

Kangaroo  
Resources  
Limited



# Notice of General Meeting

to be held at 11.00am (Perth time) on Friday, 29 April 2016

at Level 2, 389 Oxford Street, Mount Hawthorn, Western Australia 6016

**to consider the SAU Transaction**

**The Independent Expert has concluded that the SAU Transaction is fair and reasonable to Shareholders not associated with the Bayan Group**

**The Independent Directors recommend you vote in favour of the Resolutions**

This Notice should be read in its entirety

If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay prior to voting

## Notice of General Meeting

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A general meeting of shareholders of Kangaroo Resources Limited (**Company**) will be held at 11.00am (Perth time) on Friday, 29 April 2016 at Level 2, 389 Oxford Street, Mount Hawthorn, Western Australia 6016.

The Explanatory Statement provides information on the matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form are part of this Notice.

You will be eligible to vote at the Meeting if you are registered as a Shareholder at 5pm Perth time on Wednesday, 27 April 2016.

Terms used in this Notice are defined in section 15.

### AGENDA

#### **Resolution 1 – Approval for SAU Transaction**

To consider and if thought fit approve, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.1 and for all other purposes, Shareholders approve the Company’s entry into and performance of the SAU Transaction, on the terms and conditions and in the manner set out in the Explanatory Statement, including:*

- *giving financial benefits to related parties of the Company, Bayan Group, as explained in the Explanatory Statement; and*
- *disposing and acquiring substantial assets to and from related parties of the Company, Bayan Group, as explained in the Explanatory Statement.”*

#### **Voting Exclusion**

The Company will disregard any votes cast (in any capacity) by the parties to the SAU Transaction (and their associates) and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, and any associates of those persons.

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.

#### **Resolution 2 – Re-election of director – Mr Susmit Shah**

To consider and if thought fit approve the following resolution as an ordinary resolution:

*“That Mr Susmit Shah is re-elected as a director of the Company in accordance with rule 13.4 of the Constitution.”*

#### **BY ORDER OF THE BOARD**



**Paul Jurman**

Company Secretary

Dated 9 March 2016

## Entitlement to vote and how to vote

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### Entitlement to attend and vote

You will be entitled to attend and vote at the Meeting if you are registered as a Shareholder of the Company as at 5pm (Perth time) on Wednesday, 27 April 2016. The Board has determined that the Shares on issue at that time are taken, for the purposes of the Meeting, to be held by the persons who held them at that time (under Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth)). Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

### 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 11.00am (Perth time) 27 April 2016, being 48 hours before the time of the Meeting. Any proxy appointment received after that time will not be valid for the scheduled Meeting.

#### In person

Level 2, 389 Oxford Street  
Mount Hawthorn, Western Australia  
6016

#### By mail

PO Box 131  
Subiaco, Western Australia 6904

#### By fax

+61 (08) 9380 6761

**By Email:** [info@kangarooreources.com](mailto:info@kangarooreources.com)

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.

# Explanatory Statement

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## 1 The SAU Transaction in a nutshell

Resolution 1 seeks Shareholder approval for the Company's entry into the agreements comprising the SAU Transaction and the performance of the Company's obligations under those agreements.

The SAU Transaction involves:

- The Company's subsidiary, SAU, selling the Infrastructure Assets to the Company's 56% Shareholder, Bayan Group, for US\$12 million;
- Bayan Group using the Infrastructure Assets, in part, to construct a new haul road between Tabang and the Senyur Port and to upgrade and expand the Senyur Port by completing an up to US\$125 million capital expenditure program;
- Bayan Group undertaking to provide access to the new haul road (on the basis the new haul road passes through all but 2 of the Company's Pakar coal mining concessions) and access to, and port services at, the upgraded Senyur Port, all at commercially reasonable prices; and
- a Strategic Agreement between the Company and Bayan Group to provide a formalised framework for cooperation and support, including, to the extent the Company requires, Bayan Group providing diverse and comprehensive services to the Company, to enable the Company's Pakar coal project and Bayan Group's Tabang coal project to be co-developed.

The Independent Expert's Report states that the expert considers that the SAU Transaction is **fair and reasonable** to Shareholders not associated with the Bayan Group.

The Independent Expert's Report accompanies the Notice and this Explanatory Statement and is available on the Company's website at [www.kangarooresources.com](http://www.kangarooresources.com) and can be downloaded from that site or viewed online.

**The Independent Directors recommend you vote in favour of the Resolution.**

## 2 Signposts to further information

Background about the connection between the Company's and Bayan Group's respective projects and Bayan Group's relationship to the Company is set out in sections 3 and 4.

The SAU Transaction agreements are explained in sections 5 to 7.

Sections 8 and 9 set out some potential advantages and disadvantages of the SAU Transaction.

Sections 10 to 12 set out the legal requirements for seeking Shareholder approval and section 13 contains the Independent Directors' recommendation in relation to the SAU Transaction.

Section 14 sets out Mr Susmit Shah's background and the directors' recommendation in relation to his re-election.

Terms used in this Notice are defined in section 15.

## 3 About the Company's Pakar project and Bayan Group's Tabang project

### ***The Pakar project and Tabang project are adjacent***

Bayan Group's Tabang project consists of 2 operational coal mines located in the Kutai Kartanegara Regency of East Kalimantan, Indonesia. These are known as the FSP and BT concessions and are labelled on the map below.

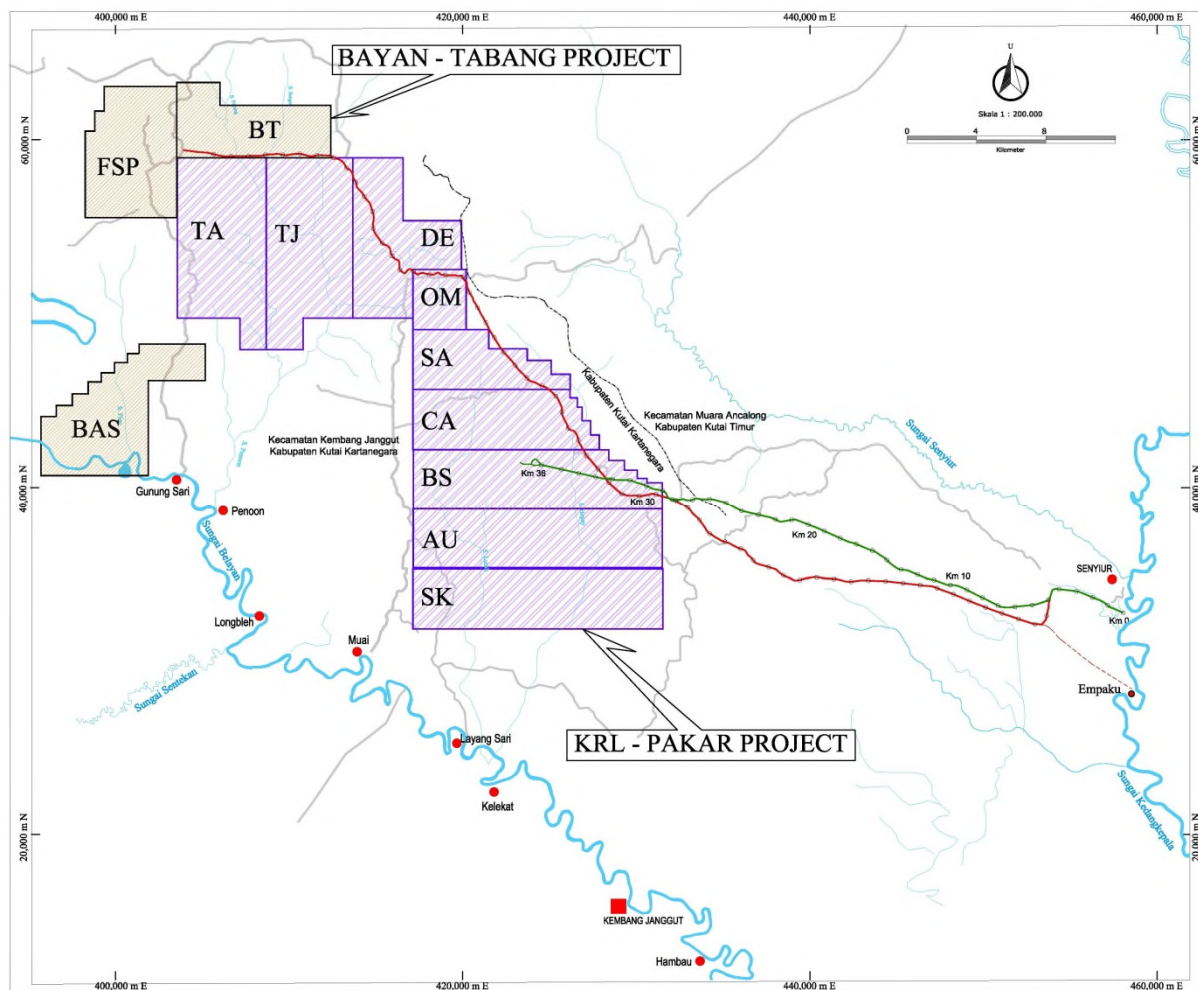
The Company's Pakar project is located immediately south of Tabang. The coal deposits at Tabang and Pakar are contiguous and part of the same geological structure.



The Pakar project has been subdivided into 2 areas for the purposes of development:

- Pakar North – consisting of 4 mining concession areas (labelled TA, TJ, DE and OM on the map below); and
- Pakar South – consisting of 5 mining concession areas (labelled SA, CA, BS, AU and SK on the map below).

The Pakar North concessions contain deposits of higher coal quality and the Company intends to develop these before the Pakar South concessions. Bayan Group's new haul road passes through all of the Pakar North concessions.



Plan showing Tabang and Pakar projects and associated infrastructure

### **Bayan Group's expansion project**

Bayan Group commenced production at Tabang in the FSP concession in 2007. The coal was originally trucked 24 km south to the Gunung Sari Port on the Belayan River and then barged 401 km to the ocean-going ship anchorage. Production levels from the FSP concession reached 2.5 million tonnes per annum, which was limited largely by the capacity of the barges which could operate at Gunung Sari Port.

Bayan Group are increasing production at Tabang by developing the BT concession. As part of the expansion, Bayan Group is constructing the new haul road from Tabang to Senyur Port and the Senyur Port to accommodate larger barges. The Senyur Port is located on the Kedang Kepala River 90 km closer to an ocean-going ship anchorage than the Gunung Sari Port to its ocean-going ship anchorage.

Bayan Group expects to incur up to US\$125 million capital expenditure for the expansion. The status of the expansion works is as follows:

- **New haul road:** completed a 69 km haul road designed for 300 tonne capacity road train trucks, including the upgrade of existing roads, drainage culverts and replacement of bridges;
- **Coal production from BT concession:** commenced coal production from BT concession and trucking and barging using the new haul road and the upgraded Senyir Port;
- **Senyir Port phase 1:** completed an upgrade to the port to expand to 6 million tonnes per annum capacity;
- **Senyir Port phase 2:** construction commenced and due for completion in Q4 of 2015 of phase 2 of the port to expand to 18 million tonnes per annum capacity;
- **Senyir Port phase 3:** potential construction of phase 3 of the port to expand to 30 million tonnes per annum capacity, subject to Bayan Group's decision to proceed; and
- **Coal crushing facility:** designed and planned construction of a coal crushing facility at Senyir Port during phases 2 and 3 to replace the existing coal crushing facilities at Tabang.

#### ***Shared infrastructure a significant benefit to the Company***

The Company's Pakar concessions are currently at various stages in the licensing and permitting process and, although progressing, do not yet have all the approvals necessary for production.

One of the Company's subsidiaries, SAU, currently owns the Infrastructure Assets to be transferred to Bayan Group if the SAU Transaction proceeds. As shown in the map above, Bayan's new haul road between Tabang and the Senyir Port crosses over and uses some sections of SAU's existing haul road between Pakar and the Senyir Port. The Infrastructure Assets also comprise the land on which part of the upgraded Senyir Port is being constructed and some fixed equipment and installations which are being incorporated into the upgraded Senyir Port.

SAU's Infrastructure Assets are not otherwise being used while the Pakar concessions continue through the licensing and permitting process. Part of the rationale of the SAU Transaction is to put these assets to productive use at an earlier time than the Company might be able to develop them.

Bayan Group will benefit from becoming the owner of SAU's Infrastructure Assets, because this will allow it to economically progress its expansion project.

Because Bayan's new haul road passes through all of the Pakar North concessions and all but 2 of the Pakar South concessions, the required spur haul roads to connect the Company's planned coal mining operations to the new haul road will be relatively short. Given this close proximity, at the time the Pakar concessions begin producing coal the Company stands to benefit substantially from sharing Bayan Group's haul road and Senyir Port infrastructure. The Company would otherwise itself need to incur significant capital expenditure to construct improved haul road and port facilities at substantially the same locations to accommodate the expected production loads. A key purpose for the Company in pursuing the SAU Transaction is to secure these potential benefits for the Company.

#### **4 Bayan Group's relationship to the Company**

In June 2011, as consideration for the purchase of a 99% interest in the Pakar Subsidiaries, which own the Pakar concessions, the Company issued Shares to Bayan Group equal to 56% of the Company's share capital.

At the time of that transaction, the Board invited representatives of Bayan Group Mr Russell Neil and Mr David Low to become members of the Board, as well as another representative of Bayan Group Mr Alastair McLeod, who resigned on 31 December 2014. The Company's head office is otherwise operated independently from Bayan Group but the Company considers Bayan Group's shareholding gives it the ability to control the Company if it chose to exercise its rights.

Also at the time of that transaction, Bayan Group assumed the management of the Company's Indonesian coal assets. At an operational level, the Company is therefore already closely connected with Bayan Group. When considering the proposed arrangements for Bayan Group to provide haul road access and port access and services under the Haulage Road and Port Access Agreement (see section 6) and diverse and comprehensive services, to the extent required, under the Strategic Agreement (see section 7), Shareholders should have regard to the existing arrangements with Bayan Group which currently involve complete operational support.

Bayan Group has also loaned the Company substantial funds since the time of that transaction. As at 31 December 2015, the outstanding balance of the loan was US\$31.3 million. The loan bears interest at a variable rate, currently around 10.0%, and is repayable at call.

## **5 Infrastructure Sale Agreements**

The Infrastructure Sale Agreements provide for the sale of SAU's Infrastructure Assets to Bayan Group. Bayan Group intends to use these assets in its construction of the new haul road and the upgrade and expansion of the Senyur Port, as part of its Tabang expansion.

Bayan Group will pay SAU US\$12 million in consideration for the Infrastructure Assets. The funds will be immediately paid to Bayan Group in part repayment of the Company's existing loan from Bayan Group.

The key provisions of the Infrastructure Sale Agreements are:

- completion of the sale is conditional on:
  - the Company obtaining Shareholder approval the subject of Resolution 1;
  - Bayan Group obtaining any required corporate and shareholders' approvals and satisfying relevant regulatory procedures and obtaining relevant regulatory approvals; and
  - execution of the Haulage Road and Port Access Agreement;
- the assets are sold on an "as-is, where-is" basis, SAU is not liable for any unknown defects in the assets and SAU gives only basic warranties regarding its ownership and ability to transfer unencumbered title;
- SAU indemnifies Bayan Group against certain undisclosed third party claims in relation to the Haul Road Infrastructure or Port Infrastructure (of which the Company is not aware of any); and
- SAU and Bayan Group are responsible in equal parts for any fees and expenses related to the transfer and delivery of the Haul Road Infrastructure and Port Infrastructure (currently none are expected).

## **6 Haulage Road and Port Access Agreement**

The Haulage Road and Port Access Agreement will entitle the Company's Pakar Subsidiaries to 30% of Bayan's new haul road and the upgraded Senyur Port coal transportation capacity.

This equates to approximately 5.4 million tonnes per annum following completion of phase 2 of the Senyur Port construction (the current phase) and 9 million tonnes per annum if phase 3 of the Senyur Port construction proceeds and is completed (see section 3).

This throughput capacity allocation matches the Company's current long term development plans for the Pakar concession areas.

The fees payable by the Company to Bayan Group under the Haulage Road and Port Access Agreement will be a material component of the Company's cost of coal production. The Company considers the fees payable to be consistent with commercially reasonable terms that could be obtained on an arm's length basis.

The key terms of the fees payable are:

- the Pakar Subsidiaries must pay fees on a per tonne basis for coal transported using the new haul road and the upgraded Senyur Port according to an agreed schedule of fees (decreasing on a per tonne basis according to actual annual throughput by all users including Bayan Group), with port fees subject to rise and fall adjustment for fuel, labour and maintenance costs;
- the base rates per tonne payable by the Company have been agreed with the intent of Bayan Group's capital expenditure being fully recovered over 12 years (assuming the rates are applicable to all users including Bayan Group); and
- subject to force majeure, if the Pakar Subsidiaries do not use their committed capacity nominated 3 months before the commencement of each year (as adjusted by agreement by a management committee controlled by Bayan Group), they must pay a shortfall penalty equal to the amount of the agreed shortfall tonnage x 60% of the average rate of the port charges (adjusted for rise and fall) if Bayan cannot otherwise use the capacity.

The other key provisions of the Haulage Road and Port Access Agreement are:

- the Pakar Subsidiaries will be entitled to 30% of the new haul road and the upgraded Senyur Port capacity and also to use that infrastructure to transport personnel, materials and equipment and for other ancillary purposes;
- Bayan Group agree to operate and provide all funding required to construct, develop, operate and maintain the new haul road and the upgraded Senyur Port and obtain all required approvals for this;
- the term of the agreement will be for the whole of the term of the Pakar concessions once mining licences are granted by the authorities, including any extension. Mining Production licenses for coal are usually granted for up to 20 years with further extensions of 10 years (up to two extensions) to enable the license holders to exploit any remaining or additional mineable reserves beyond the initial production license period.
- Bayan Group may terminate the agreement if:
  - the Infrastructure Sale Agreements do not complete; or
  - the Pakar Subsidiaries experience an insolvency event or fail to comply with any of their obligations and do not remedy this within a 30 day cure period;
- Bayan Group will operate the new haul road and the upgraded Senyur Port;
- if the Pakar Subsidiaries require more than 30% of the new haul road or the upgraded Senyur Port capacity, the parties will use reasonable endeavours to secure the additional capacity if the new haul road or the upgraded Senyur Port has existing excess capacity; and
- when each Pakar Subsidiary expects to require haul road and port services, it must enter into a separate agreement with the relevant Bayan Group entities, the rates and terms of which are in accordance with the terms of the Haulage Road and Port Access Agreement (such further agreements also being approved by Resolution 1 if passed).

## **7 Strategic Agreement**

The Strategic Agreement formalises the framework for cooperation and support between the Company and Bayan Group to enable the Tabang and Pakar projects to be co-developed in order to maximise use of the infrastructure and allow both Bayan Group and the Company to optimise outputs and profitability from their respective concession areas.

The Strategic Agreement contemplates further definitive agreements being entered into in the future. If consistent with the key provisions explained below, these definitive agreements will also be approved by Resolution 1 if passed.

The key provisions of the Strategic Agreement are as follows:

- Bayan Group agree to be responsible for funding any required development of the Pakar concessions by way of loans to KRL on commercial terms;
- Bayan Group may also provide any required funding for the operations of the Pakar Subsidiaries, such funding to be by way of loans to KRL on commercial terms;
- Bayan Group will, at the Company's request, use their reasonable endeavours to provide, or procure the provision of, technical development services, mining services, project management services and management and administration services of a diverse and comprehensive nature as may be required by the Pakar Subsidiaries to progress, develop and operate the Pakar concessions, as well as barging and transshipping services for the transport of the Company's product to an ocean-going ship anchorage, with fees payable by the Pakar Subsidiaries based on the services provided at arm's length basis rates to be agreed;
- the Pakar Subsidiaries may retain their own contractors for any of the services contemplated by the paragraph above, provided they do not interrupt the activities of Bayan Group's contractors and comply with standard operating procedures;
- the parties will review options in relation to collaboration regarding the marketing, blending and sale of coal products to optimize efficiency and/or improve profitability; and
- the Company can terminate the Strategic Agreement if:
  - the Infrastructure Sale Agreements do not complete; or
  - Bayan Group does not use its best endeavours to take all steps required to obtain all regulatory and corporate approvals in order for the matters contemplated under the Strategic Agreement to take place.

## **8 Advantages of the SAU Transaction**

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

- access to essential haul road and port infrastructure without major capital expenditure for the development of the Company's Pakar North concessions; earlier, high level estimates for which were in the many tens of millions of US dollars;
- Bayan Group's assurance of debt funding the entire cost of development of the Pakar concessions, overcoming what would otherwise be a challenging task of raising the required capital;
- Bayan Group is an established coal producer, produces around 10 million tonnes per annum from 4 active mines and has operations in the same part of Indonesia – it will undertake to provide effectively all the services required to progress, develop and operate the Pakar concessions, as well as trucking, port, barging and transshipping services, offering comprehensive local partner support for the Company's project, as well as potential savings through shared use of third party service providers or other economies of scale;
- realisation of value in the Infrastructure Assets, which have been unused since the Company acquired it in 2009;
- significant reduction of debt by applying the US\$12 million Infrastructure Asset consideration payment, and resulting reduction in ongoing interest charges, which may increase in future; and
- Bayan Group's earlier use of the new haul road and upgraded Senyur Port, their infrastructure and river logistics routes can be expected to identify and reduce start up difficulties by the time production commences at the Pakar concessions.

## **9 Disadvantages of the SAU Transaction**

The possible disadvantages of the SAU Transaction and reasons why its expected benefits may not be realised are:

- when the Pakar project commences production, the Company may fail to accurately estimate its throughput requirements and become subject to the shortfall penalties described in section 6; however it is the Company's view that the shortfall penalties are commercially reasonable and the Company provides its committed capacity estimates at reasonable intervals (3 months before the commencement of each calendar year);
- Bayan Group is expected to exercise a large degree of day-to-day control over the Company's coal mining operations, exposing the Company to a risk that Bayan Group may conceivably at times conduct those operations in ways that benefit Bayan Group more so than the Company;
- By entering into the SAU Transaction agreements, the Company is exposed to the risk that the Bayan Group may not itself be able to procure the funds required to complete the development of the Pakar project including but not limited to infrastructure for trucking, port, barging and transhipping services; and
- the Company, through its subsidiary SAU, will cease to own the Infrastructure Assets, which entitle SAU to proprietary access to a barging point, and instead will rely on contractual access rights under the Haulage Road and Port Access Agreement, exposing the Company to termination risk and the risk of non-preferred access (albeit the Company has sought to address these risks under the Haulage Road and Port Access Agreement).

Notwithstanding the SAU Transaction, the Company will continue to face the usual risks and difficulties associated with its business and participation in the coal mining industry, such as:

- there may be reasons why the Company's projects do not proceed or do not proceed profitably, including because phase 2 or 3 of the Senyur Port construction (see section 3) may not be completed and the expected expanded capacity may not be realised, the Company's projects may not receive all required approvals or receive them in a timely manner, changes in commodity prices, exchange rates and laws (for example regarding foreign investment or climate change) or the occurrence of natural disasters or the many physical, geological, technical, workforce and social licence risks associated with mining; and
- the Company will continue to rely extensively on Bayan Group, exposing the Company to counterparty risk, for example there would be material consequences for the Company if Bayan Group were to become insolvent, undergo a change of management direction that was not supportive of the Company or dispose of key assets to a third party.

## **10 Shareholder approval is sought for a number of purposes**

Shareholder approval for entry into and performance of the SAU Transaction is sought for the purposes of:

- Chapter 2E of the Corporations Act – which governs the giving of financial benefits to related parties; and
- ASX Listing Rule 10.1 – which provides that a company listed on the ASX cannot dispose of or acquire a substantial asset from a related party without prior shareholder approval.

Further information in relation to each of these items is set out in sections 11 and 12 below.

## **11 Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- prior shareholder approval is obtained for the giving of the financial benefit.

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. PT Bayan's controlled entities and

conceivably other entities associated with PT Bayan are also related parties of the Company (and are therefore defined as 'Bayan Group' in this Notice).

"Giving a financial benefit to a related party" includes disposing of or acquiring an asset to or from a related party and paying money to a related party. The SAU Transaction will involve these things in relation to Bayan Group.

If Resolution 1 is passed, it will permit the giving of financial benefits to Bayan Group described in this Notice, including:

- the disposal to Bayan Group of the Haul Road Infrastructure and the Port Infrastructure in consideration for US\$12 million;
- the immediate application of the US\$12 million consideration payment in partial repayment of Bayan Group's existing loan to the Company;
- the payment of fees under the Haulage Road and Port Access Agreement, including on a take or pay basis;
- the payment of fees for the diverse and comprehensive range of services contemplated under the Strategic Agreement; and
- other payments conceivably required under or in connection with the SAU Transaction documents, including under warranties and indemnities (none of which the Company expects to be payable, but which are possible if circumstances change).

The Independent Expert's Report states that the US\$12 million consideration payment is greater than the fair market value of the Infrastructure Assets and, accordingly, the sale of the Infrastructure Assets to Bayan is fair to Shareholders not associated with Bayan Group.

In its report, the Independent Expert states that in considering the Haulage Road and Port Access Agreement or the Strategic Agreement, it has compared Bayan's expected rate of return from constructing and operating the New Tabang Haul road and New Senyur Port with commercial returns expected for an asset with similar profile and has concluded that the entering into of the Haulage Road and Port Access Agreement and Strategic Agreement is fair to Shareholders not associated with Bayan Group.

The Independent Directors consider the SAU Transaction is at least as favourable to the Company as the terms that would be reasonable in the circumstances if the Company and Bayan were dealing at arm's length. For this reason, the 'arm's length terms' exception to the prohibition on related party benefits would likely apply. However, ASX Listing Rule 10.1 does not contain a similar exception and since that ASX Listing Rule results in a need for Shareholder approval, approval under Chapter 2E of the Corporations Act is being sought at the same time.

## **12 ASX Listing Rule 10.1**

ASX Listing Rule 10.1 covers similar ground to Chapter 2E of the Corporations Act. It provides that a company listed on ASX must ensure that it does not dispose of or acquire a substantial asset to or from a related party without the approval of the company's shareholders.

Bayan Group are related parties of the Company for the purposes of ASX Listing Rule 10.1, as the term has the same meaning as in the Corporations Act (explained in section 11 above).

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 annual report, this 5% threshold is \$9,433,444. The US\$12 million consideration payable under the Infrastructure Sale Agreements by itself will exceed the threshold. The fees payable under the Haulage Road and Port Access Agreement and Strategic Agreement would be aggregated with that consideration for the purposes of considering the extent of the substantial asset acquired or disposed of. This results in the SAU Transaction clearly involving the acquisition or disposition of a substantial asset.

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 Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton”) for this purpose is included with this Explanatory Statement. Grant Thornton has concluded that the transaction is **fair and reasonable** to Shareholders not associated with the Bayan Group.

The Company also confirms that the Grant Thornton report is available on the Company’s website at [www.kangarooresources.com](http://www.kangarooresources.com) and can be downloaded from that site or viewed online.

### **13 Independent Directors’ recommendation**

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

The reasons for this recommendation are that the Independent Directors believe that the SAU Transaction offers significant potential benefits to the Company, as set out in section 8. The Company has pursued the SAU Transaction for almost 2 years and the Independent Directors consider that there are no other viable alternatives to develop the Pakar concessions in the short or medium term. This is because the Company is unlikely to be able to identify an alternative suitable, experienced local partner or raise sufficient capital independently of Bayan Group and because the Company’s projects may not be economic in current market conditions if not co-developed with Bayan Group. The implications of not proceeding with the SAU Transaction are that the Company would need to explore different ways of realising value from its projects. Given Bayan Group’s 56% Shareholding, the Independent Directors expect that third parties would be unlikely to pursue an investment in the Company’s assets and that Bayan Group would likely only support transactions that were consistent with its overall strategy of co-developing the Tabang and Pakar projects. A different transaction is therefore likely to also involve Bayan Group and there is no guarantee its terms would be any more favourable to the Company.

Mr Russell Neil and Mr David Low are directors of the Company and also representatives of Bayan Group. Because of the potential for conflict of interest arising from their roles with Bayan Group, 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 Russell Neil and Mr David Low are employees of Bayan Group but will not receive additional remuneration or other benefits as a result of the SAU Transaction.

### **14 Re-election of Mr Susmit Shah**

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 Susmit Shah was appointed as a director of the Company on 1 December 2015. In accordance with clause 13.4 of the Constitution, Mr Shah will hold office as a director until the Meeting. Mr Shah, is eligible for re-election under clause 13.4 of the Constitution and offers himself for re-election as a director.

Mr Shah is a Chartered Accountant and has been involved as a director and company secretary of various Australian public listed companies for over 20 years. He consults to public companies on a variety of matters including stock exchange requirements, joint venture negotiation and corporate fundraising. He is currently a Director of Burey Gold Limited and is company secretary of ASX listed entities Manas Resources Limited and Tiger Resources Limited.

The directors (excluding Mr Shah) unanimously support the re-election of Mr Shah. If re-elected, Mr Shah will be an independent director.



## 15 Definitions

In this Notice:

<b>ASX</b>	Australian Securities Exchange.
<b>Bayan Group</b>	PT Bayan, its controlled entities and any other entities in any way associated with PT Bayan, or any of them as the context requires.
<b>Constitution</b>	the constitution of the Company as at the commencement of the Meeting.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Haulage Road and Port Access Agreement</b>	the Haulage Road and Port Access Agreement between certain of the Pakar Subsidiaries, PT Bayan and its subsidiary PT Indonesia Pratama dated 23 December 2015.
<b>Independent Directors</b>	the Company's directors, other than Mr Russell Neil and Mr David Low.
<b>Independent Expert's Report</b>	the report attached to the Explanatory Statement by Grant Thornton Corporate Finance Pty Ltd.
<b>Infrastructure Assets</b>	<ul style="list-style-type: none"><li>the land, minesite buildings, old camp buildings, crushing plant buildings, port area buildings, minesite and port area machinery and equipment and other associated infrastructure owned by SAU at Pakar and the Senyur Port site; and</li><li>the haul road located between the Pakar concessions and the Senyur Port site owned by SAU.</li></ul>
<b>Infrastructure Sale Agreements</b>	the asset sale agreements between SAU and members of the Bayan Group dated 23 December 2015 in respect of the Infrastructure Assets.
<b>Meeting</b>	the general meeting of shareholders of Kangaroo Resources Limited convened by the Notice.
<b>Notice</b>	the notice of general meeting of Kangaroo Resources Limited comprised by this document.
<b>Pakar 4</b>	the Indonesian companies PT Apira Utama, PT Bara Sejati, PT Cahaya Alam and PT Tiwi Abadi, currently subsidiaries of PT Bayan, which regulatory restrictions have prevented the Company acquiring from Bayan Group as contemplated by the Pakar concession acquisition transaction described in section 4.
<b>Pakar Subsidiaries</b>	the Indonesian companies PT Dermaga Energi, PT Orkida Makmur, PT Sumber Api, PT Silau Kencana, PT Tanur Jaya and, to the extent they are in future transferred to the Company, the Pakar 4.
<b>Proxy Form</b>	the proxy form accompanying this Explanatory Statement.
<b>PT Bayan</b>	PT Bayan Resources, Tbk (a public limited company incorporated under the laws of Indonesia).
<b>Resolution</b>	Resolution 1 and Resolution 2 as set out in the Notice.
<b>SAU</b>	PT Sumber Aset Utama (a company incorporated under the laws of Indonesia and a subsidiary of the Company).

<b>SAU Transaction</b>	<p>the transaction described in the notice contemplated by the:</p> <ul style="list-style-type: none"> <li>• Infrastructure Sale Agreements;</li> <li>• Haulage Road and Port Access Agreement; and</li> <li>• Strategic Agreement,</li> </ul> <p>and reference to the SAU Transaction, or any of the above agreements, includes a reference to the performance of all things contemplated by one or more of these agreements.</p>
<b>Share</b>	a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	a holder of a Share.
<b>Strategic Agreement</b>	the Strategic Agreement between the Company and PT Bayan dated 23 December 2015.



Grant Thornton

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# Kangaroo Resources Limited

Independent Expert's Report and Financial Services Guide

8 March 2016

## Summary of opinion

**Grant Thornton Corporate Finance has concluded that the SAU Transaction is fair and reasonable to the Non-Associated Shareholders.**

Independent Directors  
Kangaroo Resources Limited  
Level 1, Suite 5, The Business Centre  
55 Salvado Rd  
Subiaco WA 6008

8 March 2016

Dear Sirs

## **Independent Expert's Report and Financial Services Guide**

### **Introduction**

Kangaroo Resources Limited ("KRL" or the "Company") is an exploration company with interests in coal mining tenements in East Kalimantan, Indonesia. KRL is listed on the Australian Securities Exchange ("ASX") and as at 7 March 2016 had a market capitalisation of approximately \$17.2 million.

On 23 December 2013, KRL, through a subsidiary entered into an agreement with PT Bayan Resources Tbk ("BR"), a 56% shareholder of KRL, to sell certain infrastructure assets<sup>1</sup> (the "SAU Assets") to BR for US\$12 million ("Purchase Consideration"). The Purchase Consideration is to be paid by way of an offset against a pre-existing loan from BR to KRL. BR intends to develop the SAU Assets and other infrastructure assets for the benefit of KRL's and BR's coal concessions in the area, being the Pakar Coal Concessions and the Tabang Coal Concessions respectively.

To allow KRL continued access to and use of the required infrastructure assets held by BR, including in part the SAU Assets, KRL<sup>2</sup> and BR<sup>3</sup> have also signed an access agreement (the "Access Agreement"). The sale of the SAU Assets and the entering into the Access Agreement are interdependent (collectively referred to as the "SAU Transaction").

The key terms of the Access Agreement are outlined below (refer to Section 1 for further details):

- BR is solely responsible for the funding required to construct, develop and operate a new haul road (the "New Tabang Haul Road") and a new port (the "New Senyur Port") including funding for new crushing and stockpiling facilities and new land acquisitions ("BR Infrastructure").
- The New Tabang Haul Road will pass through the Pakar Coal Concessions and the New Senyur Port will be partially built using all but two of the SAU Assets.

<sup>1</sup> Comprising various port, jetty and road facilities including land located in East Kalimantan.

<sup>2</sup> Via its subsidiaries

<sup>3</sup> In conjunction with PT Indonesia Pratama ("PTIP"),

- Subsidiaries of KRL as defined in the agreement (“Service Users”) will be permitted to use the BR Infrastructure, for the purpose of transporting, crushing, stockpiling, and loading onto barges coal so long as it is in accordance with their allocation of total transportation capacity (“Service Users’ Allocation”).
- The Service Users’ Allocation is equal to 30% of the throughput capacity of the BR Infrastructure which could equate to approximately 9 million tonnes per annum upon completion of the New Senyur Port<sup>4</sup>.
- BR through contractors shall similarly provide KRL Subsidiaries with technical development, project management, mining services, barging and transshipping services and administration services.
- KRL and BR will collaborate on the marketing, blending and sale of their coal products for the benefit of all parties with commercial terms to be agreed separately to the Access Agreement.
- The fee payable by KRL Subsidiaries for the use of the BR Infrastructure (“Access Charges”) is in a range of US\$3.55 – US\$5.05 and varies according to the volume of coal handled, rise and fall adjustments for some costs.
- The Service Users’ Allocation is on a take or pay basis. The take or pay operates such that if the Pakar Subsidiaries do not use its committed throughput, which needs to be notified every 12 months to BR three months before the commencement of each year, then the shortfall penalty will be 60% of the port charges multiplied by the agreed amount of the shortfall. The terms of this take or pay obligation are initially benign to KRL as it has the opportunity to notify BR that it does not need committed throughput.

In addition to entering into the Access Agreement, KRL and BR have also signed a strategic agreement setting out the framework for the operation of their respective coal projects (the “Strategic Agreement”). The Strategic Agreement sets out further terms on how KRL and BR can exploit their coal projects using joint resources and is intended to strengthen the partnering of BR and KRL. Further information on the Strategic Agreement is set out in Section 1.3 of this report. The Strategic Agreement is not interdependent with the sale of the SAU Assets.

The directors of KRL not associated with BR (“Independent Directors”) unanimously recommend that the Non-Associated Shareholders vote in favour of the SAU Transaction.

### **Purpose of the report**

Given BR holds in excess of a 10% interest in KRL and that the SAU Assets represent substantial assets of KRL (being assets worth greater than 5% of KRL’s equity book value), the SAU Transaction represents the disposal by KRL of substantial assets to a substantial shareholder. In addition, entering into the Access Agreement also represents the provision of a financial benefit to a related party in relation to the payment of the Access Charge. Accordingly, the Independent Directors of KRL have commissioned Grant Thornton Corporate Finance to prepare an independent expert’s report stating whether, in its opinion, the SAU Transaction is fair and reasonable to the shareholders of the Company not associated with BR (“Non-Associated

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<sup>4</sup> Construction will be in three phases over a period of approximately three years.



Shareholders”) for the purposes of Chapter 2E of the Corporations Act, 2001 (the “Corporations Act”) and ASX listing rule 10.1.

For the purpose of this Report, Grant Thornton Corporate Finance has engaged KJPP Martokoesoemo, Prasetyo & Rekan (“MPR”), an Indonesian based company to provide an independent valuation report (the “MPR Report”) in relation to the fair market value of the SAU Assets. The MPR Report is included as Appendix B of this Report. In addition to engaging MPR, Grant Thornton Corporate Finance engaged Valquip Consulting, an Australian based specialist valuer, to review the MPR Report and ensure it complied with Australian regulatory requirements and valuation standards.

### Summary of opinion

As discussed before, the sale of the SAU Assets and the entering into the Access Agreement are interdependent and they represent the SAU Transaction. In forming our opinion on the overall SAU Transaction we have considered the fairness of the sale of the SAU Assets and the entering into the Access Agreement as outlined below:

- In considering the sale of the SAU Assets, we have compared the fair market value of the SAU Assets with the consideration paid.
- In considering the Access Agreement and in particular the magnitude of the Access Charge payable, we have compared BR’s expected rate of return from constructing and operating the New Tabang Haul Road and New Senyur Port with commercial returns expected for an asset with a similar risk profile.

**Grant Thornton Corporate Finance has concluded that the SAU Transaction is fair and reasonable to the Non-Associated Shareholders.**

### Fairness Assessment

In forming our opinion in accordance with the Regulatory Guide 111: *Content of expert reports* (“RG 111”), Grant Thornton Corporate Finance has assessed the fairness of the sale of the SAU Assets and the entering into the Access Agreement as described below.

In considering the sale of the SAU Assets we have compared the independent valuation of the SAU Assets conducted by MPR with the Purchase Consideration as set out in the table below:

Valuation summary	Section Reference	US\$'000s
Fair market value of the SAU Assets	Appendix B	5,522
Value of the Purchase Consideration		12,000
Premium / (discount)		6,478
Premium / (discount) %		117.3%

Source: GTCF calculations

The Purchase Consideration is greater than the fair market value of the SAU Assets; accordingly we note that there is a premium of approximately US\$6.5 million received by KRL from the sale of the SAU Assets. We note that the Independent Valuation of the SAU Assets does not include any special value for BR.



In considering the entering into the Access Agreement and in particular the magnitude of the Access Charge we have compared the theoretical IRR assessed by BR to construct, develop and operate the New Tabang Haul Road and the New Senyur Port (which have as an input the Access Charges), with commercial benchmark market returns.

In assessing the fairness of the Access Charges we have compared the IRR from BR's investment analyses to a cost of equity and for illustrative purposes to other rates of return such as a WACC, and debt (in the form of senior debt and convertible notes).

We consider the cost of equity to be a better point of reference when comparing to the IRRs produced by the BR Projections given the IRR has been calculated on net cash flows available to equity holders. We note that the cost of equity observed in relation to broadly comparable companies (i.e. companies engaged in coal mining) as sourced from recent independent expert reports range from approximately 11% to 19%. As most of the comparable companies' operations are located in more developed and less risky locations it could be expected that a cost of equity for an Indonesian based company would necessarily be higher. We note that the cost of equity for companies with assets located in Mongolia (similar jurisdiction risk to Indonesia) was between 18% and 19%.

In addition, we have assessed a cost of equity of the projects based on the Capital Asset Pricing Method ("CAPM") between 18% to 19% which we have adopted as reference point in our analysis. Refer to Appendix B for further details.

The Adjusted IRRs of 23.43% for the New Tabang Haul Road and 26.2% for the New Senyur Port are both above the assessed cost of equity range. Whilst the Adjusted IRRs are expected to be above the cost of equity<sup>5</sup>, there are no capital budgeting guidelines as to how much higher it ought to be before it can be deemed to be not fair to the non-Associate KRL Shareholders.

If, at the extreme, it is assumed that any IRR over and above the assumed cost of equity between 18% and 19% is excessive, then the net present value of the New Senyur Port and the New Tabang Haul Road at those costs of equity would represent the overpayment received by BR which is calculated in the range of US\$5.7 million and US\$7 million.

However, we note that KRL will receive a premium in relation to the sale of the SAU Assets of circa \$6.5 million.

Accordingly, we have concluded that on balance the sale of the SAU Assets and the entering into the Access Agreement are fair for the Non-Associated Shareholders.

#### *Reasonableness Assessment*

In assessing the reasonableness of entering into the SAU Transaction we considered the following advantages, disadvantages and other factors.

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<sup>5</sup> A rational investor would only proceed with the project where the IRR exceeded the expected rate of return of the project which in this case is the cost of equity.

## Advantages

### *Sale price of the SAU Assets and terms of the Access Agreement*

The sale price of the SAU Assets is materially above the fair market value assessed by MPR. We also believe that the terms of the Access Agreement have been negotiated at arm's length between the parties.

### *Continued and strengthened partnership with BR*

BR currently holds a 56% interest in the issued capital of KRL, it is the key financier via a A\$41.5 million<sup>6</sup> unsecured loan and it controls the KRL Board with three nominees.

The SAU Transaction, via the Access Agreement and the Strategic Agreement, will further strengthen the relationship between KRL BR and it may assist with the following:

- The Strategic Agreement provides for the possibility for BR and KRL to jointly market and blend their coal products for sale which would provide benefits to both parties which would not be available, or would be less economically beneficial, if they acted independently.
- According to management of KRL ("KRL Management"), BR is a leading Indonesian coal producer which has integrated coal mining, processing and logistics operations. BR's mining concessions are already in commercial operation and therefore it has already established markets and long term customers which should be beneficial for KRL.
- Being an Indonesian company, BR is better positioned to deal with local or social challenges present in Indonesia. KRL's exposure to Indonesia's political risk and regulatory risk can be mitigated via strengthening its relationships with BR.
- We understand that based on previous survey and drill data undertaken by BR on the Tabang Coal Concessions immediately north of the Pakar Coal Concessions, KRL Management believes that there is possibly a considerable quantity of resources that lie between the two projects which were not previously included in any JORC reports. The Access Agreement and the Strategic Agreement, which regulates among other things the common development and processing of BR and KRL minerals, should enhance the opportunity for KRL and BR to unlock this potential special value.
- Completion of the the SAU Transaction possibly places KRL in a better position to settle a long outstanding legal issue relating to the four coal tenements ("Parker 4") that were bought from BR but never transferred to KRL (notwithstanding KRL paid the consideration for them) for legal reasons due to changes in government regulations. A potential solution could be that the assets are retained by BR with a like for like reduction in the BR loan. The parties working together collaboratively on the Access Agreement and Strategic Agreement may accelerate a resolution of this legacy legal issue.

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<sup>6</sup> Per KRL's half year financial statements for 30 June 2015



*BR to fund continued development of the SAU Assets hence reducing KRL's capital funding requirements*

The Access Agreement provides that BR will fund the further construction and development of BR Infrastructure Assets including the SAU Assets, which have been idle since 2009. Whilst BR is currently experiencing some financial difficulties, we understand that according to BR's 2015 half year financial statements, the company is close to agreeing final terms of a refinancing deal which should ensure the ability of the company to continue as a going concern. BR is large and well established coal producer with strong experience in the development of mineral and infrastructure assets which will assist in expediting the development of the BR Infrastructure.

BR expects to spend in excess of US\$100 million in developing the infrastructure assets including the SAU Assets targeting at least 30 mtpa.

In our opinion, entering into the Access Agreement allows KRL to expedite the timeframe to bring its assets into production without incurring the upfront operational and financial risks to build them.

*Lack of funding and aging assets*

The SAU Assets, in their existing state, require significant upgrading to make them operational and to deal with future capacity. In addition, we understand based on MPR's site visit, that the SAU Assets' depreciation will accelerate materially in the short term if appropriate care and maintenance is not undertaken. Completion of the SAU Transaction will ensure that KRL will maximise the sale price for the SAU Assets and they will not depreciate further in value.

In addition, we note that KRL Management had estimated in 2013 that approximately US\$40 million would be required in capital expenditure to complete the infrastructure to support a production rate of 5-6 mtpa. Given KRL's existing financial position and its reliance on funding from BR to continue as a going concern, in our opinion, it is not feasible for KRL on a stand-alone basis to raise the required funding to complete the infrastructure.

*Take or Pay provisions*

As discussed above, under the terms of the Access Agreement, three months before the commencement of a financial year, KRL needs to notify BR of its throughput requirements. Failure by KRL to accurately estimate its throughput requirements may result in a shortfall penalty which is calculated at 60% of the port charges multiplied by the agreed amount of the shortfall.

We believe the terms of the take or pay provisions are quite beneficial to KRL compared with similar agreements in the Australian market as KRL does not bear any risks in the delay of the start-up phase of developing its assets to meet its take or pay obligation, i.e. it can initially flag a zero requirement. However, once development begins and KRL flag positive throughput requirements it becomes exposed to the take or pay provisions to the extent that it does not accurately forecast<sup>7</sup> or fails to reach an agreement with the Management Committee for a variation.

*Improved balance sheet*

The SAU Transaction provides KRL with an opportunity to monetise the SAU Assets which would

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<sup>7</sup> Within a tolerable error of 15%

otherwise remain unutilised for several years and materially further depreciate in value.

As a result of the SAU Transaction, KRL will be able to reduce the debt owed to BR from A\$41.5 million to A\$29.5 million which will reduce the gearing level and strengthen the balance sheet.

## Disadvantages

### *Increased concentration of counterparty risk*

The SAU Transaction increases KRL's reliance on BR. Presently, KRL is totally reliant on BR for funding and the development of any of its mining projects. In particular we note that KRL's ability to continue as a going concern depends on BR's funding. However, we understand that lately BR has been facing some financial difficulties. Specifically, BR's financial statements show that during the six months ended 30 June 2015 it incurred a loss of US\$13 million and had negative working capital of US\$420 million. In addition it had a maturing loan and insufficient cash to meet repayment. As a result, BR commenced a restructure of its financing arrangements with its lenders. According to its most recent financial statements, the Company has agreed a commercial term sheet to restructure its debt and has commenced work on the legal documentation. The Company anticipates that this will be completed in early 2016 and will allow the Company to continue as a going concern.

### *Strategic Agreement is not interdependent with the SAU Transaction*

Whilst the Strategic Agreement purports to formalise a framework for cooperation and support for KRL to co-develop its Pakar Coal Concessions with BR's Tabang Coal Concessions it is not interdependent with the SAU Transaction.

In addition, we observe that detailed terms concerning how the various activities like funding, technical development, project management, mining etc. will be carried out, are not set out in the Strategic Agreement, rather reference is made to other agreements yet to be drafted that will set out the terms.

## Other factors

### *The process followed in agreeing the terms of the Access Agreement*

Whilst we have said that it is not possible to assess outright by comparison to benchmarks whether the rate negotiated under the Access Agreement is competitive and representative of arm's length arrangements we have considered the likelihood of whether the key contract terms would result in a market competitive and arm's length price being obtained. In this regard we are of the opinion that the parties have negotiated the terms of the Access Agreement acting at arm's length. This is in turn based on the process that the parties have followed in settling the Access Agreement and the safeguards put in place.

The safeguards include the formation of a management committee (the Management Committee") to provide recommendations with respect to the construction, development and operation of the BR Infrastructure. The Management Committee is comprised of three members appointed by BR and two members appointed by KRL. Whilst most decisions will be passed on the basis of simple majority voting, certain decisions such as adjustments to the Service Users' Allocation and

adjustments to the fee payable by KRL for the use of the BR Infrastructure can only be decided by a unanimous vote.

*The implications if the SAU Transaction is not approved*

If the SAU Transaction is not approved, it would be the current Directors' intention to continue operating the Company in line with its objectives. Shareholders of KRL would continue to share in any benefits and risks in relation to KRL's ongoing business. However, we note that the risks to shareholders may increase as a result. As BR is KRL's principal financier with KRL's ability to continue as a going concern being presently dependent on BR's continued financial support, if the relationship between the parties was to deteriorate, there may be considerable pressure on KRL to locate an alternative funding source.

In addition to the above, we note that BR has already commenced expansion works, specifically:

- The New Tabang Haul Road has been completed which crosses over and uses some sections of SAU's old haul road.
- Upgrade of the New Seniur Port has commenced with phase one completed.

Given the above, if the SAU Transaction is not approved then it would be difficult to unravel what has occurred already.

*Independent Directors' recommendations and intentions*

The Independent Directors unanimously recommend that the Non-Associated Shareholders vote in favour of the SAU Transaction.

**Reasonableness conclusion**

Based on the qualitative factors identified above, it is our opinion that the SAU Transaction is reasonable to the Non-Associated Shareholders.

**Overall conclusion**

**After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the SAU Transaction is fair and reasonable to the Non-Associated Shareholders.**

**Other matters**

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the SAU Transaction is a matter for each Non-Associated Shareholder to decide based on their own views of value of KRL and expectations about future market conditions, KRL's performance, risk profile and investment strategy. If Non-Associated Shareholders are in doubt about the action they should take in relation to the SAU Transaction, they should seek their own professional advice.



Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

A handwritten signature in black ink, appearing to read 'A. De Cian'.

ANDREA DE CIAN  
Director

A handwritten signature in black ink, appearing to read 'H. Mitchell'.

HARLEY MITCHELL  
Director

8 March 2016

## **Financial Services Guide**

### **1 Grant Thornton Corporate Finance Pty Ltd**

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by KRL to provide general financial product advice in the form of an independent expert’s report in relation to the SAU Transaction. This report is included in the Company’s Notice of Meeting and Explanatory Memorandum.

### **2 Financial Services Guide**

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

### **3 General financial product advice**

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

### **4 Remuneration**

When providing the Report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from KRL a fixed fee of approximately A\$80,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

## 5 Independence

Grant Thornton Corporate Finance is required to be independent of KRL in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with KRL (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the SAU Transaction.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

*Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."*

## 6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West  
 Melbourne, VIC 8007  
 Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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## **1 Background to the SAU Transaction**

### **1.1 Introduction and Background**

KRL is developing the Pakar Coal Concessions in Tabang District, Kutai Kartanegara Regency of East Kalimantan, Indonesia. BR owns, manages and operates the Tabang Coal Concession in an adjacent geographic area. BR is currently producing coal and transports coal from the Tabang Coal Concessions through the Gunung Sari Port, north-west of the New Seniur Port.

In 2013, KRL commenced arrangements proposing the disposal of the SAU Assets to BR with continued access as a condition of sale.

The SAU Assets comprise various infrastructure assets (e.g. land and buildings, machinery, port, jetty and road facilities). Further details concerning the SAU Assets are set out in Section 4. of this report. The SAU Assets were acquired by KRL in 2011 as part of a transaction between BR and PT Ilthabi Bara Utama (“IBU”), a private Indonesian company (the “2011 Transaction”). The 2011 Transaction involved the purchase by BR of nine coal concessions and the SAU Assets which it then contributed to a fully owned subsidiary of KRL, PT Sumber Asset Utama (“SAU”) in return for BR being issued with shares in KRL such that it held 56% of the equity of KRL. As part of the 2011 Transaction, BR agreed to provide a loan facility to KRL and agreed to support it operationally. The 2011 Transaction also resulted in up to five directors (currently only two) from BR being appointed to the KRL Board.

As a result of various legal issues, the 2011 Transaction did not complete as planned and four out of the nine coal concessions (the Pakar 4) were not transferred by BR to KRL. We understand from KRL Management, that legal reasons prevented the Pakar 4 from being transferred. Notwithstanding this, KRL had already issued shares to BR making it a 56% shareholder.

On 23 December 2015, KRL, through a subsidiary entered into an agreement with BR to sell the SAU Assets. The Purchase Consideration for the sale of the SAU Assets is US\$12 million to be offset against the loan that exists from BR to KRL. In addition, KRL and BR have entered into a Strategic Agreement.

### **1.2 Terms of the Access Agreement**

The Access Agreement is between KRL Subsidiaries, BR and the operator<sup>8</sup> of the New Tabang Haul Road and New Seniur Port (the “Operator”). The key terms of the proposed Access Agreement are summarised below:

- BR will have the role of project manager.
- BR will upgrade, expand and operate the New Seniur Port including construction of new crushing and stockpiling facilities with the goal of throughput reaching at least 30 million tonnes per annum.

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<sup>8</sup> The operator will be a BR subsidiary



- BR will build the New Tabang Haul Road to connect the Tabang Coal Concessions to the New Senyur Port. The New Tabang Haul Road will pass through part of the Pakar Coal Concessions and will be partially built on land and infrastructure, which is currently owned by SAU<sup>9</sup>.
- KRL Subsidiaries will require use of the New Senyur Port and the New Tabang Haul Road for transporting, crushing, stockpiling, and loading onto barges the KRL Coal and BR agrees that KRL Subsidiaries may obtain access to the New Senyur Port and the New Tabang Haul Road on the terms set out in the agreement.
- The approximate timetable for construction and development of the New Senyur Port and the New Tabang Haul Road will be in three stages (“Phases 1 – 3”) over a three year period completing approximately June 2017<sup>10</sup>.
- Completion of Phase 1 is expected to result in throughput capacity of 6 Mtpa, Phase 2 an additional 12 Mtpa and Phase 3 an additional 12Mtpa.
- A Management Committee will be established comprising three members appointed by BR and two members appointed by KRL.
- KRL Subsidiaries are entitled to the Service Users’ Allocation, defined as the haulage and volume allocation of the New Tabang Haul Road and the New Senyur Port equivalent to 30% of the total capacity of the New Tabang Haul Road and the New Senyur Port as contemplated by the agreement<sup>11</sup>.
- Twelve months prior to use by the Service Users of the Service Users’ Allocation, they have to notify the Management Committee each of KRL Subsidiaries’ anticipated allocation to be used (“Committed Tonnage Allocations”).
- In the event, KRL Subsidiaries require more capacity than its Service Users’ Allocation it can secure any additional spare capacity if it obtains the consent of BR and the Operator. Variations to the Committed Tonnage Allocations by more than 15% may trigger penalties under certain circumstances (“Take or Pay Penalties”). Ultimately it will be at the discretion of the Management Committee if the Take or Pay Penalties apply. In circumstances where the Committed Tonnage Allocation has been set to nil, there can be no penalty.
- The Operator, to be selected by BR will manage, maintain, control and operate the New Senyur Port and New Tabang Haul Road.
- BR may not sell or assign the New Tabang Haul Road and/or the New Senyur Port without first giving KR the right of first refusal to acquire the New Tabang Haul Road and/or the New Senyur Port.
- KRL Subsidiaries will pay a fee for use of the New Tabang Haul Road (“Road Charges”) and for the use of the New Senyur Port (“Port Charges”) in a range depending on volume and

<sup>9</sup> As at the date of this report, the New Tabang Haul Road had mostly been completed

<sup>10</sup> According to the Access Agreement, completion date for Phase Three is to be advised

<sup>11</sup> Per the Access Agreement, expected total capacity in years 1,2 and 3 will be 6, 18 and 30 respectively

consistent with Committed Tonnage Allocation up to US\$5.05/tonne (excluding any rise and fall adjustment).

- The Management Committee will be responsible for setting the Road Charges and Port Charges as well as providing recommendations to BR and the Operator with respect to:
  - Construction, development and operation of the New Tabang Haul Road; and
  - Upgrade, expansion and operation of the New Senyur Port.
- The Management Committee shall meet at least every three months and decisions will be passed on the basis of simple majority voting except on the following matters for which a unanimous decision will be required:
  - Matters with respect to an adjustment to the Service Users' Allocation
  - Actions following a “Prescribed Event” which includes is defined in the Access Agreement to include events such as war, adverse weather conditions etc.

### **1.3 Terms of the Strategic Agreement**

The Strategic Agreement is between KRL and BR and sets out the framework for operation of the Tabang Coal Concession and the Pakar Coal Concession. Whilst it is not interdependent with the Access Agreement, it is important to the overall SAU Transaction; it acts as an umbrella agreement. The key terms of the Strategic Agreement are similar in nature to those contained in the Access Agreement. Additional terms include:

- BR and KRL are able to collaborate on the marketing, blending and sale of their coal products for the benefit of all parties with commercial terms to be agreed separately to the Access Agreement.
- BR and KRL have agreed to cooperate in the development of their coal concessions and collaborate on the following activities:
  - funding;
  - technical development;
  - project management;
  - mining;
  - infrastructure development and use;
  - barging and transshipping;
  - administration; and
  - coal disposal.

- The Strategic Agreement sets out the framework with detail concerning each of the activities to be set out in various other agreements (referred to in the Strategic Agreement as “Definitive Agreements”).

## 2 Purpose and scope of the report

### 2.1 Purpose

#### Chapter 2E of the Corporations Act

Section 208 of Chapter 2E of the Corporations Act requires a company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in Section 210 of the Corporations Act.

Regulatory Guide 76 “Related party Transactions” (“RG 76”) states that it is necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E of the Corporations Act where:

- The financial benefit is difficult to value.
- The transaction is significant from the point of view of the entity (see RG 76.112).
- The independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

The SAU Transaction will provide financial benefits to BR (via the Access Agreement), who is a substantial shareholder of KRL. Accordingly, shareholder approval for the purposes of Chapter 2E of the Corporations Act is required.

#### ASX Listing rule 10.1

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose a substantial asset from a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX (“Substantial Asset”). Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

Given that BR is a substantial shareholder of KRL, and that the Purchase Consideration for the sale of the SAU assets is greater than 5% of KRL’s net assets, the SAU Transaction involves the sale of a Substantial Asset to a substantial shareholder.

Given the requirements of Chapter 2E of the Corporations Act and ASX Listing Rule 10.0, the Independent Directors have requested Grant Thornton Corporate Finance to prepare an

independent expert's report stating, whether in its opinion the SAU Transaction is fair and reasonable to the Non-Associated Shareholders.

## **2.2 Basis of assessment**

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of independent expert's report and RG 76 in relation to related party transactions. RG 76 largely refers to RG 111 in relation to the approach to related party transactions.

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 also regulates independent expert's reports prepared for related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG 111 clause 56 states the following:

*RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions ("RG 76") at RG 76.106–RG 76.111 for further details).*

Accordingly, in the consideration of the SAU Transaction, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages for the Non-Associated Shareholders.

RG 111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

In considering the fairness of the SAU Transaction, we have considered the interdependent sale of the SAU Assets and the entering into the Access Agreement. In considering the sale of the SAU Assets we have considered the independent fair market valuation conducted by MPR and compared it to the Purchase Consideration.

In considering the entering into the Access Agreement, we have attempted to assess the financial benefits that accrue to BR and KRL in order to establish whether a net financial benefit accrues to BR. With respect to the assessment of financial benefits we note:

- Assessing the fees payable by KRL over the term of the Access Agreement is difficult given that KRL is far from being in a position to commence mining as it does not have all the approvals necessary to commence production; KRL's Pakar concessions are currently at various stages in the licensing and permitting process with no definitive finalisation date. As a result, any projections would involve significant and subjective judgement which may or may not be correct.
- KRL Management do not have detailed capital expenditure plans that would support the expenditure required if instead of proceeding with the SAU Transaction they alternatively developed for their own use the SAU Assets. This would also need to include proposed funding (ie debt and/or equity). Given KRL's poor financial position, it would be difficult to estimate a related debt or equity cost.

We have been provided with some information concerning how BR have built up the Access Charge. Using this information we have compared the returns that would accrue to BR to returns that could reasonably be expected to accrue to parties looking to invest or fund such a project

In addition to the above quantitative assessment, we have analysed the key terms of the Access Agreement and the process undertaken by the parties to negotiate the Access Agreement as an additional measure of assessing the merits of the Access Agreement.

In considering whether the SAU Transaction is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the SAU Transaction is fair.
- The implications to KRL and the Non-Associated Shareholders if the SAU Transaction is not approved.
- Other likely advantages and disadvantages associated with the SAU Transaction as required by RG 111.
- Other costs and risks associated with the SAU Transaction that could potentially affect the Non-Associated Shareholders.

## **2.3 Independence**

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the SAU Transaction with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports" ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the SAU Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report.

The payment of this fee is in no way contingent upon the success or failure of the SAU Transaction.

Independent technical specialist

In accordance with RG 111, an independent expert should retain a technical specialist to provide an opinion on technical matters (i.e. in this case, the value of the SAU Assets).

For the purpose of this report, MPR, an independent technical specialist, was instructed by Grant Thornton Corporate Finance to provide an independent valuation report in relation to the fair value of the SAU Assets. The MPR Report is included as Appendix B of this Report.

We note that MPR was previously engaged by KRL to undertake a valuation of the SAU Assets in 2012 when KRL first considered the disposal of the SAU Assets. MPR have considered the requirements of the ASIC RG 112 and have stated in the MPR Report that they are independent of KRL and BR.

## **2.4 Consent and other matters**

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 23 December 2015 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the SAU Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the SAU Transaction to Non-Associated Shareholders as a whole. We have not considered the potential impact of the SAU Transaction on individual Non-Associated Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the SAU Transaction on individual shareholders.

The decision of whether or not to approve the SAU Transaction is a matter for each Non-Associated Shareholder based on their own views of value of KRL and expectations about future market conditions, KRL's performance, risk profile and investment strategy. If Non-Associated Shareholders are in doubt about the action they should take in relation to the SAU Transaction they should seek their own professional advice.

### **3 Profile of the industry**

#### **3.1 Overview**

KRL is an exploration company with interests in coal concessions (metallurgical and thermal) and coal infrastructure assets in East Kalimantan on the island of Kalimantan in Indonesia.

Accordingly, in the section below we have provided an overview of the coal industry, with a focus on Indonesia (“the Coal Industry”).

Indonesia is the world’s third largest producer of coal. While the majority of Indonesian coal is thermal, this section will provide an overview on both metallurgical and thermal coal.

##### *Metallurgical coal*

Metallurgical coal is high carbon content coal used predominantly as a key ingredient in the production of steel. Metallurgical coal is further categorized broadly into Hard Coking Coal (“HCC”), Semi-hard Coking Coal, Semi-soft Coking Coal and Pulverized Coal Injection (“PCI”) Coal in order of carbon content.

Metallurgical coal with higher levels of carbon content, such as hard coking coal, are favored in the production of coke (fuel) and therefore trades at a premium to lower grade metallurgical coal, such as Semi-soft coking coal. PCI coal is used to reduce the amount of coke (fuel) consumed in the steel production process.

##### *Thermal coal*

Thermal coal has lower carbon content than metallurgical coal and is most commonly used in electricity generation at power stations.

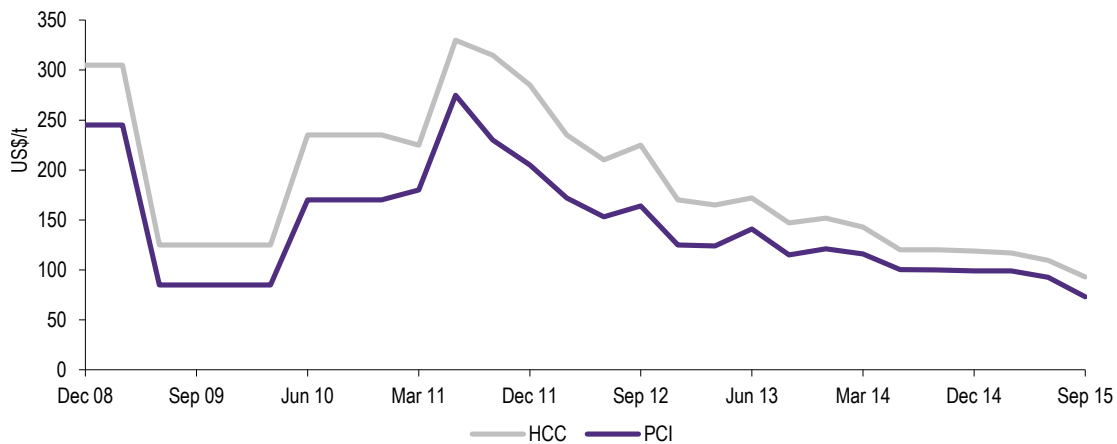
Thermal coal can be broken into two main types of coal based on its colour: black or brown. Black coal has a higher carbon and lower moisture content than brown coal. Black coal is considered superior to brown coal predominantly because it burns more efficiently. Brown coal has a heating value only about one quarter of that produced by black coal.

#### **3.2 Coal prices**

As set out in the graph on the following page, metallurgical coal prices spiked before the global financial crisis (“GFC”) and then sharply decreased as reduced demand for steel reverberated through the supply chain, decreasing demand for metallurgical coal.



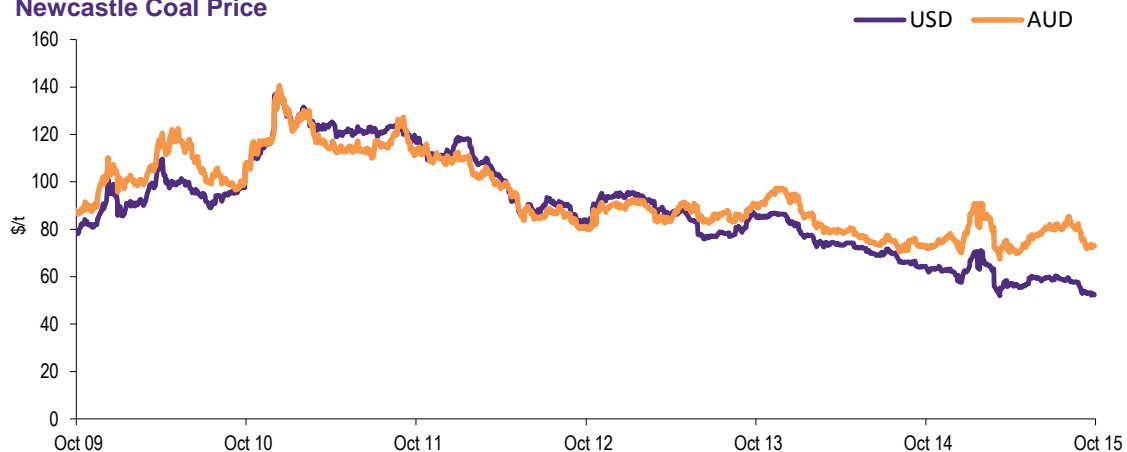
### Historical HCC and PCI coal prices



Source: Broker reports and GTCF analysis

A combination of both increased international demand for infrastructure projects and reduced international supply of black coal in 2010 and early 2011 led to a sustained increase in price over the period. The increase in demand for black coal was predominantly resultant from Asian stimulus plans, and subsequent infrastructure spending, during the GFC. This demand pushed hard coking coal prices to US\$235/t in 2010. The floods that occurred in Queensland in early 2011 caused further supply constraints, as production was stopped throughout the region (which is one of the world's largest production regions for metallurgical coal) and the major producers were forced to renege on coal contracts.

### Newcastle Coal Price



Source: Capital IQ

Global prices of thermal coal have suffered a sustained decline since 2010 as a result of the continued increase in global supply from larger market participants such as BHP Billiton Limited, Rio Tinto Group and Whitehaven Coal Limited, and a simultaneous decrease in global demand as developed countries increase consumption of energy from alternative sources.

Although thermal coal and coking coal have separate markets, some product substitution does occur. This substitution is largely confined to low quality coking coal and high quality thermal coal. For this reason, historically, semi-soft coal and PCI prices have been related to thermal coal prices.

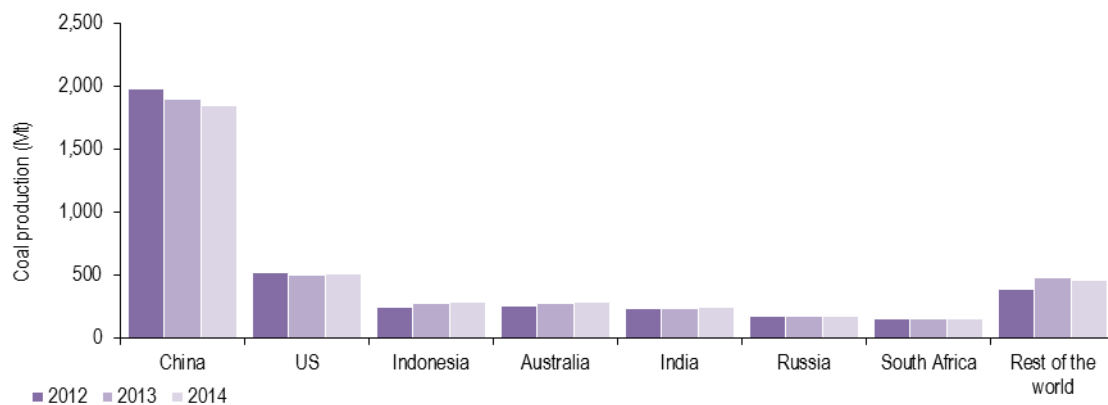
Producers tend to switch between high-volatile coal and low-volatile coal and thermal depending on the relative attractiveness of the end market, i.e. steel demand and power generation.

Over the quarter, both metallurgical and thermal coal prices are expected to weaken primarily due to the continued weak demand from China<sup>12</sup> and increases in coal supply as a result of currencies depreciation of major producers<sup>13</sup>. The longer-term outlook suggests a stronger prospect for metallurgical coal prices driven by resilient demand from Asia as a whole (i.e. India, China and South-east Asia)<sup>14</sup> in combination with slowing output growth from coal producers which will tighten the seaborne market, whilst the outlook for thermal coal appears less favorable as growth in demand from coal fired plants reduces and the plants are eventually replaced by alternative (generally more carbon friendly) energy sources.

### 3.3 Coal production

The following graph shows the top global coal producing countries. In 2014 Indonesia was the third largest coal producer in the world<sup>15</sup>.

World annual coal production



Source: BP Statistical Review of World Energy (June 2015)

### 3.4 Indonesian coal mining

#### 3.4.1 Indonesian coal basins

The Indonesian coal industry is characterised by several large domestic producers and a number of smaller local and international exploration and prospecting companies. There have been recent changes to Indonesia's mining exploration and production laws aimed at supporting domestic ownership of mining assets and increasing the value add industries related to Indonesian mining.

While low grade thermal coal is abundant across much of Indonesia, there are three core regions of Indonesian coal mining, as highlighted on the following chart.

<sup>12</sup> Total thermal coal imports in China decreased by 37.5% y-o-y in the first half year of 2015 (Source: National Bureau of Statistics).

<sup>13</sup> Coal miners in Indonesia, Australia, Russia, South Africa and Colombia are expected to increase their supply driven by the weakness of their local currencies against the US dollars as coal is traded internationally in US dollars.

<sup>14</sup> Coal remains to be favoured in Asian countries due to its cost-effectiveness and widespread availability.

<sup>15</sup> Source: BP Statistical Review of World Energy (June 2014).

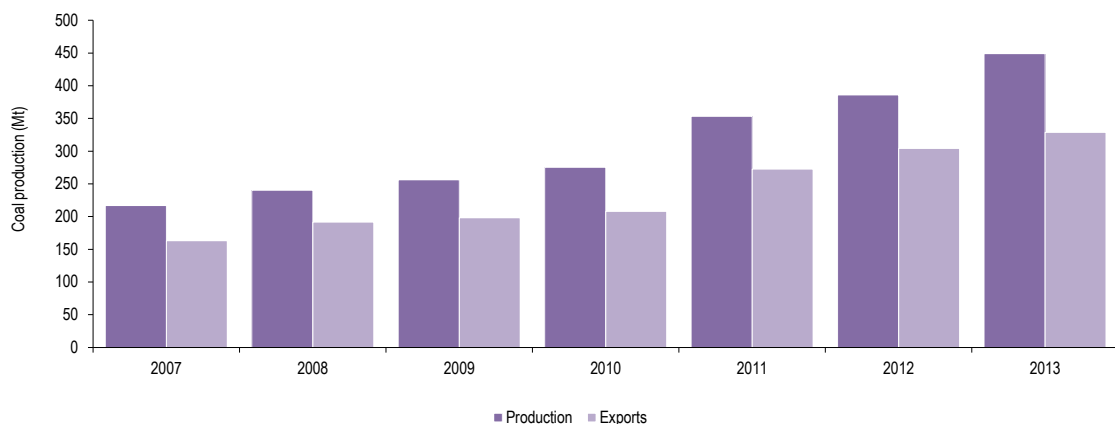


Source: Ministry of Energy and Mineral Resources

### 3.4.2 Indonesian coal production and exports

Due to high domestic consumption in China, the United States and Australia, and relatively low domestic consumption in Indonesia, Indonesia is often cited as the largest exporter of coal globally. As highlighted in the following chart, in 2013 c.74% of the coal produced in the country was exported into the international market<sup>16</sup>.

#### Indonesian Coal Production and Exports



Source: Directorate General of Mineral and Coal (2014)

### 3.4.3 Infrastructure supporting the industry

The Indonesian coal mining industry has historically been characterised as having low transport costs by international standards, establishing a competitive advantage against competing international mining industries. Coal mines, particularly those in Kalimantan, have relied on the close proximity of rivers to provide cheap transport of coal from mine sites to international markets. However, rivers provide both a benefit from low transport costs and a risk as they rely on water depths maintaining high levels (or else ships will not have access to the relevant sites, disabling transportation of the coal). Transport from the mine to port along roads and rivers tends

<sup>16</sup> Source: Directorate General of Mineral and Coal (2014).

to be more cost-effective than alternative methods such as those employed in Australia which typically involve the use of rail assets.

#### 3.4.4 Political risk in Indonesia

Indonesia is a developing Asian economy, with GDP growth averaging 5.8% from 2010 to 2014<sup>17</sup>. Indonesia maintains a relatively flexible macroeconomic system of government, with sustained low fiscal deficits, limited to 3% of GDP each year, and relative independence of the central bank, Bank Indonesia.

While there exist opportunities in this rapidly developing economy, there also exist significant sovereign risks that are encountered when investing in Indonesia. The following sections summarise significant risks that may be encountered include doing business in Indonesia.

##### *Corruption*

Recently, the corruption that exists in Indonesia has been noted to improve, however the country still ranks lowly across a range of international Corruption indices. Standard and Poor's rates Indonesia as a "Very High Economic Risk" nation<sup>18</sup> predominantly a result of high corruption.

The recent election of Joko Widodo as President is expected to bring a significant step towards a more open and free democratic system. The President was elected on 20 October 2014 and is the first President to be elected from outside the political and military elite in recent history.

##### *Foreign ownership*

There were sweeping changes to Indonesian mining laws in 2012. The changes relate to both the thresholds for allowed foreign ownership of Indonesian mining assets and the laws relating to mining exports. These laws are referred to in the Indonesian Government issued Regulation No. 24 of 2012 and the Amendment to Government Regulation No. 23 of 2010, relating to the Mineral and Coal Mining Business Activity ("Regulation No. 24").

Accepted levels of foreign ownership of Indonesian mines have been reduced under the new legislation, imposing on international mining operators to progressively divest ownership in projects as mining operations begin and develop production. Prior to the change in law, international mining companies were required to divest 20% of the ownership of mining assets to an Indonesian entity upon the commencement of production at a mine. Following the change of law, the acceptable threshold for foreign ownership of a producing mine is as follows:

- No foreign ownership threshold for the first five years of mining operation,
- 80% in the sixth year of mining operation,
- 70% in the seventh year,

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<sup>17</sup> Source: International Monetary Fund (IMF)

<sup>18</sup> Standards and Poors, Banking Industry Country Risk Assessment: Indonesia, 1 June 2012.

- 63% in the eighth year,
- 56% in the ninth year, and;
- 49% in the tenth year.

Given that KRL owns 99.9% of its mining tenements, this new law will require the Company to divest interest in its assets as each of the individual mining projects begin production. In addition, it is noted that the divestment program has unfavorable restrictions on who the party can be and at what price.

#### *Other political risks*

In February 2015, the Indonesian Government proposed an increase in royalties for coal miners operating in Indonesia. Royalty rates are expected to increase to 13.5% for coal with high calorific content<sup>19</sup>. The proposal is expected to have a negative impact on Indonesian coal production if implemented.

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<sup>19</sup> Coal with a calorific content between 5,100 kilocalories per kilogram (kcal/kg) and 6,100 kcal/kg is proposed to be charged a 9% royalty fee. Coal with more than 6,100 kcal/kg calorific content is proposed to be charged a 13.5% royalty fee.

## 4 Profile of KRL

KRL is a mining exploration and development company listed on the ASX with its head office located in Perth, Australia. The Company currently holds interests in 14 coal concessions located in Indonesia as well as strategically located property plant and equipment known as the SAU Assets.

### 4.1 Coal concessions overview

KRL's coal concessions are located within three key mineral regions, known as:

- **Pakar:** Consisting of nine contiguous concession areas that cover a total area of 35,572 Ha located in Kutai Kartanegara Regency, East Kalimantan.
- **Mamahak:** Consisting of four separate coal concessions that are located in near the Mahakam River in Long Hubung, East Kalimantan.
- **Graha Panca Karsa ("GPK"):** One single concession covering 5,060 Ha near Melak in East Kalimantan and close to the Mahakam River.

The Pakar concessions currently represents KRL's key mineral asset given the current stage of development of the assets and the higher quality of coal identified, particularly within the northern region of the Pakar concessions. Accordingly, we have provided further detail on the Pakar concessions, followed by a summary of the mineral resources ("Resources") and ore reserves ("Reserves") below.

#### 4.1.1 The Pakar Coal Concessions

The Pakar Coal Concessions comprise nine mining tenements, previously purchased by BR and immediately transferred to KRL<sup>20</sup>. The concessions are divided between:

- **Pakar North:** consisting of concessions labelled, PT Tiwa Abadi ("TA"), PT Tanur Jaya ("TJ"), PT Dermaga Energi ("DE") and PT Orkida Makmur ("OM"); and
- **Pakar South:** consisting of concessions labelled, PT Sumber Api ("SA"), PT Cahaya Alam ("CA"), PT Bara Sejati ("BS"), PT Apira Utama ("AU") and PT Silau Kencana ("SK").

As previously noted, the Pakar North concessions contain deposits of higher quality coal compared to Pakar South and as such KRL intends to develop these before Pakar South.

Of the original nine Pakar tenements that were transferred from BR, five tenements have been transferred to the Company. The four remaining tenements, AU, BS, CA and TA (being the Pakar 4) are in the process of legal handover from BR to KRL, however as a result of changes to the Indonesian government's regulations regarding limits for direct foreign ownership of mining concessions, it is doubtful whether a handover will occur.

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<sup>20</sup> BR in turn purchased them from IBU

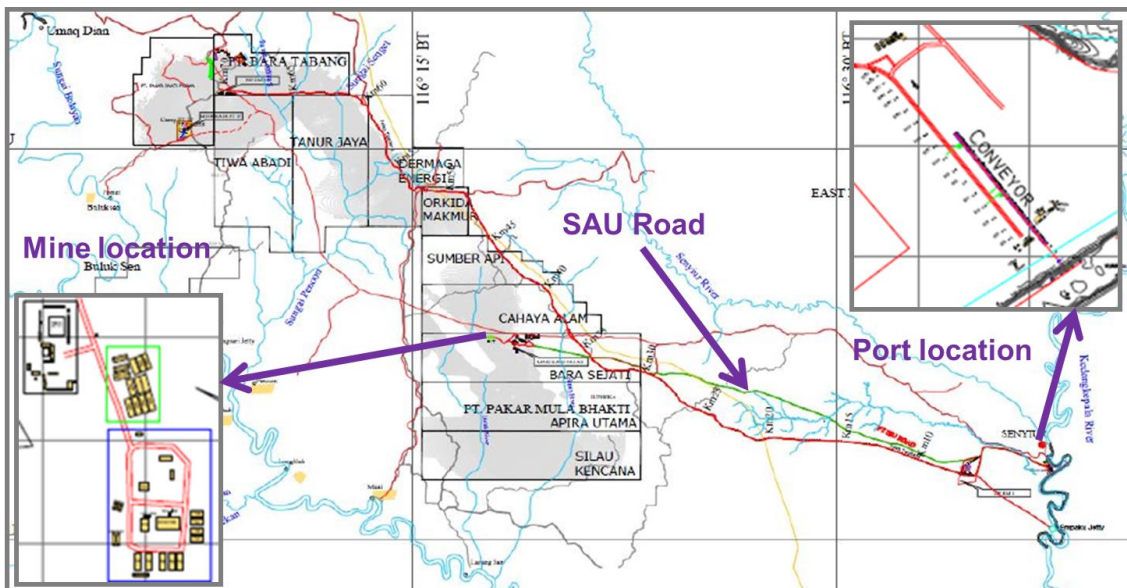
KRL intends to develop the Pakar concessions, but does not currently have sufficient financial capacity to develop these assets (and the required infrastructure) on its own. This has led to KRL seeking financial assistance from BR which in turn has led to the Proposed Transaction.

In the meantime, KRL with BR's support is currently in the process of obtaining relevant mining licenses and permits as are required to continue the development and eventual mining at the Pakar concession by early 2018. If mining licenses are granted prior to the scheduled 2018 starting date, KRL Management note that there is an opportunity to begin mining operations at an earlier date.

#### 4.2 SAU Assets overview

The SAU Assets broadly comprise land (including land improvements such as road and jetty facilities), buildings and equipment, located between the Cahaya Alam concession and the Kedeng Kepala River which connects to the Mahakam River.

Details on the specific assets which comprise the SAU assets are contained in MPR's report attached as Appendix B. The geographic location of the SAU Assets with respect to the Pakar Coal Concessions and the Kedeng Kepala River are shown in the below map:



Source: KRL Annual Reports, Presentations and Quarterly Updates

Whilst the SAU Assets are strategically located near concessions held by BR and KRL on the Kedang Kepala River, they have not been utilised since 2009. Accordingly the condition of the assets renders them largely inoperable for large scale mining without further investment to restore them to working order.

BR has developed the New Tabang Haul Road and is currently in the process of constructing the New Senyur Port (inclusive of a new crushing and stockpiling facility). If the Proposed Transaction is completed, BR will utilise a portion of the SAU Assets in the development of their new infrastructure facilities and provide KRL access to the facilities for a charge as specified in the Access Agreement.



## 4.3 Financial information

### 4.3.1 Financial performance

The following table summarises KRL's statements of comprehensive income for the financial year ended 31 December 2014 ("FY14") and the half-year ended 30 June 2015 ("HY15"):

#### Consolidated statements of profit or loss and other comprehensive income

Consolidated statements of profit or loss and other comprehensive income for the period ended: Kangaroo Resources Limited	30-Dec-14 Audited A\$000	30-Jun-15 Audited A\$000
<b>Revenues</b>		
Revenues from Continuing Operations	207	66
Other Income	740	-
<b>Total Revenues</b>	<b>947</b>	<b>66</b>
<b>Expenses</b>		
Cost of Sales	-	-
Administrative Expenses	(3,470)	(1,071)
Other Expenses	(1,716)	(955)
Impairment Expenses	(168,034)	-
Operating Expenses	(4,711)	(1,574)
Finance costs	(1,509)	(1,365)
<b>Earnings before Taxes</b>	<b>(178,493)</b>	<b>(4,899)</b>
<b>Taxes and Other Expenses</b>		
Income tax benefit	40,145	-
<b>Net Income (Loss)</b>	<b>(138,348)</b>	<b>(4,899)</b>
Other Comprehensive Loss (exchange difference on translating foreign operations)	(38)	(720)
<b>Total Comprehensive Income/(Loss)</b>	<b>(138,386)</b>	<b>(5,619)</b>

Source: Financial Reports for FY14 and HY15

We note the following in relation to KRL's statements of comprehensive income:

- Other Income in FY14 reflects proceeds from; the sale of MT Ruby Mining tenement in Queensland (A\$0.25m), the gain on sale of fixed assets (A\$0.1m) and the recovery of legal costs upon resolution of claims against the Company (A\$0.4m).
- Impairment Expenses in FY14 of A\$168.0 million relates to the impairment of, mine properties and development (A\$127.3m), exploration and development assets (A\$13.7m) and available for sale assets (A\$27.0m).

The impairment on Mine development assets was assessed based on KRL Management's revised outlook on coal prices, production assumptions including the suspension of exploration and development activities in some cases and increased political and operational risk.

The impairment of available for sale assets has been recorded due to uncertainty around whether the handover of the Pakar 4 assets will occur given changes to Indonesian regulations governing foreign ownership of mining concessions. The value of the tenements has been calculated



assuming that KRL may end up having to sell them at a lower price (also assessed based on the revised outlook on coal prices and the increased political and operational risk).

We note with regards to the above, that regardless of either including or excluding non-cash benefits and expenses, KRL has incurred a net loss over FY14 and HY15. To enable KRL to continue its operations and meet its financial obligations, BR has undertaken to provide sufficient financial assistance to KRL. This undertaking is for a minimum period of 12 months ending June 2016. However, it should be noted that a material uncertainty exists regarding BR's ability to provide that support due to BR having a net current liability position as at 30 June 2015, primarily arising from a bank loan that matures in 2015. Should BR be unable to extend funding, KRL would be required to obtain funding from alternative sources such as from the issuance of equity. Consequently, KRL's HY15 financial statements state that material uncertainty exists around whether KRL will continue as a going concern.

#### 4.3.2 Financial position

The following table summarises KRL's consolidated statements of financial position as at 31 December 2014 and 30 June 2015:

##### Consolidated statements of financial position

Consolidated statements of financial position as at Kangaroo Resources Limited	30-Dec-14 Audited A\$000	30-Jun-15 Reviewed A\$000
<b>Current Assets</b>		
Cash and Cash Equivalents	2,799	2,812
Trade and Other Receivables	1,279	956
Inventory	2,948	2,683
Deferred bargaining costs	-	1,338
Assets Classified as Held for Sale	14,172	15,189
<b>Total Current Assets</b>	<b>21,198</b>	<b>22,979</b>
<b>Non Current Assets</b>		
Exploration and Evaluation Expenditure	17,281	17,281
Property, Plant and Equipment	1,997	1,484
Mine Properties and Development	200,909	200,909
Available-for-sale Financial Assets	52,894	52,894
Receivables	790	791
<b>Total Non-Current Assets</b>	<b>273,871</b>	<b>273,358</b>
<b>Current Liabilities</b>		
Trade and Other Payables	6,945	6,889
Borrowings	34,578	41,501
<b>Total Current Liabilities</b>	<b>41,523</b>	<b>48,390</b>
<b>Non Current Liabilities</b>		
Deferred Tax Liabilities	64,009	64,009
Provisions	869	889
<b>Total Non-Current Liabilities</b>	<b>64,878</b>	<b>64,898</b>
<b>Net assets</b>	<b>188,669</b>	<b>183,050</b>
<b>Shareholders' Equity</b>		
Common Stock	469,867	469,867
Accumulated Losses	(283,941)	(288,822)
Non-controlling interest	1,644	1,578
Reserves	1,098	427
<b>Total Shareholders Equity</b>	<b>188,669</b>	<b>183,050</b>

Source: Financial Reports for FY14 and HY15

We note the following in relation to KRL's consolidated statements of financial position:

- Deferred barging costs of A\$1.34 million relate to barging costs for the Mamahak concession. These costs are recognised as a selling expense and not production costs. Since the sale of coal was not completed as at 30 June 2015, the barging costs have been recorded as deferred on the balance sheet and will be recognized as a selling expense once the coal is sold.
- Assets Classified as Held for Sale represent the SAU Assets.
- Available for Sale Financial Assets represent the Pakar 4 tenements that are in the process of legal handover from BR to KRL. Until this hand over occurs, which requires the sign off from the Indonesian Government, these assets are required to be classified as available-for-sale under AASB 9.
- Borrowings relate to loans payable to BR. As previously stated in this report, the loans have been provided to fund KRL's operations. In the half-year ended 30 June 2015, borrowings increased by approximately A\$6.9 million as a result of further loan advances from BR (A\$2.9m), accrual of interest (A\$1.4m) and foreign exchange revaluation (A\$2.7m). The loan is an unsecured loan and is repayable at call. Interest on the loan accrues at a rate of LIBOR + 6.75%<sup>21</sup>.

#### 4.4 Capital structure

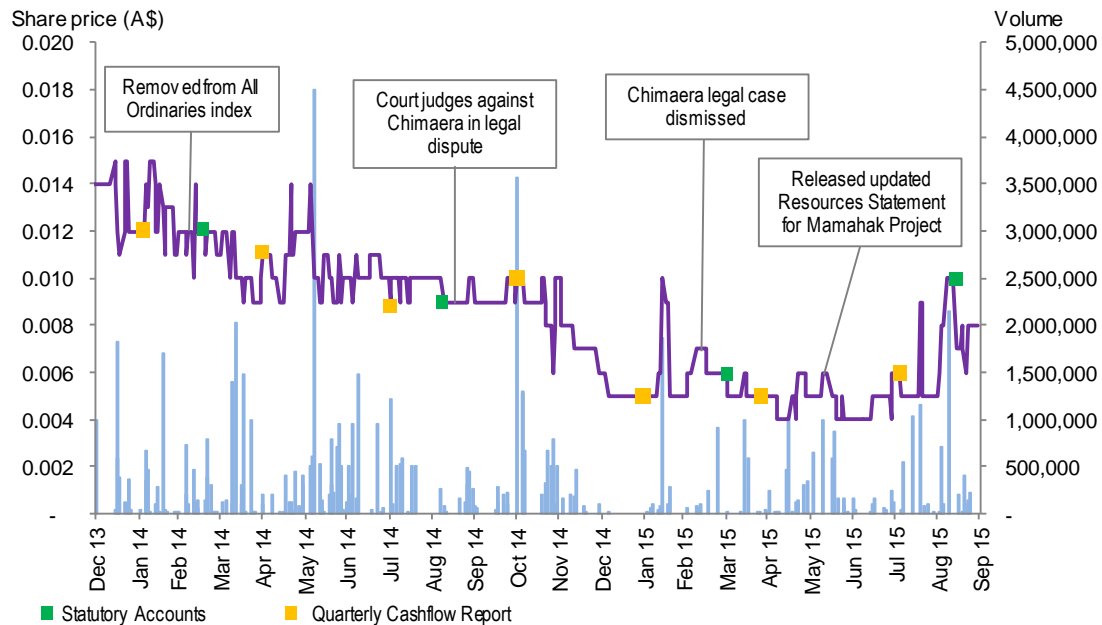
As at the date of our report, KRL has 3,434,430,012 fully paid ordinary shares on issue.

The top ten shareholders of KRL as at 21 December 2015 are set out below:

Shareholder	No of shares	Interest (%)
PT BAYAN RESOURCES TBK	1,925,000,000	56.1%
HSBC CUSTODY NOMINEES	492,761,562	14.3%
NATIONAL NOMINEES LIMITED	235,671,191	6.9%
BNP PARIBUS NOMINEES PTY LIMITED	167,264,996	4.9%
J P MORGAN NOMINEES AUSTRALIA LIMITED	130,497,060	3.8%
CITICORP NOMINEES PTY LIMITED	59,017,925	1.7%
BNP PARIBUS NOMS PTY LIMITED	54,749,139	1.6%
RHB SECURITIES SINGAPORE PTE LTD	34,370,961	1.0%
NANNOOK HOLDINGS PTY LTD	21,548,701	0.6%
UOB KAY HIAN PRIVATE LIMITED	18,214,508	0.5%
<b>Total Top Ten Shareholders</b>	<b>3,139,096,043</b>	<b>91.4%</b>
Other Shareholders	295,334,059	8.6%
<b>Total</b>	<b>3,434,430,102</b>	<b>100.0%</b>

Set out on the following page is the daily movements in KRL's Shares and volumes for the period 1 January 2014 to 30 September 2015, and some corresponding key events over the period:

<sup>21</sup> The average rate of interest for HY15 was 8.74%.



Source: CapitalIQ

Notably, the liquidity of KRL shares has reduced significantly in the last 12 months. Further set out below is a summary of the liquidity and the VWAP of KRL shares over the 12 months to 30 September 2015.

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares
Oct 2014	4,612	0.0098	45	0.1%
Nov 2014	6,350	0.0091	58	0.2%
Dec 2014	1,228	0.0073	9	0.0%
Jan 2015	20	0.0050	0	0.0%
Feb 2015	2,557	0.0079	20	0.1%
Mar 2015	1,466	0.0062	9	0.0%
Apr 2015	1,728	0.0056	10	0.1%
May 2015	2,776	0.0046	13	0.1%
Jun 2015	3,677	0.0048	18	0.1%
Jul 2015	816	0.0047	4	0.0%
Aug 2015	2,969	0.0064	19	0.1%
Sep 2015	4,093	0.0088	36	0.1%
<b>Min</b>				<b>0.0%</b>
<b>Average</b>				<b>0.1%</b>
<b>Median</b>				<b>0.1%</b>
<b>Max</b>				<b>0.2%</b>

Source: CapitalIQ and GTCF calculations

## 5 Valuation of the SAU Assets

In order to value the SAU Assets, Grant Thornton Corporate Finance instructed MPR, an Indonesian based independent technical specialist, to provide an independent valuation report in relation to the fair market value of the SAU Assets. In addition, Grant Thornton Corporate Finance instructed Valquip Consulting, an Australian based specialist valuer to review the MPR Report and ensure it complied with Australian regulatory requirements and valuation standards. Valquip concluded that nothing came to their attention that would make MPR's valuation inconsistent with the requirements of Australian valuation standards.

The MPR Report is included as Appendix B of this Report. In arriving at their view on fair market value, MPR undertook a site visit and considered a number of valuation methodologies to assess the fair market value of the SAU Assets. In relation to the valuation methodologies adopted by MPR, we note the following:

- The market comparison approach which takes into account comparable transactions for the sale of similar assets was used for the land assets which comprise part of the SAU Assets.
- The net realisable value approach which estimates the selling price less the disposal cost was used to value the coal stone crusher machinery. This approach was considered appropriate for the coal stone crusher machinery given it is not operational.
- The depreciated replacement cost approach which involves establishing the gross current replacement costs of the SAU Assets and then depreciating their values to reflect the anticipated effective working life of the SAU Assets was used to value the balance of the SAU Assets.

According to the MPR Report, the valuer has estimated the fair market value of the SAU Assets to be Rp75.640 billion or approximately US\$5.5 million<sup>22</sup>.

We have compared the fair market value of the SAU Assets to the Purchase Consideration to be paid to KRL below:

Valuation summary	Section Reference	US\$'000s
Fair market value of the SAU Assets	Appendix B	5,522
Value of the Purchase Consideration		12,000
Premium / (discount)		6,478
Premium / (discount) %		117.3%

Source: GTCF calculations

Based on the above, the Purchase Consideration exceeds the fair market value of the SAU Assets to the extent of approximately US\$6.5 million.

<sup>22</sup> Based on an exchange rate as at 4 November 2015 of 1RP = US\$ 7.3x10<sup>-5</sup>

## 6 The Access Agreement

In assessing the merits of the Access Agreement we have considered the fairness of the quantum of the Access Charge and the process and procedures undertaken in the negotiation and settlement of the Access Agreement.

### 6.1 Fairness of the Access Agreement

We have been provided with the financial projections prepared by BR (“BR Projections”) to support its investment decision to construct, develop and operate the New Tabang Haul Road and the New Senyur Port.

The BR Projections consist of theoretical cash flow estimates as though the New Tabang Haul Road and the New Senyur Port were owned by a separate infrastructure company and the use of the infrastructure via a usage charge levied to its customers (including KRL) based on the Access Charges. The purpose of the BR Projections is to assess the economic viability of the infrastructure investment based on the agreed Access Charges. The key outputs of the BR Projections are the net present value (“NPV”) of future cash flows and the IRR of the investment.

The key assumptions underlying the BR Projections are outlined below:

- The analyses, which is performed separately for the New Tabang Haul Road and the New Senyur Port assumes that the infrastructure will support the production of up to 20 mtpa of coal. Whilst it was envisaged that capacity would be increased ultimately to 30mtpa, for the purpose of BR’s investment decision, this production uplift is not included in the BR Projections. We note that after a ramp up period of about three years, KRL’s requirement was for an amount of 9mtpa, which would mean that capacity would need to be increased if their entitlement remained at 30%.
- The upfront capital expenditure to construct the New Tabang Haul Road and the New Senyur Port for the assumed capacity of 20mtpa is in excess of US\$100 million. According to BR Management, these estimates are supported by third party engineers’ estimates; however we have not been able to review them.
- Whilst the BR Projections are for a period of 20 years, the IRR and NPV calculations are performed assuming only 12 years. According to management of BR (“BR Management”), this is consistent with their internal investment decision protocol, which is based on their belief that the first 12 years of the BR Projections provide the best estimate for cash flows, cash flows after 12 years are more uncertain.
- In the BR Projections beyond 12 years, BR Management allow for additional capital expenditure to maintain the New Senyur Port and the New Tabang Haul Road. We note that KRL’s life of mine was approximated to be 20 years.
- Revenue estimates included in the BR Projections are only based on the Access Charges from the combined volumes of all users (i.e. not just KRL) of the infrastructure.
- The BR Projections include a cost to service and maintain the New Senyur Port and the New Tabang Haul Road. The BR Projections ignore tax and assume that capital expenditure will be

funded through debt at a cost of 10%. Whilst the interest repayments are taken into account in the BR Projections, the projections do not include repayment of any principal.

- A terminal value for the New Tabang Road and the New Senyur Port is not included in the BR Projections.
- The expected IRR for the New Tabang Haul Road and the New Senyur Port assuming a twelve year period as calculated by BR is 15.8% and 17.3% respectively.

In summary, we note the BR Projections incorporate some hypothetical assumptions and do not represent BR Management's best estimates. Hypothetical assumptions are by their very nature subjective and are highly judgmental and are based on future events which may or may not happen. Notwithstanding this, the BR Projections provide reasonable support for assessing fairness of the Access Charges. We note ASIC recognises that there may be a reasonable basis for the use of DCF methodologies before a project generates cash flows as long as, at the date of reporting, the expert has reasonable grounds for the forward looking information. Where an expert does not have reasonable grounds, other valuation methodologies should be used.

In establishing reasonable grounds and in utilising this information for the purpose of assessing the fairness of the Access Charge, in accordance with the requirements of RG111, we have performed the following procedures:

- performed a high level check of the mathematical accuracy of the NPV and IRR analyses;
- discussed with BR Management the reasonableness of the underlying assumptions;
- calculated the IRR assuming 20 year life which is consistent with KRL's expected life of mine;
- adjusted the interest calculation in the BR Projections to assume that the loan required to fund the capital expenditure would be 60% debt funded with repayment of the debt occurring when cash flows become available; and
- allowed for debt drawdowns and debt repayments.

As a result of the above adjustments, the IRR for the New Tabang Haul Road would be 23.4% (compared to 15.8% as calculated by BR) and for the New Senyur Port and would be 26.2% (compared to 17.3% as calculated by BR).

We have not disclosed in our report the BR Projections as the information is commercially sensitive. Furthermore, as previously stated, some of the assumptions underlying the BR Projections are hypothetical rather than best estimates and accordingly, do not meet the requirements for presentation of prospective financial information as set out in RG170.

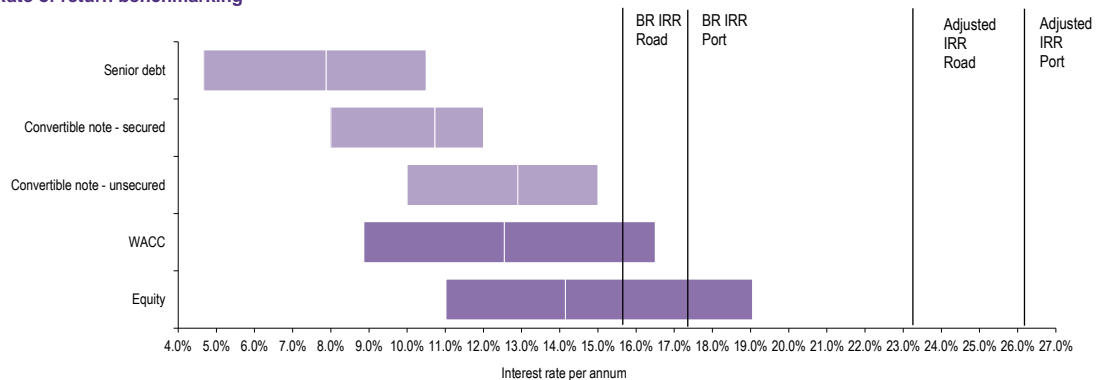
To interpret what the IRR calculations mean, we note that an IRR is the rate of return required to generate a zero net present value. In finance theory it represents the expected rate of return of a project. In terms of the BR Projections it would mean the discount rate required for the net present value of the BR Projections to sum to zero. If the IRR exceeds the cost of the funds used to finance the project, a surplus remains after paying for the capital, and this surplus accrues to

shareholders. In the case of the BR Projections, the IRRs produced are after debt funding and therefore can be compared to BR's cost of equity. Further, in capital investment theory, a rationale investor will expect that the IRR must be at least equal to but more commonly higher than a company's cost of equity for it to undertake the project. Hence, it would be expected that the IRRs observed in the BR analysis should be higher than the rates of return evidenced by the cost of equity.

In assessing the fairness of the Access Charges we have compared the IRR from BR's investment analyses to a cost of equity and for illustrative purposes to other rates of return such as a WACC, and debt (in the form of senior debt and convertible notes).

The following graph compares the IRR suggested by BR's analyses with other rates of return that we consider appropriate for benchmarking and the Adjusted IRRs. We do note that whilst comparability is difficult due to the differing circumstances that may be present, it nonetheless provides some guidance.

#### Rate of return benchmarking



*Note: the markings on each bar represent the average*

With respect to the above graph we note:

- WACCs observed from broadly comparable companies range from approximately 9% to 16.5% (see table below). The Adjusted IRRs for the New Tabang Haul Road and the New Senyir Port are above this range. As most of the companies' operations considered are located in more developed and less risky locations (e.g. Canada and Australia) it could be expected that a WACC for an Indonesian based company would necessarily be higher.
- We consider the cost of equity to be a better point of reference when comparing to the IRRs produced by the BR Projections given the IRR has been calculated on net cash flows available to equity holders. We note that the cost of equity observed in relation to broadly comparable companies (i.e. companies engaged in coal mining) as sourced from recent independent expert reports range from approximately 11% to 19%. Consistent with our comments on WACC, as most of the comparable companies' operations are located in more developed and less risky locations it could be expected that a cost of equity for an Indonesian based company would necessarily be higher. We note that the cost of equity for companies with assets located in Mongolia (similar jurisdiction risk to Indonesia) was between 18% and 19%.

The following table summarises both the WACC and the cost of equity from the broadly comparable companies.

Date	Company name	Location	Value of asset (A\$m) <sup>3</sup>	Stage	Coal type	Expert	Deal value (A\$m)	Discount rate WACC (nom)	Cost of equity
Dec-15	TerraCom Limited	Mongolia	113.0	Exp/Ext/Prod	PCI, T, CC	PKF	9.1	16.5%	18.0%
Oct-15	Universal Coal Plc	South Africa	174.0	Exp/Ext/Prod	T	KPMG	80.9	14.0%	15.5%
Feb-15	Coalspur Mines Limited	Hinton, Alberta, Canada	71.8	Exp/Dev	T	BDO	11.8	11.0%	11.0%
Dec-14	TerraCom Limited	Mongolia	181.5	Exp/Ext/Prod	PCI, T, CC	BDO	51.8	16.2%	19.1%
Nov-13	Xceed Resources Ltd	South Africa	78.3	Dev	T	RSM Bird	19.7	12.7%	13.5%
Nov-13	Cockatoo Coal Ltd	Bowen & Surat Basin, QLD, NSW	257.2	Prod/Dev	PCI	Grant Thornton	153.3	12.5%	14.3%
Aug-13	Gujarat NRE Coking Coal Ltd	Sydney Basin, NSW	935.0	Prod	CC	BDO	113.8	8.9%	13.3%
May-13	Cuesta Coal Ltd <sup>2</sup>	Bowen, Surat and Galilee Basin, QLD	45	Exp	PCI, T	BDO	12.0	na	13.6%
Jan-13	Endocoal Ltd	Bowen Basin, QLD	28.5	Dev	PCI, T, CC	Ernst & Young	71.0	na	15.8%
Oct-12	Stanmore Coal Ltd	Bowen and Surat Basin, QLD	160.0	Dev	T	Mergerman Edward	36.0	12.0%	12.3%
Jul-12	Rey Resources Ltd	Southeast of Derby, WA	60	Dev	CC, T	KPMG	13.8	11.1%	12.2%
Apr-12	Gloucester Coal Ltd	Gloucester & Hunter Valley, NSW	1775	Prod	CC, T	Deloitte	1,897.2	12.0%	14.0%
Mar-12	Whitehaven Coal Limited	Gunnedah Basin, NSW	3063.5	Prod	PCI, SSC, T	PWC	2,220.4	11.0%	11.1%
Mar-12	Aston Resources Ltd	Gunnedah Basin, NSW	3123.25	Dev	SSC, T	PWC	2,220.4	14.0%	14.1%
Oct-11	Coal & Allied Industries Ltd	Hunter Valley, NSW	10000	Prod	SSC, T	Mergerman Edward	10,823.1	11.4%	14.5%
<b>Average</b>								<b>12.5%</b>	<b>14.1%</b>
<b>Median</b>								<b>12.0%</b>	<b>14.0%</b>

Source: Connect4

In addition to the above, we have assessed a cost of equity the Capital Asset Pricing Method (“CAPM”). Our assessment results in a range of 18% to 19%. Attached at Appendix B is further information as to how this was assessed.

- Another benchmark rate or return considered is the interest rate on secured and unsecured convertible notes. Based on publicly available information these range from approximately 8% and 12% (in nominal rates) for secured convertible notes and approximately 10% and 15% for unsecured convertible notes as shown in the table below:

Issue date	Company name	Market capitalisation (A\$m)	Location	Stage	Coal type	Face value (\$'m)	Term (Yrs)	Security	Interest rate	Main purpose
<b>Secured convertible notes</b>										
Jun-14	South East Asia Resources Limited	5.7	Indonesia	Exp/Dev	T, CC	1.9	1.0	First	12.0%	Exploration
Jan-14	TerraCom Limited	58.3	Australia	Prod	T, CC	10.0	1.5	First	12.0%	Refinancing
Sep-13	Metro Mining Limited	9.4	Australia	Exp	T	1.0	2.0	First	10.0%	Project acquisition
Apr-13	Coalspur Mines Limited	253.7	Canada	Prod	T	30.0	8.0	Second	10.5%	Refinancing
Mar-13	TerraCom Limited	258.1	Australia	Prod	T, CC	39.4	1.5	First	12.0%	Refinancing
Dec-12	Cuesta Coal Limited	26.8	Australia	Exp	T	10.0	1.5	First	9.3%	Project acquisition
Oct-12	Firestone Energy Limited	24.9	South Africa	Dev	T	40.7	4.0	First	8.0%	Refinancing
Jun-12	Attila Resources Limited	10.0	Australia	Exp/Dev	CC	13.0	3.0	First	12.0%	Refinancing
<b>Average</b>		<b>80.9</b>				<b>18.3</b>	<b>2.8</b>		<b>10.7%</b>	
<b>Median</b>		<b>25.9</b>				<b>11.5</b>	<b>1.8</b>		<b>11.3%</b>	
<b>Unsecured convertible notes</b>										
May-14	Celsius Coal Limited	12.1	Kyrgyzstan	Prod	T, CC	5.0	10.0	No	12.5%	Exploration
Dec-13	South East Asia Resources Limited	5.6	Indonesia	Exp/Dev	T, CC	1.3	1.2	No	13.0%	Exploration
Aug-13	ZYL Limited <sup>1</sup>	5.4	South Africa	Exp/Dev	CC	1.0	1.0	No	15.0%	Project development
Jun-13	Ascot Resources Limited	2.0	Colombia	Dev	CC	0.5	2.0	No	14.0%	Project development
Feb-11	Continental Coal Ltd <sup>2</sup>	210.0	Canada	Prod	T	10.0	3.0	No	10.0%	Working Capital
<b>Average</b>		<b>47.0</b>				<b>3.6</b>	<b>3.4</b>		<b>12.9%</b>	
<b>Median</b>		<b>5.6</b>				<b>1.3</b>	<b>2.0</b>		<b>13.0%</b>	

Source: ASX announcements and GTCF calculations



Taking into account all of the above a reasonable range for a cost of equity for the project would be 18% to 19%. The Adjusted IRRs of 23.43% for the New Tabang Haul Road and 26.2% for the New Senyur Port are both above this range. Whilst the adjusted IRRs are expected to be above the cost of equity<sup>23</sup>, there are no capital budgeting guidelines as to how much higher it ought to be before it can be deemed to be not fair to the non-Associate KRL Shareholders. Obviously, the greater the difference, the more lucrative the project is to BR and hence less lucrative to KRL.

If, at the extreme, it is assumed that any IRR over and above the assumed cost of equity between 18% and 19% is excessive, then the net present value of the New Senyur Port and the New Tabang Haul Road at those costs of equity would represent the overpayment received by BR which is calculated in the range of US\$5.7 million and \$7 million.

However, we note that KRL will receive a premium in relation to the sale of the SAU Assets of circa \$6.5 million.

Accordingly, we have concluded that on balance the sale of the SAU Assets and the entering into the Access Agreement are fair for the Non-Associated Shareholders as outlined in the table below.

Adjusted IRR Analysis		
Discount rate	18%	19%
Net present value - New Senyur Port (US\$000)	17,540	14,426
Net present value - New Tabang Haul Road (US\$000)	5,865	4,492
Total Excess (US\$000)	23,405	18,918
KRL's 30% share (US\$000)	7,021	5,675
Premium from Purchase Consideration of sale of SAU Assets (US\$000)	6,478	6,478
Remaining premium/(deficiency) (US\$000)	(543)	803

Source: Grant Thornton Corporate Finance analysis

## 6.2 Process and procedures undertaken in the negotiation of the Access Agreement

In assessing the merits of the Access Agreement we have also considered the likelihood of whether the key contract terms would result in a market competitive and arm's length price being negotiated. In this regard we note the terms of the Access Agreement are consistent with the terms which would likely be negotiated between parties acting at arm's length. This is in turn based on the process that the parties have followed in settling the Access Agreement and the safeguards put in place. The process and safeguards include:

- Each party negotiated the terms of the Access Agreement via their own teams of lawyers and advisers over a number of months.
- The formation of a management committee (the "Management Committee") to provide recommendations with respect to the construction, development and operation of the New Tabang Haul Road and the upgrade, expansion and operation of the New Senyur Port. The Management Committee is comprised of three members appointed by BR and two members

<sup>23</sup> A rational investor would only proceed with the project where the IRR exceeded the expected rate of return of the project which in this case is the cost of equity.

appointed by KRL. Whilst most decisions will be passed on the basis of simple majority voting, certain decisions such as adjustments to the Service Users' Allocation and adjustments to the fee payable by KRL for the use of the New Tabang Haul Road and the New Senyur Port can only be decided by a unanimous vote.

In addition to the above, other relevant features to note about the Access Agreement which provide support for it being commercially reasonable are:

- The Access Agreement sets out the Access Charges which whilst may be capable of being changed do provide an indication of the likely end charge.
- The Access Charges have been set with the intent of BR recovering their capital expenditure over a period of 12 years.
- The take or pay penalty provides that if the KRL Subsidiaries do not use their Committed Tonnage Allocation they can come to an agreement with the Management Committee to reduce it. In the worst case scenario, the penalty will be the amount of the agreed shortfall x 60% of the average rate of the port charges, which is only a proportion of the Access Charges. We also observe that initially the take or pay provisions are benign to KRL, i.e. it does not bear any risk in the delay of the start-up phase of developing its assets to meet its take or pay obligation because it can initially flag a zero requirement. However, once development begins and KRL flag positive throughput requirements it becomes exposed to the take or pay provisions to the extent that it does not accurately forecast<sup>24</sup> or fails to reach an agreement with the Management Committee for a variation.
- If KRL require more than their Service Users' Allocation, the parties will use reasonable endeavours to secure additional capacity if it exists.

In addition, Management have provided us with information that was considered by KRL's Board in support of the reasonableness of the Access Charge. For confidentiality and commercial sensitivity reasons, this information is not disclosed in our report. This information included a comparison of the Access Charges to rates from a variety of sources including historic feasibility studies by third parties and other historic commercial arrangements known to Management. Whilst there are limitations in comparability between the infrastructure to which the Access Charges relate to and the projects referred to, it provides evidence of another form of due diligence undertaken by KRL.

Given the above, in our opinion the Access Agreement can be considered as reflective of arm's length arrangements.

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<sup>24</sup> Within a tolerable error of 15%

## **7 Sources of information, disclaimer and consents**

### **7.1 Sources of information**

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of Meeting and Explanatory Memorandum
- Annual reports and half-year financial reports of KRL
- Releases and announcements by KRL on the ASX
- IBISWorld Industry Report
- Other information provided KRL
- BR IRR analysis
- Capital IQ
- Consensus Economics Forecast
- Various broker reports and independent expert reports
- Other publicly available information
- Discussions with KRL Management and other relevant documentation

### **7.2 Qualifications and independence**

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous proposed takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to KRL and all other parties involved in the SAU Transaction with reference to the ASIC Regulatory Guide 112 “Independence of experts” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to KRL, its shareholders and all other parties involved in the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the SAU Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

### **7.3 Limitations and reliance on information**

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by KRL and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by KRL through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of KRL.

This report has been prepared to assist the Independent Directors in advising the Non-Associated Shareholders in relation to the SAU Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the SAU Transaction is fair and reasonable of the Non-Associated Shareholders.

KRL has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by KRL, which KRL knew or should have known to be false and/or reliance on information, which was material information KRL had in its possession and which KRL knew or should have known to be material and which KRL did not provide to Grant Thornton Corporate Finance. KRL will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

### **7.4 Consents**

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting to be sent to KRL Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.



Grant Thornton Corporate Finance has engaged both MPR and Valquip in relation to the fair market value of the SAU Assets. Both MPR and Valquip have given their consent to being referred to in this report in the context and form in which they are referenced.

## Appendix A – Glossary

A\$ or \$	Australian dollar
Access Agreement	Agreement between KRL Subsidiaries, BR and PITP dated 23 December to allow KRL continued access to and use of the required infrastructure assets held by BR
Access Changes	Fee payable by KRL Subsidiaries for the use of the New Tabang Haul Road and the New Senyur Port
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AU	PT Apira Utama
BR	PT Bayan Resources Limited inc PTIP and/or other subsidiaries as required
BS	PT Bara Sejati
CA	PT Cahaya Alam
Coal Industry	Coal industry in Indonesia
Committed Tonnage Allocations	Anticipated allocation to be used by KRL Subsidiaries
Company	Kangaroo Resources Limited
Corporations Act	the Corporations Act, 2001
DCF	Discounted cash flow
DE	PT Dermaga Energi
Definitive Agreements	Framework with detail concerning each of the activities to be set out in various other agreements
FSG	Financial Services Guide
FYXX or FY20XX	Financial year ended 31 December 20XX
GDP	Gross Domestic Product
GPK	Graha Panca Karsa
Grant Thornton Corporate Finance or GTCF	Grant Thornton Corporate Finance Pty Ltd
HCC	Hard Coking Coal
HYXX	Half financial year ended 30 June 20XX
IBU	PT Ilthabi Bara Utama
Independent Directors	Directors of KRL not associated with BR
JORC/JORC Code	The JORC (the "Joint Ore Reserves Committee") Code is a standard used for the public disclosure of Mineral Resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore.
KRL	Kangaroo Resources Limited
KRL Management	Management of KRL
KRL Shares	Fully paid ordinary share in KRL
KRL Subsidiaries	PT Silau Kencana, PT Dermaga Energi, PT Sumber Api, PT Orkida Makmur, PT Tanur Jaya
Management Committee	Committee put in place as a safeguard following the settlement of the Access Agreement
MPR	KJPP Martokoesoemo, Prasetyo & Rekan
MPR Report	Independent Valuation Report
Mt	Million metric tonnes
New Senyur Port	The new port for which the funding required to construct, develop and operate is the sole responsibility of BR.

New Tabang Haul Road	The new road for which the funding required to construct, develop and operate is the sole responsibility of BR.
Non-Associated Shareholders	Shareholders of KRL not associated with BR
OM	PT Orkida Makmur
pa	per annum
Pakar 4	Four coal tenements that were to be transferred by BR to KRL
PCI	Pulverized Coal Injection
Phases 1 – 3	3-stage timetable for construction and development of the New Senyur Port and the New Tabang Haul Road
Port Charges	Fee for the use of the New Senyur Port
PTIP	PT Indonesia Pratama
Purchase Consideration	Offer of US\$12 from BR to buy SAU Assets
Regulation No. 24	Regulation No. 24 of 2012 and the Amendment to Government Regulation No. 23 of 2010, relating to the Mineral and Coal Mining Business Activity
Reserves	Total JORC defined mineral reserves
Resources	Total JORC defined mineral resources
RG 111	Regulatory Guide 111 "Content of expert reports"
RG 112	ASIC Regulatory Guide 112 "Independence of Expert's Reports"
RG 76	Regulatory Guide 76 "Related party Transactions"
Road Charges	Fee for use of the New Tabang Haul Road
SA	PT Sumber Api
SAU	PT Sumber Aset Utama
SAU Assets	the SAU's assets to be acquired by BR subject to the SAU Sale and Purchase Agreement
SAU Transaction	The sale of the SAU Assets and the entering into the Access Agreement
SK	PT Silau Kencana
Strategic Agreement	Agreement between KRL and BR dated 23 December 2015 setting out the framework for the operation of their respective coal projects
Substantial Asset	An asset where its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX
TA	PT Tiwa Abadi
Take or Pay Penalties	Variations to the Committed Tonnage Allocations by more than 15%
The Operator	The third party operator of the New Tabang Haul Road and New Senyur Port
TJ	PT Tanur Jaya
tpa	Metric tonnes per annum
VWAP	Value Weighted Average Price
WACC	Weighted Average Cost of Capital

## Appendix B – Required rate of return on equity capital

The Capital Asset Pricing Model (“CAPM”) assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and specific risk. Systematic risk is the variability in an investment’s expected return that relates to general movements in capital markets (such as the share market) while specific risk is the variability that relates to matters that are specific to the investment being valued.

The CAPM assumes that specific risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Accordingly, investors will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company’s returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment’s equity beta. The equity beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment’s relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the non-diversifiable risk of an investment, the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic and firm specific risk, which is measured by multiplying the total beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity ( $R_e$ ) is estimated as follows:

$$R_e = R_f + \beta_t (R_m - R_f)$$

Where:

$R_f$  = risk free rate

$B_t$  = expected total beta of the investment

$(R_m - R_f)$  = market risk premium

### ***Risk free rate***

In the absence of an official risk free rate, the yield on the Government Bonds (in an appropriate jurisdiction) is commonly used as a proxy. We have considered a US government bond rate and applied a country specific risk premium (see “Specific Risk Premium” section below) recognising that the cash flow forecasts are determined in US dollars. Specifically, we have observed the yield on a long term bond for various periods as at 23 February 2016 as set out in the table below:



United States Treasury Constant Maturity - 10 Year				
as at	23 February 2016	Range		Daily average
Previous 5 trading days	1.74%	-	1.81%	1.77%
Previous 10 trading days	1.63%	-	1.86%	1.75%
Previous 20 trading days	1.63%	-	2.07%	1.86%
Previous 30 trading days	1.63%	-	2.36%	2.11%
Previous 60 trading days	1.63%	-	2.36%	2.12%
Previous 1 year trading	1.63%	-	2.50%	2.15%
Previous 2 years trading	1.63%	-	2.82%	2.28%
Previous 3 years trading	1.63%	-	3.04%	2.34%
Previous 5 years trading	1.43%	-	3.59%	2.28%
Previous 10 years trading	1.43%	-	5.94%	3.32%

Source: Capital IQ and GT calculations

Given the noises nature around the existing short-term risk free rate, we have placed more emphasis on the risk free rate observed over a longer period of time. Based on the above, we have adopted the risk free rate of 2.3%, which is based on the 5 year average yield.

### ***Market risk premium***

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

Empirical studies of the historical risk premium in the US over periods of up to 100 years suggest the premium is between 4% and 8%. For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a market risk premium of 5.8%.

### ***Specific risk premium***

We have adjusted the discount rate for a specific risk premium of 5%. This premium mostly accommodates a country risk premium for Indonesia reflecting the increased sovereign risk associated with operating in Indonesia.

### ***Beta***

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of this Report, we have had regard to the observed betas (equity betas) of comparable companies operating in the coal mining industry in Indonesia. Summarised below are the equity betas of the comparable companies based on five year monthly observations.

Company Beta analysis	Country	Market Cap \$/million	Stage of development	Equity Beta <sup>1</sup>	Local indices		MSCI Global Index		
					Ungeared Beta	Regeared Beta	Equity Beta <sup>1</sup>	Ungeared Beta	Regeared Beta
Kangaroo Resources Limited	Australia	17.2	Exploration	0.64	0.37	0.49	NM	NM	NA
<b>Tier 1 - Australian coal mining companies with Indonesian tenements</b>									
Adavale Resources Limited	Australia	0.3	Exploration	0.80	0.53	0.69	NM	NM	NA
APAC Coal Limited	Australia	0.2	Exploration	2.69	2.69	3.50	1.94	1.94	2.52
Aus Asia Minerals Limited	Australia	0.8	Exploration	NM	NA	NA	NM	NM	NA
Pan Asia Corporation Limited	Australia	1.5	Exploration	1.34	0.71	0.93	1.71	0.91	1.18
Perpetual Resources Limited	Australia	NM	Exploration	NM	NA	NA	NM	NM	NA
<b>Tier 2 - Indonesian coal mining companies with Indonesian tenements</b>									
BlackGold Natural Resources Limited	Indonesia	38.8	Exploration	0.84	0.84	1.10	0.84	0.84	1.10
Golden Energy and Resources Limited	Indonesia	358.9	Production	0.27	0.27	0.35	NM	NM	NA
PT ABM Investama Tbk	Indonesia	768.3	Production	0.30	0.20	0.25	0.03	0.02	0.03
PT Adaro Energy Tbk	Indonesia	1,967.0	Production	0.70	0.52	0.68	1.03	0.77	1.00
PT Bayan Resources Tbk	Indonesia	2,738.9	Production	0.08	0.07	0.09	0.27	0.24	0.31
PT Bukit Asam (Persero) Tbk	Indonesia	1,161.2	Production	0.97	0.97	1.26	0.96	0.96	1.24
PT Eksplorasi Energi Indonesia Tbk	Indonesia	46.3	Production	1.14	0.70	0.91	0.71	0.44	0.57
PT Harum Energy Tbk	Indonesia	184.4	Production	0.72	0.72	0.94	0.99	0.99	1.28
PT Indo Tambangraya Megah Tbk	Indonesia	677.4	Production	0.55	0.55	0.71	0.62	0.62	0.80
PT Renuka Coalindo Tbk	Indonesia	56.0	Production	1.31	1.31	1.70	0.84	0.84	1.09
PT Resource Alam Indonesia Tbk	Indonesia	40.8	Production	1.21	1.21	1.57	1.39	1.39	1.81
PT. Golden Eagle Energy Tbk	Indonesia	21.5	Exploration	0.31	0.26	0.34	1.04	0.89	1.16
<b>Average<sup>2</sup></b>				<b>1.02</b>	<b>0.90</b>	<b>1.16</b>	<b>1.17</b>	<b>1.03</b>	<b>1.34</b>
<b>Median<sup>2</sup></b>				<b>0.80</b>	<b>0.71</b>	<b>0.93</b>	<b>1.03</b>	<b>0.91</b>	<b>1.18</b>

Note (1): Equity betas are calculated using data provided by Capital IQ. The betas are based on a five-year period with daily observations and have been de-gearing based on the historical gearing ratios of comparable companies.

Note (2): Average and median metrics are calculated excluding "unreliable" betas (of companies that have been traded for materially less than 5 years, unsustainable level of gearing and/or have an R-square that is less than 10%). Unreliable estimates appear in light shaded text

Grant Thornton has observed the betas of the comparable companies by reference to local and MSCI global indices of the comparable company.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparables, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise, and adjust for inclusion of firm specific risk to calculate total beta:

$$\beta_t = \beta_a \left[ 1 + \frac{D}{E} \times (1 - t) \right] \times R$$

Where:

$\beta_t$  = total beta

$\beta_a$  = Asset beta

t = corporate tax rate

R = correlation with market

The betas are de-gearing using the average gearing<sup>25</sup> level over the period in which the betas were observed and then re-gearing using a gearing ratio of 30% debt and 70% equity based on the average historical gearing ratios of the abovementioned comparable companies.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured total betas of the listed comparable companies provide useful benchmarks, the selection of a total equity beta requires a level of judgement. Given recent volatility in the market, we have for the purposes of this valuation, selected a total beta range of between 1.80 and 2.0 to calculate the required rate of return on equity capital for BR.

### Discount rate summary

The assumptions described above can be summarised as follows:

Cost of equity	Low	High
<b>Cost of equity</b>		
Risk free rate	2.3%	2.3%
Beta	1.8	2.0
Market risk premium	5.8%	5.8%
Specific risk premium	5.0%	5.0%
<b>Cost of equity</b>	<b>17.6%</b>	<b>18.8%</b>

<sup>25</sup> Gearing ratio represents Net debt/Market capitalisation

**Appendix C – MPR Report**

**MARTOKOESOEMO, PRASETYO & REKAN**  
**CERTIFIED PROPERTY & BUSINESS APPRAISERS**

Ijin Usaha KJPP No : 2.09.0070

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**APP-P/KJPP-MPR/2016/I/21/001-ENG**

**APPRAISAL REPORT**

**KANGAROO RESOURCES LIMITED**  
**(PT SUMBER ASSET UTAMA)**

Located at :

Senyur Village, Muara Ancalong Sub District, Kutai Timur District  
East Kalimantan Province

January 21, 2016

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# MARTOKOESOEMO, PRASETYO & REKAN

## CERTIFIED PROPERTY & BUSINESS APPRAISERS

Ijin Usaha KJPP No : 2.09.0070

Wilayah Kerja : Seluruh Indonesia

Jakarta, January 21, 2016

To,  
**KANGAROO RESOURCES LIMITED**  
Senyur Village, Muara Ancalong, Kutai  
East Kalimantan - Indonesia

No. : APP-P/KJPP-MPR/2016/II/21/001-ENG

Re : Appraisal Report

Dear Sir,

Upon request from **GRANT THORNTON CORPORATE FINANCE Pty Ltd** ("Grant Thornton") and **KANGAROO RESOURCES LIMITED** ("KRL"), followed by engagement Letter No. EL-P/KJPP-MPR/2015/IV/15/001, dated on April 15, 2015 from the Kantor Jasa Penilai Publik Martokoiesoemo, Prasetyo & Rekan ("KJPP MPR"), and engagement letter from Grant Thornton dated April 16, 2015, hereinafter referred to as "We" as an independent party based on the license of the Ministry of Finance of the Republic of Indonesia No. 837/KM.1/2008 dated on December 10, 2008 and the Registration Letters Bapepam-LK No. P-01.09.00146, have been appointed by **GRANT THORNTON CORPORATE FINANCE Pty Ltd** and **KANGAROO RESOURCES LIMITED** ("the Company"), coal mining industry to do valuation or appraisal of assets / property owned by **PT SUMBER ASSET UTAMA ("SAU")** which assets are non reserves coal mine consist of land, buildings and other land improvements (port facilities), machineries, located in Senyur Village, Muara Ancalong Sub District, Kutai Timur District, East Kalimantan Province, Indonesia.

This report is an independent expert report which is prepared for the benefit of **Grant Thornton Corporate Finance Pty Ltd** relating to the purposes stated in their engagement letter. This report will be annexed to the Independent Expert Report prepared by **Grant Thornton**.

KJPP MPR consents to the inclusion of statements based on statements made by it in Grant Thornton Corporate Finance's Independent Expert's Report dated January 21, 2016 (or as may be subsequently redated) regarding Kangaroo Resources Ltd in the form and context in which they are included.

### IDENTITY OF ASSIGNMENT

In this appraisal we have been appointed as a specialist or the independent appraiser :

Assignment by : **KANGAROO RESOURCES LIMITED** and  
**GRANT THORNTON CORPORATE FINANCE Pty Ltd**

Assets Location : Senyur Village, Muara Ancalong Sub District  
Kutai Timur District  
East Kalimantan Province – Indonesia



This assignment includes the appraisal of property/assets consist of land, building and other land improvements, machineries, owned by **PT SUMBER ASSET UTAMA** (the "SAU Assets").

## **APPRAISAL OBJECTS**

Appraisal is done in order to obtain the market value of the SAU Assets consisting of land, building and other land improvements, machineries, located in Senyur Village, Muara Ancalong Sub District, Kutai Timur District, East Kalimantan Province, Indonesia.

## **DATE OF INSPECTION**

Based on work orders we received, we have conducted an inspection to object location **April 20 - 25, 2015** which consist of land, building and other land improvements, machineries. Regarding to the possibility of change in the market conditions and the condition of the property, the appraisal report only represent the opinions of market value on the date of valuation.

## **DATE OF APPRAISAL (CUT OFF DATE)**

The appraisal date or cut off date used in the appraisal of **PT SUMBER ASSET UTAMA** property as per **April 23, 2015**.

## **PURPOSE AND OBJECTIVE APPRAISAL**

The purpose of this appraisal report is to obtain an independent opinion on the estimated market value and /or net realisable value of the object appraisal on the effective date of the appraisal. This appraisal will be used by **Grant Thornton** for the purpose of their Independent Expert Report in relation to the disposal of the SAU Assets to **PT Bayan Resources Limited**.

## **SCOPE AND APPRAISAL PROCESS**

According to letter of assignment as an Independent Appraiser, an appropriate appraisal scope and process include as follows :

- Getting an understanding of the market conditions;
- Analyzing the basic assumptions used;
- Determining the appropriate appraisal methodology based on the characteristics of the property;
- Compiling a property valuation report.

The appraisal process stated in our letter of assignment as an Independent Assessor are as follows :

**1. Problem Identification**

To find out more about asset types, characteristics, quantity and level of difficulty.

**2. Preparation and Collection of Data / Documents**

To support the implementation of the appraisal, the Consultant requires data - data, information, documents a copy of land certificate and other relevant data.

**3. Field Inspection and Data Collection**

To conduct on site visit inspections for observation which are as follow :

- Physical Condition Asset
- Technical Specifications
- Environmental Conditions and Potential Use

The data collection includes as follows :

- Local market data on the types of assets being valued
- Conduct verification on local authorities

**4. Data Analysis**

The process of analysis performed to determine the final conclusions asset value has been determined by the method.

**5. Determining of Value and Reporting**

**APPRAISAL STANDARD**

We refer to Indonesian Valuation Standard (Standar Penilaian Indonesia/SPI), Code of Ethics Indonesian Appraisers Society (Kode Etik Penilai Indonesia/KEPI), and Australian Property Institutes Technical Standards through the valuation process. In accordance with the Indonesia Valuation Standard 2013, the definition of Market Value is :

**Market Value** is the estimated amount of money on the date of valuation (*Cut Off Date*), which could be obtained from the sale or exchange of an asset, the buyer is interested in buying, the seller is interested in selling, in an arms length transaction, the marketing is feasibly done, where both parties each acting on the basis of its understanding, prudence and without coercion (SPI 101. 3.1).

**Net Realisable Value** is the estimated selling price of an asset in a business, less disposal cost and other settlement costs. Therefore, Net Realisable Value is market value less disposal cost and other settlement cost (SPI 102.3.12).



## APPRAISAL METHODOLOGY

In conducting this appraisal, we used two approaches of appraisal which are as follows :

### a. Market Approach

Market Approach used by Market Data Adjustment Method to find the value of property / assets by comparing the sales or offering some data of the property / assets which are located nearby the property / assets being valued or in the same potential area. Adjustments are made for any differences between the property / assets valued and another comparable datas.

Market Data Adjustment method or direct comparison method used when the common market are physically easy to obtain data for property/asset in regard to the type, brand, year of acquisition with similar and typical of the assets that we value.

### b. Cost Approach

Cost Approach used by Cost Calculations Method to find the value of property / assets by estimating the amount of money spent to reproduce / replace the new one. It then would be less of the physical damage and all forms of obsolescences to obtain Market Value.

The cost approach is used for the property which is not have similar characteristic with an object, i.e., type, size, brand, year of production in market.

The property deterioration and obsolescence are as follows :

- **Physical Deterioration**

The reduced value due to the quality of materials and resulting from the use, like weathered, broken, cracked hardened or damage to the structure. Considerations adjusted to the age and physical condition exists.

- **Functional Obsolescence**

Loss of value due to poor planning, imbalances relating to the size, shape, age and others.

- **Economic Obsolescence**

Value losses caused by external factors such as changes in the social property, changes in government regulations, regulatory restrictions, the designation and others.

## **ASSUMPTION**

The assumptions we used for this appraisal are :

1. No significant changes in government regulations;
2. For the appraisal of land, we use the Market Data Approach;
3. For the appraisal of buildings and machines, we use the cost method, because there is no typical market data and comparable items;
4. Building would be valued considering that this year it would be demolished.
5. Machineries would be valued as an integrity part within a system.
6. Considering type of Machineries and Equipments which relates to the Coal Stone Crusher are not operational, so that it would normally be valued at Net Realisable Value.

## **STATEMENT OF INDEPENDENCE AND NO CONFLICT OF INTEREST**

Based on our knowledge of assignment assessment, we hereby state that :

- All our opinion expressed in this report, both the analysis, conclusion or opinion is correct;
- The results of the analysis, conclusions and our opinion expressed in this report are limited to contingencies, limitations and assumptions which are thoroughly understanding, based on professional analysis as well as our opinions and conclusions;
- At present and in the future, we do not have any personal interest towards the Company or assets being valued; also the parties involved and or related thereto;
- Value of appraisal of compensation for the assignment does not affect the results of the appraisal carried out;
- We do this assignment independently without intervention from any party;
- We acknowledge that we have provided previous valuation services to SAU (owned by KRL) in relation to the these same assets on the date valuation 31 October 2013, but this does not impair our independence or create a conflict of interest.

## **SUBSEQUENT EVENT**

Based on the company's management information it would not such contained significant events after the date of valuation (cut off date). The values that we have established as at our appraisal date would not be materially different to values as at the date of issuance of our report.



## CONCLUSION

After conducting field inspections to the property's location, collecting data relating to the property, analyzing all the data and information we have received, comparing and adjusting for all relevant factors that might affect valuation, so that we conclude in our opinion the market value of the SAU assets which consist of land, building and other land improvement and machineries located in Senyur Village, Muara Ancalong Sub District, Kutai Timur District, Province of East Kalimantan Province, Indonesia owned by **PT SUMBER ASSET UTAMA** on the date of valuation as of **April 23, 2015** is as follows :

**Total Market Value of assets excluding Machinery and Equipment relating to the Coal Stone Crusher:**

**IDR 56,067,000,000**  
**( FIFTY SIX BILLION SIXTY SEVEN MILLION RUPIAH )**

**Total Net Realisable Value of Machinery and Equipment relating to the Coal Stone Crusher :**

**IDR 19,573,000,000\*)**  
**(NINETEEN BILLION FIVE HUNDRED SEVEN THREE MILLION RUPIAH )**

*\*) Net Realisable Value for assets Machinery Coal Stone Crusher only*

The market value of the Object of Appraisal determined based on the data and information we obtained from the Management and other parties related to the appraisal. We assume that all the information is correct, and there are no any circumstances or things which are not revealed indications that will materially affect market value.

We did not do the investigation and it was not our responsibility for problems related to the legal status of ownership, debt obligations and / or disputes over object appraisal. We emphasize also that we did not receive any benefit or advantage both now and in the future, and our fee agreed upon appraisal object did not depend on the values reported.

Yours faithfully,  
**KANTOR JASA PENILAI PUBLIK**  
**MARTOKOESOEMO, PRASETYO & REKAN**

  
**Martokoiesoemo, Prasetyo & Rekan**

**Azrowini, M.Ec.Dev., MAPPI (Cert)**

**Partner**

**No. STTD : 27/PM/STTD-P/A/2006**

**Valuer License : P-1.09.0146**

**Valuer Classification : Property**



## SUMMARY

NO	DESCRIPTION	AREA (Sq.m)	MARKET VALUE	NET REALISABLE VALUE
1	Land	423,800	Rp 2,441,000,000	Rp -
2	Building		Rp 386,000,000	Rp
3	Other Land Improvements		Rp 50,660,200,000	Rp
	<b>Sub Total</b>		<b>Rp 53,487,200,000</b>	<b>Rp</b>
	<b>Machineries and Equipment</b>			
4	Coal Stone Crusher *)		Rp -	Rp 19,572,980,000
5	Barge Loading Conveyor		Rp 2,580,100,000	Rp -
<b>TOTAL</b>			<b>Rp 56,067,300,000</b>	<b>Rp 19,572,980,000</b>
<b>ROUNDED</b>			<b>Rp 56,067,000,000</b>	<b>Rp 19,573,000,000</b>

**Notes :**

- BI exchange rate per cut off valuation date on April 23, 2015 is Rp 12,939/USD;
- Other land improvements comprise of bridge (Km. 3, block 2); bridge (Senyur port); hauling road (Km. 0-Km 3); Jetty and Catwalk; stockpile; public facility.

\*) Coal Stone Crusher is not operational, so that have separately valued as Net Realisable Value rather than Market Value.

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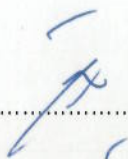




# 1 STATEMENT OF APPRAISERS

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As an appraiser, we herein undersign with our beliefs and limitation having stated that :

1. Assignment of professional appraisal has been carried out on appraisal object at the date of valuation.
2. Analysis was objectively carried out as stated in the Property Appraisal Report.
3. Analysis and conclusions are limited by assumptions and conditions.
4. Appraisers have fulfilled the prescribed professional education requirements and / or organized by the Valuer Association recognized by government.
5. Appraisers have an understanding of the location and / or type of property being valued.
6. Appraisers have done the property inspection.
7. Assignment of professional appraisal has been carried out in accordance with the regulation.
8. Scope of work and analyzed data have been disclosed.
9. All data and information disclosed in the report could be accounted for.
10. The amount of appraisal fee do not depend on the appraisal results.
11. No one, except those mentioned in the Appraisal Report, has been providing professional assistance in preparing the Appraisal Report.
12. Estimated value generated in the professional appraisal assignment has been presented as an opinion of value conclusion.
13. We do not have any interest and benefit of the appraisal results.
14. This valuation report has been prepared in accordance with the Indonesian Valuation Standard, Indonesian Valuer Society Code of Conduct, Australian Technical Standard, and Australian Securities and Investment Commission regulatory.
15. Appraisal Report has been prepared based on the principle of integrity of information and data provided by company's management. We assume that it was correct, reliable, and not misleading. We did not check for a detail explanation and the data, both oral and written, and thus we could not guarantee for responsibility of the correctness and completeness of the information/data.
16. We assume that there is no material things affect the assumptions used in the valuation report since the date of Appraisal Report. The report was only prepared to be used in accordance with the purpose stated, and should not be used for any other purpose.
17. We acknowledge that we have provided previous valuation services to SAU (owned by KRL) in relation to these same assets but this does not impair our independence or create a conflict of interest. Our independence in accordance with ASIC reg 111 and 112.

No	APPRAISER	QUALIFICATION AND SKILLS	SIGNATURE
1.	Azrowini, M. Ec. Dev., MAPPI Cert <b>Partner</b> No. STTD : 27/PM/STTD-P/A/2006 Valuer License : P-1.09.00146	Property Appraiser	
2.	Uji Prasetyo, SP, MAPPI Cert <b>Reviewer</b> No. STTD : 04/BL/STTD-P/A/2006 Valuer License : P-1.08.00037	Property Appraiser	
3.	Aswar Hadi <b>Technical Team of Land &amp; Building</b> MAPPI : 12-P-03396		
4.	Fabian H. Sandy <b>Technical Team of Machinery</b> MAPPI : 10-A-02719		

To meet Australian Standard this valuation report has been reviewed by :

1. Ross Henderson  
**Managing Director of Valquip Consulting**

## 2

## ASSUMPTIONS AND LIMITATION OF TERMS

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1. The Property Appraisal Report is Non - disclaimer opinions.
2. Appraisers has conducted a review of the document used in the appraisal process.
3. Data and information obtained or derived from validated by the Association of Appraisers.
4. Property Appraiser is responsible for the appraisal and the final value conclusion.
5. Property Appraiser has conducted a review of the legal status of the object of appraisal.
6. We do not have a personal interest or inclination to take sides, on the subject of this report or the parties involved.
7. Value stated in Rupiahs (BI exchange rate IDR 12.939/USD)
8. Compensation we received from the appraisal assignment was not associated with reported values based on the results of the appraisal or predetermined.
9. If no agreement is agreed upon in advance, we are not required to give testimony to the courts or other government entities with respect to the subject property.
10. This assignment is done for the benefit of Grant Thornton Corporate Finance Pty Ltd to prepare an independence Expert Report relating to the purposes mentioned. Reports given not for publication outside of intended purposes, in whole or partially to another party without express written consent of the parties concerned (KJPP MPR)



# 3

## DESCRIPTION OF APPRAISALS APPROACHES

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### MARKET DATA APPROACH

Market Data Approach used through Market Adjustment Method to find the value of property / assets by comparing the sales or offering some data of the property / assets which are located nearby the property / assets being valued or in the same potential area. Adjustments are made for any differences between the property / assets valued and another comparable datas. Some adjustment factors considered such as typical land area, land use, acces/facility, topography, right of land title, time, etc. Market data method commonly used when the market are easily available (eg: land) to obtain similar data as the typical objects of an assets being valued regarding the type, brand and year manufacturing of machine.

### COST APPROACH

Cost Approach used through Cost per meter square calculations as a method to find the value of property / assets buildings by estimating the amount of money spent to reproduce / replace the new one. It then would be less of the physical damage and all forms of obsolescences to obtain Market Value. This method used whether there wasno similar assets in market compared to an assets being valued. Similarly approach used to valuate machineries and equipment through cost calculation method, because there is no market for the similar data type, specifications, and functions / typical with machineries being valued.

The property deterioration and obsolescence areas follows :

- **Physical Deterioration**  
The reduced value due to the quality of materials and resulting from the use, ie like weathered, broken, cracked hardened or damage to the structure. Considerations adjusted to the age and physical condition exists.
- **Functional Obsolescence**  
Loss of value due to poor planning, imbalances relating to the size, shape, age and others.
- **Economic Obsolescence**  
Value losses caused by external factors such as changes in the social property, changes in government regulations, regulatory restrictions, the designation and others.

## MARKETVALUE

Market Value is the estimated amount of money on the Date of Valuation (*Cut Off Date*), which can be obtained from the sale and purchase or exchange an object of appraisal results, the buyer is interested in buying and sellers who intend to sell, in an arms-length of transaction, the marketing is feasibly done, in which both parties each acting on the basis of its understanding, prudence, and without coercion.

Considering type of machineries and equipments which relates to the Coal Stone Crusher are not operational, so that it would normally be valued at Net Realisable Value.

## NET REALISABLE VALUE

Net realisable value is the estimated selling price of an asset in a business, less disposal cost and other settlement costs. Therefore, net realisable value is market value less disposal cost and other settlement cost (SPI 102.3.12).

## 4 ECONOMIC OVERVIEW

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### 4.1. GENERAL

Meeting of the Board of Governors (RDG) of Bank Indonesia on 14 April 2015 decided to keep the BI Rate at 7.50%, with interest rates of 5.50% and Deposit Facility Lending Facility at the level of 8.00%. The decision was in line with efforts to achieve the inflation target  $4 \pm 1\%$  in 2015 and 2016, as well as directing delisit current account to a more healthy level in the range of 2.5-3% of GDP in the medium term. Bank Indonesia will continue to be aware of external and domestic risks and consistently reinforce the mix of monetary and macro-prudential policies, including strengthening the measures stabilization of the rupiah, in order to maintain macroeconomic stability and financial system. Besides, coordination with the Government also continues to be strengthened in controlling inflation and the current account deficit and accelerate structural reforms. In this regard, Bank Indonesia to support the measures the Government strengthen macroeconomic stability by continuing structural reforms, including a variety of steps to improve the current account and the acceleration of infrastructure projects needed in fostering sustainable growth.

The global economic recovery continues to be slow, in line with improvements in the US economy which became the backbone of global economic growth is not as strong as previously thought. The development of the US economy is partly influenced by the negative impact of the strengthening US dollar against the demand for its exports. In line with the Fed revised down US macroeconomic projections and indicated a possible increase in the Fed Funds rate is smaller and the start time is slower than initial estimates. By contrast, the European economy is expected to improve reflected in indicators of consumption and production. Results of the last FOMC and asset purchases by the ECB has pushed the decline in yield and improvement of portfolio investment flows in Emerging Markets, including Indonesia. In Asia, Japan's economy is expected to experience a moderate improvement while the Chinese economy is in a slowing trend due to declining investment. Global commodity prices remain at a low level, although oil prices rose slightly associated with geopolitical developments in the Middle East.

On the domestic side, Indonesia's economic growth in the first quarter is expected to moderate in 2015 and began to increase again in the second quarter of 2015, consumption is expected to remain strong in the first quarter of 2015, while exports and investments indicate a slowing trend is still quite strong consumption driven primarily private consumption due controlled inflation. Meanwhile, government spending is expected to be a growth stimulus is expected to grow limited according to the pattern of realization in the beginning of the year and will increase starting the second quarter of 2015 and beyond. On the other hand, exports are expected to still contracted, although it started to improve, in line with weak commodity prices and slowing global demand, particularly for manufactured products. Investment growth is expected to remain restrained, although it will increase in the second quarter 2015 and subsequent quarters in line with the increase in government capital spending on infrastructure projects. This is in line with the monitoring of the progress of the construction phase of the existing infrastructure projects. Looking ahead, there is a risk that economic growth in 2015 could lead to a lower limit of the range of 5.4 to 5.8%. Achievement of the growth rate will be influenced how big and fast realization of infrastructure projects planned Government, besides consumption remains strong and exports will gradually improve.

In March 2015 the trade balance recorded a surplus estimated back, mainly driven by non-oil surplus. On March 2015, Indonesia's trade balance surplus is expected to increase compared to the achievement of a surplus in the previous month, mainly supported by non-oil surplus. Meanwhile, in January-March 2015 oil and gas deficit has decreased as the implications of the reforms instituted by the government subsidy. Bank Indonesia believes trade surplus in January-March 2015 is in line with the forecasts of the current account deficit in the first quarter of 2015 will be much lower than the fourth quarter of 2014. From the financial account, although foreign capital inflows came under pressure in March due to increased uncertainty in financial markets global, accumulatively foreign portfolio inflows into Indonesian financial markets up to March 2015 reached 3.5 billion dollarsUS. With these developments, international reserves at the end of March 2015 stood at 111.6 billion US dollars, equivalent to 6.9 months of imports or 6.6 months of imports and government foreign debt payments, on top of the adequacy of international standards about 3 months of imports.

The rupiah to depreciate as the strengthening of the US dollar against almost all currencies of the world. On March 2015, the average rupiah weakened 2.37% (mtm) to a level of Rp 13 .066 per US dollar. In point to point, the rupiah depreciated by 1.14% and closed at Rp 13 074 per US dollar. Although weaker, more limited than the depreciation of the Rupiah weakening currencies other emerging market countries. Pressure on the rupiah eased and appreciated since mid-March after the FOMC meeting statement tends dovish and efforts to stabilize the rupiah exchange rate by Bank Indonesia. It is also in line with the foreign portfolio inflows into Indonesia, which increased again in April 2015 after the announcement of the FOMC and asset purchases by the ECB. Looking ahead, Bank Indonesia consistently to maintain exchange rate stability under the conditions of fundamentals.

Inflation in March 2015 remained under control and support the achievement of the inflation target in 2015 that is 4.0 %, 1%. After experiencing deflation in the first two months of 2015, inflation in March stood at 0.17% (mtm) or 6.38% (yoy) sourced from administered price. However, in general inflation in March controlled, sustained by volatile food that is still experiencing deflation and core inflation is slowing. Inflation increases in administered prices driven by rising prices of premium gasoline, diesel, LPG 12 kg, pertamax and gasoline prices, along with rising world oil prices and the weakening of the rupiah. Meanwhile, volatile food deflation, sustained improvement in the supply of foodstuffs, including rice which began to enter the harvest season. On the other hand, core inflation declined from last month (0.34%, mtm) to 0.29% (mtm) or 5.04% (yoy), in line with domestic demand still moderate and manageable inflation expectations and a decline in global non-oil commodity prices. Looking ahead, Bank Indonesia will keep a close watch various risk factors that may affect inflation, especially related to the development of world oil prices, the impact of the weakening of the rupiah, the possibility of adjustments in administered prices and food supplies. In order to keep inflation on target stipulated, Bank Indonesia always strengthen policy coordination with the Government both at central and regional levels.

The stability of the financial system remains solid sustained by the resilience of the banking system and the relatively subdued performance of the financial markets. The resilience of the banking industry remains strong with credit risk, market liquidity and fairly maintained, as well as strong capital backing. On February 2015, the capital adequacy ratio (Capital Adequacy Ratio / CAR) is still high, at 21.3%, well above the minimum requirement of 8%. Meanwhile, the NPL (Non Performing Loan / NPL) remained low and stable at around 2.0%. In terms of intermediation, credit growth was recorded 12.2% (yoy), up from the previous month at 11.5% (yoy). Meanwhile, bank liquidity is more than adequate as reflected in the growth in deposits in February 2015 stood at 15.2% (yay), an increase from the previous month at 14.2% (yay). Bank Indonesia views that the credit growth will increase from triwulan II-2015 onwards, in line with increased economic aktivitas and adequate liquidity conditions. Overall in 2015, growth in deposits and loans is expected to increase to reach, respectively, amounting to 14-16% and 15-17%. To support these achievements. Bank Indonesia will soon communicate the macro-prudential policy more accommodative. It was, among other things: (i) carried out through the expansion of the definition of deposit coverage to include securities issued by banks in the calculation of the policy GWM-LDR LDR, (ii) the provision of incentives in the form of easing the limits on LDR for banks that have met the obligations of the distribution loans to UMKMs in early. On the other hand, the performance of the capital markets also improved, as reflected in IHSG is still in a rising trend.

Board of Governors (RDG) Bank Indonesia on January 9, 2014 decided to keep the BI Rate at 7.50%, with interest rates *Lending Facility* and interest rate *Deposit Facility* each remains at the level of 7.50% and 5.75%. Thorough evaluation of the economy in 2013 and the economic outlook for the year 2014-2015 shows the policy is consistent with efforts directed towards the inflation target to  $4.5 \pm 1\%$  in 2014 and  $4 \pm 1\%$  in 2015, as well as controlling the Indonesian economic adjustment so that the current account deficit decreased to a healthier level. Bank Indonesia will continue to strengthen monetary and macroprudential policy mix, as well as strengthen coordination with the government in controlling inflation and current account deficit, including policies to improve the economic structure.

The evaluation results showed the Indonesian economy in 2013 faced formidable challenges due to the impact of slowing global economic growth. Advanced economies and slowing economic growth followed by a correction in emerging market countries. Slowing global economic growth, in turn, encourage the decline in world commodity prices. In addition, the global financial uncertainty has also increased sharply in line with the negative sentiment towards the reduction of monetary stimulus plan (*tapering off*) in the U.S. Recent developments indicate an improving global economy led by the U.S. and Japan, as well as indications of economic recovery in Europe, China and India. This improvement is expected to continue in 2014 in order to sustain the Indonesian economy, both from the trade and financial channel paths.

The global economy is run menu and the need for stabilization of the national economy affect economic growth in Indonesia. The Indonesian economy in 2013 is forecasted to grow by 5.7%, slowing down when compared to 2012 growth of 6.2%. The decline in economic growth in 2013 was recorded in the limited growth real exports due to the global economic slowdown. In terms of domestic demand, the growth of investment, in particular non-construction investment, too - slow. Meanwhile, household consumption remains a major driver of growth. Bank Indonesia estimates the economic slowdown trend in line with the policy direction the government and Bank Indonesia stabilization in bringing the economy to a more healthy and balanced. Overall, the measured stabilization policy is able to be balanced with economic growth in 2013 is still quite high compared to the economic growth of other countries. In 2014, growth is expected to be economic better, approaching the lower limit of the range of 5.8 to 6.2% in line global economic recovery amid continued domestic economic consolidation process leads to a more balanced state.

Declining global economic conditions also put pressure on Indonesia 's balance of payments (Neraca Pembayaran Indonesia/NPI) in 2013. Influenced by the increasing pressure on the balance of payments current account deficit is expected to reach 3.5% of GDP, from a deficit in 2012 of 2.8% of GDP. The increase in the current account deficit is mainly due to lower non-oil exports due to the global economic growth and the decline in world commodity prices. In addition, oil and gas balance also recorded a higher deficit in line with the high consumption of domestic fuel oil. Pressure on the balance of payments also affected the capital and financial account surplus is decreasing, mainly fueled sentiment against the reduction of monetary stimulus in the U.S. and also the perception of the condition of the current account. With stabilization policies pursued by the government and Bank Indonesia, the latest developments in the fourth quarter of 2014 indicate

pressure on the balance of payments improved. The current account deficit is expected to decline as the trade surplus is driven by non-oil export line global economic recovery. In addition, non-oil imports also declined in line with the slowdown in the domestic economy. Bank Indonesia sees balance of payments improvement trend in the fourth quarter 2013 were positive in supporting economic stability and steer the current account becomes healthier. With the development of the NPI reserves at the end of December 2013 increased to 99.4 billion U.S. dollars, equivalent to 5.4 months of imports and government foreign debt payments, over the adequacy of international standards around 3 months of imports.

NPI declining performance put pressure on the rupiah in 2013 and accompanied by increased volatility. Rupiah point-to - point fell 20.8% (yoy) during the year 2013 to a level of Rp12,170 per U.S. dollar weakened on average 10.4% (yoy) to Rp10,445 per U.S. dollar level. Pressure on the rupiah strong enough especially since the end of May 2013 to August 2013, in line with the increase in capital outflows triggered sentiment towards reduction plan by the Fed's monetary stimulus, amid rising domestic inflation after hike subsidized fuel prices and the perception of the outlook for the current account in the country. Strong global influence is reflected in the movement direction of the weakening rupiah currency in the countries in the region. Bank Indonesia continues to maintain the stability of the exchange rate in accordance with the fundamental value so as to support economic adjustment control. Improvements to the balance of payments current account deficit is expected to decline to support the rupiah exchange rate movements are more stable and tend to strengthen in the future.

Inflation in 2013 rose to 8.38% from 4.30% in 2012, or is above the inflation target has been set  $4.5 \pm 1\%$ . The increase in inflation is mainly due to the impact of domestic food price volatility and the impact of fuel price hike in late June 2013. Increase in fuel price has pushed up the prices of both the direct effects and aftereffects (*second round effects*). However, inflationary pressures can be controlled gradually and significantly lower than the current price hikeBBM a few years earlier. Bank Indonesia's policy response and close coordination with the Government policy in curbing the second round effects can dampen inflationary pressures so back to a normal poll since September 2013. Going forward, Bank Indonesia believes inflation will remain subdued in the target range of  $4.5 \pm 1\%$  in 2014 and  $4.0 \pm 1\%$  in 2015. To strengthen the inflation target, Bank Indonesia will continue strengthen coordination with the Central Government and Local Government through the TPI and TPID.

Stability of the financial system remains under control, with sustained resilience of banking is maintained until the end of 2013. Amid the trend of domestic economic slowdown and weakening of the rupiah, the Indonesian financial sector performance, especially the banking industry remains solid with credit risk, liquidity and market quite awake. Credit growth likely to decelerate from November 2013 recorded 21.9% (yoy), down from the end of 2012 when compared to growth of 23.1%. This decline was a sharp decline in credit growth is influenced rupiah from 24.0% at the end of 2012 to 20.0% in November 2013. Indonesian Bank assesses the credit slowdown is consistent with the slowdown in economic growth and the effect of the increase in domestic interest rates. Bank Indonesia will continue to examine the stability of the financial system, including the resilience of the banking industry that remains strong in supporting the process of economic adjustment toward a more balanced and healthy.

Going forward, Bank Indonesia policy in 2014 remained focused on maintaining the stability of the economy and the financial system by strengthening the field of monetary policy mix, macro prudential, and payment systems. In the area of monetary policy will remain geared consistently towards the target to control inflation and current account deficit to a healthy level, through policy interest rate and exchange rate stabilization according fundamentals. The strengthening monetary operations, management of foreign exchange flows, and the deepening of the financial markets will be intensified to support effective transmission of interest rates and exchange rates, as well as to strengthen the structure and carrying capacity of the financial system in development financing. In the area of macro- prudential policies geared to mitigate systemic risk in the financial sector and the control of credit and liquidity in line with the management of macro- economic stability. While in the field of payment systems, policies directed to the development of the domestic payment systems industry more efficient. All policies will be strengthened with various measures of coordination with the policies adopted by the Government and the financial sector relevant authorities.

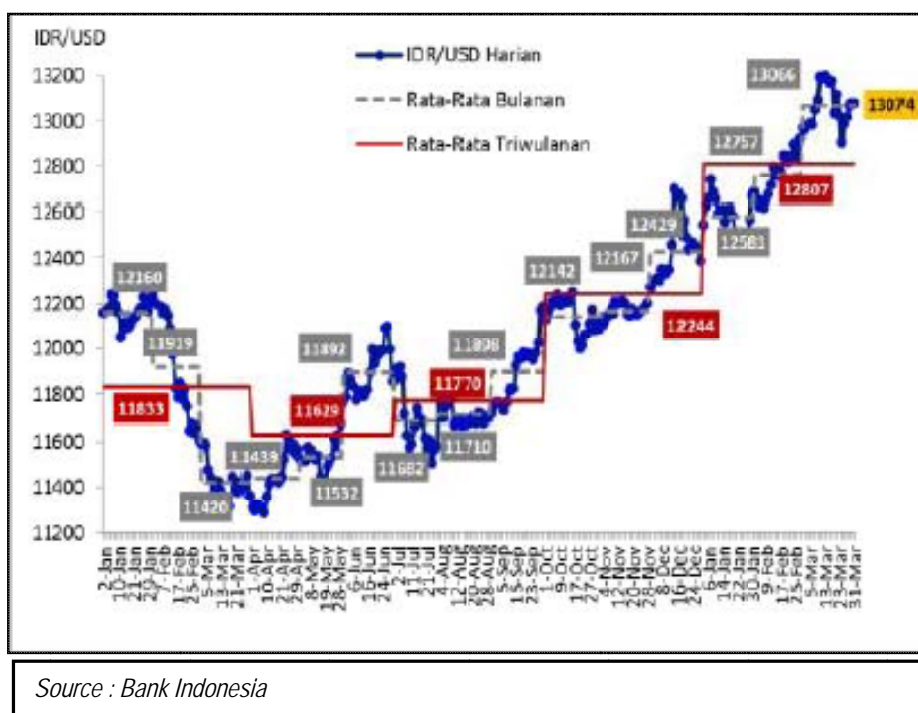
## **4.2. MONETARY POLICY STATEMENT**

### **Exchange Rate Rupiah**

The rupiah to depreciate as the strengthening of the US dollar against almost all currencies of the world. On March 2015, on average, the rupiah weakened 2.37% (mtm) to Rp 13 066 per US dollar. In point to point (ptp) rupiah depreciated by 1.14% and closed at Rp13,074 per US dollar. Although the depreciation of the rupiah weakened more limited than weakening currencies other emerging market countries. Pressure on the rupiah eased and appreciated since mid-March after the FOMC meeting statement tends dovish and efforts to stabilize the rupiah exchange rate by Bank Indonesia. It is also in line with the foreign portfolio inflows into Indonesia, which increased again in April 2015 after the announcement of the results of the FOMC and asset purchases by the ECB.



## Exchange Rate Movements



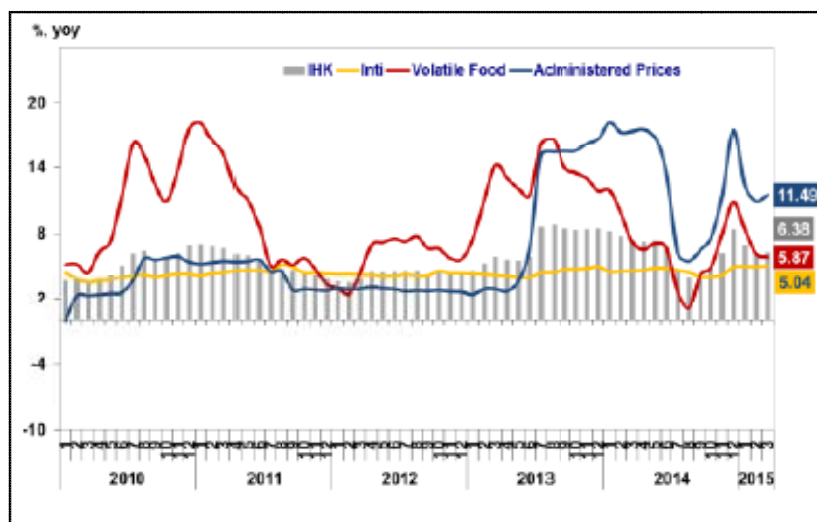
In terms of volatility, the rupiah has increased volatility, although still lower than some peers countries. Increased volatility in the rupiah in early March 2015 in line with the pressure of the strengthening dollar global index (broad appreciation). External uncertainties also trigger an increase in volatility in countries in the region. Although increased, the volatility of the rupiah is lower than the regional currencies such as the Brazilian real, South African rand, Turkish lira and South Korean won.

Forward movement of the rupiah will still be influenced by global economic developments as well as domestic. Faced with these conditions, Bank Indonesia remains consistent to maintain exchange rate stability under the conditions of fundamentals.

## Inflation

Inflation in March 2015 remained under control and support the achievement of the inflation target in 2015 that is  $4.0 \pm 1\%$ . After deflation in the first two months of 2015 inflation in March stood at 0.17% (mtm) or 6.38% (yoy), which comes from the group administered prices. Nevertheless, the general inflation in March controlled, sustained by volatile food that is still experiencing deflation and core inflation is slowing.

## Inflation Development



Source : Bank Indonesia

Increases in administered prices inflation is driven by rising prices of premium gasoline, diesel, LPG 12 kgs and the price of gasoline pertamax, due to higher world oil prices and the weakening of the rupiah. On March 2015, administered prices recorded an inflation of 0.83% (mtm) or 11.49% (yoy), up from the previous two months consecutive deflation. The government made price adjustments Premium RON 88 twice, ie on 1 March (to Rp 6,800, - / liter for non-Jamali area and Rp6.900, - / liter for Jamali region) and 28 March (to Rp Rp7.300 , - / liter for non-Jamali area and Rp7.400, - / liter for Jamali region) as well as Solar on 28 March to Rp6.900, - / liter. Pertamina also make adjustments to non subsidized fuel prices twice, ie on 1 March and 15 March. Other commodities put pressure on administered prices is 12 kg LPG, driven by Pertamina's decision to raise the price per March 1, 2015 amounted to an average of 5,000 per tube.

Higher inflation in administered prices was restrained by the price correction that occurred in household electricity tariffs and air freight rates. Commodities contributing to deflation electricity rates due to a decrease in household electricity tariffs. While the correction in air freight rates is expected due to weak demand.

The development of core inflation declined from last month, as domestic demand is still moderate and the decline in global non-oil commodity prices. Core inflation in March 2015 was recorded at 0.29% (mtm) or 5.04% (yoy), down from last month amounted to 0.34% (mtm). External inflationary pressures as a result of depreciation can be minimized by the decline in global non-oil commodity prices (Index imported inflation / IHIM), as indicated by the decline in core inflation traded. Meanwhile, domestic demand is still moderate indicated that the Consumer Confidence Index relatif stable and relatif retail sales growth moderates. Along with the moderate domestic demand, there is an indication that businesses have not fully transmit the increase cost. Inl among other things in the industries of iron, steel, computers, audio / video electronics and motorcycles. The domestic pressure drop indicated by a decrease in non-core inflasi traded both on food and non-food group.

Spatially, in March 2015 the national inflation pressure increased by the extent of inflation in most regions. Increased inflationary pressures in various regions mainly due to the fuel price adjustment made by the government at the end of March 2015. Inflation occurs in all regions in Java (0.25%), Sumatra (0.05%) and Sulampua-Balinustra (0, 31%). The highest contribution to inflation came from Java (0.14%, including Jakarta) and Sulampua-Balinustra (0.04%). Meanwhile, Borneo recorded deflation of 0.21%.

Forward. Bank Indonesia will keep a close watch various risk factors that could affect the inflation associated mainly with oil price developments of possible adjustments in administered prices and food supplies. In order to keep inflation on target stipulated, Bank Indonesia always strengthen policy coordination with the Government both at central and regional levels.

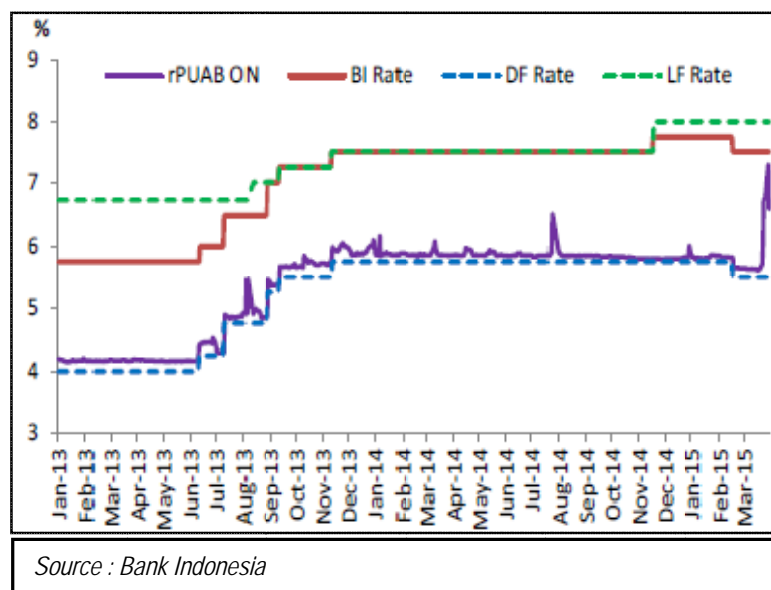
### **Interest Rate**

The development of interest rates and monetary aggregates reflect the monetary policy transmission run well. Decline in policy interest rates in early February 2015 responded well by deposit and loan interest rates. However, the transmission to interbank rates slightly affected the increase in short-term liquidity needs. Meanwhile, sufficient liquidity in the economy and increased bank liquidity. Bank credit, which is part of the M2 growth increased in February 2015 after being in a slowing trend over the last few months.

Interbank rates O / N increases with short-term liquidity needs are increasing. Interbank rates O / N could increase as anticipatory measures to maintain adequate liquidity in the banking related conditions dl payment system. Its impact on the decrease of supply in the interbank money market. At the same time there is an increasing demand for liquidity of some banks as a result of the strengthening of monetary operations of Bank Indonesia. The conditions then encourage increased volume and frequency of transactions in the interbank market. With these developments, the weighted average (RRT) interbank rates O / N in March 2015 stood at 5.93%, an increase compared to the previous month at 5.76%. However, this increase is temporary and does not reflect the liquidity crunch. OM interest rates remain stable and the interest rate banks actually showed a downward trend.

Liquidity in the interbank money market (interbank) is maintained. Maxmin interest rate spread on the interbank market increased compared to the previous month as a result of a temporary rise in interbank rates at the end of March 2015. However, this increase does not reflect the condition of interbank liquidity crunch due to volume increases. Nominally, the average volume of total interbank market in March 2015 amounted Rp11,84 tereatat trillion, an increase compared to the previous month amounted to only Rp11,12 trillion. The increase in the volume of interbank tota l be contributed by the increase in the volume of interbank O / N which rose from Rp 6.01 trillion to Rp6,89 trillion.

Interest Rate Interbank O / N



### 4.3. MONETARY POLICY RESPONSE

Meeting of the Board of Governors (RDG) of Bank Indonesia on 14 April 2015 decided to keep the BI Rate at 7.50%, with interest rates of 5.50% and Deposit Facility Lending Facility at the level of 8.00%. The decision was in line with efforts to achieve the inflation target  $4 \pm 1\%$  in 2015 and 2016, as well as directing delisit current account to a more healthy level in the range of 2.5-3% of GDP in the medium term. Bank Indonesia will continue to be aware of external and domestic risks and consistently reinforce the mix of monetary and macro-prudential policies, including strengthening the measures stabilization of the rupiah, in order to maintain macroeconomic stability and financial system. In addition, coordination with the Government also continues to be strengthened in controlling inflation and the current account delisit, and accelerate structural relormasi. In this regard, Bank Indonesia to support the measures the Government strengthen macroeconomic stability by continuing structural reforms, including a variety of steps to improve the current account and the acceleration of projects infrastruktur required in driving sustainable growth.

#### Latest Indicator

In the following table is a summary of the economic indicators can be seen that the result of the analysis of Bank Indonesia study the macroeconomic and monetary conditions.

# KJPP MPR

SEKTOR KEUANGAN	2013				2014				2015		
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Jan	Feb	Mar
<b>SUKU BUNGA &amp; SAHAM</b>											
Suku bunga SBI 9 bin <sup>1)</sup>	4.87	5.28	6.96	7.22	7.13	7.14	6.88	6.90	6.93	6.67	6.65
Suku bunga deposito 1 bin <sup>2)</sup>	5.51	5.60	6.73	7.92	7.99	8.32	8.48	8.58	8.46	8.36	-
Suku bunga deposito 3 bin <sup>2)</sup>	5.64	5.72	6.58	7.64	8.28	8.34	9.37	8.94	8.91	8.94	-
LIBOR satu minggu <sup>3)</sup>	4.28	4.46	5.89	6.99	6.55	6.55	6.21	5.91	5.94	-	-
IHKG Indeks <sup>4)</sup>	4,841	4,819	4,316	4,274	4,768	4,879	5,138	5,227	5,289	5,450	5,519
<b>BESARAN MONETER (milliar Rp)</b>											
Uang Primer	664,935	681,678	715,662	821,679	771,365	794,794	817,230	918,434	854,510	851,132	848,341
M1(C+D)	810,112	858,557	867,721	887,064	853,502	945,718	949,168	942,221	918,079	927,848	-
Uang Kartal (C)	331,226	347,204	360,085	399,589	377,438	381,638	395,230	419,262	391,256	387,889	-
Uang giral (D)	478,886	511,353	507,636	487,475	476,065	564,080	553,939	522,960	526,824	539,958	-
Uang Beredar Luas (M2 = C+D+T+S)	3,322,586	3,413,437	3,584,017	3,727,696	3,656,440	3,861,659	4,564,085	4,696,286	4,701,650	4,770,633	-
Uang kuasi (T)	2,800,342	2,543,285	2,691,903	2,817,826	2,785,176	2,903,415	3,044,842	3,209,475	3,233,881	3,278,945	-
Uang kuasi (Rupiah)	2,127,118	2,139,112	2,218,323	2,338,485	2,351,662	2,437,230	2,473,236	2,709,992	2,708,608	2,752,142	-
Deposito	1,125,587	1,116,098	1,148,970	1,186,783	1,254,599	1,331,090	1,418,043	1,475,405	1,523,779	1,570,171	-
Tabungan Total	1,001,530	1,023,014	1,069,352	1,151,702	1,097,064	1,106,140	1,143,054	1,234,588	1,184,829	1,181,971	-
Deposito (Valas)	182,383	198,689	232,808	236,925	213,875	238,735	247,800	254,478	264,828	276,638	-
Simpanan Giro Valuta Asing	190,841	205,484	240,772	242,416	219,639	227,451	235,945	245,005	260,445	250,165	-
Gurat Berharga Selain Saham (S)	12,132	11,594	24,394	22,805	21,928	16,758	16,136	21,630	22,866	23,882	-
Faktor-faktor Yang Mempengaruhi Uang Beredar	3,322,586	3,413,437	3,584,017	3,727,696	3,660,606	3,865,891	4,010,147	4,173,327	4,174,826	4,230,675	-
Aktiva Luar Negeri Bersih	947,362	833,821	972,110	1,011,361	987,705	1,077,147	1,114,215	1,105,783	1,194,242	1,212,857	-
Aktiva Dalam Negeri Bersih	2,375,225	2,579,616	2,611,907	2,716,334	2,672,901	2,788,744	2,895,931	3,067,544	2,980,584	3,017,818	-
Tagihan Bersih kepada Pemerintah Pusat	366,902	330,871	342,434	406,612	308,623	325,312	345,765	416,608	363,458	382,650	-
Tagihan Kepada Sektor Lainnya	2,973,874	3,180,790	3,382,424	3,525,435	3,548,149	3,717,744	3,823,505	3,961,583	3,936,152	3,958,638	-
<b>PERTUMBUHAN BESARAN MONETER (%YOY)</b>											
Uang Primer	13.46	10.25	12.02	16.58	16.01	14.91	14.19	11.78	9.34	12.71	-
M1(C+D)	13.42	10.15	9.08	5.39	5.36	10.15	9.39	6.22	8.95	11.18	-
Uang Kartal (C)	15.39	10.34	10.60	10.39	13.95	9.92	9.76	4.92	2.95	5.51	-
Uang giral (D)	12.10	10.03	8.02	1.61	-0.59	10.31	9.12	7.28	13.88	15.65	-
Uang Beredar Luas (M2 = C+D+T+S)	14.10	11.87	14.63	12.76	10.05	13.13	27.35	25.98	28.84	31.08	-
Uang kuasi (T)	14.54	12.77	16.05	14.84	11.39	14.16	13.11	13.90	16.14	17.80	-
Uang kuasi (Rupiah)	13.43	11.61	12.66	11.69	10.56	13.94	11.49	15.89	16.47	17.98	-
Deposito	10.13	9.85	11.46	11.28	11.46	19.26	23.42	24.32	26.18	28.43	-
Tabungan Total	17.38	13.61	13.98	12.12	9.54	8.13	6.89	7.20	5.98	6.47	-
Deposito (Valas)	22.69	20.59	29.07	33.47	17.27	20.15	6.44	7.41	19.08	29.33	-
Simpanan Giro Valuta Asing	20.04	18.13	41.53	32.95	15.09	10.89	-2.00	1.07	10.20	5.64	-
Gurat Berharga Selain Saham (S)	-17.86	-30.20	112.91	118.85	80.74	44.53	-33.85	-5.15	2.89	11.12	-
Faktor-faktor Yang Mempengaruhi Uang Beredar	14.01	11.81	14.57	12.70	10.17	13.26	11.89	11.95	14.40	16.24	-
Aktiva Luar Negeri Bersih	2.29	-9.91	-0.36	4.76	4.26	29.18	14.62	9.34	19.30	19.67	-
Aktiva Dalam Negeri Bersih	19.47	21.26	21.34	15.98	12.53	8.11	10.87	12.93	14.05	14.92	-
Tagihan Bersih kepada Pemerintah Pusat	23.49	16.37	14.57	4.31	-15.88	-1.68	0.97	2.46	5.13	20.05	-
Tagihan Kepada Sektor Lainnya	20.61	20.03	22.79	20.84	19.34	16.88	13.04	12.37	12.77	13.00	-
<b>HARGA</b>											
Inflasi bulanan (% m/m)	0.63	1.03	-0.35	0.55	0.08	0.43	0.27	2.46	-0.24	-0.36	0.17
Inflasi tahunan (% yoy)	5.90	5.90	8.40	8.38	7.32	6.70	4.53	8.36	6.96	6.29	6.38
<b>SEKTOR EKSTERNAL</b>											
Rp/USD (akhir periode, nilai tengah)	9,718	9,925	11,580	12,170	11,360	11,855	12,185	12,385	12,668	12,925	12,925
Ekspor Barang Non migas (t.o.b, juta USD) <sup>4)</sup>	12,727	11,970	12,248	13,672	12,551	12,624	12,730	12,307	11,309	10,474	-
Impor Barang Non migas (c & f, juta USD) <sup>4)</sup>	10,971	12,029	11,811	11,313	10,529	12,304	11,962	11,078	10,508	9,836	-
<b>INDIKATOR KUARTALAN</b>											
	2013				2014						
	Tw.I	Tw.II	Tw.III	Tw.IV	Tw.I	Tw.II	Tw.III	Tw.IV			
Pertumbuhan PDB (% yoy)	5.61	5.59	5.50	5.61	5.14	5.03	4.92	5.01	-	-	-
Konsumsi	5.28	4.98	6.28	5.97	5.75	4.53	4.58	4.53	-	-	-
Investasi (PMTDB)	7.95	5.52	6.00	2.10	4.66	3.71	3.86	4.27	-	-	-
Perubahan Stok	-19.64	16.37	-36.77	-65.96	-17.36	-5.52	99.55	42.33	-	-	-
Ekspor	3.50	2.10	1.34	9.44	3.16	1.38	4.86	-4.53	-	-	-
Impor	2.92	0.88	4.93	-0.85	5.04	0.41	0.28	3.22	-	-	-

1) Last Sunday

2) The weighted average

3) The closure at the end of the period

4) Close file

Source: Bank Indonesia, except for stock market data (BAPEPAM), IHK, Export/Import, and GDF of BPS

**5****INDUSTRY OVERVIEW OF  
COAL MINING**

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**5.1. GENERAL**

Coal is a major commodity and export as an important source of income for Indonesia. The country's coal mining industry, however, is feared to face another year of setback in 2013 with the price expected to continue to be on the decline. The coal price began to decline toward the end of 2011 and through the whole of 2012. The decline has followed a surplus in supply and a surge in production amid weak demand especially in crisis hit Europe.

The production of coal has increased rapidly in the country producers which have boosted production after profit recorded in previous years and many new business players have invested heavily in this sector. Currently there are around 77 coal producers in the country. In early 2011 the prices of coal peaked at US\$ 130 per ton, but in the following years the price fell to US\$ 100 per ton in early 2012 and to US\$ 83 per ton in October 2012. Until the end of 2012, the price did not change much.

Coal is considered a cheap source of energy. Coal contributes 30% to the world's energy requirement and accounts for 42% of the world's electric production. The prospects of coal mining industry still depends on the market condition in Europe, which is not yet expected to be able to rid itself of the global crisis in 2013.

The United States after launching a series of policies showed encouraging progress toward recovery. The US economy is expected to regain part of its losses in strength in 2013. There is big hope in China, to which the world has turned for leader to cope with the threat of global recession, but even that Asian giant has suffered a setback. China, however, still lead in economic performance despite a slowdown in growth.

With the US economy improving and China and India still recording high growth despite slowing, the coal mining industry is expected to fare better in 2013. Coal prices are expected to reach an average of US\$ 105 per ton in 2013.

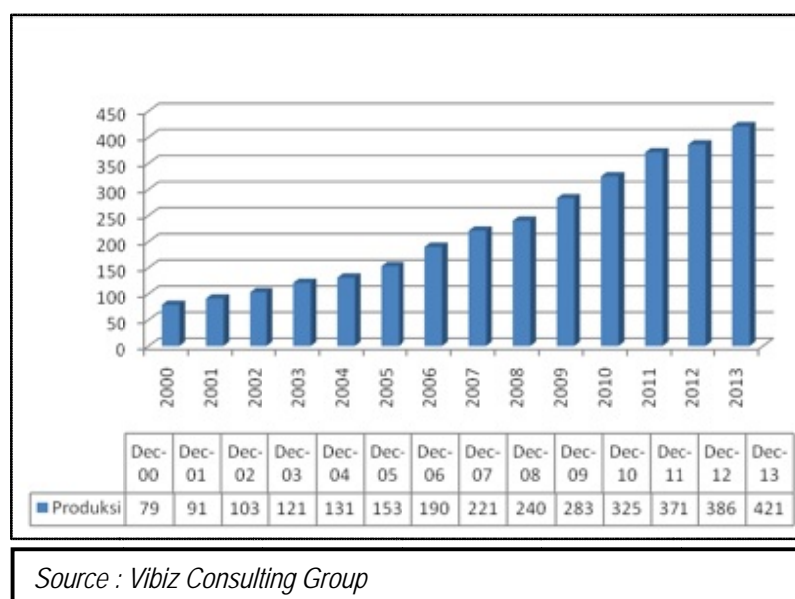
## 5.2. INDONESIA'S COAL PRODUCTION

The government's plan will limit the volume of coal production with the maximum production to 425 million tonnes per year. This work is done in order to avoid scarcity of coal in future generations. The National Energy Policy (KEN) is the idea that the statue be appreciated because in addition to covering the future outlook of energy scarcity, is also of particular concern this policy will make the balance of the environment and encourage the formation of the discovery of other energy sources that are renewable.

Figures 425 million tons per year is the highest limit allowed after graph growth of coal production in Indonesia continued to increase since 2000, starting with the production value per year is 79 million tons to be 421 million tons in 2013.

Restrictions on production targets this should be a concern coal mining company in planning. The Government of Indonesia in 2015 opened a special fourteen coal export port in Kalimantan and Sumatra, among other ports located in Balikpapan, Berau, Tobaneo, Sea Island, River Lake, Slippery Rock, Aceh, Padang, Riau, Jambi, Bengkulu, and many other areas. This policy will have an impact on cost efficiency that makes the price of Indonesian coal will compete.

Indonesia's Coal Production (million tons)



### 5.3. COAL CONSUMPTION IN THE DOMESTIC AND EXPORT

Indonesia is one of the largest coal producer and exporter in the world. Since 2005, when production exceeded Australia, Indonesia is currently the leading exporter of thermal coal. Most of thermal coal, which is exported consists of the type of medium quality (between 5100 and 6100 cal / gram) types of low quality (below 5100 cal / gram) where most of the demand coming from China and India. Based on the information submitted by the Ministry of Energy of Indonesia, Indonesia's coal reserves expected to run out in around 83 years if the current production level is passed. Associated with global coal reserves, Indonesia is now ranked 13th with about 0.6 percent of the total global proven coal reserves based on BP Statistical Review of World Energy. About 60 percent of Indonesia's total coal reserves consist of low quality coal that is cheaper (sub-bituminous) containing less than 6100 cal / gram.

A number of bags of smaller coal reserves are in the island of Sumatra, Java, Kalimantan, Sulawesi and Papua, however, the three largest areas of Indonesia's coal resources are:

1. South Sumatra
2. South Kalimantan
3. East Kalimantan



Indonesian coal industry seems only dominated by large producers and many small-scale actors who have small coal mines and coal mining concessions (especially in Sumatra and Kalimantan). Since the early 1990s, when coal mining sector reopened to foreign investment, Indonesia is experiencing an increase in production, exports and domestic coal sales. The use of domestic coal is still relatively low. Indonesian coal exports ranged between 70 to 80 percent of total coal production, the rest is sold in the domestic market. Production, exports and domestic sales are expected to increase at least ten per cent every year for the next five years.



## Exports and Domestic Consumption of Coal in Indonesia

Year	Exports (million tons)	Consumption (million tons)
2006	144	49
2007	163	61
2008	191	49
2009	198	56
2010	208	67
2011	272	80
2012	304	79
2013	349	72

Source : Kementerian ESDM

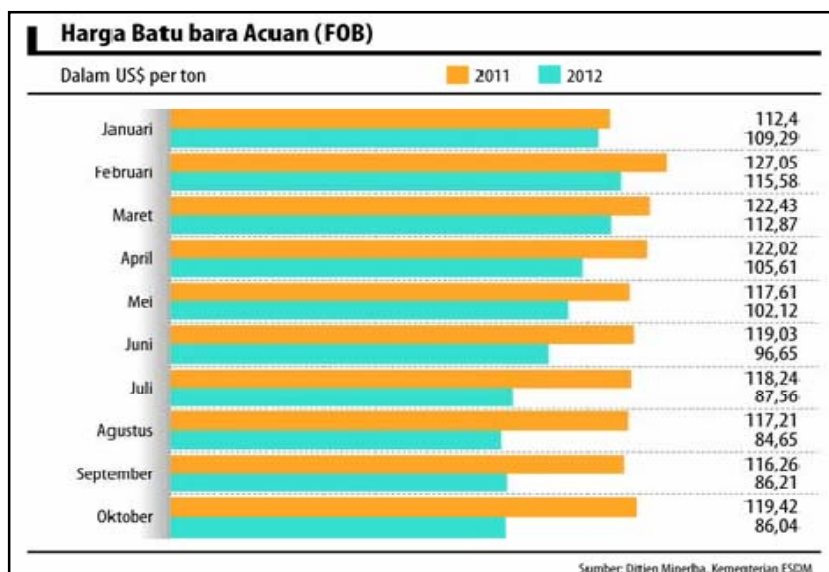
#### 5.4. INVESTMENT OF COAL SECTOR

Investment in the coal sector in 2013 is projected to stagnate because of the low world coal demand. Weak demand will keep the price of coal in 2013 will remain at the level of U.S. \$ 78-US \$ 85 per ton. Coal market conditions currently impacting the company's investments will be made. One way to be able to survive a crisis like this is to do a revision of investment plans. Expansion will be detained because many investors will still wait and see how some of the projects in the country will be run like plants and smelters that require coal.

National coal production in 2013 is estimated to be equal to the realization of national output in 2012. If market conditions are favorable possibilities for the growth of only 5% of national coal. The company will likely add production but not great and it closes smaller companies are no longer able to compete in today's conditions.

Rising coal prices last year made a number of new players are emerging. The condition creates instability in the coal mining industry. Because, most of the company's came into the coal business with the expected margin of U.S. \$ 45 -US \$ 60 per ton . Large companies will be very happy if you see the price at U.S. \$ 90 per ton, but in reality it will be very difficult to happen in the near future.

During the first half of 2012 exports from Russia rose by 16% to 51 million tonnes over the same period last year of 44 million tons. While coal exports from the U.S. also rose to 9 million tons, up 63% over the same period. While exports from Colombia rose 17%, while Australia rose 18%. However, the price of coal is likely to improve in 2013. It also depends on the supply and demand of major countries such as China, Japan and India. China is still a steady demand in 2013. However, demand in India may rise as some thermal power projects which require coal will operate. Indian demand will go up because there will be a projected operating power plants each year with a capacity of 2,000 megawatts to the needs of up to 8 million tons of coal.



## 5.5. THE PRICE OF COAL

Coal Price Reference (HBA) for direct sales (spot) which went into effect on March 1, 2015 until March 31, 2015 at the handover point sales Free on Board on freighter (FOB Vessel) was USD 67.76 / tonne. HBA month of March 2015 rose by USD 4.84, up 7.7% compared with the HBA Februari 2015 USD 62.92. HBA's rise in March 2015 to stop the downward trend HBA that occurred during 8 consecutive months, namely: from July 2014 until February 2015. When compared with the same month HBA in 2014 (*year on year*) from March 2014 USD 77.01 then HBA March 2015 fell by USD 9.25, down 12%.

HBA value is an average of 4 coal price index commonly used in the trade of coal, namely: Indonesia Coal Index, Platts Index, New Castle Export Index, and New Castle Global Coal Index. HBA become a reference price of coal on an equal calorific value of coal 6,322 kcal / kg Gross As Received (GAR), the water content (total moisture) 8%, 0.8% sulfur content as received (ar), and ash content (ash) 15% ar. Then calculated based HBA Coal Reference Price (HPB) which affected the quality of coal, namely: coal calorific value, water content, sulfur content and ash content of coal in accordance with the trademark called HPB Maker. HPB Maker consists of 8 trademarks of coal that has been commonly recognized and traded. HPB Marker in March 2015 to eight major trademark in USD / Ton is as follows:

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1. Mount Bayan I : 72.60 (up 7.8% compared to February 2015 HPB)
2. Prima Coal : 73.49 (up 7.2% compared to February 2015 HPB)
3. Pinang 6150 : 66.36 (up 7.1% compared to February 2015 HPB)
4. Indominco IM\_East : 55.54 (up 7.6% compared to February 2015 HPB)
5. Against Coal : 54.36 (up 6.9% compared to February 2015 HPB)
6. Enviro Coal : 51.43 (up 6.4% compared to February 2015 HPB)
7. Jorong J-1 : 41.40 (up 6.4% compared to February 2015 HPB)
8. Ecocoal : 37.93 (up 6.2% compared to February 2015 HPB)

In terms of coal sales is done a certain period (term), namely: the sale of coal for a period of 12 months or more then the price of coal refers to the average of the last three benchmark prices of coal in which the coal price agreement with the multiplier factor, namely: fakor multiplier 50 % for coal benchmark prices last month, a multiplier factor of 30% for coal benchmark prices of the previous month, and the multiplier factor of 20% for coal benchmark prices of the previous two months.

# 6

## THE APPRAISALS DATA

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### 6.1. IDENTIFICATION OF PROPERTY LOCATION

Assets valuation objects are non reserves coal mine asset comprising of land, buildings, machineries and equipments, other land improvements (port facilities and infrastructure) located in watersheds Kedang Kepala Rantau Bengkatong, Senyur Village, Muara Ancalong approximately 85 km from the North West of Kota Bangun or approximately 138 kilometers North West of the of Samarinda city, East Kalimantan, Indonesia.

According to the city administration the property located at Senyur Village, Muara Ancalong Sub Distric, Kutai Timur Distric, East Kalimantan Province.

Meanwhile, a further asset Site Pakar (*Main Base Pakar*) located in Longbleh Modang Village, Kecamatan Kembang Janggut approximately 35 kilometers from western part of an assets Jetty Senyur or approximately 110 kilometers North West of Kota Bangun or approximately 173 kilometers from the city center Samarinda.

According to the city administration the property located at Kelakat Village, Kembang Janggut Sub Distric, Kutai Kertanegara Distric, East Kalimantan Province.

The areas surrounded by shrubbery and forest off.

Among those property that can be used for the guidance are as follows:

- PT Real Kaltim Plantantion (RKP)
- PT Restu Mulia Kencana (RMK)
- PT Senyur Sawit Sejahtera (SSS)
- PT Sawit Sukses Sejahtera (SSS)

### 6.2. ACCESSIBILITY

The property can be achieved through an access Sungai Belayan with approximately 150 kilometers length, anda riveris approximately 150 meters width. Then the way continued with a land road trip through the mine access road and oil palm plantations whichis approximately 70 kilometers length to an asset object.

### 6.3. URBAN PLANNING

According to the local city plan of Kutai Kertanegara District and East Kutai District those locations are used or designated as Forest Area for Coal and Minerals Exploitation supporting facilities.

### 6.4. PUBLIC FACILITIES

Public facilities which available in those area areas follows:

#### 6.4.1. Lighting

Electric lighting facilities available in the area of machine electrical grid generator (Genset).

#### 6.4.2. Clean Water

The clean water supply in the area are available source from ground water (wells).

#### 6.4.3. Telephone Network

In the region of the telephone network is not available.

#### 6.4.4. Public Transportation

Public transportation used daily in the area of public transportation is by river boat Belayan (motorized) where can be obtained at Gunung Sari Jetty or Jetty COM (*Chakra Oil Mill*) within approximately 45-50 kilometers from the assets located.

An alternative way is through the land plantations and coal hauling road that was around the location of the assets with the distance of approximately 300 kilometers journey from the city of Samarinda.

### 6.5. THE HIGHEST AND BEST USE

Considering from the aspect of legal, technical, financial and social the area would be highest and best use as a Coals and Minerals Exploitation supporting facilities.

### 6.6. LAND APPRAISAL

#### 6.6.1. Appraisal Approach

In this appraisal we used market approach by market adjustment method as previously described in the section of this report.

#### 6.6.2. Ownership Document

The total unit land ownership covered of this valuation are 423,800 square meters described as follows :

No	Land Area (Sq.m)	Unit Plots Numbered	Total Land Area (Sq.m)
1	3,000	59	177,000
2	5,000	1	5,000
3	6,000	3	18,000
4	9,000	1	9,000
5	10,000	2	20,000
6	11,700	1	11,700
7	13,000	1	13,000
8	15,000	1	15,000
9	17,700	1	17,700
10	21,600	1	21,600
11	22,800	1	22,800
12	25,000	1	25,000
13	30,000	1	30,000
14	38,000	1	38,000
<b>TOTAL</b>			<b>423,800</b>

Notes :

- At the time of the field inspection, there are building on the land, Jetty and former Office Support Facilities Coal Minerals Exploitation of a main office, employee dormitory, canteen, etc., which is still being occupied.
- Refer to Land Acquisition Letter phase II (Kaplingan) the location of special coal port Senyur village, Muara Ancalong East Kutai Regency is attached.

#### 6.6.3. Land Identification

The shape of Land resembles an irregular rectangular field with the front side facing Hauling Road (main access road coal mines)

The land is physically bordered by:

Right side : Off the forest, Shrub  
 Left side : Off the forest, Shrub  
 Front side : Haul road and River  
 Back side : Forest off, Shrub

In this appraisal we do not conduct measurement of the appraised land and we assume that land certificate and the other supporting documents is legally valid.

#### 6.6.4. Comparable Data

Market data offerings and / or transactions used as comparison in this appraisal areas follows :

#### A. Comparable Data 1

➤ Property Type	: Vacant Land (Forestwood, reeds, shrubs)
➤ Address	: Desa Senyur, Muara Ancalong
➤ Land Area	: 40,000 sq.m
➤ Land Letter	: SKPT (Surat Keterangan Kepemilikan Tanah)
➤ Offering Price	: <b>Rp. 220,000,000</b>
➤ Data Source	: Mr. Syahran
➤ Telephone	: 0813-50040090
➤ Notes	: Kades Senyur

#### B. Comparable Data 2

➤ Property Type	: Vacant Land (Forestwood, reeds, shrubs)
➤ Address	: Desa Kelakat, Muara Ancalong
➤ Land Area	: 50,000 sq.m
➤ Land Letter	: SKPT (Surat Keterangan Kepemilikan Tanah)
➤ Transaction Price	: <b>Rp. 275,000,000</b>
➤ Data Source	: Mr. Ruddy
➤ Telephone	: 0853-32066801/0821-57051111
➤ Notes	: Kades Kelakat

#### C. Comparable Data 3

➤ Property Type	: Vacant Land (Forestwood, reeds, shrubs)
➤ Address	: Desa Longbleh Modang
➤ Land Area	: 30,000 sq.m
➤ Land Letter	: SKPT (Surat Keterangan Kepemilikan Tanah)
➤ Transaction Price	: <b>Rp. 150,000,000</b>
➤ Data Source	: Mr. Anshar Sihotang
➤ Telephone	: ---
➤ Notes	: Kades Longbleh

#### 6.6.5. Conclusion

Based on all of the things considered above and some factors influenced the value, we conclude that a **Market Value** of the land at the cut off date on **April 23, 2015** is :

**Rp. 2,441,000,000**

**( TWO BILLION FOUR HUNDRED FORTY  
ONE MILLION RUPIAH )**

## **6.7. APPRAISAL OF BUILDING AND OTHER LAND IMPROVEMENTS**

### **6.7.1. Appraisal Approach**

In this appraisal we used cost approach by cost per meter square calculation method to calculate Cost Replacement New, because there is no market for the similar data type, area, specifications, and functions / typical with building and other land improvement being valued. To determine the market value of the building and other land improvement, then the cost replacement new would be less depreciation as previously described in the section of this report.

The type of depreciation adopted is breakdown as physical, functional, and economic obsolesces. Physical depreciation applied through straight line method. Depreciation applied related to function and social economic factors which might affect of asset. It is applied only for assets of other land improvements only that have normal remaining useful life. Since all buildings would be demolished till the end of this year, then it would have lesser remaining useful life or 8 month remains after cut off date valuation without considering those functional and economic depreciation. (see detail in worksheet attachment).

### **6.7.2. Description of Building and Other Land Improvements**

Description of building and other land improvements completely described as below.



## BUILDING AND OTHER LAND IMPROVEMENTS

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### BUILDING

#### MINE CAMP LOCATION

##### 1. Office Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards covered with paint partially coated gypsumboard
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with plastic carpet ceramic coated concrete partial rebates
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Available
- ☐ Building Area : 165sq.m
- ☐ Building Condition : Fair

<b>Market Value</b>	<b>Rp</b>	<b>25,100,000</b>
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##### 2. Polyclinic Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards covered with paint partially coated gypsumboard
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with plastic carpet ceramic coated concrete partial rebates
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Available
- ☐ Building Area : 85 sq.m
- ☐ Building Condition : Fair

<b>Market Value</b>	<b>Rp</b>	<b>12,900,000</b>
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### 3. Logistics Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards covered with paint partially coated gypsumboard
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with plastic carpet ceramic coated concrete partial rebates
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - Electricity : Available
  - Clean Water : Available
  - AC : Available
- ☐ Building Area : 118 sq.m
- ☐ Building Condition : Fair

Market Value	Rp	18,000,000
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### 4. Water Plant Treatment Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Open
- ☐ Floor : Concrete rebates
- ☐ Building Facilities :
  - Electricity : Available
  - Clean Water : Available
  - AC : Not Available
- ☐ Remark : At the time of the field inspection of building works to treat wastewater
- ☐ Building Area : 20 sq.m
- ☐ Building Condition : Fair

Market Value	Rp	2,700,000
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## KJPP MPR

### 5. Senior Staff Dormitory Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards covered with paint partially coated gypsumboard
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with plastic carpet ceramic coated concrete partial rebates
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - Electricity : Available
  - Clean Water : Available
  - AC : Available
- ☐ Building Area : 214 sq.m
- ☐ Building Condition : Fair

Market Value	Rp	32,600,000
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### 6. Junior Staff Dormitory Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards covered with paint partially coated gypsumboard
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with plastic carpet ceramic coated concrete partial rebates
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - Electricity : Available
  - Clean Water : Available
  - AC : Available
- ☐ Building Area : 231 sq.m
- ☐ Building Condition : Fair

Market Value	Rp	35,200,000
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## KJPP MPR

### 7. Non Staff Dormitory Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards covered with paint partially coated gypsumboard
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with plastic carpet ceramic coated concrete partial rebates
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Available
- ☐ Building Area : 516 sq.m
- ☐ Building Condition : Fair

Market Value	Rp 68,800,000
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### 8. Guest Dormitory Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards covered with paint partially coated gypsumboard
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with plastic carpet ceramic coated concrete partial rebates
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Available
- ☐ Building Area : 173 sq.m
- ☐ Building Condition : Fair

Market Value	Rp 26,300,000
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### 9. Mosque

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Most open partly overlaid plywood board paint
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with carpet plastic timber
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Not Available
- ☐ Building Area : 241 sq.m
- ☐ Building Condition : Fair

Market Value	Rp 32,200,000
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## KJPP MPR

### 10. Guard House

<input type="checkbox"/>	Total Floor	: 1 floor
<input type="checkbox"/>	Year Build	: 2009
<input type="checkbox"/>	Building Type	: Semi Permanent
<input type="checkbox"/>	Major Construction	: Wood
<input type="checkbox"/>	Wall	: Most open partly overlaid plywood board paint
<input type="checkbox"/>	Roof	: Corrugated Spandek
<input type="checkbox"/>	Floor	: Plywood boards covered with carpet plastic timber
<input type="checkbox"/>	Door	: Wood Panels Wood Frame
<input type="checkbox"/>	Building Facilities	:
	▪ Electricity	: Available
	▪ Clean Water	: Available
	▪ AC	: Not Available
<input type="checkbox"/>	Building Area	: 27 sq.m
<input type="checkbox"/>	Building Condition	: Fair

Market Value	Rp	3,600,000
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### 11. Laundry Building

<input type="checkbox"/>	Total Floor	: 1 floor
<input type="checkbox"/>	Year Build	: 2009
<input type="checkbox"/>	Building Type	: Semi Permanent
<input type="checkbox"/>	Major Construction	: Wood
<input type="checkbox"/>	Wall	: Plywood boards covered with paint partially coated gypsum board
<input type="checkbox"/>	Roof	: Corrugated Spandek
<input type="checkbox"/>	Floor	: Plywood boards covered with plastic carpet ceramic coated concrete partial rebates
<input type="checkbox"/>	Door	: Wood Panels Wood Frame
<input type="checkbox"/>	Building Facilities	:
	▪ Electricity	: Available
	▪ Clean Water	: Available
	▪ AC	: Available
<input type="checkbox"/>	Building Area	: 48 sq.m
<input type="checkbox"/>	Building Condition	: Fair

Market Value	Rp	7,300,000
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### 12. Workshop Building

<input type="checkbox"/>	Total Floor	: 1 floor
<input type="checkbox"/>	Year Build	: 2009
<input type="checkbox"/>	Building Type	: Semi Permanent
<input type="checkbox"/>	Major Construction	: Wood
<input type="checkbox"/>	Wall	: Plywood boards covered with paint partially coated gypsum board
<input type="checkbox"/>	Roof	: Corrugated Spandek
<input type="checkbox"/>	Floor	: Plywood boards covered with plastic carpet ceramic coated concrete partial rebates
<input type="checkbox"/>	Door	: Wood Panels Wood Frame
<input type="checkbox"/>	Building Facilities	:
	▪ Electricity	: Available
	▪ Clean Water	: Available
	▪ AC	: Available
<input type="checkbox"/>	Building Area	: 36 sq.m
<input type="checkbox"/>	Building Condition	: Fair

Market Value	Rp	4,800,000
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## OLD MINE CAMP LOCATION

## 13. Senior Staff Dormitory Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards without painted
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with carpet plastic timber
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Available
- ☐ Building Area : 111 sq.m
- ☐ Building Condition : Poor

Market Value	Rp	14,800,000
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## 14. Junior A Staff Dormitory Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards without painted
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with carpet plastic timber
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Available
- ☐ Building Area : 112 sq.m
- ☐ Building Condition : Poor

Market Value	Rp	14,800,000
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**15. Junior B Staff Dormitory Building**

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards without painted
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with carpet plastic timber
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Available
- ☐ Building Area : 155 sq.m
- ☐ Building Condition : Poor

Market Value	Rp 20,700,000
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**16. Building Ex. Recreation & Guess Dormitory**

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards without painted
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with carpet plastic timber
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Available
- ☐ Building Area : 189 sq.m
- ☐ Building Condition : Poor

Market Value	Rp 25,100,000
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**17. Non Staff 14 Door Dormitory Building**

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards without painted
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood boards covered with carpet plastic timber
- ☐ Door : Wood Panels Wood Frame
- ☐ Building Facilities :
  - ☐ Electricity : Available
  - ☐ Clean Water : Available
  - ☐ AC : Available
- ☐ Building Area : 180 sq.m
- ☐ Building Condition : Poor

Market Value	Rp 24,000,000
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## PORT AREA LOCATION

## 18. Port Area Office Building

- ☐ Total Floor : 1 floor
- ☐ Year Build : 2009
- ☐ Building Type : Semi Permanent
- ☐ Major Construction : Wood
- ☐ Wall : Plywood boards without painted
- ☐ Roof : Corrugated Spandek
- ☐ Floor : Plywood board partial concrete rebates
- ☐ Door : Wood panels wood frame
- ☐ Building Facilities :
  - Electricity : Available
  - Clean Water : Available
  - AC : Available
- ☐ Remark : At the time of field inspections of the condition of the field used as a guard house
- ☐ Building Area : 128 sq.m
- ☐ Building Condition : Poor

Market Value	Rp 17,000,000
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## TOTAL BUILDING

Market Value	Rp 386,000,000
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## OTHER LAND IMPROVEMENTS

Other Land improvements comprise of port facilities and its infrastructure which are as follows:

1. Bridge (Km. 3, Block 2) : Made of concrete K250, Foundations couple river stone, cast concrete, concrete blockgirger 250, with a length of 20m, width15m, equipped with iron railings in the paint, and equipped with river stone plaster on both sides with a height of 3 m, a length of approximately 5 m.

Market Value	Rp 8,225,000,000
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2. Bridge (Senyur Port) : Made of concrete K250, Foundations couple river stone, cast concrete, concrete blockgirger 250, with a length of 20m, width15m, equipped with iron railings in the paint, and equipped with river stone plaster on both sides with a height of 3 m, a length of approximately 5 m.

Market Value	Rp 11,162,500,000
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3. Hauling Road : Made of rockfill foundation pavement/compaction of approximately 15 cm thick, rigid layer 2 to layer thickness of 30 cm rockfill road, the road width of 15 meter sandis equipped with drainage, embank mentand pole salong the 3 km road marker used only from total of 13 km.

Market Value	Rp 5,463,800,000
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## 4. Jetty &amp; Catwalk

: Made of pile foundation with a depth of approximately 50 m local foundation approximately 50 cm thick, each foundation 4 steel pole diameter of 30 cm height of approximately 20m, equipped with a ramp / bridge passing along the road about 50 meters, cranes for loading and unloading arms unloading coal.

Market Value	Rp	20,764,000,000
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## 5. Stockpile

: Made of pavement and gravel cut and fill ground and pile with a thickness of approximately 20 cm, covering approximately 25,041 sq.m.

Market Value	Rp	1,548,100,000
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## 6. General Facilities consist of :

General Facilities valued as a whole unit asset considering the lack of technical information.

## Badminton Area

: Made of rebates concrete, plastered and painted with a broad measure approximately 16 meter long, 8 meters wide, is equipped with a netting and lighting the lamp.

## Provision of Clean Water

: Made from wells drilled in the (spring) with a depth of approximately 30 meter, equipped with a pump machine, network and installation of water/plumbing, water tower capacity of approximately 5,000 liters, to flow into the water tank (water reservoir) is made of stainless steel with size less than 3 meter high, wide and 3 meter long which is in the Site 5 meter expert, built under neath foundation of cast concrete with a 5m x 3 m 15 cm thick or less. As well as other standard equipment in order to normally operate.

## KJPP MPR

Water Treatment Plant	: Cast Made from reinforced concrete with a broad size is approximately 8 meters, a width of approximately 4 meters, with a height of approximately 1.5 meters, waste water flow circulation around the area of waste water Expert Site, and then processed in the stream before returning to small river.
Drainage	: Made of concrete culverts and excavation usual trapezoidal shape, with a lower cross section approximately 30-50 cm, along approximately 780 sq.m.
Road Pavement Environmental Site	: Made of rock fill foundation pavement/ compaction of approximately 10 cm thick, rigid layer 2 to layer thickness of 15 cm rock fill road, the road width of 6 meters and equipped with drainage on each side.
Tower Radio Transmitters	: Made of iron antenna 5/8 Lambda Aluminum triangle, antenna 7/8 Lambda stainless steel with a height of approximately 50 meter fitted with retaining cable ground lightning, coaxial cable RG-8, as well as other standard equipment in order to normally operate.
Lamp Lighting the Way Around Camp	: Made of iron pipe or steel plate with a single type of square round (octagonal) and painted (hot dip galvanized) with a height of approximately 6 feet and equipped with a foundation planting (base plate).

Market Value	Rp	3,496,800,000
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### TOTAL BUILDING AND OTHER LAND IMPROVEMENTS

Market Value	Rp	50,660,200,000
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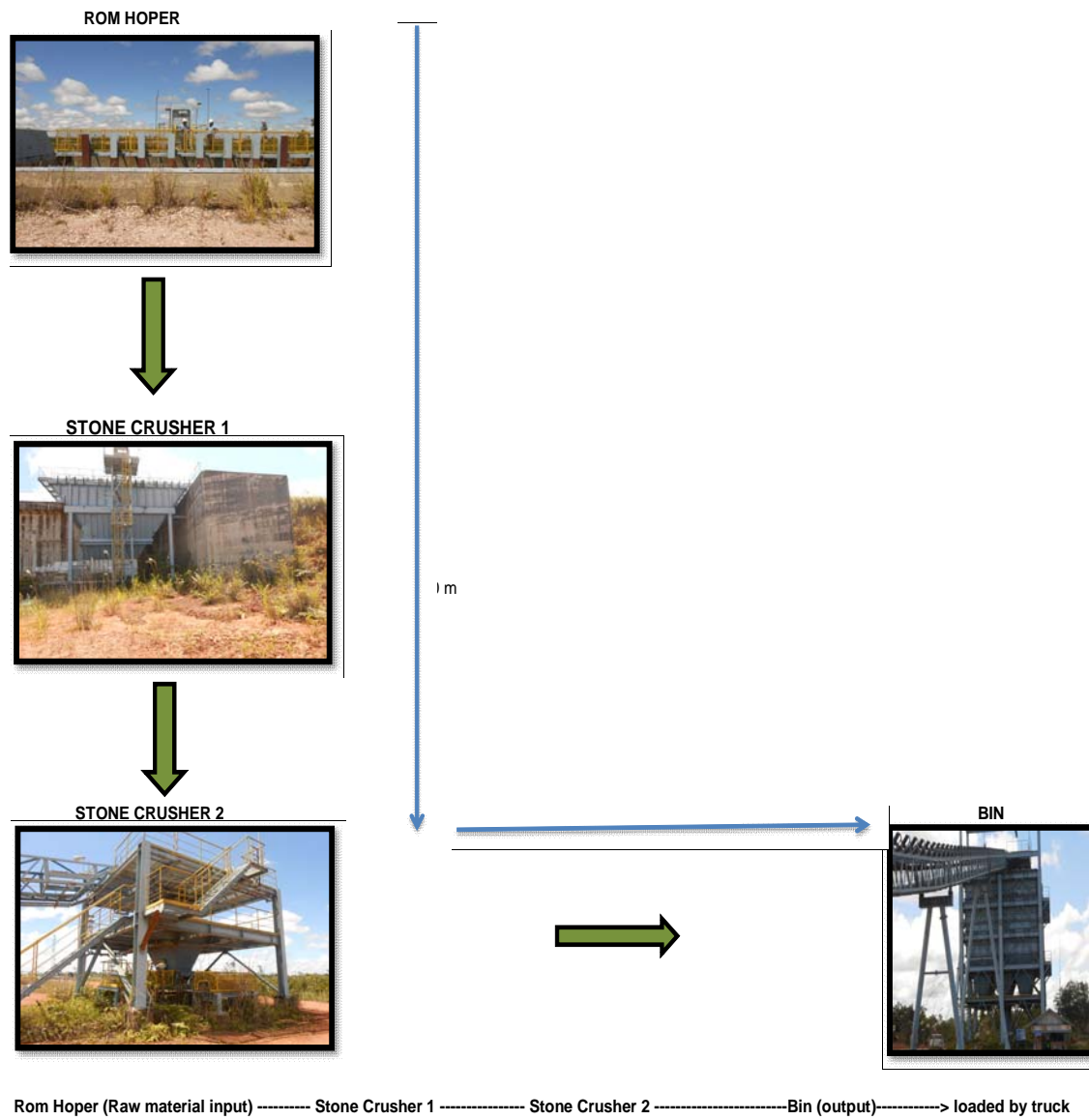
## **6.8. APPRAISAL OF MACHINERIES**

### **6.8.1. Appraisal Method**

In this appraisal we used cost approach by economic life method for calculating depreciation, because there is no market for the similar data type, specifications, and functions / typical with machineries being valued. So the appraiser used cost approach to obtain the market value of themachineries, as previously described in the section of this report.

6.8.2. General Overview of Operation

Process of Plant Stone Crussher Intermediated



## KJPP MPR

### Operational Process of Plant Barge Loading Conveyor

Sedimentation Pond (PT. Indonesia Pratama)



Stone Crusher 1 (PT. Indonesia Pratama)



Sedimentation Pond 2 (PT.SAU)



Metal Detector and transfer Conveyor



Motor Conveyor



Transfer to Barge Loading



Sedimentation Pond (input) -----> Stone Crusher 1 -----> Transfer Conveyor -----> Barge Loading (output)

**6.8.3. Description of Machineries**

Because of lack information or supporting data about part of machineries and description of asset, so that the value of each part and description could not give in detail. We valued as an integrated part of machineries to avoid bias result of valuation.

Notes for unoperational coal stone crusher, normally valued at net realisable value. In this case, it just market value less disposal cost and other settlement costs.

Description of machineries generally described as below :

## MACHINERIES

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The Machineries consists of :

**1. 1 Unit Coal Stone Crusher which parts/equipments are as belows:**

- Rom Hoper
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Capacity : 8 x 2.500 ton
  - ❑ Construction : Steel, Concrete
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (Not operational; moved)
  
- Stone Crusher 1
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Model/Type : BF 29c-5976f
  - ❑ Serial Number : 14079
  - ❑ Construction : Concrete
  - ❑ Motor Driver : Toshiba Int.Corp. 3 Phase, Serial no.70171459, Type TIK,Rpm 1480,150 Kw
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (Not operational; moved)
  
- Transfer Conveyor CV 1
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Construction : Steel,concrete
  - ❑ Dimention : 10 m (L) x 1,2 m (W) x 0,5 m (H)
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (Not operational; moved)
  
- Stone Crusher 2
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Model/Type : Matchid velocity technology
  - ❑ Construction : Concrete
  - ❑ Motor Driver : Toshiba Int.Corp. 3 Phase, Serial no.70171459, Type TIK, Rpm 1480,150 Kw
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (Not operational; moved)



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- Stacking Conveyor CV 2 and Tripper
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Dimention : 10 m (L) x 1,2 m (W) x 0,5 m (H)
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (Not operational; moved)
  
- Transfer Loading Conveyor CV4
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Dimention : 10 m (L) x 1,2 m (W) x 0,5 m (H)
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (Not operational; moved)
  
- Coal Bin
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Construction : H Concrete
  - ❑ Motor Driver : Toshiba Int.Corp. 3 Phase, Serial no.70171459, Type TIK, Rpm 1480,150 Kw
  - ❑ Dimension : 10 m (L) x 10 m (W) x 20 m (H)
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (Not operational; moved)

Net Realisable Value	Rp 19,572,980,000
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2. 1 Unit Barge Loading Conveyor which parts/equipments are as follows :

- Catwalk and Railing
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Construction : Steel Conveyor
  - ❑ Motor Driver : Motor and Gear Box Siemen, Flender D-09320, Germany, (BA5010-06.03+BA 7300 01.05), 225 Kw, 1.800 kg
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (operational; modified)
- Stacking Belt Conveyor Loading
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (operational; modified)
- Structure Belt Conveyor Transfer
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (operational; modified)
- Structure Transfer Conveyor
  - ❑ Brand : Joy Mining Machinery
  - ❑ Made in : Europe
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Dimension : 10 m (L) x 1,2 m (W) x 0,5 m (H)
  - ❑ Accessories : Equipped with standard operational work
  - ❑ Condition : Fair (operational; modified)

Some parts of barge loading conveyor belows have been modified or replaced so that they could normally operate within system or integrated plant.

- Receiving Hopper
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Condition : Operational with modification (original part is dismantle, moved to KM 6)

## KJPP MPR

- Apron Feeder
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Condition : Operational with modification (original part is dismantle, moved to KM 6)
  
- Stacking Conveyor CV1 and Tripper
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Dimension : 10 m (L) x 1,2 m (W) x 0,5 m (H)
  - ❑ Condition : Operational with modification (original part is dismantle, moved to KM 6)
  
- 2 x Reclaim Feeder
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Condition : Operational with modification (original part is dismantle, moved to KM 6)
  
- Transfer Conveyor CV 3
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Dimension : 10 m (L) x 1,2 m (W) x 0,5 m (H)
  - ❑ Condition : Operational with modification (original part is dismantle, moved to KM 6)
  
- Bypass Conveyor CV 4
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Dimension : 10 m (L) x 1,2 m (W) x 0,5 m (H)
  - ❑ Condition : Operational with modification (original part is dismantle, moved to KM 6)
  
- Sedimentation Pond
  - ❑ Year : 2009
  - ❑ Construction : Concrete
  - ❑ Condition : Operational with modification (original part is buried)

## KJPP MPR

- Loading Conveyor CV 5
  - ❑ Year : 2009
  - ❑ Construction : Steel
  - ❑ Dimension : 10 m (L) x 1,2 m (W) x 0,5 m (H)
  - ❑ Condition : Operational with modification (original part is dismantle, moved to KM 6)

Market Value	Rp 2,580,100,000
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## 6.9. APPRAISAL CONCLUSION

In general appraisal practices based on the calculation and analysis undertook and considered other factors, appraisal assumptions and limiting conditions in this report, we conclude that the indication of **Market Value (for all items exluded coal stone crusher)** and **Net Realisable Value (for coal stone crusher only)** using of market approach and cost approach of the property as per cut off date of valuation on **April 23, 2015** is :

NO	DESCRIPTION	AREA (Sq.m)	MARKET VALUE	NET REALISABLE VALUE
1	Land	423,800	Rp 2,441,000,000	Rp -
2	Building		Rp 386,000,000	Rp
3	Other Land Improvement		Rp 50,660,200,000	Rp
	<b>Sub Total</b>		<b>Rp 53,487,200,000</b>	<b>Rp</b>
	<b>Machineries and Equipment</b>			
4	Coal Stone Crusher		Rp -	Rp 19,572,980,000
5	Barge Loading Conveyor		Rp 2,580,100,000	Rp -
<b>TOTAL</b>			<b>Rp 56,067,300,000</b>	<b>Rp 19,572,980,000</b>
<b>ROUNDED</b>			<b>Rp 56,067,000,000</b>	<b>Rp 19,573,000,000</b>

# APPENDIX

# **PROFESSIONAL QUALIFICATIONS**

## **CURICULUM VITAE**

Name : **Uji Prasetyo**

Position : **Partner (Property Valuer Licence)**

Education : **S1**

Work Experience : **2007 - now** **KJPP Martokoesoemo, Prasetyo & Rekan**  
*Partner*

**2005 - 2007** **PT Amandamai Arthamitra Jasapenilai**  
*Direktur*

**1996-2005** **PT Asian Appraisal Indonesia**  
*Manager*

Project Experience : **Asset Valuation**

- PT Adi Sarana Armada (ASSA Rent)
- PT Medco Downstream Indonesia
- RS Mitra Kasih
- PT Tower Bersama Infrastructure Tbk
- PT Bakrie Telecom Tbk
- PT Dayamitra Telekomunikasi
- PT Solusindo Tunas Pratama
- PT Indonesia Air Transport
- PT Astra Honda Motor
- PT Hellios Capital
- PT Bumi Resources
- PT Kaltim Prima Coal
- PT Berau Coal
- PT Maiska Bhumi Semesta
- PT Malindo Persada Khatulistiwa
- PT Wika Intrade
- PT Chevron Geothermal Industri Ltd
- PT Lotte Indonesia
- Dana Pensiun Merpati
- PT Aero Nusantara Indonesia
- PT Parit Padang
- PT Sinar Agro Raya
- PT Solusindo Kreasi Pratama
- PT Bangun Energy Indonesia Tbk
- PT Bukit Makmur
- PT Bakrie Telecom Tbk
- Bank Chinatrust Indonesia
- PT Norwest Industri
- PT Dystar Colours Indonesia
- PT Astra International Tbk
- PT. Kalimanis Industri
- PT. Semen Cibinong Tbk
- Unocal
- PT. Multysand Abrasive Indonesia
- PT. Pido
- PT. Tri Sejahtera Mandiri
- PT. Yasperindo
- PT. Seng Aseng
- PT. Trinex Nusantara
- PT. Olympic Group
- PT. Sariboga Persada
- PT. Toyo Paint
- PT. Metro Data
- PT. Putra Sejahtera
- PT. Fishindo
- PT. Olympic Group
- PT. Dara Transindo
- PT. Sido Bangun
- PT. Sentrafood Indonusa
- PT. Dara Transindo2
- PT. Citra Gaya Busana
- PT. Maknawi Jaya Kencana
- PT. Kedawung Setia Industri
- PT. Eka Buana
- PT. Camping Gas Indonesia
- PT. Musi Hutani Persada

- PT. Indosat Tbk
- PT. Indomarco
- PT. White Horse Ceramic
- PT. Indo Agung
- PT. World Yamatex
- PT. Aneka Tambang
- PT. Astra Graphia
- PT. Marinatama Gema nusa
- PT. Inti Karya PersadaTehnik
- PT. Universal Wisesa
- PT. Sentrafood Intinusa
- PT. Marenoraya Nusantara
- River Side Golf Club
- Pemda Tulung Agung
- PT. Barito Pacific Timber Group
- United Tractor
- PT. Bhineka Karya manunggal
- PT. Ekalima Graha
- PT. Tansindo Bali Mulya
- PT. Mediagate Indonesia
- PT. Ekalima Graha
- PT. Danatama Makmur
- PT. Jaya Shakti Barutama
- PT. Gunatex Jaya
- PT. Wahana Phonix Mandiri
- PT. Kawedar Wood Industri
- PT. Jasa Transindo Utama Mandiri
- PT. Ekalima Graha
- PT. Philips Electronics Indonesia
- PT. Babcock dan Wilcox Indonesia
- PT. Ekalima Graha
- PT. Ekalima Graha
- PT. Inti Karya Persada Tehnik
- PT. Batavindo
- PT. Jati Cahaya Cemerlang Plywood Industry
- PT. Tong Yang Indonesia
- PT. Batavindo Kridanusa
- PT. Tong Yang Indonesia
- PT. Aneka Kimia Raya
- PT. Benangsari Indahtexindo
- PT. Makmur Maju Bersama
- PT. Padangbara Sukses Makmur
- PT. Samudra Indonesia
- PT. Harapan Kita
- PT. Republik Express
- PT. Evershine Tex Tbk
- PT. Indo Yongtex Jaya
- PT. Tiki JNE
- PT. Samudra Indonesia
- PT. Berlian Global Perkasa
- PT. Multi Kreasi Develindo
- PT. Japfa Comfeed Indonesia
- PT. Distributor Komponen Utama
- PT. Primatama Karya Persada
- PT. Swakarya Sejati Utama
- PT. Alamraya Kencana Mas
- PT. Indonesia Safety Glass
- PT. Cipta Multi Usaha Perkasa
- PT. Mahabina Kreasitama
- PT. Indah Jaya
- PT. Tirta Multi Bahagia
- PT. Cipta TPI
- PT. Bintang Terang Gemilang
- PT. Rajawali Nusantara Indonesia
- PT. Gearindo Prakarsa
- PT. Multi Kreasi Develindo
- Bank Global International
- PT. Jakarta Tourisindo
- PT. Norwest Industry
- KUD Binatani Mandiri
- PT Limas Lestari Jaya
- PT. Wahana Agung
- PT. VPC Indonesia
- PT. Saeti Concretindo Wahana
- PT. Swakarya Sejati Utama
- PT. Bangun Mustika Inti Persada
- PT Alamraya Kencana Mas
- PT Bukit Makmur Mandiri Utama
- PT Alfa Goldland Realty
- PT Bangun Energy Indonesia
- PT Jui Sin
- PT Batavia Prosperindo Finance
- PT Howsanindo Industry
- PT Tungya Collins
- PT Grafitecindo Ciptaprima
- PT Singlong Brother
- PT Pansia Indosyntec
- PT Catur Caraka Sempurna
- PT Bukit Makmur Mandiri Utama
- PT Tower Bersama Group
- PT Infomedia Nusantara
- PT Dayamitra Telekomunikasi
- PT Astra Honda Motor
- PT Indonesian Tower
- PT Aero Nusantara Indonesia



**Personal Data**

Date of Birth	Wonogiri, 2 Februari 1971
Education	UPN Veteran, Yogyakarta
Nation	Indonesia
Language	Indonesia, English
Training	1996 : Penilaian P1 & P2 2000 : Pendidikan Monitoring 2003 : Desiminasi dan Sosialisasi SPI 2005 : Pendidikan Profesi Lanjutan (PPL) dibidang Pasar Modal 30 SKP (Satuan Kredit Profesi) 2006 : Pendidikan Profesi Lanjutan (PPL) 5 SKP 2007 : Pendidikan Profesi Lanjutan (PPL) 5 SKP 2008 : Pendidikan Profesi Lanjutan (PPL) 5 SKP 2009 : Pendidikan Profesi Lanjutan (PPL) 5 SKP 2010 : Pendidikan Profesi Lanjutan (PPL) 5 SKP
Association	: License No. P-1.08.00037 MAPPI 96-S-00919

## CURICULUM VITAE

Name : Azrowini

Jabatan : Partner (Property Valuer License)

Education : S2

Work Experience	2012 – Now	KJPP Martokoesoemo, Prasetyo & Rekan <i>Partner</i>
	2011 – 2012	KJPP Witijasto & Rekan <i>Partner</i>
	2009 – 2011	KJPP Antonius Azrowini Witijasto & Rekan <i>Partner</i>
	1999 – 2009	PT Karmino Apprakon <i>Partner</i>
	1996 – 1999	PT Karmino Apprakon <i>Staff Valuer</i>

Project Experience : Asset Valuation :

- PT Industri Pesawat Terbang Nusantara
- PT National Utility Helicopter
- PT Riau Airlines
- PT Tripanca Group (Dalam Pailit)
- PT Bank Tabungan Negara
- Kejaksaan Agung RI
- Kopkar Bank Jabar
- PT Studio One
- PT Locomotif Eka Sakti
- PT Chevron Pacific Indonesia
- CV Hari Pelita
- PT Tugumas Fuli
- PT Victory Edukreasi Pratama
- PT Agro Freshmart
- DJKN Depkeu
- KSP Multi Niaga
- PT Ades Waters Ind.
- CV Mega Laksana Abadi
- PT Link Net
- PT Bontang Transport
- PT Imemba Kontraktor
- PT Blue Steel Australasia
- PD BPR Serang
- PT Mitra Surya Cemerlang
- PT Indoglobal Adya Pratama
- PT Srijasa Brika Perkasa
- PT Segar Nusantara Marine
- PT Surya Mineralindo
- PT The New Zealand Man't Consultant
- PT Jaba Garmino
- PT Nusantara Infrastructure
- PT Utomo Ladju
- PT Modern Multi Guna
- Yayasan Sekolah Cakra Buana
- Gelora Bung Karno
- PT Makassar Indah Graha Sarana
- PT Kariyana Gita Utama
- RS Sumber Asih
- UD Segar Sakti Jaya
- Pemprov. DKI Jakarta
- PT Salim Invomas Pratama
- PT Indosentra Pelangi
- PT Gunung PutriNew
- PT Spotec
- Yabinstra
- BHS Bank
- PT New Century Development
- Pemda Kabupaten Kampar, Riau
- PT Unitex
- PT Sarana Alam Lestari Nusantara

- PT Indofood Fritolay Makmur
- PT Mahakam Beta Farma
- PT Kahar Duta Sarana
- PT Hanil Metal Jaya Work
- CV Muly
- PT Condoba Textindo
- PT Indo Raya
- PT Duta Cucindo
- PT Panamitra
- PT Pentarya Bangun
- PT Enomoto

- PT Kawamura Indah
- Yayasan Al-Azhar
- PT Ayam Merak
- PT Panamitra
- PT Matra Bapora
- PT Namura Tatalife
- PT Fajar Surya Wisesa
- PT Pandusiwi
- PT Pan Travel
- PT Reka Griya Cipta Yasa
- PT Pilar Bangun Perkasa

**Personal Data**

Date of Birth

**Bandung, 4 Oktober 1968**

Education

**Magister Ekonomika Pembangunan  
Fak. Ekonomi Pembangunan (FEB)  
Universitas Gadjah Mada**

Nation

**Indonesia**

Language

**Indonesia, English**

Professional Training

- Pelatihan P1-P2
- Pelatihan Penilaian Lanjutan Properti Komersial & Penilaian Usaha P3-P4
- Pendidikan Profesi Penunjang untuk Perusahaan Penilai Pasar Modal
- Training Course on Asset Appraisal for Financial Restructuring
- Diseminasi Standar Penilaian Indonesia 2007
- Program Pengembangan Eksekutif Studi Kelayakan, Lembaga Manajemen PPM
- Seminar dan Workshop lain

Association

: Licence No.P-1.09.00146

MAPPI 98-S-01082

## **CURICULUM VITAE**

Name : **Fabian H. Sandi**

Jabatan : **Machinery and Equipment Valuer Staf**

Education : **Diploma III**

Work Experience : **2007 – Now**      **KJPP Martokoesoemo, Prasetyo & Rekan**  
*Associate*

**2006 – 2007**      **PT AAJ Associates**  
*Staff Ahli, Transaction Support & Capital Market Services*

**2002 – 2006**      **PT Soeparjono Artha Penilai**  
*Staf Valuer*

**Bank Mandiri, Bank Danamon, Bank Niaga,  
Bank Mayapada, Bank Bumiputera, dan  
Bank Syariah Mandiri Penilaian Tanah,  
Bangunan, Mesin dan Peralatan**

**1999 – 2001**      **PT Sigma Rancang Perdana**  
*Staff Maintenance*

**1996 – 1999**      **Akademi Teknik Veteran, Jakarta**  
*Assistant Lab*

**1995 – 1997**      **PT Putra Duta Anggada**  
*Staff Gudang Material (Apt. Hayam Wuruk)*

Project Experience :

- PT Adi Sarana Armada (ASSA Rent)
- PT Medco Downstream Indonesia
- PT Alam Sutera Realty Tbk
- PT Tower Bersama Tbk
- PT Bakrie Telecom
- PT Solusindo Tunas Pratama
- PT Tower Bersama Infrastructure Tbk
- RS Mitra Kasih
- Kejaksaan Agung RI
- PT Indonesia Air Transport
- PT Hellios Capital
- PT Bumi Resources
- PT Kaltim Prima Coal
- PT Berau Coal
- PT Maiska Bhumi Semesta
- PT Malindo Persada Khatulistiwa
- PT Aero Nusantara Indonesia
- PT Indonesia Air Transport, Kapal Terbang
- PT Rukindo (Pengerukan Indonesia)
- PT Wika Intrade
- PT Marinatama Gema Nusa, Kapal Feri
- PT Samudera Indonesia
- PT Chevron Geothermal Industri Ltd
- PT Lotte Indonesia
- Dana Pensiun Merpati
- PT Parit Padang
- PT Sinar Agro Raya
- PT Solusindo Kreasi Pratama
- PT Bangun Energy Indonesia Tbk
- PT Bukit Makmur
- PT Pengerukan Indonesia
- PT PPA
- Perum Pegadaian (Ruko)
- Perum Pegadaian Syariah
- PT Pertamina tbk
- PT Indonesia Power
- PT Dayamitra Telekomunikasi
- Bank Chinatrust Indonesia
- PT Norwest Industri
- PT Dystar Colours Inonesia

- PT Astra International Tbk
- PT Patra Telekomunikasi, VSAT
- PT Wijaya, Kapal Tongkang
- PT Balebat, Mesin Percetakan
- PT Kusumahadi Santosa, Pabrik Tekstil
- PT Kusumaputra Indonesia, Pabrik Tekstil
- PT Inti Karya Persada Teknik
- PT Universal Wisesa
- PT Kalingga Kencana
- PT Rudy Karnadi
- PT Horinda
- PT Sentra Boga Inti Selera
- PT Sentrafood Intinusa
- PT Marenoraya Nusantara
- PT Tansindo Bali Mulya
- PT Mediagate Indonesia
- PT Danatama Makmur
- PT Jaya Shakti
- PT Tanjung Putra Pertiwi
- PT Global Mega Prinsipal
- PT Astra Honda Motor
- PT Kawedar Wood Industri
- PT Tong Yang Indonesia
- PT Bhineka Karya Manunggal
- PT World Yamatex Spinning
- PT Fortuna Gemilang
- PT TIKI JNE
- PT Berlian Global Perkasa
- PT Multi Kreasi Develindo
- PT Japfa Comfeed Indonesia
- PT Distributor Komponen Utama
- PT Primatama Karya Persada
- PT Alamraya Kencana Mas
- PT Indonesia Safety Glass
- PT Indah Jaya
- PT Cipta TPI
- PT Wahana Agung
- PT VPC Indonesia
- PT Saeti Concretindo Wahana
- PT Swakarya Sejati Utama
- PT Bangun Mustika Inti Persada
- PT Tirta Multi Bahagia
- PT Bali Telecom
- PT Lotte Indonesia
- PT Kasadasa Perkasa

## Personal Data

Date of Birth **Jakarta, 13 Desember 1976**

Education	<b>Akademi Teknik Veteran, UPN Jakarta</b> <b>Jurusan Teknik Perencanaan Mesin</b>
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Nation Indonesia

Language **Indonesia, English**

Training	<ul style="list-style-type: none"> <li>• Pelatihan Penilaian, Investasi, dan Pembiayaan Kapal (11 Juni 2008) - Pusat Pelatihan Penilaian Mesin dan Peralatan .</li> </ul>
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**No. Sertifikat : 09/P3MP-AIJ/PK-1/11/VI/08**

- Pelatihan Penilaian Pesawat (22 April 2008) - Pusat Pelatihan Penilaian Mesin dan Peralatan .

**No. Sertifikat : 01/P3MP-AIJ/PP-1/22/IV/08**

Association : MAPPI 10-A-02719

## **CURICULUM VITAE**

Name : **Aswar Hadi**

Position : **Land and Building Valuer Staff**

Education : **S1**

Work Experience : **2011 – Now** **KJPP Martokoesoemo, Prasetyo & Rekan**

**2010 – 2011** **PT Colliers International**

**2010** **KJPP Sukardi, Israr & Rekan**

**2007 – 2010** **PT Piesta Consulting**

**2007 – 2002** **PT Pronilai Consulting**

Project Experience :

- PT Adi Sarana Armada (ASSA Rent)
- PT Medco Downstream Indonesia
- PT Tower Bersama Tbk
- PT Bakrie Telecom Tbk
- RS Mitra Kasih Bandung
- Kejaksaan Agung RI
- PT Astra Honda Motor
- PT Erajaya Group
- PT Hellios Capital
- PT Star Comfig
- PT Apac Inti Corpora
- PT Humpus Aromatik
- PT Bosowa Corporation
- PT Truba Jaya Engineering
- PT Solusindo Indonesia
- PT Makasar Hotel Network
- Perusahaan Pengendalian Aset (PPA)
- PT Rajawali Citra Underwriters (RCTI), MNC Group
- PT Wahana Makmur Sejati
- PT Ocean Pasific Indonesia
- PT Cemaru Logistik Indonesia
- PT Pakokuina
- Mall Jatinangor
- Sport Mall Kelapa Gading
- PT Bina Mentari Tunggal
- PT Arwana Keramik
- PT GT Kabel Indonesia
- PT Trans TV
- PT Gramedia
- PT Donindo
- PT Trans Kalla Makassar
- PT Bakrie Swastika Mandiri
- PT Djayanti Group
- PT Yanata Anugerah Mandiri
- PT Nindya Karya
- PT Tuban Petro
- PT Wika Intrade
- PT Chevron Geothermal Industri Ltd
- PT Lotte Indonesia
- PT Astra Honda Motor
- PT. Olympic Group
- PT. Dara Transindo
- PT. Sido Bangun
- PT. Sentrafood Indonusa
- PT. Dara Transindo2
- PT. Citra Gaya Busana
- PT. Maknawi Jaya Kencana
- PT. Kedawung Setia Industri

**Personal Data**

Date of Birth	Bekasi, 27 Agustus 1977
School	Sekolah Tinggi Teknologi Jakarta Jurusan Teknik Sipil
Nation	Indonesia
Language	Indonesia, English

# **WORKING PAPER**



**KANGAROO RESOURCES LIMITED / PT SUMBER ASET UTAMA****LAND**

No	Land Area (Sq.m)	Typical of Land Area (unit)	Total (Sq.m)
1	3.000	59	177.000
2	5.000	1	5.000
3	6.000	3	18.000
4	9.000	1	9.000
5	10.000	2	20.000
6	11.700	1	11.700
8	15.000	1	15.000
9	17.700	1	17.700
10	21.600	1	21.600
11	22.800	1	22.800
12	25.000	1	25.000
13	30.000	1	30.000
14	38.000	1	38.000
Total			423.800

**LAND VALUATION**
**MARKET DATA ADJUSTMENT METHODE**

**CLIENT**  
**LOCATION**

**KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA**  
Senyur Village, Muara Ancalong, Kutai Kertanegara  
Senyur Village  
Kota Bangun  
East Kalimantan

April 23, 2015

**MPR**  
INDONESIA

DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
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<b>DATA</b>	ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Senyur, Kecamatan Muara Calong, Kutai	Desa Kelakat	Desa Long Bih Modang
	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	pak Kades Ansar Sihotang/ Bapak Asep saiful
	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32066801/0821-57051111	/ 0812-18826733
	PHONE				
	TYPE OF PROPERTY				

<b>EXISTING DATA</b>	Land Area	177.000	40.000	50.000	30.000
	Land Title	Hak Pakat	SKPT	SKPT	SKPT
	Building Area	2.748	-	-	-
	Year Built	2.009	-	-	-
	Condition	kurang	tanaman kayu albasia, hutan kayu , ila	ada tanaman sawit, hutan kayu , ilalang, r	hutan kayu , ilalang, semak belukar
	CRN of Buidng per sqm.		-	-	-
	Economic Life of Building		-	-	-
	Frontage	275	-	-	-
	Elevation		-	-	-
	Land Shape	tidak beraturan			
	Offering Price		220.000.000	275.000.000	150.000.000
	Transaction Price		-	-	-
	Time				
	Discount		0%	0%	0%
			220.000.000	275.000.000	150.000.000
	Indicated Propety Value		220.000.000	275.000.000	150.000.000
	Indicated Building Value		-	-	-
	Indicated Land Value		220.000.000	275.000.000	150.000.000
	Indicated Land Value / sqm.		5.500	5.500	5.000

ADJUSTMENT								
NO.	ADJUSTMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)	
1	Time	0%	-	0%	-	0%	-	-
2	Land Title	0%	-	0%	-	0%	-	-
3	Land Area	3%	165	1%	55	5%	250	
4	Land Use	0%	-	0%	-	0%	-	-
5	Shape	2%	110	0%	-	0%	-	-
6	Elevation	0%	-	10%	550	5%	250	
7	Frontage	0%	-	5%	275	5%	250	
8	View	0%	-	0%	-	0%	-	-
9	Access Road	5%	275	10%	550	5%	250	
10	Infrastructure/Facilities	0%	-	0%	-	0%	-	-
	<b>Total Adjusted</b>	<b>10%</b>	<b>550</b>	<b>26%</b>	<b>1.430</b>	<b>20%</b>	<b>1.000</b>	
	<b>Indicated Land Value</b>		<b>6.050</b>		<b>6.930</b>		<b>6.000</b>	

WEIGHTED			
DATA 1	35%	Rp	2.118
DATA 2	30%	Rp	2.079
DATA 3	35%	Rp	2.100
Indicated Land Value	100%	Rp	6.297
Total Land Value		Rp	1.114.480.500
Rounded To		Rp	1.114.000.000

Form : 06

HMN

**LAND VALUATION**  
**MARKET DATA ADJUSTMENT METHODE**

<b>CLIENT</b>	<b>KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA</b>	
<b>LOCATION</b>	Senyur Village, Muara Ancalong, Kutai Kertanegara	
	Senyur Village	
	Kota Bangun East Kalimantan	
		April 23, 2015

	DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
<b>D A T A</b>	ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bleh Modang
	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Ansar Sihotang/ Bapak Asap saifulloh
	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32066801/0821-57051111	/ 0812-18826733
	PHONE				
	TYPE OF PROPERTY				

<b>E X I S T I N G D A T A</b>	Land Area	5.000	20.000	40.000	30.000
	Land Title	Hak Pakai	SKPT	SKPT	SKPT
	Building Area	2.748	-	-	-
	Year Built	2009/2010/2011	-	-	-
	Condition	Hutan Kayu-bakau, semak belukar,	hutan kayu, ilalang, semak belukar	ada tanaman sawit, hutan kayu, ilalang, s-	hutan kayu, ilalang, semak belukar
	CRN of Buidng per sqm.		-	-	-
	Economic Life of Building		-	-	-
	Frontage	275	-	-	-
	Elevation		-	-	-
	Land Shape	tidak beraturan	-	-	-
	Offering Price		96.000.000	220.000.000	135.000.000
	Transaktion Price		-	-	-
	Time		-	-	-
	Discount		0%	0%	0%
			96.000.000	220.000.000	135.000.000
	Indicated Property Value		96.000.000	220.000.000	135.000.000
	Indicated Building Value		-	-	-
	Indicated Land Value		96.000.000	220.000.000	135.000.000
	Indicated Land Value / sqm.		4.800	5.500	4.500

ADJUSTMENT							
NO.	ADJUSTMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	0%	-	0%	-	5%	225
6	Elevation	0%	-	0%	-	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	5%	240	0%	-	10%	450
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	<b>Total Adjusted</b>	<b>5%</b>	<b>240</b>	<b>0%</b>	<b>-</b>	<b>15%</b>	<b>675</b>
	<b>Indicated Land Value</b>		<b>5.040</b>		<b>5.500</b>		<b>5.175</b>

WEIGHTED			
<b>V A L U E</b>	DATA 1	35% Rp	1.764
	DATA 2	30% Rp	1.650
	DATA 3	35% Rp	1.811
	Indicated Land Value	100% Rp	5.225
	<b>Total Land Value</b>		<b>26.126.250</b>
	<b>Rounded To</b>		<b>26.000.000</b>

# LAND VALUATION

## MARKET DATA ADJUSTMENT METHODE

CLIENT :	KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA	
LOCATION :	Senyur Village, Muara Ancalong, Kutai Kertanegara	
	Senyur Village	
	Muara Ancalong Sub District East Kalimantan	
		April 23, 2015

DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
D ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bieh Modang
A CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Ansar Sihotang/ Bapak Asep saritulloh
T TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32066801/0821-57051111	/ 0812-18826733
A PHONE				
TYPE OF PROPERTY				

EXISTING	Land Area	18.000	40.000	50.000	20.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
	Year Built	-	-	-	-
	Condition	-	hutan kayu , ilalang, semak belukar	ada tanaman sawit, hutan kayu , ilalang, s hutan kayu , ilalang, semak belukar	-
	CRN of Buiding per sqm.	-	-	-	-
	Economic Life of Building	-	-	-	-
	Frontage	150	-	-	-
	Elevation	-	-	-	-
	Land Shape	tidak beraturan	-	-	-
	Offering Price	-	152.000.000	290.000.000	100.000.000
	Transaksion Price	-	-	-	-
	Time	-	-	-	-
	Discount	-	10%	5%	5%
ADJUSTED	Indicated Property Value	-	136.800.000	275.500.000	95.000.000
	Indicated Building Value	-	136.800.000	275.500.000	95.000.000
	Indicated Land Value	-	-	-	-
	Indicated Land Value	-	136.800.000	275.500.000	95.000.000
	Indicated Land Value / sqm.	-	3.420	5.510	4.750

ADJUSTMENT							
NO.	ADJUSTMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	0%	-	0%	-	0%	-
6	Elevation	15%	513	15%	827	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	15%	513	15%	827	2%	95
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	Total Adjusted	30%	1.026	30%	1.653	2%	95
	Indicated Land Value		4.446		7.163		4.845

WEIGHTED			
L A N D U N D E	DATA 1	35%	Rp 1.566
	DATA 2	30%	Rp 2.149
	DATA 3	35%	Rp 1.696
	Indicated Land Value	100%	Rp 5.401
	Total Land Value		Rp 97.213.500
	Rounded To		Rp 97.000.000

**LAND VALUATION**  
**MARKET DATA ADJUSMENT METHODE**

<b>CLIENT</b>	<b>KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA</b>	
<b>LOCATION</b>	Senyur Village, Muara Ancalong, Kutai Kartanegara	
	Senyur Village	
	Muara Ancalong Sub District East Kalimantan	
		April 23, 2015

	DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
<b>D</b>	ADRESS	Desa Senyur, Muaracalong, Kutai Kartanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bleh Modang
<b>A</b>	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Ansar Siholang/ Bapak Asep Samudra
<b>T</b>	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32066801/0821-57061111	/ 0812-18826733
<b>A</b>	PHONE				Penduduk sekitar
	TYPE OF PROPERTY				

EXISTING DATA	Land Area	9.000	20.000	50.000	20.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
	Year Built	-	-	-	-
	Condition		Ilalang, semak belukar	ada tanaman sawit, hutan kayu, ilalang & hutan kayu, ilalang, semak belukar	
	CRN of Buidng per sqm.		-	-	-
	Economic Life of Building		-	-	-
	Frontage	275	-	-	-
	Elevation		-	-	-
	Land Shape	tidak beraturan	-	-	-
	Offering Price		90.000.000	275.000.000	90.000.000
	Transaction Price		-	-	-
	Time		-	-	-
	Discount		0%	0%	5%
	DATA		90.000.000	275.000.000	85.500.000
Indicated Property Value		90.000.000	275.000.000	85.500.000	
Indicated Building Value		-	-	-	
Indicated Land Value		90.000.000	275.000.000	85.500.000	
Indicated Land Value / sqm.		4.500	5.500	4.275	

ADJUSMENT							
NO.	ADJUSMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	5%	225	0%	-	10%	428
6	Elevation	0%	-	0%	-	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	10%	450	0%	-	10%	428
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	Total Adjusted	15%	675	0%	-	20%	856
	Indicated Land Value		5.175		5.500		5.130

WEIGHTED			
<b>L A N D U N D</b>	DATA 1	35% Rp	1.811
	DATA 2	30% Rp	1.650
	DATA 3	35% Rp	1.796
	Indicated Land Value	100% Rp	5.257
	Total Land Value	Rp	47.310.750
	Rounded To	Rp	47.000.000

**LAND VALUATION**  
**MARKET DATA ADJUSTMENT METHODE**

<b>CLIENT</b>	<b>KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA</b>	
<b>LOCATION</b>	Jl. Aeral Hauling Km. 1 s/d km 13 Senyur Village Muara Ancalong Sub District East Kalimantan	
	April 23, 2015	

DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
<b>D</b>	Desa Senyur, Muaracalong, Kutai	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bleh Modang
<b>A</b>	Kertanegara			
<b>T</b>	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Rudi	Bapak Kades Ansar Siholang/ Bapak Asap saifulloh
<b>A</b>	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0813-3206680/0821-57051111
<b>A</b>	PHONE			0812-1882673a
	TYPE OF PROPERTY			Penduduk sekitar

	Land Area	20.000	20.000	40.000	30.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
<b>E</b>	Year Built	-	-	-	-
<b>X</b>	Condition	kebun kelapa, jambu mete, hutan bakau,	hutan kayu, ilalang, semak belukar	ada tanaman sawit, hutan kayu, ilalang, se	hutan kayu, ilalang, semak belukar
<b>I</b>	CRN of Building per sqm	-	-	-	-
<b>S</b>	Economic Life of Building	-	-	-	-
<b>T</b>	Frontage	275	-	-	-
<b>I</b>	Elevation	-	-	-	-
<b>N</b>	Land Shape	tidak beraturan	-	-	-
<b>G</b>	Offering Price	-	96.000.000	232.000.000	135.000.000
	Transaktion Price	-	-	-	-
<b>D</b>	Time	-	-	-	-
<b>A</b>	Discount	-	0%	0%	0%
<b>T</b>		-	96.000.000	232.000.000	135.000.000
<b>A</b>	Indicated Propety Value	-	96.000.000	232.000.000	135.000.000
	Indicated Building Value	-	-	-	-
	Indicated Land Value	-	96.000.000	232.000.000	135.000.000
	Indicated Land Value / sqm.	-	4.800	5.800	4.500

ADJUSTMENT							
NO.	ADJUSTMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	0%	-	0%	-	0%	-
6	Elevation	5%	240	0%	-	10%	450
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	10%	480	-5%	(290)	10%	450
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	Total Adjusted	15%	720	-5%	(290)	20%	900
	Indicated Land Value		5.520		5.510		5.400

WEIGHTED			
<b>V</b>	DATA 1	35% Rp	1.932
<b>L</b>	DATA 2	30% Rp	1.653
<b>A</b>	DATA 3	35% Rp	1.890
<b>N</b>	Indicated Land Value	100% Rp	5.475
<b>D</b>	Total Land Value	Rp	109.500.000
	Rounded To	Rp	110.000.000

**LAND VALUATION**  
**MARKET DATA ADJUSMENT METHODE**

**CLIENT :** KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA

**LOCATION :** Jl. Areal Hauling Km. 1 s/d km 25 blok 5  
**AREAL JL. HAULING** Senyur Village  
Muara Ancalong Sub District  
East Kalimantan

April 23, 2015



	DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
D	ADDRESS	Desa Senyur, Muaracalong, Kutai	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bieh Modang
A	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Ansar Sihotang/ Bapak Asep saifullah
T	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32066801/0821-57051111	/ 0812-18826733
A	PHONE				Penduduk sekitar
	TYPE OF PROPERTY				

	Land Area	11.700	20.000	40.000	30.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
	Year Built	-	-	-	-
	Condition	kebun kelapa, jambu mete, hutan bakau,	hutan kayu, ilalang, semak belukar	ada tanaman sawit hutan kayu, ilalang, se	hutan kayu, ilalang, semak belukar
	CRN of Building per sqm.	-	-	-	-
	Economic Life of Building	-	-	-	-
	Frontage	275	-	-	-
	Elevation	-	-	-	-
	Land Shape	bidak beraturan	-	-	-
	Offering Price	-	96.000.000	232.000.000	135.000.000
	Transaktion Price	-	-	-	-
	Time	-	-	-	-
	Discount	-	0%	0%	0%
		-	96.000.000	232.000.000	135.000.000
	Indicated Property Value	-	96.000.000	232.000.000	135.000.000
	Indicated Building Value	-	-	-	-
	Indicated Land Value	-	96.000.000	232.000.000	135.000.000
	Indicated Land Value / sqm.	-	4.800	5.800	4.500

ADJUSTMENT							
NO.	ADJUSTMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	5%	240	0%	-	5%	225
6	Elevation	0%	-	0%	-	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	1%	48	15%	870	10%	450
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	Total Adjusted	6%	288	15%	870	15%	675
	Indicated Land Value		5.088		6.670		5.175

WEIGHTED			
DATA 1	35%	Rp	1.781
DATA 2	30%	Rp	2.001
DATA 3	35%	Rp	1.811
Indicated Land Value	100%	Rp	5.593
Total Land Value		Rp	65.438.685
Rounded To		Rp	65.000.000



**LAND VALUATION**  
**MARKET DATA ADJUSTMENT METHODE**

<b>CLIENT</b>	<b>KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA</b>	
<b>LOCATION</b>	Jl. Arai Hauing Km. 1 s/d km 26 blok 5	
<b>AREAL JL.HAULING</b>	Senyur Village	
	Muara Ancalong Sub District East Kalimantan	
April 23, 2015		

	DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
<b>D</b>	ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bleh Modang
<b>A</b>	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Ansar Sihotang/ Bapak Asep saifulloh
<b>T</b>	TITLE OF PERSON	Site Manager Pekar	0813-50040090	0853-3206680/0821-57051111	/ 0812-18826733
<b>A</b>	PHONE				Penduduk sekitar
	TYPE OF PROPERTY				

<b>E</b>	Land Area	13.000	20.000	10.000	30.000
<b>X</b>	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
<b>I</b>	Building Area	-	-	-	-
<b>S</b>	Year Built	-	-	-	-
<b>T</b>	Condition	kebun kelapa, jambu mete, hutan bakau	hutan kayu, ilalang, semak belukar	ada tanaman sawit, hutan kayu, ilalang, s	hutan kayu, ilalang, semak belukar
<b>I</b>	CRN of Buidng per sqm	-	-	-	-
<b>N</b>	Economic Life of Building	-	-	-	-
<b>G</b>	Frontage	275	-	-	-
<b>D</b>	Elevation	-	-	-	-
<b>A</b>	Land Shape	tdak beraturan	-	-	-
<b>T</b>	Offering Price	-	90.000.000	55.000.000	144.000.000
<b>A</b>	Transaction Price	-	-	-	-
	Time	-	-	-	-
	Discount	-	0%	0%	0%
		-	90.000.000	55.000.000	144.000.000
	Indicated Property Value	-	90.000.000	55.000.000	144.000.000
	Indicated Building Value	-	-	-	-
	Indicated Land Value	-	90.000.000	55.000.000	144.000.000
	Indicated Land Value / sqm	-	4.500	5.500	4.800

ADJUSTMENT							
NO.	ADJUSTMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	5%	225	0%	-	0%	-
6	Elevation	0%	-	0%	-	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	10%	450	0%	-	5%	240
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	Total Adjusted	15%	675	0%	-	5%	240
	Indicated Land Value		5.175		5.500		5.040

WEIGHTED			
<b>V</b>	DATA 1	35%	Rp 1.811
<b>A</b>	DATA 2	30%	Rp 1.650
<b>L</b>	DATA 3	35%	Rp 1.784
<b>U</b>	Indicated Land Value	100%	Rp 5.225
<b>D</b>	Total Land Value		Rp 67.928.250
	Rounded To		Rp 68.000.000



**LAND VALUATION  
MARKET DATA ADJUSMENT METHODE**

<b>CLIENT :</b>	<b>KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA</b>	
<b>LOCATION :</b>	Jl. Aeral Hauling Km. 1 s/d km 25 blok 5	
<b>AREAL JL HAULING :</b>	Senyur Village	
	Muara Ancalong Sub District East Kalimantan	
		April 23, 2015

DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
<b>D</b>	ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat
<b>A</b>	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi
<b>T</b>	TITLE OF PERSON	Sis Manager Pakar	0813-50040090	0853-32066801/0821-57051111
<b>A</b>	PHONE			0812-18826733
	TYPE OF PROPERTY			Penduduk sekitar

<b>E</b>	Land Area	15.000	30.000	10.000	30.000
<b>X</b>	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
<b>I</b>	Building Area	-	-	-	-
<b>S</b>	Year Built	-	-	-	-
<b>T</b>	Condition	kebun kelapa, jambu mete, hutan bakau,	hutan kayu, ilalang, semak belukar	ada tanaman sawit, hutan kayu, ilalang, s-	hutan kayu, ilalang, semak belukar
<b>I</b>	CRN of Buidng per sqm.	-	-	-	-
<b>N</b>	Economic Life of Building	-	-	-	-
<b>G</b>	Frontage	275	-	-	-
<b>D</b>	Elevation	-	-	-	-
<b>A</b>	Land Shape	tidak beraturan	-	-	-
<b>T</b>	Offering Price		144.000.000	55.000.000	120.000.000
<b>A</b>	Transaction Price		-	-	-
	Time		-	-	-
	Discount		0%	0%	0%
			144.000.000	55.000.000	120.000.000
	Indicated Property Value		144.000.000	55.000.000	120.000.000
	Indicated Building Value		-	-	-
	Indicated Land Value		144.000.000	55.000.000	120.000.000
	Indicated Land Value / sqm.		4.800	5.500	4.000

ADJUSMENT							
NO.	ADJUSMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	5%	240	0%	-	10%	400
6	Elevation	0%	-	0%	-	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	10%	480	0%	-	15%	800
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	<b>Total Adjusted</b>	15%	720	0%	-	25%	1.000
	<b>Indicated Land Value</b>		5.520		5.500		5.000

WEIGHTED			
<b>V</b>	DATA 1	35% Rp	1.932
<b>A</b>	DATA 2	30% Rp	1.650
<b>L</b>	DATA 3	35% Rp	1.750
<b>U</b>	Indicated Land Value	100% Rp	5.332
<b>D</b>	Total Land Value	Rp	79.980.000
	Rounded To	Rp	80.000.000

**LAND VALUATION**  
**MARKET DATA ADJUSMENT METHODE**

<b>CLIENT :</b>	<b>KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA</b>	
<b>LOCATION :</b>	Jl. Areal Hauling Km. 1 s/d km 25 blok 5	
<b>AREAL JL. HAULING</b>	Semyur Village	
	Muara Ancalong Sub District East Kalimantan	
		April 23, 2015

	DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
D A T A	ADDRESS	Desa Semyur, Muaracalong, Kutai Kertanegara	Desa Semyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bleh Modang
	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Semyur	Bapak Kades Rudi	Bapak Kades Ansar Sihotang/ Bapak Asap sadulloh
	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32068801/0821-57051111	/ 0812-18926733
	PHONE				Penduduk sekitar
	TYPE OF PROPERTY				

EXISTING	Land Area	17.700	45.000	20.000	50.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
	Year Built	-	-	-	-
	Condition	kebun kelapa, jambu mete, hutan bakau,	hutan kayu, ilalang, semak belukar	ada tanaman sawit, hutan kayu, ilalang, s. hutan kayu, ilalang, semak belukar	
	CRN of Buidng per sqm.	-	-	-	-
	Economic Life of Building	-	-	-	-
	Frontage	275	-	-	-
	Elevation	-	-	-	-
	Land Shape	tidak beraturan	-	-	-
	Offering Price		216.000.000	110.000.000	225.000.000
	Transaktion Price		-	-	-
	Time		-	-	-
	Discount		0%	0%	0%
	DATA	Indicated Propety Value		216.000.000	110.000.000
Indicated Building Value			216.000.000	110.000.000	225.000.000
Indicated Land Value			216.000.000	110.000.000	225.000.000
Indicated Land Value / sqm.			4.800	5.500	4.500

ADJUSMENT							
NO.	ADJUSMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	5%	240	0%	-	15%	675
6	Elevation	0%	-	0%	-	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	5%	240	0%	-	5%	225
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	<b>Total Adjusted</b>	<b>10%</b>	<b>480</b>	<b>0%</b>	<b>-</b>	<b>20%</b>	<b>900</b>
	<b>Indicated Land Value</b>		<b>5.280</b>		<b>5.500</b>		<b>5.400</b>

WEIGHTED			
L A N D U N D E	DATA 1	35%	Rp 1.848
	DATA 2	30%	Rp 1.650
	DATA 3	35%	Rp 1.890
	Indicated Land Value	100%	Rp 5.388
	Total Land Value		Rp 95.387.600
	<b>Rounded To</b>		<b>Rp 95.000.000</b>

**LAND VALUATION**  
**MARKET DATA ADJUSTMENT METHODE**

**CLIENT :** KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA  
**LOCATION :** Jl. Aeral Hauling Km. 1 s/d km 25 blok 5  
**AREAL JL.HAULING** Senyur Village  
Muara Ancalong Sub District  
East Kalimantan

April 23, 2016



DESCRIPTION		PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
D A T A	ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bieh Modang
	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Ansar Sihotang/ Bapak Asep saifulloh
	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32066801/0821-57051111	/ 0812-18826733
	PHONE				Penduduk sekitar
	TYPE OF PROPERTY				
E X I S T I N G	Land Area	21.600	45.000	50.000	50.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
	Year Built	-	-	-	-
	Condition	kebun kelapa, jambu mete, hutan bakau,	hutan kayu, ilalang, semak belukar	ada tanaman sawit, hutan kayu, ilalang, s> hutan kayu, ilalang, semak belukar	
	CRN of Building per sqm.	-	-	-	-
	Economic Life of Building	-	-	-	-
	Frontage	275	-	-	-
	Elevation	-	-	-	-
	Land Shape	tidak beraturan	-	-	-
	Offering Price	-	216.000.000	290.000.000	250.000.000
	Transaktion Price	-	-	-	-
	Time	-	-	-	-
	Discount	-	0%	0%	0%
		-	216.000.000	290.000.000	250.000.000
D A T A	Indicated Property Value	-	216.000.000	290.000.000	250.000.000
	Indicated Building Value	-	-	-	-
	Indicated Land Value	-	216.000.000	290.000.000	250.000.000
	Indicated Land Value / sqm.	-	4.800	5.800	5.000
		-	-	-	-
ADJUSTMENT					
NO.	ADJUSTMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-
2	Land Title	0%	-	0%	-
3	Land Area	0%	-	0%	-
4	Land Use	0%	-	0%	-
5	Shape	5%	240	5%	250
6	Elevation	0%	-	0%	-
7	Frontage	0%	-	0%	-
8	View	0%	-	0%	-
9	Access Road	5%	240	5%	250
10	Infrastructure/Facilities	0%	-	0%	-
	Total Adjusted	10%	480	10%	500
	Indicated Land Value	-	5.280	5.800	5.500
WEIGHTED					
L A N D V A L U E	DATA 1	35% Rp	1.848		
	DATA 2	30% Rp	1.740		
	DATA 3	35% Rp	1.925		
	Indicated Land Value	100% Rp	5.513		
	Total Land Value		119.080.800		
	Rounded To		119.000.000		

**LAND VALUATION**  
**MARKET DATA ADJUSMENT METHODE**

<b>CLIENT :</b>	<b>KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA</b>	
<b>LOCATION :</b>	Jl. Aeral Hauling Km. 1 s/d km 25 blok 5	
<b>AREAL JL. HAULING :</b>	Senyur Village	
	Muara Ancalong Sub District East Kalimantan	
		April 23, 2015

	DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
D A T A	ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bleh Modang
	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Anser Sihotang/ Bapak Asep saifulloh
	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32066801/0821-57051111	/ 0812-18826733
	PHONE				Penduduk sekitar
	TYPE OF PROPERTY				

EXISTING DATA	Land Area	22.800	45.000	50.000	50.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
	Year Built	-	-	-	-
	Condition	kebun kelapa, jambu mete, hutan bakau,	hutan kayu , ilalang, semak belukar	ada tanaman sawit, hutan kayu , ilalang, s	hutan kayu , ilalang, semak belukar
	CRN of Building per sqm.	-	-	-	-
	Economic Life of Building	-	-	-	-
	Frontage	275	-	-	-
	Elevation	-	-	-	-
	Land Shape	tidak beraturan	-	-	-
	Offering Price	-	202.500.000	290.000.000	200.000.000
	Transaktion Price	-	-	-	-
	Time	-	-	-	-
	Discount	-	0%	0%	0%
		-	202.500.000	290.000.000	200.000.000
	-	202.500.000	290.000.000	200.000.000	
	-	-	-	-	
	-	202.500.000	290.000.000	200.000.000	
	-	4.500	5.800	4.000	

ADJUSMENT							
NO.	ADJUSMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	10%	450	0%	-	15%	600
6	Elevation	0%	-	0%	-	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	5%	225	0%	-	15%	900
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	Total Adjusted	15%	675	0%	-	30%	1.200
	Indicated Land Value		5.175		5.800		5.200

WEIGHTED			
L A N D V A L U E	DATA 1	35% Rp	1.811
	DATA 2	30% Rp	1.740
	DATA 3	35% Rp	1.820
	Indicated Land Value	100% Rp	5.371
	Total Land Value	Rp	122.464.500
	Rounded To	Rp	122.000.000

**LAND VALUATION**  
**MARKET DATA ADJUSTMENT METHODE**

**CLIENT :** KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA

**LOCATION :** Jl. Aeral Hauling Km. 1 s/d km 25 blok 5  
**AREAL JILHAULING :** Senyur Village  
Muara Ancalong Sub District  
East Kalimantan

April 23, 2015



DESCRIPTION		PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
D A T A	ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakal	Desa Long Bleh Modang
	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Ansar Sihotang/ Bapak Asep saifulloh
	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32066801/0821-57051111	/ 0812-18826733
	PHONE				Penduduk sekitar
	TYPE OF PROPERTY				
E X I S T I N G	Land Area	25.000	45.000	50.000	50.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
	Year Built	-	-	-	-
	Condition	kebun kelapa, jambu mete, hutan bakau,	hutan kayu, ilalang, semak belukar	ada tanaman sawi, hutan kayu, ilalang, s	hutan kayu, ilalang, semak belukar
	CRN of Building per sqm.	-	-	-	-
	Economic Life of Building	-	-	-	-
	Frontage	275	-	-	-
	Elevation	-	-	-	-
	Land Shape	tidak beraturan	-	-	-
	Offering Price	-	202.500.000	290.000.000	200.000.000
	Transaktion Price	-	-	-	-
	Time	-	-	-	-
	Discount	-	0%	0%	0%
	Indicated Property Value	-	202.500.000	290.000.000	200.000.000
D A T A	Indicated Building Value	-	-	-	-
	Indicated Land Value	-	202.500.000	290.000.000	200.000.000
	Indicated Land Value / sqm.	-	4.500	5.800	4.000
ADJUSTMENT					
NO.	ADJUSTMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-
2	Land Title	0%	-	0%	-
3	Land Area	0%	-	0%	-
4	Land Use	0%	-	0%	-
5	Shape	5%	225	0%	-
6	Elevation	0%	-	0%	-
7	Frontage	0%	-	0%	-
8	View	0%	-	0%	-
9	Access Road	10%	450	0%	-
10	Infrastructure/Facilities	0%	-	0%	-
	Total Adjusted	15%	675	0%	-
	Indicated Land Value		5.175		5.800
WEIGHTED					
L A N D V A L U E	DATA 1	36% Rp	1.811		
	DATA 2	30% Rp	1.740		
	DATA 3	35% Rp	1.820		
	Indicated Land Value	100% Rp	5.371		
	Total Land Value				134.281.250
	Rounded To				134.000.000

**LAND VALUATION**  
**MARKET DATA ADJUSMENT METHODE**

<b>CLIENT :</b>	<b>KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA</b>	
<b>LOCATION :</b>	Jl. Areal Hauling Km. 1 s/d km 26 blok 5	
<b>AREAL JL. HAULING</b>	Senyur Village	
	Muara Ancalong Sub District East Kalimantan	
		April 23, 2016

	DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
DATA	ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Blet Modang
	CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Ansar Shotang/ Bapak Asap saifulloh
	TITLE OF PERSON	Site Manager Pakar	0813-50040090	0853-32068801/0821-57051111	/ 0812-18825733
	PHONE				Panduduk sekitar
	TYPE OF PROPERTY				

EXISTING DATA	Land Area	30.000	45.000	50.000	50.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
	Year Built	-	-	-	-
	Condition	kebun kelapa, jambu mete, hutan bakau,	hutan kayu , ilalang, semak belukar	ada tanaman sawit, hutan kayu , ilalang, s-	hutan kayu , ilalang, semak belukar
	CRN of Buidng per sqm.	-	-	-	-
	Economic Life of Building	-	-	-	-
	Frontage	275	-	-	-
	Elevation	-	-	-	-
	Land Shape	tidak beraturan	-	-	-
	Offering Price	-	202.500.000	290.000.000	200.000.000
	Transaktion Price	-	-	-	-
	Time	-	-	-	-
	Discount	-	0%	0%	0%

		202.500.000	290.000.000	200.000.000
Indicated Propety Value		202.500.000	290.000.000	200.000.000
Indicated Building Value		-	-	-
Indicated Land Value		202.500.000	290.000.000	200.000.000
Indicated Land Value / sqm.		4.500	5.800	4.000

ADJUSMENT							
NO.	ADJUSMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	10%	450	0%	-	15%	600
6	Elevation	0%	-	0%	-	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	5%	225	0%	-	15%	600
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	<b>Total Adjusted</b>	<b>15%</b>	<b>675</b>	<b>0%</b>	<b>-</b>	<b>30%</b>	<b>1.200</b>
	<b>Indicated Land Value</b>		<b>5.175</b>		<b>5.800</b>		<b>5.200</b>

WEIGHTED			
LAND VALUE	DATA 1	35% Rp	1.811
	DATA 2	30% Rp	1.740
	DATA 3	35% Rp	1.820
	Indicated Land Value	100% Rp	5.371
	<b>Total Land Value</b>	Rp	<b>161.137.500</b>
	<b>Rounded To</b>	Rp	<b>161.000.000</b>

**LAND VALUATION  
MARKET DATA ADJUSTMENT METHODE**

**CLIENT** : KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA  
**LOCATION** : Jl. Aeral Hauling Km. 1 s/d km 25 blok 5  
**AREAL JL.HAULING** : Senyur Village  
Muara Ancalong Sub District  
East Kalimantan

April 23, 2015

**MPR**  
INDONESIA

DESCRIPTION	PROPERTY VALUATION	DATA 1	DATA 2	DATA 3
<b>D</b> ADDRESS	Desa Senyur, Muaracalong, Kutai Kertanegara	Desa Senyur, Kecamatan Muara Calong, Kutai Timur	Desa Kelakat	Desa Long Bleh Modang
<b>A</b> CONTACT PERSON	Bapak Tay Meng Hook	Bapak Kades Senyur	Bapak Kades Rudi	Bapak Kades Ansar Siotang/ Bapak Asep saifulloh
<b>T</b> TITLE OF PERSON	Site Manager Pekar	0813-50040090	0853-32066801/0821-57061111	/ 0812-18826733
<b>A</b> PHONE				Penduduk sekitar
TYPE OF PROPERTY				

EXISTING DATA	Land Area	38.000	45.000	50.000	50.000
	Land Title	Surat Pelepasan Hak Tanah/ SKPT	SKPT	SKPT	SKPT
	Building Area	-	-	-	-
	Year Built	-	-	-	-
	Condition	hutan kayu , ilalang, semak belukar	hutan kayu , ilalang, semak belukar	ada tanaman sawit, hutan kayu , ilalang, s	hutan kayu , ilalang, semak belukar
	CRN of Buidng per sqm.	-	-	-	-
	Economic Life of Building	-	-	-	-
	Frontage	275	-	-	-
	Elevation	-	-	-	-
	Land Shape	tidak beraturan	-	-	-
	Offering Price	225.000.000	290.000.000	240.000.000	
	Transaktion Price	-	-	-	-
	Time	-	-	-	-
	Discount	0%	0%	0%	0%
	ANALYSIS	Indicated Propety Value	225.000.000	290.000.000	240.000.000
Indicated Building Value		-	-	-	-
Indicated Land Value		225.000.000	290.000.000	240.000.000	
Indicated Land Value / sqm.		5.800	5.800	4.800	

ADJUSTMENT							
NO.	ADJUSTMENT FACTOR	%	AMOUNT (Rp)	%	AMOUNT (Rp)	%	AMOUNT (Rp)
1	Time	0%	-	0%	-	0%	-
2	Land Title	0%	-	0%	-	0%	-
3	Land Area	0%	-	0%	-	0%	-
4	Land Use	0%	-	0%	-	0%	-
5	Shape	0%	-	0%	-	0%	-
6	Elevation	0%	-	0%	-	0%	-
7	Frontage	0%	-	0%	-	0%	-
8	View	0%	-	0%	-	0%	-
9	Access Road	5%	250	0%	-	5%	240
10	Infrastructure/Facilities	0%	-	0%	-	0%	-
	<b>Total Adjusted</b>	<b>5%</b>	<b>250</b>	<b>0%</b>	<b>-</b>	<b>5%</b>	<b>240</b>
	<b>Indicated Land Value</b>		<b>5.250</b>		<b>5.800</b>		<b>5.040</b>

WEIGHTED			
<b>V</b>	DATA 1	35% Rp	1.838
<b>A</b>	DATA 2	30% Rp	1.740
<b>L</b>	DATA 3	35% Rp	1.764
<b>U</b>	Indicated Land Value	100% Rp	5.342
<b>D</b>	<b>Total Land Value</b>	<b>Rp</b>	<b>202.977.000</b>
<b>E</b>	<b>Rounded To</b>	<b>Rp</b>	<b>203.000.000</b>



# BUILDING VALUATION

21 April 2015

K	:	Wood	10
BJ	:	Steel	40
BT	:	Concrete	40

Year Valuation 23-Apr-15  
Location Index



## COST APPROACH

Client : KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA  
Location : Desa Senyur, Muaracalong, Kutai Kertanegara  
Kalimantan Timur

No.	Code	Description	Qty.	Year Built	Econ. Life	Eff. Life	Td. Fl. Area	Cost/sqm.	Cost Replacement New	Remain	Market Value (Rp.)
1	2	3	4	5	6	7	8	9	10	11	12
BUILDING											
Location :											
<b>MINE CAMP LOCATION</b>											
1		OFFICE BUILDING	1	2009	10	6	165	2.285.000	377.000.000	6,67%	25.100.000
2		CLINICAL BUILDING	1	2009	10	6	85	2.285.000	194.200.000	6,67%	12.900.000
3		LOGISTIC BUILDING	1	2009	10	6	118	2.285.000	269.600.000	6,67%	18.000.000
4		WATERPLANT BUILDING	1	2009	10	6	20	2.000.000	40.000.000	6,67%	2.700.000
5		DORMITORY/ BANGUNAN MESS STAFF SENIOR	1	2009	10	6	214	2.285.000	488.300.000	6,67%	32.600.000
6		DORMITORY/ BANGUNAN MESS STAFF JUNIOR	1	2009	10	6	231	2.285.000	527.800.000	6,67%	35.200.000
7		DORMITORY/ BANGUNAN MESS NON STAFF	1	2009	10	6	516	2.000.000	1.032.000.000	6,67%	68.800.000
8		DORMITORY/ BANGUNAN MESS TAMU	1	2009	10	6	173	2.285.000	394.400.000	6,67%	26.300.000
9		MOSQUE	1	2009	10	6	241	2.000.000	482.400.000	6,67%	32.200.000
10		SECURITY BUILDING/ BANGUNAN POS JAGA	1	2009	10	6	27	2.000.000	53.900.000	6,67%	3.600.000
11		LUNDRY BUILDING/ BANGUNAN LAUNDRY	1	2013	10	2	48	2.285.000	109.700.000	6,67%	7.300.000
12		WORKSHOP BUILDING/ BANGUNAN WORKSHOP	1	2013	10	2	36	2.000.000	72.000.000	6,67%	4.800.000
<b>MINE CAMP LOCATION (OLD)</b>											
13		DORMITORY/ BANGUNAN MESS STAFF SENIOR	1	2009	10	6	111	2.000.000	221.900.000	6,67%	14.800.000
14		DORMITORY/ BANGUNAN MESS STAFF JUNIOR A	1	2009	10	6	112	2.000.000	223.800.000	6,67%	14.900.000
15		DORMITORY/ BANGUNAN MESS STAFF JUNIOR B	1	2009	10	6	155	2.000.000	311.000.000	6,67%	20.700.000
16		DORMITORY/ BANGUNAN EX. REKREASI & MESS TAMU	1	2009	10	6	189	2.000.000	377.100.000	6,67%	25.100.000
17		DORMITORY/ BANGUNAN MESS NON STAFF 14 PINTU	1	2009	10	6	180	2.000.000	359.500.000	6,67%	24.000.000
<b>PORT AREA</b>											
18		OFFICE PORT BUILDING/ BANGUNAN KANTOR PORT	1	2009	10	6	128	2.000.000	255.500.000	6,67%	17.000.000
Sub Total Building							2.748		5.790.100.000		386.000.000
<b>TOTAL BUILDING</b>									<b>5.790.100.000</b>		<b>386.000.000</b>

Notes:

Column 10. CRN source from "Building Cost Table" (BCT), 2015, Province of East Kalimantan. ([www.mappi.or.id](http://www.mappi.or.id))

Column 11. Physical Depreciation used Straight line depreciation method → 100%/Economic Life = 100% / 10 years = 10% per y. Remaining life : 8/12 month x 10% = 6,67% (considering in 2015 building demolished)

Form : 07

HMM



**BUILDING VALUATION**

April 23, 2015

K : Public Facility

BJ : Steel

BT : Concrete

20

40

40

Year Valuation 2015

2015

Location Index 1

MPR

INDONESIA

**COST APPROACH**

Client : KANGAROO RESOURCES LIMITED/ PT. SUMBER ASET UTAMA

Location : Desa Senyur, Muaracalong, Kutai Kertanegara  
Kalimantan Timur

No.	Code	Description	Qty.	Year Built	Econ. Life	Eff. Life	Ec. Obs.	Fg. Obs.	Ttl. Fl. Area	Cost/sqm.	Cost Replacement New	Remain	Market Value
1	2	3	4	5	6	7	8	9	10	11	12	13	14
OTHER LAND IMPROVEMENT (OLI)													
1		BRIDGE/ JEMBATAN (Km. 3, Block 2)	1	2009	40	6	6%	0%	500	20.000.000	10.000.000.000	82%	8.225.000.000
2		BRIDGE/ JEMBATAN (senyur port)	1	2013	40	2	6%	0%	500	25.000.000	12.500.000.000	89%	11.162.500.000
3		HAULING ROAD Km. 0 TO Km. 3	1	2009	20	6	6%	0%	60.000	125.000	7.500.000.000	73%	5.463.800.000
4		JETTY & CATWALK	1	2009	40	6	6%	0%	165	153.000.000	25.245.000.000	82%	20.764.000.000
5		STOCKPILE	1	2009	20	6	6%	0%	25.000	85.000	2.125.000.000	73%	1.548.100.000
6		PUBLIC FACILITY ON SITE PAKAR/ FASILITAS UMUM DILINGKUN	1	2009	20	6	6%	0%	1	Ls	4.800.000.000	73%	3.496.800.000
Sub Total Other Land Improvement											62.170.000.000		50.660.200.000
TOTAL OTHER LAND IMPROVEMENT											62.170.000.000		50.660.200.000

Notes:

Form : 07

HMN

Column 8. Economic Obsolences based on professional judgement

Column 12. CRN source from Technical Journal POMITS Vol.1 No.1,2013," Perencanaan Dermaga Batubara di Kaltim"; Panduan Perencanaan Jembatan ([www.academia.edu](http://www.academia.edu)); "Jasa Pemetaan Jalan, Jalan Tambang" (Hauling,Perkebunan, PT Bumi Indonesia Samarinda)rovince of East Kalimantan. ([www.mappi.or.id](http://www.mappi.or.id))

Column 13: Remain = (Total Depreciation/CRN) x 100%. or (100% - Total Depreciation)

# MACHINERIES AND EQUIPMENT DESCRIPTION

o CLIENT :Kangaroo Resources Limited/ PT. Sumber Aset Utama

No.	Description	Quantity	Brand	Made In	Year	Model/Type	Serial No.	Capacity	Construction	Dimension	Motor Driver	Accessories	Condition
<b>Stone Crusher</b>													
1	Rom Hopper	1	Joy Mining Machinery	Europe	2009	-	-	8 x 2.500 ton coal ROM Stockpile	Steel, concrete	-	-	equipped with standard operational work	Fair (un-operational / moved to areal scrap)
1	Stone Crusher 1	1	Joy Mining Machinery	Europe	2009	BF 29c-5976f	14079	-	Concrete	-	Motor penggerak Toshiba International Corporation, 3Phase, Serial no :70171459, Type TIK, Rpm 1480, 150 Kw.	equipped with standard operational work	Fair (un-operational / moved to areal scrap)
2	Transfer conveyor CV 1	1	Joy Mining Machinery	Europe	2009	-	-	Perkiraan ukuran panjang Conveyor dari ROM & Pemecah batu 1 ke pemecah batu 2 kurang lebih 150 meter.	0	10 m (L) x 1,2 m (W) x 0,5 m (H)	-	equipped with standard operational work	Fair (un-operational / moved to areal scrap)
3	Stone Crusher 2	1	matchid Velocity Tecnology	Europe	2008	-	-	-	Concrete	-	Motor penggerak Toshiba International Corporation, 3Phase, Serial no :70171459, Type TIK, Rpm 1480, 150 Kw.	equipped with standard operational work	Fair (un-operational / moved to areal scrap)
4	Stacking Conveyor CV 2 and Tripper	1	Joy Mining Machinery	Europe	2009	-	-	Perkiraan ukuran panjang conveyor dari Pemecah batu 2 ke BIN di perdrakan 500 meter.	Steel & conveyor	10 m (L) x 1,2 m (W) x 0,5 m (H)	-	equipped with standard operational work	Fair (un-operational / moved to areal scrap)
5	Transfer Loading Conveyor CV 4	1	Joy Mining Machinery	Europe	2009	-	-	-	Steel & conveyor	10 m (L) x 1,2 m (W) x 0,5 m (H)	-	equipped with standard operational work	Fair (un-operational / moved to areal scrap)
6	Coal Bin	1	Joy Mining Machinery	Europe	2009	-	-	-	Concrete	10 meter (L) x 10 Meter (W) x 20 Meter (H), H concrete, di lengkapi dengan bak penampung hasil batu bara dan 2 Corong pembuangan untuk pengisian ke truk pengangkutan hasil produksi	Motor penggerak Toshiba International Corporation, 3Phase, Serial no :70171459, Type TIK, Rpm 1480, 150 Kw	equipped with standard operational work	Fair (un-operational / moved to areal scrap)
<b>Barge Loading Conveyor</b>													
7	Cat Walk and Railing	1	Joy Mining Machinery	Europe	2009	-	-	-	Steel & conveyor	-	Motor Pengerak dan Gear Box SIEMEN, Flender D-09320, germany, (BA5010-06.03 + BA 7300 01.05), 225 Kw, Weigh 1.800 Kg	equipped with standard operational work, modified	Fair (operational)
8	Stacking Belt Conveyor Loading	1	Joy Mining Machinery	Europe	2009	-	-	-	Steel & conveyor	-	-	equipped with standard operational work, modified	Fair (operational)
9	Structure Belt Conveyor Transfer	1	Joy Mining Machinery	Europe	2009	-	-	-	Steel & conveyor	-	-	equipped with standard operational work, modified	Fair (operational)
10	Structure transfer Conveyor	1	Joy Mining Machinery	Europe	2009	-	-	-	Steel & conveyor	10 m (L) x 1,2 m (W) x 0,5 m (H)	-	equipped with standard operational work, modified	Fair (operational)
11	Receiving Hopper	1	-	-	2009	-	-	-	Steel & conveyor	-	-	Origin is dismantle, moved to areal km 6 Senyur	Operational, modified by PT IP
12	Apron Feeder	1	-	-	2009	-	-	-	Steel & conveyor	-	-	Origin is dismantle, moved to areal km 6 Senyur	Operational, modified by PT IP
13	Stacking conveyor CV1 and Tripper	1	-	-	2009	-	-	-	Steel & conveyor	10 m (L) x 1,2 m (W) x 0,5 m (H)	-	Origin is dismantle, moved to areal km 6 Senyur	Operational, modified by PT IP
14	2 x radial feeder	1	-	-	2009	-	-	-	Steel & conveyor	-	-	Origin is dismantle, moved to areal km 6 Senyur	Operational, modified by PT IP
15	Transer conveyor CV3	1	-	-	2009	-	-	-	Steel & conveyor	10 m (L) x 1,2 m (W) x 0,5 m (H)	-	Origin is dismantle, moved to areal km 6 Senyur	Operational, modified by PT IP
16	Bypass Conveyor CV 4	1	-	-	2009	-	-	-	Steel & conveyor	10 m (L) x 1,2 m (W) x 0,5 m (H)	-	Origin is dismantle, moved to areal km 6 Senyur	Operational, modified by PT IP
17	Sedimentation Pond	1	-	-	2009	-	-	-	Concrete	-	-	Burned	Operational, modified by PT IP
18	Loading Conveyor CV5	1	-	-	2009	-	-	-	Steel & conveyor	10 m (L) x 1,2 m (W) x 0,5 m (H)	-	Origin is dismantle, moved to areal km 6 Senyur	Operational, modified by PT IP

# MACHINERY AND EQUIPMENT VALUATION

**CLIENT DATA** : Kangaroo Resources Limited (PT SAU)  
**LOCATION** : Kutai Kertanegara -Kutai Timur, Kalimantan Timur

23 April 2015

12.939

BI exchange rate

**Year Of Valuation** : 2015  
**Index Location** : 1

No.	Description	Qty.	Year	Y. Installed	Eff. Life	Ec. Life	Dep't	Phy. Det.	Rem. Phy.	Fg. Obs.	Ec. Obs.	Td Obs	Td Dep	Remain	Unit Price (US \$)	Cost Replacement New (Rp)	Cond.	Market Value (Rp)	Net Realisable Value (Rp)
1	Stone Crusher																		
1	Rom Hoper	1	2.009	2.010	5	15	7%	33%	67%	15%	6%	14%	47%	53%	-	0	53%	0	
2	Stone Crusher 1	1	2.009	2.010	5	15	7%	33%	67%	15%	6%	14%	47%	53%	-	0	53%	0	
3	Transfer conveyor CV 1	1	2.009	2.010	5	15	7%	33%	67%	15%	6%	14%	47%	53%	-	0	53%	0	
4	Stone Crusher 2	1	2.009	2.010	5	15	7%	33%	67%	15%	6%	14%	47%	53%	-	0	53%	0	
5	Stacking Conveyor CV 2 and Tripper	1	2.009	2.010	5	15	7%	33%	67%	15%	6%	14%	47%	53%	-	0	53%	0	
6	Transfer Loading Conveyor CV 4	1	2.009	2.010	5	15	7%	33%	67%	15%	6%	14%	47%	53%	-	0	53%	0	
7	Coal Bin	1	2.009	2.010	5	15	7%	33%	67%	15%	6%	14%	47%	53%	4.103.203	53.091.304.800	53%	27.961.400.000	19.572.980.000
	Barge Loading Conveyor																		
8	Cat Walk and Railing	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
9	Stacking Belt Conveyor Loading	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
10	Structure Belt Conveyor Transfer	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
11	Structure transfer Conveyor	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
12	Receiving Hopper	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
13	Apron Feeder	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
14	Stacking conveyor CV1 and Tripper	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
15	2 x reclaim feeder	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
16	Transver conveyor CV3	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
17	Bypass Conveyor CV 4	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
18	Sedimentation Pond	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	-	0	63%	0	
19	Loading Conveyor CV5	1	2.009	2.010	5	15	7%	33%	67%	0%	6%	4%	37%	63%	318.150	4.117.189.800	63%	2.580.100.000	
Total																57.208.494.800		30.541.500.000	
Rounded																57.208.000.000		30.542.000.000	19.572.980.000

Notes:

Column { C }

- 7 Source from Crushing Plant, "Depreciation Guidelines and Rules", US Treasury Depart. Internal Revenue Service Publication No.456
- 8 Straightline Depr. Method for Physical Depreciation =  $100\%/15 = 7\%$
- 9  $C. 6 \times C. 8$
- 10  $100\% - C. 9$
- 11,12 Functional Obs. 15% and Economic Obs. 6%, based on professional judgement
- 13  $C. 10 \times (C. 11 + C. 12)$
- 14  $C. 9 + C. 13$
- 15  $100\% - C. 14$
- 16 Source from Manufacture Data Price List
- 18 C. 15
- 19 Market Value (second hand condition).
- 20 MV - 30% of disposal cost & removing cost (assumption 30%, based on professional judgement)

**PHOTO OF ASSET**



BRIDGE KM.3, BLOCK 2



BRIDGE SENYIUR PORT





HAULING ROAD (KM. 0 - KM3)



HAULING ROAD (KM. 0 - KM3)



JETTY & CATWALK



JETTY & CATWALK



AREAL EX. STOCK PILE



AREAL EX. HELYPAD





AREAL OF SITE PAKAR



AREAL OF SITE PAKAR EX. GENESIS



**CLEAN WATER STORAGE**



**DORMITORY**



MOSQUE



LOGISTIC BUILDING

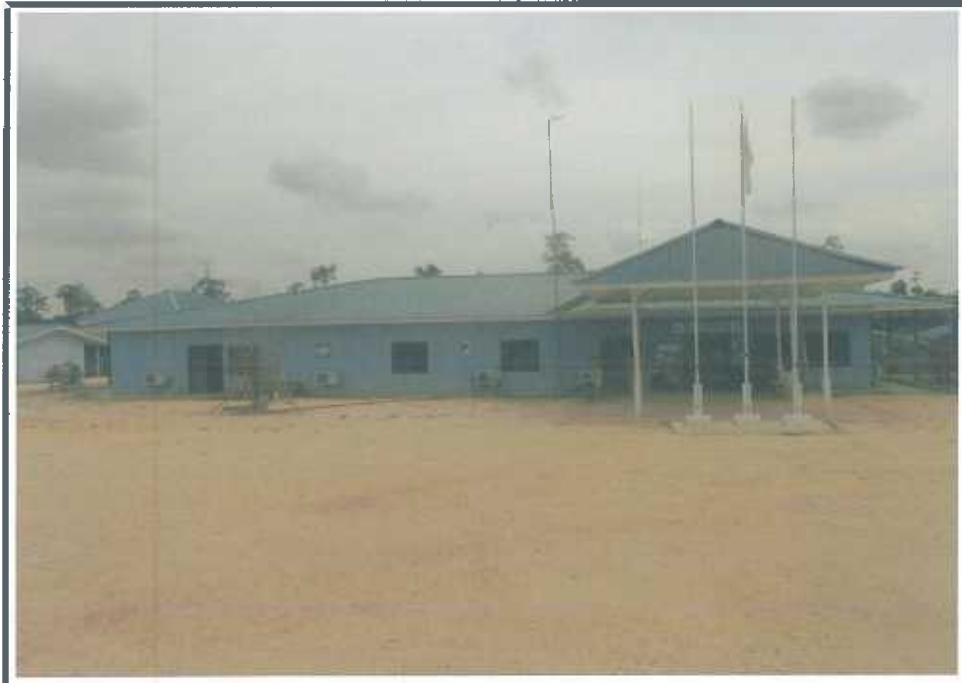




POLYCLINIC



GUARD HOUSE (EKS. IT & SERVER BUILDING)



OFFICE BUILDING



WORKSHOP

**LOKASI MINE CAMP (OLD)**



**EX. RECREATION & GUEST BUILDING ( OFFICE & CANTEEN PETROSEA CONTRACTOR)**



**SENIOR STAFF DORMITORY BUILDING**



**JUNIOR A STAFF DORMITORY BUILDING ( WAREHOUSE)**



**JUNIOR B STAFF DORMITORY BUILDING ( WAREHOUSE)**



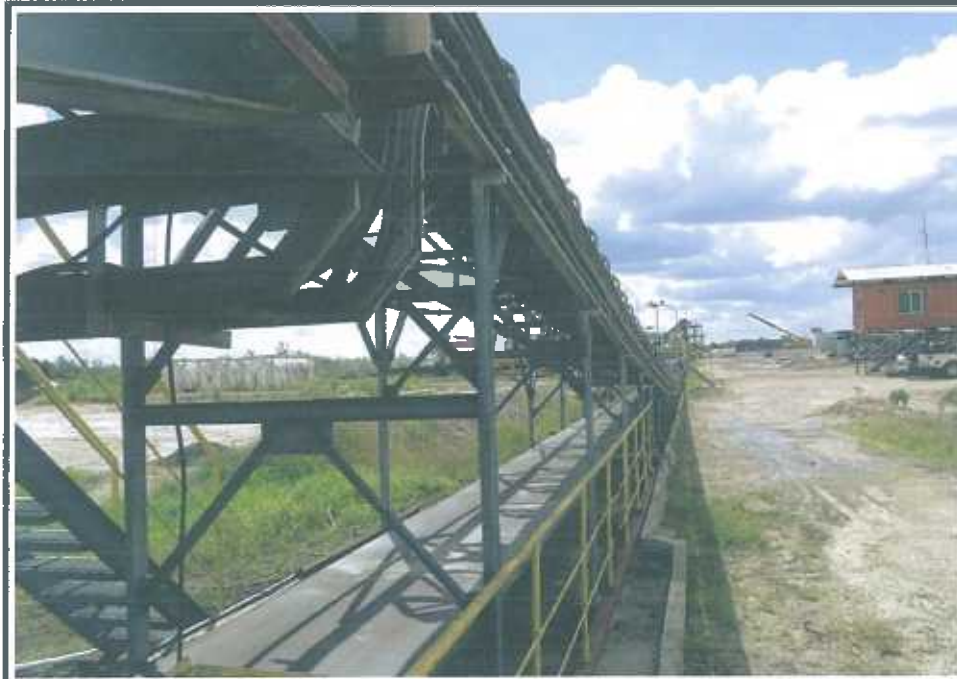


BARGE LOADING CONVEYOR



GEAR BOX & ELECTRICAL MOTOR STACKING BELT CONVEYOR





STRUCTURE OF BELT TRANSFER CONVEYOR



ROLLER CONVEYOR



CONVEYOR



LOADING CONVEYOR



TRANSFER CONVEYOR (BAYAN MODIFICATION)



APPRON FEEDER (UN-USED)



STRUCTURE OF CONVEYOR BARGE LOADING



POLES OF CONVEYOR ROM HOPER

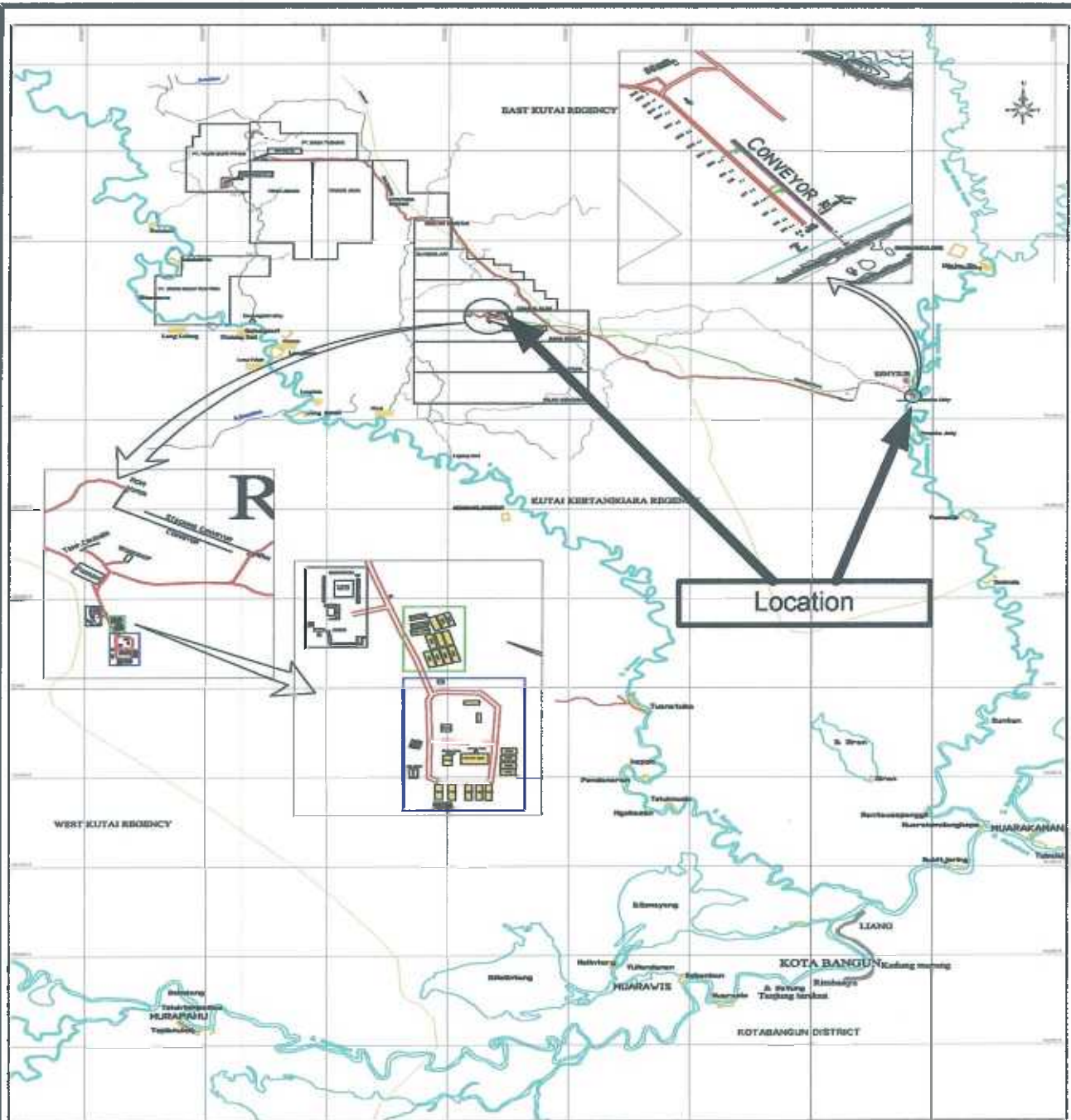





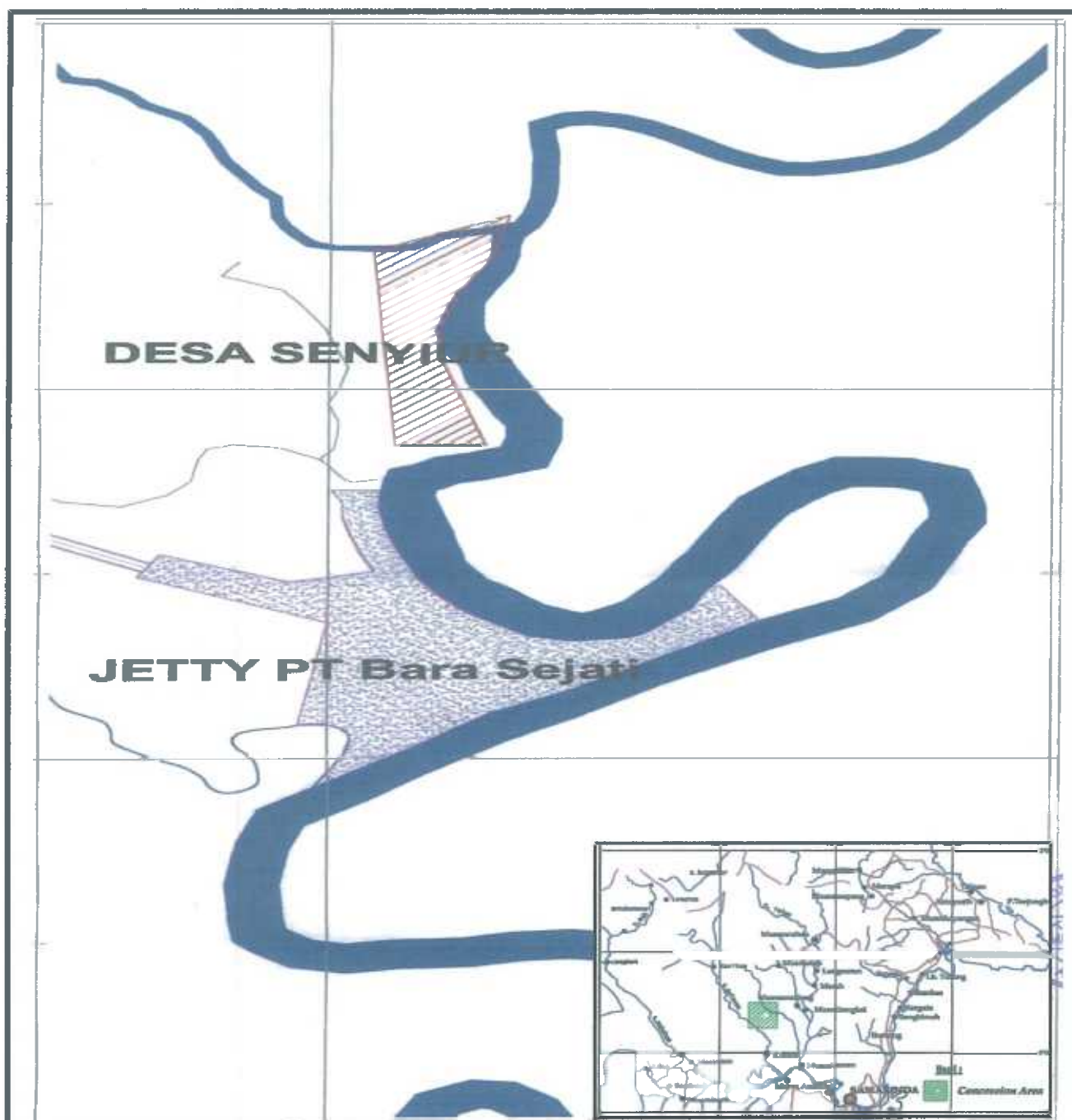
**PART OF BARGE LOADING (UN-USED)**




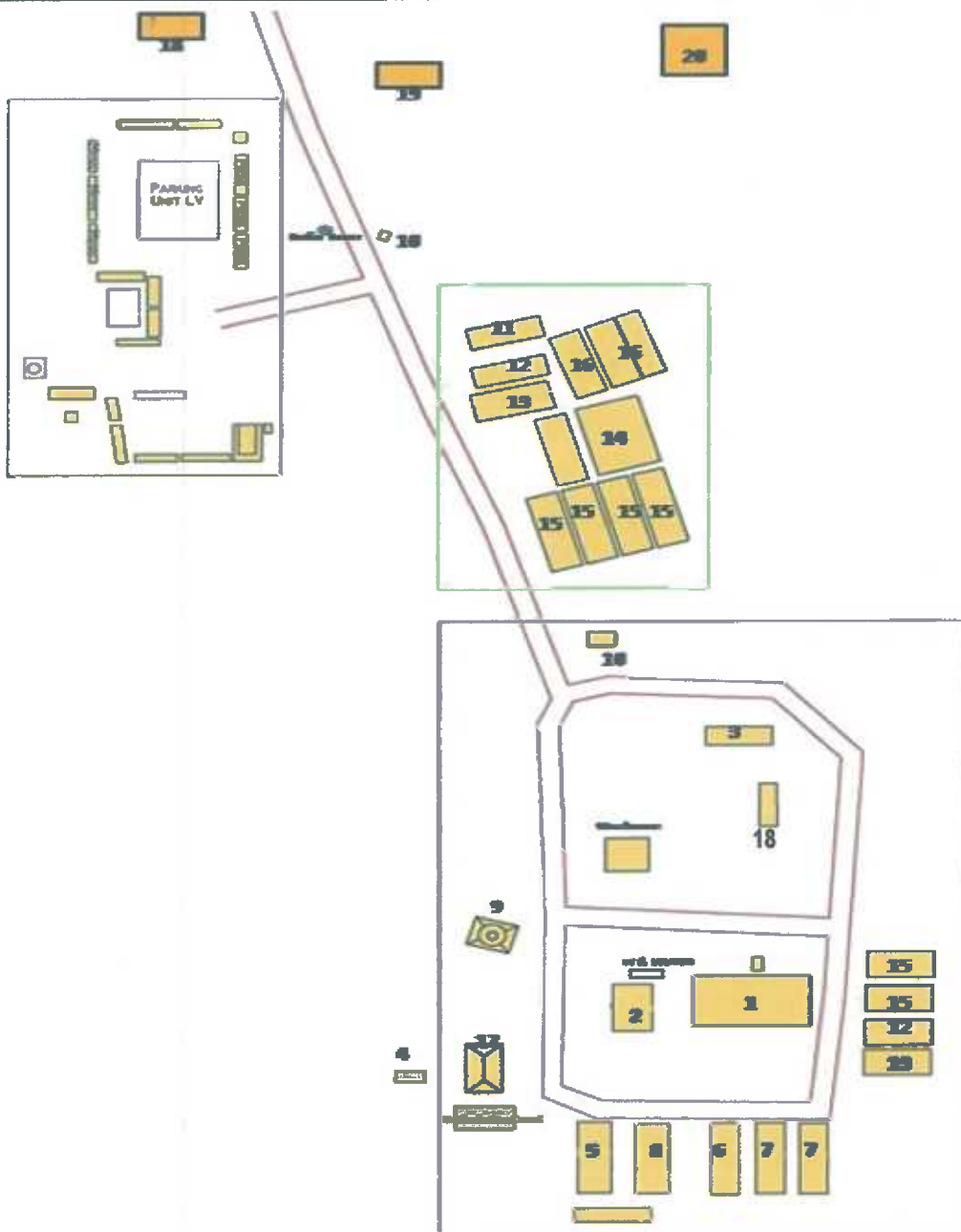
**NEW CONVEYOR FRAME**




Remark	Drawing :		
	LOCATION MAPS		
	Client :		
	KANGAROO RESOURCES LIMITED		
	Location at Senyur & Kelakat Village, Kembang Janggut & Muara Amlong Sub District, Kutai Kertanegara & East Kutai District East Kalimantan Province		
	Prepared By	North	Scale
	KJPP MPR		No Scala



Remark	Drawing :		
<div data-bbox="217 1570 379 1603" style="display: inline-block; width: 100px; height: 15px; background-color: #cccccc; border: 1px solid black;"></div> <div data-bbox="451 1570 555 1603" style="display: inline-block; vertical-align: middle;">Land Limit</div>	LAY OUT LAND		
	Client		
	KANGAROO RESOURCES LIMITED		
	Location at		
	Senyiur Village, Muara Ancalong Sub District, East Kutai District, East Kalimantan Province		
Prepared By	North	Scale	
KJPP MPR		No Scala	



Remark	Drawing :		
1. Office Building 2. Polyclinic Building 3. Logistics Building 4. Water Plant Treatment Building 5. Senior Staff Dormitory Building 6. Junior Staff Dormitory Building 7. Non Staff Dormitory Building 8. Guest Dormitory Building 9. Mosque 10. Guard House 11. Senior Staff Dormitory Building 12. Junior A Staff Dormitory Building 13. Junior B Staff Dormitory Building 14. Ex. Recreation and Guest Dormitory Building 15. Non Staff 14 Door Dormitory Building 16. Non Staff 8 Door Dormitory Building 17. Kitchen and Canteen Building 18. Power House 19. Ex. Maintenance Shop Building 20. Ex. Canteen Building 21. Port Area Office Building (Location at Senyur Port)	LAY OUT BUILDING		
	Client		
	KANGAROO RESOURCES LIMITED		
	Location at		
	Kelakat Village, Kembang Janggut Sub District, Kutai Kertanegara District, East Kalimantan Province		
	Prepared By	North	Scale
	KJPP MPR		No Scala



**Completed Proxy can be lodged:**

BY MAIL: **Level 2, 389 Oxford Street,  
Mount Hawthorn,  
Western Australia 6016**  
**Or**  
**P O Box 131  
Subiaco, Western Australia 6904**

BY FAX: **(61 8) 9380 6761**

EMAIL: [info@kangarooreources.com](mailto:info@kangarooreources.com)

**For your vote to be effective, the completed proxy form must be received by 11.00am (Perth time), Wednesday, 27 April 2016**

**How to complete the Proxy Form****1 Appointment of a Proxy**

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

**2 Votes on Items of Business**

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities 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 securities 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 he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

**3 Appointment of a Second Proxy**

You are entitled to appoint up to two 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 the company's share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities 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.

(b) return both forms together.

**4 Signing Instructions**

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all of the security holders should sign.

**Power of Attorney:** to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach 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 also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

**Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 48 hours before the time of the General Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**STEP 1** **APPOINTMENT OF PROXY**

I/We being a member/s of **Kangaroo Resources Limited** and entitled to attend and vote hereby appoint

The Chairman  
of the Meeting  
(mark with an "X")

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding your own name) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Kangaroo Resources Limited to be held on 29 April 2016 and at any adjournment of that meeting.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on each Resolution by marking the appropriate box below under VOTING DIRECTIONS (STEP 2). In the absence of any specific direction, the Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

**STEP 2** **VOTING DIRECTIONS TO YOUR PROXY**

PLEASE MARK ☒ TO INDICATE YOUR DIRECTIONS

For Against Abstain\*

Resolution 1 – Approval for SAU transaction

☐ ☐ ☐

Resolution 2 – Re-election of director – Mr Susmit Shah

☐ ☐ ☐

**The Chairman of the Meeting intends to vote all undirected proxies in favour of each item of business**

\* 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.

**SIGN**

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and  
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Dated: \_\_\_/\_\_\_/2016