

30 November 2011

KANGAROO SIGNS US\$270M, 5-YEAR MINING CONTRACT AT MAMAHAK COAL PROJECT

CONTRACT TO MINE 4.5 MILLION METRIC TONNES OF COKING COAL

Key Points:

- ▶ Key mining contract signed with PT Putra Perkasa Abadi to underpin ramp-up of coking coal production from the Mamahak Project.
- ▶ New mining contract and other activities being implemented by Bayan Resources to transition Mamahak from existing small-scale production.
- ▶ Contract, which commences on 1 January 2012 and is valued at approximately US\$270M, includes removal of up to 90 million BCM and coal hauling quantities of 4.5 million metric tonnes over the next 5 years.

International coal producer Kangaroo Resources Limited (ASX: KRL) ("KRL" or the "Company") is pleased to advise that its subsidiary, PT Mamahak Coal Mining, has signed a key five-year mining contract, with an approximate value of US\$270 million, with PT Putra Perkasa Abadi (www.ppacoal.com) to mine up to 4.5 million metric tonnes of coking coal from the Company's 100%-owned Mamahak Project in Indonesia.

The contract – which is scheduled to commence on 1 January 2012 and includes the removal of up to 90 million BCM of overburden – is designed to underpin the ramp-up of production from the Mamahak Project to full commercial levels.

Kangaroo's majority shareholder – PT Bayan Resources Tbk, has negotiated the Mamahak mining contract utilising its extensive expertise and knowledge of coal mining in Indonesia.

Together with other operational initiatives being implemented under Bayan's management, the new mining contract will cement the transition of Mamahak from small-scale mining operations seen to date to full-scale production.

The mining contract sets coal production targets over the 5-year period, with a target of up to 1 million metric tonnes per annum. The contractor will commence mobilisation of equipment in December, including overburden and coal equipment which will continue throughout the year, with the majority of the equipment due on site by Q3 2012. Initially the subcontractor will focus on construction of their own camp and support facilities and then transition into mining operations.

The contract incorporates a scope of works for the mining contractor including project management, mine planning, surveying, supervision, site security, materials, equipment, equipment maintenance, labour, transportation, medical services, consumables and site infrastructure to carry out the works.



As part of the award of this contract, an upgrade of the existing haul road is planned with work scheduled to commence in Q2 2012 and to be completed by end of 2012.

The Company has also identified a new haul road alignment to a permanent barge loading facility on the Mahakam River that will significantly improve year-round barging access at Mamahak. A LIDAR topographic survey will be undertaken in Q4 2011 to complete the survey works required to commence the tender process for constructing the new road.

A tender is also in process for the construction of the new camp and support facilities, with award and commencement of construction expected to occur during 2012, with target completion of the first phase by end 2012.

Stage one of an exploration drilling program has been planned and the Company is currently in the process of selecting a drilling contractor to mobilize to site. This exploration program has been designed to increase the current Mamahak coal resource and provide the basis for the definition of a Coal Reserve and will be continuing throughout 2012.

KRL's Managing Director, Mark O'Keefe said: "We are pleased to have secured the future growth of the Mamahak project through our partnership with PT. Putra Perkasa Abadi. We believe that they will make a significant positive contribution and be instrumental in achieving our objectives for this Project. The Mamahak Project contains coking quality coal deposits which are consistent with our strategy of providing an even broader spectrum of coal products to the market."

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Further information:

Mark O'Keefe

Managing Director

T | +61 8 6102 6990

E | info@kangarooresources.com

W | www.kangarooresources.com

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.

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 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 11.9 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 committed to expanding its overall coal production and its association with Kangaroo as major shareholder. 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

