

28 October 2016

SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

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HIGHLIGHTS

- ✦ Exploration program developed and tenders called for drilling and geophysical logging services at Graha Panca Karsa concession
- ✦ The Company progressing its aim to obtain Clean and Clean Certificates for those PAKAR concessions that are subject of an overlap
- ✦ The Company continues to monitor and evaluate the performance of BAYAN's logistics infrastructure at its TABANG project to which the Company has 30% Access Rights for its adjacent PAKAR project
- ✦ Cash at bank at the end of the Q3 was AU\$1.8 million.

GRAHA PANCA KARSA COAL PROJECT (GPK)

During the quarter, the Company prepared and refined a detailed exploration program for the GPK concession and issued a tender to various contractors for drilling and geophysical logging services. The current planned drill program, expected to commence by January 2017, comprises approximately 1,830 metres of drilling (including 344m of coring) and 42 drill holes. All drill holes will be geophysically logged. The aim of the drilling program is to confirm previous drilling works performed on the site and gain a better understanding of the coal seam geology. Concurrent with the planned drill program, the Company will undertake survey work to fill in some gaps in the topographical information.

The Company is currently in the process of socializing the impending drilling program to the surrounding communities and will award the drilling and geophysical logging contracts upon its completion.

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

Project Infrastructure for TABANG and PAKAR

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

Current barge loading capacity at BAYAN's Senyur Port is 18 Million metric tonnes per year using 2 barge loading jetties. BAYAN achieved nearly 850kt of barging from this barge loading facility in September 2016.

Work has largely been completed on the construction of BAYAN's crushing and material handling facility which connect to both Senyur barge loading jetties.



Development of Pakar North Projects

The Company's current main focuses at PAKAR are:

1. **Commencing a Drilling program at Tiwa Abadi (TA)** – It is the Company's aim to commit to and commence a drilling program in TA as soon as it has completed the regulatory permitting required to do so. TA shares a common northern border with BAYAN's Bara Tabang concession which has been extensively drilled whereas TA only has 11 drill holes across the whole concession (5,000 hectares). The Company has applied to the regional government for an exploration Borrow-Use (Pinjam Pakai) permit however this is currently being delayed due to the regional government issuing a moratorium on new Pinjam Pakai permits until April 2017; and
2. **Obtaining Clean and Clear Certificates for several overlapping concessions** – A number of the Pakar concessions are subject to an overlap of a portion of their areas with an adjacent concession holder. Until this issue is resolved, the Central Government will not issue a Clean and Clear status for these concessions which limits the Company's ability to progress development of these concessions. During the quarter the Company had several meetings and discussions with concerned parties on the best way to resolve this matter and the Company is hopeful that a resolution to Clean and Clear issue will be resolved by year-end.

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

Mining operations remain suspended.

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

LIST OF MINING TENEMENTS HELD AT 30 SEPTEMBER 2016

East Kalimantan, Indonesia

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

Changes in the Quarter to mineral interests / farm-in and joint venture agreements:

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



GLOSSARY

CORPORATE

- ✦ Company – Kangaroo Resources Limited (ASX – KRL)
- ✦ BAYAN – PT Bayan Resources Tbk
- ✦ TABANG – 3 BAYAN concessions on the northern boundary of PAKAR North
- ✦ PMA – Perusahaan Model Asing (local term used for a foreign investment company)
- ✦ BCT – Balikpapan Coal Terminal
- ✦ DPP – PT Dermaga Perkasapratama – (operators of BCT and owned by BAYAN)
- ✦ CnC – Clear & Clean Status (granted by Department of Mines)
- ✦ SPA – Sale & Purchase Agreement
- ✦ IP – PT Indonesia Pratama (services company owned by BAYAN)
- ✦ BIS – PT BIS Industries (current Coal Haulage Contractors for TABANG)
- ✦ PTP – PT Petrosea Tbk (current Mining & Construction Contractors at TABANG)
- ✦ BT – PT Bara Tabang (one of the 2 BAYAN owned existing coal-mines at TABANG)
- ✦ GOI – Government of Indonesia
- ✦ Mtpa – Million tonnes per annum

MAMAHAK

- ✦ KOJ – PT Karsa Optima Jaya (the holding company for MCM, MEL, MBE & BKL)
- ✦ MCM – PT Mamahak Coal Mining
- ✦ BKL – PT Bara Karsa Lestari
- ✦ MEL – Mahakam Energi Lestari
- ✦ MBE – Mahakam Bara Energi
- ✦ Long Hubung (current Port location on Mahakam River for MAMAHAK projects)

PAKAR (NORTH)

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

PAKAR (SOUTH)

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

PAKAR (NORTH & SOUTH)

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

GRAHA PANCA

- ✦ GPK – PT Graha Panca Karsa



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

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