



Kaili Resources Limited
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QUARTERLY ACTIVITIES REPORT – 30th June 2017

EXPLORATION HIGHLIGHTS

- All granted tenements are up to date regarding statutory requirements.

Maryvale Coal Project in Queensland

- Review of next exploration phase ongoing

Gindalbie Gold Project in Western Australia

- Phase 2 soil sampling completed

Kookynie Gold Project in Western Australia

- Phase 2 soil sampling completed
- Orientation surface iron sampling completed

Pilbara Iron Project in Western Australia

- Phase 1 rock sampling/mapping of E45/4619-I (Bustler Bore) completed

Halls Creek Cobalt/Gold Project in Western Australia

- Four tenement applications lodged



Figure 1: Kaili Resources project locations

PROJECT LOCATION	TENEMENT AREA IN SUB BLOCKS	TENEMENT AREA IN KM ²
Queensland	53	169.6
Western Australia	206	659.0
Total Area	259	751.6

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

E08/2770-I (Darnell Hill), E46/1084-I (Bustler Bore) and E45/4619-I (Bea Bea Creek) are held 100% by wholly owned subsidiary Kaili Iron Pty Ltd. All tenements are granted

Phase 1 geochemical sampling and geological mapping within the Bustler Bore project was completed with sample results awaited. The areas sampled/mapped are shown in **Figure 2**.

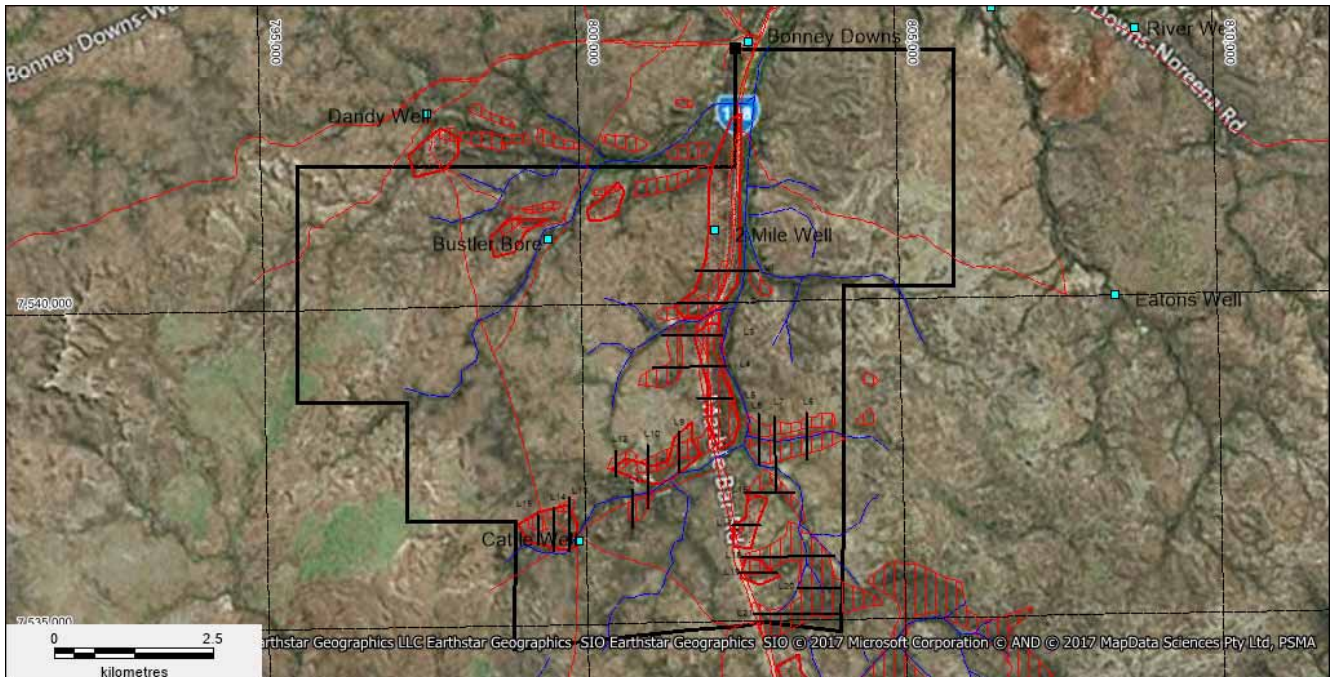


Figure 2: Bustler Bore Project showing interpreted CID areas in red and sampling/mapping traverses in black



Figure 3: Channel Iron Deposit (CID) outcrop at left showing a close up of the pisolitic iron mineralisation at right with arrows showing wood fragments (brown) typical of CID iron mineralisation.

Geological mapping of the interpreted CID areas involved sampling traverses perpendicular as shown in

Figure 2 and along the long axis of the CID areas. An Olympus portable XRF mineral analyser was used to collect 240 individual readings for the areas sampled in addition to 20 samples collected and sent to ALS Global in Perth for confirmatory analyses of the portable XRF readings. The samples sent to Perth will be analysed for Fe, Al and Si included in a 24 multi element suit using method ME-XRF21n. In addition, Loss on Ignition (LOI) will be measured using method OA-GRA05x. LOI is a critical component of iron ore analysis as its determination allows a better understanding of mineral composition of the samples and how it will behave during processing. All results will be released by an ASX announcement when finalised.

Yilgarn Craton (Gindalbie and Kookynie) Gold Projects

E40/354(8 Mile Dam), E31/1114(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

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 4**) area, south east of Leonora were chosen and include the 5 granted tenements:

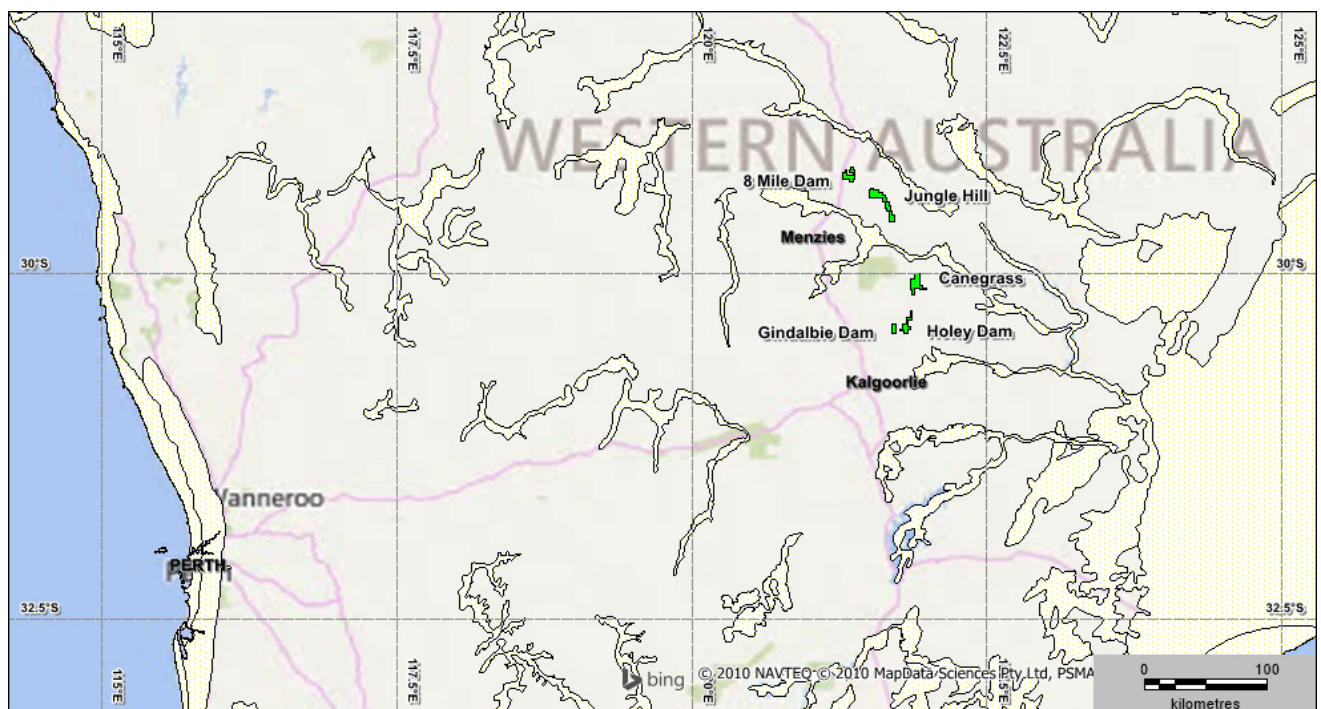


Figure 4: Kaili Resources Western Australian Gold Projects

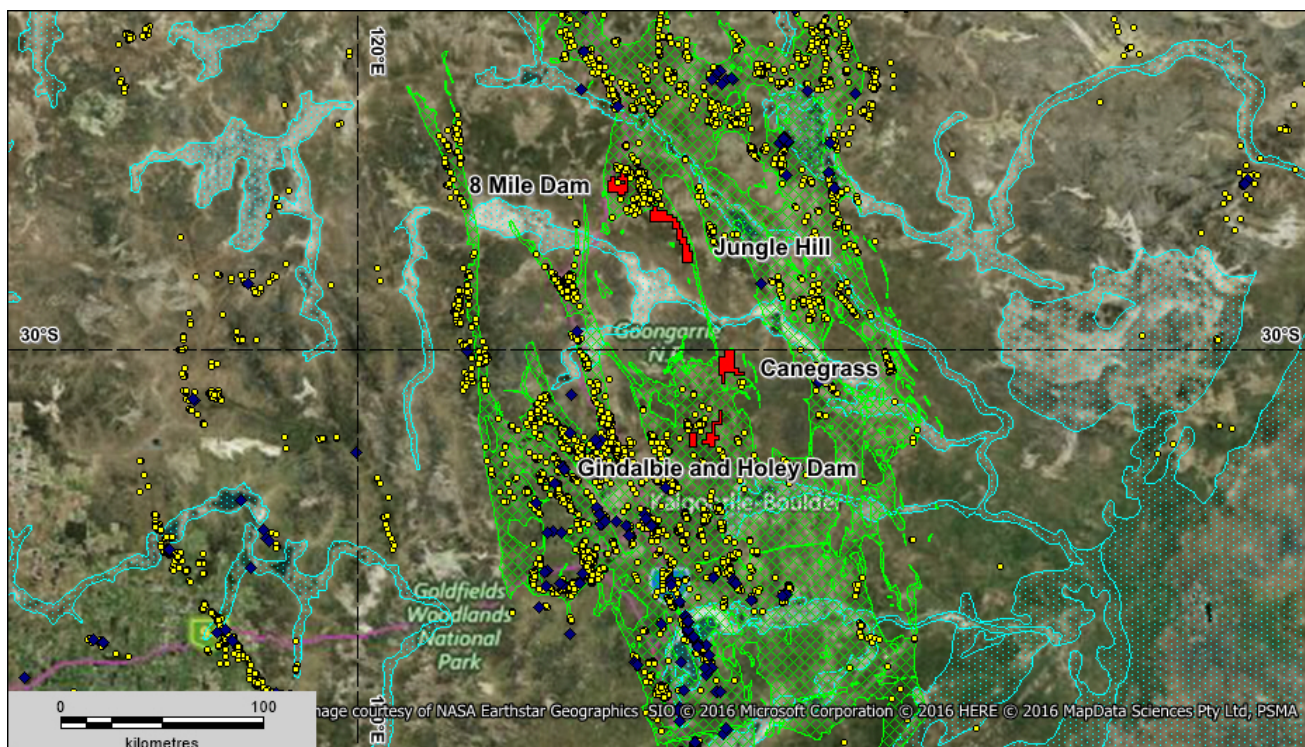


Figure 5 Satellite Image with Eastern Goldfields Superterrane (green hatching) and Kaili Gold tenements in red. Blue diamonds are operating mines and yellow dots are gold occurrences

Kaili's 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 5**). The EGS comprises felsic to ultramafic intrusives, volcanics and volcanoclastics with associated sediments with the mafic variants being the primary host to gold mineralisation.

During the June Quarter Phase 2 soil/rock sampling was completed within the Holey Dam and Canegrass tenements (**Figures 6 and 7**) and Phase 1 soil/rock sampling was completed within the Jungle Hill tenements (**Figure 8**). Grid based soil sampling was carried out over the high priority geophysical (lithostructural) targets delineated by Southern Geoscience Consultants. The samples were collected at 100m intervals along E-W oriented lines with a spacing of 250m across the target area. All samples were freighted to the ALS Global geochemical laboratory in Kalgoorlie for gold and multi element analyses. In addition, the Olympus portable XRF mineral analyser was used to collect multi element readings from all sample sites. In addition, 5 rock samples from the Jungle Hill project (JHPE001 to 005) were submitted for petrographic analysis to Pathfinder Exploration based in Perth. The soils samples submitted to ALS are:

Holey Dam – HDSS218-417 (199 soil samples) and HDRC017-026 (10 rock samples)
 Canegrass – CGSS312- 493 (181 soil samples) and CGRC021-033 (13 rock samples)
 Jungle Hill - JHSS001 – 277 (277 soil samples) and JHRC001 – 019 (19 rock samples)
 Jungle Hill – JHPE001 – 005 (5 petrographic samples collected in area JH2 – Figure 9)

All results will be released by an ASX announcement when finalised.

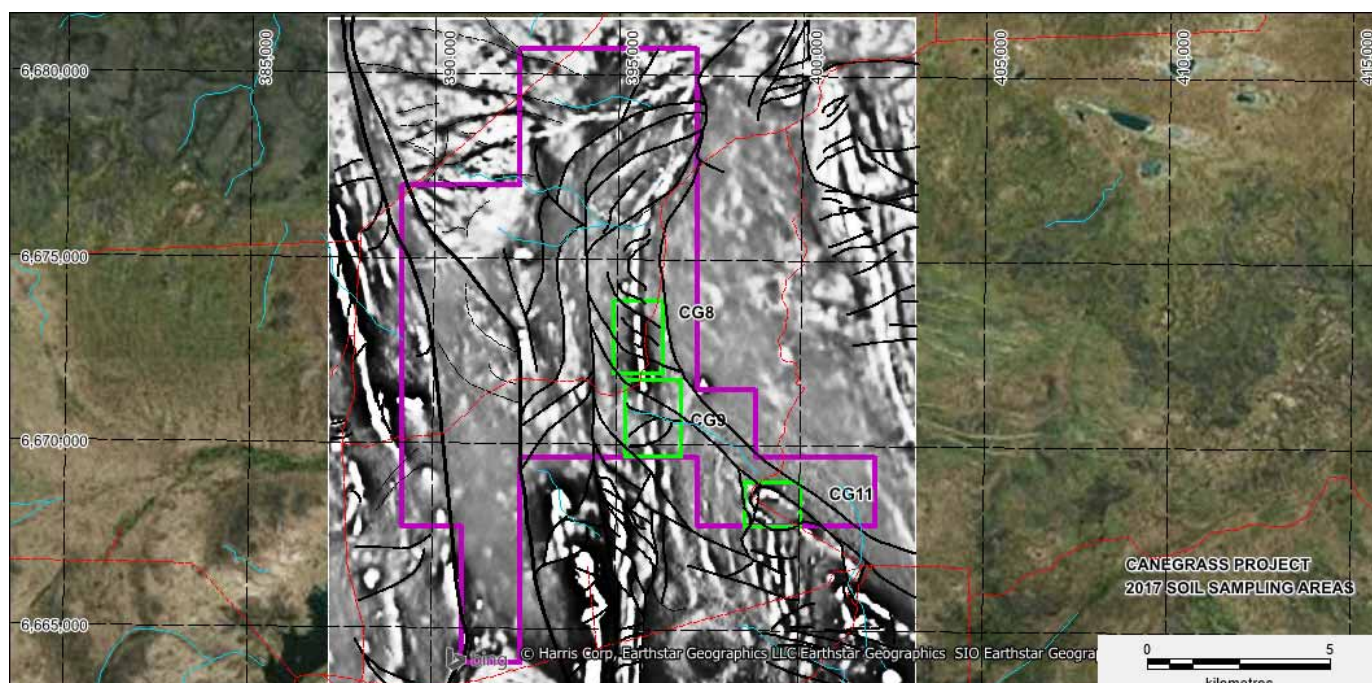


Figure 6 Canegrass Project (purple outline) project showing a greyscale RTP1VD geophysical image overlaid on a satellite image. Major interpreted structures are shown in black and soil sampling areas are outline in green.

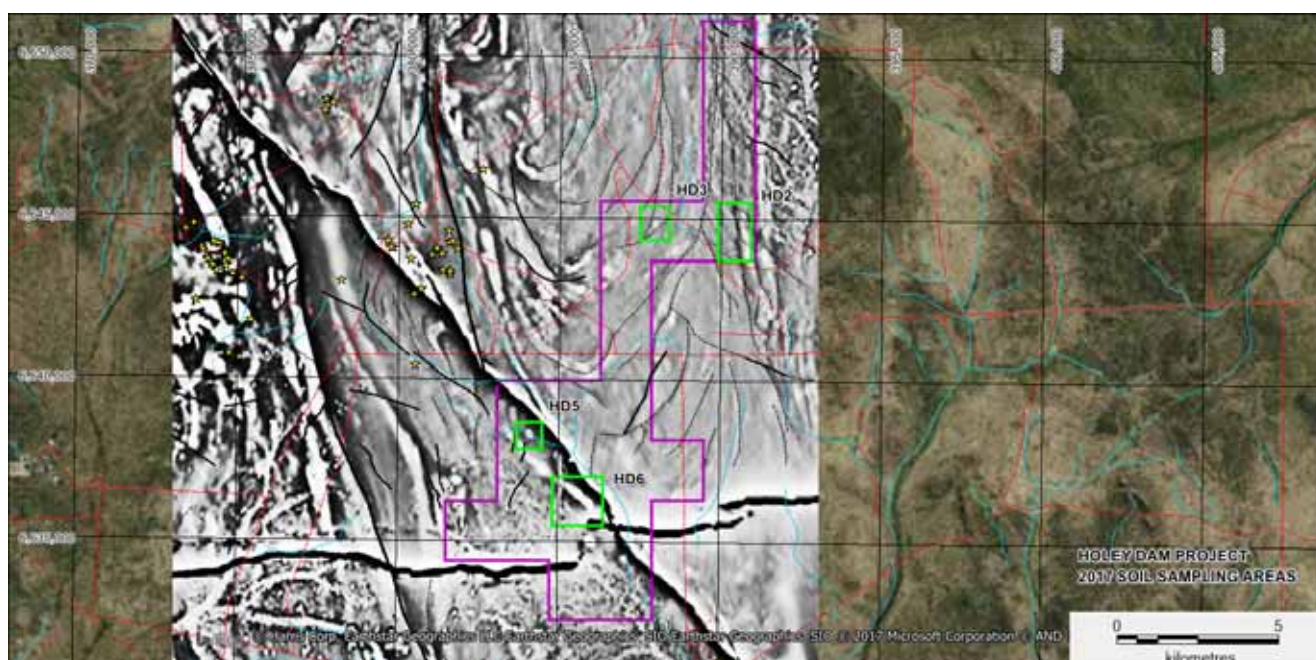


Figure 7 Holey Dam Project (purple outline) project showing a greyscale RTP1VD geophysical image overlaid on a satellite image. Major interpreted structures are shown in black and soil sampling areas are outline in green

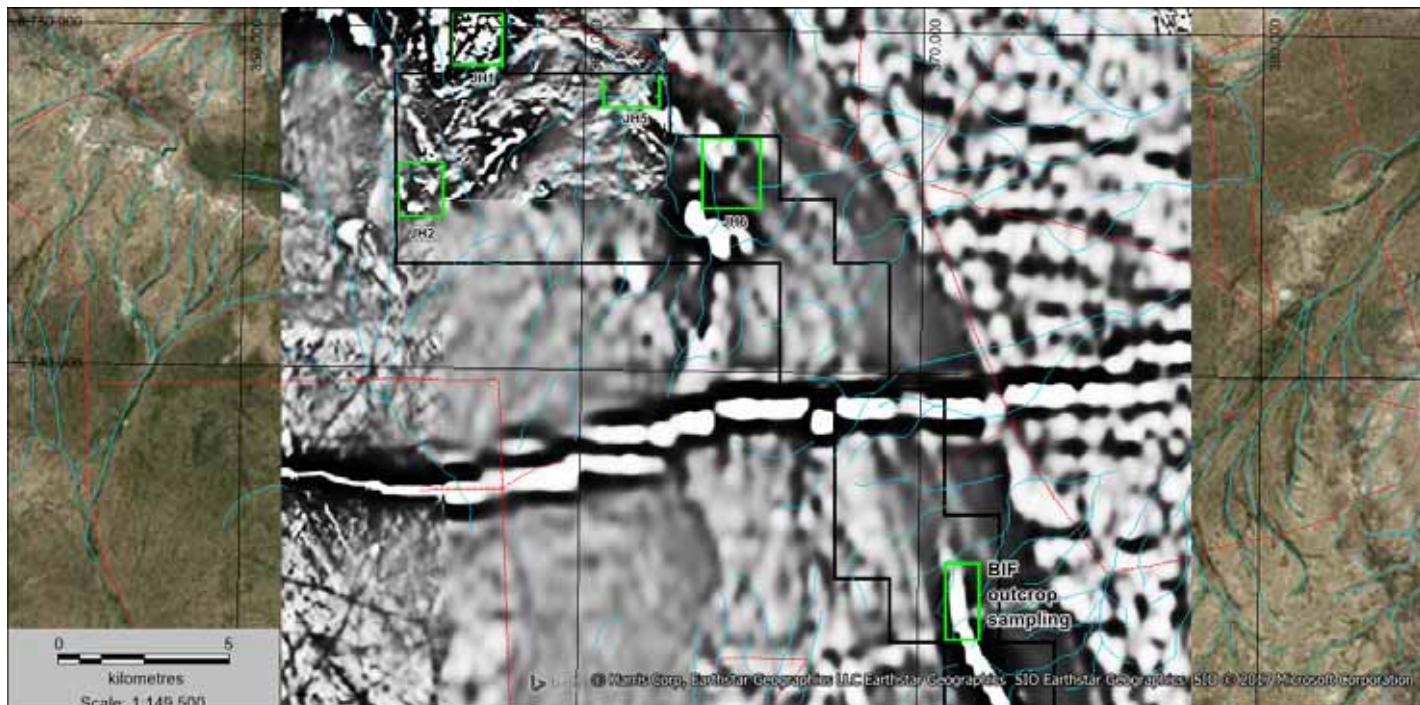


Figure 8 Holey Dam Project (purple outline) project showing a greyscale RTP1VD geophysical image overlaid on a satellite image. Major interpreted structures are shown in black and soil sampling areas are outline in green.

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

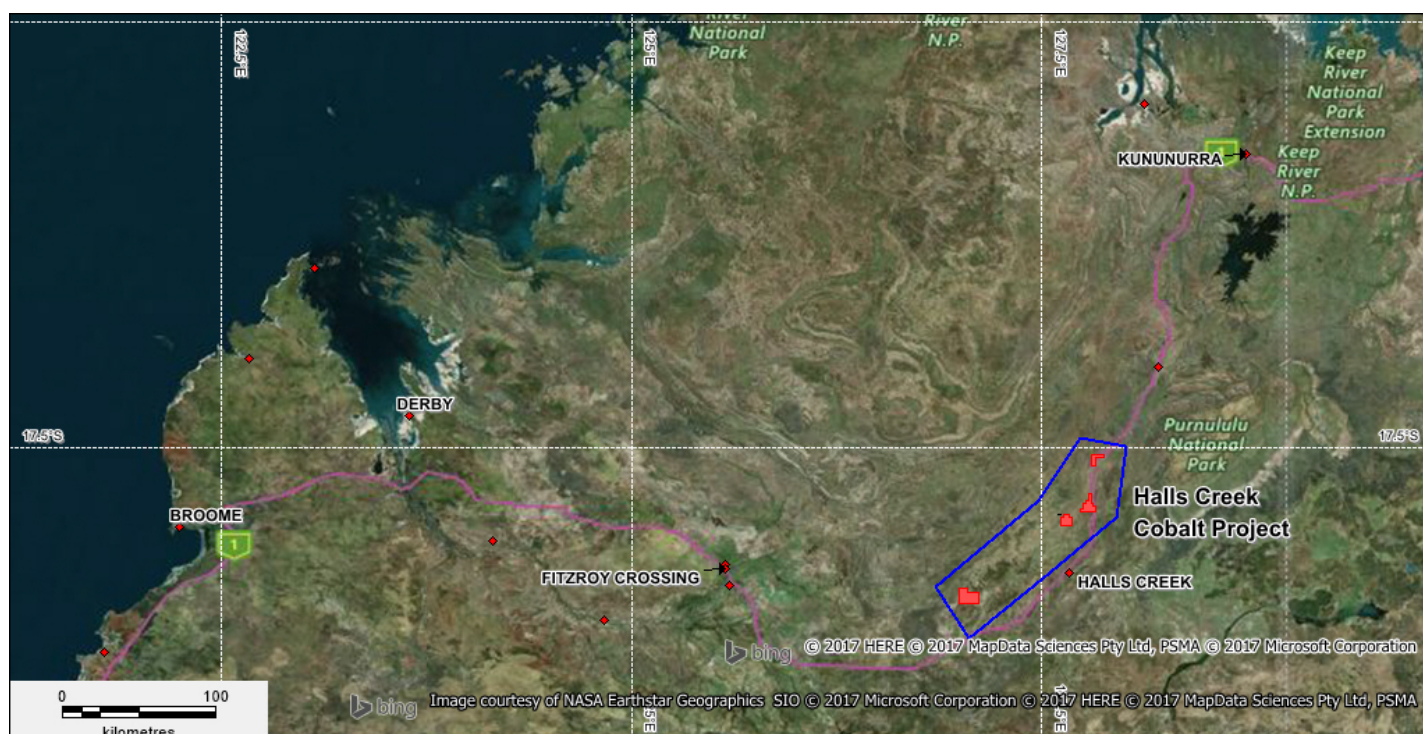
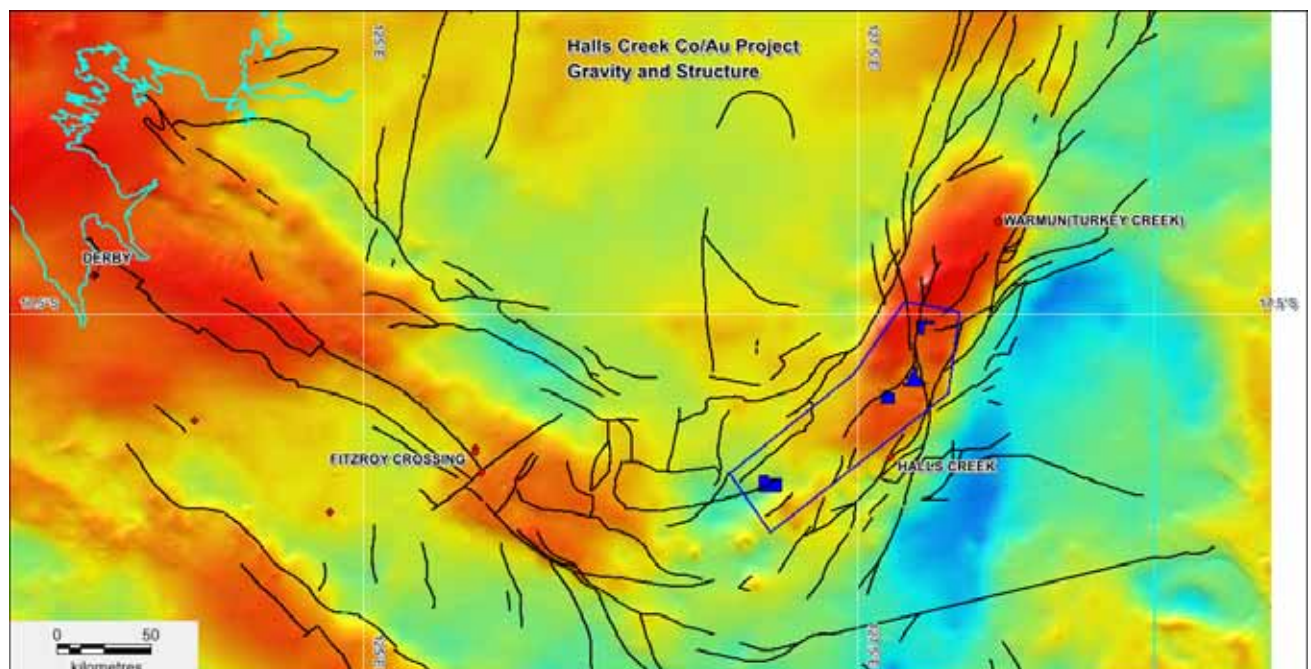


Figure 9 Halls Creek Orogen project showing the 4 tenement applications located adjacent to the town of Halls Creek

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 sulfide deposit lies at the base of a small layered intrusion enclosed within granulite facies garnet-cordierite paramigmatites and mafic granulates norite which host most of the mineralization are interpreted as a chilled border



zone to the intrusion, into which settled an early separated sulfide liquid. The Hall Creek Project is situated primarily within gabbro to norite rocks of the McIntosh Suite.

Figure 10 Halls Creek Project showing the 4 tenement applications in blue over a gravity image with superimposed major structures in black

The NE trending Lamboo Province is highlighted in **Figure 10** as a distinct gravity high extending from Turkey Creek in the north to south of the most southern tenement application. The Sally Downs Supersuite (**Figure 11**) hosts a wide range of mineral occurrences with known cobalt mineralisation within the Carrington application and adjacent to the north of the Sandy Creek application. There is known gold mineralisation associated with the ENE trending Black and Glidden fault with the Black and Glidden application.

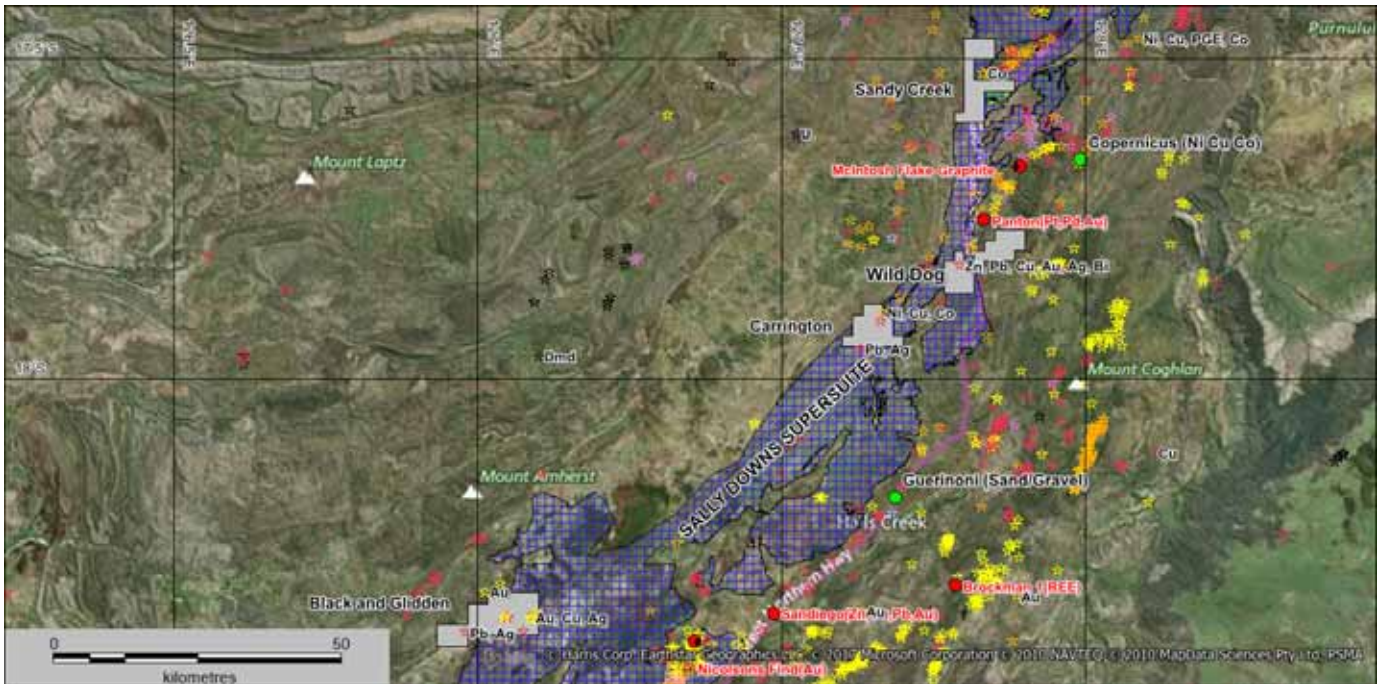


Figure 11 The above map shows the Sally Downs Supersuite in blue hatching with the 4 tenement applications. In addition, the known mineral occurrences, major resource projects (red circle) and operating mines (green circle) are also shown.

QUEENSLAND

Clarence Moreton Basin (Maryvale) Coal Project

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

During the quarter the Company reviewed the next stage of exploration required to extend the current In Situ Gasification (ISG) Resource and Exploration Targets.

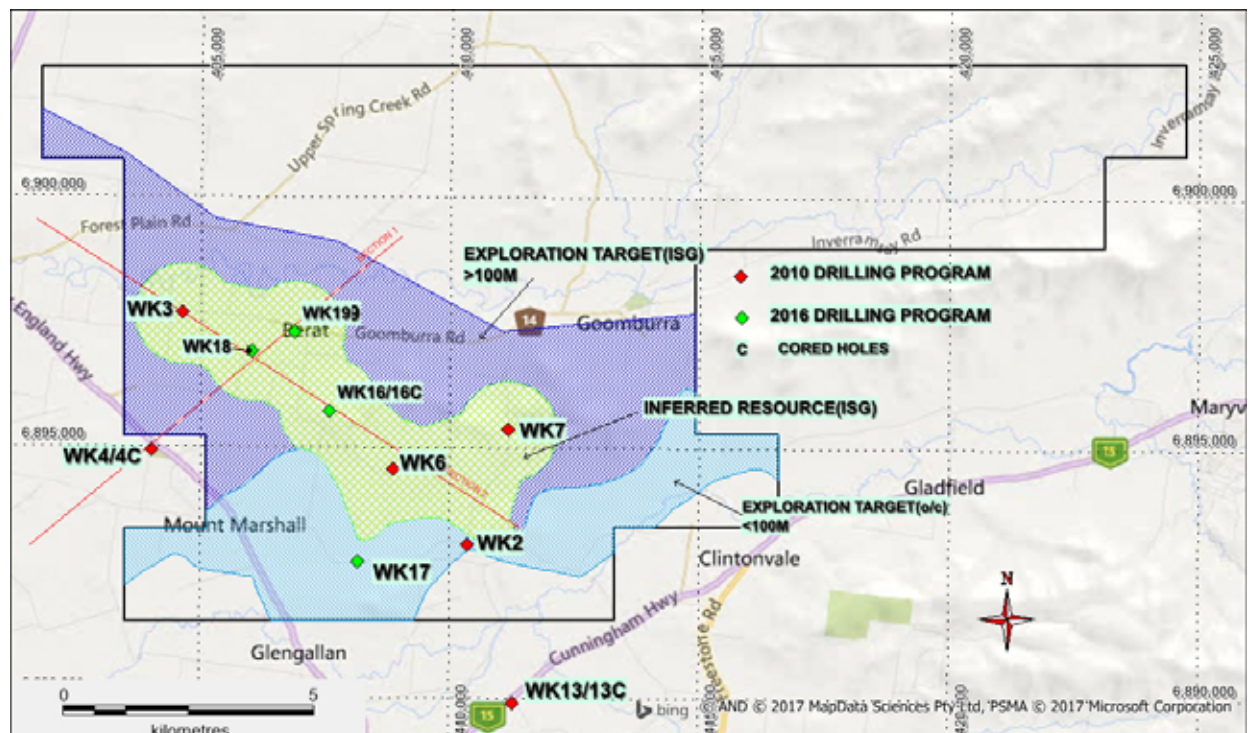


Figure 12 EPC 1506 JORC 2012 Resource and Exploration Target areas

The Maryvale Project comprises EPC 1506 which is located in 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.

The maiden In Situ Gasification (ISG) JORC 2012 Resource within EPC 1506 of 97 million tonnes in addition to an Open Cut Exploration Target of 80-105Mt and an ISG Exploration Target of 90-125Mt are shown in **Tables 2 and 3**.

The maiden JORC 2012 compliant resource is managed by APEC Coal Pty Ltd, a 100% subsidiary of Kaili. The JORC Resource work was managed by Brisbane consultancy Geoconsult Pty Ltd, primarily incorporating data acquired primarily from the 2010 and 2016 drilling programs.

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 2: *Inferred (ISG) Resource Estimate*

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 3: *Exploration Target Open-Cut and ISG Estimates*

LICENCES STATUS

Pursuant to ASX Listing Rule 5.4.3 the Company reports as follows in relation to minerals tenements (**Table 3**) held at the end of the June 2017 quarter and acquired or disposed of during that quarter and their locations. During the quarter the Company applied for four tenements located in the Halls Creek region of Western Australia (E80/5112 Black and Glidden, E80/5113 Carrington, E80/5114 Sandy Creek and E80/5114 Wild Dog. 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-I	Darnell Hill	Iron	WA - Pilbara Craton	Kaili Iron Pty Ltd	100%	67.2	8/03/2017
28/07/2016	E45/4619-I	Bea Bea Creek	Iron	WA - Pilbara Craton	Kaili Iron Pty Ltd	100%	105.6	27/07/2021
21/11/2016	E46/1084-I	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%	169.6	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
							1116.8	

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

27th July 2017