

30 January 2015

DECEMBER 2014 QUARTERLY ACTIVITIES REPORT

ACTIVITIES REPORT

HIGHLIGHTS

- ✦ BAYAN substantially completed new TABANG Coal Haul Road and Senyur Port facilities – to be used for the Development of our PAKAR north area.
- ✦ Reaching final stages of preparing draft agreements for utilization of BAYAN Road & Port Facilities.
- ✦ Improvement in Mahakam River water levels during December– allowing resumption of coal barging from MCM in January 2015.
- ✦ Clear & Clean (CnC) status now confirmed for 8 of our 14 concession areas. Formal Certification issued for 3 entities with certification for 5 others in process.
- ✦ MCM - Completed new geological resource models – Resource estimate being prepared for new JORC statement in Q1.
- ✦ Authorities extend time available for completion of outstanding CnC issues in PAKAR South.
- ✦ One of the two appellants in the Appeal of the Court verdict relating to our successful defense of the \$28Million Litigation case has gone into provisional liquidation, and the other has now discontinued its appeal.
- ✦ Cash at bank totaling \$2.797 million.

CORPORATE

Chimaera & Empire v Kangaroo Resources legal case

On 1st October 2014 the two Plaintiffs lodged an appeal against certain parts of Court Verdict issued by the Supreme Court of Victoria on 16th September 2014. The Plaintiffs subsequently amended their Appeal and limited it on 23rd October 2014.

We have sought payment for recovery of almost \$900K that the Court awarded to the Company. In December 2014, one of the two Plaintiffs went into provisional liquidation. The other discontinued its appeal on 20th January 2015. We are still pursuing both Plaintiffs for payment of the full amount.

We are also preparing our submission for recovery of our legal expenses in defending the case.

BCBCS (White Energy) v Bayan Resources legal case

As reported in the Q3 report, the Company continues to be involved in the proceedings between PT Bayan Resources Tbk and BCBCS in Western Australia. The Company is not



taking an active part in the proceedings and only remains involved for the purpose of challenging the costs orders that were made against it.

Financial

Cash at bank at the end of the Q4 was AU\$ 2.797 million.

Reported Loan Balance increased in Q4 due to further drawdowns, interest accrued and the effect of FOREX due to the weakening of the AUD against the USD. (Loan is in USD)

New budgets were prepared and approved by the Board for 2015. The Budget includes expenditure for exploration activities which are planned to recommence at GPK and in the PAKAR North area.

The company has continued to reduce spending with 2014 net cash expenditure less than 50% of 2013 net cash expenditure. This trend is expected to continue with the Company continuing to review options to tighten budgets and look for further reduction of Company debt & associated interest costs in 2015 through the:-

- ✦ Reduction in non-essential expenditure
- ✦ Reduction in manpower levels
- ✦ Disposal of under-utilized and surplus assets
- ✦ Sale of remaining MCM coal and subsequent reduction in overheads at MCM site

New Regulations

There have been no further developments or clarifications from the government in Q4 regarding the new regulations on foreign ownership of mining concessions.

Project Development

The development of new mines in Indonesia is a long and involved process. Exploration timeframes of between 4 and 7 years are not uncommon. A significant portion of that time is taken up in navigating the licensing and permitting requirements, which involves interfacing with many different government ministries and departments' at local, regional, provincial and also national level.

- Process steps for exploration
 - Foreign Investment License
 - Corporate Entity
 - Exploration License (IUP-Exp)
 - Clear & Clean Status Registration and certification (CnC)
 - Forestry Usage Permit (to conduct exploration) (IPPKH)
 - Exploration Activities
 - Geo-modeling and Resource Evaluation
- Process steps for production
 - Reserve Evaluation & Feasibility Study
 - Operations License (IUP-Op)
 - Forestry Usage Permit (to build infrastructure and conduct mining) (IPPKH)



- Port Permits (separate permits for location, design, construction & operation)
- Construction (of Port, road access and mine infrastructure)
- License to Store & Use explosives (if blasting is required)
- Mining Activities
- Export Permits
- Marketing and Sale of Coal

The Company currently has interests in 14 separate mining tenements and all are at different stages in their development.

Almost all of these 14 concession areas are located in forestry areas regulated by the Ministry of Forestry. Separate additional forestry usage permits (IPPKH) are therefore required prior to carrying out Exploration activities and also prior to commencing construction of infrastructure and mining activities.

Laws and Regulations can and do change over time, creating the need to revise or revisit steps in the process. The licensing & permitting process has proved to be time-consuming. The process also involves engaging with many different government authorities at National, Provincial and regional level. The Company is well supported by the Legal and Government Relations departments in BAYAN who have been very active in securing Licenses and Permits.

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

We are now targeting opening up mining operations in the TJ concession during 2017 (or earlier if licenses are already in place) which would also involve the construction of short (2km) link roads to connect our mining pit areas to the new 69Km long Bayan Coal haul road and the new Port facility at Senyur on the Kedang Kepala River.

Bayan have already substantially completed the construction of the new Road and Port facilities and have already started construction of a new Crushing & Stockpiling facility located 6Km from the new Port. This new Crushing and Stockpiling facility will be fully commissioned in time for commencement of initial coal production from our PAKAR North mining areas. (BAYAN currently crush coal near its existing mine-site)

Bayan subsidiary entity IP will operate the Road, Crushing, Stockpiling and Barge loading facilities directly.

Initial contracts for coal haulage and for overburden and coal mining have already been awarded by BAYAN for operation at its TABANG operation and Coal Barging contracts are currently being finalized.

- Mining Contractor – PT Petrosea Tbk – Contracted for 65 Million Tonnes over a period 7 Years
- Coal Haulage Contractor – PT BIS Industries – Contracted for 64 Million Tonnes over a period of 7 Years
- Coal Barging Contractor(s) – still being finalised

Coal haulage contractor BIS has mobilized a new 300t capacity road-train fleet to site and has already commenced the hauling of coal from the existing TABANG mine-site.



Coal is currently being transported by BIS to BAYAN'S existing Gunung Sari Port on the Belayan River pending final completion of the new coal haul road to the Senyur Port and the ramp-up of coal mining operations at BAYAN'S 'BT' mine-site which will be the largest single production mine utilizing the newly constructed haul road and new Senyur Port facility.

Capacity at the port is initially planned by BAYAN to reach 30Mtpa in 3 years with the Company having access to 9Mtpa of this capacity and options to increase proportionately on any further expansion.

Mine Plans are currently being developed to fully exploit and utilize this allocation.

All project infra-structure has been fully funded by BAYAN, and this represents a significant advantage to KRL, leaving us able to engage the existing mining, haulage and barging contractors on site and commence operations as soon as our licenses and permits are in secured and without the need to raise additional funds for capex and working capital.

Our main focus is to ensure that we continue to make progress towards obtaining all other necessary permits and approvals required to enable construction and mining operations to commence at PAKAR North in 2017.

The Department of Mines has also been active in Q4, carrying out inspections, audits and assessments related to our applications for CnC status for our PAKAR North concessions and also our PAKAR South concessions.

CnC status is a critical step in the development and licensing & permitting process. Without CnC status, it is not possible for concession holders to:-

1. Transfer to/from Local to PMA status
2. Sell or transfer equity (as per Ministerial Regulation No 27-2013)
3. Upgrade from Exploration IUP to Production IUP,
4. Obtain other necessary Business Licenses
5. Sell Coal
6. Obtain recommendation letters from Bupati's or Governors
7. Make any corporate changes to an entity (eg. change Directors or Commissioners)

We are pleased to report on CnC progress to date for the PAKAR project as follows:

TJ – CnC status confirmed and Certification issued
TA – CnC status confirmed and Certification issued
OM – CnC status confirmed.

We are now able to progress the remaining licenses for PAKAR North.

For DE, SA and CA - We have been advised that local Department of Mines officials have submitted their own reports and recommendations to the Ministry who are responsible for the registration of CnC status and for issuance of certification. Barring any unforeseen circumstances, we believe that CnC status would be forthcoming.

For BS, AU and SK - There are still some issues to resolve with a potential overlapping concession in the PAKAR South area, this has been the subject of legal action in a number of court cases. We had previously been advised that these issues had been resolved



however the process of the CnC applications has indicated otherwise. The matter is currently being investigated further by the Department of Mines who have indicated they are investigating and we expect to receive a ruling on the matter before end March 2015.

The potential 'overlap' encroaches on our existing PAKAR South concessions and represents around 30% of the total area covered by BS, AU & SK, however as these concessions are known to be very low rank coal and are not currently included in our long term projections we intend to wait for the outcome of the Department of Mines investigation before deciding on any further course of action.

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

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

We are pleased to report on CnC progress for MAMAHAK as follows:

MCM – CnC status confirmed and Certification issued

MEL – CnC status confirmed and Certification issued

MBE – CnC status confirmed and Certification issued

BKL – CnC status confirmed – issue of Certificate deferred as license still in process of renewal /extension.

At the end of Q4 some 67,300 tonnes of product coal (and 4,200 tonnes of bedding coal) remain in stockpile on site to be barged to BCT.

River water levels increased significantly in December 2014, and although no barging was carried out in Q4, we are pleased to report that barges have now been able to access the Long Hubung jetty and coal is now being barged offsite in January. We are hopeful of river water levels remaining sufficiently high to enable us to barge all the remaining coal stockpiles before the next 'dry' season.

Clearing the coal stocks from site will enable us to reduce site care and maintenance costs further to help ensure minimal cash outflows while production and exploration at MCM will remain suspended awaiting the improvement of coal markets.

GRAHA PANCA KARSA COAL PROJECT (GPK)

GPK – CnC status confirmed. The forestry land usage permit (IPPKH) has now been issued for an initial block of 467.50 Hectares. The IPPKH permit is valid till 2028.

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

An additional application will now be prepared be submitted for further forestry permits to enable exploration work to be carried out in the southern most area of the GPK concession.

Funding for this initial work program will be through a loan facility from the Company (KRL) backed by the BAYAN Group.



Discussion with the owners of a neighbouring coal-mine over the shared use of existing road and/or port infrastructure is continuing.

Commencement of production operations at GPK will be timed to coincide with an improvement in coal markets. We are also currently reviewing the options for equity structure to address the latest (Q4 - 2013) changes to foreign ownership regulations related to mining concessions.

MT RUBY PROJECT

In Q4 the Company entered into a formal SPA to sell its interests in the Mt Ruby tenement. This agreement includes 3 lump-sum payments spread over a 9 month period with a residual royalty provision in the event that further mineral deposits are developed and exploited in the lease area. The parties are now awaiting Queensland Department of Natural Resources and Mines (DNMR) confirmation of the lease transfer.

LIST OF MINING TENEMENTS HELD AT 31 DEC 2014

Queensland, Australia

- ✦ Kangaroo Minerals Limited - Mt Ruby Exploration Lease EPM14480 - 100% (in process of being transferred – expect title transfer to be legalized in Q1 of 2015)

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 (subsidiary company of KRL)
- ✦ WEC – White Energy Company Limited (ASX – WEC)



- PMA – Perusahaan Model Asing (local term used for a foreign investment company)
- BCT – Balikpapan Coal Terminal
- DPP – PT Dermaga Perkasapratama – (operators of BCT and owned by BAYAN)
- CnC – Clear & Clean Status (granted by Department of Mines)
- SPA – Sale & Purchase Agreement
- IP – PT Indonesia Pratama (services company owned by BAYAN)
- BIS – PT BIS Industries (current Coal Haulage Contractors for TABANG)
- PTP – PT Petrosea Tbk (current Mining & Construction Contractors at TABANG)
- BT – PT Bara Tabang (one of the 2 BAYAN owned existing coal-mines at TABANG)

MAMAHAK

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

PAKAR (NORTH)

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

PAKAR (SOUTH)

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

PAKAR (NORTH & SOUTH)

- SAU – PT Sumber Aset Utama
- Senyur – proposed port location on Kedang Kepala River for PAKAR projects
- Gunung Sari – existing Port location on Belayan River for TABANG projects

GRAHA PANCA

- GPK – PT Graha Panca Karsa

Further information:

Ian Ogilvie

Managing Director

T | +61 8 9322 4994

E | info@kangarooresources.com

W | www.kangarooresources.com

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

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

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")

31 December 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	-	(194)
	(b) development	-	-
	(c) production	(303)	(2,513)
	(d) administration	(566)	(3,596)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	32	131
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
		(837)	(6,172)
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	83	83
	(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)	-	-
		83	12,695
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(754)	6,523

+ 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)	(754)	6,523
	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	605	5,919
1.17	Repayment of borrowings	-	(12,750)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	605	(6,831)
	Net increase (decrease) in cash held	(149)	(308)
1.20	Cash at beginning of quarter/year to date	2,818	2,976
1.21	Exchange rate adjustments to item 1.20	128	129
1.22	Cash at end of quarter	2,797	2,797

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

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

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

NIL

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

NIL

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	34,997	34,997
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	2,797	2,818
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,797	2,818

+ See chapter 19 for defined terms.

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

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	EPM14880 90 Km Sth-Wst Cairns Qld	Exploration permit for minerals 20 Blocks	Nil
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
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: 30 January 2015
(Director)

Print name: Leonard Math

Notes

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

== == == == ==