

QUARTERLY ACTIVITIES REPORT – 31st March 2017

EXPLORATION HIGHLIGHTS

Maryvale Coal Project in Queensland

- EPC 1506 JORC 2012 Coal Resource announced

Gindalbie Gold Project in Western Australia

- Phase 2 soil sampling planned

Kookynie Gold Project in Western Australia

- Phase 2 soil sampling planned

Hamersley Iron Project in Western Australia

- E08/2770-I (Darnell Hill) in WA was granted during the Quarter.
- Phase 1 rock sampling/mapping of E45/4619-I (Bustler Bore) planned

All granted tenements are up to date regarding statutory requirements.

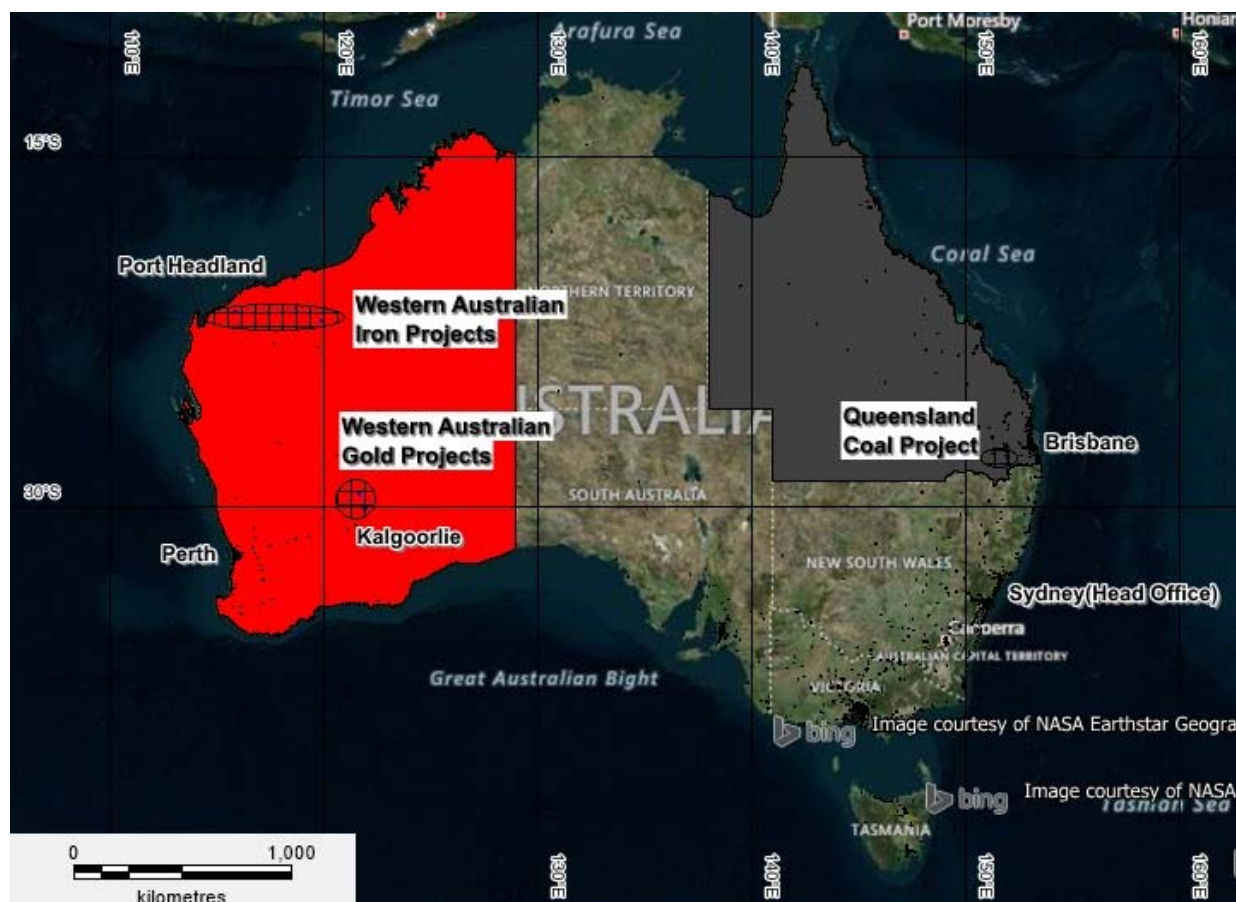


Figure 1: Kaili Resources granted project locations – granted

PROJECT LOCATION	TENEMENT AREA IN SUB BLOCKS	TENEMENT AREA IN KM ²
Queensland	53	169.6
Western Australia	206	659.0
Total Area	259	751.6

Table 1: Kaili Resources granted tenement areas, all held 100%. km² has been calculated at approximately 3.2 km² per block.

WESTERNAUSTRALIA.

Hamersley Basin (Darnell Hill, Bustlers' Bore and Bea Bea Creek) Iron Projects

E08/2770-I (Darnell Hill) held 100% by wholly owned subsidiary Kaili Iron Pty Ltd was granted on 9th March 2017 for a period of 5 years.

Negotiations with the Native Title Parties have been finalised.

The Native Title Parties are:

E08/2770-I (Darnell Hill)	Kuruma Marthundunera(Combined)	WC 2016/002
E46/1084-I (Bustlers Bore)	Palyku People	WC 1999/016
E45/4619-I (Bea Bea Creek)	Kariyarra People	WC 1999/003

In addition, E45/4619 is located within the Mugarinya Community and a separate access permit is required

E08/2770-I (Darnell Hill) was originally within claim WC 1999/012. The eastern portion of this claim was determined and the remaining portion with covers the eastern half of E08/2770-I was included in a new claim WC 2016/002 Robe River Kurrama People. The tenement has now been granted (**Figure 2**)

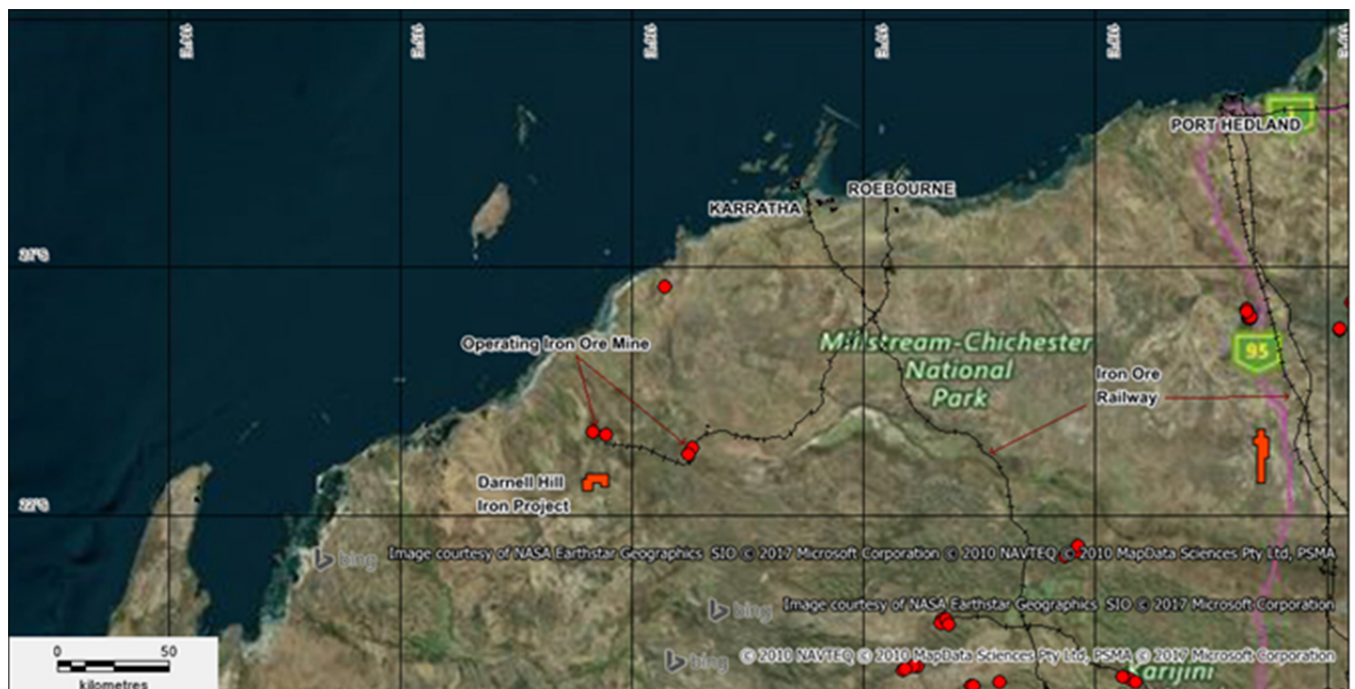


Figure 2: Kaili Resources Darnell Hill Iron Project.

E46/2770-I (Darnell) is located 150km south of Karratha in the Pilbara Region of Western Australia (**Figure 2**). The tenement was granted on the 9th March, 2017 to Kaili Resources 100% subsidiary company Kaili Iron Pty Ltd for a period of 5 years.

The Pilbara region of WA is one of the premier iron regions of the world with several world class iron ore mining operations. Kaili Iron has targeted the CID (Channel Iron Deposit) style of iron mineralisation which are found in ancient palaeochannels resulting in cemented masses of concretionary iron oxides of hematite to hematite-goethite composition. Major producing CIDs include Robe River (Rio Tinto) and Yandicoogina(BHP). Typical composition of ore from Yandicoogina is about 58% Fe, 0.05% P, 4.8% SiO₂ and 1.4% Al₂O₃. The location of mapped CID channels within the Bustler Bore tenement is shown in **Figure 3**.

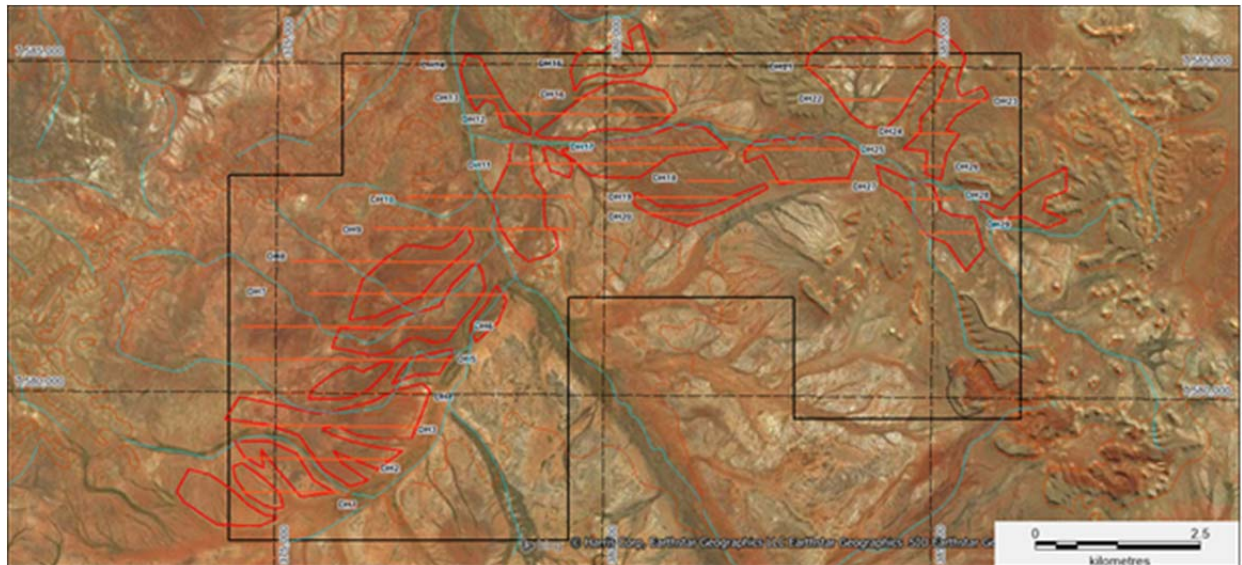


Figure 3: E08/2770-I Darnell Hill Iron Project showing aerial photography with mapped CID units (red).

Yilgarn Craton (Gindalbie and Kookynie) Gold and Nickel

E40/354(8 Mile Dam), E31/1114(Jungle Hill), E31/1113(Canegrass), E27/550(Holey Dam) and E27/549(Gindalbie dam) are held 100% by wholly owned subsidiary Kaili Gold Pty Ltd. All tenements are granted.

The Yilgarn Craton is one of the premier gold regions in the world and hosts numerous multimillion ounce gold mines and deposits. The Company reviewed several areas for tenement applications in proximity to known gold mineralisation and associated with mafic igneous extrusive/intrusive rocks. The Gindalbie area north east of Kalgoorlie and the Kookynie (**Figure 4**) area south east of Leonora were chosen and include the 5 granted tenements:

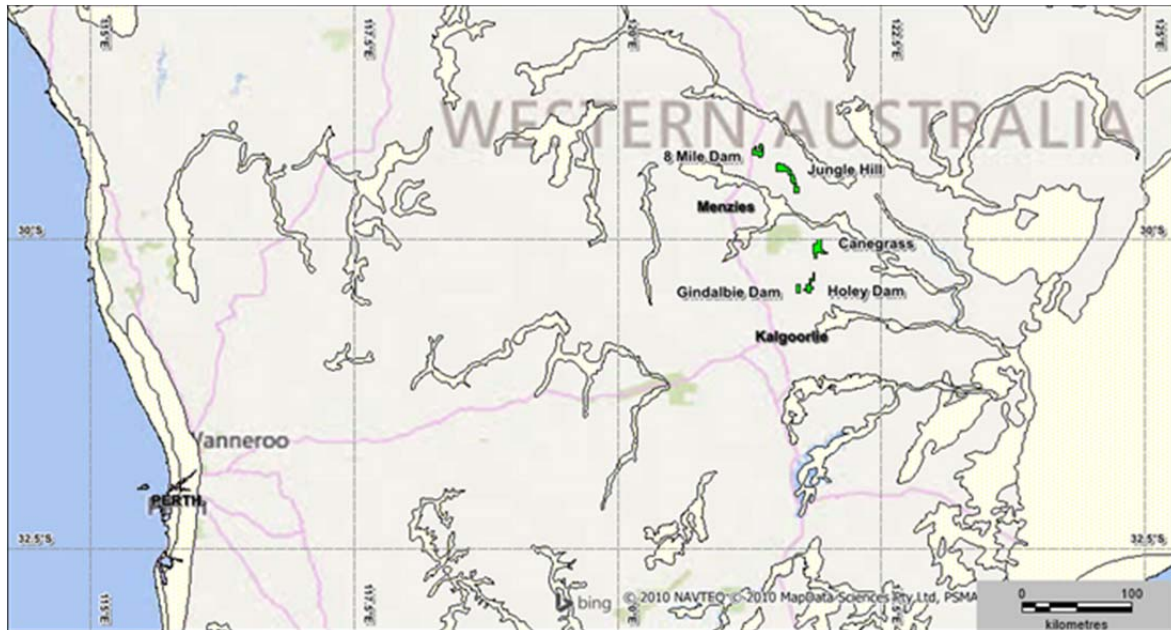


Figure 4: Kaili Resources Western Australian Gold Projects.

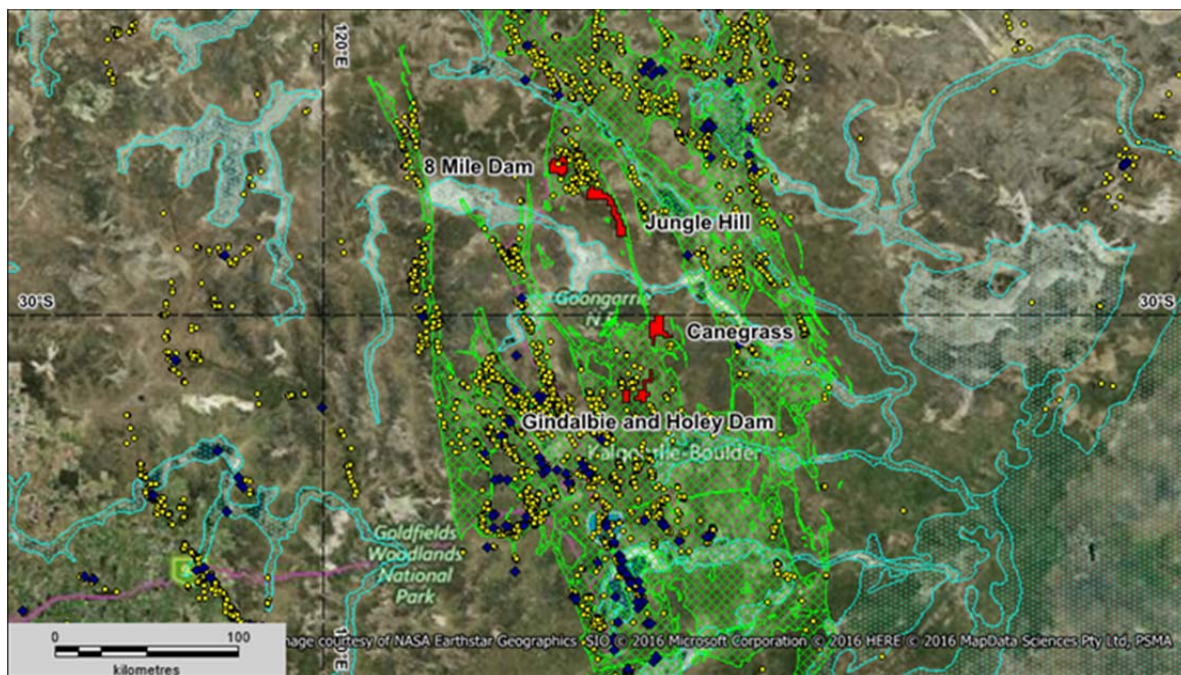


Figure 5: Satellite Image with Eastern Goldfields Superterrane (green hatching) and Kaili Gold tenements in red. Blue diamonds are operating mines of third parties and yellow dots are gold occurrences.

The Company's Western Australian gold projects are located within the Archaean Yilgarn Craton, one of the most highly endowed gold regions in the world. Within the Yilgarn Craton the Eastern Goldfield Superterrane (EGS) hosts the bulk of the known gold deposits and operating mines (**Figure 5**). The EGS comprises felsic to ultramafic intrusives, volcanics and volcanoclastics with associated sediments with the mafic variants being the primary host to gold mineralisation.

There were no field based exploration activities carried out during the Quarter.

Exploration in the June Quarter will comprise phase 2 soils and rock sampling in combination with geological/structural of the lithostructural targets defined.

The targets were developed and based on the following criteria as shown in **Figures 6 to 11**:

- Offset, deformed and/or strike altered mafic volcanics.
- Fault intersections within greenstone units.
- Mafic/ultramafic contacts with sediments.
- Granite/greenstone contacts +/- fault intersections.
- Extensions of known mineralisation along fault zones and stratigraphic trends.
- Unusual magnetic anomalies.
- Deformed and altered BIF (Banded Iron Formation)/chert sequences.

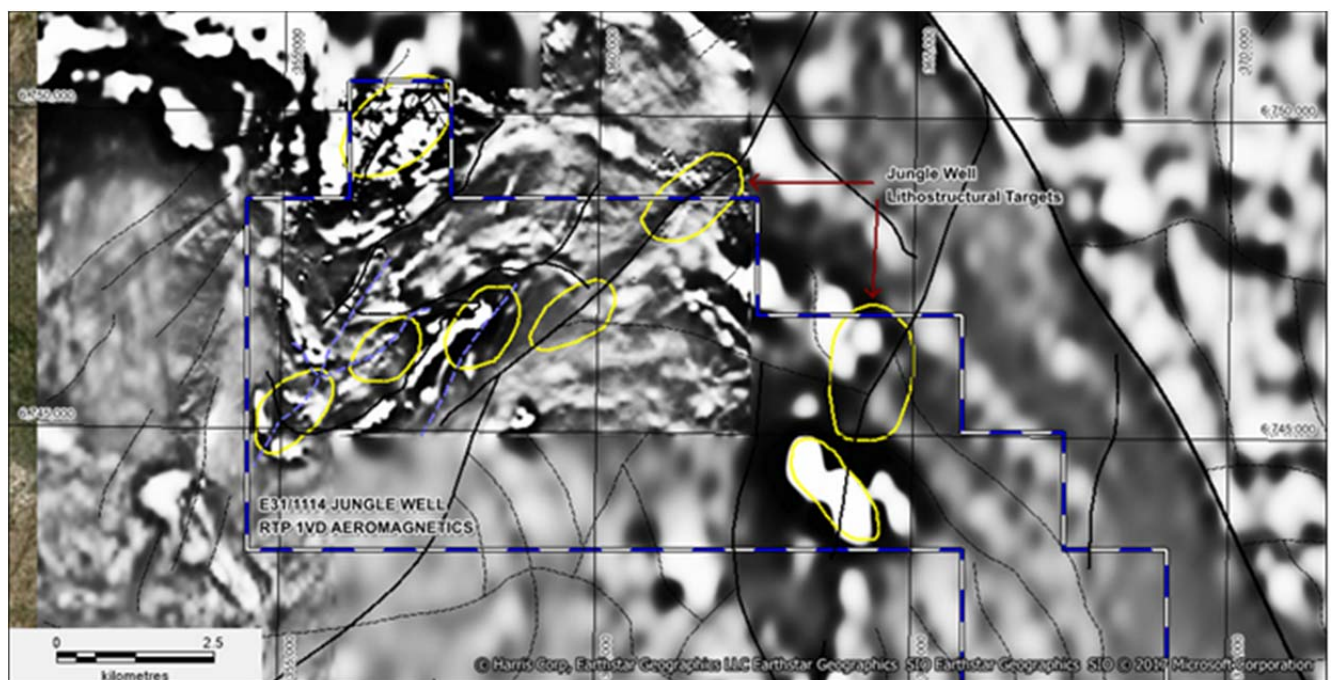


Figure 6: RTP1VD satellite image of northern half of E31/1114 (Jungle Hill) showing the lithostructural targets in yellow and primary structures in black.

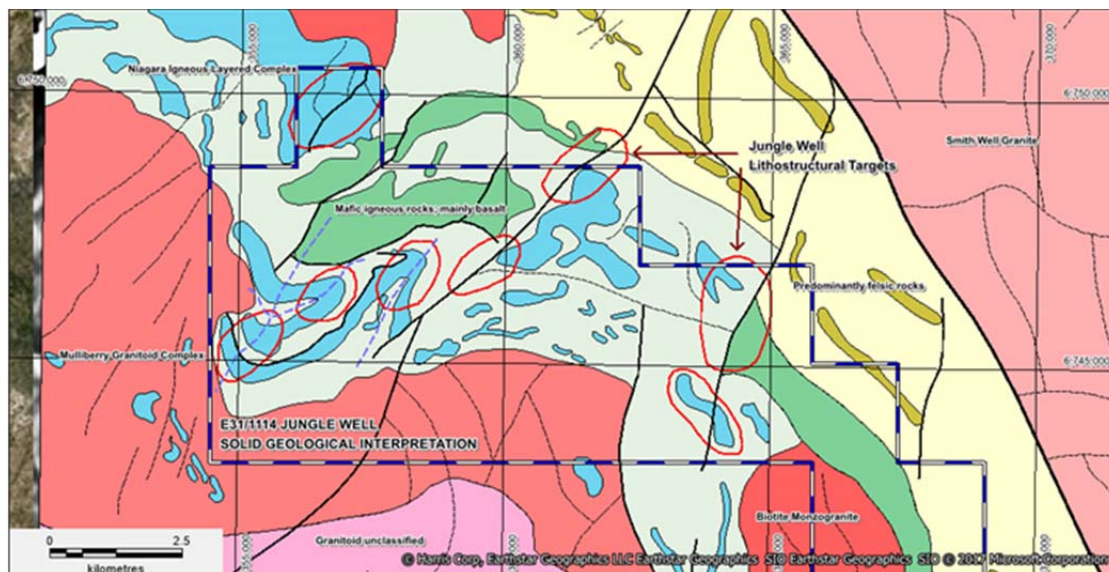


Figure 7: Solid geological interpretation of northern half of E31/1114 (Jungle Hill) showing the lithostructural targets in red and primary structures in black.

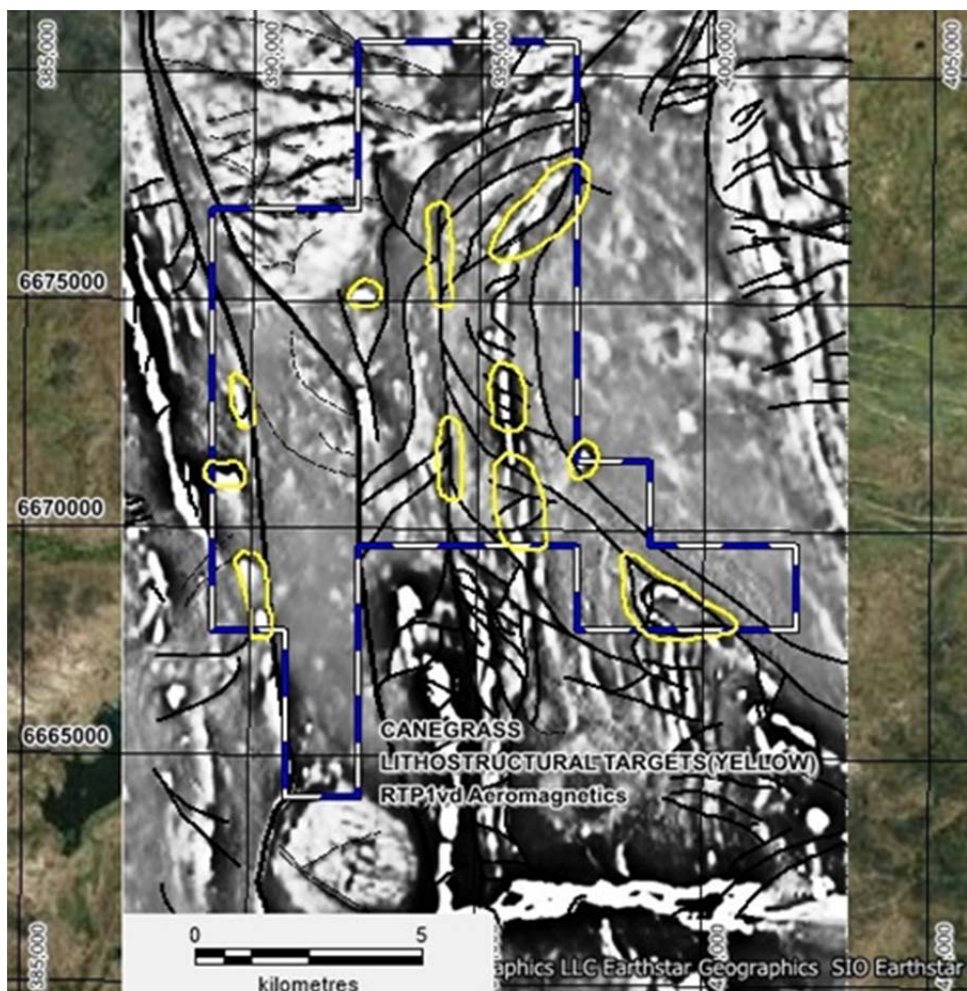


Figure 8: RTP1VD satellite image of E31/1113 (Canegrass) showing the lithostructural targets in yellow and primary structures in black.

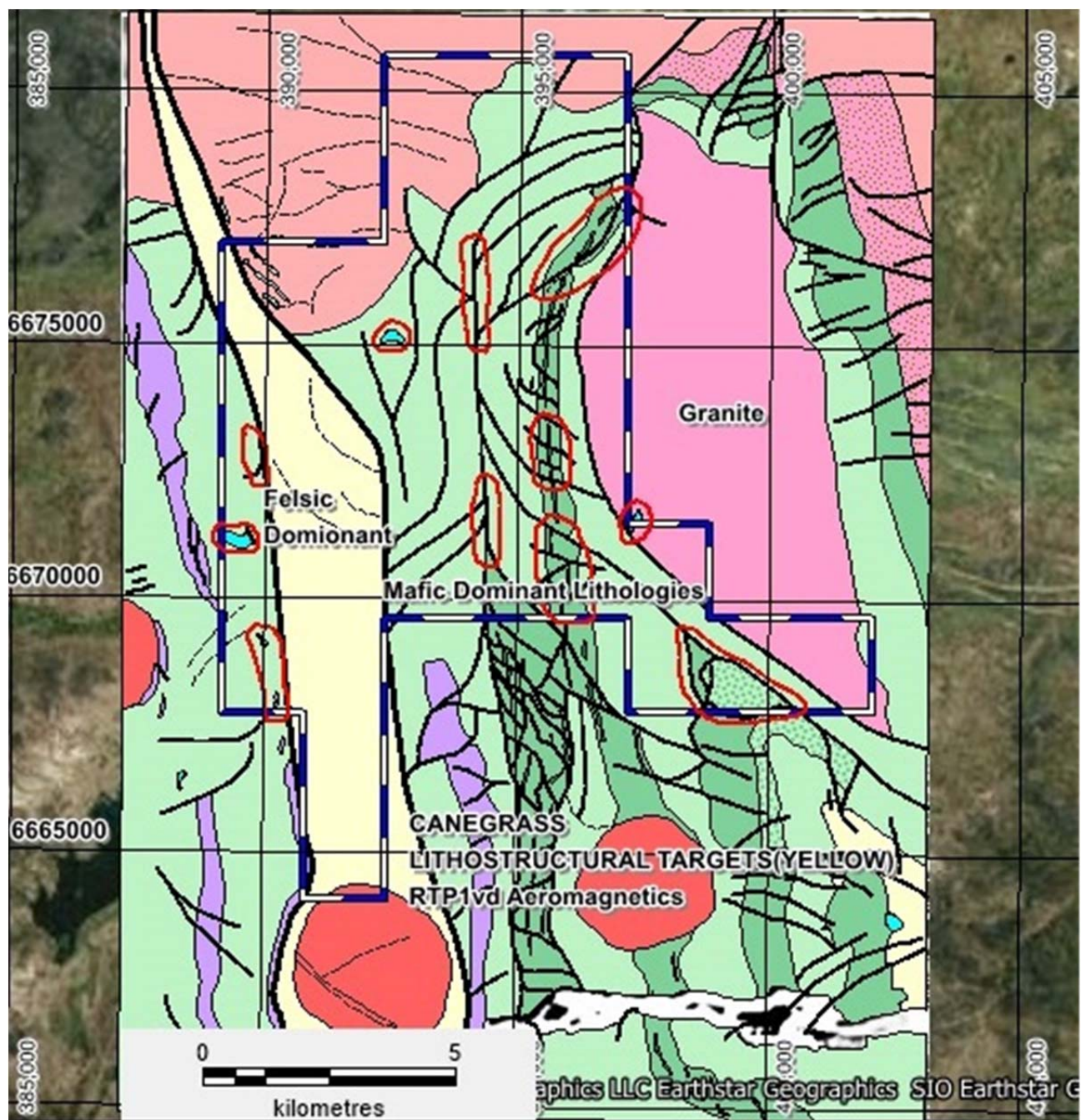


Figure 9: RTP1VD satellite image of E31/1113 (Canegrass) showing the lithostructural targets in yellow and primary structures in black.

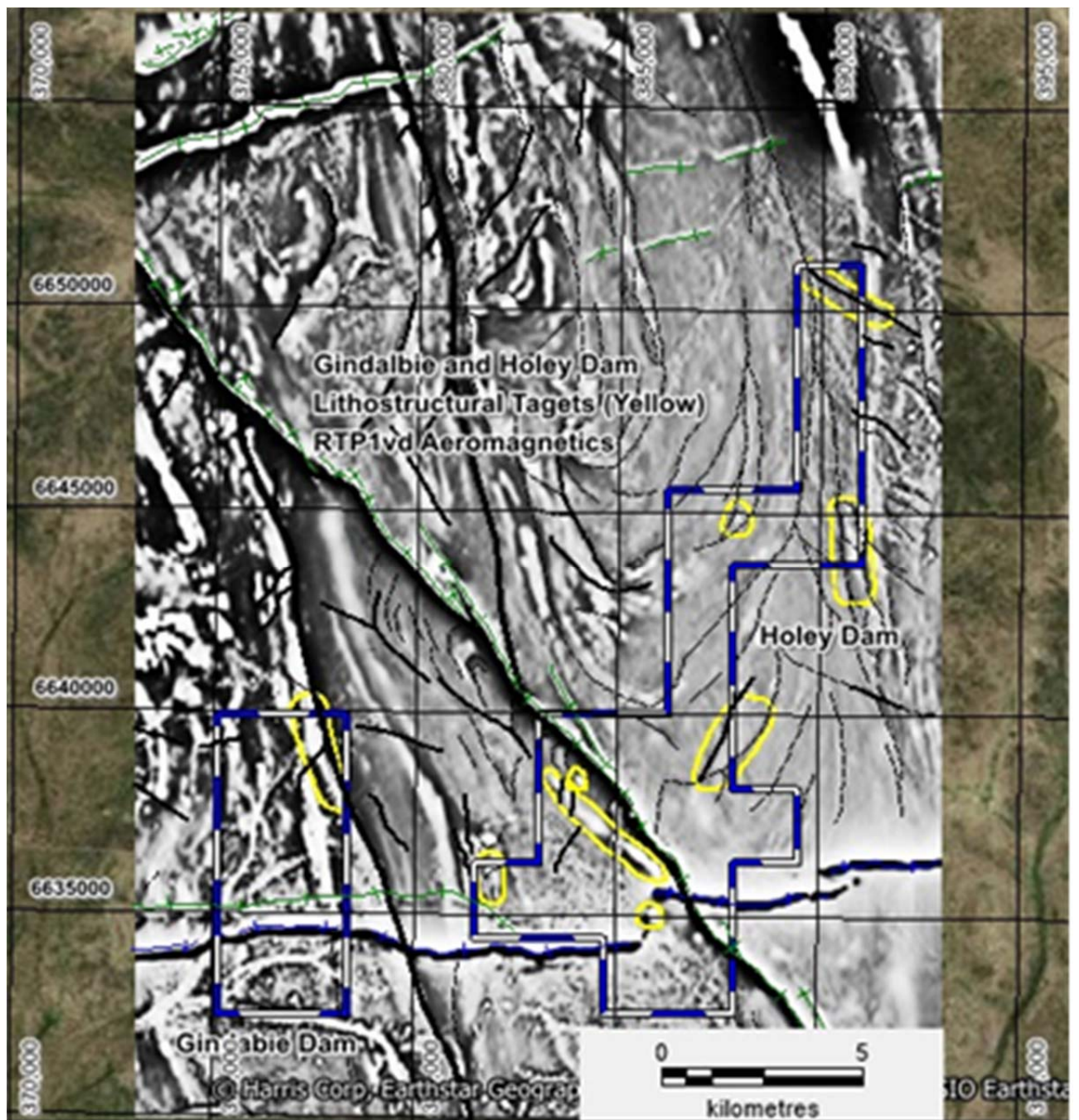


Figure 10: RTP1VD satellite image of E27/550 (Holey Dam) and E27/549 (Gindalbie Dam) showing the lithostructural targets in yellow and primary structures in black.

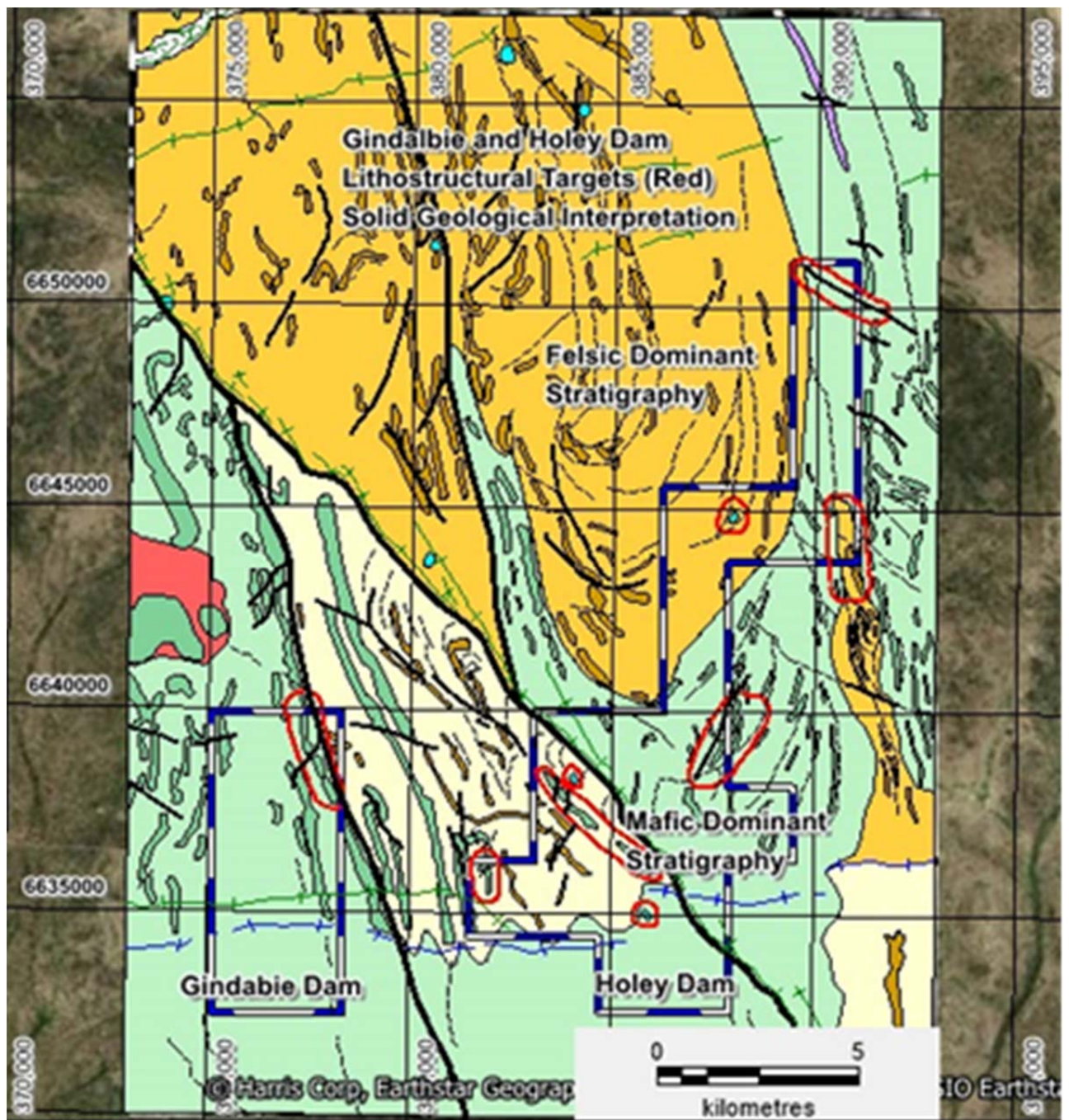


Figure 11: Solid geological interpretation of E27/550 (Holey Dam) and E27/549 (Gindalbie Dam) showing the lithostructural targets in red and primary structures in black.

QUEENSLAND

Clarence Moreton Basin (Maryvale) Coal Project

EPC1506 is held 100% by wholly owned subsidiary APEC Coal Pty Ltd

During the quarter the JORC 2012 report was finalised and announced to the ASX on the 6th February 2017.

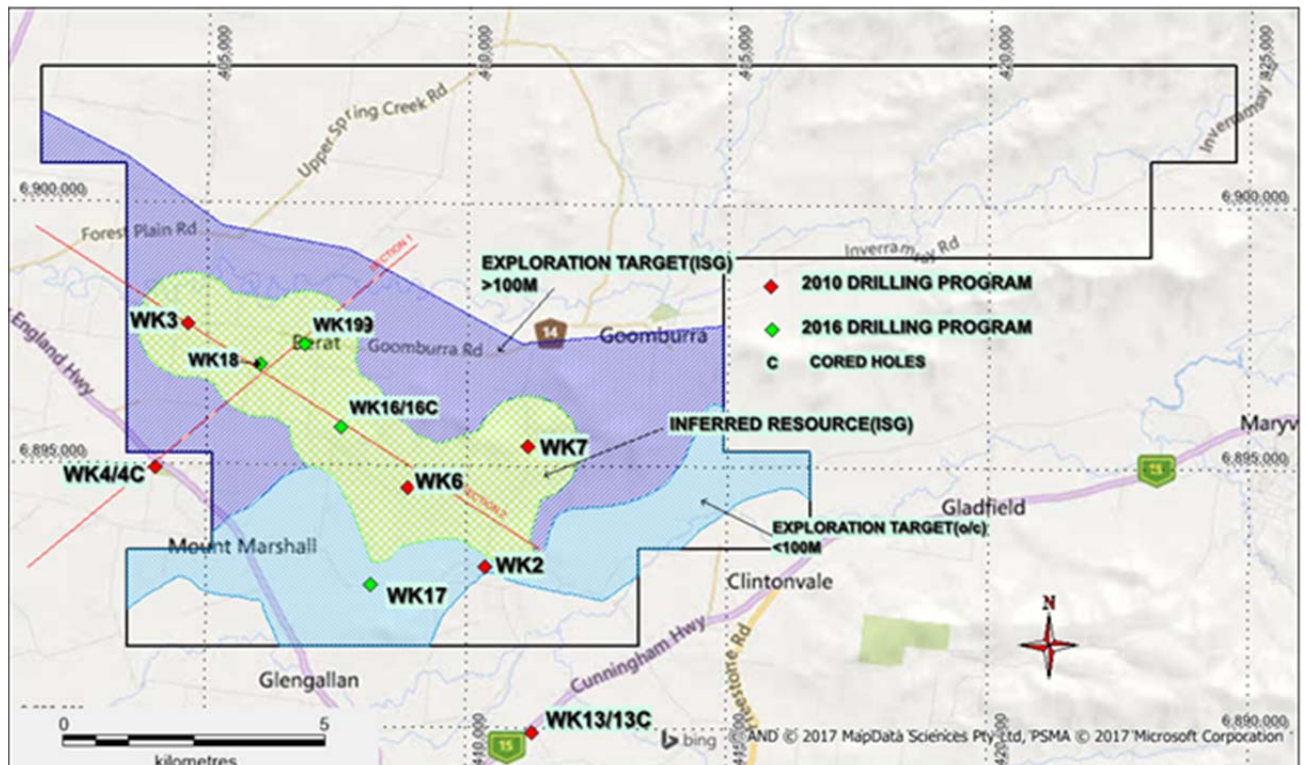


Figure 12 EPC 1506 JORC 2012 Resource and Exploration Target areas

The Maryvale Project comprises EPC 1506 which is located in along the western slopes of the Great Dividing Range within the southern portion of the Darling Downs region. The tenements are bordered by the Main Range National Park in the east which forms part of the Great Dividing Range.

The tenements are situated in the Surat/Clarence- Moreton Basin, approximately 30 km north of Warwick and 50 km south of Toowoomba, in southeast Queensland. Access to the tenement is possible through a series of sealed and unsealed roads and tracks branching from the Cunningham Highway and the New England Highway. Part of the Darling Downs, which includes the towns of Allora, and Warwick is known as the Southern Downs.

The maiden In Situ Gasification (ISG) JORC Resource within EPC 1506 of 97 million tonnes in addition to an Open Cut Exploration Target of 80-105Mt and an ISG Exploration Target of 90-125Mt are shown in **Tables 2 and 3**.

The maiden JORC 2012 compliant resource is managed by APEC Coal Pty Ltd, a 100% subsidiary of Kaili Resources. The JORC Resource work was managed by Brisbane consultancy Geoconsult Pty Ltd, incorporating data acquired primarily from the 2010 and 2016 drilling programs.

Resource Polygon	Working Section	Thickness (m)	Inherent Moisture (ad%)	Ash (ad%)	Volatiles (ad%)	Density (RD)	Tonnage (Mt)
Maryvale ISG Total	BU31-35	2.85	7.2	47.2	25.6	1.68	97

Table 2: Inferred (ISG) Resource Estimate

Resource Polygon	Working Section	Thickness (m)	Tonnage (Mt)
Open-Cut Total	BU31-BU35	3.3	80-105
ISG Total	BU31-BU35	2.5	90-125

Table 3: Exploration Target Open-Cut and ISG Estimates

LICENCES STATUS

Pursuant to ASX Listing Rule 5.4.3 the Company reports as follows in relation to minerals tenements (**Table 4**) held at the end of the March 2017 quarter and acquired or disposed of during that quarter and their locations. During the quarter E08/2770-I was granted in WA for a period of 5 years. There was no change in beneficial interests under farm-in or farm-out agreements.

	Tenement	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area km2	Expiry
Granted								
9/03/2017	E08/2770-I	Darnell Hill	Iron	WA - Pilbara	Kaili Iron Pty Ltd	100%	67.2	8/03/22
28/7/2016	E45/4619-I	Bea Bea Creek	Iron	WA - Pilbara	Kaili Iron Pty Ltd	100%	105.6	27/7/2021
21/11/2016	E46/1084-I	Bustler's Bore	Iron	WA - Pilbara	Kaili Iron Pty Ltd	100%	64.0	20/11/21
8/7/2016	E40/354	8 Mile Dam	Gold	WA - Yilgarn	Kaili Gold Pty Ltd	100%	70.4	7/7/2021
30/5/2016	E31/1114	Jungle Hill	Gold	WA - Yilgarn	Kaili Gold Pty Ltd	100%	150.4	29/5/2021
30/5/2016	E31/1113	Canegrass	Gold	WA - Yilgarn	Kaili Gold Pty Ltd	100%	108.8	29/5/2021
1/7/2016	E27/550	Holey Dam	Gold	WA - Yilgarn	Kaili Gold Pty Ltd	100%	67.2	31/06/2021
1/7/2016	E27/549	Gindalbie Dam	Gold	WA - Yilgarn	Kaili Gold Pty Ltd	100%	25.6	31/06/2021
13/5/2009	EPC 1506	Maryvale 1	Coal	QLD - Surat Basin	APEC Coal Pty Ltd	100%	169.6	13/5/2017

Table 4: Tenement schedule

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

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

Jianzhong Yang
Chairman

27th April 2017