KANGAROO RESOURCES LIMITED

ABN 38 120 284 040

Annual Report for the year ended 31 December 2015

CONTENTS

Directors

Ian Ogilvie	Managing Director
Russell Neil	Non-Executive Director
David Yi Ngo Low	Non-Executive Director
Trevor Butcher	Independent Non-Executive Director
Susmit Shah	Independent Non-Executive Director

Company Secretary
Paul Jurman

Registered Office
C/o Corporate Consultants Pty Ltd
Level 1, Suite 5, The Business Centre
55 Salvado Road
Subiaco, WA, 6008, Australia

Principal Place of Business
C/o Corporate Consultants Pty Ltd
Level 1, Suite 5, The Business Centre
55 Salvado Road
Subiaco, WA, 6008, Australia

Tel +61 (08) 9380 6789
Fax +61 (08) 9380 6761

Stock Exchange
Australian Securities Exchange Limited ("ASX")
Level 40, Central Park,
152-158 St Georges Terrace
Perth, WA, 6000, Australia

Quoted on the official list of the Australian Securities Exchange
ASX Symbol: **KRL**

Auditors
PricewaterhouseCoopers
Level 15, 125 St Georges Terrace
Perth WA, 6000, Australia

Solicitors
Clayton Utz
Level 15, 1 Bligh Street
Sydney, NSW, 2000, Australia

Norton Rose Fulbright Australia
Level 39, 108 St Georges Terrace
Perth WA, 6000, Australia

Susandarini & Partners
(In association with Norton Rose Fulbright Australia)
Level 33, Equity Tower, Sudirman CBD
Jl Jend Sudirman Kav 52-53
Jakarta, 12190, Indonesia

Widyawan & Partners
The Energy 9th Floor, Sudirman CBD
Jl Jend Sudirman Kav 52-53
Jakarta, 12190, Indonesia

Bankers
National Australia Bank Limited

Share Registry
Advanced Share Registry Services
110 Stirling Highway
Nedlands, WA, 6009, Australia
Tel +61 (08) 9389 8033
Fax +61 (08) 9389 7871

Domicile and Country of Incorporation
Australia

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 2015.

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:

Ian Ogilvie MIQ, MAusIMM, GIA (Cert) - 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 35 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.

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 seven 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.

Russell Neil FCPA, CFA - Non-Executive Director

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

Mr Neil is a Certified Practising Accountant and Certified Financial Analyst 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.

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

Trevor Butcher - Independent 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 did not hold any directorships in other listed companies in the previous 3 years.

Susmit Shah BSc Econ, CA - Independent Non-Executive Director

Mr Shah was appointed a director of Kangaroo Resources on 1 December 2015.

Mr Shah is a Chartered Accountant who has been involved as a director and company secretary of various Australian public listed companies for over 20 years. He consults to public companies on a variety of matters including stock exchange requirements, joint venture negotiation and corporate fundraising. He is currently a director and company secretary of ASX listed Burey Gold Limited (appointed 16 June 2005) and is company secretary of ASX listed entities Manas Resources Limited and Tiger Resources Limited.

Mr Shah brings a wealth of financial and corporate expertise to the board of KRL through his experience with numerous IPOs', backdoor listings, mergers and asset acquisitions

Paul Jurman BCom, CPA – Company Secretary

Mr Jurman was appointed company secretary of Kangaroo Resources on 1 December 2015.

Mr Jurman is a Certified Practising Accountant with over 15 years' experience and has been involved with a diverse range of Australian public listed companies in company secretarial and financial roles. He is also company secretary of ASX listed Nemex Resources Limited and Carnavale Resources Limited.

Mr Graham Anderson was appointed a director of Kangaroo Resources on 1 May 2013 and ceased to be a director on 19 July 2015. Mr Anderson passed away on 19 July 2015.

Ms Sue Symmons was appointed company secretary of Kangaroo Resources on 23 August 2013 and resigned as company secretary on 28 August 2015.

Mr Leonard Math was appointed a director of Kangaroo Resources on 1 May 2013 and resigned as director on 21 May 2015. Mt Math was re-appointed as director of Kangaroo Resources on 5 August 2015 and resigned as director on 1 December 2015.

Mr Leonard Math was appointed company secretary of Kangaroo Resources on 28 August 2015 and resigned as company secretary on 1 December 2015.

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 2015, and therefore have an indirect interest of 56.05% in the Company.

- Russell Neil - Director of Business Development
- 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 2015, and the number of meetings attended by each Director were:

	Board Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
G Anderson [1]	3	3	4	4
T Butcher	5	5	4	4
D Low Yi Ngo	5	1	n/a	n/a
L Math [2]	4	3	4	3
R Neil	5	5	n/a	n/a
I Ogilvie	5	5	n/a	n/a
S Shah [3]	1	1	n/a	n/a

1 Graham Anderson ceased being a director on 19 July 2015

2 Leonard Math resigned as director on 21 May 2015, was re-appointed as a director on 5 August 2015 and resigned as a director on 1 December 2015.

3 Sumit Shah was appointed a director on 1 December 2015.

Due to the size of KRL board and KRL's operational status, the KRL board decided to dissolve the Audit, Remuneration and Nomination and the Continuous Disclosure Committees. The full board attended to the duties of these committees up to this date. No Remuneration and Nomination nor Continuous Disclosure Committee meetings were held during the year ended 31 December 2015.

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 has interests in a significant portfolio of 14 coal mining concessions all located in the mineral rich province of East Kalimantan. These concessions are in close proximity to the existing coal mining and newly constructed infrastructure assets of its major shareholder PT Bayan Resource Tbk (BR).

The Company continued to make progress in 2015 with obtaining licenses & permits, cutting unnecessary expenditure, disposing of surplus assets and establishing a working framework for the development and operation of its target mining projects.

The Company's strategy is to complete the development process, avoid major capital expenditure by tapping into the existing BR infrastructure and establish production and revenue streams of its own from those assets which offer the best overall returns.

The Company's portfolio is exclusively centred on thermal coal and the primary Newcastle Index for thermal coal plays a significant part in the Company's plans. In 2015 the Newcastle Index continued to drop from around US$64 per tonne down to US$52 per tonne.

Due to the revised market outlook and other changes which have occurred during 2015, the Company has had to re-evaluate the carrying value of its mining asset portfolio which has resulted in an impairment to the carrying value of the Company's mining assets of $33,740,007 before tax. Partly offsetting this impairment was the increase in the carrying value of "Available-for-sale financial assets" which increased by $5,887,434 before tax due to the weakening of the Australian dollar against the United States dollar.

Despite this further impairment the Company believes its Indonesian coal portfolio still holds significant value and the relationship with the Company's major shareholder BR provides the Company with significant advantages through access to extensive operational experience, project infrastructure, financing, existing logistics set up, existing markets and a strong client base.

The Company and BR are already well advanced in plans for the co-development of the Tabang & Pakar projects as evidenced in the signing of formal agreements in December 2015 relating to the sale of Sumber Aset Utama (SAU) assets and access rights to the new Road & Port infrastructure facilities. These agreements are due to be put to shareholders for approval in late April 2016.

There have also been some other developments in Indonesia which may work in the Company's favour. The Indonesian Government is currently reviewing the 2009 Mining Law with a view to further rationalising the key processes involved in getting new mining projects off the ground and attracting further investment. The Company believes that this will result in an overall streamlining of the licensing and permitting process which have in the past proved to be significant barriers to expedient project development.

Despite the lengthy and cumbersome license & permit process the Company remains on track to deliver a joint development of Pakar working alongside the BR Tabang Project and the directors & management remain fully committed to the establishment of commercial production and profitable operations.

OPERATING AND FINANCIAL REVIEW

The consolidated comprehensive loss of the Group for the year ended 31 December 2015 was $29,189,148 (31 December 2014: $138,386,722 loss).

This comprehensive loss was mainly due to the following factors;

Impairment of Mining Assets $(33,740,007) (December 2014: $(168,033,951))
Following the continued downturn in worldwide coal prices (amongst other items), management have made the decision to impair its mining assets by $33,740,007. This follows the $168,033,951 impaired in 2014. This is a non-cash transaction and the value of these impairments is summarised below:-

PT Dermaga Energi & PT Tanur Jaya	$	27,123,383
PT Mamahak Coal Mine	$	2,285,714
PT Bara Sejati	$	2,452,182
PT Cahaya Alam	$	1,178,274
PT Orkida Makmur	$	700,454

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

Operating Expenses $(2,292,215) (December 2014: $(4,710,818))
Operating expenditure continues at Mamahak Coal Mine (MCM) as operations remain in care and maintenance at the mine site. All coal at MCM has now been barged to BR's Balikpapan Coal Terminal awaiting regulatory approvals for sale. Costs have decreased $2,418,603 from 2014 as the majority of remaining employees were made redundant during 2015. Included in this amount is $1,191,919 of non-cash expenditure relating to depreciation and write-downs of inventory due to the further falls in coal prices. In 2016 and beyond this expenditure will drop further with only minimal care, maintenance and security expenditure remaining.

Administrative Expenses $(2,400,215) (December 2014 $(3,469,766))
Administrative costs have reduced by $1,069,551 in 2015 mainly due to lower legal costs. Higher legal costs in 2014 related to the defence of the court action taken against the Company by its former advisors Chimaera Capital Pte Ltd and Empire Equity Limited.

Finance costs $(3,390,833) (December 2014: $(1,716,177))
Interest accrued on outstanding borrowings with BR have increased by $1,674,656 in 2015. This has mainly been driven by increase in borrowings, higher interest rate and the weakening Australian dollar. Management already have plans in place to further reduce borrowings with BR in 2016.

Foreign Exchange Loss $(1,602,236) (December 2014: $(1,509,263))
Foreign exchange loss of $1,602,236 relate to losses mainly generated on the revaluation of the USD loans with BR.

Income Tax Benefit $7,863,573 (December 2014: $40,144,805)
Income tax benefit of $7,863,573 relates to reductions in deferred tax liability associated with the impairment of mining assets at Pakar. Pakar licenses carrying values exceed their tax base resulting in the above corresponding deferred tax liability.

Other Income $2,644,115 (December 2014: $740,120)
Other income of $2,644,115 represents the gain on sale of MCM property, plant and equipment. As operations have ceased and all of the coal has been barged from MCM, KRL sold the majority of its assets at MCM to BR.

Exchange differences on translating foreign operations $3,565,591 (December 2014: $(38,360))
Mainly due to foreign exchange gain arising from revaluation of "Available-for-sale financial assets" (Tiwa Abad(TA)) $5,887,434, partly offset by deferred tax impact of TA revaluation $(1,471,859) and foreign exchange loss generated on Indonesian subsidiaries $(849,984).

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 Senyiur port area. The Company also holds commercial rights to acquire up to 99% of the remaining 4 Pakar entities which are currently awaiting government sign-off and conversion to Indonesian PMA companies (a foreign investment company) to enable shares in these entities to be transferred to a foreign entity. The shares in these remaining 4 concessions are currently held by BR. The transfer of these shares to the Company remains in progress, pending approvals, however any transfers will now be subject to more recent government regulations that impose restrictions on maximum percentage of foreign ownership in mining exploration and production concessions. In the event that it is not possible for the Company to take up its full share entitlement in these remaining 4 entities, the Company will be entitled to alternative compensation for any shortfall in shares.

Road & Port infrastructure to support the BR Tabang project and the Company's Pakar Project was commissioned during 2015. Further expansion to the Port infrastructure to enable coal crushing at the new Port area will continue in 2016.

This new infrastructure provides direct access from the Company's proposed Pakar mining areas along a new 69Km long coal haul road and into the new port facility at Senyiur on the Kedang Kepala River.

In December 2015 the Company signed formal agreements with BR to secure exclusive access rights to 30% of the Road & Port Infrastructure capacity along with a Sale and Purchase agreement for the sale of the Company's surplus infrastructure assets at SAU for US$12M subject to regulatory and shareholder approval.

BR are already utilising the new Road & Port Infrastructure at an initial throughput rate of around 5.5Mtpa and anticipate the Infrastructure being further developed to achieve around 30Mtpa capacity which would provide 9Mtpa capacity for the Company to develop and exploit its own Pakar mining concessions.

The Company continues to make steady progress towards obtaining all other necessary forestry & mining permits and other approvals required to enable mining operations to be commenced at Pakar in 2019.

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

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

Mining Operations at MCM were suspended in December 2012.

Geological models were updated to enable a reassessment of coal resources. An updated Mineral Resources report was prepared by external consultants and issued in March 2015 with summary of findings released to the market on 12 May 2015.

River water levels improved significantly in 2015 enabling all remaining coal stockpiles of around 68,157 tonnes to be transported 640km by barge to the Balikpapan Coal terminal.

Labour and equipment resources were further reduced at MCM throughout the year in order to minimize monthly costs. The project is now managed under a care and maintenance arrangement with a third party.

Surplus fixed and mobile equipment assets were disposed of in 2015, with the sale proceeds of $4,239,509 utilised to reduce borrowings with BR.

Recommencement of mining activity at the MCM project remains dependent on the identification of additional mineable coal reserves, establishment of a more accessible port location and a significant improvement in coal markets.

GPK Thermal Coal Project

A mining production license is already in place for this project but no further development has taken place in 2015.

The GPK mining concession also overlaps with a production forest zone. In addition to the mining production license being in place, additional permitting is required from the Ministry of Forestry prior to commencement of operations. Additional forestry permits have already been obtained for an initial mining area, however additional forestry (land usage) permits for larger areas are required before the Company can commit to full scale development of the GPK project.

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

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

In 2014 the Company sold the Mt Ruby mining tenement for $250,000 and a 3% mineral sale royalty. The remaining funds were received during 2015.

The Company hold no further exploration interests in Australia.

GOING CONCERN

For the year ended 31 December 2015, the Company incurred a total comprehensive loss of $29,189,148 (31 December 2014: $138,386,722 loss), net cash outflows from operating activities of $5,507,281 (31 December 2014: $6,506,120) and has a working capital deficiency of $42,467,131 (31 December 2014: $34,496,628). The group was advanced loans of $4,824,261 from PT Bayan Resources Tbk (BR), the major shareholder of the Company, to fund operating cash flow and capital expenditure (31 December 2014: $6,265,669).

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

BR 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.

At 31 December 2014 and 30 June 2015, a material uncertainty existed regarding BR' ability to provide this support, due to BR having negative working capital arising primarily from an outstanding bank loan which matured during 2015.

On 22 December 2015, BR' signed and executed a restructure of this outstanding bank loan, as a result this material uncertainty that existed at 31 December 2014 and 30 June 2015 due to BR negative working capital no longer exists.

SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

In December 2015 the Company and BR signed formal agreements relating to the sale of Sumber Aset Utama (SAU) assets and access rights to the new road & port infrastructure facilities These agreements are due to be put to shareholders for approval in late April 2016.

Once executed the US$12m sale proceeds will be used to reduce debt with BR. In addition the access agreement will guarantee KRL access to road and port infrastructure of up to 9mt pa.

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.

DIVIDENDS

No dividend has been paid by the Group during the year ended 31 December 2015 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.

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 [1]	Non Executive Chairman
I Ogilvie	Managing Director
L Math [2]	Non Executive Director
T Butcher	Non Executive Director
D Low Yi Ngo	Non Executive Director
R Neil	Non Executive Director
S Shah [3]	Non Executive Director
D Henderson	Financial Controller

1 Ceased being a director 19 July 2015

2 Resigned 21 May 2015, re-appointed 5 August 2015, resigned 1 December 2015

3 Appointed 1 December 2015

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 remuneration of the directors is set by the full board. In 2014 the board had a separate Remuneration and Nominations Committee to oversee this function. Due to the size of the Board and the Company's operational status, the Board decided to dissolve the committee and take over the function. 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 $117,511. Mr Anderson was paid a director's fee of $6,000 per month (plus GST) up until he ceased being a director on 19 July 2015, Mr Math was paid a director's fee of $3,000 per month (plus GST) when he was a director until he resigned on the 21 May 2015 and from 5 August 2015 to 1 December 2015 when he was re-appointed and resigned, Mr Butcher was paid director's fees of US$5,000 per month until 28 February 2015 and from 1 March 2015 to 31 December 2015 was paid $3,000 per month (including superannuation), and Mr Shah was paid a directors fee of $3,000 per month from 1 December 2015. Messrs, Low 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 2015 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.

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 $491,226.

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 Board 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.

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 Board.

Director remuneration is currently not linked to either long term or short term performance conditions. The 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 2015 were the Board of Directors and the Financial Controller Damien Henderson.

During the financial year ended 31 December 2015 and the financial year ended 31 December 2014 the KMP received no long-term benefits. The only remuneration received by the KMP within these periods were short-term employee benefits.

During 2015 Damien Henderson's remuneration was paid by BR.

	Short-term benefits				Post-employment benefits	Share-based payment		
Twelve months ended 31 December 2015	**Salary & Fees $**	**Bonus $**	**Non-monetary $**	**Other $**	**Termination $**	**Options & rights $**	**Total $**	**Percentage remuneration consisting of options for the year**
Directors								
I Ogilvie	491,226	-	-	-	-	-	491,226	0.00%
G Anderson [1]	42,000	-	-	-	-	-	42,000	0.00%
L Math [2]	30,000	-	-	-	-	-	30,000	0.00%
T Butcher	42,511	-	-	-	-	-	42,511	0.00%
D Low Yi Ngo	-	-	-	-	-	-	-	0.00%
R Neil	-	-	-	-	-	-	-	0.00%
S Shah [3]	3,000	-	-	-	-	-	3,000	0.00%
Total	**608,737**	**-**	**-**	**-**	**-**	**-**	**608,737**	

1 Graham Anderson ceased being a director on 19 July 2015
2 Leonard Math resigned as director on 21 May 2015, was re-appointed 5 August 2015 and resigned on 1 December 2015
3 Susmit Shah was appointed director on 1 December 2015

Details of the remuneration of the directors and other key management personnel of the Company for the year ended 31 December 2014 are set out below:

Twelve months ended 31 December 2014	Short-term benefits				Post-employment benefits	Share-based payment		
	Salary & Fees $	Bonus $	Non-monetary $	Other $	Termination $	Options & rights $	Total $	Percentage remuneration consisting of options for the year
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 Alastair McLeod resigned as director on 31 December 2014

E. Contractual Arrangements

On appointment, the executive directors enter into a service agreement with the Company 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:-

Ian Ogilvie
Monthly Salary – US$24,000 Net of tax
Term Bonus – 1 month salary for every twelve months worked subject to Board discretion
Annual Performance Bonus – Minimum 1 month salary subject to Board discretion
Period of Notice – 1 month
Term – Open

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:-

Susmit Shah
Monthly Fee - $3,000
Period of Notice – 1 month
Term – Continuing, subject to the Constitution

Trevor Butcher
Monthly Fee - $3,000
Period of Notice – 1 month
Term – Continuing, subject to the Constitution

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:-
Damien Henderson
Monthly Salary - US$13,050 Net of tax
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 2014: nil) ordinary shares were issued upon the exercise of options.

SHARES UNDER WARRANT

128,103,448 unissued ordinary shares of Kangaroo Resources Limited under warrant with an exercise price of $0.133 AUD expired on the 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 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 during 2015.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration for the financial year ended 31 December 2015 has been received as required under Section 307C of the *Corporations Act 2001* and is included on page 23.

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:

Ian Ogilvie

Ian Ogilvie
Managing Director
Jakarta, Indonesia

31 March, 2016

Auditor's Independence Declaration

As lead auditor for the audit of Kangaroo Resources Limited for the year ended 31 December 2015, 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.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
31 March 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

SUB-CONTENTS

FINANCIAL STATEMENTS

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 2016. The directors have the power to amend and reissue the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	Consolidated Year ended 31 December 2015 $	Consolidated Year ended 31 December 2014 $
Continuing operations			
Revenue from continuing operations	4	163,079	206,688
Other income	4	2,644,115	740,120
		2,807,194	946,808
Expenses			
Operating expenses	5	(2,292,215)	(4,710,818)
Administration expenses	5	(2,400,215)	(3,469,766)
Finance costs	5	(3,390,833)	(1,716,177)
Impairment expense	5	(33,740,007)	(168,033,951)
Other expenses	5	(1,602,236)	(1,509,263)
Total expenses		(43,425,506)	(179,439,975)
Loss before income tax		(40,618,312)	(178,493,167)
Income tax benefit	6	7,863,573	40,144,805
Loss from continuing operations		**(32,754,739)**	**(138,348,362)**
Other comprehensive loss			
Items that may be reclassified into profit or loss			
Exchange differences on translating foreign operations		3,565,591	(38,360)
Other comprehensive loss for the year, net of tax		3,565,591	(38,360)
Total comprehensive loss for the year		**(29,189,148)**	**(138,386,722)**
Loss for the year is attributable to:			
Owners of the Company		(32,446,420)	(137,041,097)
Non-controlling interests		(308,319)	(1,307,265)
		(32,754,739)	**(138,348,362)**
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(28,843,940)	(137,023,951)
Non-controlling interests		(345,208)	(1,362,771)
		(29,189,148)	**(138,386,722)**
Loss per share attributable to the ordinary equity holders of the company:		Cents	Cents
Basic and diluted loss per share from continuing operations		(0.94)	(3.99)

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 2015

	Note	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
Current Assets			
Cash & cash equivalents	7	2,406,603	2,798,619
Trade & other receivables	8	827,787	1,279,181
Inventory	9	3,884,044	2,948,087
		7,118,434	7,025,887
Assets classified as held for sale	10	15,956,714	14,172,419
Total Current Assets		**23,075,148**	**21,198,306**
Non-Current Assets			
Receivables	8	839,572	790,225
Property, plant & equipment	12	209,806	1,997,151
Mine properties & development	13	171,500,000	200,909,097
Exploration & evaluation expenditure	14	16,580,427	17,280,881
Available-for-sale financial assets	11	55,150,553	52,893,575
Total Non-Current Assets		**244,280,358**	**273,870,929**
TOTAL ASSETS		**267,355,506**	**295,069,235**
Current Liabilities			
Trade & other payables	15	6,666,460	6,944,561
Borrowings	16	42,919,105	34,577,954
Total Current Liabilities		**49,585,565**	**41,522,515**
Non-Current Liabilities			
Provisions	17	672,978	868,895
Deferred tax liabilities	18	57,617,224	64,008,938
Total Non-Current Liabilities		**58,290,202**	**64,877,833**
TOTAL LIABILITIES		**107,875,767**	**106,400,348**
NET ASSETS		**159,479,739**	**188,668,887**
EQUITY			
Equity attributable to the equity holders of the parent			
Issued capital	19	469,867,326	469,867,326
Reserves	20	2,310,325	1,098,439
Accumulated losses	20	(313,997,076)	(283,941,250)
Capital & reserves attributable to owners of Kangaroo Resources Limited		158,180,575	187,024,515
Non-controlling interest	21	1,299,164	1,644,372
TOTAL EQUITY		**159,479,739**	**188,668,887**

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 2015

	Contributed Equity $	Accumulated Losses $	Reserves $	Attibutable to members of KRL $	Non-controlling interest $	Total Equity $
Balance as at 1 January 2015	469,867,326	(283,941,250)	1,098,439	187,024,515	1,644,372	188,668,887
Loss attributable to members of KRL	-	(32,446,420)	-	(32,446,420)	(308,319)	(32,754,739)
Other comprehensive loss	-	-	3,602,480	3,602,480	(36,889)	3,565,591
Share-based payments reserve expired	-	2,390,594	(2,390,594)	-	-	-
Total comprehensive loss attributable to members of KRL	-	(30,055,826)	1,211,886	(28,843,940)	(345,208)	(29,189,148)
Balance as at 31 December 2015	469,867,326	(313,997,076)	2,310,325	158,180,575	1,299,164	159,479,739

	Contributed Equity $	Accumulated Losses $	Reserves $	Attibutable 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

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2015

	Consolidated Year ended 31 December 2015	Consolidated Year ended 31 December 2014
	$	$
Cash flows from operating activities		
Payment to suppliers and employees (inclusive of GST and VAT)	(5,669,242)	(6,704,731)
Interest received	161,961	198,611
Net cash outflow from operating activities	(5,507,281)	(6,506,120)
Cash flows from investing activities		
Payments for exploration and evaluation assets	-	(124,002)
Proceeds from sale of assets	166,666	83,334
Net cash inflow (outflow) from investing activities	166,666	(40,668)
Cash flows from financing activities		
Proceeds from borrowings - related parties	4,824,261	6,265,669
Net cash inflow from financing activities	4,824,261	6,265,669
Net decrease in cash and cash equivalents	(516,354)	(281,119)
Cash and cash equivalents at beginning of financial year	2,798,619	2,975,471
Effect of exchange rate on cash held in foreign currencies	124,338	104,267
Cash and cash equivalents at end of period	2,406,603	2,798,619

The above consolidated statement of Cash flow should be read in conjunction with the accompanying notes.

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”). KRL is a for profit entity for accounting purposes.

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

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2015:

AASB 2014-1 Amendments to Australian Accounting Standards (including Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles and Part B: Defined Benefit Plans: Employee Contributions – Amendments to AASB 119). The adoption of the improvements made in the 2012 Cycle did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iii) Going Concern

For the year ended 31 December 2015, the Company incurred a total comprehensive loss of $29,189,148 (31 December 2014: $138,386,722 loss), net cash outflows from operating activities of $5,507,281 (31 December 2014: $6,506,120) and has a working capital deficiency of $42,467,131 (31 December 2014: $34,496,628). The group was advanced loans of $4,824,261 from PT Bayan Resources Tbk "Bayan Resources", the major shareholder of the Company, to fund operating cash flow and capital expenditure (31 December 2014: $6,265,669).

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 obligations now and in the future. The undertaking is provided for a minimum of twelve months from the date of these financial statements. These statements have therefore been prepared on a going concern basis.

(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 2015 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 of 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 of 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.

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-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;

(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 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.

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 reviewed at the end of each accounting period and accumulated costs are written off to the extent that they are not considered to 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 cost of disposal 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 less cost of disposal 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 less cost of disposal 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 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.

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 2015 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 (Effective 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.

The Company does not have any hedging arrangements. The Company 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 Company’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 Company 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 2015 – 1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle under section 334 of the Corporations Act (Effective 1 January 2016)*

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.

(iv) *AASB 15 Revenue from contracts with customers (Effective 1 January 2018)*

AASB 15 introduces a new framework for accounting for revenue and will replace AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. AASB 15 establishes principals for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the exiting notion of risks and rewards.

The Company is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

(v) *IFRS 16 Leases (Effective 1 January 2019)*

One of the key changes to IFRS 16 Leases is that lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 will result in lessees recognising most leases on the balance sheet.

The Company has not yet determined the extent of the impact of this standard, which is yet to be adopted by the AASB.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 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.

3. Parent Entity Financial Information

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

	31 December 2015 $	31 December 2014 $
Balance sheet		
Current assets	147,026	689,047
Total assets	146,187,817	166,676,098
Current liabilities	88,295	1,934,165
Total liabilities	10,605,187	8,660,185
Shareholders' equity		
Contributed equity	469,867,326	469,867,326
Accumulated losses	(336,675,290)	(314,242,007)
Share based payment reserve	2,390,594	2,390,594
	135,582,630	158,015,913
(Loss) profit for the year	(22,433,283)	(194,673,781)
Total comprehensive (loss) for the year	(22,433,283)	(194,673,781)

Contractual Commitments
There are no significant contractual commitments.

Guarantees and Contingent Liabilities
There are no guarantees or contingent liabilities.

4. Revenue and other income

	Consolidated	
	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Interest revenue	163,079	206,688
	163,079	206,688
(b) Other Income		
Sale of Mine Tenements	-	250,000
Proceeds of Legal Counterclaim	-	875,222
Impairment of Legal Counterclaim	-	(875,222)
Recovery of Legal Costs	-	375,000
Gain on Sale of Fixed Assets [1]	2,644,115	115,120
Total other income	2,644,115	740,120

1. During 2015 KRL sold the majority of its property, plant and equipment from MCM to BR. As all remaining coal has been barged away from MCM's Long Hubung port and operations have ceased, MCM have sold this equipment to BR for $4,230,509 ($3,179,313 USD). This was $2,644,115 above its written down value of $1,586,394.

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 2015 $	Consolidated Year ended 31 December 2014 $
(a) Operating Expenses		
Employee Costs	249,713	1,279,156
Depreciation	610,652	1,715,042
Repairs, maintenance and materials and rental	(2,221)	199,788
Fuel and Lubricants	133,300	280,602
VAT expensed	46,763	60,462
Consultancy Fees	120,164	27,416
Barging Expenses	1,405,897	-
Royalties	319,836	-
Reduction in provision for rehabilitation	-	(807,250)
Other operating expenses	232,741	437,357
Total operating expenses	3,116,845	3,192,573
Inventory movement	(824,630)	1,518,245
	2,292,215	4,710,818
(b) Administration expenses		
Consultant expenses	397,893	302,643
Legal Expenses	372,632	1,152,859
Directors fees & employee Costs	877,693	1,142,587
Office Rent	316,159	199,765
Travel and accomodation	36,803	29,651
Other administration expenses	399,035	642,261
	2,400,215	3,469,766
(c) Finance costs		
Interest expense	3,390,833	1,716,177
	3,390,833	1,716,177
(d) Impairment costs		
Impairment of Mine Properties and Development	29,409,097	127,315,040
Impairment of Exploration and Development	700,454	13,682,922
Impairment of Available-for-sale assets	3,630,456	27,035,989
	33,740,007	168,033,951
(d) Other expenses		
Foreign exchange loss	1,602,236	1,509,263
	1,602,236	1,509,263

6. Income Tax Benefit

(a) Recognised in the statement of comprehensive income

	Consolidated Year ended 31 December 2015 $	Consolidated Year ended 31 December 2014 $
Current income tax	-	-
Deferred tax benefit relating to the origination and reversal of temporary differences	7,863,573	40,144,805
Total income tax benefit	7,863,573	40,144,805

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

	Consolidated Year ended 31 December 2015 $	Consolidated Year ended 31 December 2014 $
(Loss)/profit before tax	(40,618,312)	(178,493,167)
Income tax using the domestic corporation rate of 30% (31 December 2014: 30%)	(12,185,494)	(53,547,950)
Tax effect of:		
Difference in overseas tax rate	1,760,873	8,405,922
Non-deductible expenses	480,671	452,152
Unused tax losses and temporary differences not recognised as deferred tax assets	2,080,377	4,545,071
Total income tax benefit	(7,863,573)	(40,144,805)

(c) Unrecognised deferred tax balances

	Consolidated Year ended 31 December 2015 $	Consolidated Year ended 31 December 2014 $
Deferred tax assets / (liabilities) calculated at 30% (31 December 2013: 30%) have not been recognised in respect of the following:		
Income tax losses	6,301,202	5,882,401
Foreign tax losses	13,543,409	11,881,833
	19,844,611	17,764,234

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.

7. Cash and Cash Equivalents

	Consolidated	
	31 December 2015 $	31 December 2014 $
Reconciliation of cash balance comprises		
Cash at bank	2,406,603	2,798,619
	2,406,603	2,798,619

(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 2015 $	31 December 2014 $
Current		
Other receivables	333,455	1,076,404
Prepayments	494,332	202,777
	827,787	1,279,181
Non-current		
Tenement security bonds	-	5,000
Advances and prepayments	839,572	785,225
	839,572	790,225

(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.

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. Inventory

\

	Consolidated	
	31 December 2015	31 December 2014
	$	$
Coal stockpiles - at net realisable value	3,856,820	2,707,537
Other inventory - spare parts fuel etc.	27,224	240,550
	3,884,044	2,948,087

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during year ended 31 December 2015 amounted to $581,267 (twelve months ended 31 December 2014: $1,518,245). The expense is included in 'operating expenses' in comprehensive income.

10. Assets Classified as Held For Sale

	Consolidated	
	31 December 2015	31 December 2014
	$	$
Assets classified as held for sale	15,956,714	14,172,419
	15,956,714	14,172,419

Property, plant and equipment with a fair value of $15,956,714 at 31 December 2015 (31 December 2014: $14,172,419) held by the Company's subsidiary, PT Sumber Aset Utama (SAU), are classified as assets held for sale. The Company has reached agreement with BR on how these assets will be leveraged to obtain a definitive long term tonnage throughput from the infrastructure facility being constructed by BR. The Company and BR have signed formal agreements relating to the sale of SAU assets and access rights to new road and port infrastructure facilities(incorporating long-term tonnage throughput). These agreements are to be put to shareholders for approval in late April 2016.

11. Available-for-sale Financial Assets

	Consolidated	
	31 December 2015	31 December 2014
	$	$
Opening Balance	52,893,575	79,929,564
Impairment	(3,630,456)	(27,035,989)
Foreign Exchange	5,887,434	-
Closing Balance	55,150,553	52,893,575

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.

Impairment of Available-for-sale Financial Assets

At 31 December 2015 management made the decision to impair further the Available-for-sale financial assets relating to PT Apira Utama (AU), PT Bara Sejati (BS) and PT Cahaya Alam (CA) by $3,630,456 (31 December 2014: $27,035,989)

In 2014 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 recoverable value and management took 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 an overlap issue with a neighbouring license holder. 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.

After further decreases in coal price outlook management again reviewed the carrying value of BS. Management believes that the recoverable value of $2,452,182 is still appropriate given BS still has 1.2 billion in-situ resources and still will hold large volumes of in-situ resources even if areas of the license are lost due to the overlap dispute. Offsetting this recoverable amount is an outstanding loan with BR of US$1.94m. Sales proceeds from the sale of BS would be offset against this outstanding loan balance. Given this management have impaired BS from $2,452,182 to nil (Impairment charge of $2,452,182).

In 2014 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 recoverable value and management have took 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.

Due to further decreases in the coal price outlook management took the view that CA's recoverable value will have decreased further in 2015 to $2.8m AUD. Offsetting this recoverable amount is an outstanding loan with BR of $200k USD. Sales proceeds from the sale of CA would be offset against this outstanding loan balance. Given this management have impaired CA from $3,678,274 to $2,500,000 (Impairment charge of $1,178,274).

In 2014 TA was impaired from its carrying value of $65,189,664 to its recoverable value 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 (then assumed 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.

In 2015 TA carrying value was again based on a range of valuations associated with reasonably possible outcomes. Despite further decreases in the coal price outlook TA's fair value resulted in a range of $43m to $89m which was an increase from 2014. Management used the same methodology as 2014 with regards to discounted cash flow modelling. The key assumption changes from 2014 are production volumes at TA which have increased from 2.0 million tonne per annum to 3.0 million tonne per annum and the AU dollar US dollar exchange rate which fell from $0.82 in 2014 to $0.73 in 2015. Offsetting these increases was the decline in the average benchmark sales price outlook of 6,322 GAR coal. For 2019 (first year of production) it was US$62/t and increased to US$82/t by year 2025. From 2026 onwards this price was increased annually by the inflation rate of 2.5%. A discount rate of 14.6% was applied which was the same as 2014.

Given this management believe that TA's current carrying value in USD of $38,411,279 is still appropriate, however due to the weakening of the Australian dollar against the United States dollar (2015: $0.73, 2014:$0.82) TA's carrying value has been increased from $46,763,119 to $52,650,553 or $5,887,434 foreign exchange gain.

During 2014, AU was impaired from its carrying value of $4,913,300 to nil (Impairment charge of $4,913,300). AU was valued at its recoverable value and management took 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.

Management believe that AU's current carrying value of nil is still appropriate.

12. Property, plant & 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
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

	Buildings	Construction in progress	Heavy Equipment	Office furniture, fittings and equipment	Total
	$	$	$	$	$
Year ended 31 December 2015					
Opening net book amount	19,346	276,585	1,279,599	421,621	1,997,151
Disposals / write-off	-	(276,585)	(869,466)	(30,642)	(1,176,693)
Depreciation charge	(2,988)	-	(410,133)	(197,531)	(610,652)
Closing net book amount	16,358	-	-	193,448	209,806
At 31 December 2015					
Cost or fair value	29,883	-	20,994	992,458	1,043,335
Accumulated depreciation	(13,525)	-	(20,994)	(799,010)	(833,529)
Net book amount	16,358	-	-	193,448	209,806

13. Mine Properties and Development

	Consolidated	
	31 December 2015 $	31 December 2014 $
Movements in Mine Properties and Development		
Carrying amount at start of period	200,909,097	328,224,137
Impairment	(29,409,097)	(127,315,040)
	171,500,000	200,909,097
Represented by:		
Mamahak Group	-	2,285,714
North Pakar	171,500,000	198,623,383
	171,500,000	200,909,097

Impairment of Mine Properties and Development

Pakar North Cash Generating Unit (CGU) incorporating PT Tanur Jaya (TJ) and PT Dermaga Energi (DE) was impaired from its carrying value of $200,909,097 to its recoverable amount of $171,500,000 (impairment charge of $27,123,383, 31 December 2014: $121,600,754) which represents its fair value less costs of disposal. 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 2019 (first year of production) was US$62/t and increased to US$82/t by year 2025. From 2026 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 2024 to take into consideration the impact of foreign ownership divestment legislation.

Sensitivties

Had Pakar North applied a discount rate that was 10% higher / 10% lower than the 14.6% applied (i.e.13.1% or 16.1%) than the following fair values would have resulted:

Discount Sensitivity	+10%	Carrying Value	-10%
Mine Properties and development	152,619,984	171,500,000	193,971,824

Had Pakar North used benchmark sales prices that were on average for every year of the cash flow modelling 10% higher / 10% lower than those used than the following fair values would have resulted:

Sales Price Sensitivity	+10%	Carrying Value	-10%
Mine Properties and development	249,975,535	171,500,000	93,398,357

In 2014 the Company impaired the carrying value of PT Mamahak Coal Mining (MCM) to $2,285,714. Due to further declines in the coal price outlook the Company believes that the carrying value of MCM should be reduced to nil reflecting its potential sales value.

14. Exploration and Evaluation Expenditure

	Consolidated	
	31 December 2015 $	31 December 2014 $
Costs carried forward in respect of areas of interest in exploration phase - at cost		
Balance at beginning of the year	17,280,881	30,765,369
Exploration and evaluation expenditure	-	198,434
Impairment [(a)]	(700,454)	(13,682,922)
Carrying amount at end of year	16,580,427	17,280,881

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 2015 KRL management made the decision to impair the Exploration and Evaluation assets of OM, SA and SK by $700,454. In 2014 OM, SA, SK, DE, TJ, BKL, MEL and MBE Exploration and Evaluation assets were impaired by $13,682,922.

OM, SA and SK were impaired from there fair value of $4,518,797 to $3,818,343 (Impairment charge of $700,454). The Company has taken the view that they be written down further due to continued depressed outlook in the coal market impacting on any potential sale price able to be achieved.

The Company carried out an impairment analysis on GPK similar to that applied to Pakar North using discounted cash flow modelling. Most assumptions used mirrored Pakar North including discount rates and sales price assumptions. This resulted in GPK value remaining at its current carrying value, as discounted cash flow resulted in a higher value.

Sensitivties

Had GPK applied a discount rate that was 10% higher / 10% lower than the 14.6% applied (i.e.13.1% or 16.1%) than the following fair values would have resulted:

Discount Sensitivity	+10%	Carrying Value	-10%
Exploration and evaluation expenditure	23,927,091	12,762,084	29,574,043

Had GPK used benchmark sales prices that were on average for every year of the cash flow modelling 10% higher / 10% lower than those used than the following fair values would have applied:

Sales Price Sensitivity	+10%	Carrying Value	-10%
Exploration and evaluation expenditure	39,534,296	12,762,084	13,605,363

15. Trade and Other Payables

	Consolidated	
	31 December 2015 $	31 December 2014 $
Current		
Trade payables	1,008,376	2,836,304
Other payables and accruals	5,658,084	4,108,257
	6,666,460	6,944,561

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

16. Borrowings

	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
Loans from PT Bayan Resources Tbk		
Opening Balance	34,577,954	37,870,630
Loan Advanced	4,824,261	6,574,133
Offset against loan to other entities [1]	-	(12,749,681)
Loan repayments [2]	(4,230,509)	-
Interest charged and capitalised	3,390,833	1,556,100
Foreign exchange revaluation	4,356,566	1,326,772
Closing Balance	42,919,105	34,577,954

1 Please refer to Note 8(e)
2 Proceeds of property, plant & equipment sold from MCM to BR subsidiaries were used to reduce the loan payable.

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

17. Provisions

	Consolidated	
	31 December 2015 $	31 December 2014 $
Non-current		
Provision for mine restoration [a]	672,978	662,831
Employee entitlements [b]	-	206,064
	672,978	868,895

(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 Liabilities

	Consolidated	
	31 December 2015 $	31 December 2014 $
The balance comprises temporary differences attributable to:		
Assets held available for sale	13,787,638	13,223,394
Exploration and evaluation expenditure	954,586	1,129,698
Mine properties and development	42,875,000	49,655,846
	57,617,224	64,008,938

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

19. Issued Capital

	31 December 2015		31 December 2014	
	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.

128,103,448 unissued ordinary shares of Kangaroo Resources Limited under warrant expired 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

20. Reserves and Accumulated losses

(a) Reserves

	Consolidated	
	31 December 2015 $	31 December 2014 $
Share based payments reserve	-	2,390,594
Foreign currency translation reserve	989,035	(2,613,445)
Transactions w ith non-controlling interests reserve	1,321,290	1,321,290
	2,310,325	1,098,439

(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 2015 $	31 December 2014 $
Balance at beginning of period	2,390,594	2,390,594
Less options expiring	(2,390,594)	-
Total share-based payment reserve at end of period	-	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 2015 $	31 December 2014 $
Balance at beginning of period	(2,613,445)	(2,630,591)
Foreign exchange movements	3,602,480	17,146
Total foreign currency translation reserve at end of period	989,035	(2,613,445)

(d) Accumulated Losses

	Consolidated	
	31 December 2015 $	31 December 2014 $
Balance at beginning of period	283,941,250	146,900,153
Net losses attributable to members of the parent entity	32,446,420	137,041,097
Share-based payments reserve expired	(2,390,594)	-
Accumulated losses at the end of the period	313,997,076	283,941,250

21. Non-controlling Interest

	Consolidated	
	31 December 2015 $	31 December 2014 $
Balance at the beginning of the period	1,644,372	3,007,143
Comprehensive income/(loss) attributable to non-controlling interest	(345,208)	(1,362,771)
Non-controlling interest at the end of the period	1,299,164	1,644,372

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 2015 $	31 December 2014 $
Not later than one year	150,000	150,000
Later than one year but not later than five years	-	-
Total	150,000	150,000

(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

	Country of Incorporation	Class of shares	Equity holding	
			31 December 2015	31 December 2014
Name of controlled entity				
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%

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. As at the balance date, four of the entities (listed below) 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 the direct equity ownership and management control remains with BR (See note 11).

Name of entity	Country of Incorporation
PT Tiw a Abadi	Indonesia
PT Apira Utama	Indonesia
PT Bara Sejati	Indonesia
PT Cahaya Alam	Indonesia

24. Related Party Disclosures

(a) Key management personnel

G Anderson [1]	Non Executive Chairman
I Ogilvie	Managing Director
L Math [2]	Non Executive Director
T Butcher	Non Executive Director
D Low Yi Ngo	Non Executive Director
R Neil	Non Executive Director
S Shah [3]	Non Executive Director
D Henderson	Financial Controller

1 Ceased being a director 19 July 2015

2 Resigned 21 May 2015, re-appointed 5 August 2015, resigned 1 December 2015

3 Appointed 1 December 2015

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.

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

	Consolidated	
	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Short term benefits	608,737	817,930
	608,737	817,930

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.

Shareholdings

No shares in the Company were held during the financial year by key management personnel of the Company, including their personally related parties.

The following directors held management positions in the Company's majority shareholder PT Bayan Resources Tbk as at 31 December 2015, and therefore have an indirect interest of 56.05% in the Company.

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

(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 2015 owns 56.05% (31 December 2014: 56.05%) of the issued ordinary shares of Kangaroo Resources Limited.

(d) Subsidiaries

Interests in subsidiaries are set out in note 24.

(e) Other related party transactions

During the year the Company sold plant and equipment to PT Indonesia Pratama for $3,823,159 a subsidiary of PT Bayan Resources TBK (twelve months ended 31 December 2014: $77,549).

The Company sold plant and equipment to PT Bayan Resources Tbk for $332,659 during the year ended 31 December 2015 (twelve months 31 December 2014: $361,991).

The Company sold plant and equipment to PT Nirmala Matranusa a related party to PT Bayan Resources for $10,374 during the year ended 31 December 2015 (twelve months 31 December 2014: Nil).

The Company sold plant and equipment to PT Teguh Sinarabadi a subsidiary of PT Bayan Resources for $29,046 during the year ended 31 December 2015 (twelve months 31 December 2014: Nil).

The Company sold plant and equipment to PT Firman Ketaun Perkasa a subsidiary of PT Bayan Resources for $14,524 during the year ended 31 December 2015 (twelve months 31 December 2014: Nil).

The Company sold plant and equipment to PT Dermaga Perkasapratama a subsidiary of PT Bayan Resources for $20,747 during the year ended 31 December 2015 (twelve months 31 December 2014: Nil).

During the year the Company was charged $803,963 by PT Muji Lines, a subsidiary of PT Bayan Resources Tbk, for the provision of barging services (twelve months ended 31 December 2014: $22,889).

During the year the Company was charged $341,594 by PT Nirmala Matranusa a related party to PT Bayan Resources Tbk for office rental and associated expenses (twelve months ended 31 December 2014: $224,815).

During the year the Company paid $117,450 to GDA Corporate for administration, accounting and company secretarial services (twelve months ending December 2014: $180,000). Mr Graham Anderson and Mr Leonard Math’s directors fees were paid to GDA Corporate.

Mr Graham Anderson was a director and had a beneficial interest in GDA Corporate. Mr Leonard Math and Ms Sue Symmons were employees of GDA Corporate.

During the year the Company paid $27,000 to Nexia Australia for administration, accounting and company secretarial services (twelve months ending December 2014: Nil). Mr Leonard Math’s directors fees were paid to Nexia Australia.

Mr Leonard Math is an employee of Nexia Australia.

During the year the Company paid $9,000 to Corporate Consultants Pty Ltd for administration, accounting and company secretarial services (twelve months ending December 2014: Nil). Mr Susmit Shah’s directors fees’ were paid to Corporate Consultants Pty Ltd.

Mr Susmit Shah and Paul Jurman are both directors and have beneficial interests in Corporate Consultant Pty Ltd.

(f) Loans from related parties

	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
Loans from PT Bayan Resources Tbk		
Opening Balance	34,577,954	37,870,630
Loan Advanced	4,824,261	6,574,133
Offset against loan to other entities [1]	-	(12,749,681)
Loan repayments [2]	(4,230,509)	-
Interest charged and capitalised	3,390,833	1,556,100
Foreign exchange revaluation	4,356,566	1,326,772
Closing Balance	42,919,105	34,577,954

1 Please refer to Note 8(e)
2 Proceeds of property, plant & equipment sold from MCM to BR subsidiaries.

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

(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 9.60% (2014: 6.90%).

25. (Loss) / Earnings per Share

	Consolidated	
	Year-ended 31 December 2015	Year-ended 31 December 2014
Loss per share from continuing operations	2015	2014
Loss from continuing operations attributable to ordinary shareholders of the company	(32,446,420)	(137,041,097)
Basic and diluted loss per share (cents)	(0.94)	(3.99)
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 2015 $	31 December 2014 $
Reconciliation of cash balance comprises		
Cash at bank	2,406,603	2,798,619
	2,406,603	2,875,471

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

	Consolidated	
	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Loss after income tax	(32,754,739)	(138,348,362)
Depreciation	610,652	1,263,546
Impairment of Mine Properties and Development	29,409,097	127,315,040
Impairment of Available-for-Sale Financials Assets	3,630,456	27,035,989
Impairment of Exploration and Evaluation	700,454	13,682,922
Interest Accruals	3,390,833	1,716,177
Foreign Exchange	(2,632,560)	(384,474)
Tax Benefit	(7,863,573)	(40,144,805)
Change in assets and liabilities during the financial year:		
(Increase)/decrease in inventories	(935,957)	1,286,303
(Increase)/decrease in trade & other receivables	526,936	(749,570)
(Increase)/decrease in prepayments	(291,555)	(69,612)
(Increase)/decrease in property, plant and equipment	1,176,693	-
Increase/(decrease) in trade & other payables	(278,101)	1,600,186
Increase/(decrease) in employee entitlements	(206,064)	6,099
Increase/(decrease) in provisions	10,147	(715,559)
Net cash used in Operating activities	(5,507,281)	(6,506,120)

(c) Non cash financing and investing activities

In 2015 management reduced net borrowings with BR with proceeds from sale of property, plant & equipment from MCM of $4,230,509. In 2015 management reduced net borrowings with BR as a result of finalising the outstanding Pakar Receivable of US$12,000,000 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.

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.

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
(i) Segment performance		
Revenue		
Segment revenue	2,807,149	206,640
Segment result	(39,222,309)	(177,241,528)
Impairment Expense	(33,740,007)	(168,033,951)
Unallocated items		
Other corporate revenue	45	740,168
Other corporate income and expenses	(1,396,048)	(1,991,807)
Net loss before tax from continuing operations	**(40,618,312)**	**(178,493,167)**
(ii) Segment assets		
Mine properties & development	171,500,000	200,909,097
Exploration & evaluation expenditure	16,580,427	17,280,881
Other assets	23,973,804	23,887,753
Total Segment assets	212,054,231	242,077,731
Reconciliation of segment assets to group assets		
Available-for-sale financial assets	55,150,553	52,893,575
Other corporate assets	150,722	97,929
Totals Assets	**267,355,506**	**295,069,235**
(iii) Segment liabilities		
Total segment liabilities	41,700,180	35,557,375
Reconciliation of segment assets to group assets		
Deferred tax liability	57,617,224	64,008,938
Other corporate liabilities	8,558,363	6,834,035
Totals Liabilities	**107,875,767**	**106,400,348**

28. Contingent Liabilities

The directors are not aware of any material contingent liabilities at the date of these financial statements.

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 2015 $	31 December 2014 $
Financial assets		
Cash and cash equivalents	2,406,603	2,798,619
Trade and other receivables - current	827,787	1,279,181
Available-for-sale financial assets	55,150,553	52,893,575
Trade and other receivables - non-current	839,572	790,225
	59,224,515	57,761,600
Financial liabilities		
Trade and other payables	6,666,460	6,944,561
Borrowings	42,919,105	34,577,954
	49,585,565	41,522,515

(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.

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

	31 December 2015 USD $	31 December 2014 USD $
Cash and cash equivalents	2,383,342	2,788,618
Trade and other receivables	1,608,281	679,153
Available-for-sale financial assets	55,150,553	52,893,575
Trade and other payables	4,517,021	5,006,496
Unsecured loan from related party	42,919,105	34,577,954

(ii) Sensitivity

Based on the financial instruments held at 31 December 2015, 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 2015 would have been $1,300,672 higher / $1,064,186 lower (twelve months ended 31 December 2014: $1,864,100 higher / $1,525,172 lower), 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 2015 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:

	Weighted average interest rate	$	Weighted average interest rate	$
Financial assets				
Cash and cash equivalents	3.2%	2,406,603	3.2%	2,798,619
Financial liabilities				
Borrowings	10.4%	42,919,105	6.9%	34,577,954

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 +10.0%.

(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 2015					
Financial liabilities					
Trade and other payables	6,666,460	-	-	6,666,460	6,666,460
Borrowings	42,919,105			42,919,105	42,919,105
	49,585,565	-	-	49,585,565	49,585,565
31 December 2014					
Financial liabilities					
Trade and other payables	6,944,561	-	-	6,944,561	6,944,561
	6,944,561	-	-	6,944,561	6,944,561

(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:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) 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

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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 2015	Year-ended 31 December 2014
	$	$
(a) PwC Australia and Related Practices		
Audit and review of financial statements	127,500	129,000
(b) Related practices of PwC Australia		
Audit and review of financial statements	114,328	104,521
	241,828	233,521

In the directors' opinion:

(a) the financial statements and notes set out on pages 25 to 73 and the Remuneration Report in the Directors' report set out on pages 4 to 22 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 2015 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 2015.

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

Ian Ogilvie

....

Ian Ogilvie
Managing Director
Jakarta, Indonesia
31 March 2016

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 2015, 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
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*, and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 14 to 20 of the directors' report for the year ended 31 December 2015. 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 2015 complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Partner

Perth
31 March 2016

The Overview

The Board of Directors of Kangaroo Resources Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Kangaroo Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company's governance approach aims to achieve exploration, development and financial success while meeting stakeholders' expectations of sound corporate governance practices by proactively determining and adopting the most appropriate corporate governance arrangements.

The Company has adopted appropriate systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable and given its size and circumstances the Company has adopted the Eight Essential Corporate Governance Principles and Recommendations ("Recommendations"), as published by ASX Corporate Governance Council ("CGC').

However, a number of those principles and recommendations are directed towards listed companies considerably larger than Kangaroo Resources Limited, whose circumstances and requirements accordingly differ markedly from the Company's. For example, the nature of the Company's operations and the size of its staff mean that a number of the Board committees and other governance structures recommended by the CGC are not only unnecessary in Kangaroo's case, but the effort and expense required to establish and maintain them would, in the directors' view, be an unjustified diversion of shareholders' funds.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at the date of this Annual Report, and has been approved by the Board of Directors. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX Corporate Governance Principles and Recommendations (3rd edition).

The Company's website at www.kangarooresources.com contains a corporate governance section that includes copies of the Company's corporate governance policies.

1. <u>Laying solid foundations for management and oversight</u>

Recommendation 1.1:

Companies should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management and disclose those functions.

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.

Recommendation 1.2:

Companies should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Before appointing a new director, the Company will undertake appropriate checks such as a character reference, police clearance certificate, bankruptcy check and any other checks it deems appropriate. Where a director is to be re-elected or a candidate is put up for election to shareholders, all material information will be provided to shareholders for consideration.

Recommendation 1.3:

Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.

The directors have letters of appointment including a director's interest agreement with respect to disclosure of security interests.

Recommendation 1.4:

The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Recommendation 1.5:

The Company should establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to developing a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company has not yet formalised this policy into a written document. It is the Board's intention to formalise the policy at a time when the size of the Company and its activities warrants such a structure.

The Kangaroo Group has 5 full time and full time equivalent staff, of which none are women. There are no women in senior executive positions or on the board.

Recommendation 1.6:

The Company should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman, before his passing conducted an informal review during the financial year whereby the performance of the Board as a whole and the individual contributions of each director were discussed. The Board considers that at this stage of the Company's development an informal process is appropriate.

Recommendation 1.7:

The Company should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of senior executives. The Chairman before his passing conducted an informal review process whereby whereby the performance of the senior executives and approach toward meeting the short and long term objectives of the Company is discussed. The board considers that at this stage of the Company's development an informal process is appropriate.

2. Structure the Board to add value

Recommendation 2.1:

The Board should establish a Nomination Committee of which the majority should be independent directors (including the Chair).

The Company does not have a nomination committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Directors are appointed under the terms of the Company's constitution. Appointments to the Board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise, and experience of the board. The categories considered necessary for this purpose are a blend of accounting and finance, business, technical and administration skills. Casual appointments must stand for election at the next annual general meeting of the Company.

Retirement and rotation of directors are governed by the Corporations Act 2001 and the Constitution of the Company. All directors, with the exception of the Managing Director (if appointed), serve for a period of three years before they are requested to retire and if eligible offer themselves for re-election.

Recommendation 2.2:

The Company should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The following table sets out the key skills and experience of the 5 current directors.

	Existing Board
Total Directors	5 Directors
Leadership	4 Directors
Strategy	4 Directors
Communication	2 Directors
Fundraising	2 Directors
Mining Industry - Technical	2 Directors
Mining Industry - General	5 Directors
Marketing	1 Director
Risk	5 Directors
Governance	1 Director
Health and safety	2 Directors
Financial acumen	5 Directors

Each director has the right of access to all relevant company information and to the Company's employees and, subject to prior consultation with the Board Chairperson, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Board's Chairperson approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Recommendations 2.3, 2.4 and 2.5:

The Company should disclose the names of the directors considered to be independent directors and length of service of each director.

A majority of the Board of the Company should be independent directors.

The Chair of the Board should be an independent director, and should not be the CEO of the Company.

The names, experience and responsibilities of directors of the Company in office at the date of this statement are set out in the Directors' Report (including names of the directors considered to be independent directors and length of service of each director).

In assessing whether a director is classified as independent, the Board considers the independence criteria set out in the ASX Corporate Governance Council Recommendation 2.1 and other facts, information and circumstances deemed by the Board to be relevant. Using the ASX Best Practice Recommendations on the assessment of the independence of directors, only 2 directors, Mr Trevor Butcher and Mr Susmit Shah, are deemed Independent directors and therefore the Company does currently not have a majority of independent directors. The remainder of the Board are not independent for the following reasons:-

Mr Ian Ogilvie – Chief Executive Officer
Mr Russell Neil – Employee of major shareholder
Mr David Low – Employee of major shareholder

In July 2015 Mr Graham Anderson, the former Chairman passed away and was not replaced officially. In the interim, both Mr Ian Ogilvie and Mr Russell Neil have acted and continue to alternate as Chairman. Mr Ian Ogilvie and Mr Russell Neill are not considered independent and therefore the Company does not comply with Recommendation 2.5.

Independent Decision Making

A majority of the Board are not independent and the Company recognises that this is a departure from ASX CGP 2. 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 judgments to bear on their decisions.

It is the Board's intention to review its composition on a continual basis as the Company expands its activities and greater demands and skills amongst directors become necessary.

Recommendation 2.6:

The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Board Charter provides for induction and professional development for the Board.

3. Act ethically and responsibly

Recommendation 3.1:

Companies should have a Code of Conduct for its directors, senior executives and employees.

The Company has developed a Code of Conduct (the Code) which has been endorsed by the Board and applies to all employees, directors and officers. The Code may be amended from time to time as necessary to ensure it reflects the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders. The Code outlines the responsibility and accountability of Company personnel to report and investigate reports of unethical practices.

Trading in Company securities is regulated by the Corporations Act and the ASX Listing Rules. The Board makes all directors, officers and employees aware on appointment that it is prohibited to trade in the Company's securities whilst that director, officer or employee is in the possession of price sensitive information.

For details of shares held by directors and officers please refer to the Directors' Report. Directors are required to report to the Company Secretary any movements in their holdings of Company securities, which are reported to ASX in the required timeframe prescribed by the ASX Listing Rules.

4. Safeguard Integrity in Financial reporting

Recommendation 4.1

The Board should have an Audit Committee.

The Company does not have an audit committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate audit committee.

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

The audit engagement partner from auditors, PricewaterhouseCoopers is subject to rotation rules under the Corporations Act.

Recommendation 4.2

The Board of the Company should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The CEO and the CFO have declared in writing to the Board that the Company's financial statements for the year ended 31 December 2015 present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards, that this is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively. This representation is made by the CEO and CFO prior to the director's approval of the release of the annual and half yearly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

Recommendation 4.3

The Company should ensure that the external auditor is present at the AGM and be available to answer questions from security holders relevant to the audit.

The Company invites the auditor or representative of the auditor to the AGM.

5. Make timely and balanced disclosure

Recommendation 5.1:

Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.

The Company has developed an ASX Listing Rules Disclosure Strategy which has been endorsed by the Board. The ASX Listing Rules Disclosure Strategy ensures compliance with ASX Listing Rules and Corporations Act obligations to keep the market fully informed of information which may have a material effect on the price or value of its securities and outlines accountability at a senior executive level for that compliance. All ASX announcements are to be posted to the Company's website as soon as possible after confirmation of receipt is received from ASX, including all financial reports.

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. Respect the rights of security holders

Recommendation 6.1:

Companies should provide information about itself and its governance to investors via its website.

The Company is committed to maintaining a Company website with general information about the Company and its operations, information about governance and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by the ASX, the following are posted to the Company's website:

- relevant announcements made to the market via the ASX;
- notices of meetings;
- investment updates;
- company presentations and media releases;
- copies of press releases and announcements for (at least) the preceding three years; and
- copies of annual, half-yearly and quarterly reports including financial statements for (at least) the preceding three years.

Recommendations 6.2 and 6.3:

Companies should design and implement an investor relations program to facilitate two-way communication with investors.

Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The CEO makes himself available to meet shareholders and regularly responds to enquiries made via telephone or email. He also completes periodic investor presentations to facilitate engagement with investors and other financial market participants. From time to time other directors and nominated senior management will also engage with shareholders and investors generally.

The Board encourages full participation of shareholders at the Annual General Meeting. In preparing for general meetings of the Company, the Company drafts the notice of meeting and related explanatory information so that shareholders are provided with all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. The Company allows shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting. The external auditor of the Company is asked 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. Important issues are presented to the shareholders as single resolutions. The shareholders are also responsible for voting on the appointment of Directors.

Recommendation 6.4:

Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Information about the Company is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses and on submitting information requests with the Company is available on the Company's website. Shareholders can receive communications from, and send communications to, the Company's security registry electronically.

7. Recognise and manage risk

Recommendation 7.1:

The Board should have a committee or committees to oversee risk.

The Company is not currently of a size to require the formation of committees to oversee risk. The full Board has the responsibility for the risk management, compliance and internal controls systems of the Company.

Senior management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business. The Company adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. The risks involved in a resources sector company and the specific uncertainties for the Company continue to be regularly monitored. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.

Recommendation 7.2:

The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.

The Board considers risks and discusses risk management at each Board meeting. Review of the risk management framework is an on-going process rather than an annual formal review. The Company's main areas of risk include:

- Geological and technical risk posed to exploration and commercial exploitation success;
- Sovereign risk, change in government policy, change in mining and fiscal legislation;
- prevention of access by reason of inability to obtain regulatory or landowner consents or approvals, or native title issues;
- retention of key staff;
- change in metal market conditions;
- mineral title tenure and renewal risks; and

- capital requirement and lack of future funding.

Recommendation 7.3:

The Company should disclose if it has an internal audit function.

The Company does not have an internal audit function. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of an internal audit function at this time. The Board as a whole regularly evaluates and improves the effectiveness of its risk management (refer above) and internal control processes.

Recommendation 7.4:

The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the mineral exploration industry, the Company does not currently have material exposure to environmental and social sustainability risks.

8. <u>Remunerate fairly and responsibly</u>

Recommendation 8.1:

The Board should have a Remuneration Committee.

The Company does not have a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a remuneration committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee.

Recommendation 8.2:

Companies should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company provides disclosure of its policies and practices regarding the remuneration and all directors and executives remuneration in its annual report.

The remuneration policy of the Company has been designed to align directors' objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company. Directors' remuneration is approved by resolutions of the Board. The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

Non-Executive Directors

The Board policy is to remunerate Non-Executive directors at market rates for comparable companies for time, commitment and responsibilities. Payments to the non-executive directors are reviewed annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company. Non-executive directors are entitled to receive incentive options or securities (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Executives

The senior executives of the Company are the CEO and the CFO. The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Packages comprise a fixed (cash) element and variable incentive components.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders and increase performance.

The objective behind using this remuneration structure is to drive improved performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of variable incentive components and will depend on the Company's financial and the executive's personal performance.

For details of remuneration paid to directors and officers for the financial year please refer to the Remuneration Report forming part of the Directors' Report and the Financial Statements generally.

Recommendation 8.3:

A Company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or summary of it.

The Company does not have an equity based remuneration scheme which is affected by this recommendation. Recipients of equity-based remuneration (eg. incentives options) are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

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 16 March 2016)

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

Holding	Fully Paid Shares
1-1000	140
1,001-5,000	256
5,001-10,000	241
10,001-100,000	749
100,000-over	275
	1,661

The number of shareholders holding less than a marketable parcel is 1,386.

1.2 Twenty Largest Shareholders (as at 16 March 2016)

1	PT Bayan Resources Tbk	1,925,000,000	56.05%
2	HSBC Custody Nominees	449,610,991	13.09%
3	JP Morgan Nominees Australia Ltd	357,446,378	10.41%
4	National Nominees Limited	235,681,191	6.86%
5	Citicorp Nominees Pty Ltd	59,017,925	1.72%
6	BNP Paribas Nominees Pty Limited	54,745,425	1.59%
7	RHB Securities Singapore Pte Ltd	34,370,961	1.00%
8	Nannook Holdings Pty Ltd	21,548,701	0.63%
9	UOB Kay Hian Private Limited	18,208,222	0.53%
10	Ms Kwai Lan Chin	16,691,459	0.49%
11	AH Super Pty Ltd <The AH Super Fund A/C>	16,500,000	0.48%
12	Dempo Global Corporation Pte Ltd	15,000,000	0.44%
13	DBS Vickers Securities (Singapore) Pte Ltd	11,359,000	0.33%
14	Romfal Sifat Pty Ltd <The Fizmail Family A/c>	9,917,788	0.29%
15	Manning Oak Nominees Pty Ltd	9,500,000	0.28%
16	Bayleaf Pty Ltd	9,000,000	0.26%
17	Carmine Lion Group Pty Ltd	7,096,287	0.21%
18	Nefco Nominees Pty Ltd	6,298,593	0.18%
19	Mr David John Patrick O'neil & Mrs Sherrel Lynn O'Neil <O'Neil Super Fur	5,837,024	0.17%
20	Netwealth Investments Limited Wrap Services A/C	5,340,000	0.16%
	Total	3,268,169,945	95.16%
	Total remaining holders balance	166,260,067	4.84%
	Total all shareholders	**3,434,430,012**	**100%**

1.3 Substantial Shareholders

Substantial holders in the company are set out below:

Name	Number held	Percentage
PT Bayan Resources Tbk	1,925,000,000	56.05%
HSBC Custody Nominees	449,610,991	13.09%
JP Morgan Nominees Australia Ltd	357,446,378	10.41%
National Nominees Limited	235,681,191	6.86%

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 2016 there are no restricted securities.

3. Tenement Schedule

Tenements	Location	Ownership
PT Mamahak Coal Mining	East Kalimantan, Indonesia	99%
PT Bara Karsa Lestari	East Kalimantan, Indonesia	99%
PT Mahakam Energi Lestari	East Kalimantan, Indonesia	99%
PT Mahakam Bara Energi	East Kalimantan, Indonesia	99%
PT Sumber Aset Utama	East Kalimantan, Indonesia	99%
PT Orkida Makmur	East Kalimantan, Indonesia	99%
PT Dermaga Energy	East Kalimantan, Indonesia	99%
PT Tanur Jaya	East Kalimantan, Indonesia	99%
PT Sumber Api	East Kalimantan, Indonesia	99%
PT Silau Kencana	East Kalimantan, Indonesia	99%
PT Tiw a Abadi [1]	East Kalimantan, Indonesia	100% BR
PT Apira Utama [1]	East Kalimantan, Indonesia	100% BR
PT Bara Sejati [1]	East Kalimantan, Indonesia	100% BR
PT Cahaya Alam [1]	East Kalimantan, Indonesia	100% BR

1 Mining tenements currently owned by BR. (See note 12)

At 31 March 2016 KRL does not hold any mining tenements in Australia.