

31 July 2017

## **JUNE 2017 QUARTERLY ACTIVITIES REPORT**

### **HIGHLIGHTS**

- ✦ Topographic survey completed and drilling program continuing on the Graha Panca Karsa ("GPK") concession
- ✦ Appointment of contractor to perform bathymetric survey of portion of Mahakam River for the GPK project
- ✦ Expanded scope of PT. Runge Pincock Minarco to include reporting of coal reserves to 2012 JORC standard for South Pakar concessions
- ✦ Drilling program designed for TA with plan to go out to tender in early Q3 2017
- ✦ 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\$1.45 million.

### **GRAHA PANCA KARSA COAL PROJECT (GPK)**

#### Topography

During the quarter, GPK completed the topographic survey of the existing borrow-use (pinjam pakai) area covering approximately 455 hectares out of the total concession area of 5,060 hectares. The purpose of this study was to improve the accuracy of the topographic information in the survey area and to align this with the drilling program.

#### Drilling Program

During the quarter, GPK drilled 23 holes totaling 1,066.9 metres of its total revised drilling program of 41 holes (1,755 metres), or approximately 61%. This brings the total holes drilled to date to 35 and 1,493.9 metres, or approximately 85%. The original drilling program of 48 holes has been reduced to 41 holes after taking into account the new topography information and site conditions. The program aims to confirm / validate historical drilling works performed by a previous explorer as well as gain a better understanding of the coal seam geology. Following completion of this drilling program the Company plans to commission an independent estimate of mineral resources on the GPK concession.

Drill program results are expected to be available for release in Q3 2017.

#### Bathymetric Survey

During the quarter, GPK engaged PT. Seascope Surveys Indonesia (a part of the Mermaid Subsea Services Group) to perform a bathymetric survey of the Mahakam River from a location near the town of Melak, East Kalimantan to the intended location of GPK's barge loading facilities, a distance of approximately 78 kilometres. This survey will allow the Company to make an assessment of the draft limitations of the river and select optimal barge sizes for the transportation of the coal along the river. This work is expected to commence in August 2017.



## RESOURCE AND RESERVE STATEMENTS

During the quarter, the Company amended the scope of work of PT. Runge Pincock Minarco to include ore reserve reporting for SA, CA and BS (i.e. South Pakar). As a consequence of change in scope of work, PT. Runge's report is expected to be finalised mid Q3 2017.

PT. Runge Pincock Minarco's original engagement terms were to prepare Statements of Mineral Resources and Ore Reserves as at 31 December 2016 for TA, TJ and DE (i.e. North Pakar) and Statements of Mineral Resources (only) as at 31 December 2016 for SA, CA and BS (i.e. South Pakar).

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

#### Drilling Program

During the quarter, the Company has designed a new drilling program for part of the TA concession (total 5,000 hectares). The TA concession is part covered by palm oil plantations (1,711 hectares – approximately 34.2%) and part covered by forestry concessions (1,517 hectares – approximately 30.3%); this later part will require borrow-use (pinjam pakai) permits from the forestry department for any exploration and production activities that are undertaken in this area. The remaining 1,772 hectares (approximately 35.5%) of the TA concession is not restricted however is subject to land compensation with the initial drilling program focusing in this area.

The preliminary drilling program designed for this non-restricted area in TA has been divided into 2 stages totaling 73 drill holes and 12,090 metres; all holes will be geo-physically logged. In Q3 2017, the Company will commence a tendering process for this work.

The Company had previously applied to the regional government for exploration borrow-use (pinjam pakai) permits for the 1,517 hectares in TA and the 5,000 hectares in TJ however this was delayed due to the regional government issuing a moratorium on new pinjam pakai permits which ended on 30 April 2017. The Company has reactivated its efforts to obtain these permits and expects the above drilling program in the non-restricted area can then follow on into the forestry areas covering both TA and TJ once these permits have been obtained.

TA and TJ have Clear and Clean status.

#### Clear and Clean Status

As reported in the March 2017 Quarterly Activities Report, five of the Company's coal concessions in this area (DE, OM, SA, CA and BS) have an overlap with a 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). The Company continues to monitor the progress in this case.

#### 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.

During the quarter, BAYAN commenced asphaltting the haul road to improve its all-weather performance.

Current barge loading capacity at BAYAN's Senyur Port is 18 Million metric tonnes per year (1 x 2,000tph and 1 x 4,000tph) using 2 barge loading jetties. BAYAN is currently upgrading the smaller barge loading facility from 2,000 tph to 4,000 tph; this is expected to be completed in Q3 2017. BAYAN is currently achieving approximately 1.1 – 1.2 million tonnes per month of barging from this barge loading facility.

#### **BAYAN / KRL TRANSACTION**

As reported in the March 2017 Quarterly Activities Report, the Company, in conjunction with its advisors, had identified a structure that would enable it to complete the December 2010 Sale and Purchase Agreement (as amended in April and June 2011). An update of this process is as follows:

- AU has Clear and Clean Status and has been upgraded to Production Status (IUP OP). During the quarter, BAYAN commenced the process to convert AU to a Foreign Investment Status (PMA) company. The Company is closely monitoring this process;
- 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, the process to transfer TA to KRL will be commenced, the first step being BAYAN obtaining approval to convert TA to a foreign investment status (PMA) company; and
- The Clear and Clean status for CA and BS is currently being impacted by the overlap with a third party concession (refer preceding page). 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.



## **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 30 JUNE 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.