

26 July 2011

JUNE 2011 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

COAL PROJECTS – INDONESIA

- ✦ Landmark acquisition of Pakar Thermal Coal Project, East Kalimantan, approved:
 - *Overwhelming approval for transaction from KRL shareholders.*
 - *Kangaroo issues 2.305 billion shares to leading Indonesian coal conglomerate PT Bayan Resources Tbk and other parties to acquire a 99% interest in Pakar.*
 - *Bayan becomes a ~56% shareholder in KRL.*
 - *Bayan to manage all of KRL's Indonesian coal assets moving forward, drawing on its extensive experience and expertise in coal production.*
- ✦ Substantial increase in combined JORC Code Coal Resource and Reserve estimates for Pakar, Mamahak and GPK Coal Projects to 3,146 million tonnes[#].
- ✦ Bayan signs a conditional Sales and Purchase Agreement to supply 100 million tonnes of coal to India, with the Pakar (North) Project to form a strategic source of the overall supply.
- ✦ Total coal sales of 30,301 tonnes from Mamahak Coal Project for the June Quarter, with an additional 10,857 tonnes delivered to the port stockpile to-date.

CORPORATE

- ✦ Four experienced coal executives join KRL's board as Non-Executive Directors following completion of the landmark transaction with PT Bayan Resources Tbk.

Perth Office

Suite 3, Level 3, 1292 Hay Street
West Perth

Telephone +61 8 6102 6990
Facsimile +61 8 6102 6993

Jakarta Office

Kantor Taman A9 Unit C8-C10
Jl. Mega Kuningan Lot 8.9/9
Jakarta 12950, Indonesia

Telephone +62 21 5793 3425
Facsimile +62 21 5793 3424



EXECUTIVE SUMMARY

Pakar Thermal Coal Project & Strategic Alliance with PT Bayan Resources Tbk

The June 2011 Quarter marked a significant turning point for Kangaroo Resources Limited (ASX: KRL – “KRL” or “the Company”) with its transformational transaction with leading Indonesian coal producer PT Bayan Resources Tbk (“Bayan”).

As part of this transaction, KRL acquires a 99% interest in the world-class 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 have also established a Strategic Alliance covering KRL’s existing coal operations in Indonesia.

The transaction was overwhelmingly approved by both KRL and Bayan shareholders in June 2011. 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.

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.

As part of the off-take considerations, Bayan has signed a conditional sales and purchase agreement with Universal Crescent Power Ltd, a subsidiary of Universal Success Ltd, to supply 100 million tonnes of coal to India, with the Pakar (North) Project forming a strategic component of Bayan’s overall supply strategy.

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.

Completion of the transaction and acquisition of the Pakar Coal Project will put KRL firmly on track to become one of Indonesia’s leading coal producers.

Updated JORC Resource Estimate

During the Quarter, the Company 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.

The revised estimates will provide KRL with total JORC Code compliant Coal Resources of 3,146Mt# across the three projects, with a variety of coal types ranging from low-rank thermal coal to coking coal, comprising:

- ▶ Pakar Project – Total Coal Resources of 3,019 million tonnes^{1*} comprising average coal quality with CV 3,209kcal/kg (gar), including Total Open Cut Coal Reserves of 442 million tonnes^{1*} comprising average coal quality with CV 3,350kcal/kg (gar);
- ▶ Mamahak Project – Updated Total Coal Resources of 10.49 million tonnes^{2*} comprising average coal quality with CV range of 6,877-7,698kcal/kg (gar);



➤ **GPK Project – Updated Total Coal Resources of 117 million tonnes^{3*} comprising average coal quality with CV 3,881kcal/kg (gar).**

The 3,146 million tonne Coal Resource & Reserve Inventory is comprised of a 3,019 million tonne total Coal Resource with an average calorific value of 3,209 kcal/kg (gar) at Pakar¹; a 10.49 million tonne total Coal Resource with an average calorific value range of 6,877 – 7,698 kcal/kg (gar) at Mamahak²; and a 117 million tonne total Coal Resource with an average calorific value of 3,881 kcal/kg (gar) at GPK³.

^{1,2 & 3} please refer to JORC Code Competent Persons statements.

* See Appendix 2 - Summary of JORC Code Coal Resources & Reserves for KRL's Indonesian Coal Projects.

Mamahak Coal Project

Coal mining operations continued during the Quarter at the Company's 100%-owned Mamahak Project, with the implementation of a revised mine plan resulting in an increased mining area.

Together with Bayan, KRL has prepared a tender pack for sub-contractors, with a number of site visits conducted during the Quarter. KRL is targeting the appointment and initial mobilisation of sub-contractors by year-end, with additional necessary construction works to commence thereafter.

Relevant forestry permits have been issued to the Company for the initial mining areas, whilst preparing to lodge additional forestry permit applications to cover further mining and exploration areas at Mamahak.

Total coal sales of 30,301 tonnes were recorded from Mamahak during the June Quarter. An additional 10,857 tonnes have been delivered to the port stockpile to-date, and coal sale part-payments have been invoiced according to the coal sales contract with Bayan.

Coal revenues during the Quarter were restricted due to low river levels during the current dry season, with barging suspended since late-May. However, Bayan is working on a longer-term solution involving the construction of a longer haul road to lower parts of the Mahakam River that are accessible year-round for barging and a full bathymetric survey of this part of the river has been completed for this purpose. The Company will continue mining and producing coal at Mamahak during the dry season, as according to the coal sales contract with Bayan, Mamahak coal is sold at a market price FOB Mamahak jetty, with Bayan pre-funding a substantial majority on arrival at Mamahak port stockpile and the balance upon completion of loading onto barges for shipment.

Works have commenced to plan the route and design of this haul road, which is fully supported by Bayan, who will fund the infrastructure development through internal sources.

Kangaroo and Bayan have also commenced the design and planning of an exploration program targeting a further expansion of the updated JORC Code resource estimate at Mamahak. This exploration program is targeted to commence during the forthcoming semester and will aim to increase the Mamahak coal resource and provide the basis for the definition of a Coal Reserve.

GPK Coal Project

At the GPK Project, KRL is moving to acquire direct foreign ownership of the asset by converting PT GPK to an Indonesian PMA company (a foreign investment company) and transferring ~85% of the shares in PT GPK directly to KRL.



The Principal Forest Permit (Izin Prinsip) for the initial GPK mining areas was issued during the quarter.

The Company is also continuing with exploration planning and is seeking to obtain the required permits and approvals to conduct further drilling at GPK. Drilling will target specific areas within the project concession with the aim of increasing the level of confidence in the geological model used for the current JORC Resource Statement and subsequently preparing a JORC Reserve Statement to support the planned development of mining operations.

CORPORATE

During the Quarter, the Company announced 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%.

As part of the new board structure, Mr Trevor Butcher is now a Non-Executive Director and Mr Galih Kartasasmita resigned as a Director during the Quarter.

Cash at bank at the end of the June Quarter was ~\$2 million, with US\$18 million due to be received during the 3Q 2011, once the project equity component of Pakar transaction has been finalised. In addition, ~US\$2.6 million is due to be received from trade debtors for coal sale payments made during the June Quarter.

KEY OBJECTIVES FOR SEPTEMBER 2011 QUARTER

- ✦ Completing the regulatory process and obtaining government sign-off for the Pakar Project equity to be transferred to KRL's Indonesian PMA company (a foreign investment company), for KRL to acquire direct foreign ownership of the asset.
- ✦ Evaluation of Mamahak contract mining tender and negotiations with mining contractors.
- ✦ Continuing to work with Bayan Resources to enhance the operational management of Kangaroo's coal projects and integrating the operating activities and management of the two companies.

ENDS

Further information:

Mark O'Keeffe

Managing Director

T | +61 8 6102 6990

E | info@kangarooresources.com

W | www.kangarooresources.com

DISCLAIMER: The information concerning production targets in this announcement are not intended to be forecasts. They are internally generated goals set by the board of directors of KRL. The ability of the company to achieve these targets will be largely determined by the company's ability to secure adequate funding, implement mining plans, resolve logistical issues associated with mining and enter into off take arrangements with reputable third parties.

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The



information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

COMPETENT PERSON STATEMENTS:

¹ *Pakar Project: The Statement has been issued under the MMC name. MMC is an associated entity of PT Runge Indonesia. The MMC report should be read in its entirety. The resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004).*

The Coal Resource estimates in the report were estimated by Mr. William Park, BSc (Geology), BEcon, MAIG who is a Member of the Australian Institute of Geoscientists. The estimates are based on information compiled and reviewed by Mr Park. He is a full time employee of MMC and has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity undertaken to qualify him as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr. Park consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Coal Reserve estimates in the report were estimated by Mr Michael Trainor BE (Mining), MAusIMM, a Member of the Australasian Institute of Mining and Metallurgy. The estimates are based on information compiled and reviewed by Mr Trainor. He is a full time employee of MMC and has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity undertaken to qualify him as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr. Trainor consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

² *Mamahak Project: The resource estimate has been prepared in accordance with the 'JORC code' by PT SMG Consultants Pty Ltd (PT SMGC). The estimate of the Mamahak resources has been calculated and reviewed by Mr. Mark J Manners, BSc (Geology), an employee of PT SMGC, who was responsible for all content within the Technical Report titled "Resource Report – Mamahak Coal Project, Long Bagun District, Kutai Barat Regency, East Kalimantan – Indonesia, 2nd February, 2011", and is a Competent Person in accordance with the requirements of the 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code). Mr Manners is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Manners consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

³ *GPK Project: The information in this report that relates to the coal resources of the Graha (GPK) Project is based on information that was compiled by Mr. Robert de Jongh and a professional team under his supervision. Mr. de Jongh is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of ASEAMCO Pty Ltd. Mr. de Jongh has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify him as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. de Jongh consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

ABOUT KANGAROO RESOURCES

Kangaroo Resources Limited (ASX: KRL) is an emerging international mining Company with eight coal projects in the East Kalimantan region of Indonesia.

The Company's projects host significant coking and thermal coal resources which will see KRL emerge as a significant Indonesian coal producer, with first production achieved in December 2009.

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

The Company's medium term strategy entails vending in valuable new coal projects, while at the same time continuing to build production in the short term from up to three existing projects.

ABOUT BAYAN RESOURCES

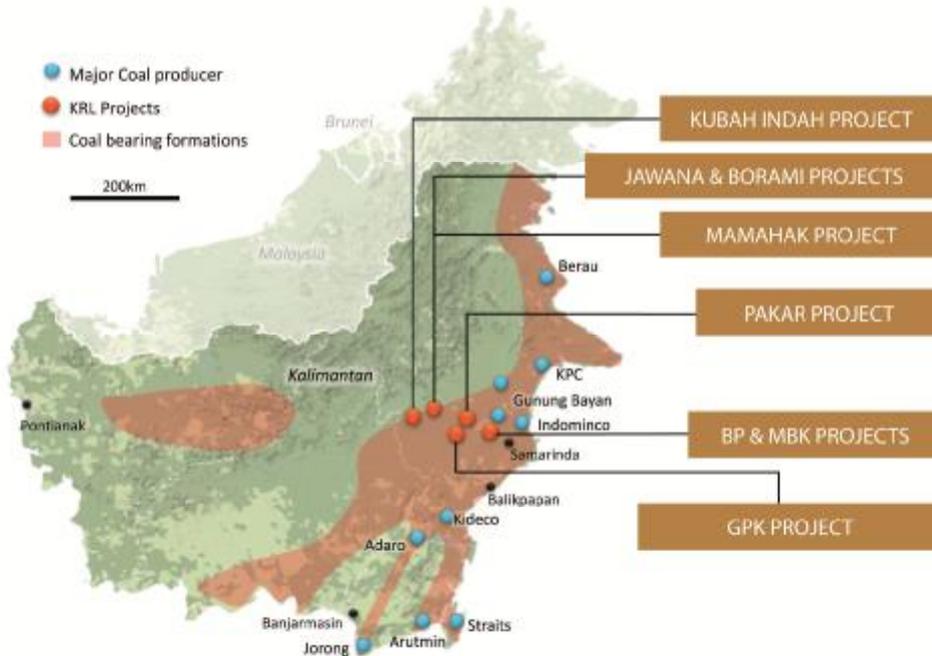
PT. Bayan Resources Tbk is a leading Indonesian-focused coal producer which is listed on the Indonesian Stock Exchange. Bayan produced approximately 11.9 million tonnes of coal in 2010 from six projects, making it one of Indonesia's largest coal producers. In addition, Bayan owns the Balikpapan Coal Terminal, one of Indonesia's largest coal terminals, as well as an innovative floating transfer station. Bayan is also the joint venture partner with White Energy in a coal beneficiation plant in East Kalimantan.

Bayan is committed to expanding its overall coal production and its association with Kangaroo as major shareholder, operating and off-take partner will assist in this regard. Bayan has the necessary resources, experience and expertise to help Kangaroo drive forward its Indonesian coal strategy.

Both Kangaroo and Bayan see many synergies in their two operating coal businesses in Indonesia and are seeking to take advantage of these as well as realise all available economies of scale.



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



Appendix 2: Summary of JORC Code Coal Resources & Reserves for KRL's Indonesian Coal Projects

PAKAR PROJECT:

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

Pakar Project Reserve Category	Coal Reserves (Mt)	TM% (ar)	Ash% (ar)	TS% (ar)	CV kcal/kg (gar)	RD (ar)
Proved	16	38.7	6.5	0.13	3,860	1.37
Probable	426	44.9	5.3	0.14	3,330	1.42
TOTAL	442	44.7	5.3	0.14	3,350	1.42

MAMAHAK PROJECT:

SW Block										
JORC Class	Tonnage tonnes	RD (gm/cc)	ASH (%)	TM (%)	IM (%)	TS (%)	VM (%)	FC (%)	CVAD (kcal/kg)	CSN (number)
Measured	1,388,267	1.32	9.6	3.0	1.7	1.52	40.6	48.2	7448	5.3
Indicated	519,660	1.32	6.9	3.1	1.8	1.70	40.9	50.6	7578	5.3
Inferred	118,648	1.32	9.7	2.9	1.8	1.80	40.2	48.3	7477	5.4
TOTAL	2,026,575	1.32	8.9	3.0	1.7	1.58	40.7	48.8	7483	5.3

E Block										
JORC Class	Tonnage tonnes	RD (gm/cc)	ASH (%)	TM (%)	IM (%)	TS (%)	VM (%)	FC (%)	CVAD (kcal/kg)	CSN (number)
Measured	5,457,209	1.28	6.3	3.7	1.8	1.39	41.7	50.2	7746	-
Indicated	2,592,199	1.29	7.0	3.4	1.8	1.44	41.2	50.2	7668	-
Inferred	42,333	1.31	8.3	3.9	1.7	3.83	41.7	48.3	7568	-
TOTAL	8,091,741	1.29	6.6	3.6	1.8	1.42	41.5	50.2	7720	-



GPK PROJECT:

<i>Category</i>	<i>Coal (Mt)</i>	<i>Relative Density (t/bcm)</i>	<i>Ash (%) (adb)</i>	<i>Moisture (%) (adb)</i>	<i>Moisture (%) (ar)</i>	<i>Total Sulphur (%) (adb)</i>	<i>Volatile Matter (%) (adb)</i>	<i>Fixed Carbon (%) (adb)</i>	<i>Calorific Value (Kcal/Kg) (ar)</i>
<i>Indicated</i>	58	1.35	4.0	18.4	39.8	0.17	41.6	36.2	3912
<i>Inferred</i>	59	1.36	4.9	17.6	40.4	0.19	42.1	36.5	3850
<i>Total</i>	117	1.35	4.4	18.0	40.1	0.18	41.8	36.4	3881

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Kangaroo Resources Limited

ABN

38 120 284 040

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors	-	3,609
1.2 Payments for		
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production	(2,288)	(6,040)
(d) administration	(915)	(5,892)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	109
1.5 Interest and other costs of finance paid	-	(1,222)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(3,186)	(9,436)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(6,080)
(b) equity investments	-	-
(c) other fixed assets	(807)	(2,113)
1.9 Proceeds from sale of:		
(a) prospects	11	58
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(1,754)	(19,907)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(2,550)	(28,042)
1.13 Total operating and investing cash flows (carried forward)	(5,736)	(37,478)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,736)	(37,478)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	24,711
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	12,301
1.17	Repayment of borrowings	(120)	(313)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(120)	36,699
	Net increase (decrease) in cash held	(5,856)	(779)
1.20	Cash at beginning of quarter/year to date	8,034	3,506
1.21	Exchange rate adjustments to item 1.20	(14)	(563)
1.22	Cash at end of quarter	2,164	2,164

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	95
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors' fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Issue of 2,305,000,000 shares on 13 June re; acquisition of Pakar Project.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	1,500
4.4 Administration	500
Total	2,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,164	8,034
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,164	8,034

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	3,434,430,012	3,434,430,012		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,305,000,000	2,305,000,000	\$0.135	\$0.135
7.5 +Convertible debt securities Convertible notes				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted, repaid	- -	- -		
7.7 Options <i>(description and conversion factor)</i>	5,000,000 5,000,000 2,500,000 1,000,000 2,500,000 2,500,000	- - - - - -	<i>Exercise price</i> \$0.05 \$0.10 \$0.25 \$0.25 \$0.35 \$0.50	<i>Expiry date</i> 30 September 2012 30 September 2012 2 September 2012 15 September 2012 2 September 2012 2 September 2012
Warrants	128,103,448	-	\$0.133	29 June 2015

+ See chapter 19 for defined terms.

7.8	Issued during quarter				
7.9	Exercised during quarter – options				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 25 July 2011
(Director/Company secretary)

Print name: Sean Henbury

Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.