

30 October 2018

ACTIVITIES REPORT – Quarter Ended 30th September 2018

EXPLORATION HIGHLIGHTS

- All granted tenements are up to date regarding statutory requirements.

Kookynie and Jungle Hill Gold Projects in Western Australia

- 17 RC drill holes for 2,023 meters Jungle Hill Project completed

Halls Creek Projects Cobalt/Gold in Western Australia

- 4 new tenements granted



Figure 1: Kaili Resources project locations

PROJECT LOCATION	TENEMENT AREA IN SUB BLOCKS	TENEMENT AREA IN KM ²
Queensland	27	86.4
Western Australia	296	947.84
Total Area	323	1034.24

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

WESTERNAUSTRALIA.

Pilbara Craton (Darnell Hill, Bustlers' Bore and Bea Bea Creek) Iron Projects

E08/2770-I (Darnell Hill), E46/1084-I (Bustler Bore), E45/4619-I (Bea Bea Creek) are held 100% by wholly owned subsidiary Kaili Iron Pty Ltd. . All tenements are granted (Figure 2).



Figure 2: Kaili Resources iron projects showing iron ore mines as brown diamond

The Mugarinya Community are yet to provide a budget for our proposed Work Program within the Bea Bea Creek tenement. As the work programs for Bea Bea Creek and Bustler Bore will be carried out in the same time period no field work for either project was completed in the September Quarter. As the wet season will impact on field-based exploration the next phase of field work is planned for the June Quarter 2019.

Yilgarn Craton (Gindalbie and Kookynie) Gold and Iron Projects

E40/354 (8 Mile Dam), E31/1114-I (Jungle Hill), E31/1113 (Canegrass), E27/550 (Holey Dam) and E27/549 (Gindalbie dam) are held 100% by wholly owned subsidiary Kaili Gold Pty Ltd. All tenements are granted (Figure 3).



Figure 3: Kaili Resources WA Gold Projects

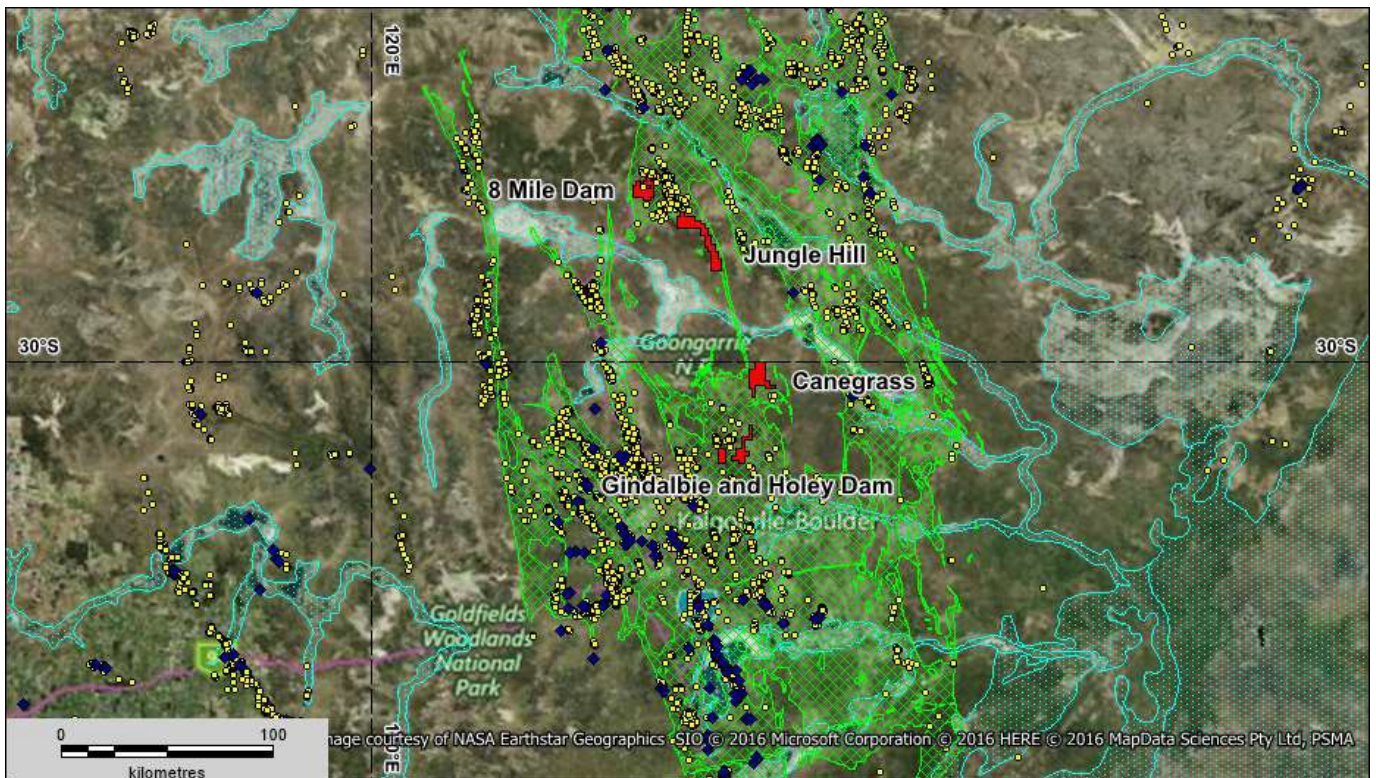


Figure 4: Satellite Image with Eastern Goldfields Superterrane (green hatching) and Kaili Gold tenements in red. Blue diamonds are operating mines and yellow dots are gold occurrences

JUNGLE HILL DRILLING

Drilling in exploration licence E31/1114-I south east of Kookynie in Western Australia commenced on 12th September 2018 and was finalised at the end of the quarter. A total of 17 RC drill holes were completed by drilling company Top Drill for a total advance of 2,023 m (**Figure 5**). The drilling intersected narrower than expected “Banded Iron Formation (BIF) zones with all holes reaching their targeted depth. When results are received, an ASX announcement will be made. The drill hole information is shown below in Table 2.

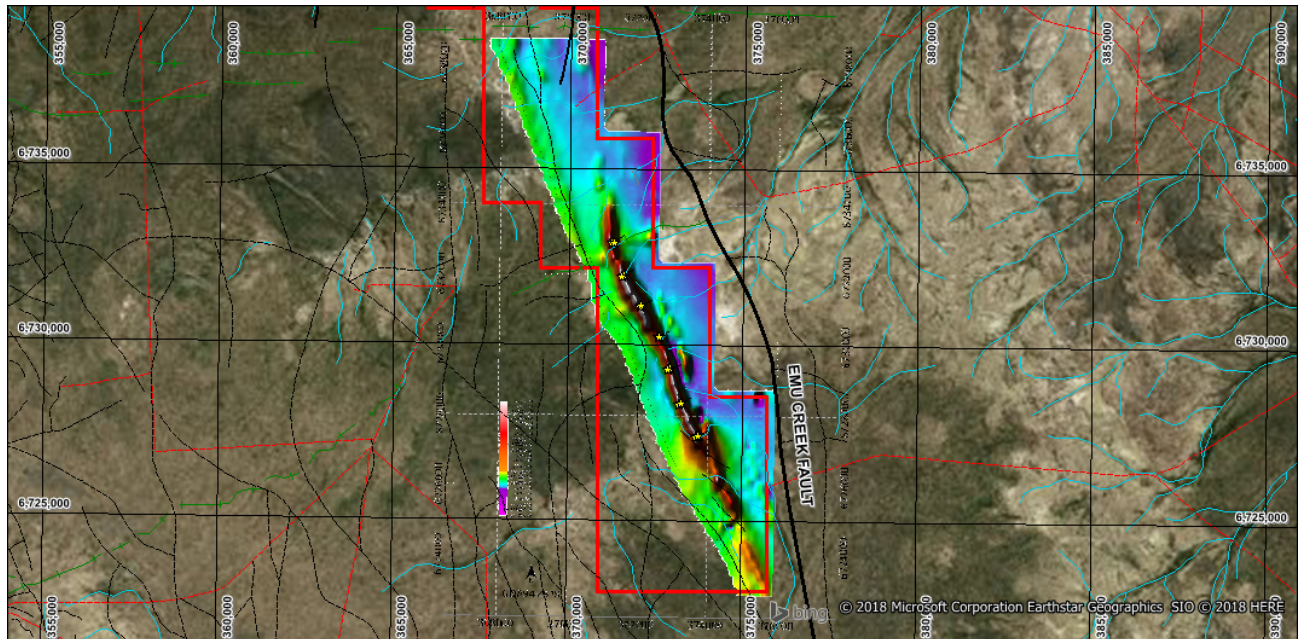


Figure 5: Ground magnetic image (warm colours-high magnetics) showing the 7 drill traverses located along the 7 km high magnetic zone



Figure 6: Drilling operations at the Jungle Hill tenements

Hole_ID	GDA94mE_UT M Zone51	GDA94mN_UTM Zone51	Elevation (mASL)	Dip	Azimuth	Actual Depth(m)
JHRCD001	371233	6732906	452	-50	250	78
JHRCD002	371295	6732920	449	-50	250	132
JHRCD003	371520	6731958	464	-50	250	132
JHRCD004	371583	6731988	461	-50	250	202
JHRCD005	372043	6731100	466	-50	240	167
JHRCD006	372081	6731122	461	-50	240	180
JHRCD007	372551	6730221	459	-50	240	138
JHRCD008	372605	6730248	456	-50	240	209
JHRCD009	372862	6729324	463	-50	250	78
JHRCD010	372915	6729343	461	-50	250	132
JHRCD011	373185	6728325	455	-50	250	72
JHRCD012	373249	6728355	450	-50	250	137
JHRCD013	373680	6727390	437	-50	240	60
JHRCD014	373731	6727424	440	-50	240	132
						1849
Precollar						Actual Depth(m)
JCRCD1	372550	6730227	459	-50	240	84
JCRCD2	372041	6731102	466	-50	240	24
JCRCD3	371520	6731963	464	-50	250	66
						174

Table 2: *Jungle Hill drilling information*

CANEGRASS AND HOLEY DAM PLANNED DRILLING

Planning for drill testing gold/structural targets in the Canegrass and Holey Dam tenements has been completed. Shallow grid based Vacuum drilling is now planned along E-W lines with vertical hole depths anticipated in the range of 5-15 m (**Figures 7 and 8**). Drilling is tentatively planned for either the December Quarter 2018 or March Quarter 2019.

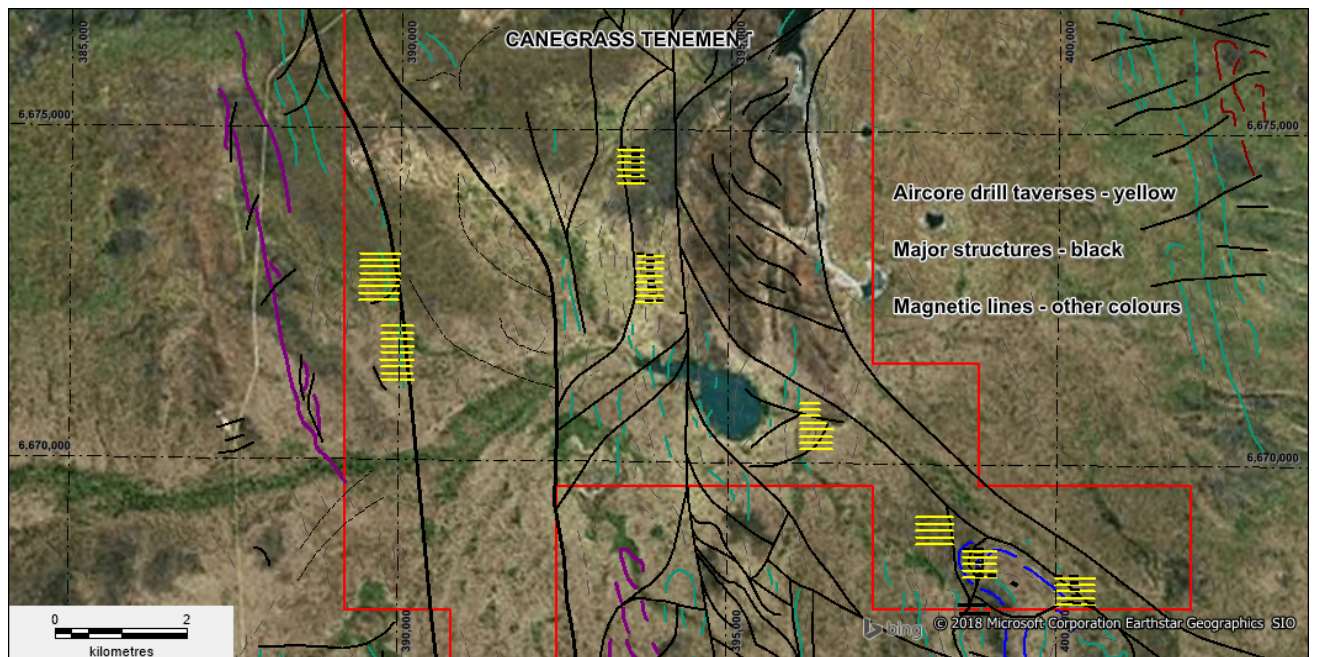


Figure 7: *Canegrass Tenement – Aerial image showing structure and proposed aircore drill traverses*

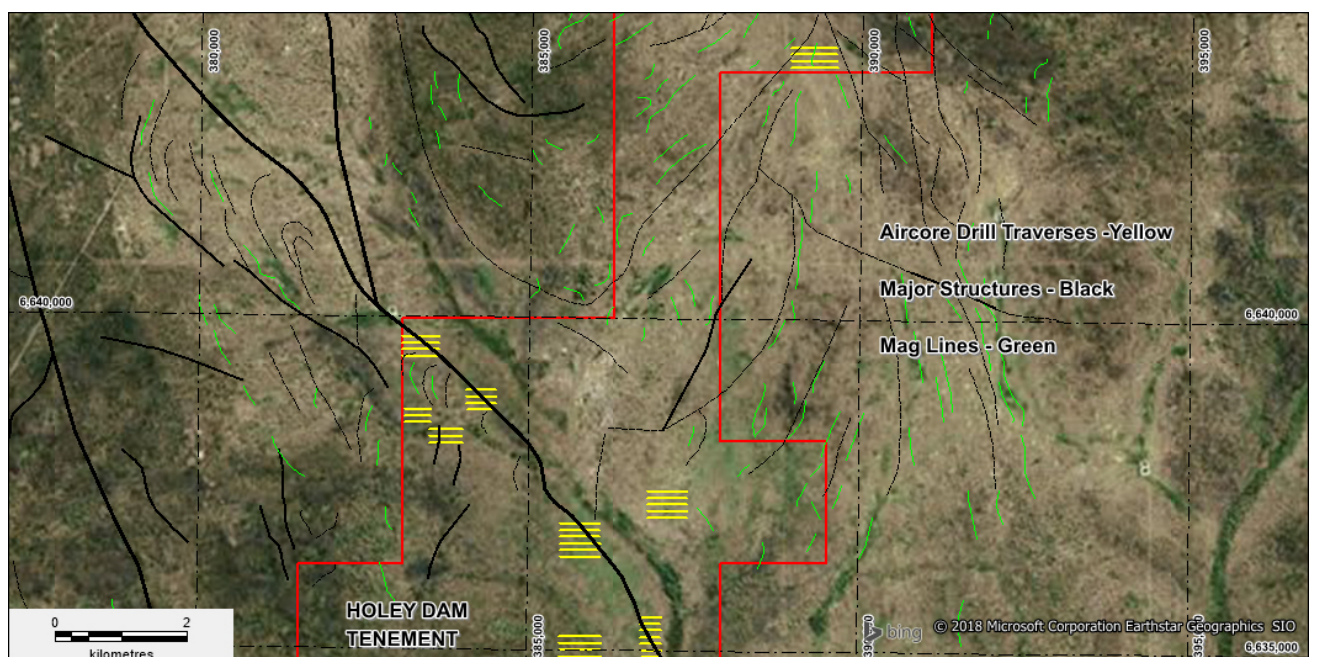


Figure 8: *Holey Dam Tenement – Aerial image structure and proposed aircore drill traverses.*

Halls Creek – (Black and Glidden, Carrington, Sandy Creek and Wild Dog) Cobalt/Gold Project

E 08/5112, 5113, 5114 and 5115 are held 100% by wholly owned subsidiary Kaili Iron Pty Ltd. All tenements are granted (Figure 9).

The Halls Creek Project comprises 4 granted tenements situated within the NE-SW trending Lamboo Province comprising 4 tectonostratigraphic terranes – Western, Central and Eastern. The western terrane is postulated to be an exotic crustal fragment that was accreted to the Kimberley Craton before 1900 Ma via north-westerly directed subduction. Easterly directed subduction led to the development of an oceanic arc at c. 1865 Ma, outboard of the Kimberley Craton; this initiated the formation of the Central Zone. Eastern Zone rocks are

associated with a passive continental margin linked to the North Australian Craton. The Central Terrane comprises a broad suite of felsic to lesser mafic rocks, the Sally Downs Supersuite within which occurs a subsuite of gabbro to norite dominated rocks known as the Sally Malay and McIntosh Suites. The Sally Malay nickel-copper sulphide deposit lies at the base of a small layered intrusion enclosed within granulite facies garnet-cordierite paramigmatites and mafic granulates norite which host most of the mineralization are interpreted as a chilled border zone to the intrusion, into which settled an early separated sulphide liquid. The Hall Creek Project is situated primarily within gabbro to norite rocks of the McIntosh Suite.

The tenements were granted from the 31st August 2018 for a period of 5 years with field-based exploration to commence in the June Quarter 2019

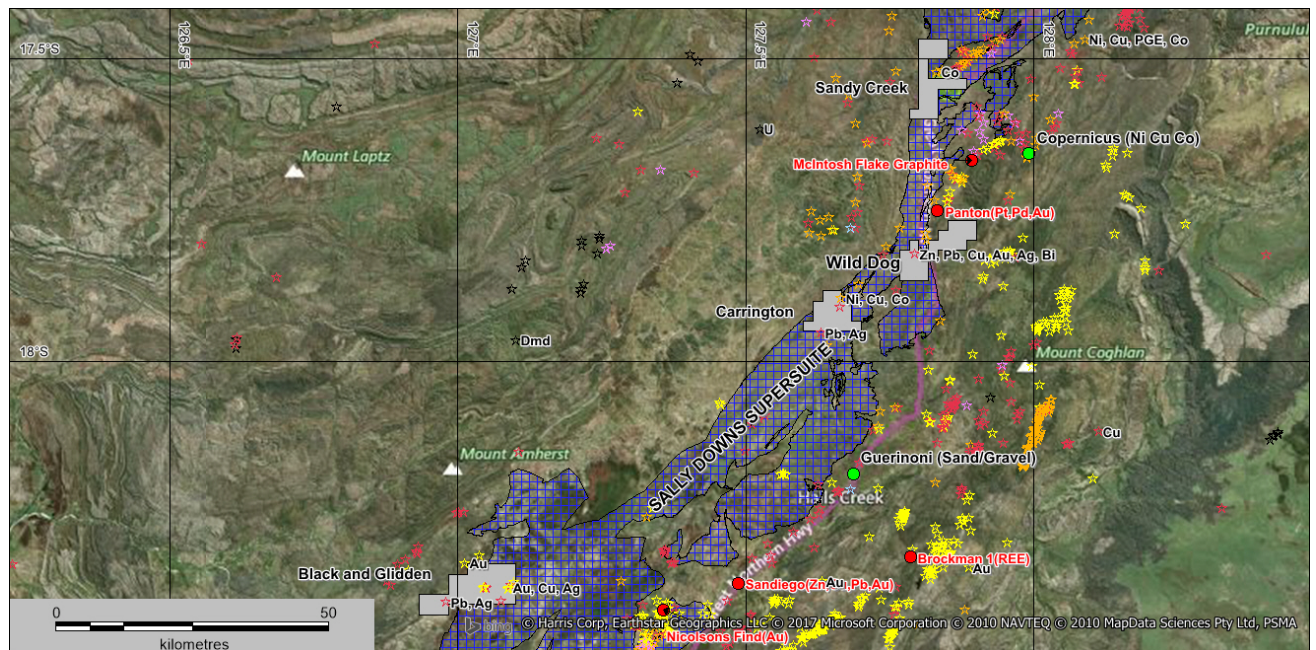


Figure 9: Halls Creek Project showing the 4 granted tenements located in the vicinity of Hall Creek

QUEENSLAND

Clarence Moreton Basin (Maryvale) Coal Project

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

The Project is strategically located in the Clarence Moreton Basin, 222 km from the Port of Brisbane. The Project is adjacent to the New England Highway which connects the Project area with Toowoomba for a distance of 77 km, then by the heavy haulage rail system for transporting coal for export through the Port of Brisbane for 145 km (**Figure 10**).

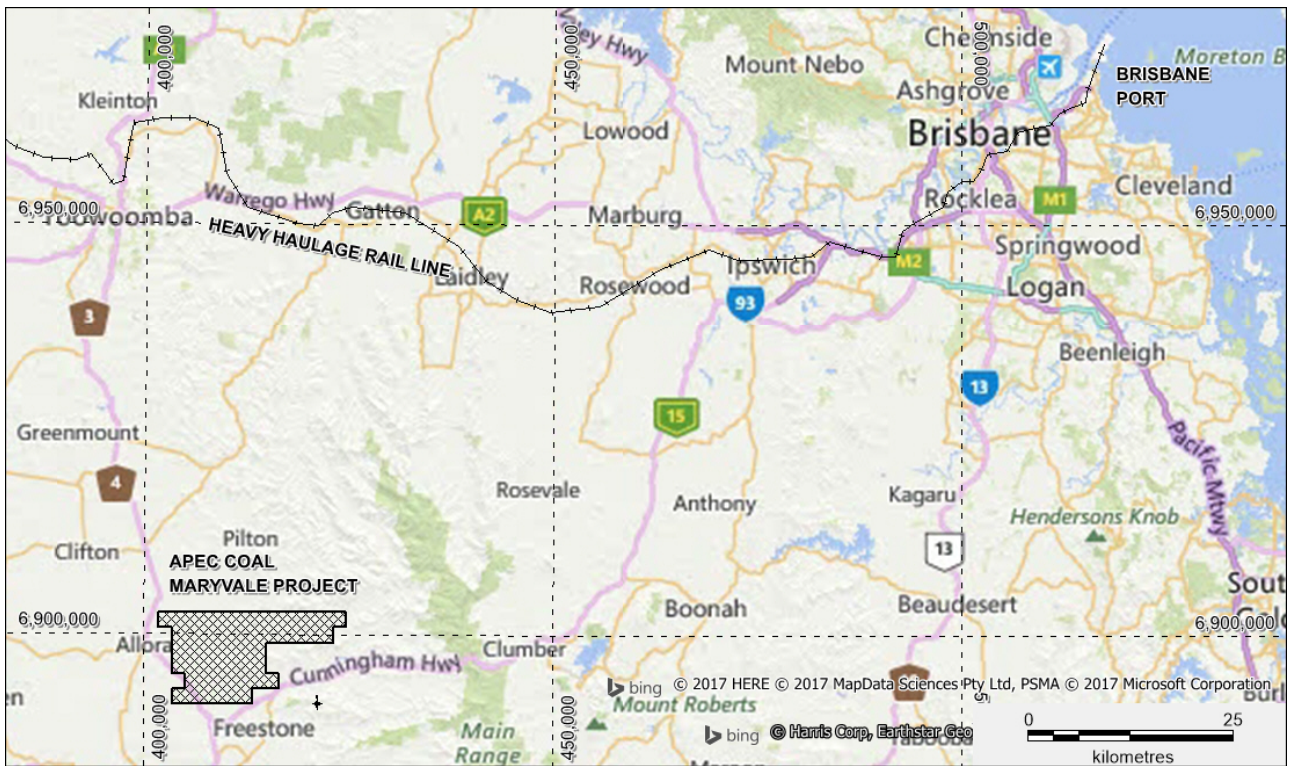


Figure 10: Maryvale Project Location Map

The maiden JORC 2012 compliant resource is managed by APEC Coal Pty Ltd, a 100% subsidiary of Kaili Resources. The JORC Resource work was managed by Brisbane consultancy Geoconsult Pty Ltd (“Geoconsult”), primarily incorporating data acquired from the 2010 and 2016 drilling programs. Geoconsult staff has the relevant experience to be the competent person for the preparation of the Resource and Exploration Targets. **Tables 3 and 4** summarise the Resource and Exploration Target Estimates.

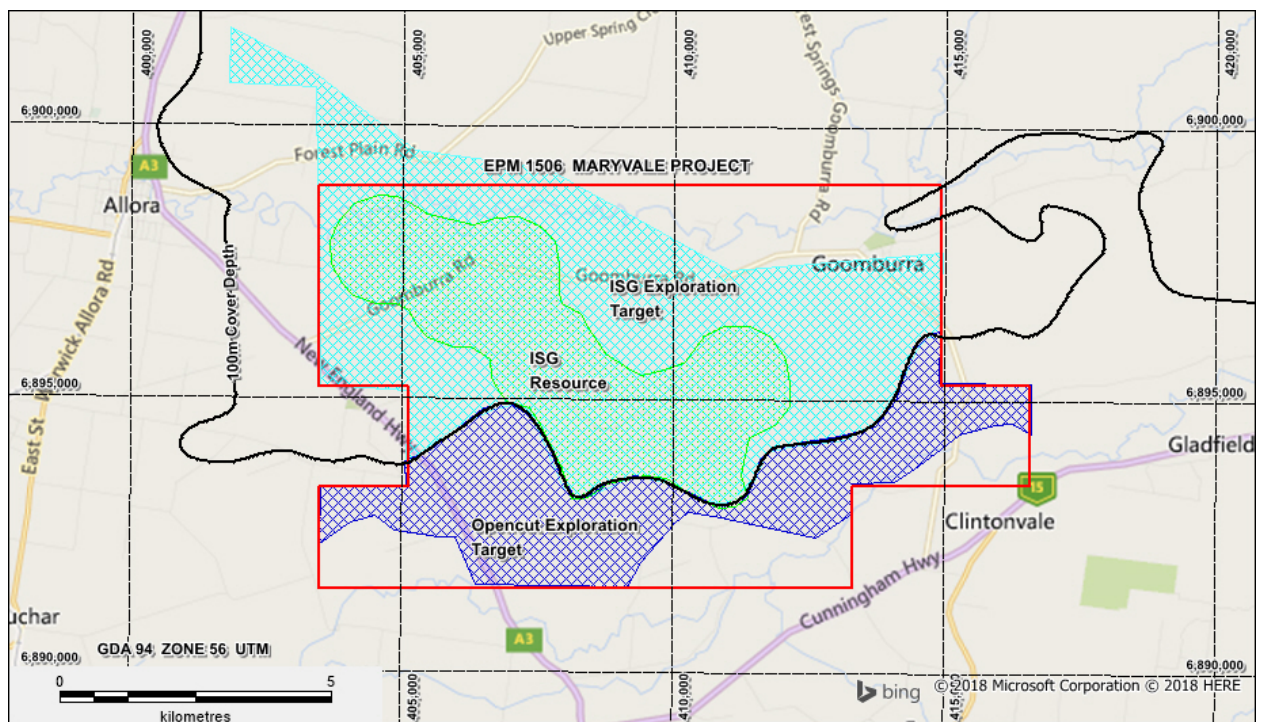


Figure 11: Maryvale Project showing the ISG Resource and Exploration Targets

INFERRED (ISG) RESOURCE ESTIMATE

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

EXPLORATION TARGET OPEN-CUT AND ISG ESTIMATES

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

Tables 3 and 4: ISG Resource and Exploration Target Estimates – Maryvale Project

During the Quarter, Kaili reviewed exploration to date with a view to expanding the current resource base into the exploration target areas. There was no field based exploration in the Quarter.

LICENCES STATUS

Pursuant to ASX Listing Rule 5.4.3 the Company reports as follows in relation to minerals tenements (**Table 5**) held at the end of the September 2018 quarter and acquired or disposed of during that quarter and their locations. There was no change in beneficial interests under farm-in or farm-out agreements. Tenement application E08/5112, 5113, 5114 and 5115 were granted effective on 31st August 2018.

Granted	Tenement	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area km2	Expiry
9/03/2017	E08/2770-I	Darnell Hill	Iron	WA - Pilbara Craton	Kaili Iron Pty Ltd	100%	67.2	8/03/2022
28/07/2016	E45/4619-I	Bea Bea Creek	Iron	WA - Pilbara Craton	Kaili Iron Pty Ltd	100%	105.6	27/07/2021
21/11/2016	E46/1084-I	Bustler's Bore	Iron	WA - Pilbara Craton	Kaili Iron Pty Ltd	100%	64.0	20/11/2021
8/07/2016	E40/354	8 Mile Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	70.4	7/07/2021
30/05/2016	E31/1114	Jungle Hill	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	150.4	29/05/2021
30/05/2016	E31/1113	Canegrass	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	108.8	29/05/2021
1/07/2016	E27/550	Holey Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	67.2	31/06/2021
1/07/2016	E27/549	Gindalbie Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	25.6	31/06/2021
13/05/2009	EPC 1506	Maryvale 1	Coal	QLD - Surat Basin	APEC Coal Pty Ltd	100%	86.4	13/05/2017
31/08/2018	E80/5112	Black and Glidden	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	102.4	31/08/2023
31/08/2018	E80/5113	Carrington	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	51.2	31/08/2023
31/08/2018	E80/5114	Sandy Creek	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	64	31/08/2023
31/08/2018	E80/5115	Wild Dog	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	70.4	31/08/2023
							1033.6	

Table 5: Tenement schedule

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

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

Jianzhong Yang
Chairman