



# KANGAROO RESOURCES LIMITED

ABN 38 120 284 040

Financial Report for the year ended 30 June 2011

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## CONTENTS

### ANNUAL FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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CORPORATE DIRECTORY.....	1
DIRECTORS' REPORT.....	2
AUDITOR'S INDEPENDENCE DECLARATION.....	15
CORPORATE GOVERNANCE STATEMENT .....	16
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	21
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	22
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	23
CONSOLIDATED STATEMENT OF CASH FLOWS.....	25
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	26
DIRECTORS' DECLARATION .....	70
INDEPENDENT AUDITOR'S REPORT .....	71
ASX ADDITIONAL INFORMATION.....	73

These financial statements are the consolidated financial statements of the consolidated entity consisting of Kangaroo Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency.

The financial statements were authorized for issue by the directors on 30 September 2011. The directors have the power to amend and reissue the financial statements.

# CORPORATE DIRECTORY

30 JUNE 2011



## Directors

Peter Richards - Chairman  
Mark O'Keeffe - Managing Director  
Trevor Butcher - Non-Executive Director  
Alastair Mcleod - Non-Executive Director  
Russell Neil - Non-Executive Director  
Darcy Wentworth - Non-Executive Director  
David Low Yi Ngo - Non-Executive Director

## Company Secretary

Sean Henbury

## Registered Office

c/o FJH Solutions Pty Ltd  
21 Teddington Road  
Burswood WA 6100

## Principal Place of Business

Suite B, 150 Hay Street  
Subiaco WA 6008

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Fax: +61 8 6109 6993  
E-mail: [info@kangarooreources.com](mailto:info@kangarooreources.com)  
Website: [www.kangarooresources.com.au](http://www.kangarooresources.com.au)

## Stock Exchange

Australian Securities Exchange Limited ("ASX")  
Exchange Plaza  
2 The Esplanade  
Perth WA 6009

Quoted on the official list of the Australian  
Securities Exchange

ASX Symbol: KRL

## Auditors

PricewaterhouseCoopers  
250 St Georges Terrace  
Perth WA 6000

## Solicitors

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000

## Bankers

National Australia Bank Limited

## Share Registry

Advanced Share Registry Services  
150 Stirling Highway  
Nedlands WA 6009

Tel: +61 8 9389 8033  
Fax: +61 8 9389 7871

## Domicile and Country of Incorporation

Australia

## DIRECTORS' REPORT

30 JUNE 2011



Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Kangaroo Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

### **Directors and Company Secretary**

The Directors and the Company Secretary of the Company at any time during or since the end of the financial year are as follows.

#### **Peter Richards B.Com – Independent Non-Executive Chairman (appointed 9 February 2010)**

Mr Richards is an internationally experienced business executive with a proven track record in the mining services industry. His experience totals 30 years with companies such as British Petroleum (including its mining arm Seltrust Holdings), Wesfarmers, and Dyno Nobel which have provided him with a unique understanding of the global resources and mining services industries.

Mr Richards has managed and supported complex financial and corporate activities, with significant exposure to the investment, broking and analyst community. He has international experience with a diversity of cultures and has started new businesses in a range of offshore locations.

Mr Richards was most recently CEO of the ASX-listed Dyno Nobel Limited and prior to this was based in Salt Lake City, USA, where he was the President of Dyno Nobel North America. Following the takeover of Dyno Nobel in 2008, Peter became a Non-Executive Director of Bradken Limited. He is also a Chairman of Minbos Resources Ltd and Non-Executive Director of NSL Consolidated Limited, Emeco Holdings Limited, Sedgman Limited, Bradken Limited and Norfolk Group Limited. Mr Richards had been a director of Dyno Nobel Limited during the past three years.

#### **Mark O'Keeffe, Managing Director (appointed 19 November 2009)**

Mr O'Keeffe has been a successful businessman in the Perth community for the past 19 years and in recent years has become actively involved in the minerals industry. He has provided his services in various corporate capacities, including his direct involvement in a number of private and public company capital raisings.

Mr O'Keeffe's previous business interests have encompassed several established enterprises in the retail and service industries, as well as a range of real estate investments which have seen him develop a wide network of business associates.

Mr O'Keeffe did not hold any directorships in other listed companies in the previous 3 years.

#### **Trevor Butcher, Non-Executive Director (appointed 1 October 2009)**

Mr Butcher is an Indonesian-based professional who has spent more than six years working in the Indonesian mining industry. This vital industry knowledge, along with his significant Indonesian business networks and strong relationships with local partners, puts him in a strong position to guide KRL through the next phases of development.

Mr Butcher did not hold any directorships in other listed companies in the previous 3 years.

## DIRECTORS' REPORT

30 JUNE 2011



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**Faldi Ismail B.Bus, MAICD - Non-Executive Director (appointed 19 November 2009, Resigned 21 January 2011)**

Mr Ismail has many years of experience as a corporate consultant specialising in the restructure and recapitalisation of a wide range of ASX-listed companies. He spent over four years working as a tax supervisor with a major Perth based Accounting firm as well as being a senior within their Corporate Restructuring Division.

Mr Ismail is the co-founder of Otsana Capital, a boutique advisory firm that specialises in mergers & acquisitions, capital raisings and Initial Public Offerings (IPO's). Mr Ismail has many years of investment banking experience covering a wide range of sectors, with a specific focus on the resources sector.

During the past three years, Mr Ismail held the following ASX listed directorships: Epic Resources Limited (current), Kalimantan Gold Corporation Limited (current), Coventry Resources Limited (current), Minbos Resources Limited (current), Energio Limited (ceased), Cape Range Limited (ceased) and Sam's Seafood Holdings Limited (now Pan Asia Corporation Limited)(ceased).

**Galih Kartasasmita, Executive Director (Appointed 15 October 2010, Resigned 13 June 2011)**

Mr Kartasasmita is an Indonesian national with extensive experience in the country's resources market and a strong contact network in business and political circles.

Mr Kartasasmita has worked in the past for PT Freeport Indonesia and most recently for PT Bakrie and Brothers, which is the parent company of the substantial Indonesian coal mining company Pt Bumi Resources, having been directly involved with various financial and investment activities for these businesses including debt restructuring, asset acquisition and divestment, refinancing and strategy.

Mr Kartasasmita did not hold any directorships in other listed companies in the previous 3 years.

**David Low Yi Ngo BSc (Mechanical Engineering and Production) - Non-Executive Director (Appointed 13 June 2011)**

Mr Low is presently acting Marketing Director for Bayan Resources Tbk. Mr Low has held various senior management roles within Indonesia and Asia over the past five years.

Mr Low did not hold any directorships in other listed companies in the previous 3 years.

**Alastair McLeod CA - Non-Executive Director (Appointed 13 June 2011)**

Mr McLeod is an Indonesian-based mining executive with over 20 years experience in senior finance, accounting and management roles and over 10 years directly relating to the Indonesian resource market.

Mr McLeod is currently Chief Financial Officer and a Director of Bayan Resources Tbk. He did not hold any directorships in other listed companies in the previous 3 years.

## DIRECTORS' REPORT

30 JUNE 2011



### **Russell Neil FCPA, CFA - Non-Executive Director (Appointed 13 June 2011)**

Mr Neil is an Indonesian-based mining executive with approximately twenty years of corporate experience in accounting, finance and management roles within the mining industries of Australia and Indonesia.

Mr Neil is currently Chief Development Officer and a Director of Bayan Resources Tbk. He did not hold any directorships in other listed companies in the previous 3 years.

### **Darcy Wentworth MSc (Mining), MAusIMM - Non-Executive Director (Appointed 13 June 2011)**

Mr Wentworth is an Australian-based mining executive with over 40 years of international experience managing various coal operations around the world, with specific focus and expertise in coal mining and Indonesia.

Mr Wentworth was previously the Operations Manager for Bayan Resources Tbk's large Gunungbayan coal operation in East Kalimantan for over 10 years until 2009.

Mr Wentworth did not hold any directorships in other listed companies in the previous 3 years.

### **Sean Henbury CA, FITA – Company Secretary**

Mr Henbury is a Chartered Accountant with over 13 years of experience in public practice with three of Perth's major Accounting firms. Recently, he was a founding director of the accounting firm FJH Solutions Pty Ltd, where he continues to provide client support across a wide range of industries including mining, exploration, research and development, construction and manufacturing.

Mr Henbury has been company secretary of a number of companies and is regularly called upon to advise directors of their duties. He is a former company secretary of ASX listed companies: Environmental Clean Technologies Ltd (formerly Environmental Solutions International Ltd) and Minbos Resources Limited.

Mr Henbury was a director of NSL Consolidated Limited and Computronics Holdings Limited and is still the company secretary of both of these listed public companies.

### **Directors' Meetings**

The number of meetings of the company's board of directors held during the year ended 30 June 2011, and the number of meetings attended by each of director were:

	<b>Board meetings</b>	
	<b><u>Number eligible to attend</u></b>	<b><u>Number attended</u></b>
P Richards	3	3
M O'Keeffe	3	3
T Butcher	3	2
F Ismail	2	2
G Kartasasmita	2	-
David Low Yi Ngo	-	-
Alastair McLeod	-	-
Russell Neil	-	-
Darcy Wentworth	-	-

## Principal Activities

Kangaroo Resources Limited is a resources company with offices in Perth, Australia and in Jakarta, Indonesia and mineral exploration assets in both countries.

The Company continues to leverage off its strong relationships in Indonesia in particular, to continue to add coal and other projects into the Company over time, whilst moving into operations as quickly as possible on the Indonesian assets already within its portfolio.

## Operating and Financial Review

The consolidated loss of the Group for the financial year ended 30 June 2011 was \$71,327,269 (2010: \$48,426,423).

Kangaroo Resources Limited (ASX: **KRL**) ("KRL" or the "Company") marked the financial year with a significant turning point with its transformational transaction with leading Indonesian coal producer PT Bayan Resources Tbk ("Bayan"). The transaction was overwhelmingly approved by both KRL and Bayan shareholders in June 2011. As part of this transaction, KRL acquires a 99% interest in the Pakar Thermal Coal Project in East Kalimantan ("Pakar") in return for issuing a total of 2,305 million new shares to Bayan and other parties related to the acquisition. The two companies are now awaiting final government sign-off on the Pakar Project equity component of the transaction for the deal to be formally finalised.

KRL is also moving to acquire direct foreign ownership of the assets by converting each of the subsidiary holding companies (PT companies) to Indonesian PMA companies (a foreign investment company) and transferring the relevant equity interest holding in the PT companies directly to KRL.

This transaction will involve a fundamental shift in the Company's focus to that of a development and production company, and with Bayan's involvement, focus on operations capable of generating significant revenue and profits in the years to come. This has and will continue to involve major changes in the systems, procedures, resources and management of the Company.

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. Subsequent to year end, Bayan has commenced works at Pakar and is integrating the Project with Bayan's adjacent Tabang Project, aiming to develop and prepare both projects for initial production. Work to date has included the commencement of mine plans and studies, off-take discussions, and preliminary work requirements in preparation for the start of operations.

The Company also completed a major upgrade to the JORC Code Total Coal Resource and Reserve Statements for each of the Company's key assets – the Pakar, Mamahak and GPK Coal Projects.

Small-scale coal mining operations continued at the Company's 100%-owned Mamahak Project. Together with Bayan, KRL is targeting to increase the current production rates by appointing mining contractors, and carrying out additional necessary construction works as required.

## Corporate

In light of the transformational transaction with Bayan, KRL strengthened its corporate position with the appointment of four experienced coal executives to its Board as Non-Executive Directors. All four new Directors – Mr Darcy Wentworth, Mr Alastair McLeod, Mr Russell Neil, and Mr David Low Yi Ngo – are nominees of Bayan Resources, which is now KRL's largest shareholder with a holding of ~56%.

## DIRECTORS' REPORT

30 JUNE 2011



As part of the new board structure, Mr Trevor Butcher, who was previously an Executive Director is now a Non-Executive Director, and Mr Galih Kartasasmita and Mr Faldi Ismail resigned as Directors.

During the year KRL successfully raised almost \$40 million through a convertible note and issuance of new equity to advance the development of its suite of coal projects.

On 1 July 2010, KRL announced that it had secured new funding through a convertible note issue, providing the Company with significant cash to further advance its portfolio of projects. Approximately US\$2.5 million of this funding was received by KRL under the Company's 15% placement capacity under the ASX Listing Rules, and the remaining US\$12.5 million was received post shareholder approval at a General Meeting on 16 August 2010.

In December 2010, the Company secured a significant new cornerstone investor group through a \$23.8 million share placement. The proceeds of the placement were used to:

1. pay out the unconverted note-holders, leaving the company in a debt-free position;
2. fund the on-going production from KRL's portfolio of emerging coal projects in Indonesia; and
3. provide additional working capital.

KRL issued 200 million shares at an average price of A\$0.119 to the investors. The price was set at 80% of the 5-day VWAP prior to the date of KRL going into a trading halt on 10<sup>th</sup> December 2010.

### **Operations**

#### *Indonesian Projects:*

The Company currently has interests in three Indonesian coal projects, located in East Kalimantan:

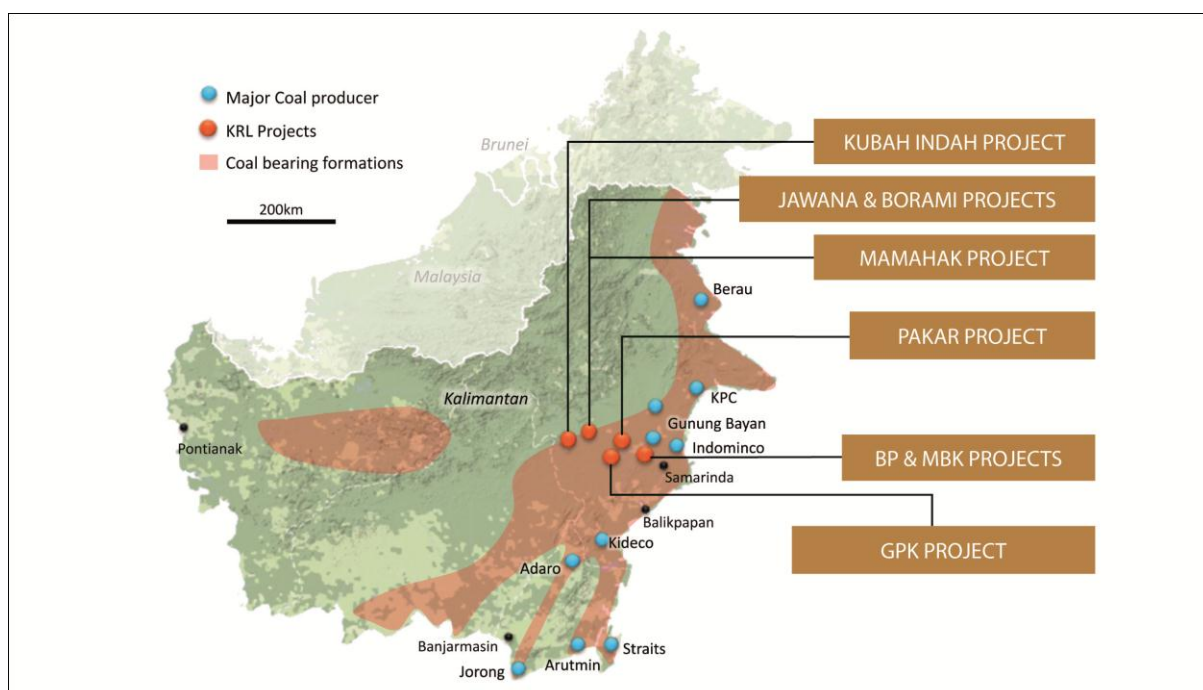
- ✦ Pakar Project (99%) – thermal coal;
- ✦ Mamahak Project (100%, direct foreign ownership) – coking coal & high quality thermal coal;
- ✦ GPK Project (84.82%) – thermal coal;

While the Company also has options over a further five projects, also located in East Kalimantan:

- ✦ Kubah Indah Project (100% subject to shareholder approval) – coking coal
- ✦ Jawana Project (100% subject to shareholder approval) – coking coal;
- ✦ Borami Project (100% subject to shareholder approval) – coking coal;
- ✦ MBK Project (100% subject to shareholder approval) – high quality thermal coal; and
- ✦ BP Project (100% subject to shareholder approval) – high quality thermal coal.

The location of these coal project areas in Indonesia are shown on the map below:





## Significant Changes in the State of Affairs

During the financial year the Company completed the second tranche of a convertible note capital raising totalling \$13.0m (USD \$12.446m). The full convertible note raising totalling \$16.0m (USD \$15m) was converted to equity or redeemed during the financial year.

Further funding of \$23.8m was raised through a placement of 200m KRL shares to advance the Company's portfolio of projects.

In June 2011 the Company received shareholder approval to acquire the Pakar Projects and 2,305m KRL shares were issued in relation to the acquisition cost and associated fees. As a result of this transaction and following final government sign-off, Bayan Resources Tbk, an Indonesian listed entity will become approximately a 56% shareholder in KRL.

Refer to the operating and financial review for further details on significant changes in the state of affairs.

## Likely Developments

Likely developments in the operation of the Group and the expected results of those operations are included under the operating and financial review in this Directors' Report. Other than as referred to in this report, further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have not been included in this report because the Directors believe it would be speculative and likely to result in unreasonable prejudice to the Group.

## Dividends

No dividend has been paid by the Group the year ended 30 June 2011 and the Directors do not recommend payment of a dividend.

## Events Subsequent to Balance Date

On the 13 June 2011 shareholders approved the issue of 2,305 million Kangaroo Resources Limited shares to Pt Bayan Resources Tbk and other parties related to the acquisition for a 99% interest in the Pakar Thermal Coal Project in East Kalimantan ("Pakar").

The two companies are awaiting final government sign-off on the Pakar Project equity component of the transaction for the deal to be formally finalised. KRL is also moving to acquire direct foreign ownership of the assets by converting each of the subsidiary holding companies (PT companies) to Indonesian PMA companies (a foreign investment company) and transferring the relevant equity interest holding in the PT companies directly to KRL.

Once equity in the Pakar entities has been transferred to Company the effect of the 1,925m shares issued to Bayan will be recognised in the Company balance sheet at the KRL closing price of 13.5 cents being the Kangaroo Resources Limited share price on the date of issue.

The Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the group in subsequent financial years.

### Remuneration Report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Services agreements
- D Share-based compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*. The remuneration arrangements detailed in this report are for the Directors and other key management personnel as follows:

P Richards	Non-Executive Chairman
M O'Keeffe	Managing Director
T Butcher	Executive Director (Non-executive from 13 June 2011)
D Low Yi Ngo	Non-Executive Director (appointed 13 June 2011)
A McLeod	Non-Executive Director (appointed 13 June 2011)
R Neil	Non-Executive Director (appointed 13 June 2011)
D Wentworth	Non-Executive Director (appointed 13 June 2011)
G Kartasasmita	Executive Director (appointed 14 October 2010, resigned 13 June 2011)
F Ismail	Non-Executive Director (resigned 21 January 2011)
S Henbury	Company Secretary
M Ralston	Chief Financial Officer

#### A. Principles used to determine the nature and amount of remuneration

The objective of the Group's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered and set to attract the most qualified and experienced candidates. Remuneration levels are competitively set in the context of prevailing market conditions.

The Group embodies the following principles in its remuneration framework:

- the Board seeks independent advice on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for Directors; and
- In determining remuneration, advice is sought from external consultants on current market practices for similar roles, the level of responsibility, performance and potential of the director and performance of the Kangaroo Resources Limited Group.

## DIRECTORS' REPORT

30 JUNE 2011



In accordance with best practice corporate governance, the structure of non-executive and executive remuneration is separate and distinct. Remuneration committee responsibilities are carried out by the full Board.

The employment terms and conditions of directors and key management personnel are formalized in contracts of employment.

Fees and payments to the Directors reflect the demands which are made on, and the responsibilities of the Director. Executive Directives and Non-Executive Directors' fees and payments are reviewed annually by the Board. The Non-Executive Chairman fees are determined based on competitive roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Non-Executive Directors' fees are determined within an aggregate Non-Executive Directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at \$400,000 as agreed by shareholders at the Annual General Meeting held on 30 November 2010.

No retirement benefits are provided.

The Group does not offer any variable remuneration incentive plans or bonus schemes to Executive Directors or any retirement benefits; as such there is no performance related links to shareholder wealth and remuneration policies.

### B. Details of Remuneration

Details of the remuneration of the Directors and other key management personnel of Kangaroo Resources Limited and the Group are set out in the following tables:

	Short-term benefits				Post-employment benefits	Share-based payment	Total	Percentage remuneration consisting of options for the year
	Salary & fees	Bonus	Non-monetary	Other	Superannuation	Options & rights		
2011	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>								
P Richards	60,000	-	-	-	-	363,750	423,750	85.84%
M O'Keeffe	133,110	-	-	-	-	-	133,110	0.00%
T Butcher <sup>(i)</sup>	213,450	-	-	-	-	-	213,450	0.00%
D Low Yi Ngo <sup>(ii)</sup>	-	-	-	-	-	-	-	0.00%
A McLeod <sup>(iii)</sup>	-	-	-	-	-	-	-	0.00%
R Neil <sup>(iv)</sup>	-	-	-	-	-	-	-	0.00%
D Wentworth <sup>(v)</sup>	-	-	-	-	-	-	-	0.00%
G Kartasasmita <sup>(vi)</sup>	75,000	-	-	-	-	-	75,000	0.00%
F Ismail <sup>(vii)</sup>	30,532	-	-	-	-	-	30,532	0.00%
<b>Sub-total</b>	<b>512,092</b>	-	-	-	-	363,750	875,842	
<b>Other Key Management</b>								
S Henbury <sup>(viii)</sup>	-	-	-	-	-	-	-	0.00%
M Ralston	245,833	-	-	-	22,125	-	267,958	0.00%
<b>Sub-total</b>	<b>245,833</b>	-	-	-	22,125	-	267,958	
<b>Total</b>	<b>757,925</b>	-	-	-	22,125	363,750	1,143,800	

(i) T Butcher (Executive Director) (Non-executive from 13 June 2011)

(ii) D Low Yi Ngo Non-Executive Director (appointed 13 June 2011)

(iii) A McLeod Non-Executive Director (appointed 13 June 2011)

(iv) R Neil Non-Executive Director (appointed 13 June 2011)

(v) D Wentworth Non-Executive Director (appointed 13 June 2011)

(vi) G Kartasasmita Executive Director (appointed 14 October 2010, resigned 13 June 2011)

(vii) F Ismail Non-Executive Director (resigned 21 January 2011)

(viii) S Henbury An agreement is in place between the Company and FJH Solutions Pty Ltd, a company in which Mr Henbury is a Director.

There are no other employees that are considered to be key management personnel.

The share options issued to Peter Richards during the year were issued for no consideration and did not have any performance conditions attached. Director and Executive remuneration is currently not linked to either long term or

## DIRECTORS' REPORT

30 JUNE 2011



short term performance conditions. The Board feels that the expiry date and exercise price of the options currently on issue to the Directors and Executives is a sufficient, long term incentive (LTI) to align the goals of the Directors and Executives with those of the shareholders to maximise shareholders wealth, and as such, has not set any performance conditions for the Directors or the Executives of the Company. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years

	Short-term benefits				Post-employment benefits	Share-based payment	Total	Percentage remuneration consisting of options for the year
	Salary & fees	Bonus	Non-monetary	Other	Superannuation	Options & rights		
2010	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>								
P Richards <sup>(i)</sup>	25,000	-	-	-	-	-	25,000	0.00%
M O'Keeffe	92,000	-	-	-	-	-	92,000	0.00%
T Butcher <sup>(ii)</sup>	-	-	-	-	-	-	-	0.00%
F Ismail	124,500	-	-	-	-	-	124,500	0.00%
<b>Sub-total</b>	<b>241,500</b>	-	-	-	-	-	<b>241,500</b>	
<b>Other Key Management</b>								
S Henbury	-	-	-	-	-	-	-	0.00%
M Ralston <sup>(iii)</sup>	100,000	-	-	-	-	893,260	993,260	89.93%
<b>Sub-total</b>	<b>100,000</b>	-	-	-	-	<b>893,260</b>	<b>993,260</b>	
<b>Total</b>	<b>341,500</b>	-	-	-	-	<b>893,260</b>	<b>1,234,760</b>	

(i) P Richards Non-Executive Chairman (appointed 9 February 2010)

(ii) T Butcher Executive director (appointed 1 October 2009)

(iii) M Ralston Chief Financial Officer (appointed 4 August 2009)

### C. Services agreements

On appointment, the Executive and Non-Executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter outlines the Board policies and terms, including remuneration relevant to the office of director.

Details of the service agreements are detailed below:

#### P Richards

- Term: Ongoing from February 2010
- Base Fee: \$5,000 per month plus GST

#### M O'Keeffe

- Term: 2 years from 1 January 2011
- Base Fee: \$10,000 per month plus GST from July 2010 to December 2010 increased to US\$12,500 per month plus GST from 1 January 2011 commensurate with an increase in responsibilities.
- Termination requires 3 months notice in writing or by mutual agreement.

#### T Butcher

- Term: 1 year from 1 January 2011
- Base Fee: \$10,000 per month from July 2010 to December 2010 increased to US\$12,500 per month from 1 January 2011 commensurate with an increase in responsibilities. In addition to his base fee Mr Butcher received other fees for his services during the financial year.
- Termination requires 3 months notice in writing or by mutual agreement.

## DIRECTORS' REPORT

30 JUNE 2011



G Kartasmita

- Term: 2 years from 14 October 2010
- Base Fee: \$10,000 per month
- Termination requires 3 months notice in writing or by mutual agreement.

F Ismail

- Term: Ongoing from November 2008
- Base Fee: Reduced from \$8,500 per month plus GST to \$3,000 per month plus GST in August 2010 commensurate with a reduction in responsibilities.

At year end there are no service agreements in place with Messrs Low, McLeod, Neil or Wentworth.

### *Termination benefits*

The Group is not liable for any termination benefits on termination of the directors.

There are no key management personnel other than the Chief Financial Officer, Mr M Ralston, who has an employment contract as per below:

M Ralston

- Term: Ongoing from August 2009
- Base Salary: \$200,000 per annum increased to \$250,000 per annum (plus superannuation) from 1 August 2010 commensurate with an increase in responsibilities.
- Termination requires one month notice or the payment of one months salary in lieu of such notice.

An agreement is in place between the Company and FJH Solutions Pty Limited, a company in which Mr Henbury is a Director, whereby FJH Solutions provides company secretarial, administration, and accounting services to the Company. The engagement is not for a fixed period, and may be terminated by the Company or by Mr Henbury at any time. The terms and conditions to which this contract is entered is a normal arm's length transaction. Payments made to FJH Solutions during the period totaled \$41,109 (2010: \$127,316)

## D. Share-based compensation

### *Options*

Mr Peter Richards was granted incentive options on 2 September 2010 as per below:

	Number of options	Value per option (cents)	Vested during the period	Exercisable at period end
Exercisable at 25 cents, on or before 2 September 2012	2,500,000	5.86	2,500,000	2,500,000
Exercisable at 35 cents, on or before 2 September 2012	2,500,000	4.85	2,500,000	2,500,000
Exercisable at 50 cents, on or before 2 September 2012	2,500,000	3.84	2,500,000	2,500,000

Total value of the options above is \$363,750.

Options may be issued by the Company as an appropriate form of remuneration to provide directors, executive officers and employees with incentives to maximise returns to shareholders.

### *Shares provided on exercise of remuneration options*

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each Director and other key management personnel of Kangaroo Resources Ltd are set out below.

## DIRECTORS' REPORT

30 JUNE 2011



Name	Date of exercise of options	Exercise price	Number of ordinary shares issued on exercise of options during the year	Value at exercise date* \$
<b>Other key management</b>				
M Ralston	31 March 2011	\$0.05	5,000,000	100,000
M Ralston	31 March 2011	\$0.10	5,000,000	350,000

\* The value at the exercise date of options exercised during the year has been determined as the intrinsic value of the options at that date.

No amounts are unpaid on any shares issued on the exercise of the options.

This is the end of the audited remuneration report.

### Shares under Option

Unissued ordinary shares of Kangaroo Resources Limited under option as at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number
30 September 2009	30 September 2012	\$0.05	5,000,000
30 September 2009	30 September 2012	\$0.10	5,000,000
2 September 2009	2 September 2012	\$0.25	2,500,000
2 September 2009	2 September 2012	\$0.35	2,500,000
2 September 2009	2 September 2012	\$0.50	2,500,000
15 September 2009	15 September 2012	\$0.25	1,000,000
			<u>18,500,000</u>

375,000 unlisted options lapsed on 27 November 2010 with an exercise price of 40 cents per option.

During the period 10,000,000 (2010: 10,000,000) ordinary shares were issued upon the exercise of options.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. The options are exercisable at any time on or before the expiry date.

### Shares under Warrant

There are currently 128,103,448 unissued ordinary shares of Kangaroo Resources Limited under warrant as at the date of this report with an exercise price of \$0.133 AUD and expiry date of 29 June 2015.

## DIRECTORS' REPORT

30 JUNE 2011



### Directors' Interests

The relevant interest of each Director in the share capital of the Company as at the date of this report is:

Director	Fully paid ordinary shares	Unlisted options
P Richards	1,000,000	7,500,000
M O'Keeffe	50,000,000	-
T Butcher	-	-
D Low Yi Ngo	-	-
A McLeod	-	-
R Neil	-	-
D Wentworth	-	-

### Indemnification and Insurance of Officers

The Company has not, during or since the financial year-end, in respect of any person who is, or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Environmental Regulation and Performance

The Group's operations were subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities. The Directors are not aware of any breaches during the period covered by this report.

### Statutory Auditors

No officer of the Company has previously belonged to an audit practice auditing the Company during the financial year.

### Non-audit Services

Details of amounts paid or payable to the auditor and their related entities for non-audit services provided during the year by the auditor are disclosed in note 35 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors

## DIRECTORS' REPORT

30 JUNE 2011



imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in note 35 did not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110 *Code of Ethics* for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration for the financial year ended 30 June 2011 has been received as required under Section 307C of the Corporations Act 2001 and is included on page 15.

This Directors' Report is made in accordance with a resolution of the Board of Directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors:

A handwritten signature in purple ink, appearing to read 'Mark O'Keeffe', is positioned above the printed name and title.

**Mark O'Keeffe**  
Managing Director  
Perth, Western Australia  
30 September 2011





## Auditor's Independence Declaration

As lead auditor for the audit of Kangaroo Resources Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kangaroo Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'David J Smith', with a stylized flourish at the end.

David J Smith  
Partner  
PricewaterhouseCoopers

Perth  
30 September 2011

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Good corporate governance structures encourage companies to create value (through entrepreneurship, innovation, development and exploration) and provide accountability and control systems commensurate with risks involved.

The Company's Board and management are committed to a high standard of corporate governance practices, ensuring that the Company complies with the Corporations Act 2001, Australian Securities Exchange (ASX) Listing Rules, Company Constitution and other applicable laws and regulations.

Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. As a junior exploration company, at this stage of the Company's corporate development, implementation of the ASX Corporate Governance Principles and Recommendations, whilst wholeheartedly supported, is not practical in every instance given the modest size and simplicity of the business. The principles and recommendations and details of the current and evolving governance practices are identified in the following pages.

## **Principle 1: Lay solid foundations for management and oversight**

The Board has the responsibility of protecting the rights and interests of shareholders and enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for:

- Appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- Approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- Approving the annual, half yearly and quarterly accounts;
- Approving significant changes to the organisational structure;
- Approving the issue of any shares, options, equity instruments or other securities in the Company;
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- Meeting with the external auditor, at their request, without management being present.

The Board intends to introduce a formal process for the performance assessment of senior executives.

## **Principle 2: Structure the Board to add value**

### ***Board composition and directors' independence***

Board members possess complementary business disciplines and experience aligned with the Company objectives. The experience, qualifications, terms of office and independence status of directors is noted in the Directors' Report.

The Board is currently made up of seven directors, of which one is considered to be independent. Materiality thresholds have not been set to determine independence. However, the Board considers a director to be independent where he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the director's ability to act in the best interests of the Company. In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

Given the principles above only Mr Peter Richards, who was appointed as the Company's Non-Executive Chairman on 9 February 2010, is considered to be independent.

The Board believes that during the year the Company was not of sufficient size to warrant the inclusion of more independent Non-Executive Directors in order to meet the ASX recommendation of maintaining a majority of independent Non-Executive Directors. The Company maintains a mix of Directors from different backgrounds with complementary skills and experience.

### ***Term of office***

Under the Company's Constitution and the Australian Securities Exchange Listing Rules, all directors are subject to shareholder re-election every three years.

### ***Commitment***

The full Board currently hold a number of scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address significant matters as they arise.

Standing Board meeting agenda items include a Managing Director's report, financial reports, strategic matters, governance and compliance.

### ***Conflicts of interest***

Where any director has a personal interest in a matter, the director is not permitted to be present during discussions or to vote on the matter. The enforcement of this requirement ensures that the interest of shareholders, as a whole, are pursued and not jeopardised by a lack of a majority of independent directors.

### ***Board committees***

Due to the size of the Group during the year the Board has not established committees to review compensation arrangements of senior executives or to manage Board succession. The full board approves all management remuneration including the allocation of options and involves itself in the nomination, selection and retirement of directors.

The Company will give consideration at an appropriate juncture in the Company's development, for the creation of a Nomination and Remuneration Committee. The current size of the full Board permits it to act as the Nomination Committee and to regularly review membership. The Board will give consideration to appointment of specialist and independent directors when the activities and scale of operation of the Company warrant such appointments.

The Board reviews the performance of Board members regularly on an on-going basis. The reviews are conducted by the Chairman and involve an exchange of views with all the members of the Board. In particular, the Board assesses the appropriate mix of skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board.

The Board intends to introduce a formal process of self-assessment of its collective performance, the performance of individual directors and of Board committees.

## ***Access to professional advice***

Issues of substance are considered by the Board with external advice from its professional advisers as required. The Board's individual members can seek independent professional advice at the Company's expense in carrying out their duties.

## **Principle 3: Promote ethical and responsible decision making**

The Company actively promotes ethical and responsible decision-making. As at 30 June 2011, the Company had established a formal code of conduct that address practices necessary to maintain confidence in the Company's integrity. The code takes into account the Board's legal obligations and the reasonable expectations of its stakeholders. In addition, it is a condition of each employee's employment contract that they uphold minimum standards of generally accepted ethical conduct.

## ***Dealing in company shares***

The Board has formally instituted a Company requirement that limits the purchase or disposal of shares by directors, officers and employees to the period of 4 weeks from the:

- (a) date of the Company's Annual General Meeting;
- (b) release of the quarterly results announcement to the Australian Securities Exchange (**ASX**);
- (c) release of the half yearly results announcement to the ASX;
- (d) release of the preliminary final results announcement to the ASX; or
- (e) release of a disclosure document offering securities in the Company.

Kangaroo Resources has a policy agreed to by the Board members, other company officers and employees that any proposed trade in the Company's securities is to be firstly advised to the Chairman. Once the Chairman has given approval, the relevant person may execute the trade. Such policy clearly mitigates the risk of breaching the insider trading provisions and gives the Chairman control to restrict trading if the Chairman may be privy to sensitive information before the other company officers and personnel are, or the Chairman has knowledge that certain sensitive information (e.g. exploration results) are due for receipt within a short term timeframe.

Directors, officers and employees with any non-public sensitive information are prohibited from purchasing or disposing of Company shares, in accordance with the Corporations Act 2001.

Directors must advise the Company of any transactions conducted by them in the shares of the Company, in accordance with the Corporations Act 2001 and ASX Listing Rules.

## ***Diversity policy***

The company values diversity and recognizes the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the company has developed a diversity policy. This policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the board to establish measurable objectives for achieving diversity, and for the board to assess annually both the objectives, and the company's progress in achieving them.

The company has not yet set measurable objectives, however, these will be considered by the board and the board will review progress against any objectives identified on an annual basis. The diversity policy has not yet been placed on the company website.

## **Principle 4: Safeguard integrity in financial reporting**

The Company presently does not have a separately constituted audit committee as it is not of a size, or its affairs of such complexity, to warrant such a committee. All matters capable of delegation to such a committee are presently dealt with by the full Board. The Board is responsible for the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

Audit committee responsibilities undertaken by the Board include:

- reviewing and approving statutory financial reports and all other financial information distributed externally;
- monitoring the effective operation of the risk management and compliance framework;
- reviewing the effectiveness of the Company's internal control environment including compliance with applicable laws and regulations;
- the nomination of the external auditors and the review of the adequacy of the existing external audit arrangements; and
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.

## **Principle 5 & 6: Make timely and balanced disclosures and respect the rights of shareholders**

The Board adopts strategies and practices to promote communication with shareholders, in language capable of interpretation, and to encourage effective participation at General Meetings. The external auditor will attend the meeting to respond to specific questions from shareholders relating to the conduct of the audit and the preparation and content of the auditor's report.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- reports distributed to all shareholders; and
- notices of all meetings to shareholders.

The Board encourages full participation of shareholders at the General Meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to shareholders as single resolutions.

Shareholders are requested to vote on the appointment of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder upon request.

### ***Timely and balanced disclosure***

The Board supports the Australasian Investor Relations Association "Best Practice Guidelines for Communication between Listed Entities and the Investment Community". The Board endorses a culture in favour of continuous disclosure and recognises the benefits of consistency to be achieved through a dedicated authorised spokesperson.

Material information is lodged immediately with the ASX and on acknowledgement disseminated by posting to the website. A strict protocol is practiced for all investors/ analyst/ media meetings, group briefings and conference calls.

## **Principle 7: Recognise and manage risk**

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognizing however that no cost effective internal control system will preclude all errors and irregularities. Areas of significant business risk and the effectiveness of internal controls are monitored and reviewed regularly.

In complying with recommendation 7.3 the Managing Director has made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

### **Principle 8: Remunerate fairly and responsibly**

Due to the size of the Group the Board has not established committees to review compensation arrangements of senior executives or to manage Board succession. The full board approves all management remuneration including the allocation of options and involves itself in the nomination, selection and retirement of directors.

The Board is kept advised on remuneration and incentive policies and practices generally and makes specific recommendations in relation to compensation arrangements for executive and non-executive directors and in respect of all equity based remuneration plans.

The remuneration policy states that executive directors may participate in share option schemes with the prior approval of shareholders. Other executives may also participate in employee share option schemes, with any option issues normally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in appropriate circumstances. The Company has not distinguished the structure of non-executive directors' remuneration from that of executive director due to its size.

The Board also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior promotions.

Further information on directors' remuneration is set out in the directors' report under the heading "Remuneration Report."

### ***Access to professional advice***

Issues of substance are considered by the Board with external advice from its professional advisers as required. The Board's individual members can seek independent professional advice at the Company's expense in carrying out their duties.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2011



	Note	Consolidated	
		2011	2010
		\$	\$
<b>Continuing operations</b>			
Revenue from continuing operations	7	5,820,470	-
Other income	7	269,637	283,341
		6,090,107	283,341
<b>Expenses</b>			
Cost of sales		(6,580,332)	-
Administration expenses	8	(59,207,236)	(44,781,118)
Finance costs	8	(1,993,265)	(19,924)
Other expenses	8	(9,429,757)	(3,726,714)
<b>Total expenses</b>		(77,210,590)	(48,527,756)
<b>Loss before income tax</b>		(71,120,483)	(48,244,415)
Income tax benefit/(expense)	9	-	-
<b>Loss from continuing operations after income tax</b>		(71,120,483)	(48,244,415)
<b>Other comprehensive income/(loss)</b>			
Exchange differences on translating foreign operations		(206,786)	(182,008)
Other comprehensive loss for the year, net of tax		(206,786)	(182,008)
<b>Total comprehensive loss for the year</b>		(71,327,269)	(48,426,423)
<b>Loss for the year is attributable to:</b>			
Owners of the Company		(71,044,791)	(47,616,160)
Non-controlling interests		(75,692)	(628,255)
		(71,120,483)	(48,244,415)
<b>Total comprehensive loss for the year is attributable to:</b>			
Owners of the Company		(71,249,509)	(47,770,867)
Non-controlling interests		(77,760)	(655,556)
		(71,327,269)	(48,426,423)
<b>Loss per share attributable to the ordinary equity holders of the company:</b>		Cents	Cents
Basic and diluted loss per share from continuing operations	29	(7.73)	(8.39)

See note 5 for details regarding the restatement as a result of errors.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011



	Note	Consolidated	
		2011 \$	2010 \$
<b>Current Assets</b>			
Cash & cash equivalents	10	2,369,156	3,505,614
Trade & other receivables	11	18,930,318	1,450,793
Prepaid borrowing costs	13	-	294,533
Inventory	12	838,226	-
Other financial assets	14	740,000	-
Assets held for sale	15	-	11,597,422
<b>Total Current Assets</b>		<b>22,877,700</b>	<b>16,848,362</b>
<b>Non-Current Assets</b>			
Receivables	11	408,062	492,379
Property, plant & equipment	16	2,272,831	205,021
Exploration and evaluation expenditure	17	42,816,519	24,023,800
<b>Total Non-Current Assets</b>		<b>45,497,412</b>	<b>24,721,200</b>
<b>TOTAL ASSETS</b>		<b>68,375,112</b>	<b>41,569,562</b>
<b>Current Liabilities</b>			
Trade & other payables	18	3,883,265	3,761,675
Provisions	19	45,062	17,190
Interest bearing liabilities	20	-	828,090
<b>Total Current Liabilities</b>		<b>3,928,327</b>	<b>4,606,955</b>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	20	-	3,176,764
Provisions	19	1,075,873	1,179,955
<b>Total Non-Current Liabilities</b>		<b>1,075,873</b>	<b>4,356,719</b>
<b>TOTAL LIABILITIES</b>		<b>5,004,200</b>	<b>8,963,674</b>
<b>NET ASSETS</b>		<b>63,370,912</b>	<b>32,605,888</b>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the parent</b>			
Issued capital	21	181,857,326	80,187,397
Reserves	22	3,352,459	1,813,523
Accumulated losses	22	(121,927,290)	(50,882,499)
Capital & reserves attributable to owners of Kangaroo Resources Limited		63,282,495	31,118,421
Non-controlling interest	23	88,417	1,487,467
<b>TOTAL EQUITY</b>		<b>63,370,912</b>	<b>32,605,888</b>

See note 5 for details regarding the restatement as a result of errors.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2011



	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Foreign Currency Translation Reserve	Transactions with non-controlling interests reserve	Attributable to members of KRL	Non-controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$		\$
<b>Balance as at 1 July 2010</b>	<b>80,187,397</b>	<b>(50,882,499)</b>	<b>1,968,230</b>	<b>(154,707)</b>	<b>-</b>	<b>31,118,421</b>	<b>1,487,467</b>	<b>32,605,888</b>
Loss attributable to members of KRL	-	(71,044,791)	-	-	-	(71,044,791)	(75,692)	(71,120,483)
Foreign currency translation reserve	-	-	-	(204,718)	-	(204,718)	(2,068)	(206,786)
Total comprehensive income/(loss) attributable to members of KRL	-	(71,044,791)	-	(204,718)	-	(71,249,509)	(77,760)	(71,327,269)
<b>Transactions with owners in their capacity as owners:</b>								-
Shares issued during the financial year less transaction costs	101,669,929	-	-	-	-	101,669,929	-	101,669,929
Share based payments	-	-	422,364	-	-	422,364	-	422,364
Non-controlling interest on acquisition of subsidiaries	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	1,321,290	1,321,290	(1,321,290)	-
<b>Balance as at 30 June 2011</b>	<b>181,857,326</b>	<b>(121,927,290)</b>	<b>2,390,594</b>	<b>(359,425)</b>	<b>1,321,290</b>	<b>63,282,495</b>	<b>88,417</b>	<b>63,370,912</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2011



	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Foreign Currency Translation Reserve	Transactions with non-controlling interests reserve	Attributable to members of KRL	Non-controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2009</b>	<b>6,225,811</b>	<b>(3,266,339)</b>	<b>671,712</b>	<b>-</b>	<b>-</b>	<b>3,631,184</b>	<b>-</b>	<b>3,631,184</b>
Loss attributable to members of KRL	-	(47,616,160)	-	-	-	(47,616,160)	(628,255)	(48,244,415)
Foreign currency translation reserve	-	-	-	(154,707)	-	(154,707)	(27,301)	(182,008)
Total comprehensive income/(loss) attributable to members of KRL	-	(47,616,160)	-	(154,707)	-	(47,770,867)	(655,556)	(48,426,423)
<b>Transactions with owners in their capacity as owners:</b>								
Shares issued during the financial year less transaction costs	73,961,586	-	-	-	-	73,961,586	-	73,961,586
Share based payments	-	-	1,296,518	-	-	1,296,518	-	1,296,518
Non-controlling interest on acquisition of subsidiaries	-	-	-	-	-	-	2,143,023	2,143,023
<b>Balance as at 30 June 2010</b>	<b>80,187,397</b>	<b>(50,882,499)</b>	<b>1,968,230</b>	<b>(154,707)</b>	<b>-</b>	<b>31,118,421</b>	<b>1,487,467</b>	<b>32,605,888</b>

See note 5 for details regarding the restatement as a result of errors.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2011



	Note	Consolidated	
		2011	2010
		\$	\$
<b>Cash flows used in operating activities</b>			
Receipts from customers		3,682,451	107,500
Payment to suppliers and employees		(12,362,249)	(5,809,543)
Interest received		124,578	60,327
Interest paid		(16,692)	(19,925)
<b>Net cash flows used in operating activities</b>	30	(8,571,911)	(5,661,641)
<b>Cash flows used in investing activities</b>			
Payments for exploration and evaluation assets	17	(7,630,628)	(22,363,586)
Payments for plant and equipment		(2,167,809)	(45,650)
Proceeds from sale of plant and equipment		-	179,330
Payment pursuant to a business combination, net of cash acquired	25(b)	-	(972,061)
Loans to other entities		(18,237,231)	-
Return/(payment) of tenement bonds		7,500	20,000
Proceeds from sale of tenements		60,600	-
<b>Net cash flows used in investing activities</b>		(27,967,568)	(23,181,967)
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity securities		24,710,517	29,037,932
Capital raising costs		-	(1,101,346)
Proceeds from borrowings		13,090,498	3,728,173
Repayment of borrowings		(307,314)	(64,296)
Payments pursuant to convertible notes		(1,211,523)	(294,533)
<b>Net cash flows from financing activities</b>		36,282,178	31,305,930
<b>Net decrease in cash and cash equivalents</b>		(257,300)	2,462,322
Cash and cash equivalents at beginning of financial year		3,505,614	1,136,964
Effect of exchange rate on cash held in foreign currencies		(879,157)	(93,672)
<b>Cash and cash equivalents at end of period</b>	30	2,369,156	3,505,614

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



## 1. Reporting Entity

Kangaroo Resources Limited (the "Company") is a publicly listed company limited by shares and is listed in Australia on the ASX. It is incorporated and domiciled in Australia. The addresses of its registered office and principal place of business are disclosed in the Company Particulars at the beginning of the Annual Report.

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group").

An analysis of the nature of operations and the principle activities of the group is included in the Directors Report.

## 2. Basis of Preparation

### (a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on the date the directors' report and declaration was signed.

### (b) Basis of preparation

These financial statements have been prepared on the historical cost basis, modified where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

On 17 July 2006 the Company issued 17,500,000 fully paid ordinary shares to the shareholders of Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd) resulting in Kangaroo Minerals Pty Ltd becoming a wholly owned subsidiary. Pursuant to Australian Accounting Standard AASB 3 'Business Combinations', this transaction represents a reverse acquisition with the result that Kangaroo Minerals Pty Ltd was identified as the acquirer of Kangaroo Resources Limited (the "acquiree" and "legal parent").

Further to the reverse acquisition described above, the consolidated financial statements reflect the consolidated assets, liabilities and results of the operations of the Company and Kangaroo Minerals Pty Ltd subsequent to the reverse acquisition.

The consolidated financial statements are issued under the name of the legal parent (the Company) but are deemed to be a continuation of the legal subsidiary (Kangaroo Minerals Pty Ltd).

### (c) Going Concern

As at 30 June 2011, the Company experienced substantial operating losses of \$71,327,269 (2010: \$48,426,423) and negative cash flows from operating activities of \$8,571,911 (2010: \$5,661,641) during the financial year ending on that date. The directors of PT Bayan Resources Tbk have accepted the responsibility of providing and undertake to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations now and in the future. The undertaking is provided for a minimum period of twelve months from 30 September 2011.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (d) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

#### *Business combination*

Significant judgement is required in determining whether the acquisition of a project constitutes a business combination. The Consolidated Entity assess whether the project acquired meets the definition of a business as set out in AASB 3 "Business Combination". If the project acquired falls within the prescribed definition of a business, it is accounted for as a business combination. Where the project acquired does not fall within the prescribed definition of a business, it is treated as an asset acquisition.

#### *Share-based payment arrangements*

The Group measures the cost of equity settled share based payments at fair value at the grant date using the Black-Scholes model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

#### *Exploration & evaluation expenditure*

The Groups accounting policy for exploration and evaluation is set out at Note 4(p). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is written off in the statement of comprehensive income.

#### *Income taxes*

The Group is subject to income taxes in Australia and jurisdictions where it has operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law.

### 3. Adoption of New and Revised Accounting Standards

In the current year, the Company has adopted all of the applicable new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'

AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions'

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



- The application of AASB 2009-8 makes amendments to AASB 2 'Share-based Payment' to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

### AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'

- The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.

### AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'

- A collection of non-urgent but necessary improvements to the following accounting standards are AASB 3, AASB 7, AASB 121, AASB 128, AASB 132 and AASB 139.

### AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'

### Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'

- This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss. To date, the Company has not entered into transactions of this nature.

The adoption of these standards did not have any impact on the current or any prior period and is not likely to affect future periods.

## 4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

### (a) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kangaroo Resources Limited (the "Company" or "Parent Entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Kangaroo Resources Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### *(ii) Transactions eliminated on consolidation*

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### *(iii) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Kangaroo Resources Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets of liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### **(b) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

### **(c) Foreign currency translation**

#### *(i) Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. These consolidated financial statements are presented in Australian dollars which is the Company's functional currency and presentation currency of the Group.

#### *(ii) Translation and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when they are deferred in equity as qualifying cash flow hedges or are attributable to part of the net investment in a foreign operation.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

### *(iii) Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and the expenses are translated at the dates of the transactions) and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit and loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### **(d) Financial instruments**

#### *(i) Non-derivative financial assets*

Financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Non-derivative financial assets comprise deposits, loans and receivables and cash and cash equivalents.

#### ***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. They are included in current assets except those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables comprise trade and other receivables.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (ii) *Non-derivative financial liabilities*

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities comprise loans and borrowings and trade and other payables. They are recognised initially at fair value and subsequently at amortised cost.

#### ***Borrowings***

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest rate method.

The fair value of the conversion option (embedded derivative) of the convertible bond is determined using valuation techniques including Black-Scholes. This amount is recorded as a liability on the statement of financial position and is fair valued through the statement of comprehensive income. The remainder of the proceeds is allocated to the debt component which is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (iii) *Impairment of financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss.

An impairment loss is reversed to the statement of comprehensive income if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

### (e) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



Sales revenue comprises of revenue earned from the provision of products to entities outside the company. Sales revenue is recognized when the product is suitable for delivery and:

- (i) Risk has passed to the customer;
- (ii) The quantity of the product can be determined with reasonable accuracy;
- (iii) The product has been dispatched to the customer and is no longer under the physical control of the company;
- (iv) The selling price can be determined with reasonable accuracy.

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

### **(f) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (g) Leases

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Initial direct costs incurred in negotiating a finance lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### (k) Trade receivables

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

### (l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (m) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group) but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (n) Other financial assets

The Group investments in other financial asset are in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position.

### (o) Property, Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount from assets. An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a diminishing value method so as to write off the net cost of each asset during their expected useful life as follows:

- Buildings 10 years
- Vehicles 8 to 12 years
- Furniture, fittings and equipment 4 to 12 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Gains and losses on disposals are determined by comparing the proceeds from disposal with the net carrying amount. These gains and losses are included in the statement of comprehensive income.

### (p) Exploration and evaluation expenditure

Exploration, evaluation and development costs represent exploration assets and are capitalised in respect of each identifiable area of interest. These costs are carried forward where right of tenure to the area of interest is current and to the extent that costs are expected to be recouped through the sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period in which the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration assets to mining property and development assets within property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### **(q) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

### **(r) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

#### *Rehabilitation*

The mining, extraction and processing activities of the Group give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognized at the time that environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discontinuing unwinds. When provisions for rehabilitation are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of rehabilitation activities is recognized in "Development Expenditure" as rehabilitation assets and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each balance date and the costs charged to the statement of comprehensive income in line with future cash flows.

### **(s) Employee benefits**

#### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provisions for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### *(ii) Other long-term employee benefit obligations.*

The liability for long service and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### *(iii) Share-based payments*

The fair value of options granted to employees is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

### **(t) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(u) Earnings per share**

#### *(i) Basic earnings per share*

Basic earnings per share is determined by dividing:

- the profit/(loss) attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### **(v) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of GST, except unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (w) New standards and interpretation not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011). Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010, introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.
- AASB 10 Consolidated Financial Statements (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 10 introduces certain changes to the consolidation principles, including the concept of de facto control and changes in relation to the special purpose entities. The Group is continuing to assess the impact of the standard.
- AASB 11 Joint Arrangements (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 11 introduces certain changes to the accounting for joint arrangements. Joint arrangements will be classified as either joint operations (where parties with joint control have rights to assets and obligations for liabilities) or joint ventures (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method. The Group is continuing to assess the impact of the standard.
- AASB 13 Fair Value Measurement (effective for annual reporting periods commencing on or after 1 January 2013). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the balance sheet or disclosed in the notes to the financial statements. The Group is continuing to assess the impact of the standard.
- AASB 2011-9 Presentation of Financial Statements (effective for annual reporting periods commencing on or after 1 July 2013). AASB 101, amended in June 2011, introduces amendments to align the presentation items of other comprehensive income with US GAAP. The Group will apply the amended standard from 1 July 2013. When the standard is first adopted, there will be changes to the presentation of the statement of comprehensive income. However, there will be no impact on any of the amounts recognised in the financial statements.
- AASB 1054 Australian Additional Disclosures (effective for annual reporting periods beginning on or after 1 July 2011). AASB 1054, issued in May 2011, moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of Trans-Tasman Convergence Project. AASB 1054 Australian Additional Disclosures removes the requirement to disclose each class of capital commitments contracted for at the end of the reporting period (other than commitments for the supply of inventories). When the standard is adopted for the first time for the financial year ending 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.
- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013). AASB 9



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is continuing to assess its full impact.

- Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective for annual reporting periods beginning on or after 1 January 2011). In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Group is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.
- AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012). In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have any significant impact on the Group's financial statements. The Group intends to apply the amendment from 1 July 2012.

### (x) Parent entity information

The financial information of the parent entity, Kangaroo Resources Limited, disclosed in note 6 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of Kangaroo Resources Limited.

### 5. Restatement of Prior Year Error

- (i) Funds totalling \$10,400,981 were paid as a deposit for a 49% interest in the Tanur Jaya Thermal Coal Project. Refer to note 17. This balance has been reclassified from non-current receivables to exploration and evaluation expenditure as the nature of the asset is exploration and evaluation in nature and not a financial asset.
- (ii) The loss from discontinued operations has been reclassified to continuing operations as the expense did not constitute a separate major line of business, geographical area or subsidiary acquired exclusively with a view of resale.
- (iii) The revaluation of group intercompany balances has now been recognised as a change in the net investment in a foreign operation. The foreign exchange gain totaling \$3,333,141 has now been recognised in other comprehensive income. Previously the foreign exchange gain on some intercompany loans that represented net investments in foreign operations were incorrectly recognised through profit and loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



- (iv) Convertible notes – The funds raised through the issuance of US dollar convertible note debt was accounted for incorrectly. As the debt was US dollar denominated, the conversion feature of the notes is treated as an embedded derivative that is fair valued through profit and loss. The residual after valuing the embedded derivative is allocated the value of the debt that is then amortised using the effective interest method.

Each of the above errors has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	Ref	30 June 2010	Increase / (Decrease)	30 June 2010 Restated	30 June 2009	Increase / (Decrease)	30 June 2009 Restated
<b>Balance sheet (extract)</b>							
Prepaid borrowing costs - current	(iv)	620,153	(325,620)	294,533	-	-	-
Prepaid borrowing costs - non-current	(iv)	1,550,383	(1,550,383)	-	-	-	-
Non-current receivables	(i)	10,893,360	(10,400,981)	492,379	41,160	-	41,160
Exploration and evaluation expenditure	(i)	11,579,397	12,444,403*	24,023,800	2,586,991	-	2,586,991
<b>Net assets</b>		<b>32,438,469</b>	<b>167,419</b>	<b>32,605,888</b>	<b>3,631,184</b>	-	<b>3,631,184</b>
Reserves	(iii),(iv)	856,357	957,166	1,813,523	671,712	-	671,712
Accumulated Losses	(iii)	(47,549,359)	(3,333,140)	(50,882,499)	(3,266,339)	-	(3,266,339)
Total equity		<b>32,438,469</b>	<b>167,419</b>	<b>34,481,891</b>	<b>3,631,184</b>	-	<b>3,631,184</b>
<b>Income statement (extract)</b>							
Other income	(iii)	3,616,482	(3,333,141)	283,341	14,989	-	14,989
Consultants fees - projects	(ii)	-	(36,103,884)	(36,103,884)	-	-	-
<b>Loss before income tax</b>		<b>(8,807,391)</b>	<b>(39,437,025)</b>	<b>(48,244,415)</b>	<b>(1,181,883)</b>	-	<b>(1,181,883)</b>
Income tax expense		-	-	-	-	-	-
Loss from discontinued operation	(ii)	(36,103,884)	36,103,884	-	(842,882)	-	(842,882)
<b>Net loss for the year</b>		<b>(44,911,275)</b>	<b>(3,333,141)</b>	<b>(48,244,415)</b>	<b>(2,024,765)</b>	-	<b>(2,024,765)</b>
Exchange differences on translating foreign operations	(iii)	(3,515,149)	3,333,141	(182,008)	-	-	-
<b>Total comprehensive loss for the year</b>		<b>(48,426,424)</b>	<b>3,333,141</b>	<b>(48,426,423)</b>	<b>(2,024,765)</b>	-	<b>(2,024,765)</b>
Comprehensive income is attributable to:							
Owners of the Company		(47,270,897)	(499,970)	(47,770,867)	(2,024,765)	-	(2,024,765)

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted loss per share was an increase in the loss of 0.48 cents.

\* Includes restatement for finalisation of business combination accounting – refer to note 25 for more details.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### 6. Parent Entity Information

The following information relates to the parent entity, Kangaroo Resources Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 4.

	2011	2010
	\$	\$
Current Assets	17,215,816	15,521,712
Non-current assets	34,850,911	15,768,299
Total Assets	52,066,727	31,290,011
Current Liabilities	621,197	2,183,553
Non-current liabilities	-	2,725,038
Total Liabilities	621,197	4,908,591
Net Assets	51,445,530	26,381,420
Contributed equity	181,857,326	80,187,397
Accumulated losses	(132,802,391)	(61,150,770)
Share based payment reserve	2,390,595	7,344,793
Total shareholder's equity	51,445,530	26,381,420
Profit or loss of the parent entity	(74,984,760)	(55,010,893)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income of the parent entity	(74,984,760)	(55,010,893)

### Contractual Commitments

Refer to note 24 for details of contractual commitments

### Guarantees and Contingent Liabilities

Refer to note 32 for details of guarantees and contingent liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



## 7. Revenue and Other Income

	Consolidated	
	2011	2010
	\$	\$
<b>(a) Revenue from continuing operations</b>		
Coal sales	5,820,470	-
<b>(b) Other Income</b>		
Interest income	124,578	60,001
Sale of tenements and data	60,600	107,500
Other income	20,000	15,000
Foreign exchange gain	64,459	100,840
<b>Total other income</b>	<b>269,637</b>	<b>283,341</b>

## 8. Loss from Continuing Operations

Loss from continuing activities before income tax has been arrived at after charging/(crediting) the following items:

	Consolidated	
	2011	2010
	\$	\$
<b>Administration expenses</b>		
Advertising and marketing	156,576	40,269
ASX Fees	306,300	130,143
Consultant expenses	3,926,079	4,697,449
Directors fees	512,092	243,515
Employee entitlements	1,127,059	651,796
Employee entitlements - share-based payments	422,364	1,786,519
Consultants fees - projects <sup>(a)</sup>	51,300,000	36,103,884
Travel and accomodation	680,144	490,114
Other administration expenses	776,622	637,429
	<b>59,207,236</b>	<b>44,781,118</b>
<b>Finance costs</b>		
Interest expense	95,359	19,924
Interest expense - convertible notes	1,897,906	-
	<b>1,993,265</b>	<b>19,924</b>

### (a) Consultants fees - projects

Refer to note 27 for details, these payments relate primarily to share based payments.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Other expenses</b>		
Loss on disposal of fixed assets	3,860	38,452
Impairment of exploration expenditure	435,333	2,674,920
Impairment of financial assets	716,219	1,013,342
Fair value loss on embedded derivative	8,274,345	-
	<b>9,429,757</b>	<b>3,726,714</b>
<b>Depreciation expense</b>		
Buildings	281	-
Furniture, fittings and equipment	84,558	14,135
Motor vehicles	11,299	11,808
	<b>96,138</b>	<b>25,943</b>
Included in:		
Cost of sales	75,251	-
Administration expenses	20,887	25,943
	<b>96,138</b>	<b>25,943</b>
Employee benefits expense in cost of sales	489,727	-

## 9. Income Tax Expense

### (a) Recognised in the statement of comprehensive income

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Current income tax	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Total income tax expense	-	-

### (b) Reconciliation between income tax expense and pre-tax loss

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Loss before tax	(71,120,483)	(48,244,415)
Income tax using the domestic corporation rate of 30% (2010: 30%)	(21,336,145)	(14,473,325)
Tax effect of:		
Non-deductible expenses	18,344,478	12,621,685
Unused tax losses and temporary differences not recognised as deferred tax assets	2,991,667	1,851,640
Total income tax expense	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



## (c) Unrecognised deferred tax balances

	Consolidated	
	2011	2010
	\$	\$
Deferred tax assets / (liabilities) calculated at 30% (2010: 30%) have not been recognised in respect of the following:		
Income tax losses	4,217,145	1,511,422
Other temporary differences	41,565	16,066
Foreign tax losses	1,345,609	1,085,165
	<u>5,604,319</u>	<u>2,612,653</u>

Deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets (net of deferred tax liabilities relating to capitalised exploration expenditure for which immediate tax write-off is available) have not been recognised in the financial statements because it is not probable that there will be future taxable amounts available to utilise these losses and temporary differences.

## 10. Cash and Cash Equivalents

### (a) Reconciliation to cash at the end of the year

	Consolidated	
	2011	2010
	\$	\$
Reconciliation of cash balance comprises		
Cash at bank	2,292,304	3,428,762
Restricted bank deposits	76,852	76,852
	<u>2,369,156</u>	<u>3,505,614</u>

### (b) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 34.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### 11. Trade and Other Receivables

	Consolidated	
	2011	2010
	\$	\$
<b>Current</b>		
Other receivables <sup>(d)</sup>	1,952,411	545,174
Prepayments	54,849	905,619
Trade receivables	2,057,696	-
Loans to other entities <sup>(e)</sup>	14,865,362	
	<b>18,930,318</b>	<b>1,450,793</b>
<b>Non-current</b>		
Tenement security bonds	28,660	36,160
Advances and prepayments	379,403	-
Other receivables <sup>(f)</sup>	-	456,219
	<b>408,063</b>	<b>492,379</b>

#### (a) Trade receivables past due but not impaired

There were no trade receivables past due but not impaired.

#### (b) Foreign exchange and interest rate risk

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 34.

#### (c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 34 for more information on the risk management policy of the Company and the credit quality of the Company's trade receivables.

#### (d) Other receivables

This represents amounts advanced to parties outside of the consolidated Group for operating activities and are expected to be recovered from within one year.

#### (e) Loans to other entities

Funds totalling \$14,865,362 (USD\$15.75m) have been advanced to the current vendors of the Pakar Coal Projects to expedite licensing and company restructuring prior to their acquisition by Kangaroo Resources Limited'. These advances will be refunded to Kangaroo Resources Limited upon completion of the acquisition.

#### (f) Other receivables

Funds totalling \$456,219 have been paid to secure a 15% interest in a Joint Venture with Alexis Minerals. Under the agreement that is in place with Alexis Minerals at 30 June 2011 and the date of this report, the Group has the option to provide additional consideration to Alexis Minerals and obtain an additional interest in the Joint Venture, maintain its 15% interest in the Joint Venture, or have the \$456,219 refunded and forego its existing interest. The amount has been fully provided for at balance date as it is not considered recoverable.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### 12. Inventories

	Consolidated	
	2011	2010
	\$	\$
Coal stockpiles - at net realisable value	838,226	-
	838,226	-

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 amounted to \$1,843,246 (2010: nil). The expense is included in cost of sales.

### 13. Prepaid Borrowing Costs

- (a) At 30 June 2010, the Group had incurred the following borrowing costs to secure the first tranche of the convertible note loan disclosed in note 20.

	Consolidated	
	2011	2010
	\$	\$
<b>Current</b>		
Prepaid interest	-	294,533
Total	-	294,533

The convertible notes were converted into equity during the financial year.

### 14. Other Financial Assets

	Consolidated	
	2011	2010
	\$	\$
<b>Current</b>		
Stonebridge <sup>(a)</sup>	1,000,000	-
Provision for non-recovery	(260,000)	-
	740,000	-

- (a) Stonebridge Securities Ltd acquired four million Kangaroo Resources Limited shares at 25 cents a share in the December 2009 placement under an "Equity Swap Transaction" Agreement that guarantees Stonebridge against any losses if the shares are transferred or sold for less than 25 cents a share. A deposit for the full amount of the investment was placed with Stonebridge in the current period. A provision has been made for non-recovery based on the share price at balance date.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



## 15. Assets Held for Sale

	Consolidated	
	2011	2010
	\$	\$
Assets held for sale	-	11,597,422

During the 2010 financial year, given the strong levels of interest received in the Company's GPK Project and the Company's existing commitments in managing the restart of the Mamahak Project, the Company decided to mandate an experienced third party to manage a commercial review process for GPK. Macquarie Capital Singapore ("Macquarie") was appointed to manage a tender process whereby third parties could register their interest in the GPK Project. Following the agreement with Bayan Resources, the GPK Project is no longer for sale and is now recognised within exploration expenditure. Refer to note 17.

## 16. Property, Plant and Equipment

	Buildings	Construction in progress	Motor Vehicles	Furniture, fittings and equipment	Total
	\$	\$	\$	\$	\$
<b>At 1 July 2009</b>					
Cost or fair value	-	-	188,562	325,017	513,579
Accumulated depreciation	-	-	(11,882)	(98,602)	(110,484)
Net book amount	-	-	176,680	226,415	403,095
<b>Year ended 30 June 2010</b>					
Opening net book amount	-	-	176,680	226,415	403,095
Additions	-	-	-	45,650	45,650
Disposals	-	-	-	(217,781)	(217,781)
Depreciation charge	-	-	(14,135)	(11,808)	(25,943)
Closing net book amount	-	-	162,545	42,476	205,021
<b>At 30 June 2010</b>					
Cost or fair value	-	-	188,562	45,650	234,212
Accumulated depreciation	-	-	(26,017)	(3,174)	(29,191)
Net book amount	-	-	162,545	42,476	205,021
<b>Year ended 30 June 2011</b>					
Opening net book amount	-	-	162,545	42,476	205,021
Additions	16,882	406,002	1,517,317	227,607	2,167,808
Disposals	-	-	-	(3,860)	(3,860)
Depreciation charge	(281)	-	(84,558)	(11,299)	(96,138)
Closing net book amount	16,601	406,002	1,595,304	254,924	2,272,831
<b>At 30 June 2011</b>					
Cost or fair value	16,882	406,002	1,705,879	268,257	2,397,020
Accumulated depreciation	(281)	-	(110,574)	(13,334)	(124,189)
Net book amount	16,601	406,002	1,595,305	254,923	2,272,831

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (a) Leased assets

Motor vehicles include the following amounts where the group is a lessee under a finance lease:

	2011	2010
	\$	\$
<b>Leasehold equipment</b>		
Cost	-	188,562
Accumulated depreciation	-	(26,017)
Net book amount	-	<b>162,545</b>

### (b) Non-current assets pledged as security

The carrying amount of Motor Vehicles pledged as security under a finance lease is \$0 (2010: \$162,545).

## 17. Exploration and Evaluation Expenditure

	Consolidated	
	2011	2010
	\$	\$
Costs carried forward in respect of areas of interest in exploration phase - at cost		
Balance at beginning of the year	24,023,800	2,586,991
Transfer from / (to) assets held for sale	11,597,422	(11,597,422)
Exploration and evaluation expenditure	1,563,187	11,685,351
Deposit on Tanur Jaya Coal Project <sup>(a)</sup>	6,067,443	10,400,981
Exploration costs previously deferred, now written off <sup>(b)</sup>	(435,333)	(2,674,920)
Mamahak exploration expenditure acquired <sup>(c)</sup>	2,043,422	13,622,819
Carrying amount at end of year	<b>44,859,941</b>	<b>24,023,800</b>

- (a) Funds totalling \$16,468,423 (2010: \$10,400,981) have been paid as a deposit for a 49% interest in the Tanur Jaya Thermal Coal Project. This entitles the Company to the rights to the offtake of coal and/or production from the project. An equity position in this project can only be taken up by the Group once the Noteholders (of the current owners) holding full security over this asset are repaid in full
- (b) The Australian tenements that were held at 30 June 2009 were written off during the prior year as the Group turned its focus to the Indonesian coal projects acquired. Current year write-offs relate to expenditure that has not been capitalised on the Group's Australian tenements and its GPK project as they do not meet the requirements under the accounting policy.
- (c) As disclosed in note 25(c) the provisional fair value of exploration expenditure acquired with the acquisition of the Mamahak Group was \$13,622,819.

The ultimate recoupment of costs carried forward for exploration expenditure phases is dependent on the successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### 18. Trade and Other Payables

	Consolidated	
	2011	2010
	\$	\$
Trade payables	2,778,164	3,210,688
Other payables and accruals	1,105,101	550,987
	<u>3,883,265</u>	<u>3,761,675</u>

Trade and other payables are non-interest bearing liabilities stated at cost and are predominantly settled within 30 days.

### 19. Provisions

	Consolidated	
	2011	2010
	\$	\$
<b>Current</b>		
Employee entitlements <sup>(a)</sup>	45,062	17,190
<b>Non-current</b>		
Provision for mine restoration <sup>(b)</sup>	1,009,472	1,179,955
Employee entitlements <sup>(a)</sup>	66,401	-
	<u>1,075,873</u>	<u>1,179,955</u>

#### (a) Employee entitlements

The provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. Where settlement can be deferred for more than 12 months the provision is classed as non-current.

#### (b) Mine restoration

The mining, extraction and processing activities of the Group give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognized at the time that environmental disturbance occurs.

#### (c) Movements in provisions

	Mine Restoration
	\$
Current	
Carrying amount at start of year	1,179,955
Charged/(credited) to profit or loss	
- additional provisions recognised	2,614
Amounts used during the year	-
Foreign exchange movement	(173,097)
Carrying amount at end of year	<u>1,009,472</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



## 20. Interest Bearing Liabilities

	Consolidated	
	2011	2010
	\$	\$
<b>Current</b>		
Equipment loan from Bank <sup>(a)</sup>	-	126,681
Other loans	-	150,000
Embedded derivative liability	-	551,409
	-	828,090
<b>Non-current</b>		
Convertible notes issued <sup>(b)</sup>	-	2,457,995
Convertible notes funding received in advance <sup>(c)</sup>	-	718,769
Carrying amount at end of year	-	3,176,764
	-	4,004,854

- (a) Financiers secure their interest by registering a charge over the subject assets. The carrying amount of the asset under security is \$0 (2010:\$162,545).
- (b) On 1 July 2010 the Company announced the completion of funding via a convertible note facility, to be issued in two tranches. The first tranche of convertible notes totalling \$3.0m (USD \$2.554m) was issued on 30 June 2010 under the Company's 15% placement capacity. A second tranche totalling \$13.0m (USD \$12.446) was issued on 2 September 2010 following receipt of shareholder approval at a general meeting held on 16 August 2010.

The note was convertible into shares in the parent entity at the option of the noteholder, and if not convertible repayable in equal, quarterly instalments beginning 31 March 2011 and ending 30 June 2012. During the financial year convertible notes totalling \$15.0m (USD \$14.95m) were converted into equity at a conversion price of \$0.116 USD and \$50,000 USD was redeemed for cash (less prepaid interest), extinguishing all convertible note liabilities

The interest rate was 10% of the face value of the notes.

All of the Company's existing subsidiaries unconditionally guaranteed the Convertible Notes and the obligations of the Company under the Convertible Notes was secured by a first-ranking fixed and floating charge over all future and present assets of the Company, except as permitted by the Noteholder. This charge has been lifted following the extinguishment of the liability.

As a part of the issue of the Convertible Notes, the Company agreed to also issue Noteholders with Warrants in the Company on the basis of one (1) Warrant for every one (1) Share that the Noteholder would be entitled to upon conversion of the Convertible Notes. The Company therefore has also issued 107,293,103 (2010: 22,017,241) Warrants. The Warrants were issued for no additional consideration as they are being issued under the agreed terms of the Convertible Notes and convertible to shares in the parent company at an exercise price of \$0.133 AUD. The value of the warrants are determined after allocating the proceeds to the embedded derivative liability and the debt component of the convertible note. As a consequence, the value of the warrants is \$nil.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



The convertible notes are presented in the balance sheet as follows:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Face value of notes issued	-	3,009,404
Embedded derivative liability		(551,409)
	-	2,457,995
Interest expense	-	-
Interest paid	-	-
Non-current liability	-	2,457,995

- (c) In addition to the first tranche funds, \$723,000 (USD \$610,000) of the second tranche was received in advance.
- (d) The carrying amount of the interest bearing liabilities is a reasonable approximation of fair value at 30 June 2011 and 30 June 2010.
- (e) The Group incurred transaction costs in relation to the convertible note facility (all of which has been converted or redeemed as of 30 June 2011), as set out below. The Group has recorded these costs in the income statement.

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Total borrowing costs	1,897,906	-
Fair value loss on embedded derivative	8,274,345	-
Foreign exchange gain	(1,628,898)	-
	8,543,353	-

- (f) Risk exposures

Information about the group's exposure to interest and foreign exchange changes is provided in note 34.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### 21. Issued Capital

#### (i) Issued Capital

	2011		2010	
	Number	\$	Number	\$
Issued and fully paid	1,509,430,013	181,857,326	776,976,265	80,187,397

#### (ii) Movement in ordinary share capital

	2011		2010	
	Number	\$	Number	\$
Issued and fully paid	1,509,430,013	181,857,326	776,976,265	80,187,397

#### (b) Movements in ordinary shares on issue

Balance as at 1 July	776,976,265	80,187,397	278,193,762	6,225,811
Issuance of fully paid shares during the year	200,000,000	23,800,000	153,782,503	27,672,932
Conversion of convertible notes	128,879,306	24,071,142	-	-
Conversion of options	10,000,000	750,000	140,000,000	1,400,000
Conversion of warrants	1,206,897	160,517	-	-
Issue of employee shares	-	-	5,000,000	490,000
Issue of shares acquisition - Fee for introduction of GPK project to KRL <sup>(a)</sup>	-	-	150,000,000	34,500,000
Issue of shares acquisition - Fee for introduction of Pakar project to KRL <sup>(a)</sup>	380,000,000	51,300,000		
Issue of shares acquisition - Mamahak <sup>(a)</sup>	-	-	50,000,000	11,000,000
Share based payments issued to consultants <sup>(a)</sup>	12,367,545	1,588,270		
Capital raising costs	-	-	-	(1,101,346)
<b>Balance as at 30 June</b>	<b>1,509,430,013</b>	<b>181,857,326</b>	<b>776,976,265</b>	<b>80,187,397</b>

(a) Refer to share based payments details in note 27.

#### Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At shareholders meetings, each ordinary share is entitled to one vote per share when a poll is called, otherwise each shareholder has one vote on a show of hands.

1,925,000,000 shares were issued on 13 June 2011 subject to escrow conditions. The lock over the shares will be released when the Pakar project acquisition takes place. These shares are not shown in the above. Refer to note 33 for more details.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (iii) Options

As at 30 June 2011, the following options over unissued ordinary shares were on issue:

Grant Date	Expiry Date	Exercise Price	Number
30 September 2009	30 September 2012	\$0.05	5,000,000
30 September 2009	30 September 2012	\$0.10	5,000,000
2 September 2009	2 September 2012	\$0.25	2,500,000
2 September 2009	2 September 2012	\$0.35	2,500,000
2 September 2009	2 September 2012	\$0.50	2,500,000
15 September 2009	15 September 2012	\$0.25	1,000,000
			<u>18,500,000</u>

### (iv) Warrant holders

The warrant holders are not entitled to participate in dividends or any other distribution or right declared and have no voting rights. The warrant holders have the option to convert to ordinary shares at an exercise price of \$0.133 and would assume the same rights as an ordinary shareholder.

There are 128,103,448 unissued ordinary shares of Kangaroo Resources Limited under warrant as at 30 June 2011 expiring on 29 June 2015.

### (v) Capital risk management

The Company's capital includes share capital, reserves and accumulated losses. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to achieve this, the Company may issue new shares in order to meet its financial obligations.

## 22. Reserves and Retained Earnings

### (a) Reserves

	Consolidated	
	2011	2010
	\$	\$
Share based payments reserve	2,390,594	1,968,230
Foreign currency translation reserve	(359,425)	(154,707)
Transactions with non-controlling interests reserve	1,321,290	-
	<u>3,352,459</u>	<u>1,813,523</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (b) Share-based payments reserve

The share based payments reserve comprises the consideration received for the issue of options over unissued ordinary shares of the Company and the fair value of options over unissued ordinary shares granted employees, consultants or others as remuneration for goods and/or services received until the options are exercised or expire.

	Consolidated	
	2011	2010
	\$	\$
Balance 1 July	1,968,230	671,712
Share based payments - employees	422,364	1,296,518
<b>Total share-based payment reserve at end of period</b>	<b>2,390,594</b>	<b>1,968,230</b>

### (c) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

	Consolidated	
	2011	2010
	\$	\$
Balance 1 July	(154,707)	-
Foreign exchange movements	(204,718)	(154,707)
<b>Total foreign currency translation reserve at end of period</b>	<b>(359,425)</b>	<b>(154,707)</b>

### (d) Transactions with non-controlling interests

	Consolidated	
	2011	2010
	\$	\$
Balance 1 July	-	-
Acquisition of additional ownership in SGQ Batubara Pt Ltd	1,321,290	-
<b>Total reserve at end of period</b>	<b>1,321,290</b>	<b>-</b>

### (e) Accumulated Losses

	Consolidated	
	2011	2010
	\$	\$
Accumulated losses at beginning of year	50,882,499	3,266,339
Net losses attributable to members of the parent entity	71,044,791	47,616,160
<b>Accumulated losses at the end of the year</b>	<b>121,927,290</b>	<b>50,882,499</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### 23. Non-controlling Interest

	Consolidated	
	2011	2010
	\$	\$
Balance at beginning of year	1,487,467	-
Non-controlling interest on acquisition of subsidiaries	-	2,143,023
Transactions with non-controlling interests	(1,321,290)	-
Comprehensive income attributable to non-controlling interest	(77,760)	(655,556)
<b>Non-controlling interest at the end of the year</b>	<b>88,417</b>	<b>1,487,467</b>

### 24. Commitments

#### (a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and the Group are required to perform minimum exploration work to meet minimum expenditure requirements specified by various government authorities. These obligations are subject to renegotiation when application for a mining lease is made and at various other times. These obligations are not provided for in the financial report and are payable:

	Consolidated	
	2011	2010
	\$	\$
Not later than one year	185,000	1,486,522
Later than one year but not later than five years	40,000	310,000
<b>Total</b>	<b>225,000</b>	<b>1,796,522</b>

#### (b) Finance Lease Payment Commitments

	Consolidated	
	2011	2010
	\$	\$
Not later than one year	-	133,941
Later than one year but not later than five years	-	-
<b>Total</b>	<b>-</b>	<b>133,941</b>
Less: Future lease finance charges	-	(7,260)
	<b>-</b>	<b>126,681</b>

The Group leased plant and equipment under a finance lease with a 3 year term which ended in March 2011.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (c) ASEAMCO mining and geological consulting

The Company has entered into a Service Agreement with Aseamco Pty Ltd who will provide the Company with mining and geological consulting services for a three year period beginning 1 September 2010. Where the monthly man-hours provided by Aseamco exceeds the amount covered by the service agreement, the Company will be charged at the average hourly rate for the excess hours, while unused man-hours are rolled over to the next month and can be offset against future charges. Payment is made by a combination of cash and KRL shares. An early termination payment of 10% of the remaining service charges applies if the agreement is terminated early.

### (d) GPK Project Co-operation Agreement and Deed of Release with KAL Energy

The Company has entered into a Co-operation Agreement and a Deed of Release with KAL Energy in relation to their previous interest in the GPK Project, giving Kangaroo the ability to consider all possible alternatives for this project without prejudice associated with any historical issues relating to former interests held by other parties.

Under the terms of the Agreement KAL Energy will be entitled to receive 12% of the net sale proceeds of any future sale transaction. Net sales proceeds consists of sales proceeds less costs incurred in connection with the procurement and implementation of a future sale transaction, including any broker fees, royalty buy-outs and other associated costs. In the event KRL takes GPK into production an 8% economic interest will be assigned to KAL Energy.

## 25. Business Combination

### Acquisition and Disposal of Controlled Entities

On 24 December 2009, the Company acquired an interest in the Mamahak Group of companies from South Gobi Energy Resources Ltd, including an 84.82% interest in the Mamahak Coking Coal Project in East Kalimantan to further strengthen the Group's position in the East Kalimantan region.

Details of companies acquired with the Mamahak Group acquisition were as follows:

	Country of Incorporation	Ownership Interest	
		2011	2010
<b>Name of controlled entity</b>			
SGQ Singapore Investment Company Pte Ltd	Singapore	100.00%	100.00%
SGQ Batubara Pte Ltd	Singapore	100.00%	85.00%
PT Karsa Optima Jaya	Indonesia	100.00%	85.15%
PT Multi Mamahak Batubara	Indonesia	100.00%	85.30%
PT Mamahak Coal Mining	Indonesia	99.00%	84.30%
PT Bara Karsa Lestari	Indonesia	99.00%	84.30%
PT Mahakam Energi Lestari	Indonesia	99.00%	84.30%
PT Mahakam Bara Energi	Indonesia	99.00%	84.30%

At 30 June 2010, the Mamahak Group acquisition was accounted for provisionally as Kangaroo Resources Limited management were still in the process of obtaining independent valuations for the assets acquired and liabilities assumed.

At 30 June 2011 the fair values have been finalised following an independent valuation and are presented below.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (a) Summary of acquisition – Prior year acquisition

Details of the net assets acquired and goodwill were as follows:

	\$
Purchase consideration	
Cash paid	1,143,802
Shares issued as consideration	11,000,000
Total purchase consideration	<u>12,143,802</u>

The fair value of the 50,000,000 ordinary shares issued was based on the listed share price of the Group at 22 December 2009 of 22 cents per share.

### (b) Purchase consideration

	\$
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	1,143,802
Less: Cash acquired	<u>(171,741)</u>
Net outflow of cash	<u>972,061</u>

### (c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Provisional Fair Value \$	Independent Valuation \$
Cash and cash equivalents	171,741	171,741
Accounts receivable	875,901	875,901
Prepaid expense and deposit	202,847	202,847
Other receivables	2,678,666	2,678,666
Exploration expenditure	11,579,397	13,622,819
Trade and other payables	(1,628,845)	(1,628,845)
Accrued expenses	(469,367)	(469,367)
Tax payable	(106,855)	(106,855)
Provision for mine rehabilitation	(1,060,081)	(1,060,081)
Net identifiable assets and liabilities	<u>12,243,404</u>	<u>14,286,826</u>
Less: net assets attributable to minority interests	(99,601)	(2,143,023)
Net assets attributable to shareholders of KRL	<u>12,143,803</u>	<u>12,143,803</u>

### (d) Acquisition related costs

Acquisition related costs of \$32,872 were included within administration costs in the statement of comprehensive income in the prior year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



## 26. Subsidiaries and Transactions with Non-controlling Interests

### (a) Significant investments in subsidiaries

	Country of Incorporation	Class of shares	Equity holding	
			2011	2010
<b>Name of controlled entity</b>				
Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	Australia	Ordinary	100.00%	100.00%
Kangaroo Resources (Singapore) Pte Ltd	Singapore	Ordinary	100.00%	100.00%
SGQ Singapore Investment Company Pte Ltd	Singapore	Ordinary	100.00%	100.00%
SGQ Batubara Pte Ltd	Singapore	Ordinary	100.00%	85.00%
PT Karsa Optima Jaya	Indonesia	Ordinary	100.00%	85.15%
PT Multi Mamahak Batubara	Indonesia	Ordinary	100.00%	85.30%
PT Mamahak Coal Mining	Indonesia	Ordinary	99.00%	84.30%
PT Bara Karsa Lestari	Indonesia	Ordinary	99.00%	84.30%
PT Mahakam Energi Lestari	Indonesia	Ordinary	99.00%	84.30%
PT Mahakam Bara Energi	Indonesia	Ordinary	99.00%	84.30%

### (b) Transactions with non-controlling interests

On 1 June 2011 SGQ Singapore Investment Company Pte Ltd acquired an additional 15% of the issued shares of SGQ Batubara Pte Ltd for a purchase consideration of \$1. The carrying amount of the non-controlling interests in SGQ Batubara Pte Ltd and its subsidiaries on the date of acquisition was \$1,321,291. The group recognised a decrease in non-controlling interests of \$1,321,290 and a decrease in equity attributable to owners of the parent of \$1. The effect of changes in the ownership interest of SGQ Batubara Pte Ltd on the equity attributable to owners of Kangaroo Resources Limited during the year is summarised as follows:

	Consolidated	
	2011 \$	2010 \$
Carrying amount of non-controlling interests acquired	1,321,291	-
Consideration paid to non-controlling interests	(1)	-
Excess of interest acquired recognised in the transactions with non-controlling interests reserve within equity	1,321,290	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### 27. Share Based Payments

During the financial year ended on 30 June 2011, the Group issued the following share-based payments.

#### (a) Employee Share Options – Incentive Options

Set out below are summaries of the options granted:

	Number of options	Value per option (cents)	Vested during the period	Exercisable at period end
Exercisable at 25 cents, on or before 2 September 2012	2,500,000	5.86	2,500,000	2,500,000
Exercisable at 35 cents, on or before 2 September 2012	2,500,000	4.85	2,500,000	2,500,000
Exercisable at 50 cents, on or before 2 September 2012	2,500,000	3.84	2,500,000	2,500,000
<b>Employee Options</b>				
Exercisable at 25 cents, on or before 15 September 2012	1,000,000	5.86	1,000,000	1,000,000

The price was calculated by using Black Scholes Pricing Model applying the following inputs:

	2011
Life of the option (years)	2
Share price at grant date (cents)	13.5
Expected share price volatility (based on historic share price performance)	107.5%
Risk free interest rate	4.75%

Total value of the options above is \$422,364.

#### (b) Consulting fees – Carmine Lion Group

On 31 August 2010 the Company issued 5,000,000 shares to Carmine Lion Group Ltd as consideration for services provided by the consultants.

The shares were issued for nil consideration. The closing share price on 31 August 2010 was 12.5 cents, and the value of the shares is \$625,000 based on this 31 August 2010 share price.

#### (c) Consulting fees - ASEAMCO

On 18 November 2010 and 22 December 2010 the Company issued 541,353 shares (total 1,082,706 shares) to ASEAMCO as consideration for services provided by their consultants.

The shares were issued for 13.3 cents and the value of the shares issued was \$144,000.

#### (d) Consulting fees – Chimaera Financial Group

On 22 December 2010 the Company issued 6,284,829 shares to Chimaera for services provided by those consultants.

The shares were issued at an average of 13 cents and the value of the shares issued was \$819,270.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (e) Introduction of Pakar Projects

On 13 June 2011 the Company issued 380,000,000 shares to Jedi Resources Limited in consideration for the introduction and assistance in the acquisition process of a major coal acquisition, the Pakar Projects.

The shares were issued for nil cash proceeds and were approved at a meeting of shareholders held on 13 June 2011. The closing share price on 13 June 2011 was 13.5 cents, and the value of the shares is \$51,300,000 based on this 13 June 2011 share price.

### 2010 Share based payments

During the financial year ended on 30 June 2010, the Group issued the following share-based payments.

### (g) Employee Share Options – Incentive Options

Set out below are summaries of the options granted:

	Number of options	Value per option (cents)	Vested during the period	Exercisable at period end
Exercisable at 10 cents, on or before 25 September 2012	10,000,000	5.82	10,000,000	10,000,000
Exercisable at 5 cents, on or before 25 September 2012	10,000,000	7.15	10,000,000	10,000,000

The price was calculated by using Black Scholes Pricing Model applying the following inputs:

	2010
Life of the option (years)	3.016
Share price at grant date (cents)	9.8
Expected share price volatility (based on historic share price performance)	90%
Risk free interest rate	5.00%

Total value of the options above is \$1,296,519.

### (h) Employee Shares

On 30 September 2009, the Company issued 5,000,000 shares to employees of the Group. The shares were issued and allotted as consideration for services provided by the employees.

The shares were issued for nil consideration and were approved at a meeting of shareholders held on 26 November 2009. The closing share price on 30 September 2009 was 9.8 cents, and the value of the shares is \$490,000 based on this 30 September 2009 share price.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### (i) Introduction of GPK project

On 4 December 2009, the Company issued 150,000,000 shares to parties nominated by PT Energi Surya Abadi in consideration for the introduction to the Company of a substantial resource asset located in Indonesia.

The asset introduced by PT Energi Surya Abadi was the "GPK Project" (as announced to ASX on 1 October 2009).

The shares were issued for nil cash proceeds and were approved at a meeting of shareholders held on 26 November 2009. The closing share price on 4 December 2009 was 23 cents, and the value of the shares is \$34,500,000 based on this 4 December 2009 share price.

### (j) Purchase of Mamahak project

On 22 December 2009, the Company issued 50,000,000 shares to South Gobi Energy Resources Ltd (SGER) for the acquisition of all SGER's mining assets in Indonesia, including an 85% interest in the Mamahak Coking Coal Project. Refer to note 23 for additional detail on this transaction.

The shares were issued for nil cash proceeds. The closing share price on 22 December 2009 was 22 cents, and the value of the shares is \$11,000,000 based on this 22 December 2009 share price.

## 28. Related Party Disclosures

### a) Key management personnel

The following were key management personnel of the consolidated entity at any time during the reporting period and unless indicated were key management personnel for the entire period.

#### Directors

P Richards	Non-Executive Chairman
M O'Keeffe	Managing Director
T Butcher	Executive Director
D Low Yi Ngo	Non-Executive Director (appointed 13 June 2011)
A McLeod	Non-Executive Director (appointed 13 June 2011)
R Neil	Non-Executive Director (appointed 13 June 2011)
D Wentworth	Non-Executive Director (appointed 13 June 2011)
G Kartasasmita	Executive Director (appointed 14 October 2010, resigned 13 June 2011)
F Ismail	Non-Executive Director (resigned 21 January 2011)

#### Other key management personnel

S Henbury	Company Secretary
M Ralston	Chief Financial Officer

Key management personnel are those persons that have either directly or indirectly authority and responsibility for planning, directing and controlling the activity of the entity.

There were no other employees that constitute key management personnel.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



## b) Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated	
	2011	2010
	\$	\$
Short term benefits	757,925	341,500
Post employment benefits	22,125	-
Share based payments	363,750	893,260
	1,143,800	1,234,760

## c) Directors and key management personnel disclosures

### Option holdings

The number of options over ordinary shares in the Company held during the financial year by key management personnel, including their personally related parties, is set out below:

2011 Name	Balance at the start of year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable
<b>Directors</b>						
P Richards	-	7,500,000	-	-	7,500,000	7,500,000
M O'Keeffe	-	-	-	-	-	-
T Butcher	-	-	-	-	-	-
F Ismail	-	-	-	-	-	-
G Kartasasmita	-	-	-	-	-	-
D Low	-	-	-	-	-	-
A McLeod	-	-	-	-	-	-
R Neil	-	-	-	-	-	-
D Wentworth	-	-	-	-	-	-
<b>Other key management personnel</b>						
M Ralston	10,000,000	-	(10,000,000)	-	-	-
S Henbury	-	-	-	-	-	-

2010 Name	Balance at the start of year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable
<b>Directors</b>						
M O'Keeffe	30,375,000	-	-	(30,375,000)	-	-
F Ismail	10,000,000	-	(10,000,000)	-	-	-
P Richards	-	-	-	-	-	-
T Butcher	-	-	-	-	-	-
<b>Other key management personnel</b>						
M Ralston	-	10,000,000	-	-	10,000,000	10,000,000
S Henbury	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### Shareholdings

The number of shares in the Company held during the financial year by key management personnel of the Company, including their personally related parties, is set out below:

2011 Name	Balance at the start of year	Received during the year on exercise of options	Share based payments	Other changes	Balance at the end of the year
<b>Directors</b>					
M O'Keeffe	50,750,000	-	-	(750,000)	50,000,000
P Richards	1,000,000	-	-	-	1,000,000
T Butcher	-	-	-	-	-
F Ismail*	27,500,000	-	-	(27,500,000)	-
G Kartasasmita	-	-	-	-	-
D Low	-	-	-	-	-
A McLeod	-	-	-	-	-
R Neil	-	-	-	-	-
D Wentworth	-	-	-	-	-
<b>Other key management personnel</b>					
M Ralston	2,500,000	10,000,000	-	-	12,500,000
S Henbury	180,000	-	-	-	180,000

\* F Ismail ceased to be a director on 21 January 2011

2010 Name	Balance at the start of year	Received during the year on exercise of options	Share based payments	Other changes	Balance at the end of the year
<b>Directors</b>					
M O'Keeffe	47,750,000	-	-	3,000,000	50,750,000
F Ismail	17,500,000	-	-	10,000,000	27,500,000
P Richards	-	-	-	1,000,000	1,000,000
T Butcher	-	-	-	-	-
<b>Other key management personnel</b>					
M Ralston	-	-	2,500,000	-	2,500,000

#### d) Parent entity

The parent entity within the group is Kangaroo Resources Limited.

#### e) Subsidiaries

Interests in subsidiaries are set out in note 26.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### f) Non-key management disclosures

#### *Alexis Minerals International Pty Ltd*

On 1 June 2009, the Company entered into a Heads of Agreement for a Joint Venture over two coal concessions owned by Alexis Minerals International Pty Ltd. Mr Mark O'Keeffe is a director of Alexis Minerals International Pty Ltd. The Company has paid a deposit of \$456,219 for its 15% interest in the Joint Venture. The amount has been fully provided for at balance date.

#### *Transactions with PT Bayan Resources Tbk*

PT Bayan Resources Tbk is considered a related party given two Bayan directors and one current and one ex-Bayan employee have been appointed as directors to the Kangaroo Resources Limited board of directors.

Coal sales totalling \$2.98m were recognised with PT Bayan Resources Tbk during the financial year. As at 30 June 2011 \$2.05m of these sales were recognised in trade receivables.

### 29. Earnings per Share

	Consolidated	
Loss per share from continuing operations	2011	2010
Loss from continuing operations attributable to ordinary shareholders of the company	(71,044,791)	(47,616,160)
Basic loss per share (cents)	(7.73)	(8.39)
Weighted average number of Ordinary shares on issue used in the calculation of basic earnings per share	918,735,813	567,720,474

Basic earnings/(loss) per share ('EPS') is calculated by dividing the net profit/(loss) attributable to ordinary shareholders for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company.

Other potential ordinary shares have not been included in the calculation of diluted earnings per share as they are not considered dilutive.

### 30. Statement of Cash Flows

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

#### (a) Reconciliation of cash and cash equivalents

	Consolidated	
	2011	2010
	\$	\$
Reconciliation of cash balance comprises		
Cash at bank	2,292,304	3,428,762
Restricted bank deposits	76,852	76,852
	2,369,156	3,505,614

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



**(b) Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(71,120,483)	(48,244,415)
Depreciation	96,138	25,943
Impairments	1,151,547	2,674,921
Loss on disposal of plant and equipment	3,860	38,452
Share based payments expense	53,310,634	36,286,519
Foreign exchange (gain)/loss	(139,002)	(213)
Fair value loss on embedded derivative	8,274,345	-
Convertible note costs	1,897,906	-
Other non cash income	(20,000)	(15,000)
Change in assets and liabilities during the financial year:		
Increase in inventories	(838,226)	-
(Increase)/decrease in prepayments	741,150	-
Increase/(decrease) in trade payables	158,012	859,160
Increase/(decrease) in employee entitlements	27,872	17,190
(Increase)/decrease in trade receivables	(2,057,676)	2,695,802
Increase/(decrease) in provisions	2,614	-
Return of bonds included in investing activities	(60,600)	-
Net cash used in Operating activities	(8,571,911)	(5,661,641)

**(c) Non cash financing and investing activities**

During the financial year convertible notes and embedded derivative liabilities totalling \$24,071,142 were converted into equity as a result of the holders of the convertible notes exercising their option to convert the notes into shares.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### 31. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The segments are consistent with the internal management reporting information that is regularly reviewed by the chief operating decision maker, being the Board of Directors.

The Group engages in one business being coal exploration in Indonesia. Its results are analysed as a whole by the chief operating decision maker. Consequently revenue, profit and net assets for the operating segment and geographical segment are reflected in this annual report.

#### **Segment Revenue**

Total sales revenue is derived from three customers with sales to each all being greater than 10% of total sales revenue (approximately \$2,981,000, \$1,989,000 and \$850,000). All sales are attributable to coal exploration in Indonesia to Indonesian entities.

#### ***Non-current assets other than financial instruments and deferred tax assets***

	Consolidated	
	2011	2010
	\$	\$
Located in Australia	185,806	205,021
Located in Indonesia	44,903,544	24,023,800
Total	45,089,350	24,228,821

### 32. Contingent Liabilities

The Group has entered into an "Equity Swap Transaction Agreement" with Stonebridge Securities Ltd as described in Note 14(a). A deposit for the full amount of the potential liability was placed with Stonebridge in the current period.

### 33. Events occurring after the reporting period

On the 13 June 2011 shareholders approved the issue of 2,305 million Kangaroo Resources Limited shares to Pt Bayan Resources Tbk and other parties related to the acquisition for a 99% interest in the Pakar Thermal Coal Project in East Kalimantan ("Pakar").

The two companies are awaiting final government sign-off on the Pakar Project equity component of the transaction for the deal to be formally finalised. KRL is also moving to acquire direct foreign ownership of the assets by converting each of the subsidiary holding companies (PT companies) to Indonesian PMA companies (a foreign investment company) and transferring the relevant equity interest holding in the PT companies directly to KRL.

Once equity in the Pakar entities has been transferred to Company the effect of the 1,925 million shares issued to Bayan will be recognised in the Company balance sheet at the KRL closing price of 13.5 cents being the Kangaroo Resources Limited share price on the date of issue.

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the consolidated entity in future financial years other than disclosed in the Directors' report.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



### 34. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

The Board of Directors monitor domestic and international financial markets and manages the financial risks relating to the operations of the Group through periodically analysing exposures by degree and magnitude of risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group holds the following financial instruments:

	2011	2010
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	2,369,156	3,505,614
Trade and other receivables - current	18,930,318	1,450,793
Other financial assets	740,000	-
Trade and other receivables - non-current	408,063	492,379
	<u>22,447,537</u>	<u>5,448,786</u>
<b>Financial liabilities</b>		
Trade and other payables	3,883,265	3,761,675
Equipment loan from bank	-	126,881
Other loans	-	150,000
Convertible notes	-	3,172,764
Embedded derivative liability		555,409
	<u>3,883,265</u>	<u>7,766,729</u>

#### (a) Market risk

##### (i) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The main currency exposure is to United States dollars through the entities cash advances to the current vendors of the Pakar Coal Projects. The Group manages foreign exchange risk by monitoring forecast cash flows in currencies other than Australian dollars and maintaining certain cash balances in United States dollars.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follows:

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



	30-Jun-11 USD \$	30-Jun-10 USD \$
Cash and cash equivalents	524,386	23,808
Trade and other receivables	14,865,362	-
Trade and other payables	142,823	85,090
Convertible notes	-	3,172,764
Embedded derivative liability		555,409

### *Sensitivity*

Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened / strengthened by 10% against the US dollar with all other variables held constant, the group's post-tax profit for the year would have been \$1,525,000 higher / \$1,386,000 lower (2010 - \$378,000 lower / \$499,000 higher), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar / US dollar exchange rates in 2011 than 2010 because of the increased amount of US dollar denominated receivables.

### *(ii) Price risk*

The Group does not hold investments and therefore is not exposed to equity securities price risk.

### *(iii) Interest rate risk*

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

	2011 Weighted average interest rate	\$	2010 Weighted average interest rate	\$
<b>Financial assets</b>				
Cash and cash equivalents	0.6%	2,369,156	0.6%	3,505,614

The Group does not have material variable interest-bearing assets and percentage changes in interest rates would not have a material impact on the results

### **(b) Credit risk**

The carrying amount of cash and cash equivalents, trade and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash and short term liquid investment are placed with reputable banks, so no significant credit risk is expected. The Group's main exposure to credit risk arises from its advances and loans to related parties. The credit risk exposure is equivalent to the carrying values of the assets. No security is held over the advances and loans. All receivables are within their credit terms and repayment of these loans and advances is expected within 12 months.

### **(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011



The table below analyses the group's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	<6 months	>6 - 12 months	> 12 months	Total Contractual Cash Flows	Carrying Amount
30 June 2011	\$	\$	\$	\$	\$
<b>Financial liabilities</b>					
Trade and other payables	3,883,265	-	-	3,883,265	3,883,265

<b>30 June 2010</b>					
<b>Financial liabilities</b>					
Trade and other payables	3,761,675	-	-	3,761,675	3,761,675
Equipment loan from bank	34,459	92,222	-	34,459	34,459
Other loans	150,000	-	-	150,000	150,000
Convertible notes	-	1,231,598	3,078,995	4,310,593	3,172,764
Embedded derivative liability	555,409				555,409

### (d) Fair value estimation

The group does not carry any financial instruments at fair value at 30 June 2011. At 30 June 2010 the embedded derivative, being the conversion option of the convertible note of \$555,049 was measured at fair value.

### 35. Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
(a) PwC Australia		
Audit and review of financial statements	81,000	-
(b) Related practices of PwC Australia		
Audit and review of financial statements	139,392	63,338
(c) Non-PwC audit firms		
Audit and review of financial statements	60,460	73,558
Tax compliance services	2,000	-
Independent experts report	30,516	-
	<b>313,368</b>	<b>136,896</b>

## DIRECTORS' DECLARATION



In the directors' opinion:

- (a) the financial statements and notes set out on pages 21 to 69 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the managing director, acting in the capacity of Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in purple ink, appearing to read 'O'Keeffe'.

.....  
**Mark O'Keeffe**  
Managing Director  
Perth, Western Australia  
30 September 2011



## **Independent auditor's report to the members of Kangaroo Resources Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Kangaroo Resources Limited (the company), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Kangaroo Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements and notes comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.



## **Independent auditor's report to the members of Kangaroo Resources Limited (continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Auditor's opinion*

In our opinion:

- (a) the financial report of Kangaroo Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

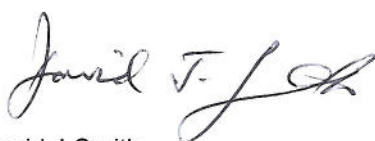
### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 8 to 12 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Kangaroo Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

  
PricewaterhouseCoopers

  
David J Smith  
Partner

Perth  
30 September 2011

Additional information as required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

## 1.1 Distribution of Share and Option Holders (as at 23 September 2011)

Analysis of numbers of equity security holders by size of holding:

Holding	Fully Paid Shares	Unlisted Options 2-Sep-12	Unlisted Options 15-Sep-12	Unlisted Options 30-Sep-12
1-1000	125	-	-	-
1,001-5,000	319	-	-	-
5,001-10,000	339	-	-	-
10,001-100,000	1,172	-	-	-
100,000-over	377	1	1	1
	2,332	1	1	1

The number of shareholders holding less than a marketable parcel is 241.

## 1.2 Twenty Largest Shareholders (as at 23 September 2010)

	Name	Number held	Percentage
1	PT Bayan Resources Tbk	1,925,000,000	56.05%
2	Jedi Resources Limited	340,000,000	9.90%
3	HSBC Custody Nominees (Australia) Ltd	152,105,880	4.43%
4	JP Morgan Nominees Australia Ltd	133,721,394	3.89%
5	National Nominees Limited	120,074,962	3.50%
6	Saxenburg Enterprises Ltd	100,000,000	2.91%
7	Citicorp Nominees Pty Ltd	93,795,583	2.73%
8	Southgobi Energy Resources Ltd	50,000,000	1.46%
9	Carmine Lion Group Pty Ltd	33,550,833	0.98%
10	Nannook Holdings Pty Ltd	30,158,276	0.88%
11	Mark O'Keeffe <The Australian Oak A/C>	30,000,000	0.87%
12	CIMB Securities (Singapore) Pte Ltd	29,854,500	0.87%
13	Nefco Nominees Pty Ltd	25,532,874	0.74%
14	UOB Kay Hian Private Limited <Clients A/C>	22,488,886	0.65%
15	Romfal Sifat Pty Ltd <The Fizmail Family A/C>	20,000,000	0.58%
16	Dempo Global Corporation Pte Ltd	15,000,000	0.44%
17	Manning Oak Pty Ltd	12,000,000	0.35%
18	DBS Vickers Securities Pte Ltd <Client Account>	10,509,000	0.31%
19	Phillip Securities Pte Ltd	10,366,444	0.30%
20	Fivezero Holdings Pty Ltd <The Fivezero Holdings A/C>	10,000,000	0.29%
	<b>Total</b>	<b>3,164,158,632</b>	<b>92.13%</b>
	<b>Total remaining holders balance</b>	<b>270,271,380</b>	<b>7.87%</b>
	<b>Total all shareholders</b>	<b>3,434,430,012</b>	<b>100%</b>



### 1.3 Substantial Shareholders

Substantial holders in the company are set out below:

	Number held	Percentage
PT Bayan Resources Tbk	1,925,000,000	56.05%
Jedi Resources Limited	340,000,000	9.90%

### 1.4 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

- (a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid Share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.

## 2. Restricted Securities

At 23 September 2011 there were 1,925,000,000 ordinary fully paid shares under escrow until 13 June 2012.

## 3. Tenement Schedule

Project	Tenement Details	Registered Holder	KML Interest %	Application or Grant Date	Expiry Date	Area
<b>Queensland</b>						
Ravenshoe East	EPM 14880	Kangaroo Minerals Pty Ltd	100%	28/02/2006	27/02/2012	20 blks
The Source	EPM 17051	Kangaroo Minerals Pty Ltd	100%	11/02/2009	10/02/2012	10 blks