



Kaili Resources Limited
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QUARTERLY ACTIVITIES REPORT – 30th June 2018

EXPLORATION HIGHLIGHTS

- All granted tenements are up to date regarding statutory requirements.
Kookynie and Jungle Hill Gold Projects in Western Australia
- Drilling contract award for 2000m RC program at Jungle Hill Project
- Aircore drilling program planning commenced for Canegrass and Holey Dam Projects
Halls Creek Projects in Western Australia
- Native Title Agreement signed for all 4 tenements



Figure 1: Kaili Resources project locations

PROJECT LOCATION	TENEMENT AREA IN SUB BLOCKS	TENEMENT AREA IN KM ²
Queensland	27	86.4
Western Australia	206	659.0
Total Area	233	745.4

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

WESTERN AUSTRALIA

Pilbara Craton (Darnell Hill, Bustlers' Bore and Bea Bea Creek) Iron Projects (100% interests)



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

During the Quarter, Kaili Resources presented its Work Program at a meeting with the Mugarinya Community which encompasses the Bea Bea Creek licence. The community will be submitting a monitoring budget to Kaili Resources for review to allow exploration to commence. The Native Title Party has indicated that the proposed program is Low Impact in nature and as such no heritage survey is required.

The Native Title Party for the Darnell Hill licence has agreed to the work program commencing prior to a one-day review of the tenement by a Traditional Owner.

Phase 1 work programs for both the Bea Bea Creek and Darnell Hill tenements are planned to commence in the September Quarter 2018.

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). During the Quarter drill planning progressed and drill testing within the Jungle Hill licence will commence in August.

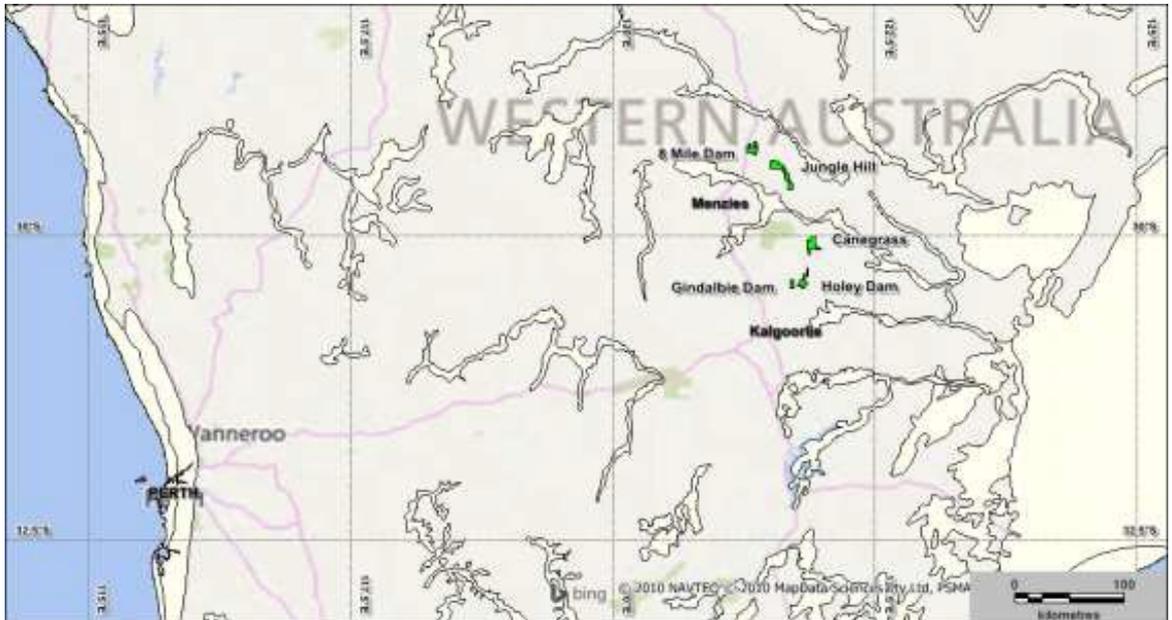


Figure 3 Kaili Resources WA Gold Projects

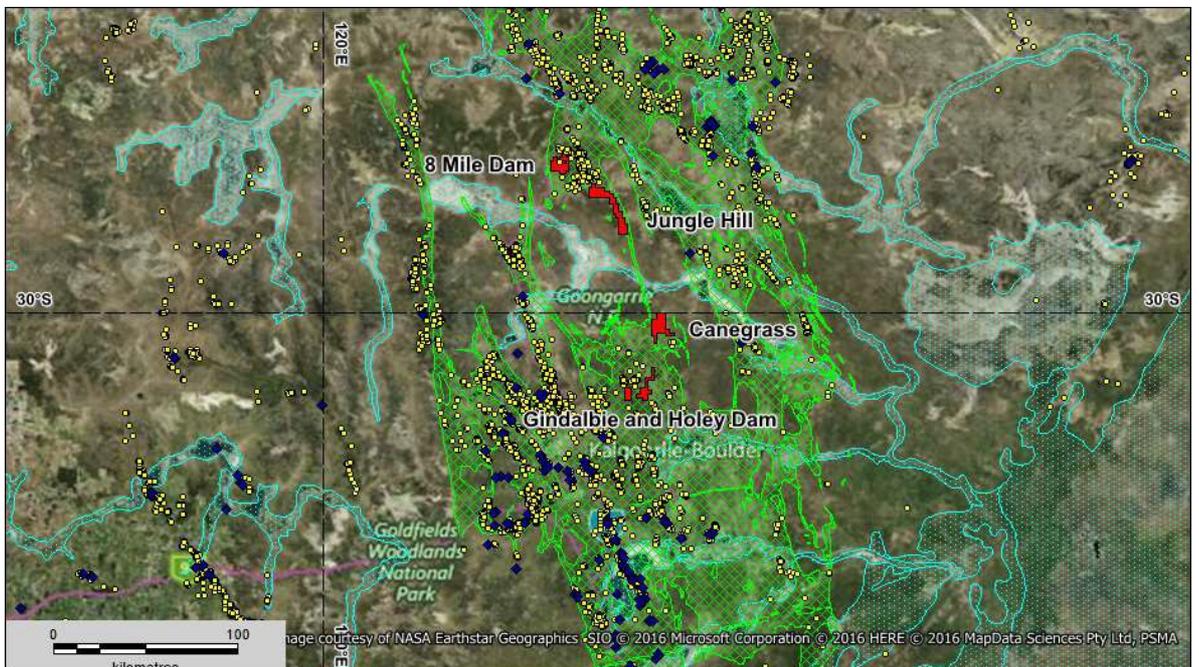


Figure 4 Satellite Image with Eastern Goldfields Superterrane (green hatching) and Kaili Resources tenements in red. Blue diamonds are third parties' operating mines and yellow dots are gold occurrences

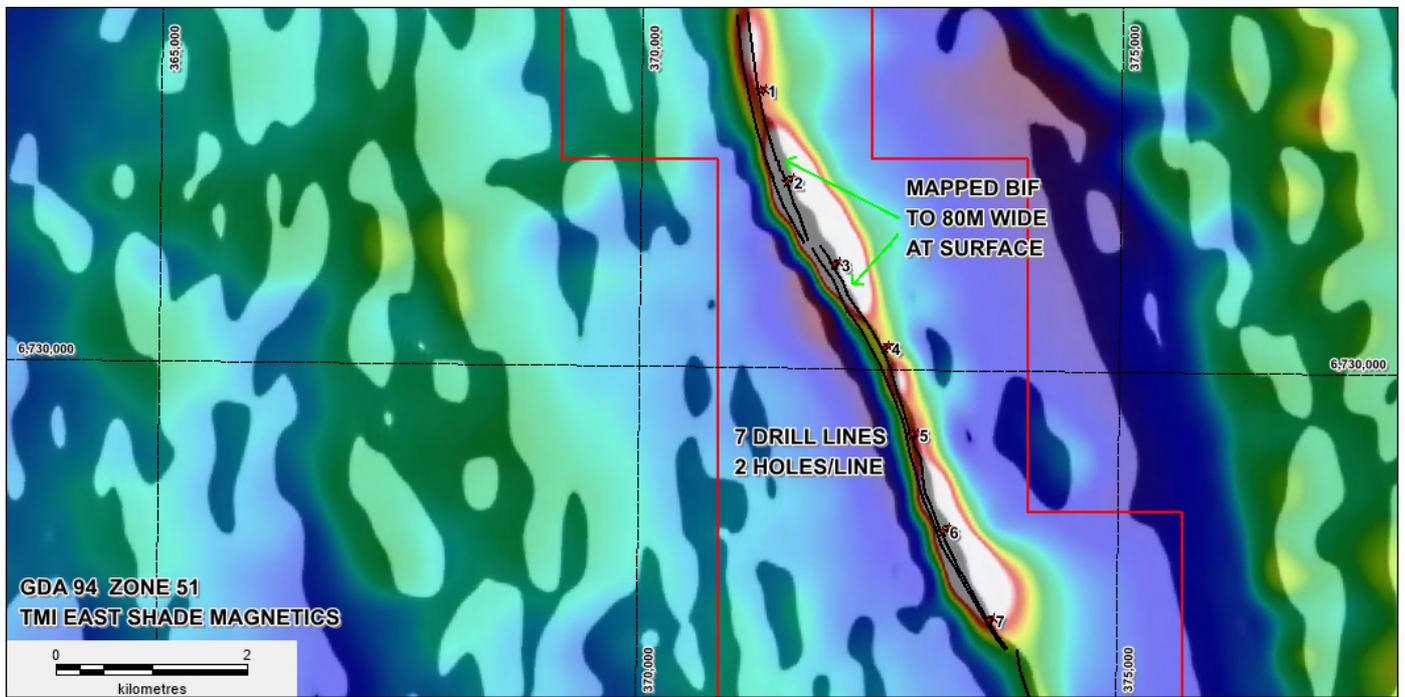


Figure 5 Jungle Hill Tenement - Aeromagnetic Image showing numbered drill lines and mapped BIF

Drilling is planned to commence at the Jungle Hill tenement in August with 14 RC holes planned on 7 drill lines (Figure 5). On each line the two RC holes will be targeting BIF at -50m and -100m with the upper hole likely to encounter oxidised BIF and the lower hole unoxidized BIF. At the surface the BIF comprised both hematite and magnetite variants, with the hematite rich component favoured for DSO style iron mineralisation. A total of 200m of RC drilling is planned and the Program Of Works (POW) has been approved by the WA Government. A heritage survey was completed for all 14 proposed drill sites and the report is due by early August.



Figure 6 Jungle Hill Tenement – Aerial image showing the BIF and two of the drill traverses.

The BIF has a distinctive geobotanical signature with the BIF being devoid of trees and having only low grass cover whereas the adjacent felsic volcanics are covered by a variable thickness of mature Mulga vegetation.

Planning for drill testing gold/structural targets in the Canegrass and Holey Dam tenements is underway. Shallow grid based Aircore drilling is planned along E-W lines with vertical hole depths anticipated in the range of 5-15m (Figures 7 and 8).

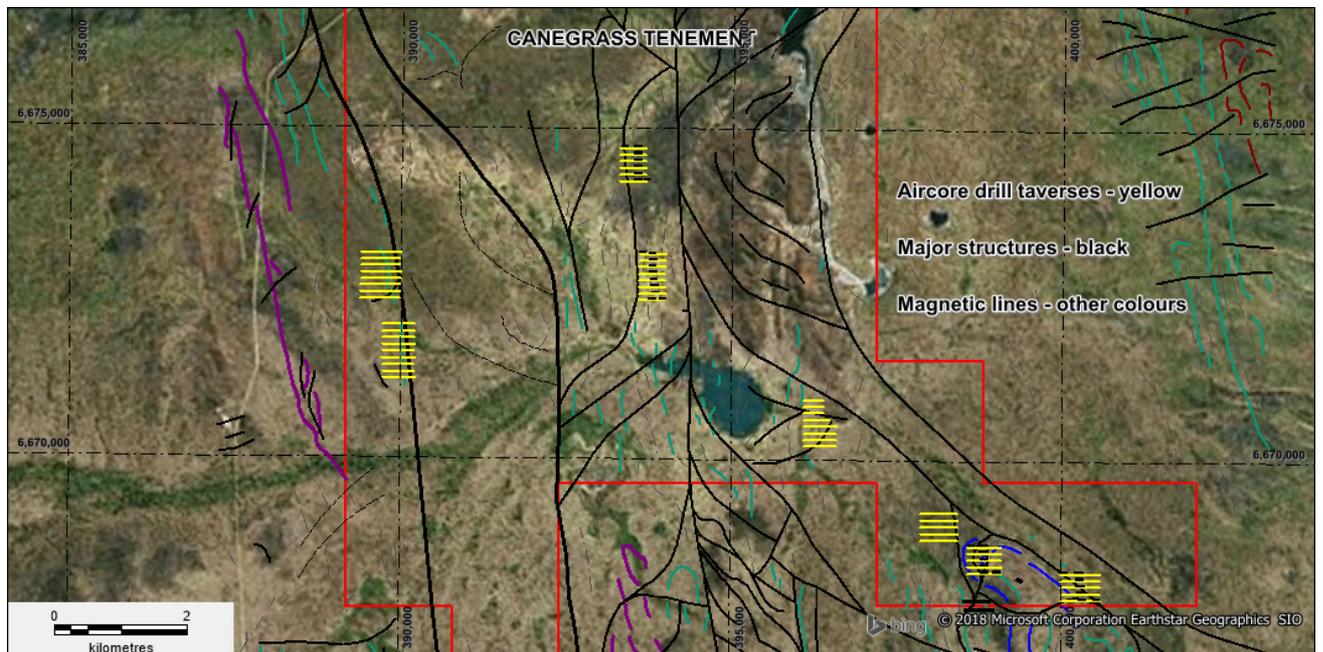


Figure 7 Canegrass Tenement – Aerial image showing structure and proposed aircore drill traverses

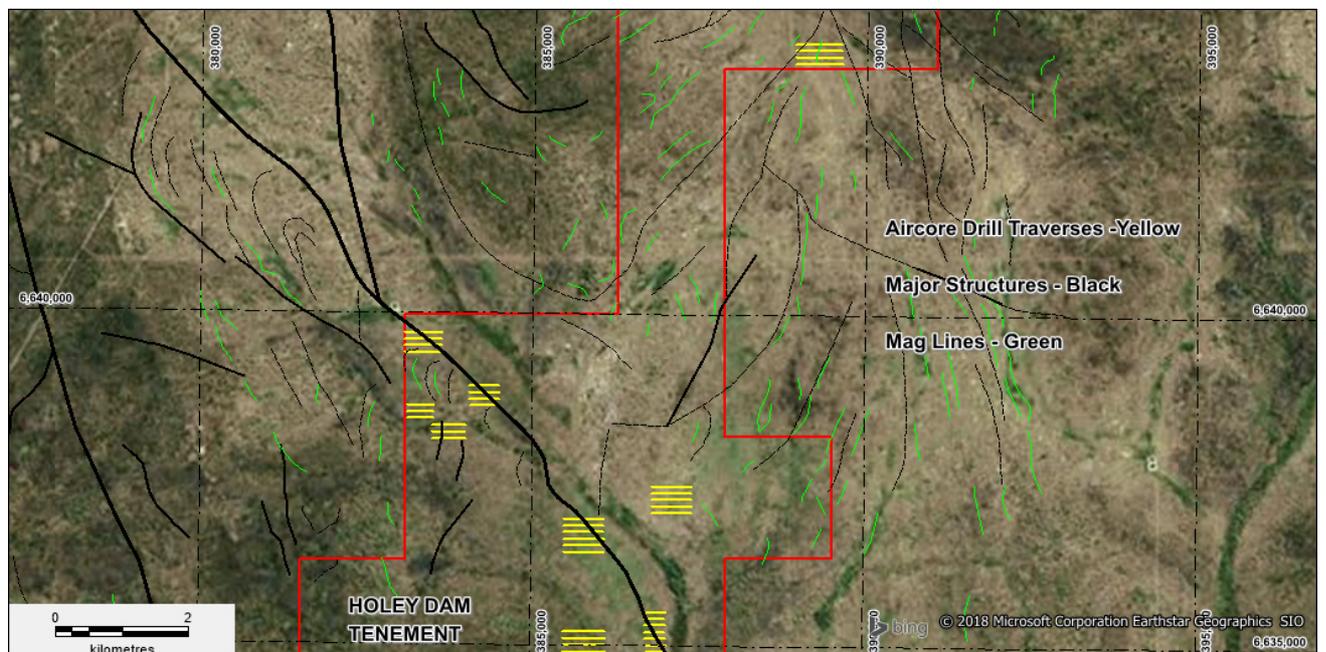


Figure 8 Holey Dam Tenement – Aerial image structure and proposed aircore drill traverses.

Halls Creek – (Black and Glidden, Carrington, Sandy Creek and Wild Dog) Cobalt/Gold Projects (100% interest)

The Halls Creek Project comprises 4 tenement applications (**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.

Native Title Agreements have been executed by the Kimberley Land Council and Kaili Iron, 100% subsidiary of Kaili Resources, ahead of submitting work programs. The initial field program is planned for the September Quarter 2018.

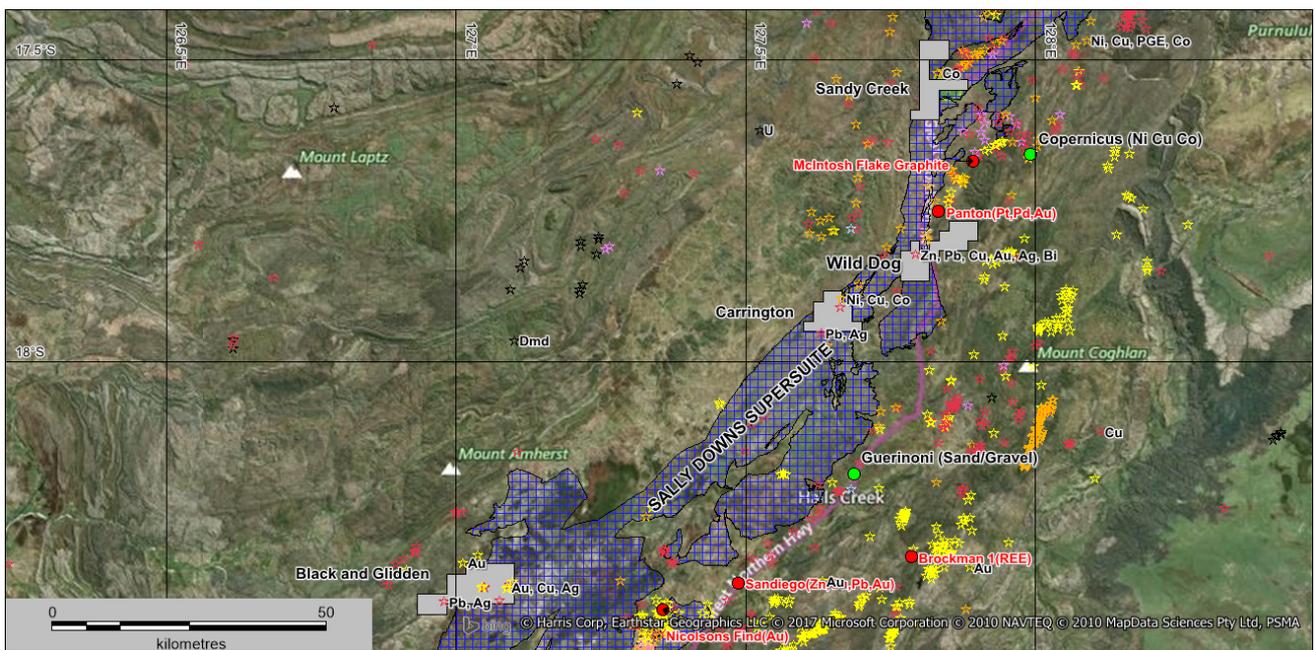


Figure 9 Halls Creek Project showing the 4 tenement applications located in the vicinity of Hall Creek

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, 222km 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 77km. Then by the heavy haulage rail system, transporting coal for export through the Port of Brisbane for 145km (**Figure 10**).

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. **TABLE 2** and **3** summarise the Resource and Exploration Target Estimates.

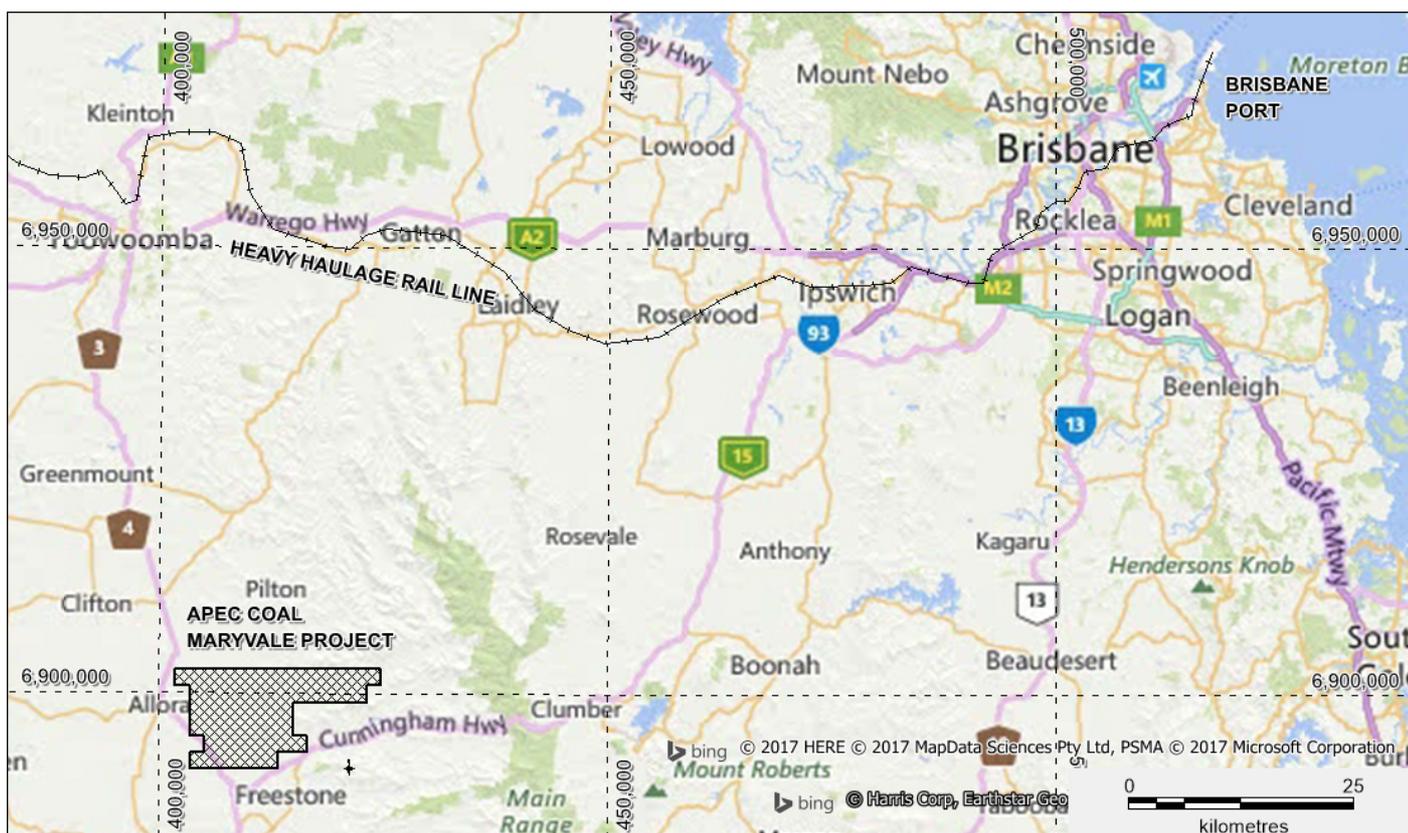


Figure 10 Maryvale Project Location Map

TABLE 2: 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

TABLE 3: 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

Table 2 and 3 ISG Resource and Exploration Target Estimates – Maryvale Project

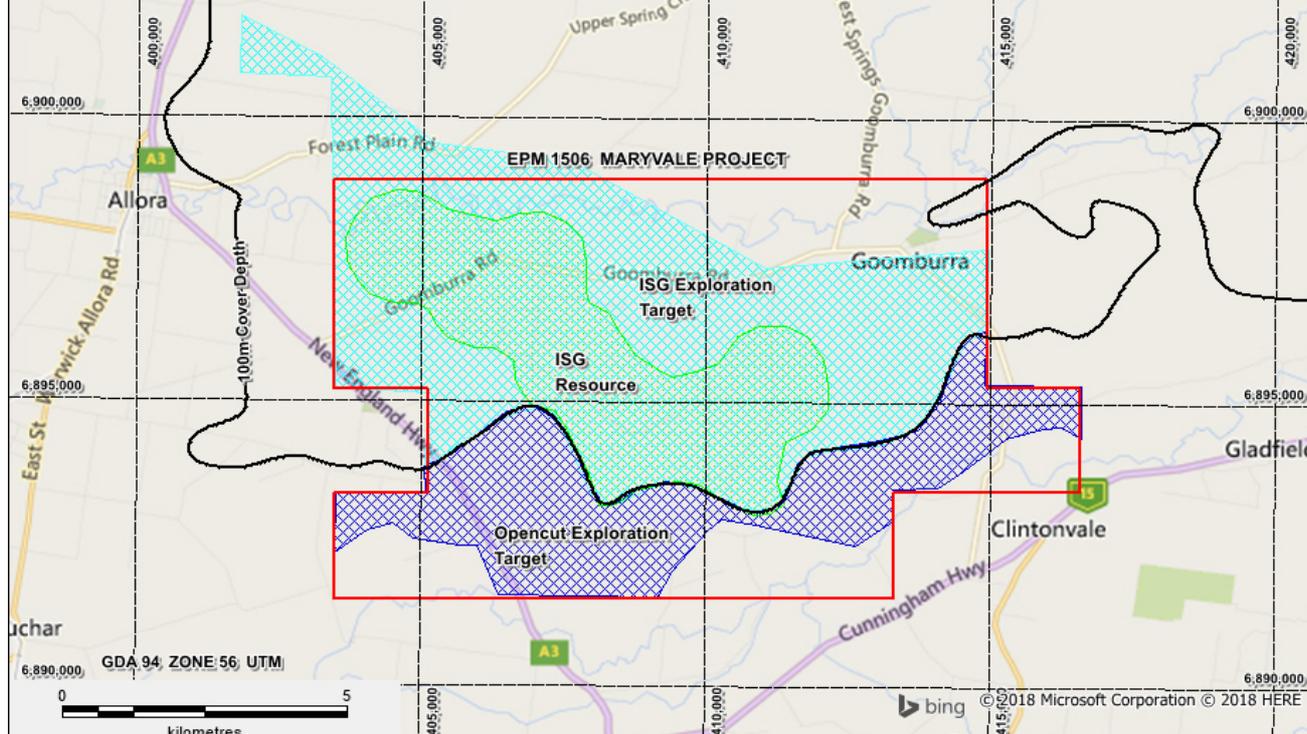


Figure 11 Maryvale Project showing the ISG Resource and Exploration Targets

During the Quarter Kaili Resources 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 4**) held at the end of the June 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	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area km2	Expiry
Granted								
9/03/2017	E08/2770-l	Darnell Hill	Iron	WA - Pilbara Craton	Kaili Iron Pty Ltd	100%	67.2	8/03/2017
28/07/2016	E45/4619-l	Bea Bea Creek	Iron	WA - Pilbara Craton	Kaili Iron Pty Ltd	100%	105.6	27/07/2021
21/11/2016	E46/1084-l	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
Application	E80/5112	Black and Glidden	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	102.4	N/A
Application	E80/5113	Carrington	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	51.2	N/A
Application	E80/5114	Sandy Creek	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	64	N/A
Application	E80/5115	Wild Dog	Cobalt/Gold	WA - Lamboo Province	Kaili Iron Pty Ltd	100%	70.4	N/A
							1033.6	

Table 4: 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

30th July 2018