

29 July 2016

JUNE 2016 QUARTERLY ACTIVITIES REPORT

ACTIVITIES REPORT

HIGHLIGHTS

- ✦ BAYAN's new Road & Port Infrastructure and Barging operations achieved throughput rates of over 9 Mtpa during the June Quarter
- ✦ SAU Transaction completed during quarter reducing the Company's debt and providing it guaranteed access to BAYAN's haul road and 30% of its barge loading infrastructure
- ✦ Cash at bank at the end of the Q2 was AU\$2.301 million.

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

Project Infrastructure for TABANG and PAKAR

Current barge loading capacity at BAYAN's Senyur Port is 18 Million metric tonnes per year using 2 barge loading jetties.

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

Utilisation of the New Road & Port Infrastructure

BIS Industries 300 tonne capacity road trains have continued to perform satisfactorily, hauling coal from BAYAN's TABANG mining concessions to the Senyur Port area during Q2.

TABANG Coal – BAYAN achieved a record coal loaded and barged from the Senyur Port in the month of May achieving 799kt (2,225kt for June Qtr). This bodes well for the development of the North Pakar projects owned by KRL which have rights to use 30% of BAYAN's barge loading capacity.

Development of Pakar North Projects

Work continues on long term mine planning including work on design and planning of river and stream diversions required during the anticipated life of the mines.

Clear & Clean Certificates have already been issued for TA and TJ concessions. Progress still ongoing for remaining 'Clear and Clean' certificates for the other Pakar concessions.

Confirmation drilling plans and further Infill drilling plans have been prepared for the key Pakar North concession areas in anticipation of release of forestry usage approvals.



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

Mining operations remain suspended. Skeleton crew remains on site for care and maintenance.

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

GRAHA PANCA KARSA COAL PROJECT (GPK)

Awaiting coal market upturn before development can be progressed.

COMMERCIAL

Further to its announcement dated 23 December 2015 and subsequent shareholder approval received at a general meeting of shareholders on 29 April 2016, the sale of the SAU assets by the Company to Bayan for US\$12 million was completed during the June Quarter.

The sale proceeds have been used to repay Bayan in part repayment of KRL's existing loan from Bayan. The completion of the SAU transaction has the dual benefit of reducing the loan outstanding to Bayan and will provide the Company access to Bayan's 16-metre-wide coal haul road and barge loading facilities rated to 6,000 tonnes per hour that it has already constructed in the Tabang/Pakar area.

LIST OF MINING TENEMENTS HELD AT 30 JUNE 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 Tiwi Abadi - 99% (currently pending share transfer from BAYAN to KRL)
- ✦ PT Tanur Jaya - 99% (Equity)
- ✦ PT Dermaga Energi - 99% (Equity)
- ✦ PT Orkida Makmur - 99% (Equity)
- ✦ PT Sumber Api - 99% (Equity)
- ✦ PT Cahaya Alam - 99% (currently pending share transfer from BAYAN to KRL)
- ✦ PT Bara Sejati - 99% (currently pending share transfer from BAYAN to KRL)
- ✦ PT Apira Utama - 99% (currently pending share transfer from BAYAN to KRL)
- ✦ PT Silau Kencana - 99% (Equity)
- ✦ PT Graha Panca Karsa - 84.82% (commercial interest currently pending conversion to equity, with a further obligation to transfer 8% to a third party after equity transfer)



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

GLOSSARY

CORPORATE

- Company – Kangaroo Resources Limited (ASX – KRL)
- BAYAN – PT Bayan Resources Tbk
- TABANG – 3 BAYAN concessions on the northern boundary of PAKAR North
- KML – Kangaroo Minerals Pty Limited (subsidiary company of KRL)
- WEC – White Energy Company Limited (ASX – WEC)
- 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

**Further information:**

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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.