

Kangaroo Resources Limited
ABN: 38 120 284 040
ASX Code: KRL



17 October 2018

ASX RELEASE

SCHEME BOOKLET

Further to the announcement of 16 October 2018, Kangaroo Resources Limited (ASX: KRL) (**Kangaroo Resources**) announces that it has today registered the Scheme Booklet with ASIC for the purposes of s 412(6) of the Corporations Act.

A copy of the Scheme Booklet is **attached** and is also available to download at Kangaroo Resources' website: <https://www.kangarooresources.com/>.

The Scheme booklet will be despatched to Shareholders on or before 22 October 2018. Those Shareholders who have previously nominated an electronic means of notification to the Kangaroo Resources Registry will receive an email from where they can download the Scheme Booklet.

The independent expert, KPMG Corporate Finance, has concluded that the Scheme is fair and reasonable to Kangaroo Resources shareholders and therefore in the best interests of Kangaroo Resources shareholders, in the absence of a superior proposal. The Independent Directors unanimously support the Scheme and recommend that Kangaroo Resources shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert continuing to conclude that the Scheme is in the best interests of Kangaroo Resources shareholders.

Shareholders should read the Scheme Booklet and accompanying material in its entirety before deciding whether or not to vote in favour of the Scheme. The Notice of Scheme Meeting, contained within the Scheme Booklet, provides information on how to lodge your Proxy Form.

The Scheme Meeting is to be held at 11:00am (WST) on 26 November 2018 at the Duxton Hotel, 1 St Georges Terrace, Perth, Western Australia, 6000.

Paul Jurman
Company Secretary



Kangaroo Resources Limited

(ABN 38 120 284 040)

Scheme Booklet

In relation to a proposal from PT Bayan Resources, Tbk to acquire all of the issued shares in Kangaroo Resources Limited that it does not already own by way of scheme of arrangement.

VOTE IN FAVOUR

Your Independent Directors unanimously recommend you vote in FAVOUR of the Scheme, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Scheme is in your best interests.

The Scheme Meeting will be held at 11am (WST) on 26 November 2018 at the Duxton Hotel, 1 St Georges Terrace, Perth, Western Australia

This Scheme Booklet is dated 17 October 2018

This is an important document and requires your attention. You should read the document in full before you decide whether or not to vote in favour of the Scheme. If you are in any doubt about what action you should take, please consult your broker or financial, taxation, legal or other professional advisor immediately.



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IMPORTANT DATES AND TIMES FOR THE SCHEME

Last date and time for receipt of Proxy Forms or powers of attorney for the Scheme Meeting	11am WST on 24 November 2018
Time and date for determining eligibility to vote at the Scheme Meeting	7pm AEDT on 24 November 2018
Scheme Meeting	11am WST on 26 November 2018
Second Court Date	3 December 2018
Effective Date of Scheme	4 December 2018
Kangaroo Resources Shares Suspension Date	4 December 2018
Record Date	7pm AEDT on 6 December 2018
Implementation Date	11 December 2018

Kangaroo Resources reserves the right to vary the times and dates above and will announce any changes on the Kangaroo Resources website at www.kangarooresources.com and on www.asx.com.au.

All dates subsequent to the Scheme Meeting are indicative only and may change as the dates are subject to court approval and satisfaction of the conditions contained in the Scheme Implementation Deed.

All times are Perth, Western Australian time unless stated otherwise.

IMPORTANT NOTICES

Purpose of this document

This Scheme Booklet is a scheme booklet to explain the proposed scheme of arrangement between Kangaroo Resources Limited (**Kangaroo Resources**) and PT Bayan Resources, Tbk (**PT Bayan**) and the manner in which it will be implemented (if approved by the Requisite Majority of shareholders and the Court).

This Scheme Booklet includes the explanatory statement required to be sent to Kangaroo Resources Shareholders in relation to the Scheme pursuant to Section 412(1) of the Corporations Act. This Scheme Booklet is not a disclosure document under Chapter 6D of the Corporations Act. Section 708(17) provides that Chapter 6D of the Corporations Act does not apply in relation to arrangements under Part 5.1 of the Corporations Act approved at a meeting held as a result of an order under Section 411(1) of the Corporations Act.

ASIC and ASX

A copy of this Scheme Booklet has been provided to ASIC for review so that ASIC may provide a statement, in accordance with Section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. A copy of this Scheme Booklet has been registered by ASIC for the purposes of Section 412(6) of the Corporations Act. A copy of this Scheme Booklet has also been lodged with the ASX. Neither ASIC or the ASX nor any of their officers take any responsibility for the contents of this Scheme Booklet.

Court

A copy of the Scheme Booklet has been lodged with the Court to obtain an order of the Court approving the convening of the Scheme Meeting. Orders made by the Court are made pursuant to Section 411 of the Corporations Act.

The fact that, under Section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Scheme Participants should vote; or
- (b) has prepared, or is responsible for the contents of the Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in Section 10 (Definitions and Interpretation) of this Scheme Booklet. Section 10 also sets out some rules of interpretation which apply to this Scheme Booklet.

All \$ references, are references to Australian Dollars unless otherwise stated.

Investment decisions

The Scheme Booklet is important and requires your immediate attention. It should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. This Scheme Booklet is intended for all Scheme Participants collectively and does not take into account the investment objectives, financial situation and particular needs of each individual Scheme Participant or any other particular person. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or Kangaroo Resources Shares. Before making any investment decision in relation to these matters you should consider, preferably with the assistance of a professional adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should seek independent financial and taxation advice before making any investment decision in relation to the Scheme or Kangaroo Resources Shares.

Responsibility Statement

Other than as set out below, the information contained in this Scheme Booklet has been prepared by and is the sole responsibility of Kangaroo Resources. Except as outlined below, none of PT Bayan, or any of its respective Related Bodies Corporate, directors, officers, employees or advisors assumes any responsibility for the accuracy or completeness of such information. The PT Bayan Information contained in this Scheme Booklet has been prepared by and is the responsibility of PT Bayan. Neither Kangaroo Resources nor any of its directors, officers, employees or advisors assumes or accepts any responsibility for the accuracy or completeness of the PT Bayan Information. KPMG Corporate Finance has prepared the Independent Expert's Report (as set out in Schedule 1 to this Scheme Booklet) and takes responsibility for that report. None of Kangaroo Resources or PT Bayan, nor any of their respective Related Bodies Corporate, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of Kangaroo Resources, in relation to the information which it has provided to the Independent Expert.

Foreign Scheme Participants

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

The Scheme Booklet has been prepared in accordance with Australian law and is subject to Australian disclosure requirements. The information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia. Financial information in this Scheme Booklet has been prepared in accordance with Australian Accounting Standards and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future. Such forward looking statements, which include all information relating to the performance of Kangaroo Resources, are not based solely on historical facts but rather reflect the current expectations of Kangaroo Resources (in relation to the Kangaroo Resources Information) and PT Bayan (in relation to the PT Bayan Information). Statements that describe Kangaroo Resources' or PT Bayan's objectives, plans, goals or expectations, estimates of reserves and resources, timelines for development and production and future costs may be forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of Kangaroo Resources and PT Bayan are or may be forward looking statements. Forward looking statements involve known and unknown risks, uncertainties and assumptions and are subject to a variety of other factors that could cause the actual results or performance of Kangaroo Resources to be materially different from what is expressed by such statements. Some of the risks that Scheme Participants may be exposed to are set out in Section 7. Forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which Kangaroo Resources and PT Bayan will operate in the future. Accordingly, undue reliance should not be placed on forward looking statements.

Scheme Participants should note that the historical performance of Kangaroo Resources is no assurance of its future performance. Other than what is required by law, none of Kangaroo Resources or PT Bayan, or their respective Related Bodies Corporate, directors, officers or advisors, represents that, or gives any assurance or guarantees that, the occurrence of events expressed or implied in any forward looking statements will actually occur.

The forward looking statements in this Scheme Booklet reflect the view held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, Kangaroo Resources and PT Bayan, and their respective Related Bodies Corporate, officers, directors or advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the date of the Scheme Booklet.

Privacy

Kangaroo Resources may collect personal information in the process of implementing the Scheme. This information may include the names, contact details and security holdings of Shareholders and the names of persons appointed by Shareholders to act as proxy, corporate representative or attorney at the Scheme Meeting. The primary purpose of collecting this information is to assist Kangaroo Resources in conducting the Scheme Meeting and to enable the Scheme to be implemented by Kangaroo Resources in the manner described in this Scheme Booklet. Personal information may be disclosed to the ASX, the Registry, print and mail service providers, authorised securities brokers, securities authorities and to Related Bodies Corporate of Kangaroo Resources and PT Bayan. Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access personal information that has been collected. A Shareholder who wishes to access personal information should contact the Registry.

Kangaroo Resources Shareholders (other than the Excluded Shareholders) who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting should inform that person of the matters outlined above.

Letter from Kangaroo Resources Independent Directors

17 October 2018

Dear Kangaroo Resources Limited Shareholders

Scheme Proposal from PT Bayan

On 17 August 2018, Kangaroo Resources announced that it had entered into a Scheme Implementation Deed with its controlling shareholder, PT Bayan (with an existing shareholding of 56.05%) under the terms of which PT Bayan will acquire all of the issued shares in the Company that it does not already own, by way of an Australian Court approved Scheme of Arrangement, for consideration of \$0.15 cash per Kangaroo Resources Share.

The directors comprising the Independent Board Committee (named below) believe that the Scheme is in the best interests of Kangaroo Resources Shareholders. The Independent Board Committee unanimously recommends that you vote in favour of the Scheme in the absence of a Superior Proposal. The Independent Expert, KPMG Corporate Finance has also concluded that the Scheme is in the best interests of Kangaroo Resources Shareholders, in the absence of a Superior Proposal. The full report of the Independent Expert (including a technical specialist report prepared by SRK Consulting) is set out in Schedule 1.

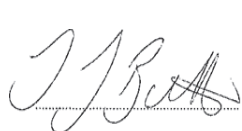
The key reasons for the Independent Board Committee's recommendation of the Scheme are set out in Section 3.2 of this Scheme Booklet. In particular:

- The offer price of \$0.15 represents a 615% premium to the 3 month volume weighted average share price of \$0.0297 preceding 8 May 2018, the date when Kangaroo Resources announced that PT Bayan was considering an acquisition of the remaining Kangaroo Resources Shares;
- The offer price of \$0.15 is at the top end of the valuation range for Kangaroo Shares, inclusive of a control premium, as assessed by the Independent Expert being \$0.12 to \$0.16;
- If the Scheme does not proceed, you will remain minority shareholders in a company controlled by PT Bayan with a low likelihood of receiving an alternative offer. Additionally, the market price of Kangaroo Resources Shares traded on the ASX may fall significantly below the PT Bayan offer price of \$0.15; and
- If the Scheme does not proceed, the prospects of Kangaroo Resources developing the Indonesian coal assets on its own standalone basis will be subject to significant challenges and risks including, but not limited to, access to funding, permitting and generally navigating the complex regulatory environment affecting the coal mining industry in Indonesia. The Independent Directors believe it would be extremely difficult for Kangaroo Resources to develop independent operations on a time scale that profitably rewards Kangaroo Resources Shareholders

The Independent Board Committee considers that there is a compelling rationale for the Scheme, however, there are some possible disadvantages and risks relating to the Scheme. If the Scheme proceeds you will no longer be a Kangaroo Resources Shareholder and you will not participate in any potential upside that may result in the future from being a Kangaroo Resources Shareholder. Certain reasons why you may not wish to vote in favour of the Scheme are set out in Section 3.3 of this Scheme Booklet.

Your vote is important. We strongly encourage you to vote either by attending the Scheme Meeting in person or by completing and submitting the Proxy Form in accordance with the instructions contained in the Proxy Form. If you have any questions in relation to the Scheme Booklet, you may contact Kangaroo Resources on +61 8 9381 4320

Yours sincerely,



Trevor Butcher
Non-Executive Director



Damien Henderson
Executive Director



Susmit Shah
Non-Executive Director



Darcy Wentworth
Non-Executive Director

Frequently Asked Questions

This Scheme Booklet contains detailed information on the Scheme. The following Section provides summary answers to some basic questions you may have in relation to the Scheme and will assist you to locate further detailed information in this Scheme Booklet.

Question	Answer
What is a scheme of arrangement?	<p>A scheme of arrangement is a legal arrangement between a company and its shareholders, and involves a company putting forward a proposal to its shareholders for them to consider, and, if thought fit, approve. Before a scheme of arrangement can come into effect, it must be approved by the shareholders at a meeting (usually referred to as a scheme meeting), by:</p> <ul style="list-style-type: none"> • unless the Court orders otherwise, a majority in number (more than 50%) of the shareholders present and voting at the scheme meeting (either in person or by proxy, corporate representative or attorney); and • at least 75% of the total number of votes cast on the resolution at the scheme meeting by shareholders entitled to vote on the resolution. <p>It must also be approved by the Court.</p> <p>Once the scheme of arrangement is approved by the shareholders and the Court, it binds all shareholders to the proposal (including those who may have voted against it or may not have voted at all).</p>
What is the Scheme?	<p>The Scheme proposes that PT Bayan will acquire all of the issued shares in Kangaroo Resources that it does not already own by way of a Court approved scheme of arrangement.</p>
Who is PT Bayan?	<p>PT Bayan is an integrated coal group primarily engaged in open cut coal mining and is listed on the Indonesian Stock Exchange.</p> <p>PT Bayan is the controlling shareholder of Kangaroo Resources, with an existing shareholding of 56.05%.</p>
Will I be entitled to participate in the Scheme?	<p>Yes, provided:</p> <ul style="list-style-type: none"> • all conditions for the Scheme are satisfied or waived (as applicable); and • you are registered as a Kangaroo Resources Shareholder as at the Record Date (currently scheduled as 6 December 2018).
What is the Scheme Consideration?	<p>If the Scheme is approved and implemented you will receive \$0.15 for each Kangaroo Resources Share you hold on the Record Date.</p>
When will I be paid the Scheme Consideration?	<p>If the Scheme is approved and implemented, it is expected Scheme Participants will be paid on the Implementation Date which is currently scheduled for 11 December 2018.</p>
How will I be paid the Scheme Consideration?	<p>Unless otherwise directed by Scheme Participants before the Record Date, the Scheme Consideration will be paid on the Implementation Date by:</p> <ul style="list-style-type: none"> • direct credit to the account of the Scheme Participant with an Australian or New Zealand bank or other financial institution nominated by them for receipt of distributions on their Kangaroo Resources Shares; or • sending a cheque drawn on an Australian bank in Australian currency to the Scheme Participant by pre-paid ordinary post (or if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 5.00pm on the Record Date.
Is PT Bayan bound to provide the Scheme Consideration?	<p>Yes – under the Scheme and the Deed Poll, PT Bayan must (subject to the Scheme becoming effective) provide the Scheme Consideration to Scheme Participants on the Implementation Date (which is currently scheduled for 11 December 2018).</p> <p>Under the Scheme, Scheme Participants appoint Kangaroo Resources as their</p>

Question	Answer
	agent and attorney to do all things necessary to implement the Scheme and transfer their Scheme Shares on their behalf, with such appointment to take effect upon the Scheme becoming effective. Kangaroo and also the Scheme Participants have rights to enforce against Bayan under the Scheme Implementation Deed and the Deed Poll respectively.
What are the tax consequences of the Scheme for me?	<p>Section 8 provides a general description of the Australian income tax, capital gains tax, GST and stamp duty implications for Scheme Participants who dispose of their shares.</p> <p>You should consult with your own tax adviser in light of your individual circumstances.</p>
Will I have to pay brokerage?	No you will not have to pay any brokerage fees in connection with this Scheme.
What will be the effect of the Scheme?	<p>If the Scheme is approved by the Requisite Majority of Kangaroo Resources Shareholders (other than the Excluded Shareholders) and the Court:</p> <ul style="list-style-type: none"> • all of your Kangaroo Resources Shares will be transferred to PT Bayan; • in exchange you will receive the Scheme Consideration for each Kangaroo Resources Share you hold; and • Kangaroo Resources will become a wholly owned subsidiary of PT Bayan.
Who are the Independent Directors and what do they recommend?	<p>The Independent Directors are Trevor Butcher, Damien Henderson, Susmit Shah and Darcy Wentworth. The Independent Directors unanimously recommend that you approve the Scheme by voting in favour of the Scheme Resolution in the absence of a superior proposal.</p> <p>Yi Ngo Low and Alexander Wibowo are nominee directors of PT Bayan. Due to their association with PT Bayan, they are not considered independent directors of Kangaroo Resources and do not consider it appropriate to make a recommendation to Scheme Participants in relation to the Scheme.</p>
What is the Independent Expert's conclusion?	<p>KPMG Corporate Finance, as the Independent Expert, has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Kangaroo Resources Shareholders (other than the Excluded Shareholders) in the absence of a Superior Proposal.</p> <p>The rationale as to why the Independent Expert has reached that conclusion is set out in the Independent Expert's Report at Schedule 1.</p>
What are the prospects of receiving a Superior Proposal	Until the Scheme is approved, there is nothing preventing another party making an unsolicited acquisition proposal to Kangaroo Resources. Such proposal will be heavily dependent on PT Bayan's position given its majority 56.05% shareholding in Kangaroo Resources. If this occurs, your Independent Directors will carefully consider the proposal and inform you of any developments.
What are the Scheme Conditions?	<p>A summary of the outstanding Scheme Conditions is set out in Section 4.</p> <p>The full details of the Scheme Conditions are contained in clause 3 of the Scheme Implementation Deed (the Scheme Implementation Deed can be located at Schedule 2 to this Scheme Booklet).</p> <p>All of the Scheme Conditions need to be satisfied or waived (where capable of waiver) before the Scheme can be implemented.</p>
Can all the Scheme Conditions be waived?	No. The conditions relating to approval from Scheme Participants and the Court, and there being no regulatory restraint that restricts or materially prohibits the implementation of the Scheme, cannot be waived. The other Scheme Conditions can only be waived by the party for whose benefit the condition operates, or where both parties benefit, by consent.

Question	Answer
Where and when will the Scheme Meeting be held?	The Scheme Meeting will be held at 11 am (WST) on 26 November 2018 at the Duxton Hotel, 1 St Georges Terrace, Perth, Western Australia.
What vote is required to approve the Scheme?	Approval of the Scheme requires at least 50% of the Kangaroo Resources Shareholders (other than the Excluded Shareholders) who vote on the Scheme Resolution to vote in favour of that resolution and then their votes must be at least 75% of the total number of votes cast on the Scheme Resolution.
Is voting compulsory?	No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting, you should complete and return the proxy form enclosed with this Scheme Booklet.
Can PT Bayan vote?	No, neither PT Bayan nor any of its Related Bodies Corporate can vote at the Scheme Meeting.
How do I vote?	<p>If you are registered as a holder of Kangaroo Resources Shares at 7pm AEDT on 24 November 2018, you can vote on the Scheme by doing one of the following:</p> <ul style="list-style-type: none"> • by attending and voting at the Scheme Meeting in person; • by appointing a proxy to vote on your behalf; • by appointing an attorney to vote on your behalf; • in the case of a corporation which is a Kangaroo Resources Shareholder, by appointing an authorised corporate representative to attend and vote on its behalf. <p>If you choose to vote by proxy or power of attorney, your completed proxy or power of attorney needs to be received by the Kangaroo Resources Registry by no later than 11 am (WST) on 24 November 2018.</p>
What happens if I do not vote?	<p>If the Scheme is implemented, your Kangaroo Resources Shares will be transferred to PT Bayan in consideration for \$0.15 per Kangaroo Resources Share.</p> <p>If the Scheme is not implemented, you will not receive the Scheme Consideration and you will remain a Kangaroo Resources Shareholder.</p>
What happens if the Scheme Resolution is approved at the meeting?	If the Scheme Resolution is approved, Kangaroo Resources will apply to the Court for orders approving the Scheme.
What happens if the Scheme is approved by the Court?	If the Scheme is approved by the Court at the Second Court Date (3 December 2018), Kangaroo Resources anticipates lodging the orders with ASIC on the day following Court approval, at which time the Scheme will become effective.
When will the Scheme become effective?	If the Scheme Resolution is approved and the Scheme is approved by the Court, it is expected that the Effective Date will be 4 December 2018. If the Effective Date has not occurred before 1 June 2019, Kangaroo Resources and PT Bayan both have a right to terminate the Scheme Implementation Deed if they are unable to agree to extend that date. In this event, the Scheme will not proceed.
What happens after the Scheme becomes effective?	Kangaroo Resources Shares will be suspended from further trading on the ASX from close of trading on the Effective Date.
What happens on the Implementation Date?	On the Implementation Date, subject to PT Bayan paying (or procuring payment of) the aggregate amount of the Scheme Consideration in the manner contemplated by the Scheme, your Kangaroo Resources Shares will be transferred to PT Bayan in consideration for \$0.15 per Kangaroo Resources Share. PT Bayan will become the holder of all Kangaroo Resources Shares held by Scheme Participants.

1. Outline of the Scheme

1.1 Introduction

This summary identifies key features of the Scheme and must be read in conjunction with the additional detailed information for Kangaroo Resources Shareholders set out in this Scheme Booklet. You are urged to read this Scheme Booklet in its entirety.

On 17 August 2018, Kangaroo Resources announced to ASX that it had entered into the Scheme Implementation Deed with PT Bayan under which PT Bayan will acquire all of the issued Kangaroo Resources Shares that it does not already own by way of a Court approved scheme of arrangement, for an offer consideration of \$0.15 per Kangaroo Resources Share.

In accordance with the Scheme Implementation Deed, the Scheme and the Deed Poll, PT Bayan will acquire all of the Scheme Shares and pay the Scheme Consideration. Each of Kangaroo Resources and PT Bayan has agreed to the due and punctual performance of all of its obligations under or in connection with the Scheme Implementation Deed (in respect of both Kangaroo Resources and PT Bayan), the Scheme (in respect of Kangaroo Resources only) and the Deed Poll (in respect of PT Bayan only), including the payment of the Scheme Consideration by PT Bayan pursuant to the Deed Poll.

1.2 Approvals required from Kangaroo Resources Shareholders (other than the Excluded Shareholders) and the Court

(a) Kangaroo Resources Shareholders (other than the Excluded Shareholders)

The Scheme must be approved by the Requisite Majority of Kangaroo Resources Shareholders (other than the Excluded Shareholders) being:

- (1) unless the Court orders otherwise, a majority in number (more than 50%) of Kangaroo Resources Shareholders (other than the Excluded Shareholders) present and voting at the Scheme Meeting (in person or by proxy), corporate representative or attorney; and
- (2) at least 75% of the total number of votes which are cast at the Scheme Meeting.

(b) Court Approval

If the Scheme is approved at the Scheme Meeting, and all other conditions of the Scheme have been satisfied or (where applicable) waived, the Court will be asked to approve the Scheme on the Second Court Date in accordance with Section 411(4)(b) of the Corporations Act. The Second Court Date is expected to be on or around 3 December 2018.

1.3 What will happen if the Scheme is approved?

If the Scheme is approved by the Requisite Majority of Kangaroo Resources Shareholders (other than the Excluded Shareholders) and by the Court, and if all other conditions of the Scheme are satisfied or waived (where applicable), all Kangaroo Resources Shares will be transferred to PT Bayan with effect from the Implementation Date and without the need for any further act by Scheme Participants (other than the acts required to be performed by Kangaroo Resources, its Directors or officers, as agent for the Scheme Participants). From the Implementation Date, Kangaroo Resources will become a wholly owned subsidiary of PT Bayan. Kangaroo Resources Shares are expected to be delisted from the ASX shortly after the Implementation Date.

1.4 What you will receive if the Scheme is approved

If the Scheme is approved, Scheme Participants will be paid the Scheme Consideration on the Implementation Date for the transfer of their Kangaroo Resources Shares to PT Bayan.

If the Scheme is approved and implemented, it is expected that the Scheme Consideration will be paid as follows:

- (a) no later than 5.00pm WST on the date that is two Business Days prior to the Implementation Date, PT Bayan will deposit or procure the deposit of an amount equal to the Scheme Consideration in cleared funds into a special purpose trust account operated by Kangaroo Resources;
- (b) as soon as practicable following implementation of the Scheme on the Implementation Date (currently scheduled to be 11 December 2018) Kangaroo Resources will pay the Scheme Consideration to Scheme Participants; and
- (c) unless otherwise directed by Scheme Participants before the Record Date, the Scheme Consideration will be paid on the Implementation Date by:
 - (1) direct credit to the account of the Scheme Participant with an Australian or New Zealand bank or other financial institution nominated by them for receipt of distributions on their Kangaroo Resources Shares; or
 - (2) sending a cheque drawn on an Australian bank in Australian currency to the Scheme Participant by pre-paid ordinary post (or if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 5.00pm on the Record Date.

1.5 Independent Directors recommendation

The Independent Directors unanimously recommend that Kangaroo Resources Shareholders (other than the Excluded Shareholders) vote in favour of the Scheme, in the absence of a Superior Proposal. Each of the Independent Directors will (in the absence of a Superior Proposal) vote or cause the voting of any Kangaroo Resources Shares held by or on behalf of that Independent Director at the time of the Scheme Meeting, in favour of the Scheme.

The reasons to vote in favour of or against the Scheme, as considered by the Independent Directors, are set out in Section 3.

The implications for Kangaroo Resources Shareholders if the Scheme does not proceed are set out in Section 1.8.

Before making a decision about the Scheme, you should read the Scheme Booklet in its entirety and if you are in doubt about what action you should take, contact your professional advisor.

The Non-Independent Directors do not make a recommendation. PT Bayan is unable to vote at the Scheme Meeting.

1.6 Independent Expert

Kangaroo Resources has engaged KPMG Corporate Finance as the Independent Expert to prepare a report to ascertain whether the Scheme is in the best interests of Kangaroo Resources Shareholders (other than the Excluded Shareholders). The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Kangaroo Resources Shareholders (other than the Excluded Shareholders). The valuation range for Kangaroo Shares, inclusive of a control premium, as assessed by the Independent Expert is \$0.12 to \$0.16.

The full report can be found in Schedule 1 of this Scheme Booklet.

1.7 Implementation, timetable and procedures

If the Scheme is approved by Kangaroo Resources Shareholders (other than the Excluded Shareholders) and the Court, and all other conditions to the Scheme are satisfied or (where applicable) waived, it is expected that the Scheme will be implemented on 11 December 2018. The key dates and times in relation to the Scheme are set out at the beginning of this Scheme Booklet. These key dates are indicative only and subject to change.

1.8 Consequences if the Scheme is not approved at the Scheme Meeting or is not approved by the Court

If the Scheme is not approved by the Requisite Majority of Kangaroo Resources Shareholders (other than the Excluded Shareholders) at the Scheme Meeting or, having been approved at the Scheme Meeting, is not approved by the Court, PT Bayan will not acquire your Kangaroo Resources Shares under the Scheme and you will not receive the Scheme Consideration. In addition, if the Scheme does not proceed:

- (a) Kangaroo Resources will continue to be listed on the ASX;
- (b) PT Bayan will continue as a controlling shareholder of Kangaroo Resources (holding 56.05% of all Kangaroo Resources Shares);
- (c) decisions in relation to the future of Kangaroo Resources will continue to be made by the Kangaroo Resources Board; and
- (d) Kangaroo Resources will continue to be exposed to the risk factors outlined in Section 7.

The Independent Directors believe that if the Scheme is not approved, the price of the Kangaroo Resources Shares may fall significantly.

If the Scheme does not proceed, the Kangaroo Resources Board intends to continue to operate Kangaroo Resources as a listed public company. Kangaroo Resources will continue to pursue its exploration, development and strategic growth objectives focused on the creation of value for all Kangaroo Resources Shareholders.

If the Scheme does not proceed, the Kangaroo Resources Board has not formed any plans to make any significant changes to the business of Kangaroo Resources and in particular:

- (a) there will not be any immediate impact on Kangaroo Resources employees. Kangaroo Resources intends to use its best endeavours to retain its current employees and employees of its subsidiary entities; and
- (b) to the extent economically feasible, there will not be any immediate impact on Kangaroo Resources' continuing activities and plans to develop and commence production, particularly from the Pakar concessions. PT Bayan has confirmed its present intention to continue its financial support to the Kangaroo Resources Group.

The Independent Directors have confidence in Kangaroo Resources' future, noting that it is dependent (in the absence of other sources of funding) on PT Bayan to provide financial support.

Despite the confidence of the Independent Directors in the future of Kangaroo Resources if the Scheme does not proceed, they nonetheless believe that the Scheme is in the best interests of Kangaroo Resources Shareholders (other than the Excluded Shareholders) including having regard to the Independent Expert's Report, in the absence of a Superior Proposal. As at the date of this Scheme Booklet, no Superior Proposal has emerged. If the Scheme does not proceed, Kangaroo Resources will be faced with significant challenges and risks in achieving commercial production and sustained earnings in contrast with the certainty of \$0.15 consideration per Kangaroo Resources Share payable under the Scheme.

For further details, please also refer in particular to section 5.2.4 of the Independent Expert's Report (set out in Schedule 1).

1.9 Conditions to the Scheme

Implementation of the Scheme is subject to a number of outstanding conditions precedent that are summarised in Section 4.

Details of the conditions to the Scheme that have been satisfied or waived at the date of this Scheme Booklet are set out in Section 4. A description of all of the conditions to the Scheme is included in the Scheme Implementation Deed in Schedule 2 of this Scheme Booklet.

The Independent Directors believe that all of the outstanding Conditions Precedent are capable of satisfaction in accordance with the Scheme Implementation Deed.

1.10 Scheme Meeting

The Scheme Meeting to approve the Scheme is scheduled to be held at the Duxton Hotel, 1 St Georges Terrace Perth Western Australia on 26 November 2018 at 11 am (WST). Voting eligibility for the Scheme Meeting will be determined as at 7pm, AEDT on 24 November 2018.

Further details on the Scheme Meeting, including how to vote, are contained in Section 2. The Notice of Scheme Meeting is contained in Schedule 5 of this Scheme Booklet.

1.11 Tax consequences for Scheme Participants

The transfer of your Kangaroo Resources Shares in accordance with the Scheme may have tax implications for you. You should seek your own professional advice regarding your individual tax consequences. A summary of the relevant Australian tax implications for Scheme Participants is contained in Section 8.

1.12 What to do next

Read the remainder of this Scheme Booklet in full before making any decision on the Scheme.

Kangaroo Resources Shareholders (other than the Excluded Shareholders) should refer to Section 3 for further guidance on reasons to vote in favour or against the Scheme and Section 7 for guidance on the risk factors associated with the Scheme.

2. Scheme Meeting and Voting Information

2.1 Read this Scheme Booklet carefully

This Scheme Booklet provides information necessary for you to make a decision as to how to vote on the Scheme at the Scheme Meeting. The Independent Directors recommend that you read this Scheme Booklet in its entirety.

2.2 Scheme Meeting

The Scheme Meeting is scheduled to be held at the Duxton Hotel, 1 St Georges Terrace, Perth, Western Australia on 26 November 2018 at 11 am (WST).

At the Scheme Meeting, the Scheme Resolution will be proposed to the Kangaroo Resources Shareholders (other than the Excluded Shareholders).

2.3 Exercising your vote

Kangaroo Resources Shareholders eligible to vote at the Scheme Meeting may vote by attending the Scheme Meeting in person, or by proxy, attorney or, in the case of a corporation which is a Kangaroo Resources Shareholder (other than a Excluded Shareholder), by a corporate representative.

2.4 Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting.

Kangaroo Resources Shareholders (other than the Excluded Shareholders) who wish to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting by properly identifying themselves.

2.5 Voting by proxy

If you wish to appoint a proxy in respect of the Scheme Meeting, you are requested to complete the proxy form sent to you with this Scheme Booklet in accordance with the instructions contained in the proxy form.

Proxy forms should be submitted to the Registry as indicated on the proxy form and must be received by the Registry not less than 48 hours before the time for holding the Scheme Meeting or adjourned meeting as the case may be.

A validly appointed proxy will be admitted to the Scheme Meeting upon providing evidence of their name and address.

The sending of a proxy form will not preclude a Kangaroo Resources Shareholder (other than an Excluded Shareholder) from attending in person and voting at the Scheme Meeting which the Kangaroo Resources Shareholder (other than an Excluded Shareholder) is entitled to attend and vote.

2.6 Voting by attorney

Powers of attorney and authorities should be sent to the Registry as indicated in the proxy form and must be received by the Registry not less than 48 hours before the time for holding the Scheme Meeting or adjourned meeting as the case may be.

An attorney will be admitted to the Scheme Meeting upon identifying themselves and providing written evidence of their appointment and the identity of the appointer.

The sending of the power of attorney will not preclude a Kangaroo Resources Shareholder (other than an Excluded Shareholder) from attending in person and voting at the Scheme Meeting at which the Kangaroo Resources Shareholder is entitled to attend and vote.

2.7 Voting by corporate representative

To vote at the meeting (other than by proxy or attorney), a corporation that is a Kangaroo Resources Shareholder (other than an Excluded Shareholder) must appoint a person to act as its representative. The appointment must comply with Section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Scheme Meeting upon providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

2.8 Voting entitlement

Each Kangaroo Resources Shareholder (other than an Excluded Shareholder) who is registered on the Register at 7pm, AEDT on 24 November 2018 is entitled to attend and vote at the Scheme Meeting. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

In case of Scheme Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one holder votes in respect of jointly held Scheme Shares, only the vote of the holder whose name appears first in the Register will be counted.

2.9 Further information

If you have any questions or require further information, please contact the Company Secretary of Kangaroo Resources on + 61 (08) 9381 4320.

If you are in any doubt about anything in this Scheme Booklet, please contact your legal, taxation, financial or other professional advisor.

3. Key Considerations Relevant To Your Vote

3.1 Introduction

This Section is a summary only and is not intended to address all of the relevant issues for Kangaroo Resources Shareholders. Kangaroo Resources Shareholders should read the Scheme Booklet in its entirety. This Section should be read in conjunction with other Sections of this Scheme Booklet.

In reading this Section, you should note that in the absence of a Superior Proposal for Kangaroo Resources, your Independent Directors unanimously recommend that you vote in favour of the Scheme.

3.2 Possible reasons to approve the Scheme

Set out below is a summary of why you might approve the Scheme, by voting in favour of the Scheme Resolution:

Independent Directors recommendation and vote	Your Independent Directors unanimously recommend that you vote in favour of the Scheme and the Independent Directors who hold Kangaroo Resources Shares intend to vote the Kangaroo Resources Shares they own or control in favour of the Scheme, in each case in the absence of a Superior Proposal for Kangaroo Resources.
The Independent Expert has concluded that the Scheme is in the best interests of Kangaroo Resources Shareholders	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Kangaroo Resources Shareholders (other than the Excluded Shareholders).</p> <p>A copy of the Independent Expert's Report is contained in Schedule 1 of this Scheme Booklet.</p>
The value of the Scheme Consideration represents a substantial premium over the pre-announcement trading prices of Kangaroo Resources Shares	<p>The cash consideration of \$0.15 per Kangaroo Resources Share represents a substantial premium to the historical trading price of Kangaroo Resources Shares, as set out below:</p> <ul style="list-style-type: none">• 275% premium to the closing share price on 4 May 2018, being the last trading date before 8 May 2018, the date on which Kangaroo Resources announced that it was at a preliminary stage of entering into a confidentiality deed and discussions regarding a potential transaction with PT Bayan;• 615% premium to the 3 month Volume Weighted Average Price of \$0.0297 preceding the announcement dated 8 May 2018; and• 100% premium to Volume Weighted Average Price of \$0.075 following the 8 May 2018 announcement and up to 17 August 2018, the date the Scheme Implementation Deed was announced.
The value of the Scheme Consideration is at the upper end of assessed fair value of Kangaroo Resources Shares	The Independent Board Committee is satisfied that the \$0.15 price sits at the upper end of the value of a Kangaroo Resources Share, including a premium for control, as assessed by the Independent Expert, being a range of \$0.12 to \$0.16.

The Scheme represents a liquidity opportunity for Kangaroo Resources Shareholders	The Scheme is an opportunity for Kangaroo Resources Shareholders to realise their investment in Kangaroo Resources at a premium to the prevailing price of Kangaroo Resources Shares on the ASX as at the date of announcement of the proposal for the Scheme.
The Scheme provides you with the value of certainty of cash	<p>The cash consideration of \$0.15 per Kangaroo Resources Share which is being offered to Kangaroo Resources Shareholders (other than the Excluded Shareholders) provides certainty of value and timing.</p> <p>In contrast, if the Scheme does not proceed, the amount which Kangaroo Resources Shareholders (other than the Excluded Shareholders) will be able to realise for their Kangaroo Resources Shares in terms of price, will necessarily be uncertain and subject to a number of risks outlined in Section 7 of this Scheme Booklet.</p>
Complex and changing regulatory environment in Indonesia	The coal industry in Indonesia, as a key energy provider, is subject to a regulated environment including a requirement to sell a prescribed minimum percentage of production to local customers, regulated prices, below market prices, for sales to domestic power stations, use of local insurance and shipping services suppliers as well as Government imposed annual production limits and foreign ownership limits. In rejecting the Scheme, Kangaroo Resources would be subject to the challenges and risks of this complex and changing regulatory environment.
Difficulties in remaining a stand alone company	In addition to the complex and changing regulatory environment referred to above, there are various other significant difficulties in Kangaroo Resources remaining a stand-alone company striving to bring its assets into production if the Scheme is not approved. These are referred to in more detail in Section 7, "Summary of Key Risks". At a glance, these difficulties include availability of funding and contractual disputes. Whilst PT Bayan has provided loans to Kangaroo Resources and is currently a supportive majority shareholder, its ongoing support cannot be assured and it could come on punitive terms. Kangaroo Resources is also reliant on PT Bayan for management and technical support and has contractual rights to the use of certain PT Bayan infrastructure. Contractual disputes between the parties is a key risk for Kangaroo Resources in successfully mining its assets.
No superior proposal has emerged or is likely to emerge	<p>The Scheme has been widely publicised since its announcement on 17 August 2018 and no Superior Proposal has emerged.</p> <p>Furthermore, as noted by the Independent Expert, as PT Bayan holds a 56.05% controlling interest in Kangaroo Resources, any alternative offer would likely be heavily dependent on PT Bayan's support and, in these circumstances, it is considered highly unlikely that any Superior Proposal will emerge.</p>

Kangaroo Resources' Share price is likely to fall if the Scheme is not implemented	<p>The price at which Kangaroo Resources Shares have traded in the market since the announcement of the Scheme has been supported by the market expectation that the Scheme will be successfully implemented.</p> <p>As such, the Independent Directors expect that if the Scheme is not approved and no Superior Proposal emerges, Kangaroo Resources Shares are very likely to trade at levels below current trading levels (and the Scheme Consideration).</p>
No brokerage or stamp duty will be payable by you on the transfer of your Kangaroo Resources Shares under the Scheme	Scheme Participants will not be required to pay any brokerage or other costs in connection with the disposal of their Kangaroo Resources Shares under the Scheme.

3.3 Possible reasons not to approve the Scheme

Set out below is a summary of why you might not approve the Scheme, by voting against the Scheme Resolution:

You may disagree with the Independent Directors and Independent Expert	You may disagree with the Independent Directors and the Independent Expert and believe that the Scheme is not in your best interests.
If the Scheme proceeds, you will no longer be a Kangaroo Resources Shareholder	If the Scheme proceeds you will no longer be a Kangaroo Resources Shareholder and you will not participate in any potential upside that may result from being a Kangaroo Resources Shareholder (including Kangaroo Resources' interests in exploring, developing and potentially producing coal assets).
Although considered to be unlikely in the near term, a Superior Proposal for Kangaroo Resources may materialise in the future	<p>Although considered unlikely by the Independent Directors and the Independent Expert, it is possible that a Superior Proposal for Kangaroo Resources, which could be more attractive to Kangaroo Resources Shareholders (other than the Excluded Shareholders) than the Scheme, may materialise in the future. The implementation of the Scheme would mean that Kangaroo Resources Shareholders (other than the Excluded Shareholders) would not obtain the benefit of any such proposal.</p> <p>The Kangaroo Resources Board is not currently aware of any such proposal and notes that since PT Bayan and Kangaroo Resources announced the Scheme, there has been a significant period of time and ample opportunity for a Superior Proposal for Kangaroo Resources to emerge. Kangaroo Resources also notes that the success of any alternative proposal would be heavily dependent on PT Bayan's position given its current majority holding of 56.05%.</p>
You may wish to retain your investment in and exposure to Kangaroo Resources	<p>You may believe that Kangaroo Resources could deliver greater returns to Kangaroo Resources Shareholders, including the potential for dividend returns over the long term.</p> <p>However and notwithstanding that Kangaroo Resources has contractual rights to 30% of the throughput capacity of PT Bayan's infrastructure assets, namely the Tabang mine haul road and Senyur port, developing a producing mine on Kangaroo Resources key coal assets</p>

	<p>of Pakar North and Pakar South would face significant challenges and risks including funding risk. In assessing and recommending the Scheme, your Independent Directors evaluated the benefits and risks of Kangaroo Resources' continuing operations against its other strategic alternatives.</p> <p>In deciding that they should recommend the Scheme, your Independent Directors determined that, on balance, the earlier and more certain value represented by the Scheme would be more favourable to Kangaroo Resources Shareholders (other than the Excluded Shareholders) than the options and risks that might otherwise be available to or faced by Kangaroo Resources Shareholders if they were to retain their investment in Kangaroo Resources.</p> <p>Refer to Sections 1.8 and 6.6 regarding Kangaroo Resources should the Scheme not proceed.</p>
<p>The tax consequences of the Scheme may be adverse to your own financial position</p>	<p>If the Scheme is implemented, this may trigger taxation implications for you earlier than would have otherwise been the case. You should carefully read the taxation considerations outlined in Section 8 and seek professional taxation advice with respect to individual taxation situations.</p>

4. Scheme Conditions

4.1 Outstanding Scheme Conditions

The implementation of the Scheme is subject to a number of Scheme Conditions which are set out in full in Section 3.1 of the Scheme Implementation Deed (contained in Schedule 2).

The Scheme conditions that remain outstanding as at the date of this Scheme Booklet are summarised as follows:

- (a) Kangaroo Resources Shareholders (other than the Excluded Shareholders) approving the Scheme by the necessary Requisite Majority at the Scheme Meeting (or any adjournment or postponement of the Scheme Meeting).
- (b) the Court approving the Scheme under Section 411(4)(b) of the Corporations Act and an office copy of the Scheme Order being lodged with ASIC.
- (c) no judgement, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition being in effect which prevents the consummation of any aspect of the Scheme.
- (d) the representations and warranties of Kangaroo Resources being materially true and correct.
- (e) the representations and warranties of PT Bayan being materially true and correct.
- (f) no Material Adverse Change occurring or becoming apparent.
- (g) no Prescribed Occurrence occurring.
- (h) the Independent Expert, having issued its report which concludes that the Scheme is in the best interests of Kangaroo Resources Shareholders (other than the Excluded Shareholders), not changing its conclusions or withdrawing its report.

Each of the outstanding Scheme Conditions (with the exception of Court approval) must be satisfied or (if applicable) waived before 8:00am on the Second Court Date. The Scheme Conditions relating to approval of Kangaroo Resources Shareholders, approval by the Court and no restraints cannot be waived. If these Scheme Conditions are not satisfied the Scheme will not proceed. The other Scheme Conditions may be waived by the party for whose benefit the condition operates, or where the condition operates for the benefit for both parties, by consent.

As at the date of this Scheme Booklet, the Directors are not aware of any reason why a Scheme Condition referred to above is not likely to be satisfied in the time required by the Scheme Implementation Deed.

4.2 Scheme Conditions that have already been satisfied

As at the date of this Scheme Booklet, the following Scheme Conditions have been satisfied:

- (a) The application made to the Court for orders under Section 411(1) of the Corporations Act that a Scheme Meeting be convened has been approved;
- (b) FIRB has provided notice in writing (without any term of condition which PT Bayan considers unacceptable) stating that in terms of Australia's Foreign Investment Policy, the Australian Government does not object to PT Bayan acquiring the Scheme Shares pursuant to the Scheme.

5. Information about Kangaroo Resources

5.1 Corporate Profile - Kangaroo Resources

Kangaroo Resources is a mineral resources company which has its corporate head office in Perth, Australia. It was incorporated in June 2006 and listed on the ASX in April 2007. Kangaroo Resources has a significant portfolio of coal development and exploration assets in East Kalimantan, Indonesia, and through its subsidiary entities, maintains a regional presence in the Indonesian capital city of Jakarta.

Kangaroo Resources continues to leverage off its strong local relationships as it continues to develop and progress its portfolio of Indonesian coal assets into full-scale production operations as quickly as possible.

Detailed information about Kangaroo Resources is available on its website www.kangarooresources.com.au and on ASX's website www.asx.com.au (ASX: KRL).

5.2 Summary of Kangaroo Resources' portfolio

Kangaroo Resources has interests in a significant portfolio of 14 coal mining concessions all located in the coal rich province of East Kalimantan. A large portion of these concessions are in close proximity to the existing coal mining and infrastructure assets of its major shareholder, PT Bayan.

There are three project groups, Pakar (itself split into Pakar North and Pakar South), GPK and Mamahak. The Pakar concessions sit immediately to the south of PT Bayan's Bara Tabang mining operations and are in close proximity to PT Bayan's existing coal mining and infrastructure assets. PT Bayan's 69km haul road to the Senyur Port passes through some of the Pakar concessions. The Senyur jetty and port are located on the Kedang Kepala River and serves to deliver coal from PT Bara Tabang mines to PT Bayan's Balikpapan Coal Terminal.

Pakar Coal Project

Kangaroo Resources and PT Bayan are parties to an access agreement and a strategic agreement (the **Strategic Agreement**) under the terms of which Kangaroo Resources Group companies will have access to the haul road as well as the Senyur Port at 30% of their available capacity (being up to approximately 9Mtpa by end of 2018 although PT Bayan's ongoing upgrade works could increase that capacity in the near future) on a 'take or pay' basis according to Kangaroo Resources forecasted requirements. The Strategic Agreement provides a more formalised framework of cooperation and support to enable the parties' coal mining projects to be co-developed in order to maximise use of the infrastructure and allow both PT Bayan and Kangaroo Resources Group to optimise outputs and profitability from their respective projects.

Each coal concession is held by a separate corporate entity. Pakar North concessions are held by PT Tiwi Abadi (TA), PT Tanur Jaya (TJ), and PT Dermaga Energi (DE), whilst Pakar South concessions are held by PT Orkida Makmur (OM), PT Sumber Api (SA), PT Cahaya Alam (CA), PT Bara Sejati (BS), PT Apira Utama (AU) and PT Silau Kencana (SK). The Pakar North concessions are located directly to the south of PT Bayan's Bara Tabang concession and contain the highest quality coal amongst all of the Pakar concessions ($\approx 3,800 - 4,250$ Kcal/kg GAR).

As a prelude to a drill program expected to commence in the 3rd Quarter of 2018 and ultimately bringing the concession into production, Kangaroo Resources continues to compensate land on the TA concession. Approximately 35% of the total concession area of 4,996 hectares has been compensated to date with further land compensation activities to continue into the remainder of 2018, 2019 and 2020 for the Pakar North concessions of TA. TJ and DE, targeting commencement of production in 2020.

A permit was granted in May 2018, converting the non-forestry portion of the TA project area to production status. Kangaroo Resources will apply for upgrading the TJ permit to production status once feasibility studies including environmental impact assessment are completed in the 4th Quarter of 2018.

In September 2017, Kangaroo Resources announced updated Coal Resources and Coal Reserves (as at 31 December 2016) at its Pakar North and Pakar south concessions.

GPK Coal Project

The concession is held by PT Graha Panca Karsa (**GPK**). The concession is located near Melak, East Kalimantan and is strategically located in close proximity to the Mahakam River, which can allow for barging to PT Bayan's Balikpapan Coal Terminal.

A successful drill program in 2017 (42 drill holes totalling 1,858 metres) inside the Pinjam Pakai area confirmed the results of previous exploration at GPK in that the seams are continuous and retain similar coal quality characteristics. Consequently, Kangaroo Resources is engaged in the process of making an application for an exploration permit to undertake a follow up drill program into areas which are currently not the subject of a permit to evaluate the extent of further mineralisation.

Results of a bathymetric survey carried out in late 2017 indicate that utilising 300' barges along this route would not be possible all year round. Kangaroo Resources is investigating the suitability of using smaller barges (180' and/or 230') as well as the possibility of dredging critical locations to improve the reliability of any future barging operations. Kangaroo Resources will also consider the economics of extending a coal haul road to bypass these critical spots on the river.

Mamahak Coal Project

PT. Mamahak Coal Mining holds a coal mining concession covering 4,996 hectares in West Kutai Regency, East Kalimantan Province. Mining in this concession commenced in January 2010 and continued until November 2012.

A decision was taken in late 2012 to close the MCM coal mine as it was no longer economic due to it being a high cost operation coupled with the continued decline in the Newcastle coal index and the river water levels only allowing barging for part of the year. Recommencement of mining in the future would be dependent on the identification of additional mineable coal reserves, establishment of a more accessible port location and a significant improvement in coal markets. River water levels present a challenge at this location and may only allow barging for part of the year.

5.3 Directors of Kangaroo Resources

The Directors of Kangaroo Resources at the date of the Scheme Booklet are as follows:

Trevor Butcher - Non-Executive Director

Damien Henderson – Executive Director

Susmit Shah - Non-Executive Director

Darcy Wentworth - Non-Executive Director

Yi Ngo Low – Non Executive Director

Alexander Wibowo - Executive Director

5.4 Financial profile of Kangaroo Resources

As reported in Kangaroo Resources' half year audited financial report for the six month period ended 30 June 2018 (released to the ASX on 7 September 2018), as at 30 June 2018, the Kangaroo Resources Group had net assets of \$112.4 million.

As at 30 June 2018, Kangaroo Resources had \$1.13 million cash and cash equivalents.

5.5 Capital Structure of Kangaroo Resources

As at the date of this Scheme Booklet, there are 3,434,430,012 Kangaroo Resources Shares on issue.

Kangaroo Resources' major shareholder is PT Bayan, which holds 56.05% of all Kangaroo Resources Shares.

5.6 Further information on Kangaroo Resources

Further information about Kangaroo Resources' operations and assets can also be found in the Independent Expert's Report contained in Schedule 1, and particularly, the Technical Specialist Report contained within the Independent Expert's Report.

Further information about Kangaroo Resources can also be found on the ASX website (www.asx.com.au, ASX:KRL), or alternatively Kangaroo Resources' website (<https://www.kangarooresources.com/>).

6. Information about PT Bayan

The information in this section has been prepared by PT Bayan. The information concerning PT Bayan and the intentions, views and opinions contained in this section are the responsibility of PT Bayan.

Kangaroo Resources and its directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the information in this section.

6.1 Overview of PT Bayan

PT Bayan is an integrated coal group primarily engaged in open cut coal mining and is listed on the Indonesian Stock Exchange (IDX:BYAN).

PT Bayan produces the majority of its low sulphur sub-bituminous coal from its Tabang/Pakar Project located in East Kalimantan. PT Bayan differentiates itself by integrating each of the productions stages, being mining, processing and logistics, via the ownership of processing infrastructure at each of its mines and operating a number of barging and transshipment terminals.

PT Bayan, through various subsidiary companies, has exclusive rights to mine under five Coal Contracts of Works and sixteen Izin Usaha Pertambangan permits (IUP)'s (of which thirteen are held by the Kangaroo Resources Group) awarded by the Government of Indonesia over a total concession area of 126,293 Ha. PT Bayan's coal resources and reserves have been independently verified and certified to international JORC standards by third-party mining consultants.

PT Bayan continues to invest in exploration at its existing mine sites while also exploring potential acquisitions of new coal assets and expansion of infrastructure facilities to complement its existing portfolio.

PT Bayan's head office is located in Jakarta, Indonesia. PT Bayan's mines and operations are all located in East and South Kalimantan, the Indonesian portion of the island of Borneo. Bayan currently has no operations in Australia.

6.2 Directors and management of PT Bayan

PT Bayan is required to have a dual management structure comprised of a Board of Directors and a Board of Commissioners.

(a) Board of Directors of PT Bayan

The Board of Directors of PT Bayan is charged with the management of PT Bayan.

The current members of the Board of Directors of PT Bayan are as follows:

Dato' Dr. Low Tuck Kwong President Director	Dato' Dr. Low Tuck Kwong is the founder and primary and controlling shareholder of the PT Bayan Group. He has been appointed as PT Bayan's President Director since 10 January 2018 and is President Director for most of the PT Bayan Group's subsidiaries. Previously, Dato' Dr. Low Tuck Kwong held key positions as President Director of PT Bayan Resources (2004-2008), President Commissioner of PT Bayan (2008-2018), and was a member of the Remuneration and Nomination Committee (2016-2018). He was awarded with Honoris Causa (HC) degree by the University of Notre Dame in Dadiangas, Phillippines on 17 March 2012. Dato' DR. Low Tuck Kwong has a Diploma in Civil Engineering from the Japan Institute.
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	Dato' Dr. Low Tuck Kwong is the father of Low Yi Ngo, one of PT Bayan's directors.
Engki Wibowo Director Environmental, Health & Safety	<p>Engki Wibowo is a founding shareholder of the PT Bayan Group and was appointed the Director of PT Bayan as of 26 July 2006. He also acts as either President Commissioner, Commissioner or Director for most of the PT Bayan Group subsidiaries. Previously, he was the Commissioner of PT Bayan Resources from 2004 to 2006.</p> <p>Engki Wibowo graduated with a diploma from the Foreign Language Academy in Jakarta. He is the husband of Jenny Quantero, a Director and shareholder of PT Bayan.</p>
Jenny Quantero Director Corporate Affairs & Corporate Secretary	<p>Jenny Quantero is a founding shareholder of the Bayan Group and has been appointed as Director of PT Bayan since 7 October 2004 and as Corporate Secretary since 2008. She is also a Commissioner of PT Wahana Baratama Mining since 2003 and is a Director of most of the PT Bayan Group subsidiaries.</p> <p>She graduated with a diploma in foreign language from PRAYOGA Foreign Language Academy in Padang, West Sumatera, in 1974.</p> <p>She is the wife of Engki Wibowo, a Director and shareholder of PT Bayan.</p>
Lim Chai Hock Director & Chief Operational Officer	<p>Lim Chai Hock is a founding shareholder of the PT Bayan Group and has been appointed a Director of PT Bayan since 26 July 2006.</p> <p>He has also been Director of PT Gunungbayan Pratamacoal since 1998 and PT Kariangau Power since 2010 respectively. Previously, he occupied some key positions including Regional Manager in PT Jaya Sumpiles Indonesia (1983-1998).</p> <p>Lim Chai Hock graduated with a Malaysian Certificate of Education in 1977 and obtained a Certificate in Land Surveying from Lembaga Jabatan Ukur, Semenanjung Malaysia in 1981.</p> <p>Lim Chai Hock is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>
Low Yi Ngo Director Sales & Marketing	<p>Low Yi Ngo has been appointed Director of PT Bayan since 26 July 2006. He has also been a Director of PT Teguh Sinarabadi since 2007, Chief Executive Officer and Managing Director of Manhattan Resources Ltd since 2011, Non-Executive Director of Kangaroo Resources since 2012, and a member of Risk Management Committee of Manhattan Resources since 2012.</p> <p>Previously, he has occupied key positions as project engineer and Director of Project Coordination and Infrastructure of the PT Bayan Group (2004-2006) and Non-Executive Director and member of the Remuneration Committee of Manhattan Resources Ltd. (2005-2011).</p> <p>He graduated with a Bachelor's degree in Mechanical and Production Engineering from Nanyang Technology University in 2004.</p>
Russell Neil Director & Chief Development Officer	<p>Russell Neil was appointed as Director of PT Bayan since 18 March 2008. He has also been the Director of PT Perkasa Inakakerta since 2006, Non-executive Director of Kangaroo Resources from June 2011 – May 2016 and Managing Director of Kangaroo Resources from May 2016 to Aug 2017, with both</p>

	<p>those companies being subsidiaries of PT Bayan.</p> <p>Previously, he occupied key positions as part-time consultant in PT Bayan Group (2001-2003), Accounting and Finance in WMC Ltd (Leinster Nickel Operation), Eltin Ltd (Gold Mining and Processing) and Tiwest Joint Venture (Mineral Sands Mining and Processing) in Australia, as well as Consultant for PT Tambang Batubara Bukit Asam Tbk, International Antam Resources Ltd and PT Timah Tbk.</p> <p>Russell Neil graduated with Bachelor's degree in Commerce (Accounting) and Arts (Southeast Asian Studies) from Murdoch University, Perth, Western Australia. He is also a Fellow Certified Practicing Accountant and Chartered Financial Analyst.</p> <p>Russell Neil is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>
Alastair McLeod Director & Chief Financial Officer	<p>Alastair McLeod was appointed as Director and Chief Financial Officer of PT Bayan. on 18 March 2008 Previously, he had worked in professional practice with a number of accounting firms in the UK. He moved to Indonesia with KPMG and his last position was Country Head Corporate Restructuring (1997-2004). During his tenor at PT Bayan he was also appointed as Non-Executive Director of Kangaroo Resources (2012-2014).</p> <p>He graduated with a Scottish Higher National Diploma in Accounting from Napier College, Edinburgh, United Kingdom in 1987 and has been a member of the Institute of Chartered Accountant of Scotland since 1991.</p> <p>Alastair McLeod is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>
Insu Lee Director	<p>Insu Lee has been appointed as the Director of PT Bayan since 22 June 2017. A South Korean citizen, he graduated with a Bachelor's degree in Law from Han-Yang University, Seoul, South Korea, in 1999. He also graduated with a Master's degree in Law from Korea University Graduate School, Seoul, South Korea, in 2005.</p> <p>Previously Insu Lee held several prominent positions in Korean Western Power Corporation (KOWEPO), namely as Senior Manager of Human Resources Department (2013-2017), Senior Manager of Global Business Team for Myanmar Combined Cycle Power Plant (2012-2013), Manager of Global Business Team for Laos Hydraulic Power Plant and India Combined Cycle Power Plant (2011-2012), and Manager of General Affairs Team (2007-2011).</p> <p>He is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>
Dr. Ir. S. Wirtoro Soelarno, P.E (IPM) Independent Director	<p>Dr. Ir. S. Wirtoro Soelarno, P.E (IPM) has been appointed as Independent Director of PT Bayan since 22 June 2017. An Indonesian citizen, he graduated with a Bachelor of Engineering Degree (S1) in Mining from the Bandung Institute of Technology (ITB) in 1980 and obtained his Master of Science degree (S2) and Doctoral degree (S3) in Environmental Science from the University of Indonesia in 2000 and 2007 respectively.</p> <p>Currently, he is a Lecturer in UI Postgraduate faculty. Previously, he occupied prominent positions as Independent</p>

	<p>Director of PT Samindo Resources Tbk (2014-2017), Senior Advisor of Mining, Safety & Environment in PT Greencup NAA Indonesia (2012-2017), Commissioner of PT PLN Batubara (2012-2014), PT Nusantara Smelting (2012-2013), PT Tambang Timah (2008-2012), and PT Tanjung Alam Jaya (2006-2008), Technical Advisor of PT Conblock Indonesia (1984-1990) and Filed Engineer of PT Karimun Granite (1979-1983). He has also worked in the Ministry of Energy and Mineral Resources as Expert Assistant in Mining sector to the Minister of ESDM (2011), Secretary of the Directorate General Mineral Coal and Geothermal (2008 – 2011), Director of Engineering & Environment, Directorate General of Mineral Coal and Geothermal (2005 – 2008), and Mines Inspector (1984 -2008).</p> <p>His organisational experiences include Advisor in Mining Expert Association/Perhapi (2016-present), Chairman of the Advisory Board and member of Assembly Assessor (2015-current) and Head of Mining Chapter (2010-2015) in Indonesian Engineering Association/PII, founder/assessor/advisor in Perhapi Profession Certification Institution (LSP) (2007-current), founder of Ex-Mine Areas Reclamation Forum (FRLHBT) (2007), Chairman V of Indonesian Land Science Expert Association/HITI (2008-2011), Expert Panel in Indonesian Environmental Scholar Association/Perwaku (2009-current), member of Metallurgy Expert Association (2011-current) and Indonesian Rocks Mechanics Expert Association (2011-2015), and Advisory Council for Mining Inspector Corps (2014 – current).</p> <p>His experience in research and investigation includes:</p> <ul style="list-style-type: none"> • Head of Investigator in Wanagon OB Grasberg Mine failure (2000) • Head of Investigator in Pushback 7th Grasberg Mine failure (2003) • Mine Acid Drainage, Potential and Management in Ajkwa Deposition Area, PTFI (2004) • Head of Investigator in Natural Hill Failure Covered Drill Workshop(2006) • Sustainable Development in Indonesian Mining, Case Study of Kutai Timur Regency (2007) • Acid Mine Drainage Study in PT Bahari Cakrawala Sebuk, PT Karbon Mahakam, and PT Metalindo Bumi Raya (2012) • Smelting-Refining Technology Selection (environmental aspect) in PT Vale Indonesia at Bahudopi (2012). • Mine Closure of PT Agincourt Resources (2013) • Waste Water Treatment Study in PT Agincourt Indonesia (2013) • Independent Team to Evaluate Big Gossan Accident in PTFI (2013) • Independent Team to evaluate Other Underground Mine (2013) • HPAL Environmental Impact Analysis (Amdal) of PT Vale Indonesia (2015)
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	<ul style="list-style-type: none"> • Growth Amdal of PT Vale Indonesia (2015) • Expansion Amdal of PT Agincourt Indonesia (2015) • Smelter Amdal of PTFI (2015 - in progress) • Underground Expansion Amdal of PTFI (2016 – in progress) <p>Dr. Ir. S. Wirtoro Soelarno, P.E (IPM) is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>
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(b) Board of Commissioners of PT Bayan

The Board of Commissioners of PT Bayan is charged with the supervision of the policy of the Board of Directors and the general course of affairs of PT Bayan and of the business connected with it.

The current members of the Board of Commissioners of PT Bayan are as follows:

Purnomo Yusgiantoro President Commissioner	<p>Purnomo Yusgiantoro was appointed as President Commissioner of PT Bayan as of 10 January 2018. Currently, he is a Senior Professor of Mineral Economy in Bandung Institute of Technology (ITB) (2009-present) and co-founder of Universitas Pertahanan in Sentul, Bogor (2009-present).</p> <p>Previously, Purnomo Yusgiantoro occupied various key positions as Minister of Defence in the Ministry of Defence of the Republic of Indonesia (2009-2014), Chairman of ASEAN Defence Ministers (2009-2014), Minister of Energy and Mineral Resources in the Ministry of Energy and Mineral Resources of the Republic of Indonesia (2000-2009), Chairman of ASEAN Energy Ministers (2000-2009), National Defence Institute (Lemhanas) Instructor/Vice Governor (1998-2000), Organisation of Petroleum Exporting Countries (OPEC) Governor (1995-1998), General Secretary (2002), and President (2004), Special Staff of the Minister of Mining and Energy at the Mining and Energy Department (1993-1998) and Vice President Director in Inca Oil Company (1975-1985).</p> <p>Previously, he has had experiences as lecturer in Command and Staff College (Seskogab) of Indonesian National Armed Forces (TNI), Bandung / Sesko TNI Bandung (2010-2017), Institute of Defence & Strategic Studies (IDSS), Singapore (1998-2000), Atma Jaya University (UAJ)/ LPMI/Lemhannas, Jakarta (1993-2001), Colorado University, Boulder, Colorado, USA (1988-1989) and Trisakti University, Jakarta (1980-1981).</p> <p>Purnomo Yusgiantoro has also published several books:</p> <ul style="list-style-type: none"> • Ekonomi Pertahanan: Teori & Praktik (Defense Economy: Theory and Practice), Gramedia (2014), Jakarta • Perekonomian Indonesia (Indonesian Economy), Gramedia (2010 & 2014), Jakarta • The Footprints of Time (2009), Jakarta • Ekonomi Energi: Teori & Praktik (Energy Economy: Theory & Practice), LP3ES (1999 & 2009), Jakarta • Manajemen Keuangan Internasional: Teori & Praktik (International Finance Management: Theory and Practice), Penerbitan FE-UI (2004), Jakarta
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	<ul style="list-style-type: none"> • Analisis & Metodologi Ekonomi Indonesia (Penyunting Syahrir) (Analysis & Methodology of Indonesian Economy), Gramedia (1991), Jakarta. <p>He has also published more than 50 academic works.</p> <p>During his career, he has received 18 Medals of Honour from various institutions/professional organizations, one Russian Federation Government Decoration (2012) and 15 Indonesian Government Decorations (Bintang Jasa Tertinggi Maha Putera Adipradana) (2013).</p> <p>Purnomo Yusgiantoro has PhD in Mineral Economics from Colorado School of Mines (CSM), Golden, Colorado, USA (1988), MA in Economics from Colorado University (CU), Boulder, Colorado, USA (1988), MSc in Engineering from Colorado School of Mines (CSM), Golden, Colorado, USA (1986), Engineering Degree from Bandung Institute of Technology (1974) and Regular Course Class XXV (1992) from Lemhannas (Wibawa Seroja Nugraha), Jakarta.</p> <p>Purnomo Yusgiantoro is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>
Lifransyah Gumay SE Ak. MM CA Commissioner	<p>Lifransyah Gumay SE Ak. MM. CA. was appointed as Commissioner of PT Bayan as of 10 January 2018. Currently, he is still active as the Commissioner of PT Sumber Segara Primadaya - PLTU Cilacap (September 2009 – present) and a member of the Audit Committee (Independent Committee) of PT Bakrie & Brothers Tbk (May 2006 – present).</p> <p>Previously, Lifransyah Gumay SE Ak. MM. CA. occupied key positions as member of the Audit Committee of PT Bank Tabungan Negara (Persero) Tbk (August 2005 - September 2011), expert staff in Economy in Democratic Party Faction of the People's Representative Assembly of the Republic of Indonesia (DPR-RI) (May 2008 - April 2010), trainer in Indonesian Accounting Association (IAI) Cooperation Project with Partnership for Governance Reform in Indonesia (January - March 2004), member of Working Group of Business Competition Supervisory Committee or KPPU (December 2003 – March 2004), member of Working Group in Cooperation Project between IAI and General Election Commission or KPU (August 2003 – June 2004), Main Researcher in Transparency International Indonesia (December 2004 - April 2005), postgraduate program lecturer in Indonesian Management Development Institution or LPMI (2003-2005), Senior Consultant in Accounting Development Center of Faculty of Economics of University of Indonesia (FEUI) (2002 – 2004), President Director in PT Dharma Sangkurindo Raharja (1998 – 2001), Director of Finance in PT Artekindo Group of Real Estate (1992 – 1997), Financial Controller in IKAMUDA Group of Companies (1990 – 1992) and Senior Auditor in Public Accountant Office Ernst & Young International (d/h: Arthur Young International), Jakarta (1986-1990).</p> <p>Lifransyah Gumay SE Ak. MM. CA. graduated with Cum Laude from STIM-LPMI Jakarta with a Master of Management degree in 2003 and from Faculty of Economics of the University of Indonesia in Accounting in 1986.</p> <p>Lifransyah Gumay SE Ak. MM. CA. is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>

<p>Chin Wai Fong Commissioner</p>	<p>Chin Wai Fong is a founding shareholder of the PT Bayan Group and has been appointed as Commissioner of PT Bayan since 10 January 2018. He is also the President Commissioner and/or Commissioner of some of PT Bayan subsidiaries.</p> <p>Previously, he occupied various key positions as Project Manager and eventually Director of PT Jaya Sumpiles Indonesia (JSI) (1982-1998), as well as Director (2006-2008) and President Director (2006-2018) of PT Bayan.</p> <p>Chin Wai Fong graduated with a Bachelor's Degree in Civil Engineering from the University of Glasgow in 1981.</p> <p>He is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>
<p>Ir. Michael Sumarijanto Commissioner</p>	<p>Ir. Michael Sumarijanto was appointed as Commissioner of PT Bayan since 18 March 2008 and the Chairperson of Risk Management and Good Corporate Governance Committee as well as member of the Remuneration and Nomination Committee since 2013. He also occupies positions in several PT Bayan subsidiaries, namely as President Commissioner of PT Perkasa Inakakerta and PT Gunungbayan Pratamacoal and as Commissioner of PT Teguh Sinarabadi since 2010.</p> <p>Outside PT Bayan Group, Ir. Michael Sumarijanto has also been serving as the Chairman of the Supervisory Board of the Institute of Indonesian Energy Economics since 2008, Member of the Advisory Board of the Indonesian Renewable Energy since 2005, Member of the Advisory Board of the Indonesian Electricity Society, Member of the Advisory Board of the Indonesian Geothermal Association, Vice Chairman of BIMASENA Mine and Energy Society, Vice Chairman of the Indonesian Botanical Gardens Foundation since 2006, and Bimasena Executive Director since 2010.</p> <p>He had also occupied key positions as President Commissioner of the Company (2006-2008), Chairman and Non-Executive Director of Manhattan Resources Limited (2006-2013), Chairman of the Honorary Board of Architects in the Indonesian Association of Architects (2005-2008), and Executive Director of the Indonesian Mining and Energy Society (Bimasena) (1997–2010). He is actively involved in the organisation of various forums and conferences on international investment in mining and energy sector.</p> <p>Ir. Michael Sumarijanto has a Bachelor's degree in Architecture from the University of New South Wales, Australia, a postgraduate degree in Building Science from University of Sydney, Australia, and a postgraduate degree in Management from Sekolah Tinggi Bisnis dan Manajemen in Indonesia. He has also undertaken Urban Studies Executive Program in the Graduate School of Design, Harvard University, Cambridge, Massachusetts, USA.</p> <p>Ir. Michael Sumarijanto is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>
<p>Dr. Ir. Rozik B. Soetjipto Independent Commissioner</p>	<p>Dr. Ir. Rozik B. Soetjipto has been appointed as Independent Commissioner since 18 March 2008. He has also been the Chairperson of the Audit Committee since 2008 and Chairperson of the Remuneration and Nomination Committee since mid-2016.</p> <p>His previous key positions are Director General of Geology and Mineral Resources (1997-1998), Director General of General</p>

	<p>Mining in the Department of Mining and Energy of the Republic of Indonesia (1998-1999), President Commissioner of PT Aneka Tambang (Persero) Tbk (1997-2001), State Minister of Public Works of the Republic of Indonesia (1999-2000), President Director of PT Freeport Indonesia (2012-2015), Commissioner of PT Freeport Indonesia (2001-2012), Independent Commissioner of PT Holcim Indonesia Tbk (2009-2012), and Independent Commissioner and Chairperson of the Audit Committee in PT INCO/Vale Indonesia (2007-2010).</p> <p>He has a Doctoral degree in Applied Science, Extractive Metallurgy, a Master's Degree in Metallurgical Engineering from Metaalkunde Department, Katholieke Universiteit Leuven, Belgium, and a Bachelor's Degree in Mining Engineering from the Bandung Institute of Technology (ITB), Indonesia.</p> <p>He was awarded with the Satyalancana Karya 30 Tahun Award on 17 August 2000, Bintang Jasa Utama from the Department of Mining and Energy on 13 August 1999, as well as the Satyalancana Pembangunan, Koperasi dan UKM award in 1999 for his various contributions to Indonesia.</p> <p>Dr. Ir. Rozik B. Soetjipto is not affiliated with any member of the Board of Directors and Board of Commissioners of PT Bayan, nor any controlling shareholders of PT Bayan.</p>
Amir Sambodo Independent Commissioner	<p>Amir Sambodo was appointed as Independent Commissioner of PT Bayan as of 27 May 2016. He is also a member of both the Company's Remuneration and Nomination Committee (February 2018–present) and Audit Committee (August 2016–present). Mr. Amir Sambodo is also the founder and President Commissioner of PT Techno Ventura Business Synergy (2010–present) and PT Teknopreneur Indonesia (2006–present), as well as the President Commissioner of PT Tiga Visi Selaras Film (2017–present).</p> <p>Previously he has occupied many prominent positions, namely as member of the Company Risk Management and Corporate Governance Committee (July 2016-2018), Independent Non-Executive Director in Asia Resource Minerals Plc (Bumi Plc – Vallar Plc), London, England (2011-2014), Chief Executive Officer in Asia Resource Minerals Plc (2014-2015), Commissioner of PT Berau Coal Energy Tbk (2013-2014), President Director of PT Berau Coal Energy Tbk (2014-2015), member of the National Innovation Committee formed by the President of the Republic of Indonesia (2011-2014), member of the National Information Technology Committee (2014-2017), Special Advisor for the Coordinating Minister of Economics of the Republic of Indonesia (2010–2014), President Director of PT Tuban Petrochemicals Industries (2007-2013), President Commissioner of PT Krakatau Steel (2003-2007), Consultant for the Minister of Research and Technology of the Republic of Indonesia (2002-2004), Commissioner of PT Tuban Petrochemicals Industries (2002-2007), Administrator Officer of the Deputy of Company Restructurization of the Ministry of National Economic Restructurization of the Republic of Indonesia (2001-2002), Advisor for the Chairperson of the Indonesian Banking Restructurization Institution (IBRA) of the Indonesian Government (1999-2001), President Director of PT Bukaka Kujang Prima (1991-1999), President Director of PT Maruta Bumi Prima (1997-2000) and Senior Manager of PT Kertas Kraft Aceh (1986-1991). His organizational roles include President of Olefin, Aromatics & Plastic Industry Association (Inaplas) (2008-2016), Vice Chairman of Indonesian Chemical Industry Federation (FIKI) (2008-2011), Vice Chairman of Oil,</p>

	<p>Gas and Upstream Petrochemical Committee of the Indonesian Chamber of Commerce (KADIN) (2009-2014), and member of Expert Engineering Committee of the Indonesian Engineering Association (PII) (2012-2013).</p> <p>Amir Sambodo is not affiliated with any members of the Board of Directors and any Board of Commissioners and with any primary and controlling shareholder of PT Bayan.</p>
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6.3 Rationale for PT Bayan's acquisition of Kangaroo Resources

As noted in section 6.7 below, PT Bayan currently holds 1,925,000,000 (being 56.05%) of the issued shares in Kangaroo Resources.

The rationale for PT Bayan to pursue the acquisition of the remaining Kangaroo Resources Shares in which it does not have an interest is to acquire entirely and consolidate Kangaroo Resources existing Indonesian operations with PT Bayan's Indonesian operations. This would present opportunities to enhance Kangaroo Resources' operations and realise efficiencies from alignment of the entities' combined operations.

PT Bayan considers there to be strong cultural alignment in the existing Kangaroo Resources and PT Bayan businesses.

6.4 PT Bayan's funding arrangements for provision of Scheme Consideration

Based on Kangaroo Resources' total diluted share capital as at the date of this Scheme Booklet, the Total Scheme Consideration required to be paid by PT Bayan to Scheme Participants under the Scheme is approximately A\$226,414,502.

PT Bayan proposes to fund the Scheme Consideration out of a combination of its existing cash reserves and existing committed debt facilities.

As at 30 June 2018 the PT Bayan Group had uncommitted cash reserves of USD134.7 million, all of which is able to be used to fund the aggregate Scheme Consideration.

PT Bayan has also executed binding three year facility agreements with PT Bank Permata Tbk (USD100 million) and Sumitomo Mitsui Banking Corporation, Singapore Branch (USD 75million) dated 20 December 2017 and 19 March 2018 respectively, to be used for the purpose of funding general corporate and working capital requirements of the PT Bayan Group. As at 30 September 2018, PT Bayan had approximately USD125 million in undrawn facilities that could be used to fund the Scheme Consideration.

The ability to utilise these facilities is subject to the continued accuracy of certain representations and compliance with certain undertakings, as well as there not occurring and subsisting certain events of default (in each case, as are customary for facilities of this kind). There are no outstanding conditions precedent for the utilisation of these facilities.

As at the date of this Scheme Booklet, PT Bayan is in compliance with these requirements such that there is no restriction on its ability to draw down funds. PT Bayan is not aware of any circumstance that would lead to any breach of representation, undertaking or event of default or which would give a right to the financiers to terminate the facilities.

As at the date of this Scheme Booklet, PT Bayan expects that 40% of the total aggregate Scheme Consideration would be funded through its cash reserves, while the remaining 60% would be funded through its existing available debt facilities. The exact amounts and proportions of cash reserves deployed and debt drawn down to fund the Total Scheme Consideration will be determined by PT Bayan closer to the date on which its obligation to pay the Scheme Consideration arises and will be influenced by business and market conditions persisting at that time (including, but not limited to, exchange rates and interest rates). PT

Bayan intends to utilise its existing cash reserves in preference to the available facilities to the extent that is appropriate at the time.

On the basis of the arrangements described above, PT Bayan believes that it has reasonable grounds for holding the view, and holds the view, that it will be able to satisfy its obligation to pay the aggregate Scheme Consideration as and when it is due under the terms of the Scheme.

6.5 PT Bayan's intentions if the Scheme is implemented

If the Scheme is implemented, PT Bayan will become the holder of all Kangaroo Resources Shares and, accordingly, Kangaroo Resources will become a wholly-owned subsidiary of PT Bayan.

This section 6.5 sets out the present intentions of PT Bayan in relation to the continuation of Kangaroo Resources' business, any major changes to the Kangaroo Resources business and the future employment of the present employees of Kangaroo Resources, in each case if the Scheme is implemented.

The statements made in this section 6.5 are statements of present intention only and are based on the information concerning Kangaroo (including certain non-public information made available by Kangaroo Resources to PT Bayan prior to the entry into the Scheme Implementation Deed) and the general business environment which are known to PT Bayan at the time of preparation of this Scheme Booklet.

Final decisions will only be made by PT Bayan after having conducted a detailed review of Kangaroo Resources' business after the Scheme has been implemented. Accordingly, the statements set out in this section 6.5 are statements of current intentions only and may change as new information becomes available or as circumstances change.

(a) Removal from the ASX

. If the Court approves the Scheme, Kangaroo Resources is required to apply to ASX to have itself removed from ASX's official list with effect on and from the date of close of trading on the Business Day immediately following the Implementation Date.

(b) Board of directors of Kangaroo Resources

PT Bayan intends to reduce the size of the board of Kangaroo Resources. It is currently anticipated that PT Bayan intends to re-constitute the board of Kangaroo Resources appropriately for an unlisted wholly-owned subsidiary by replacing some or all members of the Kangaroo Resources board with nominees of PT Bayan (who are yet to be identified as at the date of this Scheme Booklet). It is anticipated that the board of Kangaroo Resources will be re-constituted on the Implementation Date.

(c) Management and employees

PT Bayan will give consideration to the governance and management structure following implementation of the Scheme, however, it is currently intended that operational management will continue in their existing roles.

PT Bayan has no present intention for there to be any immediate impacts on Kangaroo employees, and PT Bayan currently intends to place a strong emphasis on local employment and management in Indonesia.

(d) Business and operations

PT Bayan will undertake a review of Kangaroo Resources assets and operations following implementation of the Scheme to identify opportunities to enhance Kangaroo Resources' assets and operations and realise available efficiencies with the focus of bringing certain of its concessions into operation as soon as possible.

6.6 PT Bayan's intentions if Scheme is not implemented

PT Bayan supports the statement of intentions in Section 1.8 of this Scheme Booklet. If the Scheme is not implemented, PT Bayan will continue to be Kangaroo Resources' major shareholder and a committed partner.

6.7 Relevant interests in Kangaroo's Shares

As at the date of this Scheme Booklet, PT Bayan has a relevant interest in 1,925,000,000 Kangaroo Resources Shares, representing voting power (as defined in the Corporations Act) of 56.05% in Kangaroo.

The Kangaroo Resources Shares held by PT Bayan are subject to a freezing order (**Freezing Order**) in connection with ongoing proceedings between BCBC Singapore Pte Ltd (**BCBCS**) and PT Bayan. BCBCS is a subsidiary of White Energy Company Limited (**White Energy**), a public company listed on the ASX. The Freezing Order was originally granted in April 2012 by the Supreme Court of Western Australia in anticipation of a potential judgment of the Singapore International Commercial Court in proceedings before that Court between BCBCS and PT Bayan in relation to the coal upgrading joint venture between the parties in Indonesia. Kangaroo Resources does not play any active part in the Singaporean or Australian proceedings.

The Freezing Order prohibits PT Bayan from (a) transferring any of its Kangaroo Resources Shares to a related entity; (b) encumbering its Kangaroo Resources Shares; and (c) disposing of, dealing with or otherwise diminishing the value of its Kangaroo Resources Shares without first giving notification in writing to BCBCS. In its current form, the Freezing Order does not operate to restrict the implementation of the Scheme.

As announced by White Energy on 25 September 2018, since the Scheme was announced, BCBCS has filed an application in the Supreme Court of Western Australia seeking variations to the Freezing Order. Specifically, BCBCS has sought to have the Freezing Order amended to: (1) prohibit PT Bayan from disposing of its Kangaroo Resources Shares or dealing with, or otherwise diminishing the value of its shareholding in Kangaroo Resources (currently the Freezing Order only requires that PT Bayan give notice to BCBCS before taking any such step); and (2) prevent PT Bayan causing, directly or indirectly, any of Kangaroo Resources' assets, its subsidiaries (direct or indirect) or its subsidiaries' assets from being transferred to PT Bayan or any of PT Bayan's related entities with the consequence of diminishing the value of PT Bayan's shareholding in Kangaroo Resources. PT Bayan has opposed the variations sought by BCBCS.

BCBCS' application to vary the Freezing Order was heard in the Supreme Court of Western Australia on 12 October 2018. The Court's decision in relation to that application has been reserved. If a decision in relation to the application to vary the Freezing Order is made before the Second Court Date and that decision is considered to be material to Kangaroo Resources Shareholders or the Scheme, Kangaroo Resources intends to publish relevant details in relation to the decision in the manner contemplated by Section 9.18 of this Scheme Booklet.

PT Bayan does not anticipate that the proceedings in relation to the Freezing Order (irrespective of the outcome) will restrict or affect implementation of the Scheme.

Neither PT Bayan, nor any of its Related Bodies Corporate, will vote at the Scheme Meeting.

In the interests of PT Bayan's commitment to transparency, PT Bayan notes that its primary and controlling shareholder, Dato' Dr. Low Tuck Kwong, who as at the date of this Scheme Booklet has an interest of 51.59% in PT Bayan's shares, also holds an indirect interest in 130,000,000 Kangaroo Resources Shares, being approximately 3.79% of Kangaroo Resources Shares (**Relevant Shares**), through a trust (**the Alegria Trust**) under which certain of Dato' Dr. Low Tuck Kwong's family members are beneficiaries. Standard Chartered Trust (Guernsey) Limited is the trustee of the Alegria Trust. The registered holder of the Relevant Shares is HSBC Custody Nominees (Australia) Limited (as sub-custodian for Bank of New York Mellon, as custodian for Gran Palais Holdings Ltd).

PT Bayan and Kangaroo Resources have agreed that:

- (a) PT Bayan has been informed that no votes are intended to be cast in respect of the Relevant Shares on the Scheme Resolution; and
- (b) in the event that any votes are cast in respect of the Relevant Shares on the Scheme Resolution, such votes will be excluded for the purposes of determining whether the Scheme Resolution has been approved.

6.8 No dealing in Kangaroo Resources Shares in previous four months

None of PT Bayan or, to the best of its knowledge, any of its Associates has provided or agreed to provide consideration for any Kangaroo Resources Shares under any other transaction during the period of four months before the date of this Scheme Booklet.

6.9 No pre-transaction benefits to Kangaroo Resources Shareholders

During the four months before the date of this Scheme Booklet, none of PT Bayan or, to the best of its knowledge, any of its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- (a) vote in favour of the Scheme; or
- (b) dispose of Kangaroo Resources Shares,

where the benefit was not offered to all Kangaroo Resources Shareholders.

6.10 No pre-transaction benefits to Kangaroo Resources officers

None of PT Bayan or, to the best of its knowledge, its Associates will be making any payment or giving any benefit to any current officers of Kangaroo Resources as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

6.11 Additional information

Information about the PT Bayan Group may also be obtained from PT Bayan's website at: www.bayan.com.sg/index.php/en/. Information contained in or otherwise accessible from those websites do not form part of the Scheme Booklet.

7. Summary of Key Risks

There are existing risks relating to Kangaroo Resources' business and investment in Kangaroo Resources which will continue to be relevant to Kangaroo Resources Shareholders if the Scheme does not become effective. These risks include but are not limited to the risks outlined below.

(a) Legislation and Regulatory Environment

The coal industry in Indonesia, as a key energy provider, is subject to a highly regulated environment. The key impositions on the coal industry include:

- a requirement to sell a prescribed minimum percentage of production to local customers (DMO – Domestic Market Obligation, set at 25% of production volume for 2018). It is widely anticipated that the DMO percentage will continue to rise in the future as Indonesian electricity networks and usage increase;
- The Department of Energy and Mineral Resources of the Government of the Republic of Indonesia sets the pricing mechanism for sale of coal in Indonesia but, in general terms, that mechanism takes into account world market prices and commonly used indices such as the Newcastle Export Index and the Newcastle Global coal Index. However, the selling price of coal for electricity generation and distribution in the public interest is further regulated and is presently set at US\$ 70 per tonne whilst the Department of Energy and Mineral Resources benchmark price for September 2018 is US\$104.81;
- Government imposed annual production limits;
- Mandatory use of local insurance and shipping services suppliers;
- Foreign ownership limits – foreign shareholders must, following five years of production, divest their shares in stages, such that by the tenth year of production, foreign shareholders (as would be constituted by Kangaroo Resources) shall have a maximum 49% shareholding. The divestment process is prescribed to a significant extent and there would be a significant risk that sale consideration for the divestment may not be on market value basis.

In rejecting the Scheme, Kangaroo Resources would be subject to the challenges and risks of this complex and changing regulatory environment.

(b) Pakar 4 Completion

Kangaroo Resources has consistently previously reported that its 99% ownership of the shares in PT Tiwa Abadi, PT Apira Utama, PT Bara Sejati and PT Cahaya Alam (the "Pakar 4" companies) has not been perfected, although Kangaroo Resources has contractual rights to ownership of those shares and it has already fully paid the purchase consideration for the initial acquisition of these entities (comprising issue of Shares to PT Bayan in 2011). Government approval and conversion of these entities to PMA status (Penanaman Modal Asing meaning foreign investment company) is required before shares in these entities can be transferred to Kangaroo Resources, a foreign entity. However, after 2011, Indonesia introduced ownership limits for foreign entities in the mining sector as a result of which foreign ownership of Indonesian entities holding exploration licences is restricted to 75%. Foreign ownership of producing entities must be progressively reduced after 5 years such that at the end of year 10, it must be no greater than 49%.

The Company is in receipt of legal advice on a structure that may enable the Company to complete the beneficial ownership of 99% of the shares in the Pakar 4 companies in compliance with legislation. If the Scheme is not completed and

Kangaroo Resources remains a standalone company, it will have to revisit this issue and possibly act on the legal advice. There can be no assurances that the structure proposed under the legal advice would not be challenged by the authorities nor any assurances that the legislation in this regard would not be further tightened up. In that event, Kangaroo Resources and PT Bayan would have to negotiate an equitable outcome whereby Kangaroo Resources receives at least 75% (or 49% in the case of those companies that have been issued production licences if the Indonesian authorities take a narrow view based on licence status rather than based on actual mining and production) of the shares in the Pakar 4 companies as well as monetary or other compensation from PT Bayan in exchange for the 24% (or 50% in the case of those companies that have been issued production licences) shares in the Pakar 4 companies that PT Bayan is unable to transfer to Kangaroo Resources. Again, there can be no assurances that the parties would be able to agree to an equitable outcome in that case, the alternate to which may be litigation by Kangaroo Resources against PT Bayan, the commencement and result of which would be uncertain.

(c) Project approvals and permitting

Kangaroo Resources' activities in the coal industry are subject to various legislation, regulation and approvals. The introduction of any new legislation, be it amendments, the application of developments in existing common law or policies or the interpretation of those laws or policies could have a material adverse effect on Kangaroo Resources. Changes in government regulations may adversely affect the financial performance or the current and proposed operations generally of Kangaroo Resources.

In addition, Kangaroo Resources' projects may require from time to time various regulatory approvals by government for their operations and accordingly must comply with those approvals, applicable laws, regulations, guidelines and policies.

Specifically, Kangaroo Resources may require licenses and approvals in relation to environmental matters, exploration, development and production of coal. There is a risk that Kangaroo Resources may not obtain, or may be delayed in obtaining the necessary licenses and approvals in relation to their operations. This may affect the timing and scope of Kangaroo Resources' operations. The loss of granted tenements or concessions or the delay in obtaining lease or concession renewals may have a material adverse effect on Kangaroo Resources.

Whilst improvements are being made in this area, as a result of historical legacy issues, there can often be overlap between authorities at the Indonesian central government level, provincial government level and local regencies in which project areas are located. This can create uncertainty and duplication in approvals and permitting processes. In addition, overlaps with forestry designated areas and / or private plantation areas must also be resolved in order to explore and eventually extract coal.

(d) Changes in Commodity Price

Kangaroo Resources' possible future revenues, based on its existing assets, will be from sale of thermal coal and/or from royalties gained from potential joint ventures or from mineral projects sold. Consequently, Kangaroo Resources' potential future earnings could be closely related to the price of thermal coal.

Fluctuations in the market price of coal could have a material impact on both the value of Kangaroo Resources' assets and Kangaroo Resources' Shares. Commodity prices react to a variety of forces that are outside of the control of Kangaroo Resources including demand for minerals, forward selling by producers, production cost levels in major producing regions and macroeconomic factors, e.g. inflation, interest rates, currency exchange rates and global and regional demand for, and supply of minerals. Accordingly, the value of Kangaroo Resources Shares can be influenced by price fluctuations.

If the market price of thermal coal were to fall below the costs of production and remain at such a level for any sustained period, Kangaroo Resources may curtail or suspend some or all of its potential future exploration and/or mining activities.

(e) Funding and Contractual Risk

If Kangaroo Resources remains a stand-alone entity, it will need to secure funding to support the development and mining of its East Kalimantan coal assets. Since 2011, Kangaroo Resources has been reliant on PT Bayan for its ongoing funding. At 30 June 2018, the amount of loan outstanding to PT Bayan was \$35.2 million. Whilst PT Bayan has confirmed its financial support for at least the ensuing 12 months, there can be no assurance that PT Bayan will provide support thereafter. In those circumstances, Kangaroo Resources would have to raise equity and debt capital from other sources. Given the overseas location of the underlying assets and the difficulty experienced of late in funding coal projects by Australian providers of funds (both debt and equity), it would be a significant challenge for Kangaroo Resources to raise working capital and eventually development capital.

Kangaroo Resources and PT Bayan are parties to an access agreement and a strategic agreement under the terms of which Kangaroo Resources Group companies will have access to PT Bayan's Tabang mine to Senyur Port haul road as well as the Senyur Port at 30% of their available capacity (being up to approximately 9Mtpa at present although PT Bayan's ongoing upgrade works could increase that capacity in the near future) on a 'take or pay' basis according to Kangaroo Resources forecasted requirements. The Strategic Agreement provides a more formalised framework of cooperation and support to enable the parties' coal mining projects to be co-developed in order to maximise use of the infrastructure and allow both PT Bayan and Kangaroo Resources Group to optimise outputs and profitability from their respective projects. Kangaroo Resources will be heavily reliant on the use of PT Bayan's infrastructure.

Additionally, development of Kangaroo Resources' projects and subsequent sale of material from the projects will be dependent on a number of other key contractual arrangements including relevant mining and other service agreements.

Whilst Kangaroo Resources will have various contractual rights in the event of non-compliance by a contracting party, including PT Bayan, no assurance can be given that all contracts to which Kangaroo Resources is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if a contracting party does not comply with any contractual provisions, that Kangaroo Resources will be successful in securing compliance. Failure to comply with an obligation under a contract with Kangaroo Resources could have a material adverse effect on Kangaroo Resources.

(f) Environmental Risk

Kangaroo Resources' operations and projects are subject to Indonesian laws and regulation regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on Kangaroo Resources for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by Kangaroo Resources or its Subsidiaries, or non-compliance with environmental laws or regulations. Kangaroo Resources proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

Whilst Indonesia's national policies indicate continued and increasing energy generation from coal into the foreseeable future, worldwide attention and focus on

emission levels from use of fossil fuel, particularly coal, pose a significant risk of further regulation and imposts on Indonesian coal producers. Changing attitudes to environmental, land care, cultural heritage and indigenous land rights issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect Kangaroo Resources' exploration and exploitation plans.

(g) Industrial Risk

Industrial disruptions, work stoppages and accidents in the course of Kangaroo Resources' operations could result in losses and delays, which may adversely affect profitability.

(h) Insurance Arrangements

Kangaroo Resources intends to ensure that insurance is maintained within ranges of coverage that Kangaroo Resources believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that Kangaroo Resources will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims

(i) Exploration Expenditure Risk

The terms of Kangaroo Resources' granted tenements include minimum expenditure requirements. Whilst Kangaroo Resources has raised and allocated funds for its exploration program to, in part, meet these expenditure requirements the actual expenditure Kangaroo Resources undertakes may be insufficient to meet those requirements. Whilst there is a risk that the terms of the tenements may not be able to be complied with, Kangaroo Resources intends to mitigate this risk by re-evaluating their exploration program and budget, or considering other options including, where appropriate in accordance with normal industry practice, surrendering parts of its tenements in order to manage its minimum expenditure obligations.

(j) Exploration, evaluation, development and mining production risks

Mineral exploration, development and production are high-risk undertakings. While Kangaroo Resources believes it has good quality assets, particularly the Pakar concessions, there is still no guarantee of success. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The Pakar project will be a staged development project with expansion of mining and processing capabilities over time. Significant capital expenditure is likely to be required during development of the Pakar Project notwithstanding the contractual rights to use of PT Bayan's infrastructure (haul road and Senyur Port). Kangaroo Resources may encounter unexpected difficulties, including shortages of materials or delays in delivery of materials, unexpected operational events, facility or equipment malfunctions or breakdowns, unusual or unexpected adverse geological conditions, cost overruns, regulatory issues, adverse weather conditions and other catastrophes, such as explosions, fires, floods and accidents, increases in the level of labour costs and the existence of any labour disputes, and adverse local or general economic or infrastructure conditions.

Development and mining activities will be subject to numerous operational risks, many of which are beyond Kangaroo Resources control. Operations may be curtailed, delayed or cancelled as a result of factors such as adverse weather conditions, mechanical difficulties, shortages in or increases in the costs of consumables, spare parts, plant and equipment, external services failure (such including energy and water supply), industrial disputes and action, difficulties in commissioning and operating plant and equipment, IT system failures, mechanical failure or plant breakdown, and compliance with governmental requirements. Hazards incidental to the development

and mining of mineral properties such as unusual or unexpected geological formations may be encountered, seismic activity, wall failure, cave-ins or slides, burst dam banks, flooding, fires, interruption to, or the increase in costs of, services (such as water, fuel or transport), sabotage, community, government or other interference and interruption due to inclement or hazardous weather conditions. Industrial and environmental accidents could lead to substantial claims against Kangaroo Resources for injury or loss of life, and damage or destruction to property, as well as regulatory investigations, clean up responsibilities, penalties and the suspension of operations.

Any increase in the price of production inputs, including labour, fuel, mine consumables or other inputs could materially and adversely affect the results of operations. Input costs can be affected by changes in factors including market conditions, government policies, exchange rates and inflation rates, which are unpredictable and outside Kangaroo Resources control.

Kangaroo Resources will endeavour to take appropriate action to mitigate these operational risks (including by ensuring legislative compliance, properly documenting arrangements with counterparties, and adopting industry best practice policies and procedures) or to insure against them, but the occurrence of any one or a combination of these events may have a material adverse effect on Kangaroo Resources Group's performance and the value of its assets

8. Tax Implications for Scheme Participants

8.1 Scope

The following is a general summary of the potential Australian tax consequences for Scheme Participants disposing of their shares under the Scheme.

The comments below on income tax are based on the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth) (collectively referred to as the **Tax Act**) and relevant to ATO pronouncements as at the date of this Scheme Booklet. It is not intended to be authoritative or complete statement of the law applicable to particular circumstances of any Scheme Participant.

This Section only discusses Australian tax considerations. Section 8.2(a) is only relevant to Scheme Participants who are Australian residents for tax purposes while section 8.2(b) is relevant to Non-Australian tax resident Scheme Participants. Both Sections 8.2(a) and 8.2(b) only apply to Scheme Participants who hold their Kangaroo Resources Shares on capital account. Section 8.3 is relevant for all Scheme Participants.

This summary does not discuss the taxation implications for those Scheme Participants who hold their Kangaroo Resources Shares on revenue account, as trading stock or as assets used in carrying on a business or who are subject to the taxation of financial arrangements rules in division 230 of the Tax Act in relation to gains and losses in their Kangaroo Resources Shares.

All Scheme Participants are advised to seek independent professional advice in relation to their particular circumstances. Non-Australian resident Scheme Participants should seek their own advice on income tax consequences.

8.2 Australian income tax consequences of the Scheme

In general, the CGT regime operates to include gains resulting from the growth of capital assets (CGT assets) in a taxpayer's taxable income, in the year in which the agreement effecting the disposal of those assets is entered into. Certain concessions may be available to certain taxpayers, most notably to individuals and trusts where the CGT assets are held for longer than 12 months.

It should also be noted that the tax consequences will vary depending on the identity of the Scheme Participant. Certain exemptions available to individuals and trusts may not be open to companies. Different tax rates also apply.

(a) Australian Resident Scheme Participants

Capital Gains Tax – general

Scheme Participants holding their Kangaroo Resources Shares on capital account will be subject to Australian CGT on the disposal of their Scheme Shares under the Scheme.

An Australian tax resident Scheme Participant will make a capital gain equal to the amount by which the capital proceeds from the disposal exceeds the cost base of the Kangaroo Resources Shares disposed of by the Scheme. Subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain, this amount will be included in the Scheme Participant's taxable income.

A Scheme Participant will, alternatively make a capital loss equal to the amount by which the reduced cost base of the Kangaroo Resources Shares disposed of by the Scheme Participant under the Scheme exceeds the capital proceeds from that disposal. A capital loss may be used to offset a capital gain made in a future income year (subject to the satisfaction of certain loss recoupment tests applicable to

companies and trusts). Capital losses may only be offset against capital gains, but not against other forms of income.

Capital proceeds from the disposal

The capital proceeds from the disposal of Kangaroo Resources Shares will consist of the Scheme Consideration.

Cost base of Kangaroo Resources Shares

The cost base of Kangaroo Resources Shares will generally be equal to the cost of acquiring the Kangaroo Resources Shares, including any stamp duty and brokerage fees.

Capital gain

If the capital proceeds from the disposal are greater than the cost base of the Kangaroo Resources Shares (resulting in a capital gain), Scheme Participants will (subject to the availability of capital losses) be required to include an amount in their Australian taxable income in the income year in which the disposal takes place.

CGT discount

Any Scheme Participant who is an individual, the trustee of a trust or complying superannuation entity may be entitled to apply the CGT discount against any capital gain realised from the disposal of Kangaroo Resources Shares that were acquired at least 12 months prior to their disposal under the Scheme.

The CGT discount is applied to the capital gain after it is offset against any available capital losses. A Scheme Participant who is an individual or, generally speaking, the trustee of a trust may reduce the net capital gain to be included in their taxable income by 50%. The methodology for calculating the discount for trustees is complex and such Scheme Participants and their respective beneficiaries should obtain specific tax advice.

A Scheme Participant which is a complying superannuation entity may reduce any net capital gain to be included in its assessable income by 33.3%.

The CGT discount is not available to Scheme Participants:

- (1) which are companies; or
- (2) who hold their Scheme Shares on revenue account; or
- (3) who hold their Scheme Shares as trading stock.

Capital Loss

To the extent that the capital proceeds from the disposal are less than the reduced cost base of the Scheme Shares disposed of, Scheme Participants will make a capital loss.

(b) Non-Australian resident Scheme Participants

The following discussions apply to a Scheme Participant who is not, and has never been a resident of Australia for the purposes of the Tax Act and who holds their Scheme Shares on capital account for investment purposes.

It may be possible for a non-Australian tax resident Scheme Participant to disregard the whole of the capital gain or capital loss they make for Australian tax purposes on

the disposal of Scheme Shares if they (and their associates) do not hold 10% or more of the Scheme Shares on issue on the Implementation Date and have not held 10% or more of the Scheme Shares on issues through the 12 month period during the two years immediately preceding the transfer of their Scheme Shares.

Non-Australian tax resident Scheme Participants should obtain their own independent tax advice on the application of the Tax Act to any gain or loss realised on transfer of their Scheme Shares.

Non-Australian tax resident Scheme Participants should also obtain specific advice on the application of the laws of their country of residence in determining the tax consequences of the transfer of Scheme Shares.

8.3 Australian goods and services tax and stamp duty

No Australian Good and Services Tax (**GST**) will generally be payable by Scheme Participants in respect of the actual disposal of their interests under the Scheme.

However GST may be incurred by a Scheme Participant on transaction costs incurred such as fees charged by a professional adviser that they have engaged to advise them on the Scheme. In these circumstances, there may, however, be some restrictions imposed upon Scheme Participants in respect of their ability to recover any GST paid in the form of tax input credits on such costs incurred. This is a complex area of Australian GST Law and Scheme Participants should seek their own independent GST advice in this regard.

No Australian stamp duty will be payable by Scheme Participants under the Scheme.

9. Other Information

9.1 Introduction

This Section sets out the statutory information required by Section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations to be included in the Scheme Booklet. This Section also includes additional information that your Directors consider is material to a decision on how to vote on the Scheme Resolution to be considered at the Scheme Meeting to approve the Scheme.

In this Section, the terms 'associate', 'executive officer', 'marketable securities', 'related body corporate' and 'subsidiary' have the meanings given to them in the Corporations Act.

9.2 Management of potential conflict issues

Following the announcement made by Kangaroo Resources on 8 May 2018 as regards the confidentiality deed between Kangaroo Resources and PT Bayan and the potential discussions concerning a control transaction, Kangaroo Resources established an independent subcommittee of the Board comprising the Independent Directors (**Independent Board Committee**).

The purpose of the Independent Board Committee was to review and consider any proposal which may be received from PT Bayan and to consider in its sole discretion, Kangaroo Resources' participation in a scheme of arrangement and any recommendations of the Board of Kangaroo Resources to its shareholders.

The Kangaroo Resources Directors nominated by PT Bayan, being the Non-Independent Directors, have chosen not to make a recommendation to Kangaroo Resources Shareholders (other than the Excluded Shareholders) in respect of the Scheme, due to the potential conflict which arises as a result of their position as nominee directors of, and their relationship with, PT Bayan.

9.3 Scheme Implementation Deed

As announced to the ASX on 17 August 2018, PT Bayan and Kangaroo Resources have entered into the Scheme Implementation Deed in connection with the proposed Scheme. The Scheme Implementation Deed sets out the obligations of PT Bayan and Kangaroo Resources in relation to the Scheme. A copy of the Scheme Implementation Deed is contained in Schedule 2 to this Scheme Booklet.

In accordance with the Scheme Implementation Deed, the Scheme and the Deed Poll, PT Bayan will acquire all of the Scheme Shares and pay the Scheme Consideration. Each of Kangaroo Resources and PT Bayan have agreed to the due and punctual performance of all of its obligations under or in connection with the Scheme Implementation Deed (in respect of both Kangaroo Resources and PT Bayan), the Scheme (in respect of Kangaroo Resources only) and the Deed Poll (in respect of PT Bayan only), including the payment of the Scheme Consideration by PT Bayan pursuant to the Deed Poll.

9.4 Suspension of trading of Kangaroo Resources Shares

If the Court approves the Scheme on the Second Court Date, Kangaroo Resources will immediately notify ASX. It is expected that suspension of trading on the ASX in Kangaroo Resources Shares will occur at the close of trading on ASX on the Effective Date.

9.5 Removal of Kangaroo Resources from the official list

If the Court approves the Scheme, Kangaroo Resources is required to apply to ASX to have itself removed from ASX's official list with effect on and from the date of close of trading on the Business Day immediately following the Implementation Date.

9.6 No relevant restrictions in the Constitution of Kangaroo Resources

There are no relevant restrictions on the right to transfer Kangaroo Resources Shares in Kangaroo Resources' Constitution.

9.7 Warranty by Scheme Participants about Kangaroo Resources Shares

Scheme Participants' attention is drawn to the warranties that Scheme Participants will be taken to have given if the Scheme takes effect, in clause 8.3 of the Scheme (see Schedule 4). Pursuant to clause 8.3 of the Scheme, each Scheme Participant (including those who vote against the Scheme and those who do not vote) will be taken to have warranted to Kangaroo Resources, in its own right and for the benefit of PT Bayan, that:

- (a) all of the Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to PT Bayan under the Scheme will, on the date of transfer, be free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind;
- (b) all of the Scheme Shares which are transferred to PT Bayan under the Scheme will, on the date of transfer, be fully paid; and
- (c) they have full power and capacity to sell and transfer their Scheme Shares to PT Bayan (including any rights and entitlements attaching to those shares).

The Scheme is set out in full in Schedule 4 of this Scheme Booklet.

9.8 Interests in marketable securities of Kangaroo Resources and PT Bayan

- (a) Kangaroo Resources marketable securities

As at the date of this Scheme Booklet, the number of Kangaroo Resources Shares held beneficially by or on behalf of each of the Directors is as follows:

Director's name	Kangaroo Resources Shares
Trevor Butcher	Nil
Damien Henderson	Nil
Susmit Shah	Nil
Darcy Wentworth	Nil
Yi Ngo Low	Nil
Alexander Wibowo	Nil

As at the date of this Scheme Booklet:

- (1) PT Bayan's voting power in Kangaroo Resources is 56.05%; and
- (2) PT Bayan has a relevant interest in 56.05% of Kangaroo Resources Shares.

Also, as noted in Section 6.7 of this Scheme Booklet, the primary and controlling shareholder of PT Bayan, Dato' Dr. Low Tuck Kwong, holds an indirect relevant interest in 130,000,000 Kangaroo Resources Shares, being approximately 3.79% of Kangaroo Resources Shares.

(b) PT Bayan marketable securities

As at the date of this Scheme Booklet, the number of marketable securities of PT Bayan held beneficially by or on behalf of each of the Directors is as follows:

Director's name	PT Bayan Shares
Trevor Butcher	Nil
Damien Henderson	Nil
Susmit Shah	Nil
Darcy Wentworth	193,000
Yi Ngo Low	5,710,100
Alexander Wibowo	50,000

9.9 Independent Directors' recommendations and intentions

The Independent Directors unanimously recommend that, in the absence of a Superior Proposal from another party, Kangaroo Resources Shareholders (other than the Excluded Shareholders) vote in favour of the resolutions required to approve the Scheme. The reasons for your Independent Directors' recommendation are set out in Section 3 of this Scheme Booklet.

In the absence of a Superior Proposal from another party, each of the Independent Directors intends to vote in favour of the resolutions required to approve the Scheme in respect of all Kangaroo Resources Shares held by them.

No Superior Proposal from another party has been received as at the date of this Scheme Booklet.

9.10 Directors' interest in any contract with PT Bayan

Other than as set out in this Scheme Booklet, no Director or their associate has entered into, or otherwise has any interest, in any contract with PT Bayan or any Related Body Corporate of PT Bayan.

Damien Henderson had previously entered into a services agreement with PT Bayan however this agreement was set aside and ceased in May 2018.

9.11 Directors' interest in agreements connected with or conditional on the Scheme

No Director has an interest in any agreement connected with or conditional on the Scheme.

There are no termination benefits payable to the existing Kangaroo Directors upon their termination or resignation from office.

9.12 Material changes in the financial position of Kangaroo Resources

So far as is known to any Director, except as disclosed in this Scheme Booklet the financial position of Kangaroo Resources has not materially changed since the Kangaroo Financial Statements for the period ended 30 June 2018, which were provided to ASX on 7 September 2018 in accordance with the requirements of the Corporations Act.

ASIC has given relief for the purposes of 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations, to the above confirmation of no material change being referenced to the more recent Kangaroo Financial Statements for the period ended 30 June 2018, rather than the financial statements for the period ended 31 December 2017. Full copies of these statements can be found on www.asx.com.au (ASX:KRL) and a summary is also provided in sections 9.5, 9.6 and 9.7 of the Independent Expert's Report in Schedule 1. Kangaroo Resources will give a copy of the financial reports for the financial year ended 31 December 2017 and half-year ended 30 June 2018 free of charge to anyone who requests a copy.

9.13 Exclusivity Provisions and Break Fee

The Scheme Implementation Deed provides for exclusivity provisions. These restrictions apply to Kangaroo Resources from the date of the Scheme Implementation Deed (being 16 August 2018) until the earlier of the End Date (being 1 June 2019) and the termination of the Scheme Implementation Deed (**Exclusivity Period**).

During the Exclusivity Period, Kangaroo Resources must notify PT Bayan, of any approach, inquiry or proposal made to, and any attempt to initiate negotiations or discussions with, Kangaroo Resources or any of its representatives or agents with respect to any Competing Proposal, or of any request for information relating to Kangaroo Resources or any member of Kangaroo Resources or any of their businesses or operations, if Kangaroo Resources reasonably expects that it may relate to a current or future Competing Proposal.

The Scheme Implementation Deed contains provisions as to:

- (a) *'no shop'*: Kangaroo Resources not being permitted to directly or indirectly solicit, invite, encourage or initiate any Competing Proposal or any enquiries, negotiations or discussions with any Third Party in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal by a Third Party.
- (b) *'no talk'*: Kangaroo Resources not being permitted to continue or participate in negotiations or discussions with, or enter into any agreement or understanding with, a Third Party in relation to a Competing Proposal, or which may reasonably be expected to lead to a Competing Proposal, even if the competing proposal was not directly or indirectly solicited, initiated or encouraged by Kangaroo or any of its representatives or the Competing Proposal is publicly announced, unless the following circumstances arise in relation to a Competing Proposal:
 - (1) the Independent Directors of Kangaroo Resources acting in good faith, determine after consulting with their external financial and legal advisers that the Competing Proposal is, or may reasonably be expected to be a Superior Proposal having regard to the steps which the Independent Directors of Kangaroo Resources propose to take: and
 - (2) the Independent Directors of Kangaroo Resources acting in good faith, determine, after taking advice from their external legal advisers that failing to respond to that Competing Proposal may constitute a breach of the Independent Directors' fiduciary or statutory duties;
- (c) *'no due diligence'*: Kangaroo Resources not being permitted to make available to any Third Party, or permit any Third Party to receive, any non-public information relating to any member of the Kangaroo Resources Group for the purpose of that Third Party then formulating, developing or finalising a Competing Proposal, and ensure none of its representatives and agents do not do so either, unless the following circumstances arise in relation to a Competing Proposal:
 - (1) the Independent Directors of Kangaroo Resources acting in good faith, determine after consulting with their external financial advisers and after taking advice from their external legal advisers that the Competing Proposal is, or may reasonably be expected to lead to a Superior Proposal having regard to the steps which the Independent Directors of Kangaroo Resources propose to take and failing to respond to that Competing Proposal may constitute a breach of the fiduciary or statutory duties of the Independent Directors of Kangaroo Resources: and

(2) before Kangaroo Resources provides such information, the Third Party has entered into a written agreement in favour of Kangaroo Resources regarding the use and disclosure of the confidential information and that restricts the Third Party's ability to solicit the employees of any member of the Kangaroo Resources Group.

Refer to clause 11 of the Scheme Implementation Deed for full details of the exclusivity provisions applicable to Kangaroo Resources.

Refer also to clause 12 of the Scheme Implementation Deed which provides that a Break Fee will be payable by Kangaroo Resources to PT Bayan in certain circumstances in the event that the Scheme does not proceed.

Clause 12.2 of the Scheme Implementation Deed (attached at Schedule 2) provides details of those circumstances. The Break Fee, being a fee of \$2,250,000, is payable if:

- (a) *change in recommendation*: an Independent Director (i) fails to make, withdraws or adversely modifies their recommendation regarding the Scheme; or (ii) publicly recommends or endorses a Competing Proposal to the Scheme, other than where the Independent Expert concludes that the Scheme is not in the best interests of Kangaroo Resources Shareholders (except where that conclusion is a result of a Competing Proposal having been announced or made public);
- (b) *Competing Proposal announced and transaction subsequently completing*: a Competing Proposal is announced by a third party prior to the earlier of termination of the Scheme Implementation Deed and the End Date and, within one year after that occurring, the third party completes in all material aspects a transaction of the kind referred to in the definition of a Competing Proposal; or
- (c) *PT Bayan terminates the Scheme Implementation Deed*: PT Bayan terminates the Scheme Implementation Deed due to (i) a material breach by Kangaroo Resources (and Kangaroo Resources fails to remedy such breach within the required period); (ii) the Court refusing to make the order directing Kangaroo Resources to convene the Scheme Meeting; or (iii) failure to satisfy conditions precedent.

However, the Break Fee is not payable if the Scheme nevertheless becomes Effective. In the absence of the above circumstances, the Break Fee is not payable solely because Kangaroo Resources Shareholders do not approve the Scheme.

9.14 Consents and disclaimer of advisers and experts

HopgoodGanim Lawyers has given its written consent to be named in the Scheme Booklet, and for the provision of the summary in Section 8 of this Scheme Booklet, as the solicitors to Kangaroo Resources in the form and context in which it is named and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Supreme Court of Western Australia.

Deloitte Financial Advisory Pty Limited has given its written consent to be named in the Scheme Booklet as the financial advisor to Kangaroo Resources' Independent Directors in the form and context in which it is named and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Supreme Court of Western Australia

Advanced Share Registry Limited, as the Registry, has given its written consent to be named in the Scheme Booklet as the Registry in the form and context in which it is named and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Supreme Court of Western Australia.

KPMG Corporate Finance, as the Independent Expert, has given its written consent to:

- (a) to be named in the Scheme Booklet as the independent expert in the form and context in which it is named; and

(b) the inclusion of the Independent Expert's Report in this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet in the form and context in which they are made,

and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Supreme Court of Western Australia.

SRK Consulting (Australasia) Pty Ltd, as the Technical Specialist, has given its written consent to the inclusion of the Technical Specialist's Report in this Scheme Booklet and to the references to the Technical Specialist's Report in this Scheme Booklet being made in the form and context in which each such reference is included and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Supreme Court of Western Australia.

Makarim & Taira S has given its written consent to the reliance by the Technical Specialist on Makarim's review of Kangaroo Resources' mineral tenements in the form and context in which each such reference and corresponding statements are included and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Supreme Court of Western Australia.

PricewaterhouseCoopers has given its written consent to the incorporation by reference in the Scheme Booklet of its audit report for the six month period ended 30 June 2018 in the form and context in which it appears and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Supreme Court of Western Australia.

Each of the above persons:

- has not authorised or caused the issue of this Scheme Booklet and does not otherwise make or purport to make any statement in this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than, in the case of the statement or report included in this Scheme Booklet with the consent of that party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to its name or statement or report, if any, which has been included in this Scheme Booklet with the consent of that party; and
- will be entitled to receive professional fees charged in accordance with their normal basis of charging or as otherwise disclosed in the Scheme Booklet.

9.15 Independent advice

Kangaroo Resources Shareholders should consult their own independent financial, legal, taxation or other professional adviser if they have any queries regarding:

- the Scheme;
- the taxation implications for them if the Scheme is implemented;
- the recommendations of the Independent Directors in this Scheme Booklet and intentions in relation to the Scheme as set out in this Scheme Booklet; and
- any other aspects of this Scheme Booklet.

9.16 Other material information

Except as set out in this Scheme Booklet, in the opinion of the Board, there is no other information material to the making of a decision in relation to the Scheme, being information

that is within the knowledge of any Director or of any Related Body Corporate of Kangaroo Resources which has not been previously disclosed to the Kangaroo Resources Shareholders.

9.17 Continuous disclosure

Kangaroo Resources is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. Kangaroo Resources has an obligation (subject to limited exceptions) to notify ASX immediately upon becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Kangaroo Resources Shares. Copies of documents filed with ASX may be obtained from the ASX website.

In addition, Kangaroo Resources is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to Kangaroo Resources may be obtained from, or inspected at, an ASIC office.

9.18 Supplementary information

If between the date of lodgement of this Scheme Booklet for registration with ASIC and the Second Court Date Kangaroo Resources becomes aware of any of the following:

- (a) a material statement in this Scheme Booklet becomes false and misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter arising which would have been required to be included in this Scheme Booklet if it has arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

then Kangaroo Resources intends to publish supplementary material by:

- (a) placing an advertisement in a prominently published newspaper that is circulated throughout Australia; or
- (b) releasing that material to ASX (www.asx.com.au) and posting the supplementary document on Kangaroo Resources' website at www.kangarooreources.com;

The form which the supplementary material may take, and whether a copy will be sent to Kangaroo Shareholders, will depend on the nature and timing of the new or changed circumstances and the supplementary material. In each case, Kangaroo Resources will obtain any necessary regulatory or court approvals prior to release or despatch of the supplementary material.

10. Definitions and Interpretation

10.1 Definitions

In this Scheme Booklet (including the annexures and schedules) except where the context otherwise requires, the following terms shall bear the following meanings:

\$, A\$ or AUD\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time.

ASIC means the Australian Securities and Investment Commission.

Associate in relation to each party, has the meaning given in Sections 11, 12 and 16 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

Board means the board of Directors of Kangaroo from time to time.

Break Fee means \$2,250,000.

Business Day has the meaning given to this term under the Scheme.

CGT means capital gains tax.

Competing Proposal means an offer, proposal, transaction or arrangement, pursuant to which a Third Party will, if the transaction or arrangement is entered into or completed:

- (a) acquire an interest in (whether directly or indirectly) or become the holder of 20% or more of the business or assets of the Kangaroo Resources Group taken as a whole;
- (b) acquire a relevant interest in 20% or more of the Kangaroo Resources Shares;
- (c) acquire control of Kangaroo Resources or a subsidiary of Kangaroo Resources within the meaning of section 50AA of the Corporations Act or otherwise acquire or merge with Kangaroo Resources or any of its subsidiaries,

whether by way of takeover bid, scheme of arrangement, shareholder approved transaction, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Western Australia.

Court Order means the order of the Court approving the Scheme under section 411(4)(b) of the Corporations Act which is to be lodged with ASIC to make the Scheme Effective.

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Deed Poll means the deed poll dated 24 September 2018, which was executed by PT Bayan prior to the First Court Date, a copy of which is set out in Schedule 3.

Directors mean the directors of Kangaroo Resources from time to time.

Effective Date means the date on which the Court Order approving the Scheme becomes effective in accordance with Section 411(10) of the Corporations Act.

End Date has the meaning given to this term under the Scheme Implementation Deed.

Excluded Share means a Kangaroo Resources Share held by PT Bayan or any of its Related Bodies Corporate or by any person on behalf of, or for the benefit of, PT Bayan or any of its Related Bodies Corporate.

Excluded Shareholder means the holder of an Excluded Share.

FIRB means the Australian Foreign Investment Review Board.

First Court Date means the date of the first hearing of the application made to the Court for an order pursuant to Section 411(1) of the Corporations that the Scheme Meeting be convened, which occurred on 16 October 2018.

Implementation Date means the third Business Day after the Record Date or such other date and time as Kangaroo Resource sand PT Bayan agree.

Independent Board Committee means the sub-committee established by Kangaroo Resources in relation to the Scheme, comprising the Independent Directors.

Independent Directors means Trevor Butcher, Damien Henderson, Susmit Shah and Darcy Wentworth.

Independent Expert means KPMG Corporate Finance.

Independent Expert's Report means the Independent Expert's report dated 15 October 2018 as set out in Schedule 1 to this Scheme Booklet including the Technical Specialist Report.

Kangaroo Resources or Kangaroo means Kangaroo Resources Limited ABN 38 120 284 040.

Kangaroo Resources Board means the board of directors of Kangaroo Resources.

Kangaroo Resources Financials means the audited consolidated financial statements of Kangaroo Resources for the period ended 30 June 2018 as released to ASX on 7 September 2018.

Kangaroo Resources Group means Kangaroo Resources and each of its Related Bodies Corporate.

Kangaroo Resources Information means all information included in this Scheme Booklet and all information provided by or on behalf of Kangaroo Resources to the Independent Expert to enable the Independent Expert's Report to be prepared and completed, but does not include the PT Bayan Information, the Independent Expert's Report or any other expert report (including the Technical Specialist's Report).

Kangaroo Resources Shares means fully paid ordinary shares in Kangaroo Resources.

Kangaroo Resources Shareholders means the holders of Kangaroo Resources Shares.

Listing Rules means the official listing rules of ASX.

Material Adverse Change has the meaning as defined in the Scheme Implementation Deed.

Non-Independent Directors means Yi Ngo Low and Alexander Wibowo.

Notice of Scheme Meeting means the notice in relation to the Scheme Meeting, as set out in Schedule 5.

Prescribed Occurrence has the meaning as defined in the Scheme Implementation Deed.

Proxy Form means the proxy form for the Scheme Meeting enclosed with this Scheme Booklet.

PT Bayan means PT Bayan Resources, Tbk.

PT Bayan Group means PT Bayan and each of its Related Bodies Corporate, but excludes the Kangaroo Resources Group.

PT Bayan Information means all information regarding PT Bayan and the PT Bayan Group, provided by or on behalf of PT Bayan to Kangaroo Resources or the Independent Expert to enable the Scheme Booklet to be prepared and completed and applications for regulatory approvals to be made including all of the information in Section 6.

Record Date means 7 pm AEDT time on the second Business Day following the Effective Date or such other date and time as Kangaroo Resources and PT Bayan agree.

Register means the register of members of Kangaroo Resources.

Registry means Advanced Share Registry Limited (ABN 14 127 175 946).

Related Body Corporate has the meaning given to that term in the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

Relevant Shares has the meaning defined in Section 6.7.

Requisite Majority means the threshold for approval of a resolution on a scheme of arrangement between a body and its members under Part 5.1 of the Corporations Act, being 'in favour' of the resolution received from:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of the members who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and
- (b) at least 75% of the votes cast on the resolution.

Scheme Booklet means this document and the schedules hereto.

Scheme or **Scheme of Arrangement** means the proposed scheme of arrangement between Kangaroo Resources and the Kangaroo Resources Shareholders (other than the Excluded Shareholders) under Part 5.1 of the Corporations Act in the form of Schedule 4, subject to any alterations or conditions made or required by the Court under Section 411(6) of the Corporations Act and agreed in writing by PT Bayan and Kangaroo Resources with the approval of the Court.

Scheme Conditions means the conditions that the Scheme is subject to, set out in clause 3.1 of the Scheme Implementation Deed and summarised in Section 4 of this Scheme Booklet.

Scheme Consideration means \$0.15 for each Kangaroo Resources Share held as at the Record Date.

Scheme Implementation Deed means the deed dated 16 August 2018 between Kangaroo Resources and PT Bayan, a copy of which is set out in Schedule 2, save for:

- (a) annexures to that deed on the basis that the Deed Poll and Scheme of Arrangement appear separately in this Scheme Booklet as Schedules 3 and 4 respectively (including amendments made to the Scheme of Arrangement by agreement between PT Bayan and Kangaroo Resources), and the timetable annexed to that deed has been updated by agreement between Kangaroo and PT Bayan and is disclosed in this Scheme Booklet;
- (b) the correction of cross referencing errors in:
 - (i) clause 5.1(r)(iii) where the reference to clause 4.2 should be clause 4.3; and
 - (ii) clause 5.3(h) where the reference to clause 5.1(d)(iii) should be clause 5.1(h).

Scheme Meeting means a meeting of Kangaroo Resources Shareholders (other than the Excluded Shareholders) ordered by the Court under Section 411(1) of the Corporations Act to be convened for the purposes of the Scheme.

Scheme Participants means each holder of Scheme Shares as at the Record Date.

Scheme Resolution means the resolution in relation to the Scheme to be voted on at the Scheme Meeting, as set out in the Notice of Scheme Meeting.

Scheme Shares means Kangaroo Resources Shares other than the Excluded Shares.

Second Court Date means the date of the first hearing of the application made to the Court for an order pursuant to Section 411(4) of the Corporations Act approving the Scheme.

Superior Proposal means a bona fide publicly announced Competing Proposal received after the date of the Scheme Implementation Deed (that has not been solicited, invited, encouraged or initiated in breach of clauses 11.2, 11.3 or 11.4 of the Scheme Implementation Deed) that the Independent Board Committee determines, acting in good faith and in order to satisfy what the Independent Board Committee considers to be its fiduciary or statutory duties (and after consulting with Kangaroo Resources' external legal and, if appropriate, financial advisers):

- (a) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal including the identity and financial capacity of the party making the proposal;
- (b) is reasonably capable of being completed on a timely basis and is not substantially more conditional than the Scheme as at the time of announcement of the Scheme; and
- (c) would, if completed substantially in accordance with its terms, be more favourable to Kangaroo Resources Shareholders (other than holders of Excluded Shares) than the Scheme, taking into account all the terms and conditions of the Competing Proposal.

Technical Specialist means SRK Consulting (Australasia) Pty Ltd.

Technical Specialist Report means the report of the Technical Specialist dated 15 October 2018 contained within the Independent Expert's Report.

Third Party has the meaning given to this term under the Scheme Implementation Deed.

Total Scheme Consideration means the total aggregate maximum amount of cash that PT Bayan would be required to pay all Scheme Participants for the Scheme Shares under the Scheme.

10.2 Interpretation

In this Scheme Booklet (including the schedules), except where the context otherwise requires:

- (a) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any statutory instrument issued under, that legislation or legislative provision;
- (b) a word denoting the singular number includes the plural number and vice versa;
- (c) a word denoting an individual or person includes a corporation, firm, authority, government or governmental authority and vice versa;
- (d) a word denoting a gender includes all genders;
- (e) a reference (other than in the appendices) to a Clause is to a Clause of this Scheme Booklet; a reference to a schedule is to a schedule to this Scheme Booklet; and schedules to this Scheme Booklet form part of this Scheme Booklet;
- (f) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;

- (g) a reference to any party to the Scheme, or any other document or arrangement, includes that party's executors, administrators, substitutes, successors and permitted assigns;
- (h) a reference to a "subsidiary" of a body corporate is to a body corporate which is a subsidiary of the first-mentioned body corporate under s46 of the Corporations Act;
- (i) a reference to "\$" or to "cents" is (unless otherwise specified) to an amount in Australian currency;
- (j) a reference to the "holder" of Shares at a particular time includes a reference to a person who, as a result of a dealing received by Kangaroo Resources or its share registry on or before that time, is entitled to be entered in the register of members as the holder of Kangaroo Resources Shares;
- (k) words and phrases defined elsewhere in this Scheme Booklet shall have the meaning there ascribed to them;
- (l) words and phrases defined in the Corporations Act shall have the meaning there ascribed to them;
- (m) the word "includes" in any form is not a word of limitation;
- (n) headings are for convenience of reference only and do not affect interpretation; and
- (o) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning.



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The Directors
Kangaroo Resources Limited
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15 October 2018

Dear Directors

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

PART ONE – INDEPENDENT EXPERT REPORT

1 Introduction

On 17 August 2018, Kangaroo Resources Limited (**Kangaroo Resources** or **the Company**) announced that it had entered into a binding Scheme Implementation Deed (**SID**) with PT. Bayan Resources, Tbk (**PT Bayan**), pursuant to which PT Bayan will acquire all of the issued capital of Kangaroo Resources that it does not already own, to be effected by way of a Scheme of Arrangement (**the Scheme**).

Under the terms of the Scheme, Kangaroo Resources shareholders other than PT Bayan and its related bodies corporate (**Scheme Participants**) will receive \$0.15¹ cash for each Kangaroo Resources ordinary share held on the record date (**the Scheme Consideration**).

Kangaroo Resources is an Australian domiciled coal exploration and development company listed on the Official List of ASX Limited (**ASX**). As at 16 August 2018², Kangaroo Resources had a market capitalisation of approximately \$306 million. Kangaroo Resources' principal activities comprises development and exploration of coal projects in Indonesia, including the Pakar thermal coal project (**the Pakar Project**), the Mamahak coking coal project (**the Mamahak Project**) and the Graha Panca Karsa thermal coal project (**the GPK Project**) (collectively **the Projects**), with a view to establishing sustainable coal production and revenue streams. Kangaroo Resources is headquartered in Perth, Western Australia.

PT Bayan is an Indonesian domiciled coal production company listed on the Indonesian Stock Exchange. As at 16 August 2018, PT Bayan had a market capitalisation of approximately \$6.26 billion³. PT Bayan is engaged in open cut mining of various coal quality from mines located primarily in East and South

¹ All amounts are stated in Australian dollars (**\$ or AUD**) unless otherwise specifically noted

² Last trading day prior to the announcement of the Scheme

³ Based on the spot exchange rate of 1.00AUD:10,629 Indonesian Rupiah (**IDR**)



Kalimantan. Being an integrated producer in Indonesia, PT Bayan through its various mines, produces coal ranging from semi-soft coking coal to low sulphur, sub-bituminous coal. PT Bayan is Kangaroo Resources' largest shareholder with a relevant interest of approximately 56.05% in the voting shares of Kangaroo Resources as at 17 August 2018.

Implementation of the Scheme requires the approval of Scheme Participants and the satisfaction of various conditions precedent (set out in Section 2.1). The Independent Directors of Kangaroo Resources⁴ (**the Independent Directors**) have unanimously recommended Scheme Participants vote in favour of the Scheme, in the absence of a Superior Proposal (as that term is defined in the Scheme Booklet), and subject to this report concluding that the Scheme is in the best interests of Scheme Participants. As at the date of this report, the Independent Directors have not withdrawn or modified their recommendation.

The Independent Directors have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an Independent Expert Report (**IER**) to Scheme Participants in relation to the Scheme. The purpose of the IER is to set out whether or not, in our opinion, the Scheme is in the best interests of Scheme Participants as a whole.

The specific terms of the resolutions to be approved by Scheme Participants in relation to the Scheme are set out in the documents to be sent to Scheme Participants (**Scheme Booklet**) to which this report is attached. This report should be considered in conjunction with and not independently of the information set out in the Scheme Booklet.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Summary of the Scheme

The principal terms of the Scheme as they affect Kangaroo Resources shareholders are that Scheme Participants will receive \$0.15 cash in respect of each Kangaroo Resources share held as at the record date.

2.1 Conditions precedent

Implementation of the Scheme is subject to a number of conditions precedent as set out in the SID, including, but not limited to:

- all regulatory and other approvals, consents, clearances and permissions to give the Scheme effect having been obtained from all relevant bodies, including the Court and the Foreign Investment Review Board (FIRB approval has already been granted)
- Scheme Participants approving the Scheme by the Requisite Majorities (as that term is defined in the Scheme Booklet)
- the independent expert concluding that the Scheme is in the best interests of Scheme Participants and not changing its conclusion or withdrawing its report before the second court hearing

⁴ The Independent Directors are Trevor Butcher, Damien Henderson, Susmit Shah and Darcy Wentworth



- no material adverse change in respect of Kangaroo Resources as defined in the SID occurring or becoming apparent
- no prescribed occurrences as set out in the SID occurring.

As at the date of this report, the Independent Directors are not aware of any reason why the conditions precedent are not likely to be satisfied in the time required by the SID.

Kangaroo Resource and PT Bayan have agreed that, during the exclusivity period (i.e. until the earlier of 1 June 2019 or the termination of the SID in accordance with its terms), Kangaroo Resources will not solicit any competing proposal ('no shop'), participate in any discussions or negotiations in relation to any competing proposal ('no talk') or make available to a third party any non-public information relating to Kangaroo Resources in connection with the third party formulating or developing a competing proposal ('no due diligence'), as outlined in the Scheme Booklet. The 'no talk' and 'no due diligence' restrictions are subject to certain exceptions as outlined in the Scheme Booklet. The SID also includes clauses for Kangaroo Resources paying a break fee of \$2.25 million to PT Bayan in certain circumstances leading to the Scheme not proceeding and various other standard provisions relevant to the Scheme, such as termination rights and the obligations of each of Kangaroo Resources and PT Bayan in the lead up to implementation.

Further details in relation to the Scheme are set out in the Scheme Booklet, to which this report is attached.

3 Scope of Report

Section 411(3) of the Corporations Act 2001 (**the Act**) requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a creditor or member as to whether or not to agree with the relevant proposal.

Part 3 Schedule 8 of the Corporations Regulations specifies that the information to be lodged with the Australian Securities and Investments Commission (**ASIC**) must include a report prepared by an expert:

- if the other party to a reconstruction in a scheme of arrangement holds at least 30% of the company; or
- where the parties to the reconstruction have common Directors.

The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

As PT Bayan currently holds approximately 56.05% of the issued capital of Kangaroo Resources, the Independent Directors of Kangaroo Resources have requested KPMG Corporate Finance to prepare a report in accordance with Section 411 of the Act and the guidance provided by the ASIC.

In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and



matters which it expects a person preparing an IER to consider when providing an opinion on whether a transaction is “fair and reasonable”, and therefore “in the best interests” of Scheme Participants.

3.1 Basis of assessment

RG 111 indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is “fair and reasonable” and, as such, incorporates issues as to value. In particular:

- ‘fair and reasonable’ is not regarded as a compound phrase
- an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the shares subject to the offer
- an offer is ‘reasonable’ if it is ‘fair’
- an offer might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

As noted, RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition, RG 111 notes that the weight of judicial authority is that an expert should not reflect ‘special value’ that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of Kangaroo Resources, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Kangaroo Resources. As such, we have not included the value of special benefits that may be unique to PT Bayan. Accordingly, our valuation of Kangaroo Resources has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as but not limited to:

- the bidder’s pre-existing shareholding in the target
- the liquidity of the market in the target’s shares
- any special value of the target to the bidder
- the likely market price of the target’s shares in the absence of the offer
- any conditions associated with the Scheme
- the likelihood of an alternative offer being made



- the consequences of not approving the Scheme.

4 Summary of opinion

In our opinion the Scheme is fair and reasonable to Scheme Participants and therefore is “in the best interests” of Scheme Participants, in the absence of a superior proposal.

The primary matter considered by us in forming this opinion was whether the Scheme Consideration to be paid by PT Bayan under the terms of Scheme, being \$0.15 for each Kangaroo Resources ordinary share on issue at the record date, is fair to Scheme Participants.

We have assessed the value of a Kangaroo Resources share, inclusive of a premium for control, to lie in the range of \$0.12 to \$0.16, which compares to the Scheme Consideration of \$0.15 per Kangaroo Resources share. As the Scheme Consideration falls within our assessed value range for a Kangaroo Resources share, inclusive of a premium for control, we consider the Scheme to be fair.

In arriving at our range of assessed values for Kangaroo Resources, we have placed reliance on the report prepared by SRK Consulting (Australasia) Pty Ltd (**SRK**), the independent mining industry specialist engaged by Kangaroo Resources, and instructed by us, to assist in relation to the assessment of the value of the mineral asset interests of Kangaroo Resources. A copy of SRK's report is attached at Appendix 6.

Our valuation of a Kangaroo Resources share represents the estimated full underlying value of Kangaroo Resources and exceeds the price at which, based on current market conditions, KPMG Corporate Finance would expect Kangaroo Resources shares to trade on the ASX.

In this regard, we note that:

- in the 12 months prior to receipt of a request for confidentiality from PT Bayan on 30 April 2018, in relation to which Kangaroo Resources advised the market it understood that PT Bayan was seeking to obtain confidential information, and potentially undertake discussions with the Company, with a view to making an assessment whether to submit a proposal for the acquisition or purchase of all Kangaroo Resources shares not already owned by it, Kangaroo Resources shares closed between a low of \$0.016 on 21 February 2018 and a high of \$0.041 on 9 May 2017, at a volume weighted average price (**VWAP**) of \$0.024
- in the period between receipt of the request for confidentiality and the announcement of the Scheme, Kangaroo Resources shares closed between a low of \$0.021 and a high of \$0.095, at a VWAP of \$0.073.
- since the announcement of the Scheme to 12 October 2018, Kangaroo Resources shares have closed between a low of \$0.110 and a high of \$0.135, at a VWAP of \$0.121.

Whilst there have been various announcements made by the Company in the period since the original request for confidentiality by PT Bayan, it is clear that the market has received the potential for an acquisition transaction positively, and that this has been reflected on Kangaroo Resources' trading price since PT Bayan's request for confidentiality. As such, in the absence of the Scheme we would expect Kangaroo Resources' share price to fall from current levels.



We also note that our range of assessed fair values also assumes that the mineral assets of Kangaroo Resources are acquired by an Indonesian domiciled and owned company and that Kangaroo Resources is able to structure its affairs in such a way as to reduce the imposition of withholding tax on the repatriation of funds to nil.

Should this not be the case, this would result in a reduction in our range of values to below that of the Scheme Consideration, which would not change our opinion.

In addition, we note that various regulatory approvals for the development and final ownership structure of the Pakar Project are yet to be received. Management has previously advised that it considers there is a reasonable basis to expect that these approvals will be granted in due course, however this is not certain and it is possible that any potential purchaser of the assets would take this uncertainty into account in determining the purchase price it was prepared to offer.

Furthermore, we note that in 2014, the Indonesian Government introduced new rules that will require Kangaroo Resources, as a foreign concession holder (assuming that the abovementioned transfer is completed), to divest a part of its interest in the Projects such that its maximum shareholding in the Projects is reduced to 49% by the tenth year of production. We understand that PT Bayan and Kangaroo Resources are in discussions seeking an equitable outcome for both parties, given that PT Bayan's acquired its 56% interest in the Company in 2011 in consideration for Kangaroo Resources acquiring a 99% interest in the relevant concessions. The outcome of discussions is not yet settled and represents a risk to the value of Kangaroo Resources in the absence of the Scheme.

Notwithstanding the Scheme has been assessed as being fair and therefore pursuant to the operation of RG111 is deemed to also be reasonable, in our view, although not "technically" necessary, evaluation of the Scheme requires assessment of both value and any other matters that may impact upon Scheme Participants.

We note that Kangaroo Resources is in a vulnerable financial position; experiencing net cash outflows in meeting operating costs and currently dependent upon PT Bayan to meet its ongoing obligations. PT Bayan has undertaken to provide sufficient financial assistance to the Company to enable the Company to continue its operations and fulfil all of its financial obligations until at least September 2019. In the event the Scheme is not approved, it is not clear what PT Bayan's attitude might be in relation to continuing to provide financial accommodation over the long term.

In the absence of continued financial support from PT Bayan, Kangaroo Resources would need to seek alternative debt and/or equity funding, the success of which, having regard to the uncertainties set out above and in SRK's report in relation to the ultimate economic viability of the Projects as stand-alone prospects, must be considered uncertain.

On balance, we consider the benefits to Scheme Participants of receiving a certain fixed cash amount of \$0.15 per share now, free of broking costs, at a significant premium to Kangaroo Resources trading prices immediately prior to the announcements of both the request for confidentiality from PT Bayan and the Scheme, outweigh the disadvantages, including that:

- Scheme Participants, including those that might vote against the Scheme, will have no on-going interest in the Company's assets unless they chose to reinvest the proceeds in PT Bayan shares



- completion of the Scheme may trigger taxation consequences, the timing of which may not be advantageous to individual Scheme Participants.

Further information in relation to each of the above and other matters we have considered in forming our opinion is set out below.

The decision whether or not to approve the Scheme is a matter for individual Scheme Participants based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio structure, risk profile and tax position. Scheme Participants should consult their own professional advisor, if in doubt, regarding the action they should take in relation to the Scheme.

5 Key considerations

5.1 Fairness

The Scheme Consideration to be received by Scheme Participants is fair

In assessing the fairness of the Scheme to Scheme Participants, we have compared the value of an existing Kangaroo Resources share, inclusive of a premium for control, to the value of the Scheme Consideration, being \$0.15 cash for each Kangaroo Resources share on issue at record date.

We have assessed the value of Kangaroo Resources, inclusive of a premium for control, to be in the range of approximately \$415.9 million to \$547.4 million, or between approximately \$0.12 and \$0.16 per Kangaroo Resources share, as summarised in the table below.

Table 1: Summary of valuation

		Assessed Values	
		Low	High
Market values of Kangaroo Resources' interests in mineral assets:			
Pakar Project - 99% interest	US\$m	281.3	364.5
GPk Project – 77% interest	US\$m	46.2	54.3
Mamahak Project – 99% interest	US\$m	5.3	8.2
Total mineral assets	US\$m	332.8	427.0
AUD:USD exchange rate ²		0.73	0.73
Total mineral assets	A\$m	457.7	587.3
Add: Trade and other receivables	A\$m	0.9	0.9
Less: Trade and other payables	A\$m	(6.2)	(6.2)
Less: Net Borrowings	A\$m	(34.6)	(34.6)
Less: Corporate costs	A\$m	(2.0)	(2.0)
Total equity value	A\$m	415.8	547.4
Number of ordinary shares - (millions)		3,434.4	3,434.4
Value per share, inclusive of a premium for control	A\$	0.12	0.16

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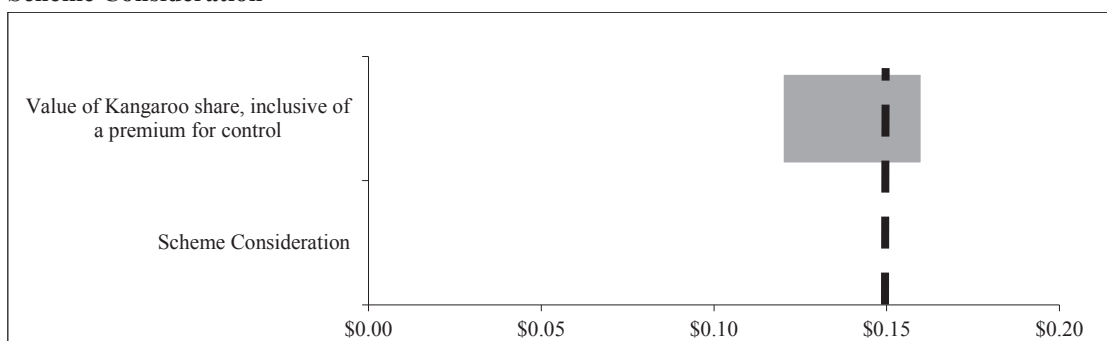
Assessed Values	
Low	High
Notes: 1. Figures may not add exactly due to rounding	
2. Spot exchange rate as at 17 August 2018	

Source: KPMG Corporate Finance Analysis

Our range of assessed values for Kangaroo Resources has been prepared on a sum of the parts basis. It does not include any potential strategic or operational benefits unique to PT Bayan associated with control of Kangaroo Resources.

The chart below provides a comparison of our assessed valuation range for a Kangaroo Resources share and the Scheme Consideration in assessing fairness of the Scheme.

Figure 1: Comparison of our assessed valuation ranges for a Kangaroo Resources share and the Scheme Consideration



Source: KPMG Corporate Finance Analysis

As the Scheme Consideration lies within our range of assessed values for a Kangaroo Resources share, inclusive of a premium for control, we consider the Scheme Consideration to be fair to Scheme Participants.

In arriving at our range of values for Kangaroo Resources, we have placed reliance on the mineral asset valuations prepared by SRK in relation to each of the Projects. SRK's report is attached as Appendix 6. We would highlight to Scheme Participants that the range of values for the mineral assets of Kangaroo Resources is quite wide, reflecting the early stage of their development and should be considered in light of the uncertainty surrounding each project identified by SRK, including but not limited to:

- whilst Kangaroo Resources management has provided SRK with internal forecasts in terms of the future development and projected cash flows for the Pakar Project, SRK has concluded, and we concur, that the level of uncertainty associated with various assumptions, including reserve and resource status and scheduling, is such, that there is not a reasonable basis to rely upon these projections at this time for the purpose of assessing the market value of Kangaroo Resources



- the GPK Project is faced with transportation issues for its product, however SRK considers these to be manageable, if Pakar North and the GPK Project are able to be established as an integrated operation
- significant technical risk exists at both Pakar South (strip ratio, geotechnical, high moisture content), and the Mamahak Project (costs to recommence, relatively high ash content).

Further details in relation to the basis of our valuation of Kangaroo Resources is set out in section 11 of this report.

5.2 Reasonableness

Notwithstanding the Scheme has been assessed as being fair and therefore pursuant to the operation of RG111 is deemed to also be reasonable, in our view, although not “technically” necessary, evaluation of the Scheme requires assessment of both value and any other matters that may impact upon Scheme Participants.

5.2.1 Advantages

The Scheme Consideration represents a significant premium to recent trading prices for Kangaroo Resources shares

The Scheme Consideration represents a premium of between:

- 513% and 666% to the VWAP for a Kangaroo Resources share measured at various points to the last trading date prior to the receipt of the request for confidentiality from PT Bayan
- 106% to the VWAP for a Kangaroo Resources share measured over the period of time from the receipt of the confidentiality agreement to the last trading date prior to the announcement of the Scheme on 17 August 2018.

Table 2: Scheme Consideration premium to Kangaroo Resources' share price

	VWAP \$	Scheme Consideration \$	Premium %
<i>Period up to and including 27 April 2018</i>			
1 day	0.020	0.150	666%
1 week	0.020	0.150	657%
1 month	0.020	0.150	660%
3 months	0.020	0.150	649%
6 months	0.020	0.150	645%
12 months	0.024	0.150	513%
<i>Period from 27 April 2018 up to and including 16 August 2018</i>			
76 days	0.073	0.150	106%
<i>Note: May not calculate exactly due to rounding</i>			

Source: Capital IQ and KPMG Corporate Finance Analysis



It is commonly accepted that acquirers of 100% of a company should pay a premium over the value implied by the trading price of a share to reflect their ability to obtain control over the target's assets. In order to assess a reasonable range for implied acquisition premia, we have analysed transaction data included in the international coal industry over the past 10 years. A data set of 34 takeovers was sourced from MergerMarket, constituting successful bids, where data on implied market values utilising one day and one week premia were available. Including all 34 transactions, the average and median premia are approximately 34% and 30% respectively on a 1 day basis and 33% and 31% respectively on a 1 month basis. Excluding those transactions considered by us to be outliers, the average and median premia are approximately 28% and 25% respectively on a 1 day basis and 31% and 31% respectively on a 1 month basis.

Having considered these factors and the nature of the distribution of our observed data, we consider, on balance, that it is reasonable to suggest that successful transactions in the overall coal sector are typically likely to complete within an acquisition premia range of 25% to 35%. The implied premium of the Scheme Consideration is significantly in excess of this amount.

We also note that PT Bayan has an existing 56% controlling interest in Kangaroo Resources. Whilst it is reasonable to expect there to be a premium for control to be paid for Kangaroo Resources to reflect advantages associated with acquiring a pool of assets and other strategic benefits, it is arguable from a commercial perspective that PT Bayan should not be required to pay a full premium for control.

The Scheme provides the opportunity for all Scheme Participants to exit their investment now for a certain cash amount

Pursuant to the terms of the Scheme, Scheme Participants will receive a fixed consideration of \$0.15 for each Kangaroo Resources share held on the record date, free of brokerage costs, in the event that the Scheme is approved. This provides Scheme Participants certainty in relation to the pre-tax amount they will receive for their investment.

In the absence of the Scheme or a similar transaction, shareholders wishing to exit their investment will be required to do so through the securities exchange of ASX, which will be subject to there being sufficient liquidity in the market and may also incur brokerage fees.

The Scheme is currently the only option available for Scheme Participants to realise value in excess of recently traded prices

In assessing the merits of the Scheme, we have considered the likelihood of an alternative offer emerging and we consider that, whilst not without possibility, it is very unlikely as:

- PT Bayan holds 56.05% of the issued capital of Kangaroo Resources. Accordingly, any offer for Kangaroo Resources as a whole would require the agreement of PT Bayan. We note however that PT Bayan is currently in legal proceedings brought by White Energy Company Limited in relation to alleged breaches of a joint venture agreement. As part of these proceedings PT Bayan's current interest in Kangaroo Resources has been frozen. Until this matter, which is unrelated to the Scheme, is resolved, this is likely to represent a significant impediment to an alternative offer for the Company as a whole being received



- SRK has formed the view that based on the information available at the date of this report, the most rational route for development of the Pakar Project is as part of a larger integrated project with PT Bayan
- no alternative proposal capable of acceptance has emerged since the announcement of the request for confidentiality by PT Bayan, more than four months ago.

We also note that the SID provides for the reimbursement to PT Bayan of \$2.25 million in certain circumstances.

In the absence of the Scheme, Kangaroo Resources' share price may fall from current levels

Our range of assessed values per share for Kangaroo Resources on a control basis is at a significant premium to Kangaroo Resources' traded share prices over both the 12 months immediately prior to the announcement of the request for confidentiality by PT Bayan and the subsequent period to the date of the announcement of the Scheme and exceeds the price at which we would expect an Kangaroo Resources' share to trade on ASX in the absence of the Scheme.

In this regard, we note both the traded share price and volume of trading in Kangaroo Resources shares have increased significantly subsequent to the announcement of the request for confidentiality from PT Bayan, albeit still on limited levels of liquidity, likely reflecting the market's expectation that some form of corporate transaction may emerge.

We also note that in the period prior to the announcement of the Scheme, the Scheme Consideration represents a value that is higher than any price at which Kangaroo Resources shares have traded since March 2012.

Whilst it is not possible to accurately predict the price at which Kangaroo Resources shares might trade in the event the Scheme Participants resolve not to approve the Scheme, as this will be influenced by changes in general market conditions and other factors specific to the Company, we consider it is likely that with the removal of any control premium already captured in Kangaroo Resources' share price, Kangaroo Resources will trade below current trading levels in the absence of a superior offer.

Furthermore, we note that in the event a significant number of Kangaroo Resources shareholders that bought shares in the Company in anticipation of a corporate transaction seek to realise their holdings on market in the short term, this is likely to create a significant overhang in the Company's shares.

5.2.2 Disadvantages

Kangaroo Resources shareholders will no longer have an interest in Kangaroo Resources' asset base

Approval of the Scheme will mean that Scheme Participants, including those individual shareholders that may have voted against the Scheme, will no longer have any exposure to Kangaroo Resources or its assets, including to any potential future upside or downside as Kangaroo Resources' projects are developed.

The value of a mineral project changes as it moves through each stage of the development cycle, with each step potentially having a significant impact upon trading prices, either positive or negative. Kangaroo Resources is currently seeking to transition from a project development to a production phase.



Whilst each of Kangaroo Resources' Pakar Project and GPK Project has the potential for value enhancement over the short to medium term, both of these projects still have significant development and commercial risks attaching to them and therefore there is no certainty that the full potential of these projects will be realised.

Given PT Bayan is a publicly listed company on the Indonesian Stock Exchange, it is open to those Scheme Participants wishing to retain an exposure to Kangaroo Resources' suite of projects to re-invest the proceeds realised on completion of the Scheme in PT Bayan. We note however that, based on publicly available information, PT Bayan's investment in Kangaroo Resources' assets is not likely to be a significant asset to PT Bayan and therefore investing shareholders will not retain significant leverage to Kangaroo Resources' assets alone.

Furthermore, being incorporated in Indonesia and listed on the Indonesian Stock Exchange, PT Bayan is subject to differing laws and regulations to those applicable to an Australian domiciled listed company.

5.2.3 Other considerations

Taxation implications for Scheme Participants

In the event that the Scheme is implemented, Scheme Participants will receive \$0.15 cash for each Kangaroo Resources share currently held, which may, depending upon individual non-associated shareholder's taxation position, give rise to Capital Gains Tax at a time that may not be advantageous to individual Scheme Participants. Scheme Participants are strongly encouraged to read the outline of the taxation implications of approving the Scheme prepared by Kangaroo Resources, which is included in the Scheme Booklet and, if in any doubt, should seek their own independent taxation advice.

Directors' intentions

Kangaroo Resources' Independent Directors have previously advised the market that, subject to the independent expert concluding that the Scheme is in the best interests of Scheme Participants and in the absence of a Superior Proposal (as that term is defined in the Scheme Booklet), they unanimously recommend that Scheme Participants vote in favour of the Scheme. We understand that the Independent Directors have not withdrawn or modified this recommendation.

The value of a Kangaroo Resources share to PT Bayan is likely to exceed the value to other acquirers of Kangaroo Resources

SRK has determined and, we concur, that the most logical basis for the future development of the coal Reserves and coal Resources of Pakar North is as part of a larger integrated project with PT Bayan. If this larger integrated project is owned and operated solely by PT Bayan, this is likely to result in increased synergies and cost savings not available to joint participants, including through potentially reduced staffing levels and project reporting.

5.2.4 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved or any conditions precedent prevent the Scheme from being implemented, Kangaroo Resources will continue to operate in its current form and remain listed on the ASX. As a consequence:



- Kangaroo Resources shareholders will not receive the Scheme Consideration and the implications of the Scheme, as summarised above, will not occur
- Kangaroo Resources shareholders will continue to be exposed to the benefits and risks associated with an investment in Kangaroo Resources
- In the absence of some form of debt and/or equity raising, Kangaroo Resources will remain dependent upon PT Bayan continuing to provide financial support to the Company to continue as a going concern
- various costs have been incurred in planning and implementing the Scheme which will be required to be satisfied
- the ability of all Scheme Participants to exit in current dollar terms their investment in the near term at a price at or above the \$0.15 cash consideration being offered is uncertain.

6 Other matters

In forming our opinion, we have considered the interests of Scheme Participants as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Scheme Participants. It is not practical or possible to assess the implications of the Scheme on individual Scheme Participants as their financial circumstances are not known.

The decision of Scheme Participants as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Scheme Participants should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Scheme Participants seek their own independent professional advice.

Our report has been prepared solely for the purpose of assisting Scheme Participants in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our opinion should not be construed to represent a recommendation as to whether or not Scheme Participants should elect to vote in favour of the Scheme.

Neither the whole nor any part of our report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of Meeting and the Scheme Booklet to be sent to Scheme Participants in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of our report in the form and context in which it appears in the Scheme Booklet.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 7.

Kangaroo Resources has a 31 December balance date, accordingly references to an Australian financial year (i.e. the 12 months to 31 December) have been abbreviated to CY.



*Kangaroo Resources Limited
Independent Expert Report
15 October 2018*

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J. Hughes'.

Jason Hughes
Authorised Representative

A handwritten signature in black ink, appearing to read 'S. P. Collins'.

Sean Collins
Authorised Representative



*Kangaroo Resources Limited
Independent Expert Report
15 October 2018*

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7 Scope of the report

7.1 Purpose

This report has been prepared by KPMG Corporate Finance for inclusion in the Scheme Booklet to accompany the Notice of Meeting convening a Court ordered meeting of Scheme Participants on or about 16 October 2018 in accordance with Section 411 of the Act. The purpose of the meeting will be to seek approval of the Scheme.

The sole purpose of this report is an expression of KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Scheme Participants. This report should not be used for any other purposes or by any other party.

7.2 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Kangaroo Resources or PT Bayan for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with each of Kangaroo Resources' management and SRK in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Kangaroo Resources has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by or on behalf of the management of Kangaroo Resources.

KPMG Corporate Finance instructed SRK to undertake various enquiries in relation to the forecast information, including review of technical data and holding discussions with management in regard to the technical and commercial assumptions underlying the forecast operations of the Pakar Project. In



completing its work, SRK formed the view that the level of uncertainty attached to various mineral and other forward looking information was too great to conclude that there was a reasonable basis to adopt this information. As such, SRK has valued the Pakar Project on accepted valuation methodologies other than discounted cash flow (DCF) including having regard to market transactions, comparable company trading multiples and yardstick valuation methods. SRK has separately valued the Mamahak Project and the GPK Project having regard to accepted valuation methods. Further details in relation to the involvement of SRK and a summary of its work and findings is set out in section 11 of this report. A copy of SRK's report is included at Appendix 6 to this report.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Directors are responsible for conducting due diligence in relation to the Scheme. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

7.3 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Due to commercial sensitivity we have limited the level of disclosure in relation to certain key business arrangements however we have disclosed a summary of material information which we relied on in forming our view.

7.4 Reliance on Technical Expert

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of Kangaroo Resources' mineral assets, SRK was engaged by Kangaroo Resources, and instructed by us, to prepare an independent technical report in relation to the valuation of the mineral assets held by Kangaroo Resources (**the SRK report**). A copy of the SRK Report, dated 15 October 2018, is attached to this report at Appendix 6.

The Specialist Report was prepared in accordance with the requirements of the Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral and Petroleum Assets (2015 Edition) (**the ValMin Code**).

ASIC Regulatory Guides recommend the fees payable to the technical specialists be paid in the first instance by the independent expert and claimed back from the party commissioning the independent expert. KPMG Corporate Finance's preferred basis for appointment of independent technical specialists is that the client commissions, and pays the fees directly to, the technical specialist, whilst KPMG Corporate Finance defines the scope of work for the technical specialist. We do not consider that the independence of the technical specialist is impaired by this arrangement.



We have satisfied ourselves as to SRK's qualifications and independence from Kangaroo Resources and PT Bayan and have placed reliance on its report.

Due to the various uncertainties inherent in the valuation process, SRK has determined a range of values within which it considers the value of each of Kangaroo Resources' mineral assets to lie. The valuations ascribed by SRK to the mineral assets of Kangaroo Resources have been adopted in our report.

8 Industry overview

Kangaroo Resources' principal assets comprise interests and investments in coal development and exploration assets. Accordingly, the financial performance of Kangaroo Resources is significantly impacted by developments in the international coal industry. To provide a context for assessing the prospects of Kangaroo Resources, we have included an overview of recent trends in the international coal markets at Appendix 3.

9 Profile of Kangaroo Resources

9.1 Company overview

Kangaroo Resources first listed on the ASX in April 2007 as Kangaroo Metals Limited, a mining and exploration company focused on base and precious metals across a portfolio of tenements in North Queensland, Australia.

In 2009, the Company was renamed Kangaroo Resources Limited and refocused on expanding its portfolio overseas through the acquisition of a number of new Indonesian coal projects.

In 2011, Kangaroo Resources entered into an agreement with PT Bayan for the acquisition of the Pakar Project and the provision of working capital funding, in consideration for PT Bayan acquiring an approximate 56% share of Kangaroo Resources' issued capital.

The original Australian mineral portfolio held by Kangaroo Resources was progressively reduced over time, with the last Australian mineral exploration tenement sold in November 2014.

Today, Kangaroo Resources is focused on actively developing its portfolio of Indonesian coal projects, with a view to establishing sustainable coal production and revenue streams.

The Company currently has interests in three Indonesian coal projects held across 14 coal mining concessions all located in the province of East Kalimantan. A large portion of these concessions are in close proximity to existing coal mining and newly constructed infrastructure assets owned and operated by PT Bayan to support its own operations.

Kangaroo Resources' principal projects and ownership interests comprise:

- the Pakar Project (99%, direct foreign ownership) – thermal coal project comprising 9 separate mining concessions
- Mamahak Project (99%, direct foreign ownership) – coking coal & high quality thermal coal – comprising 4 separate mining concessions



- GPK Project (85% reducing to 77%)⁵ – thermal coal, with one mining concession.

9.2 Pakar Project

The Pakar Coal Project, which is comprised of Pakar North (3 concessions) and Pakar South (6 concessions), is a major component of the Company's Indonesian coal production strategy. The nine mining concessions of the Pakar Project form one continuous block, located immediately adjacent to PT Bayan's producing Tabang coal project and associated infrastructure.

Kangaroo Resources has secured the right to utilise 30% of PT Bayan's haul road and barge loading capacity at PT Bayan's Senyur port located in the Kedang Kepala River through an Access Agreement. PT Bayan's haul road passes either through or near to the majority of the Company's Pakar mining concessions.

Current barge loading capacity at PT Bayan's Senyur port is approximately 24 million tonnes per annum (**Mtpa**), using 2 barge loading jetties rated at a combined 8,000 tonnes per hour (**tph**).

In addition, Kangaroo Resources and PT Bayan have entered into a strategic agreement which provides for a more formalised framework of cooperation and support to enable the parties' coal mining projects to be co-developed in order to maximise use of infrastructure and optimise both companies' operating positions.

To date the Company has secured a 99% direct equity interest in five of the nine mining concessions. The Company also holds contractual rights to acquire up to 99% of the remaining four Pakar entities, which are currently awaiting government sign-off and conversion to Indonesian "Penanaman Modal Asing" companies (foreign investment status) to enable shares in these entities to be transferred to a foreign entity. The shares in these remaining four entities are currently held by PT Bayan.

Subsequent to Kangaroo Resources' acquisition of its original commercial interest in these four concessions, Indonesia introduced ownership limits for foreign entities in the mining sector, a consequence of which is that foreign ownership of Indonesian entities holding exploration licenses is limited to 75%. Furthermore, foreign ownership of producing entities must be progressively reduced after five years such that by the end of year 10, foreign ownership is no more than 49%. The Company has obtained legal advice on a structure that may enable it to secure full beneficial ownership of the four entities, however, this is considered to be not without risk of challenge. In the event that Kangaroo Resources' interest in these four concessions is limited to less than 99%, it is likely that Kangaroo Resources will be required to separately negotiate some form of compensation arrangement with

⁵ The Company has entered into a Co-operation Agreement and a Deed of Release with KAL Energy, Inc (KAL Energy), in relation to KAL Energy's previous interest in the GPK Project, giving Kangaroo the ability to consider all possible alternatives for this project without prejudice associated with any historical issues relating to former interests held by other parties.

Under the terms of the Agreement KAL Energy will be entitled to receive 12% of the net sale proceeds of any future sale transaction. In the event Kangaroo takes the GPK Project into production an 8% economic interest will be assigned to KAL Energy.



PT Bayan given that PT Bayan acquired its 56% interest in Kangaroo Resources on the basis of Kangaroo Resources acquiring a 99% interest in the Projects.

Five of the Company's coal concessions also have an overlap with another third-party coal company PT Senyur Sukses Pratama (**SSP**). Uncertainty surrounding the exact boundary line between the Kutai Kartanegara regency and Kutai Timur regency gave rise to this overlap.

In the first quarter of 2018, the Supreme Court of Indonesia issued an enforceable judgment requiring SSP to relinquish some overlapping areas. Following the outcome of this matter, Kangaroo Resources has requested that the relevant regulatory authority issue formal letters confirming "Clear and Clean" status for the relevant concessions.

At the date of this report, these confirmations have yet to be received however the Company has advised that it is not aware of any reason to expect that they will not be received in due course.

In June 2018, Kangaroo Resources completed the approval process for its exploration Pinjam Pakai permits in respect of two concessions, Tiwa Abadi and Tanjur Jaya, which underpin Pakar North, which allows the Company to undertake exploration works in those parts of the concessions currently covered by forestry area.

The Company has appointed a drilling firm for a 5-month contract. The drilling program will initially concentrate on the non-Pinjam Pakai areas of Tiwa Abadi and then subsequently move into the Pinjam Pakai areas of both concessions.

Ahead of the drilling program and ultimately bringing the Tiwa Abadi concession into production, the Company continues to make land compensation, with further land compensation activities continuing into the remainder of 2018, 2019 and 2020.

A permit was granted in May 2018, converting the non-forestry portion of the Tiwa Abadi project area to production status. The Company will apply for upgrading the Tanjur Jaya permit to production status once feasibility and environmental impact studies are completed, which are expected to be concluded in quarter ending December 2018.

9.2.1 Reserves

Set out below is a summary of Kangaroo Resources' latest reported reserves at the Pakar Project as at 31 December 2017.



Table 3: Pakar Project Mineral Reserves as at 31 December 2017

Coal Reserves	Proved	Probable	Total	Total Moisture	Calorific Value	Ash	Total Sulphur
Pakar Project	Mt	Mt	Mt	% AR	Kcal/kg GAR	% ADB	% ADB
Pakar North							
PT. Tiwa Abadi	3	58	61	34.9	4,250	3.6	0.10
PT. Tanur Jaya	69	40	109	39.0	3,820	5.6	0.11
PT. Dermaga Energy	55	11	66	42.6	3660	4.1	0.09
Sub-Total Pakar North	127	109	236	38.8	3,885	4.7	0.10
Pakar South							
PT. Sumber Api	-	5	5	46.7	3,100	5.1	0.14
PT. Cahaya Alam	-	40	40	51.1	2,900	4.5	0.11
PT. Bara Sejati	-	118	118	50.1	2,980	4.1	0.11
PT. Apira Utama	-	-	-	-	-	-	-
PT. Silau Kencana	-	-	-	-	-	-	-
Sub-Total Pakar South	-	163	163	50.2	2,965	4.2	0.11
Total Pakar Project	127	272	399	43.6	3,510	4.5	0.11

Notes:

1. Mining method: Open Cut
2. The coal produced is not washed resulting in 100% yield. Therefore, the coal Reserve is equal to Marketable Reserve
3. The quality characteristics being Total Moisture, Calorific Value, Ash, Total Sulphur, Inherent Moisture and Relative Density for Pakar North, Pakar South and the Total have been calculated based on the weighted average total tonnages (i.e. sum of proved and probable)
4. Mineral Reserves estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
5. The rounding of the coal Reserve estimates is in accordance with the JORC Code which states: "Ore Reserve estimates are not precise calculations. Reporting of tonnage and grade figures should reflect the relative uncertainty of the estimate by rounding off to appropriately significant figures". In this regard, totals have been rounded to reflect the order of accuracy of estimates.
6. GAR = Gross As Received, AR = As Received, ADB = Air Dried Basis

Source: 2017 Annual Report, ASX Announcements

We refer Scheme Participants to section 4.9 of SRK's report attached as Appendix 6 to this report, where SRK notes that based on its review of the coal Reserve statements, SRK does not consider the Reserve estimates to be complete for the reasons documented.

9.2.2 Resources

Set out below is a summary of Kangaroo Resources' latest reported resources at the Pakar Project as at 31 December 2017.



Table 4: Pakar Project Mineral Resources as at 31 December 2017

Coal Resources	Measured	Indicated	Inferred	Total	Total Moisture	Calorific Value	Ash	Total Sulphur
Pakar Project	Mt	Mt	Mt	Mt	% AR	Kcal/kg GAR	% ADB	% ADB
Pakar North								
PT. Tiwa Abadi	7	79	65	151	34.4	4,315	3.5	0.11
PT. Tanur Jaya	103	105	181	389	38.8	3,970	4.9	0.12
PT. Dermaga Energy	81	56	22	159	43.0	3680	4.9	0.13
Sub-Total Pakar North	191	240	268	699	38.8	3,980	4.6	0.12
Pakar South								
PT. Sumber Api	-	9	6	15	46.4	3,200	6.3	0.21
PT. Cahaya Alam	-	99	56	155	48.4	3,140	5.9	0.21
PT. Bara Sejati	-	185	36	221	49.6	3,020	6.0	0.19
PT. Apira Utama	-	-	-	-	-	-	-	-
PT. Silau Kencana	-	-	-	-	-	-	-	-
Sub-Total Pakar South	-	293	98	391	49.0	3,075	6.0	0.20
Total Pakar Project	191	533	366	1,090	42.5	3,655	5.1	0.15

Notes:

1. Tonnages are estimated on an in-situ basis
2. Mining method: Open Cut
3. A minimum seam thickness of 0.5m was used in the estimation process
4. The quality characteristics being Total Moisture, Calorific Value, Ash, Total Sulphur, Inherent Moisture and Relative Density for Pakar North, Pakar South and the Total have been calculated based on the weighted average total tonnages (i.e. sum of measured, indicated and inferred categories)
5. GAR = Gross As Received, AR = As Received, ADB = Air Dried Basis
6. Coal Resources are reported inclusive of coal Reserves.
7. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of available information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
8. Coal Resources were reported for individual seams and have been rounded to 50kt for Measured, 100kt for Indicated and 200kt for Inferred Resources, and total coal Resources by category are rounded to 1Mt to reflect the overall accuracy of the estimates.

Source: 2017 Annual Report, ASX Announcements

We refer Scheme Participants to Section 4.8 of SRK's report attached as Appendix 6 to this report, where SRK detail various considerations applicable to the coal Resources of the Pakar Project.

Further detailed discussion in relation to the Pakar Project is contained in section 4 of SRK's report which is attached at Appendix 6 to this report.

9.3 The Mamahak Project

The Mamahak Project consists of four separate mining concessions. Mining operations at the Mamahak Project were suspended in December 2012.

Kangaroo Resources announced on 22 June 2018 that following shareholder approval it had completed the sale of 68,157 tonnes of coal inventory to PT Bayan, in receipt for approximately US\$4.43 million. Given that the Mamahak Project has been suspended for an extended period, recommencement of mining activity remains dependent on the identification of additional mineable coal reserves, establishment of a more accessible port location and a significant improvement in coal markets. The sale of this inventory was completed in order to monetise its value.



Discussion in relation to the status and profile of the Mamahak Project is contained in section 6 of SRK's report which is attached at Appendix 6 to this report.

9.4 The GPK Project

Kangaroo Resources acquired an 84.82% interest (reducing to 77%) in the GPK Project in August 2009.

The GPK Project is located 15kms from the Mahakam River, a large inland river in East Kalimantan that facilitates the development of infrastructure, including road and port facilities, for the transportation of coal.

The Company completed a 543 hole (12,529 metres) drill program in 2017, which identified two main seam groups, the Graha and Tukul seams, with an average vertical thickness of 4.4m and 1.3m respectively. The results from the 2017 exploration program (42 drill holes totalling 1,858 metres) inside the Pinjam Pakai area confirmed the results of previous exploration in that the seams are continuous and retain similar coal quality characteristics.

The Company is continuing the process of making an application for an exploration Pinjam Pakai to undertake a follow up drill program into these areas.

On 31 January 2018, the Company announced that it had received a bathymetric report covering approximately 78 kilometres of the upper reaches of the Mahakam River which suggested that barges up to 300 feet (approx. 7,500 tonnes payload) could be utilised for the majority of the year. However, on 26 February 2018, Kangaroo Resources advised that an error in the previous study had been identified, which would limit the suitability of 300 foot barges along the route.

The Company is now investigating the suitability of using smaller barges (180 feet and/or 230 feet) as well as the possibility of dredging critical locations to improve the reliability of any future barging operations. The Company will also consider the economics of extending the coal haul road to bypass these critical spots on the river.

9.4.1 Reserves and Resources

No coal Reserves estimates have been reported in relation to the GPK Project.

Coal Resource estimates for the GPK Project were originally reported to ASX in April 2011 in compliance with the JORC Code, 2004 Edition reporting framework.

No volumes of coal have been mined from this concession since that date. On 19 December 2017, the Company announced the results of a drill program, comprising 42 holes for 1,858 metres, conducted on the GPK concession in early/mid 2017. The Company plans, following a full review and analysis of the results from this recent drill program, to update its coal Resources on the GPK concession and report updated estimates in accordance with JORC 2012.

Set out below are the coal Resources estimates for the GPK concession as reported on ASX on 8 April 2011.



Table 5: GPK Project Resources as at April 2011

Coal Resources (JORC 2004)	Measured	Indicated	Inferred	Total	Calorific Value	Ash	Total Sulphur
GPK Project	Mt	Mt	Mt	Mt	Kcal/kg GAR	%ADB	%ADB
Total	-	58	59	117	3854	3.3	0.12
Notes:							
1. 95% (112Mt) were estimated to lie at depths of less than 60m							

Source: ASX announcement 8 April 2011

9.5 Historical financial performance

Kangaroo Resources' historical audited consolidated financial performance for CY 2015, CY 2016 and CY 2017 and for the 6 months ended 30 June 2018 are summarised below. For further information on Kangaroo Resources' historical financial performance please see the Company's annual report available at the Company website (www.kangarooreources.com) or the ASX website (www.asx.com.au; Issuer code: KRL).

Table 6: Kangaroo Resources' historical consolidated financial performance

	12 months Audited 31-Dec-15	12 months Audited 31-Dec-16	12 months Audited 31-Dec-17	6 months Audited 30-Jun-18
AUD\$				
Continuing operations				
Revenue from continuing operations	163,079	145,685	93,988	6,006,442
Other income	2,644,115	1,083,806	1,996,047	-
Total income	2,807,194	1,229,491	2,090,035	6,006,442
Expenses				
Operating expenses	(2,292,215)	(727,819)	(199,872)	(4,060,980)
Administration expenses	(2,400,215)	(2,666,823)	(1,820,333)	(865,221)
Finance costs	(3,390,833)	(3,017,875)	(3,419,692)	(1,215,005)
Impairment expense	(33,740,007)	(50,568,444)	-	-
Other expenses	(1,602,236)	-	-	(2,085,576)
Total expenses	(43,425,506)	(56,980,961)	(5,439,897)	(8,226,782)
Loss before income tax	(40,618,312)	(55,751,470)	(3,349,862)	(2,220,340)
Income tax benefit	7,863,573	12,890,369	140,771	(699,469)
Loss from continuing operations	(32,754,739)	(42,861,101)	(3,209,091)	(2,919,809)
Other comprehensive loss				
<i>Items that will not be reclassified into profit or loss</i>				
Unrealised foreign exchange gain on financial assets at fair value through other comprehensive income	-	-	-	3,674,984
Income tax expense	-	-	-	(918,746)
<i>Items that may be reclassified into profit or loss</i>				
Exchange differences on translation of foreign operations	3,565,591	(801,163)	(104,950)	100,138
Other comprehensive gain/(loss) for the year, net of tax	3,565,591	(801,163)	(104,950)	2,856,376

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	12 months Audited 31-Dec-15	12 months Audited 31-Dec-16	12 months Audited 31-Dec-17	6 months Audited 30-Jun-18
AUD\$				
Total comprehensive loss for the year	(29,189,148)	(43,662,264)	(3,314,041)	(63,433)
Loss for the year is attributable to:				
Owners of the Company	(32,446,420)	(42,446,892)	(3,189,131)	(2,899,164)
Non-controlling interests	(308,319)	(414,209)	(19,960)	(20,645)
Total comprehensive loss for the year is attributable to:				
Owners of the Company	(28,843,940)	(43,238,599)	(3,291,469)	(43,174)
Non-controlling interests	(345,208)	(423,665)	(22,572)	(20,259)
Weighted average shares on issue (basic) – 000s	3,434,430	3,434,430	3,434,430	3,434,430
Basic ordinary earnings / (loss) per share (cents)	(0.94)	(1.24)	(0.09)	(0.08)
Diluted ordinary earnings / (loss) per share (cents)	(0.94)	(1.24)	(0.09)	(0.08)
<i>Notes:</i>				
1. Basic ordinary earnings / (loss) per share is calculated by dividing net profit / (loss) attributable to the members of the parent entity by the weighted average number of ordinary shares outstanding during the year				
2. Diluted ordinary earnings / (loss) per share is calculated by dividing net profit / (loss) attributable to the members of the parent entity by the weighted average number of ordinary shares outstanding during the year diluted to include share rights on issues in periods of positive earnings				
3. Amounts may not add exactly due to rounding				

Source: Kangaroo Resources 2016 and 2017 Annual Reports, Kangaroo Resources 30 June 2018 financial statements and KPMG Corporate Finance analysis

Whilst Kangaroo Resources' financial performance is consistent with a coal development company with no producing projects (projects in care and maintenance and development/exploration), we note that it is in a vulnerable financial position having recorded significant operational losses in each of the financial periods considered. In this regard we refer Scheme Participants to section 9.8 below, which discusses the Company's ability to continue as a going concern.



9.6 Historical financial position

Kangaroo Resources' historical audited financial position as at 31 December 2015, 2016, and 2017 and 30 June 2018 are summarised below.

Table 7: Kangaroo Resources' historical financial position

AUD\$	Audited 31-Dec-15	Audited 31-Dec-16	Audited 31-Dec-17	Audited 30-Jun-18
Current Assets				
Cash & cash equivalents	2,406,603	1,739,083	1,304,851	1,135,230
Trade & other receivables	827,787	790,364	846,856	612,575
Inventory	3,884,044	3,644,585	3,384,900	33,955
Assets classified as held for sale	15,956,714	-	-	-
Total Current Assets	23,075,148	6,174,032	5,536,607	1,781,760
Non-Current Assets				
Receivables	839,572	911,920	285,120	295,977
Property, plant & equipment	209,806	67,469	24,189	23,355
Mine properties & development	171,500,000	127,100,000	127,100,000	127,100,000
Exploration & evaluation expenditure	16,580,427	3,820,040	3,837,411	3,837,366
Financial assets at fair value through other comprehensive income ⁴	55,150,553	60,751,163	60,535,282	66,960,304
Total Non-Current Assets	244,280,358	192,650,592	191,782,002	198,217,002
Total Assets	267,355,506	198,824,624	197,318,609	199,998,762
Current Liabilities				
Trade & other payables	6,666,460	6,332,509	5,102,593	6,240,047
Borrowings	42,919,105	31,251,264	34,484,955	35,173,834
Total Current Liabilities	49,585,565	37,583,773	39,587,548	41,413,881
Non-Current Liabilities				
Provisions	672,978	696,521	641,543	640,050
Deferred tax liabilities	57,617,224	44,726,855	44,586,084	45,504,830
Total Non-Current Liabilities	58,290,202	45,423,376	45,227,627	46,144,880
Total Liabilities	107,875,767	83,007,149	84,815,175	87,558,761
Net Assets	159,479,739	115,817,475	112,503,434	112,440,001
Equity attributable to the equity holders of the parent				
Issued capital	469,867,326	469,867,326	469,867,326	469,867,326
Reserves	2,310,325	1,518,618	1,416,280	(45,019,118)
Accumulated losses	(313,997,076)	(356,443,968)	(359,633,099)	(313,240,875)
Capital & reserves attributable to owners of Kangaroo Resources Limited	158,180,575	114,941,976	111,650,507	111,607,333
Non-controlling interest	1,299,164	875,499	852,927	832,668
Total Equity	159,479,739	115,817,475	112,503,434	112,440,001

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AUD\$	Audited 31-Dec-15	Audited 31-Dec-16	Audited 31-Dec-17	Audited 30-Jun-18
Shares on issue – 000s	3,434,430	3,434,430	3,434,430	3,434,430
Net asset backing per share - cents	4.6	3.4	3.3	3.3
Gearing (%) (Net debt to Equity)	25.4%	25.5%	29.5%	30.3%
Current ratio - times	0.47	0.16	0.14	0.13

Notes:

1. Gearing represents net debt divided by total assets
2. Current ratio represents current assets divided by current liabilities
3. Amounts may not add exactly due to rounding
4. Pursuant to the implementation of AASB 9 financial assets were reclassified from available for sale financial assets to financial assets at fair value through other comprehensive income. Amounts quoted for 31 December 2015, 2016 and 2017 were reported as available for sale financial assets.

Source: Kangaroo Resources 2016 and 2017 Annual Reports, Kangaroo Resources 30 June 2018 financial statements and KPMG Corporate Finance analysis

In regard to the financial position set out above we note:

- financial assets at fair value through other comprehensive income at 30 June 2018 relate to equity interests in the four entities acquired from PT Bayan holding the Pakar Project concessions which are awaiting government sign off and conversion to Indonesian PMA companies. It also includes an equity interest in GPK which is currently held by a nominee company and is also awaiting government sign off and conversion to an Indonesian PMA company
- Borrowings comprise loans from PT Bayan
- Kangaroo Resources has recorded significant working capital deficiencies on each balance date, which have deteriorated both in absolute and relative terms over the period and totalled in the order of \$39.6 million as at 30 June 2018. In this regard we refer Scheme Participants to section 9.8 below, which discusses the Company's ability to continue as a going concern.

9.7 Statement of cash flows

Kangaroo Resources' historical audited consolidated statement of cash flows for CY 2015, CY 2016 and CY 2017 and for the 6 months ended 30 June 2018 are summarised below.

Table 8: Kangaroo Resources' historical consolidated statement of cash flows

	12 months Audited 30-Dec-15	12 months Audited 30-Dec-16	12 months Audited 30-Dec-17	6 months Audited 30-Jun-18
AUD\$				
Cash flows from operating activities				
Payment to suppliers and employees (inclusive of GST and VAT)	(5,669,242)	(2,563,548)	(2,592,283)	(1,044,824)
Interest received	161,961	143,740	93,988	29,745
Proceeds from refund of rehabilitation deposit	-	-	565,655	-
Net cash inflow (outflow) from operating activities	(5,507,281)	(2,419,808)	(1,932,640)	(1,015,079)



	12 months Audited 30-Dec-15	12 months Audited 30-Dec-16	12 months Audited 30-Dec-17	6 months Audited 30-Jun-18
AUD\$				
Cash flows from investing activities				
Payments for exploration and evaluation assets	-	(1,667)	(18,002)	(2,480,694)
Proceeds from sale of assets	166,666	-	-	-
Net cash inflow (outflow) from investing activities	166,666	(1,667)	(18,002)	(2,480,694)
Cash flows from financing activities				
Proceeds from borrowings - related parties	4,824,261	1,704,868	1,454,116	3,076,023
Net cash inflow from financing activities	4,824,261	1,704,868	1,454,116	3,076,023
Net decrease in cash and cash equivalents	(516,354)	(716,607)	(496,526)	(419,750)
Cash and cash equivalents at beginning of financial year	2,798,619	2,406,603	1,739,083	1,304,851
Effect of exchange rate on cash held in foreign currencies	124,338	49,087	62,294	250,129
Cash and cash equivalents at end of period	2,406,603	1,739,083	1,304,851	1,135,230
<i>Note: Amounts may not add exactly due to rounding</i>				

Source: Kangaroo Resources 2016 and 2017 Annual Reports, Kangaroo Resources 30 June 2018 financial statements and KPMG Corporate Finance analysis

Kangaroo Resources has recorded significant operational cash outflows in each of the years considered, with its principal source of funding being proceeds from related party borrowings

9.8 Going concern

In CY17, the Company incurred a total comprehensive loss of \$3.3 million (CY16 \$43.7 million), net cash outflows from operating activities of \$1.9 million (CY16: \$2.4 million) and as at 31 December 2017 had a working capital deficiency of \$34.0 million (31 December 2016 \$31.4 million). The Kangaroo Resources group of companies was advanced loans of \$1.5 million by PT Bayan in CY17 to fund operating cash flow and capital expenditure (CY16 \$1.9 million).

In the six months to 30 June 2018, Kangaroo Resources reported a comprehensive loss of \$63,433, with a further cash outflow from operations activities of \$1.0 million. Kangaroo Resources' working capital deficiency was \$39.6 million.

The Company relies on PT Bayan for funding to cover its operating expenditure and to continue development of its projects. As such, the Company is dependent on PT Bayan to continue as a going concern.

PT Bayan has undertaken to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations until at least 7 September 2019.

In assessing the appropriateness of the Group's going concern basis of preparation of the 30 June 2018 financial report, Kangaroo Resources' auditor, PricewaterhouseCoopers:

- enquired of management and directors as to their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern



- obtained written confirmation of continued financial support provided to the Company by PT Bayan
- evaluated the ability of PT Bayan to provide sufficient financial assistance as outlined in its written confirmation of support
- communicated with the auditors of PT Bayan and reviewed the results of audit procedures completed by them over the ability of PT Bayan to continue as a going concern and provide the necessary financial support to the Group.

9.9 Taxation

Australia

As at 31 December 2017, Kangaroo Resources had unrecognised carried forward tax losses \$8.3 million in Australia. Under current Australian tax legislation these losses do not expire.

Indonesia

As at 31 December 2017, Kangaroo Resources has unrecognised carried forward tax losses of \$14.1 million in Indonesia. Under current Indonesian tax legislation these losses expire after 5 years.

9.10 Dividends and franking credits

Kangaroo Resources historically has not paid dividends.

9.11 Contingent liabilities

The Directors of Kangaroo Resources have indicated that, to the best of their knowledge, they are not aware of any material contingent liabilities that could lead to future claims.

9.12 Options

At the date of this report, there were no options issued over ordinary shares in Kangaroo Resources.

9.13 Share capital and ownership

As at 12 October 2018, Kangaroo Resources had 3,434.4 million ordinary shares on issue as summarised in the table below.



Table 9: Summary of Kangaroo Resources' top 10 shareholders

Shareholder	Number of shares held	% of issued shares
Pt Bayan Resources Tbk	1,925,000,000	56.05%
Hsbc Custody Nominees (Australia) Limited	517,385,595	15.06%
J P Morgan Nominees Australia Limited	398,544,556	11.60%
Citicorp Nominees Pty Limited	247,768,410	7.21%
Bnp Paribas Noms Pty Ltd	57,422,669	1.67%
Rhb Securities Singapore Pte Ltd	29,386,054	0.86%
Cs Fourth Nominees Pty Limited	26,425,018	0.77%
La Meyer Holdings Limited	19,047,000	0.55%
Dempo Global Corporation Pte Ltd	15,000,000	0.44%
Romfal Sifat Pty Ltd	13,417,788	0.39%
Total number of shares held by the top 10 shareholders	3,249,397,090	94.61%
Other shareholders	185,032,922	5.39%
Total number of shares on issue	3,434,430,012	100.00%

Source: Kangaroo Resources Management

As at the date of this report, substantial shareholder notices had been received as set out below.

Table 10: Substantial shareholder notices received by Kangaroo Resources

Shareholder	Number of shares held	% of issued shares
PT Bayan Resources Tbk	1,925,000,000	56.05%

Source: Kangaroo Resources CY17 Annual Report, ASX Announcements

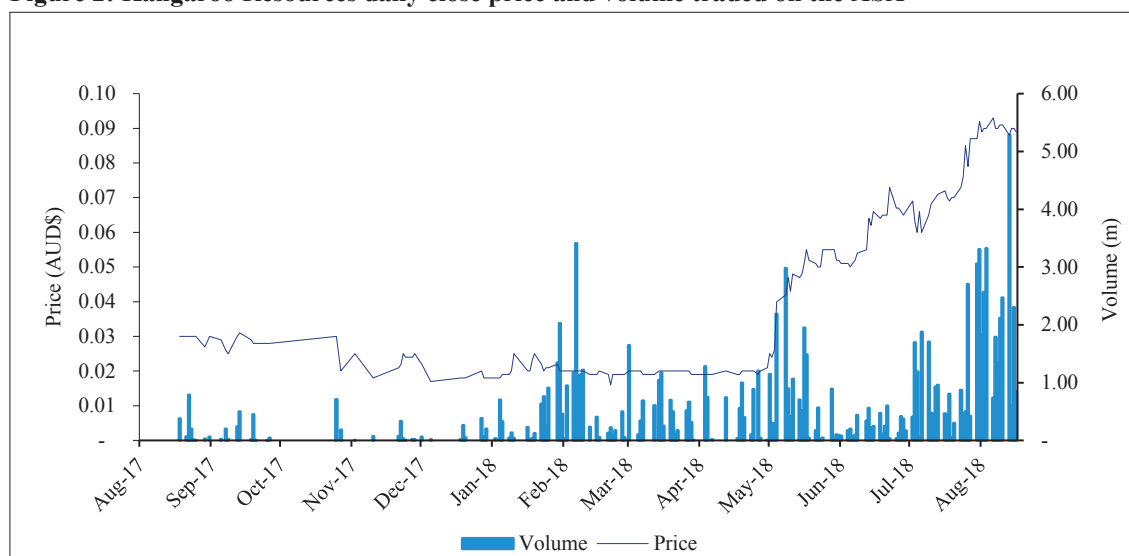
We note, the current interests in Kangaroo Resources' issued capital held by the substantial shareholders may differ to what is set out above.

9.14 Share price and volume trading history

The chart below depicts Kangaroo Resources' daily closing price on the ASX over the 12 month period to 16 August 2018, being the last trading day prior to Kangaroo Resources' announcement of the Scheme, along with the daily volume of shares traded on the ASX.



Figure 2: Kangaroo Resources daily close price and volume traded on the ASX



Source: Capital IQ, KPMG Corporate Finance Analysis and ASX announcement

As illustrated above, Kangaroo Resources' share price generally traded within a narrow range up to 4 May 2018, following which Kangaroo Resources has traded on heavier volumes and recorded a strong upward trend. We note that on 8 May 2018, Kangaroo Resources responded to a price and volume query from the ASX confirming that the Company had received a request from PT Bayan to enter into a confidentiality agreement. Kangaroo Resources indicated that in entering into the confidentiality agreement it understood that PT Bayan was seeking to obtain confidential information, and potentially undertake discussions with the Company, with a view to making an assessment whether to submit a proposal for the acquisition or purchase of all Kangaroo Resources shares not already owned by it.

Other than normal half year and full year financial reporting and quarterly activities reporting, significant announcements by Kangaroo Resources in the 12 months to 16 August 2018 that may have had an impact on its share price include:

- 22 August 2017 – Pakar Project Update regarding legal action concerning the overlap of five coal concession with SSP. The net result of the Jakarta High Court's decision is that the Kangaroo Resources' right to the overlapping portions have been confirmed
- 30 August 2017 – Resignation of Mr Russell Neil as Managing Director and Director of Kangaroo Resources
- 12 September 2017 – Updated coal Resources and Reserves for Pakar North and South Thermal Coal Projects. In this regard Pakar North's reported coal Reserves increased by 52 percent from 115Mt to 236Mt; Pakar North's Calorific Value increased from 3,785 Kcal/kg GAR to 3,885/kg GAR
- 19 December 2017 – GPK drilling program result which identified the coal intersects at shallow depths and the potential for open cut mining

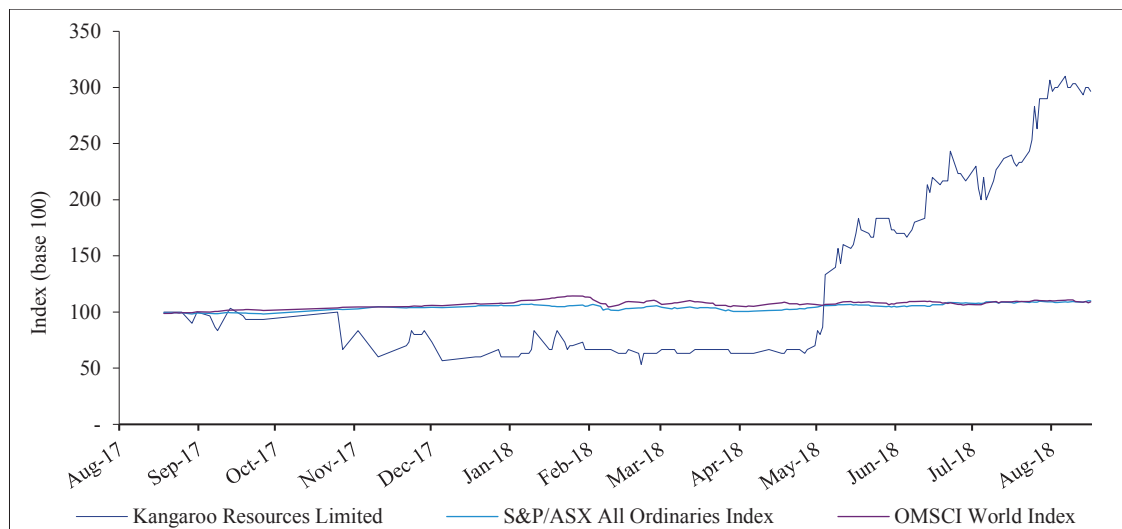


- 21 January 2018 – Appointment of Mr Alexander Wibowo, a Senior Executive with PT Bayan, as Managing Director effective from 1 April 2018
- 7 May 2018 – Trading Halt at Kangaroo Resources' request in order to release an announcement in response to an ASX price and volume query
- 8 May 2018 – Response to price and volume query confirms that the Company had recently received a request from PT Bayan to enter into a confidentiality agreement
- 22 June 2018 – Announcement of the completion of the sale of 68,157 tonnes of coal inventory from the Mamahak Project to PT Bayan for US\$4.4 million. The proceeds were used to reduce outstanding borrowings from PT Bayan.

Further details in relation to all announcements made by Kangaroo Resources to the ASX can be obtained from the Company website (www.kangarooresources.com) or at the website of the ASX (www.asx.com.au; Issuer code: KRL).

As illustrated in the figure below, Kangaroo Resources' share price underperformed the ASX All Ordinaries and MSCI AC World Index until the announcement of the approach by PT Bayan in May 2018 and then largely outperformed through to the announcement of the terms of the Scheme on 17 August 2018.

Figure 3: Kangaroo Resources' performance relative to ASX All Ordinaries and MSCI AC World Index



Source: Capital IQ and KPMG Corporate Finance Analysis

Trading liquidity on the ASX

The table below presents analysis in relation to the volume of trading in Kangaroo Resources' shares on the ASX over various periods in the 12 month period to 27 April 2018, being the last trading day prior to the receipt of the request for a confidentiality agreement from PT Bayan which was publically announced to market on 8 May 2018, and the period between 28 April 2018 to 16 August 2018 inclusive, being the last trading day prior to the announcement of the terms of the Scheme.



Table 11: Trading liquidity in Kangaroo Resources shares on the ASX prior to Confidentiality Agreement

Period	Price (low)	Price (high)	Price VWAP	Cumulative value	Cumulative volume	% of issued capital
	\$	\$	\$	\$m	m	%
<i>Prior to receipt of Confidentiality Agreement</i>						
1 day	0.019	0.020	0.020	0.00	0.04	0.00
1 week	0.019	0.020	0.020	0.04	2.23	0.06
1 month	0.019	0.020	0.020	0.14	7.31	0.21
3 months	0.016	0.023	0.020	0.61	30.54	0.89
6 months	0.016	0.025	0.020	0.73	36.40	1.06
12 months	0.016	0.041	0.024	1.63	66.64	1.94
<i>Post receipt of the Confidentiality Agreement and prior to the announcement of the Scheme.</i>						
76 trading days	0.021	0.095	0.073	5.03	69.15	2.01

Source: Capital IQ and KPMG Corporate Finance Analysis

Kangaroo Resources shares exhibited limited liquidity over the 12 month period to 27 April 2018, with only approximately 1.9% of total shares on issue traded, at an average daily volume of 0.26 million shares traded per trade day with a daily value of approximately \$6,446. We note that over this period Kangaroo Resources shares were traded on 156 out of 253 available trading days on the ASX.

Excluding the 1,925 million shares held by PT Bayan, which is considered as a strategic holding and not available for trading⁶, the percentage of issued capital traded over the 12 months to 27 April 2018, increases to 4.3%.

Kangaroo Resources shares exhibited a strong increase in both the volume of shares traded and VWAP post receipt of the request for a confidentiality agreement from PT Bayan, likely reflecting the market's expectation that some form of corporate transaction may emerge, with Kangaroo Resources shares trading on 76 out of 76 available trading days on the ASX over this period.

An analysis of the volume of trading in Kangaroo Resources' shares in the period from 17 August 2018 to 12 October 2018 inclusive is set out below.

Table 12: Trading liquidity in Kangaroo Resources shares on the ASX post-announcement of the Scheme

Period from 17 Aug 2018 to 12 Oct 2018	Price (low)	Price (high)	Price VWAP	Cumulative value	Cumulative volume	% of issued capital
	\$	\$	\$	\$m	m	%
39 trading days	0.110	0.135	0.121	10.06	82.91	2.41

Source: Capital IQ and KPMG Corporate Finance Analysis

⁶ Subject to the White Energy Company Limited case freezing order discussed in section 5.2.1



10 Profile of PT Bayan

10.1 Company overview

PT Bayan is an Indonesian integrated coal producer listed on the Indonesia Stock Exchange. PT Bayan's principal assets comprise interests in various coal projects and associated infrastructure in the East Kalimantan and South Kalimantan provinces of Indonesia, including the Tabang Project which is located immediately adjacent to Kangaroo Resources' Pakar Project.

In addition to PT Bayan's direct interest in various coal projects, it holds various equity interests in other Indonesian coal exploration, development and production companies, including its majority ownership interest in Kangaroo Resources.

Additional information regarding PT Bayan can be found on PT Bayan's website (www.bayan.com.sg).

We note that as the consideration offered under the Scheme is cash, Scheme Participants will not acquire any interest in PT Bayan or its assets as a result of the implementation of the Scheme.

11 Valuation of Kangaroo Resources

11.1 Valuation methodology

The principal assets of Kangaroo Resources comprise its interests in mineral assets at various stages of development, from early stage exploration and project development to assets on care and maintenance. Such assets have limited lives and future profitability and asset life depend upon factors that are inherently unpredictable.

In our experience, the most appropriate method for determining the value of companies similar to Kangaroo Resources is on the basis of the value of the sum of the parts of the underlying net assets.

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of Kangaroo Resources' mineral interests, SRK was engaged by Kangaroo Resources, and instructed by us, to prepare an independent technical expert report in relation to a reasonable production scenario, including appropriate coal Reserves estimations, capital expenditure and operational cost profiles to be adopted by us in the preparation of forecast cash flows for Kangaroo Resources' interest in the Pakar Project. In the course of its procedures, SRK concluded that it had been provided with insufficient detail supporting a practical mining sequence, with year on year production and coal quality, and that various other assumptions adopted by the Company and Bayan were outside the JORC framework. In addition, SRK has formed the view that the development of the Pakar Project as an integrated project with PT Bayan's mineral assets, as contemplated by the Strategic Agreement between the companies, represents the most logical development path and would likely be pursued by any holder of the Pakar Project. As a result, SRK is of the opinion, and we concur, that there is not a reasonable basis to adopt the Company's forecast stand-alone project cash flows as the basis for determining the market value of the Pakar Project. As such, SRK has adopted other market based methods to value the coal Resources (inclusive of the most recently reported coal Reserves) at the Pakar Project.



SRK has assessed the value of Kangaroo Resources' interests in other mineral assets not captured in the valuation of the Pakar Project's coal Resources, including the Mamahak Project and the GPK Project by application of accepted mineral valuation methodologies. A copy of the SRK report, which was prepared in accordance with the ValMin Code, is attached to this report as Appendix 6.

We have relied on to the values attributed to each of the Pakar Project, the Mamahak Project and the GPK Project by SRK in considering the value of Kangaroo Resources.

Other assets and liabilities of Kangaroo Resources not captured by SRK's values have been incorporated in our valuation based on book values as at 30 June 2018 as reasonable estimates of market value unless specifically noted otherwise.

11.2 Valuation summary

We have assessed the market value of Kangaroo Resources as a whole, inclusive of a premium for control, to lie in the range of \$415.9 million to \$547.4 million, which equates to between \$0.12 and \$0.16 per Kangaroo Resources share.

The market value of Kangaroo Resources was determined by aggregating the estimated market value of Kangaroo Resources' interests in mineral assets, adding the assessed value of other assets and, if appropriate, deducting any external borrowings and non-trading liabilities. The value of Kangaroo Resources has been assessed on the basis of market value, that is, the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Our range of market values does not include any potential strategic or operational synergies that may be unique to individual investors. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

Our range of assessed values is relatively wide reflecting that Kangaroo Resources' principal assets, the Pakar Project and the GPK Projects, are yet to be developed and therefore incorporate a greater degree of subjectivity.

Table 13: Summary of assessed market values of Kangaroo Resources inclusive of a premium for control

		Assessed Values	
		Low	High
Market values of Kangaroo Resources' interests in mineral assets:			
Pakar Project - 99% interest	US\$m	281.3	364.5
GPK Project – 77% interest	US\$m	46.2	54.3
Mamahak Project – 99% interest	US\$m	5.3	8.2
Total mineral assets	US\$m	332.8	427.0
AUD:USD exchange rate ²		0.73	0.73
Total mineral assets	A\$m	457.7	587.3
Add: Trade and other receivables	A\$m	0.9	0.9
Less: Trade and other payables	A\$m	(6.2)	(6.2)
Less: Net Borrowings	A\$m	(34.6)	(34.6)
Less: Corporate costs	A\$m	(2.0)	(2.0)
Total equity value	A\$m	415.8	547.4

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		Assessed Values	
		Low	High
Number of ordinary shares - (millions)		3,434.4	3,434.4
Value per share, inclusive of a premium for control	A\$	0.12	0.16
<i>Notes: 1. Figures may not add exactly due to rounding</i> <i>2. Spot exchange rate as at 17 August 2018</i>			

Source: KPMG Corporate Finance analysis, SRK and S&P Capital IQ

Our range of assessed fair values for a Kangaroo Resources share of between \$0.12 per share and \$0.16 per share compares to a closing price for a Kangaroo Resources share on the last trading day prior to the Company's receipt of PT Bayan's request for a confidentiality agreement on 27 April 2018 of \$0.020 per share and the announcement of the Scheme on 16 August 2018 of \$0.089 per share. In this regard, we note:

- the traded share price prior to the request for confidentiality agreement from PT Bayan may not incorporate a control premium as it reflects trades in small parcels of Kangaroo Resources shares
- whilst the trading price of a Kangaroo Resources share subsequent to the request for confidentiality agreement from PT Bayan may have included an element of control premium reflecting anticipation of a corporate transaction in some form, this was not assured and therefore may not have been fully priced in by the market
- the limited liquidity of trading in Kangaroo Resources shares with only 1.9% of total shares on issue being traded in the 12 months immediately prior to the request for confidentiality agreement from PT Bayan
- Kangaroo Resources has only recently been able to resolve various ownership, permitting and other approvals required to further develop its principal asset, the Pakar Project. Whilst there remain various Indonesian regulatory issues still to be satisfied, the market may be becoming more confident with the prospect of this being achieved
- Kangaroo Resources, as a foreign investor into Indonesia, is subject to a 15% withholding tax on repatriated dividends, which may have been reflected in the historical trading prices of Kangaroo Resources. In contrast, we have assumed that an appropriate pool of purchasers for Kangaroo Resources would include Indonesian domiciled coal producers, which should be able to minimise, if not eliminate entirely, the impact of withholding tax on distributions
- Kangaroo Resources, as a foreign investor into Indonesia, may be required to divest partial ownership of four Pakar concessions following the transfer of the rights currently held by PT Bayan on behalf of Kangaroo Resources. This requirement is not incorporated in our range of assessed fair values above as Indonesian domiciled acquirers, at face value, would not be subject to the same requirements and we have assumed that whilst not assured, Kangaroo Resources would receive market value with respect of any interest required to be divested
- our control values for Kangaroo Resources do not reflect funding risks applicable for Kangaroo Resources on a standalone basis in relation to the development of its asset portfolio. In this regard, we note that Kangaroo Resources is dependent upon continued financial support from PT Bayan in



relation to meeting its financial obligations and continuing to develop its asset portfolio. In our view, the market price of Kangaroo Resources prior to receipt of PT Bayan's request for the confidentiality agreement may have reflected some uncertainty in relation to Kangaroo Resources' ability to fund the development of its projects. In contrast, our range of assessed values reflects the market value to an Indonesian industry participant, putting aside the specific funding issues of Kangaroo Resources.

Valuation of Kangaroo Resources' effective 99% interest in the Pakar Project

SRK has valued Kangaroo Resources' interest in the Pakar Project in the range of US\$281.3 million to US\$364.5 million, as summarised in the table below.

Table 14: Summary of assessed market values of the Pakar Project

	Assessed Values	
	Low \$m	High \$m
Value on a 100% Equity Basis		
Mineral Resources	279.1	346.2
Exploration	5.0	22.0
Total	284.1	368.2
Valuation of Kangaroo Resources' effective 99% interest in the Pakar Project		
Mineral Resources	276.3	342.7
Exploration	5.0	21.8
Total	281.3	364.5

Source: KPMG Corporate Finance analysis and the SRK Report

In assessing these values, we note:

- SRK has adopted accepted methods for valuing mineral assets based on market-based approaches having regard to actual transactions, comparable transactions, peer trading multiples and yardstick valuation methods
- SRK has concluded that there is not a reasonable basis to adopt DCF as the principal valuation methodology due to insufficient information being available. As such, SRK has valued the Pakar Project based on its coal Resources and exploration potential. Further details in relation to valuation methodologies and the Pakar Project are set out in the SRK report at Appendix 6
- Many of the considerations applicable to Kangaroo Resources as a whole are equally applicable to the Pakar Project on a standalone basis.



Valuation of Kangaroo Resources' 99% interest in the Mamahak Project

SRK has valued Kangaroo Resources' interest in the Mamahak Project coal Resources as well as other coal assets in the range of US\$5.3 million to US\$8.2 million as summarised in the table below.

Table 15: Summary of SRK's valuation of the Mamahak Project

	Assessed Values	
	Low \$m	High \$m
Value on a 100% Equity Basis		
Mineral Resources	4.9	5.8
Exploration	0.5	2.5
Total	5.4	8.3
Valuation of Kangaroo Resources' effective 99% interest in the Mamahak Project		
Mineral Resources	4.9	5.7
Exploration	0.5	2.5
Total	5.3	8.2

Source: SRK's report

In assessing these values, SRK has adopted accepted methods for valuing mineral assets based on market-based approaches having regard to actual transactions, comparable transactions, peer trading multiples and yardstick valuation methods. Further details in relation to the Mamahak Project and the valuation methodologies adopted are set out in SRK's report which is included at Appendix 6.

Valuation of Kangaroo Resources' 77% effective interest in the GPK Project

SRK has valued Kangaroo Resources' interest in the GPK Project coal Resources as well as other coal assets in the range of US\$46.2 million to US\$54.3 million as summarised in the table below.

Table 16: Summary of SRK's valuation of the GPK Project

	Assessed Values	
	Low \$m	High \$m
Value on a 100% Equity Basis		
Mineral Resources	59.0	68.7
Exploration	0.8	1.6
Total	59.8	70.3
Valuation of Kangaroo Resources' effective 77% interest in the GPK Project		
Mineral Resources	45.5	53.0
Exploration	0.6	1.2
Total	46.2	54.3

Source: SRK report

In assessing these values, SRK has adopted accepted methods for valuing mineral assets based on market-based approaches having regard to actual transactions, comparable transactions, peer trading multiples and yardstick valuation methods. Further details in relation to the GPK Project and the valuations methodologies adopted are set out in SRK's report which is included at Appendix 6.



It should be noted that the valuation of early stage / exploration assets as set out in the tables above is highly subjective and uncertain and involves subjective assessments based on professional judgements made by SRK.

Other assets

Net assets not valued as part of Kangaroo Resources' mineral assets comprise cash, residual amounts of inventory and other sundry assets and liabilities. Except as specifically noted below, having regard to their nature and quantum and Kangaroo Resources Management's advice that there has not been a material movement in account balances, these assets and liabilities have been incorporated in our valuation at net book values as at 30 June 2018.

Provision for restoration has been adjusted to nil to reflect that SRK has performed a market valuation on sale of the underlying mineral assets.

The Australian dollar equivalent of United States dollar denominated borrowings has been calculated based on spot exchange rates as at 17 August 2018.

We note that as at 30 June 2018, the balance sheet included approximately \$67 million in financial assets at fair value through other comprehensive income. This amount relates to the fair value of the four Pakar North concessions, held by PT Bayan on behalf of Kangaroo Resources, and GPK which is held by a nominee company, which are yet to be transferred to Kangaroo Resources and as such are required to be recorded as financial assets for accounting purposes. This amount relates to the fair value of the four Pakar North concessions, held by PT Bayan on behalf of Kangaroo Resources, which are yet to be transferred to Kangaroo Resources and as such are required to be recorded as financial assets for accounting purposes. For the purposes of the values set out above, this amount is included within the value attributed to the coal assets of Kangaroo Resources as assessed by SRK.

Future corporate overheads

Kangaroo Resources incurs corporate overheads in relation to managing its business. These costs have not been incorporated into the valuation of Kangaroo Resources' mineral assets set out above, and therefore it is necessary to deduct the present value of anticipated future management and administrative costs in relation to Kangaroo Resources' operating assets from the value of the Company. Kangaroo Resources estimates that its corporate costs in Australia, in the absence of the Scheme, to be in the order of \$2.0 million per annum (in 2018 pre-tax dollars).

We have held discussions with the management of Kangaroo Resources regarding the direct synergies and cost savings likely to be available to a pool of purchasers in acquiring a 100% interest in Kangaroo Resources. These cost benefits to an Indonesian coal producer would likely involve completely closing the Australian head office, which we would anticipate could reasonably be done within a period of 6 months including any required notice periods. Furthermore, costs incurred within the Indonesian subsidiaries are minimal and as such we anticipate that an Indonesian acquirer of Kangaroo Resources with a pre-existing corporate head office would be able to continue the operation of its Indonesian subsidiaries for approximately US\$100,000 per annum for a notional 25 year life.



The after-tax net present value of these adjusted corporate costs, having regard to the nature of the Company's assets and adopting a discount rate in the order of 13.0% per annum, has been estimated to be in order of \$2.0 million.

Other valuation parameters

Having regard to our assessed values in respect of Kangaroo Resources' assets and liabilities, the implied enterprise value for Kangaroo Resources is between approximately \$450.4 million and \$582.0 million⁷. Based on Kangaroo Resources' published coal Reserves and coal Resources, the implied enterprise value to coal Reserve and coal Resource tonne multiples are as set out in the table below.

Table 17: Coal Reserve and coal Resource multiples per tonne implied by our assessed values

	Low A\$/t	High A\$/t
Coal Reserves ^{1,2}	1.13	1.46
Coal Resources ^{1,3,4}	0.37	0.48
<i>Notes:</i>		
<i>1 Coal Reserve and coal Resource multiples implied by our assessed values are calculated using the most recent published coal Reserve and coal Resource information</i>		
<i>2 Coal Reserves include Proved and Probable Reserves</i>		
<i>3 Coal Resources include Measured, Indicated and Inferred Resources</i>		
<i>4 Coal Resources are inclusive of coal Reserves</i>		

Source: KPMG Corporate Finance analysis

In adopting the most recently reported coal Reserves and coal Resources for Kangaroo Resources, we note SRK's observation that it was not provided with sufficient detail supporting a practical mining sequence and periodic schedule with year-on-year production and detailed coal quality to be able to rely upon Kangaroo's published reserves as the basis for valuations. We have not adjusted Kangaroo Resources' reported coal Reserves for the purposes of this analysis.

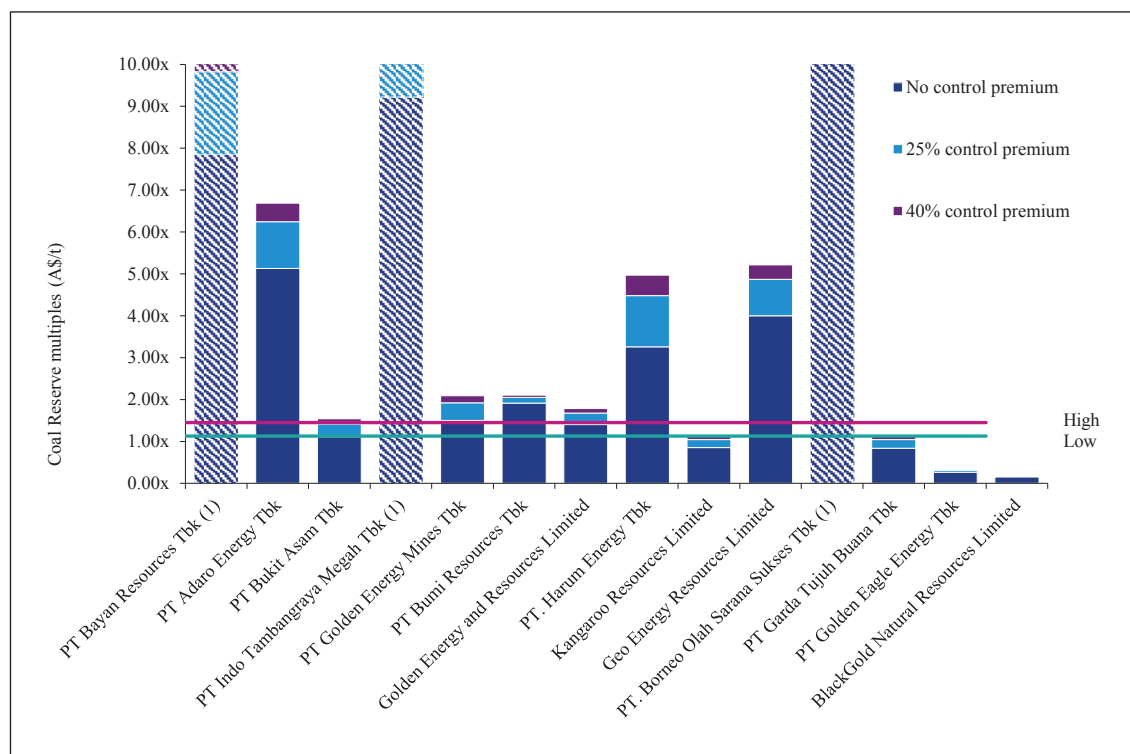
Comparison to listed company coal Reserve multiples

Summarised in the figure below is a comparison of the results set out above with the value per coal Reserve tonne for a selection of listed coal companies implied by their market capitalisation as at the date of the announcement of the Scheme, a notional allowance, solely for comparison purposes, for a premium for control of 25% to 35% and their most recent reported net debt/(cash) positions.

⁷ Enterprise value has been calculated throughout the report as equity value plus external debt less cash



Figure 4: Coal Reserve multiples per tonne implied by selected listed companies



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Report

Note 1. Shading reflects selected listed companies that implied a multiple beyond the range presented in the chart.

This analysis indicates a wide range of outcomes, however we note that the range of coal Reserve multiples implied by our range of assessed market values for the enterprise value of Kangaroo Resources lies within the range of equivalent observed listed company multiples.

In considering this outcome, we would highlight:

- these results need to be viewed with some caution as they do not capture such things as:
 - SRK's observation that sufficient information was not available to be able to rely upon Kangaroo's published reserves as the basis for valuation
 - the weighting of Reserves to Resources and whether there is any imperative for conversion
 - potential timing differences by companies in reporting updated Reserves figures
 - the underlying quality and cost of recovery of coal is likely to vary significantly between companies
 - other assets and liabilities held by the selected companies not reflected in the Reserves balances.
- a number of the comparable companies have underlying operations which are significantly larger, more advanced and more diversified than Kangaroo Resources.

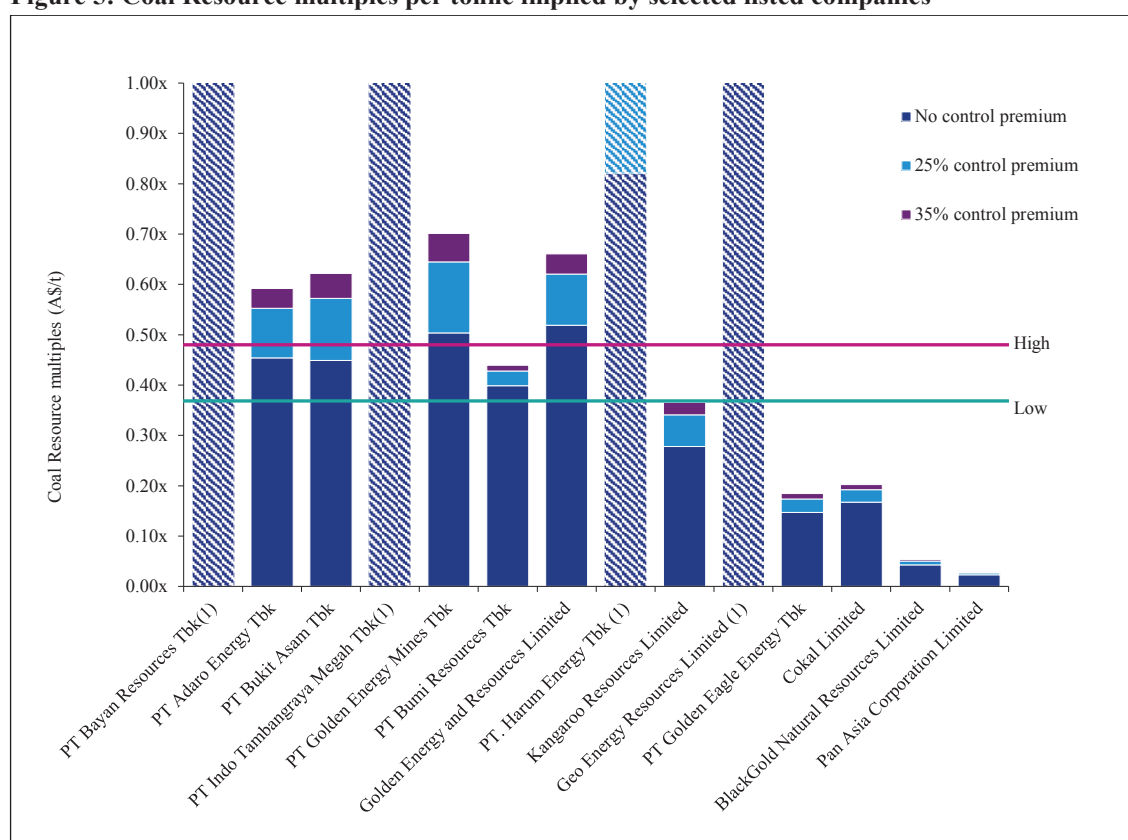


Further details of our analysis is set out in Appendix 4 to this report.

Comparison to listed company coal Resource multiples

Summarised in the figure below is a comparison of the results set out above with the value per coal Resource tonne for a selection of listed coal companies implied by their market capitalisation as at the date of the announcement of the Scheme, a notional allowance, solely for comparison purposes, for a premium for control of 25% to 35% and their most recent reported net debt/(cash) positions.

Figure 5: Coal Resource multiples per tonne implied by selected listed companies



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports
Note 1. Shading reflects selected listed companies that implied a multiple beyond the range presented in the chart.

This analysis indicates a wide range of outcomes, however we note that the range of coal Resources multiples implied by our range of assessed market values for the enterprise value of Kangaroo Resources lie within the range of equivalent observed listed company multiples.

In considering these outcomes we note that many of the comments in relation to the multiples implied by listed company coal Reserve multiples are equally relevant here.

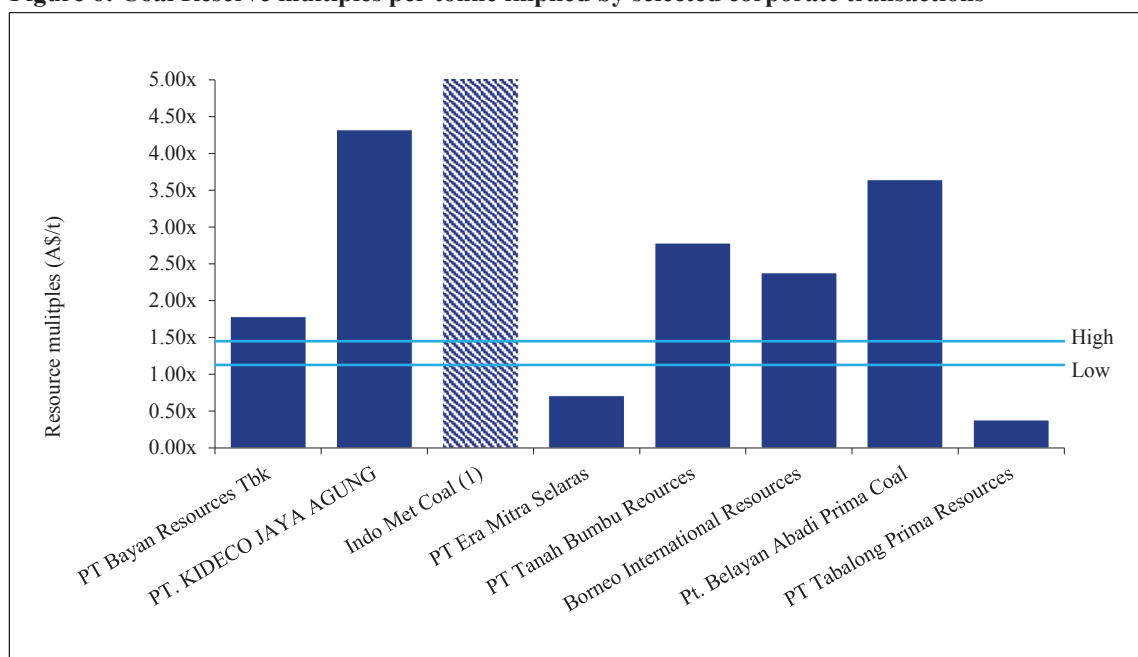
Further details of our analysis is set out in Appendix 4 to this report.



Comparison to coal Reserve multiples implied by recent coal corporate transactions

Summarised in the figure below is a comparison of the coal Reserves multiples implied by our range of enterprise values for Kangaroo Resources with the implied value per coal Reserve tonne for a selection of recent corporate transactions.

Figure 6: Coal Reserve multiples per tonne implied by selected corporate transactions



Source: KPMG Corporate Finance Analysis, Capital IQ, Merger Market and respective company announcements and Annual Reports

Note 1. Shading reflects selected listed companies that implied a multiple beyond the range presented in the chart.

In considering the outcomes of the comparison to coal Reserve multiples implied by recent corporate transactions we note the following limitations:

- many of the previously mentioned comments in relation to the multiples implied by listed companies have equal relevance here
- the transactions above involve companies at various stages of development and companies with varying degrees of vertical integration
- a number of the transactions involved the acquisition of less than a 100 percent stake in the target company
- the transactions considered were completed under different prevailing market conditions and the market participants may have held different expectations in relation to forecast coal prices
- the underlying quality and cost of recovery of coal in each transaction may vary



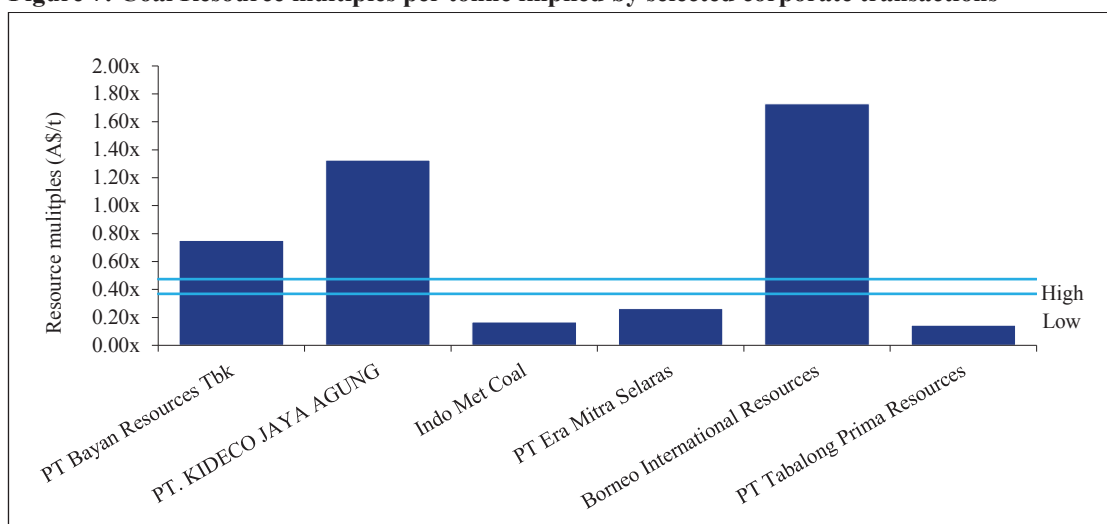
- the underlying companies may have had little incentive to seek works to upgrade coal Resources to coal Reserves
- the final price paid by the successful acquirer may incorporate an element of synergies and cost savings unique to that purchaser that it was required to pay away. This value is excluded from the commonly accepted definition of market value but is extremely difficult to quantify but if excluded could reduce the implied transaction multiples.

Further details of our analysis is set out in Appendix 5 to this report.

Comparison to coal Resource multiples implied by recent coal corporate transactions

Summarised in the figure below is a comparison of the coal Resource multiples implied by the range of enterprise values for Kangaroo Resources with the implied value per coal Resource tonne for a selection of recent corporate transactions.

Figure 7: Coal Resource multiples per tonne implied by selected corporate transactions



Source: KPMG Corporate Finance Analysis, Capital IQ, Merger Market and respective company announcements and Annual Reports

This analysis indicates a wide range of outcomes, however we note that the range of the coal Resource multiples implied by our range of assessed values for the enterprise value of Kangaroo Resources lies within the observed range.

In considering the outcomes of the comparison to coal Resource multiples implied by recent corporate transactions we note many of the previously mentioned comments in relation to the multiples implied by listed companies have equal relevance here.

Having regard to the above mentioned analysis we do not consider our range of enterprise values for Kangaroo Resources to be unreasonable.

Further details of our analysis is set out in Appendix 5 to this report.



Appendix 1 – KPMG Corporate Finance disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Jason Hughes and Sean Collins. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as preparation of expert reports.

Jason Hughes is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Jason is a Fellow of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Services Institute of Australasia, a Member of the Australia Institute of Company Directors and holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance. Jason has extensive experience in the preparation of independent expert reports and corporate valuations.

Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute of Securities and Investments in the United Kingdom and holds a Bachelor of Commerce from the University of Queensland. Sean has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Scheme Participants. KPMG Corporate Finance expressly disclaims any liability to any Scheme Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

We note that the forward-looking financial information prepared by Kangaroo Resources and PT Bayan does not include estimates as to the potential impact of any future changes in taxation legislation in Australia, Indonesia or any other jurisdiction. Future taxation changes are unable to be reliably determined at this time.

Our report makes reference to "KPMG Corporate Finance analysis". This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.



*Kangaroo Resources Limited
Independent Expert Report
15 October 2018*

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Kangaroo Resources for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone, and to ASIC. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to non-associated Shareholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Professional standards

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.



Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements including, inter alia, annual and half year financial statements and quarterly reports
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd, the Economic Intelligence Unit Limited, Oxford Economics and the Department of Industry, Innovation and Science
- various company websites and investor presentations
- the SID released to the ASX on 17 August 2018
- financial information from S&P Capital IQ, Bloomberg, Merger Market, Thompson One, Consensus Economics and Connect 4.

Non-public information

- the Scheme Booklet (including earlier drafts)
- SRK's independent technical specialist report
- Kangaroo Resources' top 10 shareholders as at 12 October 2018.

In addition, we have held discussions with, and obtained information from, the senior management of each of Kangaroo Resources and PT Bayan and their advisers.



Appendix 3 – Overview of the coal industry

To provide a context for assessing the future prospects of each of Kangaroo Resources and PT Bayan, we have set out below an overview of international coal markets.

Background

Coal is formed by the decomposition of plant matter in the absence of oxygen under extreme temperature and pressure over millions of years. It is composed primarily of carbon with variable quantities of hydrogen, sulphur, oxygen and nitrogen. The conditions under which the coal is formed has an important bearing on its physical and chemical properties of the coal.

There are two primary types of coal:

- *thermal coal* - also known as steaming coal, is used for its heating value, typically in electricity generation
- *metallurgical coal* - also known as coking coal, is primarily used in steel production.

Thermal coal accounts for an estimated 79.9% of global coal production by volume. This proportion has increased over the past five years as a result of the growing global consumption of electricity.

Mining Methods

Regardless of the type of coal two primary coal mining methods are adopted; (1) open cut and (2) underground.

Open cut

Open cut mining is usually preferred when mineral deposits are close to the surface. It typically involves blasting and excavating layers of soil to expose the mineral seam. The mineral seam is then drilled and fractured and the recovered mineral is processed.

Underground

Underground mining involves creating a tunnel from the surface to the mineral seam, which is used to transport machinery and extracted minerals. Whilst other methods are available, modern underground mining is typically associated with longwall mining techniques due to its ability to sustain safe, cost efficient large scale extraction. Longwall mining uses mechanical shears to cut away coal whilst hydraulic supports hold the roof of the mine.

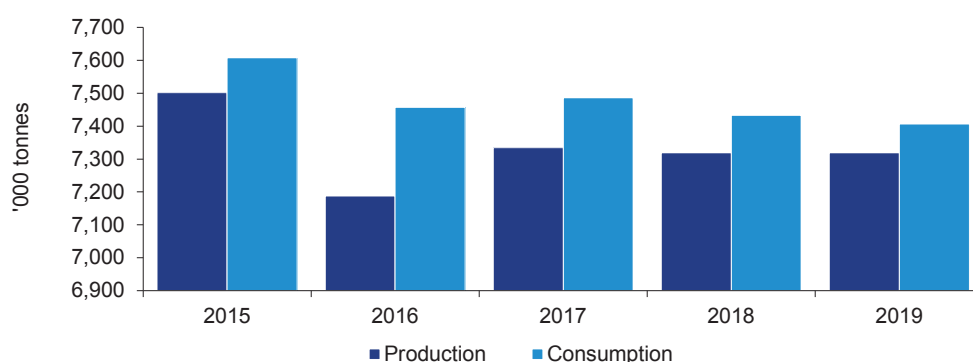
Other underground methods include bord-and-pillar and block-caving.



Supply and Demand

Set out below is a summary of historical and forecast global production and consumption for coal reported by the Energy Information Administration.

Figure A3-1: Summary of the global coal supply and demand



Source: Energy Information Administration (2018) (EIA), KPMG Corporate Finance Analysis

In 2017, global coal consumption grew by 0.4%, largely driven by economic expansion in emerging economies including China and India, despite reduced consumption in developed countries. The Economist Intelligence Unit (EIU) expects coal consumption in China and Organisation for Economic Co-operation and Development countries to decline in 2018 and 2019 offset by continued economic growth in Asian markets outside China resulting in a net reduction in consumption for 2018 and 2019.

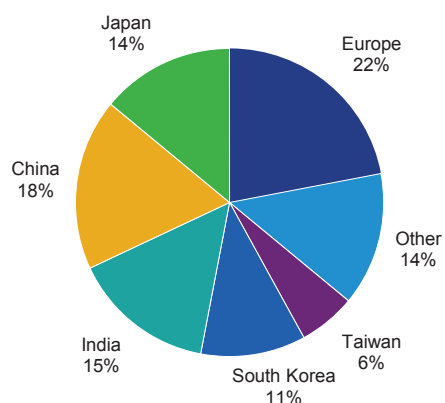
Demand

Thermal coal

Thermal coal demand is principally driven by global electricity consumption and influenced by environmental, political and technological factors. Set out below is a summary of the world importers of thermal coal by country in 2017 as reported by the Department of Industry, Innovation and Science (DIIS).



Figure A3-2: Thermal coal imports by region

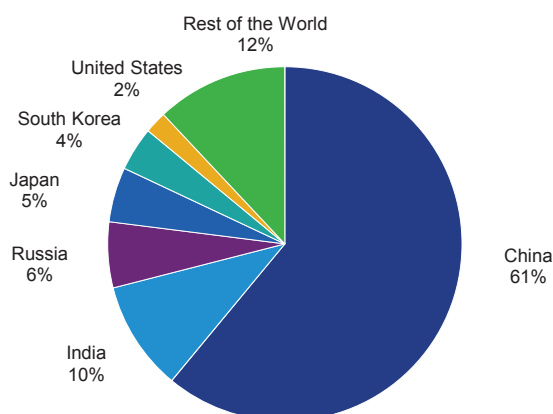


Source: DIIS – Metallurgical Coal (Dec 2017), KPMG Corporate Finance analysis

Metallurgical Coal

Metallurgical coal is predominately used in the production of steel, as such the largest consumers of metallurgical coal are countries with steel refineries. Set out below is a summary of the world consumption of metallurgical coal by country in 2016 as reported by the DIIS.

Figure A3-3: Metallurgical coal consumption by region



Source: DIIS – Metallurgical Coal (Dec 2017), KPMG Corporate Finance analysis

Global economic growth and industrial production increased in the first half of 2018 resulting in strong demand for global steel output and thus demand for metallurgical coal.

The DIIS expects the world trade in metallurgical coal to grow by 5.1 per cent in 2018 to 334 million tonnes — driven by a recovery in Australian exports and strong global steel output — before growth slows to 2.7 per cent in 2019 and to 0.9 per cent 2020.

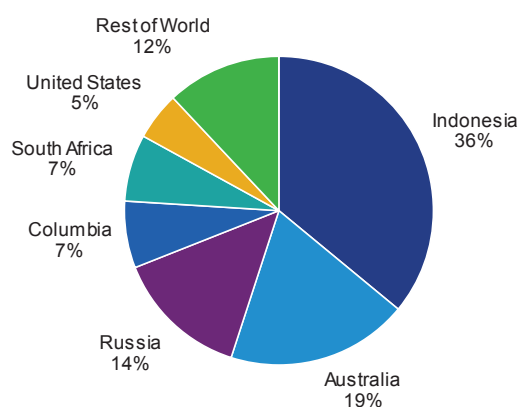


Supply

Thermal coal

The supply of thermal coal is driven by prevailing spot prices, production costs, political and commercial factors relating to the reliance on coal within the electricity mix. Set out below is a summary of the thermal coal exports by region

Figure A3-4: Thermal coal exports by region

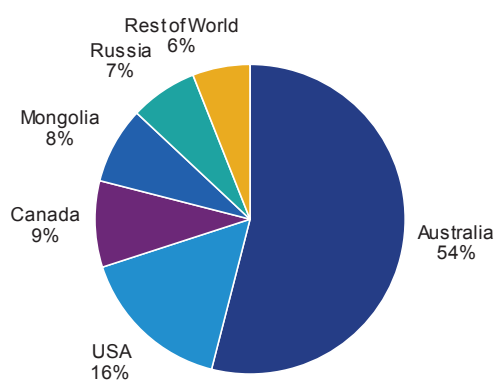


Source: DIIS – Resources and Energy Quarterly (June 2018), KPMG Corporate Finance analysis

Metallurgical Coal

Australia is the largest exporter of metallurgical coal in the world producing approximately 54 percent of world metallurgical coal, of which 98 percent is exported. Set out below is a summary of the key exporters of metallurgical coal by country in 2017 as reported by DIIS.

Figure A3-5: Metallurgical coal exports by region



Source: DIIS – Resources and Energy Quarterly (June 2018), KPMG Corporate Finance analysis



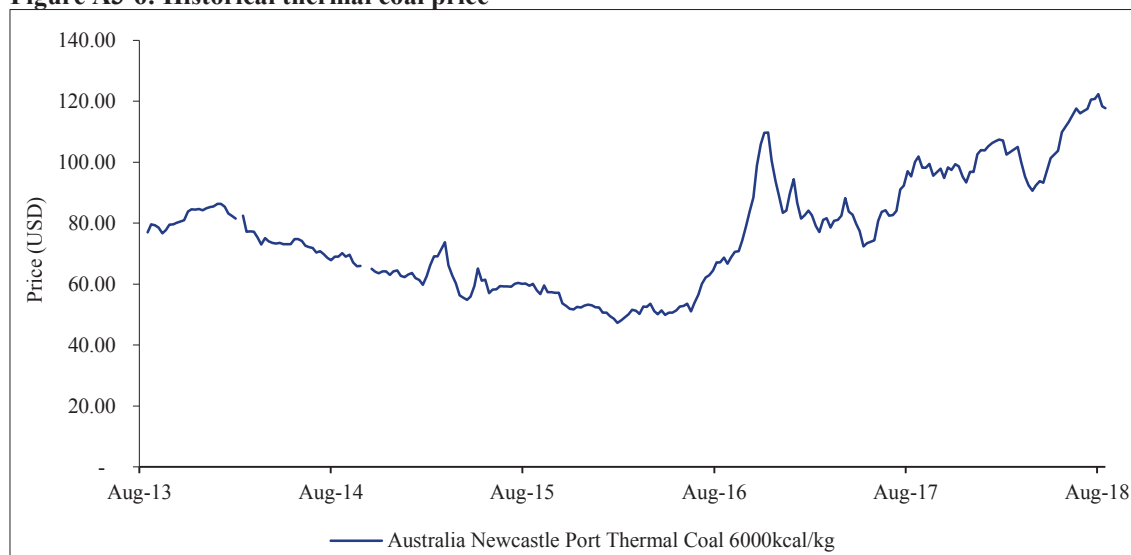
Historical coal prices

The coal price is sensitive to global economic sentiment but also to economic conditions in key consuming countries as domestic energy mix, energy demand and industrial activity, amongst other things, impact the demand for coal.

Thermal Coal

Set out below is the historical USD denominated Australia Newcastle Port Thermal Coal 6000Kcal FOB spot price for the five years to 17 August 2018.

Figure A3-6: Historical thermal coal price



Source: Bloomberg, KPMG Corporate Finance analysis

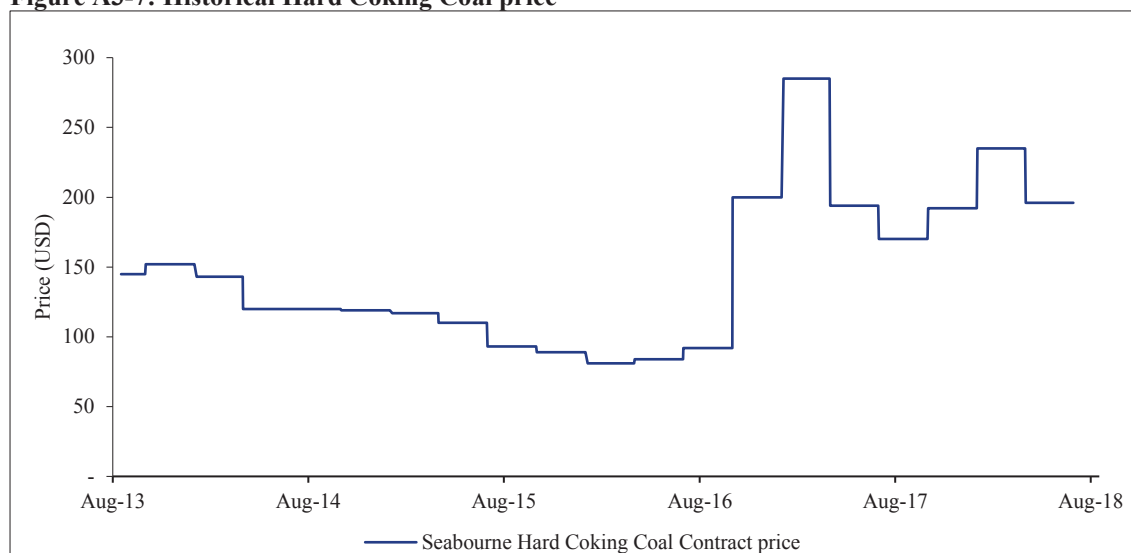
Over the 3 years to January 2016, the thermal coal price demonstrated a generally declining trend from US\$86.36 per tonne on 27 December 2013 to US\$47.27 per tonne on 29 January 2016. In late 2016, the thermal coal price recovered to over US\$100 per tonne due to a reduction in the amount of thermal coal mined in China. Subsequently, the thermal coal price has shown signs on volatility, trading in the range of US\$72.42 per tonne (May 2017) to US\$122.28 per tonne (August 2018). On 16 August 2018, the spot thermal coal price was US\$117.69 per tonne.

Metallurgical Coal

Set out below is the historical USD denominated Seaborne Hard Coking Coal Contract price for the five years to 29 June 2018, being the latest available data.



Figure A3-7: Historical Hard Coking Coal price



Source: Bloomberg, KPMG Corporate Finance analysis

The metallurgical coal price demonstrated a generally declining trend from US\$152 per tonne in October 2013 to US\$84 per tonne on April 2016. In early 2017, the metallurgical coal price recovered to US\$285 per tonne. Subsequently, the metallurgical coal price has shown signs on volatility, trading in the range of US\$170 per tonne (July 2017) to US\$235 per tonne (January 2018). On 29 June 2018, the prevailing Metallurgical coal contract price, quoted by Bloomberg, was US\$196 per tonne.



Appendix 4 – Selected listed companies

Resource and reserve trading multiples									
Company	Market capitalisation	Enterprise value	Resources	Reserves	Resource multiples	No control premium Resource multiples	25% control premium Resource multiples	35% control premium Resource multiples	premium Resource multiples
PT Bayan Resources Tbk	6257	6220	1999	792	3.11	7.85	3.89	9.83	4.21
PT Adaro Energy Tbk	5357	6182	13609	1205	0.45	5.13	0.55	6.24	0.59
Banpu Public Company Limited	4255	9818	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PT Bukit Asam Tbk	4086	3709	8264	3334	0.45	1.11	0.57	1.42	0.62
PT Indo Tambangraya Megah Tbk	2700	2338	1626	254	1.44	9.22	1.85	11.89	2.02
PT Golden Energy Mines Tbk	1411	1259	2500	838	0.50	1.50	0.64	1.92	0.70
PT Bumi Resources Tbk	1343	4597	11536	2404	0.40	1.91	0.43	2.05	0.44
Golden Energy and Resources Limited	741	949	1829	677	0.52	1.40	0.62	1.68	0.66
PT. Harum Energy Tbk	601	400	487	123	0.82	3.26	1.13	4.48	1.25
Kangaroo Resources Limited	306	340	1221	399	0.28	0.85	0.34	1.04	0.37
Geo Energy Resources Limited	299	345	117	86	2.96	4.00	3.59	4.87	3.85
PT. Borneo Olah Sarana Sukses Tbk	296	294	0	11	n/a	27.87	n/a	34.91	n/a
PT Garda Tujuh Buana Tbk	73	74	0	89	n/a	0.84	n/a	1.04	1.13
PT Golden Eagle Energy Tbk	60	83	566	317	0.15	0.26	0.17	0.31	0.18
PT Exploitasi Energi Indonesia Tbk	42	142	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cokal Limited	27	45	267	n/a	0.17	n/a	0.19	n/a	0.20
BlackGold Natural Resources Limited	16	22	520	147	0.04	0.15	0.05	0.18	0.05
Pan Asia Corporation Limited	2	3	129	n/a	0.02	n/a	0.03	n/a	0.03
Mean					0.81	4.67	1.01	5.85	1.08
Median					0.45	1.71	0.56	1.99	0.61

Notes:

1. Enterprise Value has been calculated as Market Capitalisation as at 17 August 2018 converted to AUD as at the same date based on prevailing spot price (where relevant) and the latest net debt/cash of the selected company reported prior to 17 August 2018

2. Where the Resources/Reserves are not 100 percent owned, the calculation of the multiple is based on the company's relevant interest.

3. Resources include Measured, Indicated and Inferred Resources.

4. Reserves include Proven and Probable Reserves.

5. Resources are quoted inclusive of reserves.

6. Calculated as enterprise value divided by total resource.

7. Calculated as enterprise value divided by total reserve.

8. "n/a" indicates the information is not available.

Source: Capital IQ, company financial statements and reports, publicly available Resource/Reserve information of relevant companies and KPMG Corporate Finance Analysis



Company	Description
PT Bayan Resources Tbk	PT Bayan Resources Tbk, together with its subsidiaries, engages in the open cut mining and sale of coal in Kalimantan. It operates through Coal and Non-Coal segments. The company produces semi-soft coking, low sulphur, and sub-bituminous coal. It has rights to mine five coal contracts of works and three Kuasa Pertambangan's with a concession area of 81,265 hectares. The company also operates a Balikpapan coal terminal located in Balikpapan, East Kalimantan and PIK Jetty located in Bengalon, East Kalimantan. It owns and manages 11 tugboat units, 15 barge units, and 2 floating transfer station units. In addition, the company is involved in the provision of mining contractor, construction, transportation, and trading services. PT Bayan Resources Tbk was founded in 1973 and is headquartered in Jakarta, Indonesia.
PT Adaro Energy Tbk	PT Adaro Energy Tbk, together with its subsidiaries, explores for, mines, sells, and trades in coal in Indonesia. It also provides coal handling and barging services, terminal handling services, domestic sea transportation, trading and power plant services, construction services, and coal mining, coal trading, mining contractor, infrastructure, coal logistics, power generation, and water treatment services. The company also exports its products to China, Malaysia, Japan, Korea, and internationally. The company was formerly known as PT Padang Karunia and changed its name to PT Adaro Energy Tbk. in April 2008. PT Adaro Energy Tbk. was founded in 2004 and is headquartered in South Jakarta, Indonesia.
PT Bukit Asam Tbk	PT Bukit Asam Tbk, together with its subsidiaries, engages in coal mining activities primarily in Indonesia. The company's coal mining activities include general surveying, exploration, exploitation, processing, refining, transportation, and trading. It maintains maintenance of special coal port facilities; operates of steam power plants; and provides consulting services related to the coal mining industry and production. In addition, the company offers briquette processing, palm plantation and processing, and health services. It also operates in China, India, Hong Kong, the Philippines, Cambodia, Bangladesh, Malaysia, Pakistan, Thailand, Vietnam, Taiwan, Japan, South Korea, Singapore, Switzerland, and Canada. The company was formerly known as PT Bukit Asam (Persero) Tbk and changed its name to PT Bukit Asam Tbk in November 2017. PT Bukit Asam Tbk was founded in 1950 and is headquartered in Tanjung Enim, Indonesia.
Banpu Public Company Limited	Banpu Public Company Limited engages in the coal mining and power businesses. The company holds interest in a 1,434 MW coal-fired power plant in Map Ta Phut Industrial Estate, Rayong Province, Thailand. It also manages coal mines in Kalimantan, which produce a range of bituminous and sub-bituminous thermal coals in Indonesia. In addition, the company operates the Gaohe underground mine in Shanxi Province and Hebi mine in Henan Province; and operates and manages three combined heat and power plants with a capacity of 248 megawatts and a steam capacity of 808 tonnes per hour in northern China. Further, it owns nine underground and open-pit coal mines, which supplies thermal and coking coal located in the north and the west of New South Wales, Australia. Additionally, the company engages in coal exploration and mine development of approximately 15 sites of thermal and coking coal deposits in Mongolia. It is involved in the power and steam production, solar power generation; and sales and marketing activities. The company also provides mining, and coal mining and trading consultancy services. It primarily serves power plants, cement factories, and other industrial plants. The company was formerly known as Ban Pu Coal Company Limited and changed its name to Banpu Public Company Limited in July 1993. Banpu Public Company Limited was founded in 1983 and is headquartered in Bangkok, Thailand.
PT Indo Tambangraya Megah Tbk	PT Indo Tambangraya Megah Tbk, together with its subsidiaries, engages in coal mining activities. The company operates six mining concessions in the island of Kalimantan covering East, Central, and South Kalimantan, Indonesia. It also owns and operates the Bontang Coal Terminal/BoCT, three loading ports, and Bontang power plant. In addition, the company provides mining support, coal and fuel trading, coal transportation, and alternative energy marketing and support services. It sells its coal in Indonesia, India, Pakistan, Taiwan, China, Hong Kong, Korea, Japan, Europe, Australia, and other parts of Southeast Asia. The company was founded in 1987 and is headquartered in South Jakarta, Indonesia.



Company	Description
PT Golden Energy Mines Tbk	PT Golden Energy Mines Tbk engages in the business of mining and coal trading. The company was formerly known as PT Bumi Kencana Eka Sakti and changed its name to PT Golden Energy Mines Tbk in November 2010. The company was founded in 1997 and is based in Jakarta, Indonesia.
PT Bumi Resources Tbk	PT Bumi Resources Tbk, through its subsidiaries, engages in mining business in Indonesia. It operates through Coal, Services, Oil and Gas, and Gold segments. The Coal segment engages in the exploration, exploitation, and sale of coal deposits. The Services segment offers marketing and management services. The Oil and Gas segment explores for oil and gas properties. The Gold segment explores for gold properties. The company was formerly known as PT Bumi Modern Tbk. and changed its name to PT Bumi Resources Tbk in September 2000. PT Bumi Resources Tbk was founded in 1973 and is headquartered in South Jakarta, Indonesia.
Golden Energy and Resources Limited	Golden Energy and Resources Limited, an investment holding company, engages in the exploration, mining, marketing, and trading of thermal coal. It holds interests in coal mining concession areas that covers an area of approximately 42,904 hectares located in South Kalimantan, Central Kalimantan, Jambi, and South Sumatra Basin in Indonesia. Its customers are located in Indonesia, China, India, South Korea, Spain, Taiwan, the Philippines, Malaysia, and Thailand. The company is based in Singapore.
PT Baramulti Suksessarana Tbk	PT Baramulti Suksessarana Tbk mines, produces, trades in, and transports coal. It holds interests in the PT Antang Gunung Meratus coal concession located in South Kalimantan and PT Baramulti Suksessarana coal concession located in East Kalimantan. The company also engages in the other coal mining supporting business. It operates in Indonesia, China, India, South Korea, Malaysia, Taiwan, Thailand, the Philippines, Vietnam, and Japan. The company was founded in 1990 and is headquartered in Jakarta, Indonesia.
PT. Harum Energy Tbk	PT. Harum Energy Tbk, through its subsidiaries, engages in bituminous coal mining and logistics activities in Asia. The company operates through Mining, Rental and Service Income, and Others segments. It is also involved in the provision of shipping services and investment activities. The company serves coal fired power generating and manufacturing companies. The company was founded in 1995 and is headquartered in Central Jakarta, Indonesia.
Kangaroo Resources Limited	Kangaroo Resources Limited, a mineral resources company, engages in the exploration and exploitation of coal in Indonesia. It holds interest in the Pakar project, the Mamahak project; and the GPK project. The company was formerly known as Kangaroo Metals Limited and changed its name to Kangaroo Resources Limited in August 2009. The company is based in Mount Hawthorn, Australia.
Geo Energy Resources Limited	Geo Energy Resources Limited, an investment holding company, engages in mining, producing, and trading coal in Indonesia. The company operates through Coal Mining, Coal Trading, and Mining Services segments. The Coal Mining segment engages in the production and sale of coal. The Coal Trading segment is involved in the purchase and sale of coal from third parties. The Mining Services segment provides mining contracting and project management services for mining activities conducted at third party mines, as well as equipment rental services. It owns and operates PT Bumi Enggang Khatulistiwa coal mine project that covers approximately 4,570 hectares of land located in Kutai Barat, East Kalimantan; the SDJ mining concession that covers 235 hectares of land located in Tanah Bumbu, South Kalimantan; and STT mining concession covering an area of 4,600 hectares in Kutai Barat, East Kalimantan, as well as owns PT Surya Tambang Tolindo mine covering an area of 4,600 hectares of land located in Kutai Barat, East Kalimantan. The company also engages in power generation and general trading activities. Geo Energy Resources Limited was founded in 2008 and is based in Singapore.
PT. Borneo Olah Sarana Sukses Tbk	PT. Borneo Olah Sarana Sukses Tbk operates as a coal production company primarily in Indonesia. The company's mining assets are located in Muara Pahu, Kutai Barat, and East Kalimantan regions. It exports its products to Japan, the Philippines, South Korea, Taiwan, the United States, Thailand, India, Vietnam, and Bangladesh. PT. Borneo Olah Sarana Sukses Tbk was founded in 2007 and is based in West Jakarta, Indonesia.



Company	Description
PT Garda Tujuh Buana Tbk	PT Garda Tujuh Buana Tbk engages in mining, producing, and selling thermal coal in the north middle part of Bunyu Island, Indonesia. It is also involved in construction in mining, marketing and trading, and coal and other mining activities. The company also exports its coal products. The company serves coal fired power plants. PT Garda Tujuh Buana Tbk was founded in 1996 and is headquartered in Jakarta, Indonesia.
PT Golden Eagle Energy Tbk	PT Golden Eagle Energy Tbk engages in the coal mining business in Indonesia. The company owns interests in a coal concession that covers an area of 3,238 hectares located in Samarinda, East Kalimantan; and three coal concessions covering 2,143 hectares located in Musi Rawas Regency, South Sumatera province. It also offers mining support and coal transportation services. The company was formerly known as PT Eatertainment International Tbk and changed its name to PT Golden Eagle Energy Tbk in August 2012. PT Golden Eagle Energy Tbk was founded in 1980 and is based in Jakarta, Indonesia.
PT Eksploitasi Energi Indonesia Tbk	PT Eksploitasi Energi Indonesia Tbk operates as an integrated coal based energy company in Indonesia. The company operates through Coal Mining and Trading, Steam Power Plant, and Port Services and Others segments. It produces and supplies coal; and operates steam power plants in Pangkalan Bun and Kalimantan Tengah. PT Eksploitasi Energi Indonesia Tbk is also involved in logistics and transportation of coal; and power generation activities. The company was formerly known as PT Central Korporindo International. The company was founded in 1999 and is headquartered in Jakarta, Indonesia. PT Eksploitasi Energi Indonesia Tbk is a subsidiary of PT Saibatama Internasional Mandiri.
Cokal Limited	Cokal Limited engages in the identification, exploration, and development of metallurgical coal in Indonesia, Australia, and Singapore. It has interests in four projects in Central Kalimantan. The company is based in Sydney, Australia.
BlackGold Natural Resources Limited	BlackGold Natural Resources Limited, an investment holding company, engages in the exploration and mining of coal in Indonesia. The company holds interest in PT Samantaka Batubara concession covering an area of 15,000 hectares located in Riau, Sumatra. It focuses on supplying coal to power plants located in Riau. BlackGold Natural Resources Limited is based in Singapore.

Source: Capital IQ, company websites, KPMG Corporate Finance Analysis



Kangaroo Resources Limited
Independent Expert Report
15 October 2018

Appendix 5 – Selected transactions

Target	Acquirer	Percentage acquired	Date announced	Implied enterprise value	Resources	Reserves	Resource multiples	Reserve multiples
		%		A\$m	Mt	Mt	A\$/t	A\$/t
PT Bayan Resources Tbk	Unknown	10%	Oct-17	1413	1882	792	0.75	1.78
PT. KIDECO JAYA AGUNG	PT. Indika Energy Tbk; PT Indika Inti Corbindo	45%	Sep-17	1824	1375	422	1.33	4.32
Indo Met Coal	PT Adaro	75%	Oct-16	212	1270	4	0.17	49.24
PT Era Mitra Selaras	PT Kuansing Inti Makmur; PT Golden Energy Mines Tbk	100%	Aug-16	48	183	68	0.26	0.71
PT Tanah Bumbu Resources	Geo Energy	99%	Jun-16	124	na	44	na	2.78
Borneo International Resources	Geo Energy	34%	Dec-15	101	58	42	1.73	2.38
Pt. Belayan Abadi Prima Coal	Energy Earth Public Company Limited	100%	Oct-15	146	na	40	na	3.64
PT Tabalong Prima Resources	PT Internasional Prima coal	34%	May-15	47	326	123	0.14	0.38
Mean							0.73	8.16
Median							0.51	2.58

Notes:

1. Implied enterprise value calculated using the consideration offered by the acquirer and the target's net debt/cash position reported prior to the announcement of the transaction.
2. Where the transaction involved a company acquiring an interest of below 100 percent, the consideration has been grossed up to reflect an implied acquisition of 100 percent.
3. Resources are based on Measured, Indicated and Inferred Resources. Resources are quoted inclusive of Reserves.
4. If the relevant resource statement does not disclose whether Resources are inclusive/exclusive of Reserves, we have assumed that resources are disclosed as being inclusive of Reserves.
5. Reserves are based on proven and probable Reserves
6. Resource and Reserve multiples are calculated using the Enterprise Value implied by the transaction and resources and reserves sourced from latest resource and reserve statement announced by the target prior to the announcement of the transaction.
7. In relation to the Reserve and Resource multiples, "n/a" indicates that Reserve or Resource figures were not available to calculate the multiple or the multiple was not meaningful given the negative enterprise value.

Source: S&P Capital IQ, MergerMarket, company websites and announcements



Kangaroo Resources Limited
Independent Expert Report
15 October 2018

Appendix 6 – SRK – Independent Technical Specialist Report

Independent Specialist Report – Indonesian Coal Assets of Kangaroo Resources Limited

Report Prepared for

**KPMG Financial Advisory Services (Australia)
Pty Ltd**



Report Prepared by



SRK Consulting (Australasia) Pty Ltd

KAN001

October 2018

Independent Specialist Report – Indonesian Coal Assets of Kangaroo Resources Limited

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Executive Summary

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) has been appointed by Kangaroo Resources Limited (Kangaroo or the Company) to provide an Independent Expert Report (IER) for inclusion in a Scheme Booklet in relation to a proposed transaction with PT. Bayan Resources Tbk (Bayan), which may result in Bayan acquiring all the shares in Kangaroo that it does not already own for cash consideration (the Proposed Transaction).

KPMG Corporate Finance has subsequently requested SRK Consulting (Australasia) Pty Ltd (SRK) to assist as Technical Specialist and to provide an Independent Specialist Report (Report) in support of the IER. SRK understands that its Report is to be included as an appendix to KPMG Corporate Finance's IER, which provides comment on the fairness and reasonableness of the Proposed Transaction.

Summary of principal objectives

The objective of this Report is to provide a market value of Kangaroo's Indonesian coal assets as at the Valuation Date (this being the 17 August 2018, this being the date the Proposed Transaction was announced). As at the Valuation Date, Kangaroo's key coal assets comprised the Pakar, Graha Panca Karsa (GPK) and Mamahak projects, all located in East Kalimantan.

This Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets – VALMIN Code (2015), which incorporates the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – JORC Code (2012).

Outline of work program

According to KPMG Corporate Finance's mandate, SRK's scope of work comprises:

- A detailed description of any development assets held by Kangaroo, including the operational status/forecast development, reserves and resources, production/processing operations and expansion opportunities
- A description of the technical and operating assumptions underpinning the Technical model and commentary as to the appropriate sensitivity analysis around the technical and operational assumptions for the production assets¹
- A detailed description of any other non-production assets held by Kangaroo and their current development/operational status
- Valuation methodologies and principal assumptions adopted by SRK in determining the value of any interests in Kangaroo's assets that are not reflected in the Technical model
- Details of any factors that would result in the Market Value of the assets differing from the Technical Value, including the quantum of any adjustment required, if any
- Valuation results cross-checked against other relevant benchmarks, where possible
- Status of each tenement which is material to the SRK report
- Disclosure clauses as outlined in KPMG Corporate Finance's letter of instructions.

¹ SRK notes that its mandate changed over the course of this assignment, as it became evident there was insufficient information to support a discounted cash flow (DCF) analysis of the Pakar Project. As such, SRK had to consider alternative valuation methods.

All monetary figures used in this Report are expressed in either United States dollar (US\$) or Australian dollar (A\$) terms, unless otherwise stated. The final valuation is presented in United States dollars. This Report has adopted an effective valuation date of 17 August 2018.

For the purposes of this Report, SRK has completed a high-level review of recent technical work conducted at the Projects to determine its validity from a valuation perspective. In undertaking its mandate, SRK has reviewed and modified Kangaroo's currently stated Resource/Reserve estimates for valuation purposes in order to capture the likely risks and opportunities available to a potential purchaser of these assets under the Fair Market concept. When valuing the Projects and related tenure, SRK has considered methods commonly used to value mineral assets at a similar stage of project maturity.

The Pakar North Project is the most advanced project from a technical perspective and most of the required infrastructure is established, except for run-of-mine (ROM) pads and excavation areas. Currently, Kangaroo considers production will commence in 2020 (although from an area of unclassified coal Resource) and produce coal with an approximate calorific value (CV) of 4,000 kcal/kg (gross, as received - GAR).

The Pakar South Project is less advanced due to limited geological and topographic survey data. SRK is concerned that this coal is inherently of very low energy (CV 3000 kcal/kg GAR). Based on current market pricing for low energy coal, the Pakar South concessions are not likely to be mined on a standalone basis and may be limited to blending at small proportions with Pakar North coal (yet to be determined).

Based on its review of the available technical data, SRK does not consider the currently stated Coal Reserves estimate for Pakar can be used as a basis for the development of a discounted cashflow model and associated valuation:

1. Practical pit shells have been developed (by Bayan) which includes a significant proportion of Inferred Resources and unclassified coal (which is outside the prevailing JORC Code framework).
2. There was insufficient detail provided to SRK which supports a practical mining sequence and periodic schedule with year-on-year production and detailed coal quality for the Pakar concession Reserve coal (on an either stand-alone basis or with Reserve coal production being forecast separately).
3. In the case of Pakar South, many areas do not have models which extend from crop lines, which is mostly due to limited access and lack of drilling/topographic survey data. Revenue assumptions may need to be reviewed.

SRK considers there is insufficient technical information available to support a discounted cashflow (DCF) analysis of the Pakar Project concessions. On this basis, SRK has elected to value the supporting Coal Resources using market-based valuation methods.

In order to cross check the reasonableness of the outcomes of its market-based valuation, SRK has also considered standard industry yardsticks.

Despite being previously mined for a short period, Kangaroo's Mamahak Project does not have any stated Coal Reserves and hence no reasonable basis for the use of DCF valuation techniques. A high-level margin ranking assessment by PT New Resource Mine Consulting (NRM) indicates only small tonnages may be viable to be mined at prevailing index prices. SRK has assessed the likely value using market-based valuation techniques.

Kangaroo's GPK Project does not have any stated Coal Reserves and conceptual mine plans have not been developed, with development to date having been stifled by transportation options. As such, SRK does not consider there is a reasonable basis for the use of DCF analysis, despite, preliminary financial models having been developed by both Bayan and Kangaroo, based on the resource data set and associated reports.

SRK has considered market-based valuation methods in order to assess the likely value of the GPK Project. Further high-level conceptual analysis by SRK indicates that this project is likely to have similar coal specification and cash cost of production to Pakar North. In SRK's opinion, potential acquirers would consider lower capital infrastructure options and a full assessment of the potential to integrate GPK with the Pakar North operations as it may be possible to maximise the value of GPK (and demonstrate mining will be viable) when this approach is applied.

SRK's recommended valuation ranges and preferred values are detailed in the Valuation section (Section 9) of this Report and are summarised in Table ES-1 below. SRK has produced a Market Value as defined by the VALMIN Code (2015). SRK has recommended preferred values and value ranges for the Projects and related tenure on the basis of their perceived potential.

Table ES-1: Summary of SRK's valuation of Kangaroo's assets as at 17 August 2018 on a 100% equity basis

Project	Asset	Valuation method	Low (US\$ M)	High (US\$ M)	Preferred (US\$ M)
Pakar	Mineral Resources ²	Actual Transaction multiples	76.3	98.1	
		Comparable Transaction multiples	252.8	342.3	
		Peer Trading multiples	305.3	350.0	
		Resources (Selected)	279.1	346.2	312.6
	Exploration Potential	Comparable Transaction multiples	11.0	22.0	
		Geoscientific Rating	4.8	16.0	
		Exploration Potential (Selected)	5.0	22.0	13.5
		Pakar Project - Total	284.1	368.2	326.1
	GPK	Mineral Resources	7.0		
		Actual Transaction multiples			
		Comparable Transaction multiples	82.4	95.9	
		Peer Trading multiples	35.7	41.5	
		Resources (Selected)	59.0	68.7	63.9
		Exploration Potential	1.3		
		Comparable Transaction multiples			
		Geoscientific Rating	0.2	0.7	
		Exploration Potential (Selected)	0.8	1.6	1.2
		GPK Project - Total	59.8	70.3	65.1
Mamahak	Mineral Resources	Actual Transaction multiples	16.1		
		Comparable Transaction multiples	6.2	7.4	
		Peer Trading multiples	3.6	4.2	
		Resources (Selected)	4.9	5.8	5.4
		Comparable Transaction multiples	1.7	4.0	

² Based on its review of the available technical data, SRK has downgraded the stated Coal Reserves and considered the value of the underlying Coal Resources as explained elsewhere in this report.

Project	Asset	Valuation method	Low (US\$ M)	High (US\$ M)	Preferred (US\$ M)
	Exploration Potential	Geoscientific Rating	0.5	2.2	
		Exploration Potential (Selected)	0.5	2.5	1.5
		Mamahak Project - Total	5.4	8.3	6.9
Selected Total			349.3	446.8	398.1

Note: Any discrepancies between values in the table are due to rounding.

On this basis, SRK's valuation of a 100% interest in the Pakar Project is estimated to lie between US\$284.1 M and US\$368.2 M, with a preferred estimate of US\$326.1 M. Based on Kangaroo's current 99.0% equity ownership on a pro-rata basis this is equivalent to US\$281.2 M and US\$364.5 M, with a preferred estimate of US\$322.8 M.

On this basis, SRK's valuation of a 100% interest in the GPK Project is estimated to lie between US\$59.8 M and US\$70.3 M, with a preferred estimate of US\$65.1 M. Based on Kangaroo's current rights to an 77.19% interest (85.19% less 8% payable to KAL Energy) on a pro-rata basis this is equivalent to US\$46.2 M and US\$54.3 M, with a preferred estimate of US\$50.2 M.

On this basis, SRK's valuation a 100% interest in the Mamahak Project is estimated to lie between US\$5.4 M and US\$8.3 M, with a preferred estimate of US\$6.9 M. Based on Kangaroo's current 99% equity ownership on a pro-rata basis this is equivalent to US\$5.4 M and US\$8.2 M, with a preferred estimate of US\$6.8 M.

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Appendix A:	Peer Trading Company
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List of Abbreviations

Abbreviation	Meaning
3D	three dimensions
AIG	Australian Institute of Geoscientists
AMDAL	<i>Analisa Mengenai Dampak Lingkungan</i> (Environmental Impact Assessment)
ANDAL	<i>Analisis Dampak Lingkungan</i> or ANDAL (Environmental Impact Analysis)
APL	<i>Area Penggunaan Lain</i> (Non-forest Estate areas)
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
AusIMM	The Australasian Institute of Mining and Metallurgy
BAC	base acquisition cost
Bayan	PT. Bayan Resources Tbk; a significant shareholder in Kangaroo
BCT	Balikpapan Coal Terminal
CnC	Clear and Clean declaration from the Director General of Minerals and Coal (confirmation that mining activities do not overlap)
Company	Kangaroo Resources Limited
CPP	Central Processing Plant
CRM	certified reference material
CV	Calorific value (energy content of coal)
DCF	discounted cashflow
FOB	Free on Board
GAR	Gross as Received (refers to calorific value basis of measurement)
GPK	Graha Panca Karsa
ha	Hectare
HBA	<i>Harga Batugara Acuan</i> (Coal Reference Price)
HP	<i>Hutan Produksi Tetap</i> (Permanent)
HPK	<i>Hutan Produksi Dapal Dikonversal</i> (Convertible)
HPT	<i>Hutan Produksi Terbates</i> (Degraded)
IER	Independent Expert's Report
IJ	Indonesia Stock Exchange
IL	<i>Izin Lingkungan</i> (Environmental Permit)
IPPKH	<i>Izin Pinjam Paka Kawasan Hutan</i> (Borrow and Use of Forestry Area Permit)
IUP	<i>Izin Usaha Pertambangan</i> (Mining Business Licence)
IUPK	<i>Izin Usaha Pertambangan Khusus</i> (Special Mining Business Licence)
IUP- OP	<i>Izin Usaha Pertambangan - Operasi Produksi</i> (Operation Production Mining Business Licence)
JORC Code	<i>The Australasian Code for the Public Reporting of Exploration Results, Mineral Resources and Ore Reserves</i>
KA	<i>Kerangka Acuan</i> (KA-ANDAL) – Terms of Reference
Kangaroo	Kangaroo Resources Limited
KAL Energy	<i>KAL Energy Inc – A previous shareholder of the GPK concessions who have retained rights to an operating property or a proportion of the sale valuation.</i>
KP	<i>Kuasa Pertambangan</i> (Mining Rights)

Abbreviation	Meaning
KPMG	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
M&TS	Makarim & Taira S, an Indonesian based independent legal firm
M	Million/s
Mt	Million tonnes
Mtpa	Million tonnes per annum
MTR	metal transaction ratio
PLN	<i>Perusahaan Listrik Negara</i> (State-owned Electricity company)
PMA	<i>Penanaman Modal Asing</i> (Foreign Investment)
PMDN	<i>Penanaman Modal Dalam Negeri</i> (Domestic Investment)
QA/QC	quality assurance/ quality control
R&D	research and development
RC	reverse circulation
RKL-RPL	<i>Rencana Pengelolaan Lingkungan Hidup and Rencana Pemantauan Lingkungan Hidup</i> or RKL-RPL (Environmental Management Plan and Environmental Monitoring Plan)
ROM	Run of Mine
RPM	PT RungePincokMinarco (Indonesia)
SGER	SouthGobi Energy Resources
SGX	Singapore Stock Exchange
SRK	SRK Consulting (Australasia) Pty Ltd
SSP	PT Senyuir Sukses Pratama which is a concession along the eastern Kangaroo concession boundaries (relating the boundary line between Kutai Kartanegara Regency and Kutai Timur Regency)
VALMIN Code	The Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets
WIUP	<i>Wilayah Izin Usaha Pertambangan</i> (Mining Business Licence Area)
WIUPK	<i>Wilayah Izin Usaha Pertambangan Khusus</i> (Special Mining Business Licence Area)
WUP	<i>Wilayah Usaha Pertambangan</i> (Mining Business Area)
WP	<i>Wilayah Pertambangan</i> (Mining Area)
WPN	<i>Wilayah Pertambangan Negara</i> (State Reserve Area)
WPR	<i>Wilayah Pertambangan Rakyat</i> (People's Mining Area)
WUP	<i>Wilayah Usaha Pertambangan</i> (Commercial Mining Business Area)
WUPK	<i>Wilayah Usaha Pertambangan Khusus</i> (Special Mining Business Area)

Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Kangaroo Resources Limited (Kangaroo), PT Bayan Resources, Tbk (Bayan, a significant shareholder in Kangaroo) and KPMG Financial Advisory Services (Australia) Pty Ltd (KPMG Corporate Finance). The opinions in this Report are provided in response to a specific request from KPMG Corporate Finance to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

1 Introduction and Scope of Report

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) has been appointed by Kangaroo Resources Limited (Kangaroo or the Company) to provide an Independent Expert Report (IER) for inclusion with in a Scheme Booklet in relation to a proposed transaction with PT. Bayan Resources Tbk (Bayan), which may result in Bayan acquiring all the shares in Kangaroo that it does not already own for cash consideration (the Proposed Transaction).

KPMG Corporate Finance has subsequently requested SRK Consulting (Australasia) Pty Ltd (SRK) to assist as Technical Specialist and to provide an Independent Specialist Report (Report) in support of the IER. SRK understands that its Report is to be included as an appendix to KPMG Corporate Finance's IER, which provides comment on the fairness and reasonableness of the Proposed Transaction.

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in relation to the exploration, development of and production from those tenures. This may include plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals relating to that tenure.

For this valuation, the Projects and associated tenures were classified in accordance with the categories outlined in the VALMIN Code (2015), these being:

- **Early Stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a pre-feasibility study (PFS).
- **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants that have been commissioned and are in production.

Based on these definitions and available technical data, SRK has classified the Pakar Project as a Pre-Development Project, with Kangaroo's other Projects considered to be best presented as Advanced Exploration Projects.

1.1 Nature of the brief and summary of principal objectives

This Report was initiated by KPMG Corporate Finance and is to be included as an appendix to KPMG Corporate Finance's IER, which will provide an opinion on the fairness and reasonableness of the proposed acquisition of Kangaroo shares.

The objective of this Report is to provide an independent technical assessment and valuation of the mineral assets of Kangaroo and their associated tenure.

SRK was engaged to review the project assumptions within the financial models supporting the projects and provide KPMG Corporate Finance with a technical assessment of the inputs into its cash flow model. However, upon review of the available technical data, SRK considered there was insufficient information to reasonably support a DCF analysis of Kangaroo's Projects. Based on the level of detail provided, SRK is not able to use this approach to develop reliable schedules and forecasts for the concessions reviewed and alternative methods have been applied to determine the value of the concessions.

As a result, SRK has undertaken a technical assessment and determined market-based values for each of Kangaroo's Indonesian coal projects.

In addition, SRK was requested to provide an independent valuation of exploration and identified Coal Resources associated with the Projects and their related tenure on an unfunded basis.

SRK has selected the most appropriate valuation technique for the Projects, based on the maturity of the Projects and the available information. This Report expresses an opinion regarding the value of the Projects as directed in SRK's mandate from KPMG Corporate Finance. This Report does not comment on the 'fairness and reasonableness' of any transaction between the owners of these mineral interests and any other parties.

1.2 Reporting standard

This Report has been prepared by SRK in accordance to the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015) (the VALMIN Code) as well as the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112.

This report is considered by SRK to be a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). It should be noted that the authors of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both VALMIN and JORC Codes. For the avoidance of doubt, the VALMIN Code incorporates the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

As per the VALMIN Code (2015), a first draft of the report was supplied to KPMG Corporate Finance and Kangaroo to check for material error, factual accuracy and omissions before the final report was issued. SRK's scope of work was limited to the second draft of the Report after a round of edits by KPMG Corporate Finance and Kangaroo. The final report was issued following review of any comments by Kangaroo.

For the purposes of this Report, value is defined as per the VALMIN Code (2015) as 'market value', being the amount of money (or the cash equivalent or some other consideration) for which a mineral asset should change hands on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing, wherein the parties each acted knowledgeably, prudently and without compulsion.

1.3 Work program

This assignment commenced in August 2018, with a review of publicly available data and other information sourced by SRK from literature, as well as subscription databases such as S&P Global Market Intelligence (formerly SNL) database services. Company information was uploaded to an online dataroom and SRK consultants worked through the datasets, various schedules and models and completed research on comparable market transactions to assist with the valuation.

In accordance with Section 11.1 of the VALMIN Code (2015), a site visit to the Project was undertaken by SRK from the 21st to 23rd August 2018.

1.3.1 Legal matters

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the Indonesian coal tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

SRK has been provided with documentation obtained by Kangaroo from Makarim & Taira S (M&TS), an independent legal firm. The document "Indonesian Mining Concessions of Kangaroo Resources Limited", dated 26 September 2018, comments on the Company's legal and contractual rights to the coal projects which are the subject of this Report.

Based on its review of the M&TS report, SRK understands:

- All 14 mining concessions are held by the relevant Kangaroo or Bayan entity.
- All 14 mining concession holders are legally incorporated in Indonesia.
- Six production mining concessions have valid continuing IUPs (three of those are under voluntary suspension periods, these being the TA, AU and BS concessions at the Pakar Project), and of those six, four have 'clean and clear' (CnC) status (i.e. no overlapping boundaries with other mining concessions). The CA concession has applied for CnC status, but the BS concession is yet to apply for CnC status – because of a previous overlapping boundary issue that has since been resolved. MCM's forestry use licence has expired but MCM is keeping its options open regarding maintaining tenure of its concession.
- Tenure Summary for Production Concessions: There are no obvious 'tenure' issues for those six concessions - albeit that CnC status is pending for two of them, and MCM's forestry licence (IPPKH) has expired.
- Seven exploration concessions are either in suspension (the MEL and MBE concessions both at Mamahak) or awaiting approval for an extension of a current suspension period (four concessions), or are awaiting review by the Ombudsman (the SK concession), which is currently under review.
- One exploration concession (BKL at Mamahak) has expired although action to reinstate the concession may yet be considered.
- Tenure Summary for Exploration Concessions: There are no obvious 'tenure' issues for two exploration concessions (MEL and MBE) whilst tenure should be addressed for four concessions once extension of suspension periods are approved. SK awaits the Ombudsman's response.

SRK considers it has made all reasonable enquiries into this status as at 27 September 2018.

1.4 Key data sources

Data and information relating to the assets as used by SRK during the preparation of this Report are referenced throughout the Report.

1.5 Effective date

The effective date of this Report is 17 August 2018.

1.6 Project team

This Report has been prepared by a team of consultants from SRK's offices within Australia. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

Anthony Stepcich, BEng (Mining), MSc (Mineral Economics), GDip (Finance & Investment), Dip (Technical Analysis), FAusIMM(CP) – Principal Consultant

Anthony Stepcich is a Mining Engineer with 22 years' experience in the mining industry, having gained both underground and open-pit metalliferous experience, and open-pit coal experience. Anthony has postgraduate qualifications in finance and economics. He specialises in open-pit design and scheduling and project evaluations. Anthony is a Competent Person for the reporting of Ore Reserves in accordance with JORC Code (2012). Anthony is also an Expert in accordance with the VALMIN Code (2005) for the public reporting of valuations across multiple commodities. Anthony has experience working in Australia and Indonesia.

Gerry McCaughan, PhD (Geology), MAusIMM – Principal Consultant

Gerry McCaughan is a geologist with 18 years' professional experience, including 15 years' industry and consulting experience in coal and base metals. He is experienced in exploration targeting, structural geology risk analysis, geological modelling and reviews and Resource estimates on coal projects in Australia, Indonesia, Mongolia, Africa and North America. Gerry is a Competent Person for Coal Resource reporting as defined by the JORC Code (2012) and was a member of the committee responsible for the 2014 revision of the *Australian Guidelines for the Estimation and Classification of Coal Resources*. He has prepared Independent Geologist's Reports, Resource Statements and other public documentation for the ASX.

Ashley Ginn, BEng Mining (Hons 1) – Principal Consultant

Ashley Ginn is a Mining Engineer with 18 years' experience across operational management, technical services and business development, mainly in the coal mining industry in Australia and Indonesia. His operational experience covers mine planning (reserving, design and scheduling); open cut system evaluation and optimisation including truck & shovel, dragline, cast blasting, bulk dozer, IPCC and trolley assist systems; and drill and blast design. Ashley has extensive management experience which includes operations management; operational and capital budgeting; financial evaluation; and project implementation and delivery. As a consultant, Ashley has undertaken evaluation and review projects – life of asset, truck & shovel re-design and optimisation, water management, haulage optimisation and infrastructure relocation, integrated mining methods and expansion strategy, and engineering support for environmental planning and statutory reporting. Ashley's advanced software skills include XPAC/ Talpac/ Xeras/ Xact/ DragSim (RPM), Maptek, 3D-Dig and Deswik packages.

Darren Mathewson, BEng (Minerals Processing), BSc, ACPS, CPSA, MAusIMM, SMME – Quality Process Solutions Pty Ltd

Darren Mathewson is a coal processing engineer with over 20 years of experience in industry. Darren has worked in coal processing plants at mine sites in NSW and Queensland, as a supplier of coal processing equipment and as an independent consultant since 2007. Darren has experience with testwork and forecasting processing plant yield and coal quality, in selection and design of coal processing plants and in the operation of coal processing plants. Darren has been the design engineer, commissioning engineer and project manager for coal processing plants ranging in value from A\$36 million to A\$380 million and ranging from a throughput of 350 tonnes per hour to 2,000 tonnes per hour. Darren has completed a number of due diligence projects with SRK in recent years.

Rebecca Getty, BSc Hons (Geology), MAusIMM, MAIG – Consultant

Rebecca Getty is an environmental management professional with 10 years' experience in the mining industry. Her experience as an environmental advisor includes mine closure, environmental management plans and environmental approvals. She commenced her career as an exploration geologist, responsible for supervising drill programs and preparing technical and statutory reports. She has designed, implemented and managed exploration programs for greenfields, mine definition and multi-stage projects in Australia and Canada. Rebecca's experience in technical reporting includes authoring and co-authoring of reports across scoping, pre-feasibility and feasibility study levels according to international reporting guidelines, JORC Code and NI 43-101. Rebecca has strong project management and risk assessment skills.

Jeames McKibben, BSc Hons, MBA, Chartered Valuation Surveyor & Registered Valuer (MRICS), MAusIMM(CP), MAIG – Principal Consultant

Jeames McKibben is an experienced international mining professional having operated in a variety of roles including consultant, project manager, geologist and analyst over more than 25 years. He has a strong record in mineral asset valuation, project due diligence, independent technical review and deposit evaluation. As a consultant, he specialises in mineral asset valuations and Independent Technical Reports for equity transactions and in support of project finance. Jeames has been responsible for multi-disciplinary teams covering precious metals, base metals, bulk commodities (ferrous and energy) and other minerals in Australia, Asia, Africa, North and South America and Europe. He has assisted numerous mineral companies, financial, accounting and legal institutions and has been actively involved in arbitration and litigation proceedings. Jeames is a current member of the VALMIN Committee.

Caue 'Paul' Araujo, BSc (Geology), MBA (Project Management & Finance), MAusIMM – Principal Consultant

Caue 'Paul' Araujo is an experienced mining professional with skills & experience encompass geology, commercial leadership, mining finance & investment strategy, mineral economics, economic modelling and project management. Caue has participated in mining project evaluations and technical due diligence (Mergers & Acquisitions), and Mineral Resource/ Ore Reserve audits (NI 43-101, JORC, VALMIN and US SEC). He has prepared independent technical reports, exploration valuations and global strategic geological exploration assessments across a range of geological environments and commodities. Most recently Caue held the roles of Global Iron Ore Industry Director at the Australian Mineral Economics Group (AME) and General Manager SRK Consulting Brazil. He has in-depth knowledge of technical and commercial aspects of the iron ore industry, and significant exposure to other base metal, precious metal, coal and industrial mineral deposits in Australia, Brazil, Canada, Africa and Russia. Prior to consultancy, Caue gained experience in iron ore open pit grade control, brownfield exploration target generation, geologic 3D modelling, long-term planning and ISO quality internal audits while working for Vale S.A. in Brazil.

1.7 Limitations, reliance on information, declaration and consent

1.7.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by Kangaroo throughout the course of SRK's investigations as described in this Report, which in turn reflects various technical and economic conditions at the time of writing. Such technical information as provided by Kangaroo was taken in good faith by SRK.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by Kangaroo was complete and not incorrect, misleading or irrelevant in any material aspect. Kangaroo has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of its knowledge and understanding, the information provided by Kangaroo was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

SRK has not been engaged to undertake a broader project evaluation or review of the stated Coal Resources and Reserves (other than for valuation purposes) and have relied upon the information provided by Kangaroo and Bayan to estimate the value of the concessions only.

1.7.2 Statement of independence

Neither SRK, nor any of its personnel involved in the preparation of this Report have:

- any material present or contingent interest in either Kangaroo or Bayan or in any of the properties or mineral assets described herein; or
- any association with Kangaroo or Bayan, or related parties of either, which may lead to bias.

SRK has no prior association with Kangaroo, Bayan or the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment capable of affecting its independence.

SRK warrants that its consultant team is competent to undertake the Services and to the best of our knowledge and belief, having made reasonable enquiries, have no conflicts, real or perceived capable of preventing SRK from performing the Services.

1.7.3 Indemnities

As recommended by the VALMIN Code (2015), Kangaroo has provided SRK with an indemnity under which SRK is to be compensated for any liability and/ or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Kangaroo / Bayan or these parties not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.7.4 Consent

SRK consents to this Report being included, in full, in KPMG Corporate Finance 's IER document in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessment expressed in the Summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete report.

1.7.5 Consulting fees

SRK was remunerated a time-based fee for the preparation of this report, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, SRK has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A\$97,000.

2 Overview of Kangaroo Resources Limited

2.1 Introduction

Kangaroo Resources Limited (Kangaroo or the Company; ASX Code KRL) is an Australian based mineral resource company focused on the exploration and development of coal assets in East Kalimantan, Indonesia. The Company was registered on 20 June 2006 with the Australian Securities and Investment Commission (ASIC) as Australian Company Number ("ACN") 120 284 040.

On 19 February 2007, the Company listed on the Australian Securities Exchange (ASX) as Kangaroo Metals Limited (KML) in order to explore for base metal and precious metal deposits in north Queensland. During the fourth quarter of 2009, the Company repositioned itself into a significant Indonesian coal producer through the acquisition of several new coal projects, commencing with the acquisition of the GPK Project in October 2009. To reflect this change in direction, the Company changed its name to Kangaroo Resources Limited on 21 August 2009.

The Company is domiciled in Mount Hawthorn, Perth, Western Australia and currently operates through several controlled subsidiary entities as outlined in Table 2-1.

Table 2-1: Kangaroo's subsidiary companies and associated interests

Subsidiary Name	Zone	Abbreviation	Domicile	Interest
Kangaroo Minerals Pty Ltd		Kangaroo	Australia	100%
SGQ Singapore Investment Company Pte Ltd			Singapore	100%
SGQ Batubara Pte Ltd		SGQ	Singapore	100%
PT Karsa Optima Jaya	Subsidiary which owns the Mamahak concessions.	KOJ	Indonesia	100%
PT Multi Mamahak Batubara			Indonesia	100%
PT Mamahak Coal Mining	Mamahak	MCM	Indonesia	99.0%
PT Bara Karsa Lestari	Mamahak	BKL	Indonesia	99.0%
PT Mahakam Energi Lestari	Mamahak	MEL	Indonesia	99.0%
PT Mahakam Bara Energi	Mamahak	MBE	Indonesia	99.0%
PT Graha Panca Karsa	GPK	GPK	Indonesia	85.19%
PT Sumber Aset Utama	Pakar	SAU	Indonesia	99.0%
PT Tiwa Abadi	Pakar North	TA	Indonesia	99.0%
PT Dermaga Energy	Pakar North	DE	Indonesia	99.0%
PT Tanur Jaya	Pakar North	TJ	Indonesia	99.0%
PT Orkida Makmur	Pakar South	OM	Indonesia	99.0%
PT Apira Utama	Pakar South	AU	Indonesia	99.0%
PT Sumber Api	Pakar South	SA	Indonesia	99.0%
PT Cahaya Alam	Pakar South	CA	Indonesia	99.0%
PT Bara Sejati	Pakar South	BS	Indonesia	99.0%
PT Silau Kencana	Pakar South	SK	Indonesia	99.0%

Source: Modified after Kangaroo's Annual Report for year ended 31 December 2017

Notes: Kangaroo has a 99% interest in Pt Sumber Aset Utama (SAU). SAU has no mineral assets requiring reporting by SRK.

PT Tiwa Abadi, PT Apira Utama, PT Cahaya Alam and PT Bara Sejati are awaiting government sign-off and conversion to Indonesian PMA companies (a foreign investment company) which will allow KRL to own a direct equity interest. Until these entities have been converted to PMA companies, the legal ownership of these four entities is still held by Bayan; and

GPK is held under a nominee structure (commercial interest pending conversion to equity, with further obligation to transfer 8% to a third party after equity transfer) and is also awaiting government sign-off and conversion to Indonesian PMA before Kangaroo take direct equity ownership.

2.2 Key Assets

The key East Kalimantan coal assets held by Kangaroo and considered in this report comprise:

- A 99.0% equity interest in the Pakar Coal Project – thermal coal project comprising nine separate mining concessions;
- An 85.19% (reducing to 77.19%³) equity interest in the Graha Panca Karsa (GPK) Coal Project - thermal coal with a single mining concession; and
- A 99.0% equity interest in the Mamahak Coal Project – high-quality thermal coal (with some potential to produce a coking coal product), comprising four separate mining concessions currently on care and maintenance.

In addition to these coal interests, Kangaroo holds a 3.0% royalty interest on any future production from the Mount Ruby Exploration Project in Queensland, Australia.

2.3 Company strategy

Kangaroo has previously communicated to the ASX that it strives to create shareholder value through the development and production of thermal coal from the Pakar North, Pakar South and GPK projects in East Kalimantan, Indonesia (Figure 2-1).

³ Along with a pre-existing obligation to pass on 8% economic interest to a third party, KAL Energy after equity transfer.

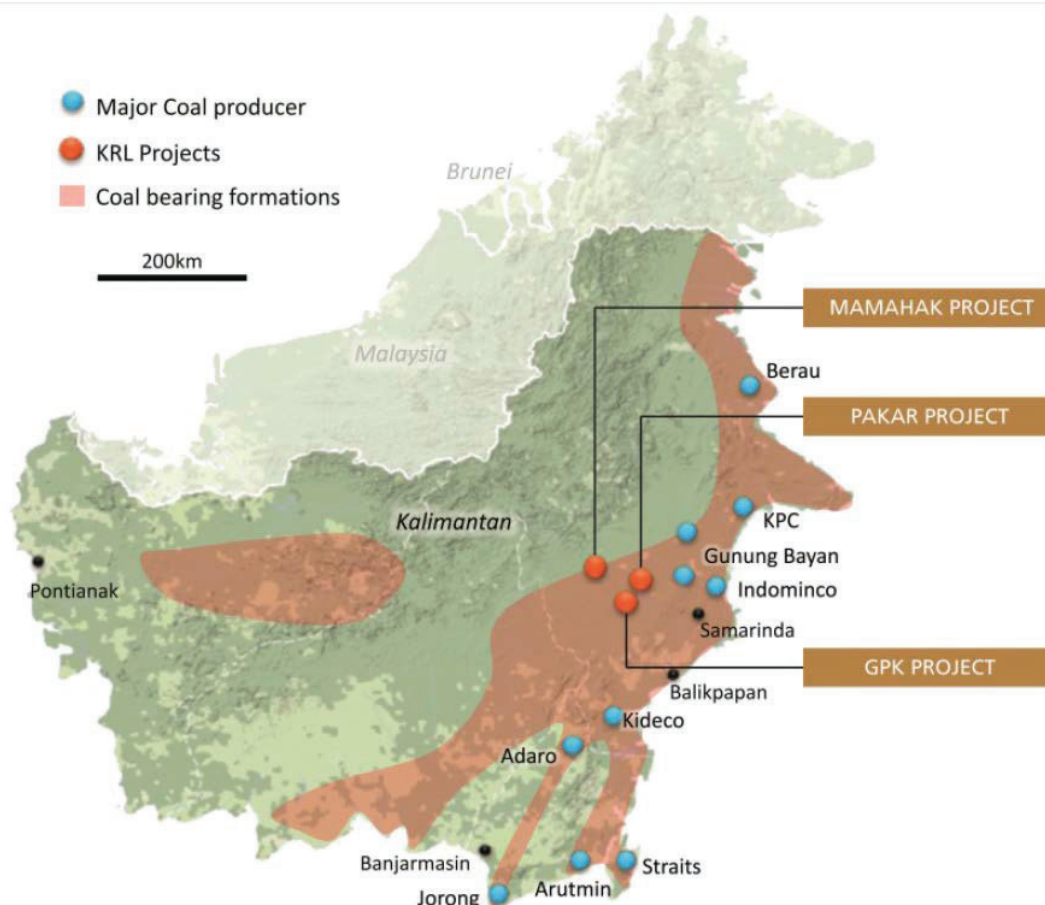


Figure 2-1: Location of Kangaroo's East Kalimantan coal Projects, Indonesia

Source: Kangaroo, ASX announcement, 7 March 2013

The Company has interests in a significant portfolio of 14 coal mining concessions located in the coal-rich province of East Kalimantan. A large proportion of these concessions are in close proximity to the existing coal mining and newly constructed infrastructure assets of its major shareholder, PT Bayan Resources Tbk (part of Bayan Group of Companies, known throughout this report as Bayan), an Indonesian Stock Exchange listed coal and consumable fuels company.

The Company and its management have established a close working relationship with Bayan in order to take advantage of Bayan's existing financial, management, technical, operational and logistics capabilities and its extensive infrastructure footprint within Indonesia. Currently, Bayan is the manager and Kangaroo the partner in regard to project development.

2.4 Summary of Kangaroo's Coal Resources and Reserves

Table 2-2 presents a summary of Kangaroo's current publicly disclosed Kalimantan Coal Resource and Reserves on a 100% equity basis.

Table 2-2: Summary of Kangaroo's Coal Resources and Reserves as at 31 December 2017

Project	Concession	Coal Resources (Mt)				Coal Reserves (Mt)		
		Measured	Indicated	Inferred	Total	Proved	Probable	Total
Pakar North ¹	TA	7	79	65	151	3	58	61
	TJ	103	105	181	389	69	40	109
	DE	81	56	22	159	55	11	66
Pakar South ¹	SA	-	9	6	15	-	5	5
	CA	-	99	56	155	-	40	40
	BS	-	185	36	221	-	118	118
	AU	-	-	-	-	-	-	-
	SK	-	-	-	-	-	-	-
Mamahak ²	MCM	1.6	8.3	4.1	14	-	-	-
	MEL	-	-	-	-	-	-	-
	MBE	-	-	-	-	-	-	-
	BKL	-	-	-	-	-	-	-
GPk ²	GPk	-	58	59	117	-	-	-
Total		192.6	599.3	429.1	1,221	127	272	399

Source: ¹Kangaroo Resources Limited Annual Report for the year ended 31 December 2017; ²Kangaroo Resources Limited Annual Report for the year ended 31 December 2016.

Notes:

Pakar North, Pakar South and Mamahak Coal Resources and Reserves are reported under the JORC Code (2012) framework.

GPk Coal Resources are reported under the JORC Code (2004) framework.

Mamahak and GPk projects were not included in Kangaroo's December 2017 Annual Mineral Resources and Ore Reserves Statement.

Coal Resources are inclusive of Coal Reserves.

Coal Resource quantities are reported on an in-situ basis.

The Pakar coal product is not washed and therefore, the Coal Reserve is equal to the Marketable Reserve.

The reported Coal Resource and Reserve estimates assume open cut mining methods only.

3 Kalimantan – General Information

Indonesia continues to be one of the world's largest exporters of coal and a significant producer of copper, gold, tin, bauxite and nickel.

Kalimantan is the Indonesian portion of the island of Borneo. The north and northwestern parts of the island are the east Malaysian states of Sarawak and Sabah, with the independent state of Brunei Darusalam between them. The remainder of the island is part of Indonesia, divided into five provinces – North Kalimantan, East Kalimantan, West Kalimantan, Central Kalimantan and South Kalimantan.

The coal projects that are the subject of this report are located within the East Kalimantan Province (Figure 3-1). Administratively, Kangaroo's projects all fall within the Kutai region of East Kalimantan, which is further divided into three districts; Kutai Barat, Kutai Timur and Kutai Kartanegara.

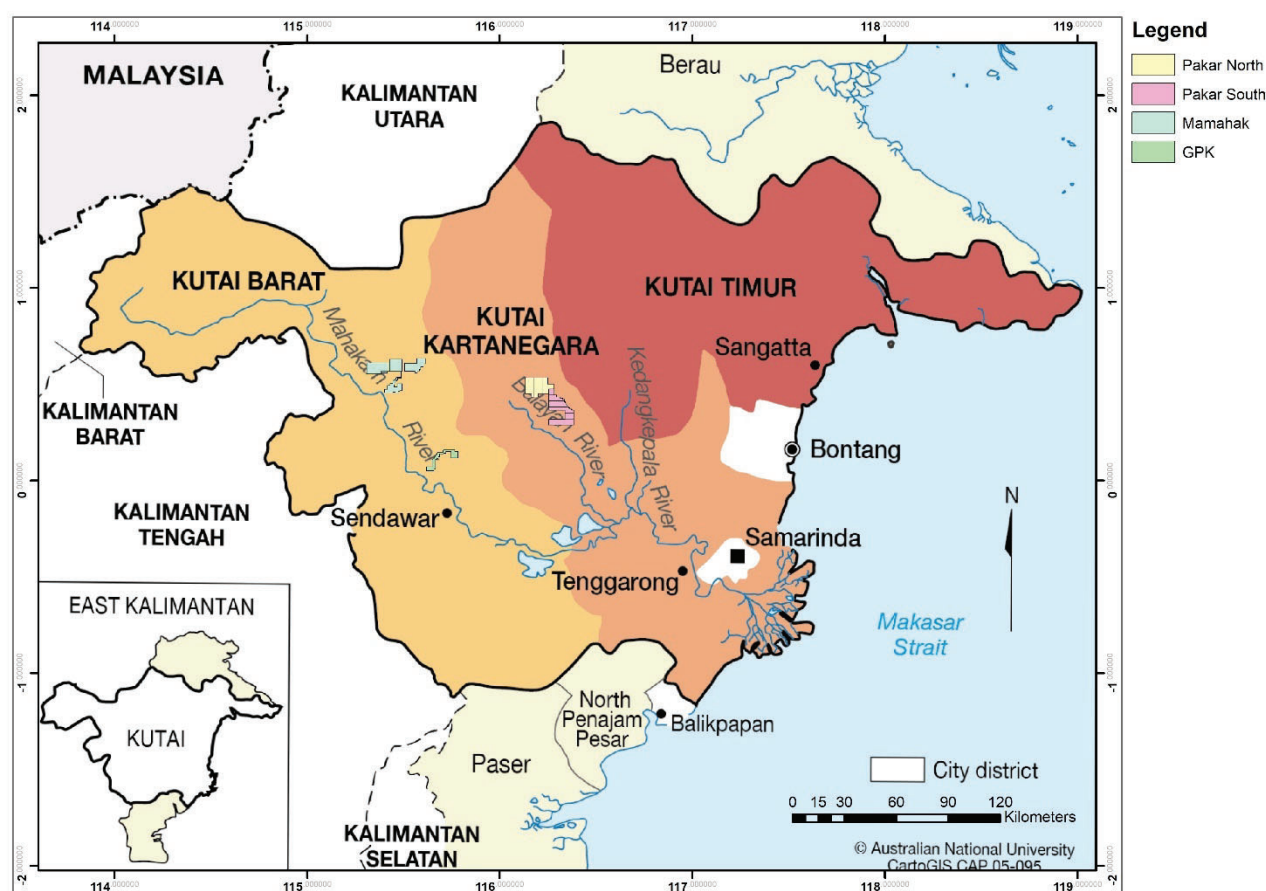


Figure 3-1: Districts of East Kalimantan Province showing the location of Kangaroo's projects

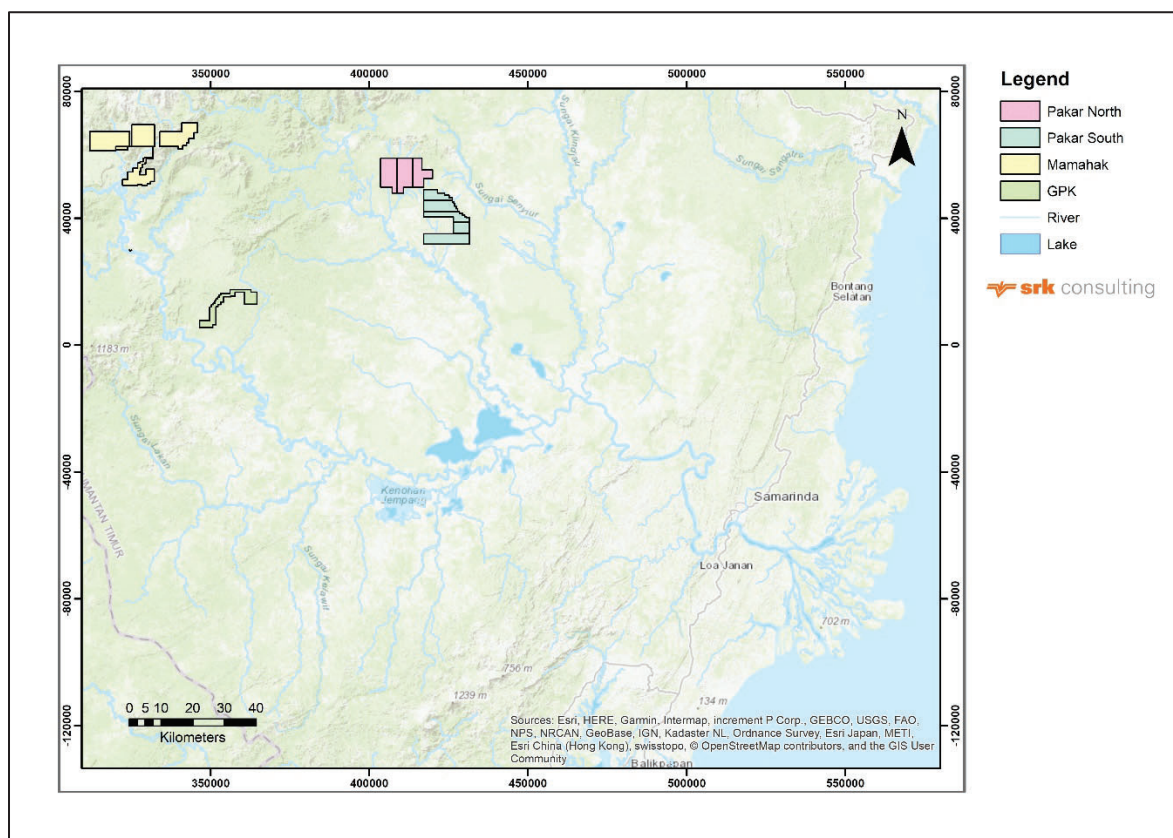


Figure 3-2: Location of Kangaroo's Kalimantan coal projects

Source: SRK

3.1 Climate and physiography

The climate of Eastern Kalimantan is typically defined as “equatorial tropical humid” with distinct wet and dry seasons. The dry season extends from May-June to October and alternates with the wet season, which occurs for approximately five months of the year. The minimum temperature for the region fluctuates between 19°C and 34°C. Generally, the cooler months occur from October to January and warmer months from July to August. Rain occurs throughout the year, with average rainfall and rainy days are shown in Table 3-1.

Table 3-1: Average rainfall and rainy days

Information	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average rain (mm)	228	224	220	230	212	142	134	122	126	219	226	215
Rainy days	12	13	12	11	10	8	8	7	7	10	11	10

Source: Manners, 2009, Mamahak NI 43-101 report

The Schwaner Mountains stretch along the western margin of the province, 80% of which is covered in dense forest, peatland swamps, mangroves, rivers and traditional agricultural land. Highland areas are remote and not easily accessible. The forests produce rattan, resin and valuable timber such as Ulin and Meranti. The lowlands are dominated by peatland swamps that intersect with many rivers.

The use of mining contractors coupled with the presence of nearby villages provides ready sources of skilled and unskilled labour to the projects. For coal operations in Eastern Kalimantan, coal mining operations are generally continuous throughout the year, but some curtailment to mining activities usually occurs during the wet season.

3.2 Infrastructure

The Projects are supported by proximity to established infrastructure including barging facilities, ports and power plants.

The Bayan Group own and operate the Balikpapan Coal Terminal (BCT), which is one of the largest coal terminals in Indonesia and is able to serve handy, panama and capesize vessels. BCT has a handling throughput capacity of 15 million tonnes per annum (Mtpa) and a stockpiling capacity of approximately 1 million tonnes (Mt) across 16 stockpiles. Bayan also owns and operates two Floating Transfer Stations, which allows offshore loading onto capesize vessels.

In addition, Bayan and associated subsidiary entities have established and maintained project infrastructure including ROM pads, coal crushing and loadout infrastructure, haul roads, port and barge loading conveyors, barges and coal transfer barges supporting both their Tabang and other coal mining operations in Kalimantan. Bayan typically manage all aspects of construction and operations with specialist contractors to undertake activities as required.

3.3 Indonesian Coal Industry

Coal exploration and mining in Indonesia commenced in significant quantities during the 1970s with major expansion in exploration activity in the 1980s and 1990s, as a result of foreign investment. Exploration over this period was successful in delineating numerous coal deposits and establishment of several thermal and coking coal mines, resulting in a newly established Indonesian export industry.

Indonesia is currently the world's fifth largest coal producer, behind China, USA, Australia and India. Demand for Indonesian thermal coal is largely based around the export market with Indonesian coal sold throughout Asia and prized for its low ash and sulphur content. It is the world's second largest coal exporter and the world's leading exporter of thermal coal. Roughly 70 to 80 percent of Indonesia's coal production is exported abroad, with the remainder sold to the domestic market (Figure 3-3).

In 2017, Indonesian producers shipped 364 Mt of coal, with a further 97 Mt sold on the domestic market, according to the Indonesian Coal Mining Association (APBI) and Ministry of Energy and Mineral Resources. The main export markets for Indonesian coal are China, India, Japan and South Korea.

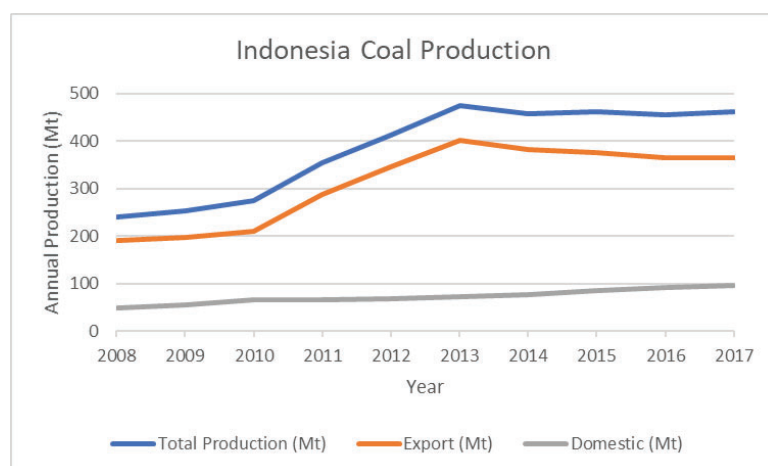


Figure 3-3: Indonesian coal production, export and domestic use

Source: Indonesian Coal Mining Association (APBI) & Ministry of Energy and Mineral Resources

The Indonesian coal industry is generally fragmented with only a few large-scale producers and many small operators that own coal mines and coal mine concessions (mainly in Sumatra and Kalimantan). Coal is typically transported from mines to shipping points primarily via a combination of road haulage and barging. In Indonesia, haulage and barging operations are typically performed by contractors. At most export coal operations, coal is trucked directly to a coal processing/barge loading facility located on either tidewater or on a river that is navigable by barge. The majority of export coals are typically loaded into barges at either river or coastal sited loading facilities and transported by barge (300 foot maximum), to an offshore transfer point for loading onto ocean going vessels; or coal is barged to a deep-water coal terminal, such as the BCT, Indonesia Bulk Terminal or Arutmin's North Pulau Laut Coal Terminal.

3.4 Regional Setting of Kalimantan Coals

In the Indonesian archipelago, coal deposits are mainly distributed in the islands of Sumatra and Kalimantan. The sedimentary basins within which these coals were deposited are Tertiary in age and are geologically much younger than the productive coal-bearing basins in Australia.

Based on the time of deposition, the Tertiary coals on Kalimantan are divided on the basis of their age into Paleogene and Neogene coal measures. In general, the majority of the coal is Eocene and Miocene in age. High relative sea levels during the Oligocene resulted in deposition of mainly marine sedimentary units and whilst further coal formed during the Pliocene, they tend to be of a lower rank as a result of the younger age (Friederich et al., 1999). The existence of higher rank coals at surface (onshore) is dependent on uplift and/or the presence of igneous intrusions.

In general, there are significant differences in the coal quality and thickness of coal seams between those of the Eocene, and those of the Miocene-Pliocene, epochs. The Eocene coals generally tend to be more continuous, but thinner than coal formed during the Miocene-Pliocene. The Eocene coals are considered to have formed under extensional structural regimes (rift basins) as transgressive depositional environments. Seams are typically 4 to 6 m thick in exposed economic deposits. The rank of the Eocene coals is generally higher, with a lower moisture content and higher calorific value making the coals suitable for export thermal coals. In some areas of Central and Western Kalimantan, Eocene coals with coking properties are found.

The Neogene coals were generally deposited during the regressive phase of syn-orogeny in the basins. Seam thickness is variable but generally thicker (some greater than 25 m thick) and more numerous. Neogene coal seams found in the Kutai and Barito Basins are commonly characterized by the occurrence of intensive splitting and washouts (Friederich et al., 1999). In general, these coals tend to be low in ash and sulphur.

The quality of Kalimantan coals varies across the island and is strongly influenced by the geological environments, resulting in a wide variation of coal characteristics including coking properties. In general terms, the variation of Kalimantan coal properties is dependent on the depositional environment (coal type) and the degree of coalification (coal rank).

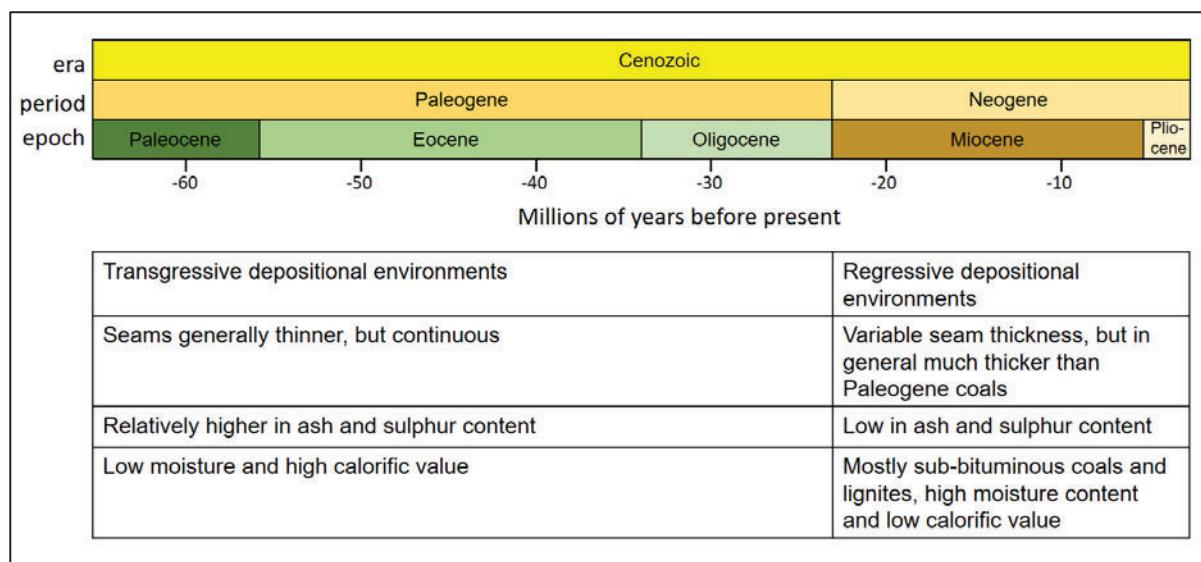


Figure 3-4: General characteristics of Palaeogene and Neogene coal deposits in Kalimantan

Source: SRK

In general, coal type varies little and Kalimantan coals differ markedly in type from most Australian or US bituminous coals but are similar to the Tertiary coals from Germany and the Gippsland Basin in Victoria, Australia (Cook and Daulay, 2000). Both the Paleogene and Neogene coals are generally rich in vitrinite macerals, while inertinite is almost absent. Vitrinite contents of the coals are commonly in the range 80% to 96%. Although liptinite contents are not generally high (typically less than 5% of the coal constituents), some coals do show unusually high contents of liptinite.

Coal rank varies quite markedly across Kalimantan, from lignite through sub-bituminous, high to low volatile bituminous and semi-anthracite to anthracite. Paleogene coals are commonly bituminous or higher in rank. The rank of Neogene coals, in normal geological conditions, is relatively low, except for heat-affected coal deposits. Therefore, the occurrence of high rank coal in Kalimantan is mainly controlled by the distribution pattern of the Paleogene coal measures, and to some extent is also affected by the occurrence of volcanic activity associated with the Neogene coal measures (Nas and Hidartan, 2010).

4 Pakar Project

4.1 Introduction

Kangaroo's Pakar Project consists of nine concessions which have been subdivided into two areas for development purposes, namely:

- Pakar North – consisting of three mining concessions (known as TA, TJ and DE) covering a total area of 13,780 ha; and
- Pakar South – consisting of six mining concessions (OM, SA, CA, BS, AU and SK) covering a total area of 16,351 ha.

The Pakar Project is located immediately south and contiguous with the coal deposits within Bayan's Tabang Project comprising the PT Bara Tabang (BT) and PT Fajar Sakti Prima (FSP) concessions. It is geologically situated along the same broad synclinal structure as the Tabang deposits. Bayan has been producing from the Tabang deposit since 2007. In 2017, Bayan increased production from Tabang to 15.6 Mt and operations are currently producing in excess of 20 Mtpa.

The Tabang haul road traverses Kangaroo's TJ and DE concessions (including parts of the defined Reserve areas) in Pakar North and the OM, SA, CA and BS concessions in Pakar South.

The Pakar deposits are characterised as lignite to sub-bituminous coals of low calorific value (CV), low ash content and a very low total sulphur content. The coal rank decreases from north to south, with the Pakar North concessions containing higher quality coal deposits than at Pakar South. Work to date has prioritised the development of these northern concession coals over those at Pakar South.

4.2 Physical Setting

The Pakar Project is centred at Latitude 0°25'00" N, Longitude 116°15'00" E and an altitude of approximately 50 m above mean sea level (amsl). The Project lies approximately 40 km west of the Kedang Kepala River, 200 km north-northwest of Balikpapan and 150 km northwest of Samarinda (the capital of East Kalimantan) in East Kalimantan, Indonesia. The major urban centres of the area are Muara Ancalong and Kembang Janggut, which are part of the Kutai Kertanagara district.

The Pakar area can be reached from Samarinda (the Capital of East Kalimantan) by road in approximately six hours comprising roughly two hours to Katabungun and then another four hours by river speedboat.

The Pakar and Tabang tenement locations are shown in Figure 4-1.

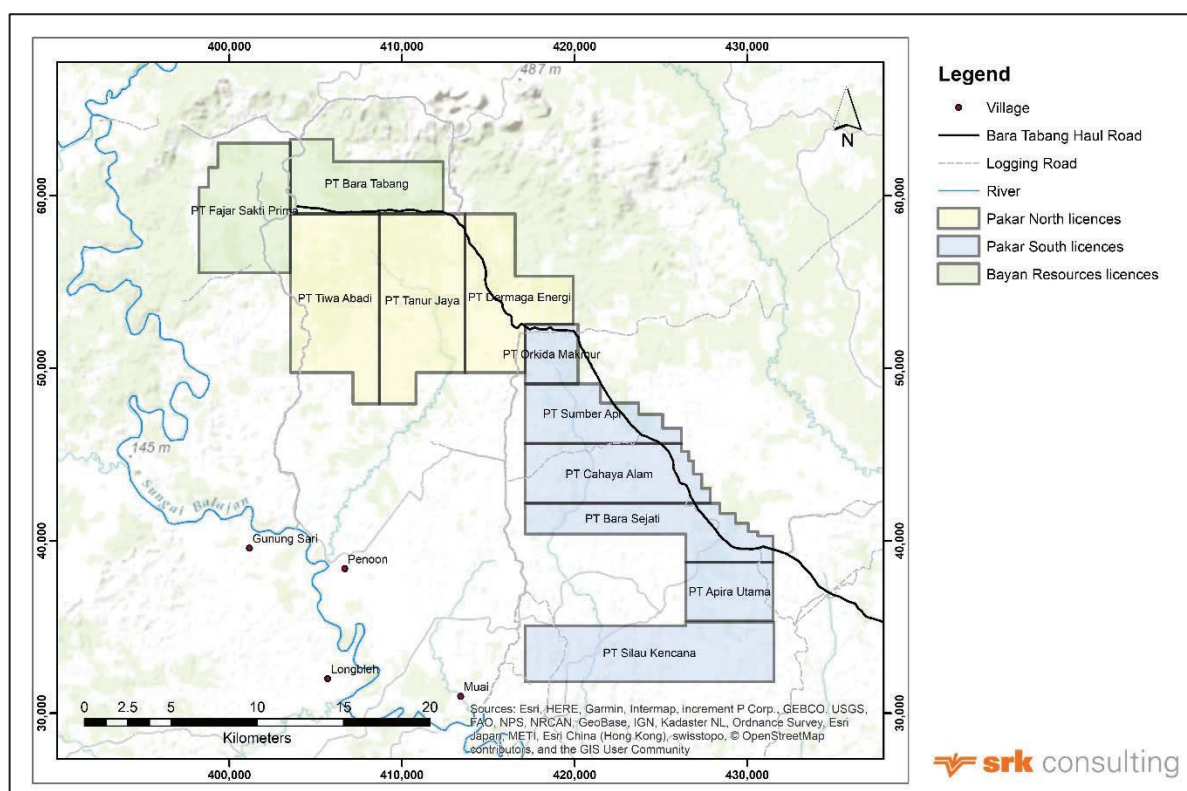


Figure 4-1: Location of Pakar IUPs and Bayan Resources' concession areas

Source: SRK

The topography of the Pakar area is generally flat with moderately high rolling hills formed by erosional drainage channels. Topographic relief varies from 20 m to 100 m amsl. Higher elevations up to 130 m amsl are present in the eastern sector of the DE concession in Pakar North. All drainages from the area eventually flows into the Kelinjau River and Belayan River. The Kelinjau River, which drains the eastern side of the Project area, and the Belayan River, the southwestern side of the Project, form relatively flat alluvial valleys. The vegetation of the Pakar area largely consists of tropical rainforest. Land use is small scale agriculture and forestry. The forests are dominated by commercial timber activities and palm oil plantations along the Belayan and Kelinjau flood plains.

The Project area is largely unpopulated with the surrounding areas also sparsely populated with land predominantly used for Tumbang subsistence farming. The closest community to the project is the village of Atei located about 10 km east of the concession area.

Infrastructure at the project includes offices and a camp with associated road access, power and water supply at the Pakar South open cut site. A 16 m wide haul road of approximately 69 km length has been constructed connecting the project to the barge loading river port on the Kedang Kepala River about 3 km south of the village of Senyur and 40 km east of the mining area. The haul road connects with the Pakar North concessions at various points; TA (69 km), TJ (61 km) and DE (56 km).

Kangaroo has rights to use 30% of Bayan's haul road and barge loading capacity at the Senyur port through an access agreement. Bayan's haul road passes through two of Kangaroo's Pakar North concessions and in proximity to, or through the Company's Pakar South concessions.

Current barge loading capacity at Bayan's Senyur Port is approximately 24 to 30 Mtpa based on two barge loading conveyors rated at a combined rate of 8,000 tonnes per hour (tph) and a third barge loading conveyor is being installed.

Power is provided from diesel generators and there is limited phone coverage (at the port, along some of the haul road and within camp/administration areas).

4.3 Ownership and tenements

On 13 June 2011, Kangaroo shareholders approved the acquisition of a 99% interest⁴ in the Pakar Project consisting of ten Indonesian entities as detailed in Table 2-1.

With the exception of SAU (the former holder of various infrastructure assets), these entities are the holders of nine conjoining mining concessions which have been sub-divided into two areas: Pakar North and Pakar South.

Table 4-1: Summary of the Pakar concessions

Name	Company status	Mining Business Permit	IUP Status	C&C Certificate	Concession Area (ha)
Pakar North					
TA	PMDN	Production IUP area (WIUP No 503/821/IUP-OP/DPMPTSP/V/018	4 th Suspension 17/10/2017 to 16/10/2018. Suspension lifted 9/07/2018	No648/Bb/03/2015 dated 10 Nov 2015	4,996
TJ	PMA	Extension of Exploration IUP No.540/009/IUP-Er/MB-PBAT/V/2014	4 th Suspension 30/10/2017 to 29/10/2018	No649/Bb/03/2015.dated 10 Nov 2015	5,000
DE	PMA	Extension of Exploration IUP No.540/011/IUP-Er/MB-PBAT/V/2014	4 th Suspension 30/10/2017 to 29/10/2018	DE has not obtained a CNC certificate. Application submitted 4 May 2018	3,784
Pakar South					
OM	PMA	Extension of Exploration IUP No.540/010/IUP-Er/MB-PBAT/V/2014	4 th Suspension 30/10/2017 to 29/10/2018	OM obtained CNC status under 2432/07/SDB/2011 and then lodged an application for CNC certification on 30 August 2013.	1,061
SA	PMA	Extension of Exploration IUP No.540/012/IUP-Er/MB-PBAT/V/2014	4 th Suspension 30/10/2017 to 29/10/2018	SA has not obtained a CNC certificate. An application has been lodged.	2,364
CA	PMDN	Production IUP No.540/024/IUP-OP/MB-PBAT/VIII/2014	Production Operation status and no suspension	CA has not obtained a CNC certificate.	3,457
BS	PMDN	Approval of reduction & adjustment of KP-Ep into IUP-Op No. No.503/1111/IUP-OP/BPPMD-PTSP/VI/2016	Production Operation status but there is 2 nd Suspension 16/11/2017 to 15/11/2018	BS has not obtained a CNC certificate – although it was successful in Court in an overlapping boundary case	2,981
AU	PMDN	Approval of reduction and adjustment of KP_Ep into IUP-OP No 503/782/IUP-	2 nd Suspension 11/07/2017 to 10/07/2018	226.Pm/04/DJB/2017 on 31/01/2017	1,714

⁴ Comprising a 99% direct equity interest in five mining concessions (TJ, DE, OM, SA and SK) and the contractual rights to acquire up to 99% of the remaining four Pakar entities (TA, AU, BS and CA) which are currently awaiting government sign-off and conversions to Indonesian PMA companies (a foreign investment company) to enable shares in these entities to be transferred to a foreign entity. The shares in these remaining four concessions are currently held by Bayan.

Name	Company status	Mining Business Permit	IUP Status	C&C Certificate	Concession Area (ha)
		Op/BPPMD-PTSP/V/2016			
SK	PMA	Revision to previous IUP No 503/1840/IUP-ESKP/DPMPSTSP/X/2017	1 st Suspension 31/08/2016 to 31/08/2017*	226.Pm/04/DJB/2017 on 31/01/2017	4,774
TOTAL					30,131

PMDN / PMA = Domestic / Foreign Investment Company

DPMPSTSP = Capital Investment and One-Stop Service Agency

CnC = Clear and Clean declaration from the Director General of Minerals and Coal (confirmation that mining activities do not overlap)

* SK's concession expired without extension in 2012, and because of a governmental administrative gap for some years, in 2017 the Ministry of Energy & Mineral Resources refused an extension of the concession and conversion of the concession to a production concession, following which SK filed the Ombudsman's complaint. To remedy the deficiency, SK was issued a concession by the Investment and One Stop Services Agency of East Kalimantan Province in 2016, but legally this is not the correct authority to issue a concession to SK given that it is a 'foreign investment' status company. (Incidentally SK obtained CnC status in 2017).

Currently, four of Kangaroo's subsidiary entities (TA, BS, CA and AU) are awaiting government sign-off and conversion to Indonesian PMA companies (a foreign investment company), which will allow the Company to own a direct equity interest. Until these entities have been converted to PMA companies and the direct equity interest transferred to Kangaroo, Bayan will hold 100% of equity in these entities.

There are various reasons why these four entities have not been converted to PMA, including:

- A dispute with a third party, PT Senyuir Sukses Pratama (SSP) along the eastern concession boundaries relating the boundary line between Kutai Kartanegara Regency and Kutai Timur Regency at the time certain concessions were issued. In 2018, the Supreme Court of Indonesia rendered its enforceable judgement in favour of Kangaroo. Kangaroo has submitted a letter requesting clear and clean (CnC) status and/or certificates pertaining to the OM, DE, SA, CA and BS concessions.
- A dispute along the western concession boundary relating to an overlap issue with a neighbouring concession holder, third party coal mining company, PT AKM Tumpang Tindh Dengan (AKM). In 2016, Kangaroo relinquished overlapping areas of the AU, BS and SK concessions in order to obtain CnC status given AKM had already received this status.
- In 2013, the Indonesian Government brought in new rules outlining the maximum holdings a foreign concession holder can hold. This impact of this legislation on Kangaroo's assets are that Kangaroo will be limited to an ownership of between 49% and 75% in these four concessions that remain to be transferred to the Company. Given that Bayan has a legal obligation to transfer 99% of these entities into Kangaroo (as Kangaroo has provided full consideration for the purchase of the 10 Pakar entities via the issuance of 56% of its share capital to Bayan in 2011), both parties have sought alternatives that are fair and equitable to both entities. This process remains ongoing.

SRK has sighted documentation obtained by Kangaroo from M&TS, an Indonesian independent legal firm. Based on its review of this document, dated 26 September 2018, SRK understands the following:

- The TA concession (Production IUP) is valid for 20 years from 8 May 2018 to 7 May 2038 but has been voluntarily suspended from 28 October 2014 until 16 October 2018 as TA could not obtain a Borrow-and-Use Permit from the Ministry of Forestry. This suspension was lifted on 9 July 2018.
- The TJ, DE and OM concessions (Exploration IUP) were originally to expire on 7 March 2015 but have been in voluntary suspension since 28 October 2014 (currently approved to 29/10/2018) due to administrative issues relating to obtaining an IPPKH (Forestry Permit).

- The SK concession (Exploration IUP) was originally to expire on 3 March 2017 but was in voluntary suspension from 31 August 2016 to 31 August 2017. SK's concession is currently the subject of a complaint filed with the Ombudsman which remains under review.
- The AU concession (Production IUP) is valid from the 3 May 2017 to 26 March 2028. Mining activities have been voluntarily suspended from 31 August 2016 to 10 July 2018. The concession is in the process of applying for a 3rd suspension with the application submitted on 4 June 2018, however to date AU has not received approval for the 3rd extension.
- The BS concession (Production IUP) is valid from the 13 June 2016 to 5 June 2028. Mining activities have been voluntarily suspended from 24 November 2016 until 15 November 2018.
- The CA concession (Production IUP) is valid from the 24 August 2014 to 5 June 2028. The CA concession is reportedly in the process of obtaining CnC status.
- The SA concession (Exploration IUP) was originally to expire on 5 March 2015 but was voluntarily suspended from 28 October 2014 to 29 October 2018. The concession is in the process of applying for a 5th suspension.
- The TJ concession is located within areas of i) Limited Production Forest; ii) Production Forest and iii) Convertible Production Forest. Further details outlined in Section 4.15 Environment.
- The OM concession is all located within a Limited Production Forestry area and OM's mining area overlaps with DE's mining area.
- The SK, AU, CA and BS concessions are located within a Production Forest area.
- The SA concession is located within areas of i) Limited Production Forest and ii) Production Forest.
- There is no recorded ongoing litigation process pertaining to the TJ, DE, SK AU, CA and SA concessions.
- The OM concession was previously the subject of litigation which is now resolved such that the concession no longer overlaps with SSP.
- The TA concession area overlaps with the licence area of palm oil plantations operated by PT Sasana Ydha Bakti (approximately 1,662.96 ha of overlap) and PT Persada Bangun Jaya (approximately 1,621.85 ha of overlap). This overlap means that TA cannot conduct production mining activities in the affected area until it reaches agreement with these parties. TA submitted a lawsuit on 25 July 2018 relating to this matter which remained ongoing as at the Valuation Date.
- The BS concession does not have CnC status although it was successful before the court in an overlapping boundary case, it is yet to apply for CnC status.

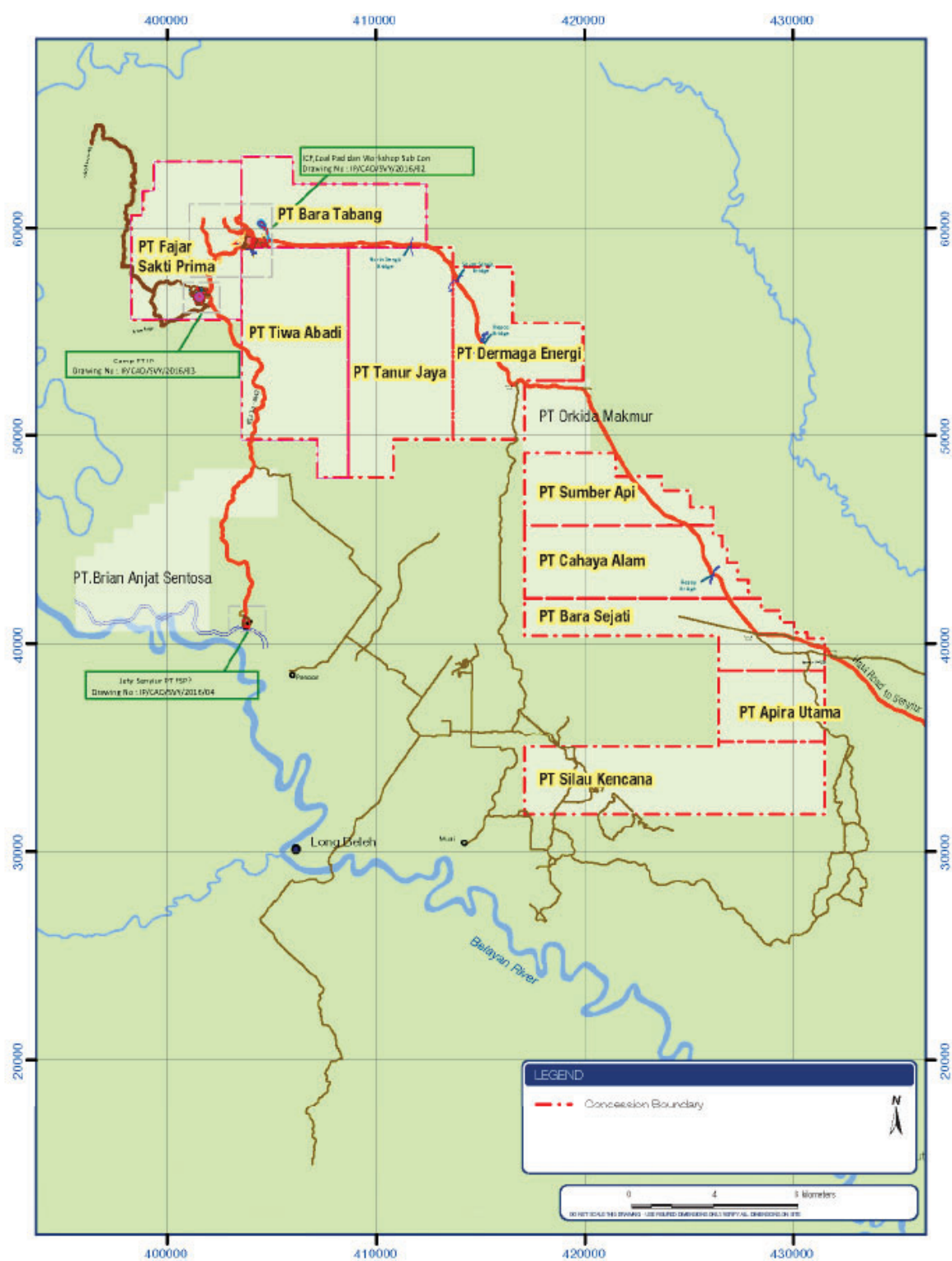


Figure 4-2: Pakar Project tenure

Source: RPM, Kangaroo ASX announcement 12 September 2017

4.3.1 Forestry Permits

Approximately 30% of the TA concession and 100% of the TJ concession at Pakar North, as well as the majority of the Pakar South concessions are designated as forestry land. Two of the Pakar North concessions (TA and TJ) have approval for Borrow-Use (Production and Exploration, respectively) Forestry Permits, and activities can commence in October 2018. The OM, SA and SK concessions at Pakar South will only be able to apply for a Borrow-Use (Exploration) Forestry Permit once their CnC status has been confirmed.

All of the Pakar concessions require the issuance of a Borrow-Use (Production) Forestry Permit. None of the companies holding these concessions have applied for these permits.

4.3.2 Land Compensation

Other than designated forestry land, portions of the TA concession at Pakar North and the SK concession at Pakar South are designated as Other Use Land (Areal Penggunaan Lain – APL).

Some of this area at TA, Pakar North (i.e. areas where mining, dumping, and supporting infrastructure is to be located) require compensation payments. Kangaroo has confirmed much of the required land compensation / acquisition has been completed.

Extensive drilling has not been completed at the SK concession, so the requirement for compensation remains to be determined.

4.4 Material contracts

4.4.1 Haulage Road and Port Access Agreement

In 2015, Kangaroo and Bayan also entered into a Haulage Road and Port Access Agreement, whereby Kangaroo's Pakar subsidiary companies (the "Pakar Subsidiaries") are entitled to 30% of Bayan's new haul road and the upgraded Senyur Port coal transportation capacity.

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 annual throughput by all users including Bayan) with port fees subject to rise and fall adjustments for fuel, labour and maintenance costs;
- The base rates per tonne payable by Kangaroo have been agreed with the intent of Bayan's capital expenditure being fully recovered over 12 years (assuming rates are applicable to all users including Bayan); and
- Subject to force majeure, if the Pakar Subsidiaries do not use their committed capacity nominated three months before the commencement of each year (as adjusted by agreement by a management committee controlled by Bayan), they must pay a shortfall penalty equal to the amount of the agreed shortfall tonnage x 60% over the average rate of the port charges (adjusted for rise and fall) if Bayan cannot otherwise use the capacity.

SRK notes that there is only limited (if any) production from Pakar planned before 2020 and that Bayan would (likely) be able to reassign capacity to existing operations as required.

The other key provisions of the Haulage Road and Port Access Agreements 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;

SRK notes that the 30% capacity appears to be minimal; and a practical mining sequence is likely to result in periods where the proportion of production from Pakar North will be significantly higher than 30%.

- 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 licences for coal are usually granted for up to 20 years with further extensions of 10 years (up to two extensions) to enable the concession holders to exploit any remaining or additional mineable reserves beyond the initial production licences 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.

Based on our discussions with Kangaroo, SRK understands that such payments will only commence when Kangaroo nominates that coal production is likely to commence near term. Having reviewed the static financial models supplied by Kangaroo, no allowances are included prior to the concessions being nominated as approaching production currently estimated around 2020. Costs incurred currently against the Pakar concessions include exploration and development (funded as required by Bayan) and statutory fees and charges to retain the concessions.

4.4.2 Strategic Agreement

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

The key provisions of the Strategic Agreement are as follows:

- Bayan agrees to be responsible for funding any required development of the Pakar concessions by way of loans to Kangaroo on commercial terms;
- Bayan may also provide any required funding for the operations of Kangaroo's subsidiaries, such funding to be by way of loan, accruing interest at prevailing commercial rates for third party loans which are offered by major banks in Indonesia;

- Bayan will, at Kangaroo's request, use its 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 Kangaroo's subsidiaries to progress, develop and operate the Pakar concessions, as well as barging and transshipping services for the transport of Kangaroo's product to an ocean-going ship anchorage, with fees payable by Kangaroo's subsidiaries based on the services provided at arm's length basis rates to be agreed; and
- Kangaroo's subsidiaries may retain their own contractors for any of the services contemplated.

Currently Bayan has three mining third-party contractors (for overburden removal and coal production) and four hauling contractors at Tabang. These (long-term) contracts do not pertain to the individual mining concession holders but are assigned to a wholly owned subsidiary of Bayan, PT Indonesia Pratama (IP). This structure enables Bayan to subcontract work out to relevant concessions and assign/reassign capacity as required. While all contracted work is currently performed on Bayan's BT and FSP concessions, the contracts currently in place include all of the Pakar North and Pakar South concessions within their area of influence. This enables capability for the rapid development of the Pakar concessions provided all other technical and non-technical matters have received the requisite approvals.

4.5 History

Between 1997 and 1999, PT Timah Baturgara Utama (Pt Timabara, the former owner of the Pakar mining lease area) conducted numerous exploration and development programs to identify and delineate the coal deposits in the Pakar area. These programs consisted of topographic and geological field mapping, coal subcrop sampling and quality analysis, open hole and core drilling, bulk sampling and analysis and mine feasibility analysis.

The exploration and drilling programs conducted within the Pakar area included some 28 boreholes, which were generally more than 1 km apart. The majority of the boreholes were shallow, usually less than 40 m deep and none were geophysically logged. The sampling procedure consisted of one ply sample for each coal seam. Numerous geological field mapping programs have been conducted within the Pakar area. Some sampling of coal outcrop and subsequent quality analyses were performed. The geological field mapping and sampling programs were useful in delineating the structural geology, seam subcrop pattern and the quality of the seams near surface.

The Pakar mining lease was relinquished by PT Timabara in 2004 and in early 2005 PT Ilthabi Bara Utama (IBU) acquired the exploration leases (KP) covering 45,000 ha.

From December 2005 to late 2006, IBU continued to drill and sample core boreholes for the purposes of estimating resources covering some 13,200 ha. This program commenced in the western Pakar area (originally referred to as the "Initial Mine Block") and progressed east along the eastern synclinal limb of the Pakar area. Deep 150 m cored boreholes were drilled at an average spacing of approximately 250 m. In total, 117 boreholes were drilled, including nine re-drilled boreholes totalling 10,300 m in the Pakar area to end of October 2006. This work demonstrated that three major seams were evident in the Pakar South area; Seams A, D and Q, averaging 14 m, 12 m and 16 m in thickness respectively. The seams dip gently (average 2) to the southwest. SRK prepared a JORC Code compliant Coal Resource Statement for Pakar South dated December 2006.

IBU carried out trial coal mining at Pakar South in 2008. With the marked increase in coal rank from south to north in the Pakar area, IBU conducted several drilling campaigns within the Pakar North (TJ/DE concessions) area in 2008 and 2009. Drill spacing typically ranged from 250 to 500 m with closer spaced drilling in a 100 ha block in the northern TJ concession identified as a potential initial pit. All drill holes were geophysically logged and surveyed. Minarco Mineconsult completed geological modelling which formed the basis for subsequent coal resource and reserve modelling. IBU then commissioned PT RungePincokMinarco (RPM) to estimate the Coal Reserves and Coal Resources within the TJ and DE concessions which form the bulk of the northern area. RPM prepared a JORC Code compliant Resources and Reserves statement for the Pakar North area (dated May 2010).

In late 2009, Kangaroo announced that it had acquired a 45% interest in the Tanur Jaya Project, an advanced coal concession located a short distance to the north east of the Company's existing GPK Project and part of the Pakar Thermal Coal Project. The Tanur Jaya concession was reported to host an estimated mineable target of 75 to 100 Mt of thermal coal, with a target of up to an additional 50 Mt (Kangaroo ASX announcement dated 1 February 2010).

In July 2010, Kangaroo reported an updated Coal Resource and Reserve statement for the Tanur Jaya concession, which was supported by a conceptual life-of mine study based on development as a multi-seam, low dip open cut coal mine.

In late December 2011, Kangaroo acquired a 99% interest in the large-scale Pakar Thermal coal Project from Bayan for US\$277 M in an all script deal. At the time of the transaction, Pakar was reported to comprise a substantially developed and integrated coal mining operation with total Coal Resources of 3.8 billion tonnes (Bt) inclusive of total Coal Reserves of 116 Mt (Kangaroo ASX announcement dated 29 Dec 2010). Associated infrastructure includes roads, port facility, crushers, conveyors, mine camp and other key essentials to facilitate a rapid transition into production.

4.5.1 Bayan's Adjacent Tabang Project

Bayan commenced coal production at the adjacent Tabang FSP concession (to the immediately north of Kangaroo's Pakar North Project) 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 sea anchorage. Production levels from the FSP concession reached 2.5 Mtpa, which was largely limited by the barge capacity able to operate from the Gunung Sari Port.

In 2011, Bayan expanded the Tabang mining operation by developing its BT concession and upgrading and construction of a haul road from Tabang through Kangaroo's Pakar North concessions to Senyur Port on the Kedang Kepala River. The Senyur Port is located 90 km closer to an ocean-going ship anchorage than Bayan's existing Gunung Sari Port.

4.6 Geological Setting

Geologically, the Pakar coal deposits lie in the Tertiary-aged Kutai Basin. The Kutai Basin is characterised by a series of north-northeast to south-southwest trending folds (and subsidiary faults) known as the Samarinda Anticlinorium – Mahakam Foldbelt. The fold belt is characterised by tight, asymmetric anticlines, separated by broad synclines. These features dominate the eastern part of the basin and are also identifiable offshore. The deformation is increasingly more complex towards the west.

The Pakar deposit occurs within the Middle to Late Miocene age Balikpapan Formation (Tmbp) which is dominated by quartz sandstone and claystone with intercalations of siltstone, shale, limestone and coal. The Pakar deposit occupies the nose (closure) and eastern limb of a broad synclinal structure that plunges to the southeast. The structural geology is generally benign in northern and eastern parts of the deposit, but more complex in the western sector.

Pakar North occupies the northern part of the eastern and western limbs of the syncline. Strata dips are gentle (<5 degrees) in the north and along the eastern limb, but steep along the western limb. Several faults have been interpreted in the TJ and DE licence areas at Pakar North from drilling data to date, with apparent displacements of up to 35 m. The Pakar South concessions occupy the southern part of eastern limb, and the strata dip at 1 to 3 degrees to the southwest. No significant faults have been identified to date in Pakar South, although minor faulting is understood to be present.

The coal seams are correlatable and continuous between the Pakar North licence areas and the Bayan Resources' concessions immediately to the north. A similar seam nomenclature is adopted at Pakar South, however correlation of seams between Pakar South and Pakar North is uncertain due to sparse drillhole data in the SA concession area and the OM concession area which separates the project areas.

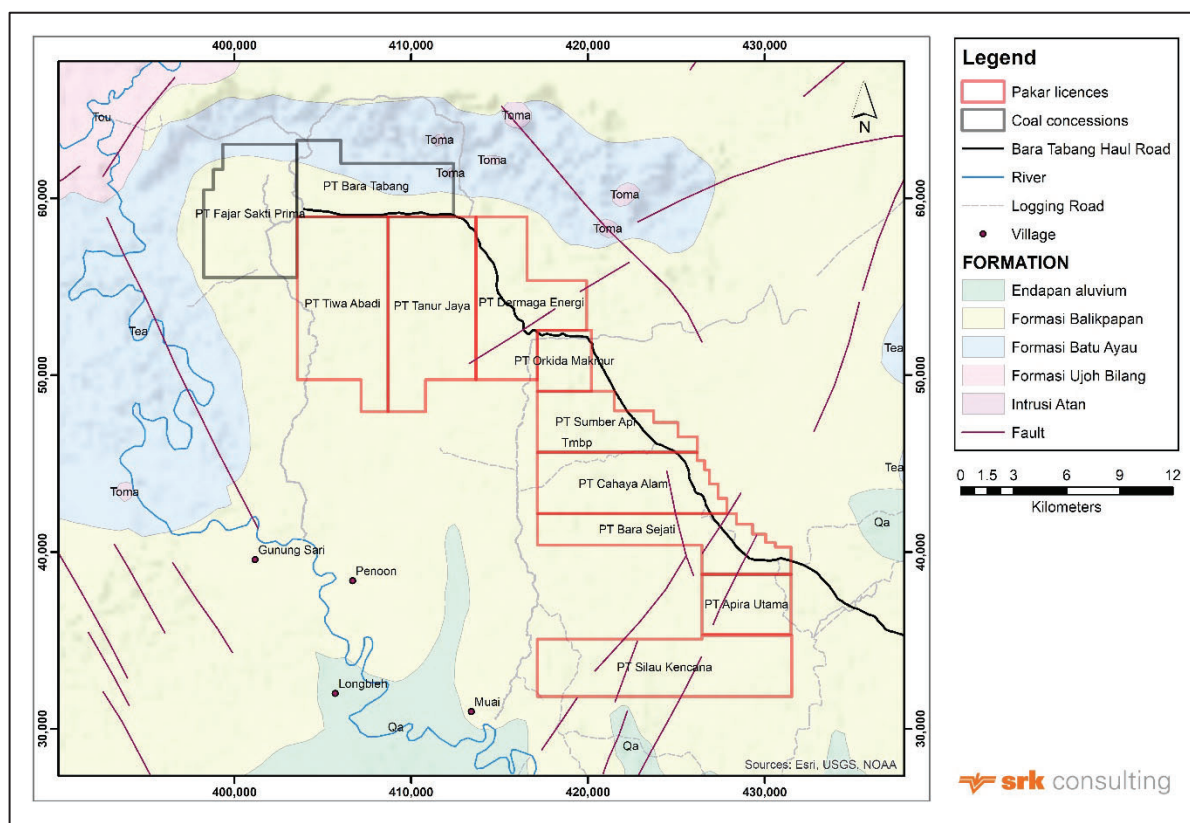


Figure 4-3: Geological map of the Pakar project area

Source: Geological Map of the Muara Ancalong Quadrangle, Kalimantan, Geological Research and Development Centre, 1995

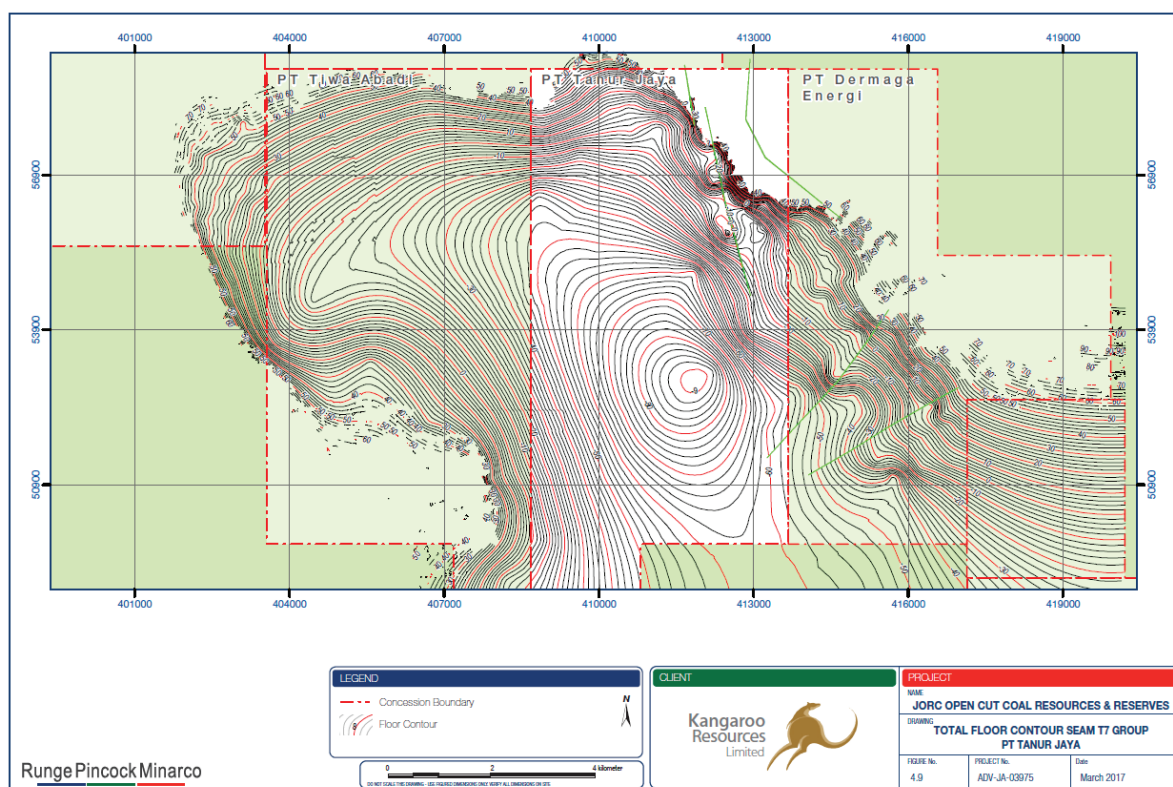


Figure 4-4: T7 seam floor contours in at Pakar North showing synclinal structure

Source: RPM (2017)

The Pakar North coal seams are designated into seam groups T2 to T9, in ascending stratigraphic order. Coal Resources are reported for the T3, T4, T5, T7 and T8 seams, with the main seams being T3, T4 and T7. All of the seams are subject to splitting, with up to 20 separate seams and splits identified.

The T7 seam is the best developed seam across most of the Pakar North project area and accounts for more than 60% of the Pakar North Coal Reserve. The T7 seam is thickest in the DE and TJ licence areas (ca. 10 to 16 m thick). The T7 seam thins and splits towards the northwest and ranges from ca. 4 to 8 m thick in the TA licence. The coal quality of the T7 seam appears to be very consistent across the Pakar North area.

The T3 seam is well developed in northern parts of the TA and TJ licence areas and accounts for 25% of the Pakar North Coal Reserve. The T3 seam thins and splits in towards the southeast and is less well developed in the DE licence. The T4 seam is generally between 2.5 and 3.5 m thick across the project area. The T5 and T8 seams are generally thin and each account for ca. 1% of the Pakar North Coal Reserve.

Seams T1 to T10 are recognised at Pakar South. All of the seams are subject to splitting, with up to 30 separate coal plies and splits recognised at Pakar South. Coal Resources are reported for the T2, T3, T5, T6, T7, T8, T9 and T10 seams. T2 and T7 are the main seams, accounting for 74% of the total Pakar South Resource. The T7 seam is well developed in western parts of the CA and BS licences with a typical thickness of 8 to 12 m but thickens to ca. 16 m in the south. The T2 seam is well-developed across the Pakar South area with an average thickness of 7 to 8 m. The T2 seam is more consistent in the northern licence areas. In the SA licence area, the T3 seam also shows good development at around 5 m thickness. In general, the seam development at Pakar South appears to be more variable than that at Pakar North.

The coal rank in the project areas is generally low, ranging from sub-bituminous to lignite. A marked decrease in coal rank is evident from north to south across the broader Tabang-Pakar deposit area. The highest coal ranks are found in the Tabang licence areas in the north and the lowest coal ranks are found in the Pakar South licence areas. At Pakar North, the coals are sub-bituminous to lignite in rank and at Pakar South the coals are lignites. Coal rank also increases to a lesser degree with depth, with stratigraphically lower seams having slightly lower moisture contents and higher calorific values.

In general, the coal quality of the Pakar coals is characterised by low energy, low ash and very low sulphur contents. The average coal qualities for the Pakar North and Pakar South licence areas are presented in Table 4-2 and Table 4-3.

Table 4-2: Average coal qualities of the Resources in the Pakar North licence areas

Licence	TM %ar	CV kcal/kg gar	Ash %ad	TS %ad	IM %ad
TA	34.4	4,315	3.5	0.11	23.0
TJ	38.8	3,970	4.9	0.12	19.3
DE	43.0	3,680	4.9	0.13	18.4

Source: TA, TJ and DE Statement of Open Cut Coal Resources and Reserves as at 31 December 2016, RPM (March 2017)

Table 4-3: Average coal qualities of the Resources in the Pakar South licence areas

Licence	TM %ar	CV kcal/kg gar	Ash %ad	TS %ad	IM %ad
SA	46.4	3,200	6.3	0.21	13.4
CA	48.4	3,140	5.9	0.21	13.3
BS	49.6	3,020	6.0	0.19	13.2

Source: SA, CA and BS Statement of Open Cut Coal Resources and Reserves as at 31 December 2016, RPM (March 2017)

4.7 Exploration

Exploration in the Pakar North licence areas was completed in 2009 and SRK understands that no additional drilling has been undertaken in the area since this time. Drilling has included open hole drilling and some partially cored holes. All of the drillholes were geophysically logged and surveyed using total station theodolite. A summary of the drillholes completed in the Pakar North licence areas is presented Table 4-4.

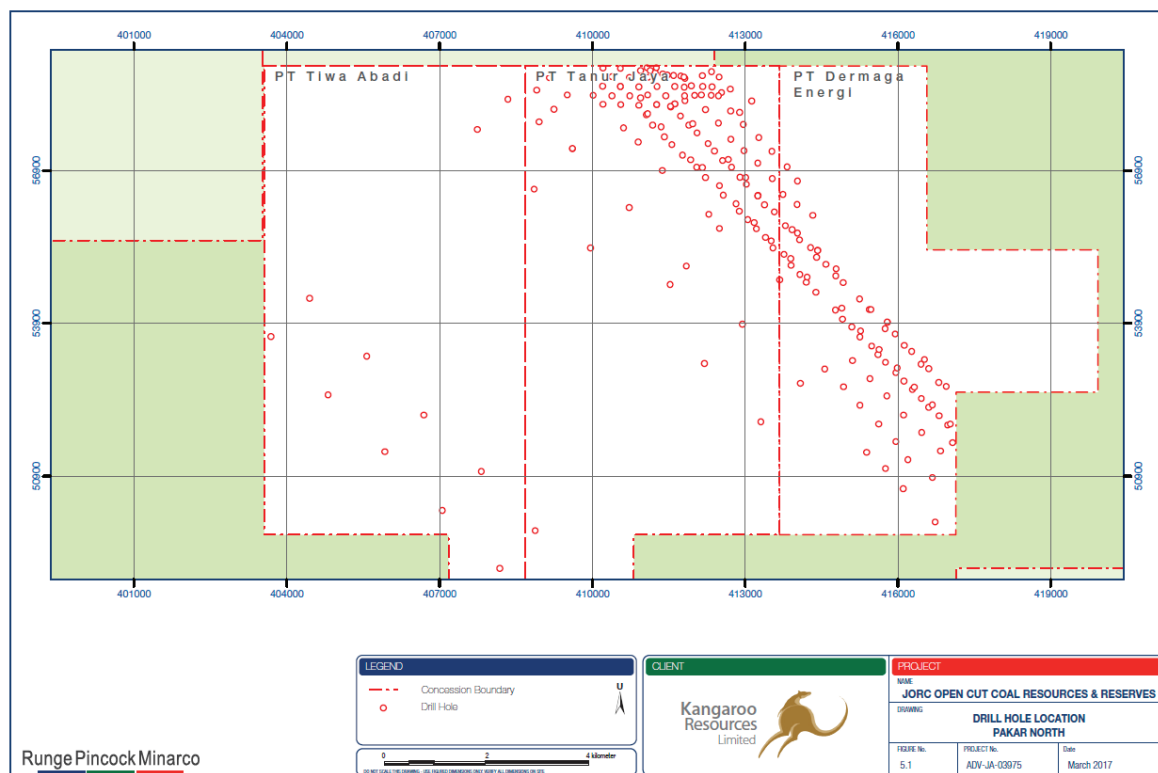
Most of the exploration to date at Pakar North has been completed in the TJ and DE along and down-dip of seam croplines. The typical drill hole spacing is 200 to 250 m over most of the shallow coal target areas, with more detailed drilling at 100 to 150 m spacing in the northeast of the TJ concession (Figure 4-5). Drilling density in down-dip areas of the deposit is lower (ca. 1,600 m) in TJ and TA.

Some wide spaced reconnaissance drilling was also completed in the southwest sector of TA to better understand the structure across the western limb of the syncline. In general, only sparse drilling has been completed in the TA licence area compared with the other licences.

Table 4-4: Pakar North drillhole summary

Licence	Open Hole	Quality Hole	Total
TA	9	2	11
TJ	55	69	124
DE	52	27	79
Total	116	98	214

Source: DE Statement of Open Cut Coal Resources and Reserves as at 31 December 2016, RPM (March 2017)

**Figure 4-5: Pakar North drillhole locations**

Source: DE Statement of Open Cut Coal Resources and Reserves as at 31 December 2016, RPM (March 2017)

Exploration at Pakar South was completed in two main phases, during 2006 and 2008. SRK understands that no additional drilling has been undertaken at Pakar South since 2008. Drilling included open hole drilling and some partially cored drillholes. Most of the drilling has been completed in the BS licence area. The typical drillhole spacing over the T7 seam target areas in western parts of the CA and BS licences is ca. 500 m. The drillhole spacing is typically ca. 1 km in eastern parts of the BS and CA licence areas over the lower T2 and T3 seam target areas. Only sparse drilling has been completed in the SA licence area. A summary of the drillholes completed in the Pakar South licence areas is presented in Table 4-5.

The drilling approach at Pakar South involved a pilot open hole at each of the (partial) core hole sites. Only the pilot holes appear to have been geophysically logged. The majority of the Pakar South drillhole collar surveys were derived from handheld GPS receivers, therefore the level of accuracy compared to the Pakar North total station survey is lower. On this basis, RPM has classified the Pakar South Coal Resources no higher than Indicated category (even though the drillhole spacing may otherwise support Measured Resources in a few areas).

Table 4-5: Pakar South drillhole summary

Licence	Open Hole	Quality Hole	Geophysically Logged	Total Station Survey
SA	6	3	6	1
CA	47	35	47	4
BS	51	153	47	35
Total	104	191	100	40

Source: SA Statement of Open Cut Coal Resources and Reserves as at 31 December 2016, RPM (March 2017)

Based on the available descriptions, the sampling and storage of bore core for coal quality analysis has been undertaken competently. Sample analysis was undertaken at internationally accredited coal laboratories in Balikpapan.

The surface topographic model across the Pakar licence areas is mainly based on LiDAR aerial survey, except for a few areas in Pakar South which are based on broad-scale Government 1:50,000 scale aerial photographic survey. The areas without LiDAR topographic survey have been excluded from the Pakar South Coal Resource estimate. The complete exclusion of these areas from the Resource estimation is problematic from a mine planning perspective.

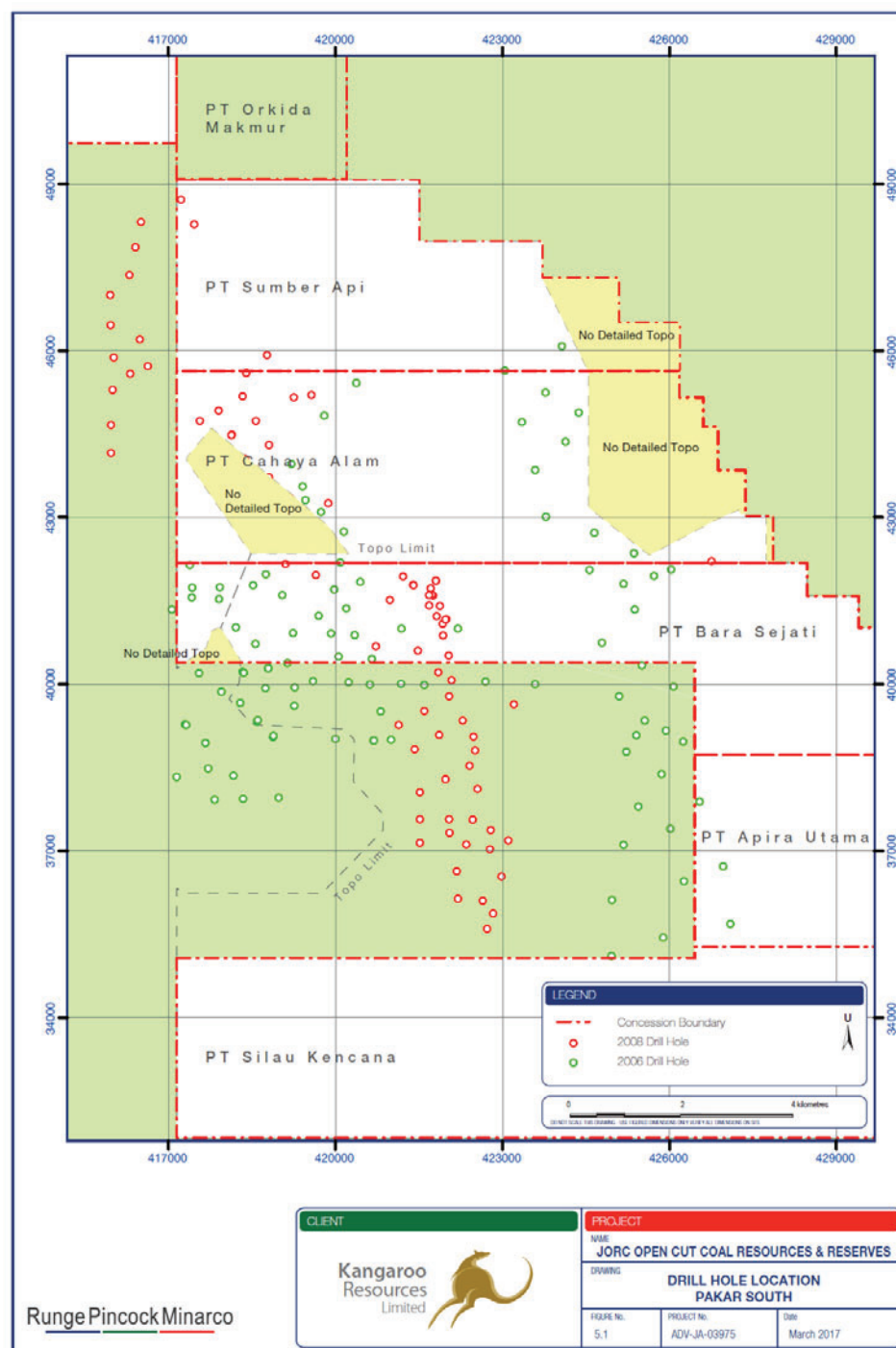


Figure 4-6: Pakar South drillhole locations

Source: BS Statement of Open Cut Coal Resources and Reserves as at 31 December 2016, RPM (March 2017)

4.8 Coal Resources

The most recent estimates of the Pakar Coal Resources were prepared by RPM in March 2017 and reported under the 2012 JORC Code framework. A total Resource of 1,090 Mt was reported for the Pakar project as at 31 December 2016, comprising 191 Mt Measured, 533 Mt Indicated and 366 Mt Inferred (Table 4-6). The Resource was reported separately for each of the six licence areas at Pakar North and Pakar South. No Measured Resources are reported at Pakar South.

Table 4-6: Pakar Coal Resource as at 31 December 2016

Block	Coal Resources (Mt)				TM % (ar)	CV kcal/kg (gar)	Ash % (ad)	TS % (ad)	IM % (ad)	RD g/cc (in-situ)
	Measured	Indicated	Inferred	Total						
Pakar North										
TA	7	79	65	151	34.4	4,315	3.5	0.11	23.0	1.27
TJ	103	105	181	389	38.8	3,970	4.9	0.12	19.3	1.24
DE	81	56	22	159	43.0	3,680	4.9	0.13	18.4	1.21
Sub-Total	191	240	268	699	38.8	3,980	4.6	0.12	19.9	1.24
Pakar South										
SA	-	9	6	15	46.4	3,200	6.3	0.21	13.40	1.22
CA	-	99	56	155	48.4	3,140	5.9	0.21	13.30	1.21
BS	-	185	36	221	49.6	3,020	6.0	0.19	13.20	1.19
AU	-	-	-	-	-	-	-	-	-	-
SK	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	293	98	391	49	3,075	6.0	0.20	13.2	1.20
Total	191	533	366	1,090	42.5	3,655	5.1	0.15	17.5	1.23

Source: Pakar North and Pakar South Statements of Open Cut Coal Resources and Reserves as at 31 December 2016, RPM (March 2017)

The Pakar Resource estimates are based on gridded seam models developed for each of the North and Pakar South project areas. The Pakar North geological model incorporates the Tabang project area to the north of Pakar. The geological models were constructed using ABB Minescape Stratmodel software, which is a standard platform for the modelling and estimation of coal deposits. The geological models were prepared by PT Bayan Resources geologists and reviewed by RPM for the purposes of the Resource estimation. Coal Resources have only been reported within valid permit areas. SRK has not reviewed the geological models supporting the Resource estimates, however the modelling algorithms and gridding parameters adopted appear to be appropriate for the density and distribution of drillhole data and style of deposit. Based on the available descriptions, the Pakar North drillhole data supporting the estimates are expected to be reliable and fit for purpose. However, the drillhole collar survey accuracy at Pakar South is less than adequate to support detailed mine planning studies.

The Resource classification is essentially based on the density and distribution of drillholes with reliable measurements of seam thickness, depth and/or coal quality information (Points of Observation, or 'POB'). POB for seam structure (i.e., thickness, elevation) are based on geophysically logged cored and non-cored drillholes. POB for coal qualities are based on cored drillholes with raw proximate, total moisture, sulphur, CV and relative density analyses.

The Coal Resources were constrained within an optimised pit shell, based on a 30% higher revenue factor than the Reserves assumption. This is likely to be adequate to support the reasonable prospects criteria for a Coal Resource.

No geostatistical studies were undertaken to support the drillhole spacing criteria. The coal quality of the major seams generally appears to be consistent, particularly at Pakar North. Seam structure also appears to be largely benign, however seam splitting is present across the deposit in all seams. A more stringent set of drillhole spacing criteria has been adopted to classify the seam structure than that used to classify the coal qualities, which is considered appropriate.

The same classification criteria have been adopted for all seams at Pakar (i.e., a one-size-fits-all approach) although there appears to be more variability associated with some of the minor seams. However, as the main seams constitute the majority of the reported Resource, this is not likely to be material. Measured Resource areas at Pakar North have also downgraded to Indicated category around faults.

In general, SRK considers the drillhole spacing criteria adopted to classify the deposit structure and qualities to be reasonable based on a review of available documentation and our understanding of the deposit style. However, SRK would support a more conservative extrapolation of seam structure and coal qualities in down-dip parts of the deposit. This mainly applies to Inferred (plus perhaps some Indicated) Resource areas, although it is not clear how much of this (if any) falls outside the optimised Resource shells, as these have not been provided. Some of the Resource polygons are also somewhat “spotty”, rather than demonstrating continuous blocks where Resource continuity has been established.

A large number of the Pakar South drillholes were only surveyed with handheld GPS equipment which is less accurate than ground station survey methods. The classification has been limited to no higher than Indicated but some discount to the Pakar South Indicated Resource may be warranted to reflect a lower confidence in the seam structure model.

The average *in situ* strip ratio across the broader Tabang and Pakar North areas is reported to be 5.9:1 bcm/t (includes coal outside the mineable pit shell developed by Bayan).

The coal seams were modelled only in areas where detailed topographic survey exist. A number of areas without detailed topographic survey occur in the licence areas, which have therefore been excluded from the Resource estimation. This is problematic for establishing continuity of the Resource and mine design.

Proposed open pit mining areas have been presented by RPM and PT Bayan Resources in the southern sector of the TA and TJ concessions along the western flank of the syncline. These areas are currently poorly supported by drilling exploration to date and detailed exploration (including mapping, drilling and coal quality sampling and analysis) will be required. No Coal Resources are currently reported in these areas.

4.9 Coal Reserves

The Pakar North and Pakar South concessions have received significant focus in recent years with Bayan progressing technical evaluations and developing resource models and conceptual mine plans. RPM was appointed by Bayan (as alliance managers) on behalf of Kangaroo to develop JORC Code compliant Coal Reserve estimates as shown in Table 4-7 below.

Table 4-7: Reserve Estimates for Pakar North and Pakar South

Project	Concession	Ore Reserves (Mt)			CV GAR	Total Sulphur
		Proved	Probable	Total	Kcal/kg	% ad
Pakar North ¹	TA	3	58	61	4,250	0.10
	TJ	69	40	109	3820	0.11
	DE	55	11	66	3660	0.09
Total		127	109	236	3886	0.10
Pakar South ¹	SA	-	5	5	3100	0.14
	CA	-	40	40	2900	0.11
	BS	-	118	118	2980	0.11
	AU	-	-	-		
	SK	-	-	-		
Total			163	163	2964	0.11

Source: RPM Reserve and Resource Reports effective 31st December 2016 and Updated 31st December 2017

The Pakar North Reserve estimate is based on an integrated mine plan developed for the Bayan and Kangaroo assets. SRK considers that this is a reasonable approach as the coal seams are continuous across concession boundaries and in the case of the Pakar North concessions, the most practical mining methods will be to advance from the Bayan concessions (to the north) into the Pakar concessions (which are down dip of the current Bayan operations).

SRK further notes that for Pakar North:

1. The conceptual mining approach Bayan has developed for Pakar North is based on conventional down-dip mining from the basal seam crop line. SRK (and RPM) supports this as a reasonable and practical mining method.
2. The practical pit shells developed by Bayan include a significant proportion of Inferred Resources and unclassified coal (which is outside the JORC Code framework).
3. The Reserve estimates developed by RPM effectively report the sub set of data which includes Measured and Indicated category coal and coal which is determined to be economic to mine (based on the calculation of a break-even strip ratio and only including coal mining blocks with a strip ratio below the break-even strip ratio).
4. Bayan has forecast significantly more coal production than the current Reserve estimates (approximately double that of the defined Coal Reserve estimate in Pakar North)
5. Generally, Reserves are scheduled to be mined before Inferred and unclassified coal.
6. SRK has not sighted any plan which only includes Reserve production and SRK has only been provided with an integrated plan which includes Reserves plus Inferred and unclassified coal.

While for Pakar South:

1. Many areas do not have models for coal which extend from crop lines, mostly due to limited access and lack of drilling/topography data.
2. Detailed mine plans have not been developed for these concessions.
3. Preliminary planning at Pakar South is based on mining along strike and avoiding crop line areas, where there is no geology/topography model. This is an unconventional approach which results in increased strip ratio and significant risk of geotechnical instability (from the hanging low wall).

4. The coal specification for Pakar North and Pakar South varies significantly;
 - a. It may not be practical to blend coals with such different energy contents.
 - b. Pricing discounts applied may over-estimate revenue and reserves may be therefore over-estimated.
5. Bayan has forecast approximately 47% more production than Reserve estimates.

SRK considers there is insufficient technical information available to support a discounted cashflow (DCF) analysis of the Pakar Project concessions. On this basis, SRK has elected to value the supporting Coal Resources using market-based valuation methods, which is discussed more fully in Section 9 of this report.

4.10 Coal Quality

4.10.1 Pakar North

The coal at Pakar North is a sub-bituminous coal with low-ash and low sulphur characteristics. Based on the Coal Reserves defined by RPM in 2016, the average coal quality is presented in Table 4-8.

Table 4-8: Pakar North coal qualities

Concession	TM (% ar)	Ash (%)	TS (%)	CV (kcal/kg)
TA	37.8	4.9	0.11	3,960
TJ	35.4	4.4	0.11	4,160
DE	42.6	4.1	0.09	3,670
Total	37.5	4.6	0.11	4,003

4.10.2 Pakar South

The coal at Pakar South is lignite coal with low-ash and low sulphur characteristics. Based on the Coal Reserves defined by RPM in 2016, the average coal quality is presented in Table 4-9.

Table 4-9: Pakar South coal qualities

Concession	TM (% ar)	Ash (%)	TS (%)	CV (kcal/kg)
SA	47.0	5.4	0.14	3,060
CA	49.3	4.6	0.13	3,000
BS	50.1	4.2	0.11	2,970
Total	49.5	4.4	0.12	2,988

4.11 Geotechnical

Pit designs for the Pakar Project align to expected parameters with wall batter angles being consistent with other similar operations within Indonesia.

During the site visit, SRK observed that Bayan's Tabang operations have:

- Dedicated on site Geotechnical Engineering personnel including Expatriate management and field personnel;
- Advanced monitoring systems such as ground radar monitoring;
- Effective operational processes in place and resources to manage geotechnical risk;
- Issues associated with spoil stability and removal of mud; and

- Weak to very weak waste material and no blasting is required.

4.12 Bayan's Tabang Mining Operation

No mining is being undertaken within Kangaroo's Pakar concessions, however Bayan is currently mining at its Tabang coal mine located immediately north and northwest of Pakar North. Mining is currently planned to extend down-dip along the defined coal seams and hence will ultimately migrate from Bayan's Tabang operations into Pakar North.

Mining at the Tabang is relatively simple and the process involves working into the deposit from the basal seam crop line with spoil dumped outside the pit void initially, and then within the pit void as the operations progress down dip.

Hydraulic excavators and trucks are typically used for topsoil, waste removal and coal mining (range in excavator size from 47 tonnes to 300 tonnes and truck capacity from 30 tonnes to 100 tonnes).

Bulk dozing methods have recently been developed in partnership with one of the contractors (PT Petrosea) and such methods appear to be viable where there is available spoil room adjacent to the advancing mining face.

Logistics aspects which require management include:

- Hauling coal from the ROM areas to the port which is managed by progressive development and upgrades of the haul road and development of truck loadout/delivery infrastructure including silos, overhead bins and discharge bridges.
- River capacity from the Senyur port to the transfer barges on the Kedang Kepala River, which is subject to reduced draft during the dry season and requires either smaller barges or half loading of 300-foot barges.
- Barge transfer cranes, barge and terminal/floating capacity.

Tabang is currently operating at an annualised production rate in excess of 20 Mtpa. With the third barge loading conveyor in place, it is likely that the Senyur port will achieve capacity between 30 Mtpa and 40 Mtpa, with the potential to further increase capacity with a second haul road to another port planned.

It is reasonable to assume that all the Kangaroo concessions will be mined using similar methods, equipment and contractual structures to those currently applied at Tabang operations.

4.13 Coal processing

The Bayan operations and planned Kangaroo operations are typical of Indonesian operations in which coal is crushed to ensure it is suitably sized to specification before being shipped.

Infrastructure has been developed by Bayan to a high standard to ensure operational efficiency and manage production constraints or bottlenecks.

4.14 Infrastructure

Pakar North and Pakar South operations can be established with very low capital as the Bayan's Tabang infrastructure will also support these concessions. The only capital and infrastructure required is the completion of exploration and establishment of operating pit and ROM areas.

Table 4-10: Status of Kangaroo Concession Infrastructure

Area	ROM	Haul Road	Port	Comment
Pakar North	ROM areas to be established adjacent to operating pit areas and relocated as the operations advance.	Haul road is established but will require some diversion / realignment as Tanur Jaya and Dermaga Energi are developed.	Capacity is established (subject to completion of third barge loading conveyor)	Some waterway diversions are required as Tanur Jaya and Dermaga Energi are mined provisioned in the Bayan Plan.
Pakar South	As for Pakar North			Planning for this area is less developed.

4.15 Environment

Environmental permits required prior to commencement of any mining or construction activities in Indonesia, unless otherwise stated by the Minister for Environment and Forestry include:

- Environmental Impact Assessment (*Analisa Mengenai Dampak Lingkungan* or AMDAL). All coal mines require an AMDAL (Minister of Environment Regulation 5/2012).
- Environmental Permit (*Izin Lingkungan*).
- Clear and clean (CnC) declaration from the Director General of Minerals and Coal, confirmation that mining activities do not overlap.
- Operation Production Mining Business Licence (*Izin Usaha Pertambangan - Operasi Produksi* or IUP-OP). AMDAL and a clear and clean declaration are prerequisite for obtaining an IUP-OP.
- Borrow Use (*Izin Pinjam Paka* or IPPKH) for areas within permanent (*Hutan Produksi Tetap* or HP), degraded (*Hutan Produksi Terbatas* or HPT) or convertible (*Hutan Produksi Dapal Dikonversal* or HPK) production forests. Borrow Use Permits cannot be issued without a CnC declaration.
- Compensation for surface rights or land title holders in Non-forest Estate areas (*Area Penggunaan Lain* or APL). This applies for the majority of the TA and part of the SK concessions. Holders of surface rights or land title are not compelled to accept offers.
- Additional subordinate permits including (but not limited to) Land Application, Waste Water Discharge, Dumping Permit, Hazardous (B3) Waste. Kangaroo will only be in a position to progress this final permit stage when there is certainty regarding the development of the proposal.

A number of Indonesian laws and regulations define the environmental permit system, principally the Environmental Protection and Management Law 32/200, Government Regulation 27/2012 for Environmental Permits, and guidelines for the preparation, assessment and issuance of environmental documents within Minister of Environment Regulations 16/2012 and 8/2013. An AMDAL approved prior to 2012 is considered equivalent to an Environmental Permit under Government Regulation 27/2012. Penalties for operating without an Environmental Permit or causing pollution incur administrative and criminal sanctions. Compliance monitoring by government is typically passive, however active intervention may occur in cases of community complaints or conflicts of natural resource use.

AMDAL should contain all the technical information, risk analysis and mitigation strategies to enable evaluation of the Proposal's feasibility. The AMDAL comprises three documents, the Terms of Reference (*Kerangka Acuan* or KA-ANDAL), the Environmental Impact Analysis (*Analisis Dampak Lingkungan* or ANDAL) and an Environmental Management Plan and Environmental Monitoring Plan (*Rencana Pengelolaan Lingkungan Hidup* and *Rencana Pemantauan Lingkungan Hidup* or RKL-RPL). AMDAL is a prerequisite for other permits, including the IUP-OP.

The status of environmental permits for the Pakar deposit has been confirmed by the legal report prepared by M&TS on 26 September 2018 (Table 4-11).

Table 4-11: Permit status for the Pakar deposits

Location	Concession	AMDAL	IUP-OP Expiry Date	Environmental Permit Approval	Clean & Clear Permit No.	Borrow Use (Production)	Land Compensation
Pakar North	TA	Feb 2018	7 May 2038	19 February 2018	648/Bb/03/2015	55/1/IPPKH/PMDN/2018	Ongoing
	TJ	N/A	N/A	N/A	648/Bb/03/2015	12/1/IPPKH/PMA?2018	N/A
	DE	N/A	N/A	N/A	Application lodged	Requires C&C	N/A
Pakar South	BS	15 June 2008	5 June 2028	660.1/K.341/2008	Pending	Requires C&C	N/A
	OM	N/A	N/A	N/A	Pending	Requires C&C	N/A
	SA	N/A	N/A	N/A	Pending	Requires C&C	N/A
	CA	May 2008	5 June 2028	KAKK/20/AMDAL/Pertambangan/Baturbara/2008	Pending	Requires C&C	N/A
	AU	2008	26 March 2028	Clarification requested	226.Pm/04/DJB/2017	Pending	N/A
	SK	N/A	N/A	N/A	226.Pm/04/DJB/2017	Pending	Required

* Source: KRL (May 2018), KRL Background Discussion and Valuation. Technical data has not been specified

AMDAL have been approved for TA in Pakar North (February 2018) and for BS, CA and AU in Pakar South (2008). These concessions which hold IUP-OP status (TA, BS, CA and AU) also have decrees of Environmental Feasibility from the Regent of Kutai Kartanegara.

Under Article 50 of Government Regulation No.27/2012, an Environmental Permit remains valid for the term of the business licence, unless a company ceases its activities, amendments are made to government policy, or as a result of changes to the project such as size, duration, environmental conditions or impacts. The Environmental Permit (or AMDAL if issued prior to 2012) is also void if no activities occur within three years of issuance. In all these circumstances a new AMDAL or amendments to existing approvals must be granted by government. This may affect the validity of existing AMDAL and the Environmental Permit requirements at Pakar South and warrants confirmation of their validity for potential schedule impacts. The two river diversions intended for the Pakar North life of mine will also trigger an AMDAL review.

Concessions which hold an Exploration IUP require approval of an environmental management and monitoring efforts (*Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup* or UKL-UPL) to conduct exploration activities and this should be obtained for Pakar concessions TJ, DE, OM, SA, and KA.

CnC status have not yet been declared for most concessions due to boundary disputes with third parties, PT. Senyuir Sukses Pratama (SSP) and PT. AKM Tumpang Tindh Dengan (AKM). KRL states that these have both been rectified and written confirmation of clear and clean status is pending. The legal report (Makarim & Taira S, 2018) has identified that the TA concession overlaps with the license area of palm oil plantations operated by PT Sasana Yudha Bakti and PT Persada Bangun Jaya and is part of an ongoing lawsuit

Environmental monitoring reports cited by SRK during the Tabang Project site visit, and documents provided (Environmental Permit (*Pemberian Izin Lingkungan*) No. 503/438/LINGK/BPPMD-PTSP/III/2016 and government approved annual Work Budget Plan (*Rencana Kerja Anggaran Biaya*) No. 541.23/741/II-MINERBA provide evidence to support that KRL has the capacity to obtain and comply with environmental permit conditions in similar environmental conditions.

Governor of East Kalimantan Regulation 1/2018 concerns the framework for managing natural resources and implements delays to the permitting of new coal mines and Borrow Use permits (IPPKH) for coal mining, however extensions to IUP-OP or upgrading of exploration areas to IUP- OP in APL or permanent forest production areas (HP and HPK) are excluded if certain criteria are met (article 4). It appears KRL has considered this delay in Life of Mine planning and it is therefore not a significant valuation risk.

Indonesian environmental policy and regulation have evolved considerably in recent times and additional obligations or constraints could apply to any new or additional environmental assessments. For example, changes to permissions for new coal mines and Borrow Use permits have been evolving since 2015 and the Supreme Court of Indonesia plans to introduce 15 specialist environmental courts. Of importance, the Ministry of Environment and Forestry plans to reform the AMDAL process by the end of 2019, potentially including improvements to document and facilitator quality. AMDAL reform deserves consideration as policy changes can trigger amendments to existing approvals and the timing could impact the Pakar South schedule or affect applications for the Pakar North river diversions. This is not considered a significant valuation risk.

During the site visit, Bayan demonstrated that they have effective personnel and processes in place to manage environmental approvals and Bayan does not foresee any issues being granted the required environmental and statutory approvals in the required timeframe.

On the basis that Bayan proposes acquiring the Kangaroo concessions and neither Bayan nor Kangaroo has highlighted risk or discounted the project value on the basis that approvals are not yet complete, SRK does not consider significant risks are associated with approvals.

This risk may be considered to be more significant if a third party (who was not operating the adjacent concessions and who do not have current experience in the area) were to evaluate the deposit.

5 Graha Panca Karsa Coal Project

5.1 Location, access and climate

Kangaroo's Graha Panca Karsa (GPK) Project is centred at approximately latitude 0°8'48" N and longitude 115°41'35" E at an elevation of 90 m amsl. It is located approximately 20 km north of the village of Tukul on the Mahakam River, 35 km northwest of the small town of Melak, 195 km northwest of Balikpapan (Kalimantan capital), 170 km northwest of Samarinda (capital of East Kalimantan) and close to Senadawa (the regional capital of the district or Kabupaten) in the Kutai Barat Regency, East Kalimantan. The villages of Tering, Tukul, Long Iram and Long Daliq are the main centres in a sparsely populated area.

There are a number of different routes to access the area. From Samarinda, the area can be reached by 4-wheel drive via Tenggarong and Melak over a distance of approximately 300 km in about eight hours. Alternatively, the area can be reached by car to Kotabangun (approximately 1.5 hours) followed by speedboat for about three hours.

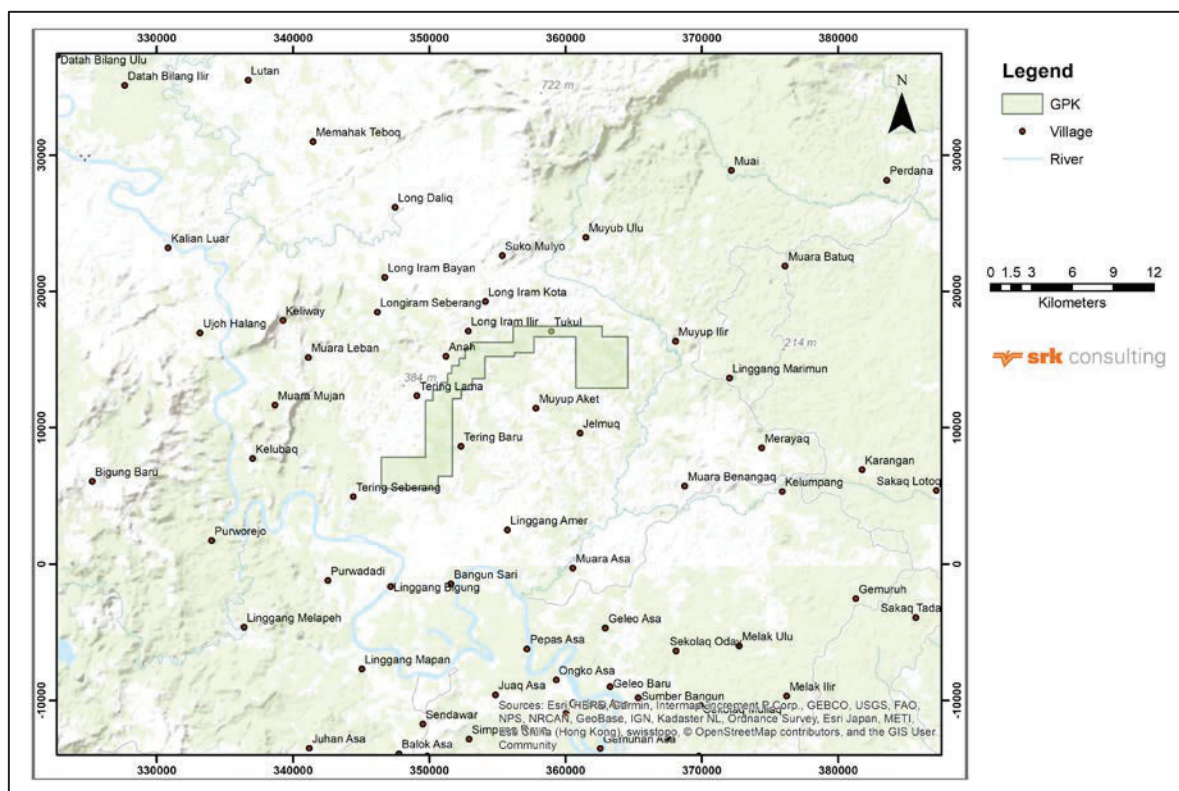


Figure 5-1: Kangaroo's GPK Project

Source: SRK

Access from the banks of the Mahakam River to the concession is via a network of forestry roads. Timber operations have finished in the area leaving a network of approximately 136 km of unsealed roads within the project.

The Mahakam River, a large inland river in East Kalimantan provides the principal means of transport of goods and heavy equipment and the export of coal and timber.

The area is characterised by very low relief and dominated by swamps in proximity to the Mahakam River floodplain rising to low, undulating hills with small, V-shaped gullies and valleys. The project terrain is fairly typical with low hills eroded into steep, but shallow valleys. Elevations are generally in the range 75 to 175 m, reaching a maximum of 225 m in the north of the area.

5.2 Ownership and tenements

An exploitation licence (Izin Usaha Pertambangan Operasi Produksi No. 545/K.745/2009) was issued on 14 September 2009 by the East Kalimantan Regional Government. The concession is held by PT Graha Panca Karsa and covers an area of 5,060 ha. Currently, Kangaroo does not hold any equity in GPK, rather it holds a contractual right to 85.19% of GPK. The current 85.19% interest is held under a nominee company on Kangaroo's behalf by PT Kaltim Assetindo (KA) pending Kangaroo exercising its option to take up its full equity entitlement. There is a management agreement in place between Kangaroo and KA.

In 2010, Kangaroo entered into a Co-operation Agreement and Deed of Release with KAL Energy Inc (KAL Energy) in relation to its interests in the GPK Project. Under the terms of the Agreement, KAL Energy will be entitled to receive 12% of the net sale proceeds of any future sale transaction. Net sales proceeds consist of sales proceeds less costs incurred in connection with the procurement and implementation of a future sale transaction, including any broker fees, royalty buy-outs and other associated costs. In the event that Kangaroo takes GPK into production an 8% economic interest will be assigned to KAL Energy. GPK is currently held through a nominee structure pending Kangaroo exercising its option to take up its full equity entitlement.

This effectively means that Kangaroo ultimately hold 77.19% economic interest in GPK (i.e., 85.19% minus 8%). For this to happen, GPK will need to be converted to a PMA (foreign investment company), which is the subject of Indonesia's Divestment of Foreign Shareholdings legislation.

Table 5-1: Tenement schedule

Company	Mining Business Permit (IUP)	IUP Status	C&C Status	Area (ha)	Comments
PT Graha Panca Karsa	IUP Operation & Prod. No. 545/K.745/2009	No suspension	C&C status and Certified (No 599/Bb/03/2015 dated 07 July 2015)	5,060	IUP OP valid from 14/09/2009 to 14/09/2029

SRK has sighted documentation obtained by Kangaroo from M&TS, an independent legal firm. The document, dated 26 September 2018, indicates the following:

- The validity of the GPK concession extends from 14 September 2009 to 14 September 2029.
- The mining area of GPK is located within the area of Production Forest.
- GPK has received CnC status and an initial forestry usage permit IPPKH No SK.695/Menhut-II/2014, covering a 467.5 ha block.
- There is no ongoing litigation process involving GPK.

5.3 History

Despite long standing forestry operations in the region, and the associated exposure of coal seams in logging road cuttings or as pavement in creeks, it was not until January 2006 that the area was first explored for coal by PT Graha Panca Karsa and Thatcher Mining Pte Ltd, a wholly owned subsidiary company of KAL Energy Inc (KAL Energy, previously listed under ticker OTC BB:KALG), a Delaware incorporated junior coal exploration company. This initial exploration comprised a six-man geological team undertaking reconnaissance investigation of the area. In total some 70 coal outcrops were identified ranging from 0.2 to 6.7 m in thickness.

From March 2007 onwards, several drilling campaigns were completed as outlined in Table 5-2 below.

Table 5-2: Drilling Campaigns at GPK

Period	Program Name	Power Rig	Open Hole (m)	Core Hole (m)	Total metres (m)	Number of holes	Average Depth (m)
March – June 2007	Phase 1	No	4,004	426	4,430	56	79.1
March – June 2007	Phase 1	Yes	1,940	-	1,940	185	10.5
June – October 2007	Interim Phase	No	2,435	16	2,451	33	74.3
June – October 2007	Interim Phase	Yes	3,245	-	3,245	255	12.7
June 2009 – January 2010	IBU	No	1,170	227	1,447	40	36.2

Source: ASEAMCO resource report (2011)

On the basis of the Phase 1 drilling program, an initial Coal Resource estimate was prepared and titled “JORC Code Compliant Resource Statement for Graha Panca Karsa (Block 24)” dated 11 June 2007. A second report was prepared as at 1 December 2008 incorporating further drilling since the completion of the initial estimate and was titled “Coal Resources Statement for the Graha Coal Project – Melak – Kutai Barat, Kalimantan Timur”.

In late 2009, Kangaroo acquired the rights to an 84.82% interest in the GPK Project from KAL Energy Inc for US\$2.0 M and development commitments of US\$8.0 M to bring the project into production. At the time of the transaction, the GPK Project was reported to have a JORC Code compliant Resource of 248 Mt of thermal coal (classified as Indicated 141 Mt and Inferred 107 Mt) and extensive infrastructure capable of supporting up to 1.5 Mtpa coal production (Kangaroo ASX Announcement date 01 Feb 2010).

On 13 January 2010, Kangaroo announced that it had made its maiden delivery of thermal coal from the GPK Project to the Cahaya Fajar Kaltim power station in East Kalimantan. At that time, it was forecast that the GPK Project would produce 100,000 tonnes of thermal coal per month by early 2011 and ultimately up to 3 to 4 Mtpa by 2012.

In the September quarter of 2012, Kangaroo announced that it was unable to carry out further exploration at GPK pending receipt of final permits, which were not forthcoming until the December quarter of 2014, when the Company received a Clear and Clean status.

Throughout 2015, the company explored opportunities for share use of the project infrastructure with neighbouring third-party owned mining concessions that were already in production, with development dependent upon an upturn in the coal market.

In February 2017, Kangaroo commenced a drilling program at the western sector of GPK ultimately completing 42 holes totalling 1,858 m within the Pinjam Pakal (Borrow-Use Forestry Permit) area. Results confirmed the continuity of the two main seams (with an average thickness of 4.4 m and 1.3 m respectively) and retain similar coal quality characteristics to those previously recorded. RPM reviewed the drilling data and prepared an exploration report summarising the results achieved. Kangaroo currently has an application to undertake a follow up drill program in these areas in 2018.

Also, in 2017, Kangaroo carried out works to update selected topography, as well as a bathymetric survey in support of development of the GPK Project. The bathymetric survey was completed by PT Seascope Surveys Indonesia (part of the Mermaid Subsea Services Group) and covered 78 km of the upper reaches of the Mahakam River. The key conclusions are that this portion of the river will be navigable:

- 51% of the time using 300' barge fully loaded with a draft of 4.5 m plus 0.6 m Under Keel Clearance (UKC)
- 58% of the time using 230' barge fully loaded with a draft of 4.0 m plus 0.6 m UKC
- 64% of the time using 180' barge fully loaded with a draft of 3.5 m plus 0.6m.

Whilst manageable the Company recognises that this presents certain challenges from a logistics perspective. These limitations are largely due to six critical points along this stretch of the river. The Company is currently assessing the alternative of bypassing a portion of these critical points by having a longer truck haul, dredging these locations or a combination of both.

5.4 Geological setting

The GPK coal deposit occurs within the Middle to Late Miocene age Balikpapan Formation (Tmbp), which is the same coal-bearing formation as the Pakar deposit (Figure 5-2). The formation is dominated by quartz sandstone and claystone with intercalations of siltstone, shale, limestone and coal.

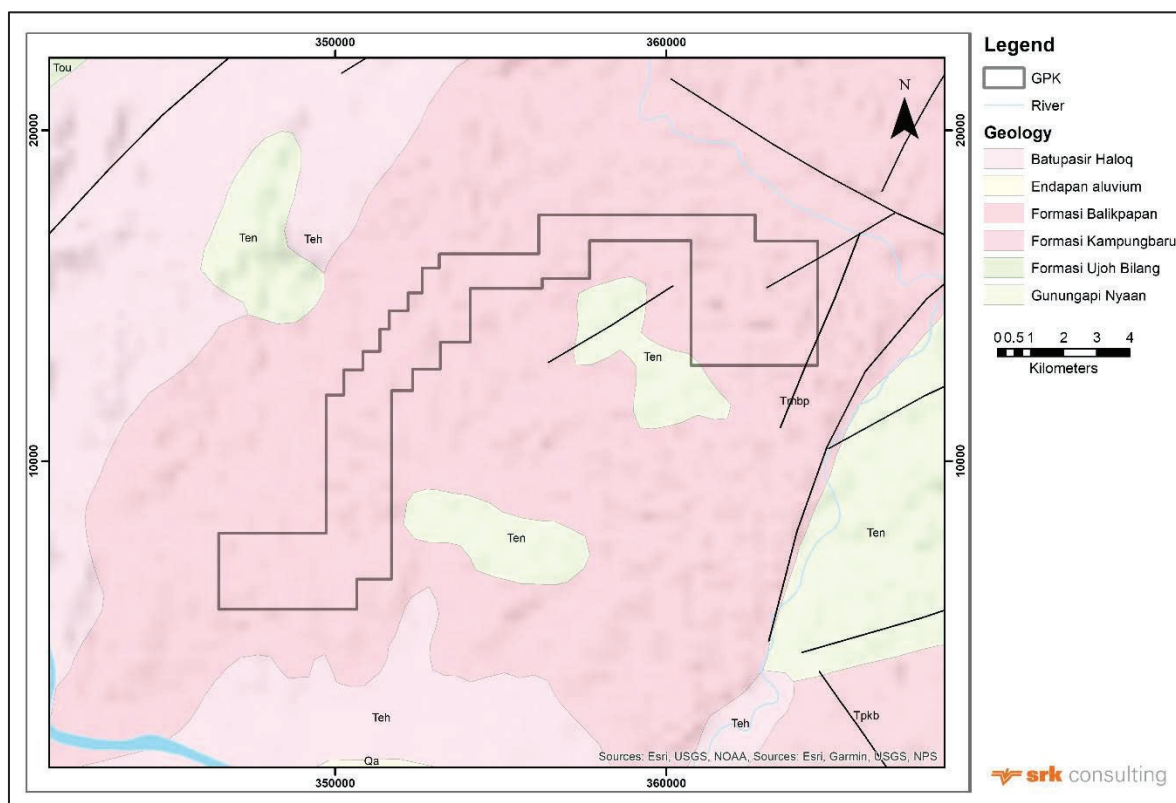


Figure 5-2: Geological map of the GPK project area

Source: Geological Map of the Muara Ancalong Quadrangle, Kalimantan, Geological Research and Development Centre, 1995

The GPK Project comprises a multi-seam deposit located around the closure of a northwest-southeast trending syncline structure, gently plunging to the southeast. Strata dips are gentle, generally ranging from 5 to 15 degrees, with shallower dips in the axis of the syncline. Dips are steeper and to the east along western limb, shallow and to south and southwest in the northeast (Figure 5-3).

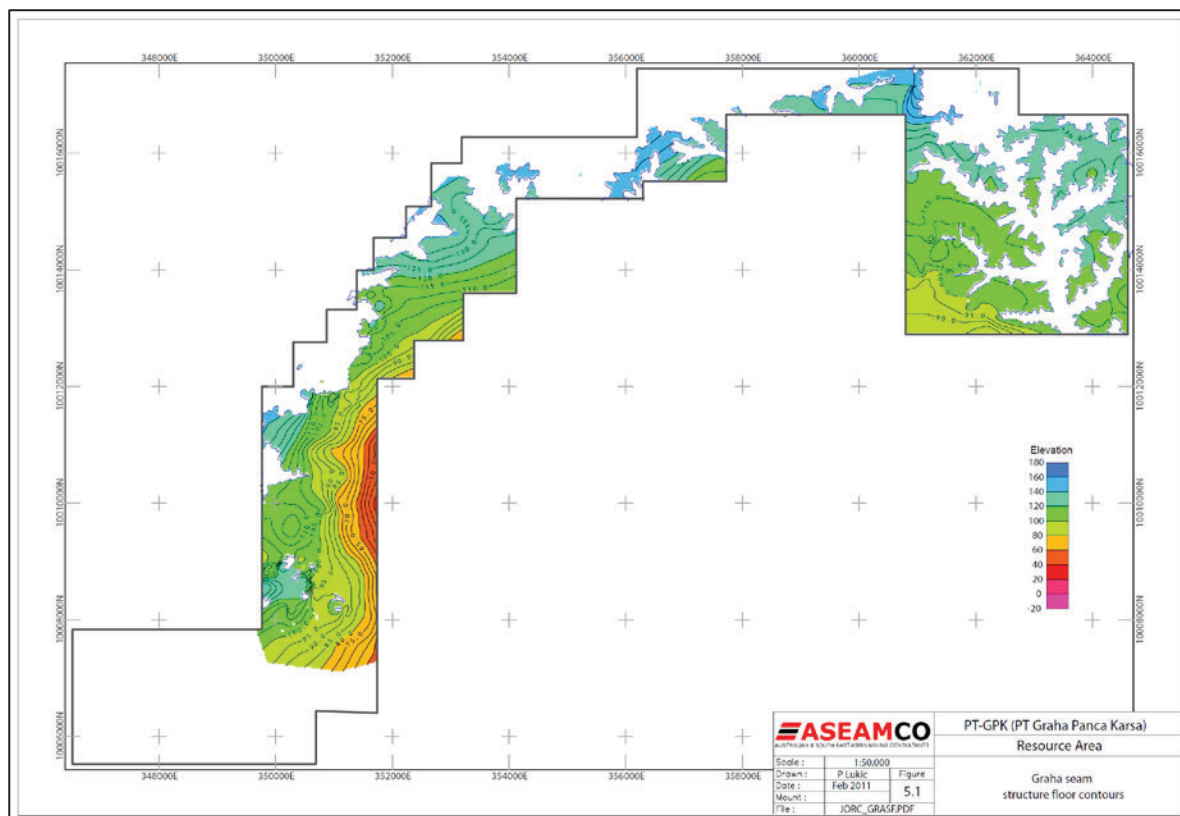


Figure 5-3: Graha seam structure floor contours at GPK (based on 2011 data)

Source: Statement of Resources for GPK Project (ASEAMCO, January 2011)

Some faults are identified on regional geological maps of the area. Faulting has also been reported in several drillholes in the project area, however there is insufficient information to discern the location or throws of these faults based on the current drillhole density.

Eight seams are recognised in the GPK concession area (Figure 5-5). The main seam is the Graha (GRA) which has an average vertical thickness of 4.4 m. The Graha seam thickens up to 8 m in the southwest sector of the concession (Figure 5-4). Seven minor seams with average vertical thickness ranging from 0.3 to 1.3 m are also present above and below Graha seam within the concession. With the exception of the Tukul seam (TUK), which generally occurs approximately 7 m below the Graha seam, information for the minor seams is currently limited and their continuity is not well established.

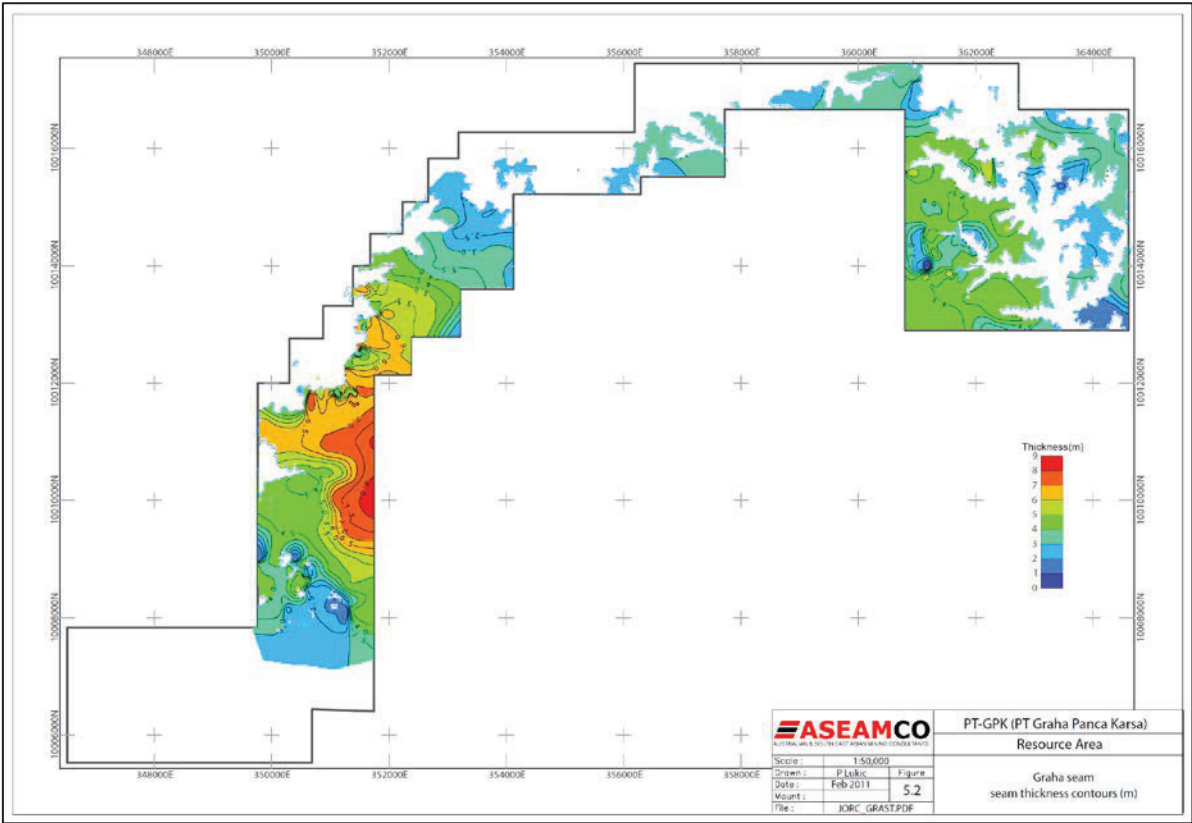


Figure 5-4: Graha seam thickness contours at GPK (based on pre-2011 data)
Source: Statement of Resources for GPK Project (ASEAMCO, January 2011)

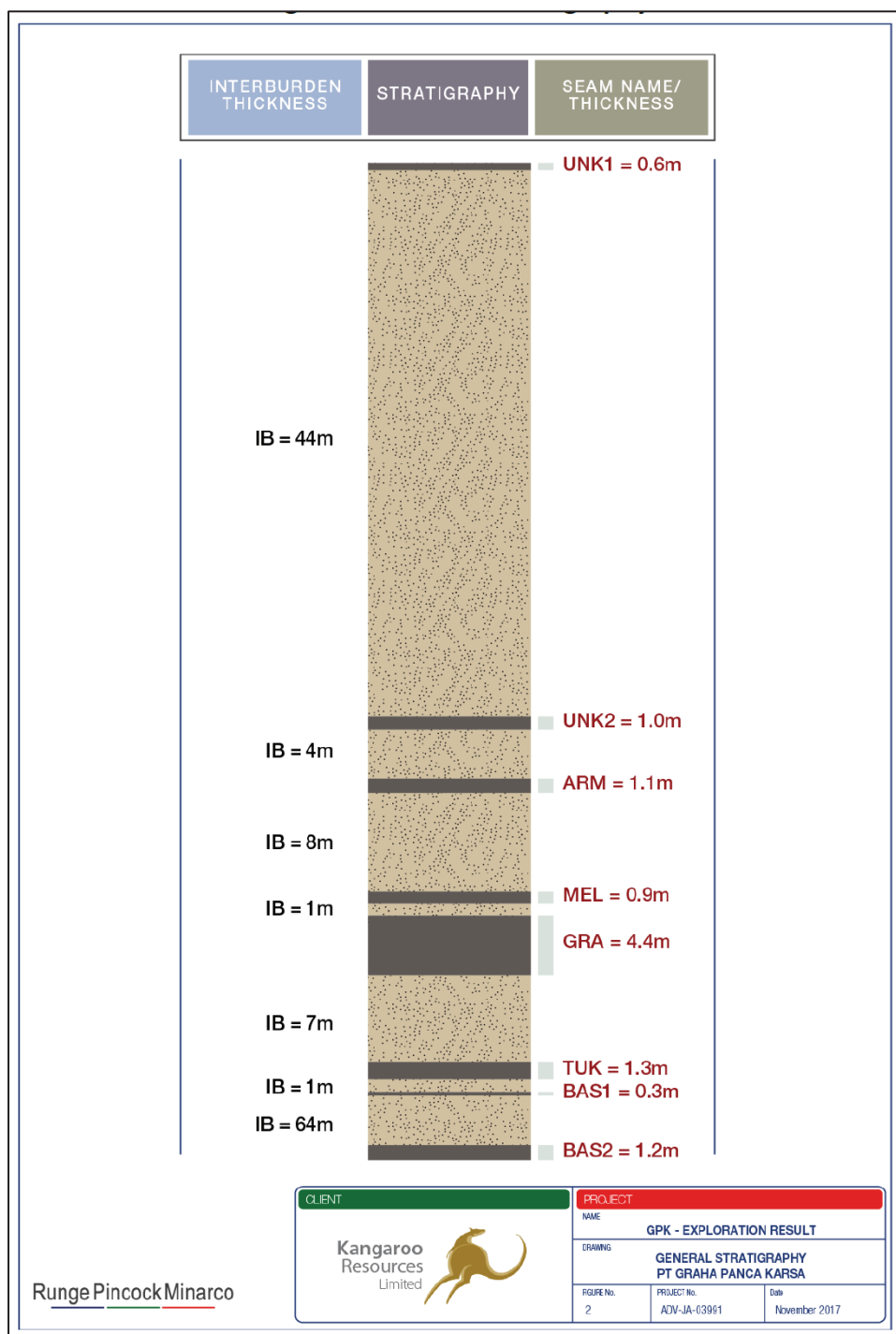


Figure 5-5: GPK seam stratigraphy

Source: Kangaroo ASX announcement 19 December 2017 "GPK drill program confirms and expands upon previous drilling works"

5.5 Exploration

Exploration at GPK has principally been conducted over three main phases: in 2007, 2009-2010 and 2017. More than 540 drillholes have been completed in the licence area to date (Table 5-3).

Table 5-3: GPK drillhole summary as at December 2017

Drilling Period	Number of Holes	Geoph. Logged Holes	Coal Quality Holes	Total Metres (m)	Drill holes Depth (m)		
					Average	Max	Min
Pre-2011	501	166	11	10,671	21	193	1
2017	42	40	39	1,858	44	86	21
Total	543	206	50	12,529	23		

Source: Kangaroo ASX announcement 19 December 2017 "GPK drill program confirms and expands upon previous drilling works"

The majority of the drillholes are shallow, with an average depth of 23 m, and as a result a large number did not intersect the target coal seams. The earlier drilling phases focussed on both the eastern and western limbs of the syncline. More detailed drilling including coal quality sampling was completed in the northeast sector. Limited coal quality drilling was undertaken in the western sector. SRK understands that coal core recoveries in the pre-2011 drillholes were variable.

The 2017 drilling was focussed in the southwest sector of the concession on the western limb of the syncline, where previous drilling indicated the best development of the Graha seam (Figure 5-6). The majority of the 2017 drillholes were cored for coal quality analysis. However, the current Resource statement for GPK was prepared in 2011 and the results of the 2017 drilling have not yet been incorporated into an updated estimate of the GPK Coal Resource.

The average thickness of the Graha seam in the 2017 drillholes is reported to be 5.8 m, which is thicker than the deposit average and confirms the southwestern sector as the most prospective area of the concession.

The locations of the pre-2011 and 2017 drillholes are presented in Figure 5-6.

Sample analysis was undertaken at two internationally accredited coal laboratories in Balikpapan. A detailed LiDAR survey exists over the target areas at GPK which provides adequate topographic control.

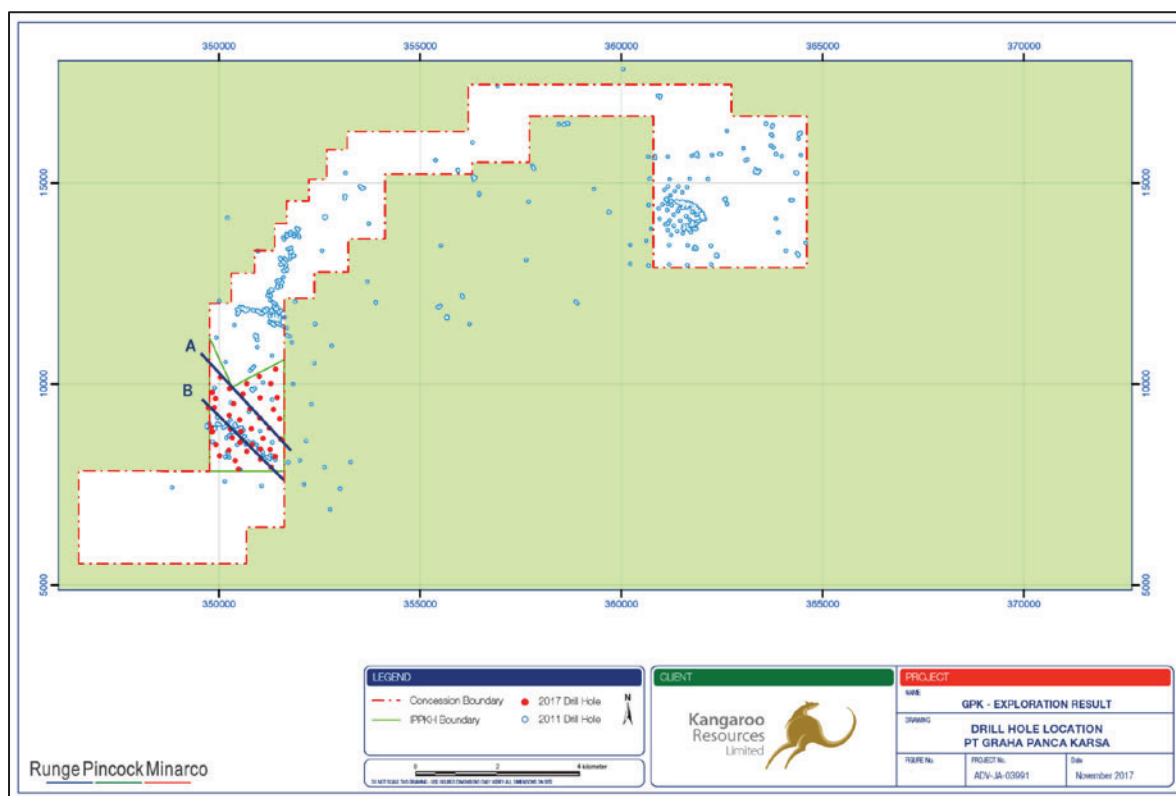


Figure 5-6: GPK IUP showing completed drillholes to December 2017

Source: Kangaroo ASX announcement 19 December 2017 "GPK drill program confirms and expands upon previous drilling works"

5.6 Coal Resources

Coal Resources are reported for the Graha seam only. A total Coal Resource of 117 Mt is reported for GPK, comprising 58 Mt in the Indicated category and 59 Mt in the Inferred category (Table 5-4).

The GPK Resource estimate was prepared by ASEAMCO Pty Ltd originally reported on 19 Jan 2011 under the 2004 JORC Code reporting framework. No volumes of coal have been mined from these concessions since this date and there has been no change to Coal Resources. More than 95% of the reported Coal Resource occurs at depths less than 60 m.

Table 5-4: GPK Coal Resource as at 19 January 2011

Seam	Coal Resources (Mt)				Ash % (ar)	TS % (ad)	CV kcal/kg (gar)
	Measured	Indicated	Inferred	Total			
Graha	-	58	59	117	3.3	0.18	3,854
Total	-	58	59	117	3.3	0.18	3,854

Source: Kangaroo ASX announcement 8 April 2011 "Kangaroo reports updated 3.15 billion tonne JORC Resource Statement"

The 2011 Resource estimate was based on a gridded seam model developed using Minex software, a widely used and accepted platform for the evaluation of coal deposits. SRK has not reviewed the geological model supporting the Resource estimate, however the stated modelling algorithms and gridding parameters adopted are considered appropriate for the density and distribution of drillhole data and style of deposit.

The Coal Resource classification is based on the density and distribution of drillholes in the deposit with reliable data for seam structure and coal quality. The stated classification criteria are likely to be sufficient to support the expected levels of confidence in coal quality in the northeastern sector, however the Coal Resource in the western limb is based on just two coal quality drillholes, and there is a risk that the Resource confidence is overstated in this area. However, this area has more recently (i.e., 2017) been the focus of detailed coal quality drilling and this is anticipated to be sufficient to support higher Resource classifications in the western limb.

Although the 2017 drilling results have apparently not yet been incorporated into an updated geological model and Coal Resource estimate for GPK, the recent data appear to be largely consistent with the limited previous data in the western limb and provides support for the existing interpretation in this area (Table 5-5). Therefore, the risk associated with the 2011 Resource classification in this area is not considered significant.

Table 5-5: Comparison of pre-2011 and 2017 drillhole coal quality data in western limb at GPK

Coal Quality Parameter	Pre-2011	2017	Combined
Total Moisture (% ar)	38.8	38.8	38.8
Inherent Moisture (% adb)	18.7	17.1	17.5
Ash (% adb)	5.1	5.0	5.0
Volatile Matter (% adb)	40.7	41.5	41.3
Fixed Carbon (% adb)	35.5	36.5	36.2
Sulphur (% adb)	0.16	0.14	0.15
Calorific Value (kcal/kg, gar)	3,920	3,935	3,930
Relative Density (g/cc)	1.34	1.35	1.35

Note: Coal quality values are based on all coal samples weighted averaged by thickness

Source: Kangaroo ASX announcement 19 December 2017: GPK drill program confirms and expands upon previous drilling works

5.7 Coal Reserve

No Coal Reserves have been outlined by Kangaroo at the GPK Project to date.

In SRK's opinion, if the Kangaroo assets were to be offered to the market for sale, it is likely that Pakar North and GPK would be marketed together. Therefore, it is reasonable to assume an integrated mine plan combining Pakar North and GPK production would be evaluated. In this case, it would be possible to develop GPK in a much shorter timeframe with less capital due to:

- Utilisation of semi-mobile crushing and barge loading equipment which can be reassigned as required; at a production rate of only 3 Mtpa it will be viable to use smaller scale, semi mobile infrastructure.
- Utilisation of established haul roads and operate with lower river navigability at GPK (during the dry season there would be no shipping from GPK with coal shipped from Pakar North during such periods).

During the site visit to Tabang, SRK noted that during the dry season Bayan is currently using small vessels to ship coal from Senyur Port to the transshipment barges on the Mahakam River.

During the wet season (when river levels are higher), there is much less demand for the smaller barges and there is also less coal to tranship. It would therefore be possible to assign these smaller vessels during the wet/shoulder season to barge coal from the GPK port to the Bayan transshipment barges without significantly impacting on Pakar North production.

Currently, no Coal Reserve has been developed and there is insufficient information to reasonably support a DCF analysis of the GPK Project on a standalone basis.

The Resource model remains to be updated to incorporate the most recent (2017) exploration data. Such a review will be required in order to develop mining blocks and develop a preliminary mining schedule, which could be used as the basis to develop a Coal Reserve estimate, as well as model project capital, cashflow and value.

Based on its review of the available technical information, SRK considers that low capital cost options and a revision of GPK inventory (including confirmation of reserves, if there is sufficient confidence in the geological model) should be undertaken.

SRK also considers that an economically rational purchaser of Kangaroo's coal assets would also assess the potential for any integrated Pakar North and GPK scenario, on the basis of the relative proximity and similar coals available at the two projects. In SRK's opinion, it may be possible to increase the value of GPK using a low capital development strategy, without negatively impacting the value of Pakar North.

5.8 Coal Quality

The GPK deposit is in the same stratigraphic formation as Kangaroo's Pakar Project and the coal quality is similar to that at Pakar North. The coals within the GPK area are sub-bituminous in rank, low ash (average 5.0% ad), low sulphur (average 0.15% ad), high moisture (averaging 40% as received) and a calorific value averaging around 3,870 kcal (GAR) (ASEAMCO, 2011). The coal quality appears to be consistent between the east and west sectors, although a slight rank decrease is apparent from west to east.

A summary of the coal quality data used in coal quality modelling is presented in Table 5-6.

Table 5-6: Summary coal quality used in resource modelling (as-received)

Variable	Units	Minimum	Maximum	Average
Calorific Value	Kcal/kg	3,716	3,967	3,854
Raw Ash	%	1.8	5.1	3.3
Volatile Matter	%	28.6	31.3	30.4
Fixed Carbon	%	25.1	27.0	26.3
Total Sulphur	%	0.10	0.17	0.12

Source: ASEAMCO, 2011

5.9 Infrastructure

GPK will require substantial capital to develop logistics infrastructure, site accommodation and maintenance facilities although Kangaroo's proposed production rate is only 3 Mtpa, which is less than 10% of the production rate from the integrated Tabang-Pakar complex capacity.

Capital budgets presented to SRK are preliminary and based on GPK operating as a stand-alone project. It may be possible to apply a lower capital strategy if GPK and Pakar North are developed using an integrated approach (as outlined in Section 5.7 above).

Table 5-7: Status of Kangaroo Concession Infrastructure

Area	ROM	Haul Road	Port	Comment
GPK	Required	Approximately 32.5km haul road required.	Low to medium capacity crusher and barge loading conveyor required.	Requires in excess of US\$10 M to develop operations.

5.10 Environment

The GPK concession has an approved AMDAL (dated 26 August 2009), IUP-OP (No. 545/k.745/2009) Environmental Licence (660.5/006.1/AMDAL-VII/2009), CnC status (No. 599/Bb/03/2015) and Forestry Licence (SK.695/Menhut-II/2014).

The valuation risk is considered to be low.

6 Mamahak Coal Project

6.1 Introduction

Coal was previously produced from the Mamahak Project from January 2010 to November 2012 with some 300,000 t produced. Mining is currently suspended.

Previously coal was hauled approximately 4 km to a crushing facility located some 35 km from a barge loading facility on the Mahakam River. However, the capacity of this facility was limited by seasonal river levels. As such, recent activities have been directed towards investigating alternative port options as well as potential bypass scenarios to avoid critical points along the Mahakam River.

At this time, it is envisaged that any future operations would be similar to the previous scale open cut operations, using mining contractors to move waste and coal using appropriately sized truck and excavator fleets.

6.2 Location, access and climate

The Mamahak Project concessions are located at approximately latitude 0°30'0" N and longitude of 115°30'0" E on the Long Pahangai 1:250,000 scale geological map (Figure 6-1). The Project is located near Mamahak Besar Village, Long Bangun District, Kutai Barat Regency of East Kalimantan Province, Indonesia. The project is approximately 178 km north of Melak, the regional centre of the Kutai Barat Regency.

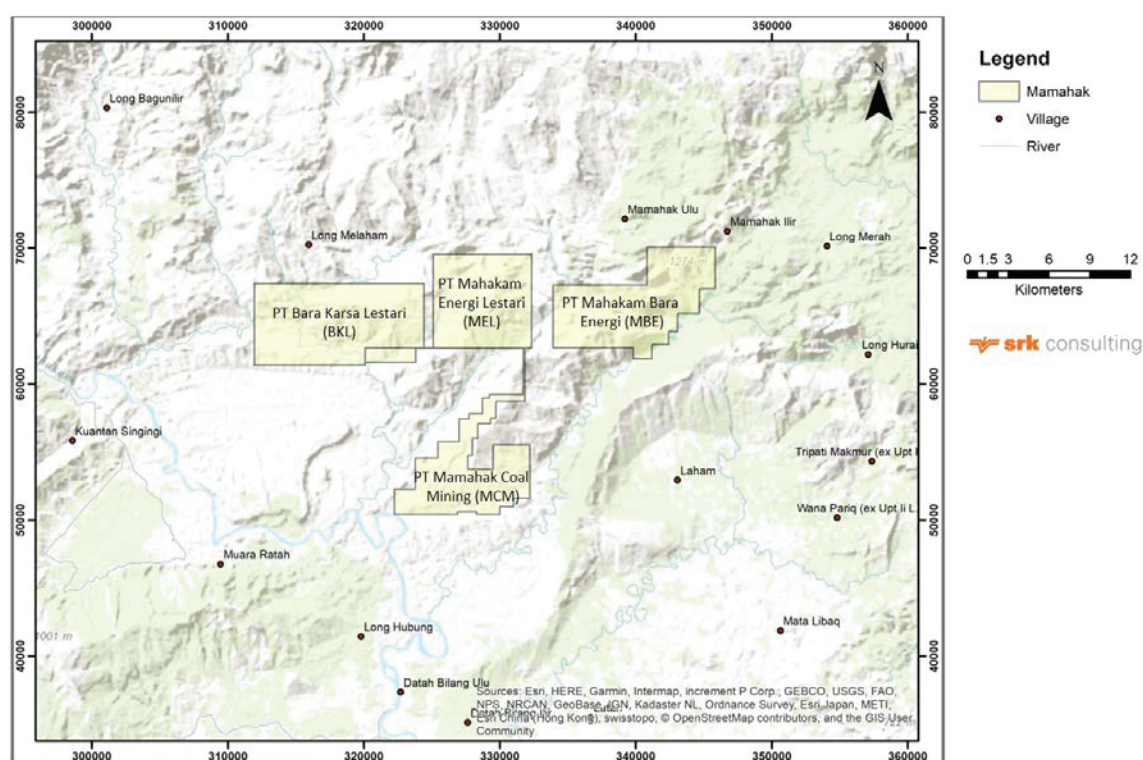


Figure 6-1: Mamahak Project – concession locations

Source: SRK

Access to the project is usually by plane from Jakarta to Balikpapan connecting from Balikpapan to Samarinda and then by vehicles for seven to eight hours to the Mahakam River. River transportation provides the main access to the area and regular shipping service links Samarinda with Detah Dilang and except during rare droughts can reach Long Bangun.

Transport from Samarinda to Mamahak takes approximately ten hours. The Mamahak Project is on the eastern side of the Mahakam River and close to the village of Mamahak. Access roads within the Mamahak Project are generally of low quality.

The topography of the project area is undulating ranging in elevation from 25 m in the fluvial plains to 525 m amsl characterised by low rugged terrain associated with volcanic hills. The area is drained by the Mahakam River, one of the largest river systems in Kalimantan.

The area is sparsely populated with most of the population living in villages along or near the Mahakam River. Subsistence farming by shifting cultivation: dry-field (lading) rice is the most important crop. Hunting, fishing and minor cropping and collecting forestry products, particularly rattan provide supplementary food and income.

6.3 Ownership and tenements

The Mamahak Project is owned by PT Karsa Optima Jaya, a subsidiary of Kangaroo Resources Limited. The Project consists of four separate mining entities, PT Mamahak Coal Mining (MCM), PT Mahakam Energi Lestari (MEL), PT Mahakam Bara Energi (MBE) and PT Bara Karsa Lestari (BKL) each as holders of a single mining concession.

Table 6-1: Tenement schedule

Name	Company status	Mining Business Permit	IUP Status	C&C Certificate	Concession Area (ha)
MCM	PMDN	Operation and Prod IUP NO. 545/K.341a/2010	Prod Operation with 3 rd suspension from 16/11/2017 to 15/11/2018	No. 254/Bb/03/2014 dated 28 August 2014	4,996
BKL	PMDN	Exploration IUP No. 545/K.739/2009	No suspension	BKL has not obtained a CnC certificate	7,000
MEL	PMDN	Exploration IUP No. 545/K.0913a/2009	4 th suspension from 24/07/2018 to 23/07/2019	No 346/Bb/03/2014 dated 13 October 2014	5,000
MBE	PMDN	Exploration IUP No. 545/K.899a/2009	3 rd suspension from 24/07/2018 to 23/07/2019	No 345/Bb/03/2014 dated 13 October 2014	5,000
Total					21,996

PMDN / PMA = Domestic / Foreign Investment Company

SRK has sighted documentation obtained by Kangaroo from M&TS, an independent legal firm. Based on SRK's review of the document, dated 26 September 2018, SRK understands the following:

- The MCM concession was originally granted for a 12-year period commencing 7 April 2010 and due to expire on 7 April 2022. Mining activities have been suspended since 30 November 2015 until 15 November 2018. Despite mining activity currently being suspended, MCM is considering its options open with regard to recommencing mining activities subject to favourable economic conditions and intends to maintain tenure of its concession.
- The MEL concession was originally granted for a 6-year period commencing 12 November 2009 and due to expire on 12 November 2016. Mining activities have been suspended since 1 July 2015 until 23 July 2019.
- The MBE concession was originally granted commencing 6 October 2009 and due to expire on 6 October 2015. Mining activities have been suspended since 1 July 2015 until 23 July 2019.

- The BKL concession was originally granted commencing 9 September 2009 and due to expire on 19 August 2011. From the Exploration IUP, it is evident the IUP has expired and M&TS did not find any document relating to extension. M&TS consider BKL is no longer holding an Exploration IUP for this area. BKL may seek to reinstate the concession but has not yet made a firm decision to do so.
- The MCM concession is located within areas of i) Limited Production Forest and ii) other utilisation areas. MCM's forestry licence has expired.
- The MEL concession is located within areas of Limited Production Forest, while most of the MBE concession is located within the area of Limited Production Forest and a small part of the mining area is located within the Protected Forest area.
- According to MEMR maps, the BKL concession is located within areas of Limited Production Forest and other utilisation areas, not "Protected Forest" as verbally communicated by Bayan.
- The mining area of MCM is overlapping with the mining area of PT Karya Borneo Agung.
- There is no ongoing litigation process involving MCM, MEL, MBE and BKL concessions.

6.4 History

Undocumented local communication suggests that limited historical extraction of coal seams on or near the Mahakam River in the area was undertaken to fuel "steam powered" river vessels.

The Mamahak area has a history of exploration and production, having been mapped on four separate occasions: twice for coal, once for petroleum and once to establish a regional stratigraphy. None of this prior exploration involved located drilling and sampling of the four concessions as conducted by PT Mamahak Coal Mining.

In April 2008, South Gobi Energy Resources Ltd (SGER; TSX:SGQ) entered a joint venture agreement with Score Resources Ltd to earn a 56% interest by spending US\$14.5 M on the development of the Mamahak Coal Project. As noted in this transaction announcement, geological mapping had previously delineated encouraging coal outcrops and over 30 coal seams, with coal quality indicative of a premium thermal, semi-soft and potential coking coal. SGER subsequently increased its interest in the Mamahak Project to 85% in September 2008.

South Gobi established a site office, accommodation camp and an administrative project office at the port village of Melak. Detailed drilling to determine downdip continuity, thickness variation, coal quality and geology was commenced shortly thereafter with some 112 drill holes ultimately completed and geophysically logged. This drilling confirmed at least four separate coal seams ranging in thickness from 0.4 to 1.25 m thickness.

A bulk sample was also collected from the southwest portion of the MCM concession for coal processing testwork purposes. This testing confirmed a high fluidity metallurgical coking coal was able to be produced. As a result, SGER commenced:

- Drafting of a Coal Resource report to Canadian National Instrument 43-101 (NI 43-101) standards;
- Extraction of further bulk samples and drilling and sampling to extend the defined resources;
- Drilling of the BKL concession (northwest of the proposed initial mining area);
- Permitting and approval processes, and
- Construction of a river-barge loading terming at Long Habung on the Mahakam River.

In January 2009, SGER obtained a Location Permit from the local government in East Kalimantan allowing the commencement of surface coal mining of the SW deposit (the closest to the Mahakam River).

In February 2009, SGER reported a NI 43-101 compliant Resource estimate of Measured and Indicated Coal Resources of 12.2 Mt with an additional Inferred Coal Resource of 5.2 Mt for the Mamahak Coal Project. For further details in relation to this estimate refer to SGER's announcement titled "SouthGobi Energy Resources receives NI 43-101 Resource report for the Mamahak Coal Project in East Kalimantan, Indonesia" dated 9 February 2009.

In May 2009, SGER signed a marketing agreement with Glencore International AG to provide coking coal marketing expertise and river barging/vessel loading logistical services.

In October 2009, SGER suspended further development work at Mamahak pending a detailed operational review.

In December 2009, Kangaroo acquired an 85% interest in the Mamahak Project from SGER for US\$1 M in cash and 50 million shares of Kangaroo. At the time of the transaction, the Mamahak Project was reported to have a JORC Code compliant Resource of 10.22 Mt of high quality coking coal (comprising Measured 6.9 Mt, Indicated 3.16 Mt and Inferred 0.16 Mt), extensive infrastructure capable of supporting up to 1.5 Mtpa coal production and a large 30,000 t coking coal stockpile (Kangaroo ASX Announcement date 01 Feb 2010).

In January 2010, Kangaroo announced that preliminary operations (overburden removal) had commenced at Mamahak, with mining commencing in early February and first coals shipped before the end of the first quarter. An initial production target of 30,000 t per month was forecast ramping up to 1 Mtpa from the Mamahak Project (together with the adjacent Jama and Borami Projects – no longer held).

In December 2010, Kangaroo acquired the remaining 15% interest that it did not already own (taking its overall interest to 100%) in the Mamahak Project.

In late 2011, the Company's Indonesian subsidiary, PT Mamahak Coal Mining, signed a five-year mining contract with PT Putra Perkasa Abadi (PT PPA) to mine up to 4.5 Mt of coking coal at Mamahak. The contract commenced on 1 January 2012 and ultimately 177,114 surveyed metric tonnes was produced in 2012. In addition, some 3,140,978 surveyed bank cubic metres (BCM) of overburden was removed and total coal sales of 71,718 surveyed metric tonnes were achieved. Operations were suspended in November 2012 due to an industrial dispute between PT PPA and on-site personnel.

In March 2013, Kangaroo announced it had delayed the resumption of operations at Mamahak pending the completion of an operational review. As a result of this review, an agreement was reached to terminate the mining services contract. Some 61,758 t of coal were barged and sold from the Mamahak Project during 2013, with 71,941 t (inclusive of 7,675 t of bedding coal) reported to remain on site.

During 2013, Kangaroo completed 608 holes for 28,594 m over the MCM and MEL concessions.

In 2014, exploration activity at MCM was curtailed with a total of 102 holes completed on MCM and a further 39 holes on the MEL concession for a total of 7,039 m. In addition, a further 45 previously drilled holes in MCM were re-drilled and geophysically logged to verify previous data.

In March 2015, an updated Coal Resource report was prepared. River water levels also improved in 2015 enabling all remaining coal stockpiles (around 68,157 tonnes) to be transported 640 km by barge to the BCT for export.

Following shareholder approval in May 2018, the Company completed the sale of 68,157 tonnes of coal inventory to Bayan with net proceeds of US\$4.43 M, which were used to settle liabilities including outstanding borrowings with Bayan.

6.5 Geological setting

Geologically, the Mamahak project lies within the western part of the Kutai Basin. MCM is centred over a regional anticlinal structure plunging at approximately 2.5 degrees to the east-southeast. The identified Coal Resources predominantly lie on the southern limb of the anticline and dip mainly to the south and southeast at ca. 20 degrees (Figure 6-2).

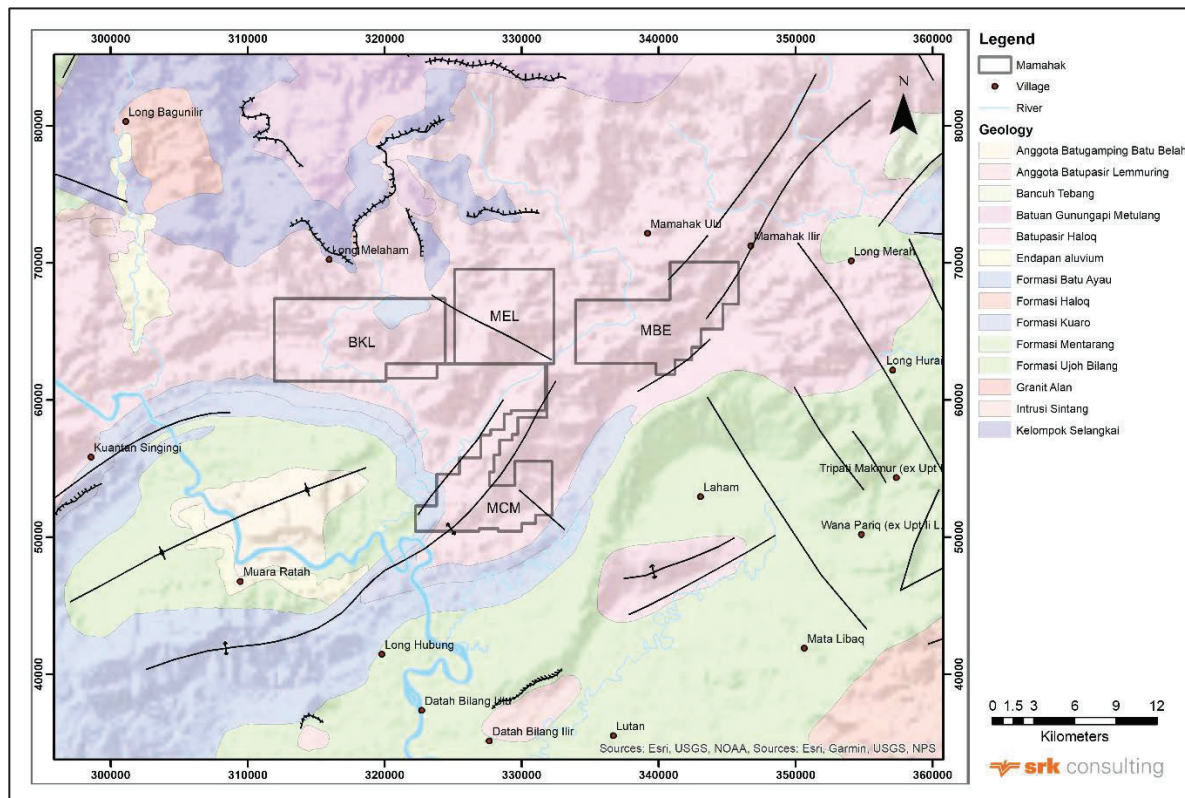


Figure 6-2: Regional geology of the MCM project area at Mamahak

Source: Geological Map of the Muara Ancalong Quadrangle, Kalimantan, Geological Research and Development Centre, 1995

The coal seams at MCM occur in the Haloq Formation (also known as the Haloq Sandstone), which comprises sandstone with minor conglomerate (in the lower part) and mudstone with rare limestone and coal. The Haloq Formation is Late Eocene in age and the coal seams therefore belong to the older (Paleogene) group of Kalimantan coals. The formation was mainly deposited in a lagoonal to shallow marine environment and the coal seams are typically thin and variably developed.

The deposit is sub-divided into two structural domains or 'blocks' which are relatively free of major structural features, designated the East Block and the West Block (Figure 6-3). These areas have been the subject of more detailed exploration. The East and West blocks cover a strike length of approximately 5.5 and 2.8 km, respectively. In the East Block the coal strata dip to the southeast and in the West Block the coal strata dip degrees mainly to the west and south.

A total of 14 seams are recognised in the East Block and 12 seams are recognised in the West Block. The geological complexity has precluded a correlation of the coal seams between the East and West blocks thus far and a separate seam nomenclature is currently developed in each block.

The seams are typically thin and irregularly developed, with localised washout areas where the seams are absent. Individual seam thicknesses average from ca. 0.1 to 0.8 m, typically averaging around 0.4 m. The coal seams are generally slightly thicker in the East Block than the West Block. The main seam in the East Block (Seam DE) has an average thickness of 0.5 m. The main seam in the West Block is Seam C which has an average thickness of 0.6 m. Strip ratios in the deposit are high (typically > 15:1 bcm/t) due to the broad distribution of the multiple thin seams in the deposit.

The broader deposit is structurally complex, and the area is extensively faulted. Both normal and reverse faults have been recorded in reconnaissance field mapping surveys. Several large faults ranging from 15 to 60 m throw have been identified in the western sector of the West Block, however these are currently only broadly defined from drillhole. Only small-scale faulting has been identified in the East Block to date.

Depth of weathering in the Resource area ranges from 0.5 m to >6 m, averaging 2 m.

The MCM coals are of high volatile bituminous rank, with low to moderate ash, high energy and moderate to high sulphur contents. The coal quality is generally similar between the East and West blocks. The raw coal qualities of the East and West blocks are summarised in Table 6-2. The coals also have some metallurgical potential but no detailed testwork has been undertaken to confirm a coking product.

Table 6-2: Weight average coal qualities from drillholes at MCM

Block	TM %ar	IM %ad	Ash %ad	VM %ad	TS %ad	CV kcal/kg ad	CV kcal/kg gar	RD g/cc in-situ
East	4.2	2.0	10.5	47.6	1.43	7,185	7,345	1.32
West	5.3	2.0	12.4	45.5	1.75	7,000	7,235	1.34

Source: MCM Competent Persons Resource Report (NRM, 2015)

6.6 Exploration

SRK understands that the only systematic exploration at the Mamahak project has been in the MCM licence area. Exploration drilling at MCM was undertaken in two stages mainly during 2008 and 2012-2013. Nearly all this drilling has been focussed in the East and West blocks in the southern sector of the licence.

The first stage consisted of 340 drillholes, of which 54 were sampled for coal quality analysis. The majority (314) of the drillholes were geophysically logged. Core samples for coal quality analysis were collected using the 'touch-core' method, which involves open hole drilling until the top of the coal seam is "touched", then the drill assembly is changed out and the coal seam is cored. This is generally considered poor practice as a portion of the top of the coal seam sample is usually lost prior to coring. This is especially problematic in thin seam deposits (such as the MCM deposit), where the percentage of lost coal over the seam interval can be material.

The second stage consisted of 703 drillholes, including 307 cored holes for coal quality analysis. Core holes were completed at the site of a pilot open hole to confirm seam interval depths for coal sampling. A total of 377 holes were geophysically logged.

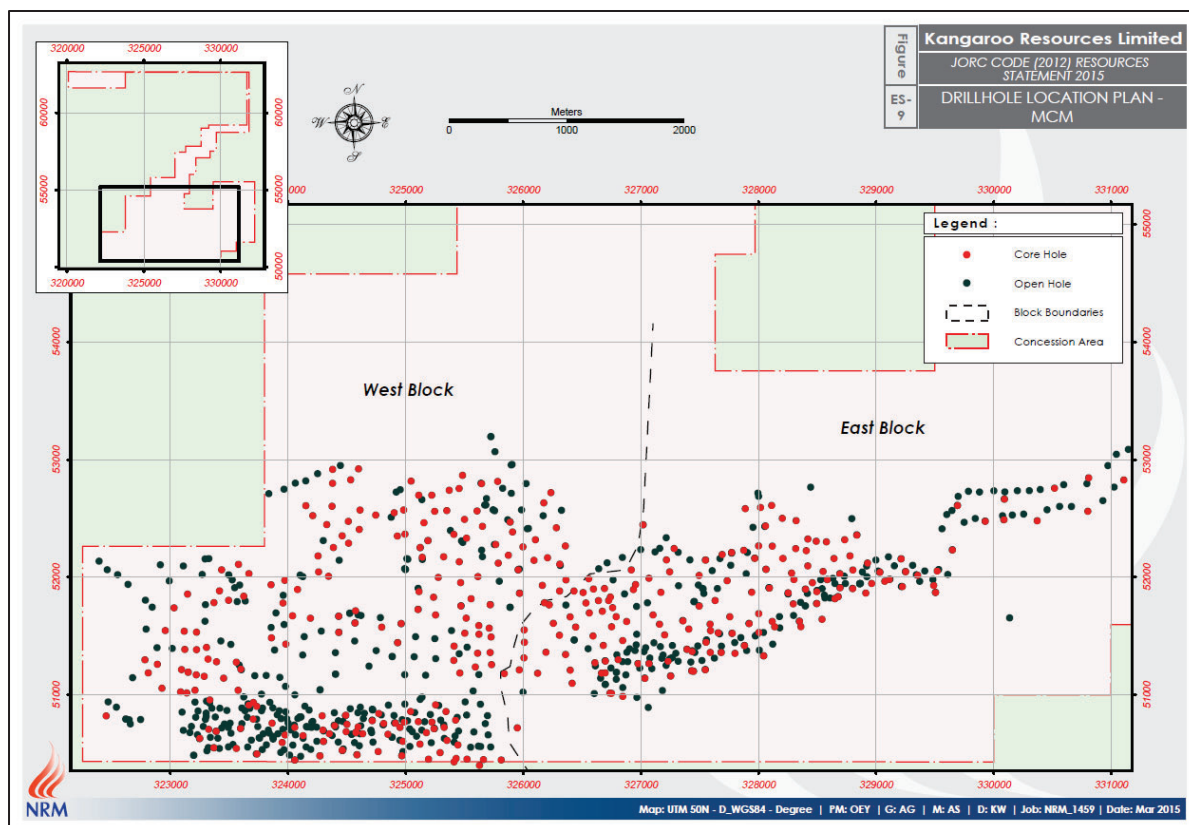
A summary of the drillholes completed in the MCM licence area is presented in Table 6-3. Drillholes are typically shallow (average depth 60 m) at approximately 50 to 150 m spacing. Almost all drillhole collars were surveyed using Total Station. The location of the completed drillholes at MCM are presented in Figure 6-3.

A detailed LiDAR survey exists over the target areas at MCM which provides adequate topographic control.

Table 6-3: MCM drillhole summary as at February 2015

Block	Open Hole	Quality Hole	Total	Geophysically Logged
East	283	157	440	337
West	399	204	603	314
Total	682	361	1,043	651

Source: MCM Competent Persons Resource Report (NRM, 2015)

**Figure 6-3: Completed drillholes at MCM – East and West blocks**

Source: MCM Competent Persons Resource Report (NRM, 2015)

6.7 Coal Resources

The Mamahak Coal Resources are established in the MCM concession only. The most recent Resource estimate for MCM was completed in March 2015. No volumes of coal have been mined from these concessions since this date and there has been no change to Coal Resources.

A total Coal Resource of 14 Mt is estimated for MCM, of which 1.6 Mt is categorised as Measured, 8.3 Mt as Indicated and 4.1 Mt as Inferred. There are no Coal Reserves for the MCM project, due mainly to the very high strip ratios.

Table 6-4: MCM Coal Resource as at March 2015

Block	Coal Resources (Mt)				TM % (ar)	Ash % (ad)	TS % (ad)	CV kcal/kg (gar)	CV kcal/kg (ad)	RD g/cc (in-situ)
	Measured	Indicated	Inferred	Total						
West	0.5	4.1	2.0	6.6	5.3	12.4	1.75	7,000	7,235	1.34
East	1.1	4.2	2.1	7.4	4.2	10.5	1.43	7,185	7,345	1.32
Total	1.6	8.3	4.1	14.0	4.8	11.6	1.62	7,080	7,285	1.33

Source: Kangaroo ASX announcement 9 June 2015 "Mamahak Project – JORC Resources Statement for MCM"

The MCM Resource estimate was prepared and reported by independent consultants, PT New Resource Mine Consulting (NRM), under the 2012 JORC Code reporting framework. The 2015 estimate represents a 33% increase in the MCM Coal Resource since the previous estimate prepared by PT SMG Consultants (SMGC) in Feb 2011 and reported under the 2004 JORC Code framework.

The Coal Resources are reported separately for the East and West blocks. The Coal Resources in the East and West blocks are limited to elevations of 0 and -50 m amsl, respectively, but it is not clear what magnitude of pit depth this might support. The Resource classification is based on drillhole spacing criteria and based on the information presented, these appear to be reasonable.

The strip ratios are high and although mining costs are lower in Indonesia, the site is remote and is unlikely to warrant the necessary investment in infrastructure for such a small tonnage. Therefore, it is questionable whether any of the Resource has reasonable prospects for economic extraction in the short to medium term. The mineable coal at a maximum cumulative strip ratio of 20:1 bcm/t appears to be less than 3.5 Mt.

6.8 Coal Reserve

No Coal Reserves have been outlined by Kangaroo at the Mamahak Project to date and high-level margin ranking by NRM indicates that there is no mineable inventory unless thermal coal index prices exceed US\$90 per tonne.

6.9 Coal Quality

The Mamahak deposit is multi-seam with coal of bituminous rank with range average in situ quality as follows: Total Moisture 2.3 to 7.3% (ar), Inert Material 1.5 to 2.5% (adb), Calorific Value 6,015 to 7,735 kcal/kg (gar), Ash content 6.7 to 23.5% (adb), Total Sulphur 0.57 to 5.10% (adb), *in-situ* Relative Density 1.28 to 1.45 and Hardgrove Grindability Index of 39.9 to 59.6. The coal also exhibits some coking properties with a crucible swelling number of 1.8 to 6.3 and Gieseler Maximum Fluidity ranging from 8 to 22,268 ddpm.

6.10 Infrastructure

Mamahak could resume operations at low capacity with available infrastructure and a mining contractor.

6.11 Environment

Mining activities at the Mamahak Project are currently suspended. The PT Mahakam Energi Lestari (MEL) concession has a current IUP-OP (No. 545/k.341a/2010) and CnC certificate (254/Bb/03/2014).

The AMDAL document which was nominally appended to the 2015 Resources Statement presents the Borrow Use permit (IPPKH). The current AMDAL remains valid unless changes occur to government policy, to the scope of the project or environmental conditions, or if the company ceases business activities. The valuation risk is considered to be low.

Any future changes to the project scope would require approval of an amended AMDAL.

7 Other Projects

7.1 Mount Ruby Royalty

Kangaroo previously held the Mount Ruby iron ore project in Queensland prior to selling the project to an undisclosed purchaser on 27 November 2014. Under the terms of the sales and purchase agreement, Kangaroo retains a 3% mineral sale royalty over the area previously covered by EPM14880 (now EPM 26536) covering an area of 93 km² which includes a high grade (+60% Fe) magnetite/hematite deposit.

The project is located near the town of Ravenshoe, approximately 80 km southwest of Cairns and around 120 km from the Mourilyan Harbour bulk loading facility near Innisfail. It encompasses metasedimentary units of the Devonian aged Hodgkinson Formation, granitoids of the O'Briens Creek Supersuite and younger cover rocks. This sequence is considered prospective for tin, tungsten, gold and base metal mineralisation.

At Mount Ruby, massive coarse grained, crystalline magnetite and magnetite skarn occurs within limestone, siltstone and sandstones of the Hodgkinson Formation. The deposit is partially covered by co-derived ironstone alluvials and a 5 to 30 m deep Tertiary – Quaternary basalt flow. Iron phases present other than magnetite include pyroxene, garnet, amphibole, chlorite, pyrite and pyrrhotite.

Previous explorers have considered a high-grade magnetite exploration target of between 8 and 27 Mt at grades of 57 to 68% Fe exists at Mount Ruby (refer Radar Iron Ltd ASX Announcement 8 February 2013).

Based on their website, the project appears to be currently held by Tablelands Mining Group Pty Ltd. No details are provided relating to any currently stated Mineral Resource / Ore Reserve or the Company's plans to commence mining. Having discussed with Kangaroo, neither SRK or the Company are aware of any ongoing exploration or pending developments associated with the Mount Ruby Project.

On this basis, SRK considers the royalty as held by Kangaroo has negligible value as at the Valuation Date.

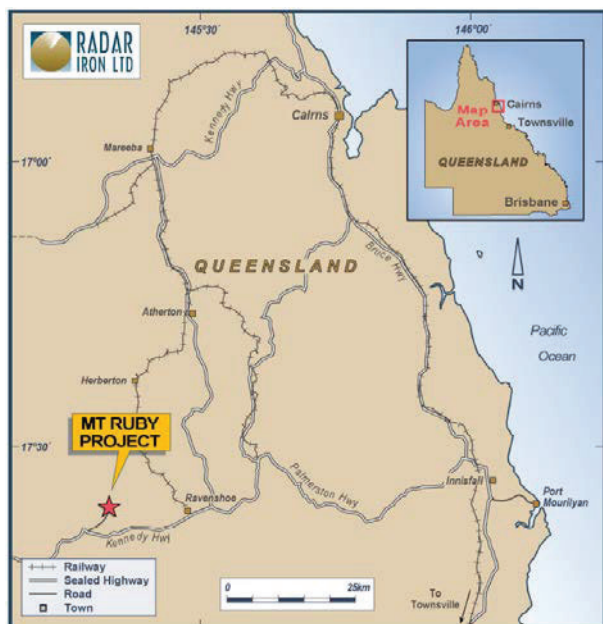


Figure 7-1: Location of the Mount Ruby Project

Source: Radar Iron ASX Announcement, dated 8 February 2013

8 Other Considerations

8.1 Coal Quality

Table 8-1 summarises the expected product coal quality from the Pakar North Project.

Table 8-1: Pakar North Expected Thermal Coal Quality

	TA	TJ	DE
CV (GAR)	4,057	3,944	3,674
Total Moisture	36.5%	38.2%	42.5%

Source: Kangaroo Valuation Analysis 2018

Table 8-2 summarises the expected product coal quality from the GPK Project.

Table 8-2: GPK Expected Thermal Coal Quality

GPK Production Profile	
CV (GAR)	3,934
Total Moisture	38.35%

Source: Kangaroo Valuation Analysis 2018

SRK notes that Kangaroo's East Kalimantan coal products are likely to be some of the highest moisture thermal coals shipped worldwide. There is also risk of spontaneous combustion with this low rank coal, which needs to be carefully managed (e.g. by minimising the time coal is held in stockpile).

Furthermore, the energy content of the Pakar South coal is well below any Indonesian Index specification (typically the minimum published index is for a CV of 3,400 kcal/kg GAR coal).

The expected product coal quality as outlined within Kangaroo's supplied Financial Model differ from the product coal qualities outlined in the 2017 JORC Code Reserves Statement (Table 8-3).

Table 8-3: Reported Thermal Coal Quality Comparison (Kcal/kg GAR)

Concession	Project	2017 JORC Reserves Report	Financial Model JORC Reserves	Financial Model Product Sales
PT. Tiwa Abadi	Pakar North	4,250	4,250	4,139
PT. Tanur Jaya		3,820	3,820	3,938
PT. Dermaga Energi		3,660	3,660	3,617
PT. Orkida Makmur	Pakar South		3,400	3,500
PT. Sumber Api		3,100	3,140	3,105
PT. Cahaya Alam		2,900	3,150	3,059
PT. Bara Sejati		2,980	3,020	3,001
PT. Apira Utama			3,020	2,887
PT. Silau Kencana			3,070	2,988
PT. Mamahak Coal Mining		6,858	6,858	7,164
PT. Mahakam Bara Energi				
PT. Mahakam Energi Lestari				
PT. Bara Karsa Lestari				
PT. Karsa Optima Jaya				
PT. Graha Panca Karsa	GPK			3,934

Source: SRK Analysis

8.2 Coal Pricing

Thermal coal improved significantly in 2017, up 34% of the previous year, reversing several years of decline. Since 2012, coal prices have declined by roughly 15% per annum. This was largely due to softening demand from China, which was linked to the policy developments of the Chinese government, such as:

- The desire for a managed economic slowdown;
- Restrictions on high ash/sulphur content, for environmental reasons;
- Import tariffs to discourage the use of coal; and
- China's gradual move away from coal-fired power in favour of renewables.

However, starting in the second half of 2016, coal prices surged following a sharp decline in both coal stocks and production, as a result of the Chinese Government's directive that coal mines should only produce on a 276-day basis, instead of the previous 330-days. Seaborne coal supplies have also been limited by the low-price environment, the supply constraints and unfavourable prospects regarding the demand for coal.

In September 2016, the Chinese Government relaxed the 276-day policy for certain mines in order to raise coal output in the fourth quarter of 2016. This resulted in a rebalancing of coal prices late in 2017 and into 2018.

In Indonesia, the Government has set a coal reference price (HBA – *Harga Batubara Acuan*) for the determination of royalty payments. The Director General of Mineral and Coal of Indonesia, the coal regulator in Indonesia, has the authority to declare the monthly benchmark price for Indonesian thermal coal. The coal export price comparison against a benchmark price is based on three primary steps:

- 1 Calculation of the HBA marker price.
- 2 Calculation of the prices of the 8 HPB (*Harga Patokan Batubara*) coal markers.
- 3 Calculation against the relevant HPB coal through an energy adjustment.

The HBA is a monthly average price based on:

- 25% on the Platts Kalimantan 5,900 kcal/kg GAR Index;
- 25% on the Argus-Indonesia Coal Index 1 (ICI1) (6,500 kcal/kg GAR);
- 25% on the IHS Newcastle Export Index (NEX) - formerly the Barlow-Jonker Index (6,322 kcal/kg GAR) of Energy Publishing; and
- 25% on the GlobalCoal Newcastle (6,000 kcal/kg NAR) index (although SRK notes that Indonesian coals are traded on a GAR basis and energy base conversions are applied accordingly).

Since Indonesia produces very little of the high rank coal that provide the basis for HBA spot sales contracts, eight Indonesian primary coal prices are adjusted using the calorific value (CV), total moisture (TM), total solids (TS) and ash to provide a HPB benchmark price for each coal type. However, there is likely to be limited forecasting on the future price of HPA and HPB.

The "Value-In-Use" of a coal is dependent on the customer's willingness to pay for a coal when it replaces a coal that is currently being used as the benchmark. The development of a value in use model is outside the scope of this report.

SRK has made an independent comparison of Kangaroo's product specifications against the four HBA constituent index benchmarks (Table 8-4).

Table 8-4: Kangaroo Coals Comparison against Thermal Coal Benchmark Specifications

Index	Newcastle Global Coal	Platts Kalimantan	Argus-Indonesia Coal Index 1 (ICI1)	IHS Newcastle Export Index	Pakar North average	Pakar South average	GPK average
Index Calorific Value kcal/kg	6,000 (nar)	5,900 (gar)	6,500 (gar)	6,322 (gar)	~3,980 (gar)	~2,980 (gar)	~3,934 (gar)
Total Moisture (ar)	15.0% max	20.0% max	12.0% max		~37.9		
Ash (ad)			12.0% max		~4.7%	~4.2%	
Ash (ar)	14.0% max	15% max			8.2%		
Sulphur (ad)			1.0% max		~0.10	~0.11	
Sulphur (ar)	0.75% max	1.0% max			0.16		

Source: SRK Analysis

Kangaroo's coal products compare poorly to CV and TM specifications, but favourably to the ash and TS specifications. Overall, Kangaroo's coal products would be sold at a steep discount to the HBA and all constituent indices.

Thermal product value is primarily based on energy (CV) and the value of the product is typically proportional to the actual product CV and the index coal CV, using the following formula:

$$\text{Product price (\$)} = \frac{\text{CV Product}}{\text{CV Index coal}} \times \text{Index price}$$

Kangaroo has used the 6,000 kcal NEWC and the API 4 benchmarks in its financial model.

The 6,000 kcal/kg NAR FOB NEWC index, published by GlobalCoal, is the most heavily watched thermal coal index in the world.

The API 4 index is an average of the Argus Richards Bay 6,000 kcal/kg NAR FOB assessment and the IHS McCloskey Richards Bay 6,000 kcal/kg NAR FOB marker.

Elemental analysis was not supplied, so adjustment from the supplied GAR CV data to NAR basis could not be calculated. An offset of 95 kcal/kg has been assumed.

Using CV only, Table 8-5 shows the discounts to the 6,000 kcal/kg (nar) benchmarks.

Table 8-5: Kangaroo Coal price discounts after CV adjustment

	CV (kcal/kg NAR)	CV Discount
Index	6,000	0
Pakar North	3,885	35.3%
Pakar South	2,885	51.9%
GPK	3,889	35.2%

Source: SRK Analysis

However, the above significantly overestimates the sale price of Kangaroo's coal products as it is far more cost effective to ship high energy content coal (e.g. 6,000 kcal/kg), than the low energy content Kangaroo coal. A further discount must therefore be applied. Kangaroo has provided some historical data from Bayan for the immediately adjacent Tabang mine (to the north of Pakar North) on the correlation between the benchmark sales price and the further discount applied (Figure 8-1).

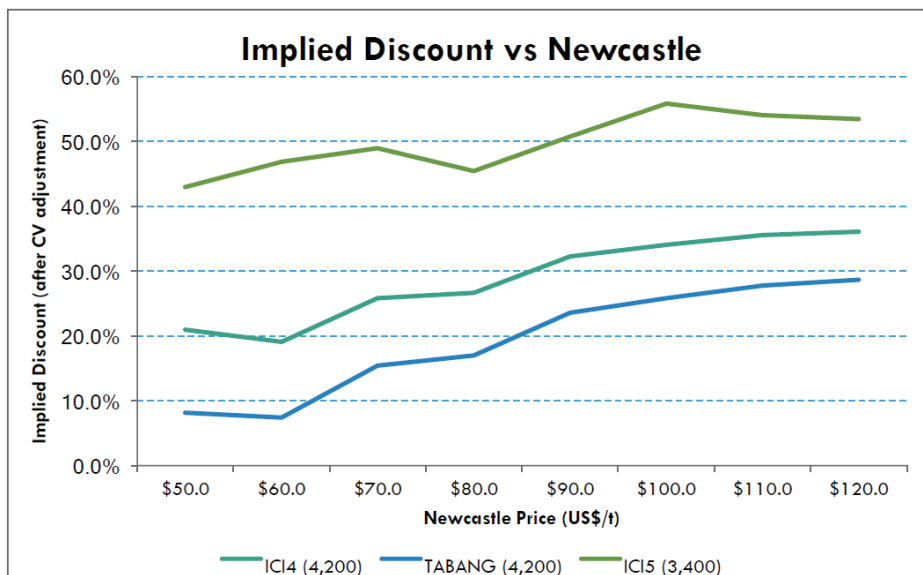


Figure 8-1: Tabang discounts after CV adjustment

Source: Kangaroo Background and NPV Discussion (including GPK)

Figure 8-1 clearly shows that the discount is after the CV adjustment. Consequently, as Tabang is of similar quality to TA, Kangaroo has applied a variable sales discount, depending on the sales price (Table 8-6).

Table 8-6: Kangaroo Coal price discounts after CV adjustment

Benchmark Price	Discount
\$65/t-\$75/t	15%
>\$75/t-\$85/t	20%
>\$85/t	25%

Source: Kangaroo Background and NPV Discussion (including GPK)

Table 8-7 shows the overall discounts when the coal quality discounts and CV adjustments are applied (to a 6,000 kcal/t nett as received NAR benchmark price).

Table 8-7: Kangaroo Coal price overall discounts after 25% discount and CV adjustment

	CV (kcal/kg NAR)	CV Discount	Overall Discount
Benchmark	6,000		
Pakar North	3,885	35.3%	51.4%
Pakar South	2,885	51.9%	63.9%
GPK	3,889	35.2%	51.4%

Source: SRK Analysis

Therefore, in SRK's opinion, Kangaroo's coal products would likely achieve only 36% to 49% of the price for a 6,000 kcal/kg NAR index FOB coal.

The review of Kangaroo's thermal benchmark price forecast is not part of SRK's scope of work and SRK has applied index price assumptions as provided by KPMG Corporate Finance (refer to Section 10) in which prices are indexed to a CV 6,300 kcal/kg specification coal.

8.2.1 Domestic Thermal Coal Pricing

In March, 2018 the Indonesian Government through the Energy and Mineral Resource Ministry Regulation No 19/2018 on the procedures for determining benchmark prices of metal and coal sales, as well as through Energy and Resource Ministry Regulation No.1395 30/MEM/2018 on the selling price of coal for the electricity supply for the public interest, confirmed at new set of rules in the coal mining sector, specifically regarding coal that is sold domestically under the Domestic Market Obligation (DMO).

State-owned electricity company, Perusahaan Listrik Negara (PLN) wants a stable (low) price for coal that is supplied to PLN (amongst other domestic customers) under the DMO. In general terms, the DMO forces local coal miners to supply part of their coal production to the domestic market with sale price capped as follows through to the end of 2019. Table 8-8 shows the current DMO prices.

Table 8-8: Indonesian DMO Coal Prices

Coal Type	Price	Coal Consumed by PLN
(kcal/kg GAR)	US\$/t	% of PLN's total demand
>6,000	70	0.8
4,500-6,000	43	63.1
<4,500	37	36.1

Source: SRK Analysis

In accordance with the MoEMR Decree No.23/30/MEM/2018 and Kepmen 1395/2018, the DMO coal for 2018 is set at 25% of production volumes. Kangaroo and Bayan assumed that approximately 25% of its total production will be subject to DMO.

As all of Kangaroo's products are <4,500 kcal/kg GAR, a DMO price (cap) of US\$37/t would apply to about 25% of this production although the actual price will be determined by market value which is considerably lower than the price cap of US\$37/t.

SRK notes that the current price for low energy coal on the domestic market is considerably lower than the DMO price cap and in the case of Pakar South the coal pricing has been aligned to current market rates.

8.3 Previous valuations

The VALMIN Code (2015) requires that an Independent Valuation Report should refer to other recent valuations or Expert Reports undertaken on the mineral properties being assessed. Having asked the question to Kangaroo, SRK is not aware of any previous Independent Valuation reports relating to the assets subject of this report.

In 2016, on behalf of Grant Thornton Corporate Finance Pty Ltd, Indonesian business Appraisers, Martokoesoemo, Prasetyo & Rekan, completed a valuation of the Infrastructure assets of PT Sumber Asset Utama, a subsidiary of Kangaroo prior to their disposal to Bayan. As these assets are no longer held by Kangaroo they are not relevant to this report.

In June 2011, Al Maynard & Associates Pty Ltd (AMA) prepared an independent valuation on the Pakar Thermal Coal project on behalf of BDO Corporate Finance (WA) Pty Ltd. Using the defined Resources and Reserves, applied multiples of between US\$0.40/t to US\$0.50/t Reserve and between US\$0.15/t to US\$0.25/t Resource, based on total reserves of 444 Mt and total resources of 2,621 Mt. This resulted in a value range of between US\$320.45 M and US\$961.35 M with a preferred value of US\$640.9 M.

In the case of the TJ and DE concessions, these were assigned a total preferred value of US\$136 M, in the range US\$68 M to US\$204 M.

The AMA report refers to the September 2010 ASEAMCO report which valued Pakar South open cut at between A\$240 M to A\$438 M and the Pakar North open cut at between A\$219 M to A\$352 M, for a combined value of between A\$459 M to A\$790 M. SRK has not been provided with a copy of this report and hence is unable to comment on the derived values or associated conclusions.

SRK notes that the stated resource position in the AMA report is significantly larger than that assessed in the current report and that SRK has been unable to value the concessions based on Coal Reserves (for Pakar North and South as described in Section 4.9, and in Section 10,).

Whilst the assigned multiples on a Coal Resource basis are not dissimilar to those assigned by SRK in this report, the larger tonnages previously used by AMA markedly increase the overall value attributable to Kangaroo.

9 Valuation

The objective of this section is to provide KPMG Corporate Finance with a valuation of Kangaroo's coal assets. SRK has not valued Kangaroo, this being the corporate entities which are the beneficial owners of the mineral assets considered in this report. In assessing the technical aspects relevant to this Valuation, SRK has relied on information provided by Kangaroo, as well as information sourced from the public domain. In determining the appropriate parameters for valuation, SRK has considered the assessments that might be made by a willing, knowledgeable and prudent buyer in assessing the value of the Projects and the Project's associated tenure.

9.1 Valuation approaches

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the Practitioner, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted Valuation approaches:

- Market Approach
- Income Approach
- Cost Approach.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The mineral asset being valued is compared with the transaction value of similar mineral assets, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, trading multiples, metal transaction ratio (MTR) and option or farm-in agreement terms analysis.

The *Income Approach* is based on the principle of anticipation of economic benefits and includes all methods that are based on the income or cashflow generation potential of the mineral asset (CIMVAL, 2003). Valuation methods that follow this approach include Discounted Cashflow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the mineral asset.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the mineral asset, and hence the amount and quality of the information available on the mineral potential of the assets. Table 9-1 presents the various valuation approaches for the valuation of mineral assets at the various stages of exploration and development.

Table 9-1: Suggested valuation approaches according to development status

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015)

The market-based approach to valuation is generally accepted as the most suitable approach for valuation of projects, regardless of development status, if appropriate comparables are able to be identified.

An income-based method, such as a DCF model is commonly adopted for assessing the Value of a Tenure containing a deposit where a Coal Reserve has been reported following an appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012). However, an income-based method is not considered an appropriate method for deposits that are less advanced, i.e. where there is no Coal Reserve estimate with supporting mining and related technical studies.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties, i.e. prior to estimation of Mineral Resources. As current Coal Resources have been declared for all of Kangaroo's projects, cost-based methods of valuation are considered less suitable than market-based methods of valuation.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market-derived data.

The **"Market Value"** is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the International Valuation Standards Committee's (IVSC) term of the same name. This has the same meaning as Fair Value in Regulatory Guide (RG) 111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The **"Technical Value"** is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

Valuation methods are, in general, subsets of valuation approaches. For example, the income-based approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb that are considered suitable only to benchmark valuations completed using primary methods.

The methods traditionally used to value exploration and development properties include:

- Multiples of Exploration Expenditure (MEE)
- Joint Venture Terms (expenditure-based)
- Geoscience Ratings (e.g. Kilburn – area-based)
- Comparable Market Value (real estate based)
- Metal Transaction Ratio (MTR) Analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage - real estate based)
- Yardstick/ Rule of Thumb (e.g. \$/Resource or production unit, percentage of an *in-situ* value)
- Geological Risk.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

9.2 Valuation basis

In estimating the value of Kangaroo's Projects as at the Valuation Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015). SRK has considered the Coal Resources and Coal Reserves associated with Kangaroo's Indonesian Coal Projects, as well as the extent and exploration potential of the granted tenure associated with the Projects.

The valuation method applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the project. In preparing its valuation of the Projects, SRK has considered the three main approaches (income, market, and cost) as well as the available methodologies under each approach.

Table 9-2: Valuation basis

Development Stage	Description	Valuation basis
Development to Advanced Exploration	Defined Coal Resources / Reserves	Market: Comparable Transactions Market: Trading Multiples
Early Stage Exploration	Associated tenure not currently the focus of exploration efforts (73,498ha)	Market: Comparable Transactions Cost: Geoscientific Rating

Where possible, SRK has also considered industry yardsticks to help provide a high-level cross check of the reasonableness of the value outcomes determined through market-based methods.

9.3 Valuation considerations

In considering the value likely to be applied by the market for the currently defined resources, SRK notes:

9.3.1 Pakar North

- Although SRK has valued the concessions based on the Resource status (due to lack of supporting mine plan and schedule), the areas containing the Reserve category coals at Pakar North are reasonably well defined and will generally be mined first in any future mining operation;
- SRK has been unable to confirm the exact schedule for Pakar North, SRK has not sighted a standalone schedule of Reserve coal production. Bayan has considered this as part of an integrated schedule (along with its Tabang coal). Bayan has scheduled using a geological model which includes considerable Inferred Resource and unclassified coal inventory in the conceptual plan; and
- Pakar North should be considered as a brownfields project.

9.3.2 Pakar South

- Deposit modelling at Pakar South is very preliminary and excludes much of the crop line coal (due to boundary disputes and limited topographical data);
- Technical risk is considered by SRK to be high as Bayan's integrated schedule focus on mining along strike to avoid areas with either access constraints and/or limited topography, which results with increased strip ratio and significant geotechnical risk;
- The extremely high moisture content of the Pakar South coals suggest spontaneous combustion is likely to be a greater risk than the coal produced from Pakar North;
- High level modelling by SRK suggests the Pakar South concessions are marginal at best;

- SRK's analysis indicates a 3,000 kcal/kg coal will be produced, which is a specification well outside standard benchmark pricing. Neither Bayan nor Kangaroo have demonstrated a marketing strategy for this low energy coal, which may need to be viewed as a stand-alone product; and
- The most significant upside identified by SRK will be through the confirmation of low strip ratio coal along crop lines (Strip Ratio 1.0 to 2.0 bcm per tonne) and evaluating if this coal can either be blended in low proportion with Pakar North coal or sold as a stand alone product.

9.3.3 GPK

- The GPK concession is not as well developed as the other Kangaroo concessions;
- Coal quality at GPK is very similar to the Pakar North concessions (approximate calorific value of 4,000 kcal/kg GAR) and although not considered by Kangaroo under a joint development scenario, in SRK's view would integrate very well with Pakar North;
- Any future mining operation is likely to adopt mining methods and logistics similar to Pakar North;
- SRK's high level analysis suggests that costs at GPK are likely to be marginally lower than Pakar North;
- River navigability is considered by Kangaroo to be a key constraint, as it might be only possible to barge coal between 50% (300 foot barges) and 70% of the time (smaller barges). In SRK's opinion this could be better managed if Pakar North and GPK were considered as an integrated operation, although mine planning for GPK has not progressed beyond Resource evaluation at this stage and it is not possible to consider an integrated plan in detail with the information presented to SRK.
- In current plans, Kangaroo has provisioned significant capital (US\$28 M) at GPK to allow for:
 - Development of additional haul roads and dredging the river, which effectively bypass areas where river navigability is an issue.
 - Establishment of (permanent) port infrastructure
 - Additional exploration (US\$2 M)
- This capital is provisioned before any production commences.

9.3.4 Mamahak

- SRK has only been provided with a resource report and estimate of inventory coal based on a high-level margin ranking exercise. The assumptions used to develop the margin ranking appear reasonable;
- Barging at Mamahak cannot be conducted all year round;
- Margin ranking indicates there is no significant coal inventory with a strip ratio less than 20 bcm per ROM tonne at prevailing index coal prices;
- The margin ranking also indicates project viability is extremely sensitive to coal price with a benchmark thermal coal price in excess of US\$90 per tonne required for any production to be viable;
- Even at relatively high prices there would still be significant technical risk, and the cost to recommence mining is likely to be high given the limited inventory;
- Although there is coking coal potential, the ash content is relatively high and the coal may require washing. The volatile content suggests this will be (at best) a semi soft coking coal, which will be sold at a discount due to the high volatile and sulphur content;
- Extensive drilling and relatively high degree of confidence in the geological model implies that there is limited (if any) upside potential; and

- This project is only likely to be viable for small scale production and when risk is considered the concession is likely to be of limited value.

9.4 SRK's Valuation Approach

9.4.1 Pakar Project

For the valuation of Kangaroo's Pakar Project, SRK has considered the currently stated Coal Resources and Coal Reserves, as well as the exploration potential of the associated tenure.

In considering the value of the currently stated Coal Reserves at Pakar, SRK notes that the stated Coal Reserves are not supported by a stand-alone mine plan and associated schedule (as the Reserve estimated by RPM was based on the integrated Bayan plan, which did not differentiate Reserve and other category production). In particular, SRK notes:

- Bayan (who propose to acquire Kangaroo) is effectively the manager of Kangaroo's Pakar concessions and have been responsible for all day to day operations, including aspects of mine planning and project evaluation (including the appointment of RPM who provided the reports supporting Kangaroo's publicly stated Coal Resources and Reserves).
- Upon engagement, Kangaroo presented SRK with a financial model based on mine schedules and sequences, which implied that each individual concession could be developed on a "standalone" basis with nominal production timelines. The publicly stated Coal Reserve statements are also presented as if they are on a standalone basis.
- Upon completing its site visit and reviewing the Bayan integrated plan, it was obvious to SRK that the only realistic and practical means of developing Kangaroo's Pakar North concessions is by progressing the Bayan mine excavations at Tabang southwards into Kangaroo's North Pakar concession areas. Furthermore, the mine schedule within the Kangaroo financial model is largely dependent on the sequences and schedules contained within the Bayan integrated plan, which combines coals from both Tabang and Pakar North and envisages the continuous mining between these areas without interruption.
- SRK considers that the integrated plan developed by Bayan is mutually beneficial and in the best interests of both Bayan and Kangaroo, as the mining method appears to be the most practical and efficient option and the value accretive to both parties.
- The method applied by Bayan and RPM to evaluate Kangaroo's Pakar North concessions was to develop a mineable pit shell and schedule, which included a significant proportion of Inferred Coal Resources and unclassified coal. The publicly stated Coal Reserves at Pakar North were then reported as a sub set of this plan. No supporting mine schedule or mining sequence was provided for the Coal Reserve category coal.
- The capital and operating cost basis for the Bayan integrated plan was unable to be substantiated.
- There are material differences in Kangaroo's planned production rates for Pakar and the sustainable production rate as forecast by Bayan for Pakar North. Bayan has developed a forecast to match shipping capacity, and production from Pakar North, which is forecast to increase well beyond the contractual allocation.
- SRK therefore determined that the stated "standalone" basis for the provided financial model and Coal Reserve could not be determined from the available information.

Accordingly, SRK has considered it more appropriate to value the concessions based on the underlying Coal Resources and move away from a discounted cash flow analysis of the Pakar Project as the underlying assumptions provided could not be substantiated.

In considering the value of the currently stated Coal Resources at Pakar, SRK considers the defined Coal Resources are reported to a sufficient quality standard under the JORC Code guidelines and hence are suitable for valuation purposes, albeit with minor modifications to the classification applied to the coals at Pakar South.

In valuing the defined Pakar Coal Resources, SRK has adopted market-based valuation methods as its primary determinant of value; in particular Actual Transactions, Comparable Transactions and Peer Trading multiples. SRK has also referenced various industry benchmarks in its consideration of value.

Outside of the defined Resources, SRK considers there is additional potential associated with some of the unclassified coals adopted in the integrated Bayan Schedule and potential extensions to the known coal resources. This potential has been assessed and valued using a combination of Comparable Transactions, as well as the geoscientific rating, valuation methods.

9.4.2 GPK and Mamahak Projects

For the valuation of the defined Coal Resources at GPK and Mamahak, SRK has adopted market-based valuation methods as its primary determinant of value, in particular Actual Transactions, Comparable Transactions and Peer Trading multiples. SRK has also referenced various industry yardsticks in its consideration of value.

Outside of the defined Resources, SRK considers there is limited potential associated with potential extensions to the known coal resources. This potential has been assessed and valued using a combination of Comparable Transactions, as well as the Geoscientific Rating, valuation methods.

9.5 Valuation Methods

9.5.1 Market Approach - Actual transactions

Pakar Project

In December 2010, Kangaroo entered an agreement to acquire a 99% interest in the Pakar Coal Project from Bayan for A\$277 M (US\$279.5 M, based on prevailing exchange rate as at transaction date of A\$1:US\$1.009) in an all script deal.

At the time of the transaction, the Pakar Project was reported to have a JORC Code (2004) compliant Resource of 3.81 Bt of thermal coal (comprising Measured 412.75 Mt, Indicated 1,054.7 Mt and Inferred 2,343 Mt), inclusive of total Coal Reserves of 116 Mt (Kangaroo ASX Announcement date 29 December 2010).

Prior to gaining shareholder approval, the Pakar Resources and Reserves were updated to a total Coal Resource of 3.019 Bt of thermal coal (comprising Measured 111 Mt, Indicated 1,092 Mt and Inferred 1,816 Mt), inclusive of total Coal Reserves of 442 Mt (Kangaroo ASX Announcement date 8 April 2011).

Coal Resource

The implied total Resource multiple (as at the transaction announcement date) was US\$0.07/t on a raw coal basis and US\$0.07/t on a normalised basis.

The implied total Resource multiple (as at the updated Resource announcement date) was US\$0.09/t on a raw coal basis and US\$0.09/t on a normalised basis.

Coal Reserve

The implied total Reserve multiple (as at the transaction announcement date) was US\$2.43/t on a raw coal basis and US\$2.33/t on a normalised basis.

The implied total Reserve multiple (as at the updated Resource announcement date) was US\$0.64/t on a raw coal basis and US\$0.61/t on a normalised basis.

GPK Project

In September 2009, Kangaroo acquired the exploration, mining and selling rights to an 84.82% interest in the GPK Project for US\$2.0 M plus a commitment to spend US\$8.0 M on development costs.

At the time of the announcement, GPK had a total Coal Resource of 248 Mt (141 Mt indicated and 107 Mt Inferred), located in close proximity to river transport and existing road options.

The implied total Resource multiple was US\$0.03/t on a raw coal basis and US\$0.06/t on a normalised basis.

Mamahak Project

There are two previous transactions involving Kangaroo's Mamahak Project. The transactions are summarised below.

December 2009 Transaction

In December 2009, Kangaroo acquired an 85.19% interest in the Mamahak Project from SGER for cash and 50 million shares for a total implied 100% equity value of US\$13.37 M.

At the time of the transaction, the Mamahak Project had a JORC Code compliant Resource of 10.22 Mt of high-quality coking coal (comprising Measured 6.9 Mt, Indicated 3.16 Mt and Inferred 0.16 Mt), extensive infrastructure capable of supporting up to 1.5 Mtpa coal production and a large 30,000 t coking coal stockpile (Kangaroo ASX Announcement date 01 Feb 2010). Mamahak was also located in close proximity to Kangaroo's existing Jawana and Bormai projects and, therefore, may be perceived as holding strategic value to Kangaroo.

The implied total Resource multiple was US\$1.31/t on a raw coal basis and US\$1.83/t on a normalised basis.

December 2010 Transaction

SRK understands an additional 15% interest in Mamahak was acquired by Kangaroo in December 2010 from Score Resources Limited. The deal terms were reportedly a nominal US\$1 subject to a previous cooperative agreement. SRK was unable to determine these earlier deal terms and is therefore unable to evaluate this transaction.

9.5.2 Market approach – Comparable transactions

Using SRK's internal databases and the S&P Global Market Intelligence (formerly SNL Financial) subscription database, transactions involving Indonesian coal considered broadly comparable to those held by Kangaroo were compiled and researched, with values normalised to the Newcastle FOB 2018 Thermal Coal price of US\$114.32/t and analysed. The coal assets incumbent within these transactions were assessed according to the project development categories outlined in the VALMIN Code (2015).

- A total of 55 transactions were compiled from the period extending from December 2009 to August 2018. Of these, 24 transactions provided sufficient information to support the calculation of transaction multiples on either a Reserve, Resource or area basis. Of those, 20 involved transactions from Advanced exploration to Operational stage and could be analysed using Resource multiples. In total, four transactions involved assets from Early to Advanced exploration stage, for which no Coal Resources were previously defined and hence were unable to support a Resource multiples calculation.

Details of the transactions considered by SRK are presented in Table 9-3.

Table 9-3: Indonesian Coal Market Transactions

Date	Project or Company Name	Buyer	Seller	Price Paid (\$USM)	Equity Acquired	Total Resources (Mt)	Total Reserves (Mt)	Implied Value Normalised (US\$/t Res)	Implied Value Normalised (US\$/t Rsv)
Oct-17	Tapan	Private investor - Haryono Eddyarto	Adavale Resources Ltd	0.47	100%	9.05		0.06	
Sep-17	TIS Coal Mine	PT Indo Tambangraya Megah Tbk.	PT Tepian Indah Sukses	9.50	70%	77.4	4.7	0.21	3.42
May-17	Coal company	Golden Energy Resources	Undisclosed	65.70	70%	393	194.6	0.32	
Nov-16	Arutmin mine	PT BUMI Resources Tbk.	Tata Power Co., Ltd.	390.00	30%	2516	268	0.66	6.15
Jul-16	Coal mining concession	Geo Energy Investments Ltd.	International Resources Investment Ltd.	90.00	99%	44.4	40.7	4.38	4.78
Jun-16	IndoMet coal business	PT Alam Tri Abadi (Adaro)	BHP Billiton Group	120.00	75%	1211.59	54.47	0.30	6.59
Dec-15	Coal concession	Geo Energy Resources Ltd	Optimum Source Ltd.	8.00	34%	40.3	-	1.27	
Jul-15	Borneo Emas Hitam	Private investors	Killara Resources Limited	0.88	80%				
Jun-15	TCM project	Universal Coal Resources Pte Ltd	Pan Asia Corporation Limited	22.26	75%	201.93	24.66	0.11	0.94
Jul-14	Indonesian projects	Investor group	Orpheus Energy Limited	8.20	51%	3.45		7.69	
Jun-14	Coal concession	Geo Energy Resources Ltd	Optimum Source Ltd	55.00	66%	30	30	4.41	4.41
Sep-13	Anggana / Bara Naga	CM Basin Coal Holdings Ltd	Asia East International Ltd	1.44	20%	0.5		20.93	
Feb-13	Delta coal mine	Altura Mining Ltd	PT Delta Ultima Coal	25.00	33%	57.36		1.58	
Dec-12	PT Tambang Sekarsa Adadaya	PHI Group	PT Tambang Sekarsa Adadaya	10.50	70%	276		0.07	

Date	Project or Company Name	Buyer	Seller	Price Paid (\$USM)	Equity Acquired	Total Resources (Mt)	Total Reserves (Mt)	Implied Value Normalised (US\$/t Res)	Implied Value Normalised (US\$/t Rsv)
Nov-12	Jambi	Indus Coal Ltd	Undisclosed	6.50	38%	70-75*	-	0.31	
Jul-12	Kintap coal mine	Korean Consortium - Korea Resources, POSCO and Aju Industry	Undisclosed	30.00	30%	2774	397	0.05	0.32
Apr-12	Silangkop Nusa Raya (SNR)	Cokal Ltd	Local Interest	0.75	75%				
Apr-12	Paser	Paser Pte Ltd	PT Gunung Mentari Mining	2.29	100%				
Apr-12	Tabalong	PT Kodio and PT Marangkayu Bara Makarti	Altura Mining Ltd	1.00	80%				
Mar-12	Mitra Energi Agung	PT Indika Energy	Pacific Emperor Holding	16.20	60%	100		0.29	
Feb-12	Multi Tambangjaya Utama	Indika Energy Ltd	Asia Thai Mining Co. Ltd	177.90	85%	75.2	40.6	2.72	5.03
Oct-11	Katingan Ria	Realm Resources Ltd	PT Sinar Mulia Anugerah	12.60	51%	40.1	-	0.59	
Jun-11	Bep	PT Adaro Energy TBK	Private interest	66.00	10%	1547	573	0.40	1.07
Apr-10	Aries coal mine	Essar Energy PLC	Undisclosed	118.00	100%	100	64	1.33	2.08

Source: SNL / SRK Analysis

*Exploration Target at time of transaction

1. Coal Resources have not been defined for the transactions highlighted in blue.
2. SRK notes that the Anggana transaction has a very high multiple and is considered an outlier. As such it has been excluded from further analysis

Two distinct populations were evident in the transaction data involving very large tonnage coal deposits and small to medium scale tonnage deposits (Figure 9-1). Generally, there is a distinct break in the project distribution based on Resource size with large >1 Bt Resources compared to those with <250 Mt or less. Of the four very large Resource tonnage projects, three were operational at the time of the transaction and one was undertaking Feasibility level studies.

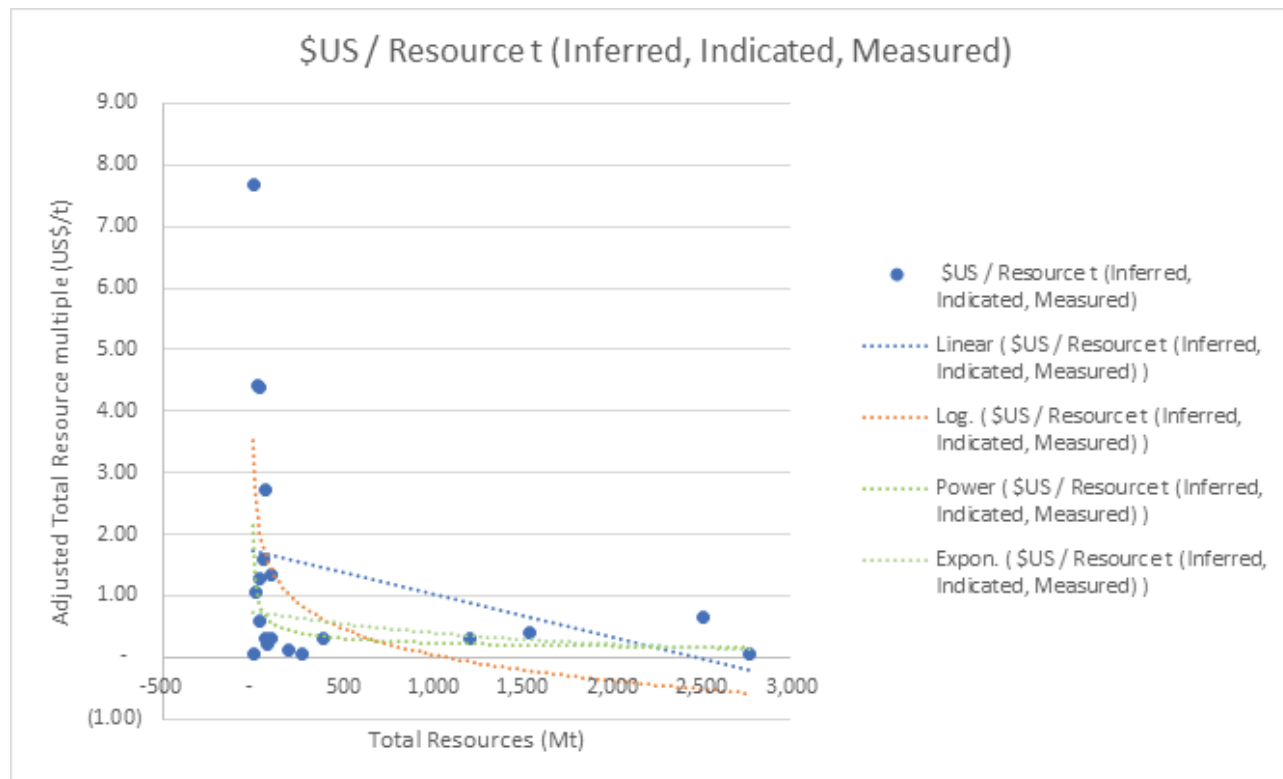


Figure 9-1: Coal resource transaction data showing two distinct populations (i.e. below 250 Mt and above 1.2 Bt) and the associated Resource multiples

Source: SRK Analysis

The remaining (13) transactions involve assets with defined Coal Resources varying from <5 Mt to 100 Mt. Of these, seven projects were operational at the time of transaction, three were in pre-production, one was at the feasibility level and the remaining three were Early to Advanced stage exploration projects. SRK's analysis of the Resource multiples is provided in Table 9-4.

Table 9-4: Resource Multiple Analysis

Statistic	Total Resource Normalised Multiple (US\$/t)
All Resource multiples (Excludes Anggana)	
min	0.05
median	0.49
average	1.43
max	7.69
weighted average	4.05
Large Tonnage (>1 Bt)	
min	0.05
median	0.21
average	0.26
max	0.66
weighted average	0.44
Small Tonnage (< 250 Mt)	
min	0.06
median	1.30
average	1.93
max	7.61
weighted average	4.26

Source: SRK Analysis

In considering the implied multiples to be assigned to Kangaroo's assets, SRK notes that it has considered the Pakar Project on a combined tonnage basis (i.e. +1 Bt for both Pakar North and Pakar South), whilst the Mamahak and GPK Projects have been considered on a standalone basis (i.e. <250 Mt) as there has been insufficient studies completed into integration of GPK with Pakar North.

Whilst this potentially gives rise to the perception of a misalignment between the implied values applied to the Pakar and GPK coals, SRK does not consider this to be either significant or unreasonable as in SRK's view the market data supports different multiples being applied to large tonnage versus small tonnage coal deposits. In SRK's opinion, this reflects the market's expectation that over the full mine life, large tonnage deposits will be more heavily discounted relative to short life, small tonnage deposits.

9.5.3 Market Approach – Peer company trading multiples

Using the S&P Global Market Intelligence (formerly SNL) subscription database and relevant Company announcements, SRK has compiled data on listed companies in Indonesia, Singapore and Australia with Indonesian thermal coal mining projects. The companies were analysed according to the stated total Coal Resource and Reserves values. The implied values (Enterprise Value (EV)/t Resource or Reserve) were calculated on the company's attributable Resources / Reserves as at 17 August 2018.

It should be noted that this method assumes 100% recovery for the coal contained in the Resource/Reserve. Importantly, the implied value calculation is for the purposes of this valuation and does not attempt to estimate or reflect the coal likely to be recovered from the Resources/Reserves, as required under JORC Code 2012.

Details of the companies are presented in Appendix A.

Table 9-5: Peer Analysis - Indonesian thermal coal

Peer Multiples	US\$/t Attributable Resource (in-situ)	US\$/t Attributable Reserve (in-situ)
Minimum	0.00	0.11
Median	0.41	2.76
Average	0.57	2.81
Maximum	2.34	5.69
Weighted average	0.39	1.94

Source: SRK Analysis

A number of Kangaroo's peers hold exposures to minerals other than coal and often hold diversified business interests beyond just coal mining. Shares in the majority of Kangaroo's peers offer a moderate to high degree of liquidity, whilst Kangaroo tends to be tightly traded. Furthermore, the majority of companies analysed hold coal assets which are in production. On this basis, SRK elected to assign Kangaroo's assets a 20% discount to the implied values outlined above.

9.5.4 Yardsticks

Traditional Yardstick

As a cross-check to the values implied by market multiples, SRK has also considered standard industry yardsticks.

Under the yardstick method of valuation, specified percentages of the spot price are used to assess the likely value. Commonly used yardstick factors as applicable to gold are:

- Measured Resources - 2% to 5% of the spot price.
- Indicated Resources - 1% to 2% of the spot price.
- Inferred Resources - 0.5% to 1% of the spot price.
- Exploration Targets - <0.5% of the spot price.

For the valuation of both the Pakar and GPK coals (lignite to sub-bituminous coals with low CV, low ash and low sulphur characteristics), SRK considers it appropriate to use the Indonesian Thermal Coal (Eco Coal 4,200 GAR) price for August 2018 of US\$56.26/t.

For the valuation of both the Mamahak coals (coking coals with high CV, relatively low ash and moderate to high sulphur characteristics), SRK considers it appropriate to use Gunung Bayan price for August 2018 of US\$114/t.

The yardstick assumptions are listed in Table 9-6.

Table 9-6: Yardstick assumptions – Indonesian Coal

Resource Category	Percentage of spot price		Pakar / GPK price assumptions (US\$/t)		Mamahak price assumptions (US\$/t)	
	Low	High	Low	High	Low	High
Inferred	0.5%	1.0%	0.28	0.56	0.58	1.16
Indicated	1.0%	2.0%	0.56	1.13	1.16	2.32
Measured	2.0%	5.0%	1.13	2.81	2.32	5.80

Edison Yardstick

Recent research by Edison Investment Research considered the relationship between the crustal abundance of a metal or mineral and its average *in situ* value as a percentage of the spot price, as well as the relationship between the price of the metal or mineral and its average *in situ* value as a percentage of the spot price.

The results are shown in chart form in Figure 9-2.

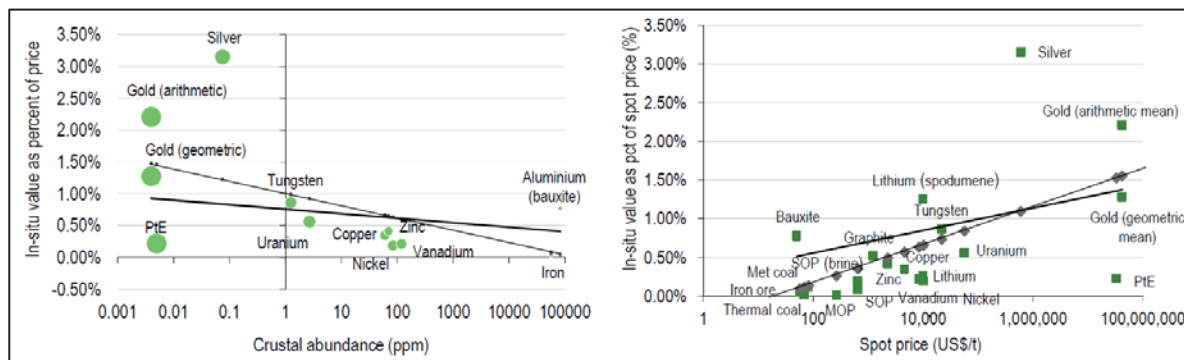


Figure 9-2: Relationship between crustal abundance and average in situ value

Notes:

- In situ resource values as a percentage of spot price vs crustal abundance, selected metals.
- In situ resource values as a percentage of spot price vs spot prices, selected metals and minerals.

Source: Edison Investment Research

This research indicates that the industry yardsticks for coal (a high volume, low value product) should be lower than for a high value, low volume product such as gold. On this basis, industry yardsticks for coal are likely to be better represented by the following:

- Measured Resources: 0.95% to 2.38% of the spot price
- Indicated Resources: 0.48% to 0.95% of the spot price
- Inferred Resources: 0.24% to 0.48% of the spot price

SRK has assigned these ranges based on a comparison of the prevailing spot price (US\$56.26/t) to the average EV/t Attributable Resource derived from its peer analysis (US\$0.57/t Resource), which derives an average yardstick of 0.99%. Based on the relative proportions of standard industry yardstick, SRK has then assumed:

- the maximum yardstick factor representing Measured Resources (5%) is approximately 2.4 times the total undifferentiated *in situ* value, which is derived from previous research conducted by SRK.
- the value range for each category can be calculated following the same ratios as the typical industry yardsticks.
- the upper limit for Measured Resource category is 2.5 times greater than the lower limit.
- the lower limit for the Indicated Resource category is exactly half the lower limit for Measured category
- the lower limit for Inferred category is exactly half that of the Indicated category's lower limit.

The derived spot price assumptions are outlined in Table 9-7.

Table 9-7: Global average in situ value of coal resources (US\$/t Thermal Coal) comparison with spot price

Resource Category	Percentage of spot price		Pakar price assumptions (US\$/t)	
	Low	High	Low	High
Inferred	0.24%	0.48%	0.14	0.27
Indicated	0.48%	0.95%	0.27	0.53
Measured	0.95%	2.38%	0.53	1.34

Source: Edison Investment Research, SRK analysis

9.5.5 SRK comments

In our view, the trading and transaction multiples, as well as the Yardstick multiples observed in the preceding sections of this report, while providing useful information, are only broadly comparable to Kangaroo's defined coal resources for a number of reasons. These reasons include the following:

- The majority of broadly comparable companies identified in our research are listed in Indonesia and are largely diversified or integrated coal mining businesses with one or more coal mines in production. SRK notes that there is limited publicly available information available in regard to explorer or developer coal companies located in Indonesia.
- The transaction multiples identified in our research span a period extending from 2010 to current. The outlook for coal and associated coal prices have changed markedly over that period. Whilst some attempt has been made to negate some of these effects through the use of normalisation, older transactions may not be as reliable as more recent transactions and hence may limit the conclusions able to be drawn in regard to the transaction multiples research.
- There is a wide variation in the proportions of both resources and reserves and there is also a wide variation in the trading and transaction resource multiples observed.
- The trading multiples calculated may relate to minority shareholdings and would not ordinarily include a control premium. We would ordinarily expect a controlling interest in the coal projects to be valued at a premium relative to the minority interest in each of the broadly comparable companies, holding all other factors equal.
- Kangaroo's coal projects have a higher proportion of Inferred Resources compared to many of the broadly comparable companies and transactions identified in our research. SRK would normally expect this to decrease the value of Kangaroo's coal projects relative to each of the broadly comparable companies on a resource to enterprise value basis, holding all other factors equal.
- Many of the broadly comparable companies and transactions involved only thermal coal assets. The implied value observed therefore is likely to reflect the lower quality thermal coals (relative to the higher value metallurgical coal assets held by Kangaroo at Mamahak).
- Yardsticks are based on standard industry norms and spot pricing indices. For coals, such indices are based on a standardised product typically reflecting the inherent energy content of the coals. The coals which are the subject of analysis may differ from these standard products.

Having regard to the results of the comparable transaction and peer trading multiples and the limitations set out above, SRK is of the opinion that it is appropriate to adopt the resource multiples as set out in the following sections when assessing the value of Kangaroo's Indonesian coal projects.

9.6 Valuation of defined Coal Resources

For valuation purposes and on the basis of professional judgement, SRK has made a number of modifications to Kangaroo's stated Coal Resources:

- Pakar South – downgraded the Indicated tonnages by 20% to reflect a lower confidence in the seam structure model and SRK's view that the Coal Reserves are not supported based on the current market price for coals at this quality (potentially will be in future however).
- GPK – accepted as presented. SRK notes initial concerns with the classification outlined in the supporting Coal Resource report. However, drilling in 2017 has improved the drillhole density and coal quality in key portions of the resource areas and SRK's confidence in the Resource model.
- Mamahak – downgraded the defined Coal Resources to value some 3.5 Mt of the defined coals at a strip ratio of less than 20:1, given the remote location of the site, the small tonnages available and likely capital cost required to access and transport such a small tonnage. A significant discount (50%) has been applied to all coal tonnages above a 20:1 strip ratio to reflect previous high-level margin-ranking results and concerns regarding the "reasonable prospects for eventual economic extraction" in the near to medium term.

On this basis, the following section, assesses the value of Kangaroo's Coal Resources using various Market based valuation methods.

9.6.1 Market approach – actual transactions

Pakar

The modified Pakar Coal Resources for consideration are stated in Table 9-8 below:

Table 9-8: SRK's modified Pakar Coal Resources

Project	Concession	Coal Resources (Mt)			
		Measured	Indicated	Inferred	Total
Pakar North	TA	7	79	65	151
	TJ	103	105	181	389
	DE	81	56	22	159
Pakar South	SA	-	7.2	7.8	15
	CA	-	79.2	75.8	155
	BS	-	148	73	221
	AU	-	-	-	-
	SK	-	-	-	-
Total		191	474.4	424.6	1,090

Source: SRK analysis

Based on the multiples implied by previous transactions involving the Pakar Coal Resources as discussed in Section 9.5.1 below, the implied value of the Pakar Coals is outlined in Table 9-9 below:

Table 9-9: Implied Value of the Pakar Coal Resources based on actual transaction analysis

Project	Resource (Mt)	Normalised Resource Multiple (US\$/t)		Value Estimate (US\$ M)	
		Low	High	Low	High
Pakar	1,090	0.07	0.09	76.3	98.1

Source: SRK analysis

GPK

The GPK Coal Resources adopted for consideration are stated in Table 9-10 below:

Table 9-10: SRK's modified GPK Coal Resources

Project	Concession	Coal Resources (Mt)			
		Measured	Indicated	Inferred	Total
GPK ²	GPK	-	58	59	117
Total		0	58	59	117

Source: SRK analysis

Based on the multiples implied by previous transactions involving the GPK Coal Resources as discussed in Section 9.5.1 above, the implied value of the GPK Coals is outlined in Table 9-11 below:

Table 9-11: Implied Value of the GPK Coal Resources based on actual transaction analysis

Project	Resource (Mt)	Normalised Resource Multiple (US\$/t)	Low US\$ M	High US\$ M
GPK	117	0.06	7.02	

Source: SRK analysis

Mamahak

SRK notes that all the currently defined Mamahak Coal Resource resides within the MCM concession. The implied value of the SRK modified Mamahak Coal Resources is outlined in Table 9-12 below:

Table 9-12: Implied Value of SRK's modified Mamahak Coal Resources based on actual transaction analysis

Project	Strip Ratio	Resource (Mt)	Normalised Resource Multiple (US\$/t)	Low US\$ M	High US\$ M
Mamahak	<20:1	3.5	1.83	6.41	
	>20:1	10.5	0.92	9.66	
	TOTAL			16.07	

Source: SRK analysis

SRK notes that since the Mamahak transaction was completed the project has been mined and is now on care and maintenance awaiting an improvement in the coal price.

9.6.2 Market approach – comparable transactions

Pakar

As noted previously in Section 9.5.2, there are two distinct populations in the transaction data, (a population for projects with tonnages above 1 Bt and second population for deposits of less than 250 Mt). In SRK's opinion, given the work completed to date, the market would consider the tonnages at the Pakar Project on a collective basis (i.e. + 1 Bt) despite variable coal qualities between Pakar North and Pakar South.

On this basis SRK has considered the values implied by transactions for large tonnage deposits and adopted the values constrained by the mean, median and weighted average of the available dataset.

Based on its analysis of comparable transactions as outlined in Section 9.5.2 above, SRK has reviewed the available comparative transactions and considers that the market would pay in the range of US\$0.20/t to US\$0.50/t of Resource (Measured = US\$0.40 to US\$0.50/t; Indicated = US\$0.30 to US\$0.40/t; Inferred = US\$0.20 to US\$0.30/t) for the coals at Pakar North and US\$0.10/t to US\$0.20/t of Resource for the coals at Pakar South (Indicated = US\$0.15 to US\$0.20/t; Inferred = US\$0.10 to US\$0.15/t), given the differing CV and lower confidence.

Table 9-13: Implied Value of the Pakar Coal Resources based on comparable transaction analysis

Project	Concession	Coal Resources (Mt)				Low US\$ M	High US\$ M
		Measured	Indicated	Inferred	Total		
Pakar North	TA	7	79	65	151	39.50	54.60
	TJ	103	105	181	389	108.90	147.80
	DE	81	56	22	159	53.60	69.50
Pakar South	SA	-	7.2	7.8	15	1.86	2.61
	CA	-	79.2	75.8	155	19.46	27.21
	BS	-	148	73	221	29.50	40.55
	AU	-	-	-	-	-	-
	SK	-	-	-	-	-	-
Total		191	474.4	424.6	1,090	252.82	342.27

Source: SRK analysis

GPK

As noted in Section 9.5.2, smaller scale/tonnage projects tend to trade at higher implied unit rate multiples than larger scale projects and the implied multiples suggesting the GPK coals may attract a value of between US\$1.30/t to US\$1.96/t of Resource. SRK has reviewed the available comparatives and notes that GPK coals are likely to trade at a discount to the implied values, given a viable transportation option remains to be determined for a standalone development and no development plans have been outlined to date. On this basis, SRK considers that the market would pay in the range of US\$0.65/t to US\$1.00/t of Resource (Indicated = US\$0.76 to US\$0.88/t; Inferred = US\$0.65 to US\$0.76/t) for the coals at GPK.

Table 9-14: Implied Value of the GPK Coal Resources based on comparable transaction analysis

Project	Concession	Coal Resources (Mt)				Low US\$ M	High US\$ M
		Measured	Indicated	Inferred	Total		
GPK	GPK	0	58	59	117	82.43	95.88
Total		0	58	59	117	82.43	95.88

Source: SRK analysis

Mamahak

On the basis that Mamahak offers some coking coal potential, SRK has reviewed the available comparatives and based on its professional judgement considers that the market would pay in the range of US\$0.80/t to US\$1.40/t of Resource (Measured = US\$1.20 to US\$1.40/t; Indicated = US\$1.00 to US\$1.20/t; Inferred = US\$0.80 to US\$1.00/t) for the coals at a strip ratio of below 20:1 at Mamahak, while the higher strip ratio coals are likely to attract a significant discount, and therefore, evaluated in the range of US\$0.20/t to US\$0.35/t of Resource (Measured = US\$0.30 to US\$0.35/t; Indicated = US\$0.25 to US\$0.30/t; Inferred = US\$0.20 to US\$0.25/t).

The implied value of the SRK modified Mamahak Coal Resources is outlined in Table 9-15 below:

Table 9-15: Implied Value of SRK's modified Mamahak Coal Resources based on comparable transaction analysis

Project	Strip Ratio	Resource (Mt)	Low (US\$ M)	High (US\$ M)
Mamahak	<20:1	3.5	3.76	4.46
	>20:1	10.5	2.46	2.98
	Total		6.22	7.44

Source: SRK analysis

9.6.3 Market approach – Trading Multiples

Pakar

As noted in Section 9.5.3, Kangaroo's assets are likely to trade at a discount to the multiples implied by peer analysis on the basis of the lower liquidity of Kangaroo, the diversified revenue stream enjoyed by Kangaroo's peers and scale/quality of asset considerations. On this basis, SRK has used its professional judgement and elected to apply a 20% discount to the values implied by peer multiples. In considering the likely range of values to be applied against Kangaroo's assets, SRK has constrained its values to those between the average, median and weighted average of the dataset.

SRK has reviewed the available peer trading multiples and considers that the market would pay in the range of US\$0.30/t to US\$0.45/t of Resource (Measured = US\$0.40 to US\$0.45/t; Indicated = US\$0.35 to US\$0.40/t; Inferred = US\$0.30 to US\$0.35/t) for the coals at Pakar North and US\$0.10/t to US\$0.20/t of Resource (Indicated = US\$0.175 to US\$0.20/t; Inferred = US\$0.15 to US\$0.175/t) for the coals at Pakar South (given the differing CV and lower confidence of the Pakar South coals relative to those at Pakar North, as well as SRK's perceptions regarding the likely saleability of the low CV coals at Pakar South).

Table 9-16: Implied Value of the Pakar coals based on Peer Trading Multiples

Project	Concession	Coal Resources (Mt)				Low US\$ M	High US\$ M
		Measured	Indicated	Inferred	Total		
Pakar North	TA	7	79	65	151	49.95	57.50
	TJ	103	105	181	389	132.25	151.70
	DE	81	56	22	159	58.60	66.55
Pakar South	SA	-	7.2	7.8	15	2.43	2.81
	CA	-	79.2	75.8	155	25.23	29.11
	BS	-	148	73	221	36.85	42.38
	AU	-	-	-	-	0.00	0.00
	SK	-	-	-	-	0.00	0.00
Total		191	474.4	424.6	1,090	305.31	350.04

Source: SRK analysis

GPK

SRK has reviewed the available peer trading multiples and considers that the market would pay in the range of US\$0.28/t to US\$0.38/t of Resource (Indicated = US\$0.33/t to US\$0.38/t; Inferred = US\$0.28/t to US\$0.33/t) for the coals at GPK, this being at a discount to the multiples adopted for Pakar North given an infrastructure solution is required to commercialise the GPK coals.

Table 9-17: Implied Value of the GPK Coal Resources based on peer trading multiples

Project	Concession	Coal Resources (Mt)				Low US\$ M	High US\$ M
		Measured	Indicated	Inferred	Total		
GPK	GPK	0	58	59	117	35.66	41.51
Total		0	58	59	117	35.66	41.51

Source: SRK analysis

Mamahak

SRK has reviewed the available peer trading multiples and considers that the market would pay in the range of US\$0.34/t to US\$0.56/t of Resource (Measured = US\$0.49/t to US\$0.56/t; Indicated = US\$0.42/t to US\$0.49/t; Inferred = US\$0.34/t to US\$0.42/t) for the coals below a 20:1 strip ratio at Mamahak (given the coking potential), while deeper coals are likely to trade at a significant discount (50% based on SRK's professional judgement).

Table 9-18: Implied Value of SRK's modified Mamahak Coal Resources based on peer trading multiples

Project	Strip Ratio	Resource (Mt)	Low (US\$ M)	High (US\$ M)
Mamahak	<20:1	3.5	1.56	1.81
	>20:1	10.5	2.07	2.42
	Total		3.63	4.22

Source: SRK analysis

9.6.4 Yardsticks

Pakar

For the assessment of the reasonableness of its derived value for the Pakar coals using market based valuation methods, SRK has considered pricing implied by the spot price for EcoCoal 4,200 kcal/kg GAR as outlined in Section 9.5.4, and set out in Table 9-19 below. Based on its professional judgement relating to the coal quality and economic viability of the Pakar South Coal, SRK has elected to discount the yardstick values for these coals by 50%.

Table 9-19: Implied Value of the Pakar Coal Resources using Yardsticks

Project	Concession	Coal Resources (Mt)				Traditional Yardstick		Edison Yardstick	
		Measured	Indicated	Inferred	Total	Low US\$ M	High US\$ M	Low US\$ M	High US\$ M
Pakar North	TA	7	79	65	151	70.61	145.15	33.85	69.15
	TJ	103	105	181	389	225.88	509.72	107.84	242.91
	DE	81	56	22	159	128.84	303.24	61.39	144.33
Pakar South	SA	-	7.2	7.8	15	3.12	6.24	1.50	2.98
	CA	-	79.2	75.8	155	32.94	65.88	15.81	31.40
	BS	-	148	73	221	51.90	103.80	24.91	49.41
	AU	-	-	-	-	-	-	-	-
	SK	-	-	-	-	-	-	-	-
Total		191	474.4	424.6	1,090	513.29	1,143.03	245.30	540.18

In SRK's view, the yardsticks are supportive of, albeit higher than the range of values determined using Comparable Transaction and Peer Analysis valuation methods. As noted previously, SRK considers the values derived using the Edison Yardstick to be preferable over the Traditional Yardstick for large, bulk tonnage coal deposits. SRK's derived values using the Comparable Transaction and Peer Analysis methods lie towards the mid to lower end of the Edison Yardstick. SRK considers this to be reasonable given the concerns previously expressed by SRK in this report relating to coal quality, economic viability, Coal Resources and Coal Reserves and Bayan's integrated plan.

GPB

For the assessment of the reasonableness of its derived value for the GPB coals using market based valuation methods, SRK has considered pricing implied by the spot price for EcoCoal 4,200 kcal/kg GAR as outlined in Section 9.5.4, and set out in Table 9-20 below.

Table 9-20: Implied Value of the GPB Coal Resources based on Yardstick multiples

Project	Concession	Coal Resources (Mt)				Traditional Yardstick		Edison Yardstick	
		Measured	Indicated	Inferred	Total	Low US\$ M	High US\$ M	Low US\$ M	High US\$ M
GPB	GPB	0	58	59	117	49.23	98.46	23.63	46.93
Total		0	58	59	117	49.23	98.46	23.63	46.93

Source: SRK analysis

In SRK's view the yardsticks are supportive of the range of values determined using Comparable Transaction and Peer Analysis valuation methods.

Mamahak

For the assessment of the reasonableness of its derived value for the Mamahak coals using market-based valuation methods, SRK has considered pricing implied by the spot price for Gunung Bayan as outlined in Section 9.5.4. Based on its professional judgement, SRK considers the deeper coals (i.e. those above a 20:1 strip ratio) should be priced at a 50% discount to those at a lower strip ratio, as set out in Table 9-21 below.

Table 9-21: Implied Value of SRK's modified Mamahak Coal Resources based on Yardstick multiples

Project	Strip Ratio	Resource (Mt)	Traditional Yardstick		Edison Yardstick	
			Low (US\$ M)	High (US\$ M)	Low (US\$ M)	High (US\$ M)
Mamahak	<20:1	3.5	5.74	13.34	2.74	6.35
	>20:1	10.5	5.10	10.21	2.45	4.86
	TOTAL		10.85	23.55	5.19	11.20

Source: SRK analysis

In SRK's view, the yardsticks are supportive of, albeit slightly higher than, the range of values determined using Comparable Transaction and Peer Analysis valuation methods. SRK considers this to be reasonable as the Mamahak deposit is small and remains on care and maintenance with any future recommissioning dependent upon an improvement in the coal price. Furthermore, based on the findings of M&TS, SRK understands that MCM is maintaining its tenure in order to keep open all available options regarding further production.

9.7 Valuation of Exploration Upside

9.7.1 Market approach – Comparable Transactions

In consideration of the additional upside potential associated with unclassified coals and possible extensions to the currently defined coal resources, SRK has also considered transactions involving Indonesian coal exploration tenure without defined resources.

Based on its analysis, SRK identified seven transactions involving early to advanced stage exploration tenure in Indonesia as outlined in Table 9-22 below:

Table 9-22: Transactions involving Indonesian coal exploration tenure

Date	Project or Company Name	Buyer	Seller	Price Paid (US\$M)	Equity Acquired	Area (km ²)	Implied Value Normalised (US\$/ km ²)
Oct-16	Central Kalimantan tenure	Zamia Metals Ltd	Kirkham Internation Pte Ltd	18.33	95%	47.98	648,355
May-16	PT Slingkop Nusa Raya and PT Kentungau Raya	PT Jinantra Karya Raya	Cokal Ltd	0.16	75%	170	2,833
Jul-15	Borneo Emas Hitam	Private investors	Killara Resources Limited	0.88	80%	10.02	211,602
May-13	Borneo Emas Hitam	Killara Resources Limited	PT Borneao Emas Hitam	2.24	80%	10.02	364,386

Date	Project or Company Name	Buyer	Seller	Price Paid (US\$M)	Equity Acquired	Area (km ²)	Implied Value Normalised (US\$/ km ²)
Apr-12	Silangkop Nusa Raya (SNR)	Cokal Ltd	Local Interest	0.75	75%	130	8,538
Apr-12	Paser	Paser Pte Ltd	PT Gunung Mentari Mining	2.29	100%	0.43	5,911,005
Apr-12	Tabalong	PT Kodio and PT Marangkayu Bara Makarti	Altura Mining Ltd	1.00	80%	95.6	14,519

Source: SRK Analysis

Blue shading indicates coking coal transaction

Green shading indicates high energy (+6,500 kcal/kg) thermal coal indicated

SRK notes the following:

- There is a significant range in the implied transaction values.
- Most of the transactions involved thermal coals of significantly higher energy content than those currently being evaluated within Kangaroo's tenure.
- The Central Kalimantan (October 2016) transaction involved coking coal. The PT Sliangkop (May 2016) and Silangkop Nusa Raya (April 2012) both reportedly contained a coking component, but no coal specifications were available.
- The Paser transaction was the only transaction involving defined Coal Reserves with all other projects at an earlier development stage apart from the Borno Emas Hitam project which was on care and maintenance in July 2015.
- The PT Sliangkop (May 2016), Silangkop Nusa Raya (April 2012) and Tabalong (April 2012) transactions, all involved tenure areas of broadly comparable area to the combined area held by Kangaroo at Pakar North and Mamahak respectively. The Pakar South is substantially larger than any of the tenures identified while the GPK is more akin to the East Kalimantan project transacted in October 2016.

On this basis, SRK considers the market would pay in the range US\$5,000/km² to US\$15,000/km² (or US\$50/ha to US\$150/ha) for the exploration potential associated with early stage exploration tenures, but potentially between US\$500/ha to US\$1,000/ha for strategically located or more advanced coal exploration projects.

On this basis, SRK has applied the following multiples to the coal tenures at Pakar, GPK and Mamahak.

Table 9-23: Valuation multiples for Indonesian coal exploration tenure

Project	Name	Concession Area (ha)	Assigned Multiples (US\$/ha)	Low (US\$ M)	High (US\$ M)
Pakar North	TA	4,996	500-1000	2,498,000	4,996,000
	TJ	5,000	500-1000	2,500,000	5,000,000
	DE	3,784	500-1000	1,892,000	3,784,000
Total				6,890,000	13,780,000
Pakar South	OM	1,061	250-500	265,250	530,500
	SA	2,364	250-500	591,000	1,182,000
	CA	3,457	250-500	864,250	1,728,500
	BS	2,981	250-500	745,250	1,490,500
	AU	1,714	250-500	428,500	857,000
	SK	4,774	250-500	1,193,500	2,387,000
Total				4,087,750	8,175,500
GPK	GPK	5,060	250-500	1,265,000	2,530,000
Total				1,265,000	2,530,000
Mamahak	MCM	4,996	250-500	1,249,000	2,498,000
	BKL*	7,000	-	-	-
	MEL	5,000	50 -150	250,000	750,000
	MBE	5,000	50 -150	250,000	750,000
Total				1,749,000	3,998,000
Grand Total				13,991,750	28,483,500

Source: SRK Analysis

*According to M&TS the BKL concession had expired as at the Valuation Date.

In considering the assigned multiples, SRK notes the following:

- The value of the defined resources has previously been assessed in Section 9.6.
- There are reportedly significant quantities of unclassified coal incorporated into the Bayan Schedule, the basis for which is not clearly understood given the lack of extensive drilling, particularly in the Pakar South area.
- The Pakar South coals are of lower quality than those at Pakar North and are considered to be less appealing to market participants.
- SRK is cognisant of the infrastructure support for both the Pakar North and Pakar South coal deposits as a result of the strategic agreement and access agreements with Bayan.
- The GPK coals are considered broadly comparable to those at Pakar South, but do not currently have an infrastructure solution in place or an existing development plan.
- Despite possessing some coking qualities, the Mamahak coals are of high ash and high volatile matter content and as such, SRK considers there is limited upside to the reported coals within the MCM concession.
- Furthermore, SRK understands that the BKL concession at Mamahak had expired as at the Valuation Date. BKL was reportedly considering reinstatement of the concession but had not yet made a firm decision to do so.
- Little information was provided in regard to the BKL, MEL and MBE concessions at Mamahak.

On this basis, SRK considers the derived values to be reasonable.

9.7.2 Cost approach – Geoscientific Rating

SRK has used the Geoscientific Rating method as a secondary method to estimate the market value of the exploration potential associated with Kangaroo's tenure. The geoscientific rating or modified Kilburn method of valuation attempts to quantify the relevant technical aspects of a property through appropriate Multipliers (factors) applied to an appropriate base (or intrinsic) value. The intrinsic value is referred to as the Base Acquisition Cost (BAC) and is critical because it forms the standard base from which to commence a valuation. It represents the 'average cost to identify, apply for and retain a base unit of area of title'.

Multipliers are considered for Off-property aspects, On-property aspects, Anomaly aspects, Geology aspects, coal quality and Infrastructure support. These multipliers are applied sequentially to the BAC to estimate the Technical Value for each tenement. A further market factor is then considered to derive a Market Value.

A BAC of US\$3.75/ha has been assumed in this valuation, which incorporates annual rental, and administration and application fees in addition to nominal indicative minimum expenditure on acquisition. To ensure consistency with other recent independent specialist reports valuing Kalimantan coals, SRK adopted the same base acquisition cost (BAC) assumption as used by Salva Mining Consultants (SMC) (on page 43) of its October 2016 Valuation of Golden Energy and Resources Limited, PT Tirsula Kencana Sakti (PT TKS), as sourced from http://investor.gear.com.sg/newsroom/20161107_153625_AUE_QT77K8HNKH7SCGU8.4.pdf.

In order to check the reasonableness of SMC's assumption, SRK also considered the likely BAC based on a build up from first principles, namely estimation using the following assumptions:

- Given the BAC assesses the exploration potential of an area, the minimum form of tenure required is an Exploration IUP.
- Under Indonesian mineral legislation, an Exploration IUP is valid for a maximum of four years prior to the area having to be reduced. This tenure may be extended for further periods of up to 4 years before it must either be relinquished or converted to a Production IUP. It is assumed that the average age of an exploration IUP in Kalimantan is 4 years.
- For coal, the legislation requires an exploration area is not able to exceed 25,000 hectares in the fourth year. It is assumed the average size of an Exploration IUP in Kalimantan is 25,000 ha.
- The deemed cost to identify an area of interest of US\$10,000 was assumed, as well as US\$5,000 for the cost of landholder notices, negotiations, legal costs and compensation.
- Under existing legislation, the following tariffs are payable;
 - Indonesian Rupiah (IDR) 200,000 (US\$13) per 15 minutes for inquiry into mining area information
 - Depending on the acreage, IDR 10,000,000 to 50,000,000 (US\$640 to US\$3,200) per WIUP for area reservation and printing of non-metal mineral WIUP map
 - Depending on the size and type, IDR 1,000,000 to 3,000,000 (US\$64 to US\$190) per sheet for service for the printing on a mining area information map
 - Dead rent for IUP and IUPK for coal exploration - US\$2 per hectare per annum
 - Dead rent for IUP and IUPK for coal production operation - US\$4 per hectare per annum
- Based on these costs, the assumed one-off issuance cost is US\$3,500 per IUP
- The assumed holding costs includes a dead rent assumption of US\$200/km² per annum
- Ongoing annual administrative costs of US\$10,000 per IUP
- Annual exploration commitments of US\$50,000 per IUP

Altogether these assumptions provide for an assumed BAC for an average Kalimantan Exploration IUP of US\$308.50/km² or US\$3.09/ha, which is considered broadly comparable, albeit slightly lower than SMC's assumed BAC. As SRK's analysis is relatively high-level and likely to be somewhat conservative, SRK elected to err on the side of caution and adopt SMC's BAC value.

In converting its implied technical values to a market value, SRK considers that market participants would not add either a premium or a discount to the technical value given the current market sentiment.

The rating criteria use for assessing the modifying factors are provided in Table 9-24. These ratings criteria have not been modified by SRK.

Table 9-24: Modified property rating criteria

Rating	Off Property Factor	On Property Factor	Quality Factor	Anomaly Factor	Geological Factor	Location/ Infrastructure Factor
0.1				No seams identified		
0.5					Unfavourable stratigraphy	Unable to access market
0.7			Lignite		Generally favourable stratigraphy on 25% lease or significant igneous/ structural complexity	Located at distance to market but supporting infrastructure in development
0.9			Thermal coal with impurities	Few thin seams (at shallow depths)	Generally favourable stratigraphy on 50% lease or minor igneous/ structural complexity	
1.0	No known mineralisation in district	No known mineralisation on lease	PCI coal with impurities or thermal coal without major impurities	Coal seams identified	Generally favourable stratigraphy on 70% lease	Located at distance to market but supporting infrastructure in place
1.5	Minor workings	Minor workings	Soft coking coal with impurities or PCI coal without major impurities	Single consistently thick (>2 m) seams or multiple thin seams	Generally favourable stratigraphy and simple igneous/ structural features	In proximity to market with appropriate infrastructure in place to access
2.0	Several old workings in district	Several old workings	Hard coking coal with impurities or soft coking without major impurities	Favourable aggregate thickness		
2.5	Abundant workings with significant previous production	Mine or abundant workings with significant previous production	Hard coking coal without major impurities	Two or more consistently thick (>2 m) seam(s)	Favourable stratigraphy without igneous/ structural features	
3.0	Along strike from mine					
3.5	Along strike for world class mine	Major mine with significant historical production		Numerous thick seams		
4.0	World class mine					

Source: Modified after Xstract, 2009.

Table 9-25: Geoscientific approach – modified Kilburn rating

Concession		Area (ha)	BAC		Off-property		On-property		Anomaly		Geology		Infrastructure		Quality		Market Factor	Valuation (US\$)		
					Low	High	Low	High	Low	High	Low	High	Low	High	Low	High		Low	High	
Pakar Project																				
	TA	4,996	18,735	3	3.5	2.5	3	2.5	3	2.5	3	2	2.5	1.5	2	0.9	1	1	948,000	2,951,000
	TJ	5,000	18,750	3	3.5	2.5	3	2.5	3	2.5	3	2	2.5	1.5	2	0.9	1	1	949,000	2,953,000
	DE	3,784	14,190	3	3.5	2.5	3	2.5	3	2.5	3	2	2.5	1.5	2	0.9	1	1	718,000	2,235,000
	OM	1,061	3,979	3	3.5	2.5	3	2.5	3	2.5	3	2	2.5	1.5	2	0.7	0.9	1	157,000	564,000
	SA	2,364	8,865	3	3.5	2.5	3	2.5	3	2.5	3	2	2.5	1.5	2	0.7	0.9	1	349,000	1,257,000
	CA	3,457	12,964	3	3.5	2.5	3	2.5	3	2.5	3	2	2.5	1.5	2	0.7	0.9	1	510,000	1,838,000
	BS	2,981	11,179	3	3.5	2.5	3	2.5	3	2	2.5	2	2.5	1.5	2	0.7	0.9	1	352,000	1,320,000
	AU	1,714	6,428	3	3.5	2.5	3	2.5	3	2	2.5	2	2.5	1.5	2	0.7	0.9	1	202,000	759,000
	SK	4,774	17,903	3	3.5	2.5	3	2.5	3	2	2.5	2	2.5	1.5	2	0.7	0.9	1	564,000	2,115,000
															Sub-total		4,749,000	15,992,000		
GPK Project																				
	GPK	5,060	18,975	1.5	2	2	2.5	2	2.5	2	2.5	1.5	2	1	1.5	0.9	1	1	154,000	712,000
															sub-total		154,000	712,000		
Mamahak Project																				
	MCM	4,996	18,735	1.5	2	2.5	3	1	1	1	1.5	2	2	1	1.5	2	2.5	1	211,000	843,000
	BKL	7,000	26,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	MEL	5,000	18,750	1.5	2	2	2.5	1	1	1	1.5	2	2	1	1.5	2	2.5	1	169,000	703,000
	MBE	5,000	18,750	1.5	2	2	2.5	1	1	1	1.5	2	2	1	1.5	2	2.5	1	169,000	703,000
															sub-total		549,000	2,249,000		
															Total		5,452,000	18,953,000		

Source: SRK Analysis

10 Valuation Summary

KPMG Corporate Finance has commissioned SRK to prepare an Independent Specialist Report incorporating a technical assessment and valuation of the mineral assets held by Kangaroo. This Report has been prepared under the guidelines of the VALMIN Code (2015), which incorporates the JORC Code (2012).

For this valuation, SRK conducted a high-level review of the available Coal Resources and Coal Reserves at Kangaroo's Indonesian Coal Projects, for the purpose of determining their validity from a valuation perspective.

SRK has elected to consider only the underlying stated Coal Resources for valuation purposes as the life of mine plan presented for review is conceptual and includes Reserve coal in addition to Inferred and unclassified coal production.

In SRK's opinion, the Coal Resource estimates do not present fatal flaws and the stated Coal Resources are acceptable as a representation of global grades and tonnages, albeit with SRK suggesting minor modifications to the associated classifications. Additional consideration of Resource classification is recommended to address future issues with potentially poor conversion to Coal Reserves. Thus, for the purposes of this valuation, the global Resource estimates were considered.

While the VALMIN Code (2015) states that decisions as to which valuation methodology is used are the responsibility of the Expert or Specialist, where possible, SRK considers a number of methods. The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

SRK has recommended preferred values and value ranges for Kangaroo's coal assets on the basis of declared Coal Resources and Exploration Potential. In the case of Kangaroo's Coal Resources, SRK has compared the Resource multiple on a normalised US\$/t Resource derived from the Actual Transaction, Comparative Transaction Method with the implied multiples derived from the Peer Companies Trading Multiples and then cross checked these against industry Yardsticks on an US\$/t of Resource.

SRK has considered the Resource multiples for all of Kangaroo's Indonesian Coal Projects, as in SRK's opinion the market would value the resources contained within the projects in a similar way. However, SRK has assigned its overall valuation range and preferred value for the Coal Resources of each project differently, in order to account for the unique characteristics of the projects:

Pakar Project:

- SRK has placed greater weight on the values implied by the Comparable Transaction and Peer Analysis to inform its overall valuation range and selected preferred value. In doing so, SRK is cognisant of the integrated development plans and objectives for Pakar North as held equally by both Kangaroo and Bayan. Based on information presented to SRK, the integrated planning approach for the Bayan and Kangaroo concessions has been considered and appears to be in the interests of both Bayan and Kangaroo.
- In our view, the results of the Market based valuation approaches (i.e., Comparable Transactions and Peer Analysis Multiples) are complementary with, and supportable relative to, the outcomes derived from SRK's application of industry yardsticks.
- In addition, SRK has considered the value of the exploration potential associated with various unclassified coals and potential extensions to the known coal Resources in an evaluation of the exploration potential of the associated concessions (outside of the defined Coal Resources).

GPK Project

- SRK has given equal weight to the values implied by Comparable Transactions and Peer Analysis.
- In SRK's view the market would adopt similar, albeit slightly lower, multiples for GPK relative to the Pakar North Project to reflect uncertainty associated with the development status, lack of defined Coal Reserves, and a viable transportation infrastructure solution.
- SRK has adopted preferred values towards the mid-point of the defined range as it has no strong inclination towards either end of the range given the currently available information.
- In SRK's view, given the relative proximity and similar coal qualities, there may be an opportunity to jointly develop GPK and Pakar North, however this opportunity remains to be studied in detail.

Mamahak Project

- SRK has given equal weighting to all methods for the Mamahak Project as they are all broadly equivalent.
- SRK's preferred value was determined within a range of possible values, considering all the available information provided by the respective parties as at 17 August 2018.
- SRK has adopted preferred values towards the mid-point of the defined range as it has no strong inclination towards either end of the range given the currently available information.

SRK's recommended valuation ranges and preferred values for each project are summarised in Table 10-1. SRK has produced a Market Value as defined by the VALMIN Code (2015). The values outlined below are market values not technical values.

Table 10-1: Summary of SRK's valuation of Kangaroo's assets as at 17 August 2018 on a 100% equity basis

Project	Asset	Valuation method	Low (US\$ M)	High (US\$ M)	Preferred (US\$ M)
Pakar	Mineral Resources ⁵	Actual Transaction multiples	76.3	98.1	
		Comparable Transaction multiples	252.8	342.3	
		Peer Trading multiples	305.3	350.0	
		Resources (Selected)	279.1	346.2	312.6
	Exploration Potential	Comparable Transaction multiples	11.0	22.0	
		Geoscientific Rating	4.8	16.0	
		Exploration Potential (Selected)	5.0	22.0	13.5
		Pakar Project - Total	284.1	368.2	326.1
GPK	Mineral Resources	Actual Transaction multiples	7.0		
		Comparable Transaction multiples	82.4	95.9	
		Peer Trading multiples	35.7	41.5	
		Resources (Selected)	59.0	68.7	63.9
	Exploration Potential	Comparable Transaction multiples	1.3	2.5	
		Geoscientific Rating	0.2	0.7	
		Exploration Potential (Selected)	0.8	1.6	1.2
		GPK Project - Total	59.8	70.3	65.1
Mamahak		Actual Transaction multiples	16.1		

⁵ Based on its review of the available technical data, SRK has downgraded the stated Coal Reserves and considered the value of the underlying Coal Resources as explained elsewhere in this report.

Project	Asset	Valuation method	Low (US\$ M)	High (US\$ M)	Preferred (US\$ M)
	Mineral Resources	Comparable Transaction multiples	6.2	7.4	
		Peer Trading multiples	3.6	4.2	
		Resources (Selected)	4.9	5.8	5.4
	Exploration Potential	Comparable Transaction multiples	1.7	4.0	
		Geoscientific Rating	0.5	2.2	
		Exploration Potential (Selected)	0.5	2.5	1.5
		Mamahak Project - Total	5.4	8.3	6.9
	Selected Total		349.3	446.8	398.1

Note: Any discrepancies between values in the table are due to rounding.

On this basis, SRK's valuation of a 100% interest in the Pakar Project is estimated to lie between US\$284.1 M and US\$368.2 M, with a preferred estimate of US\$326.1 M. Based on Kangaroo's current 99.0% equity ownership on a pro-rata basis this is equivalent to US\$281.2 M and US\$364.5 M, with a preferred estimate of US\$322.8 M.

On this basis, SRK's valuation of a 100% interest in the GPK Project is estimated to lie between US\$59.8 M and US\$70.3 M, with a preferred estimate of US\$65.1 M. Based on Kangaroo's current rights to an 77.19% interest (85.19% less 8% payable to KAL Energy) on a pro-rata basis this is equivalent to US\$46.2 M and US\$54.3 M, with a preferred estimate of US\$50.2 M.

On this basis, SRK's valuation a 100% interest in the Mamahak Project is estimated to lie between US\$5.4 M and US\$8.3 M, with a preferred estimate of US\$6.9 M. Based on Kangaroo's current 99% equity ownership on a pro-rata basis this is equivalent to US\$5.4 M and US\$8.2 M, with a preferred estimate of US\$6.8 M.

10.1 Discussion on SRK's valuation range

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with early stage to advanced stage exploration assets.

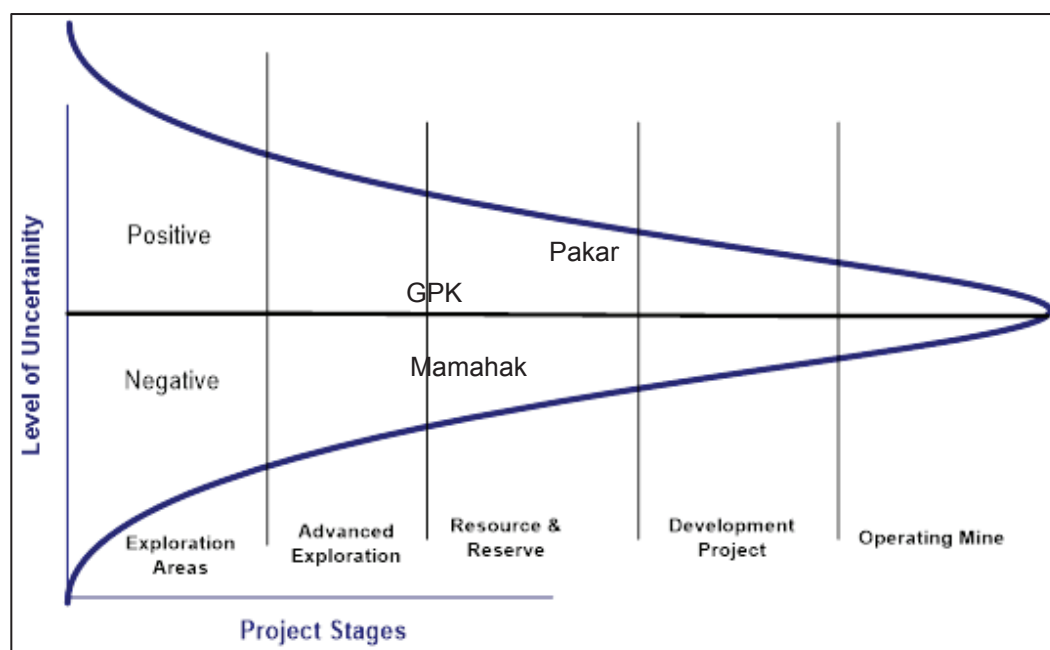
The range in value is driven by the confidence limits placed around the size and grade of mineralised occurrences assumed to occur within each project area. Typically, this means that as exploration progresses, and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Reserve status, there is greater confidence around the likely size and quality of the contained coal and its potential to be extracted profitably.

Table 10-2 presents a general guide of the confidence in targets, resource and reserve estimates, and hence value, referred to in the mining industry.

Table 10-2: General guide regarding confidence for target and Resource/ Reserve estimates

Classification	Estimate range (90% confidence limit)
Proven/ Probable Reserves	±5 to 10%
Measured Resources	±10 to 20%
Indicated Resources	±30 to 50%
Inferred Resources	±50 to 100%
Exploration target	+100%

This level of uncertainty with advancing project stages can be seen in Figure 10-1.

**Figure 10-1: Uncertainty by advancing exploration stage**

Source: SRK

Estimated confidence of +/- 60% to 100% or more, are not uncommon for exploration areas and are within acceptable bounds, given the level of uncertainty associated with early stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality. Where possible, SRK has endeavoured to narrow its valuation range.

10.2 Valuation risks

SRK is conscious of the risks associated with valuing assets in the advanced exploration and pre-development stages, which can impact the valuation range. In defining its valuation range, SRK notes that there are always inherent risks involved when deriving any arm's length valuation. These factors can ultimately result in significant differences in valuations over time. The key risks include but are not limited to risks outlined in the following subsections.

10.2.1 Resources and Reserves

Resources and Reserve estimates prepared under the JORC Code (2012) are best estimates based on individual judgement and reliance upon knowledge and experience using industry standards and the available database. SRK deems the Resource to Reserve conversion to be low risk when considering the resources outside those considered in the cashflow model.

10.2.2 Mining and production risk

In SRK's opinion, the continuity of any future mining operation is dependent upon the provision of an adequate access and transportation infrastructure. Whilst SRK considers the risk associated with mining and processing to be very low, it considers the infrastructure risk to be moderate.

10.2.3 Environmental risk

SRK considers the environmental risk at the Projects to be low to moderate, given the appropriate approvals and permits in place and the experiences at Bayan's Tabang operations to date. For the GPK and Mamahak Projects, SRK was only provided with limited information on the environmental status and hence is unable to make any definitive statement in this regard.

10.2.4 Land access

SRK considers the land access risk to be low to moderate, given the status of the tenure at the valuation date.


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Jeames McKibben
Principal Consultant

Peer Reviewed by

A handwritten signature in dark ink, reading "Caue Pauli de Araujo".

Caue Pauli de Araujo
Principal Consultant

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Appendices

Appendix A: Peer Trading Company

Table A 1: Listed Indonesian coal companies

	Adaro Energy	Baramulti Suksessarana	Bukit Asam	Bumi Resources	Golden Energy Mines	Harum Energy	Indo Tambangraya Megah	COKAL Ltd	Pan Asia Corp Ltd	Blackgold Natural Resources Ltd	Geo Energy Resources	GEAR
Ticker	IJ ADRO	IJ BSSR	IJ PTBA	IJ BUMI	IJ GEMS	IJ HRUM	IJ ITMG	ASX CKA	ASX PZC	SGX BHR	SGX GERL	IJ GER
Market Cap (US\$ M)	4162.2	459.8	2980.1	1070.6	1021.9	447.6	2114.2	19.4		11.7	209.3	499.7
EV (US\$ M)	4997.4	452	2734.6	3480.4	1047.3	301.6	1847.1	33.4	0.4	16.3	270.5	653.3
Primary Coals	Therm, SSCC	Therm	Therm	Therm	Therm	Therm	Therm	Met	Therm	Therm	Therm	Therm
Key project	Tutupan	Antang Gunung Meratus	Banko Barat & Tengah	Arutmin	BIB	MJS	Trubaindo	BBM	TCM	SB	BEK, SDJ, TBR	Samantaka Batubara
Location	Kalimantan Selatan, Indonesia; Australia	Kalimantan Selatan, Indonesia	Sumatera Selatan, Indonesia	Kalimantan Selatan, Indonesia	Kalimantan Selatan, Indonesia	Kalimantan Timur, Indonesia	Kalimantan Timur, Indonesia	Kalimantan Tengah, Indonesia; Tanzania, Mozambique	Kalimantan Selatan, Indonesia	Sumatera Selatan, Indonesia	Kalimantan Timur, Indonesia	Kalimantan Selatan, Indonesia
Development Status	Exploration to Production	Production	Development to Production	Exploration to Production	Production	Feas to Production	Production	Exploration to Production	Feasibility		Production	Development
Attributable Reserves												
Classification	P+P	P+P	P+P	P+P	P+P	P+P	P+P	P+P		P+P	P+P	P+P
Tonnage (Mt)	1205.4	114.2	3300	1576.6	783.1	54.7	324.5	12.12		147	85.4	546.9

	Adaro Energy	Baramulti Suksessarana	Bukit Asam	Bumi Resources	Golden Energy Mines	Harum Energy	Indo Tambangraya Megah	COKAL Ltd	Pan Asia Corp Ltd	Blackgold Natural Resources Ltd	Geo Energy Resources	GEAR
Attributable Resources												
Classification	M+I+I	M+I	M+I+I	M+I+I	M+I+I	M+I+I	M+I	M+I+I	M+I+I	M+I+I	M+I+I	M+I+I
Tonnage (Mt)	13610	1068.1	11600	7610.4	2183	364.7	1821	159.72	132.75	520	115.5	1626
Implied Value (US\$/t)												
Reserve	4.15	3.96	0.84	1.45	1.55	4.16	5.56	1.65		0.11	3.01	1.47
Resource	0.37	0.42	0.24	0.25	0.57	1.82	1.01	0.13	0.00	0.03	1.28	0.54
Sector Analysis												
% Revenue attributable to coal mining	93%	100%	94%	NA	85%	97%	100%	100%	NA	100%	98%	85%
% Revenue from Indonesia	24%	30%	58%	100%	29%	3.5%	11%	0%	NA	NA	4%	30%
% Assets^ in Indonesia	NA	100%	NA	100%	50%	100%	100%	NA	100%	100%	98%	99%
Share Analysis												
Trading Days	251	203	241	241	42	241	241	241	241	251	251	251
Cumulative Value (\$m)	2,132.3	0.4	23,671,902.1	2,274.8	0	216.0	668.5	23.2	22.4	91.9	163.0	53.5
Liquidity#	53.5	0.1	70.5	174.7	0	41.7	34.1	74.6	88.9	148.0	64.3	7.3

*Market Capitalisation and Enterprise Value as reported by S&P Global Market Intelligence as at 30 August 2018, Capital IQ and Company reports

^based on stated value

#Percentage of issued capital traded over a 12-month period

PT Adaro Energy Tbk is an Indonesia-based company engaged in integrated coal mining through its subsidiaries. Its business activities include mining, barging, shiploading, dredging, port services, marketing and power generation. It produces thermal coal from its mining sites located in Kalimantan Selatan, Indonesia. Its coal is marketed under the brand name Envirocoal. Its subsidiaries include PT Alam Tri Abadi and PT Saptaindra Sejati.

PT Baramulti Sukses Sarana Tbk is an Indonesia-based company which engages in coal mining industry. The Company operates coal mining business in East Kalimantan, Samarinda with mining right of operation production from April 13, 2010 up to April 11, 2018 for the areas of interests at the regency of Kutai Kartanegara, province of East Kalimantan. Its subsidiary is PT Antang Gunung Meratus, which is engaged in coal mining in Banjar, Tapin, and Hulu Sungai Selatan.

PT Bukit Asam (Persero) Tbk is an Indonesia-based company primarily engaged in coal mining industry. Its business activities include conducting coal mining operation, including research, exploration, exploitation, processing, purifying, transporting and trading; managing and operating ports and jetties for coal, either for internal or external use; managing and operating thermal power plants, either for internal or external use, and providing coal mining and production related consultation and engineering services. The Company has coal mining concessions in several areas in Indonesia, including Tanjung Enim, Peranap, Palaran and Ombilin. It is also engaged in briquette manufacturing. Its briquette manufacturing plants are located in Tanjung Enim, Indonesia, which produces carbonated briquettes, and Natar and Gresik, Indonesia, which produce non-carbonated briquettes.

PT Bumi Resources Tbk is an Indonesia-based holding company primarily engaged in coal mining. The Company is engaged in coal mining through its subsidiaries and associates, such as PT Kaltim Prima Coal, PT Arutmin Indonesia, PT Fajar Bumi Sakti and PT Pendopo Energi Batubara. It produces thermal coal from its coal mines that are located in several areas in Indonesia, such as Sangatta, Bengalon, Senakin, Satui, Mulia, Batulicin, Asam-asam, Kintap, Loa Ulung, Tabang, Muara Enim and Penukal Abab Lematang Ilir. Most of its coal are used as fuel for coal power plants. Besides coal mining, the Company is also engaged in other minerals mining, which is operated through PT Bumi Resources Mineral Tbk, as well as oil and gas exploration.

PT Golden Energy Mines Tbk is an Indonesia-based company primarily engaged in coal mining and trading. The Company produces thermal coal from its mining sites which are located in Jambi, Kalimantan Tengah and Kalimantan Selatan, Indonesia. Besides for domestic consumption, its coal is also exported to other countries, such as China, India, Thailand, Malaysia and Pakistan. Its subsidiaries include PT Roundhill Capital Indonesia, PT Kuansing Inti Makmur, PT Trisula Kencana Sakti, PT Bumi Anugerah Semesta and GEMS Trading Resources Pte Ltd.

PT Harum Energy Tbk is an Indonesia-based holding company primarily engaged in integrated coal mining industry. The Company operates a vertically integrated supply chain linking its mining operations through to the offshore ship loading. The coal mining supporting infrastructure that it owns includes hauling roads, ports, coal processing plants, tugboats and barges as well as floating cranes. Through its subsidiaries, such as PT Mahakam Sumber Jaya, PT Tambang Batubara Harum and PT Karya Usaha Pertiwi, it manages a number of coal mining sites in Kalimantan Timur, Indonesia. It sells its coal primarily to power generation companies in China and South Korea. Its other subsidiaries include Harum PT Layar Lintas Jaya, which is engaged in barging and trans-shipment services; Energy Australia Ltd, and Harum Energy Capital Ltd.

PT Indo Tambangraya Megah Tbk is an Indonesia-based company primarily engaged in coal mining. Through its subsidiaries, such as PT Indominco Mandiri, PT Trubaindo Coal Mining, PT Bharinto Ekatama, PT Kitadin and PT Jorong Barutama Greston, it operates a number of coal mining concessions in Kalimantan Timur, Kalimantan Tengah and Kalimantan Selatan, Indonesia. PT Indominco Mandiri also operates a coal terminal, which is used for stockpiling, blending, and ship loading, and a power plant, which supplies electricity to its port and coal processing plants; both of its coal terminal and power plant are located in Bontang, Indonesia. Its other subsidiaries are PT ITM Indonesia, which is engaged in coal trading, and PT Tambang Raya Usaha Tama, which is engaged in provisioning mining services.

Cokal Limited is an Australia-based exploration and development stage company. The Company is engaged in identification and development of coal within the Central Kalimantan coking coal basin in Indonesia. The Company has joint arrangements to explore for coal in Tanzania. The Company's segments include exploration of coal in Indonesia, Tanzania and Australia. Its tenements in Central Kalimantan, Indonesia include Bumi Barito Mineral (BBM), which covers an area of approximately 15,000 hectares; Tambang Benua Alam Raya (TBAR), which covers an area of approximately 18,850 hectares; Borneo Bara Prima (BBP), which covers an area of approximately 13,000 hectares, and Anugerah Alam Katingan (AAK), which covers an area of approximately 5,000 hectares. Its tenements in West Kalimantan, Indonesia include Silangkop Nusa Raya (SNR), which holds over three exploration licences in West Kalimantan close to the Malaysian border. The SNR Licences cover an area of approximately 13,000 hectares.

Pan Asia Corporation Limited is an Australia-based company, which is engaged in coal exploration and development. The Company owns interest in its underground high CV thermal coal project and the PT Transcoal Minergy Project in South Kalimantan, Indonesia. The Company has completed exploration-drilling program in a total Joint Ore Reserves Committee (JORC) resource of approximately 180 Mt. The JORC Resource from mineable seams is approximately 130 Mt. The Company's segments include Australia and Indonesia. The Indonesia segment includes PT PZC Services and PT Transcoal Minergy. The Company is focused on acquiring a coal operation in the Bowen Basin in Queensland Australia. The Company's subsidiaries include Innovation West Pty Ltd, Innovation West Mentewe Pte Ltd, PT PZC Services and Triumph West Pty Ltd. Innovation West Pty Ltd has interest in Innovation West Mantewe Pte Ltd, which holds interest in PT Transcoal Minergy.

BlackGold Natural Resources Limited, formerly NH Ceramics Ltd, is an investment holding company. The Company is engaged in exploration and mining of coal in Indonesia. The Company, together with its subsidiaries, is focused on Indonesia's power plant industry, with a specific focus on supplying coal to power plants located in Riau province, Sumatra, Indonesia. The Company holds the rights to approximately three coal concessions in Sumatra, such as PT Samantaka Batubara, PT Ausindo Andalas Mandiri and PT Ausindo Prima Andalas (concessions), covering over 45,550 hectares in combined acreage. The Company has explored a total area of approximately 10,000 hectares in the PT Samantaka Batubara concession. The Company is in exploration phase for its PT Ausindo Andalas Mandiri concession and PT Ausindo Prima Andalas concession, and has entered into the development phase for the PT Samantaka Batubara concession.

Geo Energy Resources Limited ("Geo Energy" or the "Group") is one of the major coal producers in Indonesia and is listed on the Singapore Stock Exchange and is part of the Singapore FTSE-ST China index. The Group's operations are primarily located in Indonesia. Geo Energy is a coal mining specialist with an established track record in the operation of coal mining sites for the purpose of coal production and coal sales since 2008. It now owns major mining concessions and coal mines in East and South Kalimantan. Its subsidiaries include Geo Coal International Pte. Ltd., which is engaged in

Coal trading in Singapore; PT Geo Energy Coalindo, which is engaged in investment holding in Indonesia, and Borneo International Resources Pte. Ltd., which is engaged in investment holding in Singapore.

Golden Energy and Resources Ltd, investment holding company, engages in the exploration, mining, and marketing of thermal coal. It holds interests in coal mining concession areas that covers an area of approximately 42,904 hectares located in South Kalimantan, Central Kalimantan, Jambi, and South Sumatra Basin in Indonesia. The company owns the rights to mine approximately 2.4 billion tonnes of thermal coal resources with coal reserves of approximately 828 million tonnes. It is also involved in the coal trading activities, as well as in the forestry business. The company owns forestry concession rights of 265,095 hectares in 4 regents located in South Kalimantan. In addition, it offers management consultancy services. It operates in Indonesia, China, India, South Korea, Spain, Taiwan, the Philippines, Malaysia, and Thailand. The company is based in Singapore. Golden Energy and Resources Ltd is a subsidiary of PT Dian Swastatika Sentosa Tbk.

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Date Issued: 15 October 2018

Name/Title	Company
Jason Hughes	KPMG CORPORATE FINANCE Corporate Finance

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4	15/10/2018	J McKibben	FINAL report issued to client

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PART TWO – FINANCIAL SERVICES GUIDE

Dated 15 October 2018

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) and Jason Hughes and Sean Collins as authorised representatives of KPMG Corporate Finance (**Authorised Representatives**), Authorised Representative numbers 404183 and 404189 respectively.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representatives and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representatives are authorised to provide
- how KPMG Corporate Finance and its Authorised Representatives are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representatives
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (**Report**) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

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KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representatives responsibility to you

KPMG Corporate Finance has been engaged by Kangaroo Resources Limited (**the Client**) to provide general financial product advice in the form of a Report to be included in the

Scheme Booklet prepared by the Client in relation to its proposed takeover by PT. Bayan Resources, Tbk (**PT Bayan**). You have not engaged KPMG Corporate Finance or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representatives are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance approximately \$50,000 for preparing the Report.

KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report. KPMG Corporate Finance officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (**the KPMG Partnership**). KPMG Corporate Finance's representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

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Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership. From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. KPMG entities have not provided any services to Kangaroo Resources or PT Bayan over the past two years. No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If

you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website

www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 367 287

Facsimile: (03) 9613 6399 Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representatives using the contact details:

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Scheme Implementation Deed

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Scheme Implementation Deed

Allens < Linklaters

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This Deed is made on 16 August 2018

Parties

- 1 **PT. Bayan Resources, Tbk** incorporated in Indonesia of Office 8 Building, 36th Floor, Sudirman CBD Lot 28, Jl. Jenderal Sudirman Kav. 52-53, Jakarta Selatan 12190, Indonesia (**Bayan**); and
- 2 **Kangaroo Resources Limited** (ACN 120 284 040) registered in Western Australia of Suite 9, Level 2, 389 Oxford Street, Mount Hawthorn WA 6016, Australia (**Kangaroo**).

Recitals

- A The parties have agreed that Bayan will acquire all of the Scheme Shares by means of a scheme of arrangement under Part 5.1 of the Corporations Act between Kangaroo and its shareholders.
- B Kangaroo has agreed to propose and implement the Scheme, and Bayan has agreed to assist Kangaroo to propose and implement the Scheme, on the terms of this deed.

It is agreed as follows.

1 Definitions and Interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise.

Adviser means, in relation to an entity:

- (a) a financier to the entity in connection with the Transaction; or
- (b) a financial, corporate, legal, or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Transaction by the entity.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

ASX Listing Rules means the official listing rules of the ASX.

Bayan Group means Bayan and each of its related bodies corporate (excluding, at any time, Kangaroo and its subsidiaries). A reference to a **member of the Bayan Group** is a reference to Bayan or any such related body corporate.

Bayan Information means information in respect of the Bayan Group provided by Bayan or any of its Advisers to Kangaroo, or otherwise approved by Bayan in writing for inclusion in the Scheme Booklet.

Bayan Party means any member of the Bayan Group or any officer, employee or Adviser of any member of the Bayan Group.

Bayan Representation and Warranty means a representation and warranty of Bayan set out in Schedule 1.

Break Fee means \$2,250,000.

Business Day means a business day as defined in the ASX Listing Rules.

Claim means, in relation to a person, a demand, claim, action or proceeding made or brought by

or against the person, however arising and whether present, unascertained, immediate, future or contingent.

Competing Proposal means an offer, proposal, transaction or arrangement, pursuant to which a Third Party will, if the transaction or arrangement is entered into or completed:

- (a) acquire an interest in (whether directly or indirectly) or become the holder of 20% or more of the business or assets of the Kangaroo Group taken as a whole;
- (b) acquire a relevant interest in 20% or more of the Kangaroo Shares;
- (c) acquire control of Kangaroo or a subsidiary of Kangaroo within the meaning of section 50AA of the Corporations Act or otherwise acquire or merge with Kangaroo or any of its subsidiaries,

whether by way of takeover bid, scheme of arrangement, shareholder approved transaction, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement.

Condition Precedent means each of the conditions set out in clause 3.1.

Confidentiality Deed means the confidentiality deed between Bayan and Kangaroo dated 15 May 2018.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Federal Court of Australia (Western Australia Registry) or such other court of competent jurisdiction under the Corporations Act agreed to in writing between the parties.

Deed Poll means a deed poll in favour of all Scheme Shareholders in the form of Annexure B (or such other form agreed to in writing between the parties).

Disclosure Letter means the letter from Kangaroo to Bayan, provided on or before the date of this Deed, which contains disclosures in respect of the Kangaroo Prescribed Occurrences and conduct of Kangaroo's business after the date of this Deed.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) and section 411(6) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 1 June 2019, subject to any extension under clause 3.5.

Excluded Share means a Kangaroo Share held by any person on behalf of, or for the benefit of, Bayan or any of its related bodies corporate (which, for the avoidance of doubt, as at the date of this deed includes the Kangaroo Shares held by Bayan).

Excluded Shareholder means a holder of Excluded Shares.

Exclusivity Period means the period from and including the date of this deed to the earlier of:

- (a) the termination of this deed; and
- (b) the End Date.

FATA means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meeting be convened is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Government Agency means any Australian or foreign government or governmental, semi-

governmental or judicial entity or authority. It also includes any self-regulatory organisation established under statute or any securities exchange.

Implementation Date means the third Business Day after the Scheme Record Date or such other date agreed to in writing between Bayan and Kangaroo.

Independent Expert means the independent expert in respect of the Scheme appointed by Kangaroo to prepare the Independent Expert's Report.

Independent Expert's Report means a report (including any updates to such report) of the Independent Expert stating whether or not in its opinion the Scheme is in the best interests of Kangaroo Shareholders (other than Excluded Shareholders).

Insolvency Event means, in the case of any entity:

- (a) it ceases, suspends, or threatens to cease or suspend the conduct of all or a substantial part of its business or disposes of or threatens to dispose of all or a substantial part of its assets;
- (b) it stops or suspends or threatens to stop or suspend payment of all or a class of its debts;
- (c) it is, or under legislation is presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or Claim the subject of a good faith dispute);
- (d) it has an administrator, controller or similar officer appointed, or any step preliminary to the appointment of such an officer is taken;
- (e) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting, an application to a court or other steps are taken for:
 - (i) its winding up, dissolution or administration; or
 - (ii) it entering into an arrangement, compromise or composition with, or assignment for, the benefit of its creditors or a class of them,
 (other than frivolous or vexatious applications, orders, proceedings, notices or steps);
 - a:
 - (iii) receiver, receiver and manager, administrative receiver or similar officer is appointed to;
 - (iv) security interest becomes enforceable or is enforced over; or
 - (v) distress, attachment or other execution is levied or enforced or applied for over, all or a substantial part of its assets; or
- (f) anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurs with respect to it, including under any foreign law.

Kangaroo Board means the board of directors of Kangaroo.

Kangaroo Group means Kangaroo and each of its subsidiaries. A reference to a **member of the Kangaroo Group** is a reference to Kangaroo or any such subsidiary.

Kangaroo IBC means the independent committee of the Kangaroo Board which, as at the date of this deed, consists of Damien Henderson, Trevor Butcher, Susmit Shah and Darcy Wentworth (unless a director is incapacitated or otherwise unable to act in that capacity over the course of the Scheme process).

Kangaroo Material Adverse Change means any event, occurrence or matter that individually or when aggregated with all such events, occurrences or matters:

- (a) diminishes or is reasonably likely to diminish the consolidated net assets of the Kangaroo Group by an amount equal to \$10,000,000 or more as compared to the consolidated net assets as set out in its consolidated balance sheet as at 31 December 2017;
- (b) has the result that the Kangaroo Group is unable to carry on its business in substantially the same manner as carried on as at the date of this deed, or that otherwise materially and adversely affects the prospects of the Kangaroo Group,

in each case other than an event, occurrence or matter:

- (c) required or permitted by this deed or the Scheme;
- (d) notified to ASX or fully and fairly disclosed in a document lodged with ASIC by or on behalf of Kangaroo prior to the date of this deed; or
- (e) relating to or arising from any material adverse change in general economic, regulatory or political conditions (including financial market fluctuations, changes in interest rates or changes in foreign currency exchange rates).

Kangaroo Party means any member of the Kangaroo Group or any officer, employee or Adviser of any member of the Kangaroo Group.

Kangaroo Prescribed Occurrence means any of the occurrences set out in Schedule 3, other than an occurrence:

- (a) required or permitted by this deed or the Scheme; or
- (b) notified to ASX or fully and fairly disclosed in a document lodged with ASIC by or on behalf of Kangaroo prior to the date of this deed.

Kangaroo Registry means Advanced Share Registry Limited (ABN 14 127 175 946) or any replacement provider of share registry services to Kangaroo.

Kangaroo Representation and Warranty means a representation and warranty of Kangaroo set out in Schedule 2.

Kangaroo Share means a fully paid ordinary share in the capital of Kangaroo.

Kangaroo Shareholder means a person who is registered as the holder of Kangaroo Shares from time to time.

Kangaroo Share Register means the register of members of Kangaroo maintained in accordance with the Corporations Act.

Order means any decree, judgment, injunction, direction, writ or other order, whether temporary, preliminary or permanent, made or given by a court of competent jurisdiction or by another Government Agency.

Recommendation has the meaning given in clause 7(a).

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Representative means, in relation to Bayan or Kangaroo:

- (a) each other member of the Bayan Group or Kangaroo Group (as applicable);
- (b) an officer of a member of the Bayan Group or Kangaroo Group (as applicable); or
- (c) an Adviser to a member of the Bayan Group or Kangaroo Group (as applicable).

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Kangaroo and the Scheme Shareholders in the form of Annexure A (or such other form agreed to in writing between the parties).

Scheme Booklet means the information described in clause 5.1(a) to be approved by the Court and despatched to Kangaroo Shareholders and which must include the Scheme, an explanatory statement complying with the requirements of the Corporations Act, the Independent Expert's Report, notice of the Scheme Meeting and a proxy form for the Scheme Meeting.

Scheme Consideration means, in respect of each Scheme Share, \$0.15.

Scheme Meeting means the meeting of Kangaroo Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Record Date means 7pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between the parties.

Scheme Share means a Kangaroo Share on issue as at the Scheme Record Date other than the Excluded Shares.

Scheme Shareholder means a person registered in the Kangaroo Register as the holder of one or more Scheme Shares at the Scheme Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Superior Proposal means a bona fide publicly announced Competing Proposal received after the date of this deed (that has not been solicited, invited, encouraged or initiated in breach of clauses 11.2, 11.3 or 11.4) that the Kangaroo IBC determines, acting in good faith and in order to satisfy what the Kangaroo IBC considers to be its fiduciary or statutory duties (and after consulting with Kangaroo's external legal and, if appropriate, financial advisers):

- (a) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal including the identity and financial capacity of the party making the proposal;
- (b) is reasonably capable of being completed on a timely basis and is not substantially more conditional than the Scheme as at the time of announcement of the Scheme; and
- (c) would, if completed substantially in accordance with its terms, be more favourable to Kangaroo Shareholders (other than the Excluded Shareholders) than the Scheme, taking into account all the terms and conditions of the Competing Proposal.

Third Party means a person other than a Bayan Party and their associates.

Timetable means the indicative timetable for the implementation of the Transaction set out in Annexure C.

Transaction means the acquisition of the Scheme Shares by Bayan through implementation of the Scheme in accordance with the terms of this deed.

Voting Intention has the meaning given in clause 7(a).

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to, this deed.
- (f) A reference to an *agreement* or *document* (including a reference to this deed) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this deed or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an *agreement* includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a *document* includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to *dollars* and \$ is to Australian currency.
- (l) All references to time are to Perth, Australia time.
- (m) Mentioning anything after *includes*, *including*, *for example*, or similar expressions, does not limit what else might be included.
- (n) Nothing in this deed is to be interpreted against a party solely on the ground that the party put forward this deed or a relevant part of it.
- (o) A reference to *associate*, *control* (by an entity of another entity), *officer*, *related body corporate*, *subsidiary*, *relevant interest* or *voting power* is to that term as it is defined in the Corporations Act.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Best and reasonable endeavours

A reference to a party using or obligation on a party to use its best endeavours or reasonable endeavours or all reasonable endeavours does not oblige that party to:

- (a) pay money:
 - (i) in the form of an inducement or consideration to a third party to procure something (other than the payment of immaterial expenses or costs, including costs of advisers, to procure the relevant thing); or
 - (ii) in circumstances that are commercially onerous or unreasonable in the context of this deed;
- (b) provide other valuable consideration to or for the benefit of any person; or
- (c) agree to commercially onerous or unreasonable conditions.

1.5 Consents or approvals

If the doing of any act, matter or thing under this deed is dependent on the waiver, consent or approval of a party or is within the discretion of a party, the waiver, consent or approval may be given or the discretion may be exercised conditionally or unconditionally or withheld by the party in its absolute discretion unless expressly provided otherwise.

1.6 Listing requirements included as law

A listing rule or business rule of a securities exchange will be regarded as a *law*, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to a party.

2 Agreement to Proceed with Scheme**2.1 Kangaroo to propose the Scheme**

Kangaroo agrees to propose and implement the Scheme on and subject to the terms of this deed.

2.2 Bayan to assist

Bayan agrees to assist Kangaroo to propose and implement the Scheme on and subject to the terms of this deed.

3 Conditions Precedent and Pre-implementation Steps**3.1 Conditions precedent**

Subject to this clause 3, the Scheme will not become Effective, and the obligations of Bayan under clause 4.3 are not binding, unless each of the following Conditions Precedent is satisfied or waived in accordance with clauses 3.2 and 3.3:

Conditions precedent for the benefit of both parties

- (a) **(FIRB approval)** before 8am on the Second Court Date, the Treasurer of the Commonwealth of Australia (or his delegate) either:
 - (i) provides written notice that there are no objections under FATA to the Transaction, and that notice is not subject to any condition or is subject only to:
 - (A) tax-related conditions which are in the form, or substantially in the form, of those set out in Part A of Attachment A of the Australian Foreign Investment Review Board's Guidance Note 47 on 'Tax Conditions' (in the form released on 24 November 2016); or
 - (B) any other conditions that Bayan considers to be acceptable; or
 - (ii) becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of FATA in respect of the Transaction;
- (b) **(Kangaroo Shareholder approval)** Kangaroo Shareholders, excluding Excluded Shareholders, approve the Scheme by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act at the Scheme Meeting;
- (c) **(Court approval)** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act; and
- (d) **(no restraints)** no judgment, order, degree, statute, law, ordinance, rule or regulation or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition entered, enacted, promulgated, enforced or issued by any court or any Public Authority of competent jurisdiction is in effect as at 8am on the Second Court Date that

prohibits, materially restricts, makes illegal or restrains the implementation of the Scheme.

Conditions precedent for the benefit of Bayan only

- (e) **(No Kangaroo Material Adverse Change)** no Kangaroo Material Adverse Change occurs, or is discovered, announced or disclosed or otherwise becomes known to Kangaroo, between the date of this deed and 8am on the Second Court Date;
- (f) **(No Kangaroo Prescribed Occurrence)** no Kangaroo Prescribed Occurrence occurs between the date of this deed and 8am on the Second Court Date; and
- (g) **(Kangaroo Representations and Warranties)** each Kangaroo Representation and Warranty is true and correct in all material respects on the date of this deed and at 8am on the Second Court Date.

Conditions precedent for the benefit of Kangaroo only

- (h) **(Independent Expert's Report)** the Independent Expert issues its report which concludes that the Scheme is in the best interests of Scheme Shareholders before the date on which the Scheme Booklet is registered by ASIC under the Corporations Act and the Independent Expert does not change its conclusions or withdraw its report prior to 8.00 am on the Second Court Date; and
- (i) **(Bayan Representations and Warranties)** each Bayan Representation and Warranty is true and correct in all material respects on the date of this deed and at 8am on the Second Court Date.

3.2 Best endeavours and co-operation

Without prejudice to any other obligations of the parties under this deed:

- (a) Bayan must use its best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 3.1(a) and 3.1(i);
- (b) Kangaroo must use its best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 3.1(b), 3.1(c), 3.1(e), 3.1(f) and 3.1(g);
- (c) each party must, to the extent it is within its power to do so, use its best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 3.1(d) and 3.1(h); and
- (d) no party will take any action that will or is likely to hinder or prevent the satisfaction of any conditions precedent, except to the extent that such action is required to be done or procured pursuant to, or is otherwise permitted by, the Transaction Documents, or is required by law.

3.3 Waiver of conditions precedent

- (a) The Conditions Precedent in clauses 3.1(a) to 3.1(d) are for the benefit of Kangaroo and Bayan, and any breach or non-satisfaction of any of those Conditions Precedent cannot be waived.
- (b) The Conditions Precedent in clauses 3.1(e) to 3.1(g) are for the sole benefit of Bayan, and any breach or non-satisfaction of those Conditions Precedent may only be waived by Bayan (in its absolute discretion) in writing.
- (c) The Conditions Precedent in clauses 3.1(h) and 3.1(i) are for the sole benefit of Kangaroo, and any breach or non-satisfaction of those Conditions Precedent may only be waived by Kangaroo (in its absolute discretion) in writing.

- (d) If a waiver by a party of a Condition Precedent is itself expressed to be conditional and the other party accepts the conditions, the terms of the conditions apply accordingly. If the other party does not accept the conditions, the relevant Condition Precedent has not been waived.
- (e) If a party waives the breach or non-satisfaction of a Condition Precedent, that waiver will not preclude it from suing the other party for any breach of this deed constituted by the same event that gave rise to the breach or non-satisfaction of the Condition Precedent.
- (f) Waiver of a breach or non-satisfaction in respect of one Condition Precedent does not constitute:
 - (i) a waiver of breach or non-satisfaction of any other Condition Precedent resulting from the same events or circumstances; or
 - (ii) a waiver of breach or non-satisfaction of that Condition Precedent resulting from any other event or circumstance.

3.4 Notifications

Each party must:

- (a) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent;
- (b) promptly notify the other party in writing if it becomes aware that any Condition Precedent has been satisfied, in which case the notifying party must also provide reasonable evidence that the Condition Precedent has been satisfied; and
- (c) promptly notify the other party in writing of a failure to satisfy a Condition Precedent or of any fact or circumstance that results in that Condition Precedent becoming incapable of being satisfied or that may result in that Condition Precedent not being satisfied in accordance with its terms.

3.5 Failure of conditions precedent

- (a) If:
 - (i) there is a breach or non-satisfaction of a Condition Precedent which is not waived in accordance with this deed by the time or date specified in this deed for the satisfaction of the Condition Precedent;
 - (ii) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this deed for the satisfaction of the Condition Precedent (and the breach or non-satisfaction which would otherwise occur has not already been waived in accordance with this deed); or
 - (iii) the Scheme will not become Effective by the End Date,
 then either party may serve a written notice on the other party, and the parties must consult in good faith with a view to determining whether:
 - (iv) the Scheme or the Transaction may proceed by way of alternative means or methods;
 - (v) to extend the relevant time or date for satisfaction of the Condition Precedent;
 - (vi) to change the First Court Date or to adjourn the application for the First Court Order to another date agreed by the parties;

- (vii) to change the Second Court Date or to adjourn the application for the Second Court Order to another date agreed by the parties; and/or
- (viii) to extend the End Date.
- (b) If Kangaroo and Bayan are unable to reach agreement under clauses 3.5(a)(iv), 3.5(a)(v), 3.5(a)(vi), 3.5(a)(vii) or 3.5(a)(viii) within 5 Business Days after the delivery of the notice under that clause or any shorter period ending at 5pm on the day before the Second Court Date, either party may terminate this deed by notice in writing to the other party, provided that:
 - (i) the Condition Precedent to which the notice relates is for the benefit of that party (whether or not the Condition Precedent is also for the benefit of the other party); and
 - (ii) there has been no failure by that party to comply with its obligations under this deed, where that failure directly and materially contributed to the Condition Precedent to which the notice relates becoming incapable of satisfaction, or being breached or not fulfilled before the End Date,
 in which case clause 13.2 will have effect.

3.6 Certificates in relation to conditions precedent

- (a) On the Second Court Date each party must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8am on the Second Court Date the Conditions Precedent (other than 3.1(c)) have been satisfied or waived in accordance with this deed.
- (b) Each party must provide to the other party a draft of the certificate to be provided by it pursuant to clause 3.6(a) by 5pm on the day that is two Business Days prior to the Second Court Date, and must provide to the other party on the Second Court Date a copy of the final certificate or other evidence provided to the Court.
- (c) The giving of a certificate by each of Bayan and Kangaroo under clause 3.6(a) will, in the absence of manifest error, be conclusive evidence of the satisfaction or waiver of the Conditions Precedent referred to in the certificate.

4 Transaction Steps

4.1 Scheme

- (a) Kangaroo must propose a scheme of arrangement under which:
 - (i) all of the Scheme Shares will be transferred to Bayan; and
 - (ii) the Scheme Shareholders will be entitled to receive the Scheme Consideration in accordance with the terms of this deed and the Scheme.
- (b) Kangaroo must not consent to any modification of, amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Bayan.

4.2 Scheme Consideration

- (a) Subject to the Scheme becoming Effective, each Scheme Shareholder will be entitled to receive the Scheme Consideration under the Scheme, in respect of each Scheme Share held by that Scheme Shareholder at the Scheme Record Date.
- (b) If the number of Scheme Shares held by a Scheme Shareholder as at the Scheme Record Date is such that the aggregate entitlement of the Scheme Shareholder to

Scheme Consideration includes a fractional entitlement to a cent, then the entitlement of that Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of cents (as applicable), and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of cents (as applicable).

4.3 Provision of Scheme Consideration

Bayan undertakes to Kangaroo that, in consideration of the transfer to Bayan of each Scheme Share held by a Scheme Shareholder under the terms of the Scheme it will:

- (a) accept that transfer, on the Implementation Date; and
- (b) pay or provide the Scheme Consideration for each Scheme Share in accordance with the Scheme and the Deed Poll, no later than two Business Days prior to the Implementation Date.

5 Implementation

5.1 Kangaroo's obligations

Kangaroo must take all steps reasonably necessary to propose and implement the Scheme as soon as is reasonably practicable after the date of this deed and, without limiting the foregoing, must use reasonable endeavours to ensure that each step in the Timetable is met by the date set out beside that step, including by doing each of the following:

- (a) **(Preparation of Scheme Booklet)** As soon as reasonably practicable after the date of this deed, prepare the Scheme Booklet so that it complies with all applicable laws, including the Corporations Act, ASIC Regulatory Guide 60 (and all other ASIC Regulatory Guides) and the ASX Listing Rules. The Scheme Booklet must include a statement that:
 - (i) other than the Bayan Information and the Independent Expert's Report, the Scheme Booklet has been prepared by Kangaroo and is the responsibility of Kangaroo, and that no Bayan Party assumes any responsibility for the accuracy or completeness of the Scheme Booklet (other than the Bayan Information); and
 - (ii) the Bayan Information has been prepared by Bayan and is the responsibility of Bayan, and that no Kangaroo Party assumes any responsibility for the accuracy or completeness of the Bayan Information.

The Scheme Booklet must also include the recommendation and statement required under clause 7.
- (b) **(Verification)** Undertake appropriate verification in relation to the Scheme Booklet (other than the Bayan Information).
- (c) **(Independent Expert)** Promptly appoint the Independent Expert (if the Independent Expert has not been appointed prior to the date of this Deed), and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report.
- (d) **(Consultation with Bayan)** Consult with Bayan and its Representatives as to the content and presentation of the Scheme Booklet, such consultation to include:
 - (i) allowing Bayan a reasonable opportunity to review and make comments on the draft of the Scheme Booklet and the factual information to be included in the Independent Expert's Report, a reasonable time before its lodgement with ASIC;
 - (ii) considering all reasonable and timely comments made by Bayan Representatives in relation to the content of the Scheme Booklet;

- (iii) obtaining Bayan consent to the inclusion of the Bayan Information (including in respect of the form and context in which the Bayan Information appears in the Scheme Booklet);
 - (iv) providing a copy of the draft Scheme Booklet intended for lodgement with ASIC no later than two Business Days prior to the intended date for lodgement with ASIC; and
 - (v) not lodge the draft Scheme Booklet with ASIC unless Bayan has provided its consent under clause 5.3(e) which cannot be unreasonably withheld or delayed;
- (e) **(liaison with ASIC)** As soon as reasonably practicable after the date of this deed but no later than 14 days before the First Court Date, provide an advanced draft of the Scheme Booklet to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act, and to Bayan, and (to the extent reasonably practicable) keep Bayan reasonably informed of any matters raised by ASIC in relation to the Scheme Booklet, the Scheme or the Transaction generally (and of any resolution of those matters), and use best endeavours, in consultation with Bayan, to resolve any such matters (which will include allowing Bayan to participate in Kangaroo's meetings and discussions with ASIC, where Kangaroo and its Advisers deem it appropriate and reasonable to do so).
- (f) **(indication of intent)** Apply to ASIC for a letter indicating whether ASIC proposes to make submissions to the Court, or intervene to oppose the Scheme, on the First Court Date.
- (g) **(approval of Scheme Booklet)** As soon as practicable after ASIC has provided its indication of intent in accordance with paragraph (f), procure that a meeting of the Kangaroo IBC is convened for the purpose of approving the Scheme Booklet for despatch to Kangaroo Shareholders.
- (h) **(Court direction)** Apply to the Court for orders directing Kangaroo to convene the Scheme Meeting, and obtain the prior written consent of Bayan as to the content of all relevant originating process, affidavits, submissions and draft minutes of Court orders.
- (i) **(ASIC registration)** Request ASIC to register the Scheme Booklet in the form approved by the Court in accordance with section 412(6) of the Corporations Act.
- (j) **(Section 411(17)(b) statement)** Apply to ASIC for the production of a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme.
- (k) **(Despatch)** Send the Scheme Booklet to Kangaroo Shareholders in accordance with all applicable laws.
- (l) **(Update Scheme Booklet)** If it becomes aware of information after the Scheme Booklet has been sent to Kangaroo Shareholders that is material for disclosure to Kangaroo Shareholders in deciding whether to approve the Scheme or that is required to be disclosed to Kangaroo Shareholders under any applicable law, as expeditiously as possible inform Kangaroo Shareholders of the information in an appropriate and timely manner, in accordance with applicable law.
- (m) **(Scheme Meeting)** Convene the Scheme Meeting to approve the Scheme (in accordance with any orders made by the Court).
- (n) **(Court approval)** Subject to all Conditions Precedent (other than that in clause 3.1(c)) being satisfied or waived in accordance with this deed, apply to the Court for orders approving the Scheme, and obtain the prior written consent, which may not be

- unreasonably withheld or delayed, of Bayan as to the content of all relevant affidavits, submissions and draft minutes of Court orders.
- (o) **(Representation at Court hearings)** procure that it is represented by counsel at the Court hearings convened for the purposes of subsection 411(1) and paragraph 411(4)(b) of the Corporations Act.
 - (p) **(Bayan representation at Court hearings)** allow, and not oppose, any application by Bayan for leave of the Court to be represented by counsel at the Court hearings convened for the purposes of subsection 411(1) and paragraph 411(4)(b) of the Corporations Act.
 - (q) **(Court order)** Lodge with ASIC an office copy of any Court order approving the Scheme as soon as practicable after such office copy is received (or such later date as Bayan may agree in writing).
 - (r) **(Implementation)** If the Scheme becomes Effective:
 - (i) procure ASX to suspend trading in Kangaroo Shares from the close of trading on the Effective Date;
 - (ii) close the Kangaroo Share Register at the Scheme Record Date to determine the identity of Scheme Shareholders and their entitlement to the Scheme Consideration;
 - (iii) subject to Bayan satisfying its obligations under clause 4.2, promptly execute proper instruments of transfer of the Scheme Shares to Bayan and register in the Kangaroo Share Register all transfers of Scheme Shares to Bayan under those instruments on the Implementation Date.
 - (s) **(ASX listing)** If the Scheme becomes Effective:
 - (i) maintain Kangaroo's admission to the official list of ASX and the quotation of Kangaroo Shares on ASX up to and including the Implementation Date; and
 - (ii) apply to ASX to have Kangaroo removed from the official list of ASX with effect on and from the date of close of trading on the Business Day immediately following the Implementation Date (and not before that time).
 - (t) **(Government Agency)** Keep Bayan fully informed of any material matters raised by any Government Agency with Kangaroo in relation to the Scheme (including matters raised by ASIC or ASX in relation to the Scheme Booklet) and use all reasonable endeavours to co-operate with Bayan to resolve any such matters, and generally must use its reasonable endeavours to obtain any regulatory approvals (including ASIC or ASX relief or waivers), and keep Bayan reasonably informed of progress in obtaining any such regulatory approvals and must reasonably consult with Bayan in relation to the foregoing.
 - (u) **(Promote Transaction)** participate in efforts reasonably requested by Bayan to promote the merits of the Transaction, including, where reasonably requested by Bayan, meeting with key Kangaroo Shareholders.
 - (v) **(Information)** provide Bayan with such information as Bayan reasonably requests, and procure that the Kangaroo Registry provides all information reasonably requested, for the purpose of understanding legal ownership of Kangaroo Shares and proxy appointments and directions received by Kangaroo prior the Scheme Meeting and soliciting votes in favour of the Scheme.

- (w) **(Compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations.
- (x) **(All things necessary)** do all things contemplated by or necessary to lawfully give effect to the Scheme and the orders of the Court approving the Scheme.

5.2 Appeal process

If the Court refuses to make any orders convening the Scheme Meeting or approving the Scheme, Kangaroo must appeal the Court's decision to the fullest extent possible (unless the parties agree otherwise, or an independent senior counsel of the Western Australian bar advises that, in their view, an appeal would have no reasonable prospect of success before the End Date).

5.3 Bayan's obligations

Bayan must take all steps reasonably necessary to implement the Scheme as soon as is reasonably practicable after the date of this deed and, without limiting the foregoing, must use reasonable endeavours to ensure that each step in the Timetable is met by the date set out beside that step, including by doing each of the following.

- (a) **(Bayan Information)** As soon as is reasonably practicable after the date of this deed, prepare and provide to Kangaroo the Bayan Information for inclusion in the Scheme Booklet. The Bayan Information must:
 - (i) comply with all applicable laws, including the Corporations Act, ASIC Regulatory Guide 60 (and all other ASIC Regulatory Guides) and the ASX Listing Rules relevant to the Bayan Information; and
 - (ii) not be misleading or deceptive in any material respect (whether by omission or otherwise).
- (b) **(Independent Expert information)** Provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report.
- (c) **(Assistance)** Provide any assistance or information reasonably requested by Kangaroo in connection with the preparation of the Scheme Booklet and any other document to be sent to Scheme Shareholders.
- (d) **(Verification)** Undertake appropriate verification in relation to the Bayan Information.
- (e) **(Confirmation of Bayan Information)** Promptly after Kangaroo requests that it does so and Bayan is satisfied as to the form and context in which the Bayan Information appears in the Scheme Booklet (acting reasonably), confirm in writing that it consents to the inclusion of the Bayan Information in the Scheme Booklet.
- (f) **(Update Bayan Information)** If at any time after the despatch of the Scheme Booklet, Bayan becomes aware:
 - (i) of new information which, were it known at the time of despatch, should have been included in any Bayan Information provided previously to Kangaroo; or
 - (ii) that any part of the Bayan Information provided previously to Kangaroo is misleading or deceptive in any material respect (whether by omission or otherwise),
 it must advise Kangaroo so that Kangaroo can determine whether supplementary disclosure to Kangaroo Shareholders is required.

- (g) **(Legal representation)** procure that, if requested by Kangaroo, Bayan is represented by counsel at the First Court Hearing and the Second Court Hearing, at which, through its counsel, Bayan will undertake (if requested by the Court) to do all such things and take all such steps within its power as may be necessary to ensure the fulfilment of its obligations under the Scheme, and, to the extent that leave of the Court is required for Bayan to be represented at the First Court Hearing or the Second Court Hearing, apply for that leave.
- (h) **(Deed Poll)** Before the first Court hearing referred to in clause 5.1(d)(iii), enter into the Deed Poll and deliver it to Kangaroo.
- (i) **(Scheme Consideration)** If the Scheme becomes Effective, provide the Scheme Consideration in the manner and amount contemplated by clause 4.3 on the Implementation Date.
- (j) **(Compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations.

5.4 Appointment of directors

On the Implementation Date, but subject to the Scheme Consideration having been paid in full to Scheme Shareholders and receipt by Kangaroo of signed consents to act, Kangaroo must:

- (a) cause the appointment of the persons nominated by Bayan as new directors of Kangaroo and any other member of the Kangaroo Group;
- (b) take all action necessary to ensure that any director on the Kangaroo Board designated by Bayan in writing (other than the new directors of Kangaroo appointed pursuant to clause 5.4(a) or nominee directors of Bayan) resigns and releases Kangaroo from any Claims they may have against Kangaroo; and
- (c) take all action necessary to ensure that all directors on the board of a member of the Kangaroo Group (other than the new directors of Kangaroo appointed pursuant to clause 5.4(a) or nominee directors of Bayan) resign.

6 Conduct of business and requests for access

6.1 Conduct of Kangaroo business

During the period from the date of this deed up to and including the Implementation Date, Kangaroo must:

- (a) procure that the Kangaroo Group conducts its business and operations in the ordinary course and substantially consistent (subject to any applicable laws, regulations and regulatory approvals, and subject to any matters contemplated by the Disclosure Letter) with the manner in which each such business and operation has been conducted in the 12 month period prior to the date of this deed and in compliance in all material respects with all applicable laws, regulations and regulatory approvals;
- (b) ensure that all material assets of the Kangaroo Group are maintained in the normal course and consistent with past practice;
- (c) maintain the policies of insurance held by the Kangaroo Group that are in force as at the date of this deed;
- (d) ensure that no Kangaroo Prescribed Occurrence occurs between the date of this deed and 8am on the Second Court Date;
- (e) ensure that no member of the Kangaroo Group:

- (i) provides financial accommodation to any third party (irrespective of what form that financial accommodation takes), other than in connection with the sale or purchase of products by any member of the Kangaroo Group in the ordinary course of the Kangaroo Group's business;
- (ii) accepts any financial accommodation from any third party (irrespective of what form that financial accommodation takes), other than in connection with the sale or purchase of products by any member of the Kangaroo Group in the ordinary course of the Kangaroo Group's business;
- (iii) materially varies any employment agreement with a Relevant Employee or otherwise increasing remuneration, compensation or rights to benefits for a Relevant Employee;
- (iv) enters into, or resolves to enter into, a transaction with a related party of a member of the Kangaroo Group, including giving or agreeing to give a financial benefit to a related party as defined in section 228 of the Corporations Act;
- (v) enters into or materially amends any agreement or arrangement with an Adviser;
- (f) otherwise and to the extent consistent with the obligations in clauses 6.1(a) to 6.1(e), use best endeavours to preserve intact the Kangaroo Group's current business organisation and use reasonable endeavours to preserve the Kangaroo Group's relationship with Government Agencies, customers and suppliers,

except to the extent:

- (g) required or permitted by this deed or the Scheme;
- (h) notified to ASX or disclosed in a document lodged with ASIC by or on behalf of Kangaroo prior to the date of this deed; or
- (i) agreed to in writing by Bayan.

6.2 Access to information and co-operation

- (a) **(Provision of access and information)** During the period from the date of this deed up to and including the Implementation Date, Kangaroo must, and must procure each other member of the Kangaroo Group to, respond to reasonable requests from Bayan and its Representatives for information concerning the Kangaroo Group businesses and operations, and give Bayan and its Representatives reasonable access to Kangaroo's senior management team and records, and otherwise provide reasonable co-operation to Bayan and its Representatives, in each case for the purposes of:
 - (i) the implementation of the Scheme;
 - (ii) the integration of the Kangaroo Group and Bayan following the implementation of the Scheme; or
 - (iii) any other purpose that is agreed in writing between the parties.
- (b) **(Consultation with Bayan)** Without limiting clause 6.2(a), during the period from the date of this deed up to and including the Implementation Date, Kangaroo must consult with Bayan in relation to the conduct of material aspects of the Kangaroo Group's businesses and operations and consider in good faith Bayan's views in relation to the same.
- (c) **(Limits on Kangaroo obligations)** The obligations in clause 6.2(a) do not require Kangaroo to:

- (i) do anything which would interfere or be inconsistent with the proper performance by the directors and officers of each Kangaroo Group Member of their fiduciary duties;
 - (ii) provide information to Bayan concerning the Kangaroo Directors' and management's consideration of the Scheme;
 - (iii) provide any commercially sensitive or competitive information; or
 - (iv) breach an obligation of confidentiality to any person.
- (d) The parties acknowledge that all information that is provided pursuant to this clause 6.2 will be provided subject to the terms of the Confidentiality Deed.

7 Kangaroo IBC recommendation

- (a) Kangaroo represents and warrants to Bayan that each member of the Kangaroo IBC has confirmed that:
- (i) his recommendation in respect of the Scheme is that Kangaroo Shareholders (excluding Excluded Shareholders) vote in favour of the Scheme at the Scheme Meeting (**Recommendation**); and
 - (ii) he intends to vote, or cause to be voted, all Kangaroo Shares held or controlled by him in favour of the Scheme at the Scheme Meeting (**Voting Intention**),
- in each case, qualified only by words to the effect of:
- (iii) 'in the absence of a Superior Proposal'; and
 - (iv) 'subject to the Independent Expert concluding in the Independent Expert's Report (or any update or variation to that report) that the Transaction is in the best interests of Scheme Shareholders'.
- (b) Subject to clause 7(c), Kangaroo must:
- (i) use reasonable endeavours to ensure that each member of the Kangaroo IBC does not change, withdraw or modify his Recommendation or Voting Intention or make any recommendation or statement that is inconsistent with his Recommendation or Voting Intention;
 - (ii) ensure that the Scheme Booklet and any public announcement made by Kangaroo in relation to the transaction (including the statement contemplated in clause 10.1) contain statements attributed to the Kangaroo IBC that include confirmation of the Recommendation and Voting Intention.
- (c) Paragraph 7(b) will cease to apply in the following circumstances:
- (i) the Independent Expert opines either prior to the Scheme Meeting to the effect that the Scheme is not in the best interests of Kangaroo Shareholders; or
 - (ii) Kangaroo receives a Competing Proposal that constitutes a Superior Proposal, has complied with its notification obligations under clause 11.5 and Bayan's rights under clause 11.6 have been exhausted.

8 Representations and Warranties

8.1 Bayan Representations and Warranties

Bayan represents and warrants to Kangaroo (in its own right and separately as trustee or nominee for each of the other Kangaroo Parties) that each Bayan Representation and Warranty is true and correct.

8.2 Kangaroo Representations and Warranties

Kangaroo represents and warrants to Bayan (in its own right and separately as trustee or nominee for each of the other Bayan Parties) that each Kangaroo Representation and Warranty is true and correct.

8.3 Timing of representations and warranties

Unless expressed to be given at a particular time (in which case it is given at that time), each Bayan Representation and Warranty and each Kangaroo Representation and Warranty is given:

- (a) at the date of this deed;
- (b) at 8am on the Second Court Date; and
- (c) immediately prior to implementation of the Scheme.

8.4 Survival of representations

Each Bayan Representation and Warranty and Kangaroo Representation and Warranty:

- (a) is severable; and
- (b) survives the termination of this deed.

9 Indemnities and Releases**9.1 Kangaroo Parties**

- (a) Kangaroo agrees with Bayan (in its own right and separately as trustee for each other Bayan Party) to indemnify the Bayan Parties against any loss suffered or incurred by reason of any breach of the Kangaroo Representations and Warranties.
- (b) Without limiting Bayan's rights under clause 12, Bayan releases its rights against, and agrees with Kangaroo that it will not make a Claim against, any Kangaroo Party other than Kangaroo in connection with:
 - (i) any breach of any representation, undertaking or warranty of Kangaroo in this deed; or
 - (ii) any disclosure made by any Kangaroo Party that contains any statement which is false or misleading whether in content or by omission,
 except to the extent the relevant Kangaroo Party has not acted in good faith or has engaged in wilful misconduct.

9.2 Bayan Parties

- (a) Bayan agrees with Kangaroo (in its own right and separately as trustee for each other Kangaroo Party) to indemnify the Kangaroo Parties against any loss suffered or incurred by reason of any breach of the Bayan Representations and Warranties.
- (b) Kangaroo releases its rights against, and agrees with Bayan that it will not make a Claim against, any Bayan Party other than Bayan in connection with:
 - (i) any breach of any representation, undertaking or warranty of Bayan in this deed; or
 - (ii) any disclosure made by any Bayan Party that contains any statement which is false or misleading whether in content or by omission,
 except to the extent that the relevant Bayan Party has not acted in good faith or has engaged in wilful misconduct.

10 Public Announcements**10.1 Announcement of the Transaction**

Immediately after the execution of this deed, the parties must issue public announcements in a form previously agreed to in writing between them.

10.2 Other public announcements

Prior to making any public announcement or disclosure of or in relation to the Transaction or any other transaction the subject of this deed or the Scheme, each party must use its best endeavours, to the extent practicable and lawful, to consult with the other party as to the timing, form and content of that announcement or disclosure.

11 Exclusivity**11.1 Termination of existing discussions**

Kangaroo warrants that, as at the time of execution of this deed, it is not in any negotiations or discussions, and that it has ceased any existing negotiations or discussions, in respect of any Competing Proposal (or which may reasonably be expected to lead to a Competing Proposal) with any Third Party.

11.2 No shop restriction

During the Exclusivity Period, except with the prior written consent of Bayan, Kangaroo must not, and must ensure that none of its Representatives or agents, directly or indirectly solicit, invite, encourage or initiate any Competing Proposal or any enquiries, negotiations or discussions with any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, or communicate any intention to do any of those things.

11.3 No talk restriction

During the Exclusivity Period, Kangaroo must not, and must ensure that none of its Representatives or agents, enter into, continue or participate in negotiations or discussions with, or enter into any agreement or understanding with, any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, even if:

- (a) the Competing Proposal was not directly or indirectly solicited, initiated, or encouraged by the Company or any of its Representatives; or
 - (b) the Competing Proposal has been publicly announced,
- unless, in circumstances where there is a Competing Proposal:
- (c) the Kangaroo IBC, acting in good faith, determines (after consulting with its external financial and legal Advisers) that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal having regard to the steps which the Kangaroo IBC proposes to take; and
 - (d) the Kangaroo IBC, acting in good faith, determines (after having taken advice from its external legal Advisers) that failing to respond to that Competing Proposal may constitute a breach of the Kangaroo IBC's fiduciary or statutory duties.

11.4 No due diligence

Without limiting the general nature of clause 11.3, during the Exclusivity Period, Kangaroo must not, and must ensure that its Representatives and agents do not, make available to any Third Party, or permit any Third Party, to receive any non-public information relating to any member of

the Kangaroo Group in connection with such Third Party formulating, developing or finalising a Competing Proposal, unless, in circumstances where there is a Competing Proposal:

- (a) the Kangaroo IBC, acting in good faith, determines (after consulting with its external financial Advisers and having taken advice from its external legal Advisers) that:
 - (i) the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal having regard to the steps which the Kangaroo IBC proposes to take; and
 - (ii) failing to respond to that Competing Proposal may constitute a breach of the Kangaroo IBC's fiduciary or statutory duties; and
- (b) before Kangaroo provides such information, the Third Party has entered into a written agreement in favour of Kangaroo regarding the use and disclosure of the confidential information and that restricts the Third Party's ability to solicit the employees of any member of the Kangaroo Group.

11.5 Notification by Kangaroo

- (a) During the Exclusivity Period, Kangaroo must promptly notify Bayan if:
 - (i) it is approached (directly or indirectly) by any Third Party to engage in any activity or take any other action of a kind referred to in clause 11.3;
 - (ii) it proposes to take any action of a kind referred to in clause 11.4; or
 - (iii) it receives in writing any Competing Proposal.
- (b) A notification given under clause 11.5(a) must set out reasonable details of the relevant matter, including the identity of the Third Party that has made the approach and the material terms (including price, conditions and proposed timing) of any Competing Proposal.

11.6 Response to Competing Proposal

- (a) During the Exclusivity Period, Kangaroo:
 - (i) must not enter, and must procure that its Representatives do not, enter into any legally binding agreement, arrangement or understanding to implement a Competing Proposal; or
 - (ii) must do all things reasonably within its power to ensure that no member of the Kangaroo IBC withdraws or modifies his Recommendation or Voting Intention in relation to the Transaction or publicly recommends or endorses a Competing Proposal,
 unless:
 - (iii) Kangaroo has complied with its notification obligations under clause 11.5; and
 - (iv) 5 Business Days have elapsed since notification was given under clause 11.5, during which Bayan may propose an amendment to the Scheme (**Bayan Counter Proposal**).

Kangaroo's obligations under this paragraph (a) apply in respect of each new Competing Proposal and any material variation or amendment to a Competing Proposal.

- (b) If the Kangaroo IBC determines that a Bayan Counter Proposal is more favourable to Kangaroo Shareholders than the Competing Proposal, then Kangaroo and Bayan must use their best endeavours to agree the amendments to this deed necessary to reflect the Bayan Counter Proposal, and once agreed Kangaroo must procure that the Kangaroo

IBC unanimously recommends the Bayan Counter Proposal to Kangaroo Shareholders and not recommend the applicable Competing Proposal.

11.7 Normal provision of information

Nothing in this clause 11 prevents a party from:

- (a) providing information to its Representatives;
- (b) providing information to any Government Agency;
- (c) providing information to its auditors, customers, financiers, joint venturers and suppliers acting in that capacity in the ordinary course of business;
- (d) providing information required to be provided by law, including to satisfy its obligations of disclosure under the ASX Listing Rules or to any Government Agency; or
- (e) making presentations to brokers, portfolio investors, analysts and other third parties in the ordinary course of business.

12 Break Fee

12.1 Background

This clause has been agreed to in circumstances where:

- (a) Kangaroo believes the implementation of the Scheme will provide significant benefits to it and its shareholders, and acknowledges that, if Bayan enters into this deed and the Scheme is subsequently not implemented, Bayan will have incurred significant costs;
- (b) Bayan requested provision be made for the relevant payment outlined in this clause, without which it would not have entered into this deed;
- (c) The Kangaroo IBC believes that it is appropriate to agree to the payment referred to in this clause to secure Bayan's entry into this deed; and
- (d) Both parties have received separate legal advice in relation to this deed and the operation of this clause.

The parties acknowledge and agree that the costs actually incurred by Bayan under paragraph (a) will be of such nature that they cannot be accurately ascertained, but that the Break Fee is a genuine and reasonable pre-estimate of the minimum cost and loss that would actually be suffered by Bayan.

12.2 Payment of Break Fee

Subject to clause 12.3 and 12.6, Kangaroo must pay Bayan the Break Fee if:

- (a) at any time before the End Date or, if earlier, the date the deed is validly terminated under clause 13, any member of the Kangaroo IBC:
 - (i) fails to make, withdraws or adversely modifies his Recommendation or Voting Intention; or
 - (i) publicly recommends or endorses a Competing Proposal, other than in circumstances where the Independent Expert concludes that the Scheme is not in the best interests of Kangaroo Shareholders (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Proposal having been announced or made public);
- (c) at any time before the End Date or, if earlier, the date the deed is validly terminated under clause 13, a Competing Proposal is announced by a Third Party and, within one year

after that occurring, a Third Party completes in all material respects a transaction of the kind referred to in the definition of Competing Proposal; or

- (d) Bayan validly terminates this deed under clause 13.1(a)(i).

12.3 Payment conditions

- (a) Notwithstanding the occurrence of any event under clause 12.2, no amount is payable under the clause if the Scheme becomes Effective.
- (b) Kangaroo can only ever be liable to pay the Break Fee once.

12.4 Timing of payment

If the Break Fee is payable under this clause, Kangaroo must pay the Break Fee without set-off or withholding within five Business Days of receipt of a demand for payment from Bayan.

12.5 Nature of payment

The amount payable by Kangaroo to Bayan under clause 12.2 is an amount to compensate Bayan for:

- (a) advisory costs (including costs of Advisers other than success fees);
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses; and
- (d) costs incurred in pursuing the Transaction, incurred by Bayan.

12.6 Compliance with law

This clause 12 imposes obligations on Kangaroo only to the extent that the performance of all or part of those obligations:

- (a) do not constitute unacceptable circumstances as declared by the Australian Takeovers Panel;
- (b) do not breach the fiduciary or statutory duties of the Kangaroo Board; and
- (c) are not otherwise unlawful or held to be unenforceable by a court.

If and to the extent any of the above apply, Bayan must reimburse all or part of the Break Fee (as the case may be) within five Business Days of receipt of a demand for reimbursement from Kangaroo.

13 Termination

13.1 General rights

- (a) Either party may terminate this deed by written notice to the other at any time before 8am on the Second Court Date:
- (i) if:
- (A) the other has materially breached any provision of this deed including any Kangaroo Representation and Warranty or Bayan Representation and Warranty (as applicable);
- (B) the party wishing to terminate has given written notice to the other in a timely manner setting out the relevant circumstances and stating an intention to terminate this deed; and

- (C) the relevant circumstances continue to exist for 5 Business Days from the time the notice of intention to terminate is given (or any shorter period ending at 5pm on the Business Day before the Second Court Date); or
 - (ii) if the Court refuses to make any order directing Kangaroo to convene the Scheme Meeting, provided that both Kangaroo and Bayan have met and consulted in good faith and agreed that they do not wish to proceed with the Scheme; or
 - (iii) in the circumstances set out in, and in accordance with, clause 3.5(b).
- (b) Bayan may terminate this deed by written notice to Kangaroo at any time before 8am on the Second Court Date if the Kangaroo IBC has changed, withdrawn or adversely modified its recommendation that Kangaroo Shareholders vote in favour of the Scheme at the Scheme Meeting or has recommended or made a statement indicating that they no longer support the Scheme or that they support a Competing Proposal.
- (e) Without limiting Kangaroo's obligations under clause 7, Kangaroo may terminate this deed by written notice to Bayan at any time before 8am on the Second Court Date if a majority of the Kangaroo IBC withdraws its recommendation that Kangaroo Shareholders vote in favour of the Scheme at the Scheme Meeting, and, if required to pay the Break Fee as a result of such withdrawal, Kangaroo has paid Bayan the Break Fee.

13.2 Effect of termination

If this deed is terminated by a party under clauses 3.5(b) or 13.1, except to the extent that the termination results from a breach by a party of its obligations under this deed, this deed will be of no force or effect, without any liability or obligation on the part of any party, other than in relation to rights and obligations that accrued before termination and the provisions of this clause and of clauses 1, 8.4, 9, 10, 12, 14, 16 and 17, which will remain in force after the termination.

13.3 Termination by written agreement

The parties may terminate this deed by another written agreement between them.

14 Confidentiality

Each party agrees and acknowledges that it is bound by the terms of the Confidentiality Deed save that the terms of this deed will prevail over the Confidentiality Deed to the extent of any inconsistency.

15 GST

15.1 Recovery of GST

If GST is payable, or notionally payable, on a supply made under or in connection with this deed, the party providing the consideration for that supply must pay as additional consideration an amount equal to the amount of GST payable, or notionally payable, on that supply (the **GST Amount**). Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time that the other consideration for the supply is provided. This clause does not apply to the extent that the consideration for the supply is expressly stated to be GST inclusive or the supply is subject to reverse charge.

15.2 Liability net of GST

Where any indemnity, reimbursement or similar payment under this deed is based on any cost, expense or other liability, it may be reduced by any input tax credit entitlement, or notional input tax credit entitlement, in relation to the relevant cost, expense or other liability.

15.3 Adjustment events

If an adjustment event occurs in relation to a supply under or in connection with this deed, the GST Amount will be recalculated to reflect that adjustment and an appropriate payment will be made between the parties and the supplier shall issue an adjustment note to the recipient.

15.4 Survival

This clause will continue to apply after expiration or termination of this deed.

15.5 GST Amount payable in respect of Break Fee

For the avoidance of doubt, the parties agree and acknowledge their understanding that in the event that Kangaroo is required to pay the Break Fee to Bayan pursuant to clause 12, that payment will represent consideration for a taxable supply by Bayan such that Kangaroo will also be required to pay to Bayan an additional GST Amount pursuant to clause 15.1.

15.6 Definitions

Unless the context requires otherwise, words used in this clause that have a specific meaning in the GST law (as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth)) have the same meaning in this clause.

16 Notices

Any notice, demand, consent or other communication (a **Notice**) given or made under this deed:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand or fax to the address or fax number below or the address or fax number last notified by the intended recipient to the sender with a copy in each case sent to the email address below or the email address last notified by the intended recipient to the sender:

to Bayan:	Address:	Office 8 Building, 36 th Floor, Sudirman CBD Lot 28, Jt. Jend Sudirman Kav. 52-53, South Jakarta 12190, Republic of Indonesia
	Fax:	62 21 2935 6999
	Email:	oliver.khaw@bayan.com.sg
	Attention:	Oliver Khaw
	With a copy to:	Allens
	Address:	126 Phillip Street, Sydney NSW 2000, Australia
	Fax:	+61 2 9230 5333
	Email:	Vijay.Cugati@allens.com.au ; Chris.Blane@allens.com.au
	Attention:	Vijay Cugati and Chris Blane

to Kangaroo: Address: Level 2, Suite 9, 389 Oxford Street,
Mount Hawthorn, Western Australia
6016

Email: shahs@crcpl.com.au;
jurmanp@crcpl.com.au

Attention: Susmit Shah and Paul Jurman

- (c) will be conclusively taken to be duly given or made:
- (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country);
 - (iii) in the case of delivery by fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating that the transmission has been made without error; and
 - (iv) in the case of delivery by email, the earlier of:
 - (A) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;
 - (B) the time that the email is first opened or read by the intended recipient, or an employee or officer of the intended recipient; and
 - (C) two hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, during that two hour period, an automated message that the email has not been delivered,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 5pm (local time) it will be taken to have been duly given or made at the start of business on the next business day in that place.

17 General Provisions

17.1 Amendment

This deed may be amended only by another deed executed by all the parties.

17.2 Assignment

A party cannot assign, charge, encumber or otherwise deal with at law or in equity any of its rights or obligations under this deed, or attempt or purport to do so, without the prior consent of the other party.

17.3 Costs and stamp duty

Each party must bear its own costs arising out of the negotiation, preparation and execution of this deed. All stamp duty (including fines, penalties and interest) payable on or in connection with this deed and any instrument executed under or any transaction evidenced by this deed must be borne by Bayan.

17.4 Counterparts

This deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

17.5 Entire agreement

This deed and the Confidentiality Deed contain the entire agreement between the parties with respect to their subject matter. This deed and the Confidentiality Deed set out the only conduct relied on by the parties and supersede all earlier conduct and prior agreements and understandings between the parties in connection with their subject matter.

17.6 Further assurances

Each party must do anything necessary (including executing agreements and documents) to give full effect to this deed and the transactions contemplated by it.

17.7 Governing law and jurisdiction

This deed is governed by the laws of Western Australia. In relation to it and related non-contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

17.8 Process Agent

Bayan irrevocably appoints Allens of Level 4, Deutsche Bank Place, Corner of Hunter and Phillip Streets, Sydney NSW 2000, Australia, to receive on its behalf service of process issued out of the courts of Western Australia or courts exercising jurisdiction in Western Australia in relation to any dispute, claim, legal action or proceeding arising out of or in any way related to this deed and related non-contractual matters, and agrees that service of any process or documents on the agent will be sufficient service on it.

17.9 No merger

The rights and obligations of the parties will not merge on the completion of any transaction contemplated by this deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing a transaction.

17.10 No waiver

A failure to exercise or a delay in exercising any right, power or remedy under this deed does not operate as a waiver. A single or partial exercise or waiver of the exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

17.11 Severability of provisions

Any provision of this deed that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this deed nor affect the validity or enforceability of that provision in any other jurisdiction.

Schedule 1 – Bayan Representations and Warranties

- 1 **(Status)** It is a corporation duly incorporated and validly existing under the laws of the place of its incorporation.
- 2 **(Power)** It has the power to enter into and perform its obligations under this deed to carry out the transactions contemplated by this deed.
- 3 **(Corporate authorisations)** It has taken all necessary corporate action to authorise the entry into and the performance of this deed and to carry out the transactions contemplated by this deed.
- 4 **(Deed binding)** This deed is Bayan's valid and binding obligation enforceable in accordance with its terms.
- 5 **(Transactions permitted)** The execution and performance by it of this deed and each transaction contemplated by this deed did not and will not violate any provision of:
 - (a) a law or treaty or a judgment, ruling, order or decree of a Government Agency binding on it or any of its related bodies corporate;
 - (b) its constituent documents; or
 - (c) any other document which is binding on it or its assets (or a related body corporate or its assets).
- 6 **(Solvency)** Bayan is not affected by an Insolvency Event.
- 7 **(Provision of Bayan Information)** the Bayan Information will be provided in good faith and on the understanding that Kangaroo and each of the Officers of Kangaroo will rely on that information for the purposes of preparing the Scheme Booklet and proposing the Scheme, and that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report.
- 8 **(Scheme Booklet)** At the time Kangaroo commenced sending the Scheme Booklet to Kangaroo Shareholders, the Bayan Information contained in or incorporated by reference in the Scheme Booklet is true and correct in all material respects, complies with all applicable laws and does not contain any statement which is misleading or deceptive in any material respect (whether by omission or otherwise).
- 9 **(Relevant interest)** Bayan has a Relevant Interest in 1,925,000,000 Kangaroo Shares as at the date of this Deed.
- 10 **(Funding)** Bayan has the financial capacity to pay the Scheme Consideration in accordance with this Deed and the Deed Poll and does not require any shareholder, regulatory or financier approval to complete payment of the same.

Schedule 2 – Kangaroo Representations and Warranties

- 1 **(Status)** It is a corporation duly incorporated and validly existing under the laws of the place of its incorporation.
- 2 **(Power)** It has the power to enter into and perform its obligations under this deed to carry out the transactions contemplated by this deed.
- 3 **(Corporate authorisations)** It has taken all necessary corporate action to authorise the entry into and performance of this deed and to carry out the transactions contemplated by this deed.
- 4 **(Deed binding)** This deed is Kangaroo's valid and binding obligation enforceable in accordance with its terms.
- 5 **(Transactions permitted)** The execution and performance by it of this deed and each transaction contemplated by this deed did not and will not violate any provision of:
 - (a) a law or treaty or a judgment, ruling, order or decree of a Government Agency binding on it or any of its related bodies corporate;
 - (b) its constitution or other constituent documents; or
 - (c) any other document which is binding on it or its assets (or a related body corporate or its assets).
- 6 **(Capital structure)** Kangaroo has 3,434,430,012 ordinary shares, and no other securities, issued and outstanding at the date of this deed. No member of the Kangaroo Group is subject to any obligation (including any contingent obligation) to issue or have transferred to any person securities in or of it or any other member of the Kangaroo Group.
- 7 **(Continuous disclosure):**
 - (a) it has complied with its continuous disclosure obligations under the Corporations Act and ASX Listing Rule 3.1; and
 - (b) as at the date of this deed, it is not withholding any information from public disclosure in reliance on ASX Listing Rule 3.1A (other than the information in relation to any change of control proposal affecting Kangaroo).
- 8 **(Scheme Booklet)** At the time Kangaroo commenced sending the Scheme Booklet to Kangaroo Shareholders, the information contained in the Scheme Booklet (other than the Bayan Information and the Independent Expert's Report) is true and correct in all material respects, complies with all applicable laws and does not contain any statement which is misleading or deceptive in any material respect (whether by omission or otherwise).
- 9 **(Solvency)** No member of the Kangaroo Group is affected by an Insolvency Event.
- 10 **(Information for Independent Expert)** All information provided by or on behalf of Kangaroo to the Independent Expert to enable its report to be prepared will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing its report for inclusion in the Scheme Booklet.

Schedule 3 – Kangaroo Prescribed Occurrences

- 1 Kangaroo converting all or any of its shares into a larger or smaller number of shares.
- 2 Any member of the Kangaroo Group resolves to reduce its share capital in any way.
- 3 Any member of the Kangaroo Group:
 - (a) enters into a buy-back agreement; or
 - (b) resolves to approve the terms of a buy-back agreement under the Corporations Act.
- 4 Other than as set out in the Disclosure Letter, any member of the Kangaroo Group issues securities to a person other than to another Kangaroo Group member or grants an option over its securities other than to another Kangaroo Group member, or agrees to make such an issue or grant such an option.
- 5 Any member of the Kangaroo Group issues, or agrees to issue, convertible notes.
- 6 Kangaroo disposes, or agrees to dispose, of the whole or a substantial part of its business or property to a person who is not also a member of the Kangaroo Group.
- 7 Other than as set out in the Disclosure Letter, Kangaroo grants, or agrees to grant, a security interest in the whole or a substantial part of its business or property.
- 8 Any material member of the Kangaroo Group resolves to be wound up.
- 9 A court makes an order for the winding up of any material member of the Kangaroo Group.
- 10 Any member of the Kangaroo Group executes a deed of company arrangement.
- 11 An Insolvency Event occurs in respect of any member of the Kangaroo Group.
- 12 Other than as set out in the Disclosure Letter, a member of the Kangaroo Group:
 - (a) amending its constitution;
 - (b) entering into any agreement or understanding requiring payments, the incurring of expenditure or the foregoing of revenue by members of the Kangaroo Group in excess of \$1,000,000;
 - (c) agreeing to any variation to the terms of any agreement or understanding (including any variation made pursuant to a right or obligation in an agreement to vary or renegotiate terms of that agreement) which is material to the business, operations or financing arrangements of the Kangaroo Group;
 - (d) incurring or agreeing or committing to incur any individual capital expenditure item which is in excess of \$1,000,000; or
 - (e) waiving any third party default where the financial impact on the Kangaroo Group will be in excess of \$200,000.
- 13 A member of the Kangaroo Group providing financial accommodation other than to members of the Kangaroo Group in excess of \$200,000.
- 14 A member of the Kangaroo Group entering into any agreement with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity or currency derivatives or options) or similar instruments.
- 15 A member of the Kangaroo Group entering into a transaction with any related party of Kangaroo as defined in section 228 of the Corporations Act.
- 16 Any member of the Kangaroo Group:

Scheme Implementation Deed

- (a) issues, grants or amends the terms of, any securities, options or rights to, or accelerates the rights of, any of the directors or employees of the Kangaroo Group to compensation of benefits of any kind (including under any employee or director share, option or incentive plan or any other rights plan); or
 - (b) waives or forgives any loans made by any member of the Kangaroo Group in respect of Kangaroo Shares issued under any employee or director share, option or incentive plan other than as announced to ASX prior to the date of this deed.
- 17 Kangaroo declares, determines to pay or pays any distribution, dividend, bonus or other share of its profits or assets or agrees to return any capital to its members.

Scheme Implementation Deed

Allens < Linklaters

Executed and delivered as a deed

Signed Sealed and Delivered by PT. Bayan Resources, Tbk in the presence of:



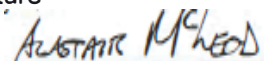
Director Signature



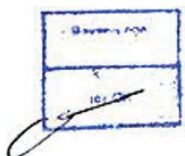
Print Name



Director Signature



Print Name



Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **Kangaroo Resources Limited**:

Director Signature


Print Name **SUSMIT SHAH**


Director/Secretary Signature

Print Name **PAUL JORMAN**

Deed Poll

Date

Deed Poll by

1. PT. Bayan Resources, Tbk incorporated in Indonesia of Office 8 Building, 36th Floor, Sudirman CBD Lot 28, Jl. Jend Sudirman Kav. 52-53, South Jakarta 12190 (*Bayan*)

in favour of the Scheme Shareholders.

Recitals

- | | |
|---|---|
| A | On 16 August 2018, Bayan and Kangaroo entered into the Scheme Implementation Deed to provide for the implementation of the Scheme. |
| B | The effect of the Scheme will be to transfer all Scheme Shares to Bayan in return for the Scheme Consideration. |
| C | Bayan enters this deed poll to covenant in favour of Scheme Shareholders to pay or procure payment of the Scheme Consideration in accordance with the Scheme. |

It is declared as follows.

1 Definitions and interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise.

Scheme Implementation Deed means the scheme implementation deed dated 16 August 2018 between Bayan and Kangaroo.

Trustee means Kangaroo as trustee for the Scheme Shareholders.

1.2 Terms defined in Scheme Implementation Deed

Words defined in the Scheme Implementation Deed and not in this deed poll have the same meaning in this deed poll as in the Scheme Implementation Deed unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3, 1.4, 1.5 and 1.6 of the Scheme Implementation Deed form part of this deed poll as if set out at length in this deed poll but with 'deed poll' substituted for 'deed' and with any reference to 'party' being taken to include the Scheme Shareholders.

1.4 Nature of this deed poll

Bayan acknowledges that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

2 Conditions

2.1 Conditions

Bayan's obligations under clause 3 are subject to all Conditions Precedent to the Scheme being satisfied or waived.

2.2 Termination

Bayan's obligations under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
 - (b) the Scheme is not Effective by the End Date,
- unless Kangaroo and Bayan otherwise agree.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) Bayan is released from their obligations to further perform this deed poll; and
- (b) Scheme Shareholders retain the rights they have against Bayan in respect of any breach of this deed poll which occurred before it terminated.

3 Scheme Consideration

- (a) Subject to clause 2, Bayan undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme.
- (b) The obligations of Bayan to provide the Scheme Consideration under paragraph (a) will be satisfied if, on or before 5pm on the date that is two Business Days prior to the Implementation Date, it:
 - (i) pays or procures payment of an amount at least equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders under the Scheme by depositing in cleared funds in an Australian dollar denominated trust account operated by Kangaroo, on trust for the Scheme Shareholders, except that any interest on the amount deposited (less bank fees and other charges) will be to Bayan's account; and
 - (ii) provides Kangaroo with written confirmation of that payment.

4 Warranties

Bayan represents and warrants to each Scheme Shareholder that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(transactions permitted)** the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:

- (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
- (ii) its constitution or other constituent documents; or
- (iii) any other document which is binding on it or its assets; and
- (f) **(solvency)** it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

5 Continuing Obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until Bayan has fully performed its obligations under it.

6 Notices

Any notice, demand or other communication (a **Notice**) to Bayan in respect of this deed poll:

- (a) must be in writing and signed by the sender or a person duly authorised by it (or in the case of email, set out the full name and position or title of the sender or person duly authorised by the sender);
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, fax or email to the address, fax number or email address below:

Address: Office 8 Building, 36th Floor, Sudirman CBD Lot 28, Jl. Jend Sudirman Kav. 52-53, South Jakarta 12190, Republic of Indonesia

Fax: 62 21 2935 6999

Email: oliver.khaw@bayan.com.sg

Attention: Oliver Khaw

With a copy to: Allens

Address: 126 Phillip Street, Sydney NSW 2000, Australia

Fax: +61 2 9230 5333

Email: Vijay.Cugati@allens.com.au; Chris.Blane@allens.com.au

Attention: Vijay Cugati and Chris Blane

- (c) will be conclusively taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country);
 - (iii) in the case of delivery by fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating the transmission has been made without error; and
 - (iv) in the case of delivery by email, the earlier of:

- (A) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;
- (B) the time that the email is first opened or read by the intended recipient, or an employee or officer of the intended recipient; and
- (C) two hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, during that two hour period, an automated message that the email has not been delivered,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 5pm (local time) it will be taken to have been duly given or made at the start of business on the next business day in that place.

7 General Provisions

7.1 Amendment

This deed poll may be amended only by another deed poll entered into by Bayan and then only if the amendment is agreed to by Kangaroo in writing and the Court indicates that the amendment would not itself preclude approval of the Scheme.

7.2 Assignment

The rights of each Scheme Shareholder under this deed poll are personal and cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of Bayan.

7.3 Counterparts

This deed poll may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

7.4 Cumulative rights

The rights, powers and remedies of Bayan and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.5 Governing law and jurisdiction

This deed poll is governed by the laws of Western Australia. In relation to it and related non-contractual matters Bayan irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

7.6 Further assurances

Bayan must do anything necessary (including executing agreements and documents) to give full effect to this deed and the transactions contemplated by it.

7.7 No waiver

If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.

7.8 Stamp duty

Bayan must:

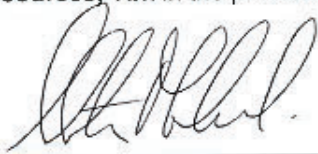
- (a) pay or procure the payment of all stamp duty (including fines, penalties and interest) in respect of the Scheme and this deed poll, the Scheme Implementation Deed, the performance of this deed poll, the Scheme Implementation Deed and each transaction effected by or made under the Scheme, this deed poll and the Scheme Implementation Deed; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.8(a).

Deed Poll

Allens > < Linklaters

Executed and delivered as a deed poll

Signed Sealed and Delivered by PT Bayan
Resources, Tbk in the presence of:



Director Signature

AZASTAIR McLEOD.

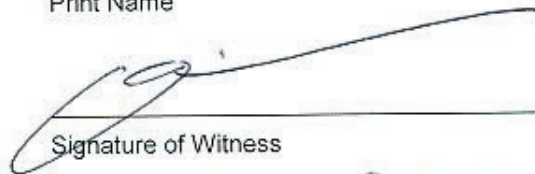
Print Name



Director Signature

RUSSELL NEAL

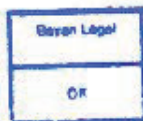
Print name



Signature of Witness

OLIVER KHAW KAR HENG

Print Name



Scheme of Arrangement under Part 5.1 of the Corporations Act.

Parties	
1.	Kangaroo Resources Limited (ACN 120 284 040) registered in Western Australia of Suite 9, Level 2, 389 Oxford Street, Mount Hawthorn WA 6016, Australia (Kangaroo); and
2.	the Scheme Shareholders at the Scheme Record Date.

1 Definitions and interpretation**1.1 Definitions**

The meanings of the terms used in this scheme of arrangement are set out below.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

Bayan means PT. Bayan Resources, Tbk incorporated in Indonesia of Office 8 Building, 36th Floor, Sudirman CBD Lot 28, Jl. Jend Sudirman Kav. 52-53, South Jakarta 12190, Republic of Indonesia.

Bayan Group means Bayan and each of its related bodies corporate (excluding, at any time, Kangaroo and its subsidiaries to the extent that Kangaroo and its subsidiaries are subsidiaries of Bayan at that time). A reference to a **member of the Bayan Group** is a reference to Bayan or any such related body corporate.

Business Day means a business day as defined in the ASX Listing Rules.

CHES means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing between the parties.

Court Order means the order of the Court approving this scheme under section 411(4)(b) of the Corporations Act.

Deed Poll means the deed poll dated 24 September 2018 executed by Bayan in favour of the Scheme Shareholders.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this scheme.

Effective Date means the date on which this scheme becomes Effective.

End Date means the 'End Date' determined in accordance with the Scheme Implementation Deed.

Excluded Share means a Kangaroo Share held by any person on behalf of, or for the benefit of, Bayan or any of its related bodies corporate (which, for the avoidance of doubt, as at the date of this deed includes the Kangaroo Shares held by Bayan).

Excluded Shareholder means a holder of Excluded Shares.

Implementation Date means the third Business Day after the Scheme Record Date or such other date agreed to in writing between the parties.

Kangaroo Registry means Advanced Share Registry Limited (ABN 14 127 175 946) or any replacement provider of share registry services to Kangaroo.

Kangaroo Share means a fully paid ordinary share in Kangaroo.

Kangaroo Shareholders means each person who is registered as the holder of Kangaroo Shares from time to time.

Kangaroo Share Register means the register of members of Kangaroo maintained in accordance with the Corporations Act.

Marketable Parcel means a marketable parcel as defined by the ASX Operating Rules.

Registered Address means, in relation to a Kangaroo Shareholder, the address shown in the Kangaroo Share Register.

Related Entity has the meaning given in the Corporations Act.

Scheme Consideration, in respect of a Scheme Shareholder, means \$0.15 per Scheme Share held by that Scheme Shareholder.

Scheme Implementation Deed means the Scheme Implementation Deed dated 16 August 2018 between Bayan and Kangaroo.

Scheme Meeting means the meeting of Kangaroo Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Record Date means 7pm on the second Business Day after the Effective Date or such other time and date agreed to in writing between the parties.

Scheme Shares means the Kangaroo Shares on issue as at the Scheme Record Date other than the Excluded Shares.

Scheme Shareholder means a person registered in the Kangaroo Register as the holder of one or more Scheme Shares at the Scheme Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Trust Account means an Australian dollar denominated trust account operated by the Trustee, to be held on trust for the Scheme Shareholders, except that any interest on the amounts deposited (less bank fees and other charges) will be to Bayan's account.

Trustee means Kangaroo as trustee for the Scheme Shareholders.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.

- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this deed.
- (f) A reference to an *agreement* or *document* (including a reference to this scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this deed or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an *agreement* includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a *document* includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to *dollars* and \$ is to Australian currency.
- (l) All references to time are to Sydney, Australia time.
- (m) Mentioning anything after *includes*, *including*, *for example*, or similar expressions, does not limit what else might be included.
- (n) Nothing in this deed is to be interpreted against a party solely on the ground that the party put forward this deed or a relevant part of it.
- (o) A reference to *associate*, *control* (by an entity of another entity), *officer*, *related body corporate*, *relevant interest*, *subsidiary* or *voting power* is to that term as it is defined in the Corporations Act.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or business rule of a financial market will be regarded as a *law*, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to a party.

2 Preliminary

2.1 Kangaroo

- (a) Kangaroo is a public company limited by shares, registered in Western Australia and admitted to the official list of ASX.
- (b) Kangaroo Shares are officially quoted on ASX. At 17 October 2018, 3,434,430,012 Kangaroo Shares were on issue.

2.2 Consequence of this scheme becoming Effective

If this scheme becomes Effective:

- (a) it will override the constitution of Kangaroo, to the extent of any inconsistency;

- (b) Bayan must (pursuant to its obligations under the Deed Poll) pay or procure payment of the Scheme Consideration in the manner contemplated by clause 5 below; and
- (c) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to Bayan, and Kangaroo will enter Bayan in the Kangaroo Share Register as the holder of the Scheme Shares with the result that Kangaroo will become a wholly-owned subsidiary of Bayan.

3 Conditions

- (a) This scheme is conditional on:
 - (i) all the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(c)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by 8am on the Second Court Date;
 - (ii) the Court having approved this scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act;
 - (iii) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the parties, having been satisfied; and
 - (iv) neither the Scheme Implementation Deed nor the Deed Poll having been terminated in accordance with their terms as at 8.00 am on the Second Court Date;
- (b) The satisfaction of the conditions referred to in clause 3(a) is a condition precedent to the operation of clauses 4 and 5.
- (c) This scheme will lapse and be of no further force or effect if:
 - (i) the Effective Date does not occur on or before the End Date or any later date as the Court, with the consent of the parties, may order; or
 - (ii) the Scheme Implementation Deed is terminated before implementation of this scheme on the Implementation Date.

4 Implementation

4.1 Lodgement of Court orders

Kangaroo must lodge with ASIC office copies of any Court orders under section 411 of the Corporations Act approving this scheme by 5pm on the Business Day the Court approves this scheme or by 5pm on the Business Day on which the Court orders are entered and made available to Kangaroo, whichever is the later.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the payment of the Scheme Consideration to the Trust Account, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Bayan, without the need for any further act by any Scheme Shareholder (other than acts performed by Kangaroo or its officers as agent and attorney of the Scheme Shareholders under clause 8.5 or otherwise) by:
 - (i) Kangaroo delivering to Bayan a duly completed and executed share transfer form to transfer all the Scheme Shares to Bayan; and

- (ii) Bayan duly executing such transfer form and delivering it to Kangaroo for registration; and
- (b) immediately after receipt of the transfer form in accordance with paragraph (a)(ii), Kangaroo must enter the name of Bayan in the Kangaroo Share Register in respect of the Scheme Shares.

5 Scheme Consideration

5.1 Amount of Scheme Consideration

Subject to clause 5.2, each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder.

5.2 Joint holders

In the case of Scheme Shares held in joint names, the relevant Scheme Consideration is payable to and must be sent to the holder whose name appears first in the Kangaroo Share Register at the Scheme Record Date or where the joint holders have nominated a bank account under clause 5.3(d)(ii), the amount must be deposited directly to the nominated bank account of the joint holders.

5.3 Scheme Consideration

- (a) Bayan must (pursuant to its obligations under the Deed Poll) before 5pm on the date that is two Business Days prior to the Implementation Date pay or procure payment to the Trust Account of an amount at least equal to the aggregate amount of Scheme Consideration.
- (b) As soon as practicable following implementation of this Scheme on the Implementation Date and subject to Bayan having complied with clause 5.3(a), the Trustee must pay from the Trust Account to each Scheme Shareholder such amount of cash as is due to that Scheme Shareholder (as determined by paragraph (c), if relevant) as Scheme Consideration in respect of that Scheme Shareholder's Scheme Shares.
- (c) If the number of Scheme Shares held by a Scheme Shareholder as at the Scheme Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration includes a fractional entitlement to a cent, then the entitlement of that Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of cents (as applicable), and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of cents (as applicable).
- (d) The amounts referred to in paragraph (b) must be paid by the Trustee doing any of the following at its election:
 - (i) sending (or procuring the Kangaroo Registry to send) it to the Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the Trust Account or alternatively by electronic funds transfer from the Trust Account; or
 - (ii) depositing (or procuring the Kangaroo Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to Kangaroo (or the Kangaroo Registry) by an appropriate authority from the Scheme Shareholders.

- (e) If there is any surplus over the aggregate amount of Scheme Consideration in the amount held by the Trustee in the Trust Account, that surplus must be paid by the Trustee to Bayan following the satisfaction of the Trustee's obligations under this clause.
- (f) If any amount is required under any Australian law or by any Australian government or any Australian governmental, semi-governmental or judicial entity or authority to be:
 - (i) withheld from an amount payable under paragraph (c) and paid to that entity or authority; or
 - (ii) retained by the Trustee out of an amount payable under paragraph (c),its payment or retention by the Trustee (or the Kangaroo Registry) will constitute the full discharge of the Trustee's obligations under this clause 5.3 with respect to the amount so paid or retained until it is no longer required to be retained.

5.4 Unclaimed monies

- (a) The Trustee may cancel (or may procure the Kangaroo Registry to cancel) a cheque issued under clause 5.3(d)(i) of this scheme if the cheque is:
 - (i) returned to the Trustee (or the Kangaroo Registry); or
 - (ii) has not been presented for payment within 6 months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request from a Scheme Shareholder, the Trustee must (or will procure that the Kangaroo Registry must) reissue a cheque that was previously cancelled under clause 5.4(a).

6 Dealings in Kangaroo Shares

- (a) To establish the identity of the Scheme Shareholders, dealings in Kangaroo Shares will only be recognised if:
 - (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Kangaroo Share Register as the holder of the relevant Kangaroo Shares on or before the Scheme Record Date; and
 - (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Scheme Record Date at the place where the Kangaroo Share Register is kept.
- (b) Kangaroo must register registrable transmission applications or transfers of the kind referred to in clause 6(a) on the Scheme Record Date (provided that for the avoidance of doubt nothing in this clause 6(b) requires Kangaroo to register a transfer that would result in a Kangaroo Shareholder holding a parcel of Kangaroo Shares that is less than a Marketable Parcel).
- (c) Kangaroo will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Kangaroo Shares received after the Scheme Record Date.
- (d) For the purpose of determining entitlements to the Scheme Consideration, Kangaroo must maintain the Kangaroo Share Register in accordance with the provisions of this clause until the Scheme Consideration has been paid to the Scheme Shareholders. The Kangaroo Share Register in this form will solely determine entitlements to the Scheme Consideration.

- (e) From the Scheme Record Date until registration of Bayan in respect of all Scheme Shares under clause 4, no Kangaroo Shareholder may deal with Kangaroo Shares in any way except as set out in this scheme and any attempt to do so will have no effect.
- (f) All statements of holding for Kangaroo Shares will cease to have effect from the Scheme Record Date as documents of title in respect of those shares (other than statements of holding in favour of any member of the Bayan Group and its successors in title). As from the Scheme Record Date, each entry current at that date on the Kangaroo Share Register (other than entries in respect of any member of the Bayan Group and its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Kangaroo Shares relating to that entry.
- (g) As soon as possible after the Scheme Record Date and in any event at least two Business Days before the Implementation Date, Kangaroo will ensure that details of the names, Registered Addresses and holdings of Kangaroo Shares for each Scheme Shareholder are available to Bayan in the form Bayan reasonably requires.

7 Quotation of Kangaroo Shares

- (a) It is expected that suspension of trading on ASX in Kangaroo Shares will occur from the close of trading on the day Kangaroo notifies ASX that the Court has approved this scheme under section 411(4)(b) of the Corporations Act.
- (b) On a date after the Implementation Date, Kangaroo will apply:
 - (i) for termination of the official quotation of Kangaroo Shares on ASX; and
 - (ii) to have itself removed from the official list of ASX.
- (c) Kangaroo must do everything it can to ensure that such termination of official quotation and removal from the official list of ASX does not occur before the Implementation Date, and occurs no earlier than the Business Day after the date on which all transfers of the Scheme Shares to Bayan have been duly registered by Kangaroo in accordance with the Scheme.

8 General Scheme Provisions

8.1 Consent

If the Court proposes to approve this scheme subject to any alterations or conditions, Kangaroo may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which Bayan has consented in writing.

8.2 Agreement of Scheme Shareholders

- (a) Scheme Shareholders agree to the transfer of their Kangaroo Shares in accordance with the Scheme and agree to the variation, cancellation or modification of the rights attached to their Kangaroo Shares constituted by or resulting from this scheme.
- (b) Each of the Scheme Shareholders acknowledges that this scheme binds Kangaroo and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against this scheme at that Scheme Meeting).

8.3 Warranties by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Kangaroo, in its own right and for the benefit of Bayan that:

- (a) all of its Kangaroo Shares which are transferred to Bayan under this scheme will, on the date on which they are transferred to Bayan, be free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind;
- (b) all of its Kangaroo Shares which are transferred to Bayan under this scheme will, on the date on which they are transferred to Bayan, be fully paid; and
- (c) it has full power and capacity to sell and to transfer its Kangaroo Shares to Bayan.

8.4 Beneficial entitlement to Kangaroo Shares

Subject to the payment of the Scheme Consideration to the Trust Account pursuant to clause 5.3(a) of this scheme, on and from the Implementation Date, Bayan will be beneficially entitled to the Kangaroo Shares transferred to it under this scheme pending registration by Kangaroo of Bayan in the Kangaroo Share Register as the holder of the Kangaroo Shares.

8.5 Authority given to Kangaroo

- (a) Scheme Shareholders will be deemed to have authorised Kangaroo to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement the scheme, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 4.2.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Kangaroo and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing any document necessary to give effect to this scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares.

8.6 Appointment of sole proxy

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 4.2 and 5.3 of this scheme, on and from the Implementation Date until Kangaroo registers Bayan as the holder of all Kangaroo Shares in the Kangaroo Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed Bayan as its attorney and agent (and directed Bayan in such capacity) to appoint an officer or agent nominated by Bayan as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of Kangaroo, exercise the votes attaching to the Scheme Shares registered in its name and sign any Kangaroo Shareholders' resolutions, and no Scheme Shareholder may attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than as pursuant to this clause 8.6(a); and
- (b) must take all other actions in the capacity of a registered holder of Scheme Shares as Bayan reasonably directs.

9 General

9.1 Stamp duty

Bayan must (pursuant to its obligations under the Deed Poll) pay all stamp duty payable in connection with the transfer of the Scheme Shares to Bayan.

9.2 Definition of 'sending'

For the purposes of clause 5 the expressions 'sending' means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Scheme Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Scheme Record Date by any other means at no cost to the recipient.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Kangaroo, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where Kangaroo's Share Registry is kept.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law and jurisdiction

This scheme is governed by the laws of Western Australia. In relation to it and related non-contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there.

9.5 Further assurances

Kangaroo must do anything necessary (including executing agreements and documents) to give full effect to this scheme and the transactions contemplated by it.

Notice of Court Ordered Scheme Meeting

Notice is given to the holders of ordinary shares in Kangaroo Resources Limited (**Kangaroo Resources**) that, by an order of the Supreme Court of Western Australia (**Court**) made on 16 October 2018 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the holders of ordinary shares in Kangaroo Resources (other than the Excluded Shareholders) will be held at the Duxton Hotel, 1 St Georges Terrace on 26 November 2018 commencing at 11 am (WST).

PURPOSE OF THE MEETING

To consider and, if thought fit, pass the following Resolution agreeing to a scheme of arrangement (**Scheme**) (with or without modification) proposed to be made between Kangaroo Resources and the holders of shares in Kangaroo Resources (other than certain Excluded Shareholders) as at the Record Date pursuant to Part 5.1 of the Corporations Act.

RESOLUTION

The meeting will be asked to consider and, if thought fit, to pass the following resolution:

“THAT, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between Kangaroo Resources and the holders of its fully paid ordinary shares (other than PT Bayan Resources, Tbk and its Related Bodies Corporate), as contained in and more particularly described in the booklet of which the notice convening this meeting forms part, is agreed to (with or without modification as approved by the Supreme Court of Western Australia (Court)) and FURTHER that, the directors of Kangaroo Resources are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the Scheme by the Court, the directors are authorised to implement the Scheme with any such alterations or conditions”.

VOTING EXCLUSION

Kangaroo Resources will disregard any votes cast on the Scheme Resolution in respect of any Kangaroo Resources Share held by an Excluded Shareholder or in which Dato' Dr. Kwong has a direct or indirect interest (which as at the date of this Scheme Booklet comprises all Kangaroo Resources Shares held by PT Bayan and the Relevant Shares).

CHAIRMAN

The Court has appointed Mr Susmit Shah, or failing him, Mr Damien Henderson, to act as chairman of the Scheme Meeting and has directed the chairman to report the result of the Scheme Meeting to the Court.

Dated: 17 October 2018



Paul Jurman, Company Secretary
The Board of Directors
Kangaroo Resources Limited

Notes to the Notice of Court Ordered Scheme Meeting

1. Required voting majority

In accordance with section 411(4)(1) of the Corporations Act, the resolution to approve the Scheme must be passed at the Scheme Meeting by:

- Unless the Court orders otherwise, a majority in number of Kangaroo Resources Shareholders (other than the Excluded Shareholders) present and voting (either in person or by proxy, attorney, or, in the case of bodies corporate, body corporate representative) at the Scheme Meeting; and
- At least 75% of the votes cast on the resolution.

The Court has a discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the resolution, but not by a majority in number of Kangaroo Resources Shareholders (other than the Excluded Shareholders) present and voting at the Scheme Meeting.

2. Court Approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) is subject to the approval of the Court. If the resolution put to the Scheme Meeting is passed by the requisite majority and the other conditions precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, Kangaroo Resources intends to apply to the Court for the necessary orders to give effect to the Scheme.

3. Entitlement to vote and Voting Exclusion

Under section 411 of the Corporations Act and all other enabling powers, the Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 7pm, AEDT on 24 November 2018. Only those Kangaroo Resources Shareholders entered on the Kangaroo Resources Register at that time will be entitled to attend and vote at the Scheme Meeting.

For the purposes of the voting exclusion statement in this notice, the meaning of Relevant Shares and Excluded Shareholders are as defined in Section 10.1 of the Scheme Booklet.

The remaining comments in these explanatory notes are addressed to Kangaroo Resources Shareholders entitled to attend and vote at the Scheme Meeting.

4. How to vote

Voting will be on a poll. You may vote at the Scheme Meeting by:

- Attending and voting in person;
- Appointing one or two proxies to attend and vote on your behalf, using the proxy form that accompanied this Scheme Booklet;
- Appointing an attorney to attend and vote on your behalf, using a power of attorney; or
- In the case of a body corporate, appointing a body corporate representative to attend and vote on your behalf, using a certificate of appointment of body corporate representative.

5. Attendance

If you or your representative(s) plan to attend the Scheme Meeting, please arrive at the venue at least 30 minutes prior to the scheduled time for commencement, so that your shareholding can be checked against the Kangaroo Resources Register, any power of attorney or certificate

of appointment of a body corporate representative verified and you or your representative's attendance noted.

6. Proxy, representative and voting entitlement instructions

Online

At www.advancedshare.com.au/investor-login, using the holding details as shown on the proxy form.

Voting in Person

To vote in person, you must attend the Scheme Meeting.

Eligible Kangaroo Resources Shareholders who wish to attend and vote at the Scheme Meeting in person will be admitted and given a voting card at the point of entry to the Scheme Meeting on disclosure of their name and address.

Voting by proxies and representatives

Kangaroo Resources Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the Scheme Meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Kangaroo Resources.

You should consider how you want your proxy to vote. That is whether you want your proxy to vote in favour or against or abstain from voting on the resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the Scheme Meeting.

If you do not direct your proxy to vote on an item of business, the proxy may vote, or abstain from voting as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares subject of the proxy appointment will not be counted in computing the required majority.

To appoint a proxy you should complete and return the proxy form that accompanied this booklet in accordance with the instructions on that form. The deadline for receipt of proxy forms by Kangaroo Registry is 48 hours before the commencement time of the Scheme Meeting at 11am WST on 26 November 2018. The proxy form must be signed by the Kangaroo Resources Shareholder or his/her attorney duly authorised in writing or, if the Kangaroo Resources Shareholder is a corporation, in a manner permitted by the Corporations Act. The form should be sent to:

Advanced Share Registry Limited

110 Stirling Highway, Nedlands, Western Australia 6009; or

PO Box 1156, Nedlands, Western Australia 6909; or By Facsimile to: +61 8 9262 3723

If you return your proxy form:

- Without identifying a proxy on it, the chairman of the meeting will act as proxy; or
- With a proxy identified on it but your proxy does not attend the meeting, the chairman of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

In the absence of a Superior Proposal for Kangaroo, the chairman of the Scheme Meeting, intends to vote all valid undirected proxies which nominate them in favour of the resolution (subject to applicable law).

Your appointment of a Proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

A proxy form is provided with this Scheme Booklet.

Kangaroo Resources Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under section 250D of the Corporations Act.

If a representative of the corporation is to attend the Scheme Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from Kangaroo Resource's share registry. This certificate should be lodged with the Kangaroo Registry before the Scheme Meeting or at the registration desk on the day of the meeting. The Certificate will be retained by the Kangaroo Registry.

If a certificate is completed by an individual or a corporation under power of attorney, the power of attorney or a certified copy, must accompany the completed certificate unless the power of attorney has been previously noted by the Kangaroo Registry. Body corporate representatives of eligible Kangaroo Resources Shareholders will be admitted to the Scheme Meeting and given a voting card at the point of entry to the meeting on providing written evidence of their appointment, their name and address, and the name of their appointor(s). The chairman of the Scheme Meeting may permit a person claiming to be a representative to exercise the body's powers' even if they have not produced a certificate or other satisfactory evidence of their appointment.

Voting by attorney

You may appoint an attorney to attend and vote at the meeting on your behalf. Your attorney need not be another Kangaroo Resources Shareholder. Each attorney will have a right to vote on the poll and also speak at the Scheme Meeting.

The power of attorney appointing your attorney to attend and vote at the Scheme Meeting must be duly executed by you and specify your name, the company (Kangaroo Resources) and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be lodged with the Kangaroo Registry at the address or fax number provided on the proxy form before the Scheme Meeting.

Attorneys of eligible Kangaroo Resources Shareholders will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry to the meeting written evidence of their appointment, their name and address, and the name of their appointor(s).

Your appointment of an attorney does not preclude you from attending in person and voting at the Scheme Meeting.

Jointly held securities

If you hold shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote, only the vote of the holder whose name first appears on the Kangaroo Resources Register will be counted.

Any inquiries in relation to the Resolution or the Scheme Booklet should be directed to the Company Secretary, Mr Paul Jurman:

Kangaroo Resources Limited

Level 2, Suite 9
389 Oxford Street
Mount Hawthorn WA 6016
Tel: +61 8 9381 4320
Email: info@kangarooresources.com