KAILI RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

ARBN 077 559 525

Annual Report – 2014

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CORPORATE DIRECTORY

Board of Directors

Jianzhong Yang
Executive Chairman

Kaiyuan Yang
Executive

Chi Yuen Kuan
Non-Executive

Company Secretary

Ranee Pang
Robert Lees

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Auditors

John Shute
Suite 605,
321 Pitt Street,
Sydney NSW 2000
Australia

Principal Registry and Transfer Office

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Branch Share Registry and Transfer Office

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CHAIRMAN'S REPORT

I am pleased to present you the 2014 Annual Report for a commencement of a new era for our Company.

In early 2013, after approximately four years of inactivity and suspension of its securities from trading on the Australian Securities Exchange ("ASX") the Company changed the nature of its business to operate in the energy and resources industry. In late 2013, I acquired Treasure Unicorn Limited and became the largest shareholder. In April 2014, after the Company has acquired my majority owned mineral exploration company ASF Kaili Resources Pty Ltd I was appointed Chairman to the Board.

In August 2014, the Company's name was changed from Omnitech Holdings Limited to Kaili Resources Limited reflecting the new focus under totally new management with a diversity of skills.

The present priority task for the Board is the re-admission of quotation of the Company on the ASX. To this end we need to satisfy the listing rules of ASX among other things by having sufficient tangible assets, spread of shareholders each holding at least $2,000 in value of shares and issuing new shares at no less than $0.20 per share. When we have achieved that, all shareholders will have a market to trade their shares, except those escrowed, and the Company will be more able to raise new capital when required.

As a preliminary step towards recapitalising the Company during the last quarter of 2014, we have been successful in introducing a small number of new investors who have subscribed in cash for shares to up to $0.15 per share for a total amount of approximately $2.278 million.

Our next step is to undertake a public offering of securities to achieve the level of spread of shareholders and raise more working capital. We are currently preparing a prospectus for the offer and anticipate the offering to be completed in the first quarter 2015 depending on market conditions and other usual factors affecting public offerings. However, there can be no guarantee the offering will go ahead, in which case the Board will have to consider alternative means of funding its business plan. Anyone wishing to acquire shares will need to complete the application form that will accompany the prospectus. You can register your interest in the offer by contacting the Company. I look forward to your support in the offering by bringing up your shareholding number to a value of at least $2,000.

With capital in place it is our aim to rebuild the Company by developing the investments that the Company has already made in the coal and minerals sector and to look for new ventures that will create value and therefore share value enhancement for the long term and for the benefit of all shareholders. The resources industry is reportedly in a downturn with coal, oil and minerals prices falling dramatically and consequently assets value. However, with the falling Australian dollar exchange rate we believe that the environment will present some good investment opportunities for our Company and its investors. We would like to be ready to capitalize on those opportunities in due course.

I look forward to your support for the coming years as the Board works to reinstate value in the Company's shares.

楊建忠

Jianzhong Yang
Chairman

30th January, 2015

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Kaili Resources Limited ("the Company") and its controlled entity ("the Group") for the year ended 31 December 2014. On 13 August 2014 the name of the Company was changed from Omnitech Holdings Limited to Kaili Resources Limited.

DIRECTORS

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

He Yuan Qing (resigned on 21 April 2014)
Chong Wing Onn (resigned on 21 April 2014)
Ye Dongmei (resigned on 7 August 2014)
Kaiyuan Yang (appointed on 21 April 2014)
Jianzhong Yang (appointed on 21 April 2014)
Chi Yuen Kuan (appointed on 7 August 2014)

DIRECTORS' INFORMATION

Jianzhong Yang
Non-Executive Chairman - appointed on 21 April 2014

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

Since settling in Sydney, Australia, in 2011 he has been active in property development in the Gold Coast, Queensland. In late 2013, he acquired the largest shareholder of the Company with the plan to rebuild the Company after it had several years of inactivity. He introduced new investors to the Company by the placement of new shares raising in excess of $2 million dollars in the fourth quarter of 2014 thereby establishing a funded base to take the Company forward.

Kaiyuan (Kelly)Yang
Executive Director – appointed on 21 April 2014

Ms Kelly Yang is the daughter of Mr Jianzhong Yang and has been assisting in the business endeavours of the family. Ms Yang's responsibilities encompass the oversight of the investment program in the coal and resources industry and assessing new investment opportunities for growth. She is also responsible for investors' relation, especially those from overseas.

Chi Yuen (William) Kuan, FCPA, ACIS
Non-Executive Director - appointed on 7 August 2014

Mr William Kuan holds a Master Degree in International Accounting. Mr Kuan is a Fellow of CPA Australia and a member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. He has over 20 years of experience in financial and corporate management working in listed companies in Hong Kong and Australia. He is currently an executive director and company secretary of ASX listed ASF Group Limited.

PRINCIPAL ACTIVITIES

The Company has been inactive since 2009 until March 2013 when it acquired 2 coal exploration tenements in Queensland. The shareholders approved the change of nature of its activities in May 2013 to operate in the energy and resources industry. In April 2014, the Company acquired 2 additional mineral tenements in Western Australia. During the year the Group has been active in exploration for coal and raising funds to develop the Company and reinstate the quotation of its shares on the Australian Securities Exchange.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

Results

The loss of the Group after income tax for the year was $691,709 (2013: profit $165,167) that included the write off of goodwill of $57,513 arising from the acquisition of subsidiaries in 2014 and 2013.

Review of operations

During the year the Company enlarged its mineral tenements portfolio by acquiring 100% equity interest in ASF Kaili Resources Pty Ltd (ASFK) at a consideration of $605,000 which was satisfied by the issue of 11,000,000 fully paid ordinary shares at a deemed price of $0.055 per share. ASFK holds 2 tenements in Western Australia, E04/1433 and E04/1436.

Financial position

At the end of the year the Group had $2,400,423 in cash and cash equivalents and net working capital, being current assets less current liabilities, of $2,399,093 (2013: $112,041).

The net assets of the Group at 31 December 2014 increased to $2,696,218 (2012: $426,468). The increase resulted from the issue of 19,947,855 fully paid ordinary shares to raise $2,278,436 in the last quarter of the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company or the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or in the accompanying financial statements.

DIVIDENDS

The Directors recommend that no dividend be declared or paid.

LIKELY DEVELOPMENT

During the subsequent financial year the likely developments of the Group will involve continuation of exploration in its tenements to define coal resource and targets for other minerals, seeking capital to fund exploration and working capital, and reinstate the quotation of the Company on the Australian Securities Exchange. Except as described elsewhere in this Annual Report, the likely results of the coal and mineral exploration are unknown at the date of this report.

DIRECTORS' BENEFITS

No Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as detailed in the Remuneration Report) by reason of a contract made by the consolidated entity or a controlled entity with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial interest, except for any benefit that may be deemed to have arisen as disclosed in Note 8 of the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts involving Directors' interests were entered into during the financial year.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

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

	Directors' Meetings	
	Number eligible to attend	Number attended
He Yuan Qing (resigned on 21 April 2014)	-	-
Chong Wing Onn (resigned on 21 April 2014)	-	-
Ye Dongmei (resigned on 7 August 2014)	-	-
Kaiyuan Yang (appointed on 21 April 2014)	4	1
Jianzhong Yang (appointed on 21 April 2014)	4	4
Chi Yuen Kuan (appointed on 7 August 2014)	4	4

During the year, some Board business was effected by execution of circulated resolutions.

REMUNERATION REPORT

The information provided in this remuneration report has been audited.

A. Principles Used to Determine Amount and Nature of Remuneration

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

- Competitiveness and reasonableness
- Acceptability to shareholders
- Transparency

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

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

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

I. Remuneration of Directors

	Short-term benefits			Post-Employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Termination benefits	Superannuation		Equity-settled	
	$	$	$	$	$	$	$
2014							
He Yuan Qing[1]	-	-	-	-	-	-	-
Chong Wing Onn[1]	-	-	-	-	-	-	-
Ye Dongmei[4]	-	-	-	-	-	-	-
Kaiyuan Yang[2]	-	-	-	-	-	-	-
Jianzhong Yang[2]	130,833	-	-	12,273	-	-	143,106
Chi Yuen Kuan[3]	-	-	-	-	-	-	-
	130,833	-	-	12,273	-	-	143,106
2013							
He Yuan Qing	-	-	-	-	-	-	-
Chong Wing Onn	-	-	-	-	-		-
Ye Dongmei	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

[1] Resigned on 21 April 2014
[2] Appointed on 21 April 2014
[3] Appointed on 7 August 2014
[4] Resigned on 7 August 2014

II. Remuneration of Key Management Personnel of the Group

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

III. Service agreement

There are no service agreement with Directors other than that Mr Jianzhong Yang has an existing employment contract with ASF Kaili Pty Ltd, a wholly owned subsidiary acquired by the Company on 11 April 2014 before Mr Yang was appointed a Director of the Company. Salient details of the contract are as follows:

Director or key management personnel	Salient details
Jianzhong Yang Executive Chairman	• Employment contract with ASF Kaili Resource Pty Ltd as Managing Director for a period of 3 years from 14 August 2012 on a salary of $240,000 p.a. plus statutory superannuation. • With the agreement of both parties, the employment contract was varied, decreasing the salary to $80,000 p.a. plus statutory superannuation with effect from October 2014, with all other terms remaining the same; • Statutory leave entitlements in New South Wales apply. • Either party may terminate the employment contract by giving 4 weeks' notice.

IV. Share-based compensation

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

C. Directors' securities holdings

As at 31 December 2014, the relevant interests of the Company's Directors in the securities of the Company were as follows:

	Number of fully paid ordinary shares
Jianzhong Yang (i)	45,569,904
Kaiyuan Yang	-
Chi Yuen Kuan	-
	45,569,904

(i) 36,769,904 shares are held in the name of Treasure Unicorn Limited and 8,800,000 shares are held in the name of Kaili Holdings Limited.

ENVIRONMENTAL REGULATION

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

NON-AUDIT SERVICES

No non-audit services were performed by the auditor of the Company during the year other than $1,568 paid to JS Accounting Group, an affiliate of the auditor, John Shute, for accounting and tax services.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING DATE

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is included on page 8 of the Annual Report and forms part of this report.

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

Jianzhong Yang	Kaiyuan Yang
Chairman	Executive Director

Sydney
30th January 2015

Kaili Resources Limited

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

To the Directors of Kaili Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Kaili Resources Limited for the year ended 31 December 2014 there has been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

J F Shute

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

Dated this 27 January 2015

CORPORATE GOVERNANCE STATEMENT

This table on Corporate Governance Statement sets out the extent to which the group has followed the recommendations of the ASX Corporate Governance Principles and Recommendations – 3rd edition. The Corporate Governance Statement is posted on the group's website (www.kailigroup.com.au) for reference on disclosures.

	Principles and Recommendations	Compliance	Comment
1.	**Lay solid foundations for management and oversight**		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Complies	The group's Corporate Governance Statement includes a Board Charter, which states the specific responsibilities of the Board and management. The Board delegates responsibility for the day to day operations and administration of the group to the executive directors.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Complies	The Board has carried out checks on each director's character, experience, education, qualifications, criminal record and bankruptcy history with respect to the last 10 years. No adverse information has been revealed from the checks on any director. The Board will carry out appropriate checks on each director before he or she is put forward for election.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complies	Each Director and member of senior management has a written agreement with the Company setting out the terms of their appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complies	The appointment or removal of the company secretary is made with Board approval and the role and accountability of the company secretary is also approved by the Board.
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the	Complies	The Company has a Diversity Policy that sets measurable objectives and their achievements at the end of each financial year will be reported in the annual report. The Diversity Policy is disclosed on the Company's website

	board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.		www.kailigroup.com.au. The Company is not a "relevant employer" under the Workplace Gender Equality Act.
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complies	The Board undertakes bi-annual self-assessment of its collective performance and the performance of the Chairman. The Chairman undertakes a bi-annual assessment of the performance of individual directors. For each financial year the Company will report in its annual report whether a performance evaluation has been undertaken and of any action resulting from the process.
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each	Complies	The Board undertakes bi-annual assessment of its senior executives. For each financial year the Company will report in its annual report whether a performance

	reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.		evaluation has been undertaken.
2.	**Structure the Board to Add Value**		
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Does not comply	See disclosure under 2.1(b) below.
	(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Complies	The Board does not have a nomination committee. The Board consists of 3 persons only: one independent Director (Mr WilliamKuan) and two non-independent Directors (Mr Jianzhong Yang and Ms Kaiyuan Yang). The Chairman in consultation with all the Directors assesses the composition of the Board for balance in skills, knowledge, experience, independence and diversity to recommend any additions and/or succession plans to the Board and as the Company develops.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Complies	The Board has a balanced mix of skills matrix. The Chairman, Mr J Yang is experienced in coal mining technology and business management. Ms K Yang provides the balance in diversity in addition to her abilities for shareholder relationships and general management. Mr W Kuan is a financial executive with corporate governance skills having been involved in listed

			entities internationally. New directors may be appointed to fill any gaps in the skills matrix as the Company develops.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Complies	The Board consist of three recently appointed Directors: Chairman Mr J Yang is a substantial and the largest shareholder and together with his daughter Executive Director Ms K Yang are not considered independent Directors, both appointed in April 2014. Those 2 Directors have their interests aligned with all shareholders for the success of the Company's operations. Mr W Kuan is an independent Director appointed in August 2014.
2.4	A majority of the board of a listed entity should be independent directors.	Does not comply	The Board consist of one independent non-executive Director Mr W Kuan, and two non-independent and executive Directors, Mr J Yang who is a substantial shareholder and Ms K Yang. The Company believes that the present size of its operations and current stage of its development do not justify the increased cost of a larger number of Directors and that non-compliance to Recommendation 2.4 will not adversely affect the Company. However, the Company will consider increasing the size of the Board with independent Directors as the business develops further.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Does not comply	The Chairman Mr J Yang is an executive and a substantial shareholder. The independent Director, Mr W Kuan, is experienced in finance and corporate governance and will advise the chair of any situations of potential conflict.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors	Complies	The Board has plans for directors to attend conferences and courses to acquire skills and knowledge in finance and the industry that the Group operates that may be required for them to perform their duties effectively.

	effectively.		
3.	**Act ethically and responsibly**		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Complies	The group's Corporate Governance Statement includes a Code of Conduct on Ethical Standards, which provides a guide to ethical conduct of Directors, senior executives and employees. The group's Corporate Governance Statement also includes a Code of Conduct on Securities Trading and a Securities Trading Policy has been lodged with the Australian Securities Exchange and publicly released on 25 February 2011.
4.	**Safeguard integrity in corporate reporting**		
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Does not comply	The Board consists of 2 non-independent Directors (Chairman Mr J Yang and Executive Director Ms K Yang) and an independent and Non-Executive Director (Mr W Kuan).The current stage of establishment and size of the group does not justify the cost of increasing the number of directors. Therefore an audit committee with a composition that satisfies Recommendation 4.1 is not established.
	(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of	Complies	All matters relating to the audit functions and to safeguard the integrity of the group’s corporate reporting are handled by the Board and an independent firm providing accounting services.

	the external auditor and the rotation of the audit engagement partner.		
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Complies	The Board requires the CEO (or its equivalent) and the Chief Financial Officer (or its equivalent) to provide such a declaration at the relevant time.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complies	The auditor is invited to attend all AGMs to be available to provide responses on questions relevant to the audit.
5.	**Make timely and balanced disclosure**		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Complies	The group's Corporate Governance Statement states the policies to ensure compliance with ASX Listing Rule disclosure requirements. The Board has delegated the function of continuous disclosure as required under the ASX Listing Rule to the Executive Directors and the Company Secretary to assess the type of information that needs to be disclosed and to ensure that group's announcements are made in a timely manner, are factual, do not omit material information and are in compliance with the ASX Listing Rules. Information which is considered to be price sensitive is approved by the Board before its release.
6.	**Respect the rights of security holders**		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	The Company's website www.kailigroup.com.au provides information on the Company and its governance.

6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	The Company's website www.kailigroup.com.au provides a facility for investors to register their email address for receipt of announcements made by the Company and also for investors to send emails to the Company.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complies	All shareholders are notified in writing of general meetings and encouraged to attend and participate in person or by proxy or representative.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies	The Company's website www.kailigroup.com.au provides a facility for investors to register their email address for receipt of announcements made by the Company and also for investors to send emails to the Company. The Company's share registry Computershare Investor Services has facilities on their website www.computershare.com for investors to receive and send communications electronically.

7. Recognise and manage risk

7.1	The board of a listed entity should:		
	(a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Does not comply	The Board consists of 2 non-independent and Executive Directors (Mr J Yang and Ms K Yang) and an independent and Non-Executive Director (Mr W Kuan). The Company believes that the present size of its operations and current stage of its development do not justify the increased cost of a larger number of Directors and that not establishing a risk committee will not adversely affect the Company. However, the Company will consider increasing the size of the Board with independent Directors as the business develops further.
	(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Complies	The group's Corporate Governance Statement includes a business risk oversight and management policy. The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies. Specific areas of risk that are identified are regularly considered by Board discussions. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures.
7.2	The board or a committee of the board should:		
	(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	Complies	The Board reviews annually its risk management framework for its soundness.
	(b) disclose, in relation to each reporting period, whether such a review has taken place.		A report on the review will be included in the annual report if such a review has taken place.

7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or	Does not comply	The current stage of establishment and size of the group does not justify the cost of increasing the number of staff to implement an internal audit function.
	(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Complies	The evaluation and continuous improvement in the effectiveness of its risk management and internal control processes are considered by the Board at its regular meetings.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complies	The business minerals exploration of the company exposes it to environmental and social sustainability risks. Independent technical advisers are engaged to review the operations and advise on management and containment of those risks.
8.	**Remunerate fairly and responsibly**		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Does not comply	The Board consists of 2 non-independent Executive Directors (Chairman Mr J Yang and Ms K Yang) and an independent and Non-Executive Director (Mr W Kuan).The current stage of establishment and size of the group does not justify the cost of increasing the number of directors. Therefore a remuneration committee with a composition that satisfies Recommendation 8.1 is not established.
	(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and	Complies	The Board reviews the level and composition of remuneration packages applicable to all Directors and senior executives on an annual basis by reference to market practice for the industry in which the Company operates. Where necessary, the

	senior executives and ensuring that such remuneration is appropriate and not excessive.		Board will obtain independent advice.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Complies	The group's Corporate Governance Statement describes the policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. The Company's bye-laws provides that the remuneration of Non-Executive Directors will be not more than such fixed sum per annum as may from time to time be determined by a general meeting. The Board reviews the remuneration packages and policies applicable to all Directors and senior executives on an annual basis. Where necessary, the Board will obtain independent advice.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Complies	The Company does not have an equity-based remuneration scheme.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014	2013
		$	$
Revenue from ordinary activities		-	-
Other income	3	4,908	472,840
Goodwill written off	12	(57,513)	-
Administrative expenses	3	(639,104)	(263,234)
Operating (loss)/profit		**(691,709)**	**209,606**
Finance costs	4	-	(44,439)
(Loss)/Profit before income tax		**(691,709)**	**165,167**
Income tax	5	-	-
(Loss)/Profit after income tax		**(691,709)**	**165,167**
Other comprehensive income:			
Loss on translation of foreign operations		-	(495,507)
Other comprehensive loss for the year, net of tax		**-**	**(495,507)**
Total comprehensive loss for the year attributable to members of the Parent Entity		**(691,709)**	**(330,430)**
Earning/(loss) per share			
Basic and diluted (loss)/earning per share	18	(1.06) cents	0.44 cents

CONSLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	NOTES	2014	2013
		$	$
Current Assets			
Cash and bank balances	7	2,400,423	177,472
Trade and other receivables	8	23,098	-
Other assets	9	28,245	3,020
Total Current Assets		2,451,766	180,492
Non-Current Assets			
Property, plant and equipment	10	-	844
Deposit bond		5,000	5,000
Tenements	11	287,741	267,165
Goodwill	12	-	41,418
Total Non-Current Assets		292,741	314,427
Total Assets		2,744,507	494,919
Current Liabilities			
Trade and other payables	13	46,313	68,451
Total Current Liabilities		46,313	68,451
Total Liabilities		46,313	68,451
Net Assets		2,698,194	426,468
Shareholders' Equity			
Share capital	14	902,669	5,531,147
Reserves		1,795,525	(5,104,679)
Total Equity		2,698,194	426,468

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014	2013
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		(694,222)	(256,564)
Net cash (used in)/from operating activities	17(b)	(694,222)	256,564
Cash flows from investing activities			
Acquisition of a subsidiary		655,445	(300,000)
Payments for exploration costs		(20,576)	(13,584)
Interest received		2,848	13,912
Net cash from/(used in) investing activities		637,717	(299,672)
Cash flows from financing activities			
Loan from a shareholder		-	800,000
Repayment of loan from a shareholder		-	(800,000)
Interest paid		-	(44,439)
Issue of shares		2,278,436	655,200
Net cash generated from financing activities		2,278,436	610,761
Increase in cash and cash equivalents		2,221,931	567,653
Cash and cash equivalents at beginning of year		177,472	80,386
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		1,020	(470,567)
Cash and cash equivalents at end of year	17(a)	2,400,423	177,472

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Share premium	Contributed surplus	Foreign currency translation	Accumulated losses	Convertible notes reserve	Total
	$	$	$	$	$	$	$
Balance as at 1 January 2013	5,108,936	7,501,560	6,247,781	(863,065)	(25,699,016)	-	(7,703,804)
Profit/(Loss) and total comprehensive loss for the year	-	-	-	(495,507)	165,167	-	(330,340)
Issue of convertible notes	-	-	-	-	-	2,015,643	2,015,643
Conversion of convertible notes	361,111	6,138,889	-	-	-	(2,015,643)	4,484,357
Write back of loan from immediate holding company	-	-	1,305,412	-	-	-	1,305,412
Transactions with owners in their capacity as owners:							
Issue of shares	61,100	594,100	-	-	-	-	655,200
Balance as at 31 December 2013	5,531,147	14,234,549	7,553,193	(1,358,572)	(25,533,849)	-	426,468
Profit/(Loss) and total comprehensive loss for the year	-	-	-	-	(691,709)	-	(691,709)
Share consolidation in prior year and reallocation to share premium	(4,977,957)	4,977,957	-	-	-	-	-
Transactions with owners in their capacity as owners:							
Issue of shares	349,479	2,613,956	-	-	-	-	2,963,435
Balance as at 31 December 2014	902,669	21,826,462	7,553,193	(1,358,572)	(26,225,558)	-	2,698,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL

The Company is a public limited company incorporated in Bermuda with its shares listed on the Australian Securities Exchange (the "ASX"), but suspended from quotation since 31 July 2009. The Company changed its name from Omnitech Holdings Limited to Kaili Resources Limited on 13 August 2014.

The principal activity of the Group is investment in the coal, energy and resources industry. Details of the principal activities of the Company's controlled entities are set out in Note 6 to the financial statements.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Preparation

These financial statements have been prepared on a going concern basis. The financial report is a general purpose financial report which has been prepared in accordance with International Financial Reporting Standards ("IFRSs").

These financial statements are presented in Australian dollars.

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

The principal accounting policies and methods of computation used by the Company and its controlled entities (together referred to as the "Group") in the preparation of the financial statements for the year ended 31 December 2014 are consistent with those adopted in the financial statements for the year ended 31 December 2013, except for the adoption of the new and revised IFRSs as explained below.

In the preparation of the financial statements for the year ended 31 December 2014, the Group has applied, for the first time, the following amendments to standards.

IAS 32 Amendment Presentation – Offsetting Financial Assets and Financial Liabilities

The adoption of the above revised IFRSs did not have any significant impact on the consolidated financial statements of the Group for the current or prior accounting periods.

Judgments

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

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

The Directors have considered the development, selection and disclosure of the Group's critical accounting policies and estimates. There are no critical accounting judgments and estimates in applying the Group's accounting policies.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(b) Basis of Consolidation

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

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

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

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

The interests in the controlled entities are disclosed in Note 6.

(c) Investments

Controlled Entities

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

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less provision for depreciation and impairment losses, if any. Details are set out in Note 10.

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

(e) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognized in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognized in other comprehensive income, such amounts are recycled to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or a group of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(f) Foreign Currency

Translation of foreign currency transactions

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

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

Translation of accounts of overseas operations

All overseas operations are deemed self-sustaining as each is financially and operationally independent of the Company. The assets and liabilities of overseas operations are translated using the exchange rates ruling at the end of the reporting period. Income and expenses items are translated at the average rates for the year. Exchange differences arising, if any, are taken directly to the foreign currency translation reserve in consolidated equity.

(g) Income Tax

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

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

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

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

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(h) Exploration and Development Expenditure

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

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

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

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

(j) Provisions

Employee Entitlements

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

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

Doubtful Debts

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

(k) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(ii) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(l) Impairment of non-financial assets

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

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

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

(m) Financial instruments

Financial assets

The Group's principal financial assets are cash and bank balances.

Other investments, where the Group is not in a position to exercise significant influence or joint control, are stated at cost less impairment losses recognised, where the investment's carrying amount exceeds its estimated recoverable amount.

Assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Debt instruments issued which carry a right to convert to equity that is dependent on the outcome of uncertainties beyond the control of both the Group and the holder, are classified as liabilities except where the possibility of non-conversion is remote.

Significant financial liabilities include loan and advance from immediate holding company, trade and other payables and provisions.

Interest-bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables and provisions are stated at their nominal value.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(n) Cash and cash equivalents

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

(o) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. REVENUE AND OPERATING PROFIT/(LOSS)

	2014	**2013**
	$	$
Other income		
Interest income	3,063	13,912
Exchange gain from loan repayment	-	458,928
Sundry income	1,845	-
	4,908	472,840
Other expenses		
ASX and registry fees	34,983	34,955
Audit fees	12,000	9,579
Depreciation	844	168
Directors' remuneration	143,106	-
Consultants' fee for relisting work	120,000	-
Legal and professional fees	18,071	122,577
Staff costs	146,801	-
Tenement costs	4,884	23,078
Other costs	158,415	72,877
	639,104	263,234

	2014	2013
	$	$
4. FINANCE COSTS		
Interest on loan from a shareholder	-	44,439

5. INCOME TAX

No provision for income tax has been provided in the financial statements since, in the opinion of the Directors; the Company and its controlled entities did not derive any assessable income from operating activities for the year.

The prima facie tax is reconciled to the profit/(loss) before income tax in the statement of comprehensive income as follows:

	2014	2013
(Loss)/Profit before income tax	(691,709)	165,167
Tax at the Australian domestic income tax rate 30%	(207,513)	49,550
Recoupment of prior year tax losses	-	(49,550)
Tax losses not recognised	207,513	-
Income tax expense	-	-

6. CONTROLLED ENTITIES

(a) Investments in controlled entities comprise:

Name of subsidiary	Place of incorporation/operation	Principal activities	Beneficial percentage held by economic entity 2014 %	2013 %
Kaili Corporation Pty Ltd	Australia/Australia	Investment holding	100	100
APEC Coal Pty Ltd	Australia/Australia	Coal mining business	100	100
ASF Kaili Pty Ltd	Australia/Australia	Coal mining business	100	-

(b) Acquisition of subsidiary:

In order to develop the business opportunities, on 11 April 2014, the Company entered into a share sale and purchase agreement with unrelated parties for the acquisition of the entire share capital of ASF Kaili Resource Pty Ltd, an Australian company, at a consideration of $605,000 satisfied by the issue of 11,000,000 fully paid ordinary shares in the Company at a deemed issue price of $0.055 per share . This newly acquired subsidiary holds two granted mineral tenements in Western Australia.

	$	$
Consideration paid for acquisition		605,000
Less: Fair value of ASF Kaili Resource Pty Ltd as at 11 April 2014		
Assets and liabilities		
Current assets:		
Cash and cash balances	655,445	
Due from Kaili International Resources Ltd	10,804	
Prepayments	3,286	
Current liabilities:		
Trade and other payables	(80,630)	
Net Assets		(588,905)
Goodwill written off to profit and loss account		16,095

	2014	2013
	$	$

7. CASH AND CASH EQUIVALENTS

	2014	2013
Cash at bank	2,400,423	177,472

8. TRADE AND OTHER RECEIVABLES

	2014	2013
GST receivable	12,079	-
Interest receivable	215	-
Due from Kaili International Resource Limited (KIR)*	10.804	-
	23,098	-

*This balance was acquired on the acquisition of ASF Kaili Resource Pty Ltd on 11 April 2014 (Note 6(b)). It is unsecured, interest free and repayable on demand. Director Jianzhong Yang has an 80% interest in the issued capital of KIR.

9. OTHER CURRENT ASSETS

	2014	2013
Prepayments	28,245	3,020

10. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
Furniture, fixtures and office equipment at:		
Cost	1,350	1,350
Accumulated Depreciation	(1,350)	(506)
Net Book Value	-	844

10. TENEMENTS

	2014	2013
At cost:		
At beginning of year	267,165	-
Additions	24,960	267,165
At end of year	292,125	267,165

12. GOODWILL

	2014	2013
At beginning of year	41,418	-
Additions (Note 6(b))	16,095	41,418
Written off to profit and loss account	(57,513)	-
At end of year	-	41,418

13. TRADE AND OTHER PAYABLES

	2014	2013
Trade payables	41,418	68,451
Other payables and accrued expenses	16,095	-
	52,669	68,451

14. SHARE CAPITAL

		2014 Number of shares	2014 $	2013 Number of shares	2013 $
(a)	**Authorised capital:**				
	Authorised ordinary shares	5,000,000,000	50,000,000	5,000,000,000	50,000,000
(b)	**Issued and paid up capital:**				
	Fully paid ordinary shares	90,266,915	902,669	55,319,060	5,531,147

(c) Movement in ordinary share capital and share premium account

Date	**Details**	**Number of shares**	**Issue price**	**Share capital**	**Share premium**
			$	$	$
14 Apr 14	Issued in consideration for purchase of 100% ASF Kaili Resource Pty Ltd	11,000,000	0.055	110,000	495,000
13 Oct 14	Issued for payment of corporate services	4,000,000	0.020	40,000	40,000
17 Oct 14	Issued under private placement	5,947,859	0.030	59,479	118,957
29 Dec 14	Issued under private placement	13,999,996	0.150	140,000	1,960,000
		34,947,855		349,479	2,613,957

15. REMUNERATION OF AUDITORS

The following total remuneration was received by the auditors of the consolidated entity for audit services provided:

	2014 $	**2013** $
Auditing the financial report	12,000	9,579

16. SEGMENT INFORMATION

Business segments

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

17. CASH FLOW INFORMATION

(a) Reconciliation of Cash

Cash and cash equivalents include cash and bank balances.

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

	2014	2013
	$	$
(Loss)/profit before income tax	(691,709)	165,167
Depreciation	844	169
Foreign exchange differences	(1,020)	-
Goodwill written off	57,513	-
Interest income	(3,063)	(13,912)
Interest expenses	-	44,439
Services paid by way of share issue	80,000	-
Operating cash flows before movements in working capital	(557,435)	195,863
Changes in assets and liabilities relating to operations:		
(Increase)/decrease in trade and other receivables	(12,080)	-
(Increase)/decrease in prepayments	(21,938)	14,660
(Decrease) in trade and other payables and provisions	(102,769)	46,041
Net cash (used in)/from operating activities	(694,222)	256,564

(c) Non-cash investing and financing activities

The Company issued fully paid ordinary shares in payment of the following:

Corporate services	80,000	-

18. EARNING/(LOSS) PER SHARE

	$	$
The calculation of the basic and diluted earning/(loss) per share is based on the following data:		
(Loss)/earning for the purposes of basic and diluted earning/(loss) per share	(691,709)	165,167

Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted earning/(loss) per share	65,379,579	37,788,399

19. COMMITMENTS

MINING TENEMENTS

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

	2014	2013
	$	$
Within twelve months	301,000	161,000
Twelve months or longer and not longer than five years	230,000	391,000
Longer than five years	-	-
	531,000	552,000

The Group has obligations to restore and rehabilitate areas disturbed during exploration. Cash deposit of $5,000 (2013: $5,000) has been provided as security for compliance with the conditions of the tenements.

OPERATING LEASES

The Group had minimum outstanding commitments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	$	$
Within one year	-	39,745
Later than one year and not later than five years	-	-
	-	39,745

20. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, accounts receivable and payables and bond deposit.

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

Financial assets

	2014	2013
	$	$
Cash and bank balances	2,400,423	177,472
Trade and other receivables	23,098	-
Bond deposit	5,000	-
	177,472	177,472

Financial liabilities at amortised cost

Accounts and other payables and accruals	46,313	68,451
	46,313	68,451

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set in note 2(m) to the consolidated financial statements.

(a) (i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has no interest bearing financial assets and liabilities, other than the bank balances.

(ii) Interest rate sensitivity analysis

A 1% decrease in interest rate would result in a decrease of $24,004 (2013: $1,774) in interest income for the year based on balance date bank balances. A 1% increase in interest rate would have the opposite effect.

(b) Foreign currency risk

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

(c) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the expenditure commitments. The maturity profile of the Group's and Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:-

Group	**2014**			**2013**		
	On demand	Over 1 year	Total	On demand	Over 1 year	Total
	$	$	$	$	$	$
Accounts and other payables and accruals	52,669	--	52,669	68,451	--	68,451

(d) Price risk

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

21. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the Company's shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the year ended 31 December 2014.

24. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board ("IASB") has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2014 and which have not been early adopted by the Group:-

		Effective for annual reporting periods beginning on or after
IFRS 9	Financial Instruments	1 January 2015

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to standards in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

25. EVENTS AFTER THE REPORTING DATE

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

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30th January 2015.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 19 to 35:

(a) give a true and fair view of the Company's and consolidated entities' statements of financial position as at 31 December 2014 and of their statements of comprehensive income, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) have been prepared in accordance with International Financial Reporting Standards.

In the opinion of the Directors:

(a) The statement of comprehensive income is drawn up so as to give a true and fair view of the result of the Company for the year ended 31 December 2014.

(b) The statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2014.

(c) At the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Jianzhong Yang
Chairman

Kaiyuan Yang
Executive Director

Sydney
30th January 2015

Chartered Accountant
John Shute
ABN: 73 118 831 624

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

We have audited the Consolidated Financial Statements of Kaili Resources Limited (the "Company") and the subsidiaries (together "the Group") set out on pages 19 to 35, which comprise the consolidated and Company statements of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the statements of changes in shareholders 'deficiency and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS's"). This responsibility includes establishing and maintaining internal control relevant to the preparation of the Consolidated Financial Statements; Selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

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

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

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

Chartered Accountant

John Shute

ABN: 73 118 831 624

Independence

In conducting our audit we have complied with the independence requirements of the Code of Ethics for Professional Accountants.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the profit and cash flows of the Company and of the Group for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we draw attention to ASX Listing Rule 12.1 which requires that the level of operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the company's securities and its continued listing. The company failed to demonstrate its compliance with Listing Rule 12.1 by 31 July 2009 and ASX suspended the company's securities from official quotation as from 1 August 2009.

JOHN F SHUTE
Chartered Accountant

John F Shute

Sydney
30 January 2015

SHAREHOLDERS’ REPORT

(Pursuant to the Listing Rules of the Australian Stock Exchange Limited)

1. Substantial shareholders

Substantial shareholders in the Company at the date of the report are set out below: -

Name	Number of ordinary shares held (directly and indirectly)	Percentage of issued capital
Treasure Unicorn Limited*	36,769,904	40.73
Kaili Holdings Limited*	8,800,000	9.74
Mile Ocean Limited	9,692,222	10.74
Jin He	5,947,859	6.59

*Mr Jianzhong Yang has relevant interests in those entities.

2. Distribution of fully paid ordinary Shares as at 23 January 2015

Range of shareholdings			Number of Shareholders	Units	Percentage of issued capital
1	—	1,000	684	125,254	0.14
1,001	—	5,000	86	209,051	0.23
5,001	—	10,000	19	149,367	0.17
10,001	—	100,000	10	378,886	0.42
100,001	and	over	24	89,404,357	99.04
			823	90,266,915	100.00

3. Voting rights

Each shareholder is entitled to one vote per ordinary share.

4. The Company is incorporated in Bermuda and is not regulated in respect of Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial shareholdings and takeovers). There is no limitation on the acquisition of securities imposed by the jurisdiction in which the Company is incorporated.

SHAREHOLDERS’ REPORT – (continued)

(Pursuant to the Listing Rules of the Australian Stock Exchange Limited)

5. Top twenty shareholders (as at 23 January 2015)

Name		Number of fully paid ordinary shares held	Percentage of issued capital
1.	Treasure Unicorn Limited	36,514,086	40.45
2.	Mile Ocean Limited	9,692,222	10.74
3.	Kaili Holdings Limited	8,800,000	9.75
4.	Jin He	5,947,859	6.59
5.	Start Link Investments Limited	3,810,000	4.22
6.	Mr Yutian Bai	2,666,666	2.95
7.	Mr Shujun Liu	2,666,666	2.95
8.	Ms Junlan Wang	2,666,666	2.95
9.	Eagle Merit Investments Limited	2,470,000	2.74
10.	ASF Group Limited	2,200,000	2.44
11.	Octan Energy Limited	2,000,000	2.22
12.	Mr Qiusheng Li	1,666,666	1.85
13.	Mr Yongjun Liu	1,666,666	1.85
14.	Mr Haiyu He	1,333,333	1.48
15.	Ms Guiying Jia	1,333,333	1.48
16.	Smart Step Limited	1,000,000	1.11
17.	Wujiang Investment Pty Ltd	1,000,000	1.11
18.	Supermax Group Limited	560,000	0.62
19.	Edgefield International Limited	363,000	0.40
20.	Mr. Calvin Au	322,000	0.36

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

Australia	Bermuda
Computershare Investor Services Pty Ltd	Butterfield Corporate Services Ltd
Level 4, 60 Carrington Street	The Rosebank Centre
Sydney, NSW 2000	14 Bermudiana Road
Australia	Pembroke HM08
	Bermuda

7. Ordinary shareholders - enquiries

Ordinary shareholders with enquiries about their shareholdings should contact Kaili Resources Limited ordinary shares register, Computershare Investor Services Pty Limited by telephone on 1300 855 080 (within Australia) or (613) 9415 4000 (outside Australia) or by facsimile (612) 8234 5050.

8. Trading symbol

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