

QUARTERLY REPORT – 30 June 2015

HIGHLIGHTS

CORPORATE

- In the March Quarter, the Company raised new capital of \$1,600,000 by the issue of 8,000,000 fully paid ordinary shares at \$0.20 per share under a Prospectus dated 5 February 2015.
- The shares of the Company was reinstated for trading on 31 March 2015 on the Australian Securities Exchange.
- At 30 June 2015, cash balance was \$3.27 M.

EXPLORATION

- All tenements due for expiry in 2015 were successfully renewed until 2016.
- Discussion on Native Title Agreement for WA tenements progressing.
- WA work program submitted to Kimberley Land Council for review.
- Qld drilling program finalised.

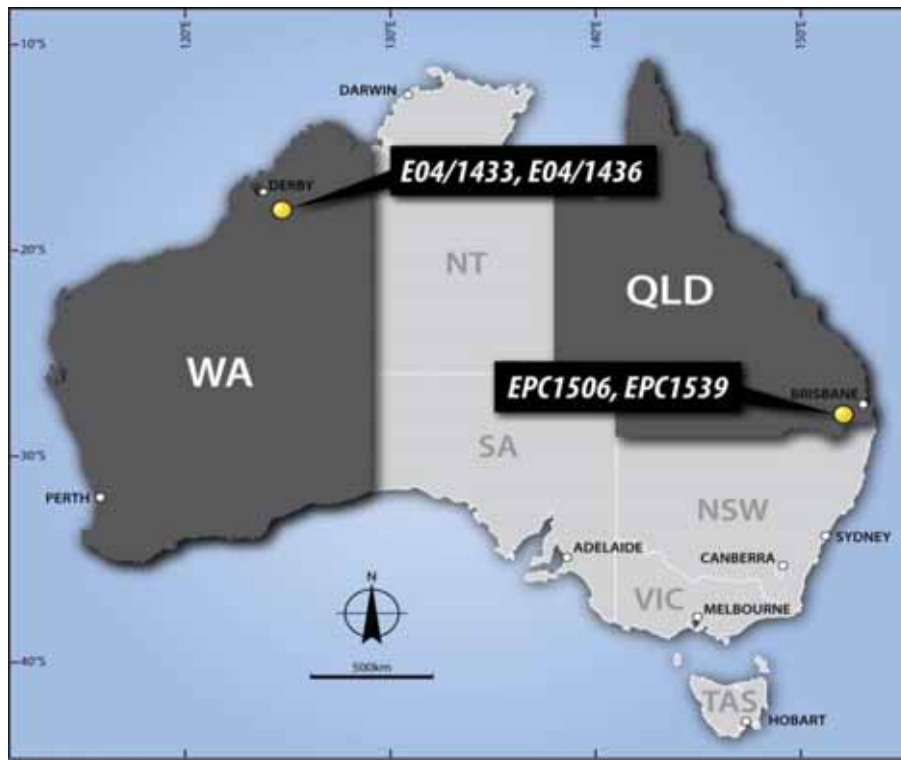


Figure 1: Kaili Resources projects locations – all 100% owned

PROJECT LOCATION	TENEMENT AREA IN KM ²
Queensland	274.4
Western Australia	58.4
Total Area	332.8

Table 1: Kaili Resources Limited's tenement areas, all held 100%

WESTERN AUSTRALIA

Canning Basin (South Ellendale) Coal, Diamonds and Phosphate Project

E04/1433 and E04/1436 held 100% by wholly owned subsidiary by ASF Kaili Resource Pty Ltd

A review of historical exploration indicates prospectivity for coal, diamonds and phosphate. The Group plans to conduct a field based surficial geochemical exploration work program in the September Quarter. The program will involve a grid based sampling program using the portable Olympus Innovex XRF sampler in conjunction with geological and regolith mapping. The proposed work program has been submitted to the Kimberley Land Council for review.

During the Quarter, both tenements were renewed for 12 months to April 2016 and there was no field activity while the renewals were awaited and Native Title Agreements are under discussion.

QUEENSLAND

Clarence Moreton Basin (Maryvale) Coal Project

EPC1506 and 1539 held 100% by wholly owned subsidiary APEC Coal Pty Ltd

Several coal seams have been intersected within EPC 1506 at near surface to depths of several hundred metres. The initial exploration program will comprise 5 to 6 open holes to be drilled to confirm the historical drill intersections as well as expanding the area of known coal mineralisation.

During the Quarter EPC 1539 was renewed for 12 months to August 2016 and there was no field activity in either EPCs while a drilling program was finalised.

WESTERN AUSTRALIA PROJECTS DESCRIPTION

The Western Australian Projects are located in the Canning Basin, and approximately 160 km east of Derby and 100 km west of Fitzroy Crossing in Western Australia (**Figure 2**). Access is via the Great Northern Highway, which transects the tenement package to the north, and then by unsealed pastoral tracks or the unsealed Noonkanbah access road (**Figure 3**).



Figure 2 Kaili Resources Western Australian tenements

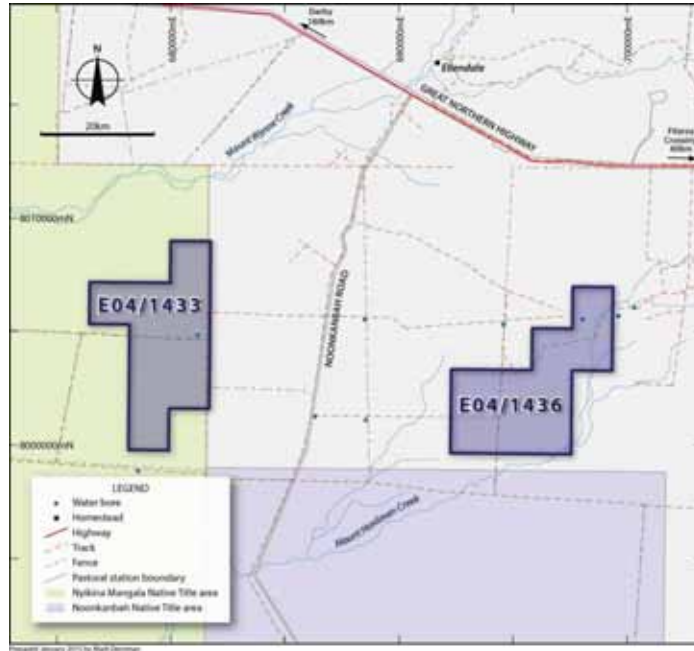


Figure 3 Kaili WA tenements showing proximity to infrastructure

The area is generally flat and vegetated mainly with native and introduced pastoral grass and weeds, spinifex, native shrubs and trees. Sand ridges and termite mounds are a common feature which can range up to 10m in height above the general land surface. The topsoil is generally very thin (<10cm), composed mainly of sand and minor silt with little organic matter. The uppermost 1m of strata predominantly comprises aeolian sand dune deposits.

The Canning Basin Project tenements are located in the Fitzroy Trough, one of four sub-basins separated by basement highs that together comprise the Canning Basin. The basin fill is of Permian age (**Figure 4**), similar to the Sydney Basin in Eastern Australia, and comprises a sequence of continental sediments dominated by mudstones to cross-bedded fine sandstones with occasional coarser units (**Table 2**). Thin coal seams are reported from most of the units in the Fitzroy Trough; however, the most persistent and thick seams has been reported from the Lightjack Formation of the Liveringa Group (**Figure 5**). The surface geology in the tenement areas is dominated by formations of the Liveringa group. The depth of weathering is reported as generally shallow (<25 m) and despite the presence of gentle east-southeast trending anticlines and synclines, bedding is generally shallow dipping at less than 6°.

AGE	GROUP	FORMATION	DESCRIPTION
EARLY TRIASSIC	LIVERINGA	BLINA SHALE	SILTSTONE AND SANDY SHALE
		HARDMAN	MUDSTONE, SANDSTONE AND RARE COAL
EARLY TO LATE PERMIAN		LIGHTJACK	SHALE, SILTSTONE AND COAL AT BASE
EARLY PERMIAN		NOONKANBAH	MUDSTONE, SHALE, SANDSTONE AND RARE COAL

Table 2: Fitzroy Trough Stratigraphy

In the area surrounding E04/1433 and E04/1436 the Permian sequence has been intruded by lamproite pipes and dykes during the Miocene. The lamproite pipes tend to fall into three distinct fields: Ellendale (Ellendale Diamond Mine Area **Figure 2**) to the north of the Great Northern Highway, Calwynyardah which is located between E04/1433 and E04/1436 and shown as east – west known lamproite pipes in Figure 6 and Noonkanbah on Noonkanbah Station (Figure 2) to the south of the project area.

The age of the lamproite pipes exhibits a decrease from north to south, with pipes at Ellendale aged from 20-22 Mya (Million years ago) to 18-20 Mya at Noonkanbah. Numerous pipes have been discovered in all three fields, and while all fields have contained diamonds, only the Ellendale Lamproite Field has produced economic diamond pipes to date. Diamonds tend to be associated with the olivine-rich lamproites but many of the lamproites discovered to date, particularly in the Calwynyardah Field, tend to be leucite-rich and generally low in diamond content, however there has been very minor drill testing of the lamproite pipes outside the Ellendale Field.

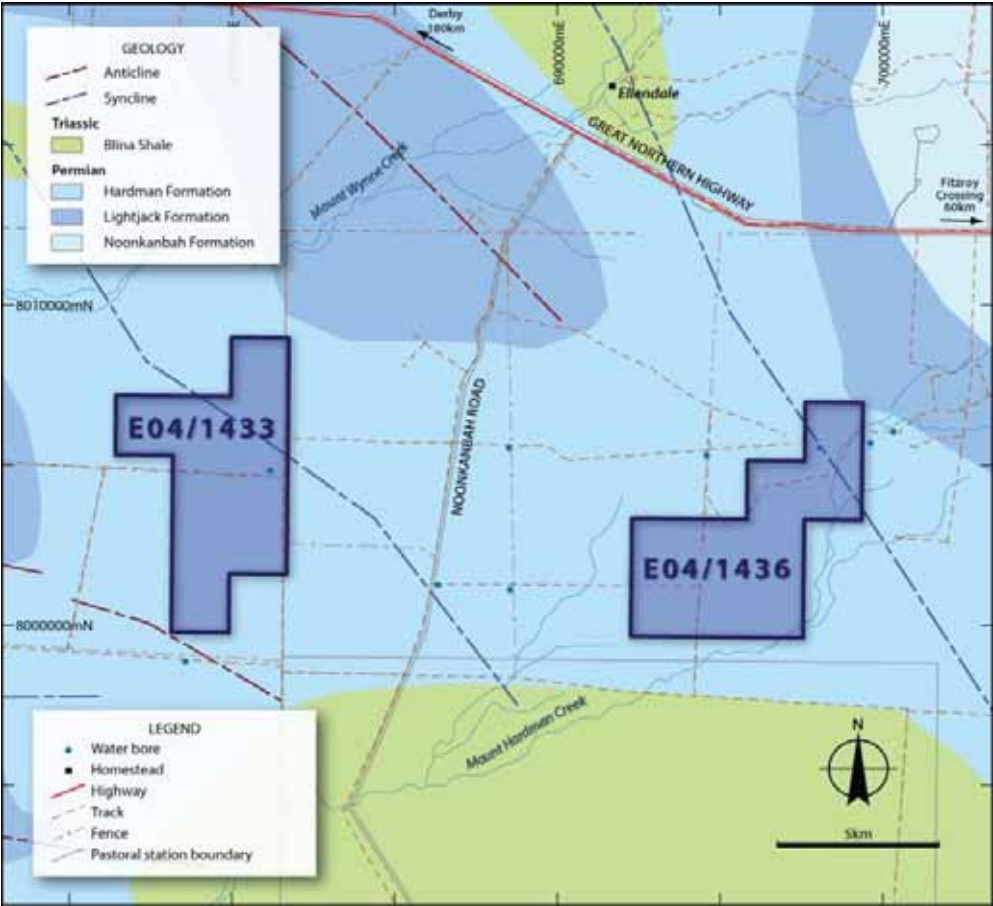


Figure 4: Kaili Resources Geology Map

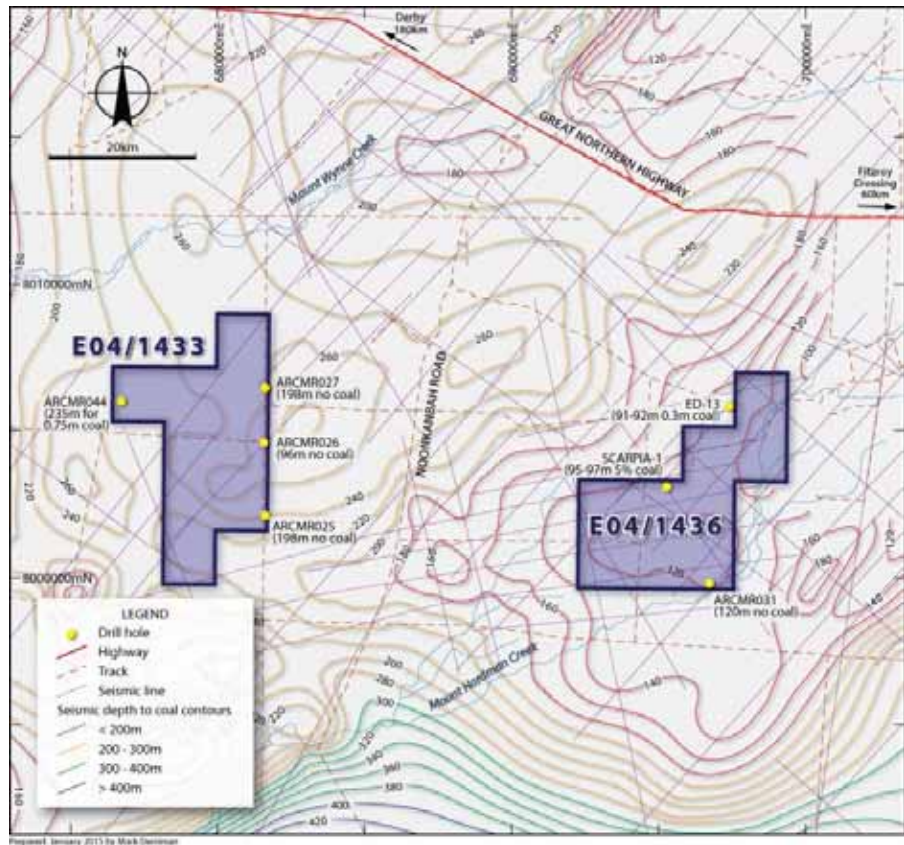


Figure 5: Depth to coal contours from Interpretation of seismic data

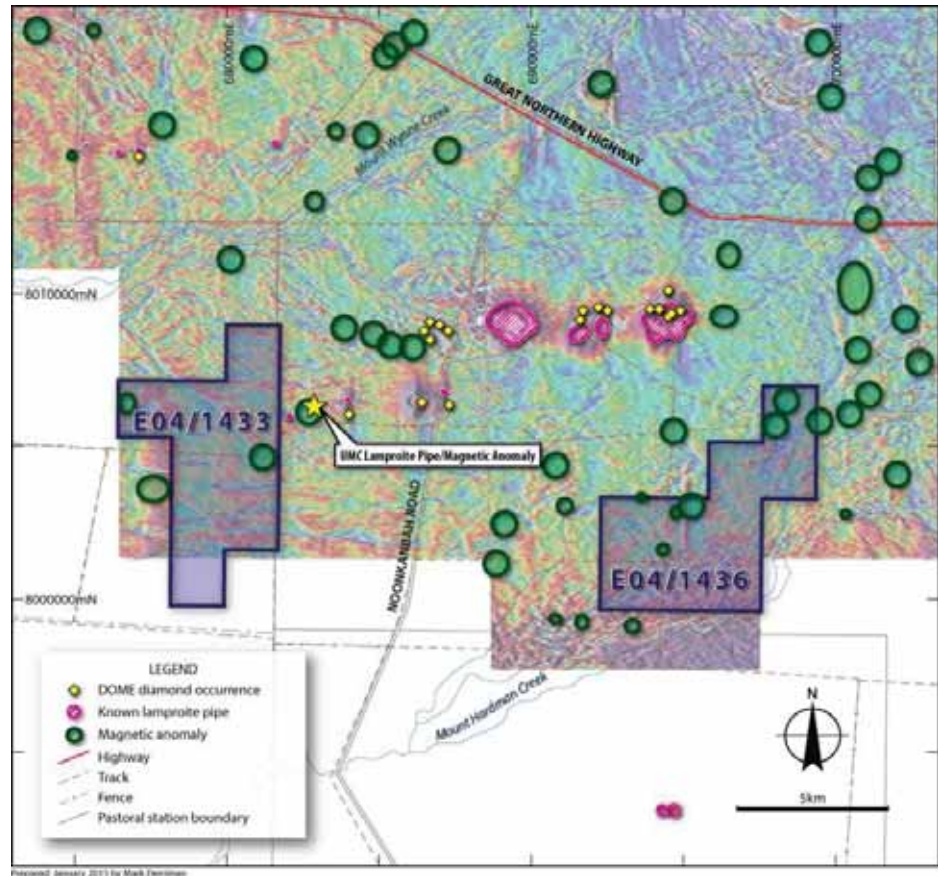


Figure 6: Known diamondiferous pipes and magnetic anomalies

QUEENSLAND PROJECTS DESCRIPTION

The Queensland projects are located 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 Clarence- Moreton Basin, approximately 30km north of Warwick and 50km south of Toowoomba, in southeast Queensland (**Figure 7**). 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 (**Figure 8**), is known as the Southern Downs.

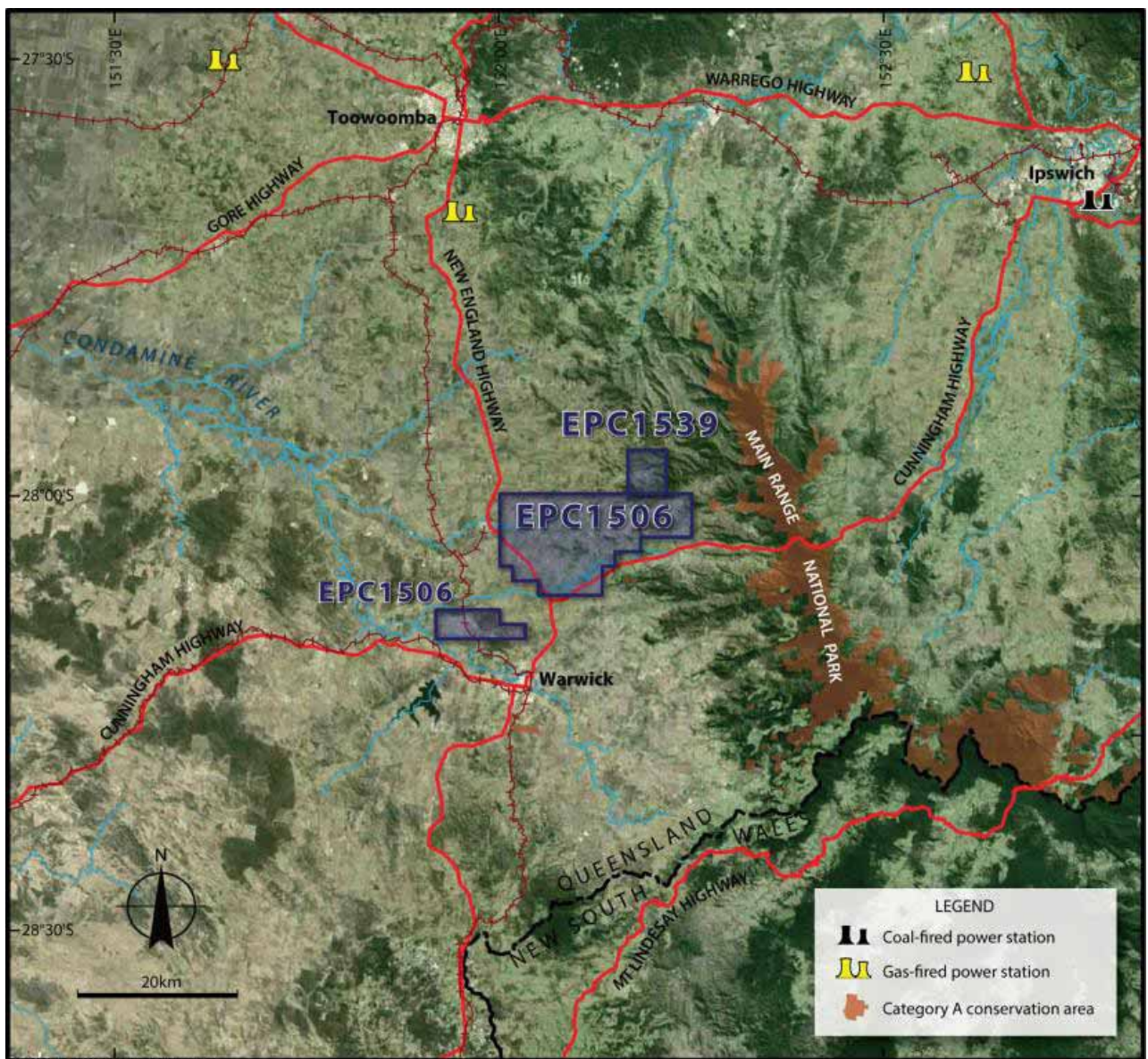


Figure 7: Regional Location of the Queensland Projects

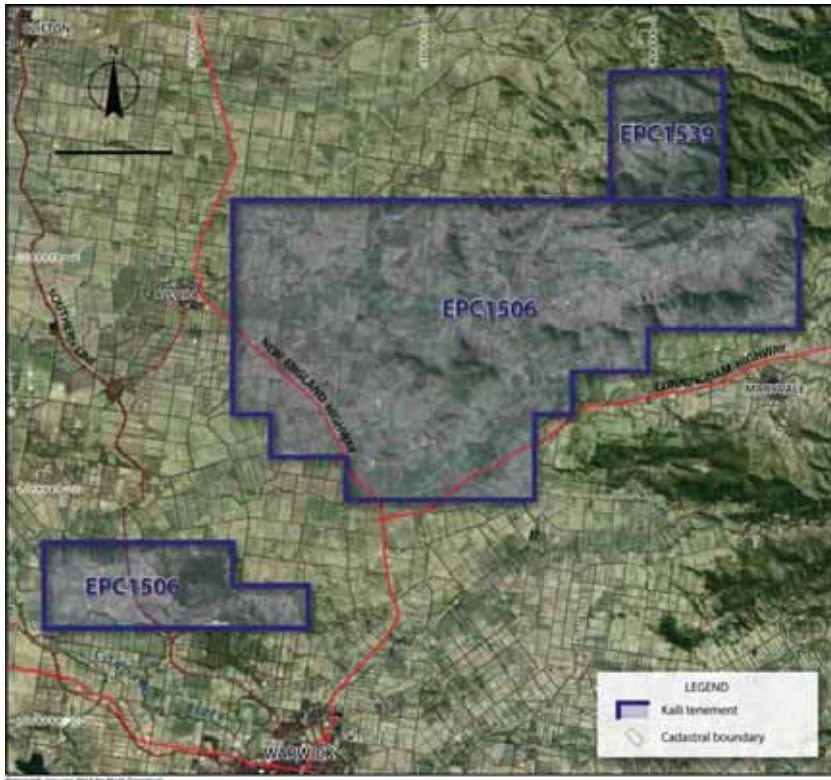


Figure 8: Maryvale Project showing cadastral boundaries and infrastructure

The tenements are situated in the Triassic to cretaceous Clarence-Moreton Basin, which formed in conditions of predominately fluviatile sedimentation. The development of the Clarence-Moreton Basin was contemporaneous with the Surat Basin and broad stratigraphic units can be correlated between the basins. However, the underlying tectonics and sources of sediment were different resulting in a differentiation of specific sedimentary sequences. Much of the basin is dominated by the late Triassic to Jurassic Bundamba group, comprising the older Woogaroo subgroup, a sequence of predominantly conglomerates and sandstones deposited in a fluvial to lacustrine environment. The overlying Marburg subgroup comprises predominately quartz sandstones interbedded with grey shales and mudstones (**Figure 9**).

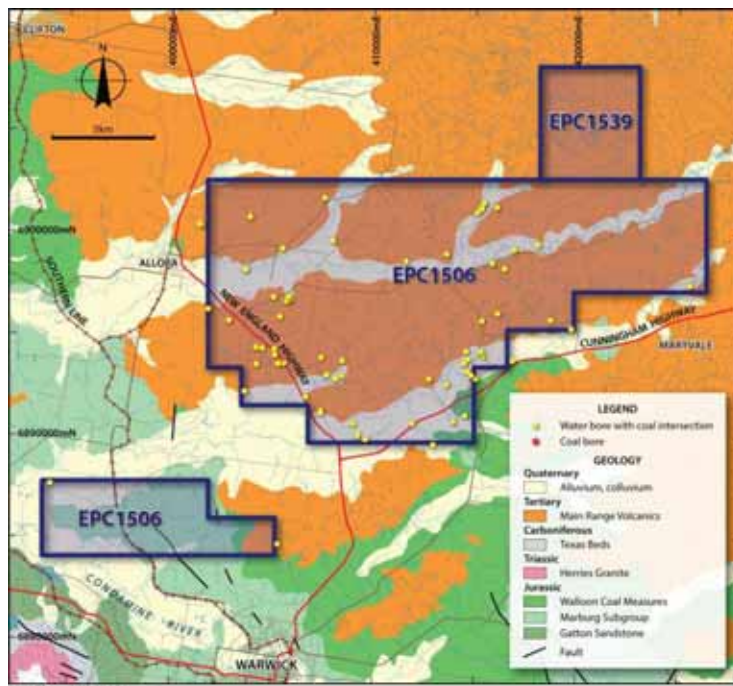


Figure 9: Maryvale Project Surface Geology with coal in water bores

The Walloon sub group (also known as Walloon Coal Measures) sit conformably on the Marburg subgroup and represent widespread fluvial and lacustrine to paludal deposition over the entire basin. They consist of siltstone, banded coal horizons or packages and fine to medium grained lithic sandstone, and have been subdivided into the Taroom and Jundah coal measures, which are separated by the Tangalooma sandstone.

Coal-Bearing “packages”, rather than distinct seams, are common, and this is a result of seam splitting, resulting in several seams with variable thicknesses (**Table 3**).

AGE	SUB GROUP	FORMATION	DESCRIPTION
TRIASSIC		MAIN RANGE VOLCANICS	VESICULAR BASALT
LATE JURASSIC		KANGAROO CREEK SANDSTONE	QUARTZ SANDSTONE AND CONGLOMERATE
MIDDLE JURASSIC	WALLOON SUB GROUP	JUNDAH COAL MEASURES	
		TANGALOOMA SANDSTONE	SANDSTONE AND SHALE
		TAROOM COAL MEASURES	
		DURABILLA	SANDSTONE AND MUDSTONE

Table 3 Maryvale Project Stratigraphy

LICENCES STATUS

Pursuant to ASX Listing Rule 5.4.3 the Company reports as follows in relation to minerals tenements held at the end of the June 2015 quarter and acquired or disposed of during that quarter and their locations.

Tenement	Project Name	Location	Registered Holder	Beneficial Interest	Expiry
E04/1433	Annette Bore	Canning Basin WA, 150km east of Derby	ASF Kaili Resource Pty Ltd	100%	14 April 2016*
E04/1436	Luck Bore	Canning Basin WA, 150km east of Derby	ASF Kaili Resource Pty Ltd	100%	27 April 2016*
EPC 1506	Maryvale 1	Clarence Moreton Basin Qld, 15km north of Warwick	APEC Coal Pty Ltd	100%	12 May 2017
EPC 1539	Maryvale 2	Clarence Moreton Basin Qld, 15km north of Warwick	APEC Coal Pty Ltd	100%	5 August 2016*

* Renewal approved during the quarter

There were no other tenements acquired or disposed of or change in beneficial interests under farm-in or farm-out agreements during the quarter

(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.

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 2004 and 2012 Editions 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

31 July 2015

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

KAILI RESOURCES LIMITED

ARBN

077 559 525

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	100
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(24) (169)	(51) (751)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	13	20
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (GST)	(6)	(24)
Net Operating Cash Flows	(186)	(706)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	(2)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (security deposit refunded)		
Net investing cash flows	-	(2)
1.13 Total operating and investing cash flows (carried forward)	(186)	(708)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(186)	(708)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,600
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (capital raising costs)		(25)
	Net financing cash flows	-	1,575
	Net increase (decrease) in cash held	(186)	867
1.20	Cash at beginning of quarter/year to date	3,453	2,400
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,267	3,267

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	22
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director salary and superannuation

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Funds will be drawn from the loan facilities to meet cash flows in next quarter.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	-
4.4 Administration	100
Total	250

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	76	1,705
5.2 Deposits at call	3,191	1,748
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,267	3,453

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	98,266,915	74,022,345	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities (description)			

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 31 July 2015
Company secretary

Print name: Ran Pang

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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