

ACTIVITIES REPORT – JUNE 2020 QUARTER

EXPLORATION HIGHLIGHTS

Yilgarn (Gindalbie) Gold Project in Western Australia

- 50 drill collar and siter pegs established in June 2020 for RAB drilling planned for September 2020 at Canegrass and Holey Dam tenements.
- Heritage survey completed and the drilling program will not affect any cultural sites.

Halls Creek Gold/Cobalt/Base Metals Project in Western Australia

- The planned program for the tenements which are within the Western Australian Kimberley Biosecurity Area cannot proceed until after the COVID-19 related access restrictions to the area are lifted and the forthcoming wet season.

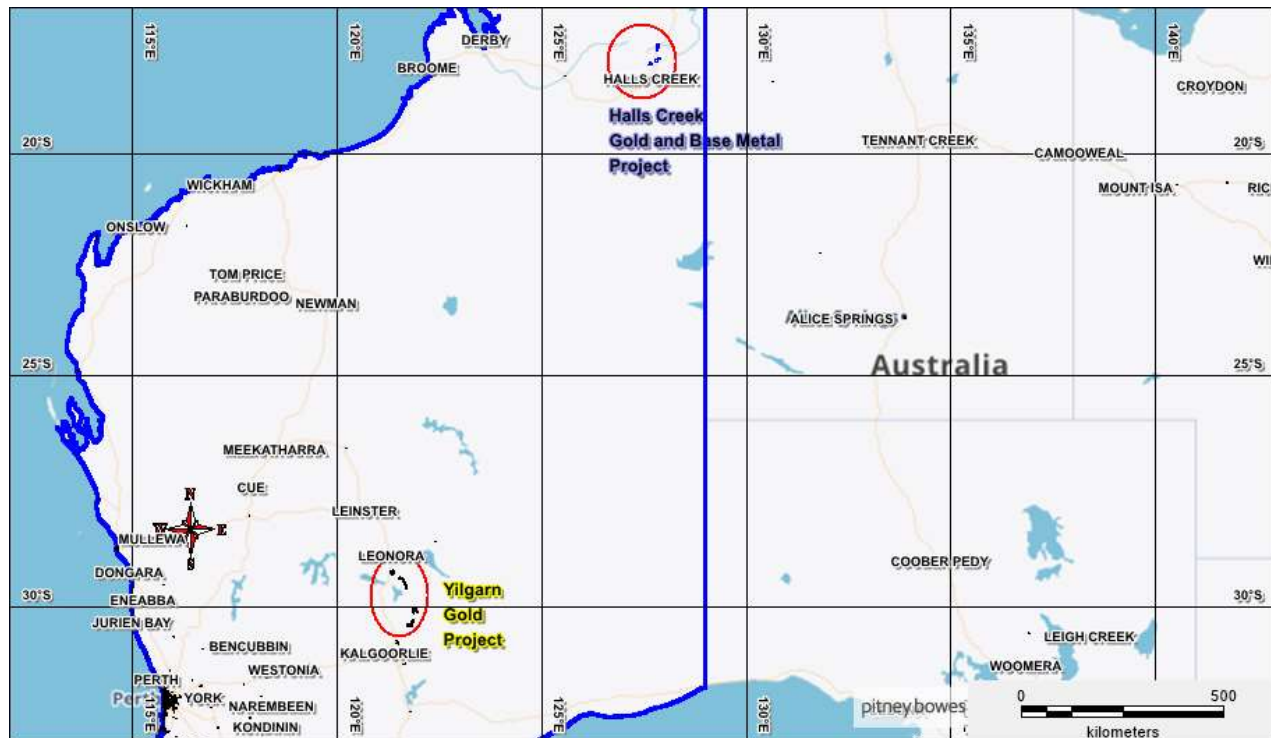


Figure 1: Kaili Resources granted project locations

PROJECT LOCATION	TENEMENT AREA IN SUB BLOCKS	TENEMENT AREA IN KM ²
Western Australia	222	710.4

Table 1: Kaili Resources granted tenement areas, all held 100%.

The km² has been calculated at approximately 3.2 km² per block.

Yilgarn Craton (Gindalbie and Kookynie) Gold and Iron Projects – Western Australia

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 (Figures 2 and 3).



Figure 2: Kaili Resources Yilgarn Craton Projects Locations

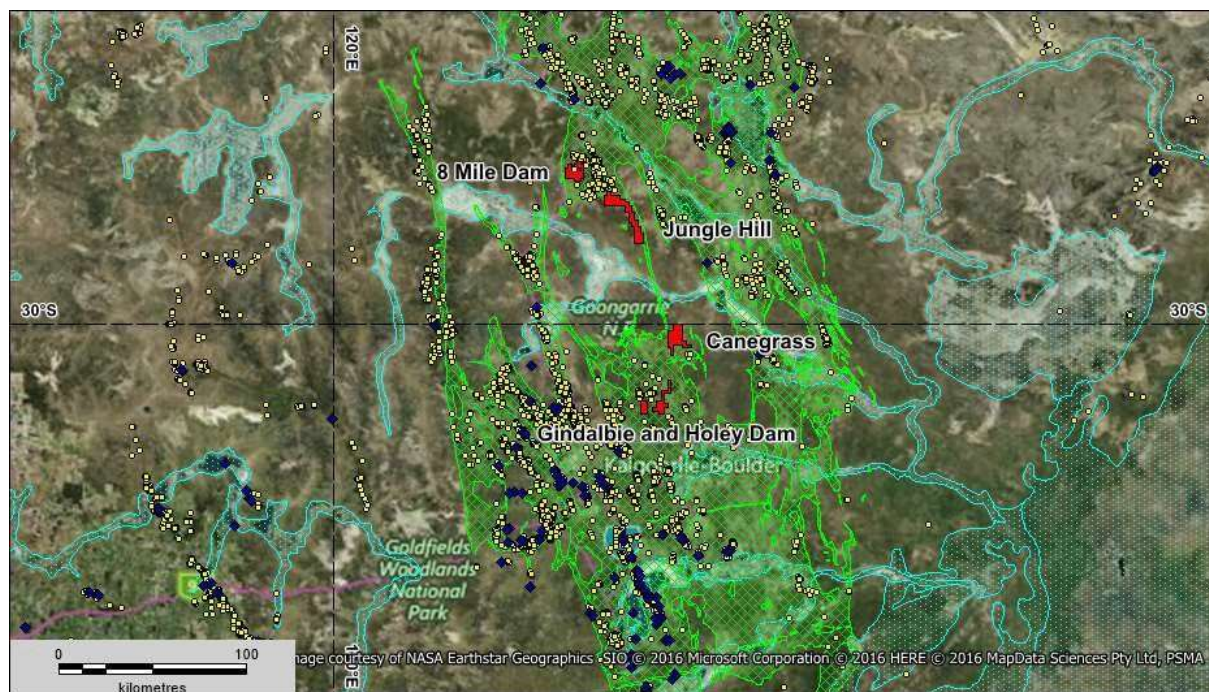


Figure 3: Satellite Image with Eastern Goldfields Superterrane (green hatching) and Kaili Gold tenements in red.

Blue diamonds are operating mines of third parties and yellow dots are gold occurrences reported by other explorers

RAB Drilling at Canegrass and Holey Dam

As described in the March 2020 Quarter Activities Report released on 22 April 2020 the RAB drilling program that was planned for March 2020 in WA at Canegrass (EL31/113) and Holy Dam (EL27/550) had to be deferred until travel restrictions in Australia, imposed because of the Covid-19 pandemic, are eased and the Group's Consultant Geologist can travel to WA. That drilling program follows from the shallow vacuum drilling carried out in July and August 2019 with the results identifying areas that warrants further RAB drilling (ASX release of 12 and 17 September 2019).

In early June 2020, the WA border remained closed to non-residents of the State with no indication on timing of relaxation. In order to avoid further delays in the Company's exploration program, the Company decided to push forward by engaging a Kalgoorlie based contractor geologist assisted with local crew and a Heritage Survey team to be remotely monitored by the Company's Consultant Geologist and officers based in Sydney.

On 15 June 2020, the Kalgoorlie based field crew travelled to the Yilgarn (Gindalbie) Gold Project and established collar and siter pegs for 50 proposed air core drill holes at Holey Dam (HDAC001 to HDAC023) and Canegrass (CDAC001 to CGAC027). On 24 June 2020, a Heritage Survey was completed at the Holey Dam and Canegrass tenements and the final report states there are no cultural issues at any of the sites and that drilling can commence as planned.

When the Program of Works (POW), as submitted after the Quarter, has been approved by the WA Department of Mine Industry Regulation and Safety (DMIRS) the drill sites will be prepared by the Gindalbie Hampton Hill Station owners. Drilling as planned previously reported to commence in August will now commence in September 2020 due to drilling rig availability.

The proposed drill areas are shown in **Figure 4** with areas F, B and E situated in Gindalbie Station and area A in Hampton Hill Station.

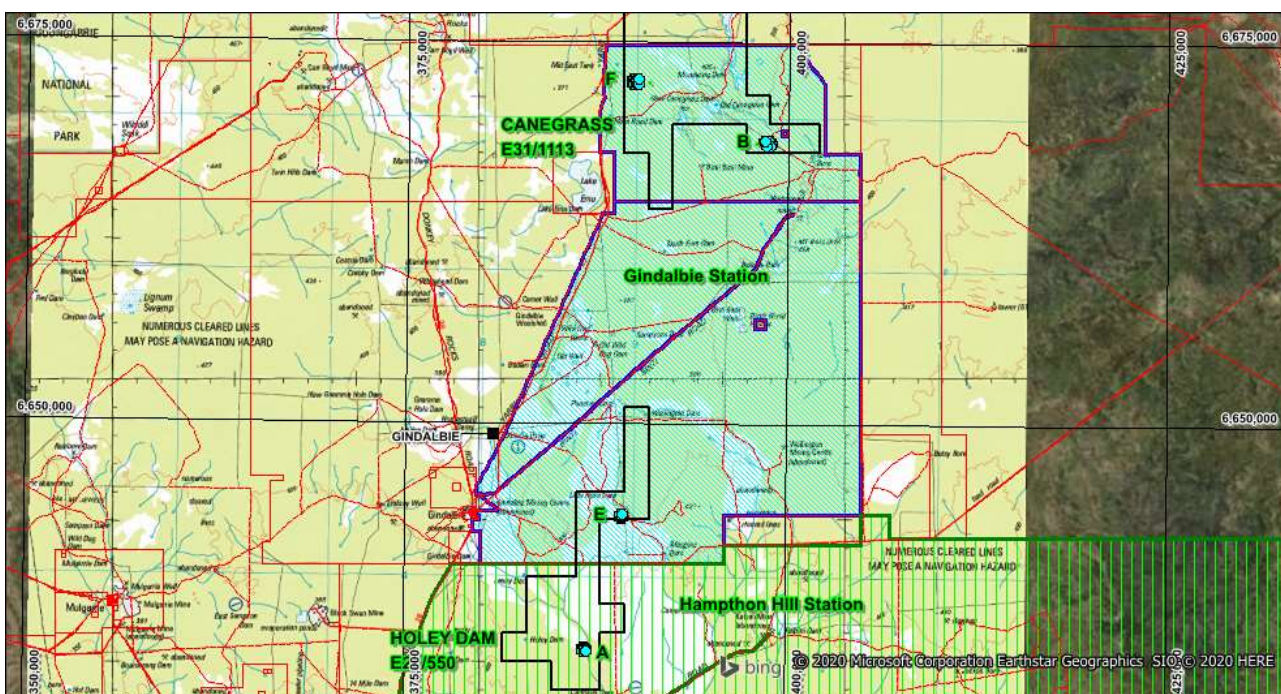


Figure 4: Locations of Holey Dam and Canegrass Proposed Drilling Areas

Canegrass

Drill testing of Area B in 2019 returned elevated gold in the range of 10 to 25 ppb in fold axis/limbs settings (**Figures 5 and 6**). The area produced the highest gold response in the Canegrass vacuum drilling program in 2019 and is one of the areas to be tested by deeper drilling. Areas B and F were highlighted for follow up by the RAB/Aircore drilling. Up to 1,000 metres of angled RAB/Aircore drilling is planned within Areas B and F.

Holy Dam

Elevated gold from vacuum drilling in 2019 has been delineated in Areas A and E. Area A is located at the intersection of 2 regional structures, both intruded by Proterozoic dolerite dykes (**Figures 7 and 8**). The intersection of NNW-SSE structures with later E-W structures is a good location for gold mineralisation in the Yilgarn Craton.

Area E is located at the nose of folded/faulted adjacent to felsic volcanics to the west. There was an elevated gold in quartz float result of 0.248 ppm Au from the vacuum drilling in 2019.

The Canegrass and Holy Dam 2019 drill results were contained in the Company's ASX Releases of 12th and 17th September 2019.

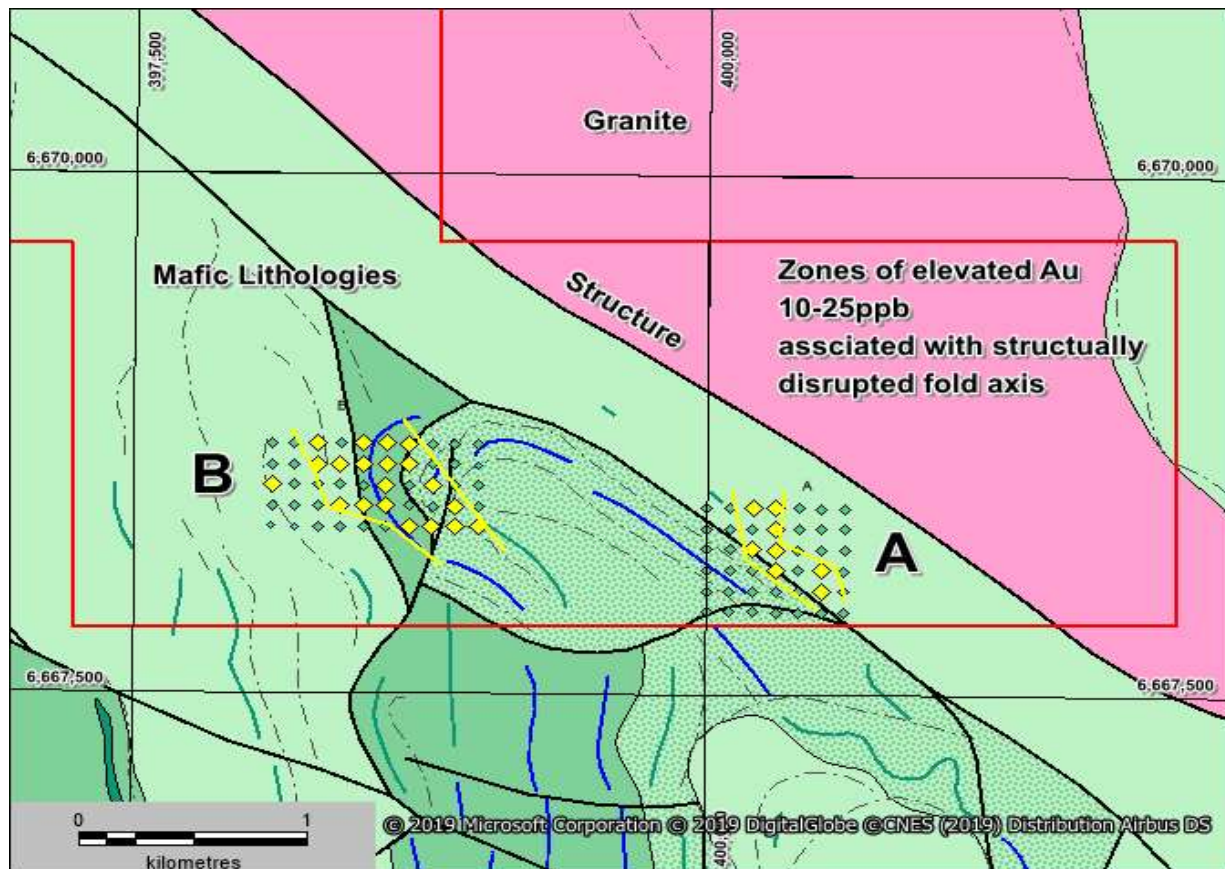


Figure 5: Canegrass Prospect – Areas A and B showing the areas of elevated Au geochemistry. Aircore drilling is planned for Area B initially

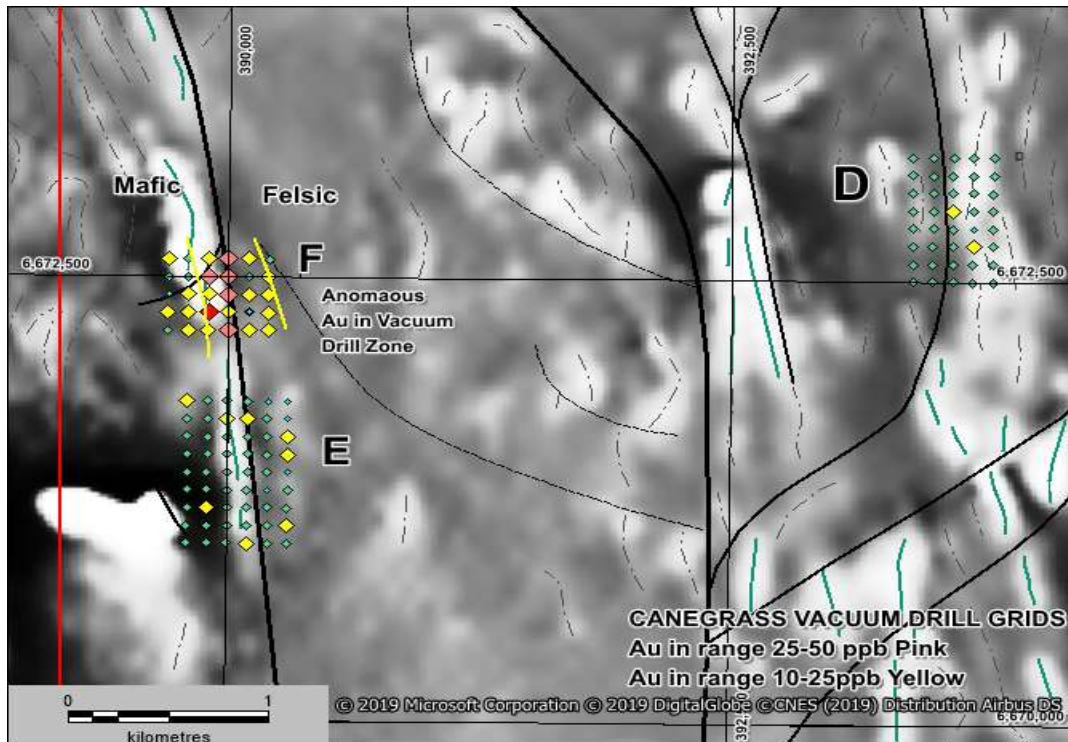


Figure 6: Canegrass Prospect – Areas A and B showing the areas of elevated Au geochemistry. Aircore drilling is planned for Area F initially

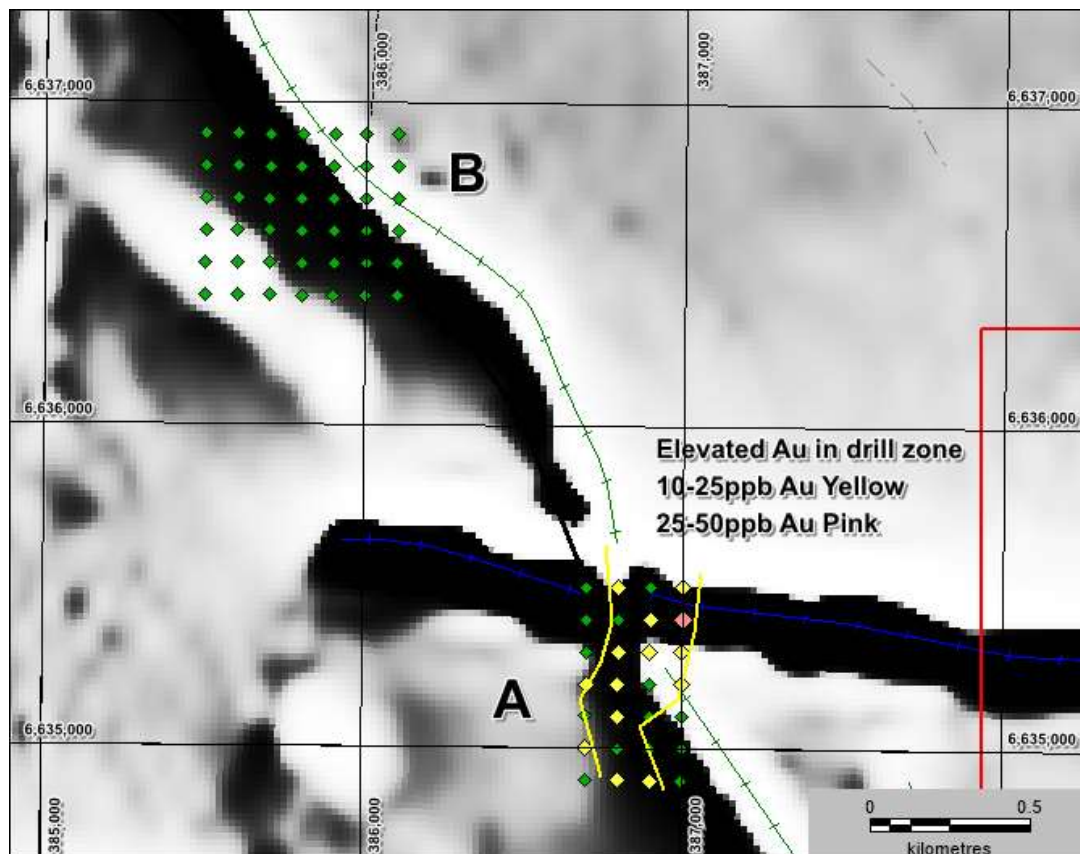


Figure 7: Holey Dam Prospect – Areas A and B showing the areas of elevated Au geochemistry. Aircore drilling is planned for Area A initially

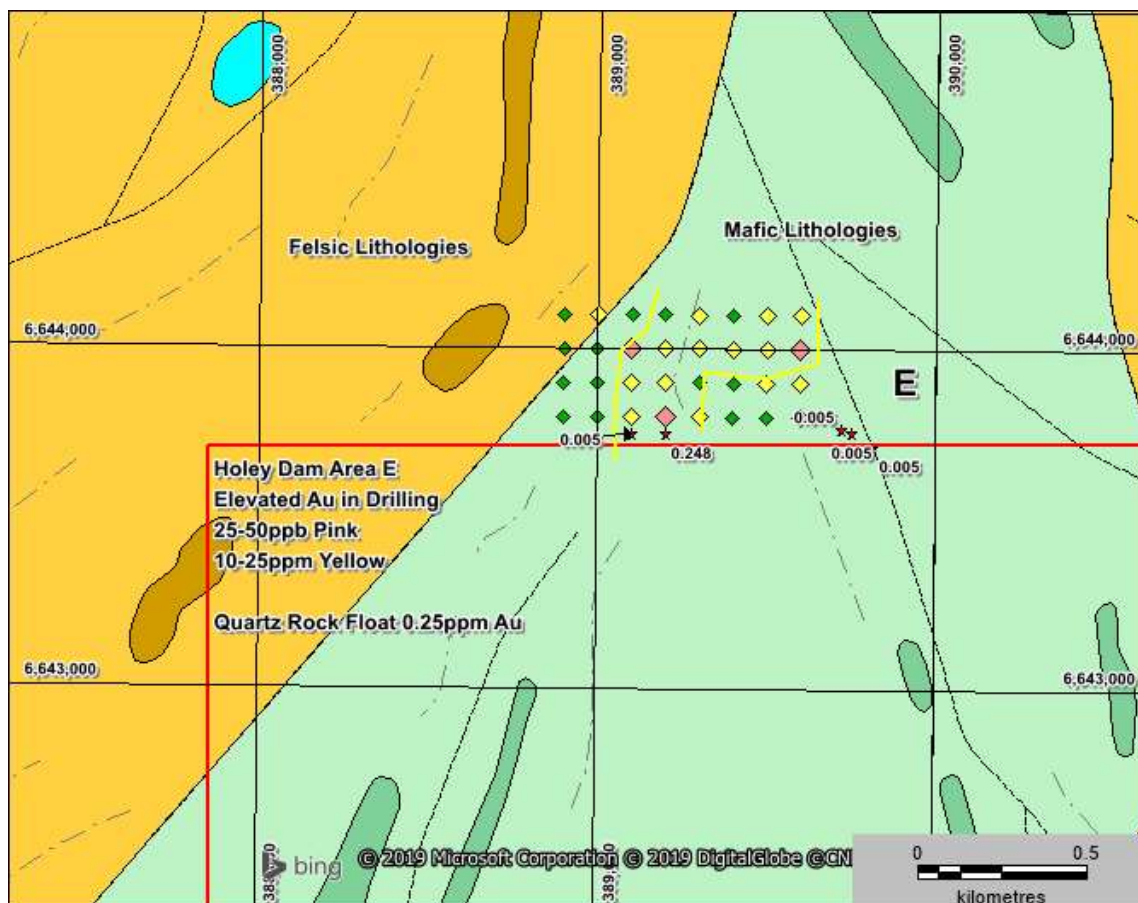


Figure 8: Holey Dam Prospect – Areas E showing the areas of elevated Au geochemistry.

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

E 08/5112, 5113, 5114 and 5115 are held 100% by wholly owned subsidiary Kaili Iron Pty Ltd.

All tenements are granted.

In previous quarters, geophysical consultancy Southern Geoscience Consultants (“SCG”) completed the acquisition and processing of all available airborne magnetic, radiometric, gravity and electromagnetic data covering the 4 tenements and completed lithostructural targeting for field follow up. Earth-AI has used an Artificial Intelligence approach to merge all publicly available geochemical, geological, and geophysical data to generate targets for fields follow up.

Field work was planned for the March 2020 Quarter. But on 26 March 2020, the Federal Health Minister designated a Western Australian Kimberley Biosecurity Area preventing entry to the area in order to avoid the spread of Covid-19 to the Aboriginal communities. As the tenements E 08/5112, 5113, 5114 and 5115 of the Halls Creek Project are within that area no field work could be carried out as planned. To date the area is still locked down. The timing for relaxation of access is highly uncertain and seems unlikely to be in the September 2020 Quarter. Having regards to the expected next regional wet season the Company has postponed the performance of work programs in the area to second quarter 2021, when hopefully access will be allowed.

The Halls Creek Project comprises 4 granted tenements (**Figure 9**) 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 granulites 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.

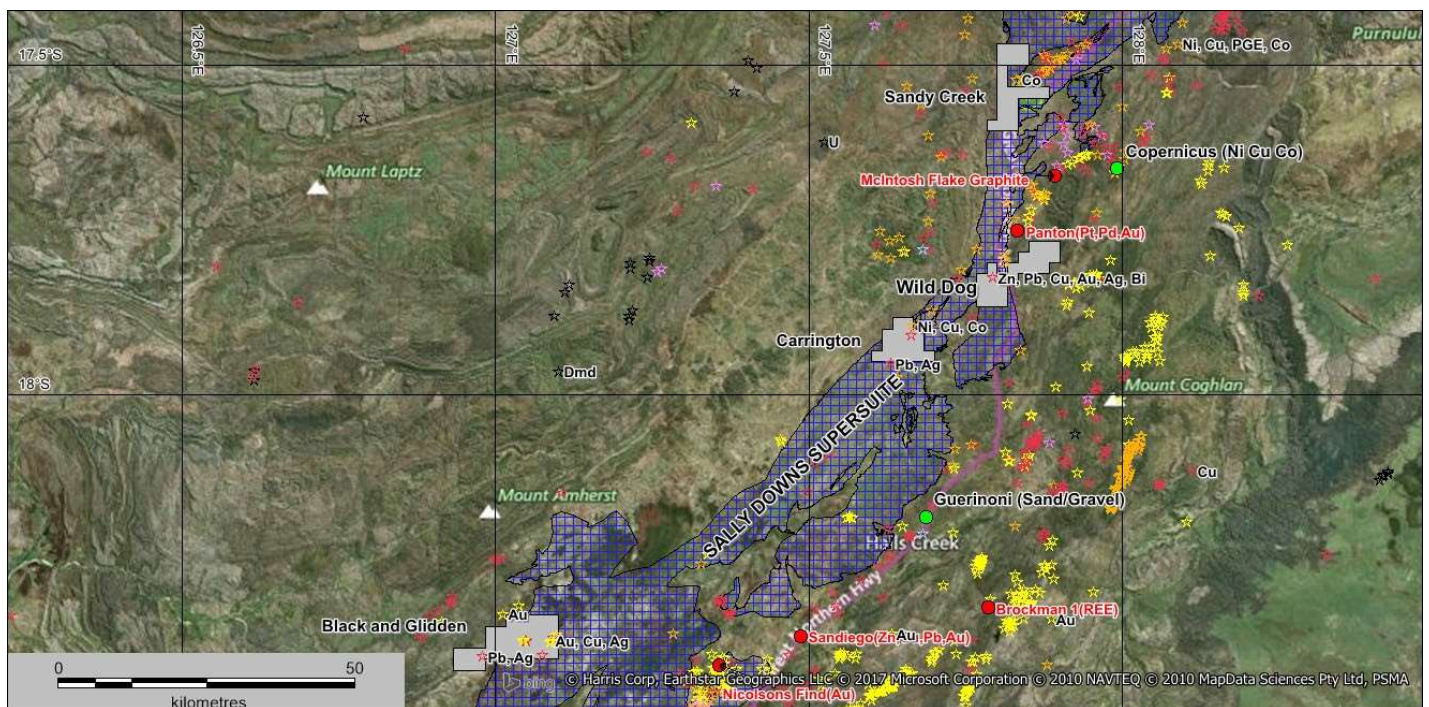


Figure 9: Halls Creek Project showing the 4 tenement applications located in the vicinity of Hall Creek

Black and Glidden E08/5112

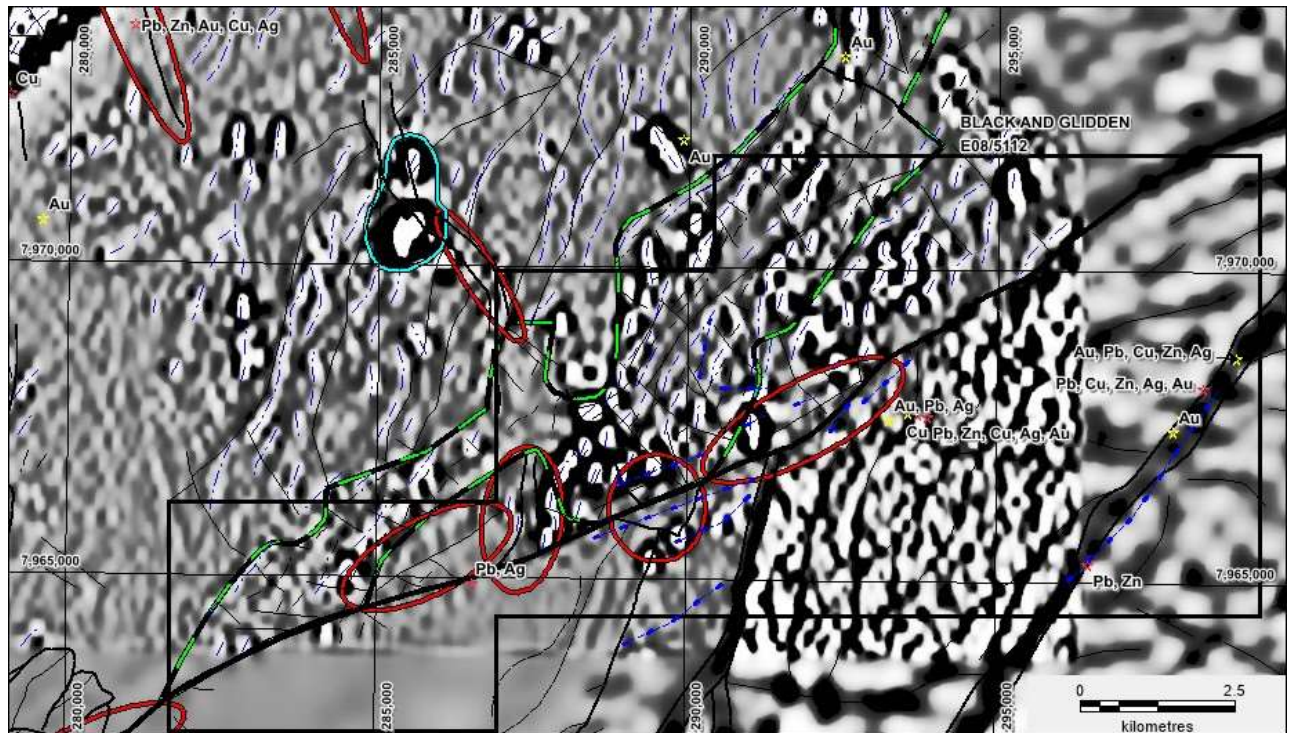


Figure 10: Black and Glidden tenement showing 2VD aeromagnetics, structures and targets

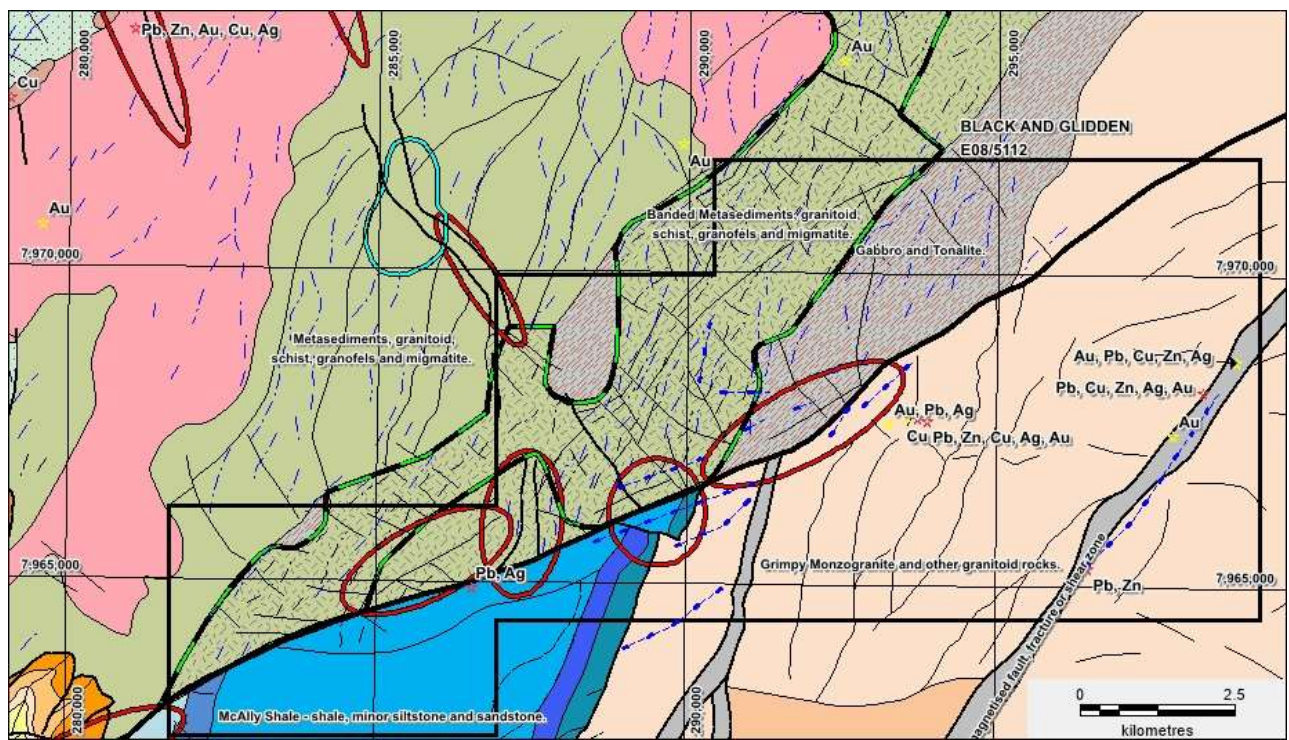


Figure 11: Black and Glidden tenement showing interpreted geology, structures and targets

The Black and Glidden tenement is located 100 km west of Halls Creek with the dominant structure being the NE/SW trending Black and Glidden fault which forms a linear topographic feature to the south of the abandoned Mt Amhurst station. A small amount of Pb and Ag was mined from the Black and Glidden mine in the SW of the tenement with a report indicating the mineralisation was associated with a surface gossan. Elevated gold results were obtained from granite hosted quartz veins in the SE of the tenement associated with NE/SW trending shear zones. Several target zones have been delineated as shown in **Figures 10 and 11** with the main focus being structurally hosted Au mineralisation. There has been no historical drill testing of the Black and Glidden tenement.

Carrington E08/5113

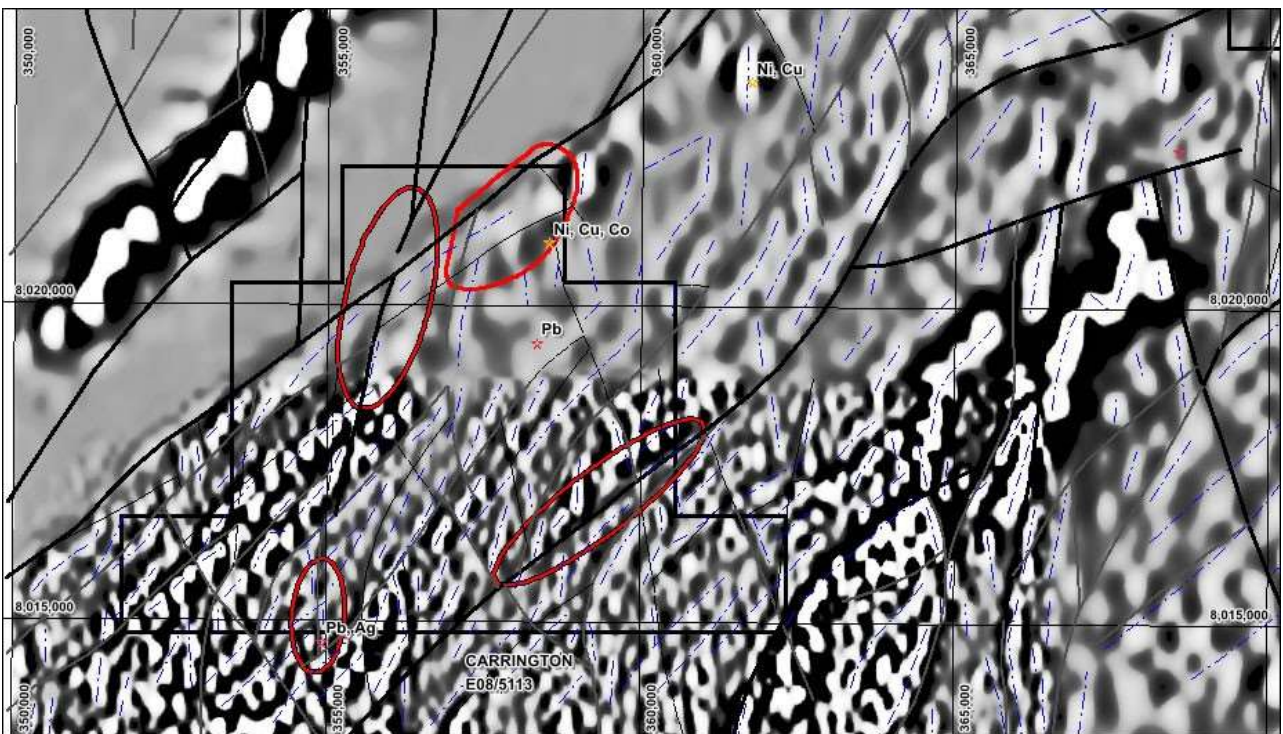


Figure 12: Carrington tenement showing 2VD aeromagnetics, structures and targets

The Carrington tenement (**Figures 12 and 13**) comprises primarily the McIntosh gabbro/norite which is the main Co/Ni target for the Company in addition to other structural gold/base metal targets delineated by the SCG team. An historical Nickel (Ni) Copper (Cu) Cobalt (Co) mineral occurrence is located in the north of the tenement and is associated with a discrete ElectroMagnetic (EM) conductor as shown in **Figure 14**.

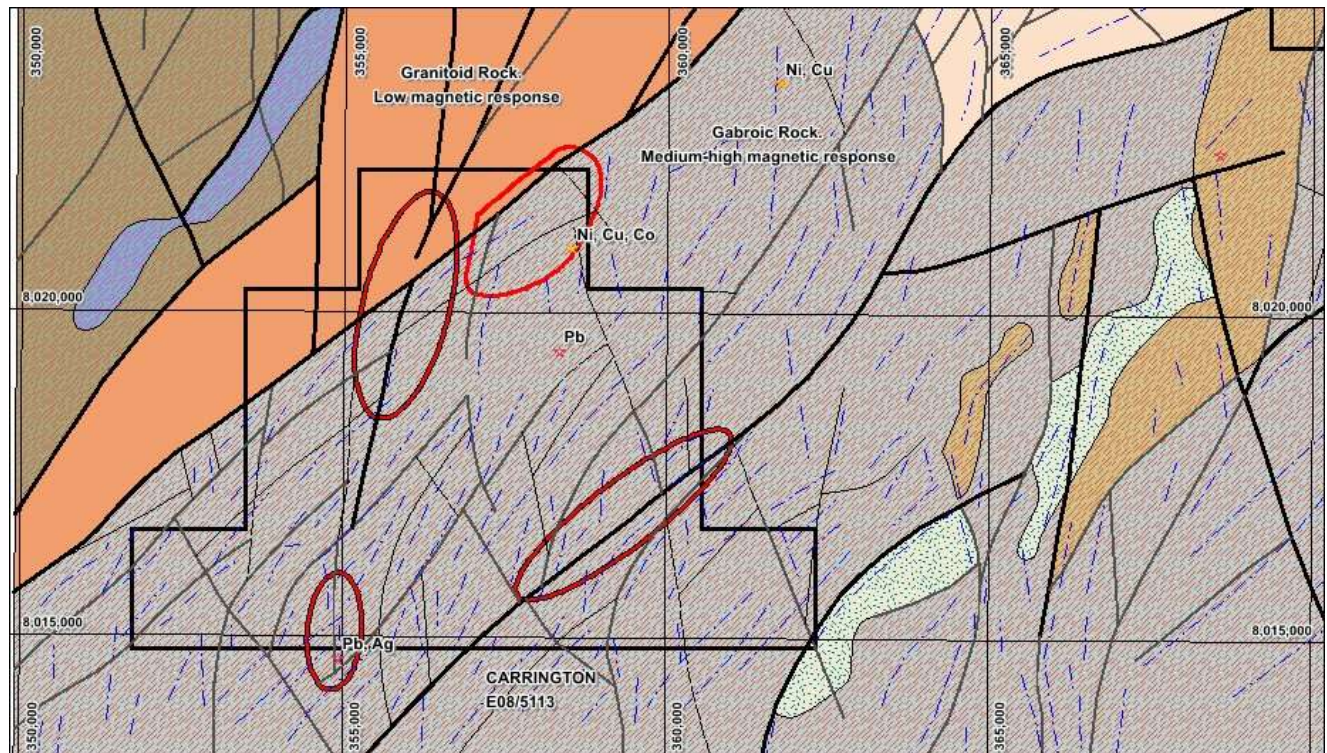


Figure 13: Carrington tenement showing interpreted geology, structures and targets

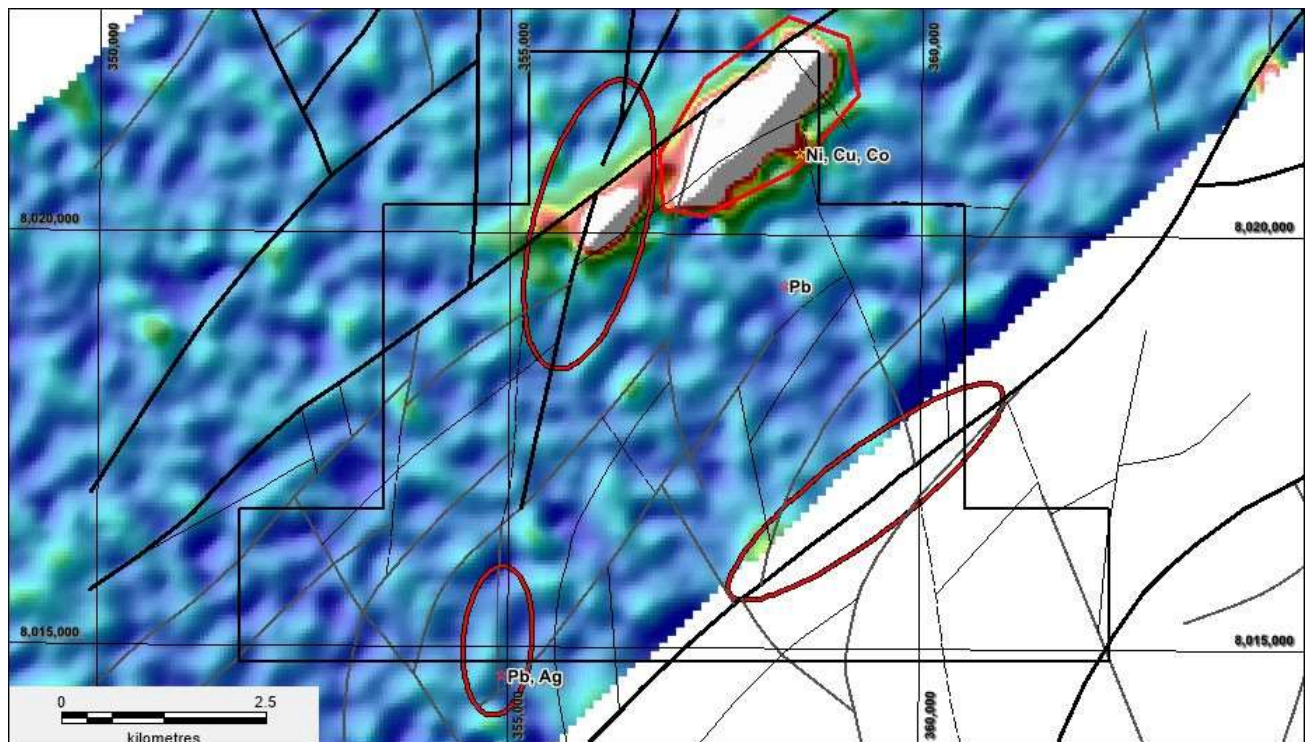


Figure 14: Carrington tenement showing airborne EM image and conductive feature in the north

Wild Dog E08/5114/Sandy Creek E08/5115

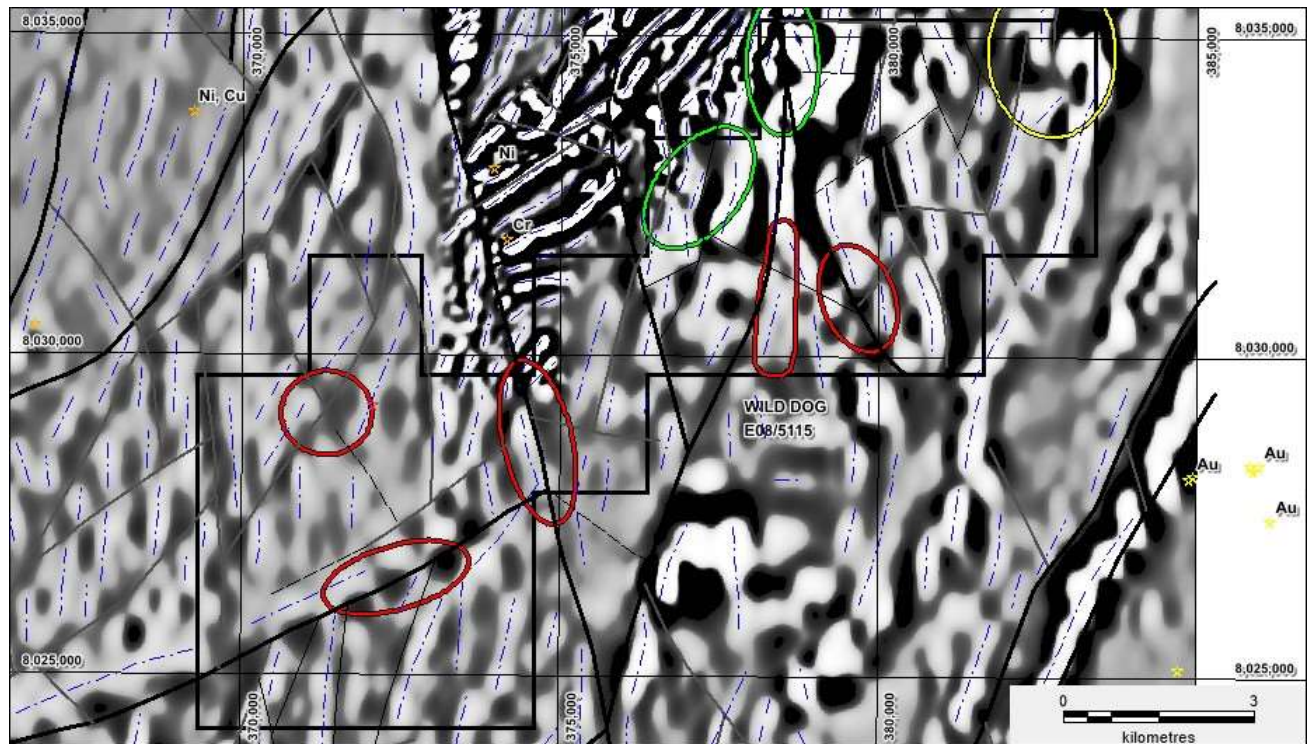


Figure 15: Wild Dog tenement showing 2VD aeromagnetics and target areas

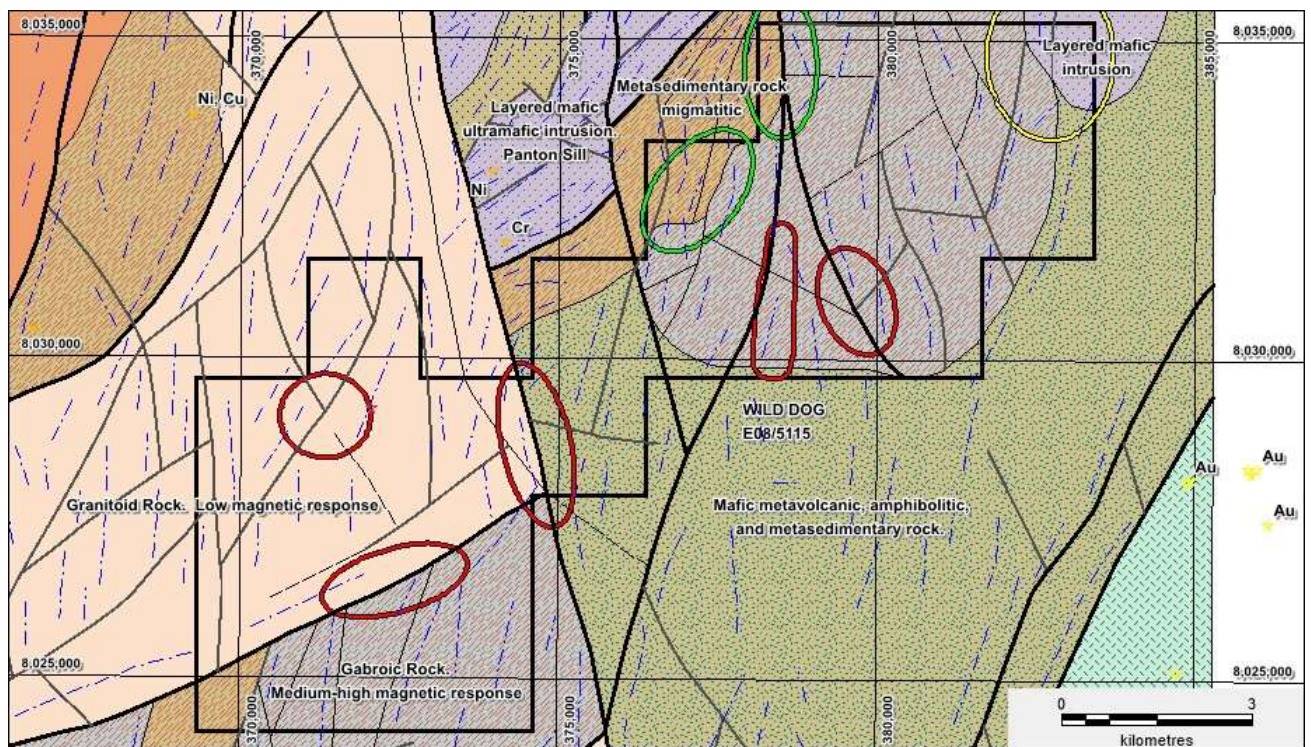


Figure 16: Wild Dog tenement showing interpreted solid geology, structures and target areas

The Wild Dog and Sandy Creek tenements (**Figures 15 to 16**) are structurally complex and comprise layered mafic/ultramafic intrusions and McIntosh gabbro/norite in the north and south of the tenement. A series of Cu, Ni workings are aligned NE/SW to the north of the Sandy Creek with the same lithostructural contact extending into the Sandy Creek tenement and associated with a linear EM conductor.

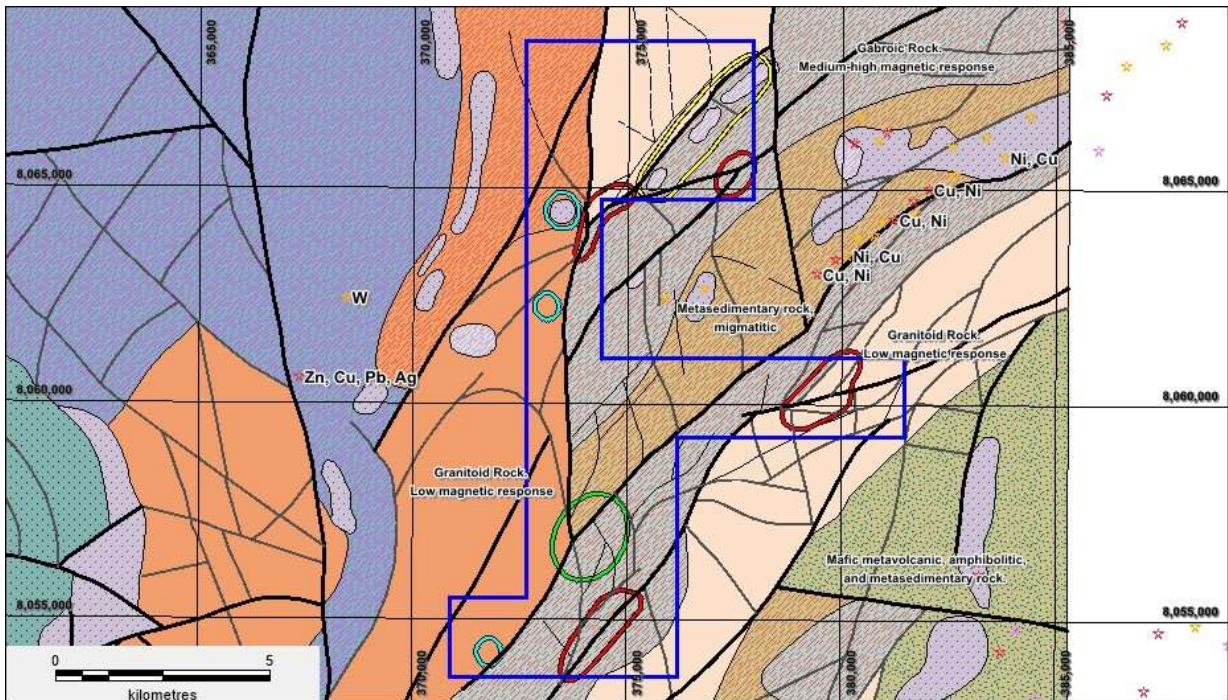


Figure 17: Sandy Creek tenement showing interpreted solid geology, structures and target areas

Planned Field Exploration

- The Phase 1 exploration program for the Halls Creek Project is planned to comprise a combination of helicopter, vehicle and foot traverse field surveys based out of Halls Creek.
- A combination of rock, stream and soil samples is planned to be collected and submitted to the ALS Geochemical Laboratory in Perth for Au and multi element analyses in conjunction with pXRF readings using the Company's Olympus Delta instrument.

Clarence Moreton Basin (Maryvale) Coal Project - Queensland

EPC1506 was held 100% by wholly owned subsidiary APEC Coal Pty Ltd. Relinquished.

The Project is strategically located in the Clarence Moreton Basin, 222 km from the Port of Brisbane, adjacent to the New England Highway which connects the project area with Toowoomba for a distance of 77 km and from there the heavy haulage rail system can transport coal for export through the Port of Brisbane for 145km (**Figure 18**).

In the December 2019 Quarter, based on drill analyses and landholder constraints, the Company had decided to relinquish the tenement. The relinquishment documents were lodged in January 2020 and confirmation was received in May 2020.

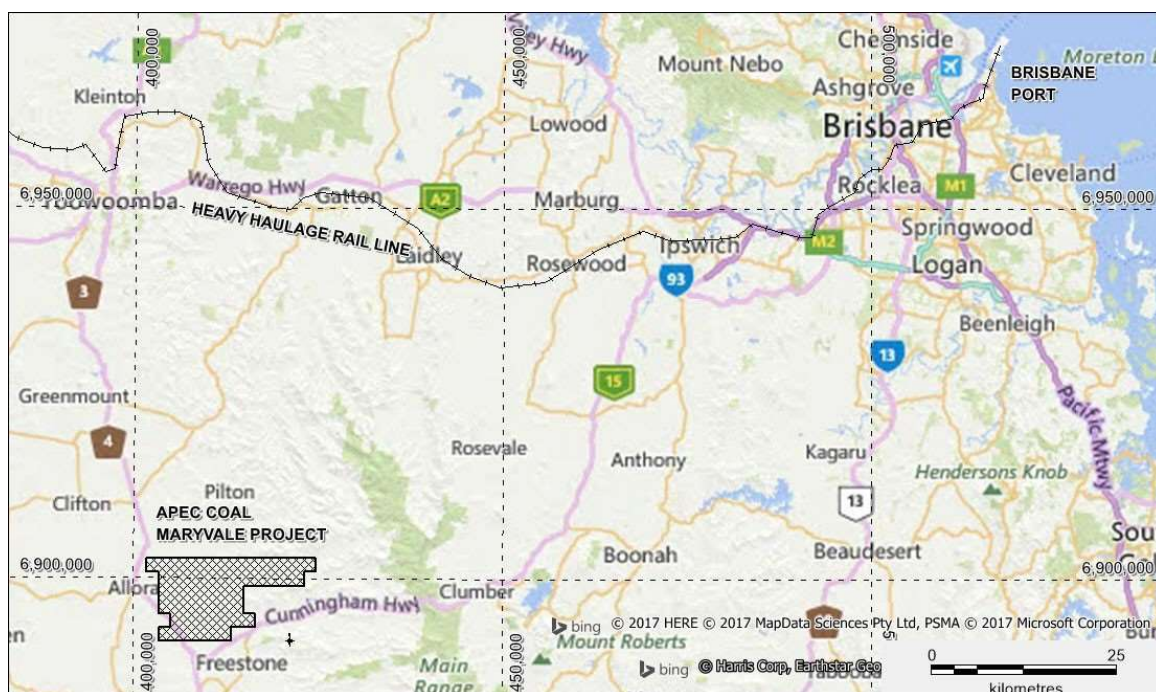


Figure 18: Maryvale Project Location Map

Corporate

The Australian Securities Exchange (“ASX”), following their review of the March 2020 Quarter Activities Report and Appendix 5B lodged on 22 April 2020, has advised the Company of the following:

“ASX Listing Rule 12.1 provides that the level of an entity’s operations must, in ASX’s opinion, be sufficient to warrant the continued quotation of the entity’s securities and its continued listing. It is ASX’s opinion that the KLR’s operations are not sufficient to warrant the continued quotation of its securities.”

ASX will afford KLR a period of 6 months from the date of this letter to demonstrate to ASX that it is compliant with Listing Rule 12.1. If KLR does not demonstrate compliance with this rule to ASX’s satisfaction by 23 October 2020, ASX may suspend KLR’s securities from official quotation.”

The Company believes that the implementation, subject to access restrictions that has forced deferral of field operations, being lifted by the Governments of NSW and WA and Federal Government as applicable, of its proposed field exploration work program within its 9 mineral tenements at Canegrass and Holey Dam in the Yilgarn Craton and at Halls Creek should demonstrate that its activities are sufficient to satisfy the ASX’s concern. However, in spite of the WA borders remaining closed during the period the Company has taken pro-active actions to commence its drilling program in June 2020 at Canegrass and Holey Dam by engaging Kalgoorlie based contractors to carry out the program with the Company’s Consultant Geologist monitoring the operations remotely from Sydney.

LICENCES STATUS

Pursuant to ASX Listing Rule 5.4.3 the Company reports as follows in relation to minerals tenements (**Table 4**) held at the end of the June 2020 quarter and acquired or disposed of during that quarter and their locations.

Tenement	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area km ²	Expiry
E40/354	8 Mile Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	70.4	7/07/2021
E31/1114	Jungle Hill	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	150.4	29/05/2021
E31/1113	Canegrass	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	108.8	29/05/2021
E27/550	Holey Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	67.2	30/06/2021
E27/549	Gindalbie Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	25.6	30/06/2021
E80/5112	Black and Glidden	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	103.0	31/08/2023
E80/5113	Carrington	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	51.2	31/08/2023
E80/5114	Sandy Creek	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	64	31/08/2023
E80/5115	Wild Dog	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	70.4	31/08/2023
						711.0	

Table 2: Tenement schedule

Competent Person Statement

The information in the report above that relates to Exploration Results, Exploration Targets and Mineral Resources 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, Exploration Targets, 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.

Forward-Looking Statement

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although Kaili Resources Limited believes that its expectations reflected in these forward looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

Authorised by:

Jianzhong Yang

Director

Long Zhao

Director and Company Secretary

29th July 2020