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KANGAROO SECURES 300,000 TONNE OFF-TAKE CONTRACT WITH BAYAN RESOURCES FOR MAMAHAK COKING COAL PROJECT

DEAL REFLECTS LOGISTICAL AND OPERATIONAL BENEFITS OF STRATEGIC ALLIANCE

Key Points:

- **Kangaroo signs one year off-take deal with its strategic alliance partner, PT Bayan Resources, for up to 300,000 tonnes coal from its Mamahak Coking Coal Project**
- **Coal to be sold at a market price FOB Mamahak jetty, with Bayan to pre-fund a substantial majority on arrival at Mamahak port stockpile and the balance upon completion of loading onto barges for shipment**
- **Bayan managing all Mamahak coal production going forward**
- **10 new haul trucks and other needed operational equipment recently acquired for Mamahak to assist with production ramp-up from March 2011**

International coal producer Kangaroo Resources Limited ("KRL" or the "Company") is pleased to announce that it has finalised a **significant new coal sales contract** with its strategic alliance partner, the leading Indonesian coal conglomerate PT Bayan Resources ("Bayan"), for coal sales from its 100%-owned **Mamahak Coking Coal Project** in East Kalimantan throughout 2011.

The contract – for coal sales of up to **300,000 tonnes** at a market price, FOB Mamahak jetty – reflects the benefits of the Company's recently announced strategic alliance and associated transaction with Bayan Resources to acquire the world-scale Pakar Coal Project, as Bayan is able to overcome operational and logistical issues to collect the coal at the jetty. KRL and Bayan are currently completing due diligence on this transaction and both parties remain confident on the closure of this transaction over forthcoming months.

Operations are continuing to ramp-up at Mamahak with total sales of 9,882 tonnes and 20,950 tonnes reported for the months of December 2010 and January 2011 respectively. The new coal sales contract is consistent with the Company's focus on building and expanding its relationship with Bayan at the same time while due diligence and other completion issues on the transaction are concluded. In this regard, the two companies have been working together since January 2011 on a broad range of corporate and operational issues, one of which is this coal sales off-take from Mamahak.

The new coal sales off-take agreement encompasses the following key points:

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- Coal sales of up to **300,000 tonnes** over the course of calendar year 2011 at a market price **FOB jetty, commencing immediately**;
- Bayan to collect all coal from the Mamahak port site, thereby removing the logistical challenges and costs facing KRL in barging coal down the river, stockpiling it and then selling it into contracts;
- Bayan to pre-fund a substantial majority of the sales price when coal is delivered to the Mamahak port stockpile, with the remaining balance payable upon completion of loading the coal onto barges for shipment, thereby providing certainty of cashflow and reduced working capital requirements; and
- Bayan fully supporting operational management of the Mamahak operations going forward in order to assist with completing the ramp-up of production as quickly as possible.

This contract provides KRL with a number of key advantages:

Firstly, the Company has contracted sales of coal at a price that will ensure a **healthy operating margin** moving forward, providing certainty in terms of revenue and cash flow.

Secondly, KRL receives a cash payment for the majority of the contracted sales price of coal when delivered onto the port stockpile, which means that the Company can **continue to produce and sell coal at Mamahak throughout the year**, including during the dry season (May-September) when barging coal is more difficult due to low river levels. Previously, limited coal sales in the dry season due to barging difficulties hampered KRL cash flow and thus prevented the Company from maintaining continuous operations over the course of the year. This contract overcomes that issue for KRL.

Thirdly, starting immediately, the **Mamahak operational management team will be fully supported by Bayan** – one of Indonesia's most experienced coal companies with production of over 12 million tonnes of coal in 2010. Bayan's expertise will assist in completing the production ramp-up at Mamahak as fast as possible with the two companies working together to realise the best outcome.

KRL has recently acquired 10 new trucks and other equipment required to expand the existing operation at Mamahak. This equipment has now been deployed on site and will assist in increasing the coal production rate as well as moving existing stockpiled coal to port site for sale.



Coal hauling truck fleet recently arrived at Mamahak Project



A comprehensive exploration drilling programme is being planned at Mamahak with preliminary work being conducted to identify drill targets. KRL and Bayan are confident that this programme will significantly increase the current coal inventory at Mamahak, thereby further strengthening the project.

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

ABOUT KANGAROO RESOURCES

Kangaroo Resources Limited (ASX: KRL) is an emerging international mining Company with eight advanced coal projects in the East Kalimantan region of Indonesia.

The Company's projects host significant coking and thermal coal resources which will see KRL emerge as a significant Indonesian coal producer, with first production achieved in December 2009.

KRL is committed to building a sustainable mid-tier mining house, focusing on Indonesian coal and using the considerable experience and expertise of its exceptional in-country partners to fast track development and production.

The Company's medium term strategy entails vending in valuable new coal projects, while at the same time continuing to build production in the short term from up to three existing projects.

Appendix 1: Project Location Map – East Kalimantan, Indonesia

