

28 April 2017

MARCH 2017 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- ✦ Exploration program continuing on the Graha Panca Karsa concession
- ✦ New Resource and Reserve statements reporting to JORC (2012) standard expected to be completed in Q2
- ✦ The Company has obtained legal and taxation advice for a structure that will allow the completion of the December 2010 transaction with Bayan
- ✦ The Company has obtained Clear and Clean Status for AU and SK
- ✦ Remaining South PAKAR concessions are subject of an overlap with a third party coal concession; this is the subject of an ongoing lawsuit
- ✦ 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 quarter was AU\$1.5 million.

GRAHA PANCA KARSA COAL PROJECT (GPK)

During the quarter, GPK had completed 12 holes totaling 457 metres of its total drilling program of 48 holes (2,080 metres), or approximately 25%. The aim of the drilling program is to confirm previous drilling works performed on the site as well as gain a better understanding of the coal seam geology. Results to date generally confirm the accuracy of the previous drilling works. Upon completion of this drilling program the Company will engage a mining consultant to update GPK's reserves and resources to JORC 2012 standard.

RESOURCE AND RESERVE STATEMENTS

PT. Runge Pincock Minarco continued to update the reserves and resources statements to JORC 2012 standard (for TA, TJ, DE, SA, CA, BS) and it is expected that these will be completed in Q2.

BAYAN / KRL TRANSACTION

During the quarter, the Company received the final legal and tax advice from its consultants on a structure that will enable the Company to complete the acquisition of the 4 concessions (TA, AU, BS and CA) which could not be transferred pursuant to the December 2010 Sale and Purchase Agreement (as amended in April and June 2011) due to complications surrounding Indonesia's foreign ownership and divestment regulations which were introduced in September 2013. This structure will allow KRL to take control of the 4 concessions whilst still complying with foreign ownership restrictions. The Company plans to commence implementing this structure on a progressive basis in accordance with the following:

- AU has Clear and Clean Status and has already been upgraded to Production Status (IUP OP). In Q2 2017, the Company will commence the process to convert



this Company to a Foreign Investment Status (PMA) company which is the main step required to transfer AU to KRL.

- TA has Clear and Clean status however it is currently in the process of upgrading its permit from Exploration Stage (IUP Exploration) to Production Stage (IUP OP); this is expected to be completed by the end of Q3 2017. Once this has been completed, TA will be transferred to KRL.
- The Clear and Clean status for CA and BS is currently being impacted by the overlap with a third party concession (see details below). Therefore until this matter is resolved these concessions cannot be transferred to KRL. Once this matter is resolved CA and BS will be transferred to KRL using the structure outlined above.

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

Clear and Clean Status

During Q4 2016, 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. In this regard both AU and SK have now obtained Clear and Clean status. BS is the subject of a further overlap (see below) and has not obtained Clear and Clean status at this stage. Details of these overlaps are as follows:

- 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 at the time the respective concessions were issued 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 District Administrative Court in Samarinda in relation to this matter.
- As the Company had an interest in the outcome of this case, KRL took the decision in October 2016 to intervene in this action through OM.
- In April 2017, the Administrative Court in Samarinda ruled in favour of SSP finding that the instruction by the East Kalimantan government requiring SSP to relinquish certain overlapping areas was invalid.
- In April 2017, both the East Kalimantan government and OM appealed this decision which will be heard by the Jakarta Administrative High Court.

The Company understands that as long as the abovementioned lawsuit remains pending, the government will not issue Clear and Clean status for these concessions (other than OM which already 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 is currently achieving approximately 1 million tonnes per month of barging from this barge loading facility.

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 the end of 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 MARCH 2017

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

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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.