

31 October 2018

SEPTEMBER 2018 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- Drilling has commenced at Tiwa Abadi ("TA") with 23 holes totaling 3,980 metres completed till the end of September 2018.
- Graha Panca Karsa ("GPK") is still in the process of preparing an application for Pinjam Pakai (exploration and land use permit), and is currently awaiting for Pinjam Pakai Recommendation from East Kalimantan province before finalising the application.
- 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.
- Cash at bank at the end of the Quarter was AU\$1.18 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) Drilling Program

During the previous quarter, the Company appointed drilling contractor, PT Noras Nusantara. The drilling program is initially concentrating on the non-Pinjam Pakai area of TA and then it will move into the Pinjam Pakai areas of TA and TJ. During the quarter 23 holes totaling 3,980 metres were completed at TA. A total of 169 holes totaling 14,960 metres are planned for TA and the entire program is expected to be completed by the end of February 2019.

As a prelude to the drilling program and ultimately bringing the concession into production, the Company continues to compensate land on the TA concession and will continue with further land compensation activities into the remainder of 2018, 2019 and 2020.

As reported previously, a permit was granted, 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 Ministry of Energy and Mineral Resources (ESDM) regulations, CnC certificates are no longer issued evidencing clear and clean status, instead the ESDM issues a letter to that effect. The Company continues to follow up with ESDM for the issue of confirmatory letters.

Silau Kencana (SK)

The Company has appealed to ESDM to give an extension to suspension of activity and thereafter to adjust the IUP Foreign Investment status. Indonesia's Ombudsman agency has given recommendation to ESDM to reinstate Silau Kencana's concession.

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. 30+ million metric tonnes per year) and is in the process of building a third barge loader to increase the overall capacity to 12,000 tph (approximately 40+ 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 1.4 – 1.8 million tonnes per month of barging from this barge loading

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.

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 – Forestry 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



📍 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 further confirms that the form and context in which the competent person's findings are presented have not been materially modified from the original market announcement.

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 plans 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.*