

30 April 2014

# MARCH 2014 QUARTERLY ACTIVITIES REPORT

## HIGHLIGHTS

### COAL PROJECTS – INDONESIA

#### **MAMAHAK Coal Project:**

- Mining operations still on hold, pending outcome of further exploration.
- Low and erratic river water levels for the entire Q1 period prevented coal barging and coal sales from MCM.
- 71,507 tonnes of coal inventory remaining on site in stockpile.
- Exploration drilling completed in MEL 'West' area.
- Forestry usage (Pinjam Pakai) license for MCM in process of renewal.

#### ➤ **PAKAR Coal Project:**

- Awaiting Government sign-off for the transfer of outstanding equity in the PAKAR Project to the remaining 4 concessions to be transferred to the Company.
- Co-development opportunity with BAYAN for the development of TABANG and PAKAR moving forward.

#### ➤ **GPK Coal Project:**

- Still awaiting forestry usage permit approval from Ministry of Forestry.

#### ➤ **Corporate:**

- Cash reserves of AU\$3.03M at end of Q1.
  - Agreement with BAYAN to settle US\$12.0Million outstanding cash component from the PAKAR transaction.
  - BAYAN's appeal proceedings against BCBCS Singapore Pte Ltd in the Western Australian Court of Appeal were heard on 11 and 12 March 2014.
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## **LIST OF MINING TENEMENTS HELD AT 31 MAR 2014**

Queensland, Australia

- Kangaroo Minerals Limited - Mt RUBY Exploration Lease - 100% (Equity)

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)

## **ACTIVITIES REPORT**

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

Operations

Production at MCM remains suspended pending the results of ongoing drilling targeted at identifying additional mineable coal resources and reserves.

During Q1 of 2014, all remaining coal product was relocated to stockpiles at the Long Hubung port area on the Mahakam River.

Low river water levels prevented the barging of any coal during Q1 of 2014.

Remaining coal product stockpiles of around 67,308 tonnes will be barged to BCT and sold as soon as river levels normalise and allow barging to recommence.

Bedding coal at the port currently totaling 4,199 tonnes, will be also be barged to BCT and sold subject to quality and markets.



## Exploration

Site investigation & exploration activities continued during Q1 of 2014. A total of 3 exploration drill rigs were in operation at MCM along with 1 Rig in MEL

During Q1 of 2014, a total of 102 boreholes were drilled for an aggregate total of 4,721m linear meters drilling at MCM and a further 39 holes equating to 2,318m of drilling were completed at MEL.

Drilling in MEL Western Area was completed at the end March. A total of 131 holes have been drilled in the MEL West area since June 2013. A new geological model is currently being developed for the MEL concession to enable an initial resource assessment to be made.

## Forestry & Exploration Permits

Renewal application for the Forestry permit for the MCM mining areas has already been submitted and is being processed by the Ministry of Forestry.

A formal request has been prepared for submission to the Ministry of Forestry to obtain additional permissions to enter the central areas currently not covered under existing forestry permits for the purposes of conducting further geological survey work, and identifying suitable access to the EASTERN area for further drilling work.

A similar request has also been prepared for submission to the Ministry of Forestry to obtain additional permissions to enter the central areas currently not covered under existing forestry permits in the MBE concession area for the purposes of conducting further geological survey work, and identifying suitable access to the existing permitted areas for further drilling work.

## Access to additional areas

Work is ongoing on upgrade of logging tracks and repair of temporary bridges to establish access to new exploration areas in MEL and also MBE.

## **PAKAR COAL PROJECT**

4 projects (TA, AU, BS and CA) are still in the process of legal hand over between BAYAN and the Company. These 4 projects are in the hands of BAYAN who are responsible for completing the various legal processes necessary to have these transferred to the Company.

Exploration License renewals have been already been submitted for the 5 concessions (TJ, DE, OM, SA & SK) already transferred to the Company. The Company expects this process to be completed in Q2.

On completion of exploration licence renewals, additional applications for forestry usage permits will be prepared and submitted.



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

The Company is required to secure the necessary forestry usage permits which will enable additional confirmation exploration to be carried out prior to the selection of a mining contractor and award of a mining contract.

This permit has not yet been released by the authorities.

In-principle approval has already been granted, however on-site activity cannot be commenced until the formal permit documentation has been issued.

## **MT RUBY PROJECT**

Mt Ruby tenement lies approximately 90km SW of Cairns and is around 120km from the Mourilyan Bulk Loading Terminal at Innisfail, in Queensland.

The company has conducted a technical review of the project been reviewing long term strategies, The Company is currently in preliminary discussion with interested parties regarding potential joint venturing and/or disposal of this asset.

## **CORPORATE**

### Financial

Cash at bank at the end of the Q1 was ~AU\$3.03 million.

Agreement in principal has been reached with BAYAN to settle the outstanding PAKAR transaction cash component. This results in the Company debt being reduced by US\$12M along with a corresponding reduction in interest going forward. This change will be effective from April 2014. The Company will continue to review options to further reduce its Debt position and interest costs.

### New regulations

The company received further legal advice in respect to the new Regulations on Foreign ownership of Mining Concessions (MEMR27-2013). This advice confirmed that the company will be restricted in the maximum equity position it can hold in relation its interests in 5 concessions (GPK, TA, CA, BS and AU). The company is currently reviewing divestment options in more detail with a view to maximising shareholder value.

### Legal Case – BCBCS (White Energy)

During Q1 of 2014, the Company continued to monitor the Supreme Court of Western Australia proceedings initiated by a subsidiary of WEC (BCBC Singapore Pte Ltd) against BAYAN for freezing orders. The freezing orders made against the KRL were discharged following an order by the Supreme Court of Western Australia on 26 June 2013. Accordingly, these proceedings no longer concern KRL.

However, there are appeal proceedings on foot in the Western Australia Court of Appeal, brought by BAYAN. BAYAN continues to challenge the power of the Court to



make freezing orders against it. KRL has been joined as an appellant to the proceedings for the purpose of challenging the costs orders that were made against it in the court below but is not taking an active part in the appeal. The appeal proceedings were heard on 11 and 12 March 2014, and the judgment of the Court is currently reserved.

#### Legal Case 2 – Chimaera & Empire

In relation to the proceedings that have been initiated by Chimaera Capital Markets Pte Ltd and Empire Equity Ltd (Plaintiffs) in the Supreme Court of Victoria, those proceedings are listed for hearing on 5 - 12 May 2014.

The Plaintiffs have paid \$300,000 into Court as security for the Company's costs. If the Company is successful in defending the proceedings, these funds will be used to pay the Company's costs of the litigation.

#### **KEY OBJECTIVES FOR JUNE 2014 QUARTER**

- ✦ Commercial 1 – Recommence barging operations and sale of remaining coal stockpiles at Mamahak (which once complete will allow further reduction in overheads).
- ✦ Commercial 2 – Identify more opportunities to reduce Company debt further and also reduce ongoing interest expenses.
- ✦ Exploration 1 – Recalculate and reissue Resources and Reserves reports for MCM and subject to sufficient data, build a resources model for MEL.
- ✦ Legal 1 - Continue the regulatory process and obtain Government sign-off for the transfer equity of the 4 outstanding PAKAR projects to the Company.
- ✦ Business Development 1 – Finalise and document co-development plan for commencement of operations at PAKAR.

**ENDS**



## **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
- ✦ WEC – White Energy Company Limited (ASX – WEC)
- ✦ PMA – Perusahaan Model Asing (local term used for a foreign investment company)
- ✦ BCT – Balikpapan Coal Terminal

### **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

### **GRAHA PANCA**

- ✦ GPK – PT Graha Panca Karsa

### **Further information:**

Ian Ogilvie

Managing Director

T | +61 8 9322 4994

E | [info@kangarooresources.com](mailto:info@kangarooresources.com)

W | [www.kangarooresources.com](http://www.kangarooresources.com)



**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.

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## ABOUT KANGAROO RESOURCES

Kangaroo Resources Limited (ASX: KRL) is an emerging international mining Company with a portfolio of 14\* coal projects in the East Kalimantan province of Indonesia and one Mineral exploration project in Queensland Australia

The Company's Indonesian projects host significant thermal coal resources, some with coking coal properties, which will see the Company emerge as a significant Indonesian coal producer.

The Company is committed to building a sustainable mid-tier mining house, focusing on Indonesian coal and using the considerable experience and expertise of its exceptional in-country majority shareholder to enable it to fast track development and production.

The Company's strategy entails continuing to develop its resources and reserves and progressively build production in the short term from within its current portfolio of 14\* existing Indonesian projects.

\* assumes successful transfer of the remaining 4 Pakar concessions

## ABOUT BAYAN RESOURCES

Bayan Resources

PT. Bayan Resources Tbk is a leading Indonesian coal producer which has integrated coal mining, processing and logistics operations. The Group is engaged in the business of surface open cut mining of thermal coal located primarily in East and South Kalimantan.

Bayan has a total of 22 concessions which have a JORC certified reserves of 0.87 billion tonnes and JORC resources of 4.10 billion tonnes. Coal production also includes other grades of coal which comprise of environmentally-friendly, low sulfur, sub-bituminous coal and semi-soft coking coal. Having diverse coal quality, the Group is able to blend its products to meet various customers' specifications.

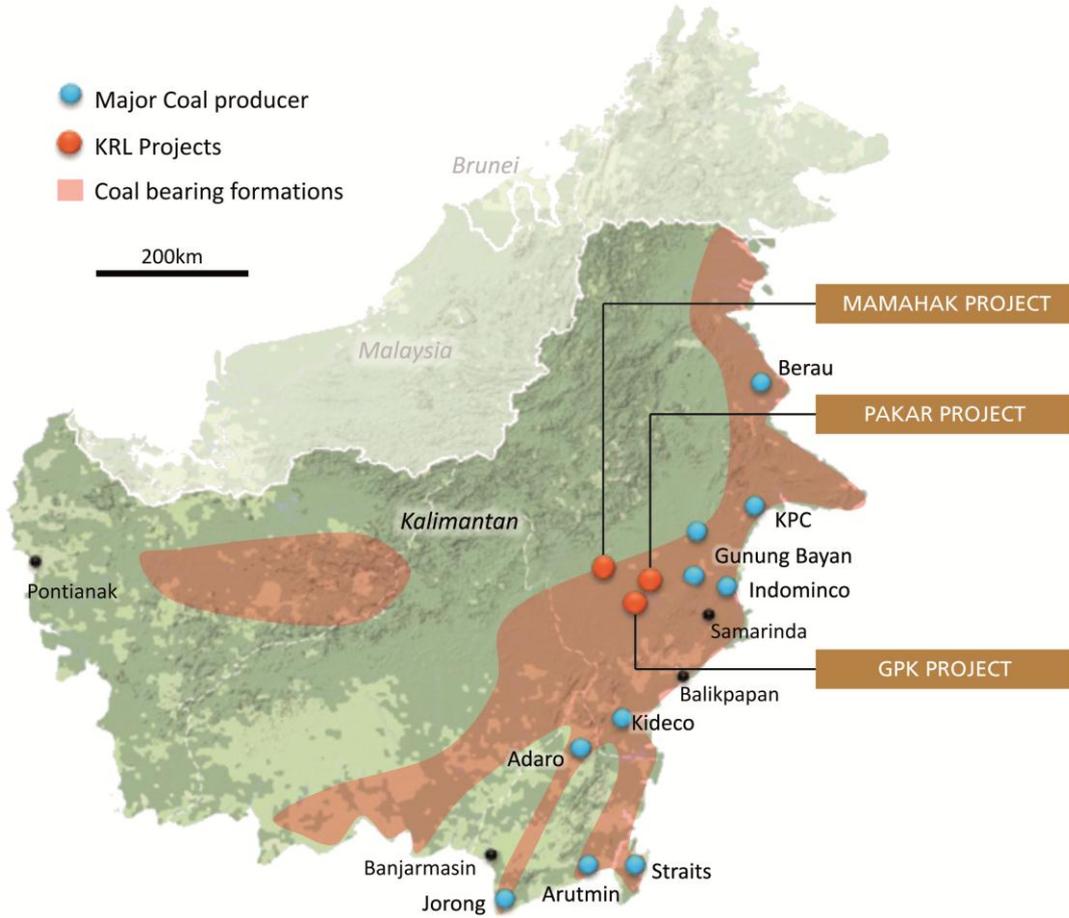
In addition, Bayan has access to cost effective and superior logistics with significant expansion possibility; ownership of port loading infrastructure is a key strategy. The Group owns and operates port loading facilities such as the Balikpapan Coal Terminal (BCT) which is one of the largest coal terminals in East Kalimantan with a handling throughput capacity of 15.0 million tonnes per annum.

The BCT is able to blend from up to four stockpiles to desired specification and can fully load large scale Panamax vessels. It also owns and operates two Floating Transfer Stations (KFT) which can accept up to Capesize vessels as well as barge loading facilities in the various mine sites.

Bayan has the necessary resources, experience and expertise to help Kangaroo manage issues on the ground and drive forward its Indonesian coal strategy



Appendix 1: Project Location Map – East Kalimantan, Indonesia



## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

KANGAROO RESOURCES LIMITED
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ABN

38 120 284 040
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Quarter ended ("current quarter")

31 March 2014
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#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(121)	(121)
(b) development	-	-
(c) production	(917)	(917)
(d) administration	(1,049)	(1,049)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	32	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
	(2,055)	(2,055)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) tenement acquisition	-	-
(c) other fixed assets	(138)	(138)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	(138)	(138)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(2,193)	(2,193)

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,193)	(2,193)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	2,223	2,223
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		2,223	2,223
<b>Net increase (decrease) in cash held</b>		30	30
1.20	Cash at beginning of quarter/year to date	2,976	2,976
1.21	Exchange rate adjustments to item 1.20	21	21
1.22	<b>Cash at end of quarter</b>	3,027	3,027

### Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	147
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

The amount above includes payments to Directors and their associated companies.

### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

+ See chapter 19 for defined terms.

### **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	39,132	39,132
3.2 Credit standby arrangements	-	-

### **Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	1,600
4.4 Administration	1,515
<b>Total</b>	<b>3,315</b>

### **Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,027	2,976
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,027</b>	<b>2,976</b>

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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

#### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

#### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	3,434,430,012	3,434,430,012	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	<b>+Convertible debt securities</b> <i>(description)</i>			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	128,103,448	-	<i>Exercise price</i> \$0.133	<i>Expiry date</i> 29 June 2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 30 April 2014  
 Company secretary

Print name: Michael Loh

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+ See chapter 19 for defined terms.

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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