

15 March 2011

KANGAROO AND BAYAN UPDATE DUE DILIGENCE AND COMPLETION PROCESS FOR PAKAR

OVERALL TRANSACTION ON TRACK FOR COMPLETION BY JUNE 2011

International coal producer Kangaroo Resources Limited ("KRL" or the "Company") and its strategic alliance partner, leading Indonesian coal conglomerate PT Bayan Resources ("Bayan"), provide the following joint statement to update the market on the progress of due diligence and the completion process for the transaction announced on 28 December 2010.

Under this agreement, KRL is acquiring the Pakar Thermal Coal Project in East Kalimantan in exchange for shares.

KRL and Bayan entered into an agreement in December 2010, whereby the companies would start to work together immediately to promote operational efficiencies, synergies and other advantages to build up Kangaroo's Indonesian coal business as quickly as possible. This work has already commenced in good faith with technical and operational work underway on many fronts to advance the Kangaroo assets.

In parallel, the two parties also commenced due diligence and other completion requirements to allow for Bayan first to acquire and then to vend, the Pakar Coal Project into Kangaroo. **This due diligence exercise has now been completed from Kangaroo's perspective.**

Initially it was perceived that there would be a shortened period for the two companies to conduct their due diligence and associated requirements for completion; however, regulatory controls associated with the two companies being listed in different markets have ultimately dictated that the process be more stringent. In particular the requirement of audited accounts to 31 Dec 2010 and the transfer of local Indonesian companies holding the Pakar concessions to entities that can be foreign-controlled have both taken more time to complete than previously anticipated.

None of these requirements are of concern and each is proceeding with the full support and contribution of parties on both sides.

The two companies wish to stress that the due diligence process is proceeding smoothly and both Kangaroo and Bayan are comfortable that completion of the deal will take place as anticipated. The transaction completion process from this point is *targeted* as follows:

- 31 March – complete outstanding issues relating to the regulatory process associated with due diligence;

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- 30 April – complete Independent Experts' Reports for shareholder notices of meetings. Issue notices of meetings for both companies; and
- 31 May – conduct shareholder meetings to approve the transaction.

In the meantime, operational work and cooperation will continue with Bayan playing a major role in the ramp-up of production at the Mamahak Coking Coal Project and preparatory work for both the Pakar and GPK Projects to move into production during 2011.

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.

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

