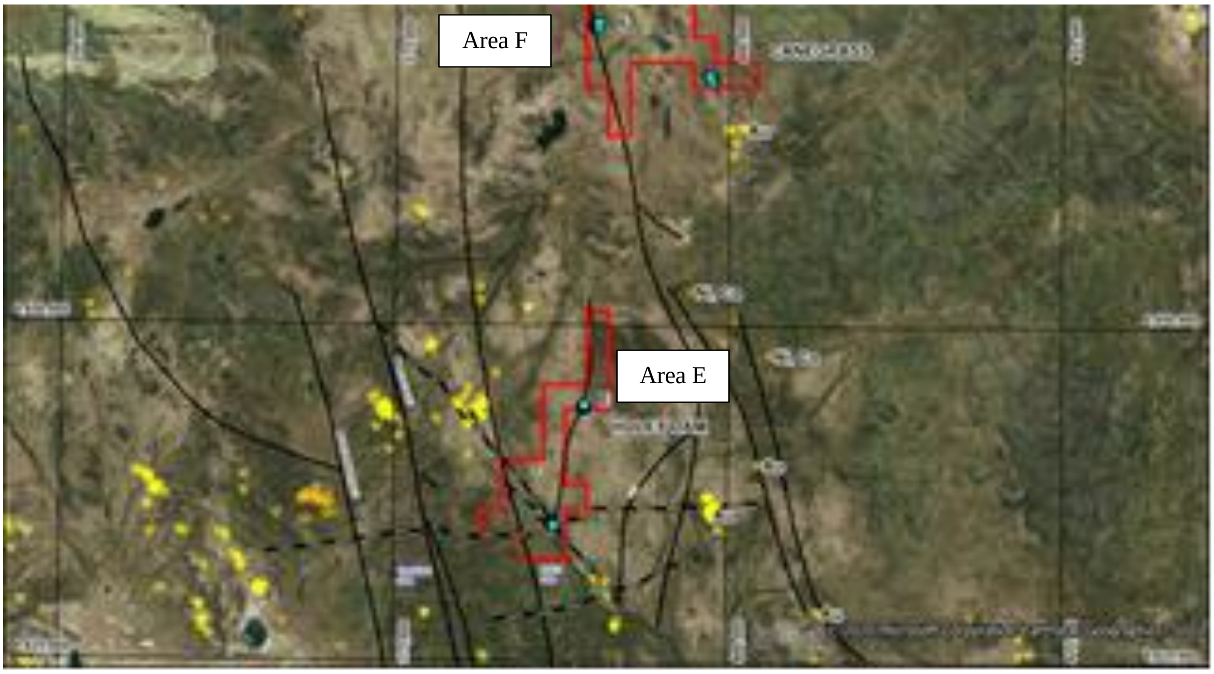

Figure 4: Gindalbie Gold Project with regional structures and gold occurrences with of Area E and Area F

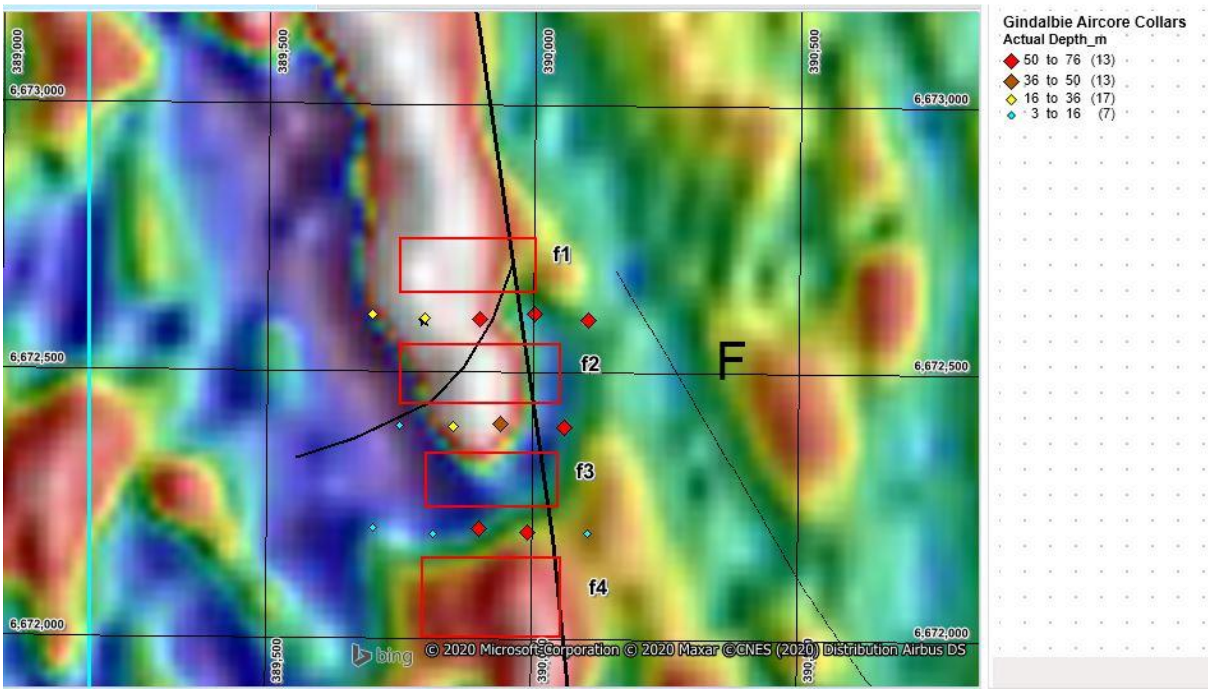

Figure 5: Canegrass Area F showing the targeted drill areas over an aeromagnetic image

REVIEW OF OPERATIONS

Figure 4 shows the location of the Holey Dam and Canegrass tenements in relation to regional structures with gold and base metal mineral occurrences in yellow. In the Yilgarn Craton, these regional structures are channel ways for gold mineralising fluids that are quite often localised by later cross cutting structures. A 2021 follow up RC drilling was planned in and around significant occurrences of alteration, pyrite mineralisation and elevated gold with maximum of 1 m @ 3.96 ppm Au and 1 m @ 0.88 ppm Au.

The highest Au encountered was between areas **f3** and **f4** in **Figure 5**. The depth of drilling is shown by the coloured diamonds and the legend in the top right of the figure. Within the four targeted drill areas, the E-W drill line is planned to be 50 m apart with drill collars situated every 100 m along the drill lines. In **Figure 5** the Emu Fault is shown as a black WNW-ESE linear adjacent to linear magnetic highs.

The WA Department of Mines Industry Regulation and Safety (DMIRS) has approved a proposed 2,000 m follow up RC drilling program. The Company's plan for 2021 is to first conduct an assessment drilling program of 630 m in 7 holes and subject to the results to subsequently engage in a more extensive drill program. The Company chose the prospect **CG_F** out of 4 targets within the Canegrass tenement for the assessment RC drilling in Area F. However, the program could not be carried out during 2021 because of inter-state border closures and travel restrictions imposed by the WA government to control the spread of Covid-19, and post easing of the government restrictions drillers have not been available due high drilling activities in the Kalgoorlie region.

In February 2022, the Company succeeded in engaging Goldfields Drilling, an experienced Kalgoorlie based field crew and drilling team, and in having the drilling program managed locally by geological consultancy BMGS.

The 7 hole drilling program commenced on 7 February 2022 and was completed on 17 February 2022. The planned program was for 90 m per hole for a total of 630 m using 3 drill lines (**Table 1**). However, hole CGRC004 was terminated at 72 m due to a high percentage of clay that could not be drilled. That hole was at an adequate depth to test the target given that all the other drill holes reached their planned depth of 90 m.

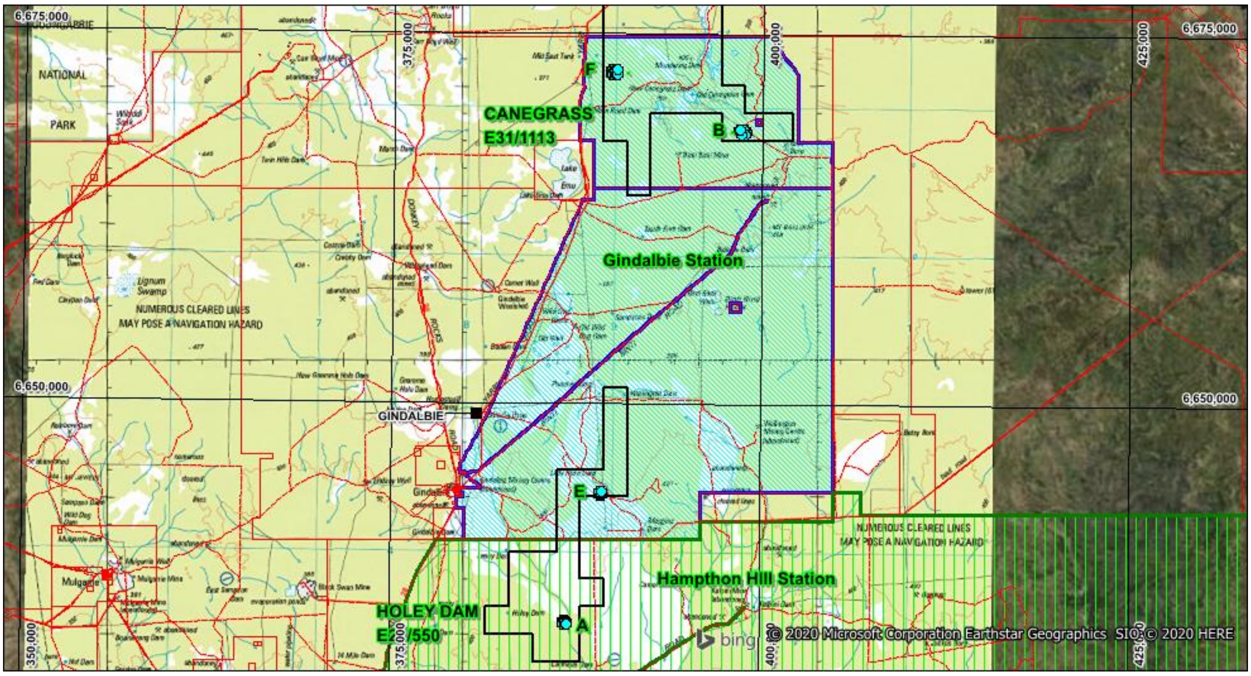

Figure 6: Location of drill area CG_F within the Canegrass Tenement

REVIEW OF OPERATIONS

Drilling Area F is shown in **Figure 6** within the area situated in Gindalbie Station and E31/1113. Every drilled meter was sampled using the Company's Olympus Delta pXRF. A total of 285 samples have been dispatched to ALS Laboratory for gold and multi element analyses and the results are awaited.

Easting_GDA94_Zone51	Prospect	Hole ID	Name	Drill_Type	Planned Depth m	Inclination	Azimuth(magnetic)
389975	CG_F	**CGRC001**	Canegrass EPM 31 1113	Reverse Circulation	90	-60	270
389925	CG_F	**CGRC002**	Canegrass EPM 31 1113	Reverse Circulation	90	-60	270
390000	CG_F	**CGRC004**	Canegrass EPM 31 1113	Reverse Circulation	90	-60	270
389950	CG_F	**CGRC005**	Canegrass EPM 31 1113	Reverse Circulation	90	-60	270
389900	CG_F	**CGRC006**	Canegrass EPM 31 1113	Reverse Circulation	90	-60	270
389975	CG_F	**CGRC008**	Canegrass EPM 31 1113	Reverse Circulation	90	-60	270
389925	CG_F	**CGRC009**	Canegrass EPM 31 1113	Reverse Circulation	90	-60	270
					630		

Table 1: Canegrass Target F Drill Collars, note CGRC04 was drilled to 72m

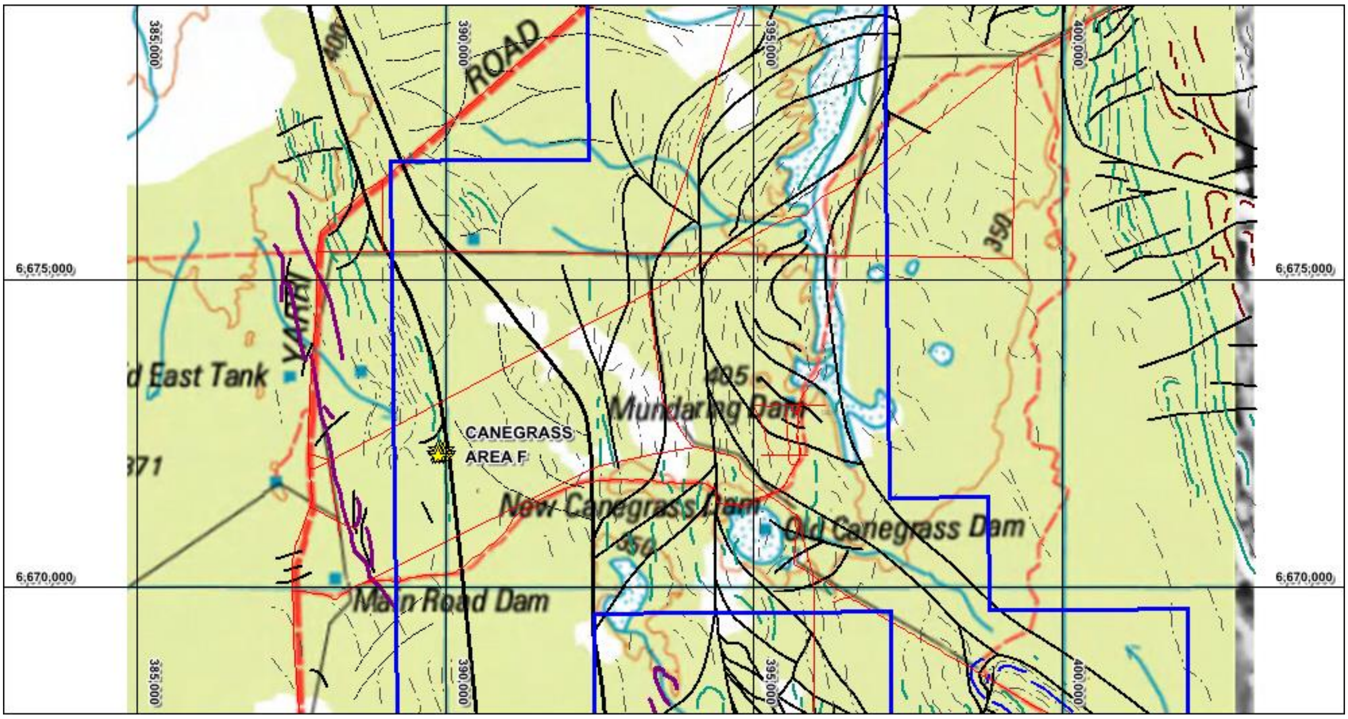

Figure 7: Canegrass CG_F Prospect with structures interpreted from processed aeromagnetics. Note CG_F is located on the regionally significant Emu Fault

Canegrass Prospect CG_F lies on the Emu Fault shown in **Figure 7** which transgresses the Canegrass tenement from North to South. There is a group of several historical gold workings located to the north and just outside the Canegrass tenement (Gindalbie Workings) and they lie adjacent to the Emu Fault. The key gold mineralised intersections are shown in **Figure 8** on an RTP Aeromagnetic Image. A drill hole in the centre of the southernmost Aircore drilling program within CG_F intersected 4 m @ 0.16 g/t Au from 48-52 m, which included 1m @ 3.96 g/t Au (48-49 m) and 1m @ 0.88g/t (49-50 m) in Aircore Hole CGAC025 which was terminated at 63m down hole[1].

[1] *The results are reported in the ASX Announcement of 3 December 2020. In accordance with Listing Rule 5.23 the Company is not aware of any new information or data that materially affects the information included in that announcement.*

REVIEW OF OPERATIONS

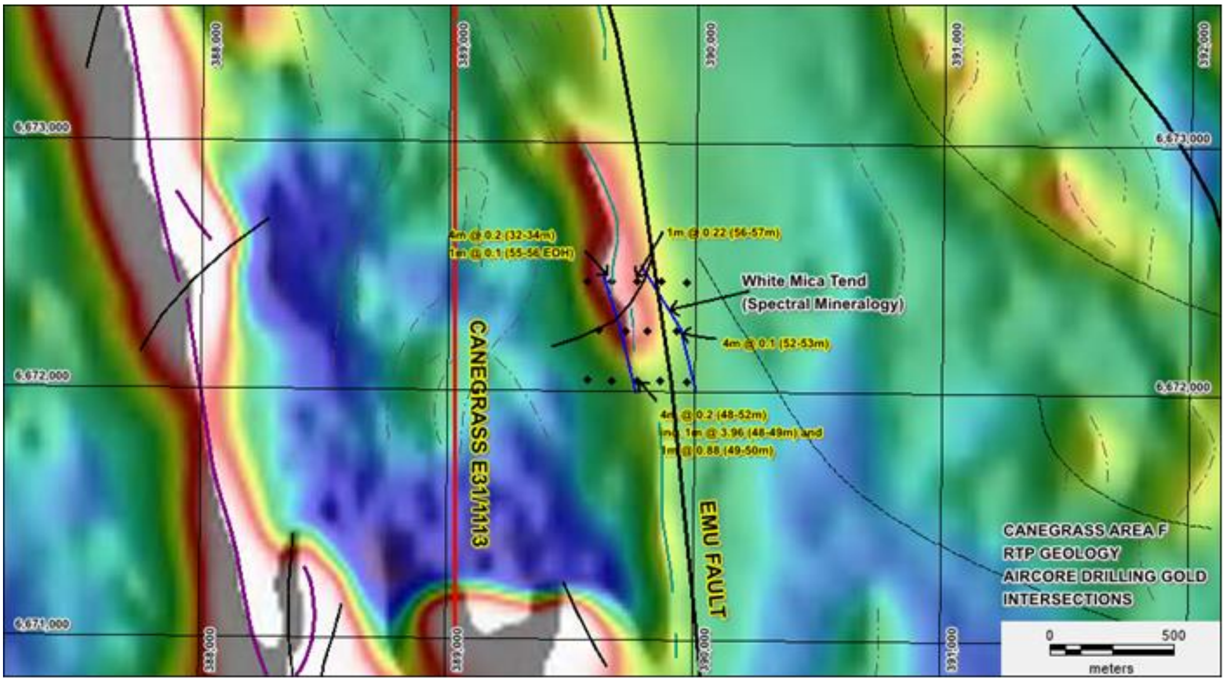

Figure 8: Canegrass CG_F Prospect showing significant Aircore gold drill intersections in yellow

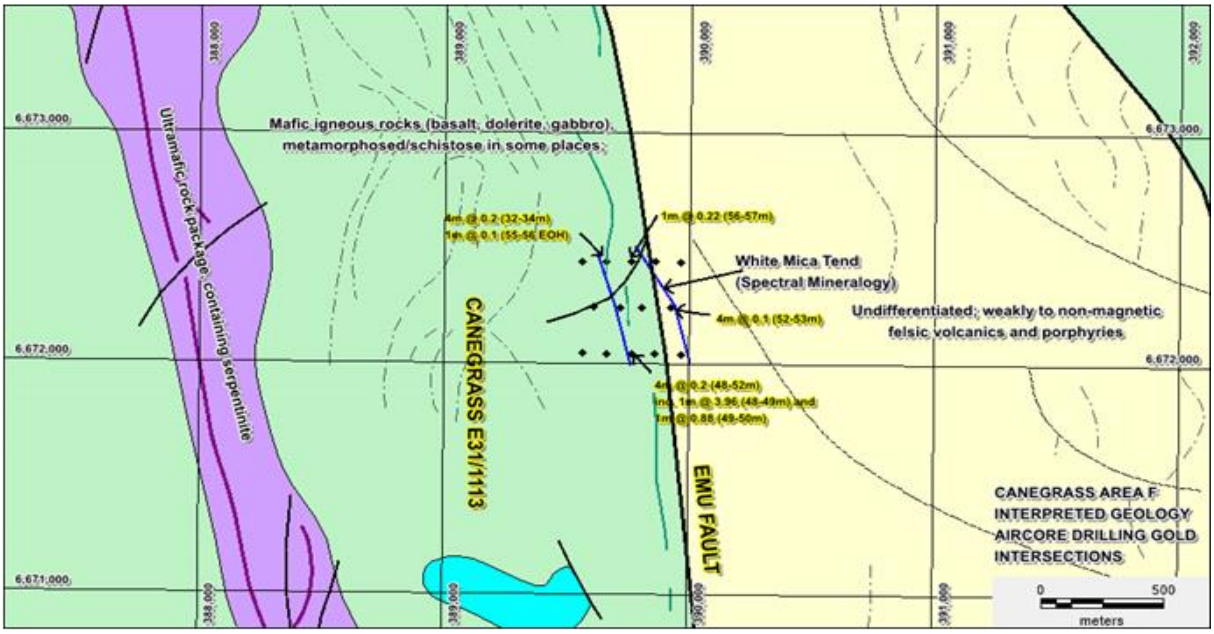

Figure 9: Canegrass CG_F Prospect with structures on interpreted geology

Figure 9 shows the interpreted geology for CG_F showing the Emu Fault located at the boundary of mafic dominant rocks (basalt and dolerite) to the west and felsic dominant (felsic volcanics and intrusives) rocks to the east. The significant gold intersections are located within the mafic dominant rocks where spectral mineralogy carried out on the drill pulps by ALS Laboratory as part of the geochemical analyses highlighted a white mica (sericite) trend adjacent to the Emu Fault. The program comprised of 3 lines of drilling (**Table 1** and **Figure 10**) with one line the same as the southern line of the Aircore Program of 2020 (**Figures 8** and **9**) with two further drill lines 50 m to the north and 50 m to the south (**Figure 10**). As indicated, the RC drillholes were angled towards 270 degrees as shown in drill section 6672200N in **Figure 11**.

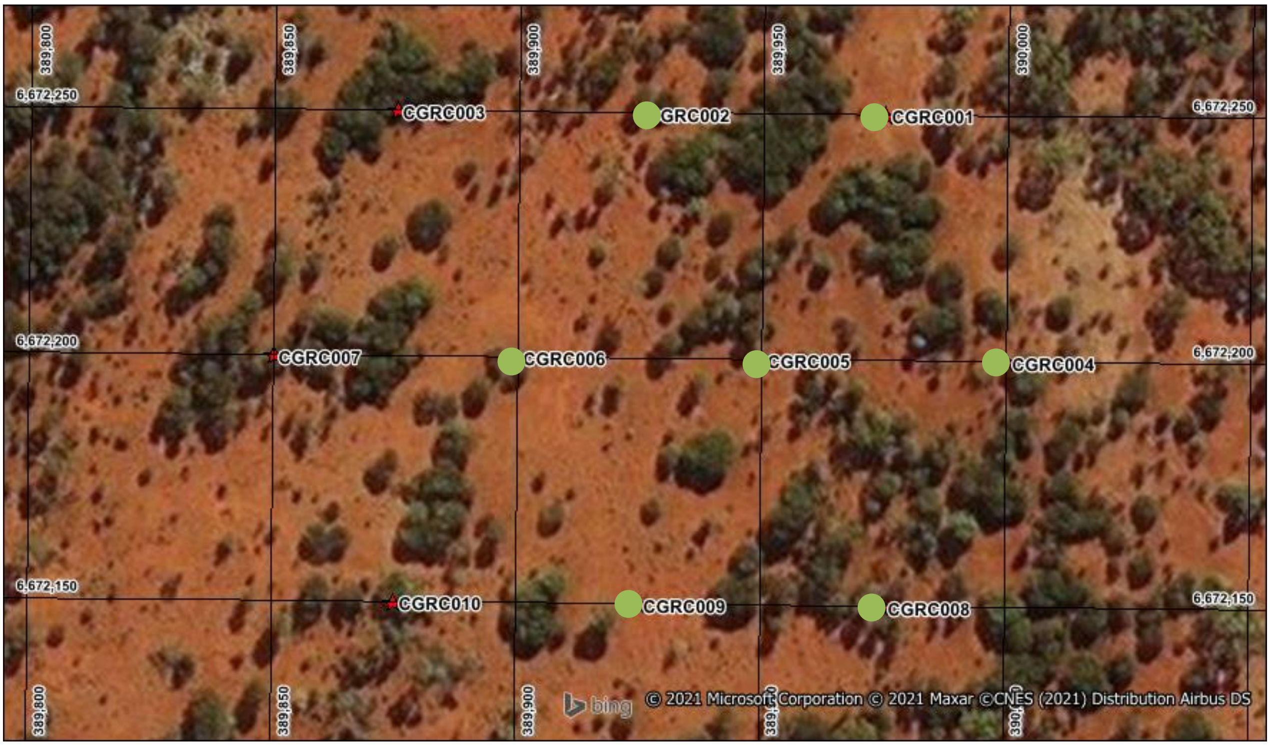

Figure 10: Canegrass CG_F Prospect showing the open nature of the terrain – in this program drill holes. The holes completed are shown in green drilled to 90 m (except for CGRC004 drilled to 72 m) angled towards 270 degrees (North is towards the top)

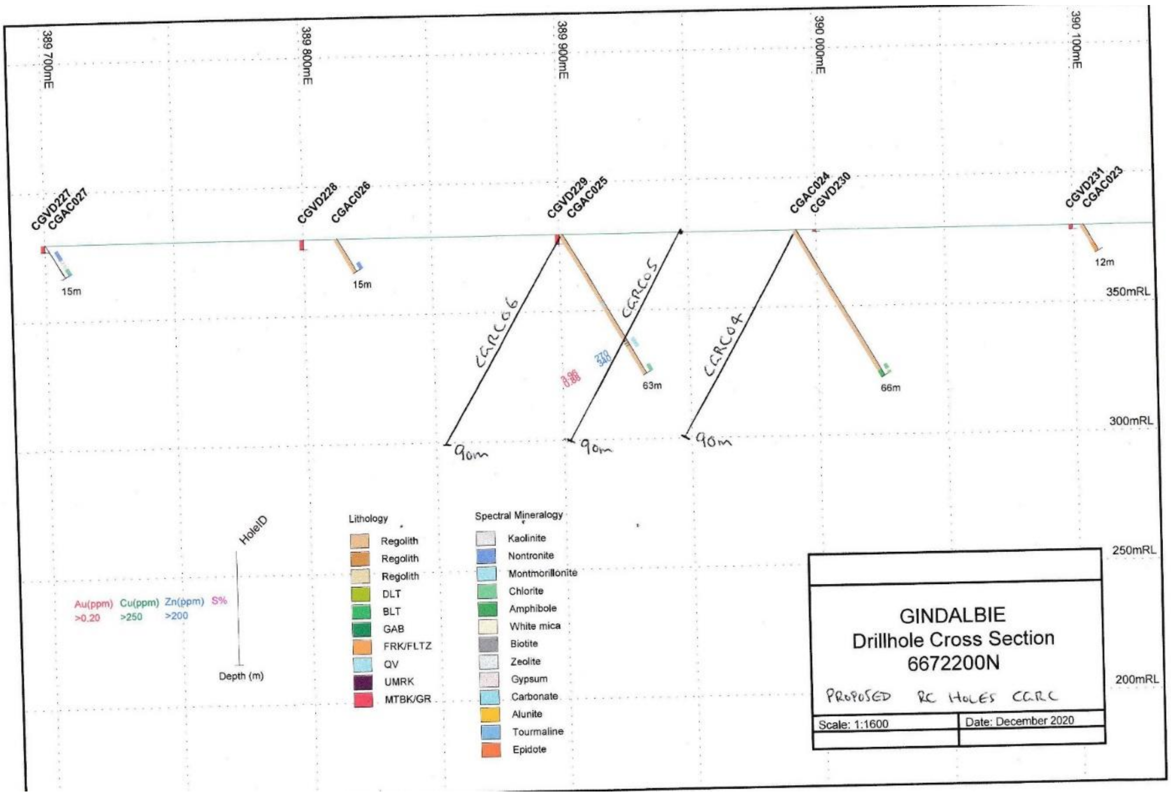

Figure 11: Canegrass CG_F Prospect showing drill section 6672200N with the RC drill holes CGRC005 and CGRC006 drilled to 90 m and CGRC004 drilled to 72 m in relation to the Aircore Drillhole CGAC025

REVIEW OF OPERATIONS

Halls Creek – (Black and Glidden, Carrington, Sandy Creek and Wild Dog) Cobalt/Gold Projects – Western Australia

E 80/5112, 5113,5114 and 5115 are held 100% by wholly owned subsidiary Kaili Iron Pty Ltd.

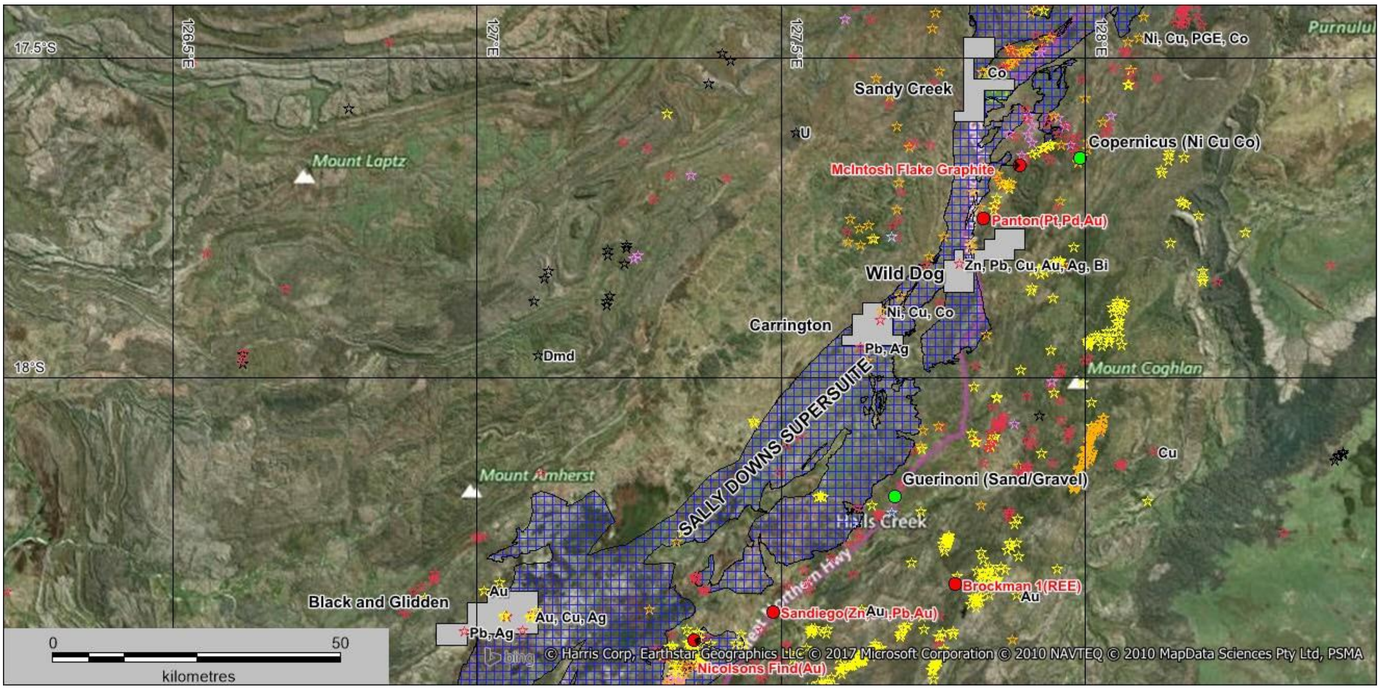

Figure 12: Halls Creek Project showing the 4 tenements located in the vicinity of Halls Creek

The Halls Creek tenements which are within the Western Australian Kimberley Biosecurity Area has been inaccessible from March 2020 until the June 2021 quarter because of the Covid-19 pandemic lock down followed by the annual wet season of the region. Consequently, the field program that was planned for 2020 dry season, had to be deferred until the dry season in June 2021 Quarter. Taking advantage of a short period of relaxed restrictions to enter WA the Company's crew successfully completed field based exploration within the tenements on 1 July 2021.

A total of 454 soil samples and 35 rock samples were collected across all 4 tenements (**Figure 13**). The exploration program comprised a series of foot and vehicle traverses in combination with grid based soil sampling across targets identified from previous years' work in processing all available airborne magnetic, radiometric, gravity and electromagnetic data, applying Earth-AI's artificial intelligence approach to merge all publicly available geochemical, geological, and geophysical data and completing lithostructural targeting.

The soils sampling comprised a series of E-W traverses across the target areas with samples collected every 50 m along the sampling lines. The samples were initially scanned using the Company's Olympus Delta then dispatched to the ALS laboratory in Perth.

REVIEW OF OPERATIONS

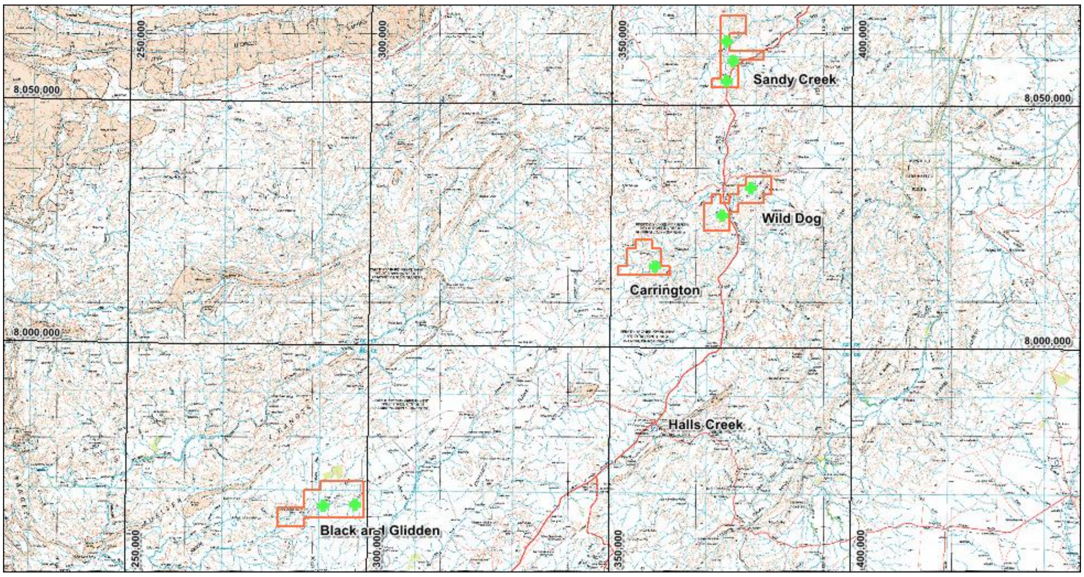

Figure 13: Halls Creek Project showing the locations of the soil sampling grids in green

Summary of Rock Results[1] (mainly from the Black and Glidden tenement) are as follows:

- **Gold (Au) to 2.78g/t**
- **Lead (Pb) to 9.93%**
- **Zinc (Zn) to 12.6%**
- **Copper (Cu) to 0.82%**
- **Silver (Ag) to 171g/t**

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

Black and Glidden (E80/5112)

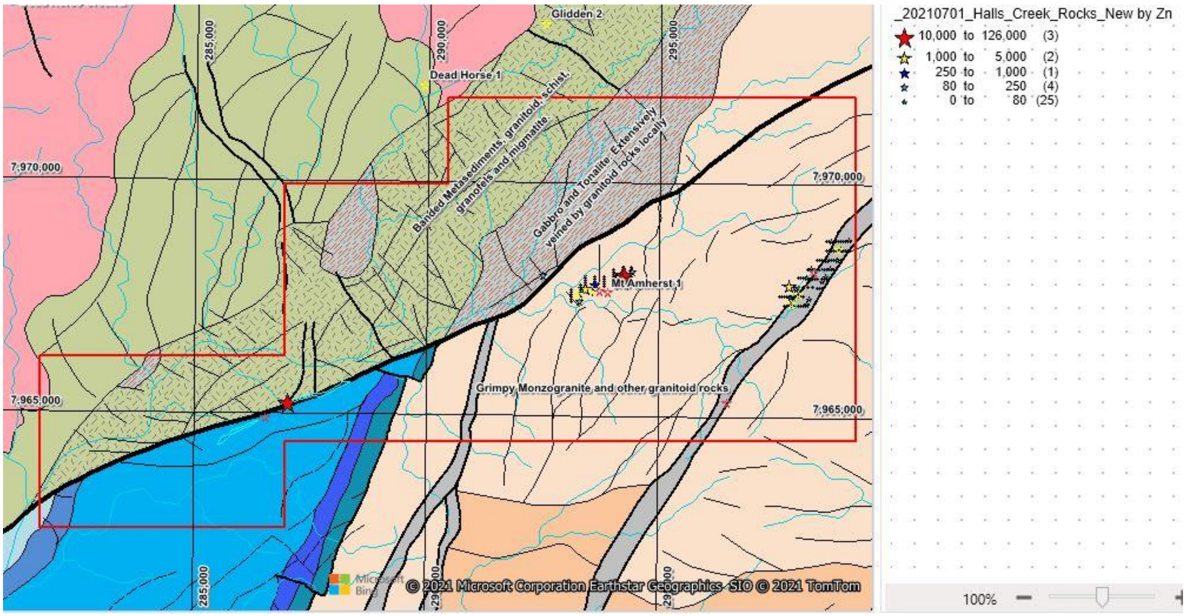

Figure 14: Black and Glidden Location of Soil Grids (Yellow)

REVIEW OF OPERATIONS

Figure 15: Black and Glidden Interpreted Geology and Structure

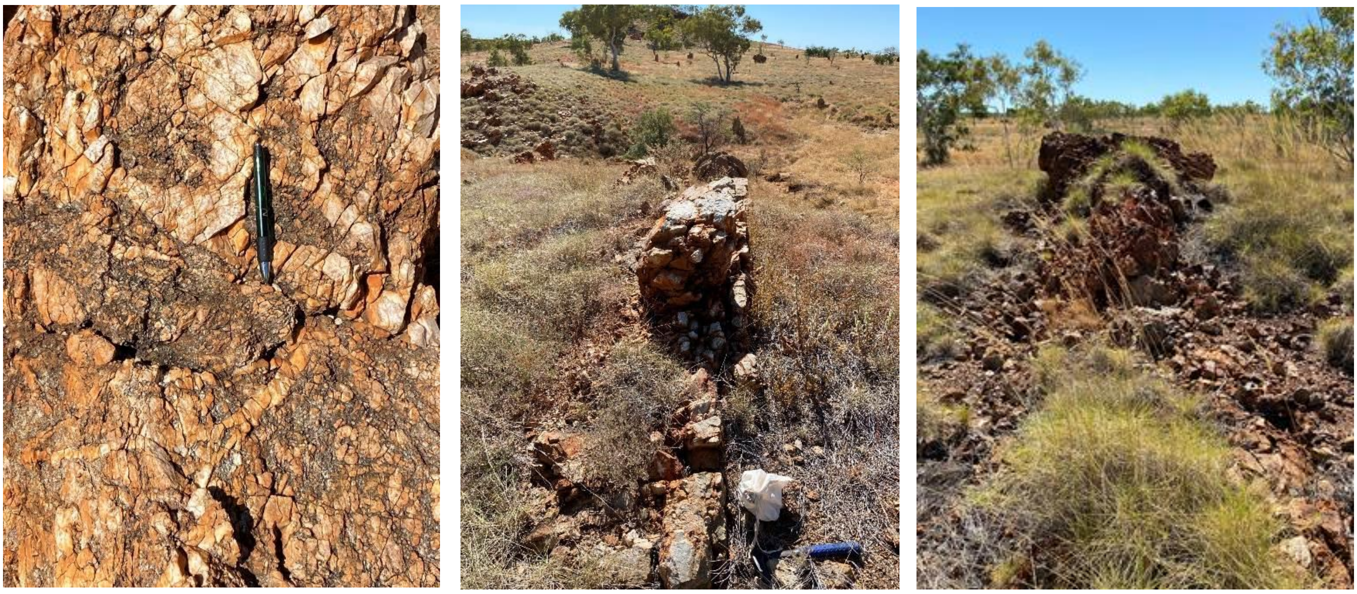

Photo1 – Quartz Veined Granite / Linear Quartz Vein / Gossanous Quartz Vein (Highest Cu, Pb, Zn results)

The Black and Glidden Tenement (**Figure 15**) comprises the Grumpy Monzogranite in the east with mafic intrusives and metasediments to the west. These two lithostructural groups are separated by the NE-SW Lubbock Range Fault.

During the 2021 field trip, the focus was on two areas of historical workings Eastern Shear 2/Soda Springs 3 in the east and Mt Amhurst5/Soda Springs 1 in the west. The western group of workings are associated with an intermittent ENE-WSW quartz vein (locally gossanous – **Photo 1**)) and a NE-SW prominent quartz ridge in the east (**Photo 1**). The near vertical mineralised quartz lode has a general orientation of 300 degrees and comprises quartz and carbonate veining. There is a second set of veining oriented at 350 degrees and likely a conjugate set. Narrow dolerite dykes parallel the lodes. Epidote alteration of the host monzogranite is evident adjacent to the lode whereas the monzogranite elsewhere is grey. The lode is locally gossanous with boxwork textures and very high base metal assays along with visual malachite and azurite mineralisation. The soils sampling grids are shown in **Figures 14** and **15**.

The sampling was conducted within the Grumpy Monzogranite which is locally quartz veined and strongly epidote altered. A single sample (**Figure 16**) was taken of a small quartz vein adjacent to the Lubbock Range Fault and returned 0.27% Pb and 9.6% Zn. The veining at the western prospect was a mixture of quartz and calcite with local gossanous zones to 0.82% Cu, 9.93% Pb and 12.6% Zn. A portion of this veins system had the highest Au and Ag at 2.78 g/t and 171 g/t respectively. Vein quartz outcrops over a 315^0 strike length of about 1.5 km (**Figure 16**). The soil geochemistry was not significantly elevated in gold or base metals apart from some elevated gold. This is likely due to the extensive granitic transported soils masking underlying mineralised zones.

Further targets along the Lubbock fault will be evaluated in the next field program planned for the dry season in Q2 2022 along with drilling traverses in the areas of mineralised lode and epidotised granite.

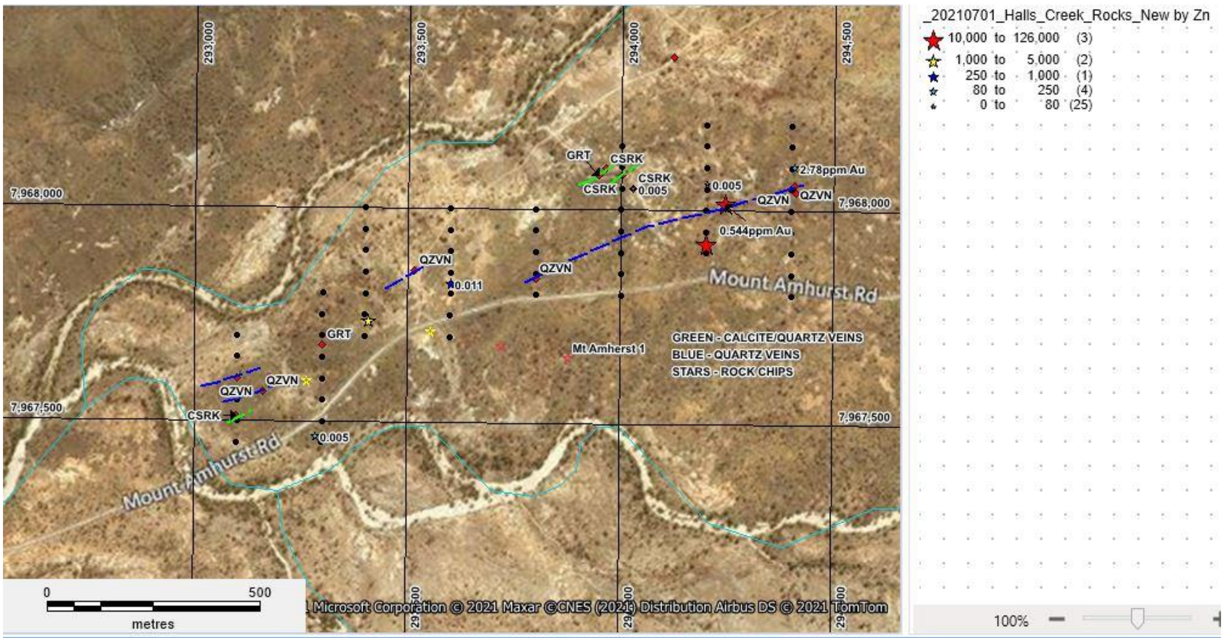

Figure 16: Black and Glidden western soil grid showing distribution of quartz and calcite veining in the Grumpy Monzogranite

Carrington (E80/5113)

The Carrington tenement has limited vehicular access, so the 2021 field based exploration involved a series of E-W soil traverses as shown in **Figure 17** across a major NE SW fault. A single rock sample of vein quartz returned 0.15% Cu (**Photo 2**). The remainder of the priority targets will be sampled in the next field program planned for Q2 2022 including the EM conductor via helicopter traverses.

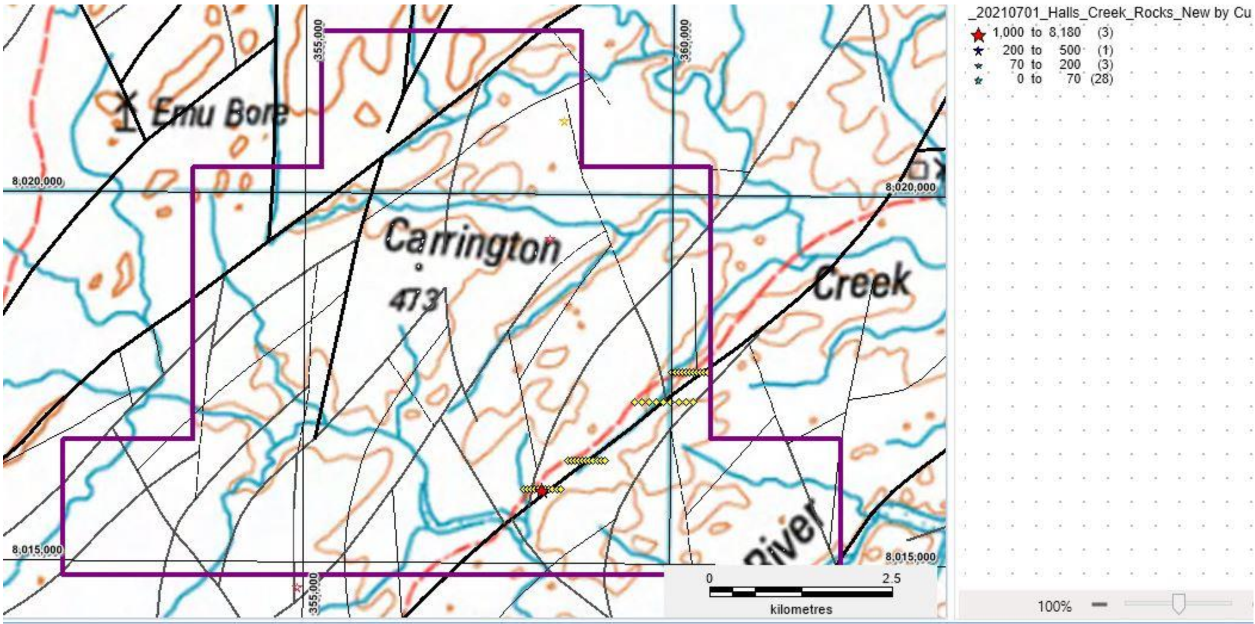

Figure 17: Carrington Soil Grids (Yellow) and structures in black

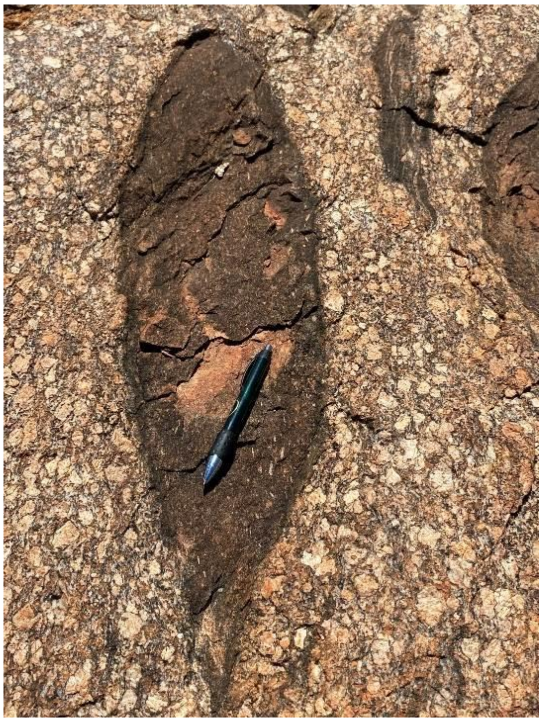

Photo 2 - Gossanous vein quartz L and coarse grained granite with a boudin of mafic schist

Wild Dog (E80/5115)

Surficial geochemical sampling at the Wild Dog tenement comprised two soil grids, Grids 1 and 2 (**Figures 18 and 19**). The grids were chosen to cover Priority 1 targets associated with N-S structures at lithology contacts. The dominant lithology for both grids was a coarse gabbro with localised sericite alteration. The base metal (Co, Cu and Ni) response for both areas was low with only Cu being locally elevated but not a level requiring further exploration. Several vehicle and foot traverses were completed across the NE of the tenement SE of Grid 1 encountering unaltered gabbro. A further foot traverse was made east of WD2 towards the Triangle Au and base metal prospect however there were no signs of any workings in a fairly open area. Several high priority targets in the western half of the tenement will need to be explored by helicopter traverses in the next field program.

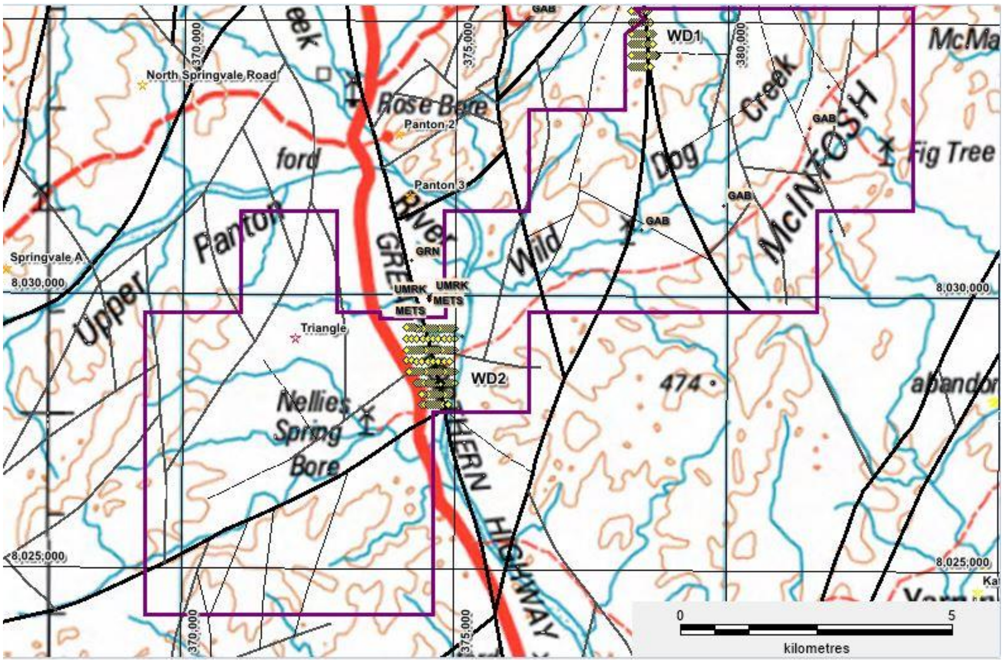

Figure 18: Wild Dog Soil Grids (Yellow)

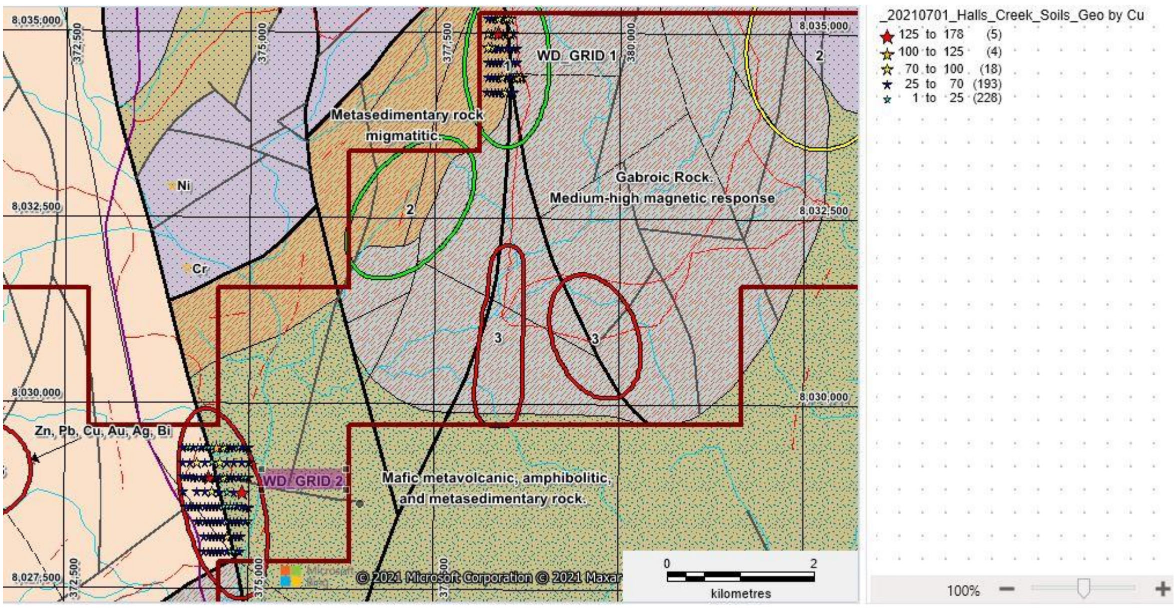

Figure 19: Wild Dog Cu ppm in Soils

REVIEW OF OPERATIONS

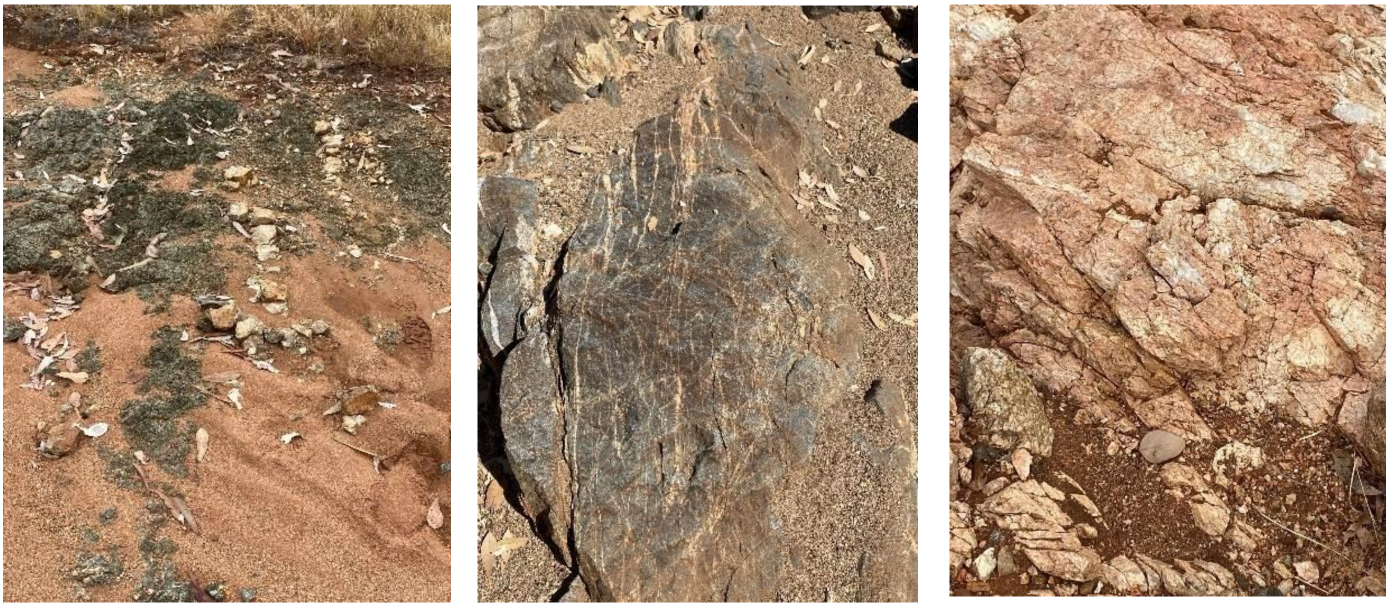

Photo 3 - Left and Right show abundant quartz veining in gabbro with the central photo showing potassic alteration of a felsic intrusive

Sandy Creek (E80/5114)

In the limited sampling completed there is evidence of possible mineralisation with local abundant quartz veining and possible pink potassic alteration of some felsic intrusives. Vehicular access restrictions for most of the northern half of the tenement meant that soils sampling was only possible at select areas shown in **Figure 20**. The high priority base metal target shown as green zones in the centre of the tenement (**Figure 21**) and the high priority geophysical targets within gabbroic rocks will require helicopter supported geochemical and geological mapping traverses during the planned field program in Q2 2022.

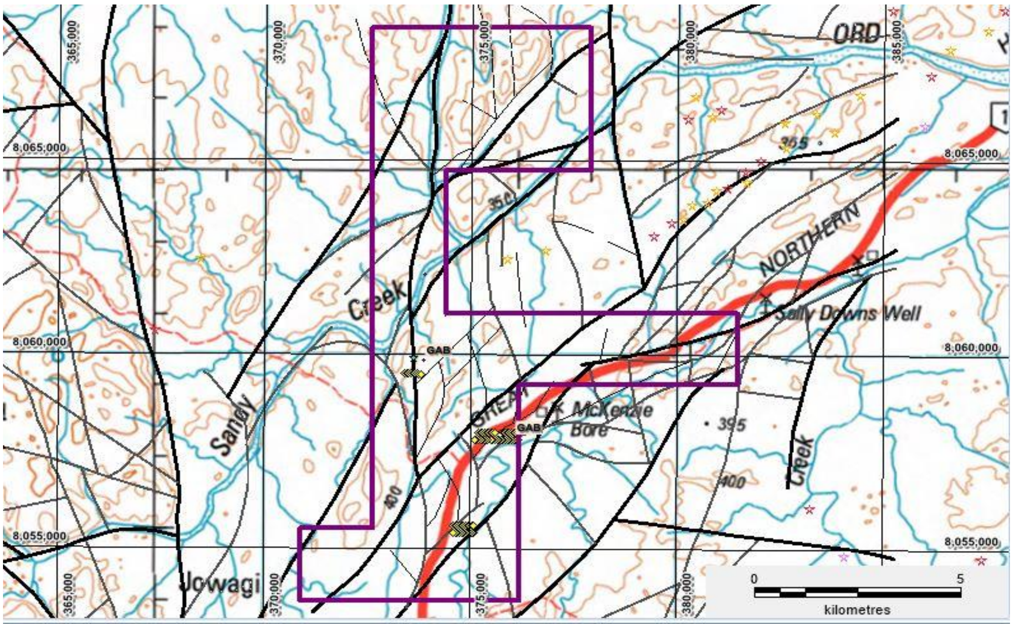

Figure 20: Sandy Creek Soil Grids (Yellow)

REVIEW OF OPERATIONS

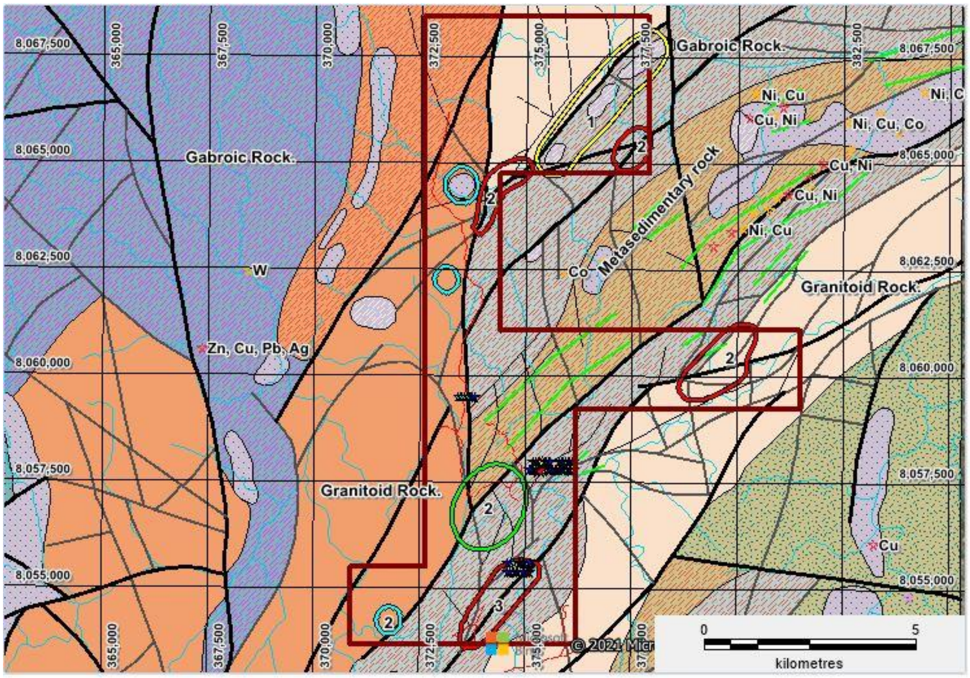

Figure 21: Sandy Creek target areas and soil sampling grids

Tennant Creek – Exploration Licence EL 32665 (Gidyea) and Application ELA 32666 (Kovacs)

In February 2021, wholly owned subsidiary Kaili Gold Pty Ltd 100% applied for two Exploration Licences ELA 32665 (Gidyea) and ELA 32666 (Kovacs) located to the south and south east of Tennant Creek (**Figure 22**). EL 32665 (Gidyea) has been granted in September 2021 for a 6 year period to 14 September 2027. Grant of the tenement under ELA 32666 (Kovacs) is awaited.

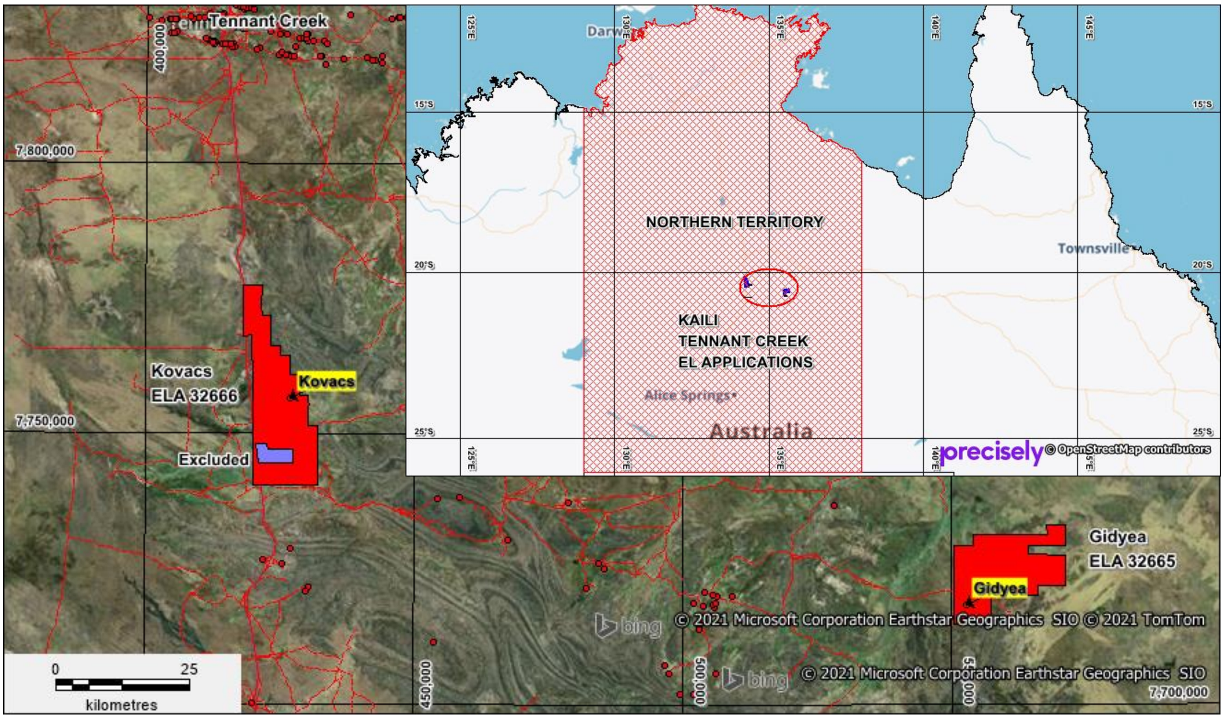

Figure 22: Regional Tenement Location SE of Tennant Creek – Kovacs and Gidyea

REVIEW OF OPERATIONS

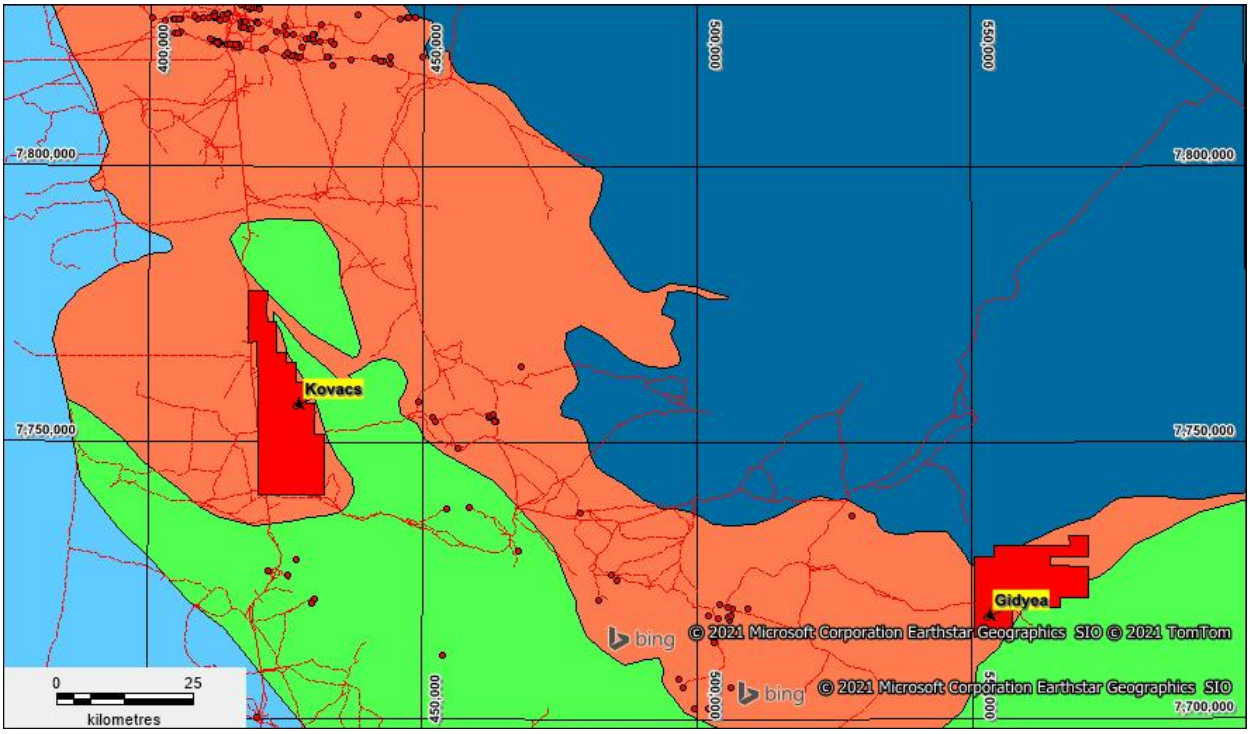

Figure 23: Regional Geological Location SE of Tennant Creek – Kovacs and Gidyea
Warramunga Province (Shaded Brown), Davenport Province (Shaded Green), Georgina Basin (Shaded Dark Blue) and Wiso Basin (Shaded Light Blue)

The Company has submitted detailed work programs to the Central Land Council ("CLC") for review. The next stage will involve face to face meetings with Tradional Owners and representatives of the CLC to establish a time line for commencement of exploration.

Historic Production of the Region

Since 1932 the Tennant Creek goldfield has produced in excess of 5 M ounces of gold (156 tonnes), 345,000 tonnes copper, 1.8 M ounces of silver (56 tonnes), 14,000 tonnes bismuth and 220 tonnes of selenium. Although production has come from over a hundred small to medium-sized deposits, the bulk of the historical production has come from 12 main orebodies, including Peko, Warrego, Nobles Nob and Juno. Gold and copper grades are variable, but the deposits typically have high gold grades. Mineralisation is generally related to ironstones, which have formed in structural 'traps' within the sedimentary pile and is not associated with quartz veining, which is typical of many Proterozoic goldfields.

Gold has been reported at two locations just west of Gidyea, at Kurinelli, approximately 50 km due west and in several small mines near the Hatches Creek Wolfram (Tungsten) Field, 30 km to the southwest. Reports are that the Kurinelli goldfield produced an estimated 2,600 ounces of gold since about 1900.

Geology of the Region

The tenements are located in the mineral rich Paleoproterozoic Warramunga Province (shaded brown) and flanked by the younger Palaeoproterozoic Davenport Province (shaded green) (**Figure 23**). The Provinces are flanked by the Cambrian Wiso and Georgina Basins to the west and east respectively.

REVIEW OF OPERATIONS

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

Intrusive igneous rocks include sills of granophyre, microgranite and feldspar porphyry, sills, dikes and irregular bodies of dolerite and gabbro and, granites of varying ages. The igneous suites both pre and postdate the various deformational episodes.

The placement of the Ooradidgee Group into the Warramunga Province has opened up new economic implications for the region, given the world class Tennant Creek copper-gold-bismuth deposit style occurs in similar aged rocks. In the case of Gidyea, the presence of anomalous gold in ferruginous sediments of what have been mapped as Ooradidgee Group is very encouraging.

Magnetics and Radiometrics

The regional stratigraphy is quite convoluted as shown by **Figure 24** and is particularly evident on the Gidyea Prospect (east). The images indicate the stratigraphy at Gidyea is highly folded and magnetic with historical sampling at the Gidyea Prospect returning elevated Gold and Cobalt results. The convoluted magnetic stratigraphy at Kovacs (east) hosts some small gold workings that have had no exploration since the 1980's. **Figure 25** shows a uranium radiometric image which clearly outlines the Warramunga Province.

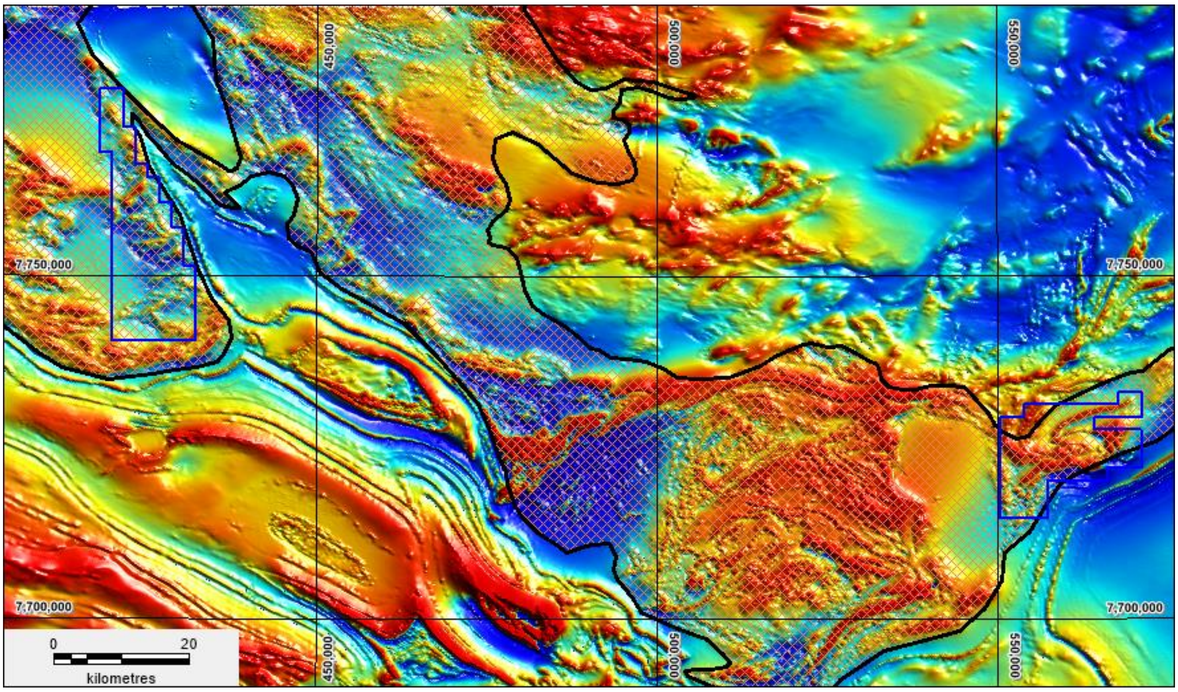

Figure 24: Gidyea (east) and Kovac (west) are shown on regional TMI magnetics with the Warramunga Province shown as a light hatching over the magnetics.

REVIEW OF OPERATIONS

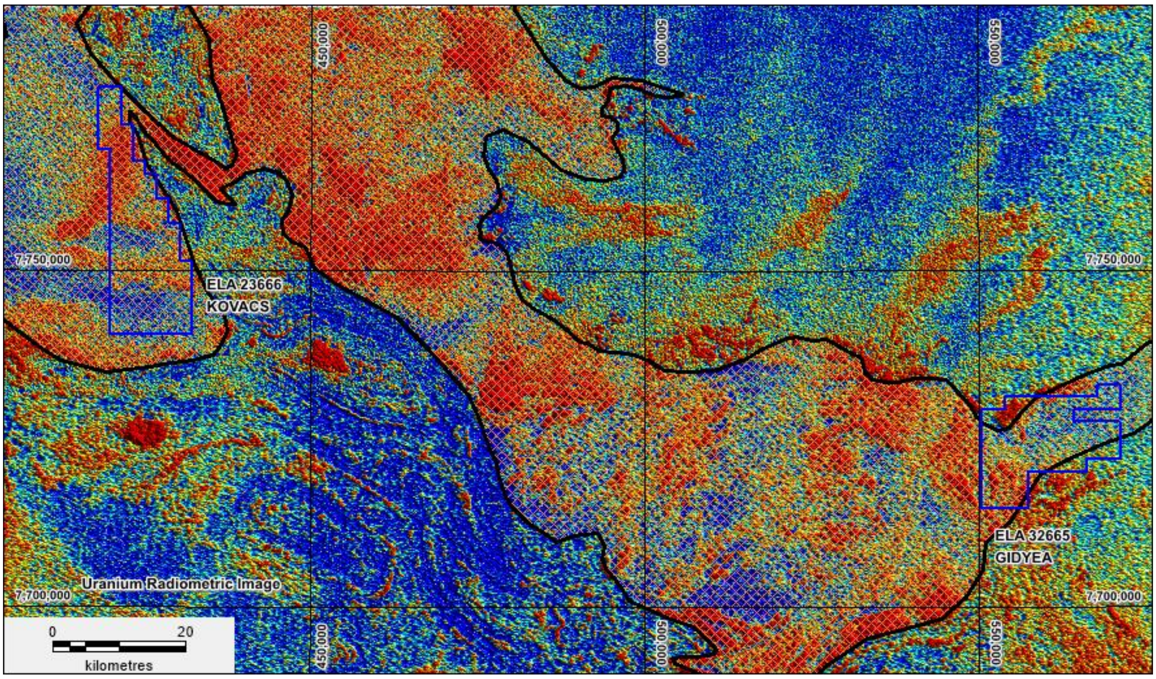

Figure 25: Gidyea and Kovac projects are shown on regional Uranium radiometrics with the Warramunga Province shown as a light hatching over the radiometrics.

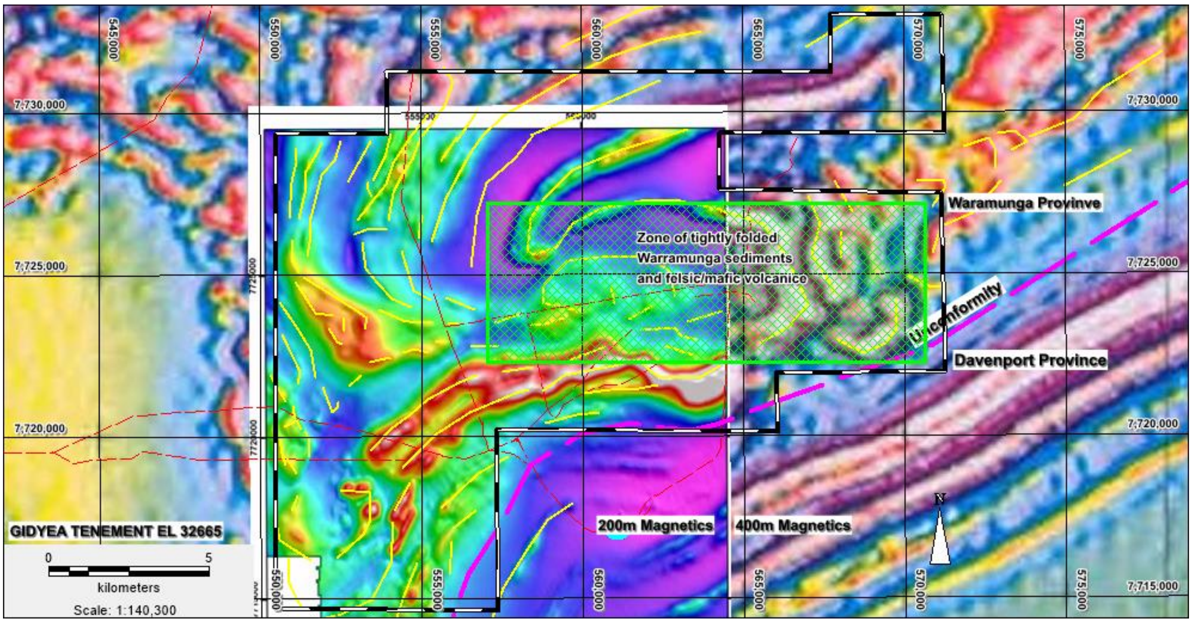

Figure 26: Gidyea Project showing two generations of magnetic image with vastly different resolution and the proposed initial work area in green

REVIEW OF OPERATIONS

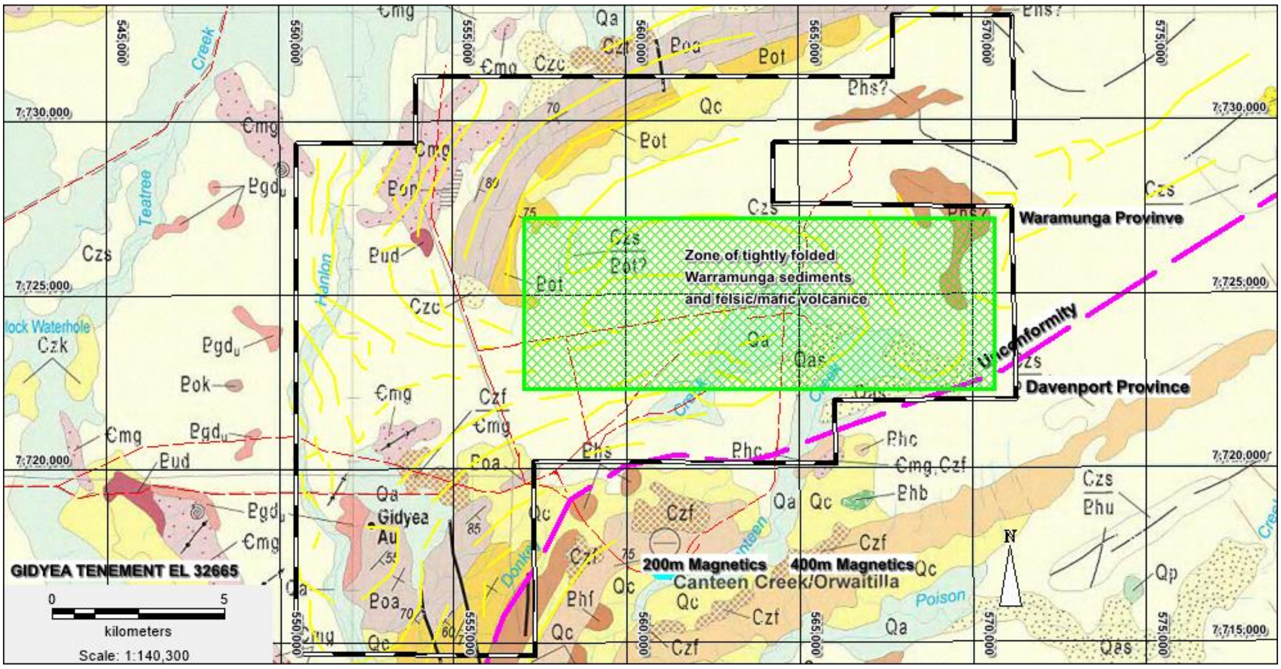

Figure 27: Gidyea Project showing the initial work area on the Frew River 1:250,000 outcrop geology map

The Gidyea area has been chosen as it comprised a relatively under explored area of Warramunga Province sediments and volcanics as shown by the area of higher overall magnetic response (**Figure 26**) compared to the overlying sediments of the Davenport Province. Note also the "linear" stratigraphy of the Davenport Province compared to the highly faulted and faulted of the Warramunga Province also evident on **Figure 26**. There is one historical mineral occurrence shown on the lower right of **Figure 26** named Gidyea where elevated gold and cobalt assays were obtained from a small outcrop of gabbro flanked by granite to the west as shown by the circular area of low magnetic response to the 200 m line spaced magnetic survey shown in **Figure 27**. Most historical exploration concentrated on the Gidyea historical occurrence and no exploration in the initial work area shown in **Figures 26** and **27**.

Planned Exploration for 2022:

- Meetings with Traditional Owners to discuss the Company's planned exploration program.
- Detailed field appraisal of all significant historic gold and cobalt results including those collected at the Gidyea Prospect.
- Regolith/Geology mapping of the initial work area to determine if fine fraction soil sampling can be used to delineate surface geochemical targets.
- Wide spaced drill traverses to gain an understanding of the underlying tightly folded and faulted Warramunga stratigraphy.

REVIEW OF OPERATIONS

LICENCES STATUS

Minerals tenements and applications for tenements held at 31 December 2021 and acquired or disposed of during the financial year and their locations are set out below:

Granted	Tenement	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area Km^2	Status
30/05/2016	E31/1113	Canegrass	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	50.4	Expiry on 29/05/2026
01/07/2016	E27/550	Holey Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	26.6	Expiry on 30/06/2026
14/09/2021	EL32665	Gidyea	Gold/Base Metals	NT-Warraminga Province	Kaili Gold Pty Ltd	100%	207.2	Expiry on 14/09/2027
31/08/2018	E80/5112	Black and Glidden	Cobalt/Gold/ Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	104.0	Expiry on 30/08/2023
31/08/2018	E80/5113	Carrington	Cobalt/Gold/ Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	52.1	Expiry on 30/08/2023
31/08/2018	E80/5114	Sandy Creek	Cobalt/Gold/ Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	65.3	Expiry on 30/08/2023
31/08/2018	E80/5115	Wild Dog	Cobalt/Gold/ Copper/Nickel	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	71.1	Expiry on 30/08/2023
	ELA32666	Kovacs	Gold/Base Metals	NT-Warraminga Province	Kaili Gold Pty Ltd	100%	271.7	Application submitted 23/02/2021
						Total	848.4	

There was no acquisition or disposal or change in beneficial interests under farm-in or farm-out agreements during the year other than relinquishment of E31/1114 (Jungle Hill), E40/354 (Eight Mile Dam), and E27/549 (Gindalbie Dam) in Western Australia and grant of EL 32665 (Gidyea) in Northern Territory.

Competent Person Statement

The information in the report above that relates to Exploration Results, Exploration Targets and Mineral Resources is based on information compiled by Mr Mark Derriman, who is the Company's Consultant Geologist and a member of The Australian Institute of Geoscientists (1566).

Mr Mark Derriman has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Mark Derriman consents to the inclusion in this report of matters based on his information in the form and context in which it appears.

Forward-Looking Statement

This report may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although Kaili Resources Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Kaili Resources Limited ("the Company") and its controlled entities ("the Group") for the year ended 31 December 2021.

DIRECTORS

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

Donghai Zhang
Chunlin Liu
Jing Li
Jianzhong Yang
Long Zhao

DIRECTORS' INFORMATION

Donghai Zhang
Non-Executive Chairman

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

Chunlin Liu
Non-Executive Director

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

Jing Li
Non-Executive Director

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

Jianzhong Yang
Non-Executive Director

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

Long Zhao
Executive Director

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

COMPANY SECRETARY

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

DIRECTORS' REPORT (continued)

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

Review of operations

A Review of Operations for the financial year, together with future prospects, is set out on pages 3 to 22.

Performance

The loss of the Group after income tax for the year was $1,326,361 (2020: loss $1,424,491) including impairment of exploration and evaluation expenditure of $692,104 (2020: $490,928).

Financial position

At 31 December 2021 the Group was in a net liability position of $1,501,618 (2020: net liability $175,257) with an unsecured and interest free loan and financial support of $2.49 million maturing on 1 April 2023 from Yitai Group (Hong Kong) Co., Limited ("Yitai HK"), a related party of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited. Total assets decreased to $1,041,716 (2020: $2,051,010), mainly as a result of the impairment of accumulated exploration and evaluation expenditure and operating expenses during the year, with cash and cash equivalents of $99,667 (2020: $32,111).

In September 2021, Yitai HK agreed to increase the loan facility from $1.6 million to $2.4 million and extend the maturity date from 1 April 2022 to 1 April 2023. In March 2021, Yitai HK also confirmed financial support to the Company undertaking to provide additional interest free and unsecured funds of up to $1 million until 1 April 2023 that may be drawn as necessary to ensure that the Group continues to be able to pay its debts as and when they fall due, meets its work commitments and continues to operate as a going concern. At balance date the loan of $2.4 million was fully drawn and an amount of $88,440 was drawn under the financial support.

Cash flows

Operating activities resulted in net outflow of $511,325 (2020: $778,644) as the Group is still in the exploration phase with no income. A total of $230,112 (2020: $241,810) was spent on exploration activities.

State of affairs

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

Dividends

The Directors recommend that no dividend be declared or paid.

Likely developments

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

DIRECTORS' BENEFITS

No Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as detailed in the Remuneration Report) by reason of a contract made by the consolidated entity or a controlled entity with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial interest, except for any benefit that may be deemed to have arisen as disclosed in Note 27 of the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts involving Directors' interests were entered into during the financial year except as disclosed in Note 27 of the financial statements.

DIRECTORS' MEETINGS

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

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

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

REMUNERATION REPORT

The information provided in this remuneration report has been audited.

A. Principles Used to Determine Amount and Nature of Remuneration

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

- Competitiveness and reasonableness
- Acceptability to shareholders
- Transparency

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

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

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

I. Remuneration of Directors

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

	Short-term benefits	Post-Employment benefits	Other long-term benefits	Termination benefits	Total
	Cash salary and leave	Superannuation	Long Service leave		
	$	$	$	$	
2020					
Donghai Zhang	-	-	-	-	-
Chunlin Liu	-	-	-	-	-
Jing Li	-	-	-	-	-
Jianzhong Yang	13,605	2,656	-	-	16,261
Long Zhao	68,016	6,462	-	-	74,478
Yutian Bai[1]	16,051	1,525	-	-	17,576
	97,672	10,643	-	-	108,315

[1] Backpay to Mr. Yutian Bai for the period when he was a non-executive director of the Company, 9 November 2016 to 8 November 2018.

II. Remuneration of Key Management Personnel of the Group

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

III Service agreement

There are no service agreements with Directors.

IV. Share-based compensation

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

C. Directors' securities holdings

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

2021

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

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

DIRECTORS' REPORT (continued)

2020

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

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

ENVIRONMENTAL REGULATION

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

NON-AUDIT SERVICES

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

EVENTS AFTER THE REPORTING DATE

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is included on page 28 of the Annual Report and forms part of this report.

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

Donghai Zhang
Chairman

Sydney
30th March 2022

Kaili Resources Limited

AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Kaili Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Kaili Resources Limited for the year ended 31 December 2021 there has been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

J F Shute

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

Dated this 30 March 2022

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021	2020
		$	$
Revenue			
Interest income		9,620	5,835
Other income	4	69,714	43,236
		79,334	49,071
Expenses			
Depreciation expense	14	(214,548)	(338,561)
Employee benefits expense		(97,357)	(217,867)
Finance costs		(9,816)	(62,822)
Impairment of exploration and evaluation expenditure	12	(692,104)	(490,928)
Project costs		(19,903)	-
Other expenses	5	(371,967)	(363,384)
Loss before income tax		**(1,326,361)**	**(1,424,491)**
Income tax	11	-	-
Loss after income tax		**(1,326,361)**	**(1,424,491)**
Other comprehensive income (loss) for the year, net of tax		**-**	**-**
Total comprehensive loss for the year attributable to members of the Parent Entity		**(1,326,361)**	**(1,424,491)**
		Cents	**Cents**
Loss per share			
Basic and diluted loss per share	24	(0.90)	(0.97)

The accompanying notes form part of these financial statements.

CONSLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	NOTE	2021	2020
		$	$
Current Assets			
Cash and bank balances	6	99,667	32,111
Trade and other receivables	7	4,945	18,370
Prepayments	8	27,377	24,805
Total Current Assets		131,989	75,286
Non-Current Assets			
Property, plant and equipment	14	84,204	448,998
Financial assets	9	-	233,314
Exploration and evaluation expenditure	12	825,523	1,293,412
Total Non-Current Assets		909,727	1,975,724
Total Assets		1,041,716	2,051,010
Current Liabilities			
Trade and other payables	10	44,160	180,618
Provisions	15	2,877	21,047
Lease liabilities	13	-	390,031
Total Current Liabilities		47,037	591,696
Non-Current Liabilities			
Lease liabilities	13	-	34,571
Provisions	15	7,857	-
Borrowings	16	2,488,440	1,600,000
Total Non-Current Liabilities		2,496,297	1,634,571
Total Liabilities		2,543,334	2,226,267
Net (Liabilities)/Assets		(1,501,618)	(175,257)
Shareholders' Equity			
Share capital	17 (b)	1,474,004	1,474,004
Reserves	17 (c)	(2,975,622)	(1,649,261)
Total (Deficit)/Equity		(1,501,618)	(175,257)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021	2020
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		(497,688)	(762,880)
Interest paid		(13,637)	(59,000)
Receipts under Government cash flow boost		-	43,236
Net cash used in operating activities	23(b)	(511,325)	(778,644)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(230,112)	(241,810)
Net inflow from security deposits		233,314	3,000
Interest received		9,620	5,835
Net cash from (used) in investing activities		12,822	(232,975)
Cash flows from financing activities			
Payments for lease liabilities		(234,061)	(305,372)
Proceeds from long term loan		800,000	1,100,000
Net cash from financing activities		565,939	794,628
Net increase/(decrease) in cash and cash equivalents		67,436	(216,991)
Cash and cash equivalents at beginning of year		32,111	249,816
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		120	(714)
Cash and cash equivalents at end of year	6	99,667	32,111

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium	Accumulated losses	Total
	$	$	$	$
Balance as at 1 January 2020	1,474,004	24,475,363	(24,700,133)	1,249,234
Loss and total comprehensive loss for the year	-	-	(1,424,491)	(1,424,491)
Balance as at 31 December 2020	1,474,004	24,475,363	(26,124,624)	(175,257)
Loss and total comprehensive loss for the year	-	-	(1,326,361)	(1,326,361)
Balance as at 31 December 2021	1,474,004	24,475,363	(27,450,985)	(1,501,618)

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Note 1 – Nature of Operations

Kaili Resources Limited and its subsidiaries' ("the Group") principal activities are investment in the resources industry. Details of the principal activities of the Group are set out in Note 18 to the financial statements.

Note 2 – General information and statement of compliance

The consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

The consolidated financial statements for the year ended 31 December 2021 were approved and authorised for issue by the Board on 30 March 2022.

Note 3 – Summary of accounting policies

(a) Basis of Preparation

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

These financial statements are presented in Australian dollars.

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

The principal accounting policies and methods of computation used by the Group in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those adopted in the financial statements for the year ended 31 December 2020.

<u>Judgments</u>

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

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

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

(b) Basis of Consolidation

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

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

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

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

The interests in the controlled entities are disclosed in Note 18.

(c) Going concern

At balance date the Group had current assets of $131,989 (2020: $75,286) including cash and cash equivalents of $99,667 (2020: $32,111), current liabilities of $47,037 (2020: $591,696) and has incurred a net loss of $1,326,361 (2020: loss $1,424,491) in the year. In addition, the Group has an unfulfilled expenditure requirement under its exploration licences of $188,000 and lease commitment of $50,000 for the next 12 months.

Notwithstanding the net loss for the year, the Directors have reviewed the cash flow forecasts for the next twelve months including consideration of the unfulfilled expenditure requirement and of other committed expenses. The Directors believe the Group has sufficient funds to settle its debts as and when they become due and payable having regards to the financial support commitment provided by Yitai Group (Hongkong) Co., Limited, a related party of the ultimate parent company.

Yitai Group (Hongkong) Co., Limited has confirmed financial support to the Group by making available funds of up to $1 million until 1 April 2023 in addition to its loan facility of $2.4 million to ensure that the Group has working capital to be able to pay its debts as and when they fall due, meet their work commitments for the exploration licences and continue as a going concern. The funds provided will be unsecured and interest free. Existing loan facility of $2.4 million due for repayment on 1 April 2023 was fully drawn down during the year. $88,440 has been drawn under the additional financial support of $1 million at balance date. Based on that financial support, the consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to pay its debts as and when they become due and payable.

(d) Investments

Controlled Entities

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

(e) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less provision for depreciation and impairment losses, if any. Right-of-use assets are disclosed under this heading. Details are set out in Note 14.

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

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

(f) Lease

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.
Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(g) Foreign Currency

Translation of foreign currency transactions

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

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

(h) Income Tax

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

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

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

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

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

(i) Goods and Services Tax ('GST') and other similar taxes

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

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

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

(j) Exploration and Evaluation Expenditure

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

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

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

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

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

(k) Provisions

Employee Entitlements

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

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

Doubtful Debts

The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts.

(l) Revenue recognition

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

(m) Impairment of non-financial assets

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

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

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

(n) Financial instruments

Initial recognition and measurement

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

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

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

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

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

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

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or

- initially designated as at fair value through profit or loss.

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

A financial liability is held for trading if:

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

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

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

A financial liability cannot be reclassified.

Financial assets

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

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

A financial asset that meets the following conditions is subsequently measured at amortised cost:
- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

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

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

- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

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

The Group initially designates a financial instrument as measured at fair value through profit or loss if:
- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

Derecognition

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

Derecognition of financial liabilities

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

Derecognition of financial assets

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

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

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

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

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

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

Impairment of Financial assets

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

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

Loss allowance is not recognised for:

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

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

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

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

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

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

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

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

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

(p) Cash and cash equivalents

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

(q) Earnings per share

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

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

(r) Segment reporting

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

(s) Parent Entity financial information

The financial information for the Parent Entity, Kaili Resources Limited, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements.

(t) Comparative information

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

(u) Related parties

- A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Group's parent.

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

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

(v) New and amended standards and interpretations

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

(i) AASB 7 Financial Instruments: Disclosures;
(ii) AASB 101 Presentation of Financial Statements;
(iii) AASB 108 Accounting Policies, Changes in Accounting, Estimate and Errors;
(iv) AASB 134 Interim Financial Reporting and
(v) AASB Practice Statement 2 Making Materiality Judgements.

	2021	2020
	$	$
4. OTHER INCOME		
Gain on lease modification	69,714	-
Government subsidies	-	43,236
	69,714	43,236
5. OTHER EXPENSES		
Audit fees	20,900	19,960
Consulting fees	51,910	68,503
Registration fees and charges	33,773	35,420
Legal and professional fees	71,721	78,530
Listing fees	26,261	11,026
Rental expenses	42,443	18,860
Office services charges	19,265	72,377
Share registry	10,444	9,542
Internet and website	12,665	1,060
Motor Vehicle expense	19,773	3,216
Travel and accommodation	27,552	9,757
Other costs	35,260	35,133
	371,967	363,384
6. CASH AND CASH EQUIVALENTS		
Cash at bank	99,667	32,111
7. TRADE AND OTHER RECEIVABLES		
GST receivable	4,945	18,370
8. PREPAYMENTS		
Prepayments	27,377	24,805
9. FINANCIAL ASSETS		
Non-Current		
Security deposits[1]	-	233,314

[1]Bank guarantee released during the financial year from termination of lease of office premises.

	2021	2020
10. TRADE AND OTHER PAYABLES		
Trade and other payables	24,196	74,648
Accrued expenses	19,964	105,970
	44,160	180,618

	2021	2020
	$	$

11. INCOME TAX

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

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

	2021 $	2020 $
Loss before income tax	(1,326,361)	(1,424,491)
Tax at the Australian domestic income tax rate 26% (2020:27.5%)	(344,854)	(391,735)
Tax losses not recognised	344,854	391,735
Income tax expense	-	-

At the reporting date, the Group has estimated tax losses of $9,465,000 (2020: $8,499,000). A deferred tax asset has not been recognised for these losses because it is not probable that future taxable income will be available to use against such losses.

12. EXPLORATION AND EVALUATION EXPENDITURE

	2021 $	2020 $
At cost:		
Balance at beginning of year	1,293,412	1,530,252
Additions	224,215	254,088
Impairment	(692,104)	(490,928)
Balance at end of year	825,523	1,293,412

Exploration and evaluation expenditures are capitalised in respect of each identifiable area of interest. Ultimate recoupment of the carrying value of the exploration areas is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest. The areas of interest are exploration licences held by the Group and are detailed in the schedule contained in the Licence Status shown on page 22.

Impairment indicators in AASB 6 are considered on a project by project basis. Impairment has been recognised during the year on licences relinquished.

13. LEASE LIABILITIES

	2021 $	2020 $
Current:		
Lease liabilities	-	390,031
Non-Current:		
Lease liabilities	-	34,571

Lease of office premises was terminated during the year. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets under property, plant and equipment.

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed as rental expenses as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

14. PROPERTY, PLANT AND EQUIPMENT

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

2020	Right-of-use assets $	Furniture & office equipment $	Motor vehicle $	Total $
At cost:				
Balance at beginning of year and end of year	944,355	61,152	103,498	1,109,005
Depreciation:				
Balance at beginning of year	(288,553)	(19,318)	(13,575)	(321,446)
Depreciation charge	(314,785)	(10,839)	(12,937)	(338,561)
Balance at end of year	(603,338)	(30,157)	(26,512)	(660,007)
Carrying amount at 31 December 2020	341,017	30,995	76,986	448,998

[1] Leased offfice premises was terminated during the year.

15. PROVISIONS

	2021 $	2020 $
Current:		
Annual leave entitlements	2,877	21,047
Non-Current:		
Long service leave entitlements	7,857	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

16. BORROWINGS

	2021 $	2020 $
Non-Current		
Unsecured loan from a related party	2,488,440	1,600,000

Yitai Group (Hongkong) Co., Ltd, a related party of the ultimate parent company Inner Mongolia Yitai Investment Co., Limited entered in February 2021 into a Varied Loan Agreement to increase an existing loan facility to the Company of $1.6 million to $2.4 million and to extend the maturity date from 1 April 2021 to 1 April 2022. In March 2021 a financial support to the Group to provide funds of up to $1 million until 1 April 2022 has been confirmed by Yitai Group (Hongkong) Co., Ltd. The funds advanced under the loan and under financial support are unsecured and interest free. In September 2021 Yitai Group (Hongkong) Co. Ltd has extended both the repayment date of the loan and the end availability of the financial support to 1 April 2023.

17. SHARE CAPITAL

		2021 Number of shares	2021 $	2020 Number of shares	2020 $
(a)	**Authorised capital:**				
	Authorised ordinary shares: Par value $0.01	5,000,000,000	50,000,000	5,000,000,000	50,000,000
(b)	**Issued and paid up capital:**				
	Fully paid ordinary shares: Par value $0.01	147,400,363	1,474,004	147,400,363	1,474,004

		2021 $	2020 $
(c)	**Reserves**		
	Share premium account	24,475,363	24,475,363
	Accumulated losses	(27,450,985)	(26,124,624)
		(2,975,622)	(1,649,261)

18. CONTROLLED ENTITIES

(a) Investments in controlled entities comprise:

Name of subsidiary	Place of incorporation/operation	Principal activities	Beneficial percentage held by economic entity 2021 %	2020 %
Kaili Corporation Pty Ltd	Australia/Australia	Investment holding	100	100
APEC Coal Pty Ltd	Australia/Australia	Coal exploration	100	100
Kaili Minerals Management Pty Ltd	Australia/Australia	Administration	100	100
Kaili Gold Pty Ltd	Australia/Australia	Gold/cobalt exploration	100	100
Kaili Iron Pty Ltd	Australia/Australia	Iron ore/base metals exploration	100	100

19. REMUNERATION OF AUDITOR

	2021 $	2020 $
Amounts received or due and receivable by the auditor for audit and review of financial statements	20,900	19,960

20. SEGMENT INFORMATION

Business segments

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

21. COMMITMENTS

(a) Exploration expenditure commitments

At balance date, the Group holds seven granted tenements in Australia. A condition of the tenements is that the Group is required to meet minimum committed expenditure requirements to maintain current rights of tenure. These commitments may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements and are due as follows from balance date:

	2021 $	2020 $
Within twelve months	188,000	171,000
Twelve months or longer and not longer than five years	689,000	282,000
	877,000	453,000

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

(b) Lease commitments

The short-term leases have not been provided for in the financial statements and are due as follows from balance date:

Within twelve months	50,000	77,500
Twelve months or longer and not longer than five years	-	57,640
	50,000	135,140

22. CONTIGENT LIABILITIES

At balance date, the Group has given guarantees totaling $45,000 (2020: $45,000) for compliance with the conditions of the exploration licences granted in Western Australia.

	2021	2020
	$	$

23. CASH FLOW INFORMATION

(a) Reconciliation of Cash

Cash and cash equivalents include cash and bank balances.

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

	2021 $	2020 $
Loss before income tax	(1,326,361)	(1,424,491)
Depreciation	214,548	338,561
Foreign exchange differences	(120)	714
Interest income	(9,620)	(5,835)
Gain on lease modification	(69,714)	-
Impairment of exploration and evaluation expenditure	692,104	490,928
Interest payable	-	3,822
Operating cash (outflows) before movements in working capital	(499,163)	(596,301)
Changes in assets and liabilities relating to operations:		
Decrease/(Increase) in trade and other receivables	13,425	(6,586)
(Increase)/Decrease in prepayments	(2,571)	5,700
(Decrease) in trade and other payables	(12,703)	(183,459)
(Decrease)/Increase in provisions	(10,313)	2,002
Net cash used in operating activities	(511,325)	(778,644)

24. LOSS PER SHARE

The calculation of the basic and diluted (loss) per share is based on the following data:

	2021	2020
Loss for the purposes of basic and diluted loss per share	(1,326,361)	(1,424,491)
Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	147,400,363	147,400,363

25. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

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

	2021	2020
Financial assets		
Cash and cash equivalents	99,667	32,111
Trade and other receivables	4,945	18,370
Financial assets – non-current	-	233,314
Total financial assets	104,612	283,795

	2021	2020
	$	$
Financial liabilities at amortised cost		
Trade and other payables	44,160	180,618
Borrowings - non-current	2,488,440	1,600,000
Lease liabilities - current	-	390,031
Lease liabilities - non-current	-	34,571
Total financial liabilitlies	2,532,600	2,205,220

(a) Financial risk management policies

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

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

Specific Financial Risk Exposures and Management

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

i. Interest rate risk

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

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

	2021	2020
	$	$
Cash and cash equivalents	99,667	32,111
Security deposit	-	233,314
	99,667	265,425

ii. Foreign currency risk

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

iii. Credit risk

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

iv. Liquidity risk

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

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

v. Price risk

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

(b) Net fair values

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

(c) Financial instruments

Interest rate risk

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

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

		Fixed interest rate maturing		Non-interest bearing		
	Variable interest rate	**Within 1 year**	**1 to 5 years**	**Within 1 year**	**1 to 5 years**	**total**
2020	$	$	$	$	$	$
Financial assets						
Cash and cash equivalents	32,111	-	-	-	-	32,111
Trade and other receivables	-	-	-	18,370	-	18,370
Security deposit	-	-	233,314	-	-	233,314
	32,111	-	233,314	18,370	-	283,795
Financial liabilities						
Trade and other payables	-	-	-	180,618	-	180,618
Borrowings	-	-	-	-	1,600,000	1,600,000
Lease liabilities		390,031	34,571	-	-	424,602
	-	390,031	34,571	180,618	1,600,000	2,205,220

(d) Sensitivity analysis

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. A 1% increase in interest rate would result in an increase of $997 (2020: $2,654) in interest income for the year based on financial instruments held at each reporting date that are sensitive to changes in interest rate, with all other variables remaining unchanged. A 1% decrease in interest rate would have the opposite effect.

26. CAPITAL MANAGEMENT

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

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the year ended 31 December 2021.

27. RELATED PARTY TRANSACTIONS

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

	2021	**2020**
	$	$
Compensation of KMP of the Group:		
Short-term employee benefits	83,368	97,672
Post-employment benefits	7,879	10,643
Other long-term benefits	7,857	-
Termination benefits	-	-
Share-based payments	-	-
	99,104	108,315

Other transactions with Key Management Personnel

The Group entered into a tenancy agreement for a property owned by Director Mr. Long Zhao for the Company's use for the period from 31 March 2021 to 31 December 2021. The total rent paid in the financial year was $39,000.

28. PARENT ENTITY INFORMATION

	2021 $	2020 $
Assets		
Current assets	1,762,719	1,452,009
Non-current assets	506,759	1,090,369
Total assets	2,269,478	2,542,378
Liabilities		
Current liabilities	17,706	533,685
Non-current liabilities	2,488,440	1,634,571
Total liabilities	2,506,146	2,168,256
Equity		
Issued capital	1,474,004	1,474,004
Share premium account	24,475,363	24,475,363
Accumulated losses	(26,186,035)	(25,575,245)
	(236,668)	374,122
Financial performance		
Loss for the year	(610,790)	(1,147,326)
Other comprehensive income	-	-
Total comprehensive loss	(610,790)	(1,147,326)

29. EVENTS AFTER THE REPORTING DATE

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

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2022.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 30 to 53:

  (i) are in accordance with International Accounting Standards; and

  (ii) give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the year then ended; and

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

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

Donghai Zhang

Chairman

Sydney

30th March 2022

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

We have audited the accompanying Consolidated Financial Statements of Kaili Resources Limited (the "Company") and the subsidiaries (together "the Group") set out on pages **30 to 54,** which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors declaration.

Directors' responsibilities for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of Consolidated Financial Statements that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRS's") and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Report are free from material misstatement.

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

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

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed this matter
Impairment of Exploration Assets Refer to Note 12 in the Consolidated Financial Statements	
The Consolidated Entity has capitalised exploration and evaluation expenditure, with a carrying value of $825,523.00 as at 31 December 2021. Under AASB 6 Exploration for and Evaluation of Mineral Resources, the Consolidated Entity is required to test the exploration and evaluation asset for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. We determined this to be a key audit matter due to the significant management judgement involved in assessing the carrying value of the asset.	Our audit procedures in relation to the carrying value of exploration and evaluation expenditure included: • Obtaining evidence that the Consolidated Entity has valid rights to ongoing exploration and activities to support the continued capitalisation of these assets • Enquiring with management the basis on which they have determined that the exploration and evaluation of mineral resources has not yet reached the stage where it can be concluded that no commercially viable quantities of mineral resources exists; • Enquiring with management and reviewing budgets to determine that the Consolidated Entity will incur substantive expenditure on further exploration and evaluation of mineral resources in the specific areas of interest; • Testing on a sample basis the exploration costs incurred in the period to ensure that they meet the capitalisation criteria under AASB 6.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Kaili Resources Limited, would be the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

a) the Consolidated Financial Statements of Kaili Resources Limited is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards ("IFRS's") as disclosed in Note 3.

Emphasis of Matter

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

The undertaking is to provide funding up to $3.4 million until 1 April 2023 to ensure the Group has working capital to be able to meet its debts as and when they fall due and continue as a going concern.

Our opinion is not modified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in paragraph **A** and **B** of the directors' report for the year ended 31 December 2021. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with International Financial Reporting Standards ("IFRS's").

Opinion

In our opinion the Remuneration Report of Kaili Resources Limited for the year ended 31 December 2021, complies with section 300A of the Corporations Act 2001.

JOHN F SHUTE
Chartered Accountant

John F Shute

Sydney
30 March 2022

ADDITIONAL INFORMATION

Additional information included in accordance with Listing Rules of the ASX Limited as at 18th March 2022

SHAREHOLDINGS

1. Substantial shareholders

Substantial shareholders in the Company: -

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

* Director Jianzhong Yang has relevant interests in this entity.

2. Distribution of fully paid ordinary shares:-

Range of shareholdings			Number of shareholders	Number of shares	Percentage of issued capital
1	—	1,000	25	7,847	0.01
1,001	—	5,000	8	21,479	0.01
5,001	—	10,000	228	2,277,194	1.54
10,001	—	100,000	114	4,642,044	3.15
100,001	and	over	33	140,451,799	95.29
			408	147,400,363	100.00

301 shareholders held less than a marketable parcel.

3. Voting rights

Each shareholder is entitled to one vote per ordinary share.

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

ADDITIONAL INFORMATION

5. Top twenty shareholders as at 18th March 2022

Name		Number of fully paid ordinary shares held	Percentage of issued capital
1.	TREASURE UNICORN LIMITED	75,734,441	51.38
2.	MILE OCEAN LIMITED	16,532,222	11.22
3.	KAILI HOLDINGS LIMITED	13,200,000	8.96
4.	JIN HE	9,361,788	6.35
5.	MR YUTIAN BAI	3,999,999	2.71
6.	MS JUNLAN WANG	3,166,666	2.15
7.	MR SHUJUN LIU	2,666,666	1.81
8.	ASF GROUP LIMITED	2,200,000	1.49
9.	MR HAIYU HE	1,999,999	1.36
10.	MR GUIYING JIA	1,999,999	1.36
11.	MR QIUSHENG LI	1,666,666	1.13
12.	MS YONGJUN LIU	1,666,666	1.13
13.	WUJIANG INVESTMENT PTY LTD	1,100,000	0.75
14.	SMART STEP LIMITED	1,000,000	0.68
15.	MRS MAN SUN NG	974,000	0.66
16.	SUO ZHANG	430,000	0.29
17.	EDGEFIELD INTERNATIONAL LIMITED	363,000	0.25
18.	MR CALVIN AU	322,000	0.22
19.	PING GAO	250,000	0.17
20.	GUICHENG QIAO	230,000	0.16
Twenty largest shareholders		138,864,112	94.23
Others		8,536,251	5.77
		147,400,363	100.00

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

Australia	**Bermuda**
Computershare Investor Services Pty Ltd	Butterfield Corporate Services Ltd
Level 3, 60 Carrington Street	The Rosebank Centre
Sydney, NSW 2000	14 Bermudiana Road
Australia	Pembroke HM08
	Bermuda

7. Ordinary shareholders - enquiries

Ordinary shareholders with enquiries about their shareholdings should contact Kaili Resources Limited ordinary shares register, Computershare Investor Services Pty Limited by telephone on 1300 850 505 (within Australia) or (612) 8234 5000 (outside Australia) or by facsimile (612) 8234 5050.

8. Trading symbol

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