

QUARTERLY ACTIVITIES REPORT – 31st March 2016

EXPLORATION HIGHLIGHTS

- All granted tenements are up to date regarding statutory requirements.
- Drilling in EPC 1506 and 1539 in QLD planned for June quarter 2016.
- E04/1433 and 1436 in WA were relinquished in March quarter 2016.
- Granting of the eight (8) new gold and iron tenement applications submitted to WA Department of Mines and Petroleum is on track and all current requirements have been met.



Figure 1: Kaili Resources projects locations (Note E04/1433 and 1436 were surrendered during the March quarter 2016)

PROJECT LOCATION	TENEMENT AREA IN BLOCKS	TENEMENT AREA IN KM ²
Queensland	98	313.6
Total Area	98	313.6

Table 1: Kaili Resources granted tenement areas, all held 100%. Km² has been calculated at approximately 3.2km² per block

WESTERN AUSTRALIA

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

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

During the Quarter the Company relinquished E04/1433 and 1436 and all statutory requirements have been met.

New Exploration Areas in WA

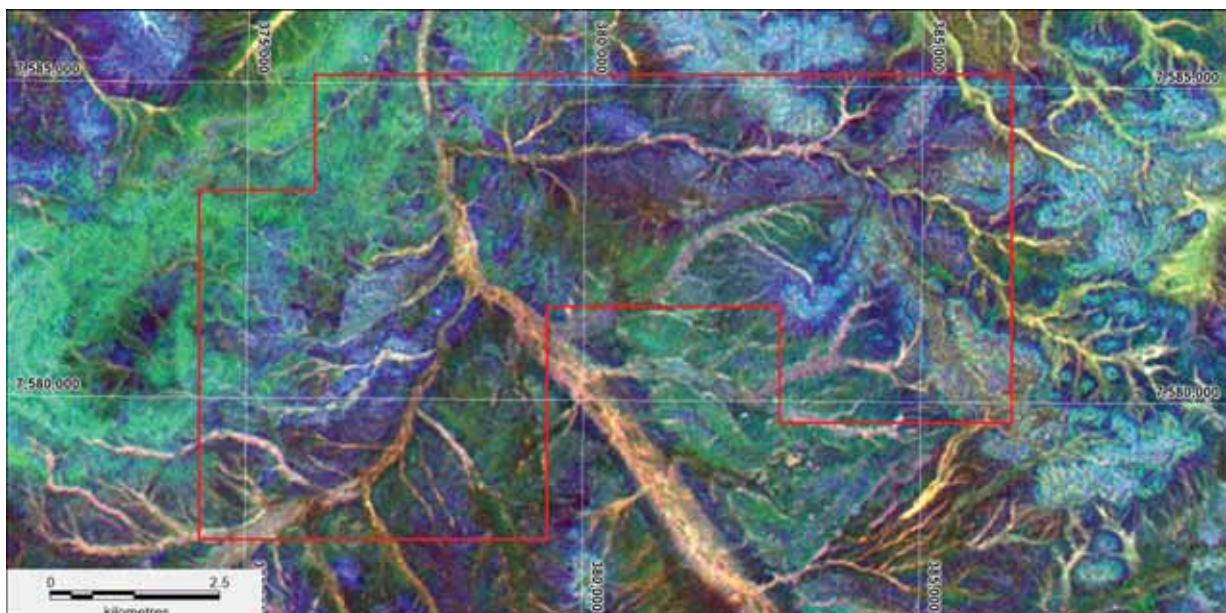
The Company continued the compilation phase of existing and new data sets for the new iron and gold projects in Western Australia. The datasets have been incorporated into the existing gold and iron GIS databases. The applications are progressing as per schedule and the Company anticipates granting of the tenements in June quarter 2016.

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

Applications E08/2770-I, E46/1084-I and E45/4619-I for 100% interest by Kaili Iron Pty Ltd (100% subsidiary of Kaili Resources Limited)

From a review it was determined that there were opportunities to apply for tenements prospective for iron ore related to the CID (Channel Iron Deposit) style of iron mineralisation. This style of iron ore is currently being mined by both Rio Tinto and BHP at Robe River and Yandi. A total of 3 tenement applications were made, Darnell Hill, Buster's Bore and Bea Bea Creek for a total area of 230 km² (**Figures 4 and 5**).

Processing of ASTER satellite imagery (**Figures 2 and 3**) over the iron tenements clearly highlights the extent of the surface iron mineralisation. The processed satellite imagery and radiometric data are being used to compile regolith and geology maps of the tenements. These maps will form the basis of iron target delineation and sampling traverses. Initial sampling will involve collection of multi element data across the iron stratigraphy using the Delta mining and geochemistry handheld XRF analyser in conjunction with regolith and geological mapping. Initial discussions have been held with the Native Title representative bodies to set out a framework regarding the exploration programs of the Company.



**Figure 2 ASTER imagery for E08/2770-I Darnell Hill
Regolith Ratios showing iron rich areas as shades of blue**

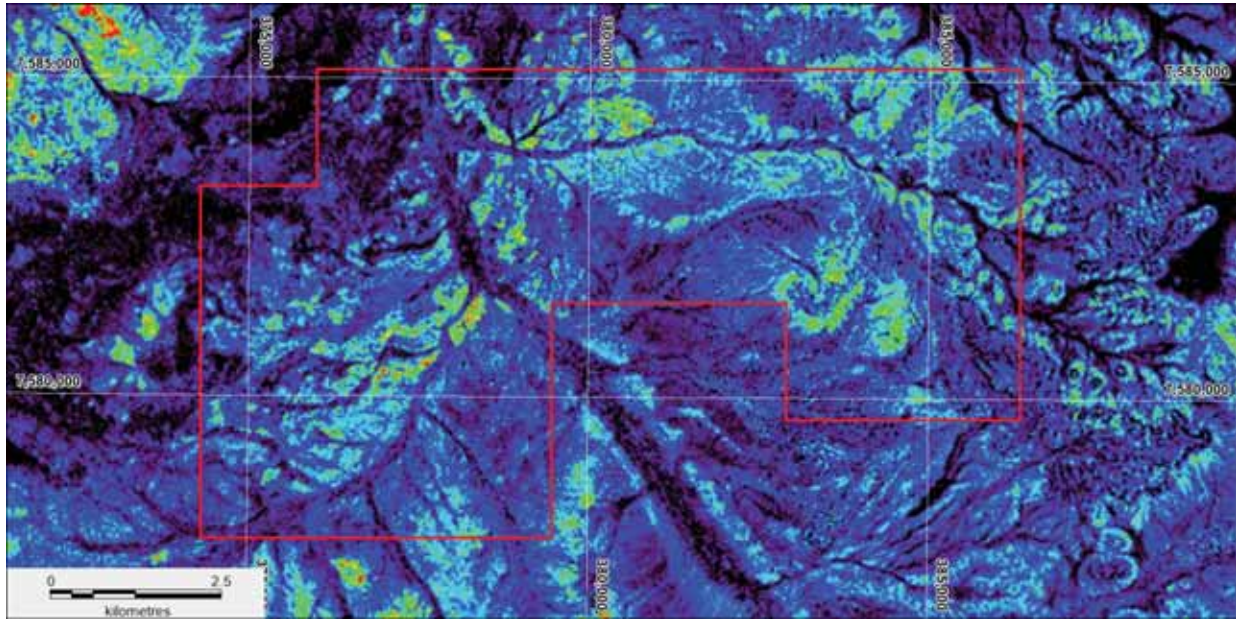


Figure 3 ASTER imagery for E08/2770-1 Darnell Hill Ferric Oxide Content(Iron) as areas of green and red



Figure 4: Kaili Resources project application locations Yilgarn Craton (Kookynie and Gindalbie) Gold Projects

Applications E31/1113, E27/550, E27/549, E40/354 and E31/1114 for 100% interest by Kaili Gold Pty Ltd (100% subsidiary of Kaili Resources Limited)

The Yilgarn Craton is one of the premier gold regions in the world and hosts numerous multimillion ounce gold mines and deposits. The Company reviewed several areas for tenement applications in proximity to known gold mineralisation and associated with mafic igneous extrusive/intrusive rocks. The Gindalbie area north east of Kalgoorlie and the Kookynie (Figure 6) are south east of Leonora were chosen and 5 tenement applications were made:

Gindalbie - Canegrass, Holey Dam and Gindalbie Dam for 201 km²

Kookynie – 8 Mile Dam and Jungle Hill for 69 km².

Exploration of the gold tenements will involve a dual approach to target generation.

- Surface geological/regolith mapping will be carried out across the tenements so that surficial geochemical sampling results can be divided on the basis of geological/regolith regimes.
- Existing airborne geophysical data will be processed by Perth based Southern Geoscience Consultants in order to define deeper drill targets masked by transported surficial cover. A new survey will be flown over the Jungle Hill tenement as existing data is too coarse for targeting.



Figure 5: Kaili Resources iron project application locations (red) iron ore mining operations inside the red ellipse.



Figure 6: Kaili Resources gold project application locations (red) and gold mining operations inside the red ellipse

QUEENSLAND

Clarence Moreton Basin (Maryvale) Coal Project

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

The current approved work program for EPC 1506 is valid until 13th May 2017 (Year 8). There is a requirement at the end of Year 7 (13th May 2016) for the licence to be relinquished by 40% from 89 blocks (284.8km²) to 53 blocks (169.6km²). The Company has submitted a variation of partial relinquishment report to the Department of Natural Resources and Mines requesting a partial relinquishment from 89 blocks to 62 blocks (230.4 km²). The areas chosen for proposed partial relinquishment included regions around Warwick airport and the town of Allora as well as adjacent land to the major sealed highways and property sub divisions (**Figure 7**). The Company will be carrying out resource drilling in EPC1506 and exploration drilling in EPC 1539 in June quarter 2016. To that end the Company has instructed GeoConsult to provide a quote on managing the drilling for EPC 1506 and 1539. GeoConsult is a progressive and multi-disciplinary company of consulting geoscientists and affiliated industry professionals based in Brisbane who own and operate their own coal testing laboratory. A program of 6 chip holes and 1 diamond core hole is planned for EPC 1506 and 1539 with a heritage survey having been completed at all proposed drill sites. Compensation and access agreements have been signed with all landholders on whose land drilling will take place. GeoConsult have compiled a comprehensive Safety and Health Management System (SHMS) for the project as well as a visitor induction pamphlet in line with the Companies overall corporate policies.

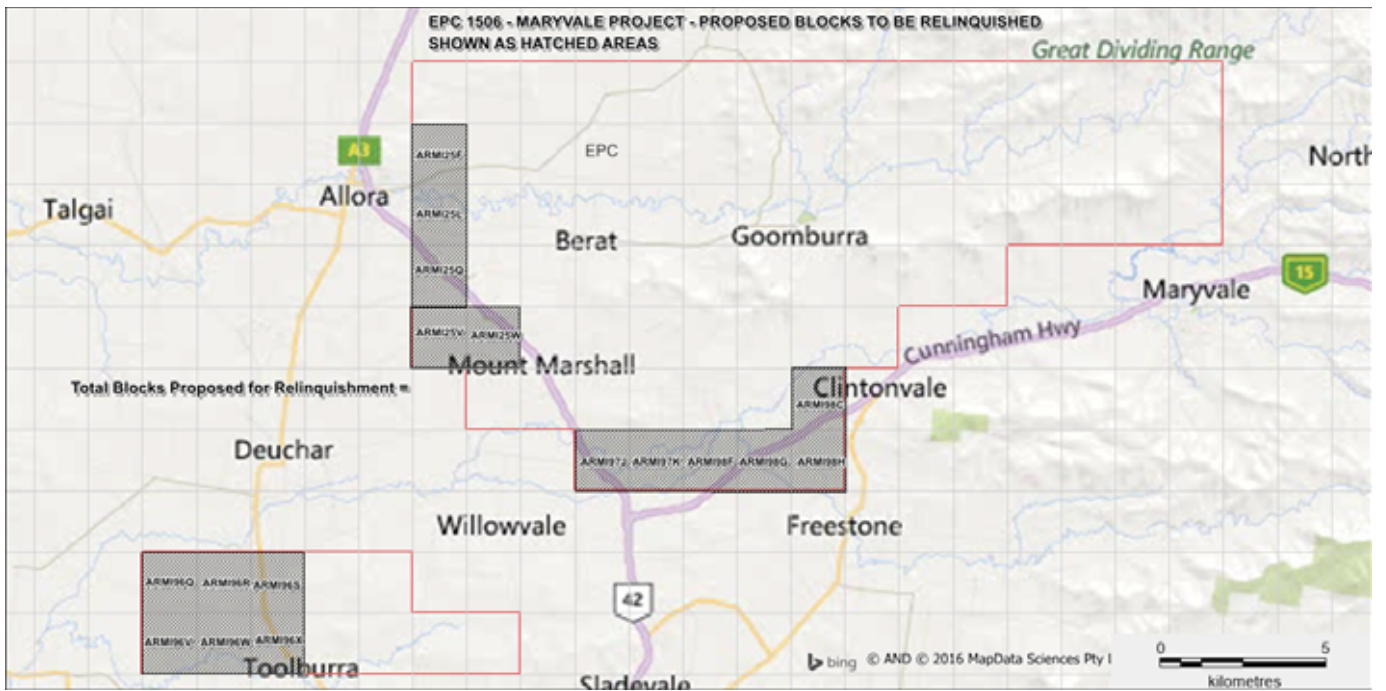


Figure 7: Proposed partial relinquishment of EPC 1506 shown as hatched areas

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 30 km north of Warwick and 50 km south of Toowoomba, in southeast Queensland (Figure 8). 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 9), is known as the Southern Downs.



Figure 8: Regional Location of the Queensland Projects

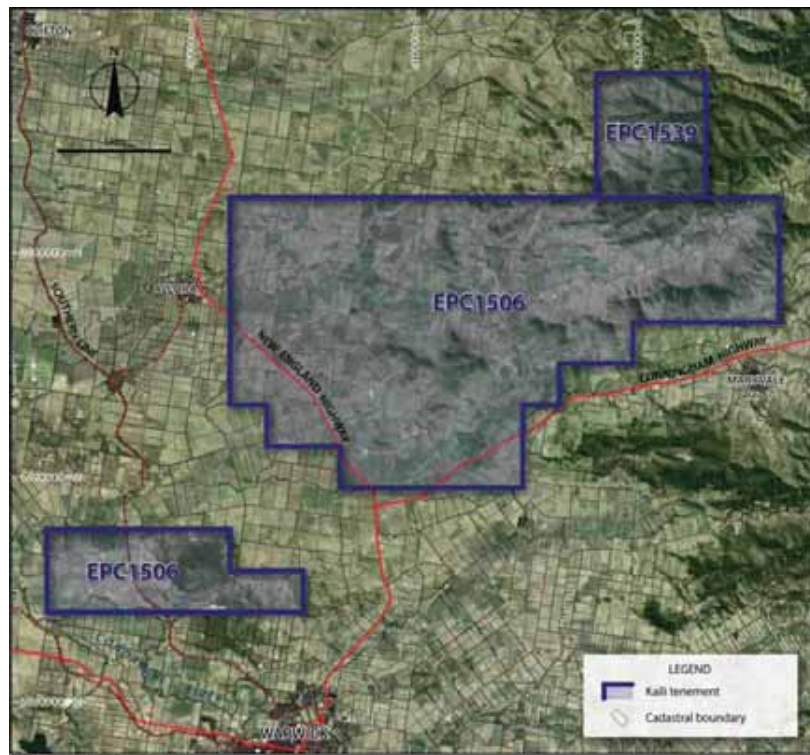


Figure 9: Maryvale Project showing cadastral boundaries and infrastructure

The tenements are situated in the Triassic to cretaceous Clarence-Moreton Basin, which formed in conditions of predominately fluvial 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 10).

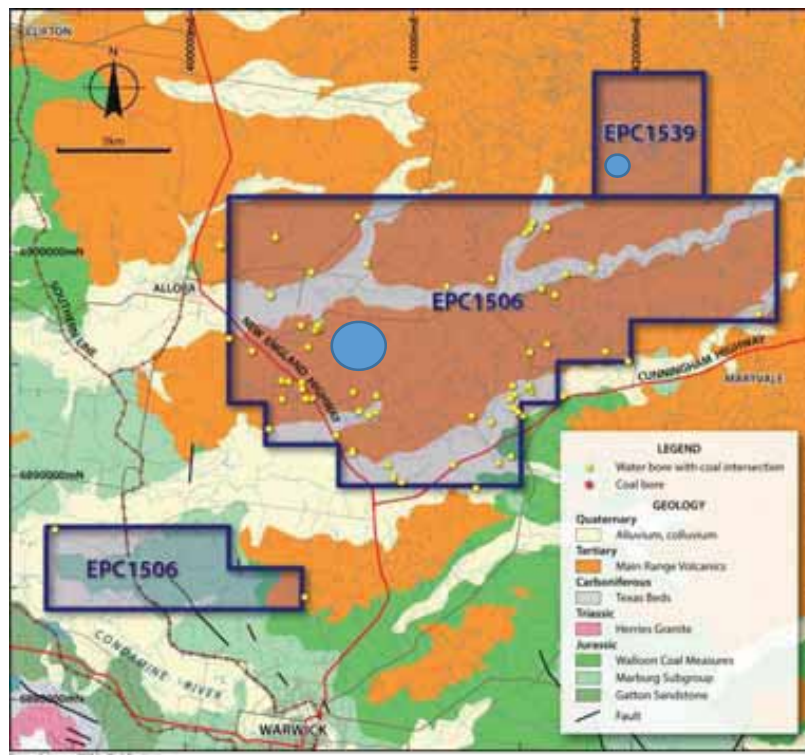


Figure 10: Maryvale Project Surface Geology with coal in water bores. The proposed drill areas are shown a blue ellipsis

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 2).

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 2: 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 March 2016 quarter and acquired or disposed of during that quarter and their locations.

Granted Tenement	Project Name	Location	Registered Holder	Beneficial Interest	Expiry
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 2017

Application Tenement	Project Name	Location	Applicant	Beneficial Interest	Application Date
E08/2770-I	Darnell Hill	Hamersley Basin WA, 150 km south of Pannawonica	Kaili Iron Pty Ltd	100%	11 September 2015
E46/1084-I	Buster's Bore	Hamersley Basin WA, 150 km north of Newman	Kaili Iron Pty Ltd	100%	11 September 2015

Application Tenement	Project Name	Location	Applicant	Beneficial Interest	Application Date
E45/4619-I	Bea Bea Creek	Hammersley Basin WA, 250km north west of Newman	Kaili Iron Pty Ltd	100%	11 September 2015
E40/354	8 Mile Dam	Yilgarn Craton WA, 80 km south of Leonora	Kaili Gold Pty Ltd	100%	15 September 2015
E31/1114	Jungle Hill	Yilgarn Craton WA 80 km south of Leonora	Kaili Gold Pty Ltd	100%	15 September 2015
E31/1113	Canegrass	Yilgarn Craton WA, 80 km north of Kalgoorlie	Kaili Gold Pty Ltd	100%	15 September 2015
E27/550	Holey Dam	Yilgarn Craton WA, 80 km north of Kalgoorlie	Kaili Gold Pty Ltd	100%	15 September 2015
E27/1433	Gindalbie Dam	Yilgarn Craton WA, 80 km north of Kalgoorlie	Kaili Gold Pty Ltd	100%	15 September 2015

During the quarter E04/1433 and E04/1436 in WA were surrendered and an application for a partial reduction of EPC 1506 was lodged which will reduce the area of the tenement from 284.8 km² to 230.4 km². There was no change in beneficial interests under farm-in or farm-out agreements.

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

Mr Mark Derriman has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 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

28 April 2016

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")

31 MARCH 2016

Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	58	58
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(19) (124)	(19) (124)
1.3 Dividends received	9	9
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - GST	(30)	(30)
Net Operating Cash Flows	(106)	(106)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	 (9)	 (9)
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 paid		
1.12 Other -security deposit refund		
Net investing cash flows	(9)	(9)
1.13 Total operating and investing cash flows (carried forward)	(115)	(115)

+ 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)	(115)	(115)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
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)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(115)	115
1.20	Cash at beginning of quarter/year to date	2,908	2,908
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,793	2,793

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	21
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		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	340
4.2 Development	
4.3 Production	
4.4 Administration	150
Total	490

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	164	188
5.2 Deposits at call	2629	2720
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2793	2908

+ See chapter 19 for defined terms.

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	E04/1433 Canning Basin WA	Wholly owned	100%	-
		E04/1436 Canning Basis WA	Wholly owned	100%	-
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 <i>(description)</i>			
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	86,578,026	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities <i>(description)</i>	-		

+ 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: 28 April 2016
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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+ See chapter 19 for defined terms.