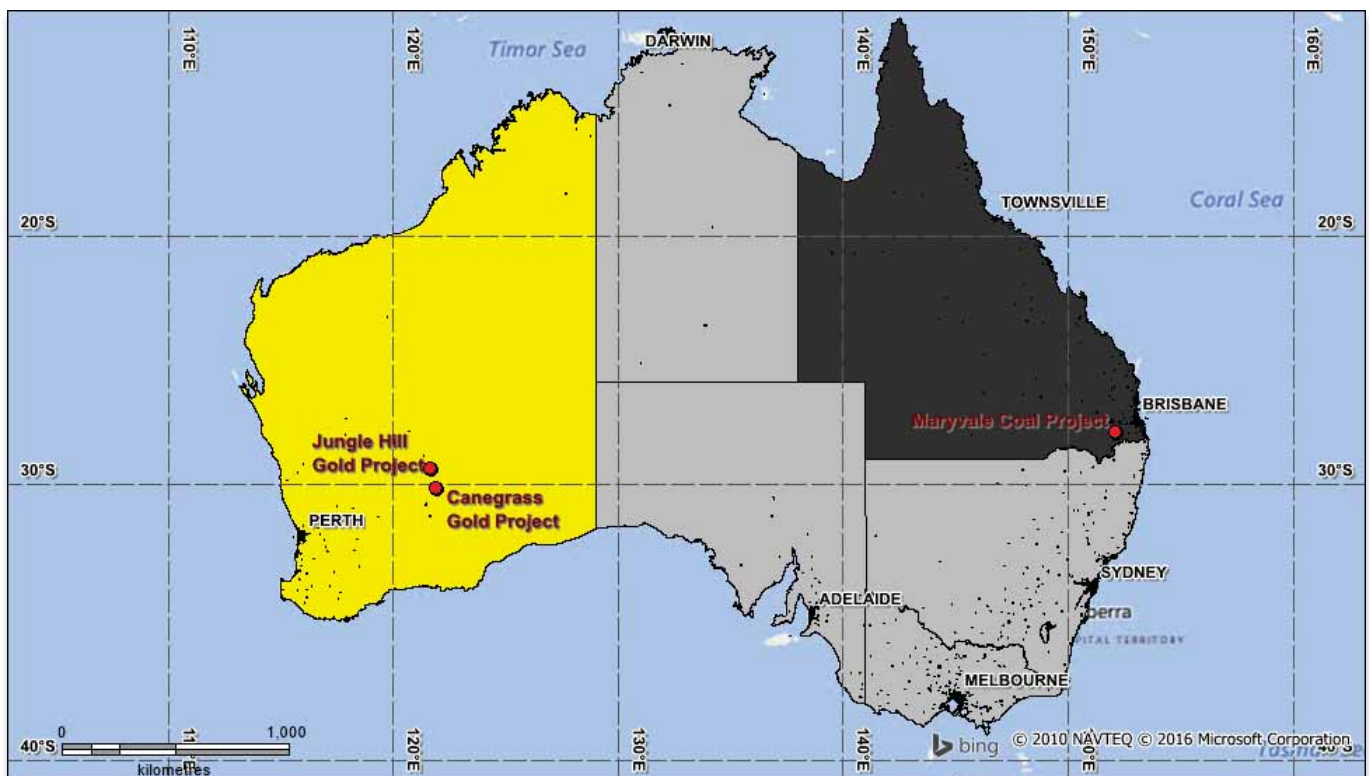


## QUARTERLY ACTIVITIES REPORT – 30th June 2016

### EXPLORATION HIGHLIGHTS

- All granted tenements are up to date regarding statutory requirements.
- Drilling in EPC 1506 and 1539 in QLD was completed in June 2016.
- EPC 31/1113(Canegrass) and EPC 31/1114(Jungle Hill) in WA were granted on 30<sup>th</sup> May 2016.
- Kaili Resources relocated the Corporate Office



*Figure 1: Kaili Resources projects locations – granted*

PROJECT LOCATION	TENEMENT AREA IN SUB BLOCKS	TENEMENT AREA IN KM <sup>2</sup>
Queensland	62	198.4
Western Australia	81	259.2
<b>Total Area</b>	<b>143</b>	<b>457.6</b>

*Table 1: Kaili Resources granted tenement areas, all held 100%. Km2 has been calculated at approximately 3.2km2 per block*

## WESTERN AUSTRALIA

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

*E31/1114 and E31/1113 held 100% by wholly owned subsidiary Kaili Gold Pty Ltd were granted on 30<sup>th</sup> May 2016 for periods of 5 years. E40/354, E27/550 and E27/549 are still in the application phase.*

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

*Applications E08/2770-I, E46/1084-I and E45/4619-I for 100% interest by Kaili Iron Pty Ltd (100% subsidiary of Kaili Resources Limited)*

Negotiations with the Native Title Parties are currently underway to finalise access agreements so as to move the tenement applications towards granting.

The Native Title Parties are:

E08/2770-I (Darnell Hill)	Kuruma Marthundunera(Combined)	WC 1999/012
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

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 5 tenement applications were made:

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

Kookynie – 8 Mile Dam and Jungle Hill for 69 km<sup>2</sup>.



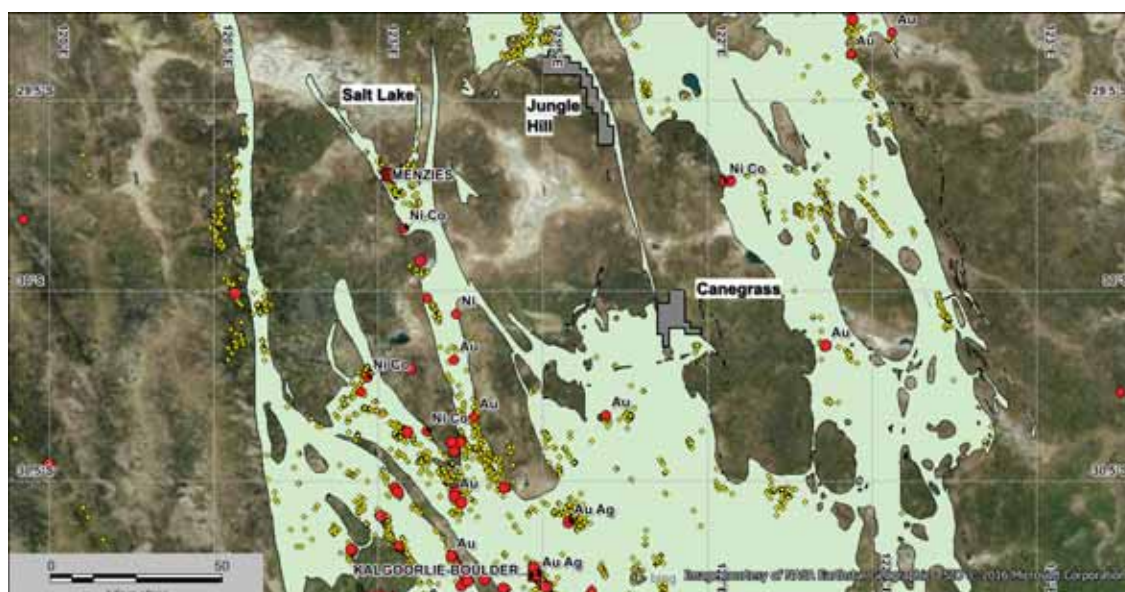
**Figure 2: Kaili Resources Western Australian gold project locations (red) and gold mining operations(yellow).**

During the Quarter the Canegrass and Jungle Hill tenements were granted (**Figure 3**) and are located 650km north-east of Perth.



*Figure 3: Recently granted Jungle Hill and Canegrass gold tenements*

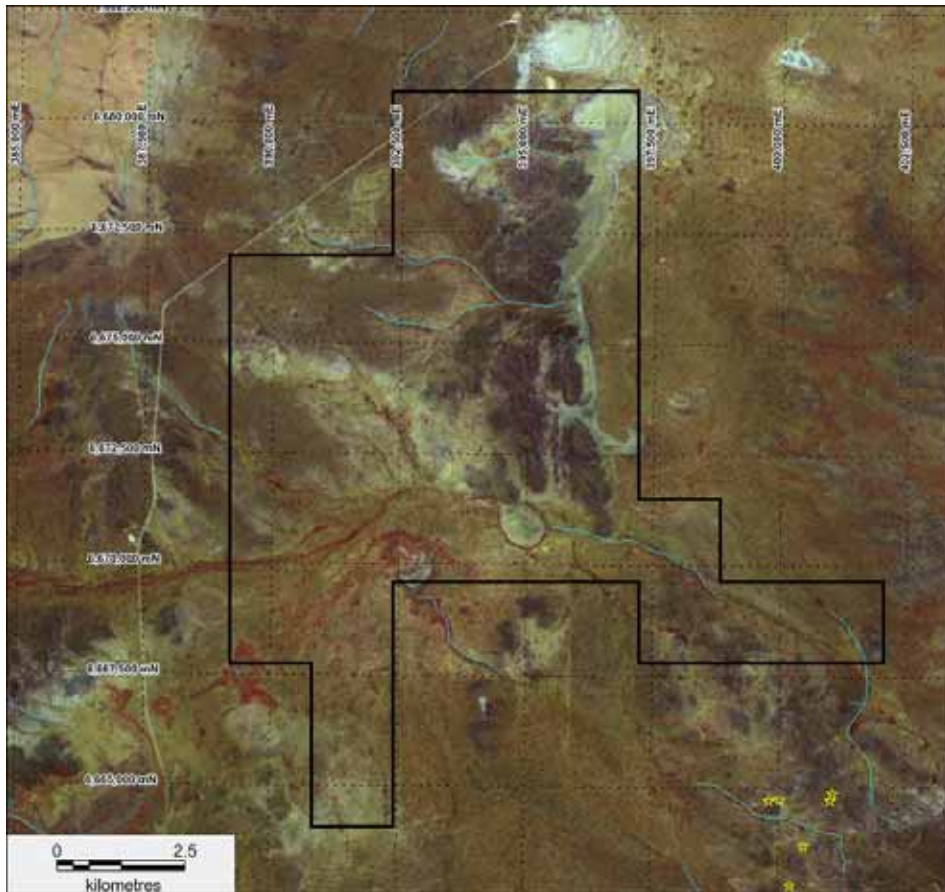
The Canegrass and Jungle Hill tenements are located within the Western Australian Archaean Yilgarn Craton, one of the most highly endowed gold regions in the world. Within the Yilgarn Craton the Eastern Goldfield Superterrane hosts the bulk of the known gold deposits and operating mines. **Figure 4** shows a satellite image with the Eastern Goldfields Superterrane(EGS) overlain. The EGS comprises felsic to ultramafic intrusives, volcanics and volcanoclastics with associated sediments with the mafic variants being the primary host to gold mineralisation.



**Figure 4** Satellite Image with Eastern Goldfields Superterrane(green) and recently granted tenements Canegrass and Jungle Hill(grey). Operating mines(red) and gold occurrences are shown



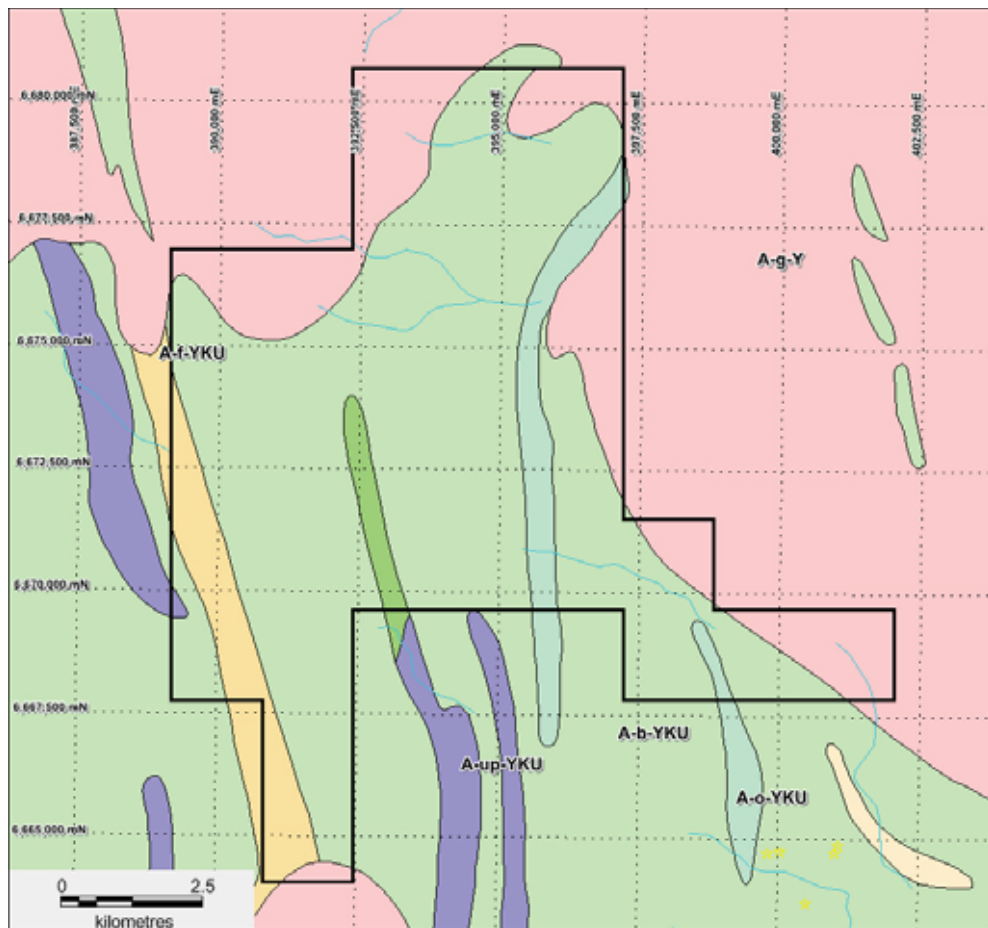
The Canegrass tenement is located in the Gindalbie Region 80km north east of Kalgoorlie as shown in **Figure 4**. The satellite image of the Canegrass tenement (**Figure 5**) shows areas of north south trending outcropping rocks in the east of the tenement and transported cover sediments in the western half. Note the occurrence of known gold mineralisation to the south east of the tenement.



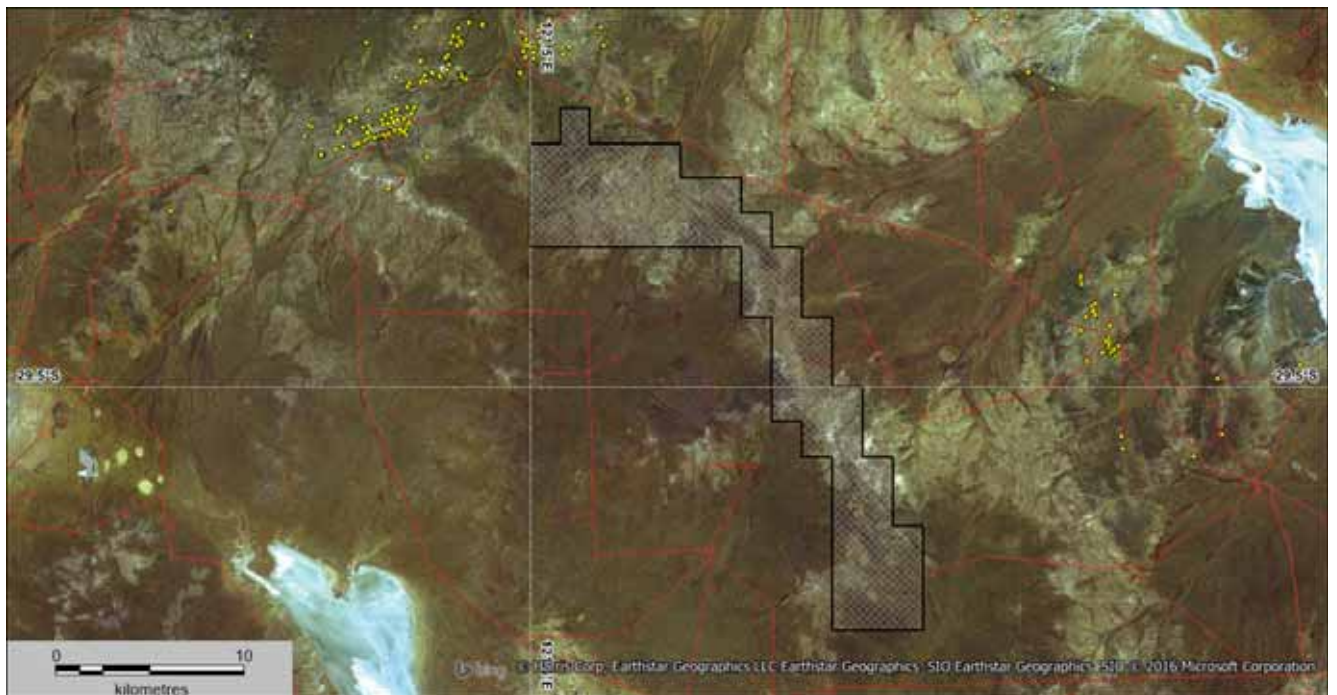
**Figure 5** Satellite Image of the Canegrass tenement (E31/1113) and showing gold occurrences in the lower right of the image

The interpreted geological map (**Figure 5**) of the tenements shown that mafic volcanics A-b-YKU (green) are dominant and will be the focus of the initial explorations efforts. During the first year all available historical data will be compiled into a project specific database and manipulated within the Mapinfo GIS operating system. Southern Geoscience Consultants(SGC) based in Perth have provided a suite of aeromagnetic and radiometric images of the tenements on the back of a 100m line spaced aeromagnetic/radiometric survey. In addition, SGC will be interpreting the imagery to provide a more detailed lithostructural map of the tenements which will greatly assist in gold targeting.

The Jungle Hill tenement is located in the Kookynie Region 60km north east of Menzies as shown in **Figure 4**. The area is a narrow NW-SE trending region comprising mafic (green) and felsic volcanics (light brown) flanked by granite (pink) (**Figures 7 and 8**). During the first year the exploration approach will be the same as described for the Canegrass project above, in addition several field traverses will be carried out so as to produce a regolith map of both tenements and refine the existing geological understanding.

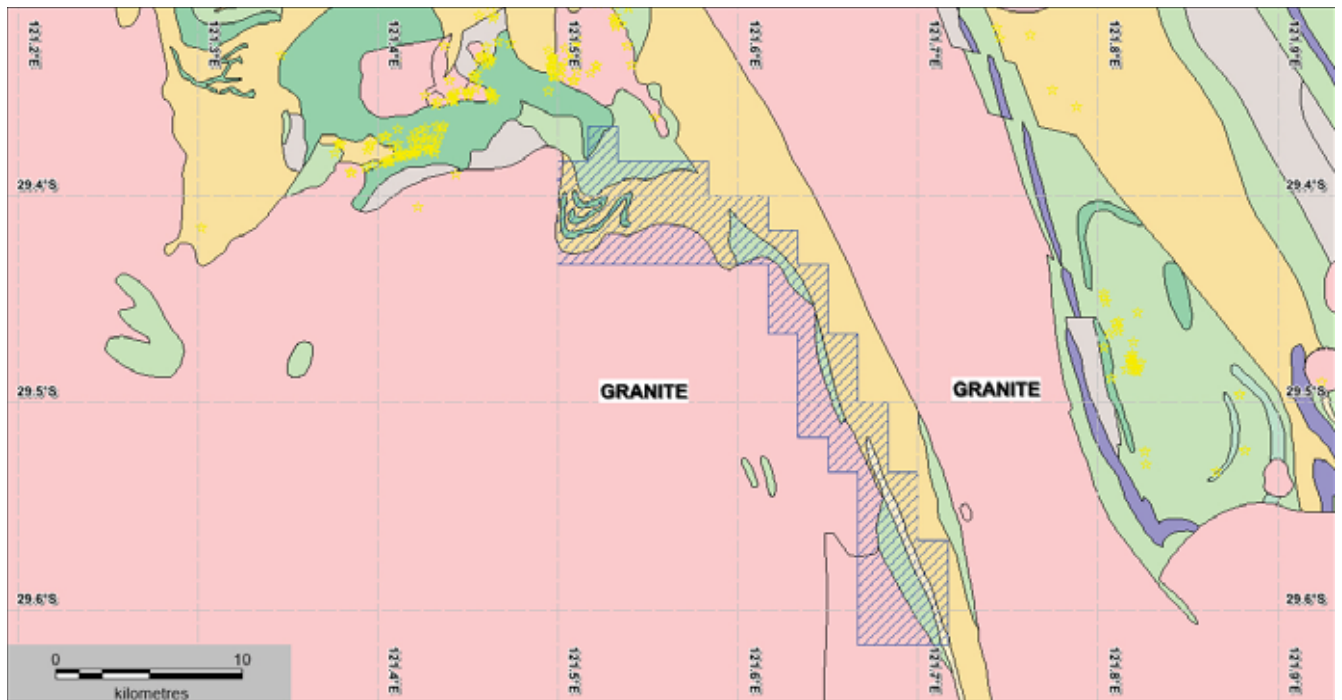


**Figure 6** Solid geological interpretation of the Canegrass project comprising predominantly Mafic lithologies (A-b-YKU)



**Figure 7** Satellite image showing the Jungle Hill tenement and known gold occurrences in yellow





**Figure 8** Solid geological interpretation of the Jungle Hill project comprising both mafic(green) and felsic(tan) lithologies,

## QUEENSLAND

### Clarence Moreton Basin (Maryvale) Coal Project

*EPC1506 and 1539 held 100% by wholly owned subsidiary APEC Coal Pty Ltd*

During the quarter a compulsory relinquishment of 36 sub blocks for EPC 1506 was accepted by the Queensland Department of Natural Resources and Mines which reduced the tenements from 89 blocks to 53 blocks as shown in **Figure 9**.



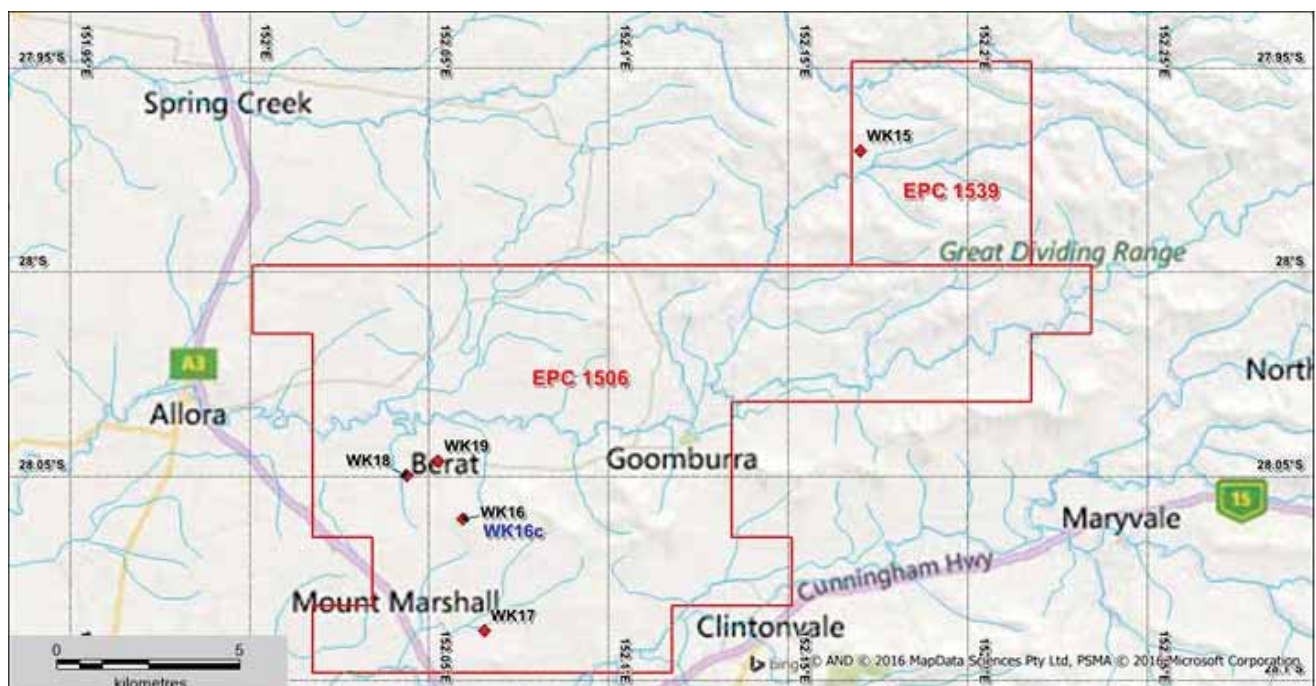
**Figure 9** EPC 1506 showing the relinquished portions in red and the retained portion in green

The areas chosen for proposed partial relinquishment included regions around Warwick airport and the town of Allora as well as adjacent land to the major sealed highways and property sub divisions.

The Maryvale Project comprises EPC 1506 and 1539 which are 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 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 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 10**). The partially cored hole (WK16C) was a twin hole or the chip hole WK16 at the same site.



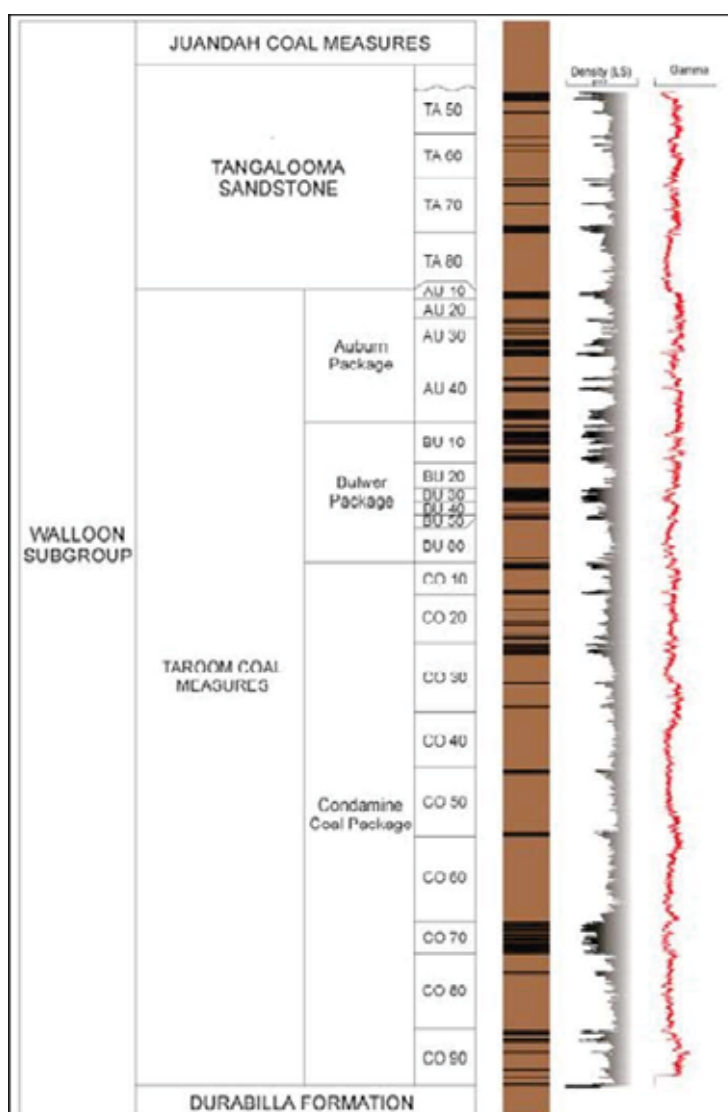
**Figure 10** EPCs 1506 and 1539 showing the completed drillholes WK15 to WK19

**Table 1** 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. A stratigraphic correlation of the Bulwer and Condamine Seams (Figure 11) along with coal quality analyses from WK 16C is currently underway.

**Table 1** Drill hole summary details

		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								



**Figure 11** *Stratigraphic relationship between the Bulwer and Condamine Packages – Maryvale Project*

A downhole geophysical probe was used to collect density, gamma and other readings from all drill holes apart from WK 15 which was terminated in basalt and as such did not intersect the Walloon Sub Group



(Figure 11) shows the stratigraphic relationship between the various coal packages of the Walloon Sub Group with the packages comprising coal (black) and non-coal intervals (brown). The coal interval sampled from in WK 16C (Figure 12) will be analysed by GeoConsult in their Brisbane laboratory.



**Figure 12**  
from WK 16C

*Sampled coal interval*

## LICENCES STATUS

Pursuant to ASX Listing Rule 5.4.3 the Company reports as follows in relation to minerals tenements held at the end of the June 2016 quarter and acquired or disposed of during that quarter and their locations.

Granted Tenement	Project Name	Location	Registered Holder	Beneficial Interest	Expiry
EPC 1506	Maryvale 1	Clarence Moreton Basin Qld, 15km north of Warwick	APEC Coal Pty Ltd	100%	12 May 2017
EPC 1539	Maryvale 2	Clarence Moreton Basin Qld, 15km north of Warwick	APEC Coal Pty Ltd	100%	5 August 2017
E31/1113	Canegrass	Yilgarn Craton WA, 80km north of Kalgoorlie	Kaili Gold Pty Ltd	100%	29/5/2021
E31/1114	Jungle Hill	Yilgarn Craton WA, 80km south of Leonora	Kaili Gold Pty Ltd	100%	29/5/2021
Application Tenement	Project Name	Location	Applicant	Beneficial Interest	Application Date

E08/2770-I	Darnell Hill	Hamersley Basin WA, 150 km south of Pannawonica	Kaili Iron Pty Ltd	100%	11 September 2015
E46/1084-I	Buster's Bore	Hamersley Basin WA, 150 km north of Newman	Kaili Iron Pty Ltd	100%	11 September 2015
E45/4619-I	Bea Bea Creek	Hamersley Basin WA, 250 km north west of Newman	Kaili Iron Pty Ltd	100%	11 September 2015
E40/354	8 Mile Dam	Yilgarn Craton WA, 80 km south of Leonora	Kaili Gold Pty Ltd	100%	15 September 2015
E27/550	Holey Dam	Yilgarn Craton WA, 80 km north of Kalgoorlie	Kaili Gold Pty Ltd	100%	15 September 2015
E27/1433	Gindalbie Dam	Yilgarn Craton WA, 80 km north of Kalgoorlie	Kaili Gold Pty Ltd	100%	15 September 2015

During the quarter EL31/1113 and EL31/1114 in WA were granted and a partial reduction of EPC 1506 was made which reduces the area of the tenement from 284.8 km<sup>2</sup> to 169.6 km<sup>2</sup>. 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 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**

**27<sup>th</sup> July 2016**

# JORC Code, 2012 Edition – Table 1 Maryvale Drilling June Quarterly 2016

## Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

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>All sampling was completed from percussion and core drilling.</li> <li>Coal quality sampling was from whole core.</li> <li>All holes were routinely wire-line logged with Caliper, Density and Gamma tools.</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>Drilling was predominantly open hole percussion drilling.</li> <li>The basalt roof was drilled with a 165mm hammer bit</li> <li>The Taroom Coal Measures were drilled with a 120mm PCD Bit.</li> <li>One hole was part cored using 4C (100mm) core drilling equipment.</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>Percussion chips were collected every 1m and geologically logged.</li> <li>Some sampling of percussion chips was completed through coal intersections for indicative quality analysis and not representative.</li> <li>Drill core was sampled on coal interval with roof and floor sample.</li> <li>Drill core was whole core sampled.</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>All percussion drill chips and drill core was geologically logged.</li> <li>Drill core was geotechnically logged and photographed.</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>All drill core through the target coal seam interval was wholly sampled based on coal plys interpreted by field geologist</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>No laboratory analysis completed at time of report.</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></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> <li>Specification of the grid system used.</li> <li>Quality and adequacy of topographic control.</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 56.</li> </ul>

Criteria	JORC Code explanation	Commentary
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>The drill spacing was designed to allow resource estimation to an Inferred level of confidence.</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>The nature of the vertical drill hole in relation to the near flat lying coal seam in WK016 means sampling is unbiased as the entire coal seam has been sampled.</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 drill program was completed.</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></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>Drilling was completed in EPCs 1506 &amp; 1539 in</li> <li>The tenements are owned by Apec Coal Pty Ltd, a subsidiary of Kaili Resources Ltd.</li> <li>The tenements are located in South East Queensland approximately 150 km south west of Brisbane.</li> <li>The town of Warwick within the Shire of the Southern Downs 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 Priority Agricultural Area of the Darling Downs.</li> </ul>
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>Previous exploration has been completed historic explorers within the region and tenement footprint of EPCs</li> <li>In EPC 1539, only one historic EPC overlapped no drilling was completed in the overlap area.</li> </ul>

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> <li>In EPC 1506 a UCG resource was completed by Clean Global Energy LTD establishing an Inferred resource of 38 Mt on the Bulwer Seam.</li> <li>This was based on the WK series of holes completed in 2010 by Clean Global Energy.</li> <li>This exploration was based on historic exploration completed by AMAX, Milmeran Coal Pty Ltd drilled in 1975-1980 within EPC 203.</li> <li>Available water bore data was used for resource planning only.</li> </ul>
Geology	<ul style="list-style-type: none"> <li><i>Deposit type, geological setting and style of mineralisation.</i></li> </ul>	<ul style="list-style-type: none"> <li>The exploration target is the thermal coals of the Jurassic Lower Walloon Sub-group of the Clarence Moreton Basin, namely the Taroom Coal Measures</li> </ul>
Drill hole Information	<ul style="list-style-type: none"> <li><i>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:</i> <ul style="list-style-type: none"> <li><i>easting and northing of the drill hole collar</i></li> <li><i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> <li><i>dip and azimuth of the hole</i></li> <li><i>down hole length and interception depth</i></li> <li><i>hole length.</i></li> </ul> </li> <li><i>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.</i></li> </ul>	<ul style="list-style-type: none"> <li>Hole collar information is detailed in the text of the announcement.</li> <li>Hole collar survey has been completed using a handheld GPS and accurate to 3m.</li> </ul>
Data aggregation methods	<ul style="list-style-type: none"> <li><i>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.</i></li> <li><i>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.</i></li> <li><i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Relationship between mineralisation widths and	<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> </ul>	<ul style="list-style-type: none"> <li>All drill holes completed were vertical, as the target coal seams are relatively flat dipping and intersection is very close to true width.</li> </ul>



Criteria	JORC Code explanation	Commentary
<i>intercept lengths</i>	<ul style="list-style-type: none"> <li>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').</li> </ul>	
<i>Diagrams</i>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>A map showing the drill collars in relation to EPC 1539 and EPC 1506 is included in the announcement.</li> </ul>
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>No exploration results are included in this announcement</li> </ul>
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>When full stratigraphic correlations using historical drilling and downhole geophysical probe readings are completed they will be reported in subsequent announcements</li> </ul>
<i>Further work</i>	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<ul style="list-style-type: none"> <li>Extensional drilling will not be planned until results for the stratigraphic correlations are completed and analytical results from WK16c are to hand,</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, 01/05/2013

Name of entity

KAILI RESOURCES LIMITED

ARBN

077 559 525

Quarter ended ("current quarter")

30 JUNE 2016

### Consolidated statement of cash flows

		Current quarter	Year to date ( 6 months)
		\$A'000	\$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	58
1.2	Payments for (a) exploration & evaluation	(56)	(75)
	(b) development		
	(c) production		
	(d) administration	(133)	(257)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	8	17
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other - GST	38	8
<b>Net Operating Cash Flows</b>		(143)	(249)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	-	(9)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other -security deposit paid		
1.12	Other -security deposit refund		
<b>Net investing cash flows</b>		-	(9)
1.13	Total operating and investing cash flows (carried forward)	(143)	(258)

+ See chapter 19 for defined terms.

## Appendix 5B

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

1.13	Total operating and investing cash flows (brought forward)	(143)	(258)
1.14	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares, options, etc.		
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings		
1.18	Repayment of borrowings		
1.19	Dividends paid		
1.19	Other (capital raising costs)		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(143)	(258)
1.20	Cash at beginning of quarter/year to date	2,793	2,908
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	2,650	2,650

### Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	16
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	
	Director salary and Superannuation	

### Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest



### Financing facilities available

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

	Amount available \$A'000	Amount used \$A'000
3.1      Loan facilities		
3.2      Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1      Exploration and evaluation	94
4.2      Development	
4.3      Production	
4.4      Administration	150
<b>Total</b>	<b>244</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1      Cash on hand and at bank	213	164
5.2      Deposits at call	2,437	2,629
5.3      Bank overdraft		
5.4      Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,650</b>	<b>2,793</b>

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+ See chapter 19 for defined terms.

## Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			
	E31/1113 Yilgarn Craton WA	Wholly owned	-	100%
	E31/1114 Yilgarn Craton WA	Wholly owned	-	100%

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1				
7.2				
7.3	98,266,915	86,578,026		
7.4				
7.5		-		

+ See chapter 19 for defined terms.

**Appendix 5B**

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

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: .....  
Company Secretary

Date: 27 July 2016

Print name: Long Zhao

+ See chapter 19 for defined terms.

## 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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