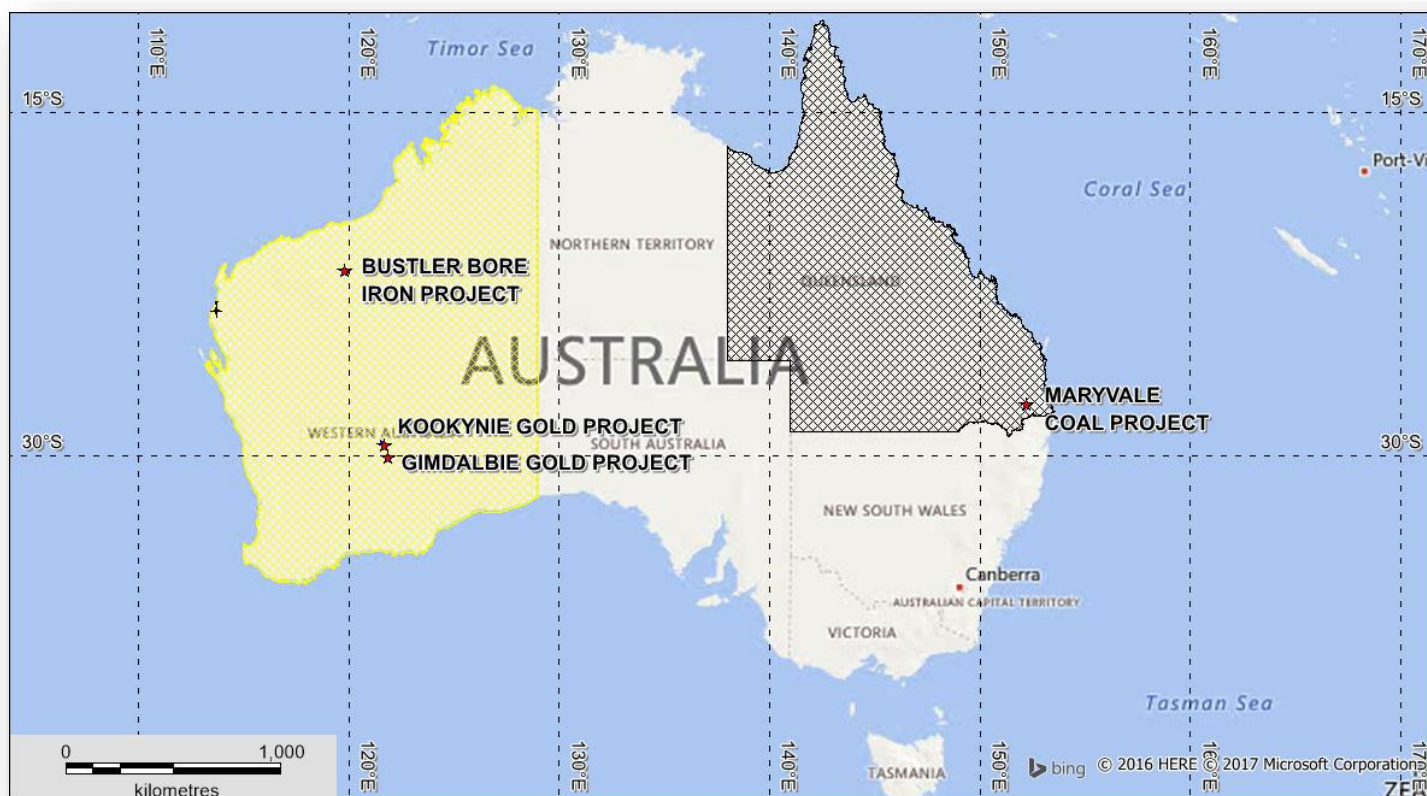


## QUARTERLY ACTIVITIES REPORT – 31<sup>st</sup> December 2016

### EXPLORATION HIGHLIGHTS

- All granted tenements are up to date regarding statutory requirements.
- **Maryvale Coal Project in Queensland**
- EPC 1506 JORC 2012 Coal Resource due for release Q1 2017
- **Gindalbie Gold Project in Western Australia**
- Phase 1 soil sampling completed
- Geophysical target generation completed
- **Kookynie Gold Project in Western Australia**
- Geophysical target generation completed
- **Hamersley Iron Project in Western Australia**
- E46/1084-I (Bustler Bore Creek) in WA was granted during the Quarter.



*Figure 1: Kaili Resources granted project locations – granted*

PROJECT LOCATION	TENEMENT AREA IN SUB BLOCKS	TENEMENT AREA IN KM <sup>2</sup>
Queensland	53	169.6
Western Australia	185	592.0
<b>Total Area</b>	<b>238</b>	<b>761.6</b>

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

## WESTERNAUSTRALIA.

### Hamersley Basin (Darnell Hill, Bustlers' Bore and Bea Bea Creek) Iron Projects

*E46/1084-I (Bustler Bore) held 100% by wholly owned subsidiary Kaili Iron Pty Ltd was granted on 21st November for a period of 5 years.*

Negotiations with the Native Title Parties are currently underway to finalise access agreements to move the remaining tenement application towards granting.

The Native Title Parties are:

E08/2770-I (Darnell Hill)	Kuruma Marthundunera(Combined)	WC 2016/002
E46/1084-I (Bustlers Bore)	Palyku People	WC 1999/016
E45/4619-I (Bea Bea Creek)	Kariyarra People	WC 1999/003

In addition, E45/4619 is located within the Mugarinya Community and a separate access permit is required

E08/2770-I (Darnell Hill) was originally within claim WC 1999/012. The eastern portion of this claim was determined and the remaining portion with covers the eastern half of E08/2770-I was included in a new claim WC 2016/002 Robe River Kurrama People. The original access agreement is being modified to include the new claim number and when finalised will be sent to Kaili for execution.

### Yilgarn Craton (Gindalbie and Kookynie) Gold and Nickel

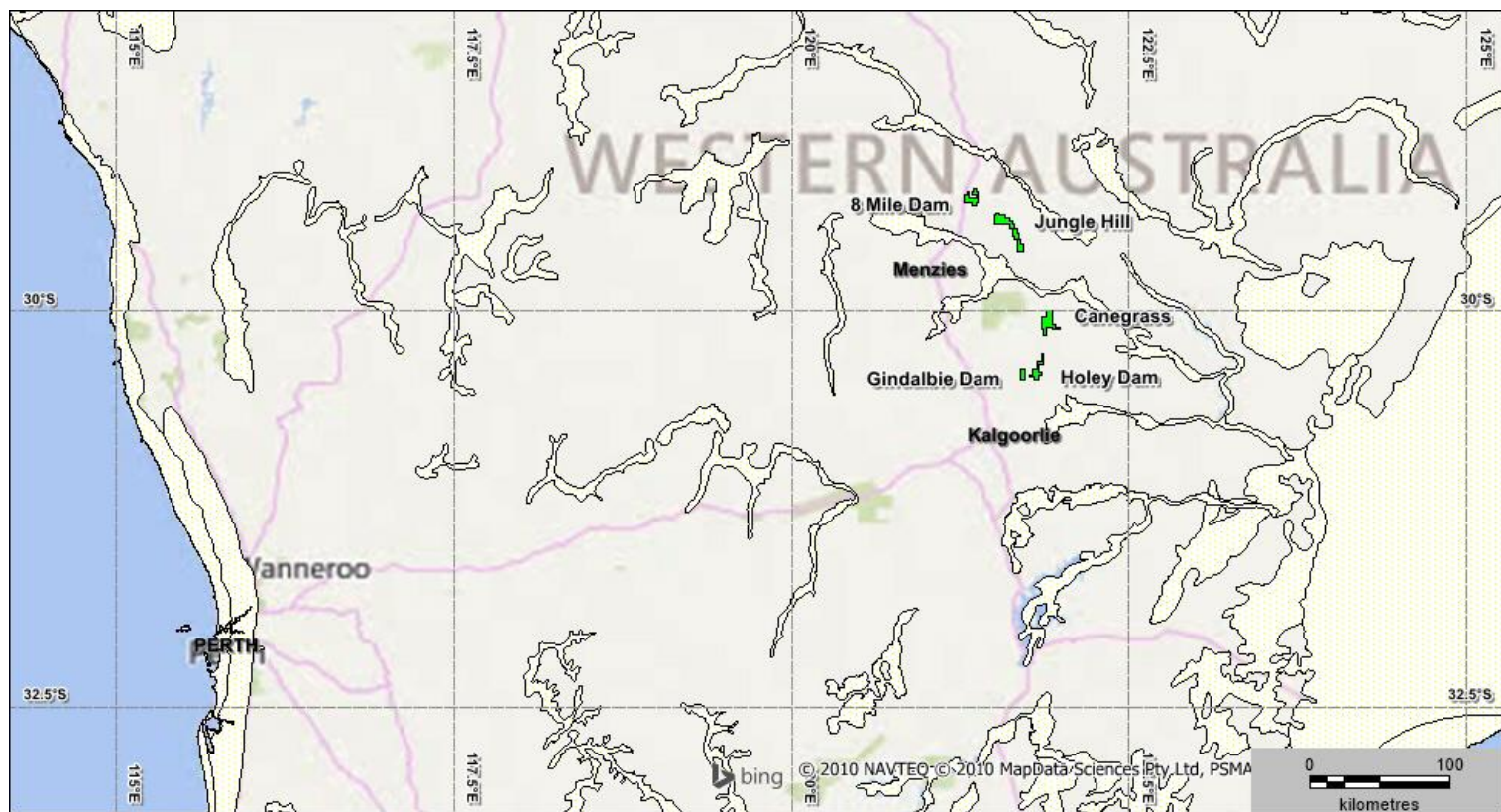
*E40/354, E27/550 and E27/549 held 100% by wholly owned subsidiary Kaili Gold Pty Ltd were granted on 8<sup>th</sup> July 2016 and 30<sup>th</sup> May 2016 respectively for periods of 5 years*

The Yilgarn Craton is one of the premier gold regions in the world and hosts numerous multimillion ounce gold mines and deposits. The Company reviewed several areas for tenement applications in proximity to known gold mineralisation and associated with mafic igneous extrusive/intrusive rocks. The Gindalbie area north east of Kalgoorlie and the Kookynie (**Figure 2**) are south east of Leonora were chosen and include the 5 granted tenements:

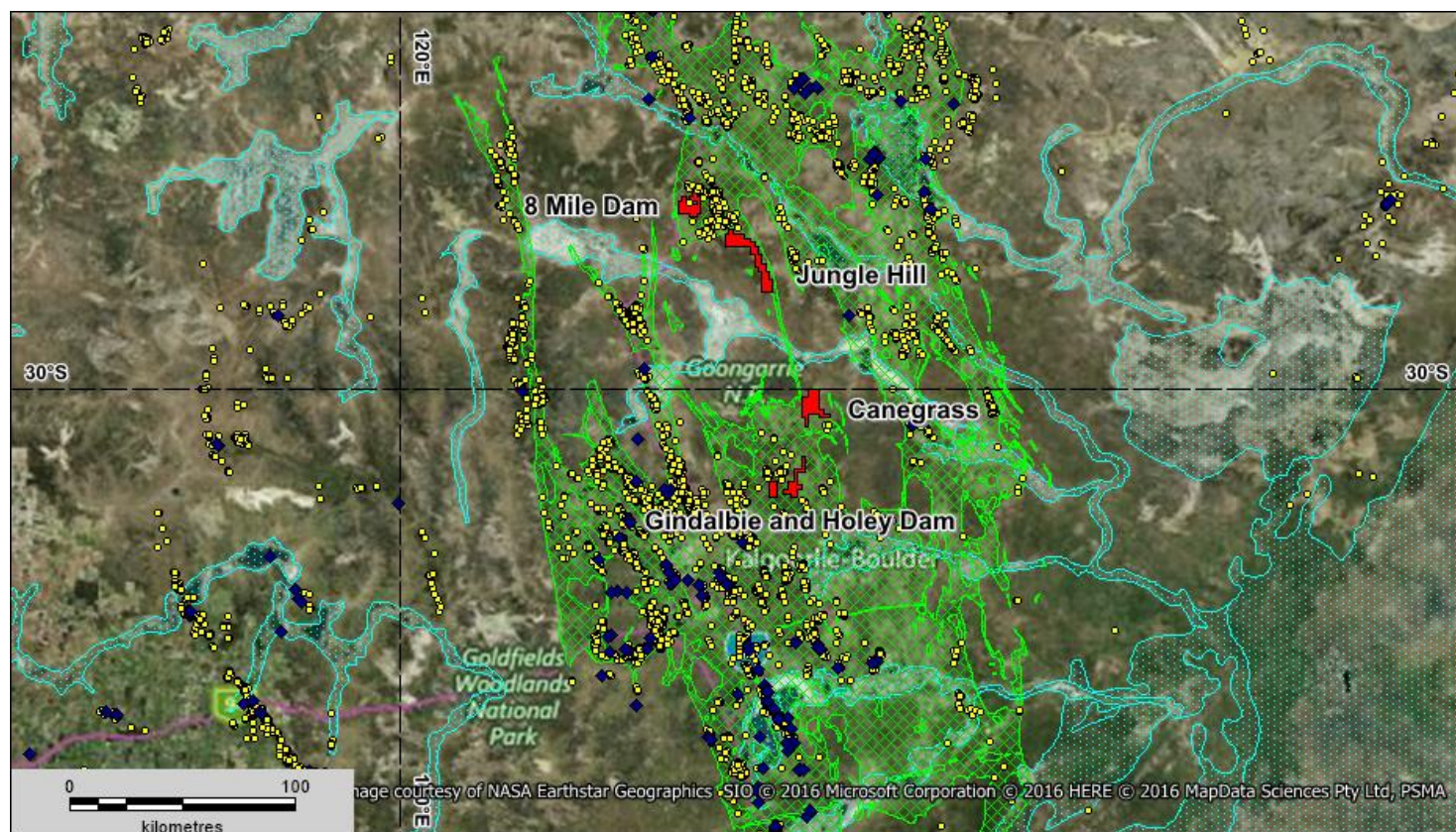
Gindalbie - Canegrass, Holey Dam and Gindalbie Dam for 201 km<sup>2</sup>

Kookynie – 8 Mile Dam and Jungle Hill for 221 km<sup>2</sup>.





**Figure 2:** Kaili Resources Western Australian Gold Projects



**Figure 3** Satellite Image with Eastern Goldfields Superterrane (green hatching) and Kaili Gold tenements in red. Blue diamonds are operating mines and yellow dots are gold occurrences

During the Quarter Phase 1 soil sampling was completed at Gindalbie Dam, Holey Dam and Canegrass



tenements by Kaili Resources 100% subsidiary company Kaili Gold Pty Ltd. The tenements are located 650km north-east of Perth as shown in **Figure 2**. The tenements have been granted for a period of 5 years with the tenement register included as **Table 1**.

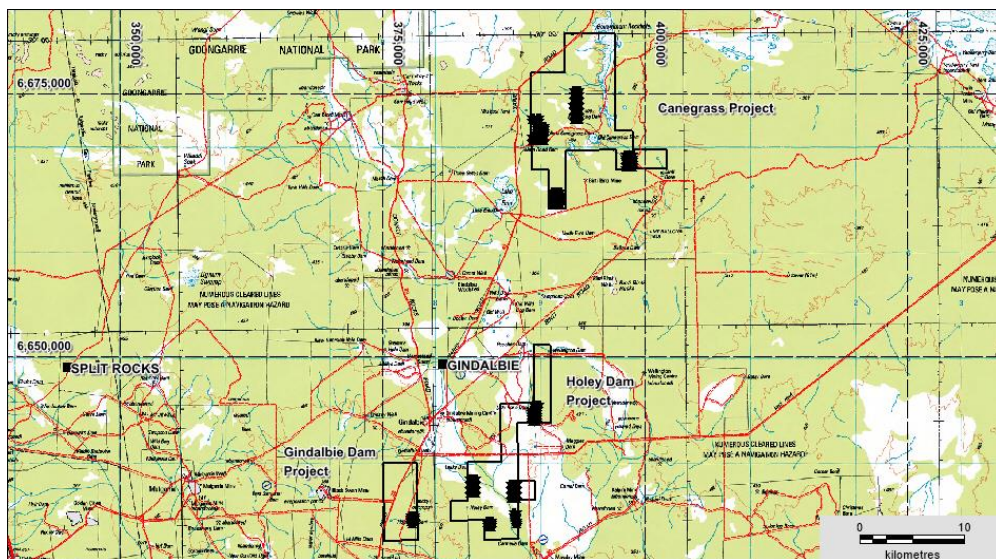
Kailis' Western Australian gold projects are located within the Archaean Yilgarn Craton, one of the most highly endowed gold regions in the world. Within the Yilgarn Craton the Eastern Goldfield Superterrane (EGS) hosts the bulk of the known gold deposits and operating mines (**Figure 3**). The EGS comprises felsic to ultramafic intrusives, volcanics and volcanoclastics with associated sediments with the mafic variants being the primary host to gold mineralisation.

**Table 2** Tenement register for surficial geochemical sampling

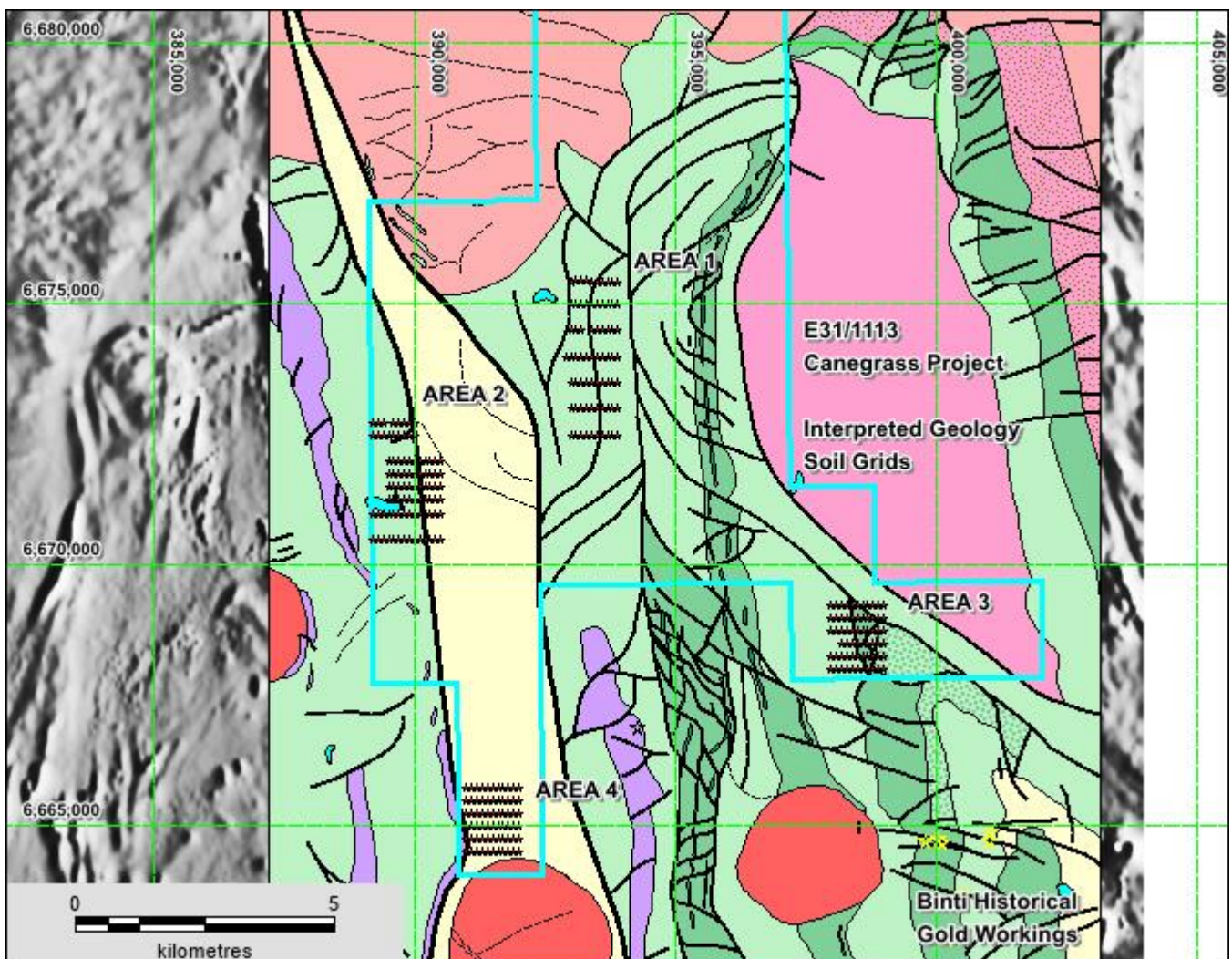
Region	Tenement Number	Tenement Name	Commodity	Grant Date	Expiry Date	Sub Blocks	Area (km2)
Gindalbie	E31/1113	Canegrass	Gold	30/5/2016	29/5/2021	34	108.8
Gindalbie	E27/550	Holey Dam	Gold	1/7/2016	31/6/2021	21	67.2
Gindalbie	E27/549	Gindalbie Dam	Gold	1/7/2016	31/6/2021	8	25.6

The soil sampling included grid based soil sampling in conjunction with lag and outcrop rock sampling. The sampling comprised collection of 0.5 to 1kg soil samples from a depth of about 15cm spaced every 100m along grid lines every 250or 500m. The samples were placed into zip lock plastic bags for transport to the ALS geochemical laboratory in Kalgoorlie. Geochemical standards were inserted into the number sequence after every 25<sup>th</sup> sample collected in the field. The location of the geochemical sampling grids are shown in **Figure 4**.

A total of 31 rock samples were collected from the Canegrass and Holey Dam tenements and 531 soil samples from Canegrass, Holey Dam and Gindalbie Dam tenement. The soil samples were analysed for low level Au by method AR-TL43 (ICP-MS) and a multi element suiter by ME-MS43 (ICP-MS) and the rock samples were analysed for gold by method Au-AA24(AAS) and a multi element suite by ME-MS42 (ICPMS). Results are included as Appendices 1 and 2.



**Figure 4** Topographic maps showing the soil sampling grids as black areas within the Gindalbie Dam project



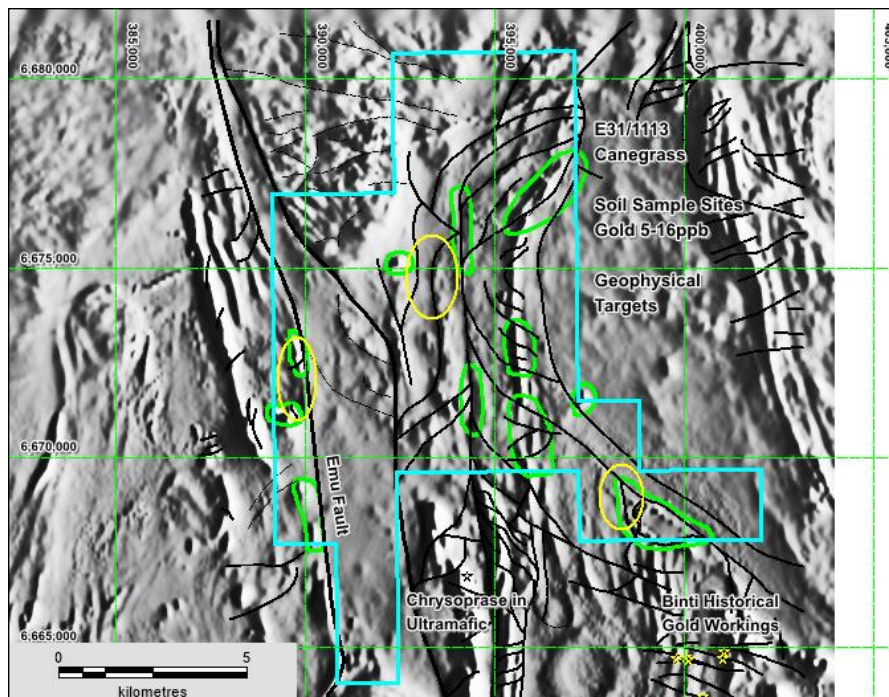
**Figure 5** Litho-structural interpretation of the Canegrass tenement (blue)

Southern Geoscience Consultants based in Perth provided solid litho-structural interpretations for the Canegrass, Gindalbie Dam and Holey Dam tenements (**Figure 5**) in addition to targets for gold mineralisation. The targets were ranked and based on the target types shown below:

- Offset, deformed and/or strike altered mafic volcanics.
- Fault intersections within greenstone units.
- Mafic/ultramafic contacts with sediments.
- Granite/greenstone contacts +/- fault intersections.
- Extensions of known mineralisation along fault zones and stratigraphic trends.
- Unusual magnetic anomalies.
- Deformed and altered BIF (Banded Iron Formation)/chert sequences.

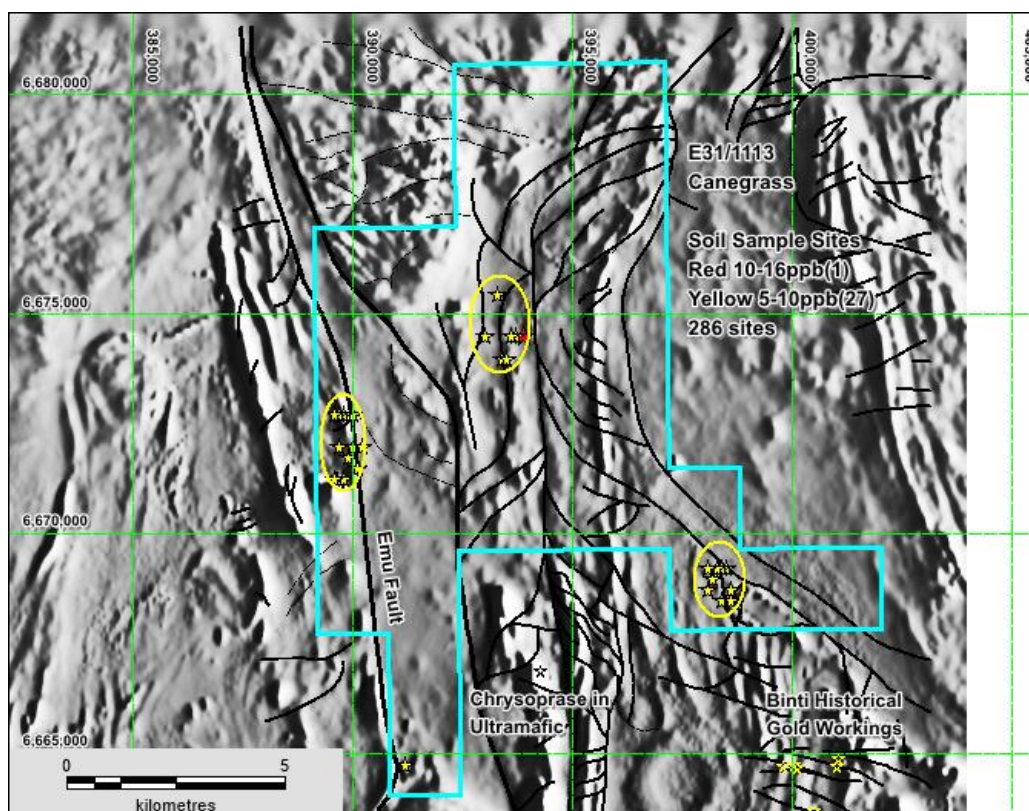
In **Figure 5** Mafic units are green, ultramafic units are purple, granitic units are red/pink and felsic units are yellow. The soil grid samples are shown as red stars and numbered from Area 1 to 4 in **Figure 5**.





**Figure 6** TMI aeromagnetic image with interpreted structures (black), geophysical targets (green) and soil anomalies 5-16ppb Au (yellow)

Most of the Canegrass tenement is covered by a transported red brown silty clay with fine quartz and iron pisolite lag which has subdued the surficial geochemical response from potential gold mineralised targets. A statistical analysis of the geochemistry has shown there to be a distinctly elevated gold in soil response of > 5ppb Au. The samples with Au > 5ppb were the data set and are shown as sample sites and polygons in **Figure 6 and 7**



**Figure 7** TMI aeromagnetic image with interpreted structures (black) and soil anomalies 5-16ppb Au (yellow)



Anomalous gold in soil areas are shown in Figures 5 and 6 and include:

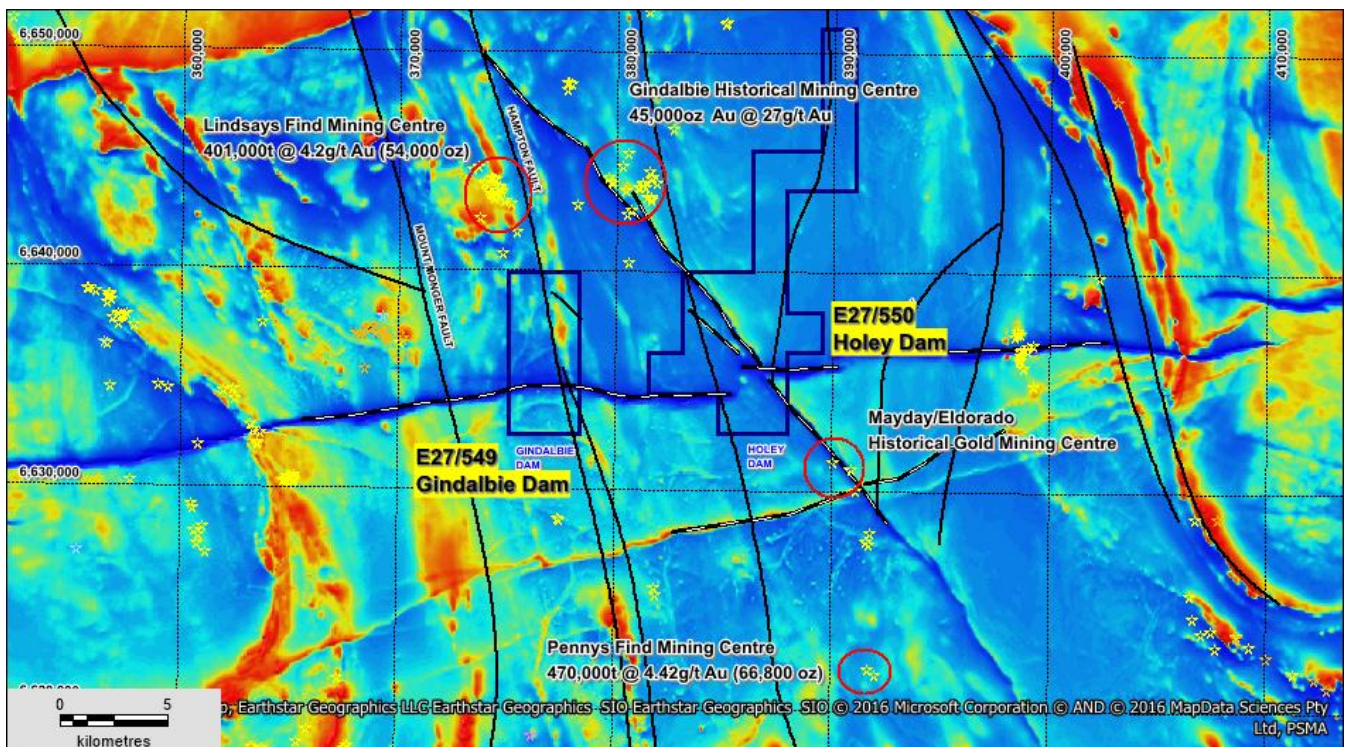
**Area 3** – Across a fold nose north of the Binti gold working

**Area 2** – Located along the Emu Fault.

**Area 1** – Located along a fault structure identified during the July sampling program

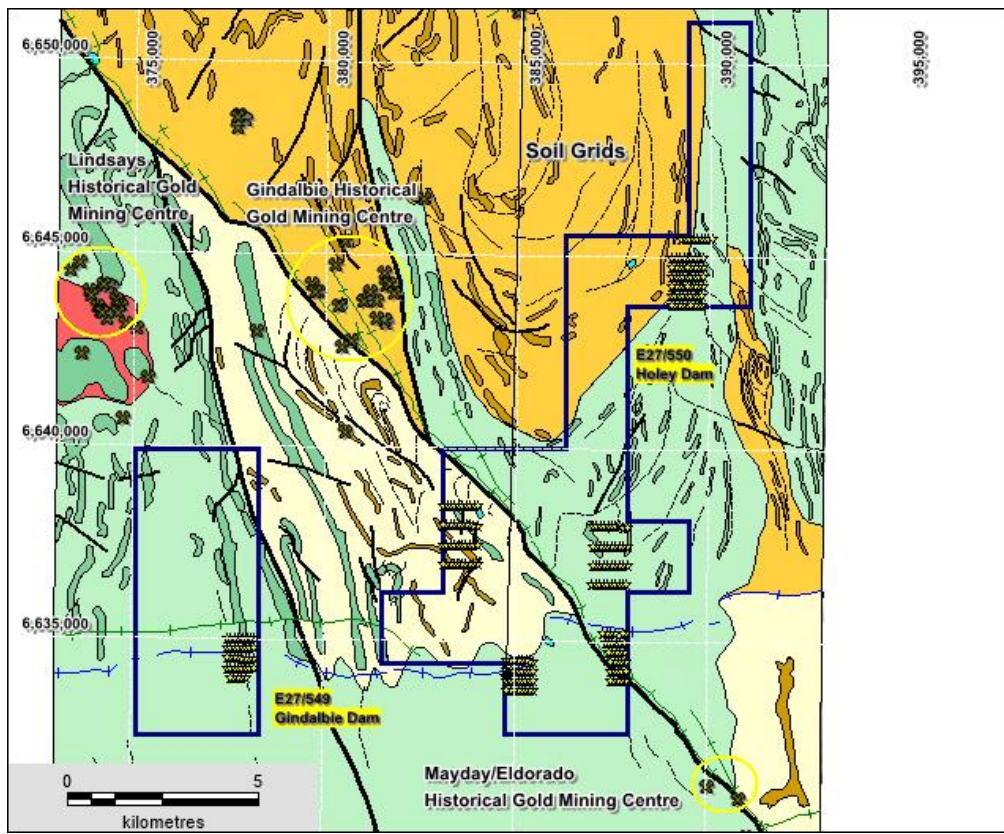
The gold in soil geochemical anomalies and geophysical targets will form the focus of the next phase of exploration in Q2 2017 and will include further grid based soil sampling and outcrop/lag base rock sampling in addition to geological mapping. Based on the results of the next phase of exploration drill testing of the high priority gold targets is planned for Q3 2017.

The Gindalbie and Holey Dam tenements are located 30km south of the Canegrass tenements as shown in **Figure 2**. The sampling strategy is as for that carried out within the Canegrass tenement and described above. As can be seen on **Figure 8** several regional gold mineralised structures traverse the Gindalbie and Holey Dam tenements. The soil sampling grids are shown in **Figure 9** over the litho-structural interpretation with the mafic units (green) being the main target.

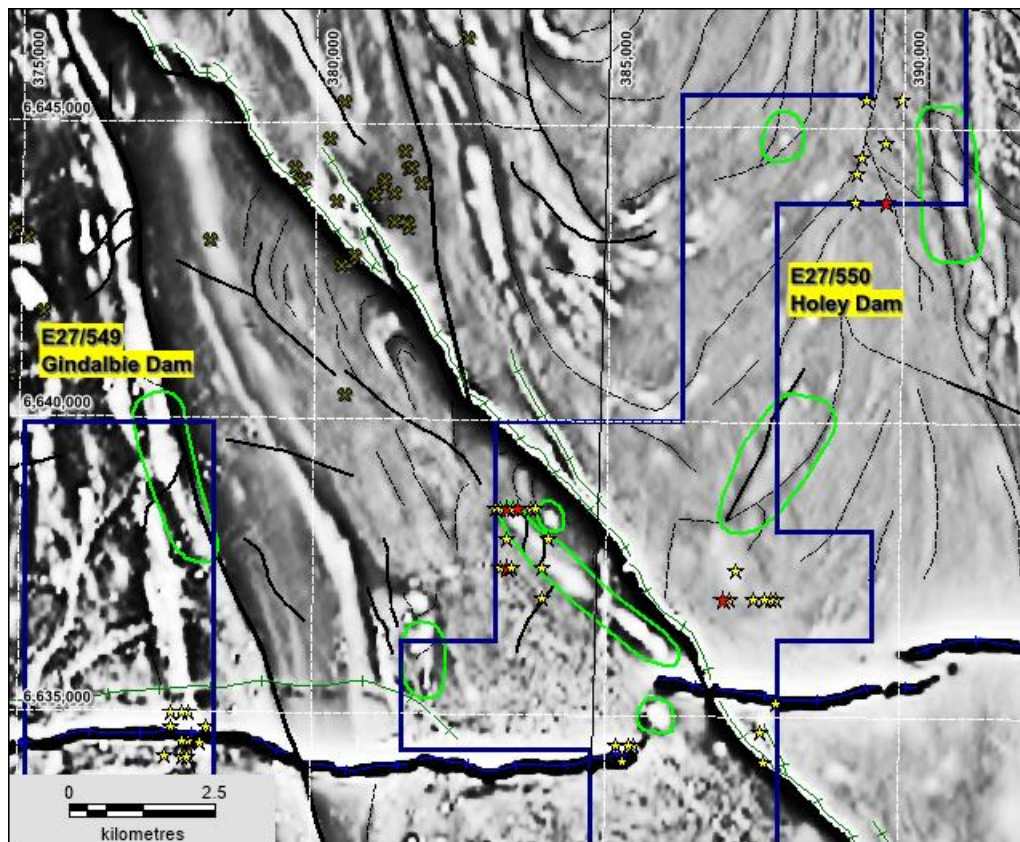


**Figure 8** TMI aeromagnetic image with interpreted structures (black), historical and current gold mining centres and the outline of the Holey and Gindalbie dam tenements





**Figure 9** Solid geological and structural interpretation of the Gindalbie and Holey Dam tenements and soil sampling grids

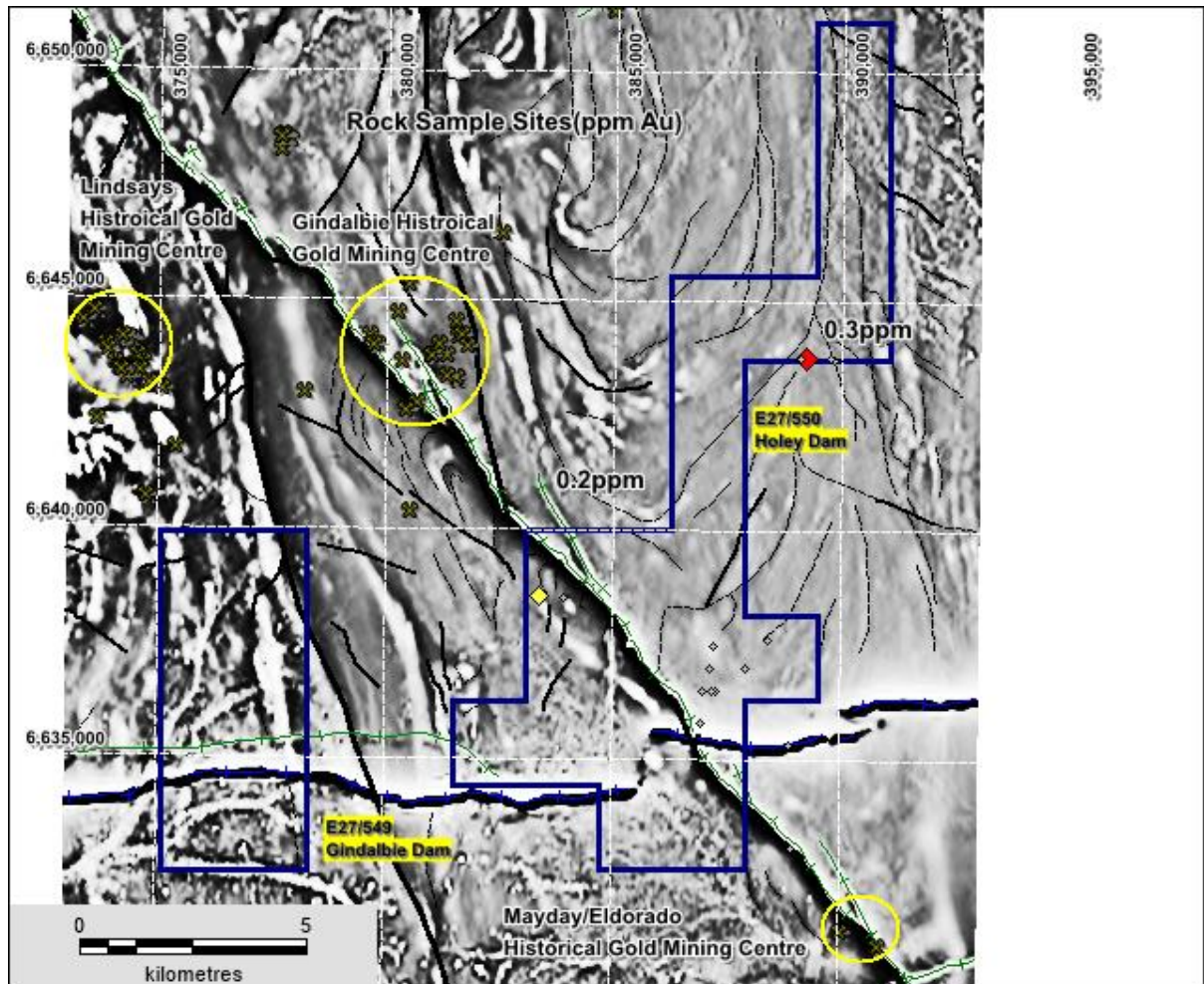


**Figure 10** TMI aeromagnetic image with interpreted structures (black) and soil analyses 5-10ppb (yellow) and 10-16ppb (red)

In **Figure 10** the anomalous gold in soil results have been extracted and shown with the geophysical targets in green. As can be seen there are anomalous gold in soil results associated with the major E-W and NW-SE structures and subsidiary structures shown as faint black dashed lines. The limited outcrop within the Gindalbie and Holey Dam tenements led to the collection of rock float samples as shown in **Figure 10**. The results from the rock float sampling (18 samples) were all below detection limit apart



from two samples which returned results of 0.3 (red diamond) and 0.2 (yellow diamond) ppm Au and were located proximal to a major or subsidiary structure.

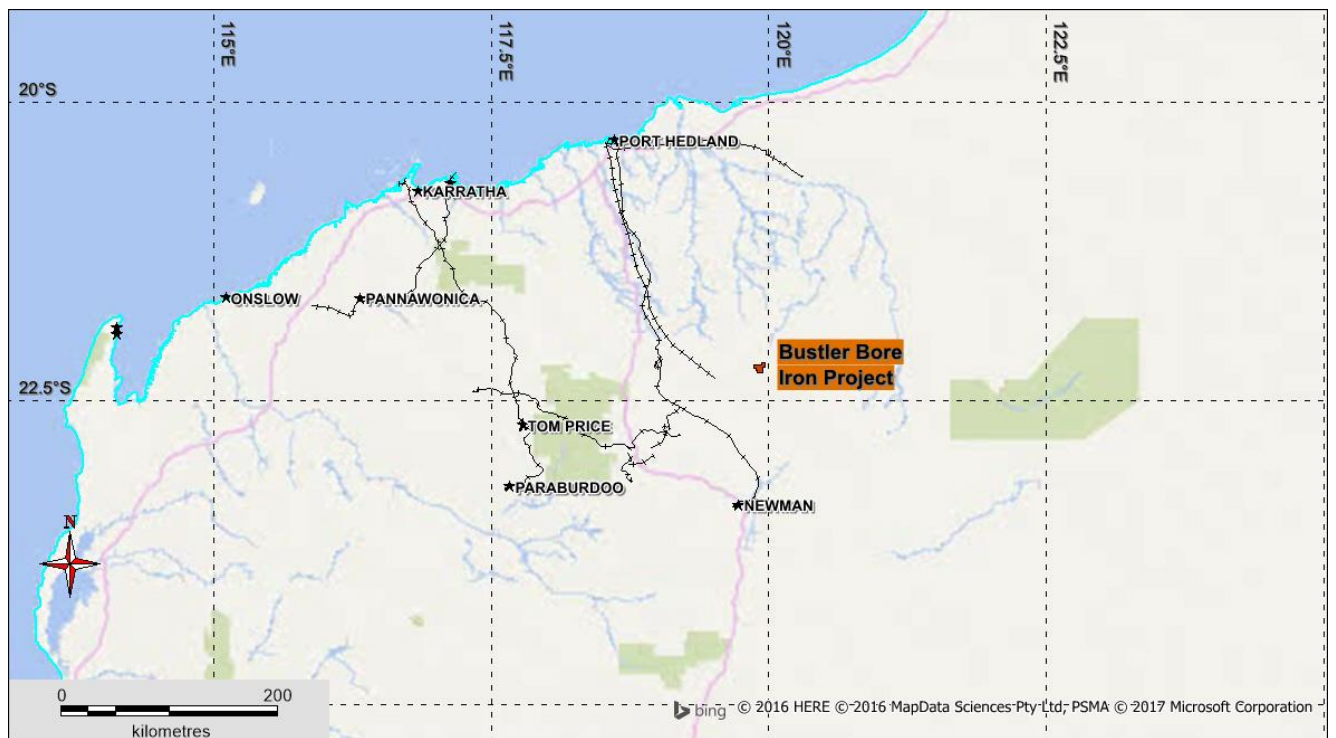


**Figure 11** TMI aeromagnetic showing rock float sample sites as diamond shapes. The 0.2ppm text relates to the yellow diamond inside the Holey Dam tenement

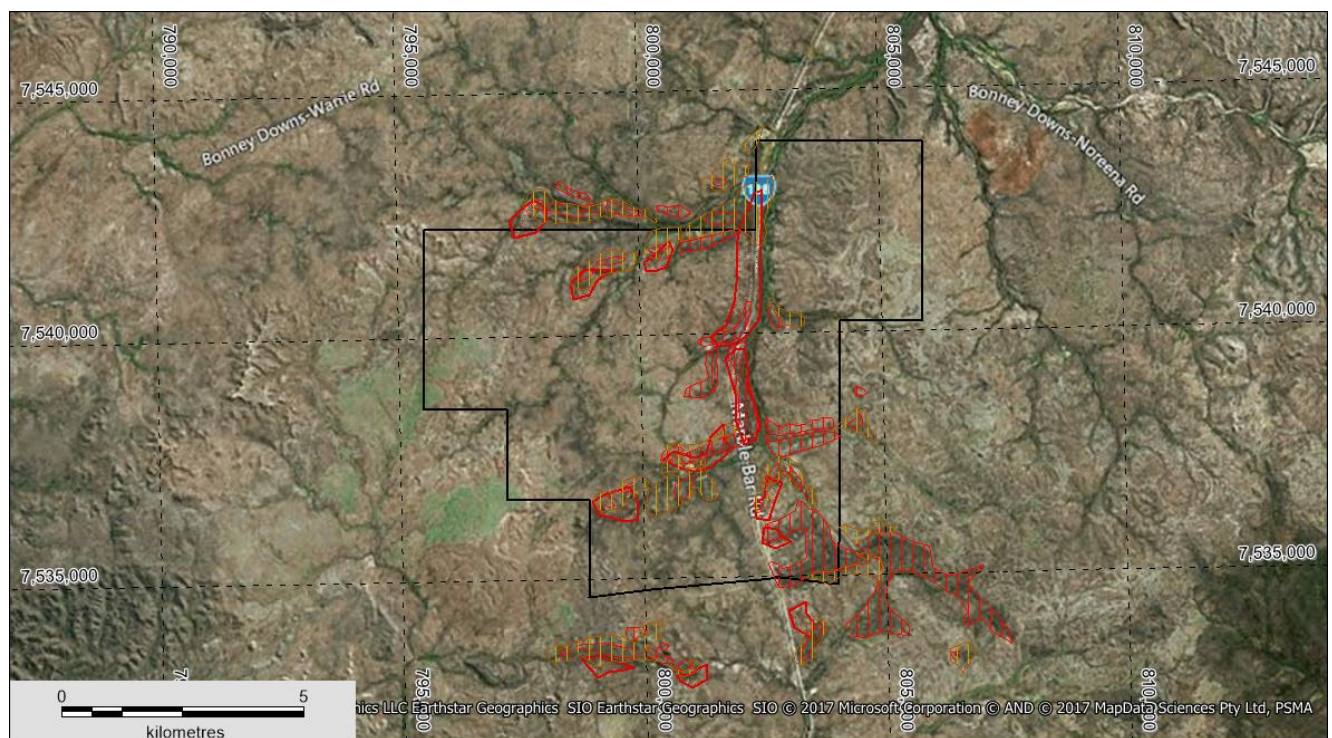
Follow up soil sampling is planned for the December Quarter across the Gindalbie Dam, Holey Dam and Canegrass tenements. The soil sampling will involve the collection of soil samples at 100m spaced intervals across line spaced at 250m. The samples will be submitted to the ALS Laboratory in Kalgoorlie for low level Au analysis.

E46/1084-I (Bustler Bore) is located 250km south of Port Headland in the Pilbara Region of Western Australia (**Figure 12**). The tenement was granted on the 21<sup>st</sup> November 2016 to Kaili Resources 100% subsidiary company Kaili Iron Pty Ltd for a period of 5 years.

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 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<sub>2</sub> and 1.4% Al<sub>2</sub>O<sub>3</sub>. The location of mapped CID channels within the Bustler Bore tenement is shown in **Figure 13**



**Figure 12** Location map showing the Bustler Bore Iron Project and rail infrastructure that links the Pilbara/Hammersley iron operations to ports at Port Headland and Dampier



**Figure 13** E46/1084-I Bustler Bore Iron Project showing mapped CID units (red) and areas of elevated iron response from interpreted ASTER satellite imagery (brown).

The area of mapped (GSWA) CID forms a linear region up to 10km in length located adjacent to the Newman to Marble Bar road and to the north and east of railway infrastructure owned and operated Fortescue Metals Group (FMG) railway lines that link the area to Port Headland (**Figure 12**). 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.

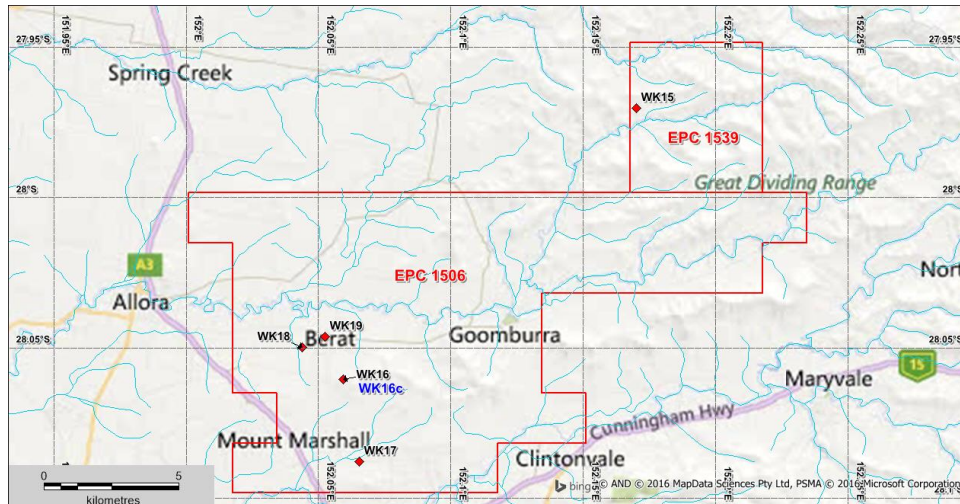


## QUEENSLAND

### Clarence Moreton Basin (Maryvale) Coal Project

*EPC1506 is held 100% by wholly owned subsidiary APEC Coal Pty Ltd*

During the quarter work on the JORC 2012 compliant coal resource continued with the report due for finalisation in January 2017.



**Figure 14** Location of EPC 1506 to the north of the town of Warwick and 2016 drill collars

The Maryvale Project comprises EPC 1506 which is located along the western slopes of the Great Dividing Range within the southern portion of the Darling Downs region. The tenements are bordered by the Main Range National Park in the east which forms part of the Great Dividing Range.

The tenements are situated in the Surat/Clarence- Moreton Basin, approximately 30 km north of Warwick and 50 km south of Toowoomba, in southeast Queensland. Access to the tenement is possible through a series of sealed and unsealed roads and tracks branching from the Cunningham Highway and the New England Highway. Part of the Darling Downs, which includes the towns of Allora, and Warwick is known as the Southern Downs.

Kaili Resources' 100% subsidiary company APEC Coal Pty Ltd completed drilling at the Maryvale Coal Project in the June Quarter located south west of Brisbane in South East Queensland within EPC 1539 and EPC 1506. 5 chip holes and 1 partially cored were completed for a total advance of 1228m including 7.87m of Core. One hole (WK15) was drilled in EPC 1539 and the remainder (WK16 to WK19) were drilled in the south west of EPC 1506 (**Figure 14**). The partially cored hole (WK16C) was a twin hole or the chip hole WK16 at the same site.

**Table 3** shows a summary of the drilling within EPC 1539 and EPC 1506 with all but 1 drill hole intersecting the targeted Bulwer Seam. In addition, WK 17 intersected a portion of the underlying Condamine Seam. The results are preliminary only as a full stratigraphic correlation between the drilling in this program and historical drilling has not been completed.

		GPS Pickup						Bulwer Seam Package			Condamine Seam Package		
EPC	Hole ID	Easting (MGA 94)	Northing (MGA 94)	AHD	TD	Dip	Basalt Depth (m)	Roof	Floor	Interval	Roof	Floor	Interval
EPC 1539	WK15	418372	6905852	648	200	-90°	>200	NA	NA	NA	NA	NA	NA
EPC 1506	WK16	407593	6895752	602	255	-90°	117	160	181	21	NA	NA	NA
EPC 1506	WK16C	407595	6895748	602	176	-90°	120	163			NA	NA	NA
EPC 1506	WK17	408173	6892717	505	189	-90°	35	121	130	9	174	179.5	5.5
EPC 1506	WK18	406077	6896902	508	207	-90°	29	181.5	194	12.5	NA	NA	NA
EPC 1506	WK19	406878	6897302	516	201	-90°	46	182	192	10	NA	NA	NA
					1228								

**Table 3** Drill hole summary details

	Tenement	Name	Commodity	Region	Registered Holder	Beneficial Interest	Area km2	Expiry
<b>Granted</b>								
28/7/2016	E45/4619-I	Bea Bea Creek	Iron	WA - Pilbara	Kaili Iron Pty Ltd	100%	105.6	27/7/2021
8/7/2016	E40/354	8 Mile Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	70.4	7/7/2021
30/5/2016	E31/1114	Jungle Hill	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	150.4	29/5/2021
30/5/2016	E31/1113	Canegrass	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	108.8	29/5/2021
1/7/2016	E27/550	Holey Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	67.2	31/06/2021
1/7/2016	E27/549	Gindalbie Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	25.6	31/06/2021
13/5/2009	EPC 1506	Maryvale 1	Coal	QLD - Surat Basin	APEC Coal Pty Ltd	100%	169.6	13/5/2017
21/11/2016	E46/1084-I	Bustler's Bore	Iron	WA - Pilbara	Kaili Iron Pty Ltd	100%	64.0	20/11/21
<b>Application</b>								
	E08/2770-I	Darnell Hill	Iron	WA - Pilbara	Kaili Iron Pty Ltd	100%	67.2	

**Table 4** Tenement summary

## 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 December 2016 quarter and acquired or disposed of during that quarter and their locations. During the quarter EPC/1084-I was granted- in WA was for a period of 5 years. There was no change in beneficial interests under farm-in or farm-out agreements.

*(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

**31st January 2017**



# JORC Code, 2012 Edition – Table 1 December Quarter 2016

## Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <li>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report.</li> <li>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>The soil samples were collected at depth of 10-15cm using a steel trowel</li> <li>The soils were placed in zip lock plastic bags</li> <li>0.5 to 1kg of soil was collected at each sampling site</li> <li>Samples were collected every 100m along soil lines spaced at 250 to 500m.</li> <li>Random rock samples were collected and placed in calico bags for transport</li> <li>A hand-held Garmin GPS unit was used to record sample locations</li> </ul>
Drilling techniques	<ul style="list-style-type: none"> <li>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable as only surficial soil sampling was carried out</li> </ul>
Drill sample recovery	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable as only surficial soil sampling was carried out</li> </ul>
Logging	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable as only surficial soil sampling was carried out</li> </ul>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> <li>The total length and percentage of the relevant intersections logged.</li> </ul>	
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> <li>If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> <li>Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.</li> <li>Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<ul style="list-style-type: none"> <li>There was no sub sampling carried out as the full soil sample was submitted to the ALS laboratory in Perth.</li> </ul>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> <li>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</li> </ul>	<ul style="list-style-type: none"> <li>All samples were placed into polywoven bags and transported to Kalgoorlie</li> <li></li> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used were a total digest and suitable for low level gold detection in soils.</li> <li>Rock – Au-AA24 (AAS) for Gold and ME-MS42 (ICPMS) for a multi element suits (A table is included in the announcement showing all geochemical results)</li> <li>Soil – AR-TL43 (ICP-MS) for loo level gold detection and ME-MS43 (ICP-MS) for a multi element suite</li> </ul>
Verification of sampling and assaying	<ul style="list-style-type: none"> <li>The verification of significant intersections by either independent or alternative company personnel.</li> <li>The use of twinned holes.</li> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>Sample sites were chosen by geological consultancy Rock Tiger</li> <li>All primary data, data entry procedures, data verification and electronic data storage is per Rock Tiger procedures.</li> <li>All sampling was based on GPS sample locations.</li> <li>Appropriate sampling techniques were used based on discussions with ALS laboratories</li> <li></li> </ul>
Location of data points	<ul style="list-style-type: none"> <li>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> </ul>	<ul style="list-style-type: none"> <li>All drill holes have been initially surveyed using a hand-held GPS accurate to 3 meters.</li> <li>The grid system used in MGA 94, Zone 51.</li> </ul>



Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>• Specification of the grid system used.</li> <li>• Quality and adequacy of topographic control.</li> </ul>	
Data spacing and distribution	<ul style="list-style-type: none"> <li>• Data spacing for reporting of Exploration Results.</li> <li>• Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> <li>• Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>• Data spacing is appropriate for this stage of Exploration.</li> <li>• Sample spacing was designed to allow appropriate anomaly definition for this early stage of exploration.</li> </ul>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <li>• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>• If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	<ul style="list-style-type: none"> <li>• Sample traverses were designed on an E-W orientation at near right angles to the geological structure with the potential to host gold mineralisation</li> </ul>
Sample security	<ul style="list-style-type: none"> <li>• The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>• All samples were secured by field geologist and delivered to the laboratory after the sampling program was completed by the Rock Tiger Principal Geologist.</li> </ul>
Audits or reviews	<ul style="list-style-type: none"> <li>• The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>• The sampling technique was reviewed onsite by the Rocktiger Principal Geologist</li> </ul>

## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> <li>• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>• The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>• Surficial sampling was completed in E31/1113(Canegrass), E27/550(Holey Dam) and E27/549 (Gindalbie Dam) in Western Australia</li> <li>• The tenements are owned by Kaili Gold Pty Ltd, a subsidiary of Kaili Resources Ltd.</li> <li>• The tenements are located in Western Australia approximately 100 km north of Kalgoorlie.</li> <li>• The town of Kalgoorlie within the City of Kalgoorlie-Boulder is the nearest major town</li> <li>• There no JVs and Royalties</li> <li>• There are no Native Title claimants</li> <li>• The tenements are located in the Goldfields Esperance Development</li> </ul>

Criteria	JORC Code explanation	Commentary
		Region
Exploration done by other parties	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>Rubicon drilled 1 line of (Rotary Air Blast Method) line in the north. The depth of drilling was between 15 and 70m as vertical holes. All holes were drilled in E27/550</li> <li>Mt Kersey Mining drilled 1 line of RAB in the north of E27/549</li> <li>Carrick Gold completed a small grid of auger drilling to 5m depth for Au and North Ltd completed a small amount of surface sampling, both within E 27/550</li> <li>Magnetic Minerals, Jubilee Mines, Gutnick Resources, Condor Nickel and Sir Samuel Minerals carried out grid based soil sampling for gold and some multi elements.</li> </ul>
Geology	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>The exploration target is the epigenetic gold mineralisation hosted by mafic and felsic intrusive/extrusive rocks within the Archaean Yilgarn Craton.</li> </ul>
Drill hole Information	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable as only surficial soil sampling was carried out</li> </ul>
Data aggregation methods	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</li> <li>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>The full soil sample collected at each site was submitted to the geochemical laboratory.</li> <li>There was no onsite sieving of the sample</li> </ul>



Criteria	JORC Code explanation	Commentary
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <li>• <i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li>• <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li>• <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i></li> </ul>	<ul style="list-style-type: none"> <li>• The only known geometry is regional structures and the sampling is appropriate for this level of exploration</li> </ul>
<i>Diagrams</i>	<ul style="list-style-type: none"> <li>• <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>	<ul style="list-style-type: none"> <li>• A map showing the all sample locations in relation to E31/1113, E27/550 and E27/549 is included in the announcement.</li> </ul>
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>• <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></li> </ul>	<ul style="list-style-type: none"> <li>• All exploration results for gold and multi elements are included a tables in the announcement</li> </ul>
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li>• <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Geological and regolith observations were made at each sample site.</li> <li>• Photographs were taken of all rock samples submitted for geochemical analyses.</li> </ul>
<i>Further work</i>	<ul style="list-style-type: none"> <li>• <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li>• <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Follow up soil and rock sampling is planned for Q2 in 2017 with drill testing of geochemical anomalies also planned for later in 2017</li> <li>• Drill testing will be via shallow vertical RAB method to initially collect a sample beneath the transported overburden.</li> <li>• Maps showing interpreted geology and structure are included in the announcement</li> </ul>

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

KAILI RESOURCES LIMITED

### ABN

39 077 559 525

### Quarter ended ("current quarter")

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		58
1.2 Payments for		
(a) exploration & evaluation	(101)	(382)
(b) development		
(c) production		
(d) staff costs	(87)	(334)
(e) administration and corporate costs	(68)	(243)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	26
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (GST)	10	9
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(243)</b>	<b>(866)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(9)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (bond deposit paid)	(14)	(14)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(14)</b>	<b>(23)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,276	2,908
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(243)	(866)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(23)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,019</b>	<b>2,019</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	423	583
5.2 Call deposits	1,596	1,693
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,019</b>	<b>2,276</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

29

- Office rent contribution to a related entity of Director Jianzhong Yang.
- Director Salary and Super

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**



## Mining exploration entity and oil and gas exploration entity quarterly report

**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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**9. Estimated cash outflows for next quarter****\$A'000**

9.1 Exploration and evaluation

35

9.2 Development

9.3 Production

9.4 Staff costs

85

9.5 Administration and corporate costs

90

9.6 Other (provide details if material)

**9.7 Total estimated cash outflows****210**

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	E46/1084-I (Bustler's Bore)	Wholly Owned	-	100%

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 January 2017  
(Director/Company secretary)

Print name: .....LONG ZHAO.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.