

31 July 2014

JUNE 2014 QUARTERLY ACTIVITIES REPORT

ACTIVITIES REPORT

HIGHLIGHTS

- ✦ Company debt significantly reduced following successful recovery of the remaining US\$12 million cash-component of the PAKAR transaction. Opportunities to reduce Company debt even further have already been identified and further announcements in this regard are anticipated.
- ✦ This initial debt reduction also generates a significant saving in annual interest charges in the order of US\$850,000 per annum.
- ✦ PAKAR development, agreement in principle reached for shared use of new BAYAN project Infrastructure on target for commissioning in Q4. Agreement also provides option to utilize services of newly appointed coal haulage contractor and other mining and barging contractor services currently being tendered by BAYAN.
- ✦ Continuing program of reducing project overhead costs while awaiting commencement of production operations.
- ✦ 5 ex 9 PAKAR 'exploration' licenses renewed by the Regional Government during Q2. Remaining 4 licenses are still in process.
- ✦ New applications submitted to the Forestry Ministry for extended exploration areas in MEL and MBE along with corresponding applications to Regional Government for extension to MEL and MBE exploration licenses.
- ✦ Chimaera - Court Hearing held in May, now awaiting final court decision

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

Operations

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

All crushed product coal is located in stockpiles at the Long Hubung port area on the Mahakam River waiting resumption of barging.

A Barging contractor has been on standby with self-unloading vessels, however low river water levels have continued to prevent the barging of any coal from site during Q2 of 2014.

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



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

Site manpower and resultant overheads have been reduced to the minimum required to cover care & maintenance, barge loading and exploration activity. Further reductions in manpower will occur once barging of remaining coal is complete.

Exploration

Geological mapping of MBE along with additional survey work has been ongoing throughout Q2.

Drilling continued in MCM to complete the remaining 24 holes planned in MCM 'middle' block. A total of 24 boreholes were drilled for an aggregate total of 897.6m linear meters drilling.

Geological models and resources calculations for MCM are currently being reassessed and updated information will be released following review by external consultants.

Limited drilling in MEL Western Area has generated insufficient data to prepare a new geological model. Drilling was suspended in Q2 pending securing additional forestry permits to enable a more substantial exploration program to be commenced over the full MEL concession area.

Forestry & Exploration Permits

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

During Q2, additional applications were submitted to the Ministry of Forestry for permissions to explore the central areas of MEL and MBE, currently not covered under existing forestry permits.

Applications were also submitted in Q2, to the Regional Government for extension of time for the exploration permits for both MEL and MBE to reflect potential delays in obtaining the additional forestry permits.

Access to additional areas

Work is ongoing on upgrade of logging tracks and repair of temporary bridges to establish access to new exploration areas in MEL and also MBE. Road access to BKL concession area has yet to be established.

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

Title Transfer & Licensing

The Company holds equity in 5 concessions (TJ, DE, OM, SA & SK) the 4 remaining projects (TA, AU, BS and CA) are still in the process of legal hand over between BAYAN and the Company. The Company continues to monitor the situation closely and is reviewing divestment options in more detail with a view to maximising shareholder value.



Work is ongoing towards completing the various legal processes of updating and renewing mining exploration licenses and permits to ensure ongoing compliance with Indonesian laws and regulations.

In Q2 the Regional Government granted extensions for 5 of the PAKAR exploration licenses. New exploration license renewals have been issued for TA, TJ, DE, OM and SA, and the Company has been advised that the remaining 4 licenses are being processed and will follow.

These 5 renewals now enable the BAYAN legal team to make application for Clean & Clear status and also prepare additional applications for forestry usage permits to enable access for further exploration and drilling.

TABANG-PAKAR joint Development

Agreement has now been reached in principle for the Company to develop its PAKAR concessions in conjunction with the BAYAN TABANG mines using a common infrastructure facility built by BAYAN.

Work is already underway on a 69Km coal haul road to link the TABANG & PAKAR concessions to the existing port location at Senyur on the Kedang Kepala river.

This new haul road, which includes 5 bridges, is being constructed by PT Petrosea Tbk and is due to be commissioned in Q4 of 2014.

A new coal crushing and stockpiling facility will be constructed at Km6 which will link to an upgraded Barge loading Port facility at Senyur (Km0)

The new Infrastructure facility will have a throughput capacity of 30Mtpa initially built in 2 stages. (18Mtpa and 30Mtpa) Current river capacity for barging of coal is estimated at 42Mtpa, and further expansion beyond 30Mtpa is envisaged as export and domestic markets for TABANG and PAKAR coal products grow.

A proportion of the overall infrastructure capacity will be allocated for PAKAR coal. Mining plans are currently being developed for 2 of the PAKAR North concessions to commence commercial production by 2016.

BAYAN have recently awarded the first road haulage contract to haulage contractors 'BIS' (PT BIS Industries) covering transportation of the first 64Mt of coal through the new infrastructure, and are currently tendering for mining and barging contractors.

A large part of the upgraded Senyur port facility will utilize existing land and infrastructure owned by the Company.

All infrastructure CAPEX is being funded by BAYAN, including the acquisition of the Company's existing infrastructure.

The Company will have access to the facilities on a cost-per-tonne basis and will also be able to utilize the same haulage, mining and barging contractors to help optimize overall production costs.

Commercial agreements are currently being drafted to document the above arrangement which will apply for life of mine for each of the PAKAR concessions



GRAHA PANCA KARSA COAL PROJECT (GPK)

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

This permit has not yet been released by the authorities.

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

MT RUBY PROJECT

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

The company has conducted a technical review of the project. The Company no longer considers this project to be part of its core business and is now in discussion with an interested 3rd party regarding disposal of this asset.

CORPORATE

Financial

Cash at bank at the end of the Q2 was ~AU\$2.71 million.

Company debt has reduced by US\$12 Million (AU\$12.75 Million). This change will result in a corresponding reduction in interest going forward. This change was finalized in July 2014 but is to be effective from 1st January 2014.

The Company will continue to review options to further reduce its debt position and interest costs.

New regulations

There have been no further developments in Q2 regarding the new regulations on foreign ownership of mining concessions.

The Company has joined the newly formed Australian Mining Chamber (Ausmincham) which has been established to represent the interests of Australian based exploration, mining and mining services companies operating in Indonesia.

Legal Case – BCBCS (White Energy)

No change during Q2. The company remains joined as an appellant to the proceedings for the purpose of challenging the costs orders that were made against it.

Legal Case – Chimaera & Empire

In relation to the proceedings that have been initiated by Chimaera Capital Markets Pte Ltd and Empire Equity Ltd (Plaintiffs), the case was heard in the Supreme Court of Victoria on 5, 6, 7 and 8 of May 2014. A verdict is expected within 2-4 months.



KEY OBJECTIVES FOR SEPTEMBER 2014 QUARTER (Q3)

- Formalise agreement with BAYAN for joint development of TABANG & PAKAR
- Identify more opportunities to further reduce Company debt and interest expenses.
- Recommence barging operations and sale of remaining coal at MCM
- Recalculate and reissue Resources statement for MCM.

LIST OF MINING TENEMENTS HELD AT 30 JUNE 2014

Queensland, Australia

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

East Kalimantan, Indonesia

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

ENDS

GLOSSARY

CORPORATE

- Company – Kangaroo Resources Limited (ASX – KRL)
- BAYAN – PT BAYAN Resources Tbk
- TABANG – 3 BAYAN concessions on the northern boundary of PAKAR North
- KML – Kangaroo Minerals Pty Limited
- WEC – White Energy Company Limited (ASX – WEC)
- PMA – Perusahaan Model Asing (local term used for a foreign investment company)
- BCT – Balikpapan Coal Terminal



MAMAHAK

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

PAKAR (NORTH)

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

PAKAR (SOUTH)

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

PAKAR (NORTH & SOUTH)

- ✦ SAU – PT Sumber Aset Utama
- ✦ Senyur – Proposed port location on Kedang Kepala River for PAKAR projects

GRAHA PANCA

- ✦ GPK – PT Graha Panca Karsa

Further information:

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

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

KANGAROO RESOURCES LIMITED

ABN

38 120 284 040

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(47)	(168)
	(b) development	-	-
	(c) production	(859)	(1,776)
	(d) administration	(863)	(1,912)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	33	65
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
		(1,736)	(3,791)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) tenement acquisition	-	-
	(c) other fixed assets	-	(138)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	12,750	12,750
1.12	Other (provide details if material)	-	-
		12,750	12,612
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	11,014	8,821

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	11,014	8,821
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,582	3,805
1.17	Repayment of borrowings	(12,750)	(12,750)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(11,168)	8,945
	Net increase (decrease) in cash held	(154)	(124)
1.20	Cash at beginning of quarter/year to date	3,027	2,976
1.21	Exchange rate adjustments to item 1.20	(162)	(141)
1.22	Cash at end of quarter	2,711	2,711

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	292
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL
1.25	Explanation necessary for an understanding of the transactions The amount above includes payments to Directors and their associated companies.	

Non-cash financing and investing activities

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

NIL

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

NIL

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	27,615	27,615
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	1,000
4.4 Administration	1,200
Total	2,400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,711	3,027
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,711	3,027

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report****Changes in interests in mining tenements and petroleum tenements**

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

Issued and quoted securities at end of current quarter

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

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

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Compliance statement

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



Sign here: Date:31 July 2014.....
(Company secretary)

Print name:Michael Loh.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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