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ASX ANNOUNCEMENT

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HIGH GRADE IRON ASSOCIATED WITH CHANNEL IRON DEPOSIT (CID) COMFIRMED AT BUSTLER BORE PROJECT

- Surficial geochemical sampling and mapping at Bustler Bore Project in the Pilbara Region confirms high grade iron associated with Channel Iron Deposit (CID)

Figure 1 *Bustler Bore project location*

Kaili Resources Limited (Kaili) is pleased to announce the completion of a program of surficial geochemical sampling and geological mapping at the Bustler Bore project in the Pilbara region of Western Australia (**Figure 1**). A total of 249 DELTA XRF Readings and 19 rock samples were collected. All tenements (**Table 1**) are owned 100% by wholly owned subsidiary company Kaili Iron Pty Ltd. The tenements are located 1,200 km north of Perth and 70 km north of Newman.

Region	Tenement Number	Tenement Name	Commodity	Grant Date	Expiry Date	Sub Blocks	Area (km^2)
Pilbara	E46/I084-I	Bustler Bore	Iron	21/11/2016	20/11/2021	20	64

Table 1 *Tenement Register*

The Pilbara region of WA is host to several world class iron ore mining operations. Kaili has targeted the CID (Channel Iron Deposit) style of iron mineralisation which are formed 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 source of iron for the CIDs is believed to be a Miocene aged iron-rich soils which developed upon a palaeosurface (since eroded) which developed in the Early Miocene during hot, humid conditions. The erosion of this ferritic palaeosurface in the Mid Miocene transported of the iron-rich soils into the palaeodrainage system, where the iron became consolidated within the existing river courses. The river beds were at the time a rich humic swamp with thick vegetation, and accumulation of peats or thick detrital vegetation. Most CIDs are underlain by organic-rich clays and/or Miocene aged lignite. The iron became fixed in place in the river channels and gradually replaced the existing humic material via replacement with goethite.

At each sample site, the Olympus DELTA Premium portable handheld XRF analyser (DELTA) was used to collect a suite of multi element geochemical readings in addition to a 2 kg rock sample at 19 sites which were submitted to ALS in Perth for a suite if iron ore related elements including Loss on Ignition (LOI).

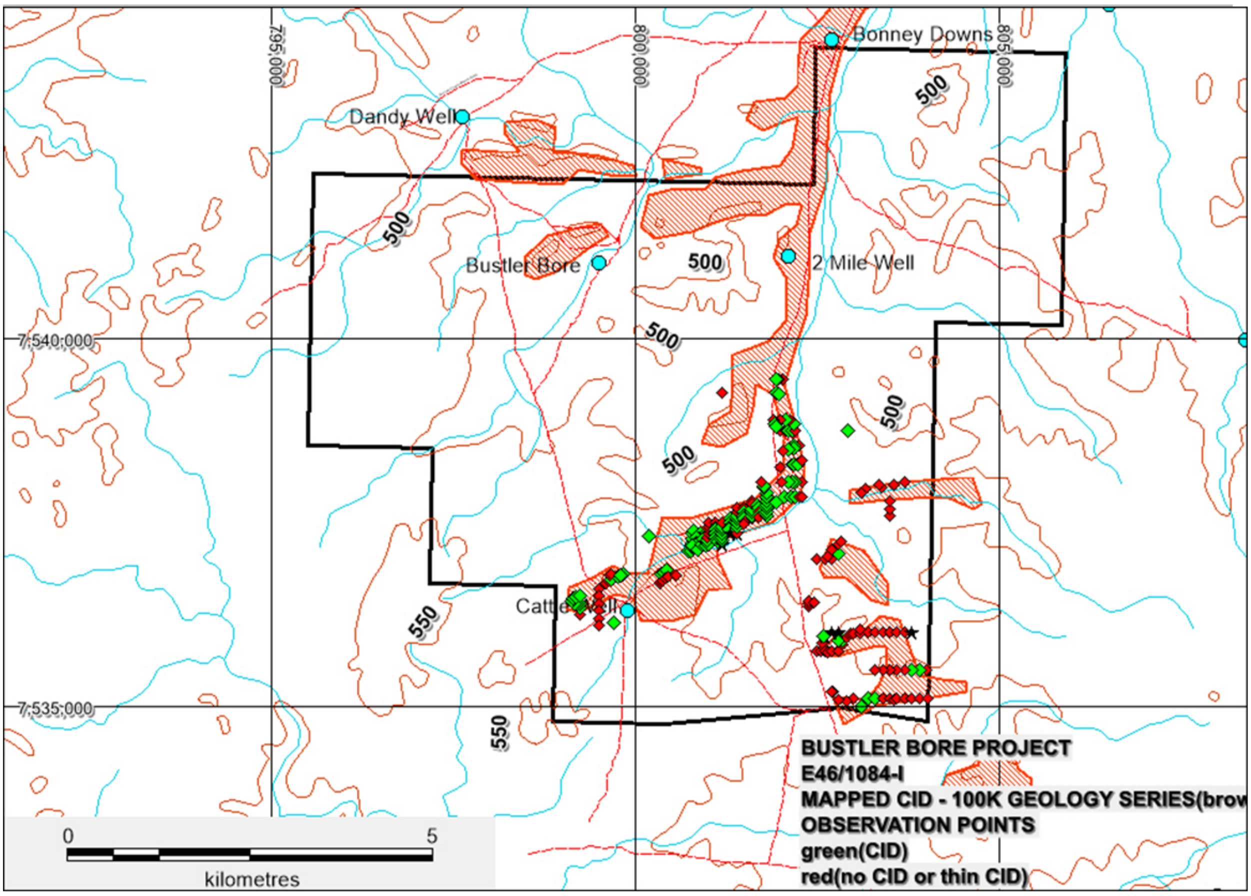

Figure 2 *Bustler Bore project showing DELTA XRF sample sites*

The sample locations are shown in **Figure 2** on the interpreted location of CID style iron mineralisation as shown in the 1:100,000 geological mapping series. In the above figure, the observation points indicate whether there is thin to no CID at that location of if there is abundant CID to >1m in thickness.

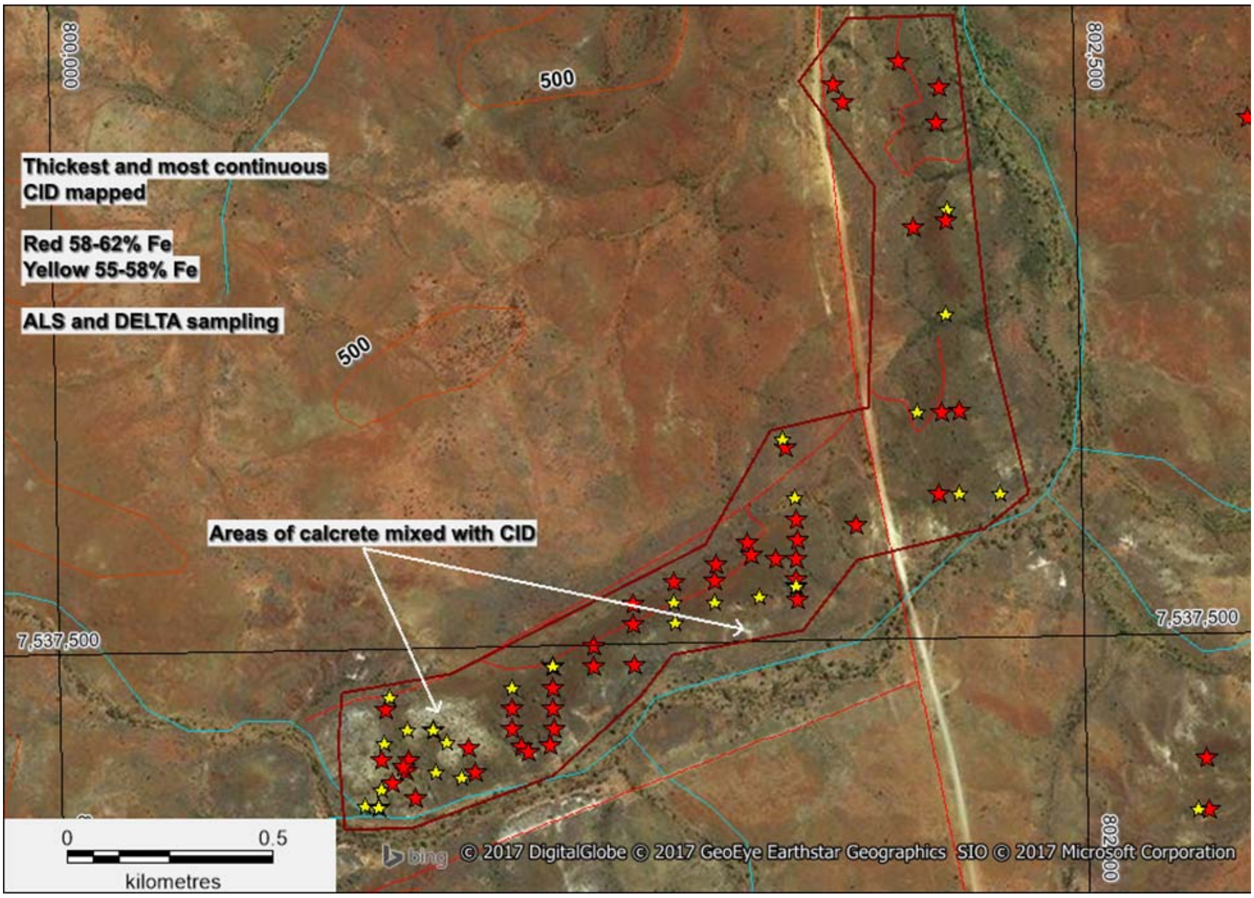

Figure 3 Bustler Bore project showing the area with the most continuous of CID style iron mineralisation in red.

The area of most significant CID development is shown in **Figure 3** and is located to the north of river channel on a small Rise 6-8 m above the level of the river channel.

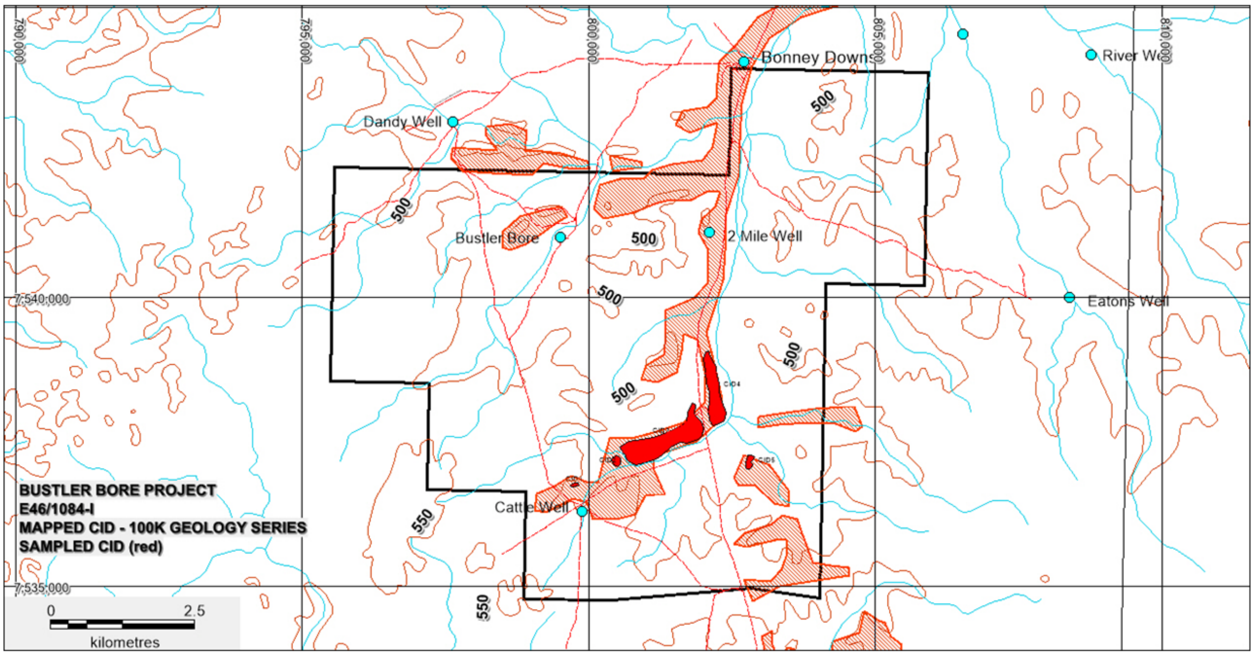

Figure 4 Bustler Bore project showing the area with the most continuous development of CID

The iron ore grade is consistent along the length of the CID (**Figure 4**) with calcrete developed at certain locations along the CID.

The photos show the surface expression of high grade (58-60% Fe) CID style iron mineralisation developed on the small rise adjacent to the river channel. The hand specimen photo shows the pisolitic iron mineralisation with a small light brown wood fragment to the right of the pen.

(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

11th September 2017

JORC Code, 2012 Edition – Table 1 WA Iron Project geochemical sampling– July 2017

Section 1 Sampling Techniques and Data

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

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *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.*	• A portable X-Ray Fluorescence (pXRF) soil geochemical survey was conducted • An Olympus Premium Delta handheld XRF analyzer was used to obtain 240 soil geochemical readings. • 3 standards (including a silica blank) were read at the start and end of each sampling traverse • 19 rock samples (BBRC001 -020) including an OREAS high grade iron standard were submitted to ALS geochemical laboratory in Perth for iron and a suite of iron related elements
Drilling techniques	• *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).*	• Drill hole data is not being reported
Drill sample recovery	• *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.*	• Drill hole data is not being reported
Logging	• *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*	• Drill hole data is not being reported

Criteria	JORC Code explanation	Commentary
	studies. • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *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.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Soil sample sites were prepared by clearing a 10cm2 area to remove any light vegetation and immediate top soil. The instrument was then directly placed on the soil to analyse the area directly. • The elements analysed by the instrument were Cu, Pb, Zn, As, Sb, Bi, Hg, P, S, Cl, K, Ca, Ti, V, Cr, Mn, Fe, Co, Ni, Rb, Sr, Y, Zr, Mo, Cd, Sn, W, Th, U, Te, Nb, Sc, Au and Ag • The 19 rock samples and 1 high grade iron standard were analysed by method ME-XRF 21 for Al203,As,Ba,CaO,Cl,Co,Cr2O3,Cu,Fe,K2O,MgO,Mn,Na2O,Ni,P,Pb,S ,SiO2,TiO2,V,Zn and LOI • The rock samples were crushed to 70% <2mm then 250g was riffle split off with the split pulverised to better than 85% passing 75 microns (PREP 31). • ME-XRF21 is an X-Ray Florescence(XRF) method for analysis of oxides of iron ore and is a lithium borate fusion technique coupled with XRF
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *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.* • *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.*	• Portable XRF sampling carried out using an Olympus Premium Delta handheld XRF analyzer on "Soil" mode, using three beams, each with 30 second duration to give a total analyzing time of 90 seconds. • Handheld XRF analysers are considered to be partial assays • 3 standards including a silica blank were routinely measured at the start and finish of each sampling traverse. • The assays obtained from ALS are a total technique.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Geochemical data generated by the portable XRF instrument and from assays obtained from ALS were checked by the site Project Geologist
Location of	• *Accuracy and quality of surveys used to locate drill holes (collar and*	• All sample locations surveyed using a hand-held GPS accurate to 3

Criteria	JORC Code explanation	Commentary
data points	*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.*	meters. • The grid system used in MGA 94, Zone 51. • Refer to body of report for location of XRF readings
Data spacing and distribution	• *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.*	• Sample spacing along the traverses was 50m apart from one line which has a 50m sample interval. The sample lines were spaced at 100m intervals. • The samples submitted to ALS were collected randomly for areas of >58% Fe as indicated from the DELTA XRF readings
Orientation of data in relation to geological structure	• *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.*	• The portable XRF sampling lines were oriented E-W and approximately perpendicular to the orientation of the target stratigraphy. • The ALS readings were collected randomly as a check to the DELTA hand held XRF readings
Sample security	• *The measures taken to ensure sample security.*	• The Olympus Premium Delta handheld XRF analysers generates unique identifier fields to accompany the readings which cannot be tampered with in any way. • All readings were collected in the field and downloaded at the end of the day by the project geologist. Iron readings were collected at each sample point as a reference point during the data download phase.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• The sampling techniques were reviewed by the principal of geological consulting company Rocktiger who supervised the work program.

Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
Mineral	• *Type, reference name/number, location and ownership including*	• Sampling was completed in E46/1084-I

Criteria	JORC Code explanation	Commentary
tenement and land tenure status	*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 known impediments to obtaining a licence to operate in the area.*	• The tenements are owned by Kaili Iron Pty Ltd, a subsidiary of Kaili Resources Ltd. • The tenements are located in Western Australia approximately 1200 to north of Perth and 70km north of Newman in the Pilbara region of WA • The towns of Nullagine and Newman are nearest major towns. • There no JVs and Royalties • There are is covered by Native Title Claim WC 1999/016 (Palyku Aboriginal Corporation) and an access agreement is in place • The tenements are in the Pilbara Development Region and Pilbara/Nullagine District Mineral Field.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• The only reported exploration was by BC Iron in 2014 who collected several surface samples across the CID with several reporting as >58% Fe. Four RC holes were drilled across the Bustler Bore CID which indicated a 4-6m thick CID + clay zone form surface however the results for Fe were not encouraging.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The deposit type is a Channel Iron Deposit(CID) similar to that formerly being mined by BC Iron to the NW and currently being mine by BHP at Yandicoogina near Newman. The CID was deposited in a river channel cutting into Archaean stratigraphy. The CID now forms linear small rises.
Drill hole Information	• *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:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth* o *hole length.* • *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.*	• Drill hole data is not being reported
Data aggregation methods	• *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.*	• No data aggregation has been applied.

Criteria	JORC Code explanation	Commentary
	• *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.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *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').*	• Drill hole data is not being reported
Diagrams	• *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.*	• A map showing all sample locations within E46/1084-I are included in the announcement.
Balanced reporting	• *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.*	• Drill hole data is not being reported
Other substantive exploration data	• *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.*	• Refer to the body of the report for additional geological observations
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Further evaluation of the mapped CID will take place in conjunction with other CID exploration in the region and may include further surficial geochemical sampling and/or shallow (<15m) drill testing