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FINANCIAL STATEMENTS

For the year ended 30 June 2023

ACN 653 279 371

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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

COMPANY SECRETARIES

Bernard Crawford
Kate Dytlewski

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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Telephone: +61 (8) 6424 8880
Web: www.kalimetals.com.au

SHARE REGISTER

Advanced Share Registry
110 Stirling Highway
Nedlands, WA 6009

AUDITOR

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

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DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on Kali Metals Limited ("the Company" or "Kali") for the period ended 30 June 2023. The Company was incorporated as a private company (Kali Metals Pty Ltd) on 31 August 2021 and on 21 April 2023 the Company converted to a public company (Kali Metals Limited). The Company is a wholly owned subsidiary of Kalamazoo Resources Limited ("Kalamazoo").

DIRECTORS

The following persons were directors of the Company during the whole of the financial period and up to the date of this report, unless noted otherwise:

- Luke Reinehr
- Paul Adams
- Graeme Sloan (appointed 19 May 2023)
- John Leddy (appointed 19 May 2023)
- Simon Coyle (appointed 19 May 2023)
- Angus Middleton (resigned 19 May 2023)
- Luke Mortimer (resigned 19 May 2023)

PRINCIPAL ACTIVITIES

During the financial period, the principal activities of the Company were:

- to carry out exploration on its mineral tenements.
- to seek extensions of areas held and to seek out new areas with mineral potential; and
- to evaluate new opportunities for joint venture or acquisition.

FINANCIAL RESULTS

The loss of the Company after providing for income tax for the period ended 30 June 2023 was $1,068,132 (2022: loss of $34,555).

DIVIDENDS

There were no dividends declared or paid during the financial period. No recommendation for the payment of a dividend has been made by the Directors.

FINANCIAL

As at 30 June 2023 the Company had a net asset deficiency of $1,102,587 (2022: $34,455) including cash and cash equivalents of $91,931 (2022: $100) and capitalised exploration and evaluation assets of $717,218 (2022: $1,124,478).

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SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 21 April 2023 the Company converted to a public company, Kali Metals Limited.

On 8 May 2023, Kalamazoo announced to the Australian Securities Exchange ("ASX") that it had entered into a Shareholders Agreement with Karora Resources Inc. for the purpose of vending its non-gold exploration projects and mineral rights into Kali, and the undertaking of an IPO of Kali on the ASX. This would see Kali Metals Limited as an independent lithium focussed company.

There were no other significant changes in the state of affairs of the Company during the financial period.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial years not already disclosed in this report.

ENVIRONMENTAL REGULATION

The Company is subject to significant environmental regulation in respect of its exploration activities. Tenements in Victoria, Western Australia and New South Wales are granted subject to adherence to environmental conditions with strict controls on clearing, including a prohibition on the use of mechanised equipment or development without the approval of the relevant Government agencies, and with rehabilitation required on completion of exploration activities. These regulations are controlled by the Department of Jobs, Precincts and Regions (Victoria), the Department of Mines, Industry Regulation and Safety (Western Australia), and the NSW Department of Industry.

The Company conducts its exploration activities in an environmentally sensitive manner and is not aware of any breach of statutory conditions or obligations.

SHARES UNDER OPTION

There were no unissued ordinary shares of the Company under option outstanding at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of the Company issued on the exercise of options during the period ended 30 June 2023 and up to the date of this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the reporting period, the Company paid a premium to insure the Directors and Officers of Kalamazoo and the Company against any liability incurred as a Director or Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits the disclosure of the nature of the liabilities covered or the amount of the premium paid.

The Company has not entered into any agreement with its current auditors indemnifying them against claims by a third party arising from their position as auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amount paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 16 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 16 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Luke Reinehr
Non-Executive Chairman

Perth, 11 October 2023

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

As lead auditor for the audit of Kali Metals Limited for the period ended 30 June 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.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth

11 October 2023

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Revenue			
Other income		-	-
Expenses			
Impairment of exploration and evaluation assets	6	(748,931)	(22,555)
Other expenses	3	(319,201)	(12,000)
Loss before income tax expense		**(1,068,132)**	**(34,555)**
Income tax expense	18	-	-
Loss after income tax expense for the period attributable to the owners of Kali Metals Limited		**(1,068,132)**	**(34,555)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period attributable to the owners of Kali Metals Limited		**(1,068,132)**	**(34,555)**

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

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2023 $	2022 $
ASSETS			
Current assets			
Cash and cash equivalents	4	91,931	100
Trade and other receivables	5	13,077	-
Other current assets		4,284	-
Total current assets		**109,292**	**100**
Non-current assets			
Exploration and evaluation assets	6	717,218	1,124,478
Total non-current assets		**717,218**	**1,124,478**
TOTAL ASSETS		**826,510**	**1,124,578**
LIABILITIES			
Current liabilities			
Trade and other payables	7	347,731	12,000
Borrowings	8	1,581,365	1,147,033
Total current liabilities		**1,929,096**	**1,159,033**
TOTAL LIABILITIES		**1,929,096**	**1,159,033**
NET ASSETS		**(1,102,587)**	**(34,455)**
EQUITY			
Contributed equity	9	100	100
Accumulated losses	10	(1,102,687)	(34,555)
TOTAL EQUITY / (DEFICIENCY)		**(1,102,587)**	**(34,455)**

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

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 31 August 2021		100	-	**100**
Loss after income tax expense for the period		-	(34,555)	(34,555)
Other comprehensive loss for the period		-	-	-
Total comprehensive loss for the period		**-**	**(34,555)**	**(34,555)**
Balance at 30 June 2022		**100**	**(34,555)**	**(34,455)**
Balance at 1 July 2022		**100**	**(34,555)**	**(34,455)**
Loss after income tax expense for the period		-	(1,068,132)	(1,068,132)
Other comprehensive loss for the period		-	-	-
Total comprehensive loss for the period		-	(1,068,132)	(1,068,132)
Balance at 30 June 2023		**100**	**(1,102,687)**	**(1,102,587)**

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

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Payments to suppliers and employees		(33,636)	-
Net cash used in operating activities	**17**	(33,636)	**-**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(308,865)	(347,033)
Net cash used in investing activities		**(308,865)**	**(347,033)**
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)		-	100
Proceeds from borrowings		100,000	-
Proceeds from related parties		334,332	347,033
Net cash inflows from financing activities		**434,332**	**347,133**
Net increase in cash and cash equivalents		91,831	100
Cash and cash equivalents at the beginning of the financial period		100	-
Cash and cash equivalents at end of the financial period	**4**	**91,931**	**100**

This Statement of Cash Flows should be read in conjunction with the accompanying notes

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: CORPORATE INFORMATION

The financial report of Kali Metals Limited for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 11 October 2023.

Kali Metals Limited is a for-profit company incorporated in Australia and limited by shares. The nature of the operation and principal activities of the entity are described in the attached Directors' Report.

The principal accounting policies adopted in the preparation of these financial statements are set out below and have been applied consistently to all periods presented in the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Compliance with IFRS

The financial statements of Kalamazoo Resources Limited also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

a) Basis of measurement

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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b) Going concern

The financial report has been prepared on the basis that the Company is a going concern, with continuity of the normal course of business activity, and realisation of assets and settlement of liabilities in the ordinary course of business.

The Company incurred a loss for the period of $1,068,132 (2022: loss of $34,555); included in this loss were impairment losses of $748,931 (2022: $22,555). During the year the Company incurred net cash outflows from operating and investing activities of $ 58,169 (2022: $347,033). As at 30 June 2023, the Company had a cash and cash equivalents balance of $91,931 (2022: $100).

The ability for the Company to continue as a going concern and continue planned exploration activities is therefore dependent on the ability to secure additional funding through an initial public offering ("IPO") on the Australia Securities Exchange and support from its parent Kalamazoo Resources Limited.

These conditions indicate a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe as at the date of this report there are reasonable ground to believe that the Company will continue as a going concern for the following reasons:

- The Company is in the process of undertaking an IPO to raise funds of $10,000,000 - $12,000,000 before costs under a prospectus expected to be issued in late 2023; and
- The Company will continue to be supported by its parent, Kalamazoo Resources Limited, as required.

Should the Company not continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Company not continue as a going concern.

c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is Kali's functional and presentation currency.

d) Revenue

The Company recognises revenue as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

e) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

f) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when:

- it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; or
- the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is either expected to be settled in the Company's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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h) Impairment of non-financial assets

Non-financial assets are reviewed 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 carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

j) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

k) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

l) Dividends

Dividends are recognised when declared during the financial period and no longer at the discretion of the Company.

m) 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

n) Exploration and evaluation assets

Exploration and evaluation expenditure, including the costs of acquiring licences and permits, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

a) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

b) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. These assessments include (a) substantive exploration expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned; (b) exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and (c) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Management have undertaken a review of impairment indicators on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Management undertakes impairment testing when impairment indicators are present. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of minerals in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mineral property and development assets within property, plant and equipment.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

o) 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. 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 capitalised as exploration and evaluation assets.

p) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

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Recoverability of exploration and evaluation assets

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company 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.

Income tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax asset has been recognised in the Statement of Financial Position in respect of the amount of either these losses or other deferred tax expenses.

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NOTE 3: OTHER EXPENSES

	2023 $	2022 $
Accounting and audit fees	(20,105)	(12,000)
ASX / ASIC fees	(5,000)	-
Consultants – corporate	(162,458)	-
Investor related expenses	(11,995)	-
Legal	(114,638)	-
Sundry expenses	(5,005)	-
Total other expenses	**(319,201)**	**(12,000)**

NOTE 4: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2023 $	2022 $
Cash at bank and on hand	91,931	100

NOTE 5: TRADE AND OTHER RECEIVABLES

	2023 $	2022 $
GST receivable	13,077	-

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NOTE 6: NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	2023 $	2022 $
Balance at the beginning of the period	**1,124,478**	-
Expenditure incurred	341,671	1,147,033
Impairment of exploration and evaluation assets	(748,931)	(22,555)
Balance at the end of the period	**717,218**	**1,124,478**

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

During the year the Company booked an impairment expense of $748,931 (2022: $22,555). This primarily related to a partial write down of the carrying value of the Pear Creek Project reflecting the Company's estimation of its recoverable value.

NOTE 7: TRADE AND OTHER PAYABLES

	2023 $	2022 $
Trade creditors	335,731	-
Other payables and accruals	12,000	12,000
	347,731	**12,000**

NOTE 8: CURRENT LIABILITIES – BORROWINGS

	2023 $	2022 $
Loan – Kalamazoo Resources Limited	1,481,365	1,147,033
Loan – Mostia Dion Nominees Pty Ltd	50,000	-
Loan – Karora Resources Inc.	50,000	-
	1,581,365	1,147,033

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 for initial costs associated with the initial public offering.

In addition, Mostia Dion Nominees Pty Ltd and Karora Resources Inc. have provided interest free, unsecured loans with no repayment terms to the Company.

NOTE 9: CONTRIBUTED EQUITY

a) Share capital

	2023 Shares	2023 $
Ordinary shares – fully paid	100	100

NOTE 10: EQUITY – ACCUMULATED LOSSES

	2023 $	2022 $
Accumulated losses at the beginning of the financial period	(34,555)	-
Loss after income tax expense for the period	(1,068,132)	(34,555)
Accumulated losses at the end of the financial period	**(1,102,687)**	**(34,555)**

NOTE 11: EQUITY – DIVIDENDS

Dividends

There were no dividends declared or paid during the financial period.

NOTE 12: CONTINGENT ASSET AND LIABILITIES

Future payments

In December 2021 the Company acquired tenement E45/4616 as part of the acquisition of the Pear Creek Lithium Project. As part of the acquisition the Company assumed an obligation to pay a 2% net smelter royalty on all commodities produced from the tenement, capped at $250,000, to Mithril Resources Limited.

None of these amounts have been recognised in the 30 June 2023 financial statements due to the high level of uncertainty around future events to trigger these payments.

There are no other material contingent assets or liabilities as at 30 June 2023.

NOTE 13: COMMITMENTS

In order to maintain an interest in the exploration tenements in which the Company is involved, the Company is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Company are subject to the minimum expenditure commitments required as per the *Mineral Resources (Sustainable Development) Act 1990* (Victoria), the *Mining Act 1978* (Western Australia) and the *Mining Act 1992* (NSW), and these may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

These obligations are not provided for in the financial report and are payable as follows:

	2023 $	2022 $
Exploration expenditure		
Within one year	615,940	346,288
After one year but not more than five years	2,120,577	992,512
Greater than five years	Nil	189,707
	2,736,517	**1,528,507**

If the Company decides to relinquish certain exploration tenements and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

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NOTE 14: RELATED PARTY DISCLOSURE

Parent entity

The Company is a wholly owned subsidiary of Kalamazoo Resources Limited.

	Class	Country of incorporation
Kalamazoo Resources Limited	Ordinary	Australia

Transactions with related parties

	2023 $	2022 $
Payments for goods and services – Kalamazoo Resources Limited		
Payment of expenditure on exploration tenements	1,481,365	1,147,033
	1,481,365	**1,147,033**

Loans from related parties

The Company's parent, Kalamazoo Resources Limited, has provided an interest free, unsecured loan with no set repayment date to the Company for the Company to meet its expenditure commitments on its tenements (refer Note 9).

It is intended that once Kali has been admitted to the Official List of the ASX these loans will be forgiven and off-set against the share consideration paid by Kali to Kalamazoo.

NOTE 15: RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the full Board of Directors as the Company believes that it is crucial for all board members to be involved in this process. The Board of Directors, with the assistance of advisors as required, has responsibility for identifying, assessing, treating and monitoring risks.

The Company is not subject to any externally imposed capital requirements.

a) Market risk

i) Foreign exchange risk

As all operations are currently within Australia, the Company is not exposed to any material foreign exchange risk.

ii) Commodity price risk

Given the current level of operations the Company is not exposed to commodity price risk.

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NOTE 15: RISK MANAGEMENT (Continued)

iii) Interest rate risk

The Company is exposed to movements in market interest rates on cash and cash equivalents. The Company policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The risk is not material and sensitivity analysis does not result in a material effect on Company results or financial position.

b) Credit risk

The maximum exposure to credit risk at reporting date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements. The only significant concentration of credit risk for the Company is the cash and cash equivalents held with financial institutions. All material deposits are held with the major Australian banks for which the Board evaluate credit risk to be minimal.

c) Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash is available to meet the current and future commitments of the Company. Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being loans from its parent company. The financial liabilities of the Company are confined to trade and other payables and borrowings as disclosed in the statement of financial position.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Less than six months $	Total contractual cash flows $	Carrying amount $
2023			
Trade and other payables	347,731	347,731	347,731
Borrowings	-	1,581,365	1,581,365
	347,731	1,929,096	1,929,096
2022			
Trade and other payables	12,000	12,000	12,000
Borrowings	-	1,147,033	1,147,033
	12,000	1,159,033	1,159,033

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NOTE 15: RISK MANAGEMENT (Continued)

d) Fair value estimation

There were no financial assets or liabilities at 30 June 2023 requiring fair value estimation and disclosure as they are either not carried at fair value or, in the case of short-term financial assets and financial liabilities, their carrying values approximate fair value. The carrying amounts and estimated fair values of financial assets and financial liabilities are as follows:

	2023 $	2022 $
Financial assets		
Cash and cash equivalents	91,931	100
	91,931	**100**
Financial liabilities		
Trade and other payables	347,731	12,000
Borrowings	1,581,365	1,147,033
	1,929,096	**1,159,033**

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Payables

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Fair value hierarchy

The Company classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The following table analyses financial instruments carried at fair value by the valuation method. The different levels in the hierarchy have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTE 16: AUDITOR'S REMUNERATION

	2023 $	2022 $
Audit Services		
BDO Audit (WA) Pty Ltd	12,000	12,000
Non-Audit Services		
BDO Corporate Finance (WA) Pty Ltd	26,500	-
	38,500	12,000

NOTE 17: RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2023 $	2022 $
Loss for the period	(1,068,132)	(34,555)
Non-cash flows in profit/(loss):		
- Exploration expenditure written off	748,931	22,555
Changes in assets and liabilities:		
- Decrease/(Increase) in receivables	(13,077)	-
- Decrease/(Increase) in other current assets	(4,284)	-
- Increase/(Decrease) in trade and other payables	302,926	12,000
Net cash used in operating activities	**(33,636)**	**-**

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NOTE 18: INCOME TAX

	2023 $	2022 $
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) from continuing operations before income tax expense	**(1,068,132)**	**(34,555)**
Prima facie tax benefit at the Australian tax rate of 25% (2022: 30%)	(267,033)	(10,366)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Other deductible expenses	-	-
	(267,033)	**(10,366)**
Movements in unrecognised temporary differences	120,760	(333,609)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	146,273	343,975
Income tax expense	-	-
Unrecognised temporary differences		
Deferred tax liabilities on income tax account		
Prepayments	(1,285)	-
Exploration Expenditure	(215,165)	(337,210)
DTL used to offset DTA	216,450	337,210
Deferred tax liabilities	-	-
Deferred tax assets on income tax account		
Accruals	3,600	3,600
Carry forward tax losses	543,523	343,976
DTL used to offset DTA	(216,450)	(337,210)
	330,673	**10,366**
Non-recognition of DTA	**(330,673)**	**(10,366)**
Net deferred tax asset	-	-

Kali Metals is not considered a base rate entity for income tax purposes for the 2023 income year and is therefore subject to income tax at a rate of 30% (2022: 30%). Kali Metals is a member of the Kalamazoo Resourced Limited tax consolidated group as at 30 June 2023.

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised. The Company's ability to use losses in the future is subject to the Company satisfying the relevant tax authority's criteria for using these losses.

NOTE 18: INCOME TAX (Continued)

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise benefits. The utilisation of tax losses is dependent on the Company satisfying the continuity of ownership test or the same business test at the time the tax losses are applied against taxable income.

NOTE 19: SEGMENT INFORMATION

The Company operates in one geographical segment, being Australia and in one operating category, being mineral exploration. Therefore, information reported to the chief operating decision maker (the Board of Kali Metals Limited) for the purposes of resource allocation and performance assessment is focused on mineral exploration within Australia. The Board has considered the requirements of AASB 8: *Operating Segments* and the internal reports that are reviewed by the chief operating decision maker in allocating resources and have concluded at this time that there are no separately identifiable segments

NOTE 20: EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial periods.

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

(a) The financial statement and notes are in accordance with the *Corporations Act 2001*, and:

  (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

  (ii) Give a true and fair view of the financial position as at 30 June 2023 and of the performance for the period ended on that date; and

  (iii) Are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements.

(b) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) The Directors have been given the declarations by the Chairman and Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the Directors by:



Luke Reinehr
Non-Executive Chairman

Perth, Western Australia
11 October 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of Kali Metals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kali Metals Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Kali Metals 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 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards – Simplified Disclosures and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

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

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Material uncertainty related to going concern

We draw attention to Note 2(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore the company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd



Glyn O'Brien

Director

Perth

11 October 2023

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