Kaili Resources Limited
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28 November 2018

Dear Shareholder

Kaili Resources Limited (Company) – 1 for 2 Underwritten Non-Renounceable Entitlement Offer

The Company announced on 27 November 2018 a 1 for 2 underwritten non-renounceable Entitlement Offer at an issue price of $0.036 per share to raise approximately $1.769m (before transaction costs) (**Entitlement Offer**).

The Entitlement Offer is fully underwritten by Treasure Unicorn Limited, a company controlled by Inner Mongolia Yitai Investment Co. Limited, the Company's largest shareholder. Details of the impact of the underwriting on the Company, as well as the underwriting agreement itself, are set out in the offer document.

The net proceeds of the Entitlement Offer will be applied to exploration within the licences that the Company holds, repayment of debt, general working capital and costs related to this Offer.

The Company is writing to advise you as a shareholder of the Company with a registered address outside of Australia and New Zealand that, in accordance with ASX Listing Rule 7.7.1(b), the Company will not be offering the New Shares under the Entitlement Offer to you. The New Shares that would otherwise have been offered to you will make up part of the shortfall that will be issued to the Underwriter.

You will not receive a copy of the offer document, however, a copy of the offer document is available on the ASX's website (www.asx.com.au), and the Company's website (www.kailigroup.com.au), for your reference only.

Details of the Entitlement Offer are summarised below.

Summary of Key Information	
Type of offer	Underwritten non-renounceable 1 for 2 entitlement offer of approximately 49,133,457 ordinary shares to shareholders that are on the share register of the Company as at the record date
Offer price	$0.036 per new share
Offer ratio	1 new share for every 2 existing shares held at the record date
Trading of entitlements	Your entitlements may not be sold on ASX or otherwise transferred off market
Ranking of new shares	The new shares will be fully paid and will rank equally in all respects with the Company's existing issued ordinary shares
Number of shares quoted on ASX	The number of ordinary shares to be quoted on ASX on completion of the Entitlement Offer will be approximately 147,400,372

Please note that the Company's shares will be quoted on an 'ex' basis from 29 November 2018. Any shares bought from this date will not be able to participate in the Entitlement Offer.

KAILI

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Indicative Timetable

Event	**Date**
Notice of Entitlement Offer sent to all Shareholders	28 November 2018
Ex-Date: the date on which Shares commence trading without entitlement to participate in the Entitlement Offer	29 November 2018
Record date (7pm Sydney time)	30 November 2018
Dispatch of offer document and application form to Shareholders	5 December 2018
Entitlement Offer closes	17 December 2018
New shares quoted on deferred settlement basis	18 December 2018
Shortfall shares notified to ASX and underwriter	20 December 2018
Issue and allotment of new Shares (deferred settlement ends)	20 December 2018
Normal trading of Shares expected to commence	21 December 2018
Dispatch of holding statements	24 December 2018

Note: dates and times are indicative only and subject to change. Subject to compliance with the ASX Listing Rules, and in consultation with the Underwriter, the Company reserves the right to: (i) not proceed with the Entitlement Offer and return any applications moneys received without interest; or (ii) vary the dates and times above including closing the offer earlier or later.

For further information on the Entitlement Offer please refer to the offer document or contact the Company:

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Yours sincerely

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Jianzhong Yang
Director
Kaili Resources Limited