



Notice of Annual General Meeting

to be held at 11.00am (Perth time) on Friday, 25 May 2018

at the Duxton Hotel, 1 St Georges Terrace, Perth, Western Australia

The Independent Expert has concluded that the Mamahak Transaction, the subject of Resolution 6 in this Notice of Meeting, is FAIR AND REASONABLE to Shareholders not associated with PT Bayan Resources Tbk.

The Directors (with Mr Alex Wibowo and Mr David Low Yi Ngo abstaining) recommend you vote in favour of Resolution 6 relating to the Mamahak Transaction.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please contact the Company Secretary on +61 8 9381 4320.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF KANGAROO RESOURCES LIMITED ACN 120 284 040 ("KANGAROO RESOURCES"/THE "COMPANY") WILL BE HELD AT DUXTON HOTEL, 1 ST. GEORGES TERRACE, PERTH, WESTERN AUSTRALIA ON FRIDAY 25 MAY 2018, AT 11.00 AM (AWST).

AGENDA

BUSINESS

An Explanatory Statement containing information in relation to each of the following Resolutions accompanies this Notice of Annual General Meeting.

ORDINARY BUSINESS

1. Financial Report for the Year ended 31 December 2017

To receive and consider the annual financial report of the Company and the reports of the Directors and the Auditors for the financial year ended 31 December 2017.

2. Resolution 1 - Adoption of Remuneration Report

To consider and if thought fit, to pass, with or without amendment, the following resolution:

"That, the remuneration report forming part of the Company's 2017 Annual Report, be adopted."

Voting Exclusion

In accordance with the Corporations Act (2001) ("Corporations Act"), the Company will disregard: -

- (a) any votes cast (in any capacity) on Resolution 1 by or on behalf of
 - (i) a member of the Key Management Personnel listed in the Remuneration Report (KMP); or
 - (ii) a KMP's Closely Related Party; and
- (b) any votes cast as a proxy on Resolution 1 by any other person who is a member of the KMP at the date of the meeting, or by a Closely Related Party of any such person.

Closely Related Party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.

However the Company need not disregard a vote cast on Resolution 1 if it is cast:

- (a) by any person referred to above as proxy for a person entitled to vote on the Resolution, in accordance with a direction in the proxy appointment specifying how the proxy is to vote on the Resolution; or
- (b) by the person chairing the meeting as proxy for a person entitled to vote on the Resolution where the proxy appointment does not specify the way the proxy is to vote on the Resolution and expressly authorises the Chairman to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the KMP for the Company.

Please read the information under the heading 'Chairman as proxy' which deals with the Chairman's voting of undirected proxies on Resolution 1.

If you are a member of the KMP or a Closely Related Party of any such member, you may be held liable for breach of the voting restrictions in the Corporations Act if you cast a vote that the Company will disregard.

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

3. Resolution 2 – Re-election of Mr David Low Yi Ngo

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

“That Mr David Low Yi Ngo, who retires in accordance with Clause 13.2 of the Constitution of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.”

4. Resolution 3 – Re-election of Mr Damien Henderson

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

“That Mr Damien Henderson, who retires in accordance with Clause 13.4 of the Constitution of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.”

5. Resolution 4 – Re-election of Mr Darcy Wentworth

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

“That Mr Darcy Wentworth, who retires in accordance with Clause 13.4 of the Constitution of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.”

6. Resolution 5 – Re-election of Mr Alexander Wibowo

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

“That Mr Alexander Wibowo, who retires in accordance with Clause 13.4 of the Constitution of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.”

7. Resolution 6 – Approval for Mamahak Transaction

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, Shareholders approve the Company’s entry into and performance of the Mamahak Transaction, on the terms and conditions and in the manner set out in the Explanatory Statement.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by PT Bayan Resources Tbk or any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Brief Explanation:

The “Mamahak Transaction” comprises the proposed sale of coal inventory by the one of the Company’s Indonesian subsidiaries to the Company’s largest shareholder and ultimate parent entity, PT Bayan Resources Tbk. In accordance with ASX Listing Rules, the Company requires prior Shareholder approval for this proposed sale. Also, in accordance with the ASX Listing Rules, the Company engaged an Independent Expert to prepare a report giving its opinion on the fairness and reasonableness of the proposed transaction to Shareholders not associated with PT Bayan. The Independent Expert has determined that the proposed sale of coal is fair and reasonable to Shareholders not associated with PT Bayan.

GENERAL BUSINESS

8. To transact any other business which may lawfully be brought forward.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Paul Jurman', with a stylized flourish at the end.

PAUL JURMAN
Company Secretary
Dated 12 April 2018

ENTITLEMENT TO ATTEND AND VOTE

You will be entitled to attend and vote at the Annual General Meeting if you are registered as a Shareholder of the Company as at 5 p.m. (AWST) on 23 May 2018. This is because, in accordance with the Corporations Regulations 2001 (Cth), the Board of Directors has determined that the Shares on issue at that time will be taken, for the purposes of the Meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

HOW TO VOTE

Voting in person

Shareholders who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting if possible, so that their holding may be checked against the Company's register of members and attendances recorded.

Corporate representatives







A body corporate, which is a Shareholder or which has been appointed as a proxy, may appoint an individual to act as its corporate representative at the Meeting in accordance with section 250D of the Corporations Act. The appropriate appointment document must be produced prior to admission. A form of the certificate can be obtained from the Company's registered office.

Voting by proxy

A Shareholder who is entitled to attend and cast a vote at the Meeting may appoint a proxy. A proxy need not be a Shareholder and may be an individual or body corporate. If a body corporate is appointed as a proxy it must appoint a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Meeting (see above).

A Shareholder who is entitled to cast two or more votes may appoint two proxies to attend the Meeting and vote on their behalf and may specify the proportion or a number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions). If you wish to appoint a second proxy, you may copy the enclosed proxy form or obtain a form from the Company's registered office.

To be effective for the scheduled Meeting a proxy appointment (and any power of attorney or other authority under which it is signed or otherwise authenticated, or a certified copy of that authority) must be received at an address or fax number below no later than 11.00 am (AWST) Wednesday 23 May 2018, being 48 hours before the time of the meeting. Any proxy appointment received after that time will not be valid for the scheduled meeting.

 ONLINE VOTE www.advancedshare.com.au/investor-login	 BY FAX +61 8 9262 3723
 BY MAIL Advanced Share Registry Limited 110 Stirling Hwy, Nedlands WA 6009; or PO Box 1156, Nedlands WA 6909	 IN PERSON Advanced Share Registry Limited 110 Stirling Hwy, Nedlands WA 6009
 BY EMAIL admin@advancedshare.com.au	 ALL ENQUIRIES TO Telephone: +61 8 9389 8033

For further information concerning the appointment of proxies and the ways in which proxy appointments may be submitted, please refer to the enclosed proxy form.

Voting by attorney

A Shareholder may appoint an attorney to attend and vote on their behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at one of the addresses listed above for the receipt of proxy appointments at least 48 hours prior to the commencement of the Meeting.

Chairman as proxy

If you appoint a proxy, the Company encourages you to direct them how to vote by marking the appropriate box on each of the proposed Resolutions.

If a Shareholder entitled to vote on a Resolution appoints the Chairman of the Meeting as their proxy (or the Chairman becomes their proxy by default) and the Shareholder does not direct the Chairman how to vote on the Resolution:-

- The Chairman intends to vote in favour of the Resolution, as proxy for that Shareholder on a poll; and
- For Resolution 1, the Shareholder will have given the Chairman express authority to vote as the Shareholder's proxy on the relevant resolution even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP for the Company and even though the Chairman is a member of the KMP, unless the Shareholder expressly indicates to the contrary in the proxy appointment.

If you do not want to put the Chairman of the Meeting in the position to cast your votes in favour of any of the proposed Resolutions, you should complete the appropriate box on the proxy form, directing your proxy to vote against, or to abstain from voting, on the resolution.

Other members of KMP as proxy

If a Shareholder appoints a Director (other than the Chairman of the Meeting) or another member of KMP (or a Closely Related Party of any such person) as their proxy and does not direct the proxy how to vote on Resolution 1 by marking the 'For', 'Against' or 'Abstain' box opposite the relevant Resolution on the proxy appointment, the proxy will not be able to exercise the Shareholder's proxy and vote on their behalf on the relevant Resolution.

QUESTIONS FROM SHAREHOLDERS

The Chairman of the Meeting will allow a reasonable opportunity for Shareholders at the Meeting to ask questions about and make comments on the management of the Company and on the Financial Report, the Directors' Report (including the Remuneration Report) and the Auditor's Report (Reports), as well as each of the Resolutions to be considered at the Meeting.

A representative of the Company's auditor will attend the meeting. During the Meeting's consideration of the Reports, the Chairman of the meeting will allow a reasonable opportunity for Shareholders at the meeting to ask the auditor's representative questions relevant to the: -

- Conduct of the audit;
- Preparation and content of the Auditor's Report for the financial year ended 31 December 2017;
- Accounting policies adopted by the Company in relation to the preparation of the financial statements contained in the Financial Report for that year; and
- Independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to the Company's auditor if the question is relevant to the content of the Auditor's Report or the conduct of the audit.

If you wish to submit a question in advance of the meeting, you may do so by sending your question to one of the addresses or facsimile number above by no later than 10 May 2018. The Company and the auditor will attempt to respond to as many of the more frequently asked questions as possible. Due to the large number of questions that may be received, the Company and the auditor will not be replying on an individual basis.

Explanatory Statement

This Explanatory Statement is for the information of members of KANGAROO RESOURCES LIMITED (the Company) in connection with Resolutions to be considered at the Annual General Meeting of the Company to be held on Friday 25 May 2018 at 11.00am (AWST).

Ordinary Business

Annual Financial Report

The 2017 Annual Report (including the financial statements, Directors' report and Auditor's report for the financial year ended 31 December 2017) is available for review by Shareholders at www.kangarooresources.com and will be tabled at the Meeting.

Whilst there is no requirement for Shareholders to approve the Annual Report, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report for the financial year ended 31 December 2017;
- (b) ask questions or make comment on the management of the Company; and
- (c) ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's report.

Resolution 1 – Adoption of Remuneration Report

The Board submits its Remuneration Report for the year ended 31 December 2017 to Shareholders for consideration and adoption by way of a non-binding resolution.

The Remuneration Report is included in the 2017 Annual Report. The report:

- explains the Company's remuneration principles relating to the nature and amount of the remuneration of directors, senior managers and other group executives of the Company;
- discusses the relationship between such principles and the Company's performance; and
- sets out remuneration details for each director and for each relevant executive of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The vote on the Remuneration Report is advisory only and will not bind the Company, however the Board places importance on the outcome of the vote and will take it into account when considering the Company's remuneration policy.

The Corporations Act provides for a 'two strikes rule' in relation to voting on the Remuneration Report. This rule would apply if, at two consecutive Annual General Meetings, the resolution for adoption of the Remuneration Report were to receive a 'no' vote of 25% or more of the votes cast on the resolution. In that case, a further resolution (a 'spill resolution') would be required to be put to Shareholders at the second of those Annual General Meetings. If passed, the spill resolution would require an extraordinary general meeting of the Company (a 'spill meeting') to be held within 90 days of the second Annual General Meeting, for the purpose of considering the election of Directors. At the spill meeting, the directors (other than the Managing Director) who were in office at the date of approval by the Board of the most recent Directors' Report would cease to hold office, unless re-elected at the meeting. For any spill resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it.

In addition, if comments are made on the Remuneration Report at an Annual General Meeting and 25% or more of the votes cast on Resolution 1 are against the adoption of the Remuneration Report, the Company's Remuneration Report for the subsequent financial year will be required to include an explanation of the Board's proposed action in response to those comments or, if no action is proposed, the Board's reasons for this.

At the Company's 2017 Annual General Meeting, more than 99% of the votes cast on the resolution for adoption of the Remuneration Report were in favour of the resolution and no comments were made on the Remuneration Report at that meeting.

During this item, Shareholders will be provided with a reasonable opportunity to ask questions about and make comments on the Remuneration Report.

Please read the information under the heading 'Chairman as proxy' which deals with the Chairman's voting of undirected proxies on this Resolution.

A voting exclusion applies to this item of business, as set out in the Notice of Meeting.

Directors' recommendation

The Board of Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

Resolution 2 – Re-election of Mr David Low Yi Ngo as a Director

The Constitution of the Company requires that one third of the Directors in office (other than a Managing Director) must retire by rotation at each Annual General Meeting of the Company.

Mr David Low Yi Ngo therefore retires at the forthcoming Annual General Meeting in accordance with the Constitution and being eligible, has offered himself for re-election at the meeting.

Mr Low Yi Ngo is Sales and Marketing director for PT Bayan Resources Tbk. Mr Low Yi Ngo 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.

The Board of Directors, excluding Mr Low Yi Ngo, recommend that Shareholders vote in favour of Resolution 2.

Resolutions 3, 4 and 5 - Re-election of Directors – Damien Henderson, Darcy Wentworth and Alexander Wibowo

Clause 13.4 of the Constitution provides that the directors of the Company may at any time appoint a person to be a director, either to fill a casual vacancy or as an addition to the existing directors. Any director so appointed holds office only until the next following general meeting and is then eligible for re-election.

Mr Damien Henderson and Mr Darcy Wentworth were appointed as directors of the Company on 11 July 2017 and Mr Alexander Wibowo was appointed as a director of the Company on 1 April 2018. In accordance with clause 13.4 of the Constitution, Messrs Henderson, Wentworth and Wibowo will retire as directors at the close of the Meeting unless they are re-elected.

Mr Henderson is eligible for re-election under clause 13.4 of the Constitution and offers himself for re-election as a director pursuant to Resolution 3.

Mr Henderson has been involved in senior management roles with the Company since 2011 and has been Financial Controller since 2013 until his appointment as Finance Director on 11 July 2017. 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.

The directors (excluding Mr Henderson) unanimously support the re-election of Mr Henderson.

Mr Wentworth is eligible for re-election under clause 13.4 of the Constitution and offers himself for re-election as a director pursuant to Resolution 4.

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. If re-elected, Mr Wentworth will be an independent non-executive director.

The directors (excluding Mr Wentworth) unanimously support the re-election of Mr Wentworth.

Mr Wibowo is eligible for re-election under clause 13.4 of the Constitution and offers himself for re-election as a director pursuant to Resolution 2.

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. With effect from 1 April 2018, Mr Wibowo was appointed the Managing Director and Chief Executive Officer of the Company.

The directors (excluding Mr Wibowo) unanimously support the re-election of Mr Wibowo.

Resolution 6 - Approval for Mamahak Transaction

1. Background Information for the Mamahak Transaction

Resolution 6 seeks Shareholder approval for the Company's entry into and completion of an agreement ("Mamahak Transaction") to sell 68,157 tonnes of coal inventory by PT. Mamahak Coal Mining ("MCM"), an Indonesian subsidiary of Kangaroo Resources Limited ("KRL" or the "Company") to PT Bayan Resources Tbk. PT Bayan is the owner and operator of the Balikpapan Coal Terminal ("BCT") in East Kalimantan, Indonesia.

PT Bayan is the ultimate parent entity of KRL, with a 56.05% shareholding.

MCM holds a coal mining concession covering 4,996 hectares in West Kutai Regency, East Kalimantan Province, Indonesia. Mining in this concession commenced in January 2010 and continued until November 2012, during which time a total of approximately 250,000 tonnes were mined.

A decision was taken in late 2012 to close the MCM coal mine as it was high cost and at that time the Newcastle coal index was continuing to decline rendering the mine no longer economic. MCM continued to barge coal along the Mahakam River to the BCT until June 2013, a distance of approximately 639 kilometres, until the river levels dropped to the point that barging was no longer possible. By the end of June 2013, there was still approximately 68,000 tonnes of coal in the stockpile at the MCM mine site that could no longer be barged due to the dry season.

MCM barged this remaining coal to the BCT in early 2015. However, at this point in time, the MCM mine had not been in production since November 2012 and the Department of Energy and Mineral Resources in Indonesia would not grant MCM a permit to export this remaining coal as continued production is a requirement to obtain this permit. MCM was and is still able to sell this coal domestically but not export.

The market for MCM's high calorific value and high ash (for Indonesia) coal was and is very limited in Indonesia as the majority of the coal burnt in Indonesia for power generation is lower calorific value (< 5,000 kcal/kg Gross as Received (GAR)). Furthermore, effective from 12th March 2018, the Indonesian Government has introduced a cap on the domestic sale of coal to PLN, the government-owned power company, and independent power producers feeding into Indonesia's power grid. The cap sets the Coal Reference Price (Harga Batubara Acuan ("HBA") at US\$70 per metric tonne for such domestic coal sales. HBA for April 2018 is US\$94.75 per metric tonne (the newly introduced cap though has no effect on the Mamahak Transaction and the information is provided by way of background).

In this regard, PT Bayan now seeks to purchase this coal from MCM for use as bedding coal on its stockpiles. As MCM is no longer mining coal and cannot provide continuity of supply, it is unable to attract buyer interest from a wide base of prospective customers. Hence the offer to buy from PT Bayan and Shareholder approval for this proposed sale is critical in monetizing the value of this coal inventory.

2. Sale Price Methodology

The pricing mechanism for the sale of coal in Indonesia is regulated and based on HBA as published by the Department of Energy and Mineral Resources of the Government of the Republic of Indonesia on a monthly basis.

The Directorate General of Mineral, Coal and Geothermal of Indonesia (a Directorate of the Department of Energy and Mineral Resources) has been publishing a monthly Indonesian coal reference price (HBA) since January 2009 to be used by all Indonesian coal producers as a minimum price for spot and term coal sales contracts (<https://www.minerba.esdm.go.id/>). This is a legal requirement and sanctions apply to coal concessions where the coal is sold at lower than this price.

The HBA is calculated based on a monthly average of the Indonesia Coal price Index (ICI-1), Platts-1, Newcastle Export Index and the Newcastle Global coal Index from the previous month. The assessment basis of the coal reference price is calculated considering coal with Gross Calorific Value (GAR) 6,322 kcal/kg, Total Moisture 8.0%, Total Sulphur 0.8%, Ash Content 15.0% with delivery Free On Board (FOB) vessel.

In addition to the HBA, as a part of the same publication, the Indonesian Government publishes several coal price markers (Harga Patokan Batubara (HPB)). These are calculated from the HBA using a prescriptive formula and relate to typical coal qualities that are produced by several major mines in Indonesia. For mines that do not have a specific marker as published, then they must adjust to their specific quality from the nearest marker to determine the minimum selling price for their particular quality of coal. This is the case for MCM.

3. Illustration of Proposed Sale

As the HBA and HPB, the use of which is mandatory, change from month to month, the Company cannot in this Explanatory Statement stipulate the exact sale price that it will charge PT Bayan. Instead, to assist Shareholders' understanding, an illustration is provided below as to how the sale value would be calculated had the sale been undertaken in the month of April 2018. For clarity, it is noted that the Company is seeking Shareholder approval for the sale of MCM coal to PT Bayan based on the regulatory methodology that applies in Indonesia and that the actual value of that sale will be determined once Shareholder approval has been obtained and subject to timing of completion of the sale. Given the timing of the Meeting in late May 2018, subject to receipt of Shareholder approval, the Mamahak Transaction value would be based on HBA / HPB values applicable to the month of May 2018 or possibly June 2018.

Illustration based on April 2018 HBA / HPB values:

The MCM coal amounts to 68,157 tonnes.

The weighted average total moisture, ash content, sulphur content and calorific value has been calculated based on the April 2018 HBA of US\$94.75 per metric tonne for 6,322 Kcal/kg GAR.

For the purposes of an illustration based on the April 2018 HBA, the determination of the final sales price is US\$72.04/t FOB Balikpapan Coal Terminal.

For MCM's coal, the referenced price was Indominco IM East. See comparison below.

	CV (ARB)	TM	TS	ASH
Indominco IM East	5,700	17.50%	1.60%	4.80%
MCM Coal	5,709	16.90%	1.32%	22.91%

The pricing and quality characteristics for Indominco IM East coal have come from the HBA / HPB April 2018 values.

In this illustration, the final sales prices are summarised as follows:

	Tonnes	Price/t	USD \$
MCM Coal	68,157	72.04	4,910,030
less BCT charges	68,157	2.75	(187,432)
Coal Sales (CIF BCT)	68,157	69.29	4,722,598

The \$2.75/metric tonne BCT charges reflect the coal terminal throughput charges. The HBA reference price is on a FOB Vessel basis however in this instance, PT Bayan would not be buying on a FOB Vessel basis, it is buying delivered onto its stockpiles. MCM will not have to pay PT Bayan a throughput charge that PT Bayan normally levies to other Bayan Group companies and any third parties that use the BCT. Consequently, the standard BCT charge of US\$2.75 per tonne is deducted to arrive at the CIF sales price.

ASX Listing Rules require Shareholder approval of the proposed Mamahak Transaction because:

- (i) of the relationship between MCM, a subsidiary of the Company, as the seller and PT Bayan as the buyer given that PT Bayan has a 56.05% shareholding in the Company; and
- (ii) the value of the Mamahak Transaction is very likely to exceed the threshold limit permitted under the Listing Rules for such related party transactions.

Further information is provided in the next part of the Explanatory Statement.

4. ASX Listing Rule 10.1

ASX Listing Rule 10.1 requires that a company listed on ASX must not dispose of or acquire a substantial asset to or from a related party without the approval of the company's shareholders.

A "related party" of a company includes an entity that controls that company. PT Bayan controls the Company and is therefore a related party of the Company.

ASX Listing Rule 10.2 states that an asset is a "substantial asset" if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules.

Based on the Company's most recent financial statements (2017 Annual Report), the "equity interests" (Capital & reserves attributable to owners of Kangaroo Resources Limited) of the KRL Group were \$111,650,507. The 5% threshold therefore is \$5,582,525.

Using the current AUD\$ / USD\$ exchange rate (at the time of preparing this Notice) of 0.7688, the total coal sale value of US\$4.73M in the illustration provided in part 3 above equates to AUD\$6.14M, thus exceeding the threshold amount of AUD\$5.58M noted in the preceding paragraph.

Listing Rule 10.10 requires the notice of meeting for the purposes of Listing Rule 10.1 to include the following:

- A voting exclusion statement – this is provided in the Notice; and
- A report on the transaction by an independent expert – the report prepared by HLB Mann Judd Corporate (WA) Pty Ltd ("HLB") for this purpose is included with this Explanatory Statement. HLB has concluded that the transaction is **fair and reasonable** to Shareholders not associated with PT Bayan.

The Independent Expert's Report accompanies the Notice and this Explanatory Statement and is also available on the Company's website at www.kangarooresources.com and can be downloaded from that site or viewed online. If necessary, additional hard copies of the Independent Expert's Report will be provided to Shareholders at no cost (including to those Shareholders who have elected to receive no hard copies of notice of meeting documentation) where Shareholders contact the Company.

5. Advantages and Disadvantages of the Mamahak Transaction

Advantages

The Company believes that the Mamahak Transaction offers significant potential benefits to the Company. The key potential benefits are:

- The transaction allows for monetisation of an asset that has been held as inventory for some years now without providing a return.
- Part of the proceeds from the sale of coal will be applied as a reduction of the loan that the Company owes to PT Bayan, thus reducing the amount of interest that it incurs on the loan.
- As Mamahak is no longer in production, there is no continuity of supply and therefore MCM cannot obtain an export licence for this coal or find an overseas buyer and is also limited in its choice of prospective domestic customers due to coal quality;
- PT Bayan is the logical buyer because the coal is sitting at the BCT and presently constitutes bedding coal;

Disadvantages

The proposed sale to PT Bayan is based on regulated pricing methodology, which is nevertheless reflective of current market pricing of similar coal quality. For that reason and the advantages noted above, the Directors are not aware of any possible disadvantages of completing a sale soon after Shareholder approval is obtained.

6. Directors' Recommendation

The Independent Directors, Mr Butcher, Mr Shah and Mr Wentworth, recommend that Shareholders vote in favour of Resolution 6 for the various reasons noted above and particularly that the ultimate sale price of the MCM coal will be at market value even though the sale will be to a related party. Executive Director, Mr Henderson concurs with this recommendation and its basis.

Mr Alexander Wibowo and Mr David Low Yi Ngo are directors of the Company and also representatives of PT Bayan. Because of the potential for conflict of interest arising from their roles with PT Bayan, they consider it would be inappropriate to give a recommendation to Shareholders in relation to the Resolution. No director has an interest in the outcome of the Resolution. Mr Alexander Wibowo and Mr David Low Yi Ngo are employees of PT Bayan but will not receive additional remuneration or other benefits as a result of the Mamahak Transaction.

SCHEDULE 1 - DEFINITIONS

In this Notice and Explanatory Statement:

ASX	Australian Securities Exchange.
Constitution	the constitution of the Company as at the commencement of the Meeting.
Corporations Act	Corporations Act 2001 (Cth).
Independent Directors	the Company's directors, other than Mr Alexander Wibowo, Damien Henderson and Mr David Low Yi Ngo.
Independent Expert's Report	the report attached to the Explanatory Statement by HLB Mann Judd Corporate (WA) Pty Ltd .
Meeting	the annual general meeting of shareholders of Kangaroo Resources Limited convened by the Notice.
Notice	the notice of annual general meeting of Kangaroo Resources Limited comprised by this document.
Proxy Form	the proxy form accompanying this Explanatory Statement.
PT Bayan	PT Bayan Resources Tbk (a public limited company incorporated under the laws of Indonesia).
Resolution	a resolution set out in the Notice of Meeting
Share	a fully paid ordinary share in the capital of the Company.
Shareholder	a holder of a Share in the Company



Mann Judd Corporate (WA) Pty Ltd

ACN 008 878 555

Licensed Investment Adviser

Independent Expert's Report

Kangaroo Resources Limited

Opinion: Fair and reasonable

HLB Mann Judd Corporate (WA) Pty Ltd AFSL 250903
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>

HLB Mann Judd Corporate (WA) Pty Ltd is a member of  International, a worldwide organisation of accounting firms and business advisers.



Mann Judd Corporate (WA) Pty Ltd

ACN 008 878 555

Licensed Investment Adviser

FINANCIAL SERVICES GUIDE

Dated 11 April 2018

1. HLB Mann Judd Corporate (WA) Pty Ltd

HLB Mann Judd Corporate (WA) Pty Ltd ABN 69 008 878 555 ("HLB Mann Judd Corporate" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 250903**;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services;
- superannuation; and
- debentures, stocks or bonds issued or proposed to be issued by a government.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product and there is no statutory exemption relating to the matter, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither HLB Mann Judd Corporate, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by us

HLB Mann Judd Corporate has no employees. All personnel who complete reports for HLB Mann Judd Corporate are partners of HLB Mann Judd (WA Partnership). None of those partners are eligible for bonuses directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

HLB Mann Judd Corporate is wholly owned by HLB Mann Judd (WA Partnership). Also, our directors are partners in HLB Mann Judd (WA Partnership). Ultimately the partners of HLB Mann Judd (WA Partnership) own and control HLB Mann Judd Corporate.

From time to time HLB Mann Judd Corporate or HLB Mann Judd (WA Partnership) may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1. Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints must be in writing, addressed to The Complaints Officer, HLB Mann Judd Corporate (WA) Pty Ltd, Level 4, 130 Stirling Street, Perth WA 6000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within **7 days** and investigate the issues raised. As soon as practical, and not more than **one month** after receiving the written complaint, we will advise the complainant in writing of the determination.

9.2 Referral to external disputes resolution scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOS”). FOS independently and impartially resolves disputes between consumers, including some small business, and participating financial services providers.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details at the foot of page 1 of this FSG.



Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555

Licensed Investment Adviser

1804 KAN012 REP
LDI

11 April 2018

The Directors
Kangaroo Resources Limited
Level 2, Suite 9
389 Oxford Street
MT HAWTHORN WA 6016

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

Kangaroo Resources Limited ("the Company" or "KRL") has entered into an agreement to sell 68,157 tonnes of coal inventory by PT Mamahak Coal Mining ("MCM"), an Indonesian subsidiary of KRL, to PT Bayan Resources Tbk ("PT Bayan"). PT Bayan is the owner and operator of the Balikpapan Coal Terminal ("BCT") in East Kalimantan, Indonesia and is also the ultimate parent entity of KRL, with a 56.05% shareholding of KRL. The agreement for the sale of this coal inventory is referred to in our Report as the "Mamahak Transaction".

The sale price of the coal will be based on a regulated price which is set each month by the Indonesian Government. As the Mamahak Transaction is subject to the approval by KRL shareholders (see Section 2 below), the actual price will be dependent on the timing of that approval.

Full details of the Mamahak Transaction are set out in Section 1.1 of our Report.

2. PURPOSE OF THIS REPORT

ASX Listing Rule 10.1 requires that a company listed on ASX must not dispose of or acquire a *substantial asset* to or from a *related party* without the approval of the company's shareholders. A "related party" of a company includes an entity that controls that company. PT Bayan controls the Company and is therefore a related party of the Company.

ASX Listing Rule 10.2 states that an asset is a “substantial asset” if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules. As set out in Section 2.1 of our Report, the value of the coal inventory to be sold by MCM exceeds this 5% threshold.

Listing Rule 10.10 requires the notice of meeting of shareholders for the purposes of Listing Rule 10.1 to include the following:

- A voting exclusion statement – this is provided in the notice of meeting; and
- A report on the transaction by an independent expert. The report must state the expert’s opinion as to whether the transaction is fair and reasonable to holders of the entity’s ordinary securities whose votes are not to be disregarded.

The directors of KRL have requested that HLB Mann Judd Corporate (WA) Pty Ltd (“HLB”) provide an independent expert’s report (“Report”) advising whether, in our opinion, the Mamahak Transaction is fair and reasonable to the shareholders of KRL whose votes are not to be disregarded, being all shareholders other than PT Bayan (“non-associated shareholders”).

Our Report has been prepared to assist non-associated shareholders in their decision whether to approve the Mamahak Transaction or not.

We have prepared this Report having regard to Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 “Content of Expert’s Reports” (“RG 111”) and Regulatory Guide 112 “Independence of Experts” (“RG 112”), notwithstanding that there is no specific guidance as to the matters to be dealt with in an independent expert’s report required under ASX Listing Rule 10.10.

This Report is to be included in a Notice of Annual General Meeting (“Notice”) to be sent to shareholders of KRL and has been prepared exclusively for the purpose of assisting non-associated shareholders in their consideration of the Mamahak Transaction. The Report should not be used for any other purpose.

3. SUMMARY AND OPINION

In order to assess whether the Mamahak Transaction is fair and reasonable to the non-associated shareholders, we have referred to the above guidance issued by ASIC and have assessed the following:

- whether the Mamahak Transaction is fair by assessing the consideration to be paid by PT Bayan and comparing this with the fair market value of the coal inventory the subject of the sale; and
- the reasonableness of the Mamahak Transaction by considering other advantages and disadvantages of the Mamahak Transaction to non-associated shareholders.

3.1. Fairness

The consideration offered by PT Bayan under the terms of the Mamahak Transaction is the fair market value of the coal inventory due to the fact that the value of the coal inventory is regulated and set by the Indonesian Government. We note that the pricing methodology set by the Indonesian Government is reflective of underlying current markets for coal.

Accordingly, it is our opinion that the Mamahak Transaction is fair to the non-associated shareholders.

3.2. Reasonableness

In accordance with ASIC Regulatory Guide 111 “Content of expert reports” (“RG 111”), an offer is reasonable if it is fair. On this basis, in our opinion, the Mamahak Transaction is reasonable. We have also identified the following factors in relation to the reasonableness of the Mamahak Transaction:

3.2.1. Advantages of accepting the Mamahak Transaction

- The Mamahak Transaction is fair. RG 111 states that an offer is reasonable if it is fair.
- The Mamahak Transaction allows for monetisation of an asset that has been held as inventory for some years now without providing a return.
- Part of the proceeds from the sale of coal will be applied as a reduction of the loan that the Company owes to PT Bayan, thus reducing the amount of interest that it incurs on the loan.
- As Mamahak is no longer in production, there is no continuity of supply and therefore MCM cannot obtain an export licence for this coal or find an overseas buyer and is also limited in its choice of prospective domestic customers due to coal quality; and
- PT Bayan is the logical buyer because the coal is stockpiled at the BCT and presently constitutes bedding coal.

3.2.2. Disadvantages of accepting the Mamahak Transaction

The proposed sale of the coal inventory to PT Bayan is based on regulated pricing methodology, which is nevertheless reflective of current market pricing of similar coal quality. For that reason and the advantages noted above, we are not aware of any possible disadvantages of completing a sale soon after shareholder approval is obtained.

Conclusion on reasonableness

We have considered the above factors. We consider that there are no disadvantages of the Mamahak Transaction. We are therefore of the view that the position of non-associated shareholders if the Mamahak Transaction is accepted, would be more advantageous than if the Mamahak Transaction is not accepted.

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Accordingly, it is our opinion that the Mamahak Transaction is reasonable to the non-associated shareholders.

3.3. Opinion

We are of the opinion that the Mamahak Transaction is fair and reasonable to the non-associated shareholders.

This opinion should be read in conjunction with our detailed report attached which sets out our scope and findings.

Yours faithfully

HLB MANN JUDD CORPORATE (WA) PTY LTD

Licensed Investment Advisor (AFSL Licence number 250903)

A handwritten signature in black ink, appearing to read 'L Di Giallonardo', with a large, stylized initial 'L'.

L DI GIALLONARDO

Authorised Representative

KANGAROO RESOURCES LIMITED
INDEPENDENT EXPERT'S REPORT
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KANGAROO RESOURCES LIMITED

INDEPENDENT EXPERT'S REPORT

1. *DETAILS OF THE MAMAHAK TRANSACTION*

1.1. *Background*

Kangaroo Resources Limited ("the Company" or "KRL") has entered into an agreement to sell 68,157 tonnes of coal inventory by PT Mamahak Coal Mining ("MCM"), an Indonesian subsidiary of KRL, to PT Bayan Resources Tbk ("PT Bayan"). PT Bayan is the owner and operator of the Balikpapan Coal Terminal ("BCT") in East Kalimantan, Indonesia and is also the ultimate parent entity of KRL, with a 56.05% shareholding of KRL. The agreement is referred to in this Report as the "Mamahak Transaction".

MCM holds a coal mining concession covering 4,996 hectares in West Kutai Regency, East Kalimantan Province, Indonesia. Mining in this concession commenced in January 2010 and continued until November 2012, during this time a total of approximately 250,000 tonnes were mined.

A decision was taken in late 2012 to close the MCM coal mine as it was high cost and at that time the Newcastle coal index was continuing to decline rendering the mine no longer economic. MCM continued to barge coal along the Mahakam River to the BCT until June 2013, a distance of approximately 639 kilometres, until the river levels dropped to the point that barging was no longer possible. By the end of June 2013, there was still approximately 68,000 tonnes of coal in the stockpile at the MCM mine site that could no longer be barged due to the dry season.

MCM barged this remaining coal to the BCT in early 2015. However, at this point in time, the MCM mine had not been in production since November 2012 and the Department of Energy and Mineral Resources in Indonesia would not grant MCM a permit to export this remaining coal as continued production is a requirement to obtain this permit. MCM was and is still able to sell this coal domestically but is not able to export this coal.

The market for MCM's high calorific value and high ash (for Indonesia) coal was and is very limited in Indonesia as the majority of the coal burnt in Indonesia for power generation is lower calorific value (< 5,000 kcal/kg Gross as Received (GAR)). Furthermore effective from 12 March 2018, the Indonesian Government has introduced a cap on the domestic sale of coal to PLN, the government-owned power company, and independent power producers feeding into Indonesia's power grid. The cap sets the Coal Reference Price (Harga Batubara Acuan or "HBA") at US\$70 per metric tonne for such domestic coal sales. The HBA for April 2018 is US\$94.75 per metric tonne (the newly introduced cap though has no effect on the Mamahak Transaction and the information is provided by way of background).

In this regard, PT Bayan now seeks to purchase this coal from MCM for use as bedding coal on its stockpiles. As MCM is no longer mining coal and cannot provide continuity of supply, it is unable to attract buyer interest from a wide base of prospective customers. Hence the offer to buy from PT Bayan is critical for MCM in monetising the value of this coal inventory.

1.2. Sale Price Methodology

The pricing mechanism for the sale of coal in Indonesia is regulated and based on HBA as published by the Department of Energy and Mineral Resources of the Government of the Republic of Indonesia on a monthly basis.

The Directorate General of Mineral, Coal and Geothermal of Indonesia (a Directorate of the Department of Energy and Mineral Resources) has been publishing a monthly HBA since January 2009 to be used by all Indonesian coal producers as a minimum price for spot and term coal sales contracts (<https://www.minerba.esdm.go.id/>). This is a legal requirement and sanctions apply to coal concessions where the coal is sold at lower than this price.

The HBA is calculated based on a monthly average of the Indonesia Coal price Index (ICI-1), Platts-1, Newcastle Export Index and the Newcastle Global Coal Index from the previous month. The assessment basis of the coal reference price is calculated considering coal with Gross Calorific Value (GAR) 6,322 kcal/kg, Total Moisture 8.0%, Total Sulphur 0.8%, Ash Content 15.0% with delivery Free On Board (FOB) vessel.

In addition to the HBA, as a part of the same publication, the Indonesian Government publishes several coal price markers (Harga Patokan Batubara or “HPB”). These are calculated from the HBA using a prescriptive formula and relate to typical coal qualities that are produced by several major mines in Indonesia. For mines that do not have a specific marker as published, then they must adjust to their specific quality from the nearest marker to determine the minimum selling price for their particular quality of coal. This is the case for MCM.

2. SCOPE OF THE REPORT

2.1. Purpose of the Report

ASX Listing Rule 10.1 requires that a company listed on ASX must not dispose of or acquire a *substantial asset* to or from a *related party* without the approval of the company’s shareholders. A “related party” of a company includes an entity that controls that company. PT Bayan controls the Company and is therefore a related party of the Company.

ASX Listing Rule 10.2 states that an asset is a “substantial asset” if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules.

Based on the Company’s most recent financial statements (2017 Annual Report) lodged with ASX on 27 March 2018, the “equity interests” (capital & reserves attributable to the owners of KRL) of the KRL Group, being KRL and its controlled entities, were \$111,650,507. The 5% threshold therefore is \$5,582,525.

Using the current AUD\$/USD\$ exchange rate (at the time of preparing this Report) of 0.7688, the total coal sale value of US\$4.73M as set out in Section 4.3 of this Report

equates to AUD\$6.14M, thus exceeding the threshold amount of AUD\$5.58M noted in the preceding paragraph.

Listing Rule 10.10 requires the notice of meeting of shareholders for the purposes of Listing Rule 10.1 to include the following:

- A voting exclusion statement – this is provided in the notice of meeting; and
- A report on the transaction by an independent expert. The report must state the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

The directors of KRL have requested that HLB Mann Judd Corporate (WA) Pty Ltd ("HLB") provide an independent expert's report ("Report") advising whether, in our opinion, the Mamahak Transaction is fair and reasonable to the shareholders of KRL whose votes are not to be disregarded, being all shareholders other than PT Bayan ("non-associated shareholders").

Our Report has been prepared to assist Shareholders in their decision whether to approve the Mamahak Transaction or not.

We have prepared this Report having regard to Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 "Content of Expert's Reports" ("RG 111") and Regulatory Guide 112 "Independence of Experts" ("RG 112").

This Report is to be included in a Notice of Annual General Meeting ("Notice") to be sent to shareholders of KRL and has been prepared exclusively for the purpose of assisting non-associated shareholders in their consideration of the Mamahak Transaction. The Report should not be used for any other purpose.

2.2. Regulatory Guidance

The purpose of this Report is to set out our opinion as to whether the Mamahak Transaction is fair and reasonable to the non-associated shareholders of KRL.

The ASX Listing Rules and the Corporations Act 2001 ("Act") do not provide any specific guidance as to the matters to be dealt with in an independent expert's report required under ASX Listing Rule 10.10. However, the Australian Securities and Investments Commission ("ASIC") has issued guidance in respect of the matters to be dealt with in similar reports required under Section 611 of the Act. Specifically, this guidance is provided in RG 111.

In our opinion, this guidance is relevant to independent expert's reports required under ASX Listing Rule 10.10. Accordingly, we have referred to the guidance provided by ASIC as to what constitutes "fair and reasonable" for the purposes of evaluating the Mamahak Transaction.

Neither the ASX Listing Rules ("Listing Rules") nor the Corporations Act 2001 ("Act") defines the meaning of "fair and reasonable". In determining whether the Mamahak

Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. RG 111 provides guidance as to what matters an independent expert should consider to assist security holders in making informed decisions about transactions. This is considered further in Section 2.3 of this Report.

2.3. Basis of Evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being "not fair", the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid. Having regard to the fact that there is no specific guidance in relation to matters to be dealt with in an independent expert's report required under ASX Listing Rule 10.10, we have nonetheless used other ASIC guidance in assessing the fairness and reasonableness of the Mamahak Transaction.

HLB has completed this comparison in two parts:

- assessed whether the Mamahak Transaction is fair by assessing the fair market value of the consideration to be paid by PT Bayan and comparing the value to the estimated fair market value of the coal inventory (see Section 4.3 of this Report); and
- assessed the reasonableness of the Mamahak Transaction by investigating other significant factors to which non-associated shareholders might give consideration prior to approving the Mamahak Transaction after reference to the value derived above. This will include assessing the advantages and disadvantages of the Mamahak Transaction to non-associated shareholders (see Section 4.3 of this Report).

This Report has been prepared in accordance with the requirements of the professional standard APES 225 *Valuation Services* ("APES 225") as issued by the Accounting Professional & Ethical Standards Board.

In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

2.3.1 Individual circumstances

We have evaluated the Mamahak Transaction for non-associated shareholders as a whole. We have not considered the effect of the Mamahak Transaction on the particular circumstances of individual non-associated shareholders. Due to their particular circumstances, individual non-associated shareholders may place a different emphasis on various aspects of the Mamahak Transaction from the ones adopted in this Report.

Accordingly, individual non-associated shareholders may reach different conclusions to ours on whether the Mamahak Transaction is fair and reasonable. If in doubt, non-associated shareholders should consult an independent adviser.

2.4. Limitations and Reliance on Information

HLB's opinion is based on economic, business trading and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time. If these conditions did change materially the valuations and opinions could be different in these changed circumstances.

This Report is also based upon financial information and other information provided by KRL. HLB has considered and relied upon this information. HLB has no reason to believe that any material facts have been withheld. The information provided to HLB has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Mamahak Transaction offer is fair and reasonable to the non-associated shareholders. However, in preparing reports such as this, time is limited and HLB does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to fairness and reasonableness is more in the nature of an overall review rather than a detailed audit or investigation.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgment of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or valuation.

Preparation of this Report does not imply that HLB has audited in any way the management accounts or other records of KRL. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years except as otherwise noted.

The information provided to HLB included historical financial information and other key information for KRL and its key business. KRL is responsible for this information. HLB has used and relied on this information for the purpose of analysis. HLB has assumed that this information was prepared appropriately and accurately based on the information available to management at the time and within the practical constraints and limitations of such information. HLB has assumed that this information does not reflect any material bias, either positive or negative. HLB has no reason to believe otherwise.

3. PROFILE OF KRL

3.1. Company History and Background

KRL is a company incorporated and domiciled in Australia. Its shares are quoted on the official list of the Australian Securities Exchange. KRL is a mineral resources company

and 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 in Indonesia as it continues to develop its portfolio of Indonesian coal assets into full-scale production operations as quickly as possible. 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 is in close proximity to the existing coal mining and infrastructure assets of its major shareholder, PT Bayan. PT Bayan is the ultimate parent entity of KRL, with a 56.05% shareholding.

3.2. Overview of KRL's Activities specific to the Mamahak Transaction

Section 1.1 of this Report sets out the background of how the 68,157 tonnes of coal inventory came to be stockpiled at the BCT.

PT Bayan now seeks to purchase this coal from MCM for use as bedding coal on its stockpiles. As MCM is no longer mining coal and cannot provide continuity of supply, it is unable to attract buyer interest from a wide base of prospective customers. Hence the offer to buy from PT Bayan is critical for MCM in monetising the value of this coal inventory.

4. ASSESSMENT OF THE MAMAHAK TRANSACTION

4.1. Valuation Approach

As the Mamahak Transaction comprises simply the sale by MCM to PT Bayan of a fixed tonnage of coal inventory at a price that is regulated by the Indonesian government, our approach has been to determine that the agreement for the sale of the 68,157 tonnes of coal has been based on that price.

The pricing mechanism for the sale of coal in Indonesia is regulated and based on HBA as published by the Department of Energy and Mineral Resources of the Government of the Republic of Indonesia on a monthly basis.

The Directorate General of Mineral, Coal and Geothermal of Indonesia (a Directorate of the Department of Energy and Mineral Resources) has been publishing a monthly HBA since January 2009 to be used by all Indonesian coal producers as a minimum price for spot and term coal sales contracts (<https://www.minerba.esdm.go.id/>). This is a legal requirement and sanctions apply to coal concessions where the coal is sold at lower than this price.

The HBA is calculated based on a monthly average of the Indonesia Coal price Index (ICI-1), Platts-1, Newcastle Export Index and the Newcastle Global Coal Index from the previous month. The assessment basis of the coal reference price is calculated considering coal with Gross Calorific Value (GAR) 6,322 kcal/kg, Total Moisture 8.0%, Total Sulphur 0.8%, Ash Content 15.0% with delivery Free On Board (FOB) vessel.

In addition to the HBA, as a part of the same publication, the Indonesian Government publishes several coal price markers ("HPB"). These are calculated from the HBA using a prescriptive formula and relate to typical coal qualities that are produced by several major mines in Indonesia. For mines that do not have a specific marker as published, then they must adjust to their specific quality from the nearest marker to determine the minimum selling price for their particular quality of coal. This is the case for MCM.

4.2. Engagement of a Technical Valuer to Value the Coal Inventory

In order for us to determine the value of the 68,157 tonnes of coal inventory which is proposed to be sold by MCM to PT Bayan, we engaged the services of Britmind Mining Services Singapore Pte Ltd ("Britmind"). Britmind reviewed the quantity of the coal to be sold as well as the quality of that coal and has concluded that the value of the 68,157 tonnes of coal is valued at USD\$4,722,598 (based on the April 2018 HBA/HPB values).

Britmind's report is attached as Appendix 3 to this Report.

4.3. Valuation

Britmind has concluded that the 68,157 tonnes of coal is valued at USD\$4,722,598 (based on the April 2018 HBA/HPB values). Using an AUD\$/USD\$ exchange rate of 0.7688 at the date of this Report, this equates to AUD\$6,142,817. Britmind's valuation is summarised below.

Based on the April 2018 HBA, Britmind has determined the final sales price to be US\$72.04/t FOB at the Balikpapan Coal Terminal.

For MCM's coal, the referenced price was Indominco IM East. See comparison below.

	CV(ARB)	TM	TS	ASH
Indominco IM East	5,700	17.5%	1.6%	4.8%
MCM Coal	5,709	16.9%	1.32%	22.91%

The pricing and quality characteristics for Indominco IM East coal have been derived from the HBA/HPB April 2018 values. Based on this, the following values have been arrived at by Britmind:

	Tonnes	Price/t USD\$	USD\$
MCM Coal	68,157	72.04	4,910,030
Less: BCT charges	68,157	2.75	(187,432)
Coal Sales (CIF BCT)	68,157	69.29	4,722,598

5. EVALUATION AND OPINION

5.1 Mamahak Transaction consideration

PT Bayan will be paying MCM the value of the coal inventory that is based on the HBA/HPB values that will apply soon after the Mamahak Transaction is approved by non-associated shareholders. As this is a regulated value, it will not be subject to any influence by either MCM, PT Bayan or any other entity.

As the HBA and HPB, the use of which is mandatory, change from month to month, the Company cannot in the Explanatory Statement accompanying the Notice stipulate the exact sale price that it will charge PT Bayan. Instead, to assist shareholders' understanding, the Explanatory Statement has provided an illustration as to how the sale value would be calculated had the sale been undertaken in the month of April 2018. This is based on the Britmind report and is set out in Section 4.3 of this Report.

The Explanatory Statement states that for clarity, the Company is seeking shareholder approval for the sale of MCM coal to PT Bayan based on the regulatory methodology that applies in Indonesia and that the actual value of that sale will be determined once shareholder approval has been obtained and subject to timing of completion of the sale. Given that the timing of the meeting being called to (amongst other things) approve the Mamahak Transaction is in late May 2018, subject to receipt of shareholder approval, the Mamahak Transaction value would be based on HBA/HPB values applicable to the month of May 2018 or possibly June 2018.

5.2 Is the Mamahak Transaction fair?

Due to the nature of the determination of the sale price of the coal inventory, PT Bayan will be paying a regulated price for that coal. As a result, due to the nature of the method of determining the sale price, we believe that the Mamahak Transaction is fair.

Accordingly, it is our opinion that the Mamahak Transaction is fair.

5.3 Is the Mamahak Transaction reasonable?

In determining whether the Mamahak Transaction is reasonable, we have also considered the advantages and disadvantages of the Mamahak Transaction, as follows:

Advantages of accepting the Mamahak Transaction

- The Mamahak Transaction is fair. RG 111 states that an offer is reasonable if it is fair.
- The Mamahak Transaction allows for monetisation of an asset that has been held as inventory for some years now without providing a return.
- Part of the proceeds from the sale of coal will be applied as a reduction of the loan that the Company owes to PT Bayan, thus reducing the amount of interest that it incurs on the loan.

- As Mamahak is no longer in production, there is no continuity of supply and therefore MCM cannot obtain an export licence for this coal or find an overseas buyer and is also limited in its choice of prospective domestic customers due to coal quality; and
- PT Bayan is the logical buyer because the coal is stockpiled at the BCT and presently constitutes bedding coal.

Disadvantages of accepting the Mamahak Transaction

The proposed sale to PT Bayan is based on regulated pricing methodology, which is nevertheless reflective of current market pricing of similar coal quality. For that reason and the advantages noted above, we are not aware of any possible disadvantages of completing a sale soon after the Mamahak Transaction is approved by non-associated shareholders.

Conclusion on reasonableness

We have considered the above factors. We consider that there are no disadvantages of the Mamahak Transaction. We are therefore of the view that the position of non-associated shareholders if the Mamahak Transaction is accepted, would be more advantageous than if the Mamahak Transaction is not accepted.

Accordingly, it is our opinion that the Mamahak Transaction is reasonable to the non-associated shareholders.

5.4 Opinion

We are of the opinion that the Mamahak Transaction is fair and reasonable to the non-associated shareholders.

6. APPENDICES

Appendix 1 – Glossary of Terms

TERM	DEFINITION
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
KRL or the Company	Kangaroo Resources Limited
HLB	HLB Mann Judd Corporate (WA) Pty Ltd
Non-associated shareholders	Existing shareholders in KRL, other than PT Bayan
MCM	PT Mamahak Coal Mining
Mamahak Transaction	Agreement to sell 68,157 tonnes of coal inventory by MCM to PT Bayan
Notice	Notice of Annual General Meeting
PT Bayan	PT Bayan Resources Tbk

Appendix 2 - Qualifications, Declarations and Consents

HLB, which is a wholly owned entity of HLB Mann Judd Chartered Accountants, is a Licensed Investment Adviser and holder of an Australian Financial Services Licence under the Act and its authorised representatives are qualified to provide this Report. The authorised representative of HLB responsible for this Report has not provided financial advice to KRL.

The author of this Report is Lucio Di Giallonardo. He is a Fellow of Chartered Accountants Australia and New Zealand, holds a Bachelor of Business, and has considerable experience in the preparation of independent expert reports and valuations of business entities in a wide range of industry sectors.

Prior to accepting this engagement, HLB considered its independence with respect to KRL with reference to ASIC Regulatory Guide 112 and APES 225. In HLB's opinion, it is independent of KRL.

This Report has been prepared specifically for the shareholders of KRL. It is not intended that this Report be used for any other purpose other than to accompany the Notice to be sent to KRL's shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of the opinion as to whether or not the Mamahak Transaction is fair and reasonable to the non-associated shareholders of KRL. HLB disclaims any assumption of responsibility for any reliance on this Report to any person other than those for whom it was intended, or for any purpose other than that for which it was prepared.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report, HLB has relied on and considered information believed, after due inquiry, to be reliable and accurate. HLB has no reason to believe that any information supplied to it was false or that any material information has been withheld.

HLB has evaluated the information provided to it by KRL and other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not provide a reasonable basis for this Report. HLB has not, nor does it imply that it has, audited or in any way verified any of the information provided to it for the purposes of the preparation of this Report.

In accordance with the Corporations Act 2001, HLB provides the following information and disclosures:

- HLB will be paid its usual professional fee based on time involvement at normal professional rates, for the preparation of this Report. This fee, estimated to be in the range of \$5,000 - \$6,000 excluding GST, is not contingent on the conclusion, content or future use of this Report.
- Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- HLB and its directors and associates do not have any interest in KRL.
- HLB and its directors and associates do not have any relationship with KRL or any associate of KRL.

**Appendix 3 – Independent Technical Valuation Report by Britmind Mining Services
Singapore Pte Ltd**

HLB MANN JUDD CORPORATE (WA) PTY LTD

INDEPENDENT TECHNICAL VALUATION REPORT FOR RELATED PARTY COAL SALE BETWEEN KANGAROO RESOURCES LIMITED GROUP AND PT BAYAN RESOURCES TBK GROUP

11 APRIL 2018



Britmindo Mining Services Singapore Pte Ltd
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REPORT MONITORING

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HLB MANN JUDD CORPORATE (WA) PTY LTD
INDEPENDENT TECHNICAL VALUATION REPORT
FOR RELATED PARTY COAL SALE
BETWEEN KANGAROO RESOURCES LIMITED GROUP
AND
PT BAYAN RESOURCES TBK GROUP

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1 INTRODUCTION

Britmindoo Mining Services Singapore Pte Ltd (hereafter referred to as “**Britmindoo**” or the “**Consultant**”) has been engaged by HLB Mann Judd Corporate (WA) Pty Ltd (hereafter referred to as “**HLB**”) to prepare an Independent Technical Valuation Report (“**Report**”) in relation to a Coal sale between Kangaroo Resources Limited (“**KRL**”) and PT Bayan Resources Tbk Group (hereafter referred to as “**Bayan**”).

The Report is in relation to the PT Mamahak Coal Mining concession (hereafter referred to as “**MCM**” or the “**Project**”).

MCM is controlled by Kangaroo Resources Limited (“**KRL**”) which is a public company whose shares are traded on the Australian Securities Exchange (“**ASX**”). Bayan has a majority 56.05% direct shareholding in KRL.

MCM plans to sell the stockpiled coal (approx. 68,000 tonnes) located at the Balikpapan Coal Terminal (BCT) through a related party transaction, to Bayan. Since KRL is an Australian listed entity, under ASX regulations, KRL will need an independent expert to state that this transaction is fair and reasonable to non-associated shareholders.

Britmindoo was instructed by HLB to prepare an independent technical valuation report for this transaction which is in accordance with the standards of the common mining practice in coal mining industries. HLB will use this report as part of their Independent Expert’s Report (IER).

Britmindoo confirms that it has no conflict of interest with above-mentioned Project or its owners or related parties.

Britmindoo is a well-established and professional Jakarta-based consultancy company that provides mining consultancy and mining services to the South East Asian Mining Industry, including foreign and local investors, coal buyers, mine owners, mining contractors and major supply companies.

This report is complete up to and including 11th April 2018. A draft of the technical component was submitted to HLB, along with a written request to identify any material errors or omissions prior to finalisation.

1.1 COMPETENT PERSON

Mr. Sean Pellow has 37 years of experience in the mining industry, of which 31 years is in surface mining and 6 years in underground operations, including nearly 27 years in the Indonesian coal mining industry. Sean is a Mining Graduate of Camborne School of Mines, UK and a member of the Australasian Institute of Mining and Metallurgy (MAusIMM).

Sean has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify him as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code).

The above-mentioned person has no interest whatsoever in the mining assets reviewed and will gain no reward for the provision of this Report. Britmindó will receive a professional fee for the preparation of this Report.

1.2 DISCLAIMER AND WARRANTY

The statements and opinions contained in this Report are given in good faith and in the belief they are not false or misleading. The conclusions are based on the reference date of the 11th April 2018 and could alter over time depending on coal prices and other relevant market factors.

This Report was commissioned on a fixed fee basis. Britmindó's fee is not contingent on the outcome of its Report or the success or failure for the purpose of which this Report was prepared.

A draft section of the Report containing the technical and project description was provided to HLB and KRL for comment in respect of omissions and factual accuracy. As recommended in Section 39 of the VALMIN Code, KRL has provided Britmindó with an indemnity under which Britmindó is to be compensated for any liability and/or any additional work or expenditure, which:

- Results from Britmindó's reliance on information provided by KRL and/or Independent consultants that is materially inaccurate or incomplete, or
- Relates to any consequential extension or workload through queries, questions or public hearings arising from this Report.

The conclusions expressed in this Report are appropriate as at 11th April 2018. This Report is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors.

All monetary values outlined in the Report are expressed in United States dollars (US\$) unless otherwise stated. Britmindó's services exclude any commentary on the fairness or reasonableness of any consideration associated with this transaction.

2 PROJECT DESCRIPTION

The Project covers an area of approximately 4,996 Ha and held under an *Izin Usaha Pertambangan* – Exploitation (“IUP - Exploitation”) with Permit No. 545/K.341a/2010, granted on April 07, 2010 and valid until 12 years ahead (2022). The Project is located in Mamahak Besar Village, Long Bangun District, Kutai Barat Regency of East Kalimantan Province, Indonesia.

The current stage of development of the Project is “brownfields”. It is understood that MCM has previously undertaken geological mapping and exploration drilling conducted inside MCM concession.

Currently there is no activity within the Project area. The Project was being mined since 2012 and stopped in year 2013 due to pending improvements in market conditions and infrastructure development. A total of approx. 180,000 tonnes of coal had been produced. At that time there remained about 68,000 tonnes of coal on stockpile at site. The coal was then barged to the BCT over a period of a few months and completed by mid 2015.

Due to MCM ceasing production, the Indonesian Mine Department would not allow any further export of coal from MCM therefore the only option available was to do a “domestic” sale and hence the “Related Party” transaction to Bayan.

The coal deposit occurs within the early Miocene as a part of the wider Kutai Basin. Fourteen (14) coal seams are identified in the Project area. The deposit has a relatively simple to moderate structure with gentle dipping seams at approx. 15 – 25 degree to the west-northwest.



Figure 2-1 MCM Concession

3 COAL TRANSFER FROM MCM TO BCT

During the period January to June 2015, a total of 68,157 tonnes of coal was transferred to barge at MCM barge load out facility and discharged at Balikpapan Coal Terminal (BCT) into a designated stockpile area. All the coal loaded into barges at MCM was sampled by PT Geoservices (Geoservices) at the loading point. The Certificates of Analysis (COAs) for all the loaded barges have been sighted by Britmind and summarised in Table 3-1 “MCM Barged Coal Tonnage and Quality by Barge” by tonnage, coal quality and weight average product compiled from COAs.

Geoservices is an Indonesian Company and is a reputable and established professional company that is independent from KRL and Bayan. Geoservices has a solid base of expertise covering all aspects of the exploration and development of Indonesia’s oil, gas, coal, mineral, geothermal industries and an expertise in ‘Marine Cargo Surveying’.

Geoservices performed the inspection, sampling and analysis of the coal consignment with the samples being taken during barge loading using ISO Standard methods and samples prepared and analysed in accordance with ISO Standard methods.

Bayan subsequently engaged the services of PT Anindya Wiraputra Konsult (Anindya) to carry out an independent analysis of the MCM coal stockpiled at BCT between the dates of 24th to 25th August 2017. Anindya is an Indonesian independent surveying company, providing quality and quantity superintending services to the Coal related industry, Minerals, Marine Surveys, Oil and the Gas sector. Anindya complies with government regulations having obtaining several surveyor licenses from the Ministry of Energy and Mineral Resources and the Ministry of Trade of the Republic of Indonesia.

The Anindya Certificate of Sampling and Analysis results are shown in Figure 3-1 and Table 3-2 below shows the comparison to the barged quality results between Anindya and Geoservices.

Table 3-1 MCM Barged Coal Tonnage and Quality by Barge – PT GEOSERVICES

Date	Ref No.	Coal (t)	Description of Cargo	Name of Vessel	Port of Shipment / Loading	Port of Discharging	TM	IM	ASH		VM	FC	Sulphur		CV Kcal/kg		HGI
							% arb	% adb	% adb	% arb	% adb	% adb	% adb	% arb	adb	arb	
24-31 January 2015	322760	7,017.464	Coal In Bulk	TB. Danny 24/BG. Danny 25	CTB Muara Bunyut	Balikpapan Coal Terminal	10.4	2.60	12.40	11.40	38.60	46.40	1.11	1.02	7213	6635	
17 Feb - 06 Mar 2015	322761	7,422.439	Coal In Bulk	TB. Danny 34/BG. Danny 35	CTB Muara Bunyut	Balikpapan Coal Terminal	10.0	2.20	12.30	11.30	38.80	46.70	1.13	1.04	7233	6656	
6 - 9 Mar 2015	322762	7,536.476	Coal In Bulk	TB. Danny 28/BG. Danny 29	CTB Muara Bunyut	Balikpapan Coal Terminal	11.2	2.40	12.00	10.90	38.90	46.70	1.11	1.01	7234	6582	
13 - 18 Mar 2015	322763	5,707.002	Coal In Bulk	TB. Ersihan / BG. Sebastian 2701	CTB Muara Bunyut	Balikpapan Coal Terminal	10.4	2.30	12.30	11.30	38.80	46.60	1.30	1.19	7270	6667	
18 - 21 Mar 2015	322764	6,650.914	Coal In Bulk	TB. Danny 32/BG. Danny 33	CTB Muara Bunyut	Balikpapan Coal Terminal	9.8	2.60	19.60	18.20	35.40	42.40	1.58	1.46	6503	6022	
5 - 22 Apr 2015	322765	6,870.675	Coal In Bulk	TB. Danny 26/BG. Danny 27	CTB Muara Bunyut	Balikpapan Coal Terminal	9.4	2.40	21.00	19.50	34.60	42.00	1.50	1.39	6394	5935	
3-Apr-2015	276945	5,221.058	Coal In Bulk	TB. Ersihan / BG. Sebastian 2701	CTB Kota Bangun	Balikpapan Coal Terminal	11.2	2.7	22.1	20.2	34	41.2	1.64	1.5	6245	5699	72
30 Apr - 2 May 2015	227537	3,711.486	Coal In Bulk	TB. Pratama 15 / BG. Sebastian 2401	CTB Kota Bangun	Balikpapan Coal Terminal	13.3	2.9	21.5	19.2	34.5	41.1	0.86	0.77	6256	5586	77
12 - 14 May 2015	277541	7,722.203	Coal In Bulk	TB. Ersihan Regal / BG. ESP 319	CTB Kota Bangun	Balikpapan Coal Terminal	12.5	2.5	19	17.1	35.2	43.3	1.46	1.31	6562	5889	64
30 May - 2 Jun 2015	277546	6,907.975	Coal In Bulk	TB. Ersihan Indah / BG. Sebastian 303	CTB Kota Bangun	Balikpapan Coal Terminal	14.8	3.8	18.8	16.7	35.2	42.2	1.47	1.3	6456	5718	78
16-Jun-2015	277547	3,389.928	Coal In Bulk	TB. Kaltim Dolphin 10-17 / BG. Kaltim FT 36-05	CTB Kota Bangun	Balikpapan Coal Terminal	12.5	2.8	21.7	19.5	34.5	41	1.17	1.05	6310	5680	72
Total Tonnes		68,157.62				Weighted Average	11.29	2.63	17.00	15.49	36.45	43.92	1.32	1.20	6749	6150	

ANINDYA
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CERTIFICATE OF SAMPLING AND ANALYSIS

Applicant : **PT. MAMAHAK COAL MINING (MCM)**
Description of Sample : MCM
Quantity : $\pm 68,000$ MT
Port of Sampling : Stockpile PT. MAMAHAK COAL MINING (MCM)
Date of Sampling : August 24th up to 25th, 2017

THIS IS TO Certify that upon the request of the applicant, the samples Were Collected From Stockpile PT. MAMAHAK COAL MINING (MCM) and Analyzed in The Laboratory in accordance with ASTM Standards. The Results are as follows:

Parameter	Unit	Method	Results	Basis
Total Moisture	Weight %	D 3302/ D 3302M-15	16.90	Arb
Inherent Moisture	Weight %	D 3173-11	4.68	Adb
Ash Content	Weight %	D 3174-12	22.91	Arb
Total Sulphur	Weight %	D 4239-12	1.32	Arb
Gross Calorific Value	Kcal/Kg	D 586513	6,549	Adb
Gross Calorific Value	Kcal/Kg	D 586513	5,709	Arb

Note: Arb = As Received Basis; Adb = Air Dried Basis

Figure 3-1 PT Anindya Coal Sampling Analysis for MCM Coal in BCT Stockpile

Table 3-2 Comparison between Barged Coal Quality and Stockpiled at BCT

Parameter	Unit	Barge Quality (Geoservices)	Stockpile Quality (Anindya)	Difference
Total Moisture (arb)	Weight %	11.29	16.90	5.61
Inherent Moisture (adb)	Weight %	2.63	4.68	2.05
Ash content (arb)	Weight %	15.49	22.91	7.42
Total Sulfur (arb)	Weight %	1.20	1.32	0.12
Gross CV (adb)	kcal/kg	6,749	6,549	-200
Gross CV (adb)	kcal/kg	6,150	5,709	-441

Comparing the coal quality as shown in Table 3-2 it indicates the quality has deteriorated during the period of time the coal has been dormant in the BCT Stockpile. Any further deterioration in quality since Anindya sampled the coal in August 2017 until now might be expected, such as an increase in Total Moisture dependent on climate conditions.

4 COAL PRICING METHODOLOGY

4.1 HARGA BATUBARA ACUAN (HBA)

The Indonesian Government, set by the Ministry of Energy and Mineral Resources (Menteri Energi dan Sumber Daya Mineral), publish a monthly coal price report – the ‘Harga Batubara Acuan’ (HBA) or Coal Price Reference. The HBA price for April 2018 is stated as US\$94.75 in Ministerial Regulation Number 1775K/32/MEM/2018; refer to Appendix I.

HBA is an average price of four specific Indonesian and Australian coals, which is derived from the Argus Indonesia Coal Index 1 (ICI1), Platts Kalimantan 5900 gar, Newcastle Export Index (NEX), and the Globalcoal Newcastle Index (GCNC) using the indices from the previous month, with the quality of CV = 6,322 kcal/kg gar, Total Moisture = 8%, Total Sulfur = 0.8% and Ash=15%.

The HBA is calculated as a monthly average price based 25% on the Argus Indonesia Coal Index 1 (ICI1) (6,500 kcal/kg GAR), 25% on the Platts 5,900 kcal/kg gar, 25% on the Newcastle Export Index, and 25% on the Global Coal Newcastle (6,000 kcal/kg NAR) index.

The ‘Harga Patokan Batubara’ (HPB) – Coal Bench Mark Price is the method used for price assessment for royalty purposes by the Indonesian Government and is a useful proxy for thermal coal spot pricing (reference <http://www.coalspot.com>); the government compiles 74 coal qualities across Indonesia.

The formula for the steam (thermal) coal price is based on a ‘Coal Reference Price’ (HBA) (equivalent to 6,322 kcal/kg GAR calorific value).

$$\text{HBA} = 25\% \text{ ICI 1} + 25\% \text{ Platts59} + 25\% \text{ NEX} + 25\% \text{ GC [US\$/tonne]}$$

Where:

- HBA = Coal Reference Price (US\$/tonne)
- ICI = Indonesia Coal Index (US\$/tonne)
- Platts 59 = Platts Kalimantan 5,900 kcal/kg CVgar (US\$/tonne)
- NEX = Newcastle Export Index (US\$/tonne)
- GC = Newcastle's Global Coal Index (US\$/tonne)

$$\text{HPB} = (\text{HBA} \times \text{K} \times \text{A}) - (\text{B} + \text{U}) \text{ [US\$/tonne]}$$

Whereas:

HPB = The coal price reference calculation by adjusting each quality parameter

K = Calorific values of the coal / 6322 (gar) [fraction, HBA CV]

A = (100 – Total Moisture)/ (100 – 8) [fraction, HBA TM]

B = (Sulphur – 0.8) * 4 [US\$/t]

U = (Ash - 15) * 0.4 [US\$/t]

Table 4-1 below shows the HPB coal price estimation for MCM coal based on the Anindya average quality of 5,709 kcal/kg (gar), Total Moisture 16.90%, Total Sulfur 1.32%, Ash 22.91% (as certified by PT Anindya in Figure 3-1 Sampling Analysis for MCM Coal in BCT Stockpile). This, together with the HBA for April 2018, leads Britmind to calculate a HPB FOB Vessel coal price of **US\$72.04/t**.

Table 4-1 HPB Coal Reference Price for April 2018

Batubara Acuan	
Harga Batubara Acuan (USD/ton)	94.75
Nilai Kalor (cal/gr GAR)	6322
Kandungan Air (% ar)	8
Kandungan Belerang (%)	0.8
Kandungan Abu (%)	15

Contoh
A
→ HBA Apr '18

N O	PERUSAHAAN	MEREK DAGANG	KUALITAS				Formula	C1		C3		C2					HPB
			CV (cal/gr GAR)	TM (ar, %)	TS (%)	Ash (%)		HBA * K * A	(B + U)i	FKA	(B + U)j	Kj / Ki	Aj / Ai	FKAi/FK Aj	(6)*(7)* (8)	C2*C1-C3	
							1	2	3	4	5	6	7	8	9	10	11
1	PT. Gunung Bayan Pratama Coal	Gunung Bayan I	7,000	10.0	1.0	15.0	(HBA * K * A) - (B + U)	102.63	0.80	100.00%							101.83
2	PT. Kaltim Prima Coal	Prima Coal	6,700	12.0	0.6	5.0	(HBA * K * A) - (B + U)	96.05	-4.80	100.00%							100.85
3	PT. Kaltim Prima Coal	Pinang 6150	6,200	14.5	0.6	5.5	(HBA * K * A) - (B + U)	86.36	-4.60	100.00%							90.96
4	PT. Indominco Mandiri	Indominco IM_East	5,700	17.5	1.6	4.8	(HBA * K * A) - (B + U)	76.61	-0.76	100.00%							77.37
5	PT. Kaltim Prima Coal	Melawan Coal	5,400	22.5	0.4	5.0	(HBA * K * A) - (B + U)	68.18	-5.60	100.00%							73.78
6	PT. Adaro Indonesia	Envirocoal	5,000	26.0	0.1	1.2	(HBA * K * A) - (B + U)	60.28	-8.32	100.00%							68.60
7	PT. Jorong Barutama Greston	Jorong J-1	4,400	32.0	0.3	4.2	(HBA * K * A) - (B + U)	48.74	-6.54	100.00%							55.28
8	PT. Arutmin Indonesia	Ecocoal	4,200	35.0	0.2	3.9	(HBA * K * A) - (B + U)	43.37	-6.92	141.54%							50.29
A	PT. Mamahak Coal Mining		5,709	16.90	1.32	22.91				100.00%	5.2440	1.0016	1.0073	1.0000	1.0089	-6.0107	\$ 72.04

Note. The Mamahak Coal Mining HPB Coal price has been calculated from the Indominco IM_East Coal Base price due to being of similar coal quality.

4.2 COALSPOT PRICE CALCULATION

The HPB coal price marker is also verified using the independent website at www.coalspot.com with the results as shown as shown in Figure 4-1 below.



Figure 4-1 Coal Spot.com HBA and HPB Calculator

*Note – The US\$72.05/t coal price stated by Coalspot.com is subject to decimal rounding errors with the difference varying between US\$0.01 – US\$0.10 as stated in the above Figure.

4.3 COAL VALUATION BASED ON QUALITY AND QUANTITY

A Valuation of the Coal Shipment calculated based upon the coal quantities, as detailed in the Geoservices reports, and using the coal qualities as assessed by Anindya, being the most recent information available, and MCM adjusted HPB coal price (FOB MV) as above is detailed in Table 4-2 below.

Table 4-2 Coal Barged from MCM and Transferred to BCT Stockpile

COAL QUALITY OF MCM BARGES										
N O	BARGE NAME	TONNAGE (M/T)	TM (%, ar)	IM (%,adb)	ASH (%)	TS (%)	CV (adb) (kcl/kg)	CV (arb) (kcl/kg)	US\$/ Tonne	US\$
	Grand Total	68,157	16.90	4.68	22.91	1.32	6,549	5,709	72.04	4,910,030
Less Balikpapan Coal Terminal usage charges									2.75	(187,432)
Price CNF Balikpapan Coal Terminal										4,722,598

It should be noted that there is an additional adjustment for the use of the Balikpapan Coal Terminal. The Balikpapan Coal Terminal usage charge of **US\$2.75/t**, is in Britmind's opinion fair and reasonable in comparison to other service providers in the Indonesian Mining Industry.

5 SUMMARY AND CONCLUSIONS

MCM plans to sell the stockpiled coal (approx. 68,000 tonnes) located at the Balikpapan Coal Terminal (BCT) through a related party transaction, to Bayan. Since KRL is an Australian listed entity, under ASX regulations, KRL will need an independent expert to state that this transaction is fair and reasonable to non-associated shareholders.

Britmindio has reviewed the Geoservices coal quality analysis for the barged coal delivered into the BCT during the period January to June 2015 and the results of the coal quality sampling as carried out by Anindya of the same coal in BCT, between the dates of 24th to 25th August 2017.

Comparing the coal quality in Table 3-2 it does indicate that the quality has deteriorated during the period of time the coal has been dormant in the BCT Stockpile. Any further deterioration in quality since Anindya sampled the coal in August 2017 until now might be expected, such as an increase in Total Moisture dependent on climate conditions.

Britmindio has used the established coal pricing method set by the Indonesian Government, Ministry of Energy and Mineral Resources (Menteri Energi dan Sumber Daya Mineral) which publish a monthly coal price report – the ‘Harga Batubara Acuan’ (HBA) or Coal Price Reference, to establish the ‘Harga Patokan Batubara’ (HPB – Coal Bench Mark Price) based on the Anindya coal quality analysis in Figure 3-1.

The HBA price for April 2018 is stated as US\$94.75 in Ministerial Regulation Number 1775K/32/MEM/2018; refer to APPENDIX I – HBA APRIL 2018.

The HPB coal price estimation in Table 4-1 for MCM coal based on the Anindya average quality of 5,709 kcal/kg (gar), Total Moisture 16.90%, Total Sulfur 1.32%, Ash 22.91% (as certified by PT Anindya Figure 3-1 Sampling Analysis for MCM Coal in BCT Stockpile). This, together with the HBA for April 2018, leads Britmindio to calculate a HPB FOB Vessel coal price of **US\$72.04/t**.

APPENDIX I – HBA APRIL 2018

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LAMPIRAN II
KEPUTUSAN MENTERI ENERGI DAN SUMBER DAYA MINERAL
REPUBLIK INDONESIA
NOMOR : 1775 K/32/MEM/2018
TANGGAL : 2 April 2018
TENTANG
HARGA MINERAL LOGAM ACUAN DAN HARGA BATUBARA
ACUAN UNTUK BULAN APRIL TAHUN 2018

HARGA BATUBARA ACUAN (HBA) UNTUK BULAN APRIL TAHUN 2018

KOMODITAS	Satuan	Nilai	Keterangan
Batubara	USD	94,75	HBA adalah harga yang diperoleh dari rata-rata indeks Indonesia Coal Index (ICI), Newcastle Export Index (NEX), Globalcoal Newcastle Index (GCNC), dan Platt's 5900 pada bulan sebelumnya, dengan kualitas yang disetarakan pada kalori 6322 kcal/kg GAR, <i>Total Moisture</i> 8%, <i>Total Sulphur</i> 0,8%, dan <i>Ash</i> 15%.

MENTERI ENERGI DAN SUMBER DAYA MINERAL
REPUBLIK INDONESIA

t.t.d.

IGNASIUS JONAN

Salinan sesuai dengan aslinya
KEMENTERIAN ENERGI DAN SUMBER DAYA MINERAL
KEPALA BIRO HUKUM,


Hufrih Asrofi, S.H., M.Hum.
NIP 198010151981031002

APPENDIX II - QUALIFICATIONS

Sean Pellow is a consulting mining engineer with over 37 years of experience in estimating, contract administration, management, mine management, technical and production roles for both owner operator and contractor operations in open cut and underground coal, strategic mine planning and short-term design projects primarily, project development, reserve assessment, project due diligence, bankable studies and feasibility studies.

He was Senior Vice President and Operations Director for PT Indo Tambangraya Megah (Banpu Indonesia) from 1999 to 2014 overseeing their Indonesian coal operations.

Prior to joining Banpu, Sean was Technical Superintendent at PT Kaltim Prima Coal (KPC) from 1991 when he first came to Indonesia.

Previously he spent four years as Senior Mining Engineer for a De Beers diamond mine in Botswana having been a Mine Captain at BCL, Selebi – Phikwe copper/nickel underground mine in Botswana, from 1981.

He commenced his career as a Mining Engineer with Murphy Brothers, an opencast coal mining contractor in the UK from 1979 to 1981.

Sean is a mining graduate of Camborne School of Mines, UK, is a member of the Institute of Quarrying (MIQ) and a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM).

He is considered a Competent Person to validate statements for Coal Reserves/Qualified Person.


ONLINE VOTE
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MOBILE DEVICE VOTE

Lodge your proxy by scanning the QR code below, and enter your registered postcode.
It is a fast, convenient and a secure way to lodge your vote.

ANNUAL GENERAL MEETING - VOTING/PROXY FORM

I/We being shareholder(s) of Kangaroo Resources Limited and entitled to attend and vote hereby:

APPOINT A PROXY

The Chairman of
the meeting

OR



PLEASE NOTE: If you leave the section blank, the Chairman of the Meeting will be your proxy.

If no individual(s) or body corporate(s) is named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of the Company to be held at the **Duxton Hotel, 1 St Georges Terrace, Perth, Western Australia, on 25 May 2018 at 11am (WST)** and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member(s) of key management personnel, which includes the Chairman. The Chairman of the Meeting intends to vote all undirected proxies available to them in favour of each Item of Business to the extent permitted by law.

VOTING DIRECTIONS

Agenda Items

		For	Against	Abstain*			For	Against	Abstain*
1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4	Re-election of director – Mr Darcy Wentworth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Re-election of director – Mr David Low Yi Ngo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5	Re-election of director – Mr Alexander Wibowo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Re-election of director – Mr Damien Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6	Approval for Mamahak transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding all the shareholders should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

☐

Please tick here to agree to receive communications sent by the company via email. This may include meeting notifications, dividend remittance, and selected announcements.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

Your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chairman as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman will be your proxy.

DEFAULT TO THE CHAIR OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not vote on a poll in accordance with your directions or does not attend the Meeting, then the proxy appointment will automatically default to the Chair of the Meeting, who is required to vote the proxies as directed.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they choose to the extent they are able. If you mark more than one box on an item, your vote on that item will be invalid.

PROXY VOTING BY KEY MANAGEMENT PERSONNEL

If you wish to appoint a Director (other than the Chairman) or other member of the Company's key management personnel, or their closely related parties, as your proxy, you must specify how they should vote on Resolution 1, by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Resolution 1.

PLEASE NOTE: If you appoint the Chairman as your proxy (or if he is appointed by default) but do not direct him how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), you will be expressly authorising the Chairman to vote as he sees fit on that item.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy, you must:

- On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- Return both forms together.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 11am (WST) on 23 May 2018, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled meeting.



ONLINE VOTE

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 9262 3723



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033