
ASX RELEASE

31 March 2015

**KANGAROO RESOURCES LIMITED
– REVIEW OF CARRYING VALUES FOR THE YEAR ENDED 31 DECEMBER 2014**

Kangaroo Resources Limited (ASX: KRL) ('the Company') advises that it has now finalised its review of the carrying value of its non-current assets as at 31 December 2014 and has agreed the impact on the loss from continuing operations for asset impairment is \$A128 million (after tax). This falls within the range estimated to the market on 27 March 2015.

As previously advised, the impairment charge has arisen due to a combination of factors, including: -

- Lower than expected prices for coal and market outlook for further declines over the next 3 years; and
- Potential Indonesian mining regulation changes, permitting and licensing issues, and further deferral of production.

The Company's financial statements for the year ended 31 December 2014 follow.

**Ian Ogilvie
Managing Director
Kangaroo Resources Limited**



KANGAROO RESOURCES LIMITED

ABN 38 120 284 040

Annual Report for the year ended 31 December 2014



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CORPORATE DIRECTORY

31 DECEMBER 2014



Directors

Graham Anderson – Non Executive Chairman
Ian Ogilvie – Managing Director
David Yi Ngo Low – Non Executive Director
Leonard Math – Non Executive Director
Russell Neil – Non Executive Director
Trevor Butcher – Non Executive Director

Company Secretary

Sue Symmons

Registered Office

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Principal Place of Business

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Stock Exchange

Australian Securities Exchange Limited ("ASX")
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Quoted on the official list of the Australian
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ASX Symbol: **KRL**

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Solicitors

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Norton Rose Fulbright Australia
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Bankers

National Australia Bank Limited

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Domicile and Country of Incorporation

Australia

DIRECTORS' REPORT

31 DECEMBER 2014



Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Kangaroo Resources Limited (KRL or the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2014.

DIRECTORS AND COMPANY SECRETARIES

The Directors and the Company Secretaries of the Company at any time during or since the end of the financial year are as follows:

Graham Anderson B Bus - Independent Non-Executive Chairman

Mr Anderson was appointed a director of Kangaroo Resources on 1 May 2013.

Mr Anderson has over 30 years commercial and corporate experience having commenced his career in 1983 with Ernst & Young before later moving to national chartered accounting firm, Duesburys and Horwath as Partner. Mr Anderson's responsibilities included corporate services divisions of the Perth practice, including preparation and signing of Independent Experts Reports and Independent audit reports. He operates his own specialist accounting and management consultancy practice, providing a range of corporate advisory and audit services to both public and private companies. From 1990 to 1999 he was an audit partner at Horwath Perth.

Mr Anderson is a member of the Audit Committee and Remuneration & Nominations Committee and is Chairman of the Continuous Disclosure Committee.

Mr Anderson is currently Non Executive Chairman of Gulf Minerals Corporation Limited, Oakajee Corporation Limited and Pegasus Metals Limited, Non Executive Director of Mako Hydrocarbons Limited and Company Secretary of a number of ASX, NZX and AIM listed companies.

In the last 3 years Mr Anderson was a director of the following ASX Listed companies:-

Dynasty Metals Limited (appointed 6 August 2004; resigned 21 March 2011)
Echo Resources Limited (appointed 25 March 2004; resigned 1 October 2012)
Tangiers Petroleum Limited (appointed 21 December 2010; resigned 7 September 2012)
WAG Limited (appointed 23 May 2013; resigned 11 October 2013)
APA Financial Services Limited (now called Dairy Farm Investments Limited) (appointed 13 April 2006; resigned 23 October 2014)

Ian Ogilvie MIQ, MAusIMM - Managing Director

Mr Ogilvie was appointed a director of Kangaroo Resources on 1 May 2013.

Mr Ogilvie has a civil and mining engineering background with over 34 years continuous mining industry experience, having worked in the UK, USA, Indonesian and Australian resource sectors as a mining contractor, a coal producer and also as a global supply chain manager.

Mr Ogilvie brings an extensive range of technical and management skills to KRL, developed through his long involvement in international operations, business development, field exploration, green-field developments, mining infrastructure, project management, risk management, joint ventures, mining contracts, cost estimating & tendering, asset valuations, corporate structures, project finance, acquisitions, supply chain logistics and also commodities trading.

Mr Ogilvie has been resident in Indonesia since 1995, engaged in a variety of senior management and country manager roles representing a number of major mining companies including Miller Mining, Adaro, Petrosea, Henry Walker Eltin, Kaltim Prima Coal and The Noble Group.

DIRECTORS' REPORT

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Mr Ogilvie is a member of the Continuous Disclosure Committee.

Mr Ogilvie joined KRL in April 2013 and was appointed Managing Director in May the same year. He did not hold any directorships in other listed companies in the previous 3 years.

David Low Yi Ngo BSc (Mechanical Engineering and Production) - Non-Executive Director

Mr Low was appointed a director of Kangaroo Resources on 13 June 2011.

Mr Low is Sales and Marketing Manager for PT Bayan Resources Tbk. Mr Low has held various senior management roles within Indonesia and Asia over the past six years and is currently CEO and Managing Director of Singapore entity Manhattan Resources Limited.

Mr Low did not hold any directorships in other listed companies in the previous 3 years.

Leonard Math B Bus - Independent Non-Executive Director

Mr Math was appointed a director of Kangaroo Resources on 1 May 2013.

Mr Math graduated from Edith Cowan University in 2003 with a Bachelor of Business majoring in Accounting and Information Systems. He is a member of the Institute of Chartered Accountants and the Australian Institute of Company Directors.

In 2005, he worked as an auditor at Deloitte before joining GDA Corporate as Manager of Corporate Services.

Mr Math has extensive experience in relation to public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations with both retail and institutional investors.

Mr Math is Chairman of the Audit Committee.

Mr Math is currently a director of ASX listed company RMA Energy Limited and Elemental Minerals Ltd.

Mr Math did not hold any other directorships in the last 3 years.

Russell Neil FCPA, CFA - Non-Executive Director

Mr Neil was appointed a director of Kangaroo Resources on 13 June 2011.

Mr Neil is a CPA and CFA and is an Indonesian-based mining executive with over 23 years of corporate experience in accounting, finance and management roles within the mining industries of Australia and Indonesia. Mr Neil previously worked for WMC Ltd, Eltin Ltd and Tiwest Joint Venture in Australia and consulted to a number of Indonesian mining companies.

Mr Neil is currently Chief Development Officer and a Director of PT Bayan Resources Tbk and is Chairman of the Remuneration & Nominations Committee and is a member of the Audit Committee.

Mr Neil did not hold any directorships in other listed companies in the previous 3 years.

DIRECTORS' REPORT

31 DECEMBER 2014



Trevor Butcher - Non-Executive Director

Mr Butcher was appointed a director of Kangaroo Resources on 1 October 2009.

Mr Butcher is a mining industry professional who has spent more than eight years working in the Indonesian mining industry. This vital industry knowledge, along with his significant Indonesian business networks and strong relationships with local partners, puts him in a strong position to help guide the company through the next phases of development.

Mr Butcher is a member of the Remuneration & Nominations Committee.

Mr Butcher did not hold any directorships in other listed companies in the previous 3 years.

Sue Symmons B Comm - Company Secretary

Ms Symmons was appointed Company Secretary of Kangaroo Resources on 23 August 2013.

Ms Symmons is a corporate services executive with GDA Corporate. Prior to joining GDA Corporate, Ms Symmons was Company Secretary to ASX listed Jetset Travelworld Limited, an integrated business operating wholesale and retail networks, ASX listed Automotive Holdings Group Limited and ASX listed wine company Evans & Tate Limited. Ms Symmons was also Company Secretary to Heytesbury Pty Ltd, a private company with interests in property, construction and agribusiness.

Ms Symmons is a member of the Governance Institute of Australia and Australian Institute of Company Directors and holds a Bachelor of Commerce majoring in Accounting and Corporate Administration and a Master of Business Law.

Mr Michael Loh was appointed as Joint Company secretary on 1 May 2013 and resigned as Joint Company Secretary of Kangaroo Resources on 7 November 2014.

Mr Alastair McLeod was appointed a director of Kangaroo Resources on 13 June 2011 and resigned on 31 December 2014.

DIRECTORS' REPORT

31 DECEMBER 2014



DIRECTORS' INTERESTS

No Director held a direct interest in the share capital of the Company as at the date of this report. The following directors held management positions in the Company's majority shareholder PT Bayan Resources Tbk as at 31 December 2014, and therefore have an indirect interest of 56.05% in the Company.

- Russell Neil - Director of Business Development
- Alastair Macleod - Director of Finance
- David Low Yi Ngo – Director of Sales & Marketing

DIRECTORS' MEETINGS

The number of meetings of the Company's board of directors held during the year ended 31 December 2014, and the number of meetings attended by each Director were:

	Board Meetings		Audit Meetings		Continuous Disclosure Meetings		Remuneration Meetings ¹	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
G Anderson	7	7	3	3	1	1	0	0
T Butcher	7	6	n/a	n/a	n/a	n/a	0	0
D Low Yi Ngo	7	1	n/a	n/a	n/a	n/a	n/a	n/a
A McLeod ²	7	5	3	3	n/a	n/a	n/a	n/a
L Math	7	7	3	3	n/a	n/a	n/a	n/a
R Neil	7	6	n/a	n/a	n/a	n/a	0	0
I Ogilvie	7	6	n/a	n/a	1	1	n/a	n/a

¹ No Remuneration and Nominations Committee meetings were held during the year ended 31 December 2014. The full Board attended to the duties of this Committee up to this date.

² Resigned on 31 December 2014.

COMMITTEE MEMBERSHIP

Current members of the Committees are:-

Audit	Remuneration & Nominations	Continuous Disclosure
L Math (Chairman)	R Neil (Chairman)	G Anderson (Chairman)
G Anderson	G Anderson	I Ogilvie
R Neil ¹	T Butcher	D Henderson
		S Symmons

¹ Replaced Mr A McLeod following his resignation on 31 December 2014.

PRINCIPAL ACTIVITIES

Kangaroo Resources Limited is a mineral resources company which has its corporate head office in Perth, Australia. The company 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.

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

MANAGEMENT OUTLOOK

Mineral exploration and exploitation is the core business of the Company. The Company's current mineral asset portfolio is predominantly in coal and predominantly in Indonesia. The company's strategy is to accelerate the development of those coal assets, in particular the 'Pakar' asset acquired in 2011.

In 2014 the Company witnessed a continuing decline in world coal markets. The primary Newcastle Index for thermal coal dropped over the year from around US\$86 per tonne down to US\$64 per tonne which is well below the Company's previous internal long term coal price forecasts.

This significant market slump, coupled with market indications of a further drop in world coal prices over the next 2-3 years has caused the Company to now take a more prudent view of long term coal prices going forward.

This reduction, coupled with increased Indonesian sovereign risk and a reduced production outlook amongst other items, has also prompted the Company to re-evaluate and impair the carrying value of its mining asset portfolio in accordance with relevant accounting standards.

Work done in revising asset valuation models to reflect the current depressed market outlook and a more prudent approach to risks caused by the largely 'greenfield' nature of the Company's assets and the Country risk related to the ownership and development of projects in Indonesia, has resulted in a need to impair the carrying value of all the Company's mining assets by almost 36% (amounting to \$168,033,951).

Despite this impairment the Company's Indonesian coal portfolio still holds significant reserves and resources and the relationship with the Company's major shareholder, PT Bayan Resource Tbk (BR) provides the Company with further advantages through access to extensive operational experience, project infrastructure, financing, existing logistics set up, existing markets and client base.

The Company is still on track to deliver a joint development of Pakar working alongside the Bayan Resources' Tabang Project ("Tabang"). BR is already producing and selling coal from Tabang and the construction of a new road and port infrastructure to link Tabang with the Company's Pakar project and the new port area is largely completed to enable the next phase of their Tabang expansion to commence.

Arrangements are currently being put in place to ensure the Company will also benefit from this new infrastructure which will reduce our capital funding requirements, provide a reliable access to the market for our planned coal production and play a pivotal role in the development of the Pakar projects.

Despite the more conservative view of long term coal prices going forward, the Company still believes that the long term coal market pricing will improve in line with its latest plans to progressively bring its new Indonesian coal projects into production.

The Directors remain confident that the Pakar project development will gather momentum and enable the Company to attract new investors as it moves ever closer toward entering full scale coal production.

DIRECTORS' REPORT

31 DECEMBER 2014



OPERATING AND FINANCIAL REVIEW

The consolidated comprehensive loss of the Group for the year ended 31 December 2014 was \$138,368,722 (31 December 2013: \$17,828,839 loss).

This comprehensive loss was mainly due to the following factors;

Impairment of Mining Assets (\$168,033,951)

Mainly driven by the continued downturn in worldwide coal prices and the likely return to higher prices being delayed further (amongst other items) management has made the prudent decision to impair \$168,033,951 of its mining assets. This is a non-cash transaction and the value of these impairments is summarised below:-

PT Dermaga Energi & PT Tanur Jaya	\$122,530,997
PT Tiwa Abadi	\$ 18,426,545
PT Apira Utama	\$ 4,913,300
PT Bara Sejati	\$ 2,461,118
PT Mahakam Energi Lestari	\$ 2,258,835
PT Mahakam Bara Energi	\$ 2,072,868
PT Bara Karsa Lestari	\$ 1,969,280
PT Cahaya Alam	\$ 1,235,026
PT Silau Kencana	\$ 2,378,382
PT Sumber Api	\$ 2,338,950
PT Orkida Makmur	\$ 7,448,650

For more detailed information on the impairments please refer to Notes 11, 13 and 14 to the Consolidated Financial Statements.

Operating Expenses (\$4,710,818)

Further operating expenditure at Mamahak Coal Mine (MCM) as operations remain in care and maintenance at the mine site, awaiting the final barging of the remaining coal stocks at the Long Hubung port. It is worth noting that the great majority of operating expenditure was non-cash with \$1,715,042 relating to depreciation and \$1,518,245 relating to further write-downs of the coal inventory at MCM due to the fall in coal prices. It is also worth noting that in the first quarter of 2015 MCM has begun barging the coal from Long Hubung and management are confident that we will have barged all the coal from Long Hubung by the end of April 2015. This will provide a substantial saving in operating expenditure going forward.

Administrative Expenses (\$3,469,766)

Whilst management continue to reduce corporate overheads in Australia following the management restructuring in 2013, administrative costs have increased from 2013 mainly due to the legal costs involved in defending the court action taken against the Company by its former advisors Chimaera Capital Pte Ltd and Empire Equity Limited. This case was awarded in favour of the Company and both Plaintiffs have withdrawn from the appeal process. In 2015 legal costs and administrative costs will decrease as a result.

Finance costs (\$1,716,177)

Interest accrued on outstanding borrowings with BR have amounted to \$1,716,177. Management reduced net borrowings with BR in 2014 as a result of finalising the outstanding Pakar Receivable of \$12m USD which was used to reduce the loan principal owing to BR. Management already have plans in place to further reduce borrowings with BR in 2015 which will further reduce debt and interest accruing.

Other costs (\$1,509,263)

Other costs of \$1,509,263 relate to foreign exchange losses mainly generated on the revaluation of the loans with BR.

Income Tax Benefit \$40,144,805

Income tax benefit of \$40,144,805 relates to reductions in deferred tax liability associated with the impairment of mining assets at Pakar. When the Pakar licenses were originally purchased in 2011 their fair value exceeded their tax base which resulted in the above corresponding deferred tax liability.

Other Income \$740,120

Other income represented \$375,000 legal cost recovery awarded to the Company and \$250,000 being the sale of the Australian mining tenement Mt Ruby (see Note 5 to the Consolidated Financial Statements) and \$115,120 gain on sale of fixed assets.

OPERATIONS

Indonesian Projects:

The Company currently has interests in three Indonesian coal projects, all located in East Kalimantan:

- ✦ 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 (84.82% reducing to 76.82%, See note 22(b)) – thermal coal, with one mining concession.

Pakar Thermal Coal Project

The Pakar coal project is a major component of the Company's Indonesian coal production strategy. These 9 mining concessions form one continuous block which borders BR's Tabang project block offering considerable scope to extend exploration and increase mineable reserves and resources on both projects.

To date the Company has already secured a 99% direct equity interest in 5 of the 9 mining concessions and also the Senyur port area. The further transfer of the remaining 4 concessions from BR into the Company remains in progress and pending approvals and realignment with new government regulations regarding limits for direct foreign ownership of mining concessions.

The Company is on track to opening up mining operations, initially in the Tanur Jaya (TJ) concession during 2018 (or earlier if licenses are already in place) which would also involve connecting our proposed mining pit areas to the new 69Km long BR Coal haul road and the new BR Port facility at Senyur on the Kedang Kepala River.

BR has now substantially completed the construction of the new Road and Port facilities and has already started construction of a new Crushing & Stockpiling facility at the new Port. This new Crushing and Stockpiling facility will be fully commissioned within the next year, well ahead of commencement of initial coal production from our Pakar North mining areas.

Capacity at the port is initially planned by BR to reach 30Mtpa in 3 years with the Company having access to 9Mtpa of this capacity available for its own Pakar mining concessions and options to increase proportionately on any further expansion. Commercial agreements for this infrastructure sharing arrangement are due to be concluded later in 2015.

BR's Tabang mining projects have already commenced production and preparation work on the Company's own Pakar mining concessions is well underway, however this is dependent upon obtaining further forestry usage permits. The process of obtaining these permits has already commenced.

All project capital expenditure involved in the new haul road, processing, stockpiling and barge loading facilities has been fully funded by BR which owns the infrastructure. This represents a significant advantage to the Company, leaving the Company in a good position to commence operations as soon as its own licenses and permits are secured and without the need to raise additional funds for capital expenditure.

The Company continues to make progress towards obtaining all other necessary permits and approvals required to enable construction and mining operations to commence at Pakar in 2018.

Initial mining areas have already been identified and more detailed mine plans are currently being developed to fully exploit and utilize this 9Mtpa infrastructure throughput allocation.

Mamahak Coking Coal Project

Mamahak project consists of 4 separate mining concessions (MCM, MEL, MBE and BKL).

A temporary port is in place at Long Hubung on the Mahakam River to enable barging of coal from the project. Long Hubung is 640km from the Balikpapan Coal Terminal (or 559Km from the Muara Jawa ship loading anchorage).

Mining Operations at MCM were suspended in December 2012 and have remained suspended throughout 2013 and 2014.

Exploration activity at MCM was curtailed at the end of April 2014 with a total of 102 drill holes drilled on MCM plus a further 39 holes on the MEL concession area totalling 7,039 linear meters for the two concessions. In addition to 141 holes of exploration, a further 45 previously drilled holes in MCM were re-drilled and geophysically logged to check and verify previous data.

Geological models have now been updated to enable a reassessment of coal resources. An initial internal calculation of coal resources based on the new geological modelling work has been prepared and provided to external consultants for verification and preparation of revised statements.

Seasonal changes in the Mahakam River levels severely restricted barging activities during the entire 12 month period and as a result, no coal was barged or sold during 2014. At the end of December 2014 some 67,300 tonnes of product coal and 4,200 tonnes of bedding coal remain in stockpile on site to be barged to the Balikpapan Coal Terminal.

River water levels have increased significantly in the first quarter of 2015, and although no barging was carried out in 2014, MCM has begun barging the coal from Long Hubung and management are confident that we will have barged all the coal away from Long Hubung by the end of April 2015.

Labour and equipment resources have been progressively reduced at MCM throughout the year in order to minimize monthly costs. 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 remain suspended awaiting the improvement of coal markets.

Recommendation of mining activity at the MCM project remains dependent on the identification and definition of a larger mineable coal reserves and resources to justify the additional capital expenditure required to overcome the barging restrictions caused by the seasonal river level variations at the current Long Hubung port location.

Given sufficient mineable reserves and resources, new road access would need to be constructed to link the MCM project to the new proposed port location at GPK project. This proposed new port location is approximately 550km from the Balikpapan Coal Terminal and is less susceptible to variation in river water levels and would provide much better access for barging.

DIRECTORS' REPORT

31 DECEMBER 2014



GPK Thermal Coal Project

A production license has already been granted for this project. In 2014 the Company also secured 'clear and clean' status for its mining license along with an initial forestry usage permit covering a 467.50 Hectare block.

A draft budget and work plan has been prepared 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 and submitted for further forestry permits to enable exploration work to be carried out in the southern most area of the GPK concession.

The Company is committed to the development of GPK but, in light of current coal markets, the Company is currently evaluating the timing of the development of this project.

Funding for this initial work program will be through a loan facility from BR. Discussion with the owners of a neighbouring coal-mine over the shared use of existing road and/or port infrastructure is continuing.

The Company is reviewing the options for equity structure to address recently introduced changes to foreign ownership regulations related to mining concessions. The Company holds an 84.82% economic interest in the GPK project, along with a pre-existing obligation to pass on 8% of that interest to a third party, KAL Energy.

Australian Projects:

Mt Ruby Iron Ore 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 Board of Directors approved the disposal of the Mt Ruby tenement during 2014 and the Company entered into a formal Sale and Purchase Agreement to sell its interests in the Mt Ruby tenement on 27 November 2014.

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. We are now finalising the process following Queensland Department of Natural Resources and Mines confirmation of the lease transfer.

GOING CONCERN

For the year ended 31 December 2014, the Company incurred a total comprehensive loss of \$138,386,722 (31 December 2013: \$17,828,839 loss), net cash outflows from operating activities of \$6,506,120 (31 December 2013: \$10,542,956) and has a working capital deficiency of \$34,496,628 (31 December 2013: \$23,624,005). The group was advanced loans of \$6,265,669 from PT Bayan Resources Tbk "Bayan Resources", the major shareholder of the Company, to fund operating cash flow and capital expenditure (31 December 2013: \$15,847,410).

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

Bayan Resources 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 now and in the future. The undertaking is provided for a minimum period of twelve months from the date of these financial statements. However, a material uncertainty exists regarding Bayan Resources' ability to provide that support, due to Bayan Resources having negative working capital at 31 December 2014 arising primarily from an outstanding bank loan which will mature in 2015. Should Bayan Resources be unable to provide the Company with sufficient funding, the Company would be required to obtain funding from alternative sources,

DIRECTORS' REPORT

31 DECEMBER 2014



such as the issue of new equity.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon Bayan Resources' ability to provide sufficient financial assistance to the Company.

Based on the current plans and ongoing actions of Bayan Resources regarding its own financial position, the directors believe it is reasonable that the Group will be able to obtain sufficient financial assistance from Bayan Resources to fund its working capital requirements and to pay its debts as and when they fall due for at least twelve months from the date of these financial statements. As such, the Group's consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that may result if the Group was unable to continue as a going concern.

The attached financial report contains an independent auditor's report which includes an emphasis of matter paragraph relating to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. For further information, refer to Note 1 in the financial statements, together with the auditor's report.

SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

During the financial period ending 31 December 2014 the Companies activities were influenced by the following events:

Legal Action Against the Company – The Company has been successful in defending itself against this case. In May 2014 the Company and its legal advisors attended the Supreme Court hearing in Victoria to defend itself against the legal action brought against the Company by former consultants Chimaera Capital Markets Pte Ltd & Empire Equity Limited. The action against the Company was to recover fees and other benefits that they alleged were owed to them under an Advisory Agreement that was entered into by the Company in 2010. Amounts totalling \$28M had been included in the claim. In September 2014 the Supreme Court of Victoria issued its judgement in favour of the Company. Chimaera and Empire appealed the Courts verdict, but subsequently had both withdrawn from the appeal by February 2015. However the case has consumed large amounts of management time and legal costs were high, with little chance of recovering costs over the reservation amount of \$375,000 due to the financial state of the plaintiffs.

Shareholder Loans - The Company was able to significantly reduce its debt during 2014, by the recovery of an outstanding transaction of \$12M USD relating to the completion of the Pakar transaction. The company is currently still dependent on ongoing funding from its major shareholder BR to provide funding to meet ongoing operational costs and overheads.

LIKELY DEVELOPMENTS

Likely developments in the operation of the Group and the expected results of those operations are included under the operating and financial review in this Directors' Report.

Other than as referred to in this report, further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have not been included in this report because the Directors believe it would be speculative and likely to result in unreasonable prejudice to the Group.

DIRECTORS' REPORT

31 DECEMBER 2014



DIVIDENDS

No dividend has been paid by the Group during the year ended 31 December 2014 and the Directors do not recommend payment of a dividend.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of the report, other than those referred to above or in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the group in subsequent financial years.

DIRECTORS' REPORT

31 DECEMBER 2014



REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*. The remuneration arrangements detailed in this report are for the Directors and other key management personnel ('KMP') as follows:

G Anderson	Non Executive Chairman
I Ogilvie	Managing Director
L Math	Non Executive Director
T Butcher	Non Executive Director
D Low Yi Ngo	Non Executive Director
A Mcleod ¹	Non Executive Director
R Neil	Non Executive Director
D Henderson	Financial Controller

¹ Resigned 31 December 2014

The Remuneration Report is set out under the following main headings:

- A Remuneration Philosophy
- B Remuneration Structure and Approvals
- C Remuneration and Performance
- D Details of Remuneration
- E Contractual Arrangements
- F Share-based Compensation
- G Equity Instruments Issued on Exercise of Remuneration Options
- H Value of options to Directors
- I Adoption of Remuneration Report by Shareholders

A. Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Company. KMP currently comprise the Board of Directors and Financial Controller.

The performance of the Company depends upon the quality of its KMP. To prosper the Company must attract, motivate and retain appropriately skilled Directors and Executives.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Several executives of the Company's majority shareholder, PT Bayan Resources Tbk, are non-executive members of the Board of Directors and currently do not charge any fees in this capacity. These non-executive directors have the skills and experience to perform some of the duties that would otherwise be the responsibility of other key management personnel, for which additional costs to the Company would normally be incurred.

B. Remuneration Structure and Approvals

The Board has a separate Remuneration and Nominations Committee. This Committee has only recently been established. Prior to the establishment of this Committee, remuneration of Directors was set by the full Board of Directors. The Board has not at this point in the Company's development engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors. It is considered that the level of activity of the Company does not warrant such engagement.

Non-Executive Remuneration Structure

The remuneration of Non-Executive Directors consists of Directors' fees, payable in arrears. The Board, in accordance with the Company's Constitution and the ASX Listing Rules specify that the Non-Executive Directors fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2010 Annual General Meeting (AGM) held on 30 November 2010 whereby shareholders approved an aggregate fee pool of \$400,000 per year. The Board will not seek any increase for the Non-Executive Directors pool at the 2015 Annual General Meeting.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors. Non-Executive Directors do not receive retirement benefits but are able to participate in share-based incentive programmes in accordance with Company policy.

During the financial year, Non-Executive Directors received combined fees totalling \$174,585. Mr Anderson is paid a Director's fee of \$6,000 per month (plus GST), Mr Math is paid a Director's fee of \$3,000 per month (plus GST) and Mr Butcher is paid Director's fees of \$5,000 USD per month. Messrs, Low, McLeod and Neil do not receive Director's fees.

Further details relating to remuneration of Non-Executive Directors are contained in the remuneration table disclosed in Section D of this Report; and within the Notes to the Financial Statements: Note 24 Related Party Disclosures.

Non-Executive Remuneration Approvals

The Board, in accordance with the Company's Constitution, sets the aggregate remuneration of Non-Executive Directors, subject to shareholder approval. Within this pre-approved aggregate remuneration pool, fees paid to Non-Executive Directors for the year ended 31 December 2014 were approved by the Board of Directors in the absence of the Remuneration and Nominations Committee and was set at levels to reflect market conditions and encourage the continued services of the Directors. Remuneration may also include an invitation to participate in share-based incentive programmes in accordance with Company policy.

The nature and amount of remuneration is collectively considered by the Board of Directors with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing Directors and Executives.

Executive Remuneration structure

The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team.

The main objectives sought when reviewing executive remuneration is that the Company has:

- coherent remuneration policies and practices to attract and retain executives;
- directors who will create value for shareholders;
- competitive remuneration offered benchmarked against the external market; and
- fair and responsible rewards to executives having regard to the performance of the Company, the performance of the executives and the general pay environment.

DIRECTORS' REPORT

31 DECEMBER 2014



The Company offers short term schemes to Executive Directors only. The Company does not offer any retirement benefits to Executive Directors and there are no performance related links to shareholder wealth and remuneration policies.

During the financial year, the Company's Managing Director, Mr Ogilvie, received remuneration totalling \$409,332.

Further details relating to remuneration of Executive Directors are contained in the remuneration table disclosed in Section D of this Report; and within the Notes to the Financial Statements: Note 24 Related Party Disclosures.

Executive Remuneration Approvals

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice. The newly formed Remuneration and Nominations Committee will review Executive contracts annually. The process will consist of a review of company, business unit and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management. Prior to the Remuneration and Nominations Committee being established, this process was undertaken by the full Board.

Executive remuneration and incentive policies and practices must be aligned with the Company's vision, values and overall business objectives. Executive remuneration and incentive policies and practices must be designed to motivate the directors and management to pursue the Company's long term growth and success and demonstrate a clear relationship between the Company's overall performance and the performance of executives.

C. Remuneration and Performance

Short term bonus schemes offered to Executive Directors are detailed in Service Agreements and approval of any payments under such schemes are subject to the approval of the Chairman acting on advice of the Remuneration and Nominations Committee.

Director remuneration is currently not linked to either long term or short term performance conditions. The Remuneration and Nominations Committee/Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

D. Details of Remuneration

The KMP of the Company for the year ended 31 December 2014 were the Board of Directors and the financial controller Damien Henderson.

During the financial year ended 31 December 2014 and the financial year ended 31 December 2013 the KMP received no long-term benefits. The only remuneration received by the KMP within these periods were short-term employee benefits.

DIRECTORS' REPORT

31 DECEMBER 2014



Twelve months ended 31 December 2014	Short-term benefits				Post-employment benefits	Share-based payment	Total	Percentage remuneration consisting of options for the year
	Salary & Fees	Bonus	Non-monetary	Other	Termination	Options & rights		
	\$	\$	\$	\$	\$	\$	\$	
Directors								
I Ogilvie	409,332	-	-	-	-	-	409,332	0.00%
G Anderson	72,000	-	-	-	-	-	72,000	0.00%
L Math	36,000	-	-	-	-	-	36,000	0.00%
T Butcher	66,585	-	-	-	-	-	66,585	0.00%
D Low Yi Ngo	-	-	-	-	-	-	-	0.00%
A McLeod ¹	-	-	-	-	-	-	-	0.00%
R Neil	-	-	-	-	-	-	-	0.00%
Sub-total	583,917	-	-	-	-	-	583,917	
Other Key Management								
D Henderson	216,429	17,584	-	-	-	-	234,013	0.00%
Sub-total	216,429	17,584	-	-	-	-	234,013	
Total	800,346	17,584	-	-	-	-	817,930	

1. Resigned 31 December 2014

DIRECTORS' REPORT

31 DECEMBER 2014



Details of the remuneration of the Directors and other key management personnel of the Company for the year ended 31 December 2013 are set out below:

Twelve months ended 31 December 2013	Short-term benefits				Post-employment benefits	Share-based payment	Total	Percentage remuneration consisting of options for the year
	Salary & fees	Bonus	Non-monetary	Other	Termination	Options & rights		
	\$	\$	\$	\$	\$	\$	\$	
Directors								
I Ogilvie ¹	266,265	-	-	-	-	-	266,265	0.00%
G Anderson ¹	48,000	-	-	-	-	-	48,000	0.00%
L Math ¹	24,000	-	-	-	-	-	24,000	0.00%
T Butcher	64,862	-	-	-	-	-	64,862	0.00%
M O'Keeffe ²	122,527	-	-	-	76,814	-	199,341	0.00%
P Richards ²	30,000	-	-	-	-	-	30,000	0.00%
D Wentworth ²	36,732	-	-	-	-	-	36,732	0.00%
D Low Yi Ngo	-	-	-	-	-	-	-	0.00%
A McLeod	-	-	-	-	-	-	-	0.00%
R Neil	-	-	-	-	-	-	-	0.00%
Sub-total	592,386	-	-	-	76,814	-	669,200	
Other Key Management								
D Henderson ¹	138,026	-	-	-	-	-	138,026	0.00%
Sub-total	138,026	-	-	-	-	-	138,026	
Total	730,412	-	-	-	76,814	-	807,226	

1. Appointed 1 May 2013
2. Resigned 30 April 2013

E. Contractual Arrangements

On appointment, the Executive Directors enter into a service agreement with the Group in the form of a letter of appointment. The letter outlines the Board policies and terms, including remuneration relevant to the office of director.

Details of the Executive Director service agreements are as follows:-

I Ogilvie

Monthly Salary – US\$24,000 Net of tax

Term Bonus – 1 month salary for every twelve months worked subject to remuneration committee discretion

Annual Performance Bonus – Minimum 1 month salary subject to remuneration committee discretion

Period of Notice – 1 month

Term – Open

DIRECTORS' REPORT

31 DECEMBER 2014



Non Executive Directors receive a letter of appointment which contains key terms to their appointment. Such terms include the term in accordance with the Constitution of the Company, time commitment expected, role, remuneration (if applicable), standards of conduct and cessation of office.

Details of the Non-Executive service agreements are as follows:-

Graham Anderson
Monthly Fee - \$6,000 (plus GST)
Period of Notice – 3 months
Term – Continuing, subject to the Constitution

Trevor Butcher
Monthly Fee – US\$5,000
Period of Notice – 1 month
Term – Continuing, subject to the Constitution

Leonard Math
Monthly Fee - \$3,000 (plus GST)
Period of Notice – 3 months
Term – Continuing, subject to the Constitution

Alastair McLeod
Monthly Fee - \$nil
Period of Notice – 1 month
Resigned 31 December 2014

Russell Neil
Monthly Fee - \$nil
Period of Notice – 1 month
Term – Continuing, subject to the Constitution

David Low Yi Ngo
Monthly Fee - \$nil
Period of Notice – 1 month
Term – Continuing, subject to the Constitution

Details of other Key Management:-

D Henderson
Monthly Salary – US\$12,800 Net of tax up to November 2014 and US\$13,050 Net of tax from December 2014
Annual Performance Bonus – Minimum 1 month salary subject to remuneration committee discretion
Period of Notice – 3 months
Term – Open

Termination benefits

The Group is not liable for any termination benefits on termination of the current executive or non-executive directors or key management personnel other than payment of period of notice on termination where applicable.

F. Share-based Compensation

From time to time the Company rewards Directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options and or shares. Share-based compensation is at the discretion of the Board and no individual has a contractual right to participate in any share-based plan or to receive any guaranteed benefits.

Options

There were no options granted to KMP during the financial year, nor were shares issued upon exercise of options. As at the date of this report no options have been exercised.

Shares

There were no shares granted to KMP during the financial year.

G. Equity Instruments Issued on Exercise of Remuneration Options

No shares were issued during the financial year to Directors or other KMP as a result of exercising remuneration options.

H. Value of Options to Directors

There were no options on issue during the financial year.

I. Adoption of Remuneration Report by Shareholders

The adoption of the Remuneration Report for the financial year ended 31 December 2013 was put to the shareholders of the Company at the Annual General Meeting held on 29 May 2014. The Company received more than 99% "yes" votes on its remuneration report and the resolution was passed without amendment on a show of hands.

This is the end of the audited remuneration report.

SHARES UNDER OPTION

At the date of this report there are no unissued ordinary shares of Kangaroo Resources Limited under option.

During the period nil (Financial period ended 31 December 2013: nil) ordinary shares were issued upon the exercise of options.

SHARES UNDER WARRANT

There are currently 128,103,448 unissued ordinary shares of Kangaroo Resources Limited under warrant as at the date of this report with an exercise price of \$0.133 AUD and expiry date of 29 June 2015.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year the Company paid an insurance premium to insure the directors and officers of the Company against a liability incurred as such a director or officer to the extent permitted by the Corporations

DIRECTORS' REPORT

31 DECEMBER 2014



Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's Australian operations were subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities. The Group's mining and exploration activities in Indonesia were subject to environmental regulations from all levels of government within the Republic of Indonesia, in particular *Ministerial Regulation No. 78/2010*, which deals with reclamation and post-mining activities for both IUP-Exploration and IUP-Production Operation holders. The Directors are not aware of any breaches during the period covered by this report.

STATUTORY AUDITORS

No officer of the Company has previously belonged to an audit practice auditing the Company during the financial year.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor and their related entities during the period by the auditor are disclosed in note 31 to the financial statements. There were no non-audit services provided.

DIRECTORS' REPORT

31 DECEMBER 2014



AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration for the financial year ended 31 December 2014 has been received as required under Section 307C of the *Corporations Act 2001* and is included on page 22.

This Directors' Report is made in accordance with a resolution of the Board of Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:

A handwritten signature in black ink, appearing to read 'G. Anderson'.

Graham Anderson
Chairman
Perth, Western Australia

31 March, 2015



Auditor's Independence Declaration

As lead auditor for the audit of Kangaroo Resources Limited for the year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kangaroo Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ben Gargett', written over a light blue horizontal line.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
31 March 2015

The Overview

The Company's Board governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholder value. The Board is committed to, and ensures that the:-

- (i) executive management runs the Group in accordance with the highest level of ethics and integrity;
- (ii) Board and management complies with all applicable laws and regulations;
- (iii) the Company continually reviews the governance framework and practices to ensure it fulfils its corporate governance obligations.

Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. The Board endorses the ASX Corporate Governance Principles and Recommendations ('ASX CGP').

This statement outlines the main corporate governance practices employed by the Board and reports against the second edition of the ASX recommendations for the 2014 year. The third edition of the ASX recommendations, which was released on 27 March 2014, will apply to the Company from the 2015 year. Where the Company has not adopted a particular recommendation, an explanation is provided in the body of the document.

1. Laying solid foundations for management and oversight

The relationship between the Board and senior management is critical to the Company's long term success. The Board is responsible for the performance of the Company in both the short and longer term and seeks to balance sometimes competing objectives in the best interests of the Group as a whole. The key aims of the Board are to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive officer and senior management.

The responsibilities of the Board as a whole, the Chairman and individual Directors are set out in the Company's Board Charter and are consistent with ASX CGP 1. A copy of the Board Charter is available in the Corporate Governance section of the Company's website at kangarooresources.com.

To ensure that Non Executive Directors clearly understand the requirements of their role, formal letters of appointment are provided to them. The content of the appointment letter is consistent with that set out in ASX CGP 1. The majority of the Non Executive Directors have extensive knowledge of the whole or part of the Company's operations. New Non Executive Directors will be provided with a pack of information and documents relating to the Company including the Constitution, Group structure, financial statements, recent Board papers and the various Board policies and charters.

To ensure that Executive Directors clearly understand the requirements of the role, service contracts and formal job descriptions are provided to them, the content of which is consistent with ASX CGP1.

Senior executive performance

The CEO undertakes an annual review of the performance of his direct reports against key performance indicators and provides a report to the Remuneration and Nominations Committee for consideration.

The Chairman undertakes an annual review of the CEO against key performance indicators and provides a report to the Remuneration and Nominations Committee for consideration.

2. Structure of the Board

Board composition

The Directors determine the composition and size of the Board in accordance with the Company's constitution. The Constitution empowers the Board to set upper and lower limits with the number of Directors not permitted to be less than three. There were 7 Directors appointed to the Board during the 2014 year and their skills and experience, qualifications, term of office and independence status is set out in the Directors' Report.

Director independence

Based on the definition of independence published in ASX CGP, 3 Directors, Graham Anderson (Chairman), Trevor Butcher and Leonard Math, are deemed Independent Directors. The remainder of the Board are not independent for the following reasons:-

David Low Yi Ngo – Director of Bayan Resources Tbk, major shareholder

Alastair McLeod – Director of Bayan Resources Tbk, major shareholder (resigned on 31 December 2014)

Russell Neil – Director of Bayan Resources Tbk, major shareholder

Ian Ogilvie - Executive

Independent Decision Making

A majority of the Board is not independent and the Company recognises that this is a departure from ASX CGP 2.1. All Directors bring to the Board the requisite skills which are complementary to those of the other Directors and enable them to adequately discharge their responsibilities and bring independent judgements to bear on their decisions.

The Board Charter sets out the criteria the Board uses to determine director independence. Materiality thresholds used to assess director independence are set out in the Board Charter. The Board believes that the interests of the shareholders are best served by:

- The current composition of the Board which is regarded as balanced with a complementary range of skills, diversity and experience as detailed in the Directors' Report; and
- The Independent Directors providing an element of balance as well as making a considerable contribution in their respective fields of expertise.

The following measures are in place to ensure the decision making process of the Board is subject to independent judgement:-

- A standard item on each Board Meeting agenda requires Directors to focus on and declare any conflicts of interest in addition to those already declared;
- Directors are permitted to seek the advice of independent experts at the Company's expense, subject to the approval of the Chairman;
- All Directors must act all times in the interest of the Company; and
- Independent Directors meet as required.

Adoption of these measures ensure that the interests of shareholders, as a whole, are pursued and not jeopardised by a lack of independence.

The Board seeks to ensure that collectively its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external or fresh perspective. It shall review the range of expertise of its members on a regular basis and seeks to ensure that it has operational and technical expertise relevant to the operation of the Company.

Directors are re-elected, nominated and appointed to the Board in accordance with the Board's policy on these matters set out in the Charter, the Company's Constitution and ASX Listing Rules. In considering appointments to the Board, the extent to which the skills and experience of potential candidates complement those of the Directors in office is considered.

Board performance

The Board conducts an annual self-assessment of its collective performance and the performance of its committees, by way of a series of questionnaires. The self-assessment for 2014 was conducted in May/June 2014 with each individual director meeting with the Chairman to discuss the results and agreeing any action plan.

Access to information

Directors may access all relevant information required to discharge their duties in addition to information provided in Board papers and regular presentations delivered by executive management on business performance and issues. With the approval of the Chairman, Directors may seek independent professional advice, as required, at the Company's expense.

3. Ethical and Responsible Decision Making

A Code of Conduct Policy is in place to promote ethical and responsible practices and standards for directors, employees and consultants of the Company to discharge their responsibilities. This Policy reflects the directors' and key officers' intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity. A copy of the Standards of Conduct policy is available to all employees and is also available in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP 3.

Diversity

The Board has established a diversity policy which supports the commitment of the Company to an inclusive workplace that embraces and promotes diversity and provides a framework for new and existing diversity-related initiatives, strategies and programs within the business. A copy of the policy is available in the Corporate Governance section of the Company's website and terms are consistent with ASX CGP 3.

The Board has not yet set measurable objectives, however, these will be considered by the Board in due course and the Board will review progress against any objectives identified on an annual basis.

At 31 December 2014 the following was recorded:-

	Number	%
Number of Females on the Board	-	-
Number of Females reporting to the Managing Director	-	-
Number of Females in the Company	5	11.4%

In addition to the employees included in the above table, the Company engages contractors from time to time and at all times provides equal employment opportunities to men and women.

Share trading

A Share Trading Policy is in place for directors, senior executives and employees. The objective of the policy is to minimise the risk of directors and employees who may hold material non-public information contravening the laws against insider trading, ensure the Company is able to meet its reporting obligations under the ASX Listing Rules and increase transparency with respect to trading in securities of the Company. A copy of the policy is available in the Corporate Governance section of the Company website and the terms are consistent with ASX CGP3.

4. Integrity of financial reporting

- The Board has established an Audit Committee to assist the Board in the discharge of its responsibilities.

During 2014, the Audit Committee consisted of the following Non-Executive Directors:-

- Leonard Math (Chairman)
- Graham Anderson
- Alastair McLeod

Following Mr McLeod's resignation on 31 December 2014 Russell Neil was appointed in this place.

The Audit Committee charter is available in the Corporate Governance section of the Company's website and the composition, operations and responsibilities of the Committee are consistent with ASX CGP 4.

Details of these Directors' qualifications are set out in the Company's Directors' Report. 3 meetings were held in 2014.

The lead audit partner responsible for the Group's external audit is required to attend each Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Timely and balanced disclosure

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

A copy of the Continuous Disclosure Policy is located in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP 5.

The Company Secretary has been nominated as the person responsible for communications with the Australia Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

6. Rights of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:-

- Reports distributed to all shareholders; and
- Notices of all meetings of shareholders.

The Board encourages full participation of shareholders at the General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to shareholders as single resolutions.

The Board supports the Australasian Investor Relations Association, 'Best Practice Investor Relations: Guidelines for Australian Listed Entities'. The Board endorses a culture in favour of continuous disclosure and recognises the benefits of consistency to be achieved through a dedicated authorised spokesperson.

Material information is lodged immediately with the ASX and on acknowledgement disseminated by posting to the website. A strict protocol is practiced for all investors/analyst/media meetings, group briefings and conference.

7. Recognising and Managing Risk

The Board is responsible for ensuring that risks, as well as opportunities are identified on a timely basis and receive an appropriate and measured response, recognising however that no cost effective internal control system will preclude all errors and irregularities. Areas of significant business risk and the effectiveness of internal controls are monitored and reviewed regularly.

The Company does not currently have an internal audit function. Once the Company is at a size and scale that warrants an internal auditor or nears production status, the Board, through the Audit Committee will be responsible for the appointment and overseeing of the internal auditor.

The Managing Director and his direct reports are responsible for, amongst other things, identifying, assessing, monitoring and managing risks. The risk management performance of the Managing Director and his direct reports will be monitored by the Audit Committee. Strategic, operational, financial and compliance related risks have been

identified and risk matrices prepared. Each risk matrix provides an overview of the key risks and a residual risk rating which includes assessment of the effectiveness of the risks that are being managed. The risk assessment is reviewed on an ongoing basis and is updated as and when required.

The Board has received assurance from the CEO and CFO (or equivalent) that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all respects in relation to financial reporting risks.

8. Remunerating Fairly and Responsibly

The Company's remuneration philosophy, objectives and arrangements are detailed in the Remuneration Report which forms part of the Directors' Report.

Directors

The annual total of fees to Non-Executive Directors is set by the Company's shareholders and allocated as Directors' Fees and Committee Fees by the Board on the basis of the roles undertaken by the Directors. Full details of Directors' remuneration appear in the Remuneration Report. These fees are inclusive of statutory superannuation contributions. No retirement benefits are paid to Non-Executive Directors and no equity-based remuneration scheme exists for them.

Remuneration and Nominations Committee

The Board has established a Remuneration and Nominations Committee to assist the Board in the discharge of its responsibilities. The Remuneration and Nomination Committee responsibilities are set out in the Committee's charter, which is available in the Corporate Governance section of the Company's website.

The terms of reference, role and responsibility of the Remuneration and Nominations Committee are consistent with ASX CGP 2. The Remuneration and Nominations Committee consists of the following Non-Executive Directors:-

- Russell Neil (Chairman)
- Graham Anderson
- Trevor Butcher

Details of the Directors' qualifications are set out in the Directors' Report. As the Committee was only recently established no meetings were held in 2014.

Executive Management

Remuneration packages for Executive management are generally set to be competitive so as to both retain executives and attract experienced executives to the Company. Packages comprise a fixed (cash) element and variable incentive components. Payment of the variable components will depend on the Company's financial and the executive's personal performance.

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Kangaroo Resources Limited and its subsidiaries. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the directors on 31 March 2015. The directors have the power to amend and reissue the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year-ended 31 December 2014



	Note	Consolidated	
		Year ended	Year ended
		31 December 2014	31 December 2013
		\$	\$
Continuing operations			
Revenue from continuing operations	4	206,688	5,291,686
Other income	4	740,120	3,123,106
		946,808	8,414,792
Expenses			
Cost of sales	5	-	(12,070,716)
Operating expenses	5	(4,710,818)	-
Administration expenses	5	(3,469,766)	(2,861,889)
Finance costs	5	(1,716,177)	(2,038,577)
Impairment Costs	5	(168,033,951)	(7,087,895)
Other expenses	5	(1,509,263)	-
Total expenses		(179,439,975)	(24,059,077)
Loss before income tax		(178,493,167)	(15,644,285)
Income tax benefit	6	40,144,805	-
Loss from continuing operations		(138,348,362)	(15,644,285)
Other comprehensive loss			
<i>Items that may be reclassified into profit or loss</i>			
Exchange differences on translating foreign operations		(38,360)	(2,184,554)
Other comprehensive loss for the year, net of tax		(38,360)	(2,184,554)
Total comprehensive loss for the year		(138,386,722)	(17,828,839)
Loss for the year is attributable to:			
Owners of the Company		(137,041,097)	(15,543,873)
Non-controlling interests		(1,307,265)	(100,412)
		(138,348,362)	(15,644,285)
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(137,023,951)	(17,655,603)
Non-controlling interests		(1,362,771)	(173,236)
		(138,386,722)	(17,828,839)
Loss per share attributable to the ordinary equity holders of the company:		Cents	Cents
Basic and diluted loss per share from continuing operations		(3.99)	(0.45)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014



	Note	Consolidated	
		31 December	31 December
		2014	2013
		\$	\$
Current Assets			
Cash & cash equivalents	7	2,798,619	2,975,471
Trade & other receivables	8	1,279,181	12,381,099
Inventory	9	2,948,087	4,234,390
		7,025,887	19,590,960
Assets classified as held for sale	10	14,172,419	13,047,032
Total Current Assets		21,198,306	32,637,992
Non-Current Assets			
Receivables	8	790,225	636,467
Property, plant & equipment	12	1,997,151	3,809,183
Mine properties & development	13	200,909,097	328,224,137
Exploration & evaluation expenditure	14	17,280,881	30,765,369
Available-for-sale financial assets	11	52,893,575	79,929,564
Total Non-Current Assets		273,870,929	443,364,720
TOTAL ASSETS		295,069,235	476,002,712
Current Liabilities			
Trade & other payables	15	6,944,561	5,344,375
Borrowings	16	34,577,954	37,870,630
Total Current Liabilities		41,522,515	43,215,005
Non-Current Liabilities			
Provisions	17	868,895	1,578,355
Deferred tax liabilities	18	64,008,938	104,153,743
Total Non-Current Liabilities		64,877,833	105,732,098
TOTAL LIABILITIES		106,400,348	148,947,103
NET ASSETS		188,668,887	327,055,609
EQUITY			
Equity attributable to the equity holders of the parent			
Issued capital	19	469,867,326	469,867,326
Reserves	20	1,098,439	1,081,293
Accumulated losses	20	(283,941,250)	(146,900,153)
Capital & reserves attributable to owners of Kangaroo Resources Limited		187,024,515	324,048,466
Non-controlling interest	21	1,644,372	3,007,143
TOTAL EQUITY		188,668,887	327,055,609

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014



	Contributed Equity	Accumulated Losses	Reserves	Attributable to members of KRL	Non-controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance as at 1 January 2014	469,867,326	(146,900,153)	1,081,293	324,048,466	3,007,143	327,055,609
Loss attributable to members of KRL	-	(137,041,097)	-	(137,041,097)	(1,307,265)	(138,348,362)
Other comprehensive loss	-	-	17,146	17,146	(55,506)	(38,360)
Total comprehensive loss attributable to members of KRL	-	(137,041,097)	17,146	(137,023,951)	(1,362,771)	(138,386,722)
Balance as at 31 December 2014	469,867,326	(283,941,250)	1,098,439	187,024,515	1,644,372	188,668,887
	Contributed Equity	Accumulated Losses	Reserves	Attributable to members of KRL	Non-controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance as at 1 January 2013	469,867,326	(129,416,740)	3,193,023	343,643,609	3,180,379	346,823,988
Adjustment on adoption of Interpretation 20		(1,939,540)		(1,939,540)		(1,939,540)
	469,867,326	(131,356,280)	3,193,023	341,704,069	3,180,379	344,884,448
Loss attributable to members of KRL	-	(15,543,873)	-	(15,543,873)	(100,412)	(15,644,285)
Other comprehensive loss	-	-	(2,111,730)	(2,111,730)	(72,824)	(2,184,554)
Total comprehensive loss attributable to members of KRL	-	(15,543,873)	(2,111,730)	(17,655,603)	(173,236)	(17,828,839)
Balance as at 31 December 2013	469,867,326	(146,900,153)	1,081,293	324,048,466	3,007,143	327,055,609

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014



		Consolidated	
		Year ended 31 December 2014	Year ended 31 December 2013
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers		-	5,165,192
Payment to suppliers and employees (inclusive of GST and VAT)		(6,704,731)	(15,834,642)
Interest received		198,611	126,494
Net cash outflow from operating activities	26	(6,506,120)	(10,542,956)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(124,002)	(198,452)
Payments for plant and equipment		-	(681,799)
Proceeds from sale of plant and equipment		83,334	1,500
Net cash (outflow) inflow from investing activities		(40,668)	(878,751)
Cash flows from financing activities			
Proceeds from borrowings - related parties		6,265,669	15,847,410
Repayment of borrowings - related parties		-	(5,165,192)
Net cash inflow from financing activities		6,265,669	10,682,218
Net decrease in cash and cash equivalents		(281,119)	(739,489)
Cash and cash equivalents at beginning of financial year		2,975,471	3,855,544
Effect of exchange rate on cash held in foreign currencies		104,267	(140,584)
Cash and cash equivalents at end of period		2,798,619	2,975,471

Non-cash investing and financing activities are disclosed in Note 26(c).

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Kangaroo Resources Limited and its subsidiaries (together referred to as the "Group").

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial statements also comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(i) *Historical cost convention*

These financial statements have been prepared on the historical cost basis, modified where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

(ii) *New and amended standards adopted by the group*

A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(iii) *Going Concern*

For the year ended 31 December 2014, the Company incurred a total comprehensive loss of \$138,386,722 (31 December 2013: \$17,828,839 loss), net cash outflows from operating activities of \$6,506,120 (31 December 2013: \$10,542,956) and has a working capital deficiency of \$34,496,628 (31 December 2013: \$23,624,045). The group was advanced loans of \$6,265,669 from PT Bayan Resources Tbk "Bayan Resources", the major shareholder of the Company, to fund operating cash flow and capital expenditure (31 December 2013: \$15,847,410).

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

Bayan Resources 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 now and in the future. The undertaking is provided for a minimum period of twelve months from the date of these financial statements. However, a material uncertainty exists regarding Bayan Resources' ability to provide that support, due to Bayan Resources having negative working capital at 31 December 2014 arising primarily from an outstanding bank loan which will mature in 2015. Should Bayan Resources be unable to provide the Company with sufficient funding, the Company would be required to obtain funding from alternative sources, such as the issue of new equity.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon Bayan resources' ability to provide sufficient financial assistance to the Company.

Based on the current plans and ongoing actions of Bayan Resources regarding its own financial position, the directors believe it is reasonable that the Group will be able to obtain sufficient financial assistance from Bayan Resources to fund its working capital requirements and to pay its debts as and when they fall due for at least twelve months from the date of these financial statements. As such, the Group's consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



have been prepared on a going concern basis and do not include any adjustments that may result if the Group was unable to continue as a going concern.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kangaroo Resources Limited (the "Company" or "Parent Entity") as at 31 December 2014 and the results of all subsidiaries for the year then ended. Kangaroo Resources Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

(ii) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Kangaroo Resources Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

(d) Foreign currency translation

(i) *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. These consolidated financial statements are presented in Australian dollars which is the Company's functional currency and presentation currency of the Group.

(ii) *Translation and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when they are deferred in equity as qualifying cash flow hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and the expenses are translated at the dates of the transactions) and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit and loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Other financial assets

The Group's investments in other financial assets are in the following categories: loans and receivables and available-

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For the year ended 31 December 2014



for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. They are included in current assets except those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables comprise trade and other receivables.

(ii) Available for sale financial assets

Available-for-sale financial assets, comprising the right to acquire foreign entities, are non-derivatives that are either designated in this category or not classified in any other category. The available for sale financial assets are carried at fair value. Changes in the fair value of available for sale financial assets are recognised in other comprehensive income.

(iii) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss is reversed to the statement of comprehensive income if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

All impairment losses are recognised in profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Sales revenue comprises of revenue earned from the provision of products to entities outside the company. Sales revenue is recognised when the product is suitable for delivery and:

- (i) Risk has passed to the customer;
- (ii) The quantity of the product can be determined with reasonable accuracy;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



- (iii) The product has been dispatched to the customer and is no longer under the physical control of the company;
- (iv) The selling price can be determined with reasonable accuracy.

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Trade receivables

Trade and other receivables are recorded at fair value initially then subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group) but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Property, Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount of the assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight line method so as to write off the net cost of each asset during their expected useful life as follows:

- Buildings 10 years
- Heavy equipment 8 to 12 years
- Furniture, fittings and equipment 4 to 12 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Gains and losses on disposals are determined by comparing the proceeds from disposal with the net carrying amount. These gains and losses are included in the statement of comprehensive income.

(o) Exploration and evaluation expenditure

Exploration and evaluation represent exploration assets and are capitalised in respect of each identifiable area of interest. These costs are carried forward where right of tenure to the area of interest is current and to the extent that costs are expected to be recouped through the sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period in which the decision is made. Each area of interest is also

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration assets to mine properties and development.

(p) Mine properties and development

Mine properties represent the acquisition costs and/or accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which development of mineral resource has commenced. When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when future economic benefits are established, otherwise such expenditure is classified as part of the cost of production. Once in production mine properties are amortised on a units of production basis over the life of mine.

(q) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The group conducts an internal review of asset values bi-annually, which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less direct costs to sell and the asset's value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined using independent market assumptions to calculate the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. These cash flows are discounted using an appropriate discount rate to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Value in use is determined by applying assumptions specific to the group's continued use and does not take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable groups of assets and liabilities that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

(r) Trade and other payables

Trade payables and other payables are recognised at fair value initially and subsequently measured at amortised costs. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



of these goods and services. The amounts are unsecured and usually paid within 30 days. Trade and other payables are presented as current liabilities when payment is not due within 12 months of reporting date.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

Rehabilitation

The mining, extraction and processing activities of the Group give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of rehabilitation activities is recognised in "Development Expenditure" as rehabilitation assets and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each balance date and the costs charged to the statement of comprehensive income in line with future cash flows.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provisions for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations.

The liability for long service and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

The fair value of options granted to employees is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

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Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-mark vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing:

- the profit/(loss) attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(w) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(x) New accounting standards and interpretation

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods and have not yet been applied in the financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments (Must be applied for financial years commencing on or after 1 January 2018).

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

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The group does not have any hedging arrangements. The group has yet to undertake a detailed assessment of the impact of changes in relation to debt instruments and impairment of financial assets. There will also be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

The group has not yet decided whether to adopt any parts of AASB 9 early. Based on the transitional provisions in the completed AASB 9, early adoption in phases will only be permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

(ii) AASB Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

In January 2015 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project. The company is yet to assess the full impact of these amendments.

(iii) AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 (Mandatory for financial years commencing on or after 1 January 2016)

In January 2015, the AASB made various amendments to AASB 101 as part of the Disclosure Initiative which explores how financial statement disclosures can be improved. The amendments clarify guidance in AASB 101 on: materiality and aggregation, presentation of subtotals, structure of financial statements and disclosure of accounting policies. The company is yet to assess the full impact of these amendments, but do not expect the impact to be material to future reporting periods.

(y) Parent entity financial information

The financial information of the parent entity, Kangaroo Resources Limited, disclosed in note 3 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Kangaroo Resources Limited.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Exploration & evaluation expenditure

The Group's accounting policy for exploration and evaluation is set out at Note 1(o). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is written off in the statement of comprehensive income.

(b) Income Taxes

The Group is subject to income taxes in Australia and Indonesia. Significant judgement is required in determining the recognition and non-recognition of deferred tax assets arising from tax losses or other temporary differences. The Group recognises the expected future tax benefit from deferred tax assets only when the tax benefit is considered probable of being realised. Assessing the recoverability of deferred tax assets requires management to

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make significant estimates related to expectations of future taxable income based on existing tax laws enacted or substantially enacted at the end of the reporting period.

(c) Life of mine estimates

Life of mine is the estimate of the useful life of a mining property. In order to determine life of mine, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production costs, transport costs and capabilities, commodity demand, commodity prices and exchange rates.

As economic assumptions factored into the assessment of life of mine change and as additional geological data is generated during the course of operations, estimates of life of mine may vary from period to period. Such changes may affect the Company's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation and amortisation charges in profit and loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets.

(d) Carrying Value of long-lived assets

Significant judgement is required to determine the recoverable amount of development and other mine assets, in the absence of quoted market prices. These values are typically based on the present value of future cash flows where the estimation is required for reserves, future mine plans and production profiles, operational and capital costs, discount rates and expected coal prices. Changes in circumstances may alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged to profit and loss. Key assumptions applied in determining the recoverable amount of development assets are included in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



3. Parent Entity Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

	31 December 2014 \$	31 December 2013 \$
Balance sheet		
Current assets	689,047	13,681,621
Total assets	166,676,098	358,681,308
Current liabilities	1,934,165	2,156,026
Total liabilities	8,660,185	5,991,614
<i>Shareholders' equity</i>		
Contributed equity	469,867,326	469,867,326
Accumulated losses	(314,242,007)	(119,568,226)
Share based payment reserve	2,390,594	2,390,594
	158,015,913	352,689,694
(Loss) profit for the year	(194,673,781)	7,550,441
Total comprehensive (loss) profit for the year	(194,673,781)	7,550,441

Contractual Commitments

There are no significant contractual commitments.

Guarantees and Contingent Liabilities

There are no guarantees or contingent liabilities.

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4. Revenue and other income

	Consolidated	
	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
(a) Revenue		
Coal sales	-	5,165,192
Interest revenue	206,688	126,494
	<u>206,688</u>	<u>5,291,686</u>
(b) Other Income		
Foreign exchange gain	-	1,287,799
Write-off old loan balance	-	1,835,307
Sale of Mine Tenements ¹	250,000	-
Proceeds of Legal Counterclaim ²	875,222	-
Impairment of Legal Counterclaim ³	(875,222)	-
Recovery of Legal Costs ⁴	375,000	-
Gain on Sale of Fixed Assets	115,120	-
Total other income	<u>740,120</u>	<u>3,123,106</u>

(1) Sale of Mine Tenements

During 2014 KRL entered into an agreement to sell its MT Ruby mining Tenement in Queensland for \$250,000.

(2) Proceeds of Legal Counterclaim

During 2014 KRL defended and counterclaimed in the Supreme Court of Victoria against legal action taken against the Company. This was in relation to fees and other benefits that its former advisors Chimaera Capital Markets Pte Ltd and Empire Equity Limited alleged was owing to them under an Advisory Agreement that was entered into by the Company in 2010. The court hearing was heard in May 2014 and the judgement was made in October 2014. Judgement ruled in favour of the Company with the Company being awarded \$875,222 from the counterclaim including interest and net of costs awarded to the Plaintiffs.

(3) Impairment of Legal Counterclaim

Management have impaired the full amount owing from the defense and counterclaim as one of the plaintiff's has gone into voluntary liquidation and the other plaintiff does not appear to have sufficient financial capacity to pay the amounts owing.

(4) Recovery of Legal Costs

The plaintiff's had lodged \$375,000 security over costs with the Supreme Court of Victoria. These funds were released to the Company by the Court in February 2015 on account of legal costs incurred in defending the legal action.

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5. Loss from Continuing Operations

Loss from continuing operations before income tax has been arrived at after charging/(crediting) the following items:

	Consolidated	
	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
(a) Cost of Sales		
Transportation Costs (Barging & Coal Hauling)	-	1,152,977
Employee Costs	-	1,257,990
Royalty	-	298,575
Depreciation	-	1,596,199
Repairs, maintenance and materials and rental	-	297,546
Fuel and Lubricants	-	697,219
VAT expensed	-	304,332
Other production costs	-	1,902,082
Total production costs	-	7,506,920
Inventory movement	-	4,563,796
	-	12,070,716
(b) Operating Expenses		
Employee Costs	1,279,156	-
Depreciation	1,715,042	-
Repairs, maintenance and materials and rental	199,788	-
Fuel and Lubricants	280,602	-
VAT expensed	60,462	-
Reduction in provision for rehabilitation	(807,250)	-
Other operating costs	464,773	-
Total operating costs	3,192,573	-
Inventory NRV write-down	1,518,245	-
	4,710,818	-
(c) Administration expenses		
Advertising and marketing	-	24,250
Consultant expenses	302,643	539,031
Legal Expenses	1,152,859	550,163
Directors fees & employee Costs	1,142,587	1,041,462
Travel and accommodation	29,651	48,251
Other administration expenses	842,026	658,732
	3,469,766	2,861,889

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(d) Finance costs

Interest expense

Consolidated	
Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
1,716,177	2,038,577
1,716,177	2,038,577

(e) Impairment expenses

Impairment of Fixed Assets
Impairment of Mine Properties and Development
Impairment of Exploration and Development
Impairment of Available-for-sale assets

-	925,028
127,315,040	6,162,867
13,682,922	-
27,035,989	-
168,033,951	7,087,895

(f) Other expenses

Foreign exchange loss

1,509,263	-
1,509,263	-

6. Income Tax Benefit

(a) Recognised in the statement of comprehensive income

Current income tax
Deferred tax benefit relating to the origination and reversal of temporary differences
Total income tax benefit

Consolidated	
Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
-	-
40,144,805	-
40,144,805	-

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(b) Reconciliation between income tax expense and pre-tax loss

	Consolidated	
	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Loss before tax	(178,493,167)	(15,644,265)
Income tax using the domestic corporation rate of 30% (31 December 2013: 30%)	(53,547,950)	(4,693,286)
Tax effect of:		
Difference in overseas tax rate	8,405,922	759,943
Non-deductible expenses	452,152	1,441,464
Unused tax losses and temporary differences not recognised as deferred tax assets	4,545,071	2,491,879
Total income tax benefit	40,144,805	-

(c) Unrecognised deferred tax balances

	Consolidated	
	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Deferred tax assets calculated at 30% (31 December 2013: 30%) have not been recognised in respect of the following:		
Income tax losses	5,882,401	5,458,554
Foreign tax losses	11,881,833	8,133,345
	17,764,234	13,591,899

Deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets (net of deferred tax liabilities relating to capitalised exploration expenditure for which immediate tax write-off is available) have not been recognised in the financial statements because it is currently not probable that there will be future taxable amounts available to utilise these losses and temporary differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. Cash and Cash Equivalents

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Cash at bank	2,798,619	2,975,471
	2,798,619	2,975,471

(a) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 30.

8. Trade and Other Receivables

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Current		
Other receivables	1,076,404	480,592
Prepayments	202,777	133,165
Advances to other entities ^(e)	-	11,767,342
	1,279,181	12,381,099
Non-current		
Tenement security bonds	5,000	5,000
Advances and prepayments	785,225	631,467
	790,225	636,467

(a) Trade receivables past due but not impaired

There were no trade receivables past due but not impaired.

(b) Foreign exchange and interest rate risk

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 30.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 30 for more information on the risk management policy of the Company and the credit quality of the Company's trade receivables

(d) Other receivables

This represents amounts advanced to parties outside of the consolidated Group for operating activities and are expected to be recovered within one year.

(e) Advance to other entities

Funds to other entities, being funds advanced to the vendors of the Pakar Coal Projects to expedite licensing and restructuring prior to their acquisition by KRL, were settled through a reduction in the borrowings to BR.

9. Inventories

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Coal stockpiles - at net realisable value	2,707,537	4,019,674
Other inventory - spare parts fuel etc.	240,550	214,716
	2,948,087	4,234,390

(a) Inventory expense

Inventories recognised as an expense during the year ended 31 December 2014 and included in cost of sales amounted to nil (twelve months ended 31 December 2013: \$9,711,316)

Write-downs of inventories to net realisable value recognised as an expense during year ended 31 December 2014 amounted to \$1,518,245 (twelve months ended 31 December 2013: \$6,298,248). The expense is included in 'operating expenses' in comprehensive income (included in 'cost of sales' in 2013).

10. Assets Classified as Held For Sale

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Assets classified as held for sale	14,172,419	13,047,032
	14,172,419	13,047,032

Property, plant and equipment with a fair value of \$14,172,419 at 31 December 2014 (31 December 2013: \$13,047,032) held by the Company's subsidiary, PT Sumber Aset Utama (SAU), are classified as assets held for sale. Detailed discussions have commenced regarding how the assets of both SAU and BR can be utilised to fast

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track the development of both the company' and BR's projects in East Kalimantan. SAU has recorded these items as 'held for sale' since 2012 and plans to leverage these assets to obtain a definitive long term tonnage throughput allocation from any new infrastructure facility proposed by BR. Discussions and agreements between the Company and BR are well advanced and are expected to be finalised in 2015.

11. Available-for-sale Financial Assets

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Opening Balance	79,929,564	79,929,564
Impairment expense ^(a)	(27,035,989)	-
Closing Balance	52,893,575	79,929,564

On 13 June 2011 shareholders approved the issue of 2,305 million Kangaroo Resources Limited shares to PT Bayan Resources Tbk and other parties related to the acquisition of a 99% interest in the Pakar Thermal Coal Project in East Kalimantan ("Pakar"), consisting of ten Indonesian entities (see note 23). As at the balance date, four of the entities 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 ownership has been transferred to Kangaroo Resources Limited the accounting standards require them to be classified as available-for-sale financial assets. Following the conversion and the transfer of the equity interest in each entity, the above balance will be recognised within mining properties and development and exploration and evaluation expenditure in the Statement of Financial Position.

(a) Impairment of Available-for-sale Financial Assets

At 31 December 2014 management made the decision to impair the Available-for-sale financial assets relating to each of these four entities, PT Tiwa Abadi (TA), PT Cahaya Alam (CA), PT Bara Sejati (BS) and PT Apira Utama (AU).

TA was impaired from its carrying value of \$65,189,664 to its recoverable amount of \$46,763,119 (impairment charge of \$18,426,545). TA's fair value measurement is considered to be level 3 of the fair value hierarchy, as some of the inputs are not based on observable market data (please refer to note 30(d) for details of the fair value measurement hierarchy). TA's fair value was determined based on a range of valuations associated with reasonably possible outcomes, this resulted in a possible range of \$35 million to \$80 million. A fair value of \$46,763,119 was then determined based on a weighted average of those valuations as assessed by management. Valuations include those based on a discounted cash flow model and those based on its potential sale value, which reflects the fact that TA is currently held by BR and due to current Indonesian divestment legislation means that it is unlikely that KRL will ever own TA outright, forcing a sale to realise value. The discounted cash flow incorporates estimated quantities of recoverable coal, expected coal prices (considering current and historical prices, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans which reflect management's expectations for the future. The key assumptions used in discounted cash flow analysis were the average sales price and the long-term discount rate. The average benchmark sales price of 6,322 GAR coal for 2018 (first year of production) was US\$80/t and increased to US\$83/t in year 2019. From 2020 onwards this price was increased annually by the inflation rate of 2.5%. A discount rate of 14.6% was applied.

CA was impaired from its carrying value of \$4,913,300 to \$3,678,274 (Impairment charge of \$1,235,026). CA was valued at its potential sale value and management have taken the view that it be written down due to the continued depressed outlook in the coal market and the increased sovereign risk outlook for Indonesia particularly in light of ongoing mining regulatory changes.

BS was impaired from its carrying value of \$4,913,300 to \$2,452,182 (Impairment charge of \$2,461,118). BS was valued at its potential sale value and management have taken the view that it be written down due to the continued depressed outlook in the coal market, the increased sovereign risk outlook for Indonesia particularly in light of

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constant mining regulatory changes and an overlap issue with a neighbouring license holder. The overlap issue also impacts AU and PT Silau Kencana (SK) and has been the subject of 2 conflicting Supreme Court decisions one in favour of KRL and the other in favour of the neighbour. The area that is subject to the overlap area is 1,551ha out of the total license of 4,595ha and covers areas of indicated and inferred resources.

AU was impaired from its carrying value of \$4,913,300 to nil (Impairment charge of \$4,913,300). AU was valued at its potential sale value and management have taken the view that it be written down due to the continued depressed outlook in the coal market, the increased sovereign risk outlook for Indonesia particularly in light of constant mining regulatory changes and the same overlap issue that is impacting BS mentioned above. The area that is subject to the overlap area is 3,220ha out of the total license area of 4,996ha and this area virtually covers all areas of indicated and inferred resources.

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12. Property, Plant and Equipment

	Buildings	Construction in progress	Heavy Equipment	Office furniture, fittings and equipment	Total
	\$	\$	\$	\$	\$
Year Ended 31 December 2014					
Opening net book amount	22,335	276,585	2,424,407	1,085,856	3,809,183
Additions	-	-	-	55,689	55,689
Disposals / write-off	-	-	(109,197)	(494,978)	(604,175)
Depreciation charge	(2,989)	-	(1,035,611)	(224,946)	(1,263,546)
Closing net book amount	19,346	276,585	1,279,599	421,621	1,997,151
At 31 December 2014					
Cost or fair value	29,883	276,585	4,659,646	1,269,745	6,235,859
Accumulated depreciation	(10,537)	-	(3,380,047)	(848,124)	(4,238,708)
Net book amount	19,346	276,585	1,279,599	421,621	1,997,151

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	Buildings	Construction in progress	Heavy Equipment	Office furniture, fittings and equipment	Total
	\$	\$	\$	\$	\$
Balance as at 1 January 2013					
Opening net book amount	25,324	1,279,066	3,845,048	577,673	5,727,111
Additions	-	44,658	36,015	682,055	762,728
Reclassifications	-	(207,540)	-	207,540	-
Disposals / write-off	-	(839,599)	(246,965)	(15,441)	(1,102,005)
Depreciation charge	(2,989)	-	(1,209,692)	(365,970)	(1,578,651)
Closing net book amount	22,335	276,585	2,424,406	1,085,857	3,809,183
At 31 December 2013					
Cost or fair value	29,883	276,585	4,768,843	1,709,034	6,784,345
Accumulated depreciation	(7,548)	-	(2,344,437)	(623,177)	(2,975,162)
Net book amount	22,335	276,585	2,424,406	1,085,857	3,809,183

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For the twelve months ended 31 December 2014

13. Mine Properties and Development

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Movements in Mine Properties and Development		
Carrying amount at start of period	328,224,137	335,535,498
Additions	-	791,046
Write-off of Deferred Stripping Balance on adoption of Interpretation 20	-	(1,939,540)
Impairment	(127,315,040)	(6,162,867)
	200,909,097	328,224,137
Represented by:		
Mamahak Group	2,285,714	8,000,000
North Pakar	198,623,383	320,224,137
	200,909,097	328,224,137

(a) Impairment of Mine Properties and Development

Pakar North GCU incorporating PT Tanur Jaya (TJ) and PT Dermaga Energi (DE) was impaired from its carrying value of \$320,224,137 to its recoverable amount of \$198,623,383 (impairment charge of \$121,600,754) which represents its fair value less costs to sell. Pakar North's fair value measurement is considered to be level 3 of the fair value hierarchy as some of the inputs are not based on observable market data. (Please refer to note 30(d) for details of the fair value measurement hierarchy).

Pakar North was originally recorded at its fair value determined on acquisition date which was based on discounted cash flows methodology, which is based on estimated quantities of recoverable coal, expected coal prices (considering current and historical prices, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans which reflect management's expectations for the future. For impairment purposes the Company have applied the same methodology in using discounted cash flows updated for the current outlook for coal prices, production and risk (including foreign ownership and other potential government legislation changes) among other items. Management believe that the current outlook for coal prices has changed significantly enough to warrant a reduced outlook for long-term sales price assumptions. Management have also revised its production assumptions and have also taken into account the increased sovereign and operational risk.

The key assumptions used in discounted cash flow analysis were the average sales price and the long-term discount rate. The average benchmark sales price of 6,322 GAR coal for 2018 (first year of production) was US\$80/t and increased to US\$83/t in year 2019. From 2020 onwards this price was increased annually by the inflation rate of 2.5%. A post-tax nominal discount rate of 14.6% was applied. A 25% discount was applied to net cash flows from 2023 to take into consideration the impact of foreign ownership divestment legislation.

PT Bara Karsa Lestari (BKL) was impaired from its carrying value of \$1,904,762 to nil (Impairment charge of \$1,904,762). BKL was valued at its potential sale value and management have taken the view that it be written down to nil due to various issues including the fact that BKL faces the same logistic issues that impacted MCM when it was impaired in 2013, continued depressed outlook in the coal market, the increased sovereign risk outlook for Indonesia particularly in light of ongoing mining regulatory changes, license renewal difficulties and forestry moratorium which covers approximately 25% of the license.

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PT Mahakam Energi Lestari (MEL) was impaired from its carrying value of \$1,904,762 to nil (Impairment charge of \$1,904,762). MEL was valued at its potential sale value and management have taken the view that it be written down to nil due to various issues including the fact that MEL faces the same logistic issues that impacted MCM when it was impaired in 2013, continued depressed outlook in the coal market, the increased sovereign risk outlook for Indonesia particularly in light of ongoing mining regulatory changes, forestry moratorium and forestry use restrictions which cover approximately 70% of the license. In addition to this exploration drilling commenced but results suggested there is no correlation between MCM deposits and MEL.

PT Mahakam Bara Energi (MBE) was impaired from its carrying value of \$1,904,762 to nil (Impairment charge of \$1,904,762). MBE was valued at its potential sale value and management have taken the view that it be written down to nil due to various issues including the fact that MBE faces the same logistic issues that impacted MCM when it was impaired in 2013, continued depressed outlook in the coal market, the increased sovereign risk outlook for Indonesia particularly in light of ongoing mining regulatory changes, forestry moratorium and forestry use restrictions which cover approximately 25% of the license.

As at 31 December 2013 KRL management made the decision to impair the Mine Properties and Development assets of PT Mamahak Coal Mining (MCM). Management took the view that the suspension of mining activities due to the continuing drop in world coal prices meant that the group could no longer carry the value of MCM assets at their fair value. The mine properties assets were impaired down to \$2,285,714 AUD from their net written down value of \$7,524,190. In addition deferred land compensation of \$910,061 was impaired to nil.

14. Exploration and Evaluation Expenditure

	Consolidated	
	31 December 2014 \$	31 December 2013 \$
Costs carried forward in respect of areas of interest in exploration phase - at cost		
Balance at beginning of the year	30,765,369	30,380,878
Exploration and evaluation expenditure	198,434	384,491
Impairment ^(a)	(13,682,922)	-
Carrying amount at end of year	17,280,881	30,765,369

The ultimate recoupment of costs carried forward for exploration expenditure phases is dependent on the successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

(a) Impairment of Exploration and Evaluation Expenditure

As at 31 December 2014 KRL management made the decision to impair the Exploration and Evaluation assets of OM, SA, SK, DE, TJ, BKL, MEL and MBE.

OM was impaired from its fair value of \$9,287,787 to \$1,839,137 (Impairment charge of \$7,448,650). OM was valued at its potential sale value and management have taken the view that it be written down due to continued depressed outlook in the coal market and the increased sovereign risk outlook for Indonesia particularly in light of ongoing mining regulatory changes and the lack of geological data with no exploration drilling completed at this point.

SA was impaired from its fair value of \$4,386,522 to \$2,047,572 (Impairment charge of \$2,338,950). SA was valued at its potential sale value and management have taken the view that it be written down due to continued depressed outlook in the coal market and the increased sovereign risk outlook for Indonesia particularly in light of ongoing mining regulatory changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SK was impaired from its fair value of \$4,425,954 to \$2,047,572 (Impairment charge of \$2,378,382). AU was valued at its potential sale value and management have taken the view that it be written down due to a continued depressed outlook in the coal market, the increased sovereign risk outlook for Indonesia particularly in light of ongoing mining regulatory changes and the same overlap issue that is impacting BS and AU mentioned above. The area that is subject to the overlap area is 255ha out of the total license area of 4,996ha and will not impact the value of SK as significantly as BS and AU.

As mentioned above the Company has impaired the mine properties and development assets of DE and TJ. In addition to this we have also impaired the exploration and evaluation assets of DE and TJ to nil (impairment charge of \$930,243).

As mentioned above the Company has impaired BKL, MEL and MBE mine properties and development assets to nil. In addition to this the Company has also impaired their exploration and evaluation balances to nil (impairment charge of \$586,697).

15. Trade and Other Payables

	Consolidated	
	31 December	31 December
	2014	2013
	\$	\$
Current		
Trade payables	2,836,304	3,140,549
Other payables and accruals	4,108,257	2,203,826
	6,944,561	5,344,375

Trade and other payables are non-interest bearing liabilities stated at cost and are predominantly settled within 30 days.

16. Borrowings

	Consolidated	
	31 December	31 December
	2014	2013
	\$	\$
Loans from PT Bayan Resources Tbk		
Beginning of Year	37,870,630	20,871,333
Loan Advanced	6,574,133	15,743,416
Loan repayments made	-	(5,165,192)
Offset against loan to other entities (refer to Note 8)	(12,749,681)	-
Interest charged	1,556,100	2,024,649
Foreign exchange revaluation	1,326,772	4,396,424
Closing Balance	34,577,954	37,870,630

Further information relating to loans from related parties is set out in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



17. Provisions

Non-current

Provision for mine restoration ^(a)

Employee entitlements ^(b)

Consolidated	
31 December 2014	31 December 2013
\$	\$
662,831	1,378,390
206,064	199,965
868,895	1,578,355

(a) Mine restoration

The mining, extraction and processing activities of the Group give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs.

(b) Employee entitlements

The provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. Where settlement can be deferred for more than 12 months the provision is classed as non-current.

18. Deferred Tax Liability

The balance comprises temporary differences attributable to:

Assets held available for sale ^(a)

Exploration and evaluation expenditure ^(a)

Mine properties and development ^(a)

Consolidated	
31 December 2014	31 December 2013
\$	\$
13,223,394	19,982,391
1,129,698	4,115,318
49,655,846	80,056,034
64,008,938	104,153,743

(a) Reduction in Deferred Tax Liability

Reductions in Deferred Tax Liability relate to the impairment charges recorded against mine properties and development, assets available-for-sale financial assets and exploration and evaluation expenditure for Pakar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



19. Issued Capital

	31 December 2014		31 December 2013	
	Number	\$	Number	\$
Issued and fully paid	3,434,430,012	469,867,326	3,434,430,012	469,867,326
(i) Movements in ordinary shares on issue				
Balance as at beginning of period	3,434,430,012	469,867,326	3,434,430,012	469,867,326
Balance as at end of period	3,434,430,012	469,867,326	3,434,430,012	469,867,326

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At shareholders meetings, each ordinary share is entitled to one vote per share when a poll is called, otherwise each shareholder has one vote on a show of hands.

(i) Options

During the financial year no options were issued over unissued ordinary capital nor did any unissued ordinary shares lapse:

(ii) Warrant holders

The warrant holders are not entitled to participate in dividends or any other distribution or right declared and have no voting rights. The warrant holders have the option to convert to ordinary shares at an exercise price of \$0.133 and would assume the same rights as an ordinary shareholder.

There are 128,103,448 unissued ordinary shares of Kangaroo Resources Limited under warrant as at 31 December 2014 expiring on 29 June 2015.

(iii) Capital risk management

The Company's capital includes share capital, reserves and accumulated losses. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to achieve this, the Company may issue new shares in order to meet its financial obligations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



20. Reserves and Retained Earnings

(a) Reserves

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Share based payments reserve	2,390,594	2,390,594
Foreign currency translation reserve	(2,613,445)	(2,630,591)
Transactions with non-controlling interests reserve	1,321,290	1,321,290
	1,098,439	1,081,293

(b) Share-based payments reserve

The share based payments reserve comprises the consideration received for the issue of options over unissued ordinary shares of the Company and the fair value of options over unissued ordinary shares granted to employees, consultants or others as remuneration for goods and/or services received until the options are exercised or expire. These were options that were issued to directors, employees and consultants all of which have now expired.

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Balance at beginning of period	2,390,594	2,390,594
Total share-based payment reserve at end of period	2,390,594	2,390,594

(c) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Balance at beginning of period	(2,630,591)	(518,861)
Foreign exchange movements	17,146	(2,111,730)
Total foreign currency translation reserve at end of period	(2,613,445)	(2,630,591)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



(d) Accumulated Losses

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Balance at beginning of period	146,900,153	129,416,740
Adjustment on adoption of Interpretation 20	-	1,939,540
Net losses attributable to members of the parent entity	137,041,097	15,543,873
Accumulated losses at the end of the period	283,941,250	146,900,153

21. Non-controlling Interest

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Balance at the beginning of the period	3,007,143	3,180,379
Comprehensive loss attributable to non-controlling interest	(1,362,771)	(173,236)
Non-controlling interest at the end of the period	1,644,372	3,007,143

22. Commitments

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and the Group are required to perform minimum exploration work to meet minimum expenditure requirements specified by various government authorities. These obligations are subject to renegotiation when application for a mining lease is made and at various other times. These obligations are not provided for in the financial report and are payable:

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Not later than one year	150,000	150,000
Later than one year but not later than five years	-	-
Total	150,000	150,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



(b) GPK Project Co-operation Agreement and Deed of Release with KAL Energy

The Company has entered into a Co-operation Agreement and a Deed of Release with KAL Energy in relation to its 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. Net sales proceeds consists 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 KRL takes GPK into production an 8% economic interest will be assigned to KAL Energy. GPK is currently held under a nominee structure pending KRL exercising its option to take up its full equity entitlement.

23. Subsidiaries and Transactions with Non-controlling Interests

Significant investments in subsidiaries

Name of controlled entity	Country of Incorporation	Class of shares	Equity holding	
			31 December 2014	31 December 2013
Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	Australia	Ordinary	100.00%	100.00%
SGQ Singapore Investment Company Pte Ltd	Singapore	Ordinary	100.00%	100.00%
SGQ Batubara Pte Ltd	Singapore	Ordinary	100.00%	100.00%
PT Karsa Optima Jaya	Indonesia	Ordinary	100.00%	100.00%
PT Multi Mamahak Batubara	Indonesia	Ordinary	100.00%	100.00%
PT Mamahak Coal Mining	Indonesia	Ordinary	99.00%	99.00%
PT Bara Karsa Lestari	Indonesia	Ordinary	99.00%	99.00%
PT Mahakam Energi Lestari	Indonesia	Ordinary	99.00%	99.00%
PT Mahakam Bara Energi	Indonesia	Ordinary	99.00%	99.00%
PT Sumber Aset Utama	Indonesia	Ordinary	99.00%	99.00%
PT Orkida Makmur	Indonesia	Ordinary	99.00%	99.00%
PT Dermaga Energy	Indonesia	Ordinary	99.00%	99.00%
PT Tanur Jaya	Indonesia	Ordinary	99.00%	99.00%
PT Sumber Api	Indonesia	Ordinary	99.00%	99.00%
PT Silau Kencana	Indonesia	Ordinary	99.00%	99.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



24. Related Party Disclosures

(a) Key management personnel

The following were key management personnel of the consolidated entity at any time during the reporting period and unless indicated were key management personnel for the entire period.

G Anderson	Non Executive Chairman
I Ogilvie	Managing Director
L Math	Non Executive Director
T Butcher	Non Executive Director
D Low Yi Ngo	Non Executive Director
A Mcleod ¹	Non Executive Director
R Neil	Non Executive Director
D Henderson	Financial Controller

¹ Resigned 31 December 2014

Key management personnel are those persons that have either directly or indirectly authority and responsibility for planning, directing and controlling the activity of the entity.

There were no other employees that constitute key management personnel.

(b) Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Short Term Benefit	817,930	730,412
Termination Payments	-	76,814
	817,930	807,226

Directors and key management personnel disclosures

Option holdings

There were no options over ordinary shares in the Company held during the current and the previous financial years by key management personnel, including their personally related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



Shareholdings

The number of shares in the Company held during the financial year by key management personnel of the Company, including their personally related parties, is set out below:

31 December 2014 Name	Balance at the start of year	Received during the year on exercise of options	Share based payments	Other changes	Balance at the end of the year
Directors					
G Anderson	-	-	-	-	-
I Ogilvie	-	-	-	-	-
D Low Yi Ngo	-	-	-	-	-
A Mcleod ¹	-	-	-	-	-
L Math	-	-	-	-	-
R Neil	-	-	-	-	-
T Butcher	-	-	-	-	-
Other key personnel					
D Henderson	-	-	-	-	-

¹ Resigned 31 December 2014

31 December 2013 Name	Balance at the start of year	Received during the year on exercise of options	Share based payments	Other changes	Balance at the end of the year
Directors					
G Anderson ¹	-	-	-	-	-
I Ogilvie ¹	-	-	-	-	-
D Low Yi Ngo	-	-	-	-	-
A Mcleod	-	-	-	-	-
L Math ¹	-	-	-	-	-
R Neil	-	-	-	-	-
T Butcher	-	-	-	-	-
M O'Keefe ²	37,000,000	na	na	na	na
P Richards ²	1,000,000	na	na	na	na
D Wentworth ²	-	na	na	na	na
Other key personnel					
D Henderson	-	-	-	-	-

¹ Appointed 1 May 2013

² Resigned 30 April 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



(c) Parent entity

The parent entity within the group is Kangaroo Resources Limited. The ultimate parent entity and ultimate controlling party is PT Bayan Resources Tbk (incorporated in Indonesia) which at 31 December 2014 owns 56.05% (31 December 2013: 56.05%) of the issued ordinary shares of Kangaroo Resources Limited.

(d) Subsidiaries

Interests in subsidiaries are set out in note 23.

(e) Other related party transactions

No Coal sales were made to PT Bayan Resources Tbk during the year ended 31 December 2014 (twelve months ended 31 December 2013: \$5,165,192).

The Company sold plant and equipment to PT Bayan Resources Tbk for \$361,991 during the year ended 31 December 2014 (twelve months 31 December 2013: nil).

During the year the Company was charged \$22,889 by PT Muji Lines, a subsidiary of PT Bayan Resources Tbk, for the provision of barging services (twelve months ended 31 December 2013: \$37,912).

During the year the Company was charged \$224,815 by PT Nirmala Matranusa a related party to PT Bayan Resources Tbk for office rental and associated expenses (twelve months ended 31 December 2013: \$305,973).

During the year the Company sold plant and equipment to PT Indonesia Pratama for \$77,549, a subsidiary of PT Bayan Resources TBK (twelve months ended 31 December 2013: nil).

During the year the Company paid \$198,000 (including GST) to GDA for administration, accounting and company secretarial services (twelve months ending December 2013: \$132,000). Mr Graham Anderson and Mr Leonard Math's directors fees were paid to GDA Corporate.

Mr Graham Anderson is a director and has a beneficial interest in GDA Corporate. Mr Leonard Math, Ms Sue Symmons and Mr Michael Loh all were or are employees of GDA Corporate.

(f) Loans from related parties

	Consolidated	
	31 December	31 December
	2014	2013
	\$	\$
Loans from PT Bayan Resources Tbk		
Beginning of Year	37,870,630	20,871,333
Loan Advanced	6,574,133	15,743,416
Loan repayments made	-	(5,165,192)
Offset against loan to other entities	(12,749,681)	-
Interest charged	1,556,100	2,024,649
Foreign exchange revaluation	1,326,772	4,396,424
Closing Balance	34,577,954	37,870,630

The loans have been provided to fund the Company's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except there are no fixed terms for the repayment of the loan from PT Bayan Resources Tbk. The average interest rate on the loan during the year was 6.90% (2013: 6.30%)

25. (Loss) / Earnings per Share

	Consolidated	
	Year-ended 31 December 2014	Year-ended 31 December 2013
<u>Loss per share from continuing operations</u>	<u>2014</u>	<u>2013</u>
Loss from continuing operations attributable to ordinary shareholders of the company	(137,041,097)	(15,543,873)
Basic and diluted loss per share (cents)	(3.99)	(0.45)
Weighted average number of Ordinary shares on issue used in the calculation of basic and diluted loss per share	3,434,430,012	3,434,430,012

Basic earnings/(loss) per share ('EPS') is calculated by dividing the net profit/(loss) attributable to ordinary shareholders for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company. Other potential ordinary shares have not been included in the calculation of diluted earnings per share as they are not considered dilutive.

26. Statement of Cash Flows

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

(a) Reconciliation of cash and cash equivalents

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Reconciliation of cash balance comprises:		
Cash at bank	2,798,619	2,975,471
	2,798,619	2,975,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



(b) Reconciliation of loss after income tax to net out flows from operating activities

	Consolidated	
	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Loss after income tax	(138,348,362)	(15,644,285)
Depreciation	1,263,546	1,578,649
Impairment of Mineral Properties	127,315,040	6,162,867
Impairment of Available-for –sale Financial Assets	27,035,989	-
Impairment of Exploration and Evaluation	13,682,922	-
Write-off of Property and loss on disposal, Plant & Equipment	-	1,102,005
Write-off of Loan Balances Owing	-	(1,835,307)
Interest Accruals	1,716,177	2,024,649
Foreign Exchange	(384,474)	(615,131)
Tax Benefit	(40,144,805)	-
Change in assets and liabilities during the financial year:		
(Increase)/decrease in inventories	1,286,303	3,861,429
(Increase)/decrease in trade & other receivables	(749,570)	(1,566,387)
(Increase)/decrease in prepayments	(69,612)	(355,631)
Increase/(decrease) in trade & other payables	1,600,186	(2,511,758)
Increase/(decrease) in employee entitlements	6,099	50,599
Increase/(decrease) in provisions	(715,559)	(2,794,655)
Net cash outflows from Operating activities	(6,506,120)	(10,542,956)

(c) Non cash financing and investing activities

Management reduced net borrowings with BR in 2014 as a result of finalising the outstanding Pakar Receivable of \$12m USD which was used to reduce the loan principal owing to BR. There were no other non-cash financing and investing activities during the current or previous financial years.

27. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The segments are consistent with the internal management reporting information that is regularly reviewed by the chief operating decision maker, being the Board of Directors.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate. Prior period segment information has been restated to reflect the current composition of reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The consolidated entity has one reportable segment based on the operating and exploration assets in Indonesia. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments. The Company no longer has two reportable segments (production and exploration) as management are currently reviewing Indonesian results as a whole rather than in different segments.

Segment Revenue

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
(i) Segment performance		
Revenue		
Segment revenue	206,640	5,291,073
Segment result	(177,241,528)	(15,119,429)
Impairment expense	(168,033,951)	(7,087,895)
Unallocated items		
Other corporate revenue	740,168	613
Other corporate income and expenses	(1,991,807)	(525,469)
Net loss before tax from continuing operations	(178,493,167)	(15,644,285)

(ii) Segment assets

Mine properties & development	200,909,097	328,224,137
Exploration & evaluation expenditure	17,280,881	30,765,370
Other assets	23,887,753	24,872,562
Total Segment assets	242,077,731	383,862,069
Reconciliation of segment assets to group assets		
Available-for-sale financial assets	52,893,575	79,929,564
Other corporate assets	97,929	12,221,179
Totals Assets	295,069,235	476,002,712

(iii) Segment liabilities

Total segment liabilities	35,557,375	40,463,637
Reconciliation of segment assets to group assets		
Deferred tax liability	64,008,938	104,153,743
Other corporate liabilities	6,834,035	4,329,723
Totals Liabilities	106,400,348	148,947,103

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28. Contingent Liabilities

In May 2013 former consultants Chimaera Capital Markets Pte Ltd & Empire Equity Limited commenced legal action against the Company to recover fees and other benefits that they allege are owing to them under an Advisory Agreement that was entered into by the Company in 2010. Claims totalling \$28M were included in the claim. Through its legal advisors, Clayton Utz, the Company successfully defended the claim including being awarded a US\$750,000 counterclaim. Both plaintiffs have now withdrawn from the appeal process and the Directors believe that there will be no potential impact from this case.

29. Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the consolidated entity in future financial years other than disclosed in the Directors' report.

30. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

The Board of Directors monitors domestic and international financial markets and manages the financial risks relating to the operations of the Group through periodically analysing exposures by degree and magnitude of risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group holds the following financial instruments:

	31 December 2014 \$	31 December 2013 \$
Financial assets		
Cash and cash equivalents	2,798,619	2,975,471
Trade and other receivables - current	1,279,181	12,381,099
Available-for-sale financial assets	52,893,575	79,929,564
Trade and other receivables - non-current	790,225	636,467
	<u>57,761,600</u>	<u>95,922,601</u>
Financial liabilities		
Trade and other payables	6,944,561	5,344,375
Borrowings	34,577,954	37,870,630
	<u>41,522,515</u>	<u>43,215,005</u>

(a) Market risk

(i) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The main currency exposure is to United States dollars through the entities cash advances to the current vendors of the Pakar Coal Projects. The Group manages foreign exchange risk by monitoring forecast cash flows in currencies other than Australian dollars and maintaining certain cash balances in United States dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follows:

	31 December 2014 \$	31 December 2013 \$
Cash and cash equivalents	2,788,618	2,823,732
Trade and other receivables	-	11,767,342
Trade and other payables	5,006,496	4,870,762
Unsecured loan from related party	34,577,954	37,870,630

(ii) Sensitivity

Based on the financial instruments held at 31 December 2014, had the Australian dollar weakened / strengthened by 10% against the US dollar with all other variables held constant, the group's post-tax profit for the year ended 31 December 2014 would have been \$4,088,426 lower / \$3,345,076 higher (twelve months ended 31 December 2013: \$3,127,813 lower / \$2,559,120 higher), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

(iii) Commodity price risk

Commodity price risk arises from fluctuations in market prices of coal. Contract coal sales are based on international coal indices. The Group has not entered into any forward commodity price contracts as at 31 December and is currently exposed to commodity price risk on future sales. The Group monitors market expectations on future commodity prices and considers entering into longer term contracts if necessary to manage risks. The Group was not exposed to any commodity price risk as at 31 December 2014 as coal trade receivables were nil.

(iv) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

	31 December 2014		31 December 2013	
	Weighted average interest rate	\$	Weighted average interest rate	\$
Financial assets				
Cash and cash equivalents	3.20%	2,798,619	3.20%	2,975,471
Financial liabilities				
Borrowings	6.90%	34,577,954	6.30%	37,870,630

The Group does not have material variable interest-bearing assets and percentage changes in interest rates would not have a material impact on the results.

The Group has a related party loan from PT Bayan Resources Tbk which incurs interest at Libor +6.75%.

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(b) Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash and short term liquid investment are placed with reputable banks, so no significant credit risk is expected. The Group's main exposure to credit risk arises from its advances and loans to related parties. The credit risk exposure is equivalent to the carrying values of the assets. No security is held over the advances and loans. All receivables are within their credit terms and repayment of these loans and advances is expected within 12 months. The Group is comfortable with recovery of the cash advances (see note 8(e)) as the vendor will refund the Company through cash generated from the initial Pakar sale.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the group's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	<6 months	>6 - 12 months	> 12 months	Total Contractual Cash Flows	Carrying Amount
31 December 2014					
Financial liabilities					
Trade and other payables	6,944,561	-	-	6,944,561	6,944,561
Borrowings	34,577,954			34,577,954	34,577,954
	41,522,515	-	-	41,522,515	41,522,515
31 December 2013					
Financial liabilities					
Trade and other payables	5,344,375	-	-	5,344,375	5,344,375
Borrowings	37,870,630			37,870,630	37,870,630
	43,215,005	-	-	43,215,005	43,215,005

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014



The Company's only financial instrument recognised at fair value is the available-for-sale financial asset acquired at fair value as part of a business combination. This is deemed to be a level 3 financial instrument on the basis that some of the inputs used in determining fair value were not based on observable market data.

Further information relating to the available-for-sale financial asset is set out in note 11.

31. Auditor's Remuneration

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	Year-ended 31 December 2014 \$	Year-ended 31 December 2013 \$
(a) PwC Australia Audit and review of financial statements	113,894	130,575
(b) Related practices of PwC Australia Audit and review of financial statements	104,521	86,814
	218,415	217,389

DIRECTORS' DECLARATION



In the directors' opinion:

- (a) the financial statements and notes set out on pages 29 to 73 and the Remuneration Report in the Directors' report set out on pages 13 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Managing Director, acting in the capacity of Chief Executive Officer and the Financial Controller, acting in the capacity of Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the year ended 31 December 2014.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'G. Anderson', with a long horizontal flourish extending to the right.

.....
Graham Anderson
Chairman
Perth, Western Australia
31 March 2015



Independent auditor's report to the members of Kangaroo Resources Limited

Report on the financial report

We have audited the accompanying financial report of Kangaroo Resources Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Kangaroo Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Liability limited by a scheme approved under Professional Standards Legislation.



Independent auditor's report to the members of Kangaroo Resources Limited (cont'd)

Auditor's opinion

In our opinion:

- (a) the financial report of Kangaroo Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a total comprehensive loss of \$138,386,722 and net cash outflows from operating activities of \$6,506,120 during the year ended 31 December 2014 and, as of that date, the company had a working capital deficiency of \$34,496,628. The company is dependent on the continuing support of its majority shareholder, however there is a material uncertainty regarding the ability of the major shareholder to provide such support. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 19 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Kangaroo Resources Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Ben Gargett
Partner

Perth
31 March 2015

ASX ADDITIONAL INFORMATION



Additional information as required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

1.1 Distribution of Share and Option Holders (as at 26 March 2015)

Analysis of numbers of equity security holders by size of holding:

Holding	Fully Paid Shares
1-1000	143
1,001-5,000	257
5,001-10,000	250
10,001-100,000	792
100,000-over	296
	1,738

The number of shareholders holding less than a marketable parcel is 1,361

1.2 Twenty Largest Shareholders (as at 26 March 2015)

Name	Number held	Percentage
1 PT Bayan Resources Tbk	1,925,000,000	56.05%
2 HSBC Custody Nominees	477,630,969	13.91%
3 National Nominees Limited	235,671,191	6.86%
4 BNP Paribas Nominees Pty Limited	166,952,524	4.86%
5 JP Morgan Nominees Australia Ltd	131,125,865	3.82%
6 Citicorp Nominees Pty Ltd	130,391,458	3.80%
7 RHB Securities Singapore Pte Ltd	34,170,961	0.99%
8 Nannook Holdings Pty Ltd	27,210,975	0.79%
9 UOB Kay Hian Private Limited	18,214,508	0.53%
10 Ms Kwai Lan Chin	16,691,459	0.49%
11 Dempo Global Corporation Pte Ltd	15,000,000	0.44%
12 Manning Oak Nominees Pty Ltd	12,000,000	0.35%
13 DBS Vickers Securities (Singapore) Pte Ltd	11,359,000	0.33%
14 Mark O'Keeffe <The Australian Oak A/c>	10,000,000	0.29%
15 Romfal Sifat Pty Ltd <The Fizmail Family A/c>	9,266,350	0.27%
16 Bayleaf Pty Ltd	9,000,000	0.26%
17 AH Super Pty Ltd <The AH Super Fund A/C>	16,500,000	0.48%
18 Carmine Lion Group Pty Ltd	7,096,287	0.21%
19 Nefco Nominees Pty Ltd	6,298,593	0.18%
20 Mr David John Patrick O'Neil & Mrs Sherrel Lynn O'Neil <O'Neil Super Fund A/C>	5,837,024	0.17%
Total	3,265,417,164	95.08%
Total remaining holders balance	169,012,848	4.92%
Total all shareholders	3,434,430,012	100%

ASX ADDITIONAL INFORMATION



1.3 Substantial Shareholders

Substantial holders in the company are set out below:

	Number held	Percentage
PT Bayan Resources Tbk	1,925,000,000	56.05%
HSBC Custody Nominees	477,630,969	13.91%
National Nominees Limited	235,671,191	6.86%
BNP Paribas Nominees Pty Limited	166,952,524	4.86%
JP Morgan Nominees Australia Ltd	131,125,865	3.82%
Citicorp Nominees Pty Ltd	130,391,458	3.80%

1.4 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

- (a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid Share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.

2. Restricted Securities

At 31 March 2015 there are no restricted securities.

3. Tenement Schedule

Project	Tenement Details	Registered Holder	KML Interest %	Application or Grant Date	Expiry Date	Area
Queensland						
Ravenshoe East	EPM 14880	Kangaroo Minerals Pty Ltd	100%	28/02/2006	28 Feb 2017	20 blks

Please note that the Company has sold its rights in the above tenement.