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17th May 2017

Western Australian tenements with potential for iron ore granted

Kaili Resources Limited is pleased to announce the granting of E08/2770-I (Darnell Hill) to its 100% subsidiary company Kaili Iron Pty Ltd for a period of 5 years. The tenements are located 1200km north of Perth and 300km south west of Port Hedland in the Pilbara region of WA (**Figure 1**).

Figure 1 Darnell Hill Project Locations with heavy haulage rail lines shown

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% SiO_2 and 1.4% Al_2O_3.

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

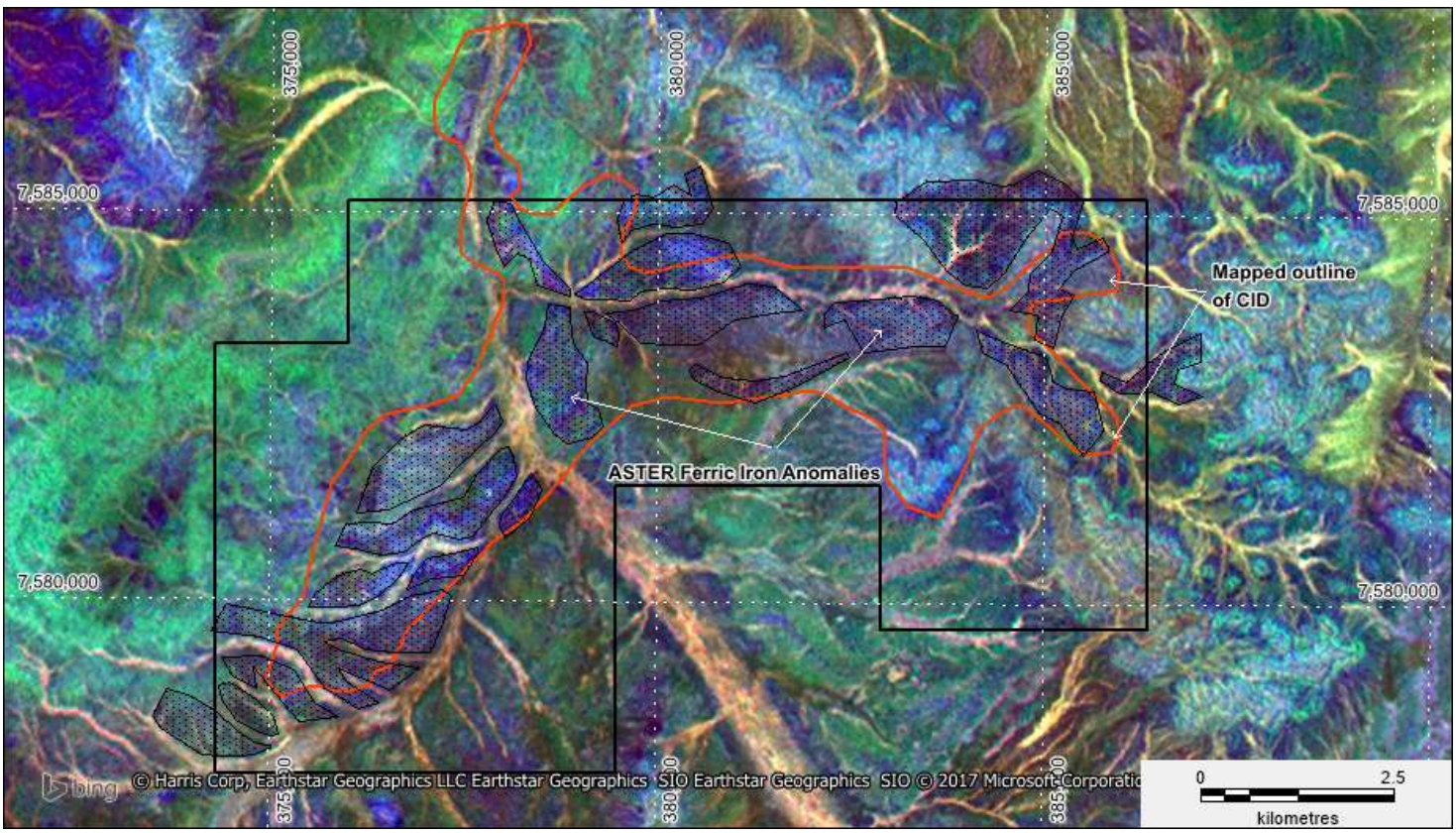

Figure 3 Darnell Hill tenement showing mapped CID and satellite iron anomalies

Following a review of CID style targets in the WA Pilbara Kaili Iron submitted applications to the WA Mines Department on the 11th September 2015 for an area south east of Pannawonica (Darnell Hill) and north of Newman (Bustler Bore) now both granted.

The Darnell Hill tenement is located 60km south of the Pannawonica townsite (**Figure 2**) which is a company town owned by Rio Tinto to service its mine work force in the nearby CID mining operations. The tenement is located adjacent to the North West Coastal Highway 200km south of the deep-water ports on the Pilbara Coast.

Mapping by the Geological Survey of Western Australia has outlined areas of CID development within the Pilbara region as shown in **Figure 3**. ASTER satellite imagery has been processed to highlight the various regolith units across the Pilbara with iron rich units shown in a deep blue colour. Both data sets will assist Kaili in targeting CID iron mineralisation (**Figures 3**).

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. Year 1 Exploration for Bustler Bore is planned for Q2 2017.

(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

17th May 2015