

12th October 2016

Coal Quality Analyses Finalised-Maryvale Coal Project EPCs 1506 and 1539

Kaili Resources is pleased to announce its 100% subsidiary company APEC Coal Pty Ltd has received final coal quality analyses from Geoconsult who managed the drilling operations. Samples were collected from drillholes WK 16 to WK19 with sample preparation and analyses being carried out in Geocosults Brisbane coal laboratory. The Maryvale Coal Project is located south west of Brisbane in South East Queensland and includes EPC 1506 and 1539 (Figure 1). No coal quality analyses were carried out for WK15 in EPC 1539 as basalt was intersected for the entire length of the drill hole. Five (5) chip holes and 1 partially cored hole (WK16C) were completed for a total advance of 1228m including 7.87m of Core. The partially cored hole (WK16C) was a twin hole or the chip hole WK16 at the same site.

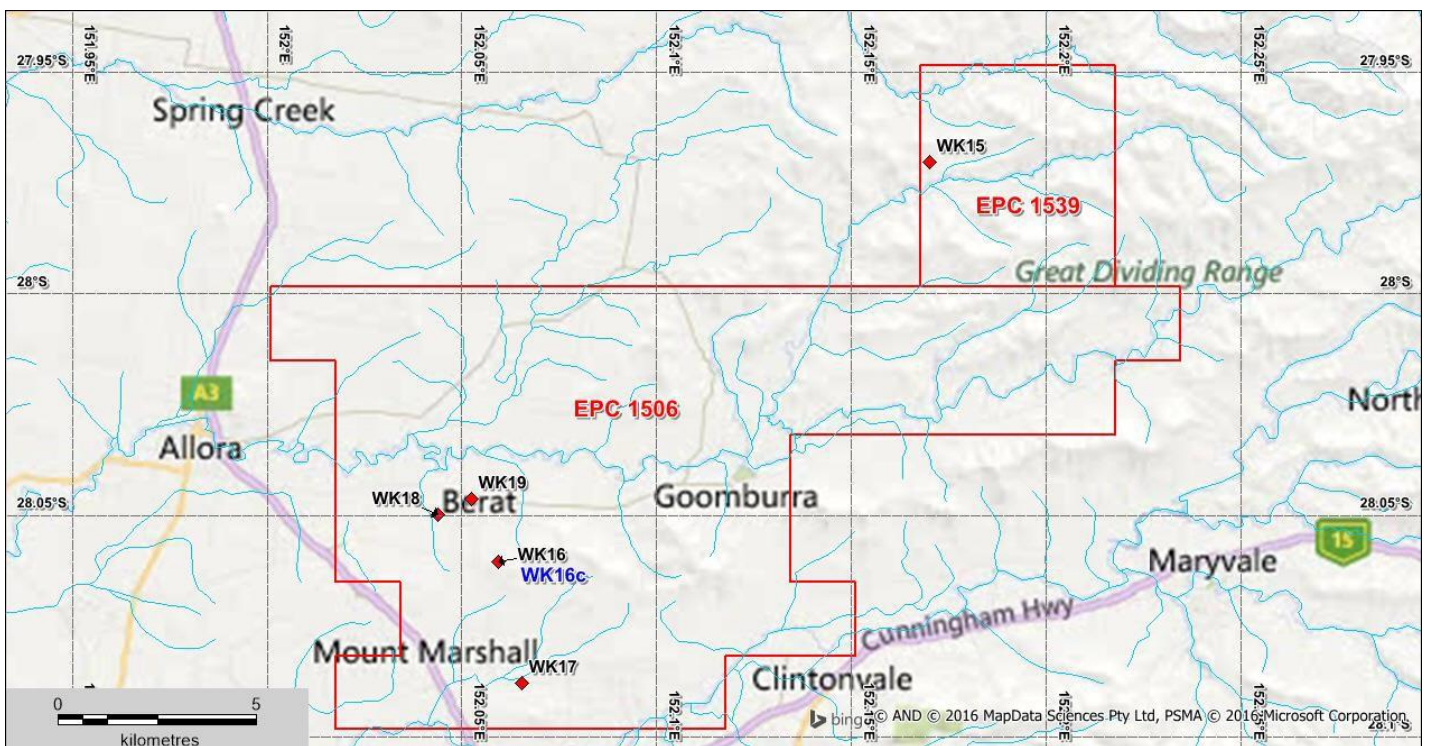


Figure 1 Drillhole location map – Maryvale Project

Table 1 below shows the drill collar table for the program with all but 1 drill hole (WK 15) intersecting the targeted Bulwer Seam. In addition, WK 17 intersected a portion of the underlying Condamine Seam. A full stratigraphic interpretation is underway incorporating the current drilling and all historical drilling. The coal quality analyses (**Table 2**) are based on samples taken from 4 drillholes only 1 of which is a cored hole (WK16C).

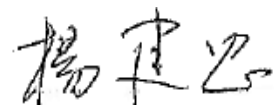
EPC	Prop Hole	Hole ID	Planned			GPS Pickup			TD	Dip	Date Start	Date Finish	Basalt Depth (m)	Collar PVC 175mm	Bore PVC 125mm	Wireline Log	Bulwer Seam Package			Condamine Seam Package		
			Easting (MGA 94)	Northing (MGA 94)	AHD	Easting (MGA 94)	Northing (MGA 94)	AHD									Roof	Floor	Interval	Roof	Floor	Interval
EPC 1539	GM02	WK15	418367	6905850	649	418372	6905852	648	200	-90°	9/06/2016	10/06/2016	>200	6	42	NA	NA	NA	NA	NA	NA	NA
EPC 1506	GM03	WK16	407593	6895752	606	407593	6895752	602	255	-90°	10/06/2016	12/06/2016	117	6	NA	In HQ only	160	181	21	NA	NA	NA
EPC 1506	GM03	WK16C	407593	6895752	606	407595	6895748	602	176	-90°	13/06/2015	14/06/2016	120	6	NA	In HQ only	163	?		NA	NA	NA
EPC 1506	GM04	WK19	406878	6897301	518	406878	6897302	516	201	-90°	18/06/2016	18/06/2016	46	6	70	Completed	182	192	10	NA	NA	NA
EPC 1506	GM05	WK18	406015	6896918	509	406077	6896902	508	207	-90°	16/06/2016	16/06/2016	29	6	33	Completed	181.5	194	12.5	NA	NA	NA
EPC 1506	GM06		404635	6896520	502	Borehole not drilled due wet weather																
EPC 1506	GM07	WK17	408171	6892717	507	408173	6892717	505	189	-90°	15/06/2015	15/06/2015	35	6	NA	In HQ only	121	130	9	174	179.5	5.5
									1228													

Table 1 – Drill Collar Table

Borehole	Sample ID	Reference	Sample Type	From(m)	To(m)	Thickness(m)	Wet Mass	Relative Density	% Inherent Moisture	% Ash	% Volatile Matter	% Fixed Carbon	% Moisture	% Total Sulfur	Calorific Value(MJ/kg)	Calorific Value(kCal/kg)
WK16C	WK16C_CQ_001	14386	Core	164.42	164.72	0.30	4.3	2.28	4.6	81.4	11.4	2.6	-	-	-	-
WK16C	WK16C_CQ_002	14387	Core	164.72	165.00	0.28	2.8	1.39	5.1	18.0	39.9	37.0	5.1	0.47	26.22	6262
WK16C	WK16C_CQ_003	14388	Core	165.00	165.16	0.16	1.9	1.64	4.4	42.5	30.7	22.4	4.4	0.40	17.09	4081
WK16C	WK16C_CQ_004	14389	Core	165.16	165.65	0.49	4.7	1.30	5.2	8.5	44.5	41.8	5.2	0.46	27.46	6559
WK16C	WK16C_CQ_005	14390	Core	165.65	166.00	0.35	4.2	1.54	5.6	34.1	31.5	28.8	5.6	0.37	19.64	4690
WK16C	WK16C_CQ_006	14391	Core	166.00	166.28	0.28	2.9	1.71	5.6	48.2	26.4	19.8	5.6	0.32	13.81	3297
WK17	WK17_CQ_001	14395	Grab/Chip	82.00	83.00	1.00	0.2	1.68	4.8	47.6	27.1	20.5	4.8	0.29	15.71	3751
WK17	WK17_CQ_002	14396	Grab/Chip	83.00	84.00	1.00	0.1	1.83	4.6	57.7	22.1	15.6	-	-	-	-
WK17	WK17_CQ_003	14397	Grab/Chip	178.00	179.00	1.00	0.2	1.58	3.7	41.5	33.0	21.8	3.7	0.34	18.16	4336
WK17	WK17_CQ_004	14398	Grab/Chip	179.00	180.00	1.00	0.3	1.54	3.5	34.6	34.2	27.7	3.5	0.39	20.08	4795
WK18	WK18_CQ_001	14400	Grab/Chip	46.00	47.00	1.00	0.3	1.54	4.9	33.1	34.5	27.5	4.9	0.38	20.10	4801
WK18	WK18_CQ_002	14401	Grab/Chip	162.00	163.00	1.00	0.7	1.93	5.5	63.6	16.5	14.4	-	-	-	-
WK18	WK18_CQ_003	14402	Grab/Chip	179.00	180.00	1.00	0.8	2.39	5.7	83.6	9.2	1.5	-	-	-	-
WK18	WK18_CQ_004	14403	Grab/Chip	182.00	183.00	1.00	0.7	1.77	5.7	54.8	23.7	15.8	-	-	-	-
WK18	WK18_CQ_005	14404	Grab/Chip	186.00	187.00	1.00	0.3	1.75	6.0	50.9	24.4	18.7	6.0	0.43	13.61	3251
WK18	WK18_CQ_006	14405	Grab/Chip	191.00	192.00	1.00	0.3	1.73	6.1	52.2	23.8	17.9	6.1	0.36	12.65	3021
WK18	WK18_CQ_007	14406	Grab/Chip	192.00	193.00	1.00	0.2	1.91	5.7	61.0	21.7	11.6	-	-	-	-
WK18	WK18_CQ_008	14407	Grab/Chip	193.00	195.00	2.00	0.3	2.23	4.9	78.9	11.0	5.2	-	-	-	-
WK18	WK18_CQ_009	14408	Grab/Chip	197.00	198.00	1.00	0.2	1.87	4.9	60.8	20.3	14.0	-	-	-	-
WK19	WK19_CQ_001	14409	Grab/Chip	62.00	63.00	1.00	0.2	1.63	6.0	42.8	28.7	22.5	6.0	0.34	16.67	3982
WK19	WK19_CQ_002	14410	Grab/Chip	63.00	64.00	1.00	0.2	1.64	7.5	43.5	27.1	21.9	7.5	0.30	15.42	3682
WK19	WK19_CQ_003	14411	Grab/Chip	117.00	118.00	1.00	0.2	1.59	5.4	38.7	28.0	27.9	5.4	0.41	18.67	4460
WK19	WK19_CQ_004	14412	Grab/Chip	185.00	186.00	1.00	0.3	1.81	7.3	59.4	19.1	14.2	-	-	-	-
WK19	WK19_CQ_005	14413	Grab/Chip	186.00	188.00	2.00	0.2	1.99	9.2	69.8	13.4	7.6	-	-	-	-
WK19	WK19_CQ_006	14414	Grab/Chip	188.00	190.00	2.00	0.1	2.20	10.1	80.1	9.5	0.3	-	-	-	-
WK19	WK19_CQ_007	14415	Grab/Chip	190.00	192.00	2.00	0.3	1.81	6.3	57.1	20.6	16.0	-	-	-	-
WK19	WK19_CQ_008	14416	Grab/Chip	192.00	193.00	1.00	0.1	1.70	5.6	48.5	24.7	21.2	5.6	0.37	15.34	3664

Table 2 – Coal Quality Analyses

(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
12th October 2016

JORC Code, 2012 Edition – Table 1 Maryvale Coal Project Drilling – October 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"> 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. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. 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. 	<ul style="list-style-type: none"> All sampling was completed from percussion and core drilling. Coal quality sampling was from whole core. All holes were routinely wire-line logged with Caliper, Density and Gamma tools.
Drilling techniques	<ul style="list-style-type: none"> 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). 	<ul style="list-style-type: none"> Drilling was predominantly open hole percussion drilling. The basalt roof was drilled with a 165mm hammer bit The Taroom Coal Measures were drilled with a 120mm PCD Bit. One hole was part cored using 4C (100mm) core drilling equipment.
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. 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. 	<ul style="list-style-type: none"> Percussion chips were collected every 1m and geologically logged. Some sampling of percussion chips was completed through coal intersections for indicative quality analysis and not representative. Drill core was sampled on coal interval with roof and floor sample. Drill core was whole core sampled.
Logging	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> All percussion drill chips and drill core was geologically logged. All core has been marked up, photographed and geologically and geotechnically logged, prior to sampling. All drill holes in 2016 were geophysically logged by Geolog

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> • <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i> • <i>The total length and percentage of the relevant intersections logged.</i> 	<ul style="list-style-type: none"> • Parameters logged are: <ul style="list-style-type: none"> ○ Caliper (borehole size) ○ Denisty (short & long spaced) ○ Gamma
<i>Sub-sampling techniques and sample preparation</i>	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>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.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> • All drill core through the target coal seam interval was wholly sampled based on coal plys interpreted by field geologist. • All core was double bagged and transported to Geoconsult laboratories in Brisbane.
<i>Quality of assay data and laboratory tests</i>	<ul style="list-style-type: none"> • <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> • <i>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.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • diamond holes 16C and chip holes 17 to 19 were sampled for coal quality parameters including relative density, inherent moisture, ash, fixed carbon, moisture, total Sulphur, calorific value(MJ/kg) and caloric value(kCal/kg) with the sample interval shown in Figure 2 of the announcement. • No standards, blanks or duplicates were necessary as part of the coal interval sampling.
<i>Verification of sampling and assaying</i>	<ul style="list-style-type: none"> • <i>The verification of significant intersections by either independent or alternative company personnel.</i> • <i>The use of twinned holes.</i> • <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> • <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> • Geoconsult laboratories comply with the Australian Standards for coal quality testing and as such conduct the verifications for coal quality analysis outlined in the standards. • The coal intersection in WK 16C was verified by GeoConsult principal geologist who transported the coal intersection to Brisbane for analytical testing. • WK16C is a twin hole to WK16 with selective coring of the coal interval to quantify coal quality observed in geophysical logging. • All primary data, data entry procedures, data verification and electronic data storage is per Geoconsult procedures.

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> All core sampling was based on observed coal plys. No adjustment have been made to the coal quality data. All core logging was
<i>Location of data points</i>	<ul style="list-style-type: none"> 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. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> All drill holes have been initially surveyed using a hand held GPS accurate to 3 meters. The grid system used in MGA 94, Zone 56.
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. 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. Whether sample compositing has been applied. 	<ul style="list-style-type: none"> Data spacing is appropriate for this stage of Exploration. The drill spacing was designed to allow resource estimation to an Inferred level of confidence.
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. 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. 	<ul style="list-style-type: none"> The target coal seams are near horizontal in nature based on 2010 drilling and as such vertical drilling was the best method to achieve unbiased sampling.
<i>Sample security</i>	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> All samples were secured by field geologist and delivered to the laboratory after the drill program was completed by the Geoconsult Principal Geologist.
<i>Audits or reviews</i>	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> The sampling technique was reviewed onsite by the GeoConsult Principal Geologist

Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> 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. The security of the tenure held at the time of reporting along with any 	<ul style="list-style-type: none"> Drilling was completed in EPCs 1506 & 1539 in The tenements are owned by Apec Coal Pty Ltd, a subsidiary of Kaili Resources Ltd. The tenements are located in South East Queensland approximately 150 km south west of Brisbane.

Criteria	JORC Code explanation	Commentary
	<i>known impediments to obtaining a licence to operate in the area.</i>	<ul style="list-style-type: none"> The town of Warwick within the Shire of the Southern Downs is the nearest major town. There no JVs and Royalties There are no Native Title claimants The tenements are located in the Priority Agricultural Area of the Darling Downs.
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> <i>Acknowledgment and appraisal of exploration by other parties.</i> 	<ul style="list-style-type: none"> Previous exploration has been completed historic explorers within the region and tenement footprint of EPCs In EPC 1539, only one historic EPC overlapped no drilling was completed in the overlap area. In EPC 1506 a UCG resource was completed by Clean Global Energy LTD establishing an Inferred resource of 38 Mt on the Bulwer Seam. This was based on the WK series of holes completed in 2010 by Clean Global Energy. This exploration was based on historic exploration completed by AMAX, Milmerran Coal Pty Ltd drilled in 1975-1980 within EPC 203. Available water bore data was used for resource planning only.
<i>Geology</i>	<ul style="list-style-type: none"> <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> The exploration target is the thermal coals of the Jurassic Lower Walloon Sub-group of the Clarence Moreton Basin, namely the Taroom Coal Measures
<i>Drill hole Information</i>	<ul style="list-style-type: none"> <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"> <i>easting and northing of the drill hole collar</i> <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> <i>dip and azimuth of the hole</i> <i>down hole length and interception depth</i> <i>hole length.</i> <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> 	<ul style="list-style-type: none"> Hole collar information is detailed in the text of the announcement. Hole collar survey has been completed using a handheld GPS and accurate to 3m.

Criteria	JORC Code explanation	Commentary
Data aggregation methods	<ul style="list-style-type: none"> <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> <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> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> Only the targeted coal seam intervals are sampled on ply basis based on observed difference in coal quality. All coal quality is reported on weighted average for coal interval. All coal quality is reconciled against geophysical logs.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> <i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> <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> 	<ul style="list-style-type: none"> The target coal seams are near horizontal however until a full stratigraphic correlation is completed the coal intersections in WK16C are down hole lengths and the true widths are not known.
Diagrams	<ul style="list-style-type: none"> <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> 	<ul style="list-style-type: none"> A map showing the drill collars in relation to EPC 1539 and EPC 1506 is included in the announcement and collar coordinates are included in Table 1.
Balanced reporting	<ul style="list-style-type: none"> <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> 	<ul style="list-style-type: none"> No exploration results were available at the time of the announcement
Other substantive exploration data	<ul style="list-style-type: none"> <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> 	<ul style="list-style-type: none"> When full stratigraphic correlations using historical drilling and downhole geophysical probe readings are completed they will be reported in subsequent announcements
Further work	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <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> 	<ul style="list-style-type: none"> Extensional drilling will not be planned until results for the stratigraphic correlations are completed and analytical results from WK16c are finalised,