Kalimetals

Limited

ACN 653 279 371

AND ITS CONTROLLED ENTITIES

HALF-YEAR FINANCIAL REPORT

For the period ended

31 DECEMBER 2023

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Luke Reinehr	Non-Executive Chairman
Graeme Sloan	Managing Director
Paul Adams	Non-Executive Director
John Leddy	Non-Executive Director
Simon Coyle	Non-Executive Director

CHIEF FINANCIAL OFFICER

Silfia Morton

COMPANY SECRETARY

Nicholas Madders

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

16 Douro Place
West Perth, WA 6005
Telephone: +61 (8) 6454 6666
Facsimile: +61 (8) 6314 6670
Web: www.kalimetals.com.au

AUDITOR

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000

LEGAL

Gilbert and Tobin
Level 16, Brookfield Place Tower 2
123 St Georges Terrace,
Perth, WA 6000

SHARE REGISTER

Automic Share Registry Services
Level 5, 191 St Georges Terrace
Perth WA 6000

SECURITIES EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange Ltd (ASX)
ASX Code: KM1

DIRECTORS' REPORT

The Directors of Kali Metals Limited ("Kali" or "the Company" or "the Group") submit the consolidated financial report for the Group for the half-year ended 31 December 2023. The Group was incorporated as a private Group (Kali Metals Pty Ltd) on 31 August 2021 and on 21 April 2023 the Group converted to a public Group (Kali Metals Limited). The Group was a wholly owned subsidiary of Kalamazoo Resources Limited ("Kalamazoo") and on 29 December 2023, the Group demerged from Kalamazoo following the issue of shares for the acquisition of various mining assets.

DIRECTORS

The names of Directors who held office during or since the end of the half year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

- Luke Reinehr
- Paul Adams
- Graeme Sloan
- John Leddy
- Simon Coyle

PRINCIPAL ACTIVITIES

The Group is a minerals exploration Group with a focus on lithium. Following the successful admission to the ASX Official List on 8 January 2024, the Group has rights to explore across three highly prospective lithium regions, being the Pilbara region of Western Australia, the Eastern Yilgarn region in Western Australia, and the Lachlan Fold Belt region across Victoria and New South Wales. The lithium projects across these regions consist of:

- Higginsville Project
- DOM's Hill Project
- Marble Bar Project
- Pear Creek Project
- Jingellic Project
- Tallangatta Project

OPERATING RESULT

The Group's profit for the half-year ended 31 December 2023 after providing for income tax amounted to $286,313 (31 December 2022, loss of $632,582).

SIGNIFICANT CHANGE IN STATE OF AFFAIRS

On 8 May 2023, the Group's parent Group, Kalamazoo, announced that it proposed to:

- spin-out the Marble Bar Project and DOM's Hill Project to the Group; and
- undertake an in-specie distribution of 25% of the Shares to be held by Kalamazoo in the Group (In-specie Shares) to Kalamazoo Shareholders (Kalamazoo In-specie Distribution)

The transfer of the DOM's Hill and Marble Bar Projects to the Group and the Kalamazoo In-specie Distribution was subject to the required approvals of Kalamazoo Shareholders under the ASX Listing Rules and the Corporations Act, which were obtained on 18 December 2023.

On 20 December 2023, the Group received conditional approval from the ASX for admission to the Official List.

On 22 December 2023, the Group and Kalamazoo entered into a Deed of Debt Forgiveness whereby the borrowings from Kalamazoo to the Group were forgiven. This was followed by the issue of 37,862,900 of the Group's shares to Kalamazoo for the tenement and mineral rights acquisition related to the Marble Bar Project and DOM's Hill Project. Following the completion of these tenement and mineral rights transfer, Kali demerged from the Kalamazoo Group on 29 December 2023.

Kalamazoo and Sociedad Quimica y Minera ("SQM") had previously entered into the SQM Earn-in Agreement which entitles SQM to earn-in up to a 70% interest in the Marble Bar Project and DOM's Hill Project. The Group, Kalamazoo and SQM have entered into a deed of assignment and assumption dated 30 August 2023 under which Kalamazoo will assign its rights, and the Group will assume the obligations of Kalamazoo, under the SQM Earn-in Agreement. The assignment has taken effect upon completion occurring under the Tenement Sale Agreement.

On 2 May 2023, the Group, Kalamazoo, and Karora Resources Limited ("Karora Group") entered into a Shareholder's Deed to govern the activities of the Group prior to listing. The Shareholder's Deed provided for the issue of 1 million Founder Shares at $0.05 per share each to Kalamazoo and Karora Group. On 22 December 2023, post obtaining Kalamazoo's shareholder approval, the Founders shares were issued to Kalamazoo and Karora.

On 22 December 2023, the Group also issued 13,120,000 ordinary shares as part of pre-IPO Seed Raising for $1.64 million before costs.

On 22 December 2023, the Group completed the tenement acquisition (P15/6778) from James Mansen as trustee for Wildcard (WA) Pty Ltd. Consideration paid as part of the tenement acquisition was $75,000 cash plus 300,000 consideration shares at $0.25 per share. The tenement sale agreement was originally entered on 17 October 2023.

On 29 December 2023, the Group completed a Share Sale transaction with Karora Group, whereby Avoca Mining Pty Ltd, a wholly owned subsidiary of Karora, has agreed to sell, and the Group has agreed to buy 100% interest in Karora Lithium Pty Ltd ("Karora Lithium"). Prior to the completion of the Share Sale transaction, Karora Lithium entered into a Mineral Rights Agreement with Karora Group's subsidiaries being Avoca Mining Pty Ltd, Avoca Resources Pty Ltd, Polar Metals Pty Ltd and, Corona Minerals Pty Ltd (together, the Grantors) which will grant the Higginsville Lithium Rights to Karora Lithium prior to completion of the Share Sale Agreement. Each Mineral Rights Agreement continues until the relevant Higginsville Lithium Rights have been relinquished or the relevant tenements have expired or otherwise terminated. The Grantor cannot relinquish a tenement, or part of it, without first offering the relevant area to Karora Lithium for no consideration. Under each Mineral Rights Agreement, Karora Lithium has agreed to grant and pay each Grantor a 1% net smelter return royalty (Royalty) payable with respect to any Higginsville Lithium Rights (and any other minerals it is entitled to retain under the Mineral Rights Agreement) produced or extracted by Karora Lithium or any of its Related Bodies Corporate in respect of their Relevant Tenements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 8 January 2024, Kali successfully listed on the ASX and raised $15 million before costs through the issue of 60,000,000 ordinary shares. Additionally, the Company also appointed Mr Stuart Peterson as General Manager of Geology on 8 January 2024.

On 7 March 2024, Kali exercised the option with Mining and Energy Group Pty Ltd (MEG) to add MEG's tin-tungsten and lithium-caesium-tantalum rights at its EL8958 to Kali's Lachlan Fold Belt Project in NSW.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is set out immediately after this Directors' Report.

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

Graeme Sloan
Managing Director

14 March 2024

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF KALI METALS LIMITED

As lead auditor for the review of Kali Metals Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kali Metals Limited and the entity it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth

14 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Notes	Half-year ended 31 Dec 2023 $	Half-year ended 31 Dec 2022 $
Revenue			
Other income		25,376	-
Gain on loan forgiven	8	1,514,724	-
Expenses			
Employee benefits expense		(333,436)	-
Impairment of exploration and evaluation assets		-	(626,012)
Share based payments	·10	(389,493)	-
Other expenses	3	(530,857)	(6,570)
Profit / (Loss) from continuing operations before income tax		**286,313**	**(632,582)**
Income expense		-	-
Profit/(Loss) after income tax attributable to the owners of Kali Metals Limited		**286,313**	**(632,582)**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income, net of tax		**-**	**-**
Total comprehensive profit/(loss) for the period attributable to the owners of Kali Metals Limited		**286,313**	**(632,582)**
Profit/(Loss) per share from continuing operations attributable to the ordinary equity holders of Kali Metals Limited:			
Basic and diluted profit/(loss) per share (cents)	11	**8.38**	**(6,326)**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	31 Dec 2023 $	30 Jun 2023 $
CURRENT ASSETS			
Cash and cash equivalents	4	13,475,134	91,931
Trade and other receivables	5	785,999	13,077
Other current assets		-	4,284
TOTAL CURRENT ASSETS		**14,261,133**	**109,292**
NON-CURRENT ASSETS			
Property, plant and equipment		7,540	-
Exploration and evaluation assets	6	13,237,199	717,218
TOTAL NON-CURRENT ASSETS		**13,244,739**	**717,218**
TOTAL ASSETS		**27,505,872**	**826,510**
CURRENT LIABILITIES			
Trade and other payables	7	1,876,332	347,731
Borrowings	8	-	1,581,365
Funds received in advance of IPO		12,677,000	-
TOTAL CURRENT LIABILITIES		**14,553,332**	**1,929,096**
TOTAL LIABILITIES		**14,553,332**	**1,929,096**
NET ASSETS / (LIABILITIES)		**12,952,540**	**(1,102,587)**
EQUITY			
Contributed equity	9	12,976,399	100
Reserves	10	792,515	-
Accumulated losses		(816,374)	(1,102,687)
TOTAL EQUITY / (DEFICIENCY)		**12,952,540**	**(1,102,587)**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Notes	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2022		**100**	**-**	**(34,555)**	**(34,455)**
Total comprehensive loss for the period		-	-	(632,582)	(632,582)
Other comprehensive loss		-	-	-	-
Total comprehensive loss for the period net of tax		**-**	**-**	**(632,582)**	**(632,582)**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs		-	-	-	-
Balance at 31 December 2022		**100**	**-**	**(667,137)**	**(667,037)**
Balance at 1 July 2023		**100**	**-**	**(1,102,687)**	**(1,102,587)**
Total comprehensive profit for the period		-	-	286,313	286,313
Other comprehensive profit		-	-	-	-
Total comprehensive profit for the period net of tax		**-**	**-**	286,313	286,313
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs (Note 9)		12,976,299	-	-	12,976,299
Issue of Brokers Options (Note 10)		-	403,022	-	403,022
Share based payment (Note 10)		-	389,493	-	389,493
Balance at 31 December 2023		**12,976,399**	**792,515**	**(816,374)**	**12,952,540**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Notes	Half-year ended 31 Dec 2023 $	Half-year ended 31 Dec 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(610,445)	(12,570)
Interest received		25,376	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(585,069)**	**(12,570)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		(286,014)	(109,175)
Payment for property, plant, and equipment		(7,540)	-
Payment for tenement assets acquisitions		(50,000)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(343,554)**	**(109,175)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (net of transaction costs)		1,574,826	-
Funds received in advance of IPO		12,677,000	-
Proceeds from borrowings		710,000	209,475
Repayment of borrowings		(650,000)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**14,311,826**	**209,475**
Net increase in cash and cash equivalents		13,383,203	87,730
Cash at the beginning of the period		91,931	100
CASH AT THE END OF THE PERIOD	4	**13,475,134**	**87,830**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

1. BASIS OF PREPARATION

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporation Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2023. All accounting policies are consistent with those applied for the period ended 30 June 2023.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Kali Metals Limited is a company incorporated in Australia on 31 August 2021 and was a wholly owned subsidiary of Kalamazoo Resources Limited ("Kalamazoo"). Kali demerged from Kalamazoo on 29 December 2023 following completion of tenement sale agreement with Kalamazoo, and various other transactions as disclosed in the Prospectus dated 3 November 2023. The Company commenced trading on the ASX on 8 January 2024.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kali Metals Limited as at 31 December 2023 and the results of all subsidiaries for the period then ended. Kali Metals Limited and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

New accounting standards and interpretations

In the half-year ended 31 December 2023, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2023.

The adoption of the new and revised Standards and Interpretations have not had a material impact on this half-year financial report.

Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Capitalisation of exploration and evaluation expenditure

The Group has capitalised exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model or Trinomial model. Should the assumptions used in these calculations differ, the amounts recognised could significantly change.

Asset Acquisition

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. The acquisition of an entity that meets the concentration test (AASB 2018-6) would be accounted for as an asset acquisition not a business combination.

No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset. Assets acquired during the period were exploration expenditure. Estimates and judgement are required by the Group, taking into consideration all available information at the acquisition date, to assess the fair value of assets acquired, liabilities and contingent liabilities assumed.

3. OTHER EXPENSES

	2023 $	2022 $
Accounting and audit fees	(176,700)	-
ASX / ASIC fees	(115,250)	-
Consultants – corporate	(120,015)	-
Investor related expenses	(53,946)	-
Legal	31,840	-
Depreciation	(274)	-
Computer expenses	(28,540)	-
Office expenses	(32,058)	(6,570)
Travel expenses	(28,414)	-
Insurance	(7,500)	-
Total other expenses	**(530,857)**	(6,570)

4. CASH AND CASH EQUIVALENTS

	31 Dec 2023 $	30 Jun 2023 $
Cash at bank and on hand	798,134	91,931
Restricted cash[1]	12,677,000	-
	13,475,134	**91,931**

[1]Cash received in advances of issuing shares under the prospectus is restricted at reporting date.

5. TRADE AND OTHER RECEIVABLES

	31 Dec 2023 $	30 Jun 2023 $
Prepayments	785,999	13,077
	785,999	13,077

The prepayment balance includes $737,235, which is related to the fair value of broker options issued and brokers fees related to the IPO recorded during the period ended 31 December 2023. However, the broker services were not completed until after the half-year period.

6. EXPLORATION AND EVALUATION ASSETS

	31 Dec 2023 $	30 Jun 2023 $
Exploration and evaluation assets	**12,729,570**	**717,218**
Capitalised cost at the beginning of the period	717,218	1,124,478
Tenements assets acquisition (i), (ii), and (iii)	12,021,522	-
Exploration expenditure incurred during the period	498,459	341,671
Impairment of exploration and evaluation assets	-	(748,931)
Capitalised cost at end of the period	**13,237,199**	**717,218**

Pursuant to Australian Accounting Standard AASB 6: *Exploration for and Evaluation of Mineral Resources* the Group has elected to capitalise its exploration expenditures as incurred. The Group reviews its capitalised expenditure by area of interest on an ongoing basis to assess whether there are any impairment indicators that may suggest that that the carrying amount exceeds the recoverable amount.

In the prior year, the Company reviewed the carrying value of its Pear Creek Project and wrote down $748,931 on this project in order to reflect the Company's estimation of its recoverable value.

Kali entered into various acquisition agreements during the period, comprising the following:

(i) Marble Bar Project and DOM's Hill Project

The Company entered into a tenement sale agreement with Kalamazoo for the acquisition of tenement and mineral rights related to the Marble Bar Project and DOM's Hill Project. The Company issued 37,862,900 of the Company's shares to Kalamazoo as part of the consideration paid for the tenement and mineral rights. The assets were transferred prior to Kali demerging from Kalamazoo. The acquisitions of the tenement and mineral rights were classified as a transfer within a controlled Group under AASB 10: Consolidated Financial Statements. In accordance with the applicable standard, the tenement and mineral rights were initially recognised and measured at cost. In this instance, the Company has applied the carrying value of the tenement assets at the date of transfer, which was $3,581,284.

(ii) Mansen Tenement

The tenement sale agreement was originally entered on 17 October 2023. On 22 December 2023, the Company completed the tenement acquisition (P15/6778) from James Mansen as trustee for Wildcard (WA) Pty Ltd. Consideration paid as part of the tenement acquisition is $75,000 cash plus 300,000 consideration shares at $0.25 per share.

The acquisitions of Mansen tenement were deemed to be asset acquisition under AASB 6: Exploration for and Evaluation of Minerals Resources. Under the asset acquisitions, the value of the assets acquired is allocated on a relative fair value approach. As the consideration for the assets was made through the issue of Consideration Shares and in the case of the Mansen Licence, an additional $75,000 of cash consideration, this required the provisions of AASB 2: Share-Based Payments to be applied. The Company determined the fair value of the Consideration Shares to be equivalent to the Offer price of $0.25. The fair value of the assets could not be estimated reliably and therefore, the value of the tenements and mineral rights acquired was accounted for at the purchase consideration implied by the fair value of the Consideration Shares plus cash consideration, totalling $300,000.

(iii) Higginsville Lithium Project

On 27 December 2023, the Company completed Share Sale transaction with Karora Group, whereby Avoca Mining Pty Ltd, a wholly owned subsidiary of Karora, has agreed to sell, and the Company has agreed to buy 100% interest in Karora Lithium Pty Ltd. Prior to the completion of the Share Sale transaction, Karora Lithium Pty Ltd entered into Mineral Rights Agreement with Karora Group's subsidiaries being Avoca Mining Pty Ltd, Avoca Resources Pty Ltd, Polar Metals Pty Ltd and, Corona Minerals Pty Ltd (together, the Grantors) which will grant the Higginsville Lithium Rights to Karora Lithium Pty Ltd prior to completion of the Share Sale Agreement. Under each Mineral Rights Agreement, Karora Lithium Pty Ltd has agreed to grant and pay each Grantor a 1% net smelter return royalty (Royalty) payable with respect to any Higginsville Lithium Rights (and any other minerals it is entitled to retain under the Mineral Rights Agreement) produced or extracted by Karora Lithium Pty Ltd or any of its Related Bodies Corporate in respect of their Relevant Tenements.

Management have assessed that the acquisition of Karora Lithium Pty Ltd does not constitute a business and the acquisitions of Higginsville Lithium Rights were deemed to be an asset acquisition as it met the asset concentration test. Under the asset acquisitions, the value of the assets acquired is allocated on a relative fair value approach. The fair value of the assets could not be reliably measured therefore the fair value of equity was used to determine the fair value of assets acquired. As the consideration for the assets was primarily made through the issue of 30,797,000 Consideration Shares and this required the provisions of AASB 2: Share-Based Payments to be applied. The Company determined the fair value of the Consideration Shares to be equivalent to the Offer price of $0.25, totalling $7,699,250.

Allocation to the net identifiable assets is as follows:

	Fair Value $
Consideration and Transaction costs	
Fair Value of consideration share issued to vendor	7,699,250
Transaction Cost Capitalised	387,629
	8,086,879
Allocation to the net identifiable assets is as follows	
Assets	
Exploration and Evaluation Asset	8,086,879
	8,086,879

There were no other identifiable assets acquired or assumed liabilities. Refer to Note 14 for exploration commitments at reporting date.

7. TRADE AND OTHER PAYABLES

	31 Dec 2023 $	**30 Jun 2023 $**
Trade creditors	1,081,718	335,731
Other payables and accruals	794,614	12,000
	1,876,332	**347,731**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the period and which are unpaid. Trade creditors are unsecured, non-interest bearing and are normally settled on 30-day terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

8. CURRENT LIABILITIES - BORROWINGS

	31 Dec 2023 $	30 Jun 2023 $
Loan – Kalamazoo Resources Limited[1]	-	1,481,365
Loan – Mostia Dom Nominees Pty Ltd[2]	-	50,000
Loan – Karora Resources Inc.[3]	-	50,000
	-	**1,581,365**

[1] The Company's parent, Kalamazoo Resources Limited, has provided an interest free, unsecured loan with no set repayment date to the Company in order for the Company to meet its expenditure commitments on its tenements and working capital requirement. Kalamazoo loaned an additional $410,000 during the period ended 31 December 2023. After receiving Kalamazoo shareholder approval on 18 December 2023, Kalamazoo and the Company entered a Deed of Forgiveness, resulting in repayment of borrowings of $350,000 and the forgiveness of the remaining borrowing balance, being $1,514,724.

[2] In addition, Mostia Dom Nominees Pty Ltd has provided an interest free, unsecured loan with no set repayment date to the Company. The loans were subsequently settled via issue of 400,000 ordinary share of the Company.

[3] Karora Group provided an interest-free, unsecured loan with no set repayment date to the Company. During the period, Karora Group loaned an additional $300,000. $50,000 of the loans were subsequently settled via the issuance of 1,000,000 ordinary share of the Company, and the remaining balance of $300,000 was repaid to Karora Group during the period.

9. ISSUED CAPITAL

	31 Dec 2023 $	No.	30 Jun 2023 $	No.
(b) Issued capital				
Ordinary shares – fully paid	**12,976,399**	**84,146,345**	**100**	**100**

(c) Movement Reconciliation

	No. of Shares	$
Opening Balance at 1 July 2023	100	100
22 Dec 2023 – Issue of shares to Kalamazoo for the acquisition of tenements/mining rights[1]	37,862,900	3,581,284
22 Dec 2023 – Issue of Founder Shares to Kalamazoo and Karora	2,000,000	100,000
22 Dec 2023 – Issue of Shares as part of Seed raising	13,120,000	1,640,000
22 Dec 2023 – Issue of Shares for the Mansen tenement acquisition[1]	300,000	75,000
29 Dec 2023 – Issue of shares to Karora for Lithium mineral rights acquisition[1]	30,797,000	7,699,250
29 Dec 2023 – Issue of shares to Karora for additional shares under the tenement sale agreement	66,345	16,585
Share issue costs	-	(135,820)
Closing Balance at 31 December 2023	**84,146,345**	**12,976,399**

[1]Refer to Note 6 for further details of equity issued.

10. RESERVES

	31 Dec 2023 $	No.	30 Jun 2023 $	No.
(a) Reserve				
Options reserve	**403,022**	**3,990,321**	-	-
Performance rights reserve	**389,493**	**11,476,162**	-	-
	792,515		-	

(b) Options Movement Reconciliation

	No. of Shares	$
Opening Balance at 1 July 2023	-	-
29 Dec 2023 – Issue of Joint Lead Managers Options	3,990,321	403,022
Closing Balance at 31 December 2023	**3,990,321**	**403,022**

During the period, the Company issued a total of 3,990,321 options to Joint Lead Managers ("JLM") as part of IPO costs. The JLM options consist of three tranches, as the fair value of the services were not able to be reliably measured the fair value of the JLM Options has been calculated using the Black Scholes option pricing with the key inputs used for the valuation detailed below:

	Tranche 1	Tranche 2	Tranche 3
Number of options	798,064	1,596,128	1,596,128
Underlying share price	$0.25	$0.25	$0.25
Exercise price	$0.375	$0.425	$0.50
Volatility	100%	100%	100%
Life of the options	2 years	2 years	2 years
Expected dividends	Nil	Nil	Nil
Risk free rate	4.18%	4.18%	4.18%
Value per option	$0.111	$0.103	$0.094
Total Fair Value	$88,585	$164,401	$150,036

The JML Options were treated as a prepayment at reporting date as they vested immediate on issuing IPO share after reporting date. Refer to further details in Note 5.

(c) Performance Rights Movement Reconciliation

	No. of Performance Rights	$
Opening Balance at 1 July 2023	-	-
29 Dec 2023 – Issue of Performance Rights to Directors and Employees	11,476,162	389,493
Closing Balance at 31 December 2023	**11,476,162**	389,493

During the period, the Company issued 5,738,081 Tranche A Incentive Performance Rights and 5,738,081 Tranche B Incentive Performance Rights to Directors and Employees. The Performance Rights have the following vesting conditions:

- Tranche A Incentive Performance Rights will vest on the date the Company announces a JORC Code compliant indicated resource estimate of an aggregate of at least 10Mt of lithium at a minimum grade of 1% Li_2O across any of its projects within 36 months from the date of issue; and
- Tranche B Incentive Performance Rights will vest on the date the Company announces a JORC Code compliant indicated resource estimate of an aggregate of at least 30Mt of lithium at a minimum grade of 1% Li_2O across any of its projects within 36 months from the date of issue.

The fair value of the Performance Rights has been calculated using the share price at valuation date. The key inputs used for the valuation are detailed below:

	Tranche 1	Tranche 2
Number of performance rights	5,738,081	5,738,081
Underlying share price	$0.25	$0.25
Value per right	$0.25	$0.25
Total Fair Value	$1,434,521	$1,434,521

(d) Recognised share-based payment expense

	31 December 2023 $
Expense arising from performance rights settled share-based payment transactions	389,493

11. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

Basic and diluted profit/(loss) per share	31 December 2023 $	31 December 2022 $
Basic and diluted profit/(loss) per share (cents per share)	8.38	(6,326)
Basic and diluted profit/(loss) per share from continuing operations (cents per share)	8.38	(6,326)
Profit/(Loss)		
Profit/(loss) used in the calculation of basic and diluted earnings per share is as follows:		
Profit/(Loss) for the period	286,313	(632,582)
Profit/(Loss) from continuing operations	286,313	(632,582)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted EPS	3,417,690	100

12. DIVIDENDS

No dividends have been declared or paid during the half-year period.

13. RELATED PARTY DISCLOSURE

a) Parent entity

The Company was a wholly owned subsidiary of Kalamazoo Resources Limited. The Company received conditional approval from the ASX for admission on 20 December 2023, and subsequently on 29 December 2023, the Company demerged from Kalamazoo Resources Limited.

b) Key Management Personnel

For the period 31 December 2023, the following service agreements were entered into for the Directors and key management personnel of Kali:

Executive Services Agreement – Managing Director
The Company has entered into an executive services agreement with Mr Graeme Sloan in respect of his employment as Managing Director of the Company (Executive Services Agreement).

Name	Base salary excluding superannuation	Termination benefit
Executive		
Graeme Sloan	AUD$300,000	Either party may terminate the employment by providing 3 months' notice in writing.

Executive Services Agreement – Non-Executive Directors
On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board's policies and terms, including compensation, relevant to the director.

Name	Base salary excluding superannuation
Non-Executive	
Luke Reinehr (Chairman)	AUD$85,000
Paul Adams	AUD$50,000
Simon Coyle	AUD$50,000
John Leedy	AUD$50,000

Other transactions with Key Management Personnel

Issue of Incentive Performance Rights

During the half year to 31 December 2023, the following securities were issued to directors:

Name	Class of Securities	Grant Date	No of Rights	Share based payments
Executive				
Graeme Sloan	KM1PRA - Performance Rights A	29 Dec 2023	1,508,341	$63,994
	KM1PRB - Performance Rights B	29 Dec 2023	1,508,341	$38,390
Non-Executive				
Luke Reinehr	KM1PRA - Performance Rights A	29 Dec 2023	1,205,077	$51,125
	KM1PRB - Performance Rights B	29 Dec 2023	1,205,077	$30,671
Paul Adams	KM1PRA - Performance Rights A	29 Dec 2023	901,813	$38,261
	KM1PRB - Performance Rights B	29 Dec 2023	901,813	$22,953

Simon Coyle	KM1PRA - Performance Rights A	29 Dec 2023	606,529	$25,733
	KM1PRB - Performance Rights B	29 Dec 2023	606,529	$15,437
John Leedy	KM1PRA - Performance Rights A	29 Dec 2023	606,529	$25,733
	KM1PRB - Performance Rights B	29 Dec 2023	606,529	$15,437
			TOTAL	$327,734

Refer to Note 10 for further details in regard to incentive options and performance rights issued during the period.

c) Loans from related parties

The Company's previous parent entity, Kalamazoo Resources Limited, has provided an interest free, unsecured loan with no set repayment date to the Company in order for the Company to meet its expenditure commitments on its tenements and working capital (refer Note 6). The Company received conditional approval from the ASX for admission on 20 December 2023, and subsequently on 22 December 2023, the Company entered into a formal Deed of Forgiveness with Kalamazoo whereby $350,000 was repaid back to Kalamazoo and the remaining loan balance was forgiven.

14. COMMITMENTS

(a) Exploration Expenditure

In order to maintain mining tenements, the Company is committed to meet the prescribed conditions under which tenements were granted. These commitments may be met in the normal course of operations by future capital raisings and/or farm-out and under certain circumstances are subject to the possibility of adjustment to the amount and timing of such obligations or by tenement relinquishment.

	31 December 2023 $	30 June 2023 $
Not later than 12 months	7,613,255	-
Between 12 months and 5 years	48,772,399	-
Greater than 5 years	29,258,403	-
Closing Balance at 31 December 2023	85,644,057	-

These commitments can be mitigated by farm-out or joint venture arrangements.

On 29 December 2023, the Group completed a Share Sale transaction with Karora Group, whereby Avoca Mining Pty Ltd, a wholly owned subsidiary of Karora, has agreed to sell, and the Group has agreed to buy 100% interest in Karora Lithium Pty Ltd ("Karora Lithium"). Prior to the completion of the Share Sale transaction, Karora Lithium entered into a Mineral Rights Agreement with Karora Group's subsidiaries being Avoca Mining Pty Ltd, Avoca Resources Pty Ltd, Polar Metals Pty Ltd and, Corona Minerals Pty Ltd (together, the Grantors) which will grant the Higginsville Lithium Rights to Karora Lithium prior to completion of the Share Sale Agreement. Each Mineral Rights Agreement continues until the relevant Higginsville Lithium Rights have been relinquished or the relevant tenements have expired or otherwise terminated. The Grantor cannot relinquish a tenement, or part of it, without first offering the relevant area to Karora Lithium for no consideration. Under each Mineral Rights Agreement, Karora Lithium has agreed to grant and pay each Grantor a 1% net smelter return royalty (Royalty) payable with respect to any Higginsville Lithium Rights (and any other minerals it is entitled to retain under the Mineral Rights Agreement) produced or extracted by Karora Lithium or any of its Related Bodies Corporate in respect of their Relevant Tenements.

As at the reporting date, there has been no other material change in the commitments and contingencies since 30 June 2023.

15. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 8 January 2024, Kali successfully listed on the ASX and raised $15 million before costs through the issue of 60,000,000 ordinary shares. Additionally, the Company also appointed Mr Stuart Peterson as General Manager of Geology on 8 January 2024.

On 7 March 2024, Kali exercised the option with Mining and Energy Group Pty Ltd (MEG) to add MEG's tin-tungsten and lithium-caesium-tantalum rights at its EL8958 to Kali's Lachlan Fold Belt Project in NSW.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

16. SEGMENT INFORMATION

Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its exploration and corporate activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

The Group operates within on segment which is mineral exploration within Australia. The Group is domiciled in Australia.

DIRECTORS' DECLARATION

In the opinion of the directors of Kali Metals Limited:

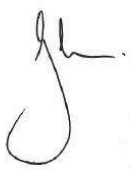
1) the financial statements and notes of Kali Metals Limited are in accordance with the *Corporations Act 2001*, including:

   a) giving a true and fair view of its financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

   b) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and

2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Graeme Sloan
Managing Director

14 March 2024

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kali Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Kali Metals Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 14 March 2024