

31 July 2018

## **JUNE 2018 QUARTERLY ACTIVITIES REPORT**

### **HIGHLIGHTS**

- Drilling contractor for drill program on the Pakar North concessions has been appointed and mobilisation underway with a view to commencement of drilling in Q3 2018.
- Land compensation is progressing well on the Tiwa Abadi concessions as a prelude to drilling activities and ultimately the commencement of production.
- Graha Panca Karsa ("GPK") is still in the process of preparing an application for Pinjam Pakai (exploration and land use permit), now expected to be lodged in Q3 2018, allowing further drilling to be undertaken.
- 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. To date throughput has continued to increase and the infrastructure is performing well.
- Bayan continues to expand its infrastructure with additional dump stations and associated facilities.
- Sale of Mamahak coal inventory to Bayan concluded for sale proceeds of \$5.9 million
- Cash at bank at the end of the Quarter was AU\$1.26 million with continuing financial support from Bayan.



## **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 then submitted to the Ministry of Forestry via the Foreign Investment Coordinating Board / Badan Koordinasi Penanaman Modal (BKPM) and final grant of exploration Pinjam Pakais' for both concessions was completed in June 2018.

Granting of these permits allows 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.

### Silau Kencana (SK)

The Company has appealed to the Ministry of Energy and Mineral Resources (ESDM) to give an extension to suspension of activity and later on to adjust the IUP Foreign Investment status.

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

The Company has appointed a drilling contractor, PT Noras Nusantara 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.

As a prelude to the drilling program and ultimately bringing the concession into production, the Company continues to compensate land on the TA concession. Approximately 35% of the total concession area of 4,996 hectares have been compensated to date with further land compensation activities continuing into the remainder of 2018 and 2019.

A permit was granted in May 2018, converting the non-forestry portion of the TA project area to production status. The Company will apply for upgrading the TJ permit to production status once feasibility studies and AMDAL are completed. The Company has appointed a local consultant to conduct a feasibility study and AMDAL for TJ's production status, with these studies expected to be concluded in Q4 2018.

### Clear and Clean Status

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

Following various legal processes, the Supreme Court of Indonesia rendered its enforceable judgment, the consequence of which was to rule in favour of the Company and thus DE, OM, SA, CA and BS are eligible for the granting of CnC status.

Under new ESDM regulations, CnC certificates are no longer issued evidencing clear and clean status, instead the ESDM issues a letter to that effect. The Company has requested ESDM to issue formal letters confirming CnC status.



## Project Infrastructure for TABANG and PAKAR

The Company has rights to utilise 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 and is targeted to be completed in 2019.

BAYAN currently has barge loading capacity at Senyur rated at 8,000 tph (approx. 24 million metric tonnes per year) and is in the process of designing and building a third barge loader to increase the overall capacity to 12,000 tph (approximately 30 Million metric tonnes per year). It is also part way through expanding the loading rate by building two new side dumps. During the quarter BAYAN achieved approximately 1.6 – 1.8 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) was completed in May 2018. The steps to transfer TA to KRL can now commence, with the initial step requiring Bayan to obtain approval from the provincial government to convert TA to a foreign investment status (PMA) company.

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

The Company completed a 543 hole (12,529 metres) drill program at GPK in 2017, which identified two main seam groups, Graha and Tukul seams with 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;

Having evaluated the encouraging results, the Company is continuing the process of making an application for an exploration Pinjam Pakai to undertake a follow up drill program into these areas.

#### Bathymetric Survey

As previously reported, the bathymetric survey results indicate that utilising 300' barges along this route would not be possible. The Company is investigating the suitability of using smaller barges (180' and/or 230') as well as the possibility of dredging critical locations to improve the reliability of any future barging operations. The Company will also consider the economics of extending the coal haul road to bypass these critical spots on the river.



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

Mining operations remain suspended.

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

### **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

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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.*