
CLARIFICATION – ASX ANNOUNCEMENT 23 MAY 2016

Jindalee Resources Limited (ASX: **JRL**) (“Company”) refers to its announcement on 23 May 2016 (“Announcement”) regarding its application for an Exploration Licence covering the Arthur River and Lyons River magnesite deposits in NW Tasmania (“Project”).

Contained within the Announcement there is reference to a scoping study on the Project undertaken by previous holder Beacon Hill Resources Plc (“Beacon Hill”), which was based on a 292,000 dry tonne per annum (dtpa) operation producing an average of 100,000dtpa of caustic calcined magnesia (CCM) with an average grade of 95% MgO over a mine life of 17 years (“Production Figures”).

Investors are advised that these Production Figures and key metrics for the Project are yet to be confirmed or quantified by any study undertaken by Jindalee and that under the 2012 JORC Code requirements, production targets that have not been subject to estimation at a level of certainty with disclosure of the appropriate estimation parameters are unable to be quoted.

Furthermore investors are advised that the Production Figures contained in the Announcement do not establish the economic viability or definite value of the Project. The Production Figures were based on work undertaken by Beacon Hill and that they are not in themselves sufficient to permit the application of the type of technical and economic viability of the Project to the standard required by the 2012 JORC Code.

Statements implying economic viability require a defined basis otherwise they are taken to be misleading to shareholders. The Company is concerned that potential investors may attribute the Production Figures as providing a basis for defining the potential economic viability of the Project. The Company retracts the statements of estimated production and provides no estimate of economic viability either real or implied from the Production Figures and cautions investors against using those statements as a basis for investment decisions concerning the Company’s securities.

Please find following a revised announcement with all reference to Production Figures removed and with the Competent Person Statement amended.



JINDALEE ACQUIRES AUSTRALIA'S 3RD LARGEST MAGNESITE DEPOSIT

Jindalee Resources Limited (ASX: **JRL**) is pleased to announce that its application for an Exploration Licence (EL5/2016) covering the Arthur River and Lyons River magnesite deposits ("Project") in NW Tasmania has been registered by Mineral Resources Tasmania (MRT). Geoscience Australia's website notes that the Arthur-Lyons River area now covered by EL5/2016 contains the third largest inventory of magnesite Economic Demonstrated Resources (EDR) in Australia (refer www.ga.gov.au).

Magnesite is the primary source of magnesia (MgO), which is mainly used in agriculture, mineral processing, paper manufacture and refractory industries. Magnesia is also used to produce magnesium (Mg), a light metal widely used in the aerospace, automotive and electronics industries. Both magnesite and magnesium are included on the EU's latest list of 20 critical materials.

A 2012 resource estimate completed by Beacon Hill Resources Plc estimated Inferred Resources of 25Mt @ 42.4% MgO* (40% MgO cut-off) for the southern part of the Arthur River deposit only. No resources were estimated for the Lyons River deposit.

Jindalee holds a 100% beneficial interest in the Project, with the consultant who introduced the Project to Jindalee retaining a 1% gross royalty.

Background

EL5/2016 is centred approximately 55km SW of Burnie, Tasmania (refer Figure 1). Magnesite was first discovered in the area in 1925 with exploration in the 40 years from 1970 to 2010 undertaken by companies including Mineral Holdings Australia, CRAE (now Rio Tinto), TasMag and Crest Magnesium.

African coal miner Beacon Hill Resources Plc (AIM: BHR, ASX: BHU) ("Beacon Hill") purchased the leases covering the Arthur River and Lyons River deposits in September 2009 and in the period to 2014 completed extensive pre-development activities at the Arthur River deposit including drilling, hydrological studies, environmental and Aboriginal Heritage studies, metallurgical testwork and resource estimates.



However, the slump in coal prices, which began in 2011, impacted on Beacon Hill's African coal operations and the company was unable to service its high level of debt. In January 2015 Beacon Hill was placed into administration and the leases covering the Arthur River and Lyons River deposits lapsed.

The most recent resource estimates for the Arthur River deposit are contained in Beacon Hill's ASX announcement dated 2 May 2012 and summarised in Table 1. These resources were reported in accordance with the JORC Code 2004. Jindalee understands that there has been no drilling at Arthur River since 2 May 2012 and there has been no material change to this information since that date.

Table 1: ARTHUR RIVER DEPOSIT RESOURCES (INFERRED)*

MgO Lower Cut-Off (%)	Tonnes	MgO (%)	SiO ₂ (%)	Fe ₂ O ₃ (%)	CaO (%)
36	36,817,508	41.1	5.9	1.7	2.9
38	32,090,037	41.7	5.4	1.6	2.8
40	25,121,511	42.4	4.8	1.4	2.6
42	15,279,918	43.3	4.2	1.3	2.2
44	3,042,107	44.5	3.0	1.0	1.9

Resources estimated by Derwent Geoscience Pty Ltd

*The Mineral Resource estimates were originally compiled and announced by Beacon Hill Resources Plc (AIM:BHR, ASX:BHU) and last reported in their ASX announcement dated 2 May 2012, utilising parameters from the 2004 JORC Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Jindalee believes that this information has not materially changed since it was last reported. However, it is important to note that:

- the estimates are historical estimates and are not reported in accordance with the JORC Code 2012
- a competent person has not done sufficient work to classify the historical estimates as mineral resources or ore reserves in accordance with the JORC Code 2012; and
- it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code 2012.

Please refer to Appendix 1 for further details.

Next Steps

EL5/2016 covers 14km of prospective stratigraphy which includes the Arthur River and Lyons River deposits (refer Figure 1). Most recent work has focussed on the southern part of the Arthur River deposit and Jindalee considers there is very good potential to increase the resource base at Arthur River by drilling the extensions of this deposit. There is also excellent potential to establish JORC compliant resources at Lyons River where historical drilling by CRAE (a subsidiary of Rio Tinto) in the early 1980's returned wide, high-grade intercepts, including 200m @ 43.0% MgO from DDLR1, and 180m @ 42.0% MgO from DDLR2 (source: MRT website www.mrt.tas.gov.au).

Jindalee has commenced accessing and compiling the extensive database for the Project and looks forward to commencing work on the Project as soon as EL5/2016 has been granted.

For further information about the Company please visit www.jindalee.net or contact:

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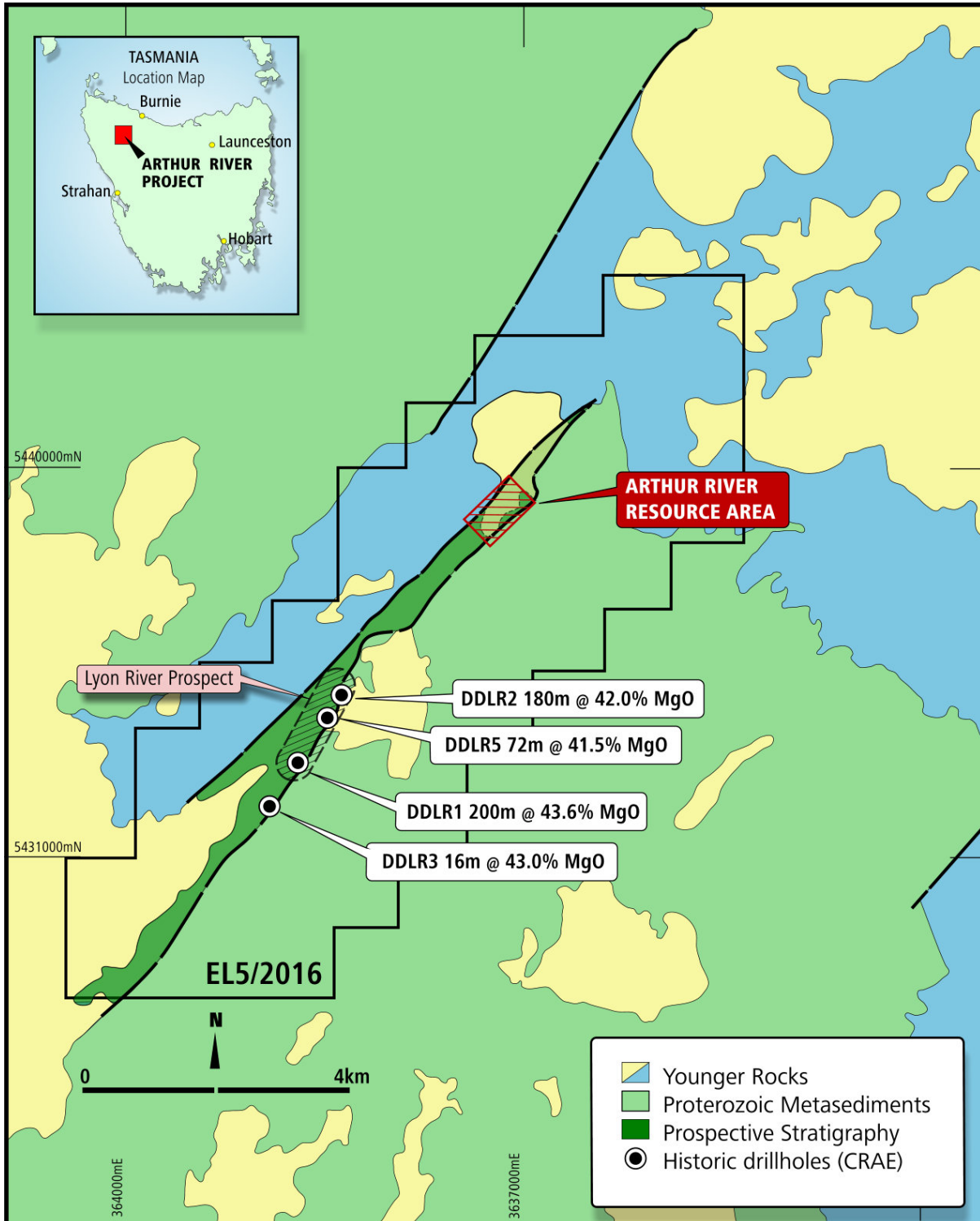


Figure 1: Arthur River Project – Location Plan and Simplified Geology

About Magnesite

Magnesite or magnesium carbonate ($MgCO_3$) is the primary source of magnesia (MgO). Annual production of magnesia is approximately 9.4Mt with about 90% of this produced from magnesite feedstock and the balance from seawater and magnesia rich brines. There are three main types of magnesia: caustic calcined magnesia (CCM), deadburned magnesia (DBM) and electrofused magnesia (EFM). CCM is used as a chemical in a number of markets including agriculture (fertiliser and feedstock), mineral processing, pulp and paper manufacture and water treatment. DBM and EFM are used mainly in the refractory industry as a kiln liner and so are essential for the production of steel, cement and glass.

Magnesia and magnesium brines are also used to make magnesium metal (Mg). Magnesium (atomic number 12) is the lightest useful metal and is commonly alloyed with aluminium to create a light, high-strength and corrosion-resistant alloy which is widely used in the aerospace and automotive industries. Magnesium is also being increasingly used in the electronics industry, in both primary and rechargeable batteries and in superconductors. Apart from its higher energy density, which allows for smaller, more powerful batteries, magnesium is more stable than lithium, making it a safer alternative. Researchers at the Toyota Research Institute of North America recently announced that they have created an electrolyte that works well with a magnesium metal anode, paving the way for magnesium batteries to ultimately replace lithium-ion batteries (<http://www.toyota-autos.com>).

According to the United States Geological Survey (USGS), in 2014 global magnesite EDR totalled 2,400Mt with 67% of these resources held by Russia, China and North Korea, and with Australia holding 95Mt (4%). USGS data show that in 2014 China produced 70% of the world's magnesite and 88% of global magnesium metal.

The strong forecast growth in demand for magnesium and magnesite, together with increasing concentration of supply, has seen the European Commission include both magnesium and magnesite in their latest list of 20 EU Critical Materials, published May 2014 (refer www.ec.europa.eu).

About Jindalee

Jindalee Resources Limited (ASX: JRL) is an exploration company with direct and indirect exposure to gold, iron ore, base metals, uranium and magnesite through projects generated by the Company's technical team and consultants. Directors and management combine approximately 100 years of technical and commercial experience, and are significant shareholders in the Company. Jindalee has a track record of rewarding shareholders, including priority entitlements to several successful IPO's. Jindalee also paid shareholders a \$0.55 fully franked special dividend in July 2010.

Jindalee's main focus is to create wealth for shareholders through the acquisition of high quality projects. At 31 March 2016 Jindalee held cash and marketable securities worth \$6.4M which, combined with the Company's tight capital structure (only 34.9M shares on issue), provide a strong base for leverage into new opportunities.

Further information on the Company can be found at our website: www.jindalee.net

Competent Persons Statement:

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled or reviewed by Mr Terrence Peachey and Mr Lindsay Dudfield. Mr Peachey and Mr Dudfield confirm that the information in the market announcement provided under rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the Arthur River Project.

Mr Peachey is an employee of the Company and Mr Dudfield is a consultant to the Company. Mr Peachey is a Member of the Australian Institute of Geoscientists and Mr Dudfield is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Both Mr Peachey and Mr Dudfield have sufficient experience of relevance to the styles of mineralisation and types of deposit under consideration and to the activities undertaken, to each qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Both Mr Peachey and Mr Dudfield consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Forward-Looking Statements:

This announcement contains certain forward-looking statements. These forward-looking statements are not historical facts but rather are based on Jindalee's current expectations, estimates and projections about the industry in which Jindalee operates and beliefs and assumptions regarding Jindalee's future performance. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "potential" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Jindalee, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Jindalee cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Jindalee only as of the date of this announcement. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Jindalee will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

Appendix 1 – Reporting of historical estimates

Under ASX Listing Rule 5.12 (LR 5.12), an entity reporting historical estimates of mineralisation in relation to a material mining project must include all of the information shown in ASX Listing Rule 5.12. Jindalee considers the Arthur-Lyons River Project to be a material project and provides the following information regarding the Arthur River magnesite deposit, in accordance with LR 5.12:

1. The sources and date of the historical estimates (LR 5.12.1)

The source is Beacon Hill Resources Plc's (AIM: BHR, ASX: BHU) announcement to ASX dated 2 May 2012 and titled "Positive Preliminary Scoping Study Results for Arthur River Magnesite Project".

2. Whether the historical estimates use categories of mineralisation other than those defined in JORC Code 2012 and if so, an explanation of the differences (LR 5.12.2)

Categories of Mineralisation reported are the same as the JORC Code 2012, where resources were classified as either Inferred, Indicated or Measured as described in Table 1 of this ASX announcement.

3. The relevance and materiality of the historical estimates to the entity (LR 5.12.3)

Jindalee considers the historical estimates to be both material and relevant to the Company's Arthur-Lyons River Project, with Beacon Hill Resources Plc's 2012 Scoping Study based on these historical resources.

4. The reliability of the historical estimates, including by reference to any criteria in Table 1 of JORC Code 2012 which are relevant to understanding the reliability of the historical estimates (LR 5.12.4)

The mineral resources were reported by Beacon Hill Resources Plc who undertook extensive and detailed drilling and metallurgical testwork at the Arthur River deposit. The mineral resources were independently assessed by Derwent Geoscience Pty Ltd.

5. To the extent known, a summary of the work programs on which the historical estimates are based and a summary of the key assumptions, mining and processing parameters and methods used to prepare the historical estimates (LR 5.12.5)

The historical resources contained in Beacon Hill Resources Plc's ASX announcement dated 2 May 2012 are based on extensive diamond drilling (68 holes), bulk sampling and comprehensive metallurgical testwork (including mineralogical and flotation studies) undertaken in both Australia and Germany. The conclusion of these studies was that the high grade (42% MgO) Arthur River magnesite resource could be used as the feed for a 292,000 dry tonne per annum (dtpa) operation producing an average of 100,000dtpa of caustic calcined magnesia (CCM) with an average grade of 95% MgO.

6. *Any more recent estimates or data relevant to the reported mineralisation available to the entity (LR 5.12.6)*

No recent estimates or data relevant to the resources are available.

7. *The evaluation and/or exploration work that needs to be completed to verify the historical estimates as mineral resources or reserves in accordance with JORC Code 2012 (LR 5.12.7)*

A revision of the historical drilling information will be completed, to ensure the integrity of the data, followed by another estimation of the resource, with a new classification to be assigned. The resource estimation may occur as an area by area re-estimation based on possible mining priorities, likely commencing with the Arthur River deposit followed by the Lyons River deposit.

8. *The proposed timing of any evaluation and/or exploration work that the entity intends to undertake and a comment on how the entity intends to fund that work (LR 5.12.8)*

The Company intends to commence further test work, exploration (including logging and sampling of core from previous drilling), deposit evaluation and mining studies as soon as EL5/2016 is granted. It is anticipated that this work will take 6 to 12 months and will be funded from the Company's working capital.

9. *A cautionary statement proximate to, and with equal prominence as, the reported historical estimates (LR 5.12.9)*

Refer to the cautionary statement at the bottom of Table 1 on page 2 of this ASX announcement.

10. *A statement by a named competent persons or persons that the information in the market announcement provided under LR 5.12 to LR 5.12.7 is an accurate representation of the available data and studies for the material mining project (LR 5.12.10)*

Refer to the competent person statement on page 5 of this ASX announcement.