

**KAILI RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

*ARBN 077 559 525*

**Half-Year Financial Report  
30 June 2018**

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## **CORPORATE DIRECTORY**

### **Directors**

Jianzhong Yang  
Executive Chairman

Kaiyuan Yang  
Non-Executive

Yutian Bai  
Executive

### **Company Secretaries**

Long Zhao  
Robert Lees

### **Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### **Representative Office in Australia**

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Suite 1612, Level 16  
87-89 Liverpool Street,  
Sydney NSW 2000  
Australia

Telephone: +61 2 8386 5713  
Facsimile: +61 2 9283 7166

### **Share Registry in Australia**

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street  
Sydney NSW 2000  
Australia  
Telephone: 1300 855 080 (within Australia)  
Telephone: +61 3 9415 4000 (outside Australia)  
Facsimile: +61 2 8234 5050

### **Auditor**

John Shute  
Chartered Accountant  
321 Pitt Street  
Sydney NSW 2000  
Australia

### **Home Stock Exchange**

ASX Limited  
20 Bridge St  
Sydney NSW 2000  
Australia

ASX Code: KLR

### **Website**

[www.kailigroup.com.au](http://www.kailigroup.com.au)

## REVIEW OF OPERATIONS

### EXPLORATION

#### HIGHLIGHTS

##### Kookynie Gold Project in Western Australia

- Elevated gold in soil associated structures and contacts at Jungle Hill.
- Elevated As, Pb and Cu in rock samples at Jungle Hill and Eight Mile.
- Drilling contract awarded for 2,000m RC drilling at Jungle Hill.

##### Halls Creek Cobalt/Gold Project in Western Australia

- Native title agreements signed with the Kimberley Land Council.
- Grant of all tenements under application are awaited.

##### Maryvale Coal Project in Queensland

- Compulsory 50% tenement reduction completed.
- Review of next exploration phase ongoing.

All granted tenements are up to date regarding statutory requirements.



Figure 1: Kaili Resources project locations

PROJECT LOCATION	TENEMENT AREA IN SUB BLOCKS	TENEMENT AREA IN KM <sup>2</sup>
Queensland	27	86.4
Western Australia	206	659.0
<b>Total Area</b>	<b>233</b>	<b>745.4</b>

Table 1: Kaili Resources granted tenement areas, all held 100%. km<sup>2</sup> has been calculated at approximately 3.2 km<sup>2</sup> per block

**WESTERN AUSTRALIA.**

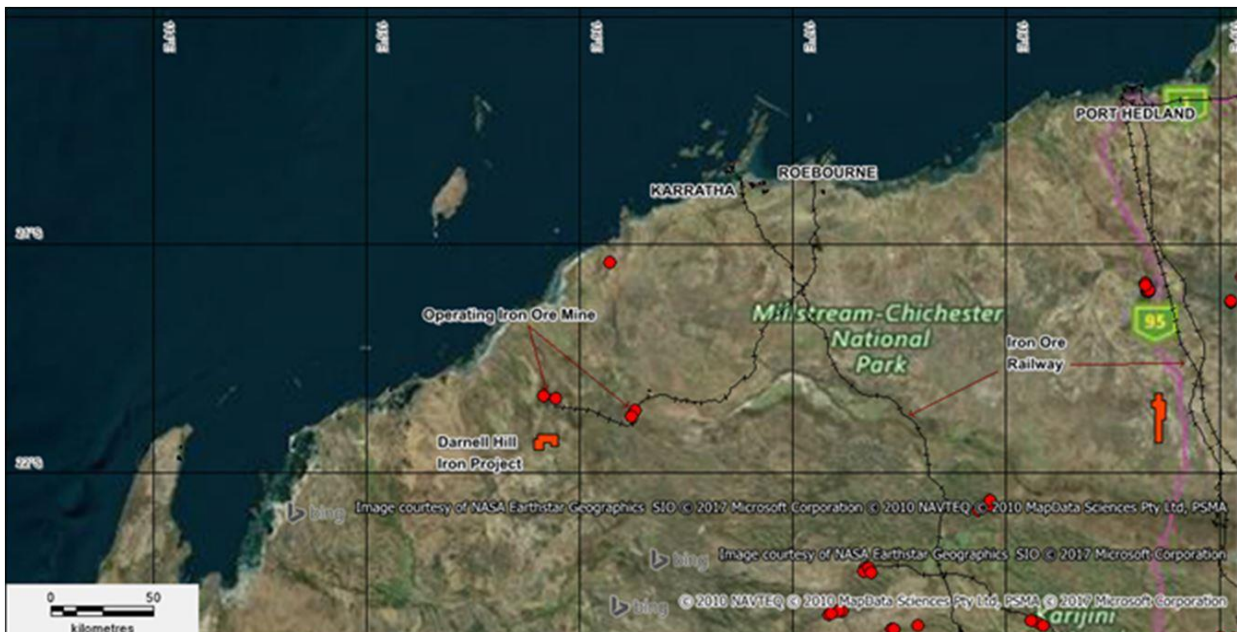
**Pilbara Craton (Darnell Hill, Bustlers’ Bore and Bea Bea Creek) Iron Projects**

*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.*

Work programs have been submitted to Native Title parties for the Bea Bea Creek and Darnell Hill tenements with the work program for Darnell Hill approved. A Mugarinya community meeting was held and the work program for the Bea Bea Creek tenement explained to the Traditional Owners. An in principle agreement was given for the work program subject to approval of a budget which will be supplied to Kaili.

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



**Figure 2: Kaili Resources Darnell Hill and Bea Bea Creek Iron Projects in orange.**

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.

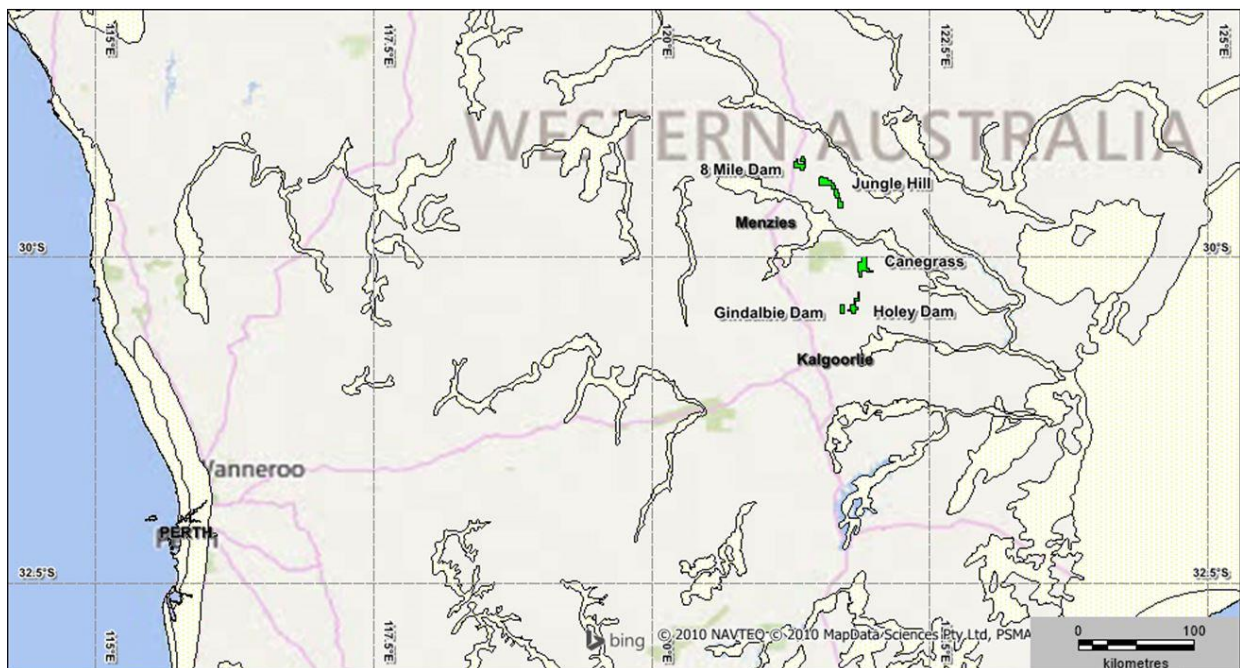


*Channel Iron Deposit (CID) outcrop from Bustler Bore Tenement at left showing a close up of the pisolitic iron mineralisation at right with arrows showing wood fragments (brown) typical of CID iron mineralisation.*

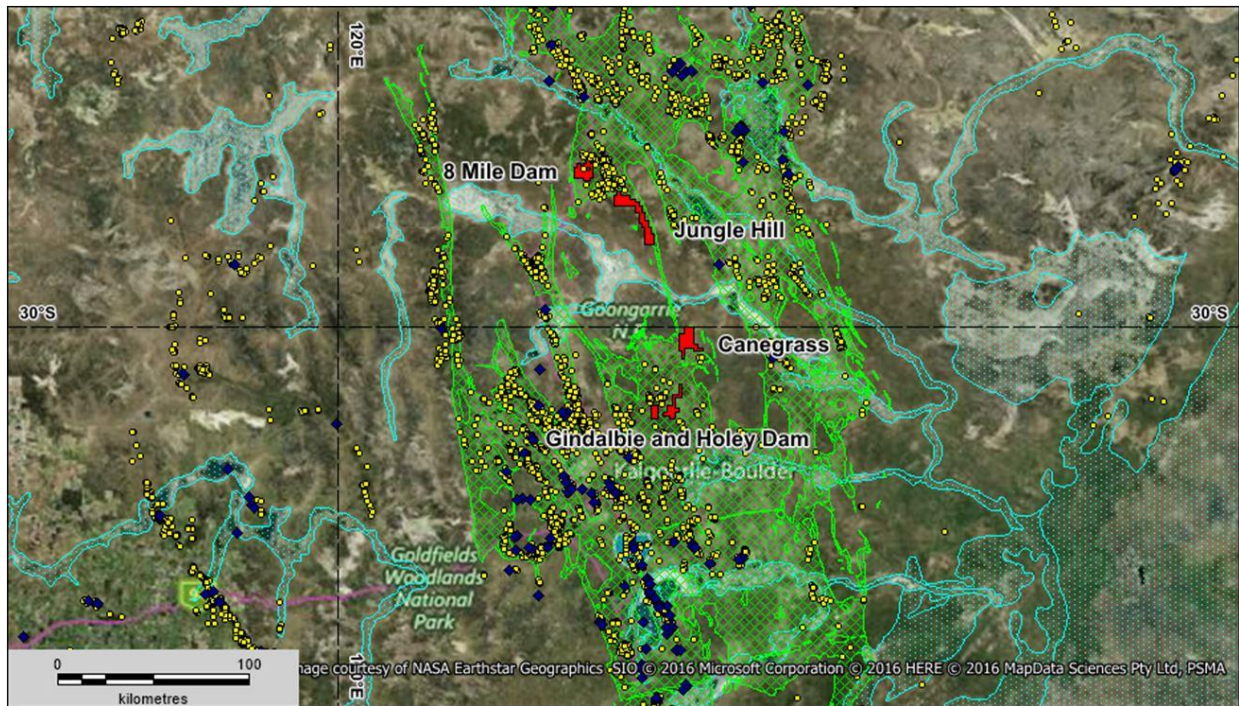
**Yilgarn Craton (Gindalbie and Kookynie) Gold Projects**

*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 grante.*

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



**Figure 3: Kaili Resources Western Australian Gold Projects.**



**Figure 4:** 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 4**). 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 half year, results for the Phase 1 soil/rock sampling was completed within the Eight Mile Dam tenement (**Figure 5**) and Phase 2 soil/rock sampling within the Jungle Hill tenement (**Figure 6**). 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 delivered 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. The soils samples submitted to ALS were:

Jungle Hill – JHSS487 – 840 (354 soil samples) and JHRC020 – 046 (19 rock samples).

Eight Mile Dam – EMS001-170, 227-250 and 354-362 (203 soil samples) and JHRC020-046(27 rock samples).

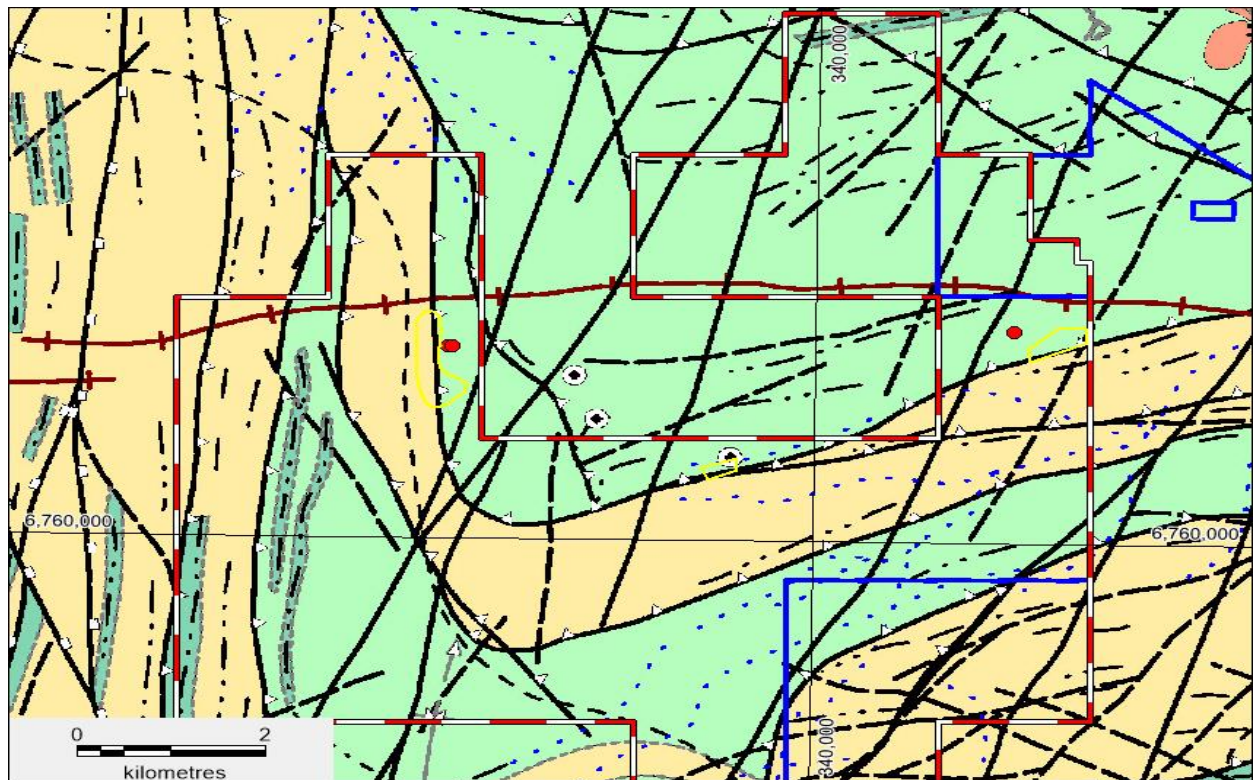


Figure 5 Eight Mile Dam Sample Locations – Elevated Au in Soil shown as yellow polygons.

Figure 5 shows the interpreted lithostructural interpretation for the Eight Mile tenement comprising a broadly folded felsic (tan) and mafic (green) volcanic stratigraphy intersected by numerous NE and NW trending structures. The anomalous gold in soil areas are shown in yellow and are located at the intersection of a mafic and felsic volcanic unit. There were no significant results from the limited rock sampling however, the soil sampling highlighted 3 elevated gold in soil results in the range 4 to 10 ppb (10% of the population). The low level of Au in soil anomalous is disappointing however infill soil sampling will be carried out in and around the 3 areas with elevated gold in soil results.

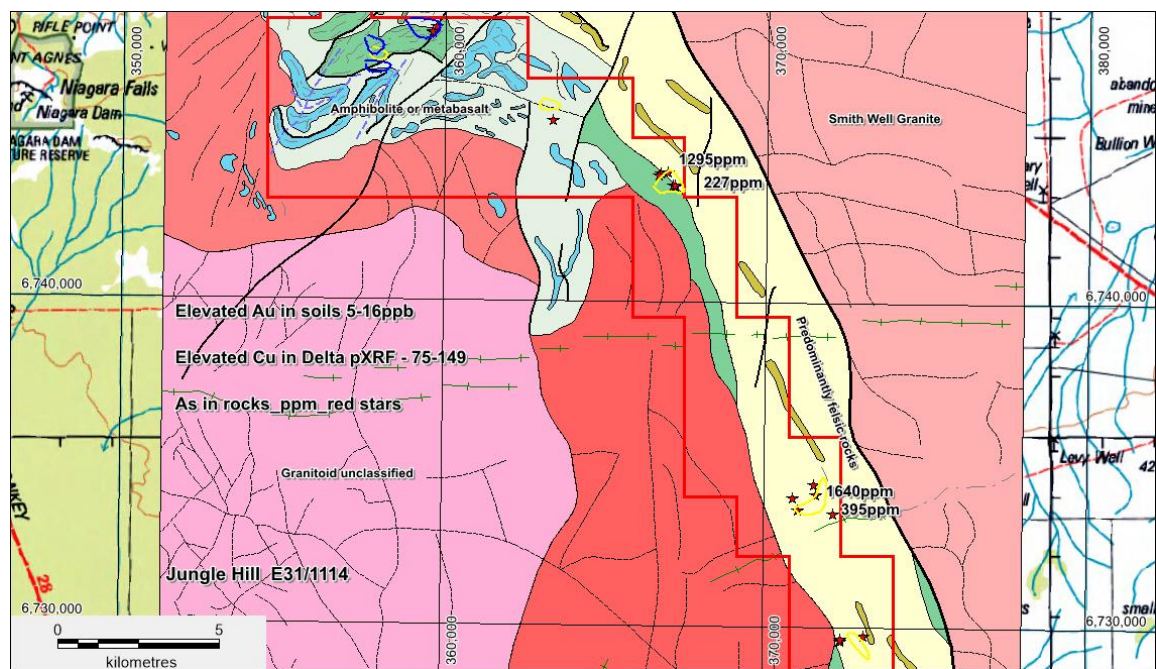
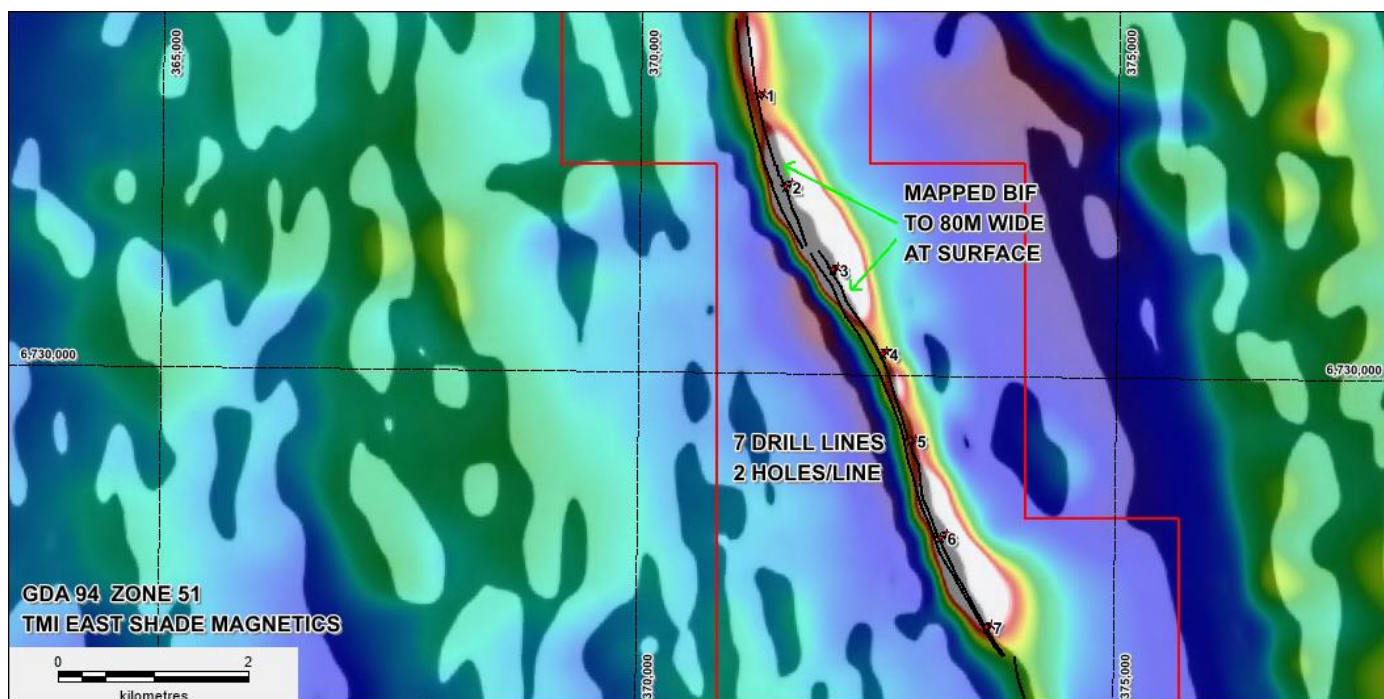


Figure 6 Jungle Hill Dam Sample Locations – Elevated Au in Soil shown as yellow polygons, Cu as blue polygons and As as red stars.



Sampling within the Jungle Hill tenements has highlighted several low order Au in soils, areas (**Figure 6**) were delineated from the sampling program with elevated zones of 5-16 ppb Au or 5% of the sample population. Some of these elevated areas of Au ppb in soil had rock chip As ppm results to 1640 ppm. Elevated Cu in pXRF readings in the northern portion of the tenement ranged from 75 to 149 ppm with some associated with possible base metal gossans. Further surficial sampling is planned to target the Au/As areas in the south of the tenement and the elevated Cu areas in the north.



*Figure 7 Jungle Hill Dam showing the 7 planned drill traverses*

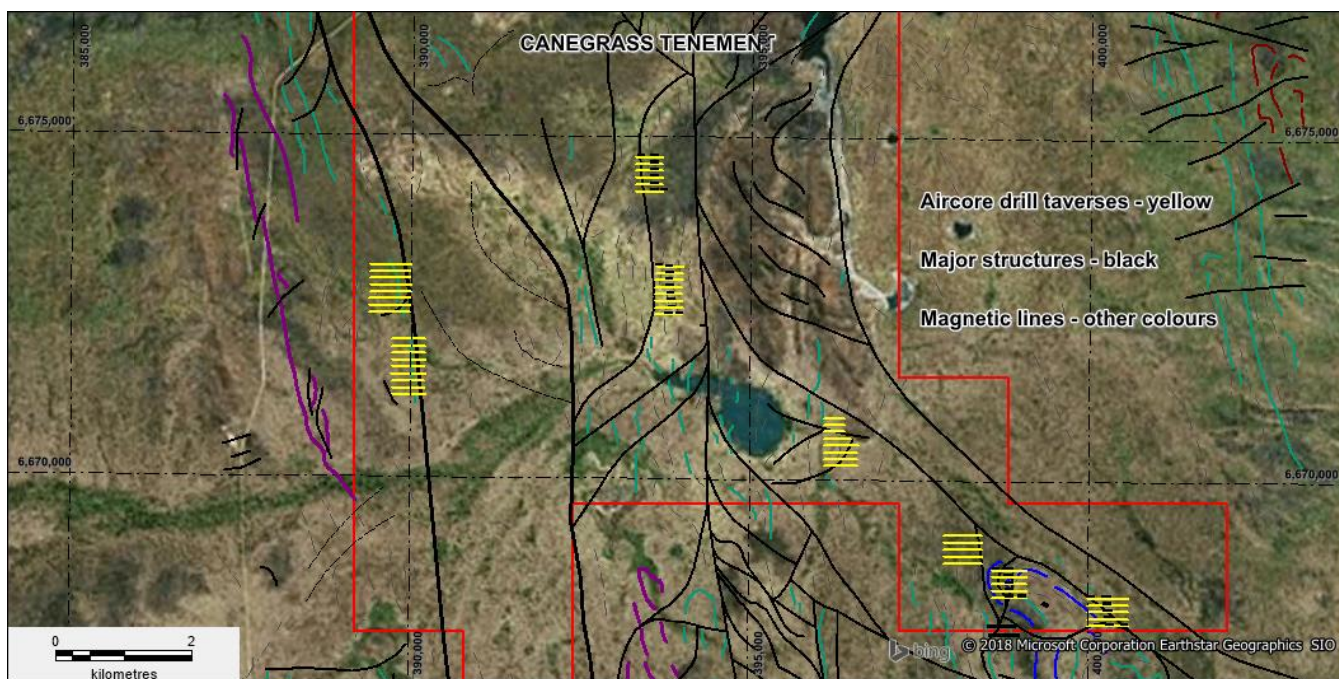
Drilling is planned to commence at the Jungle Hill tenement in second half year with 14 RC holes planned on 7 drill lines (**Figure 7 and 8**). On each line the two RC holes will be targeting BIF at -50m and -100m with the upper hole likely to encounter oxidised BIF and the lower hole unoxidized BIF. At the surface the BIF comprised both hematite and magnetite variants, with the hematite rich component favoured for DSO style iron mineralisation. A total of 200m of RC drilling is planned and the Program of Works (POW) has been approved by the WA Government and a heritage survey has been completed.



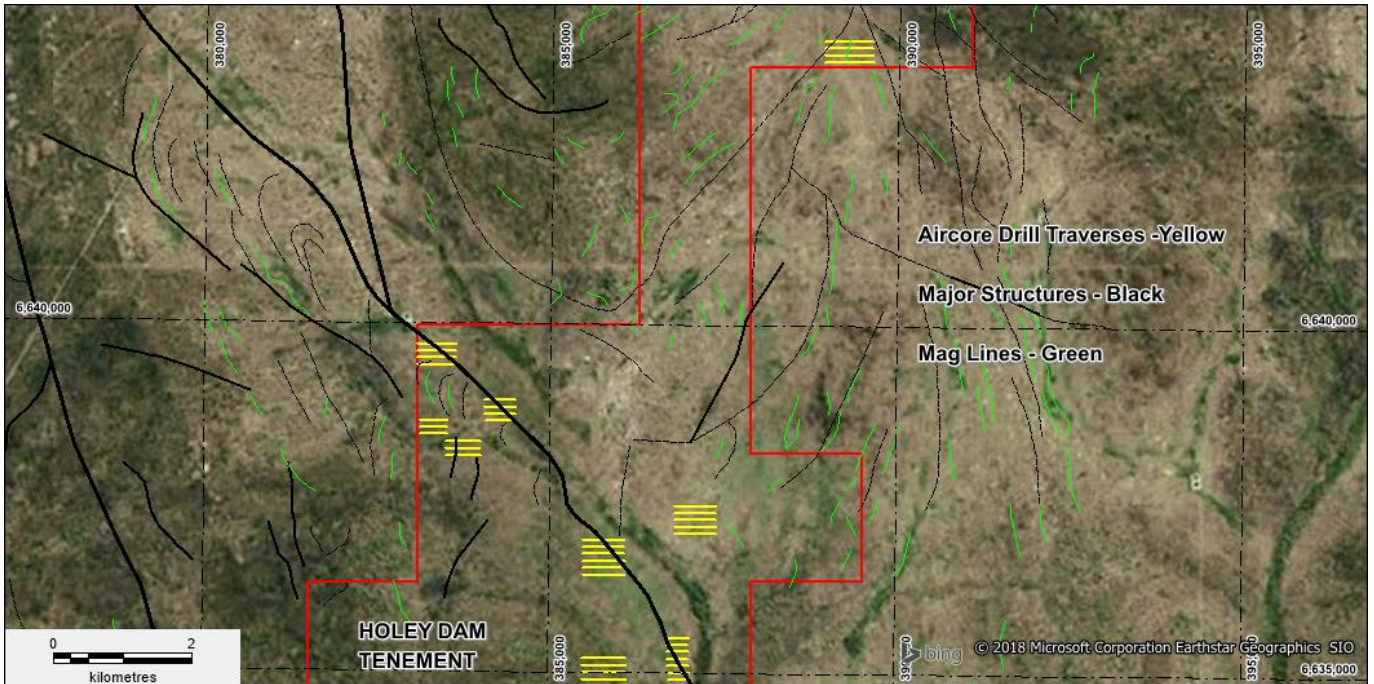
*Figure 8 Jungle Hill Tenement – Aerial image showing the BIF and two of the drill traverses.*

The BIF has a distinctive geobotanical signature with the BIF being devoid of trees and having only low grass cover whereas the adjacent felsic volcanics are covered by a variable thickness of mature Mulga vegetation.

Planning for drill testing gold/structural targets in the Canegrass and Holey Dam tenements is underway. Shallow grid based Vacuum drilling is planned along E-W lines with vertical hole depths anticipated in the range of 5-15m (Figures 9 and 10).



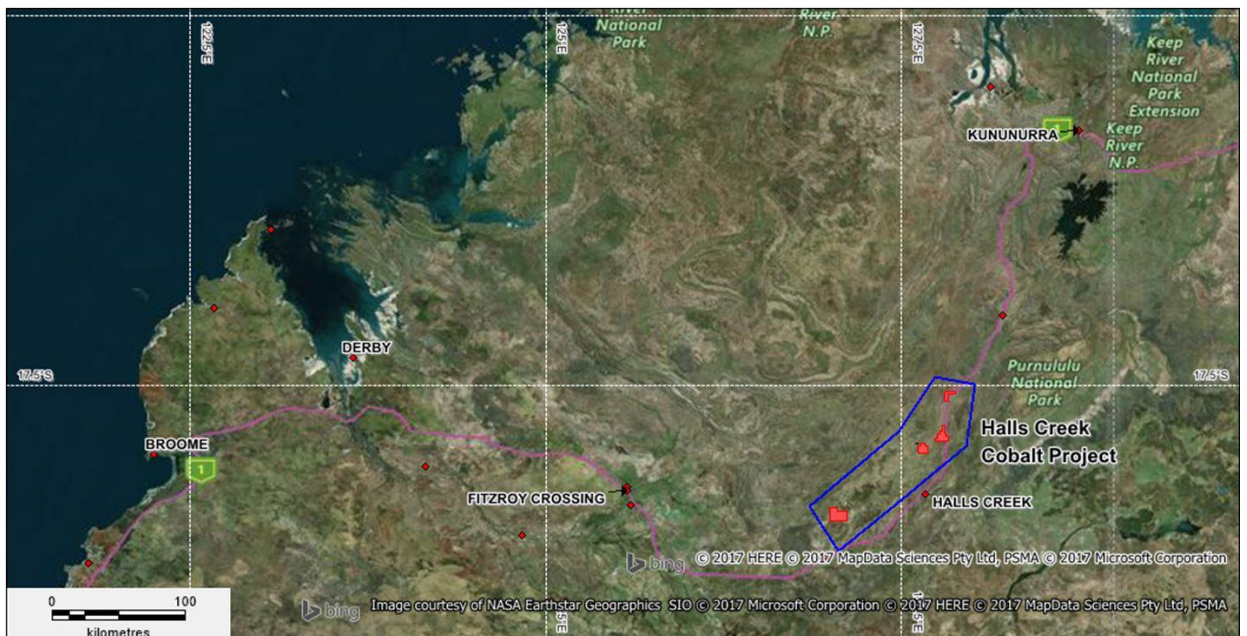
*Figure 9 Canegrass Tenement – Aerial image showing structure and proposed aircore drill traverses.*



*Figure 10 Holey Dam Tenement – Aerial image showing structure and proposed vacuum drill traverses*

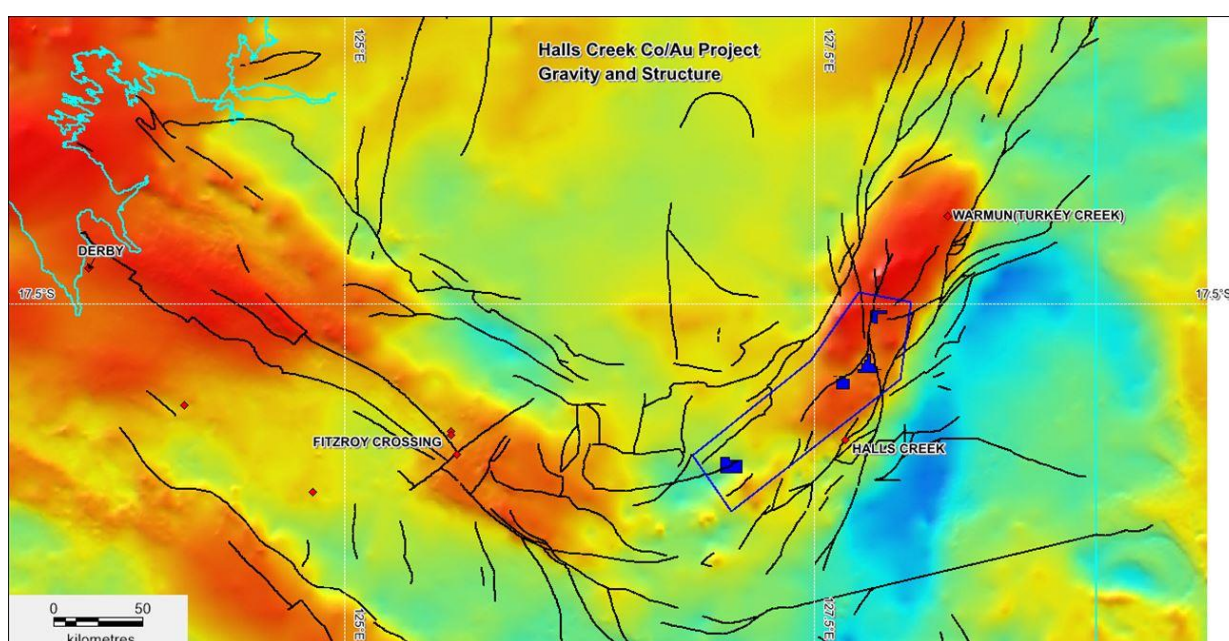
**Halls Creek – (Black and Glidden, Carrington, Sandy Creek and Wild Dog) Cobalt/Gold Projects**

*E80/5112 (Black and Glidden), E80/5113 (Carrington), E80/5114 (Sandy Creek) and E80/5115 (Wild Dog) are applications for 100% interests by wholly owned subsidiary Kaili Iron Pty Ltd. All tenements are not yet granted.*



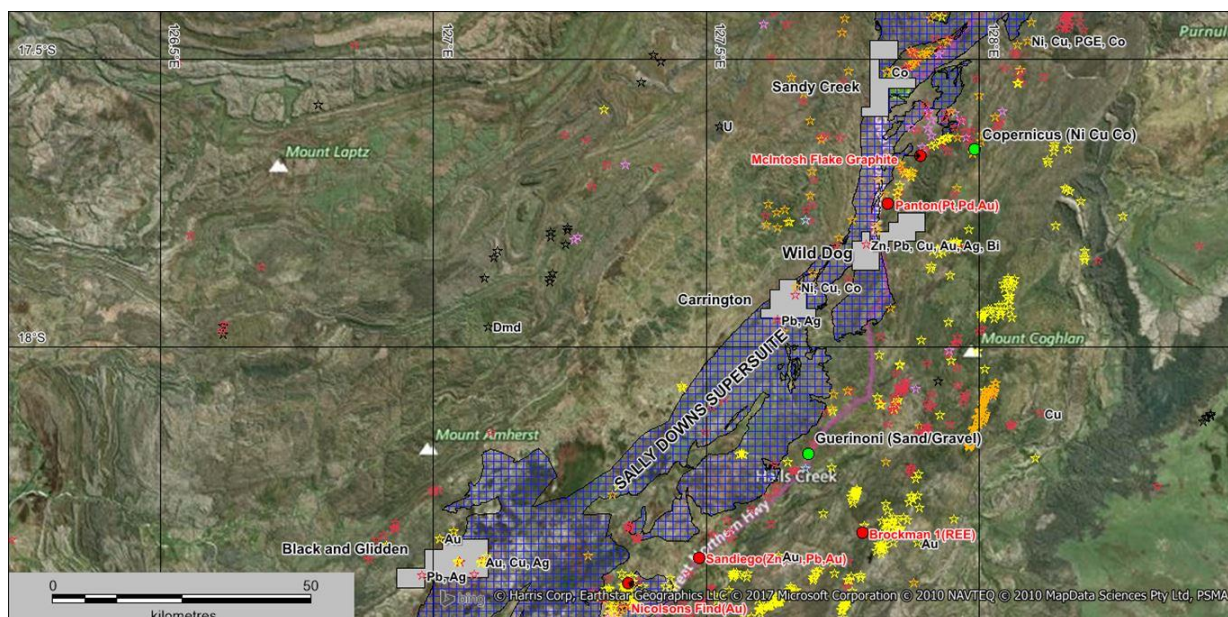
*Figure 11 Halls Creek Orogen project showing the 4 tenement applications located adjacent to the town of Halls Creek.*

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

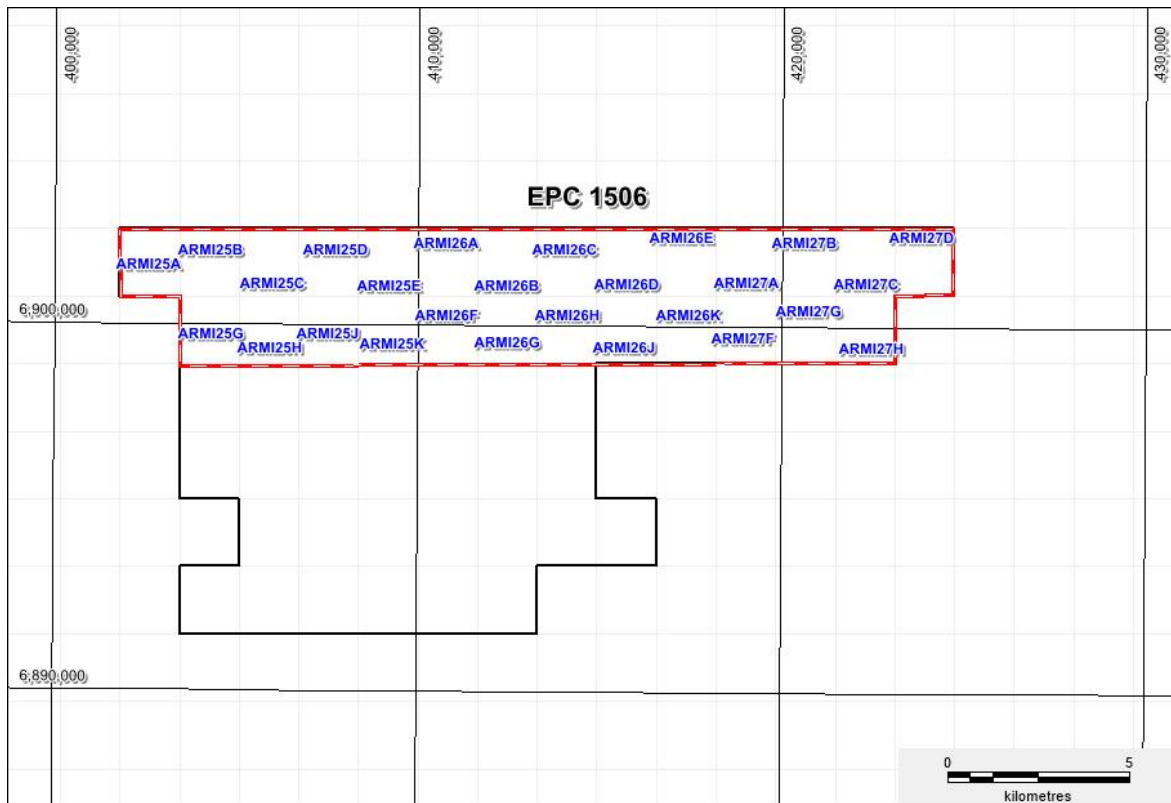
*EPC1506 is held 100% by wholly owned subsidiary APEC Coal Pty Ltd*

During the half year a compulsory 50% reduction was submitted. The original 53 sub block EPC was reduced by 26 sub blocks to 27 sub blocks

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.

A 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 have been delineated in February 2017.



**Figure 14** EPC 1506 showing the relinquished sub blocks in the north of the tenement.

## LICENCES STATUS

Pursuant to ASX Listing Rule 5.4.3 the Company reports as follows in relation to minerals tenements (**Table 2**) held at the end of the Half Year 2018 and acquired or disposed of during that quarter and their locations. 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
<b>Granted</b>								
9/03/2017	E08/2770-1	Darnell Hill	Iron	WA - Pilbara Craton	Kaili Iron Pty Ltd	100%	67.2	8/03/2022
28/07/2016	E45/4619-1	Bea Bea Creek	Iron	WA - Pilbara Craton	Kaili Iron Pty Ltd	100%	105.6	27/07/2021
21/11/2016	E46/1084-1	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	30/06/2021
1/07/2016	E27/549	Gindalbie Dam	Gold	WA - Yilgarn Craton	Kaili Gold Pty Ltd	100%	25.6	30/06/2021
13/05/2009	EPC 1506	Maryvale 1	Coal	QLD - Surat Basin	APEC Coal Pty Ltd	100%	86.4	13/05/2020
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
							1033.6	

**Table 2: 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 Group'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 2018 was \$402,844 (2017: \$340,978).

#### **Financial Position**

Cash at 30 June 2018 was \$634,527 (31 December 2017: \$1,135,682). Current assets, held mainly in cash, decreased from \$1,178,155 at 31 December 2017 to \$665,139 at 30 June 2018 with the Group funding operations for the period from its cash resources.

Current liabilities were \$50,896 (31 December 2017: \$73,408).

Net assets decreased from \$1,958,926 at 31 December 2017 to \$1,556,082 at 30 June 2018.

#### **Cash Flows**

Operating activities resulted in net outflow of \$407,745 (2017: outflow \$279,561) as the Group is still in the exploration phase with no revenue from its principal activities. Net cash used in investing activities was \$93,954 (2017: \$84,176) 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 2018.

### **Directors**

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

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

### **Operating Results**

Total comprehensive loss for the half-year ended 30 June 2018 was \$402,844 (2017: loss \$340,978).

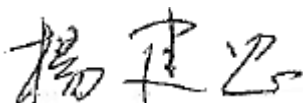
### **Review of Operations**

A review of operations for the half-year ended 30 June 2018 is set out on pages 3 to 15.

### **Auditor's Independence Declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 17, and forms part of this Directors' Report.

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



Jianzhong Yang  
Director

Dated this 13<sup>th</sup> day of September 2018

**Kaili Resources Limited  
And Controlled Entities**

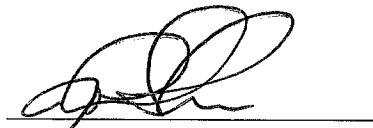
**AUDITORS INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

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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 2018 there has been:

- a) no contraventions of the independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of 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 13<sup>th</sup> September 2018

**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)**

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*Introduction*

We have reviewed the condensed financial report set out on pages 19 to 26, 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 2018, 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 2018 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".



JOHN F SHUTE  
*Chartered Accountant*

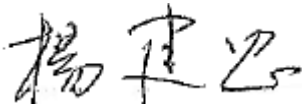
Dated 13<sup>th</sup> September 2018

## 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 2018 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 13<sup>th</sup> day of September 2018

**Consolidated Statement of Profit or Loss  
and Other Comprehensive Income  
For The Half-Year Ended 30 June 2018**

	<b>Note</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Interest income		939	5,023
		<u>939</u>	<u>5,023</u>
<b>Expenses</b>			
Depreciation expense		(193)	(193)
Employee benefits expense		(270,449)	(201,623)
Other expenses	6	(133,141)	(144,185)
		<u>(402,844)</u>	<u>(340,978)</u>
<b>Loss before income tax expense</b>			
Income tax expense		-	-
		<u>-</u>	<u>-</u>
<b>Loss for the period</b>			
		<u>(402,844)</u>	<u>(340,978)</u>
<b>Other comprehensive income</b>			
		<u>-</u>	<u>-</u>
<b>Other comprehensive income for the period, net of tax</b>			
		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the period</b>			
		<u>(402,844)</u>	<u>(340,978)</u>
<b>Loss attributable to:</b>			
- members of the Parent Entity		<u>(402,844)</u>	<u>(340,978)</u>
<b>Total comprehensive loss attributable to:</b>			
- members of the Parent Entity		<u>(402,844)</u>	<u>(340,978)</u>
		<u>(402,844)</u>	<u>(340,978)</u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>			
Basic and diluted loss per share		<u>(0.41)</u>	<u>(0.35)</u>

*The accompanying notes form part of this financial report.*

## Consolidated Statement of Financial Position

### As At 30 June 2018

	<b>30 June 2018</b>	<b>31 December 2017</b>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	634,527	1,135,682
Trade and other receivables	7,284	9,205
Prepayments	12,433	22,373
Financial assets	10,895	10,895
<b>TOTAL CURRENT ASSETS</b>	<b>665,139</b>	<b>1,178,155</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	612	805
Financial assets	2,500	2,500
Exploration and evaluation expenditure	938,727	850,874
<b>TOTAL NON-CURRENT ASSETS</b>	<b>941,839</b>	<b>854,179</b>
<b>TOTAL ASSETS</b>	<b>1,606,978</b>	<b>2,032,334</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	50,896	73,408
<b>TOTAL CURRENT LIABILITIES</b>	<b>50,896</b>	<b>73,408</b>
<b>TOTAL LIABILITIES</b>	<b>50,896</b>	<b>73,408</b>
<b>NET ASSETS</b>	<b>1,556,082</b>	<b>1,958,926</b>
<b>EQUITY</b>		
Issued capital	982,669	982,669
Reserves	573,413	976,257
<b>TOTAL EQUITY</b>	<b>1,556,082</b>	<b>1,958,926</b>

*The accompanying notes form part of this financial report.*

**Consolidated Statement of Changes In Equity****For The Half-Year Ended 30 June 2018**

	<b>Share capital</b>	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Foreign currency translation</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>			<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2017</b>	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)
<b>Balance at 30 June 2017</b>	982,669	23,321,106	7,553,193	(1,358,572)	(28,168,341)	2,330,055
<b>Balance at 1 January 2018</b>	982,669	23,321,106	-	-	(22,344,849)	1,958,926
Total comprehensive loss for the period	-	-	-	-	(402,844)	(402,844)
<b>Balance at 30 June 2018</b>	982,669	23,321,106	-	-	(22,747,693)	1,556,082

*The accompanying notes form part of this financial report.*

## Consolidated Statement of Cash Flows

### For the Half-Year Ended 30 June 2018

	30 June 2018	30 June 2017
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(407,745)	(279,561)
<b>Net cash outflow from operating activities</b>	(407,745)	(279,561)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration and evaluation expenditure	(94,893)	(91,699)
Proceeds from/(Payments for) security deposits	-	2,500
Interest received	939	5,023
<b>Net cash outflow from investing activities</b>	(93,954)	(84,176)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Net cash inflow from financing activities</b>	-	-
<b>Net (decrease) in cash held</b>	(501,699)	(363,737)
Cash and cash equivalents at the beginning of period	1,135,682	2,018,983
Effect of exchange rates on cash holding in foreign currencies	544	(741)
<b>Cash and cash equivalents at the end of period</b>	634,527	1,654,505

*The accompanying notes form part of this financial report.*



## Notes to Financial Statements For the Half-Year Ended 30 June 2018

### 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 2018 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 2017 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 13 September 2018.

### 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 2017. The accounting policies have been adopted consistently throughout the Group for the purpose of preparation of these interim financial statements

### Note 4 – Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to pay its debts as and when they become due and payable. At balance date the Group had current assets of \$665,139 including total cash of \$634,527, current liabilities of \$50,896 and has incurred a net loss of \$ 402,844 in the period. In addition, the Group has an unfulfilled expenditure requirement under its exploration licences of \$263,000 for the next 12 months.

The Company has received a letter of financial support from its largest and substantial shareholder, Inner Mongolia Yitai Investment Co., Limited undertaking to make available funds of up to A\$1 million for next 12 months to ensure that the Group continues to be able to pay its debts as and when they fall due, and continues as a going concern for the next 12 months from the date of this report. If for any reason, the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise its assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

### Note 5 – 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.

**Notes to Financial Statements For the Half-Year Ended 30 June 2018 (continued)**

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 2017.

	<b>30 June 2018</b>	<b>30 June 2017</b>
	\$	\$
<b>Note 6 – Other expenses from ordinary activities</b>		
ASX fees	7,615	15,638
Accounting and tax fees	31,865	41,395
Audit fees	5,700	4,950
Share registry	4,325	4,090
Legal, professional and consulting fees	23,640	21,015
Operating leases	22,239	22,050
Fees and charges	17,149	26,193
Travel, accommodation & conferences	6,699	1,062
Other	13,909	7,792
	<u>133,141</u>	<u>144,185</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 2018 and 2017.

**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.

**Notes to Financial Statements For the Half-Year Ended 30 June 2018 (continued)****Note 9 – Commitments****Exploration Expenditure Commitments**

The Group holds nine 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:

	<b>30 June 2018</b>	<b>30 June 2017</b>
	\$	\$
Within twelve months	263,000	199,000
Twelve months or longer and not longer than 5 years	797,000	893,000
	<u>1,060,000</u>	<u>1,092,000</u>

The Group has obligations to restore land and rehabilitate areas disturbed during exploration. Cash deposit of \$2,500 (2017: \$2,500) has been provided as security for compliance with the conditions of the tenements.

**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 other than the following:

- On 5 June 2018, the Company established a sale facility for holders of less than marketable parcel of shares in the Company. There were 1,003 shareholders who held less than 14,285 shares with a market value of less than \$500 (“Small Shareholding”). On completion of the Small Shareholding sale facility, 410,167 shares were sold off-market and 729 relevant shareholders were paid a total of \$15,176 on 6 September 2018.