

30 April 2018



Kangaroo Resources Limited
ABN: 38 120 284 040
ASX Code: KRL

MARCH 2018 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- Graha Panca Karsa ("GPK") will apply Pinjam Pakai Exploration in Q2 of 2018.
- Negotiations with a selected drilling contractor finalized with drilling expected to commence on the PAKAR North concessions in Q2 2018.
- Land compensation has commenced on the Tiwa Abadi concessions as a prelude to drilling activities and ultimately the commencement of production.
- The Company continues to monitor and evaluate the performance of BAYAN's logistics infrastructure at its TABANG project to which the Company has 30% Access Rights for its adjacent PAKAR project.
- Appointment of Mr Alexander Wibowo as Managing Director.
- Cash at bank at the end of the quarter was AU\$1.37 million.

GRAHA PANCA KARSA COAL PROJECT (GPK)

During the previous Quarter, the Company announced the results of its 2017 GPK drilling program.

Key takeaways from the drilling program were as follows:

- A total of 543 drill holes for a total of 12,529 metres have now been drilled on the GPK concession;
- Two main seam groups have been identified in the deposit namely Graha and Tukul seams which have an average vertical thickness of 4.4m and 1.3m respectively;
- The results from the 2017 exploration program (42 drill holes totaling 1,858 metres) inside the Pinjam Pakai area confirm the results of the previous exploration in that the seams are continuous and retain similar coal quality characteristics;
- Seven minor seams with average vertical thickness ranging from 0.3m to 1.2m are also present above and below the Graha and Tukul seams

The Company has evaluated the results and will apply for an exploration Pinjam Pakai in Q2 to continue a drilling program into these areas.

Bathymetric Survey

During the Quarter, the Company was informed by Seascope that there was an error in its previously announced bathymetric survey report and a revised report was subsequently issued. The key conclusions of the revised Seascope report are as follows:

- 51% of the time the Mahakam river will be navigable utilising 4.5m loaded draft with 0.6m under-keel clearance;
- This decreases to 45% of the time if the under-keel clearance is increased to 1.0m;
- 6 critical locations were identified that will limit navigability of the Mahakam river during periods of low river water levels (2.1 – 2.6m river depth at these points)

The revised results are not as good as originally reported in the December 2017 Quarterly Report and would limit the suitability of utilizing 300' barges along this route. The Company is investigating the suitability of using smaller barges (180' and/or 230') as well as the possibility of dredging the critical locations to improve the reliability of any future barging operations.



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

Tiwa Abadi (TA) and Tanur Jaya (TJ) Pinjam Pakai

The Company received approval for its exploration Pinjam Pakais' from the Department of Minerals and Coal (Minerba) in Q4 2017. These were submitted to the Ministry of Forestry via the Foreign Investment Coordinating Board / Badan Koordinasi Penanaman Modal (BKPM) in accordance with procedure. Assuming no further issues with the documentation, the Company now expects to receive the exploration Pinjam Pakais' for both concessions in June 2018.

Granting of these permits will allow the Company to undertake exploration works in those parts of the concessions currently covered by forestry area. For TA this is 1,517 hectares or approximately 30% of the total concession area and for TJ this is 5,000 hectares or 100% of the total concession area.

Tiwa Abadi (TA) and Tanur Jaya (TJ) Drilling Program

The Company has appointed a drilling contractor, PT Noras Nusantara in April 2018 for a 5-month contract. The drilling program will initially concentrate on the non-Pinjam Pakai area of TA and then subsequently move into the Pinjam Pakai areas of TA and TJ once the respective permits have been received.

During the previous Q4 2017, as a prelude to drilling program and ultimately bringing the concession into production, the Company commenced land compensation on the TA concession. Approximately 1,300 hectares representing 26% of the total concession area of 4,996 hectares has been compensated to date with further land compensation activities continuing into 2018.

The process of upgrading the non-forestry portion of the TA permit to production status is in the final stages of approval at the East Kalimantan province and is expected to be received in May 2018.

Clear and Clean Status

As reported previously, five of the Company's coal concession in this area (DE, OM, SA, CA and BS) have an overlap with a third-party coal company, PT. Senyur Sukses Pratama ("SSP"):

- Uncertainty surrounding the exact boundary line between the Kutai Kartanegara regency and Kutai Timur regency at the time the respective concessions were issued gave rise to this overlap.
- In 2012, the East Kalimantan Government together with the heads of respective regencies agreed on a final boundary which was in the Company's favour and the East Kalimantan Government instructed SSP to relinquish those overlapping areas.
- In August 2016, SSP filed a lawsuit against the provincial government of East Kalimantan in the District Administrative Court in Samarinda in relation to this matter.
- As the Company had an interest in the outcome of this case, KRL took the decision in October 2016 to intervene in this action through OM.
- In April 2017, the Administrative Court in Samarinda ruled in favour of SSP finding that the instruction by the East Kalimantan Government requiring SSP to relinquish certain overlapping areas was invalid.
- In April 2017, both the East Kalimantan Government and OM appealed this decision to the Jakarta Administrative High Court.



- In August 2017, the Jakarta Administrative High Court overturned the decision of the Samarinda Court and found that SSP was time barred from filing the lawsuit in the first place. The effect of this judgment is that the instruction issued by the East Kalimantan Government requiring SSP to relinquish certain overlapping areas remain valid and proper.
- In September 2017, SSP appealed the Jakarta Administrative High Court's judgment to the Supreme Court of Indonesia.
- In Q1 2018, The Supreme Court of Indonesia rendered its enforceable judgment. One of the main effects of this judgment is that the decision issued by the East Kalimantan Government requiring SSP to relinquish some overlapping areas remain valid and proper. Therefore, it shall be interpreted and understood that there is no more overlap issue anymore with SSP, thus DE, OM, SA, CA and BS should be eligible to request CnC status. Based on the Supreme Court's judgment, the Company has submitted a letter of request to ESDM to issue the respective CnC status. The Company expects to receive the CnC status and/or certificates in June 2018.

TA and TJ have been listed as Clean and Clear status and have been certificated. AU and SK have been listed as Clean and Clear status but have not yet been certificated.

Project Infrastructure for TABANG and PAKAR

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

During the quarter, BAYAN continued to asphalt its 69km haul road to improve its all-weather performance. This program will continue throughout 2018.

BAYAN currently has barge loading capacity at Senyur rated at 8,000 tph (approx. 24 Million metric tonnes per year). During the quarter BAYAN achieved approximately 1.1 – 1.4 million tonnes per month of barging from this barge loading facility.

BAYAN / KRL TRANSACTION

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

- During the September quarter, the Company had submitted its application to convert AU into a Foreign Investment Status (PMA) company with the provincial government of East Kalimantan. The provincial government responded to this application with a request for additional documentation which the Company responded to during the December Quarter. The provincial government approved this application in October 2017. The process now moves to the central government for PMA approval through BKPM.
- The process of upgrading TA (from IUP Exploration to IUP Operation) is in the final stage of East Kalimantan province. KRL expects to receive the upgraded permit in May 2018. Once the process has been completed, then the steps to transfer TA to KRL will commence. The first step is that Bayan will have to obtain approval from the provincial government to convert TA to a foreign investment status (PMA) company;

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

Mining operations remain suspended.

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



CORPORATE

During the quarter, the Company announced the appointment of Mr Alexander Wibowo as Managing Director, effective from 1 April 2018. Mr Wibowo will be responsible for the management of the Company's day to day affairs with the primary focus of advancing the Company's coal projects in East Kalimantan, Indonesia.

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.



LIST OF MINING TENEMENTS HELD AT END OF QUARTER

East Kalimantan, Indonesia

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

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

GLOSSARY

CORPORATE

- ✦ Company – Kangaroo Resources Limited (ASX – KRL)
- ✦ AMDAL – Analisis Dampak Lingkungan / Environmental Impact Study
- ✦ BAYAN – PT Bayan Resources Tbk
- ✦ BCT – Balikpapan Coal Terminal
- ✦ BKPM - *Badan Koordinasi Penanaman Modal* / Foreign Investment Coordinating Board – Indonesian central government department tasked with assessing and approving the establishment of or conversion to PMA status for a company
- ✦ BIS – PT BIS Industries (current coal haulage contractor for TABANG)
- ✦ BT – PT Bara Tabang (one of the 3 BAYAN owned existing coal-mines at TABANG)
- ✦ CnC – Clear & Clean Status (granted by Department of Mines)
- ✦ DPP – PT Dermaga Perkasapratama – (operators of BCT and owned by BAYAN)
- ✦ GOI – Government of Indonesia
- ✦ IP – PT Indonesia Pratama (services company owned by BAYAN)
- ✦ IPPKH – Izin Pinjam Pakai Kawasan Hutan – Foresty Area Borrow-Use Permit – required to be issued by the Indonesian central government's Department of Forestry for those parts of a mining concession (and other types of concessions) that overlap with areas designated as forestry-use
- ✦ IUP – *Izin Usaha Pertambangan* – Mining Concession in Indonesia
- ✦ Mtpa – Million tonnes per annum
- ✦ PMA – *Penanaman Modal Asing* / Foreign Investment Status – companies are required to have this status in Indonesia where they have one or more foreign shareholders
- ✦ PTP – PT Petrosea Tbk (current mining contractor at TABANG)
- ✦ SPA – Sale & Purchase Agreement
- ✦ TABANG – 3 BAYAN concessions on the northern and western boundary of PAKAR North

MAMAHAK

- ✦ KOJ – PT Karsa Optima Jaya (the holding company for MCM, MEL, MBE & BKL)



- ✦ MCM – PT Mamahak Coal Mining
- ✦ BKL – PT Bara Karsa Lestari
- ✦ MEL – Mahakam Energi Lestari
- ✦ MBE – Mahakam Bara Energi
- ✦ Long Hubung (current Port location on Mahakam River for MAMAHAK projects)

PAKAR (NORTH)

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

PAKAR (SOUTH)

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

PAKAR (NORTH & SOUTH)

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

GRAHA PANCA

- ✦ GPK – PT Graha Panca Karsa

OTHER

Further information:

T | +61 8 9381 4320

E | info@kangarooresources.com

W | www.kangarooresources.com

The information in this report that relates to results from drilling at GPK was last reported by the Company in compliance with the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves in a market release dated 19 December 2017.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 19 December 2017.

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

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