

28th April 2011

MARCH 2011 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

COAL PROJECTS – INDONESIA

- ✦ Updated JORC Code Coal Resource and Reserve Statements released for the **Pakar, Mamahak** and **GPK Projects** confirming that KRL will have **Total Coal Resources of 3,146Mt[#]** (upon completion of Bayan transaction), comprising:
 - Total Coal Resources of **3,019 million tonnes¹** for the **Pakar Project**, including Total Open Cut Coal Reserves of **442 million tonnes¹**;
 - Updated Total Coal Resources of **10.49 million tonnes²** for the **Mamahak Project**;
 - Updated Total Coal Resources of **117 million tonnes³** for the **GPK Project**.
- ✦ **Coal haulage operations and sales re-commenced** at the **Mamahak Coking Coal Project** under **KRL's Strategic Alliance** with the leading Indonesian coal conglomerate, **PT Bayan Resources Tbk**:
 - **Mine and port infrastructure being upgraded** to facilitate year-round hauling of coal to port, enabling Kangaroo to deliver consistent revenue throughout the year.
- ✦ **One year off-take deal** signed with **PT Bayan Resources Tbk**, for up to **300,000 tonnes coal** from the **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 the Mamahak port stockpile** with the balance payable upon completion of loading onto barges for shipment.

CORPORATE

- ✦ **Further significant progress** was made towards **completing the transformational Pakar Project transaction** with Bayan Resources, with an Independent Expert's Report and Notice of Meeting to shareholders being compiled and key regulatory and due diligence approvals obtained.
- ✦ The Pakar Transaction is scheduled to be completed during the upcoming June Quarter, pending final shareholder approval.

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EXECUTIVE SUMMARY

The March 2011 Quarter was a period of consolidation for Kangaroo Resources Limited (ASX: **KRL** – “KRL” or “the Company”) with the principal focus being activities required to complete the transformational transaction announced last Quarter between KRL and one of Indonesia’s leading coal producers, PT Bayan Resources Tbk (“Bayan”).

Under this transaction, KRL is acquiring the **Pakar Thermal Coal Project** (“Pakar”) in East Kalimantan (JORC Code estimated Total Coal Resource of 3,019 million tonnes¹) in return for issuing a total of 2,305 million new shares. The two companies have also established a Strategic Alliance covering KRL’s existing coal operations in Indonesia.

Due diligence activities undertaken during the Quarter as part of this transaction involved updating the JORC Resource and Reserve Statements for each of the Company’s key projects at Mamahak and GPK, as well as the Pakar Project.

Subject to completion of the transaction with Bayan, the updated JORC Code Resource and Reserve Statements confirm KRL will have **JORC Code Total Coal Resources of 3,146Mt[#]** for the Pakar, Mamahak and GPK Projects with a range of coal types ranging from low-rank thermal coal to coking coal.

The total coal resources include **JORC Code Reserves of 442Mt¹** at the Pakar Thermal Coal Project.

The Pakar Project has an updated JORC Code estimated **Total Coal Resource of 3,019 million tonnes¹**. Bayan has commenced works targeting fast tracking initial production from Pakar, including mine optimization studies, bathymetric and hydrographic surveys, preparation of tendering documents to appoint subcontractors to complete on-site infrastructure and preliminary work completed in ordering equipment in preparation for the commencement of operations following completion of the transaction.

During the Quarter, the Company finalised a significant new coal sales contract with Bayan for coal sales from its **100%-owned Mamahak Coking Coal Project** in East Kalimantan throughout 2011. This contract is for coal sales of **up to 300,000 tonnes** at a market price, FOB Mamahak jetty.

Coal hauling operations are continuing to ramp-up at Mamahak, with the completion of the mobilisation of additional haulage trucks, with total coal sales of **34,946 tonnes** reported for the March Quarter. An additional 9,457 tonnes has been delivered to the port stockpile to-date and coal sale part-payments have been invoiced according to the coal sales contract with Bayan. The two companies have been working together to ramp up operations at Mamahak and this has resulted in progress toward increasing production rates.

Key operational improvements implemented at Mamahak during the Quarter have included the mobilisation of additional new equipment, initial upgrading of the capacity of the barge loader, recruiting additional staff and the submission of additional forestry permit applications to open up new mining areas.

The **Mamahak Project** has an updated JORC Code estimated **Total Coal Resource of 10.49 million tonnes²**. In addition, Kangaroo and Bayan will commence the design of an exploration program targeting an expansion of the updated JORC Code resource estimate. This exploration program will aim to increase the Mamahak coal resource and



provide the basis for definition of reserves with a target of increasing current production levels.

The updated GPK JORC Code Resource Statement estimated a **Total Coal Resource of 117 million tonnes**³, including 58Mt Indicated Resources and 59Mt Inferred Resources. Over 95% (112 million tonnes) of the current resources lie at depths less than 60m, increasing the potential for a high level of conversion of resources to reserves.

The Company plans to conduct a limited drilling program at GPK targeting specific areas of the project concession with the aim of utilizing this data to increase the level of confidence in the geological model used for the current JORC Resource Statement and to subsequently prepare a JORC Reserve Statement to support the planned development of mining operations.

PROJECT	JORC RESOURCES & RESERVES				
	Inferred Resource	Indicated Resource	Measured Resource	TOTAL Resources	Reserves
PAKAR ¹	1,816Mt	1,092Mt	111Mt	3,019Mt	442Mt*
MAMAHAK ²	0.53Mt	3.11Mt	6.85Mt	10.49Mt	-
GPK ³	59Mt	58Mt	-	117Mt	-
TOTAL	1,875.53Mt	1,153.11Mt	117.85Mt	3,146Mt	442Mt*

Table 1: KRL Projects - JORC Total Coal Resources and Reserves

* JORC Resources are inclusive of JORC Reserves that comprise 16Mt of Proved Reserves and 426Mt of Probable Reserves
^{1,2 & 3} Please refer to JORC Code Competent Persons statements

While the broader Pakar transaction is being completed, KRL and Bayan will continue working closely together to further integrate their operations and activities for all of KRL's existing coal projects in Indonesia.

^{1,2 & 3} please refer to JORC Code Competent Persons statements.

CORPORATE

The Company made significant progress during the Quarter towards completing the Pakar Project transaction with an Independent Expert Report and Notice of Meeting to shareholders being compiled and the required regulatory and due diligence approvals obtained.

Mr Faldi Ismail resigned as a Non-Executive Director during the Quarter.

Cash at bank at the end of the March Quarter was ~\$8 million.



KEY OBJECTIVES FOR JUNE 2011 QUARTER

- ✦ Completing the Pakar Project transaction as rapidly as possible by completing regulatory and shareholder processes and other final due diligence requirements.
- ✦ Continuing the process of working with Bayan Resources to enhance the operational management of Kangaroo's coal projects and integrating the operating activities and management of the two companies.

ENDS

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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.

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

The 3,146 million tonne Coal Resource & Reserve Inventory is comprised of a 3,019 million tonne total Coal Resource with an average calorific value range of 5,215 – 5,230 kcal/kg (adb) at Pakar¹; a 10.49 million tonne total Coal Resource with an average calorific value range of 6,991 – 7,793 kcal/kg (adb) at Mamahak²; and a 117 million tonne total Coal Resource with an average calorific value of 3,584 kcal/kg (gar) at GPK³.

COMPETENT PERSON STATEMENTS:

¹ **Pakar Project:** The Statement has been issued under the MMC name. MMC is an associated entity of PT Runge Indonesia. The MMC report should be read in its entirety. The resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004). The Coal Resource estimates in the report were estimated by Mr. William Park, BSc (Geology), BEcon, MAIG who is a Member of the Australian Institute of Geoscientists. The estimates are based on information compiled and reviewed by Mr Park. He is a full time employee of MMC and has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity undertaken to qualify him as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr. Park consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Coal Reserve estimates in the report were estimated by Mr Michael Trainor BE (Mining), MAusIMM, a Member of the Australasian Institute of Mining and Metallurgy. The estimates are based on information compiled and reviewed by Mr Trainor. He is a full time employee of MMC and has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity undertaken to qualify him as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr. Trainor consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

² **Mamahak Project:** The resource estimate has been prepared in accordance with the 'JORC code' by PT SMG Consultants Pty Ltd (PT SMGC). The estimate of the Mamahak resources has been calculated and reviewed by Mr. Mark J Manners, B.Sc (Geology), an employee of PT SMGC, who was responsible for all content within the Technical Report titled "Resource Report – Mamahak Coal Project, Long Bagun District, Kutai Barat Regency, East Kalimantan – Indonesia, 2nd February, 2011", and is a Competent Person in accordance with the requirements of the 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code). Mr Manners is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Manners consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

³ **GPK Project:** The information in this report that relates to the coal resources of the Graha (GPK) Project is based on information that was compiled by Mr. Robert de Jongh and a professional team under his supervision. Mr. de Jongh is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of ASEAMCO Pty Ltd. Mr. de Jongh has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify him as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. de Jongh consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.



ABOUT KANGAROO RESOURCES

Kangaroo Resources Limited (ASX: KRL) is an emerging international mining Company with eight 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.

ABOUT BAYAN RESOURCES

PT. Bayan Resources Tbk is a leading Indonesian-focused coal producer which is listed on the Indonesian Stock Exchange. Bayan produced approximately 11.8 million tonnes of coal in 2010 from six projects, making it one of Indonesia's largest coal producers. In addition, Bayan owns the Balikpapan Coal Terminal, one of Indonesia's largest coal terminals, as well as an innovative floating transfer station. Bayan is also the joint venture partner with White Energy in a coal beneficiation plant in East Kalimantan.

Bayan is committed to expanding its overall coal production and its association with Kangaroo as major shareholder, operating and off-take partner will assist in this regard. Bayan has the necessary resources, experience and expertise to help Kangaroo drive forward its Indonesian coal strategy.

Both Kangaroo and Bayan see many synergies in their two operating coal businesses in Indonesia and are seeking to take advantage of these as well as realise all available economies of scale.

Appendix 1: KRL Project Location Map – East Kalimantan, Indonesia

