

**KAILI RESOURCES LIMITED
AND CONTROLLED ENTITIES**

ARBN 077 559 525

**Half-Year Financial Report
30 June 2017**

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CORPORATE DIRECTORY

Directors

Jianzhong Yang
Executive Chairman

Kaiyuan Yang
Executive

Yutian Bai
Non-Executive

Company Secretaries

Long Zhao
Robert Lees

Registered Office

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Share Registry in Australia

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Auditor

John Shute
Chartered Accountant
321 Pitt Street
Sydney NSW 2000
Australia

Home Stock Exchange

ASX Limited
20 Bridge St
Sydney NSW 2000
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ASX Code: KLR

Website

www.kailigroup.com.au

REVIEW OF OPERATIONS

EXPLORATION HIGHLIGHTS

Maryvale Coal Project in Queensland

- EPC 1506 JORC 2012 Coal Resource announced
- 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

- E08/2770-I (Darnell Hill) in WA granted during the period.
- Phase 1 rock sampling/mapping of E45/4619-I (Bustler Bore) completed

Halls Creek Cobalt/Gold Project in Western Australia

- Four tenement applications lodged

All granted tenements are up to date regarding statutory requirements

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



Figure 1: Kaili Resources project locations

WESTERNAUSTRALIA.

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

Negotiations with the Native Title Parties were finalised.

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 tenement has now been granted (**Figure 2**)

E46/2770-I (Darnell) is located 150km south of Karratha in the Pilbara Region of Western Australia (**Figure 2**). The tenement was granted on the 9th March, 2017 for a period of 5 years.



Figure 2: Kaili Resources Darnell Hill Iron Project

The Pilbara region of WA is one of the premier iron regions of the world with several world class iron ore mining operations. The Group 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% SiO₂ and 1.4% Al₂O₃. The location of mapped CID channels within the Bustler Bore tenement is shown in **Figure 3**.

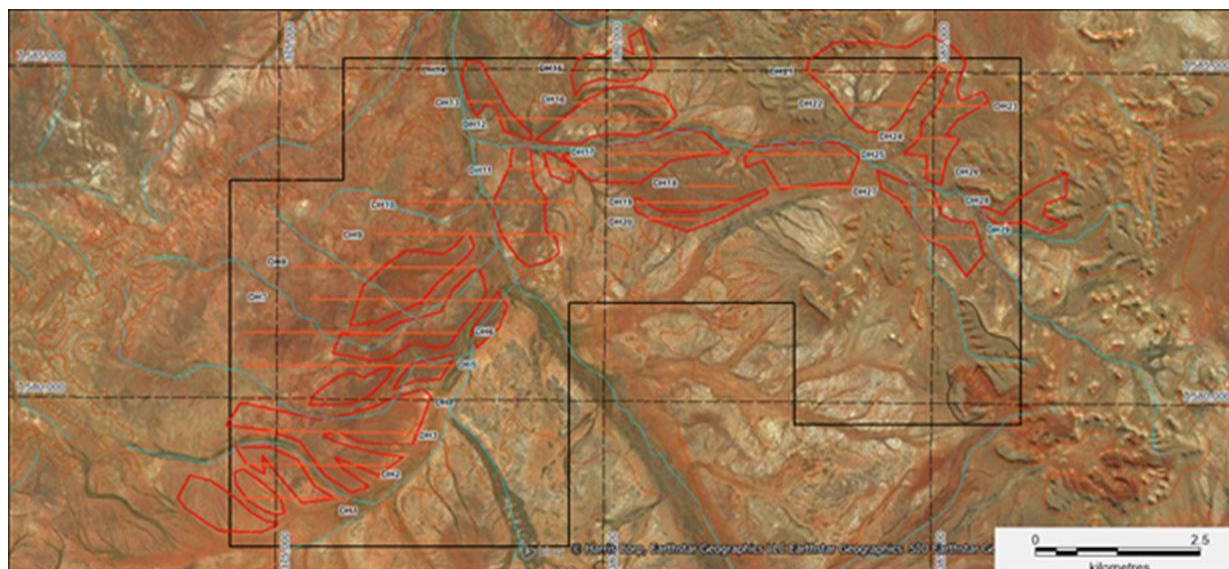


Figure 3: E08/2770-I Darnell Hill Iron Project showing aerial photography with mapped CID units (red)

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 4**.

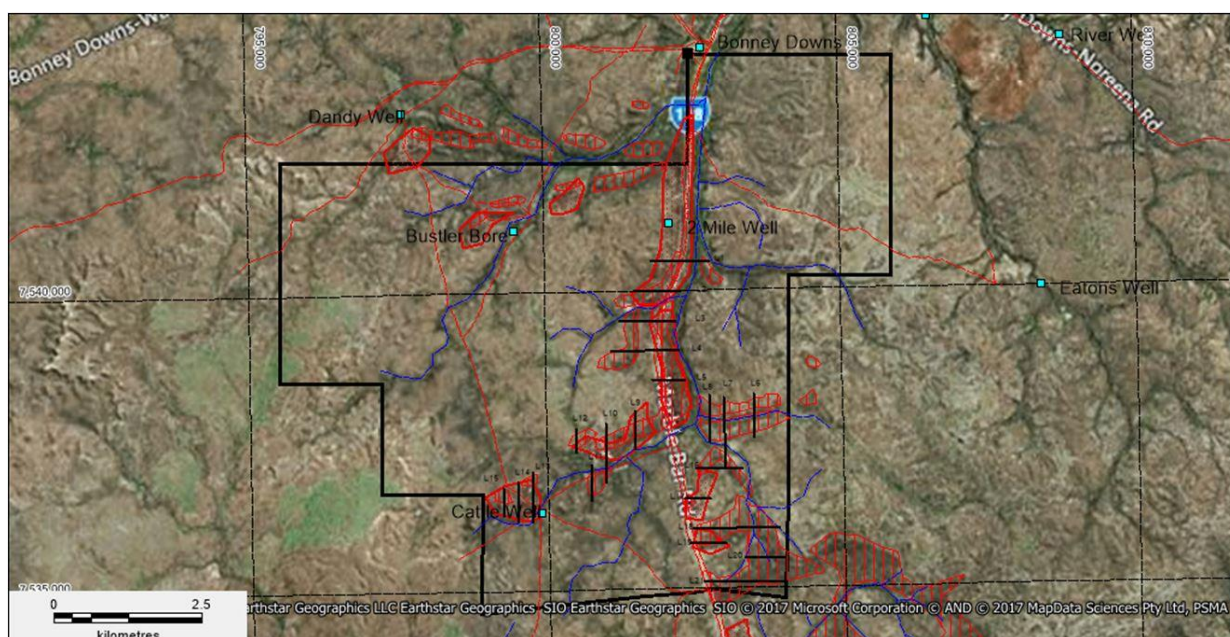


Figure 4: Bustler Bore Project showing interpreted CID areas in red and sampling/mapping traverses in black



Figure 5: 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 4** 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.

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 Group 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 6**) area, south east of Leonora were chosen and include the 5 granted tenements:

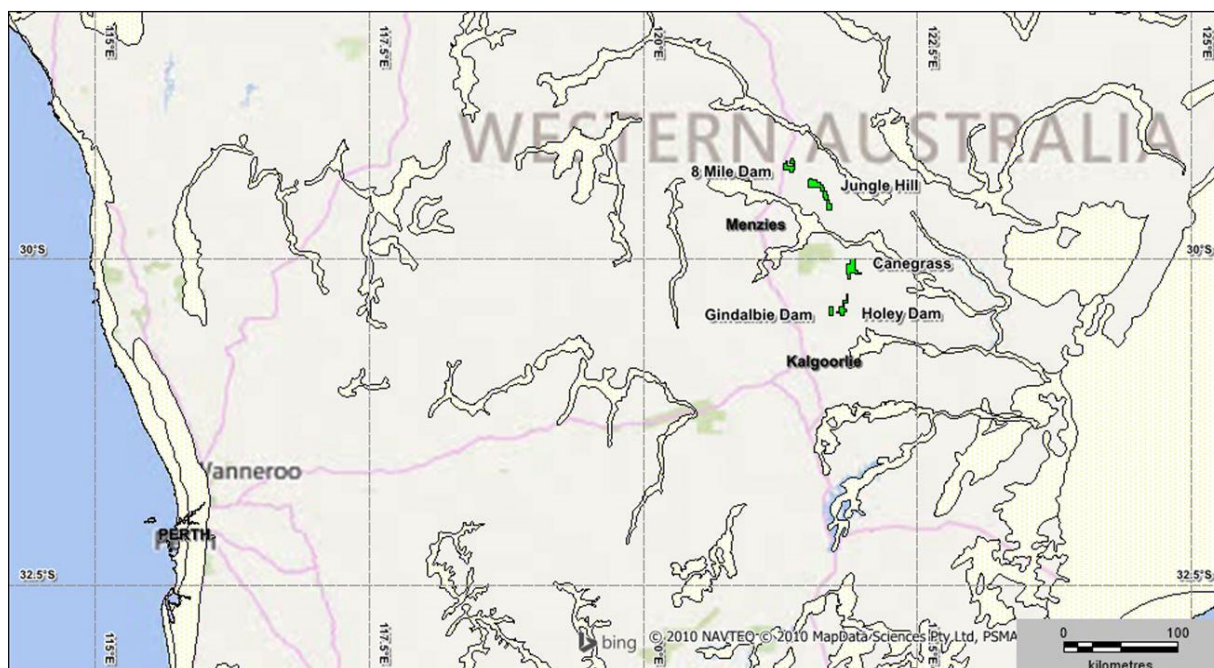


Figure 6: Kaili Resources Western Australian Gold Projects

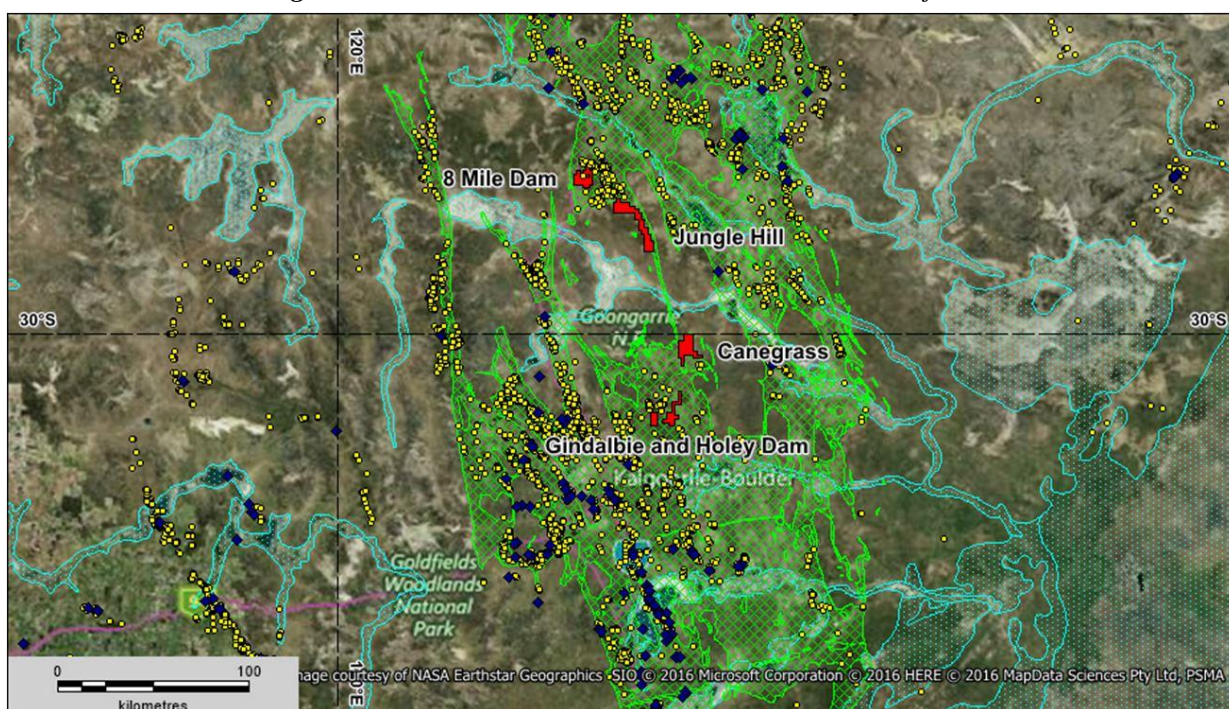


Figure 7: Satellite Image with Eastern Goldfields Superterrane (green hatching) and Kaili Gold tenements in red. Blue diamonds are operating mines and yellow dots are gold occurrences

The Group’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 7**). 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 period Phase 2 soil/rock sampling was completed within the Holey Dam and Canegrass tenements (**Figures 8 and 9**) and Phase 1 soil/rock sampling was completed within the Jungle Hill tenements (**Figure 10**). 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)

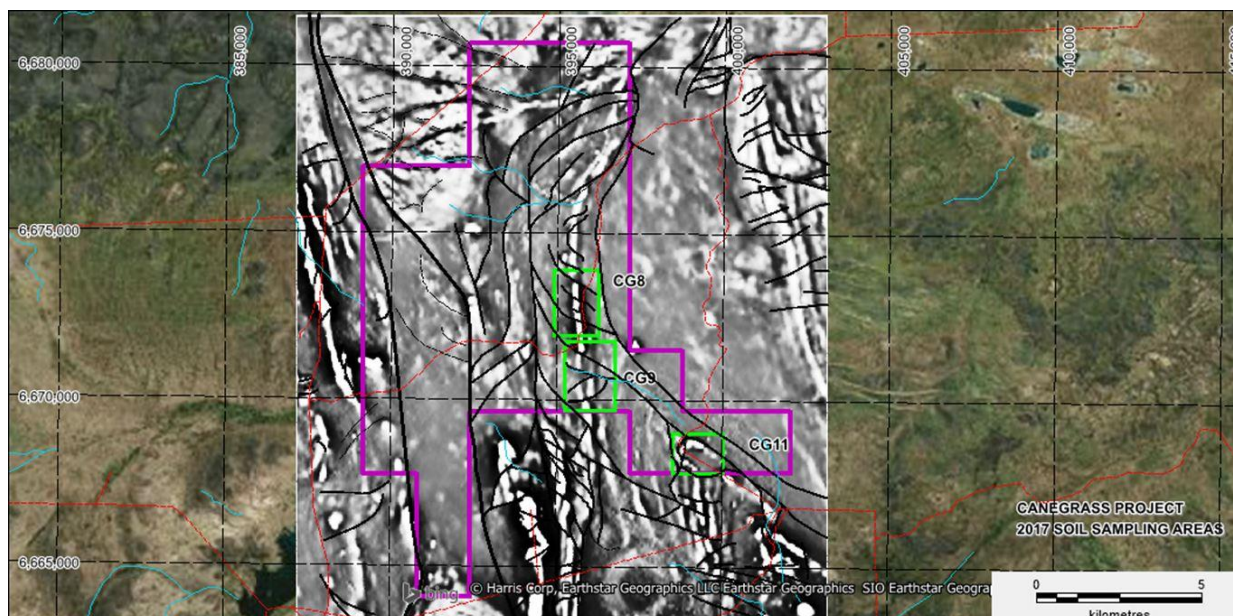


Figure 8 Canegrass Project (purple outline) project showing a greyscale RTP1VD geophysical image overlaid on a satellite image. Major interpreted structures are shown in black and soil sampling areas are outline in green.

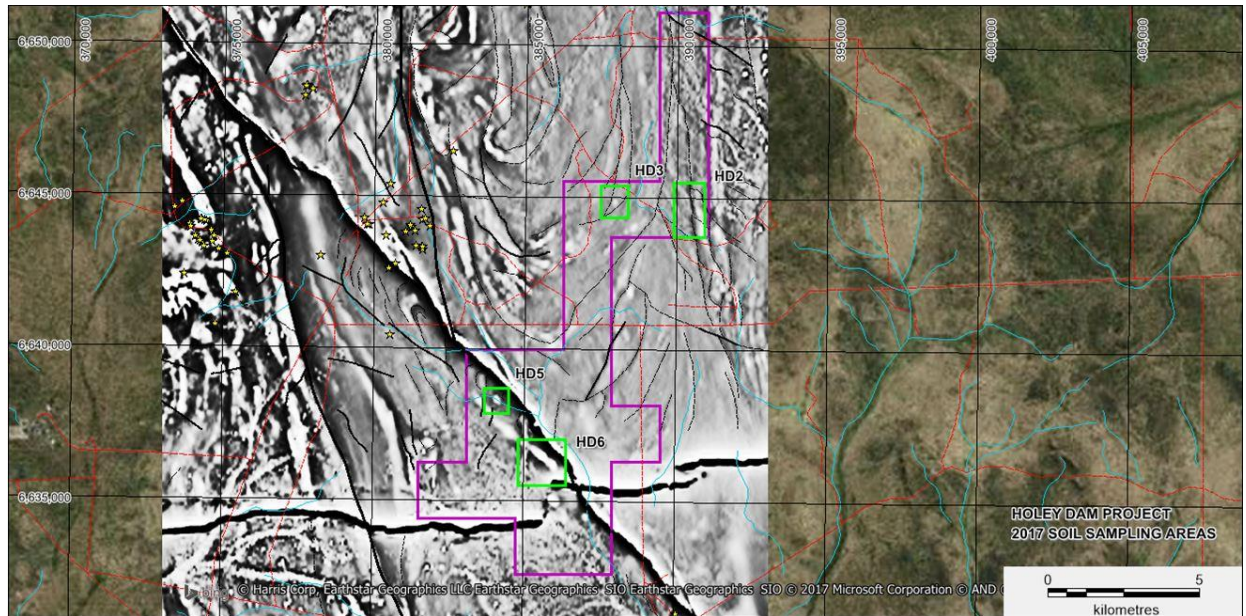


Figure 9 Holey Dam Project (purple outline) project showing a greyscale RTP1VD geophysical image overlaid on a satellite image. Major interpreted structures are shown in black and soil sampling areas are outline in green

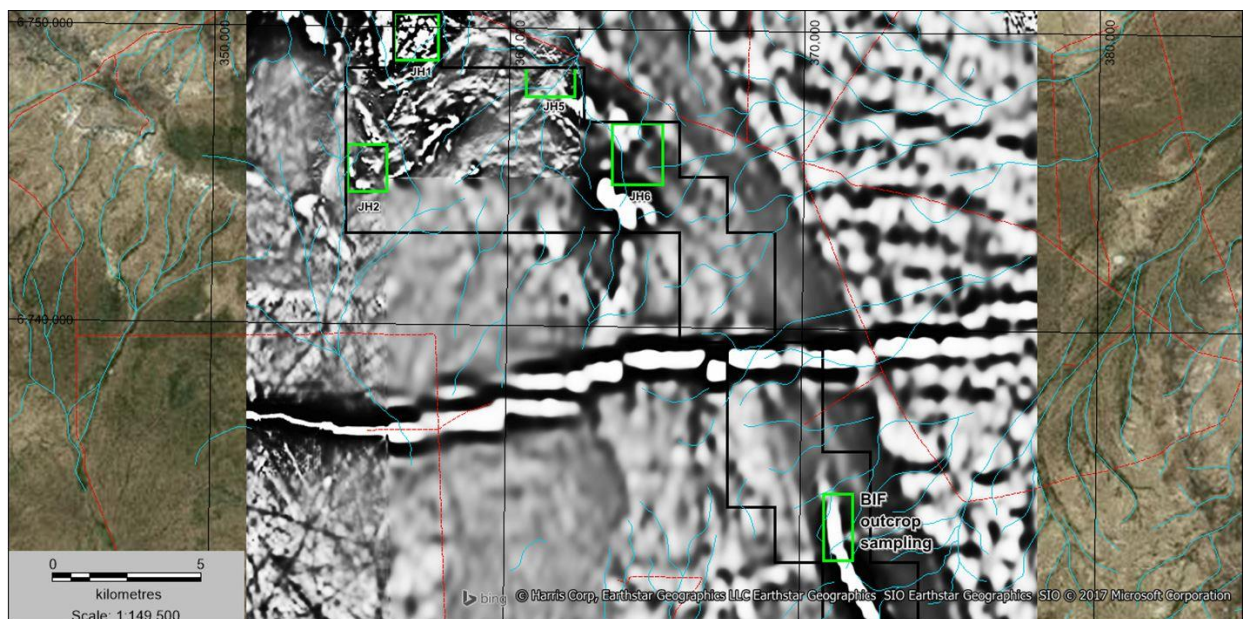


Figure 10 Holey Dam Project (purple outline) project showing a greyscale RTP1VD geophysical image overlaid on a satellite image. Major interpreted structures are shown in black and soil sampling areas are outline in green.

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

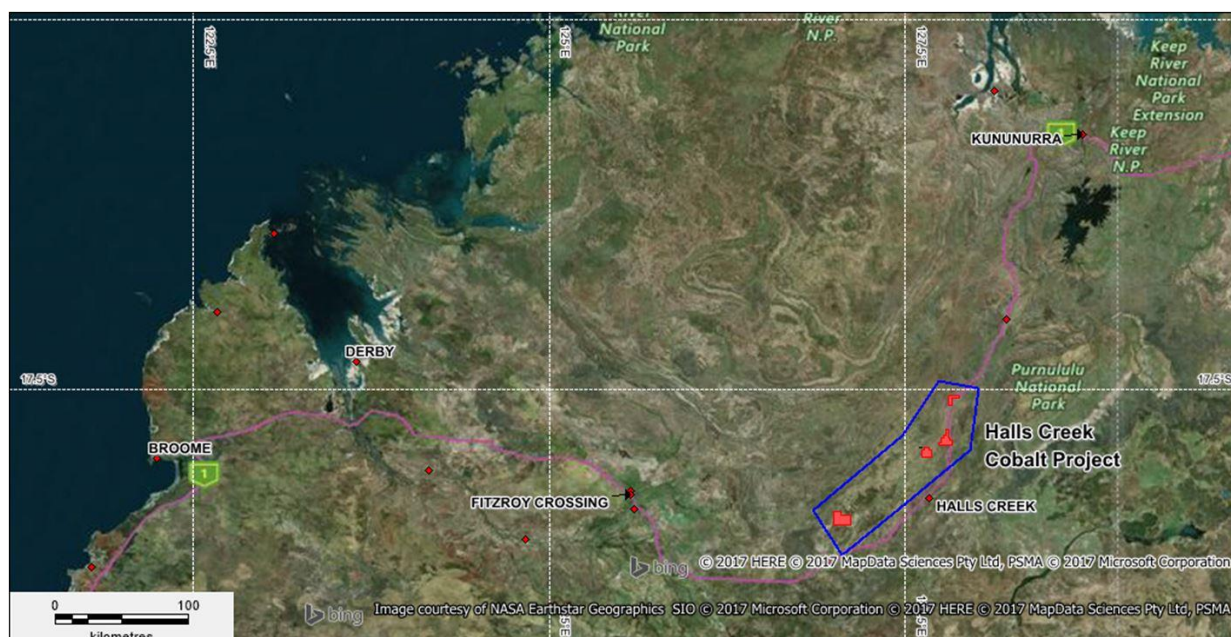


Figure 11 Halls Creek Orogen project showing the 4 tenement applications located adjacent to the town of Halls Creek

The Halls Creek Project comprises 4 tenement applications (**Figure 11**) 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 granulites 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.

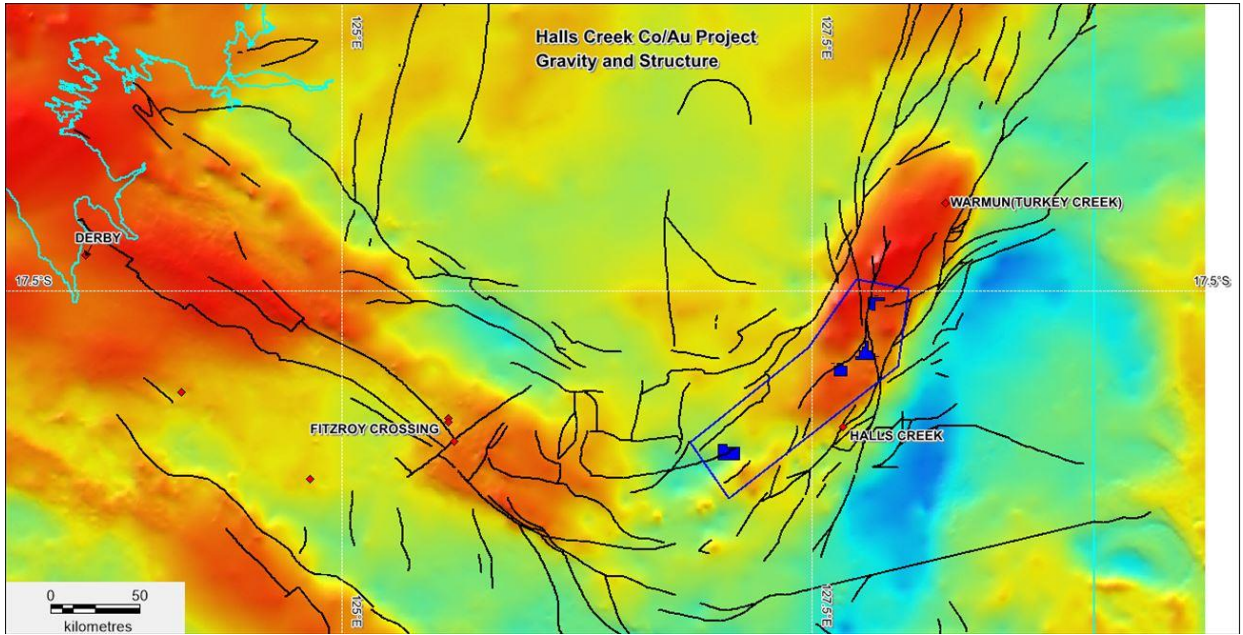


Figure 12 Halls Creek Project showing the 4 tenement applications in blue over a gravity image with superimposed major structures in black

The NE trending Lamboo Province is highlighted in **Figure 12** 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 13**) 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.

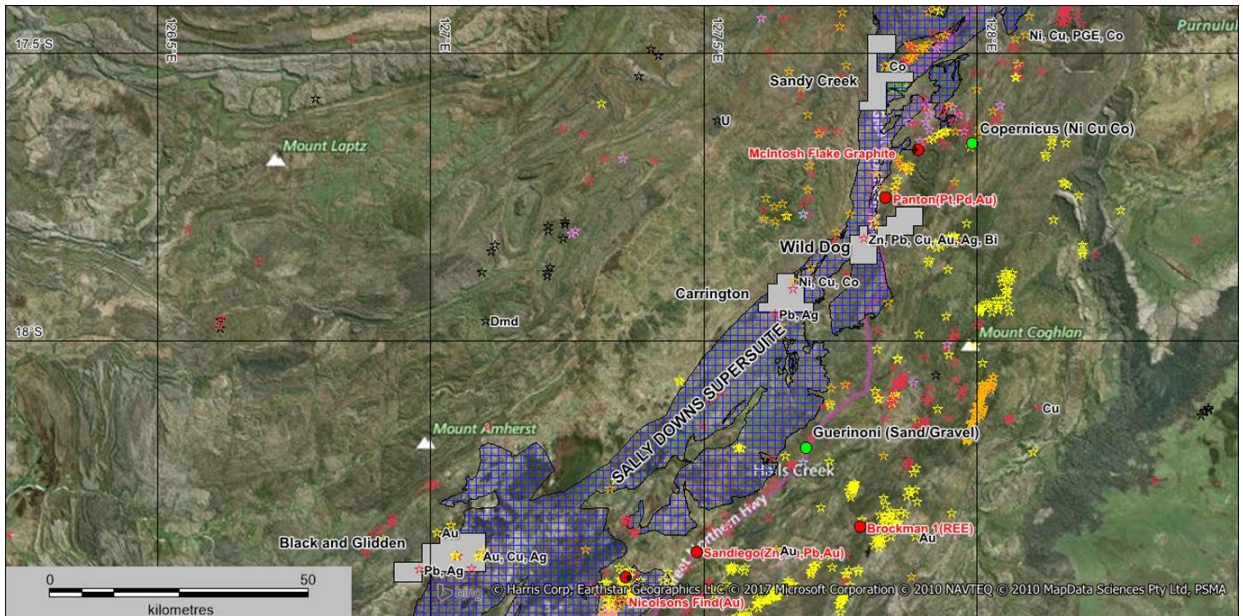


Figure 13 The above map shows the Sally Downs Supersuite in blue hatching with the 4 tenement applications. In addition, the known mineral occurrences, major resource projects (red circle) and operating mines (green circle) are also shown.

QUEENSLAND

Clarence Moreton Basin (Maryvale) Coal Project

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

During the period the JORC 2012 report was finalised and announced to the Australian Securities Exchange on the 6th February 2017.

A review of the next stage of exploration required to extend the current In Situ Gasification (ISG) Resource and Exploration Targets is underway.

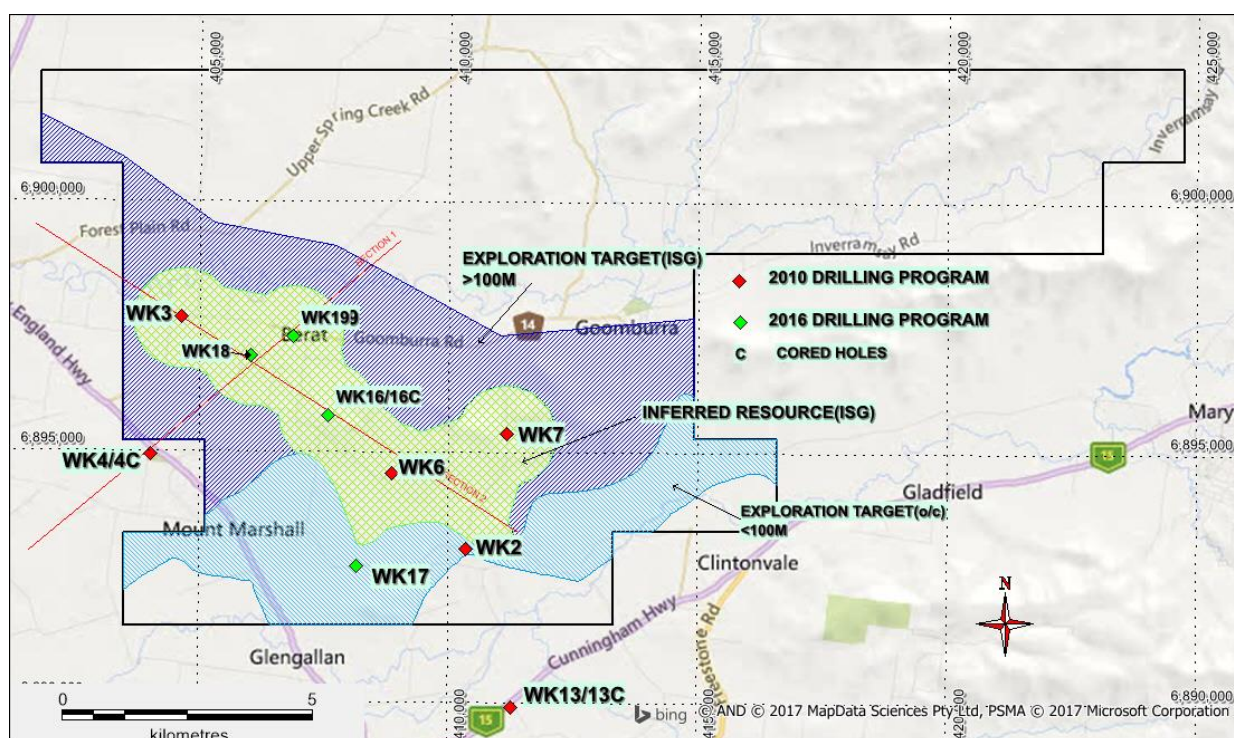


Figure 14 EPC 1506 JORC 2012 Resource and Exploration Target areas

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 within the Group. 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

The minerals tenements held at 30 June 2017 and their locations are in **Table 4**. During the period 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 E80/5115 Wild Dog). An application of 4 years renewal for EPC 1506 was lodged in the June quarter 2017. 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	8/03/2022
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 - Lambboo Province	Kaili Iron Pty Ltd	100%	102.4	N/A
Application	E80/5113	Carrington	Cobalt/Gold	WA - Lambboo Province	Kaili Iron Pty Ltd	100%	51.2	N/A
Application	E80/5114	Sandy Creek	Cobalt/Gold	WA - Lambboo Province	Kaili Iron Pty Ltd	100%	64	N/A
Application	E80/5115	Wild Dog	Cobalt/Gold	WA - Lambboo 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.)

CORPORATE AND FINANCIAL

Corporate

Performance

The operating loss of the Group for the half-year ended 30 June 2017 was \$340,978 (2016: \$232,481).

Financial Position

Cash at 30 June 2017 was \$1,654,505 (31 December 2016: \$2,018,983). Current assets, held mainly in cash, decreased from \$2,088,532 at 31 December 2016 to \$1,689,390 at 30 June 2017 with the Group funding operations for the period from its cash resources.

Current liabilities were \$48,543 (31 December 2016: \$32,897).

Net assets decreased from \$2,671,033 at 31 December 2016 to \$2,330,055 at 30 June 2017.

Cash Flows

Operating activities resulted in net outflow of \$279,561 (2016: outflow \$190,954) as the Group is still in the exploration phase with no revenue from its principal activities. Net cash used in investing activities was \$84,176 (2016: \$67,010) with the Group spending on exploration and evaluation projects.

STRATEGY AND PROSPECTS FOR FUTURE

The Company's plan is to continue to focus on resources exploration in its granted tenements, in particular Coal, Gold and Iron tenements. The future prospects of the Company are dependent on the exploration success within its tenements. However, no indication as to likely results in the future can be given due to the uncertainties usually associated with exploration activities.

The Company will also be seeking new ventures for investment to spur growth and with potential to generate cash flows early.

DIRECTORS' REPORT

The Directors of Kaili Resources Limited submit the financial report of the consolidated group for the half-year ended 30 June 2017.

Directors

The names of Directors who held office during or since the end of the half-year are:

Jianzhong Yang - Executive Chairman
Kaiyuan Yang - Executive
Yutian Bai – Non-Executive

Operating Results

Total comprehensive loss for the half-year ended 30 June 2017 was \$340,978 (2016: loss \$232,481).

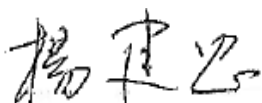
Review of Operations

A review of operations for the half-year ended 30 June 2017 is set out on pages 3 to 14.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 16, and forms part of this Directors' Report.

This report is signed in accordance with a resolution of the Directors.



Jianzhong Yang
Director

Dated this 4th of September 2017

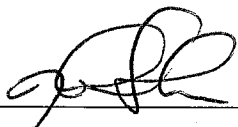
**Kaili Resources Limited
And Controlled Entities**

**AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Kaili Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Kaili Resources Limited and Controlled Entities for the half year ended 30 June 2017 there has been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



J F Shute

John F Shute Chartered Accountant
Suite 605, Level 6
321 Pitt Street
Sydney, NSW 2000

Dated this 4 September 2017

**Independent Auditors' Report on Review of Condensed Consolidated
Interim Financial Statements
to the Board of Directors of
Kaili Resources Limited And Controlled Entities
(Incorporated in Bermuda with limited liability)**

Introduction

We have reviewed the condensed financial report set out on pages 19 to 25, which comprises the condensed consolidated statement of financial position of Kaili Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2017, the condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements. The directors of the Company are responsible for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".


.....
JOHN F SHUTE
Chartered Accountant

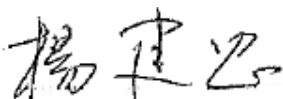
Dated 4 September 2017

DIRECTORS' DECLARATION

In the opinion of the Directors of Kaili Resources Limited:

- a. The consolidated financial statements and notes of Kaili Resources Limited are in accordance with the Corporations Act 2001, including:
 - i Giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
 - ii Complying with Accounting Standard AASB 134 Interim Financial Reporting; and
- b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Jianzhong Yang
Director

Dated this 4th of September 2017

**Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For The Half-Year Ended 30 June 2017**

	Note	30 June 2017 \$	30 June 2016 \$
Revenue			
Interest income		5,023	17,119
Other income		-	57,985
		5,023	75,104
Expenses			
Depreciation expense		(193)	(8,894)
Employee benefits expense		(201,623)	(161,883)
Projects written off		-	(52,619)
Other expenses	6	(144,185)	(84,189)
Loss before income tax expense		(340,978)	(232,481)
Income tax expense		-	-
Loss for the period		(340,978)	(232,481)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(340,978)	(232,481)
Loss attributable to:			
- members of the Parent Entity		(340,978)	(232,481)
Total comprehensive loss attributable to:			
- members of the Parent Entity		(340,978)	(232,481)
		Cents	Cents
Earnings per share			
Basic and diluted loss per share		(0.35)	(0.24)

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position**As At 30 June 2017**

	30 June 2017 \$	31 December 2016 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,654,505	2,018,983
Trade and other receivables	7,535	29,611
Prepayments	16,955	26,078
Financial assets	10,395	13,860
TOTAL CURRENT ASSETS	<u>1,689,390</u>	<u>2,088,532</u>
NON-CURRENT ASSETS		
Financial assets	2,500	5,000
Property, plant and equipment	1,005	1,198
Exploration and evaluation expenditure	685,703	609,200
TOTAL NON-CURRENT ASSETS	<u>689,208</u>	<u>615,398</u>
TOTAL ASSETS	<u>2,378,598</u>	<u>2,703,930</u>
CURRENT LIABILITIES		
Trade and other payables	48,543	32,897
TOTAL CURRENT LIABILITIES	<u>48,543</u>	<u>32,897</u>
TOTAL LIABILITIES	<u>48,543</u>	<u>32,897</u>
NET ASSETS	<u>2,330,055</u>	<u>2,671,033</u>
EQUITY		
Issued capital	982,669	982,669
Reserves	1,347,386	1,688,364
TOTAL EQUITY	<u>2,330,055</u>	<u>2,671,033</u>

The accompanying notes form part of this financial report.

Consolidated Statement of Changes In Equity

For The Half-Year Ended 30 June 2017

	Share capital	Share premium	Contribu- ted surplus	Foreign currency translation	Accumulated losses	Total
	\$	\$			\$	\$
Balance at 1 January 2016	982,669	23,321,106	7,553,193	(1,358,572)	(27,202,043)	3,296,353
Total comprehensive loss for the period	-	-	-	-	(232,481)	(232,481)
Balance at 30 June 2016	982,669	23,321,106	7,553,193	(1,358,572)	(27,434,524)	3,063,872
Balance at 1 January 2017	982,669	23,321,106	7,553,193	(1,358,572)	(27,827,363)	2,671,033
Total comprehensive loss for the period	-	-	-	-	(340,978)	(340,978)
Balance at 30 June 2017	982,669	23,321,106	7,553,193	(1,358,572)	(28,168,341)	2,330,055

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

For the Half-Year Ended 30 June 2017

	30 June 2017	30 June 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	57,985
Payments to suppliers and employees	(279,561)	(248,939)
Net cash outflow from operating activities	(279,561)	(190,954)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(91,699)	(75,430)
Receipt for security deposit	2,500	-
Payments for plant and equipment	-	(8,699)
Interest received	5,023	17,119
Net cash outflow from investing activities	(84,176)	(67,010)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash inflow from financing activities	-	-
Net (decrease) in cash held	(363,737)	(257,964)
Cash and cash equivalents at the beginning of period	2,018,983	2,908,501
Effect of exchange rates on cash holding in foreign currencies	(741)	(250)
Cash and cash equivalents at the end of period	1,654,505	2,650,287

The accompanying notes form part of this financial report.

Notes to Financial Statements For the Half-Year Ended 30 June 2017

Note 1 – Nature of operations

Kaili Resources Limited and subsidiaries' (the Group) principal activities consisted of investment in exploration for coal, energy, gold, iron and other resources.

Note 2 – General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six months ended 30 June 2017 are presented in Australian dollar (\$), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 4th of September 2017.

Note 3 – Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2016. The accounting policies have been adopted consistently throughout the Group for the purpose of preparation of these interim financial statements

Note 4 – Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2016.

Notes to Financial Statements For the Half-Year Ended 30 June 2017(continued)

	30 June 2017	30 June 2016
	\$	\$
Note 6 – Other expenses from ordinary activities		
ASX fees	15,638	4,133
Accounting and tax fees	41,395	33,799
Audit fees	4,950	4,550
Share registry	4,090	4,034
Legal, professional and consulting fees	21,015	34,419
Operating leases	22,050	-
Fees and charge	26,193	1,447
Other	8,854	1,807
	<u>144,185</u>	<u>84,189</u>

Note 7 – Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Parent Company as the numerator i.e. no adjustments to profits were necessary for the six month period to 30 June 2017 and 2016.

Note 8 – Operating segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group has identified its operating segment as the Mining Sector in Australia. All segments assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared. This position has not changed from the prior period.

Note 9 – Commitments**Exploration Expenditure Commitments**

The Group holds eight granted tenements in Australia. A condition of the tenements is that the Group is required to meet minimum committed requirements to maintain current rights of tenure. These commitments may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements and are due as follows from balance date:

Within twelve months	199,000	299,000
Twelve months or longer and not longer than 5 years	893,000	1,005,000
Longer than five years	-	-
	<u>1,092,000</u>	<u>1,304,000</u>

The Group has obligations to restore land and rehabilitate areas disturbed during exploration. Cash deposit of \$2,500 (2016: \$5,000) has been provided as security for compliance with the conditions of the tenements.

Notes to Financial Statements For the Half-Year Ended 30 June 2017(continued)

Note 10 - Contingent Liabilities

At balance date, the Group has given guarantees totalling \$40,000 for compliance with the conditions of the exploration licences granted in Western Australia.

Note 11 – Events after Balance Date

In the opinion of the Directors, no items, transactions or events of a material or unusual nature have arisen in the interval between the end of the financial period and the date of this report which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.