KANGAROO RESOURCES LIMITED

ABN 38 120 284 040

Annual Report for the year ended 31 December 2017

CORPORATE DIRECTORY

31 DECEMBER 2017

Directors

David Yi Ngo Low	Non-Executive Director
Trevor Butcher	Independent Non-Executive Director
Susmit Shah	Independent Non-Executive Director
Darcy Wentworth	Independent Non-Executive Director
Damien Henderson	Executive Director
Alexander Wibowo	Managing Director - elect

Company Secretary
Paul Jurman

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Domicile and Country of Incorporation
Australia

Quoted on the official list of the Australian Securities Exchange
ASX Symbol: **KRL**

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Kangaroo Resources Limited (KRL or the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2017.

DIRECTORS AND COMPANY SECRETARIES

The directors and the company secretaries of the Company at any time during or since the end of the financial year are as follows:

David Low Yi Ngo BSc (Mechanical Engineering and Production) - Non-Executive Director

Mr Low was appointed a director of Kangaroo Resources Limited on 13 June 2011.

Mr Low is Sales and Marketing director for PT Bayan Resources Tbk. Mr Low has held various senior management roles within Indonesia and Asia over the past 8 years and is currently CEO and Managing Director of Singapore entity Manhattan Resources Limited.

Mr Low did not hold any directorships in other listed companies in the previous 3 years.

Trevor Butcher - Independent Non-Executive Director

Mr Butcher was appointed a director of Kangaroo Resources Limited on 1 October 2009.

Mr Butcher is a mining industry professional who has spent more than 9 years working in the Indonesian mining industry. This vital industry knowledge, along with his significant Indonesian business networks and strong relationships with local partners, puts him in a strong position to help guide the company through the next phases of development.

Mr Butcher did not hold any directorships in other listed companies in the previous 3 years.

Susmit Shah BSc Econ, CA - Independent Non-Executive Director

Mr Shah was appointed a director of Kangaroo Resources Limited on 1 December 2015.

Mr Shah is a Chartered Accountant who has been involved as a director and company secretary of various Australian public listed companies for over 20 years. He consults to public companies on a variety of matters including stock exchange requirements, joint venture negotiation and corporate fundraising. He is currently a director and company secretary of ASX listed Amani Gold Limited (appointed 16 June 2005) and Manas Resources Limited (appointed 26 May 2017).

Susmit brings a wealth of financial and corporate expertise to the board of KRL through his experience with numerous IPOs', backdoor listings, mergers and asset acquisitions

Darcy Wentworth, - Independent Non-Executive Director

Mr Wentworth was appointed a non-executive director of Kangaroo Resources on 11 July 2017.

Mr Wentworth previously served on the Board from June 2011 to April 2013. He is a senior mining engineer with significant experience in open cut coal mines in Australia and Indonesia. He has a Bachelor of Science and Bachelor of Engineering (Mining) from Sydney University, Australia as well as a Master of Science (Mining) from the Colorado School of Mines, USA and is a member of the Australian Institute of Mining and Metallurgy.

Mr Wentworth did not hold any directorships in other listed companies in the previous 3 years.

Damien Henderson BBus, FCPA Executive Director

Mr Henderson was appointed an executive director of Kangaroo Resources on 11 July 2017.

Mr Henderson has been involved in senior management roles with the Company since 2011 and has been Financial Controller since 2013. He has previously worked in senior accounting and finance roles for a number of international mining companies in Australia, Asia and Africa including Rio Tinto, Placer Dome (now Barrick Gold), and Peabody Winsway. He is a Fellow Certified Practising Accountant.

Mr Henderson did not hold any directorships in other listed companies in the previous 3 years.

Russell Neil FCPA, CFA – Former Managing Director

Mr Neil was appointed a non-executive director of Kangaroo Resources Limited on 13 June 2011 and was appointed as the Company's Managing Director and Chief Executive Officer on 5 May 2016. Mr Neil resigned as a Director and Chief Executive Officer on the 30th of August 2017. Mr Neil is a director of PT Bayan Resources tbk.

Mr Neil did not hold any directorships in other listed companies in the previous 3 years.

Alexander Wibowo – Managing Director - elect

Mr Wibowo has been appointed Managing Director of Kangaroo Resources Limited, effective 1 April 2018.

Mr Wibowo, an Indonesian resident, is a Doctor of the Science of Law in Law and Economics from University of California-Berkeley, USA and was formerly a Managing Partner at WWS Law Firm from 2013-2016. Mr. Wibowo has been actively involved in project finance matters in the past 15 years with extensive experience gained in corporate and debt restructuring, negotiations in exploration and production sharing contracts, private equity investments and project finance. Mr Wibowo has been with the Bayan Group since late 2016 and is primarily focused on legal and regulatory issues in relation to Bayan's major project upgrades.

Paul Jurman BCom, CPA – Company Secretary

Mr Jurman was appointed company secretary of Kangaroo Resources Limited on 1 December 2015.

Mr Jurman is a Certified Practising Accountant with over 16 years' experience and has been involved with a diverse range of Australian public listed companies in company secretarial and financial roles. He is also company secretary of ASX listed Nemex Resources Limited, Carnavale Resources Limited and Platina Resources Limited.

DIRECTORS' INTERESTS

None of the Director's had an interest in the Company's securities during 2017 (or 2016) or the subsequent period up to the date of the report.

DIRECTORS' MEETINGS

The number of meetings of the Company's board of directors held during the year ended 31 December 2017, and the number of meetings attended by each Director were:

	Number eligible to attend	Number attended
T Butcher	6	6
D Low Yi Ngo	6	2
R Neil [1]	5	4
D Henderson [2]	2	2
S Shah	6	6
D Wentworth [3]	2	2

1 R Neil resigned as director on 30 August 2017

2 D Henderson was appointed as director on 11 July 2017

3 D Wentworth was appointed as director on 11 July 2017

PRINCIPAL ACTIVITIES

Kangaroo Resources Limited is a mineral resources company which has its corporate head office in Perth, Australia. The Company has a significant portfolio of coal development and exploration assets in East Kalimantan Indonesia, and through its subsidiary entities, maintains a regional presence in the Indonesian capital city of Jakarta.

The Company continues to leverage off its strong local relationships as it continues to develop its portfolio of Indonesian coal assets into full-scale production operations as quickly as possible.

Coal exploration and exploitation is the core business of the Company.

The Company has interests in a significant portfolio of 14 coal mining concessions all located in the coal rich province of East Kalimantan. A large portion of these concessions are in close proximity to the existing coal mining and newly constructed infrastructure assets of its major shareholder PT Bayan Resources Tbk (Bayan).

2017 OVERVIEW

The coal price in 2017 improved significantly over recent years with Newcastle benchmark coal (6,322 GAR) averaging US$88.6 per tonne for the year (2016: US$66.5). This is primarily the result of improving demand for coal, particularly from Asian customers over the past few years exceeding the growth of supply. Production growth has been hampered by depressed coal prices for a number of years limiting investment in new projects and expansion of existing ones. Furthermore, a number of external factors such as weather and supply disruptions impacted coal production in a number of major coal exporting countries. In 2017 the management of the Company continued to progress along the path to bring a number of its projects into production:

Pakar - ((Tiwa Abadi (TA), Tanur Jaya (TJ), Dermaga Energi (DE), Orkida Makmur (OM), Silau Kencana (SK), Apira Utama (AU), Bara Sejati (BS), Sumber Api (SA) and Cahaya Alam (CA))

- Updated JORC reports were prepared for those Pakar concessions that have reserves/resources;
- The moratorium issued by the regional government against any new Pinjam Pakai applications ended on 30 April 2017. With this, the Company has reactivated its efforts to obtain the Pinjam Pakai exploration license for TA and TJ;
- The Company received approval for the feasibility Study for its TA concession in 2017 and is currently waiting the approval of its Environmental Impact Study (AMDAL). These are the precursor steps required to upgrade this concession from Exploration status to Production status which the company expects to receive in first half of 2018; and
- The Company has been participating in and closely following the court process in relation to the overlap with PT. Senyiur Sukses Pratama ("SSP").

Graha Panca Karsa - (GPK)

- Surveyed topography within the Pinjam Pakai area;
- Additional drilling program completed which reconfirmed previous drilling works performed and upgraded our knowledge within the Pinjam Pakai area;
- Performed a bathymetric survey of 78 kilometers of the Mahakam River as part of the process for assessing the transport logistics for the project (see page 11 for further details).

JORC Reports

In late 2016, the Company had appointed PT. Runge Pincock Minarco to update the reserves and resources statements to JORC 2012 standard as at 31st December 2016. These reports were completed and released by the Company in September 2017. In summary:

- Coal Resources (which includes Coal Reserves) on the combined Pakar concessions as at 31st December 2016 is estimated at 1,090Mt (191Mt Measured, 533Mt Indicated and 366Mt Inferred); and
- Coal Reserves on the combined Pakar concessions as at 31st December 2016 estimated at 399Mt (127Mt Proved and 272Mt Probable).

COMPETENT PERSON STATEMENT

- The information in this Director's Report that relates to the Mineral Resources and Ore Reserves were last reported by the Company in compliance with the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves in a market release dated 12 September 2017"Updated Coal Resources and Reserves for Pakar Coal Projects"".

- The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement referred above and further confirms that all material assumptions underpinning the production targets and all material assumptions and technical parameters underpinning the ore reserve and mineral resource estimates contained in that market release continues to apply and has not materially changed.

BR / KRL Transaction

The Company obtained initial legal advice from a leading Indonesian law firm in 2016 on a structure that may enable the Company to complete the abovementioned transaction (see note 10). The Company and its legal team are working through associated legal and tax issues in both Australia and Indonesia. Subject to satisfactory finalisation of these issues, the Company anticipates working towards a positive resolution to this long outstanding issue.

MANAGEMENT OUTLOOK

The Company's major shareholder, PT. Bayan Resources Tbk (Bayan), has significantly expanded its Tabang project in 2017 achieving production of 15.7 million tonnes against 6.1 million tonnes in 2016. This has involved significant investment in the expansion of the infrastructure and operations in the vicinity of Tabang and allowed Bayan to achieve record profitability in 2017 with margins above many of its peers.

The Company's main project, Pakar, is immediately adjacent to Tabang, has similar coal quality to Tabang and is on a path to production. In this regard, management believes that in light of these results that Bayan has achieved, the Company is well positioned to transition from being an exploration company into a production company within the near future.

The Company plans for 2018 include the following:

- Commence a drilling program in the TA concession in the non-forestry area
- Upgrade the TA concession to Production Status.

- Obtain Pinjam Pakai Exploration for both the TA and TJ concessions
- Perform drilling on the TA / TJ Concessions covered by the Pinjam Pakai Exploration Permit
- Submit the Feasibility Study and Environmental Impact Study (AMDAL) for the TJ concession and hopefully upgrade to Production Status
- Commence application for the Pinjam Pakai Production for the TA / TJ concessions
- Complete the BR / KRL transaction to the extent possible

We would also expect that 2018 will see the final result on the overlap issue with SSP that is currently in the Indonesian court system. This will allow the Company to firm its plans for the upgrading and / or development of the concessions impacted by this.

Where possible the management will look for further opportunities to fast-track these processes as we recognize the only way to extract value for all shareholders and stakeholders is to get these projects into production as soon as possible.

OPERATING AND FINANCIAL REVIEW

The consolidated comprehensive loss of the Group for the year ended 31 December 2017 was $3,314,041 (31 December 2016: $43,662,264 loss).

This comprehensive loss was mainly due to the following factors;

Operating Expenses $(199,872) (December 2016: $(727,819))
Operating expenditure at Mamahak Coal Mine (MCM) is now limited to minimal care and maintenance at the mine site with costs decreasing from $727,819 in 2016 to $199,872.

Administrative Expenses $(1,820,333) (December 2016 $(2,666,823))
Administrative costs have decreased by $846,490 in 2017 mainly due to lower director's fees and employee costs and lower administrative costs in general. 2016 administrative costs were higher due to a one-off withholding tax expense payment made during the settlement of the SAU assets sale to BR.

Finance costs $(3,419,692) (December 2016: $(3,017,875))
Interest accrued on outstanding borrowings with BR have increased by $401,817 from 2016 mainly due to borrowings increasing during 2017.

Other Income $1,996,047 (December 2016: $1,083,806)
Other income of $1,996,047 has increased by $912,241 mainly due to foreign exchange gains of $1,164,344 made on the revaluation of United States Dollar denominated borrowings partly offset by lower gains on the sale of fixed assets $252,103.

Income Tax Benefit $140,771 (December 2016: $12,890,369)
Income tax benefit of $140,771 related to reductions in the deferred tax liability associated with the movements in the carrying value of available-for-sale financial assets associated with Pakar and GPK. The available-for-sale financial assets were reduced due to the foreign currency revaluations. In 2016 the Income tax benefit of $12,890,369 related to reductions in deferred tax liability associated with the impairment of mining assets at Pakar. Pakar licenses carrying values exceed their tax base resulting in the above corresponding deferred tax liability.

Exchange differences on translating foreign operations $(104,950) (December 2016: loss $(801,163))
Mainly due to foreign exchange loss arising from revaluation of "Available-for-sale financial assets".

OPERATIONS

Indonesian Projects:

The Company currently has interests in three Indonesian coal projects, all located in East Kalimantan:

- Pakar Project (99%, direct foreign ownership) – thermal coal project comprising 9 separate mining concessions.
- Mamahak Project (99%, direct foreign ownership) – coking coal & high quality thermal coal – comprising 4 separate mining concessions.
- GPK Project 85% reducing to 77%, See note 19(b) – thermal coal, with one mining concession.

Pakar Thermal Coal Project

The Pakar coal project is a major component of the Company's Indonesian coal production strategy, which is composed of Pakar North (TA, TJ and DE) and Pakar South (AU, BS, CA, OM, SK and SA). These nine mining concessions form one continuous block which is adjacent to Bayan's very successful Tabang project.

To date the Company has secured a 99% direct equity interest in five of the nine mining concessions. The Company also holds commercial rights to acquire up to 99% of the remaining four Pakar entities (TA, AU, BS and CA) which are currently awaiting government sign-off and conversion to Indonesian PMA companies (a foreign investment company) to enable shares in these entities to be transferred to a foreign entity. The shares in these remaining four concessions are currently held by Bayan.

In late 2016, the Company had obtained initial legal advice from a leading Indonesian law firm on a structure that may enable the Company to complete the abovementioned transaction. In early 2017, the Company received confirmation from its legal and taxation advisors that the proposed transaction structure would comply with all requirements, both in Indonesia and Australia. In this regard the Company, together with Bayan, are moving forward to implement these recommendations.

Five of the Company's coal concessions in this area (OM, DE, SA, CA and BS) have an overlap with another third-party coal company PT. Senyiur 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, the Company took the decision in October 2016 through OM to intervene in this action.

During 2017 there were a number of court actions on this issue with the last being in September 2017 where SSP appealed the matter to the Supreme Court of Indonesia against the judgement of the Jakarta Administrative High Court's ruling in August 2017 that found that SSP was time barred from filing the lawsuit in the first place. This appeal is currently outstanding.

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).

The Company has rights to utilize 30% of Bayan's haul road and barge loading capacity at Senyiur 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 Senyiur Port is approximately 24 Million metric tonnes per year using 2 barge loading jetties rated at a combined 8,000 tonnes per hour.

Mamahak Coking Coal Project

Mamakak project consists of four separate mining concessions PT Mamahak Coal Mining (MCM), PT Mahakam Energi Lestari (MEL), PT Mahakam Bara Energi (MBE) and PT Bara Karsa Lestari (BKL).

Mining Operations at MCM were suspended in December 2012.

Geological models were updated to enable a reassessment of coal resources. An updated Mineral Resources report was prepared by external consultants and issued in March 2015 with summary of findings released to the market on 12 May 2015.

Recommencement of mining activity at the MCM project remains dependent on the identification of additional mineable coal reserves, establishment of a more accessible port location and a significant improvement in coal markets.

GPK Thermal Coal Project

In 2017, the Company undertook updating selected topography, performing a drilling program and completing a Bathymetric survey on the PT Graha Panca Karsa (GPK) concession.

The drilling program consisted of 42 holes totalling 1,858 metres drilled within the existing Pinjam Pakai area. This brings the total drill holes on the concession to 543. The Company engaged PT. Runge Pincock Minarco to review this data and prepare an exploration report summarising the results achieved.

The Company received a final bathymetric report from PT. Seascape Surveys Indonesia (a part of the Mermaid Subsea Services Group) covering approximately 78 kilometres of the upper reaches of the Mahakam River. The key conclusion of the report is that the 78km of the Mahakam River will be navigable:

- 51% of the time using a 300' barge fully loaded with a draft of 4.5m plus 0.6m Under Keel Clearance ("UKC");
- 58% of the time using a 230' barge fully loaded with a draft of 4.0m plus 0.6m Under Keel Clearance ("UKC");
- 64% of the time using a 180' barge fully loaded with a draft of 3.5m plus 0.6m Under Keel Clearance ("UKC");

The Company recognizes the above results while manageable, present certain challenges from a logistics perspective and these identify river logistics as a key area of focus for the GPK project. The above limitations are primarily driven by 6 critical points that have been identified along the stretch of the river. The Company is currently assessing the economics of bypassing a portion of these critical points by having a longer truck haul, dredging these locations or a combination of both. While the project remains in the evaluation phase the Company will continue to assess the most efficient and effective means of transporting its product to customers.

The Company holds an 85% economic interest in the GPK project, along with a pre-existing obligation to pass on 8% of that interest to a third party, KAL Energy.

GOING CONCERN

For the year ended 31 December 2017, the Company incurred a total comprehensive loss of $3,314,041 (31 December 2016: $43,662,264 loss), net cash outflows from operating activities of $1,932,640 (31 December 2016: $2,419,808) and has a working capital deficiency of $34,050,941 (31 December 2016: $31,409,741). The group was advanced loans of $1,454,116 from PT Bayan Resources Tbk (BR), the major shareholder of the Company, to fund operating cash flow and capital expenditure (31 December 2016: $1,859,212).

The Company relies on Bayan for funding to cover its operating expenditure and to continue development of its projects. As such, the Company is dependent on Bayan to continue as a going concern.

Bayan has undertaken to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations now and in the future. The undertaking is provided for a minimum period of twelve months from the date of these financial statements.

SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

During the financial year ending 31 December 2017 there were no significant changes to the Company's state of affairs.

LIKELY DEVELOPMENTS

Likely developments in the operation of the Group and the expected results of those operations are included under the operating and financial review in this Directors' Report.

Other than as referred to in this report, further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have not been included in this report because the Directors believe it would be speculative and likely to result in unreasonable prejudice to the Group.

DIVIDENDS

No dividend has been paid by the Group during the year ended 31 December 2017 and the Directors do not recommend payment of a dividend.

EVENTS SUBSEQUENT TO BALANCE DATE

On 21 March 2018 KRL announced the appointment of Alexander Wibowo as Managing Director, effective from 1 April 2018. Please refer to ASX announcement dated 21 March 2018 for further details.

The Directors are not aware of any matters or circumstances at the date of the report, other than those referred to above or in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the group in subsequent financial years.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.* The remuneration arrangements detailed in this report are for the Directors and other key management personnel ('KMP') as follows:

R Neil [1]	Managing Director
D Wentworth [2]	Independent Non-Executive Director
T Butcher	Independent Non Executive Director
D Low Yi Ngo	Non Executive Director
S Shah	Independent Non Executive Director
D Henderson [3]	Financial Controller/Executive Director

1 Resigned as Managing Director 30 August 2017

2 Appointed as non-executive director on 11 July 2017

3 Appointed as financial controller in 2013, executive director on 11 July 2017

The Remuneration Report is set out under the following main headings:

A Remuneration Philosophy
B Remuneration Structure and Approvals
C Remuneration and Performance
D Details of Remuneration
E Contractual Arrangements
F Share-based Compensation
G Equity Instruments Issued on Exercise of Remuneration Options
H Value of options to Directors
I Adoption of Remuneration Report by Shareholders

A. Remuneration Philosophy

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Company. KMP currently comprise the Board of Directors.

The performance of the Company depends upon the quality of its KMP. To prosper the Company must attract, motivate and retain appropriately skilled directors and executives.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

One of the executives of the Company's majority shareholder, PT Bayan Resources Tbk, is a non-executive member of the Board of Directors and currently does not charge any fees in this capacity. This non-executive director has the skills and experience to perform some of the duties that would otherwise be the responsibility of other key management personnel, for which additional costs to the Company would normally be incurred.

B. Remuneration Structure and Approvals

The remuneration of the directors is set by the full board. In 2014 the board had a separate Remuneration and Nominations Committee to oversee this function. Due to the size of the Board and the Company's operational status, the Board decided to dissolve the committee and take over the function. The Board has not at this point in the Company's development engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors. It is considered that the level of activity of the Company does not warrant such engagement.

Non-Executive Remuneration Structure

The remuneration of non-executive directors consists of directors' fees, payable in arrears. The Board, in accordance with the Company's Constitution and the ASX Listing Rules specify that the non-executive directors fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2010 Annual General Meeting (AGM) held on 30 November 2010 whereby shareholders approved an aggregate fee pool of $400,000 per year. The Board will not seek any increase for the non-executive directors pool at the 2017 Annual General Meeting.

Remuneration of non-executive directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the directors. Non-executive directors do not receive retirement benefits but are able to participate in share-based incentive programmes in accordance with Company policy.

During the financial year, non-executive directors received combined fees totalling $89,308. Mr Shah was paid a director's fee of $3,000 per month (plus GST), Mr Butcher was paid a director's fee of $3,000 per month (including superannuation) and Mr Wentworth was paid a director's fee of $3,000 per month (including superannuation). Mr Low does not receive director's fees.

Further details relating to remuneration of non-executive directors are contained in the remuneration table disclosed in Section D of this Report; and within the Notes to the Financial Statements: Note 21 Related Party Disclosures.

Non-Executive Remuneration Approvals

The Board, in accordance with the Company's Constitution, sets the aggregate remuneration of non-executive directors, subject to shareholder approval. Within this pre-approved aggregate remuneration pool, fees paid to non-executive directors for the year ended 31 December 2017 were approved by the Board of Directors in the absence of the Remuneration and Nominations Committee and was set at levels to reflect market conditions and encourage the continued services of the directors. Remuneration may also include an invitation to participate in share-based incentive programmes in accordance with Company policy.

The nature and amount of remuneration is collectively considered by the Board of Directors with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing directors and executives.

Executive Remuneration structure
The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team.

The main objectives sought when reviewing executive remuneration is that the Company has:

- coherent remuneration policies and practices to attract and retain executives;
- directors who will create value for shareholders;
- competitive remuneration offered benchmarked against the external market; and
- fair and responsible rewards to executives having regard to the performance of the Company, the performance of the executives and the general pay environment.

The Company offers short term incentive schemes to executive directors only. The Company does not offer any retirement benefits to executive directors and there are no performance related links to shareholder wealth and remuneration policies.

Up until the Company's Managing Director and Chief Executive Officer Russell Neil resigned on 30 August 2017, he was not paid directly from KRL for his services. PT Bayan Resources TBK charged KRL a secondment fee for his services of US$18,000 per month. Damien Henderson was appointed Executive Director on 11 July 2017 and was paid $10,000 plus 9.5% superannuation per month. Prior to Damien Henderson's appointment as executive director he was employed as financial controller. Russell Neil's secondment fee and Damien Henderson's salary are considered to be within the market range for a Managing Director and Chief Executive Officer and Executive Director of a mineral resources company of the Company's size and stage of development.

Further details relating to remuneration of executive directors are contained in the remuneration table disclosed in Section D of this Report; and within the Notes to the Financial Statements: Note 21 Related Party Disclosures.

Executive Remuneration Approvals
The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice. The Board will review executive contracts annually. The process will consist of a review of company, business unit and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

Executive remuneration and incentive policies and practices must be aligned with the Company's vision, values and overall business objectives. Executive remuneration and incentive policies and practices must be designed to motivate the directors and management to pursue the Company's long term growth and success and demonstrate a clear relationship between the Company's overall performance and the performance of executives.

C. Remuneration and Performance

Short term bonus schemes offered to executive directors are detailed in Service Agreements and approval of any payments under such schemes are subject to the approval of the Chairman acting on advice of the Board.

Director remuneration is currently not linked to either long term or short term performance conditions. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

D. Details of Remuneration

The KMP of the Company for the year ended 31 December 2017 were the Board of Directors.

During the financial year ended 31 December 2017 and the financial year ended 31 December 2016 the KMP received no long-term benefits. The only remuneration received by the KMP within these periods were short-term employee benefits.

Twelve months ended 31 December 2017	Short-term benefits			Post-employment benefits		
	Salary & Fees	Bonus	Non-monetary	Termination	Total	Percentage remuneration consisting of options for the year
	$	$	$	$	$	
Directors						
T Butcher	36,000	-	-	-	36,000	0.00%
D Low Yi Ngo	-	-	-	-	-	0.00%
R Neil [1]	191,449	-	-	-	191,449	0.00%
S Shah	36,000	-	-	-	36,000	0.00%
D Wentworth [2]	17,308	-	-	-	17,308	0.00%
D Henderson [3]	65,700	-	4,473	-	70,173	0.00%
Total	**346,457**	**-**	**4,473**	**-**	**350,930**	
Other Key Management						
D Henderson [3]	104,393	-	1,444	-	105,837	0.00%
Sub-total	**104,393**	**-**	**1,444**	**-**	**105,837**	
Total	**450,850**	**-**	**5,917**	**-**	**456,767**	

1 R Neil resigned as Managing Director and Chief Executive Officer on 30 August 2017. Short Term Benefits above represent secondment charges from Bayan Resources tbk.
2 D Wentworth was appointed as Director on 11 July 2017.
3 D Henderson was Financial Controller for the full year and was appointed Executive Director on 11 July 2017.

Details of the remuneration of the directors and other key management personnel of the Company for the year ended 31 December 2016 are set out below:

Twelve months ended 31 December 2016	Short-term benefits Salary & Fees $	Bonus $	Non-monetary $	Post-employment benefits Termination $	Total $	Percentage remuneration consisting of options for the year
Directors						
I Ogilvie [1]	160,897	-	-	155,060	315,957	0.00%
T Butcher	36,000	-	-	-	36,000	0.00%
D Low Yi Ngo	-	-	-	-	-	0.00%
S Shah	36,000	-	-	-	36,000	0.00%
R Neil [2]	193,626	-	-	-	193,626	0.00%
Sub-total	**426,523**	**-**	**-**	**155,060**	**581,583**	
Other Key Management						
D Henderson	223,162	18,392	-	-	241,554	0.00%
Sub-total	**223,162**	**18,392**	**-**	**-**	**241,554**	
Total	**649,685**	**18,392**	**-**	**155,060**	**823,137**	

1 Ian Ogilvie resigned as Managing Director on 5 May 2016.
2 Russell Neil was appointed Managing Director and Chief Executive Office on 5 May 2016. Short-Term benefits above represent secondment charges from PT Bayan Resources TBK.

E. Contractual Arrangements

On appointment, the executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter outlines the Board policies and terms, including remuneration relevant to the office of director.

Details of the executive director service agreements are as follows:-

Russell Neil
Monthly Fee - US$18,000
Period of Notice – 1 month
Term – Russell Neil resigned on 30 August 2017
(KRL did not pay Russell Neil's salary. BR charged KRL a monthly secondment fee)

Damien Henderson
Monthly Fee - $10,000 plus 9.5% superannuation
Period of Notice – 1 month
Term- Continuing

Non-executive directors receive a letter of appointment which contains key terms to their appointment. Such terms include the term in accordance with the Constitution of the Company, time commitment expected, role, remuneration (if applicable), standards of conduct and cessation of office.

Details of the non-executive service agreements are as follows:-

Susmit Shah
Monthly Fee - $3,000
Period of Notice – 1 month
Term – Continuing

Trevor Butcher
Monthly Fee - $3,000
Period of Notice – 1 month
Term – Continuing

Darcy Wentworth
Monthly Fee - $3,000
Period of Notice – 1 month
Term – Continuing

David Low Yi Ngo
Monthly Fee - $nil
Period of Notice – 1 month
Term – Continuing

Termination benefits
The Group is currently not liable for any termination benefits on termination of the current executive or non-executive directors or key management personnel other than payment of period of notice on termination where applicable.

F. Share-based Compensation

From time to time the Company rewards directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options and or shares. Share-based compensation is at the discretion of the Board and no individual has a contractual right to participate in any share-based plan or to receive any guaranteed benefits.

Options
There were no options granted to KMP during the financial year, nor were shares issued upon exercise of options. As at the date of this report no options have been exercised.

Shares
There were no shares granted to KMP during the financial year.

G. Equity Instruments Issued on Exercise of Remuneration Options

No shares were issued during the financial year to Directors or other KMP as a result of exercising remuneration options.

H. Value of Options to Directors

There were no options on issue during the financial year.

I. Adoption of Remuneration Report by Shareholders

The adoption of the Remuneration Report for the financial year ended 31 December 2016 was put to the shareholders of the Company at the Annual General Meeting held on 17 May 2017. The Company received more than 99% "yes" votes on its remuneration report and the resolution was passed without amendment on a show of hands.

This is the end of the audited remuneration report.

SHARES UNDER OPTION

At the date of this report there are no unissued ordinary shares of Kangaroo Resources Limited under option.

During the period nil (Financial period ended 31 December 2016: nil) ordinary shares were issued upon the exercise of options.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year the Company paid an insurance premium to insure the directors and officers of the Company against a liability incurred as such a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's mining and exploration activities in Indonesia were subject to environmental regulations from all levels of government within the Republic of Indonesia, in particular *Ministerial Regulation No. 78/2010*, which deals with reclamation and post-mining activities for both IUP-Exploration and IUP-Production Operation holders. The directors are not aware of any breaches during the period covered by this report.

STATUTORY AUDITORS

No officer of the Company has previously belonged to an audit practice auditing the Company during the financial year.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor and their related entities during the period by the auditor are disclosed in note 28 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration for the financial year ended 31 December 2017 has been received as required under Section 307C of the *Corporations Act 2001* and is included on page 22.

This Directors' Report is made in accordance with a resolution of the Board of Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:

Damien Henderson
Executive Director
Brisbane, Australia

27 March, 2018

Auditor's Independence Declaration

As lead auditor for the audit of Kangaroo Resources Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kangaroo Resources Limited and the entities it controlled during the year.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
27 March 2018

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Liability limited by a scheme approved under Professional Standards Legislation.

SUB-CONTENTS

FINANCIAL STATEMENTS

These financial statements are the consolidated financial statements of the consolidated entity consisting of Kangaroo Resources Limited and its subsidiaries. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the directors on 27 March 2018. The directors have the power to amend and reissue the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Consolidated Year ended 31 December 2017 $	Consolidated Year ended 31 December 2016 $
Continuing operations			
Revenue from continuing operations	4	93,988	145,685
Other income	4	1,996,047	1,083,806
		2,090,035	1,229,491
Expenses			
Operating expenses	5	(199,872)	(727,819)
Administration expenses	5	(1,820,333)	(2,666,823)
Finance costs	5	(3,419,692)	(3,017,875)
Impairment expense	5	-	(50,568,444)
Total expenses		(5,439,897)	(56,980,961)
Loss before income tax		(3,349,862)	(55,751,470)
Income tax benefit	6	140,771	12,890,369
Loss from continuing operations		**(3,209,091)**	**(42,861,101)**
Other comprehensive loss			
Items that may be reclassified into profit or loss			
Exchange differences on translation of foreign operations		(104,950)	(801,163)
Other comprehensive gain/(loss) for the year, net of tax		(104,950)	(801,163)
Total comprehensive loss for the year		**(3,314,041)**	**(43,662,264)**
Loss for the year is attributable to:			
Owners of the Company		(3,189,131)	(42,446,892)
Non-controlling interests		(19,960)	(414,209)
		(3,209,091)	**(42,861,101)**
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(3,291,469)	(43,238,599)
Non-controlling interests		(22,572)	(423,665)
		(3,314,041)	**(43,662,264)**
Loss per share attributable to the ordinary equity holders of the company:		Cents	Cents
Basic and diluted loss per share from continuing operations		(0.09)	(1.24)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	Consolidated 31 December 2017 $	31 December 2016 $
Current Assets			
Cash & cash equivalents	7	1,304,851	1,739,083
Trade & other receivables	8	846,856	790,364
Inventory	9	3,384,900	3,644,585
Total Current Assets		**5,536,607**	**6,174,032**
Non-Current Assets			
Receivables	8	285,120	911,920
Property, plant & equipment		24,189	67,469
Mine properties & development	11	127,100,000	127,100,000
Exploration & evaluation expenditure	12	3,837,411	3,820,040
Available-for-sale financial assets	10	60,535,282	60,751,163
Total Non-Current Assets		**191,782,002**	**192,650,592**
TOTAL ASSETS		**197,318,609**	**198,824,624**
Current Liabilities			
Trade & other payables	13	5,102,593	6,332,509
Borrowings	21(f)	34,484,955	31,251,264
Total Current Liabilities		**39,587,548**	**37,583,773**
Non-Current Liabilities			
Provisions	14	641,543	696,521
Deferred tax liabilities	15	44,586,084	44,726,855
Total Non-Current Liabilities		**45,227,627**	**45,423,376**
TOTAL LIABILITIES		**84,815,175**	**83,007,149**
NET ASSETS		**112,503,434**	**115,817,475**
EQUITY			
Equity attributable to the equity holders of the parent			
Issued capital	16	469,867,326	469,867,326
Reserves	17	1,416,280	1,518,618
Accumulated losses	17	(359,633,099)	(356,443,968)
Capital & reserves attributable to owners of Kangaroo Resources Limited		111,650,507	114,941,976
Non-controlling interest	18	852,927	875,499
TOTAL EQUITY		**112,503,434**	**115,817,475**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Contributed Equity	Accumulated Losses	Reserves	Attibutable to members of KRL	Non-controlling interest	Total Equity
	$	$	$	$	$	$
Balance as at 1 January 2017	469,867,326	(356,443,968)	1,518,618	114,941,976	875,499	115,817,475
Loss attributable to members of KRL	-	(3,189,131)	-	(3,189,131)	(19,960)	(3,209,091)
Other comprehensive loss	-	-	(102,338)	(102,338)	(2,612)	(104,950)
Total comprehensive loss attributable to members of KRL	-	(3,189,131)	(102,338)	(3,291,469)	(22,572)	(3,314,041)
Balance as at 31 December 2017	469,867,326	(359,633,099)	1,416,280	111,650,507	852,927	112,503,434

	Contributed Equity	Accumulated Losses	Reserves	Attibutable to members of KRL	Non-controlling interest	Total Equity
	$	$	$	$	$	$
Balance as at 1 January 2016	469,867,326	(313,997,076)	2,310,325	158,180,575	1,299,164	159,479,739
Loss attributable to members of KRL	-	(42,446,892)	-	(42,446,892)	(414,209)	(42,861,101)
Other comprehensive loss	-	-	(791,707)	(791,707)	(9,456)	(801,163)
Total comprehensive loss attributable to members of KRL	-	(42,446,892)	(791,707)	(43,238,599)	(423,665)	(43,662,264)
Balance as at 31 December 2016	469,867,326	(356,443,968)	1,518,618	114,941,976	875,499	115,817,475

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2017

	Consolidated Year ended 31 December 2017 $	Consolidated Year ended 31 December 2016 $
Cash flows from operating activities		
Payment to suppliers and employees (inclusive of GST and VAT)	(2,592,283)	(2,563,548)
Interest received	93,988	143,740
Proceeds from refund of rehabilitation deposit	565,655	-
Net cash outflow from operating activities	(1,932,640)	(2,419,808)
Cash flows from investing activities		
Payments for exploration and evaluation assets	(18,002)	(1,667)
Net cash (outflow) inflow from investing activities	(18,002)	(1,667)
Cash flows from financing activities		
Proceeds from borrowings - related parties	1,454,116	1,704,868
Net cash inflow from financing activities	1,454,116	1,704,868
Net decrease in cash and cash equivalents	(496,526)	(716,607)
Cash and cash equivalents at beginning of financial year	1,739,083	2,406,603
Effect of exchange rate on cash held in foreign currencies	62,294	49,087
Cash and cash equivalents at end of period	1,304,851	1,739,083

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Kangaroo Resources Limited and its subsidiaries (together referred to as the "Group"). KRL is a for profit entity for accounting purposes.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial statements also comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(i) Historical cost convention

These financial statements have been prepared on the historical cost basis, modified where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

(ii) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- AASB 2016-1 Amendments to Australian Accounting Standards
- AASB 2016-2 Amendments to Australian Accounting Standards
- AASB 2017-1 Amendments to Australian Accounting Standards

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iii) Going Concern

For the year ended 31 December 2017, the Company incurred a total comprehensive loss of $3,314,041 (31 December 2016: $43,662,264 loss), net cash outflows from operating activities of $1,932,640 (31 December 2016: $2,419,808) and has a working capital deficiency of $34,050,941 (31 December 2016: $31,409,741). The group was advanced loans of $1,454,116 from PT Bayan Resources Tbk "Bayan Resources", the major shareholder of the Company, to fund operating cash flow and capital expenditure (31 December 2016: $1,859,212).

Bayan Resources has undertaken to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its obligations now and in the future. The undertaking is provided for a minimum of twelve months from the date of these financial statements. These statements have therefore been prepared on a going concern basis.

(iv) *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kangaroo Resources Limited (the "Company" or "Parent Entity") as at 31 December 2017 and the results of all subsidiaries for the year then ended. Kangaroo Resources Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

(ii) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Kangaroo Resources Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit of loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets of liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

d) Foreign currency translation

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. These consolidated financial statements are presented in Australian dollars which is the Company's functional currency and presentation currency of the Group.

(ii) Translation and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when they are deferred in equity as qualifying cash flow hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and the expenses are translated at the

dates of the transactions) and

- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit and loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

e) Other financial assets

The Group's investments in other financial assets are in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. They are included in current assets except those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables comprise trade and other receivables.

(ii) Available for sale financial assets

Available-for-sale financial assets, comprising the right to acquire foreign entities, are non-derivatives that are either designated in this category or not classified in any other category. The available for sale financial assets are carried at fair value. Changes in the fair value of available for sale financial assets are recognised in other comprehensive income.

(iii) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss is reversed to the statement of comprehensive income if the reversal can be related objectively to an event occurring after the impairment loss was recognised.
All impairment losses are recognised in profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

i) Trade receivables

Trade and other receivables are recorded at fair value initially then subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

k) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group) but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

m) Property, Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount of the assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight line method so as to write off the net cost of each asset during their expected useful life as follows:

- Buildings	10 years
- Heavy equipment	8 to 12 years
- Furniture, fittings and equipment	4 to 12 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Gains and losses on disposals are determined by comparing the proceeds from disposal with the net carrying amount. These gains and losses are included in the statement of comprehensive income.

n) Exploration and evaluation expenditure

Exploration and evaluation represent exploration assets and are capitalised in respect of each identifiable area of interest. These costs are carried forward where right of tenure to the area of interest is current and to the extent that costs are expected to be recouped through the sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period in which the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs are written off to the extent that they are not considered to be recoverable in the future.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration assets to mine properties and development.

o) Mine properties and development

Mine properties represent the acquisition costs and/or accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which development of mineral resource has commenced. When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when future economic benefits are established, otherwise such expenditure is classified as part of the cost of production. Once in production mine properties are amortised on a units of production basis over the life of mine.

p) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The group conducts an internal review of asset values bi-annually, which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset’s recoverable amount is calculated, being the higher of fair value less cost of disposal and the asset’s value in use. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount.

Fair value less cost of disposal is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. Fair value less cost of disposal for mineral assets is generally determined using independent market assumptions to calculate the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. These cash flows are discounted using an appropriate discount rate to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Value in use is determined by applying assumptions specific to the group's continued use and does not take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable groups of assets and liabilities that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

q) Trade and other payables

Trade payables and other payables are recognised at fair value initially and subsequently measured at amortised costs. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days. Trade and other payables are presented as current liabilities when payment is not due within 12 months of reporting date.

r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

Rehabilitation
The mining, extraction and processing activities of the Group give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of rehabilitation activities is recognised in “Development Expenditure” as rehabilitation assets and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each balance date and the costs charged to the statement of comprehensive income in line with future cash flows.

s) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provisions for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations.

The liability for long service and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

The fair value of options granted to employees is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-mark vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing:

- the profit/(loss) attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

v) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

w) New accounting standards and interpretation

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not yet been applied in the financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments (Effective 1 January 2018).

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.

The group has assessed its financial assets and liabilities and the changes to the standard are not expected to have a material impact on the measurement and classification of the Group's financial assets and liabilities.

(ii) AASB 15 Revenue from contracts with customers (Effective 1 January 2018)

AASB 15 introduces a new framework for accounting for revenue and will replace AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. AASB 15 establishes principals for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the exiting notion of risks and rewards.

Given that KRL is predominately involved in exploration and development the impact of this standard is not expected to have a material impact on KRL's financial statements.

(iii) AASB 16 Leases (Effective 1 January 2019)

AASB 16 was issued in February 2016. One of the key changes is that lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard will affect primarily the accounting for the Group's operating leases.

Given that currently KRL has no material lease or other significant contractual commitments, the impact of this standard is not expected to have a material impact on KRL's financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

x) Parent entity financial information

The financial information of the parent entity, Kangaroo Resources Limited, disclosed in note 3 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Kangaroo Resources Limited.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have the most significant impact on the financial statements are discussed below.

a) Exploration & evaluation expenditure

The Group's accounting policy for exploration and evaluation is set out at Note 1(n). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is written off in the statement of comprehensive income.

b) Income Taxes

The Group is subject to income taxes in Australia and Indonesia. Significant judgement is required in determining the recognition and non-recognition of deferred tax assets arising from tax losses or other temporary differences. The Group recognises the expected future tax benefit from deferred tax assets only when the tax benefit is considered probable of being realised. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income based on existing tax laws enacted or substantially enacted at the end of the reporting period.

c) Life of mine estimates

Life of mine is the estimate of the useful life of a mining property. In order to determine life of mine, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production costs, transport costs and capabilities, commodity demand, commodity prices and exchange rates.

As economic assumptions factored into the assessment of life of mine change and as additional geological data is generated during the course of operations, estimates of life of mine may vary from period to period. Such changes may affect the Company's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation and amortisation charges in profit and loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets.

d) Carrying Value of long-lived assets

Significant judgement is required to determine the recoverable amount of mine properties and development, exploration and evaluation, property, plant and equipment and available-for-sale financial assets, in the absence of quoted market prices. These values are typically based on the present value of future cash flows where the estimation is required for reserves, future mine plans and production profiles, operational and capital costs, discount rates and expected coal prices. Changes in circumstances may alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged to profit and loss. For available for sale financial assets, any movements in fair value are recorded in Other Comprehensive Income. Judgement is required when assessing amounts recorded as a reduction in the carrying value of the asset to determine whether it is a significant or prolonged decline, in which case, an impairment charge is recorded in profit and loss. Key assumptions applied in determining the recoverable amount of these assets are included in notes 10, 11 and 12.

3. Parent Entity Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

	31 December 2017	31 December 2016
	$	$
Balance sheet		
Current assets	115,455	106,902
Non-current assets	127,580,524	111,529,550
Total assets	127,695,979	111,636,452
Current liabilities	110,776	84,758
Non-current liabilities	32,172,274	12,102,649
Total liabilities	32,283,050	12,187,407
Shareholders' equity		
Contributed equity	469,867,326	469,867,326
Accumulated losses	(374,454,397)	(370,418,281)
	95,412,929	99,449,045
Income Statement	-	-
Loss for the year	(4,036,118)	(36,133,585)
Total comprehensive loss for the year	(4,036,118)	(36,133,585)

Contractual Commitments
There are no significant contractual commitments.

Guarantees and Contingent Liabilities
There are no guarantees or contingent liabilities.

4. Revenue and other income

	Consolidated	
	Year ended 31 December 2017 $	Year ended 31 December 2016 $
(a) Revenue from continuing operations		
Interest revenue	93,988	145,685
	93,988	145,685

	Consolidated	
	Year ended 31 December 2017 $	Year ended 31 December 2016 $
Gain on sale of fixed assets [1]	229,605	481,708
Foreign exchange gain	1,766,442	602,098
Total other income	1,996,047	1,083,806

1 During 2017 KRL sold property, plant and equipment held by subsidiary MCM to BR and PT Indonesia Pratama (IP) (BR Subsidiary). MCM sold this property, plant and equipment for $229,606 ($176,116 USD). This was $229,605 above it's carrying value. During 2016 KRL sold property, plant and equipment held by its subsidiary SAU to BR and IP. SAU sold this property, plant and equipment for $16,112,477 ($12,000,000 USD). This was $481,708 above its carrying value of $15,630,769 ($11,641,241).

5. Loss from Continuing Operations

Loss from continuing operations before income tax has been arrived at after charging/(crediting) the following items:

	Consolidated	
	Year ended 31 December 2017 $	Year ended 31 December 2016 $
(a) Operating Expenses		
Employee costs	51,781	64,476
Depreciation	19,153	142,337
Repairs, maintenance and materials and rental	15,386	14,178
VAT expensed	17,212	18,962
Consultancy Fees	5,515	-
Royalties	-	12,421
Other operating expenses	90,825	133,594
Total operating expenses	199,872	385,968
Inventory movement	-	341,851
	199,872	727,819
(b) Administration expenses		
Consultant expenses	388,016	407,019
Legal expenses	63,198	25,447
Directors fees & employee costs	759,586	1,126,324
Office rent	307,335	319,490
Travel and accomodation	15,610	2,718
Witholding tax expense	-	322,579
Other administration expenses	286,588	463,246
	1,820,333	2,666,823

	Consolidated	
	Year ended 31 December 2017 $	Year ended 31 December 2016 $
(c) Finance costs		
Interest expense	3,419,692	3,017,875
	3,419,692	3,017,875
(d) Impairment expense		
Impairment of mine properties and development	-	44,400,000
Impairment of available-for-sale financial assets	-	6,168,444
	-	50,568,444

6. Income Tax Benefit

Deductible temporary differences and tax losses do not expire under current Australian tax legislation. Indonesian tax losses expire after 5 years. Deferred tax assets (net of deferred tax liabilities relating to capitalised exploration expenditure for which immediate tax write-off is available) have not been recognised in the financial statements because it is currently not probable that there will be future taxable amounts available to utilise these losses and temporary differences.

(a) Recognised in the statement of comprehensive income

	Consolidated	
	Year ended 31 December 2017 $	Year ended 31 December 2016 $
Deferred tax benefit relating to the origination and reversal of temporary differences	140,771	12,890,369
Total income tax benefit	140,771	12,890,369

(b) Reconciliation between income tax expense and pre-tax loss

	Consolidated	
	Year ended 31 December 2017 $	Year ended 31 December 2016 $
Loss before tax	(3,349,862)	(55,751,470)
Income tax using the domestic corporation rate of 27.5% (31 December 2016: 30%)	(921,212)	(16,725,441)
Tax effect of:		
Difference in overseas tax rate	(14,380)	2,746,798
Non-deductible expenses	(485,772)	(180,629)
Unused tax losses and temporary differences not recognised as deferred tax assets	1,280,593	1,268,903
Total income tax benefit	(140,771)	(12,890,369)

(c) Unrecognised deferred tax balances

	Consolidated	
	Year ended 31 December 2017 $	Year ended 31 December 2016 $
Deferred tax assets calculated at 27.5% (31 December 2016: 30%) have not been recognised in respect of the following:		
Income tax losses	8,289,727	6,724,560
Foreign tax losses	14,104,380	14,388,954
	22,394,107	21,113,514

7. Cash and Cash Equivalents

	Consolidated	
	31 December 2017 $	31 December 2016 $
Reconciliation of cash balance comprises		
Cash at bank	1,304,851	1,739,083
	1,304,851	1,739,083

(a) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 27.

8. Trade and Other Receivables

	Consolidated	
	31 December 2017 $	31 December 2016 $
Current		
Other receivables	607,441	325,387
Prepayments	239,415	464,977
	846,856	790,364
Non-current		
Advances and prepayments	285,120	911,920
	285,120	911,920

(a) Trade receivables past due but not impaired

There were no trade receivables past due but not impaired.

(b) Foreign exchange and interest rate risk

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 27.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.
The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 27 for more information on the risk management policy of the Company and the credit quality of the Company's trade receivables.

(d) Other receivables

This represents amounts advanced to parties outside of the consolidated Group for operating activities and are expected to be recovered within one year.

9. Inventory

	Consolidated	
	31 December 2017	31 December 2016
	$	$
Coal stockpiles - at net realisable value	3,359,413	3,617,142
Other inventory - spare parts fuel etc.	25,487	27,443
	3,384,900	3,644,585

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during year ended 31 December 2017 amounted to nil (2016: $341,851). In 2016 the expense was included in 'operating expenses' in the consolidated statement of comprehensive income.

10. Available-for-sale Financial Assets

	Consolidated	
	31 December 2017	31 December 2016
	$	$
Opening Balance	60,751,163	67,912,637
Additions	347,204	-
Impairment	-	(6,168,444)
Foreign Exchange	(563,085)	(993,030)
Closing Balance	60,535,282	60,751,163

On 13 June 2011 shareholders approved the issue of 2,305 million Kangaroo Resources Limited shares to PT Bayan Resources Tbk and other parties related to the acquisition of a 99% interest in the Pakar Thermal Coal

Project in East Kalimantan (“Pakar”), consisting of ten Indonesian entities (see note 21). As at the balance date, four of the entities are awaiting government sign-off and conversion to Indonesian PMA companies (a foreign investment company) which will allow the Company to own a direct equity interest. Until these entities have been converted to PMA companies and the direct equity ownership has been transferred to Kangaroo Resources Limited the accounting standards require them to be classified as available-for-sale financial assets as the Group does not hold right to tenure over the exploration and production licenses. Following the conversion and the transfer of the equity interest in each entity, the above balance will be recognised within mining properties and development and exploration and evaluation expenditure in the Statement of Financial Position.

Impairment of Available-for-sale Financial Assets

As at 31 December 2017 management has not performed a further impairment assessment on the carrying value of all assets due to the fact that there was no observable data that would indicate an impairment or a decrease in estimated future cash flows. The key data that management has taken into consideration is the long-term average benchmark sales price outlook for 6,322 kcal/kg coal. The sales price assumptions have increased for every production year forecasted in our discounted cash flow modelling.

With regards to GPK, management also considered the impact of the recent PT Seacape Surveys Indonesia bathymetric surveys. As mentioned on page 11, the Company is assessing the economics of bypassing a portion of these critical points by having a longer truck haul, dredging these locations or a combination of both. Management does not believe that this would indicate an impairment or decrease in estimated future cash flows at this point, as we are still assessing the economics of alternatives and the fact that the long-term average benchmark sales price for 6,322 kcal/kg coal has increased for every production year forecasted in our discounted cash flow modelling.

During 2016, due to a further decline in the long-term thermal coal price outlook, management performed an impairment assessment of the carrying value of all assets.

The available-for-sale financial assets relating to PT Apira Utama (AU), PT Bara Sejati (BS) and PT Cahaya Alam (CA) were impaired by $700,000.

As at 31 December 2016 TA’s carrying value was based on a range of valuations associated with reasonably possible outcomes. Due to further decreases in the coal price outlook, TA’s fair value resulted in a range of $31 million to $61 million, down from 2015. Management used the same methodology as 2015 with regards to discounted cash flow modelling. The key assumption change was a decline in the long-term average benchmark sales price outlook for 6,322 GAR coal, which is then adjusted to the relevant CV for valuation purposes. For 2019 (first year of production) the assumed sale price was $60/t and increased to $67/t by year 2025. From 2026 onwards this price was increased annually by the inflation rate of 2.5%. The discount rate decreased from 14.6% in 2015 to 13.1% and the Australian-United States dollar exchange rate decreased from $0.73 to $0.72 in 2016.

The Group has impaired TA’s carrying value in USD from $38,411,279 to $34,400,000 a decrease of 10.4%. This decrease was in line with TA’s decrease in USD discounted cash flows from 2015 to 2016. As a result of the impairment testing TA’s carrying value decreased by $6,461,474 (impairment: $5,468,444, Foreign exchange loss: $993,030).

11. Mine Properties and Development

	Consolidated 31 December 2017 $	Consolidated 31 December 2016 $
Movements in Mine Properties and Development		
Carrying amount at start of period	127,100,000	171,500,000
Impairment	-	(44,400,000)
	127,100,000	127,100,000
Represented by:		
Pakar North	127,100,000	127,100,000
	127,100,000	127,100,000

Impairment of Mine Properties and Development

As at 31 December 2017 management has not performed an impairment assessment on the carrying value of its mine properties and development assets due to the fact that there were no indicators of impairment. Management took into consideration external indicators including long-term average benchmark sales price outlook for 6,322 GAR coal which increased. The sales price assumptions have increased for every production year forecasted in our discounted cash flow modelling.

In 2016 Pakar North Cash Generating Unit (CGU) incorporating PT Tanur Jaya (TJ) and PT Dermaga Energi (DE) was impaired from its carrying value of $171,500,000 to its recoverable amount of $127,100,000 (impairment charge of $44,400,000), which represents its fair value less costs of disposal. Pakar North's fair value measurement is considered to be level 3 of the fair value hierarchy as some of the inputs are not based on observable market data.

In 2016 Pakar North was originally recorded at its fair value determined on acquisition date which was based on discounted cash flows methodology, which is based on estimated quantities of recoverable coal, expected coal prices (considering current and historical prices, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans which reflect management's expectations for the future. For impairment purposes the Company has applied the same methodology in using discounted cash flows updated for the current outlook for coal prices, production and risk (including foreign ownership and other potential government legislation changes) among other items. Management believe that the current outlook for coal prices has changed significantly enough to warrant a reduced outlook for long-term sales price assumptions. Management have also revised its production assumptions.

In 2016 the key assumptions used in discounted cash flow analysis were the average sales price and the long-term discount rate. The average benchmark sales price of 6,322 GAR coal for 2019 (first year of production) was

US$60/t and increased to US$67/t by year 2025. From 2026 onwards this price was increased annually by the inflation rate of 2.5% (Benchmark sales price is discounted and adjusted to average actual calorific value sold). A post-tax nominal discount rate of 13.1% was applied. A 25% discount was applied to net cash flows from 2024 for TJ and 2025 for DE to take into consideration the impact of Indonesian foreign ownership divestment legislation.

12. Exploration and Evaluation Expenditure

	Consolidated	
	31 December 2017 $	31 December 2016 $
Costs carried forward in respect of areas of interest in exploration phase - at cost		
Balance at beginning of the year	3,820,040	3,818,343
Additions	17,371	1,697
Carrying amount at end of year	3,837,411	3,820,040

The ultimate recoupment of costs carried forward for exploration expenditure phases is dependent on the successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

(a) Impairment of Exploration and Evaluation Expenditure

As at 31 December 2017 management have considered the recoverability of the exploration and evaluation assets and determined that there were no impairment indicators present. Therefore, the carrying amount of all exploration and evaluation assets is deemed to be appropriate and no impairment charges have been recognised (31 December 2016: Nil).

13. Trade and Other Payables

	Consolidated	
	31 December 2017 $	31 December 2016 $
Current		
Trade payables	1,230,363	959,344
Other payables and accruals	3,872,230	5,373,165
	5,102,593	6,332,509

Trade and other payables are non-interest bearing liabilities stated at cost and are predominantly settled within 30 days

14. Provisions

	Consolidated	
	31 December 2017 $	31 December 2016 $
Non-current		
Provision for mine restoration [(a)]	641,543	696,521
	641,543	696,521

(a) Mine restoration

The mining, extraction and processing activities of the Group give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs.

15. Deferred Tax Liabilities

	Consolidated	
	31 December 2017 $	31 December 2016 $
The balance comprises temporary differences attributable to:		
Available-for-sale financial assets	11,856,498	11,997,269
Exploration and evaluation expenditure	954,586	954,586
Mine properties and development	31,775,000	31,775,000
	44,586,084	44,726,855

Movements in Deferred Tax Liability relate to the impairment charges and foreign exchange movements recorded against available-for-sale financial assets for Pakar and GPK.

16. Issued Capital

	31 December 2017		31 December 2016	
	Number	$	Number	$
Issued and fully paid	3,434,430,012	469,867,326	3,434,430,012	469,867,326

Ordinary shares
Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At shareholders meetings, each ordinary share is entitled to one vote per share when a poll is called, otherwise each shareholder has one vote on a show of hands.

(i) Options

During the financial year no options were issued over unissued ordinary capital nor did any unissued ordinary shares lapse.

(ii) Warrant holders

The Company currently has no outstanding warrants.

(iii) Capital risk management

The Company's capital includes share capital, reserves and accumulated losses. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to achieve this, the Company may issue new shares in order to meet its financial obligations.

17. Reserves and Accumulated losses

(a) Reserves

	Consolidated	
	31 December 2017 $	31 December 2016 $
Foreign currency translation reserve	94,990	197,328
Transactions with non-controlling interests reserve	1,321,290	1,321,290
	1,416,280	1,518,618

(b) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

	Consolidated	
	31 December 2017 $	31 December 2016 $
Balance at beginning of period	197,328	989,035
Foreign exchange movements	(102,338)	(791,707)
Total foreign currency translation reserve at end of period	94,990	197,328

(c) Accumulated Losses

	Consolidated	
	31 December 2017 $	31 December 2016 $
Balance at beginning of period	356,443,968	313,997,076
Net losses attributable to members of the parent entity	3,189,131	42,446,892
Accumulated losses at the end of the period	359,633,099	356,443,968

18. Non-controlling Interest

	Consolidated	
	31 December 2017 $	31 December 2016 $
Balance at the beginning of the period	875,499	1,299,164
Comprehensive income/(loss) attributable to non-controlling interest	(22,572)	(423,665)
Non-controlling interest at the end of the period	852,927	875,499

19. Commitments

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and the Group are required to perform minimum exploration work to meet minimum expenditure requirements specified by various government authorities. These obligations are subject to renegotiation when application for a mining lease is made and at various other times. These obligations are not provided for in the financial report and are payable:

	Consolidated	
	31 December 2017 $	31 December 2016 $
Not later than one year	150,000	150,000
Later than one year but not later than five years	-	-
Total	150,000	150,000

(b) GPK Project Co-operation Agreement and Deed of Release with KAL Energy

The Company has entered into a Co-operation Agreement and a Deed of Release with KAL Energy in relation to its previous interest in the GPK Project, giving Kangaroo the ability to consider all possible alternatives for this project without prejudice associated with any historical issues relating to former interests held by other parties.

Under the terms of the Agreement KAL Energy will be entitled to receive 12% of the net sale proceeds of any future sale transaction. Net sales proceeds consists of sales proceeds less costs incurred in connection with the procurement and implementation of a future sale transaction, including any broker fees, royalty buy-outs and other associated costs. In the event KRL takes GPK into production an 8% economic interest will be assigned to KAL Energy. GPK is currently held under a nominee structure pending KRL exercising its option to take up its full equity entitlement.

20. Subsidiaries and Transactions with Non-controlling Interests

Significant investments in subsidiaries

	Country of Incorporation	Class of shares	Equity holding	
			31 December 2017	31 December 2016
Name of controlled entity				
Kangaroo Minerals Pty Ltd	Australia	Ordinary	100.00%	100.00%
SGQ Singapore Investment Company Pte Ltd	Singapore	Ordinary	100.00%	100.00%
SGQ Batubara Pte Ltd	Singapore	Ordinary	100.00%	100.00%
PT Karsa Optima Jaya	Indonesia	Ordinary	100.00%	100.00%
PT Multi Mamahak Batubara	Indonesia	Ordinary	100.00%	100.00%
PT Mamahak Coal Mining	Indonesia	Ordinary	99.00%	99.00%
PT Bara Karsa Lestari	Indonesia	Ordinary	99.00%	99.00%
PT Mahakam Energi Lestari	Indonesia	Ordinary	99.00%	99.00%
PT Mahakam Bara Energi	Indonesia	Ordinary	99.00%	99.00%
PT Sumber Aset Utama	Indonesia	Ordinary	99.00%	99.00%
PT Orkida Makmur	Indonesia	Ordinary	99.00%	99.00%
PT Dermaga Energy	Indonesia	Ordinary	99.00%	99.00%
PT Tanur Jaya	Indonesia	Ordinary	99.00%	99.00%
PT Sumber Api	Indonesia	Ordinary	99.00%	99.00%
PT Silau Kencana	Indonesia	Ordinary	99.00%	99.00%

On 13 June 2011 shareholders approved the issue of 2,305 million Kangaroo Resources Limited shares to PT Bayan Resources Tbk and other parties related to the acquisition of a 99% interest in the Pakar Thermal Coal Project in East Kalimantan ("Pakar"), consisting of ten Indonesian entities. As at the balance date, four of the entities (listed below) are awaiting government sign-off and conversion to Indonesian PMA companies (a foreign investment company) which will allow the Company to own a direct equity interest. Until these entities have been converted to PMA companies the direct equity ownership and management control remains with BR (See note 10).

Name of entity	Country of Incorporation
PT Tiwa Abadi	Indonesia
PT Apira Utama	Indonesia
PT Bara Sejati	Indonesia
PT Cahaya Alam	Indonesia

21. Related Party Disclosures

(a) Key management personnel

Key management personnel are those persons that have either direct or indirect authority and responsibility for planning, directing and controlling the activity of the entity.

The following were key management personnel of the consolidated entity at any time during the reporting period and unless indicated were key management personnel for the entire period.

R Neil [1]	Managing Director
D Wentworth [2]	Independent Non-Executive Director
T Butcher	Independent Non-Executive Director
D Low Yi Ngo	Non-Executive Director
S Shah	Independent Non-Executive Director
D Henderson [3]	Financial Controller/Executive Director

1 Resigned as Managing Director 30 August 2017

2 Appointed as non-executive director on 11 July 2017

3 Appointed as financial controller in 2013, executive director on 11 July 2017

There were no other employees that constitute key management personnel.

(b) Key management personnel compensation

	Consolidated	
	Year ended 31 December 2017 $	Year ended 31 December 2016 $
Short term benefits	456,767	668,077
Termination benefits	-	155,060
	456,767	823,137

Directors and key management personnel disclosures

Option holdings

There were no options over ordinary shares in the Company held during the current and the previous financial years by key management personnel, including their personally related parties.

Shareholdings

No shares in the Company were held during the financial year by key management personnel of the Company, including their personally related parties.

(c) Parent entity

The parent entity within the group is Kangaroo Resources Limited. The ultimate parent entity and ultimate controlling party is PT Bayan Resources Tbk (BR) (incorporated in Indonesia) which at 31 December 2017 owns 56.05% (31 December 2016: 56.05%) of the issued ordinary shares of Kangaroo Resources Limited.

(d) Subsidiaries

Interests in subsidiaries are set out in note 20.

(e) Other related party transactions

During the year the Company sold property, plant and equipment assets of its subsidiary MCM to BR for $27,678 and PT Indonesia Pratama (IP) for $201,927 a subsidiary of PT Bayan Resources TBK (BR). During 2016 the Company sold infrastructure assets of its subsidiary PT Sumber Aset Utama (SAU) to BR for $8,518,744 and IP for $7,593,733. The resolution was put to shareholders at a general meeting on the 29 April 2016, who voted in favour of the transaction.

During the year the Company incurred interest expense of $3,419,692 on BR loans (twelve months ended 31 December 2016: $3,017,875). The average interest rate for the full year was 11.39% (twelve months ended 31 December 2016: 10.88%).

During the year the Company was charged $330,664 by PT Nirmala Matranusa a related party to BR for office rental and associated expenses (twelve months ended 31 December 2016: $340,634).

During the year the Company was charged $191,449 by BR for Russell Neil's Managing Director secondment fees (twelve months ended 31 December 2016: $193,626).

During the year the Company paid $108,000 to Corporate Consultants Pty Ltd for administration, accounting and company secretarial services (twelve months ending December 2016: $108,000). Mr Susmit Shah's directors fees' of $36,000 were paid to Corporate Consultants Pty Ltd and are included in the amount of $108,000.

Mr Susmit Shah and Paul Jurman are both directors and have beneficial interests in Corporate Consultants Pty Ltd.

(f) Loans from related parties

	Consolidated	
	31 December 2017	31 December 2016
	$	$
Loans from PT Bayan Resources Tbk		
Opening balance	31,251,264	42,919,105
Loan advanced	2,112,462	1,859,212
Loan repayments [1]	-	(16,165,808)
Interest charged and capitalised	3,419,692	3,017,875
Foreign exchange revaluation	(2,298,463)	(379,120)
Closing balance	34,484,955	31,251,264

1 Proceeds of SAU infrastructure assets sold to BR and its subsidiary IP.

The loans have been provided to fund the Company's operations.

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except there are no fixed terms for the repayment of the loan from PT Bayan Resources Tbk. The average interest rate on the loan during the year was 11.39% (2016: 10.88%).

22. (Loss) / Earnings per Share

Loss per share from continuing operations	Consolidated Year-ended 31 December 2017	Consolidated Year-ended 31 December 2016
Loss from continuing operations attributable to ordinary shareholders of the company	$(3,189,131)	$(42,446,892)
Basic and diluted loss per share (cents)	(0.09)	(1.24)
Weighted average number of Ordinary shares on issue used in the calculation of basic and diluted loss per share	3,434,430,012	3,434,430,012

Basic earnings/(loss) per share ('EPS') is calculated by dividing the net profit/(loss) attributable to ordinary shareholders for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company. Other potential ordinary shares have not been included in the calculation of diluted earnings per share as they are not considered dilutive.

23. Statement of Cash Flows

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

(a) Reconciliation of cash and cash equivalents

	Consolidated 31 December 2017 $	Consolidated 31 December 2016 $
Reconciliation of cash balance comprises		
Cash at bank	1,304,851	1,739,083
	1,304,851	1,739,083

(b) Reconciliation of loss after income tax to net out flows from operating activities

	Consolidated	
	Year ended 31 December 2017 $	Year ended 31 December 2016 $
Loss after income tax	(3,209,091)	(42,861,101)
Depreciation	19,153	142,337
Impairment of Mine Properties and Development	-	44,400,000
Impairment of Available-for-Sale Financials Assets	-	7,161,474
Interest Capitalised	3,419,692	3,017,875
Foreign Exchange	(1,765,232)	(1,495,898)
Tax Benefit	(140,771)	(12,890,369)
Change in assets and liabilities during the financial year:		
(Increase)/decrease in inventories	259,685	(239,459)
(Increase)/decrease in trade & other receivables and prepayments	570,308	34,925
(Increase)/decrease in exploration and evaluation	(17,371)	-
(Increase)/decrease in available for sale financial assets	215,881	-
Increase/(decrease) in trade & other payables	(1,229,916)	333,951
Increase/(decrease) in provisions	(54,978)	(23,543)
Net cash used in Operating activities	(1,932,640)	(2,419,808)

(c) Non cash financing and investing activities

In 2017 borrowings and capitalised interest of $3,419,692 (2016: $3,017,875) with BR were increased by $191,449 (2016: $193,626) for Russell Neil's (Former KRL Managing Director) secondment charges. There were no other non-cash financing and investing activities during the current or previous financial years. Refer reconciliation contained in Note 21(f).

In 2016 management reduced net borrowings with BR with proceeds from sale of property, plant & equipment from SAU of $16,165,808. Net borrowings with BR were increased by $193,626 for Russell Neil's secondment charges.

24. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The segments are consistent with the internal management reporting information that is regularly reviewed by the chief operating decision maker, being the Board of Directors.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate.

The consolidated entity has one reportable segment based on the operating and exploration assets in Indonesia. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

	Year ended 31 December 2017 $	Year ended 31 December 2016 $
(i) Segment performance		
Revenue		
Segment revenue	2,090,030	1,229,477
Segment result	431,186	(53,916,157)
Impairment Expense	-	(50,568,444)
Unallocated items		
Other corporate revenue	5	14
Other corporate income and expenses	(3,781,053)	(1,835,327)
Net loss before tax from continuing operations	**(3,349,862)**	**(55,751,470)**

	31 December 2017 $	31 December 2016 $
(ii) Segment assets		
Mine properties & development	127,100,000	127,100,000
Exploration & evaluation expenditure	3,837,411	3,820,040
Other assets	5,727,824	7,046,519
Available-for-sale financial assets	60,535,282	60,751,163
Total Segment assets	197,200,517	198,717,722
Reconciliation of segment assets to group assets		
Other corporate assets	118,092	106,902
Total Assets	**197,318,609**	**198,824,624**
(iii) Segment liabilities		
Total segment liabilities	9,862,997	28,157,802
Reconciliation of segment liabilities		
Deferred tax liability	44,586,084	44,726,855
Other corporate liabilities	30,366,094	10,122,492
Total Liabilities	**84,815,175**	**83,007,149**

25. Contingent Liabilities

The directors are not aware of any material contingent liabilities at the date of these financial statements.

26. Events occurring after the reporting period

On 21 March 2018 KRL announced the appointment of Alexander Wibowo as Managing Director, effective from 1 April 2018. Please refer to ASX announcement dated 21 March 2018 for further details.

No other matter or circumstances has arisen since 31 December 2017 that has significantly affected the Group's operations, results or state of affairs, or may do in future years.

27. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

The Board of Directors monitors domestic and international financial markets and manages the financial risks relating to the operations of the Group through periodically analysing exposures by degree and magnitude of risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group holds the following financial instruments:

	31 December 2017 $	31 December 2016 $
Financial assets		
Cash and cash equivalents	1,304,851	1,739,083
Trade and other receivables – current	846,856	790,364
Available-for-sale financial assets	60,535,282	60,751,163
Trade and other receivables - non-current	285,120	911,920
	62,972,109	64,192,530
Financial liabilities		
Trade and other payables	5,102,593	6,332,509
Borrowings	34,484,955	31,251,264
	39,587,548	37,583,773

(a) Market risk

(i) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The main currency exposure is to United States dollars through the entities cash advances to the current vendors of the Pakar Coal Projects. The Group manages foreign exchange risk by monitoring forecast cash flows in currencies other than Australian dollars and maintaining certain cash balances in United States dollars.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follows:

	31 December 2017 $	31 December 2016 $
Cash and cash equivalents	1,282,434	1,718,230
Trade and other receivables	1,103,220	1,673,797
Available-for-sale financial assets	60,535,282	60,751,163
Trade and other payables	3,061,414	4,169,432
Unsecured loan from related party	34,484,955	31,251,264

(ii) Sensitivity

Based on the financial instruments held at 31 December 2017, had the Australian dollar weakened / strengthened by 10% against the US dollar with all other variables held constant, the group's post-tax profit for the year ended 31 December 2017 would have been $2,819,396 higher / $2,306,779 lower (twelve months ended 31 December 2016: $3,191,388 higher / $2,611,136 lower), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

(iii) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

	31 December 2017		31 December 2016	
	Weighted average interest rate	$	Weighted average interest rate	$
Financial assets				
Cash and cash equivalents	3.2%	1,304,851	3.2%	1,739,083
Financial liabilities				
Borrowings	11.4%	34,484,955	10.9%	31,251,264

The Group does not have material variable interest-bearing assets and percentage changes in interest rates would not have a material impact on the results.

The Group has a related party loan from PT Bayan Resources Tbk which from January 1, 2018 incurs interest at Libor + 6.0%. In 2017 the loan was incurring interest at Libor + 9%.

(b) Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash and short term liquid investment are placed with reputable banks, so no significant credit risk is expected. The Group's main exposure to credit risk arises from its advances and loans to related parties. The credit risk exposure is equivalent to the carrying values of the assets. No security is held over the advances and loans. All receivables are within their credit terms and repayment of these loans and advances is expected within 12 months.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the group's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	<6 months	>6 - 12 months	> 12 months	Total Contractual Cash Flows	Carrying Amount
	$	$	$	$	$
31 December 2017					
Financial liabilities					
Trade and other payables	5,102,593	-	-	5,102,593	5,102,593
Borrowings	34,484,955	-	-	34,484,955	34,484,955
	39,587,548	-	-	39,587,548	39,587,548
31 December 2016					
Financial liabilities					
Trade and other payables	6,332,509	-	-	6,332,509	6,332,509
Borrowings	31,251,264	-	-	31,251,264	31,251,264
	37,583,773	-	-	37,583,773	37,583,773

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Company's only financial instrument recognised at fair value is the available-for-sale financial asset acquired at fair value as part of a business combination. This is deemed to be a level 3 financial instrument on the basis that some of the inputs used in determining fair value were not based on observable market data.

Further information relating to the available-for-sale financial asset is set out in note 10.

28. Auditor's Remuneration

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	Year-ended 31 December 2017 $	Year-ended 31 December 2016 $
(a) PwC Australia and Related Practices		
Audit and review of financial statements	132,600	132,600
Accounting advice	-	15,000
(b) Related practices of PwC Australia		
Audit and review of financial statements	113,752	108,543
	246,352	256,143

DIRECTORS DECLARATION

For the year ended 31 December 2017

In the directors' opinion:

(a) the financial statements and notes set out on pages 24 to 67 and the Remuneration Report in the Directors' report set out on pages 4 to 21 are in accordance with the Corporations Act 2001, including:

(i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have received a declaration required by section 295A of the *Corporations Act 2001* for the year ended 31 December 2017 from an Executive Director acting primarily as Chief Financial Officer noting the Company has not had a Chief Executive Officer since 30 August 2017 and up to the date of this report.

This declaration is made in accordance with a resolution of the directors.

....

Damien Henderson
Executive Director
Brisbane, Australia
27 March 2018

Independent auditor's report

To the members of Kangaroo Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Kangaroo Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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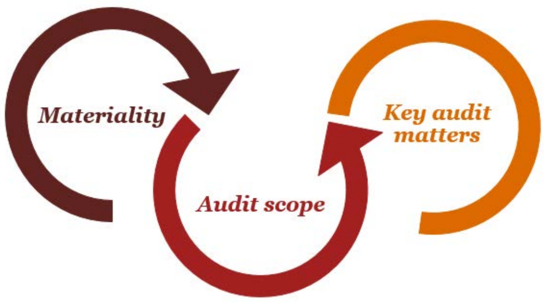
Liability limited by a scheme approved under Professional Standards Legislation.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group is a mineral resources company whose operations include the exploration and exploitation of its portfolio of coal development and exploration assets in Indonesia.



Materiality

- For the purpose of our audit we used overall Group materiality of $2.0 million, which represents approximately 1% of the Group's total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose total assets as the benchmark because the Group is not currently operating its assets and remains in the exploration and development stage. As a result, there are no sales and therefore profit related measures were not the most appropriate basis for determining materiality for the year.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Component auditors, operating under our instructions, performed audit procedures over the financial information of the Group's Indonesian operations. These procedures, combined with the work performed by us, as the Group engagement team, provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial report as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Directors.

Key audit matter	How our audit addressed the key audit matter

Assessment of indicators of impairment for non-current assets
Refer to Critical accounting estimates and judgements in note 2 and note 10, 11 and 12 to the financial report
 	
The Group's financial report includes significant non-current assets in the form of Mine Properties and Development, capitalised Exploration and Evaluation Expenditure and Available for Sale financial assets, all relating to the Group's thermal coal assets in Indonesia.
 	
Due to the previous impairment charges recognised against the non-current assets and in light of improved thermal coal prices during the year, the Group considered whether there had been any indicators of impairment as required by the Australian Accounting Standards.
 	
The Group concluded that there had not been any indicators of impairment for non-current assets in the current year.
 	
This was a key audit matter due to the significant carrying value of the Group's non-current assets and the judgements and assumptions required in determining whether there were any impairment indicators.
	To evaluate the Group's assessment that there were no indicators of impairment, we performed a number of procedures including the following:
	• developed an understanding of the controls associated with the identification of impairment indicators for the Group's non-current assets
	• evaluated the Group's methodologies and their documented basis for key assumptions utilised in the impairment indicator assessment, as described in note 1(p)
	• performed inquiries of management to develop an understanding of the current status and future intentions of the Group's projects
	• tested the Group's key assumptions by;
	  ◦ testing on a sample basis whether the Group retained right of tenure for its exploration licence areas by obtaining licence status records maintained by the relevant government authority in Indonesia
	  ◦ comparing the forecast thermal coal price data used by the Group in their assessment to independent industry forecasts
	  ◦ considering whether there were any changes in market interest rates and risks that may significantly affect the discount rate that would be used in the discounted cash flow models by the Group, with the assistance of the PwC valuation experts
	  ◦ considering other available information, such as media releases made by the Group with regards to the coal resources and reserves, and
	• evaluated the adequacy of the disclosures made in notes 10, 11 and 12 in light of the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Financial support from major shareholder *Refer to note 1 (a) (iii) to the financial report* The Group is in the exploration and development phase and is reliant on receiving sufficient funding from shareholders or other sources to finance ongoing exploration and development activities. The Group recorded a total comprehensive loss for the year, with net cash outflows from operating activities and has a working capital deficiency. The Group has been advanced loans from PT Bayan Resources Tbk, the major shareholder of the Company, to fund operating cash flows and capital expenditure. In determining the appropriateness of the going concern basis of preparation of the financial report, the Group made a number of judgements, including over PT Bayan Resources Tbk's ability and willingness to provide sufficient financial assistance to the Group as and when it is needed over a period of at least 12 months from the date of the financial report. Assessing the appropriateness of the basis of preparation for the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved.	In assessing the appropriateness of the Group's going concern basis of preparation of the financial report, we: • enquired of management and directors as to their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern • obtained written confirmation of continued financial support provided to the Company by PT Bayan Resources Tbk as set out in Note 1 (a) (iii) of the financial report • evaluated the ability of PT Bayan Resources Tbk to provide sufficient financial assistance as outlined in their written confirmation of support • communicated with the auditors of PT Bayan Resources Tbk and reviewed the results of audit procedures completed by them over the ability of PT Bayan Resources Tbk to continue as a going concern and provide the necessary financial support to the Group • requested written representations from management and directors regarding their plans for future action and the feasibility of these plans, and • evaluated the adequacy of the disclosures made in note 1 (a) (iii) compared to Australian Accounting Standard requirements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, including the Corporate Directory and Directors' Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 19 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Kangaroo Resources Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett

Ben Gargett
Partner

Perth
27 March 2018