

31 October 2014

SEPTEMBER 2014 QUARTERLY ACTIVITIES REPORT

ACTIVITIES REPORT

HIGHLIGHTS

- ✦ Favorable verdict issued in outstanding legal case.
- ✦ Good progress being made by BAYAN on new TABANG Coal Haul Road and Senyiu Port facilities.
- ✦ Further reductions to monthly outgoings pending commencement of production operations.
- ✦ Further progress made with additional licenses & permits to enable selected PAKAR North projects to be brought into production in 2016.
- ✦ Direct Presidential elections held in Indonesia & new President, Vice President and Cabinet Ministers already in place (as at 26 Oct 2014)
- ✦ Cash at bank \$2.818 million.

CORPORATE

Chimaera & Empire v Kangaroo Resources legal case

The original claim against the Company was for over \$28 million. The Supreme Court of Victoria delivered its decision on 16th September 2014 and has ordered the Company to pay a portion of the unpaid expenses incurred by the Plaintiffs in 2010/2011, which equates to \$19,831 plus \$3,019 in interest. The Plaintiffs' claims were otherwise dismissed.

As part of the same proceedings, the Company was successful in its counter-claim, and the Plaintiffs are required to repay to the Company an amount of US\$750,000 that the Company paid to the Plaintiffs during their engagement, plus US\$37,520 in interest. The Company will also seek to recover its legal costs in defending the case.

BCBCS (White Energy) v Bayan Resources legal case

The Company continues to be involved in the proceedings between PT Bayan Resources Tbk and BCBCS in Western Australia. The Company is taking no active part in the proceedings. It remains involved for the purpose of challenging the costs orders that were made against it.

Financial

Cash at bank at the end of the Q3 was ~ AU\$2.818 million.



While preparing select PAKAR North projects for commencement of production in 2016, the Company has continued to reduce its quarterly cash outgoings throughout 2014 and will continue to review options to tighten budgets even further in 2015 through the:-

- ✦ Reduction in non-essential expenditure
- ✦ Reduction in manpower levels
- ✦ Disposal of under-utilized and surplus assets,
- ✦ Further reduction of Company debt & associated interest costs.

New Regulations

There has been no further developments or clarifications from the government in Q3 regarding the new regulations on foreign ownership of mining concessions.

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

Work is ongoing towards updating and renewing mining exploration licenses and permits and obtaining other necessary permits and approvals to enable mining operations to commence at PAKAR North in 2016.

Processing of applications by the various authorities proved to be slower than expected during Q3 mainly due to the Presidential Elections and associated changes in government ministries and departments. A new Cabinet was appointed in October.

New Infrastructure now connects BAYAN's TABANG projects and the Company's PAKAR projects to a new port at Senyur on the Kedang Kepala river. This Capex project has been fully funded by BAYAN. Construction of the new infrastructure comprising a new 69Km haul road and river port facility has been ongoing throughout 2014. Trial cargoes have already been carried out and the initial facilities are scheduled to be fully operational and dispatching TABANG coal in early 2015.

Commercial arrangements are being negotiated with Bayan to ensure proportion of the overall infrastructure capacity will be allocated for PAKAR coal scheduled to come on stream during 2016.

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

Labor and equipment resources have been significantly reduced at MCM in order to minimize monthly costs.

67,300 tonnes of product coal (and 4,200 tonnes of bedding coal) remain in stockpile on site and will be barged to BCT and sold as soon as river levels normalize and allow barging to recommence.

Once the coal has been barged and sold, further reductions to project debt and site costs will be made. Production and exploration at MCM will remain suspended until coal markets improve significantly.



GRAHA PANCA KARSA COAL PROJECT (GPK)

Forestry land usage permit is expected to be issued shortly.

The Company is preparing a budget and work plan to carry out a pre-production drilling program to optimise initial mining areas within the initial permitted forestry usage area.

Funding for this initial work program will be through a loan facility from Kangaroo Resources backed by Bayan Group.

Discussions have been held with neighbouring operational mines with a view to sharing haul road and port infrastructure facilities to reduce capex outlays and construction delays.

Commencement of production operations at GPK will be timed to coincide with an improvement in coal markets.

Options are being reviewed to address foreign investment restrictions that would apply when the Company elects to transfer its commercial rights into equity.

MT RUBY PROJECT

The Company is in discussion with an interested 3rd party regarding disposal of this Australian exploration tenement.

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)



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 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(26)	(194)
	(b) development	-	-
	(c) production	(434)	(2,210)
	(d) administration	(1,118)	(3,030)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	34	99
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
		(1,544)	(5,335)
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
1.12	Other (provide details if material)	-	-
		-	12,612
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(1,544)	7,277

+ 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)	(1,544)	7,277
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	1,509	5,314
1.17	Repayment of borrowings	-	(12,750)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	1,509	(7,436)
	Net increase (decrease) in cash held	(35)	(159)
1.20	Cash at beginning of quarter/year to date	2,711	2,976
1.21	Exchange rate adjustments to item 1.20	142	1
1.22	Cash at end of quarter	2,818	2,818

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	439
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	31,765	31,765
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	500
4.4 Administration	450
Total	1,100

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	2,818	2,711
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,818	2,711

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 October 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.

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

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

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