

9th August 2016

Western Australian tenement with potential for iron ore granted

Kaili Resources Limited is pleased to announce the granting of E45/4619-I (Bea Bea Creek) to its 100% subsidiary company Kaili Iron Pty Ltd for a period of 5 years. Bea Bea Creek is located 1200km north of Perth in the Pilbara region of WA (**Figure 1**). The tenements details are included in **Table 1**.



Figure 1 Bea Bea Iron Project Location

Region	Tenement Number	Tenement Name	Commodity	Grant Date	Expiry Date	Sub Blocks	Area (km ²)
Pilbara	E45/4619-I	Bea Bea Creek	Iron	28/7/2016	27/7/2021	33	105.6

Table 1 Bea Bea Tenement Details

The Pilbara region of WA is one of the premier iron regions of the world with several world class iron ore mining operations. Kaili Iron has targeted the CID (Channel Iron Deposit) style of iron mineralisation (**Figure 2**) which are found in ancient palaeochannels resulting in cemented masses of concretionary iron oxides of hematite to hematite-goethite composition. Major producing CIDs include Robe River (Rio Tinto) and Yandicoogina(BHP). Typical composition of ore from Yandicoogina is about 58% Fe, 0.05% P, 4.8% SiO₂ and 1.4% Al₂O₃.

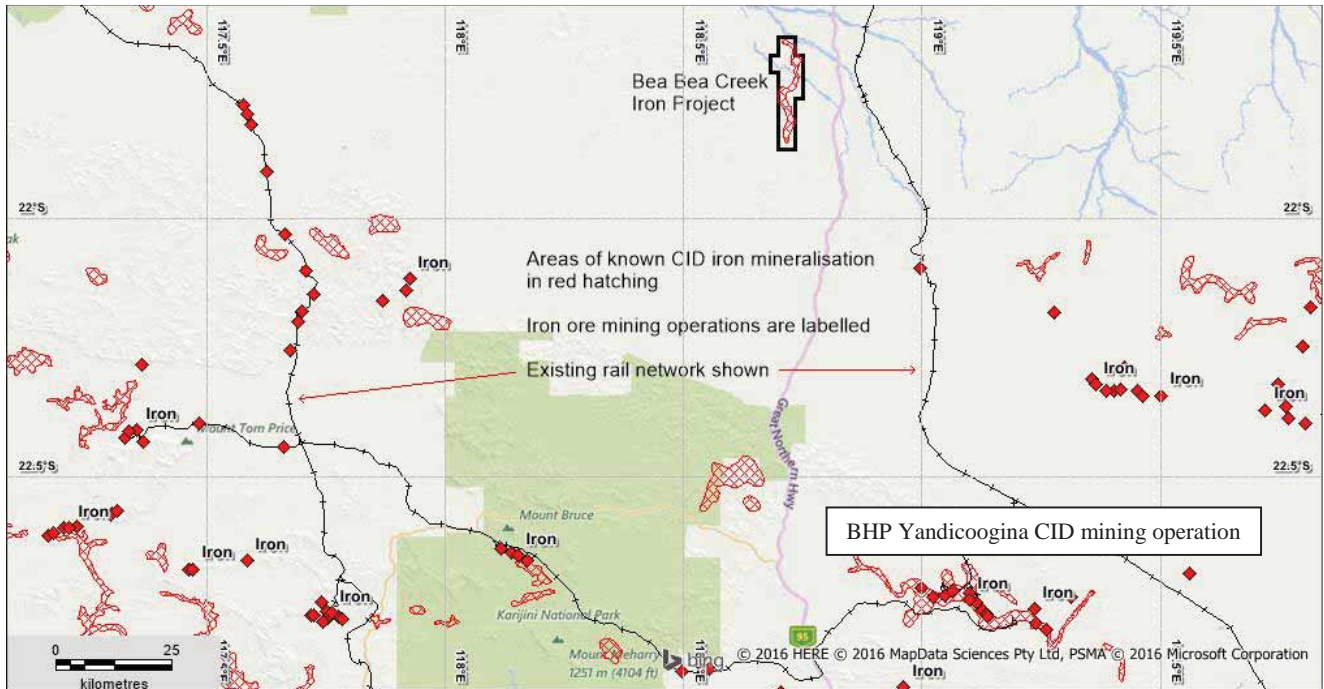


Figure 2 Bea Bea Creek tenement showing rail infrastructure and iron ore mining operations

Following a review of CID style target in the WA Pilbara Kaili Iron submitted an application to the WA Mines Department on the 11th September 2015 for an area surrounding Bea Bea Creek which was subsequently granted (**Table 1**). The area of mapped (GSWA) CID forms a linear region up to 20km in length located to the west of the Great Northern Hwy and BHP and Fortescue Metals Group (FMG) railway lines that link the Pilbara region to Port Headland (**Figure 3**).

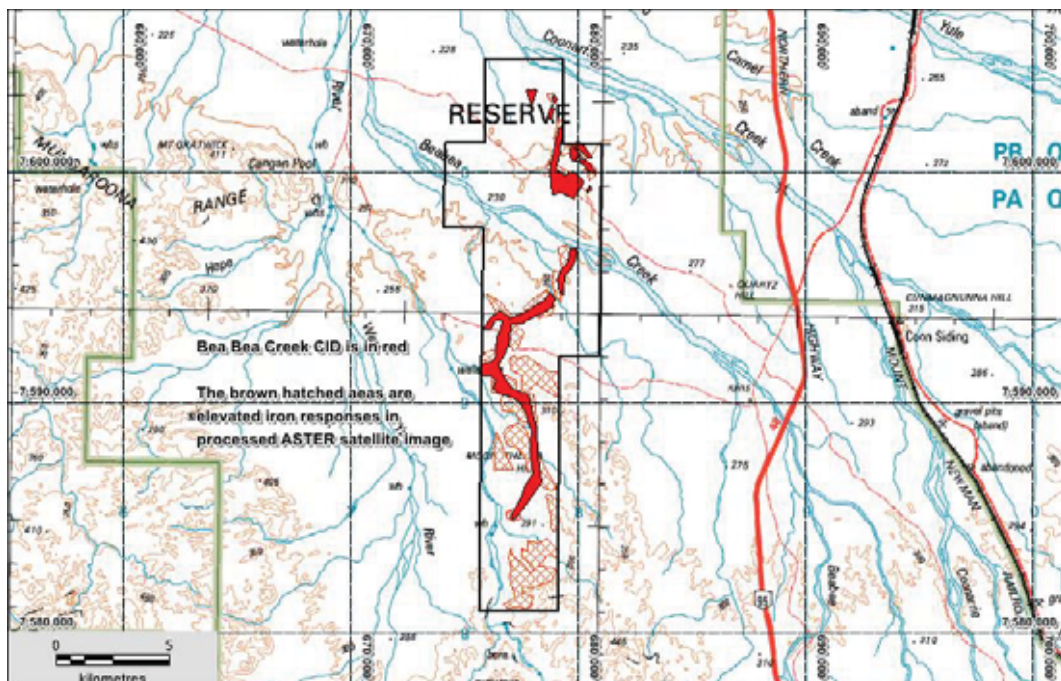


Figure 3 E45/4619-I showing the mapped CID and ASTER target areas

Processed ASTER satellite imagery has been used to highlight areas of ferric iron (Fe^{3+}) which is the most stable of iron in air. CIDs are composed of mixtures of goethite and hematite, both of which are iron minerals of the variety Fe^{3+} . **Figure 4** shows an ASTER satellite image processed for ferric iron. The mapped CID is highlighted by the elevated ferric iron response as are other areas which are shown in **Figure 3**. Both the mapped areas of CID and the elevated areas of ferric iron in the ASTER imagery will be the initial focus of iron ore exploration within E45/4619-I

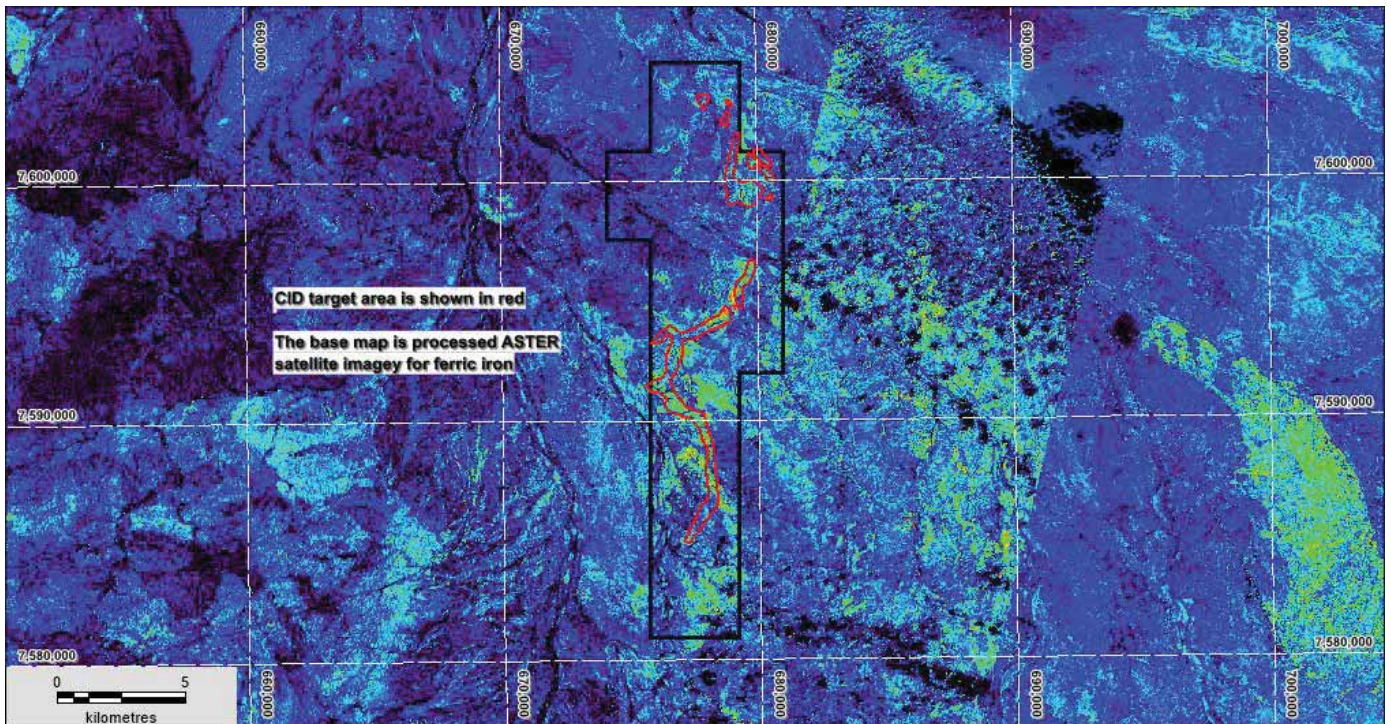


Figure 4 ASTER satellite imagery processed for ferric iron (processed by the GSWA)

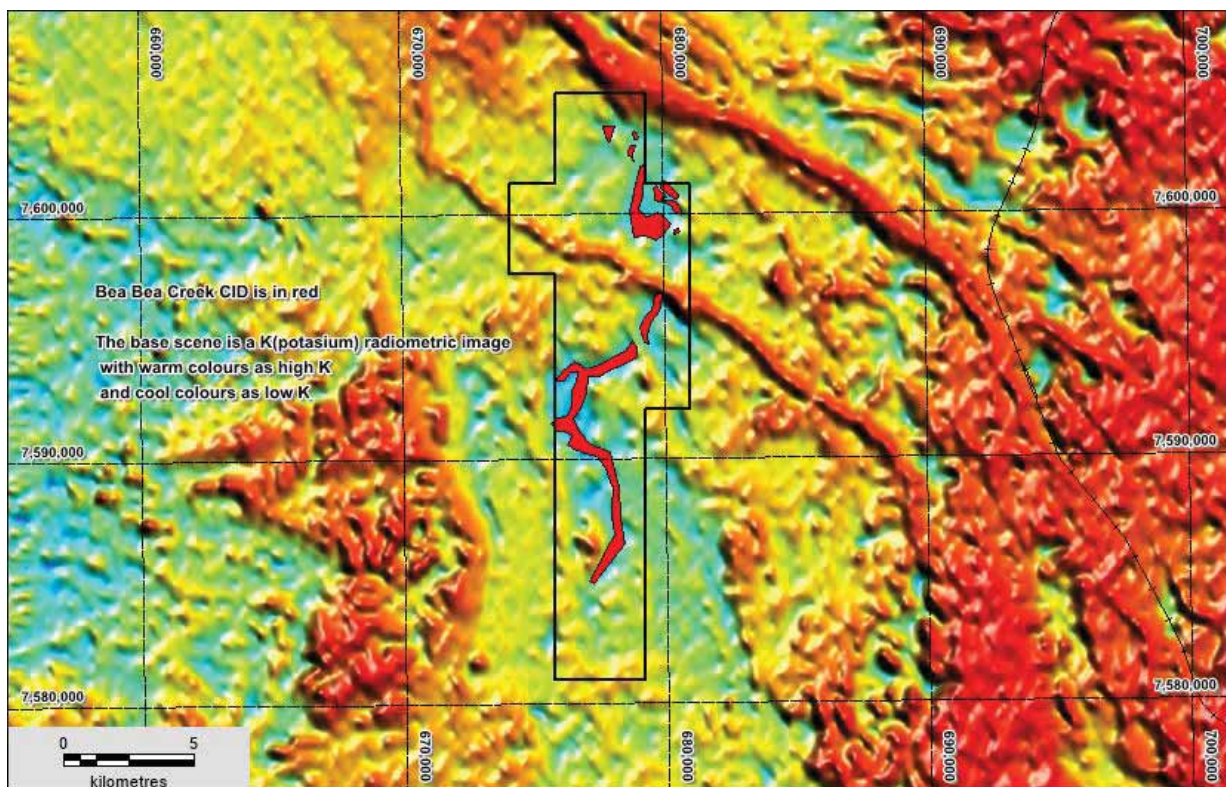


Figure 5 Potassium radiometric image showing the mapped CID in E45/4619-I. Warm colours ie red highlight high K responses while cool colours ie blue highlight low K responses

The area of E45/4619-I is covered by a regional airborne magnetic/radiometric survey flown by the GSWA. **Figure 5** shows a potassium (K) radiometric image of the Bea Bea project with the meandering palaeochannel defined by an area of low K response.

Year 1 exploration will involve field traverses across the mapped CID and interpreted ASTER ferric iron areas with the work comprising geological mapping and collection of geochemical data via the portable Olympus Delta XRF analyser. In addition, selected samples rock samples will be submitted to the ALS geochemical laboratory in Perth

(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

9th August 2016