

1 June 2009

## INDONESIAN COAL JOINT VENTURE

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### HIGHLIGHTS:

- KML has acquired the option to enter into a Joint Venture over two coal concessions owned by Alexis Minerals International Pty Ltd – Bara Pratama and Mitra Bara Karya, in East Kalimantan, Indonesia.
  - Experienced JV partner with excellent local contacts in Indonesia.
  - Highly prospective coal concessions in East Kalimantan.
  - Coal sample analysis indicates the potential for high quality thermal coal in both concessions.
  - Focused strategy to define a significant high quality thermal coal resource with short term production targets.
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### Entering into a Heads of Agreement

The Board of directors of Kangaroo Metals Limited (**KML** or **Company**) is pleased to announce that it has entered into a Heads of Agreement with Alexis Minerals International Pty Ltd (**Alexis**) that will give KML the option to enter into a Joint Venture in relation to its sought after Bara Pratama (BP) and Mitra Bara Karya (MBK) projects in Indonesia (**Projects**).

### About Alexis Minerals International Pty Ltd

Alexis is an Australian based private company that has been formed to explore and develop coal concessions that are held by its largest shareholder The Genesis Group (**Genesis**). Genesis consists of very well known businessmen in Indonesia together with a strong technical team. Genesis has under its control over 20 current coal concessions in the East Kalimantan region of Indonesia. This region is known for its large resources of coal and is the same area as some of the biggest producers of coal in the South East Asian region.



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Indonesian coal production has increased in recent years, and Indonesia is currently the world's third largest exporter of steaming coal (after Australia and China). According to the 2008 BP Statistical Energy Survey, Indonesia had in 2007 coal reserves of 4328 million tonnes. Indonesia is one of the leading exporters of sub-bituminous coal which represents the bulk of Indonesian coal production.

Alexis has offices in Perth and Indonesia and has access to the resources of Genesis. Genesis has significant experience in Indonesia and has been involved in coal projects ranging from Greenfields exploration, project financing and coal mine development.

Alexis currently has five concessions in its portfolio and has chosen KML to partner in a joint venture agreement for the development of the first two concessions of its portfolio. The management of Alexis is focused on proving up a substantial JORC compliant resource. There is already significant data available on the Projects that will help define the drilling program.

Once a resource is defined, Alexis intends to immediately proceed to mine planning and development. This will ensure coal production and early cash flow for the joint venture group.

### **Bara Pratama (BP)**

BP is a small Kuasa Pertambangan (KP) consisting of 96.77Ha. This concession is located around 1.5km from the Mahakam River. This river system is the main transport route for coal from the mines of East Kalimantan. It is the objective of Alexis to load coal from both these location at the one facility.

This project has had some previous work completed in 2006. There are six (6) interpreted coal seams within this concession. Historical data obtained by Alexis suggests the potential for high quality thermal coal within the BP concession, with results ranging between 7200 and 7400 Kcal/kg. Further testing of the coal is to be conducted as part of the forward work exploration program.

Typical sample analysis for BP:

Total Moisture	6.6% (ARB)
Ash Content	1.9% (ADB)
Volatile Matter	44.6% (ADB)
Fixed Carbon	49.3% (ADB)
Total Sulphur	2.8% (ADB)
Calorific Value	7,260 kcal/kg

(The potential quantity and grade of the target mineralisation coal is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target coal. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target coal. At Bara Pratama, the target mineralisation is interpreted as having similar quality to the Exploration Results and for the required purpose of including a range of 'grades' the same properties are quoted as +/-10% of the assayed properties.)

*Exploration*

*Project Development*

*Mining*

*Geophysics*



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### Mitra Bara Karya (MBK)

MBK comprises a large concession of 4151Ha. Historical exploration works were conducted within this concession in 2005. Since then, additional exploration works have been conducted to identify targets for future drilling programs. Historical data obtained by Alexis suggests the potential for high quality thermal coal within the MBK concession, with laboratory analysis showing results up to 7100 Kcal/kg. Historical drilling has only occurred within a small area of this concession.

Alexis intends to concentrate on proving up a resource and developing a mine plan that best suits the current market allowing maximum return from the concessions.

The historical work on the Projects will be checked by re-drilling and re-logging the data as well as further exploration on new targets identified by the latest outcrop surveys.

Typical sample analysis for MBK:

Total Moisture	7.4% (ARB)
Ash Content	6.29% (ADB)
Volatile Matter	46.8% (ADB)
Fixed Carbon	44.2% (ADB)
Total Sulphur	2.55% (ADB)
Calorific Value	7,123 kcal/kg
Hardgrove Grindability Index	51
Relative Density	1.25 gr/cc

(The potential quantity and grade of the target mineralisation coal is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target coal. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target coal. At Mitra Bara Karya, the target mineralisation is interpreted as having similar quality to the Exploration Results and for the required purpose of including a range of 'grades' the same properties are quoted as +/-10% of the assayed properties.)

### Infrastructure and Mine Development

The first concession, Bara Pratama, is approximately 1 km from the river and it is Alexis' intention to build a simple loading facility which will accommodate both concessions. At present there is a logging road from MBK to the loading area on the river that the Company will be utilizing until production reaches such a level that a conveyor system directly from the mine site to the loading facility becomes feasible.

The port facilities are budgeted to handle up to 50,000 tonnes of coal per month after which upgrades will be required to facilitate quicker loading times. This has been budgeted out of production and around the same time as the conveyor system will become feasible.

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	Expected Completion Date	Action
Transaction Signing	28/5/09	Completed 27/5/09
First Advance	28/5/09	Completed 28/5/09
Due Dilligence	18/6/09	Ongoing
Survey and Outcrop Mapping	End of August	Ongoing
Drilling and data collection	End of September	
JORC Report	End of October	
Start Mine Planning and Development	December 2009	

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## Material Terms of the Joint Venture

The material terms of the Heads of Agreement are as follows:

- (a) in consideration of KML making a fully refundable cash payment to Alexis of US\$100,000 (**First Advance**), Alexis has granted KML the right to enter into a joint venture agreement with it in relation to the Projects (**Joint Venture**). Alexis agrees to provide KML with all material it reasonably requests to complete a legal and technical due diligence on the Projects (**Due Diligence**) within 21 days, at which time KML can elect to either proceed or withdraw from the Joint Venture. The Due Diligence will comprise (a) Technical – sign off from an Independent Geologist and (b) Legal – clear and transparent title to the Projects;
- (b) if KML elects to proceed with the Joint Venture, KML must advance to Alexis a further US\$400,000 (**Second Advance**) to fund further development of the Projects and, specifically, an exploration program to delineate a JORC compliant resource of coal (**Resource**). Once Alexis has received the Second Advance, KML will have earned a 15% interest in the Joint Venture. A budget must be agreed between the parties for application of the Second Advance and, on the budget being agreed, KML must issue Alexis 50,000,000 fully paid ordinary shares in the capital of the Company;
- (c) if, after spending the Second Advance, Alexis has not delineated a Resource of at least 10 million tonnes on the Projects, KML will be entitled to either (i) be repaid the First Advance and Second Advance; (ii) retain its 15% Joint Venture interest or (iii) if it so elects, proceed to earn a 30% interest in the Joint Venture in accordance with the paragraphs below;
- (d) after earning its 15% interest in the Joint Venture and spending of the Second Advance (to delineate a Resource), KML can elect to earn a further 15% interest in the Joint Venture (for a total of 30%) by agreeing to:
  - (i) issue Alexis further shares and options based on the quantum of the Resource delineated from the exploration program as follows:
    - (A) less than 10,000,000 tonnes – no additional shares or options;
    - (B) between 10,000,000 and 15,000,000 tonnes – that number of shares (together with a 1:1 free option) equal to \$2 million divided by the Issue Price (as defined below);
    - (C) between 15,000,000 tonnes and 20,000,000 tonnes – that number of shares (together with a 1:1 free option) equal to \$2.5 million divided by the Issue Price (as defined below);
    - (D) between 20,000,000 and 25,000,000 tonnes – that number of shares (together with a 1:1 free option) equal to \$3 million divided by the Issue Price (as defined below); and

- (E) greater than 25,000,000 tonnes – that number of shares (together with a 1:1 free option) equal to \$3.5 million divided by the Issue Price (as defined below); and

*The “options” referred to above will be unlisted, will have an exercise price equal to 20% above the Issue Price (as defined below) and an expiry date of 2 years following the issue of the options.*

*The “Issue Price” shall equal 80% of the volume weighted average price of KML’s shares as traded on ASX over the 30 days prior to release of the Resource statement by KML to ASX, with a floor price of 2 cents and a ceiling price of 8 cents.*

*If a Resource is not delineated by Alexis on the Projects within 12 months from execution of this Heads of Agreement, Alexis will lose any entitlement to shares and options as per the above; and*

- (ii) spend a further US\$2 million on the Projects, for exploration and mining;
- (e) once KML has earned a 30% interest in the Joint Venture, KML may elect to earn a further 20% interest in the Joint Venture (for a total of 50%) by making a cash payment to Alexis of US\$5 million;
- (f) KML may, at any time for a period of up to 6 months after JORC report has been issued and after earning a 15% interest in the Joint Venture, pay US\$5 million to Alexis and KML will immediately earn a 50% interest in the Joint Venture. Should KML require additional time to complete the US\$5 million payment, Alexis will not unreasonably withhold KML’s request to the extension for a further 6 months;
- (g) KML will have a first right of refusal to acquire the interest held by Alexis in the Projects;
- (h) Alexis will grant KML a first right of refusal over all of its other coal projects in Indonesia that are put up for sale and not being sold within its own group of companies or related parties;
- (i) the parties have agreed to enter into a formal Joint Venture Agreement to document the terms set out in this Heads of Agreement;
- (j) the rights of KML under the Joint Venture are exclusive; and
- (k) the issue of shares and options to Alexis under this Heads of Agreement will be subject to the receipt of approval from KML shareholders in a general meeting.





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**-ENDS-**

**Sean Henbury**  
Company Secretary

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Jerko Zuvela who is a Member of The Australian Institute of Mining and Metallurgy. Mr Zuvela has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Zuvela consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*