

4 February 2020

ASX Limited

BY EMAIL TO: ListingsComplianceSydney@asx.com.au

Attention: Lauren Osbich, Compliance Adviser, Listings Compliance (Sydney)

Dear Lauren,

Kaili Resources Limited (“KLR”): Appendix 5B Query

We refer to your letter dated 3 February 2020 and provide information to your questions in the same order as you have requested as follows;

1. *Question: Does KLR expect that it will continue to have negative operating cash flows for the time being and, if not, why not?*

KLR will continue to have negative operating cash flows while it is in exploration stage with no production or sales until such time that it is successful in a discovery, development and sale of mineral resources that it is exploring.

2. *Question: Has KLR taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?*

The Company has proposed to enter in a financial support facility with its Parent Company as described at Item 8 of Appendix 5B. On 4 February 2020, Yitai Group (Hongkong) Co., Ltd, a controlled entity of the Parent Company, has confirmed an undertaking to provide financial support of up to A\$2.5 million until 1 April 2021 that may be drawn as necessary to ensure that the Company and its controlled entities have working capital to continue to be able to pay their debts as and when they fall due, meet their work commitments for the exploration licences and continue to operate as a going concern. The funds drawn under the facility will be interest free and unsecured. An amount of A\$600,000 is expected to be received in the next few days under that financial support.

3. *Question: Does KLR expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

KLR will continue its operations of exploration for minerals as reported in the Activities Report and therefore meeting its business objectives of exploring for minerals and if successful development and production of minerals for sale.

4. *Question: Please confirm that KLR is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.*

We confirm that KLR is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.

5. *Question: Please confirm that KLR's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of KLR with delegated authority from the board to respond to ASX on disclosure matters.*

The responses in this letter have been authorised and approved by the directors with delegated authority from the Board to respond to ASX on disclosure matters.

Yours faithfully,



Long Zhao
Director/Company Secretary



3 February 2020

Reference: ODIN13275

Mr Long Zhao
Company Secretary
Kaili Resources Limited

By email: longzhao@kailigroup.com.au

Dear Mr Zhao

Kaili Resources Limited ('KLR'): Appendix 5B Query

ASX refers to KLR's Appendix 5B quarterly report for the period ended 31 December 2019 lodged with ASX Market Announcements Platform on 30 January 2020 (the 'Appendix 5B').

ASX notes that KLR has reported:

- negative net operating cash flows for the quarter of \$303,000;
- cash at the end of the quarter of \$250,000; and
- estimated cash outflows for the next quarter of \$245,000.

It is possible to conclude, based on the information in the Appendix 5B that if KLR were to continue to expend cash at the rate indicated by the Appendix 5B, KLR may not have sufficient cash to continue funding its operations.

In view of that, ASX asks KLR to respond separately to each of the following questions and requests for information:

1. Does KLR expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has KLR taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does KLR expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that KLR is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that KLR's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of KLR with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9 AM AEST Thursday, 6 February 2020**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in KLR's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, KLR's obligation is to

disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to KLR’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that KLR’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in KLR’s securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Regards

Lauren Osbich
Compliance Adviser, Listings Compliance (Sydney)