

31 January 2017

DECEMBER 2016 QUARTERLY ACTIVITIES REPORT

ACTIVITIES REPORT

HIGHLIGHTS

- ✦ Exploration program to commence in Q1 2017 on the Graha Panca Karsa concession
- ✦ New Resource and Reserve statements commenced to update reporting to JORC (2012) standard
- ✦ The Company continues to assess options for completing in full the December 2010 transaction with Bayan
- ✦ The Company progressing its aim to obtain Clean and Clean Certificates for those PAKAR concessions that are subject of overlaps with third party coal concessions
- ✦ The Company continues to monitor and evaluate the performance of BAYAN's logistics infrastructure at its TABANG project to which the Company has 30% Access Rights for its adjacent PAKAR project
- ✦ Cash at bank at the end of the Q4 was AU\$1.7 million.

GRAHA PANCA KARSA COAL PROJECT (GPK)

During the quarter, the Company finalized its detailed exploration program for the GPK concession and finalized its tender for drilling and geophysical logging services. The final drill program is planned to comprise two stages with approximately 1,200 metres of drilling (including 250m of coring) in the first stage followed by 1,000 metres of drilling (including 340m of coring) in the second stage. All drill holes will be geophysically logged. The aim of the drilling program is to confirm previous drilling works performed on the site and gain a better understanding of the coal seam geology. Concurrent with the planned drill program, the Company will undertake survey work to consolidate topographical information.

The Company has socialized the impending drilling program to the surrounding communities, signed the drilling and geophysical logging contracts in January 2017 and expects to commence drilling in February 2017.

RESOURCE AND RESERVE STATEMENTS

During the Quarter, the Company appointed PT. Runge Pincock Minarco to update the reserves and resources statements to JORC 2012 standard as at 31st December 2016. This will apply to TA, TJ, DE, SA, CA, BS, AU and SK. It is expected that this will be completed by early Q2 2017.



BAYAN / KRL TRANSACTION

As previously advised, Bayan has completed transfer of ownership to KRL of 5 of the 9 coal concessions being the subject of the December 2010 Sale and Purchase Agreement (as amended in April and June 2011). However, 4 concessions (TA, AU, BS and CA) could not be transferred due to complications surrounding Indonesia's foreign ownership and divestment regulations which were introduced in September 2013.

During the quarter, the Company obtained initial legal advice from a leading Indonesian law firm on a structure that may enable the Company to complete the abovementioned transaction. The Company and its legal team are working through legal and tax issues in both Australia and Indonesia. Subject to satisfactory finalisation of these issues, the Company anticipates providing further information about this structure in Q1 2017 and then working towards a positive resolution to this long outstanding issue.

PAKAR COAL PROJECT (TA, TJ, DE, OM, SA, CA, BS, AU & SK)

Clear and Clean Status

During the December quarter, the Company announced that it had relinquished certain areas on 3 of its coal concessions (AU, BS and SK) that overlapped with a third-party coal concession (PT. Aditya Kirana Mandiri). This paves the way for the Indonesian government to issue Clear and Clean status for these concessions (except for BS which has a further overlap – see below).

Five of the Company's coal concessions in this area (DE, OM, SA, CA and BS) have an overlap with another third-party coal company (PT. Senyur Sukses Pratama - SSP). Uncertainty surrounding the exact boundary line between the Kutai Kartanegara regency and Kutai Timur regency gave rise to this overlap. In 2012, the East Kalimantan government together with the heads of the respective regencies agreed on a final boundary which was in the Company's favour and the East Kalimantan government instructed SSP to relinquish those overlapping areas. In August 2016, SSP filed a lawsuit against the provincial government of East Kalimantan in the Administrative Court in Samarinda in relation to this matter. As the Company has an interest in the outcome of this case, KRL took the decision in October 2016 through OM to intervene in this action. The Company understands that as long as the SSP lawsuit remains outstanding, the government will not issue Clear and Clean status for these concessions (other than OM which has Clear and Clean status).

Project Infrastructure for TABANG and PAKAR

The Company has rights to utilize 30% of BAYAN's haul road and barge loading capacity at Senyur through an Access Agreement. BAYAN's haul road passes either through or near to the majority of the Company's mining concessions in PAKAR.

Current barge loading capacity at BAYAN's Senyur Port is 18 Million metric tonnes per year using 2 barge loading jetties. BAYAN achieved over 910kt of barging from this barge loading facility in December 2016.

Development of Pakar North Projects

It is the Company's aim to commit to and commence a drilling program in TA as soon as it has completed the regulatory permitting required to do so. TA shares a common



northern border with BAYAN's Bara Tabang concession which has been extensively drilled whereas TA only has 11 drill holes across the whole concession (5,000 hectares). The Company has applied to the regional government for an exploration Borrow-Use (Pinjam Pakai) permit however this is currently being delayed due to the regional government issuing a moratorium on new Pinjam Pakai permits until April 2017. TA already has Clear and Clean status.

MAMAHAK COAL PROJECT (MCM, MEL, MBE & BKL)

Mining operations remain suspended.

Resumption of mining activity at MCM remains dependent on coal markets improving, and establishing a more reliable logistics route for coal sales.

LIST OF MINING TENEMENTS HELD AT 31 DECEMBER 2016

East Kalimantan, Indonesia

- ✦ PT Mamahak Coal Mining - 99% (Equity via KOJ)
- ✦ PT Bara Karsa Lestari - 99% (Equity via KOJ)
- ✦ PT Mahakam Energi Lestari - 99% (Equity via KOJ)
- ✦ PT Mahakam Bara Energi - 99% (equity via KOJ)
- ✦ PT Tiwi Abadi - 99% (currently pending share transfer from BAYAN to KRL)
- ✦ PT Tanur Jaya - 99% (Equity)
- ✦ PT Dermaga Energi - 99% (Equity)
- ✦ PT Orkida Makmur - 99% (Equity)
- ✦ PT Sumber Api - 99% (Equity)
- ✦ PT Cahaya Alam - 99% (currently pending share transfer from BAYAN to KRL)
- ✦ PT Bara Sejati - 99% (currently pending share transfer from BAYAN to KRL)
- ✦ PT Apira Utama - 99% (currently pending share transfer from BAYAN to KRL)
- ✦ PT Silau Kencana - 99% (Equity)
- ✦ PT Graha Panca Karsa - 84.82% (commercial interest currently pending conversion to equity, with a further obligation to transfer 8% to a third party after equity transfer)

Changes in the Quarter to mineral interests / farm-in and joint venture agreements:

None of the mineral interests listed above are the subject of any farm-in / farm-out or joint venture arrangements. There were no changes during the quarter.

GLOSSARY

CORPORATE

- ✦ Company – Kangaroo Resources Limited (ASX – KRL)
- ✦ BAYAN – PT Bayan Resources Tbk
- ✦ TABANG – 3 BAYAN concessions on the northern boundary of PAKAR North
- ✦ PMA – Perusahaan Model Asing (local term used for a foreign investment company)
- ✦ BCT – Balikpapan Coal Terminal
- ✦ DPP – PT Dermaga Perkasapratama – (operators of BCT and owned by BAYAN)
- ✦ CnC – Clear & Clean Status (granted by Department of Mines)
- ✦ SPA – Sale & Purchase Agreement
- ✦ IP – PT Indonesia Pratama (services company owned by BAYAN)



- ✦ BIS – PT BIS Industries (current Coal Haulage Contractors for TABANG)
- ✦ PTP – PT Petrosea Tbk (current Mining & Construction Contractors at TABANG)
- ✦ BT – PT Bara Tabang (one of the 2 BAYAN owned existing coal-mines at TABANG)
- ✦ GOI – Government of Indonesia
- ✦ Mtpa – Million tonnes per annum

MAMAHAK

- ✦ KOJ – PT Karsa Optima Jaya (the holding company for MCM, MEL, MBE & BKL)
- ✦ MCM – PT Mamahak Coal Mining
- ✦ BKL – PT Bara Karsa Lestari
- ✦ MEL – Mahakam Energi Lestari
- ✦ MBE – Mahakam Bara Energi
- ✦ Long Hubung (current Port location on Mahakam River for MAMAHAK projects)

PAKAR (NORTH)

- ✦ TA – PT Tiwi Abadi (currently pending share transfer from BAYAN to KRL)
- ✦ TJ – PT Tanur Jaya
- ✦ DE – PT Dermaga Energi

PAKAR (SOUTH)

- ✦ OM – PT Orkida Makmur
- ✦ SA – PT Sumber Api
- ✦ CA – PT Cahaya Alam (currently pending share transfer from BAYAN to KRL)
- ✦ BS – PT Bara Sejati (currently pending share transfer from BAYAN to KRL)
- ✦ AU – PT Apira Utama (currently pending share transfer from BAYAN to KRL)
- ✦ SK – PT Silau Kencana

PAKAR (NORTH & SOUTH)

- ✦ SAU – PT Sumber Aset Utama
- ✦ Senyur – proposed port location on Kedang Kepala River for PAKAR projects
- ✦ Gunung Sari – existing Port location on Belayan River for TABANG projects

GRAHA PANCA

- ✦ GPK – PT Graha Panca Karsa

Further information:

Russell Neil
Managing Director
T | +61 8 9381 4320
E | info@kangarooresources.com
W | www.kangarooresources.com

DISCLAIMER: The information concerning production targets in this announcement are not intended to be forecasts. They are internally generated goals set by the board of directors of Kangaroo Resources Limited. The ability of the company to achieve these targets will be largely determined by the company's ability to secure adequate funding, implement mining plans, resolve logistical & permitting issues associated with mining and enter into off take arrangements with reputable third parties.

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.