



13 June 2011

KANGAROO TO JOIN THE RANKS OF LEADING COAL PRODUCERS AFTER COMPLETING PAKAR DEAL

LANDMARK ACQUISITION OF PAKAR THERMAL COAL PROJECT APPROVED

Key Points:

- ◆ Shareholders overwhelmingly approve KRL's acquisition of the Pakar Thermal Coal Project, East Kalimantan, Indonesia
- ◆ Kangaroo issues 2.305 billion shares to leading Indonesian coal conglomerate PT Bayan Resources Tbk and other parties to acquire 99% of Pakar
- ◆ Bayan Resources to emerge as a ~56% shareholder of Kangaroo post-transaction
- ◆ Bayan Resources to manage all of KRL's Indonesian coal assets moving forward, drawing on its extensive experience and expertise in coal production

International coal producer Kangaroo Resources Limited (ASX: KRL) ("KRL" or the "Company") is aiming to join the ranks of the leading coal producers after having received final shareholder approval to complete its previously announced \$277 million acquisition of the Pakar Coal Project from the leading Indonesian coal conglomerate PT Bayan Resources Tbk ("Bayan").

KRL shareholders voted overwhelmingly in favour of the transformational transaction at an Extraordinary General Meeting (EGM) in Perth today. The vote marks the final required approval to complete the deal, which was first announced in December 2010. Shareholders in Bayan, a US\$7 billion coal conglomerate, approved the transaction last week.

Pakar, which is located in Kalimantan, is one of Indonesia's largest thermal coal projects, with an estimated JORC Code Total Coal Resource of 3,019 million tonnes of thermal coal with an average calorific value range of 5,215 – 5,230 kcal/kg (adb) *¹.

Under the terms of the transaction, KRL has issued 2.305 billion new shares to Bayan and other parties in order to acquire Pakar, giving Bayan a controlling ~56% shareholding in Kangaroo.

* See Appendix 2 - Summary of JORC Code Coal Resources for Pakar Coal Project

¹ Please refer to JORC Code Competent Persons Statement

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The transaction complements and enhances KRL's existing portfolio of thermal and coking coal projects in Indonesia, providing it with additional size and scale as it moves towards its goal of becoming a significant Indonesian coal producer. KRL is already in limited production at its Mamahak Coking Coal Project in East Kalimantan.

The Company's Board believes that Bayan's shareholding affords it the best possible chance of developing and maximising the value of its existing coal assets in Indonesia while significantly expanding its resource inventory and production capability.

Bayan is a significant coal producer in its own right, with 2010 production of up to ~12 million tonnes coal. In addition, Bayan owns the Balikpapan coal terminal, one of the largest terminals in Kalimantan with up to a 15Mt throughput capacity, and other key infrastructure including the floating transfer stations and a substantial fleet of barges.

Commenting on the transaction, KRL's Chairman, Mr Peter Richards, said: "Bayan Resources is an experienced and capable partner with the expertise to assist Kangaroo deliver on all its objectives within the coal strategy it has developed. We welcome Bayan not only as a shareholder but also as an operating partner and a proven marketer of coal."

"The Board of Kangaroo believes that this deal will add significant value for all Kangaroo shareholders going forward" he added.

Kangaroo is planning to bring the Pakar Coal Project into initial production in 2011, with ramp up thereafter, seeking to ultimately become one of the larger stand-alone coal operations in Indonesia.

The Pakar Coal Project, which is located in East Kalimantan, has an estimated JORC Code Total Coal Resource of 3,019 million tonnes of thermal coal with an average calorific value range of 5,215 – 5,230 kcal/kg (adb)^{*1}. While the quality is low ranking thermal coal, there is existing infrastructure on site which comes at no further cost to Kangaroo, and this will significantly reduce the cost of new capital required to move into production. This enhances the overall Pakar Project valuation considerably.

KRL is also aware that there is increasing demand for this coal for use in power generation in Indonesia and throughout Asia, and the Company is confident that Pakar can become the cornerstone operation within its portfolio.

Kangaroo intends to utilize Bayan's skills and experience at bringing projects into production to transform Pakar into an operating mine in the shortest possible time. Some mining is anticipated in 2011 although ramp up to the initial phase of production will take a number of years as various sites are developed over the vast concession area and additional infrastructure is put in place to facilitate production of up to 5-10 million tonnes of coal per annum.

Pakar lies close to the Seniur River, which is navigable all year round; coal will therefore be shipped out using barges, a tried-and-tested method used by Bayan on their other projects.

^{*} See Appendix 2 - Summary of JORC Code Coal Resources for Pakar Coal Project

¹ Please refer to JORC Code Competent Persons Statement



Figure 1: Existing infrastructure at Pakar Coal Project



Figure 2: Existing port, loading and stockpile facilities at Pakar



Figure 3: Existing infrastructure at Pakar Coal Project

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.

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.



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.

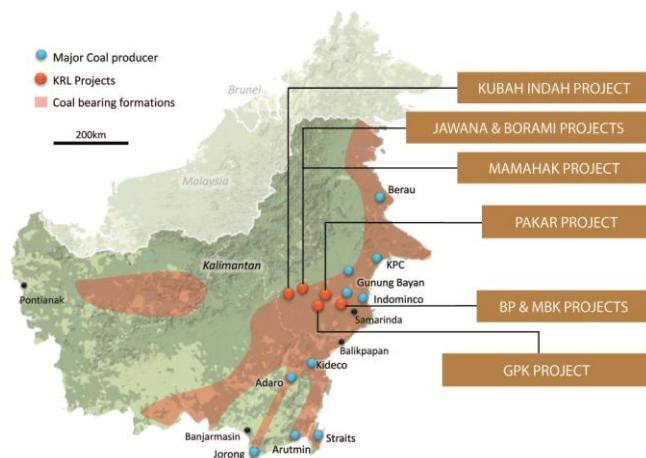
KRL is committed to building a sustainable mid-tier mining house, focusing on Indonesian coal and using the considerable experience and expertise of its exceptional in-country partners to fast track development and production.

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 coal producer which is listed on the Indonesian Stock Exchange. Bayan produced approximately 11.9 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.

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



Appendix 2: Summary of JORC Code Coal Resources for Pakar Coal Project

Summary – Pakar Coal Project

Category	Coal (Mt)	TM (%)	IM (%)	ASH (%)	TS (%)	CV (kcal/kg)	
		(ar)	(adb)	(adb)	(adb)	(adb)	(gar)
Measured	111	41.1	18.8	5.2	0.13	5,205	3,777
Indicated	1,092	47.3	14.3	5.6	0.19	5,229	3,224
Inferred	1,816	47.5	13.8	6.2	0.20	5,195	3,165
Sub-Total/Ave.	3,019	47.2	14.2	6.0	0.19	5,208	3,209