



---

# KANGAROO RESOURCES LIMITED

(Formerly Kangaroo Metals Limited)

ABN 38 120 284 040

Financial Report for the year ended 30 June 2009

---

For personal use only

## COMPANY PARTICULARS



### DIRECTORS

Mark O'Keeffe  
***Non-Executive Chairman***

Faldi Ismail  
***Non-Executive Director***

William Shire  
***Non-Executive Director***

### COMPANY SECRETARY

Sean Henbury

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

Telephone: (08) 9486 2333  
Facsimile: (08) 9355 4580

### AUDITORS

PKF Chartered Accountants & Business Advisors  
(East Coast Practice)  
Level 6, 10 Eagle Street  
Brisbane QLD 4001

Telephone: (07) 3226 3555  
Facsimile: (07) 3226 3500

### SHARE REGISTRY

Advanced Share Registry Services  
150 Stirling Highway  
Nedlands WA 6009

Telephone: (08) 9389 8033  
Facsimile: (08) 9389 7871

### BANKERS

National Australia Bank Limited

### STOCK EXCHANGE

Listed on the Australian Securities Exchange  
The Home Exchange is in Perth, Western Australia

### ASX CODE

KML Fully Paid Ordinary Shares  
KMLO Options expiring 19 August 2009

### E-MAIL

info@kangarooresources.com

### WEB SITE

[www.kangarooresources.com](http://www.kangarooresources.com)

For personal use only

## CONTENTS



---

<b>DIRECTORS' REPORT</b> .....	1
<b>AUDITOR'S INDEPENDENCE DECLARATION</b> .....	13
<b>CORPORATE GOVERNANCE STATEMENT</b> .....	14
<b>DIRECTORS' DECLARATION</b> .....	19
<b>INCOME STATEMENTS</b> .....	20
<b>BALANCE SHEETS</b> .....	21
<b>STATEMENTS OF RECOGNISED INCOME AND EXPENSE</b> .....	22
<b>STATEMENTS OF CASH FLOWS</b> .....	23
<b>NOTES TO THE FINANCIAL STATEMENTS</b> .....	24
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	54
<b>ASX ADDITIONAL INFORMATION</b> .....	58

For personal use only

The Directors present their report on the consolidated entity comprised of Kangaroo Resources Limited (formerly Kangaroo Metals Limited) ('the Company' or 'KRL') and the entities it controlled (hereinafter referred to as 'the Group') at the end of, or during, the financial year ended 30 June 2009.

### Principal Activities

The principal activity of the Group during the year was mineral exploration.

### Operating and Financial Review

The consolidated loss from ordinary activities of the Group for the financial year ended 30 June 2009 was \$2,024,765 (2008: \$837,879).

#### *Corporate*

In July 2008 the company finalised the agreement to purchase the Riverside Alluvial Tin Mine and South Mount Cameron Mine in Tasmania. Under the terms of the agreement, the Company paid an initial payment of \$600,000, and the residual \$1.6 million, with interest linked to bank variable rates, to be paid in instalments from production over 32 months. Consideration paid for the assets consist of \$400,000 for the Exploration Licenses, \$600,000 for the Mining Licenses and \$1.2 million for the Processing Mill and Plant.

In August 2008 the company signed a purchase Agreement for the California Creek alluvial tin mine in Queensland. The purchase price was \$5.6 million of which a \$50,000 deposit was paid and is non refundable. Due diligence was completed by 31 August 2008. The final sum of \$5.55 million was payable before 30 November 2008. Completion of the purchase was subject to the company obtaining finance for the acquisition on terms acceptable to the company in its sole discretion; and the receipt of all shareholders approvals required by the company to complete the transactions, including any shareholder approval required to undertake any capital raising necessary to complete the transaction. Finance was not obtained and accordingly the transaction did not proceed with the \$50,000 deposit forfeited.

In September 2008 the company entered into an unsecured loan agreement with a substantial shareholder. The principal borrowed was \$150,000 with interest payable at 25% per annum payable monthly in arrears.

In November 2008 after making repayments to the value of \$130,000 the company wound back the purchase agreement for the Riverside Alluvial Tin Mine and South Mount Cameron Mine, extinguishing the liabilities in relation to the assets. The company divested all assets in Tasmania as part of the re-evaluation of operations.

On 18 November the Board accepted an offer by a consortium of investors to recapitalise the Company that would result in sufficient cash being injected into the Company to support the future operations.

The proposal can be summarised as follows:

- a) The Company would consolidate its existing shares on issue on a 1 for 2 basis;
- b) The Company would undertake the following capital raisings:
  - i. An initial raising constituting the issue of up to 70,000,000 shares at an issue price of \$0.001 each together with 140,000,000 free options to acquire shares (with an exercise price \$0.01 each and a 4 year expiry from the date of issue) to raise \$70,000; and
  - ii. The issue of up to 200,000,000 shares at an issue price of not less than \$0.01 each to raise up to a further \$2,000,000; and
- c) New Directors nominated by the consortium would be appointed to the Board.

The recapitalisation proposal was subject to shareholder approval.

On 19 November 2008 Seng Fei Chan and Brett Teale resigned as Directors replaced by Faldi Ismail and Mark O'Keeffe. On the same date Sean Henbury was appointed Company Secretary.

### Operating and Financial Review (continued)

As previously announced to the ASX, the Company agreed not to proceed with the acquisition of additional tenements in Tasmania or to acquire additional tenements at California Creek in Queensland. On 23 March 2009 the Company announced that it had formally settled on the termination of the South Mount Cameron mine transaction on 19 March 2009 and that the Company was now fully released from this transaction. In addition to this certain equipment which was utilised as part of the South Mount Cameron Operations was sold for resulting in the extinguishment of liabilities of \$288,820.

On 3 March 2009 the Company announced that the Company's Entitlements issue had closed. Due to the fact that the minimum subscription of \$2 million had not been raised by the allotment date of 5 March 2009, the Company was required to cancel the Prospectus.

Therefore none of the issues of securities contemplated by the Prospectus occurred under the Prospectus. The consolidation of the issued share capital of the company outlined above proceeded and was completed by 24 March 2009.

On 14 April 2009 the company issued and allotted 120,300,000 ordinary shares to raise \$1,005,000. In addition, 45 million options with an expire date of 31 January 2013 and a 1 cent exercise price were issued at this time.

Due to the extreme financial difficulties experienced by the Company, the Company took action following the failure to complete the entitlement issue by entering into converting loan agreements with two of the Directors, being Mr Mark O'Keeffe and Mr Faldi Ismail.

Under the terms of the converting loan agreements, Mr Ismail provided a loan facility of up to \$112,500 to the Company and Mr O'Keeffe provided a loan facility of up to \$265,000 to the Company (on an unsecured basis). The Company drew down \$62,500 and \$35,000 respectively from these facilities. The drawn down loans converted into ordinary shares and options, as follows:

- (a) Mr Faldi Ismail received 12,500,000 ordinary shares at an issue price of \$0.001 each, 5,000,000 shares at an issue price of \$0.01 each and 10,000,000 options for no consideration; and
- (b) Mr Mark O'Keeffe received 35,000,000 ordinary shares at an issue price of \$0.001 each, and 30,000,000 options for no consideration.

The Company released a new Notice of Meeting to shareholders on 17 March 2009 which sought approval for the Directors to participate in the capital raisings. The meeting was held on 17 April 2009, with all resolutions being passed.

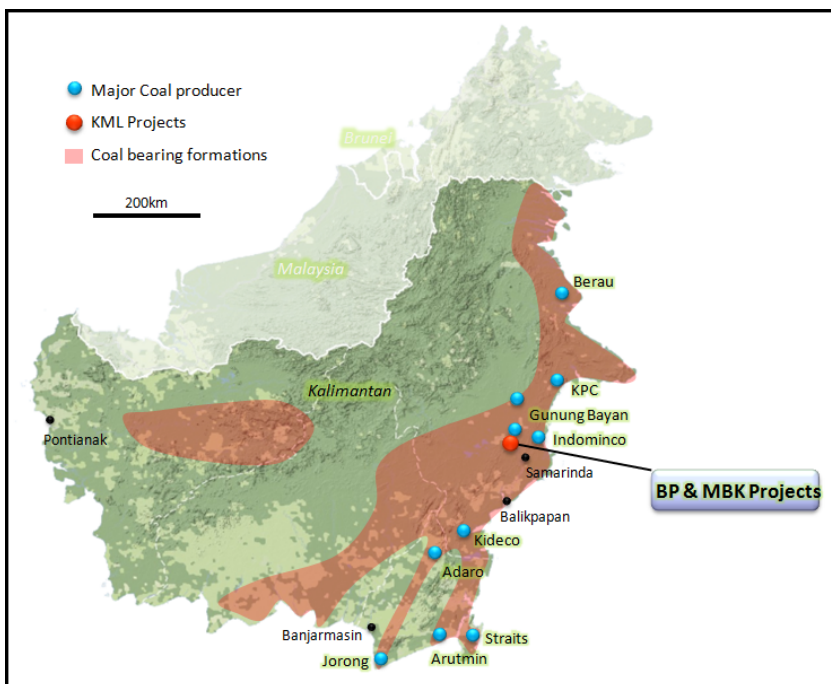
On 15 May 2009 the Company issued 41,000,000 ordinary shares at an issue price of \$0.01 to raise \$410,000.

On 27 May 2009 the Company was reinstated to official quotation with the ASX following receipt of the Company's half year accounts for the period ended 31 December 2008.

Also on this day the Company announced that it was entering into negotiations for a joint venture over an advanced coal asset in Indonesia. The Company announced on 1 June 2009 that the option to enter into a Joint Venture over two coal concessions owned by Alexis Minerals International Pty Ltd had been finalised. The two coal concessions are referred to as Bara Pratama (BP) and Mitra Bara Karya (MBK), located in East Kalimantan, Indonesia.

The location of the Company's coal project areas in Indonesia are shown on the map below.

Operating and Financial Review (continued)

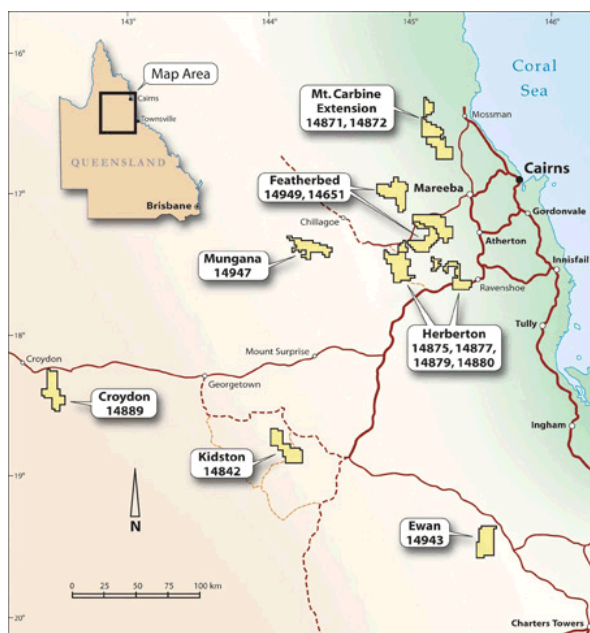


On 27 May 2009 the Company released a Prospectus for a general offer of up to 40,000,000 shares at an issue price of \$0.01 per Share to raise approximately \$400,000. The offer closed on 5 June 2009 oversubscribed, with the final allotment of the shares on 11 June 2009.

The Company continues to review its North Queensland tenements. The location of the Company's Australian projects in Queensland is shown on the map below.

For personal use only

**Operating and Financial Review (continued)**



Tenement Locations Held by Kangaroo Metals Limited

KRL holds 12 tenements with a combined land area of 2,955km<sup>2</sup> covering the mineral rich regions of northeast Queensland, including the prospective Mt Ruby high grade iron ore project.

The current tenements provide iron, gold, tin-tungsten, copper and lead exploration targets.

**Significant Changes in the State of Affairs**

In July 2008 the Company finalised the agreement to purchase the Riverside Alluvial Tin Mine and South Mount Cameron Mine in Tasmania. On 23 March 2009 the Company announced that it had formally settled on the termination of the South Mount Cameron mine transaction on 19 March 2009 and that the Company was now fully released from this transaction.

During the period, the Company raised equity to the value of \$1,908,000. Refer to the operating and financial review for further details.

In September 2009, the Company placed 36,970,454 shares at \$0.07 for \$2,587,932. These shares were placed with sophisticated investors and institutions.

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

**Events Subsequent to Balance Date**

Other than the events disclosed in Note 26, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial years.

For personal use only

### Likely Developments

Likely developments in the operation of the Group and the expected results of those operations are included under the Review of Operations in this Directors' 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 likely to result in unreasonable prejudice to the Group.

### Dividends

No dividend has been paid by the Group the year ended 30 June 2009 and the Directors do not recommend payment of a dividend.

### 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.

### Directors and Company Secretary

The names and particulars of the qualifications, experience and special responsibilities of the Directors and Company Secretary in office at any time during or since the end of the financial year are:

#### Mark O'Keeffe

Non –Executive Chairman (Appointed 19 November 2008)

Mark has been a successful businessman in the Perth community for the past 18 years. Over this time he has developed a wide network of business associates and has built many loyal and longstanding relationships within the commercial sector. Mark's business interests in addition to a range of real estate investments have encompassed several established enterprises in both the retail and service industries. In recent years Mark has become actively involved in the minerals industry where he has provided his services in various corporate capacities including his direct involvement in a number of private and public company capital raisings. Mark's business experience and entrepreneurial skills will contribute significantly to the Company's new direction.

#### Faldi Ismail B. Bus

Non –Executive Director (Appointed 19 November 2008)

Faldi Ismail has many years experience as a corporate consultant specialising in the restructure and recapitalisation of a wide range of ASX-listed, public unlisted and private companies. Faldi 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. Faldi is currently a Director of Cape Range Wireless Limited and Coventry Resources Limited, both of which are ASX-listed public companies. Within the past 3 years he was also a director of Environmental Clean Technologies Limited and Sam's Seafood Holdings Limited. He facilitated a number of ASX restructures including NSL Health Ltd; Cape Range Wireless Ltd; Matrix Oil NL; Deep Yellow Ltd; Computronics Holdings Limited and Environmental Solutions International Ltd.

#### William Shire

Non-Executive Director (Appointed 27 September 2006)

Mr Shire is a professional investor and deal broker whose career commenced in real estate and business broking in 1984. He has established a number of successful real estate and broking businesses, and in the last 4 years has assisted in arranging up to \$25 million in funding for the establishment of oil and gas, minerals exploration and

property development companies. Mr Shire did not hold any directorships in other listed companies in the previous 3 years.

### **Sean Henbury CA FITA**

Company Secretary (Appointed 19 November 2008)

Mr Henbury (CA, FTIA) is a Chartered Accountant with over 13 years 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's primary areas of expertise include taxation consulting, taxation compliance, corporate restructuring, financial reporting, and company secretarial requirements. Sean has extensive experience in all areas of compliance and taxation services.

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 Environmental Clean Technologies Ltd (formerly Environmental Solutions International Ltd), a company listed on the ASX.

He is currently a Director and the Company Secretary of NSL Health Limited and Cape Range Wireless Limited, both of which are listed public companies. He was a Director of Computronics Holdings Limited and is still the Company Secretary, which is also a listed public companies. He was a member of the team which recapitalised these companies and took part in their reinstatement to official quotation.

### **Seng Fai Chan B.Comm B.Juris LLB CPA**

Non-Executive Chairman (Appointed 20 June 2006/ resigned 19 November 2008)

Mr Chan is a barrister and solicitor and has been practising as a legal practitioner for over 20 years, specialising in commercial law, taxation, leasing and company structures. He previously worked in the Australian Taxation Office for 7 years. Mr Chan acts for a number of major high net worth overseas clients, particularly within the Asian region. Mr Chan is a non-executive director of Aspen Group (since 1 November 2002) which is listed on ASX.

### **Dr Brett Teale PhD JD MHGSA MAiCD**

Managing Director (Appointed 16 November 2006/ resigned 19 November 2008)

Dr Teale has a doctorate in Molecular Genetics and a Juris Doctor in Law covering fields of Corporations and Business Law and over 10 years experience at the executive management level in high-risk and start-up ventures. Dr Teale is a specialist with a broad base of skills in scientific and analytical roles, efficiencies management and sustainability skills which he has applied to help grow medical and biotechnology companies before being asked to manage Kangaroo Resources. Dr Teale did not hold any directorships in other listed companies in the previous 3 years.

### **Dr Roger Taylor PhD DIC BSc**

Non-Executive Director (Appointed 16 November 2006/resigned 26 September 2008)

Dr Taylor is a world renowned geologist with over 30 years experience both in Australia and at mining sites around the globe. His experience ranges from Chile, Indonesia, China, Brazil, Peru, Mexico to Bolivia and Southern Asia. Dr Taylor has consulted for some of the world's largest mining houses including MIM, Rio Tinto, Codelco, CVRD, Newcrest and BHP-Billiton. His vast experience and knowledge of the North Queensland mining region represents one of the key company assets needed for a successful exploration programme. Dr Taylor did not hold any directorships in other listed companies in the previous 3 years.

### **Geoffrey Wallace FCPA, FTIA, MAiCD**

Company Secretary (Appointed 24 January 2008/ resigned 29 October 2008)

Mr. Wallace is a fellow of both the Australian Society of Certified Practising Accountants and of the Taxation Institute of Australia. He is a director of Continental Nickel Limited, a company listed on the Toronto Stock Exchange and is a former director of IMX Resources NL and Uranex NL.

**Directors' Meetings**

The following table sets out the number of meetings of the Company held during the year ended 30 June 2009 and the number of meetings attended by each Director.

During the year 12 Directors meetings were held and 6 circular resolutions were made during the period 1 July 2008 to 30 June 2009.

The number of meetings at which Directors were in attendance is as follows:

	Board Meetings	
	A	B
M O'Keeffe	8	8
F Ismail	8	8
S F Chan	4	4
B Teale	4	4
R Taylor	3	3
W Shire	12	12

A – Number of meetings held while in office

B – Meetings attended

**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	Listed Options	27 November 2010 Unlisted Options	31 January 2013 Unlisted Options
S F Chan	1	-	-	-
B Teale	730,000	392,500	375,000	-
W Shire	800,000	275,000	-	-
M O'Keeffe	47,750,000	375,000	-	30,000,000
F Ismail	17,500,000	-	-	10,000,000

**Remuneration Report - audited**

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*. There were no executives other than Directors of the Company during the financial year. Hence no executive disclosures are made in this report. The remuneration arrangements detailed in this report are for Non-Executive and Executive Directors as follows:

Mark O'Keeffe	Non-Executive Chairman (Appointed 19 November 2008)
Faldi Ismail	Non-Executive Director (Appointed 19 November 2008)
William Shire	Non-Executive Director (Appointed 27 September 2006)
Seng Fai Chan	Non-Executive Chairman (Appointed 20 June 2006/ resigned 19 November 2008)
Dr Brett Teale	Managing Director (Appointed 16 November 2006/ resigned 19 November 2008)
Dr Roger Taylor	Non-Executive Director (Appointed 16 November 2006/resigned 26 September 2008)

**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 to attract the most qualified and experienced directors, 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.

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.

*Non Executive Director*

Fees and payments to the Non-Executive Director reflect the demands which are made on, and the responsibilities of the Director. 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.

The current base remuneration was last reviewed in November 2008. The Chairman currently receives a fixed fee for his services as a Director.

The Group's Non-Executive Director's remuneration package contains the following key elements:

- primary benefits – monthly Director's fees

Non-Executive Director fees are determined within an aggregate Directors' fee pool limit of \$150,000, which is periodically recommended for approval by shareholders.

No retirement benefits are provided.

**Remuneration Report – audited (continued)**

*Executive Directors*

Brett Teale held the position of Executive Director during the financial year. Mr Teale resigned on 19 November 2008.

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 the existing remuneration policies.

**B Details of remuneration**

During the year there were no other executive officers, other than the Managing Director and the Company Secretaries, for whom disclosure of remuneration is required. Details of the nature and amount of each major element of the remuneration of those persons and all Directors of the Company and Group are:

Directors		Short Term	Short Term	Short Term	Post Employment	Share based payments	Other Long Term	Total	Value of Shares /Options as a Proportion of Remuneration %
		Base Remuneration	Non-cash Benefits	Insurance Premiums	Superannuation Contributions	Value of Shares /Options			
		\$	\$	\$	\$	\$	\$		
M. O'Keefe	2009	8,000	-	-	-	22,200	-	30,200	73.51%
	2008	-	-	-	-	-	-	-	-
F Ismail	2009	8,000	-	-	-	23,000	-	31,000	74.19%
	2008	-	-	-	-	-	-	-	-
S F Chan	2009	-	-	-	12,500	-	-	12,500	-
	2008	-	-	3,962	43,600	-	-	47,562	-
B Teale	2009	44,783	-	-	4,030	-	-	48,813	-
	2008	135,351	-	3,962	12,150	27,975	-	179,438	15.59%
R Taylor	2009	-	-	-	11,250	-	-	11,250	-
	2008	-	-	3,962	35,077	-	-	39,039	-
W Shire	2009	-	-	-	11,250	-	-	11,250	-
	2008	-	-	3,962	38,150	-	-	42,112	-
S Henbury	2009	-	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-	-
G Wallace	2009	-	-	-	12,703	-	-	12,703	-
	2008	-	-	-	26,308	-	-	26,308	-
B Firriolo	2009	-	-	-	-	-	-	-	-
	2008	-	-	-	24,207	-	-	24,207	-
TOTALS	2009	60,783	-	-	51,733	45,200	-	157,716	-
	2008	135,351	-	15,848	179,492	27,975	-	358,666	-

For personal use only

**Remuneration Report – audited (continued)**

- (1) Remuneration is not linked to the performance of the Group.
- (2) There are no termination or retirement benefits for Non-Executive Directors (other than statutory superannuation).
- (3) Company secretarial, accounting and taxation services are provided by FJH Solutions Pty Limited (refer to Note 21(d)).

**C Services agreements**

On appointment, the 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.

*Termination benefits*

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

An agreement is in place between the Group 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 Group. The engagement is not for a fixed period, and may be terminated by the Group or by Mr Henbury at any time.

**D Share-based compensation**

*Shares*

Mr O’Keeffe was issued 2,220,000 fully paid ordinary shares on 4 May 2009 for an issue price of \$0.001 per share. As the Company was at this time suspended from trading its shares on the ASX, the market value of these shares has been deemed to be 1 cent per share resulting in directors fees of \$22,200.

Mr Ismail were issued 2,300,000 fully paid ordinary shares respectively on 4 May 2009 for an issue price of \$0.01 per share (market value), resulting in directors fees of \$23,000.

*Options*

No options were granted to the directors as remuneration in their capacity as directors during the financial year.

In the 2008 financial year, the Company issued options for no consideration over unissued ordinary shares in Kangaroo Resources Limited, pursuant to shareholders’ approval, to the following Director of the Company as part of his remuneration:

Director	Number of Options granted	Date of grant	Average Fair Value per Option at Grant Date	Exercise Price	Expiry Date
Dr B Teale	750,000	22 November 2007	\$0.0373	\$0.20	27 November 2010

The options vested immediately and did not lapse upon Mr Teale’s resignation. The fair value of the above options was calculated at the date of grant using a Black & Scholes model which resulted in a fair value of \$ 27,975. The following table lists the inputs used in the calculation of fair value

- Dividend yield: Nil
- Expected volatility: 100%
- Risk-free interest rate: 6.3%
- Contracted life: 3 years

There were no options issued at any time to Directors and executive officers and exercised during or since the end of the financial year.

For personal use only

**Remuneration Report – audited (continued)**

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 under Option**

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

	No.	Grant Date	Expiry Date	Exercise Price \$
Issued 4 <sup>th</sup> May 2009	140,000,000	04/05/09	31/01/13	\$0.01
Issued 22 <sup>nd</sup> November 2007	375,000	22/11/07	27/11/10	\$0.40
	<u>140,375,000</u>			

12,196,881 listed options (KMLO) lapsed on 19 September 2009 with an exercise price of 40 cents per option.

On 4 May 2009, 140,000,000 options were issued with an exercise price of \$0.01 per option and an expiry date of 31 January 2013.

During the period no (2008: nil) 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.

**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*.

**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.

**Corporate Governance Statement**

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of Kangaroo Resources Limited support and have endeavoured to adhere to the appropriate ASX Corporate Governance Council's "Principles of Good Corporate Governance" and "Best Practice Recommendations", having regard to the Company's size and operations. The Company's corporate governance statement is the final section of this Directors' Report and is located following the Declaration referred to below.

For personal use only

**Auditor's Independence Declaration**

The auditor's independence declaration is set out on the following page and forms part of the Directors' Report for the year ended 30 June 2009.

This report is made in accordance with a resolution of Directors.



**Mark O'Keeffe**  
Director  
Perth, Western Australia  
30 September 2009

For personal use only



Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Kangaroo Resources Limited (formerly Kangaroo Metals Limited) for the year ended 30 June 2009, 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 year.

PKF

**Wayne Wessels**  
Partner

Dated at Brisbane this 30<sup>th</sup> day of September 2009

Tel: 61 7 3226 3555 | Fax: 61 7 3226 3500 | [www.pkf.com.au](http://www.pkf.com.au)  
PKF | ABN 83 236 985 726  
Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia  
GPO Box 1078 | Brisbane | Queensland 4001

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

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.

Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. Kangaroo Resources Limited is a junior exploration company.

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.

However, 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.

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

The Board is currently made up of three directors, none of whom are considered independent. 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. This is not compliant with the ASX Corporate Governance Councils recommendations that the majority of Directors should be independent non-executives and the Chairman should be independent. The Board considers the current composition to be both satisfactory and realistic under the present circumstances.

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

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 the a Director's report, financial reports, strategic matters, governance and compliance.

Board members possess complementary business disciplines and experience aligned with the Company objectives. The experience and qualifications of directors are noted in the Directors' Report.

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.

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 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 formally introduce a formal process of self assessment of its collective performance, the performance of individual directors and of Board committees.

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

The Company actively promotes ethical and responsible decision-making. As at 30 June 2009, 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.

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

The Board has previously established an audit committee whose responsibility it was to monitor and review the effectiveness of the Company's controls in the areas of operational and balance sheet risk, legal and regulatory compliance and financial reporting.

With the change of Board, the Company presently does not have a separately constituted audit committee as it is not presently 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. A charter (terms of reference) is being formulated and evolving.

The responsibilities 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.

The external auditor, PKF has engagement terms refreshed annually and has indicated its independence to the Board. PKF were appointed as auditors prior to the company's change in Board.

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

The Board adopts communications 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.

Material information is lodged immediately with the ASX and on acknowledgement, disseminated by posting to the website.

### ***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 Company has identified material business risks associated with its day-to-day operations and the possible impacts on the Company as a consequence. This is recorded in the Company’s internal register and is continuously being developed and updated. The Company aims to review its’ risk management policies on a quarterly basis to mitigate material risks identified from eventuating and to ensure a sound internal control system is in place. The Chairman is required to report to the Board if any material business risks that significantly impact on the business have arisen since the last Board meeting and if an effective internal control policy is in place and has been followed (as applicable). The Board declares that it has received assurance from the Chairman that a sound and effective risk management and internal control had been adhered to during the financial year ended 30 June 2009.

As part of the Company’s internal risk management policies, the Chairman and company secretary have recently completed a formal review identifying risk areas and internal controls required to mitigate such risk. The report relating thereto has been circulated to the Board concluding that an effective internal control system is in place. Such review will occur on an ongoing basis.

In summary, the Company’s internal risk management policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company’s business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organization structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

### **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.

### ***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.

### **SUMMARY**

Kangaroo Resources Limited has adopted or is in the process of adopting the following policies and charters: Board Charter, Code of Conduct, Security Trading Policy, Audit Committee Charter, Continuous Disclosure Policy, Shareholder Communication Policy and Remuneration Committee Charter.

The Company is non-compliant with respect to the Directors being considered independent for reasons stated. Similarly the Company does not have a Nomination Committee. Other corporate practices continue to evolve.

For personal use only

## DIRECTORS' DECLARATION



The directors declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Cashflow Statement, Statement of Recognised Income and Expense and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - a) comply with Accounting Standards, the Corporations Regulations 2001; and
  - b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and consolidated entity.
  - c) the financial report also complies with International Financial Reporting Standards as disclosed in note 2a
2. in the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable;
3. the remuneration disclosures set out on the directors' report (as part of the Remuneration Report) for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001; and
4. the directors have been given the declarations required by s.295A of the Corporations Regulations 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Regulations 2001.

On behalf of the Directors

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

.....

**Mark O'Keeffe**  
Director  
Perth, Western Australia  
30 September 2009

For personal use only

**INCOME STATEMENTS**  
For the year ended 30 June 2009



	Note	Consolidated		The Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Continuing operations</b>					
Financial income	5	7,015	174,182	7,015	174,182
Sundry Income	5	14,989	-	14,989	-
		<u>22,004</u>	<u>174,182</u>	<u>22,004</u>	<u>174,182</u>
Expenses					
Finance expenses		100,350	23,212	100,350	23,212
Depreciation expense		4,960	1,164	4,960	1,164
South Mt Cameron pre-acquisition expenditure		-	410,622	-	-
Impairment in value of investments		-	-	58,415	410,961
Share based payments		399,800	27,975	399,800	27,975
Impairment of Plant and Equipment		74,376	-	74,376	-
Administration expenses		624,401	549,088	607,353	548,749
<b>Total expenses</b>		<u>1,203,887</u>	<u>1,012,061</u>	<u>1,245,254</u>	<u>1,012,061</u>
<b>Loss before income tax expense</b>	6	<u>(1,181,883)</u>	<u>(837,879)</u>	<u>(1,223,250)</u>	<u>(837,879)</u>
Income tax expense	8	-	-	-	-
<b>Net loss from continuing operations</b>		<u>(1,181,883)</u>	<u>(837,879)</u>	<u>(1,223,250)</u>	<u>(837,879)</u>
Loss from discontinued operations	7	<u>(842,882)</u>	-	<u>(842,882)</u>	-
<b>Net loss for the year</b>	18	<u>(2,024,765)</u>	<u>(837,879)</u>	<u>(2,066,132)</u>	<u>(837,879)</u>
<b>Earnings per share</b>					
		<b>2009</b>	<b>2008</b>		
Basic and diluted loss per share from continuing operations (cents per share)	22	0.48	3.43		
Basic and diluted loss per share from discontinued operations (cents per share)	22	0.34	-		

The income statements should be read in conjunction with the accompanying notes.

For personal use only

## BALANCE SHEETS

As at 30 June 2009



	Note	Consolidated		The Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Current Assets</b>					
Cash and cash equivalents	23	1,136,964	1,321,338	1,136,957	1,315,135
Other receivables	9	63,634	111,352	60,157	111,352
Other assets	10	-	15,978	-	15,978
<b>Total Current Assets</b>		<b>1,200,598</b>	<b>1,448,668</b>	<b>1,197,114</b>	<b>1,442,465</b>
<b>Non-Current Assets</b>					
Receivables	9	41,160	35,000	1,160	-
Other financial assets	11	178,966	-	2,765,956	1,759,032
Property, plant & equipment	12	403,095	962,046	403,095	962,046
Exploration and evaluation expenditure	13	2,586,991	1,718,043	-	-
<b>Total Non-Current Assets</b>		<b>3,210,212</b>	<b>2,715,089</b>	<b>3,170,211</b>	<b>2,721,078</b>
<b>Total Assets</b>		<b>4,410,810</b>	<b>4,163,757</b>	<b>4,367,325</b>	<b>4,163,543</b>
<b>Current Liabilities</b>					
Trade and other payables	14	396,442	210,606	394,325	210,392
Provisions	15	42,207	27,999	42,207	27,999
Interest bearing liabilities	16	214,296	127,129	214,296	127,129
<b>Total Current Liabilities</b>		<b>652,945</b>	<b>365,734</b>	<b>650,828</b>	<b>365,520</b>
<b>Non Current Liabilities</b>					
Interest bearing liabilities	16	126,681	449,875	126,681	449,875
<b>Total Liabilities</b>		<b>779,626</b>	<b>815,609</b>	<b>777,509</b>	<b>815,395</b>
<b>Net Assets</b>		<b>3,631,184</b>	<b>3,348,148</b>	<b>3,589,816</b>	<b>3,348,148</b>
<b>Equity</b>					
Issued capital	17	6,225,811	4,317,810	6,224,811	4,316,811
Reserves	17	671,712	271,912	671,712	271,912
Accumulated losses	18	(3,266,339)	(1,241,574)	(3,306,707)	(1,240,575)
<b>Total Equity</b>		<b>3,631,184</b>	<b>3,348,148</b>	<b>3,589,816</b>	<b>3,348,148</b>

The balance sheets should be read in conjunction with the accompanying notes.

## STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 June 2009



	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Loss for the year	(2,024,765)	(837,879)	(2,066,132)	(837,879)
Total recognised income and expense for the year	(2,024,765)	(837,879)	(2,066,132)	(837,879)

Other movements in equity arising from transactions with owners as owners are set out in note 17.

The statements of recognised income and expense should be read in conjunction with the accompanying notes.

For personal use only

## STATEMENTS OF CASH FLOWS

For the year ended 30 June 2009



	Note	Consolidated		The Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows from operating activities</b>					
Cash receipts from customers		14,989	-	14,989	-
Payments to suppliers and employees		(402,359)	(550,440)	(397,402)	(550,103)
Interest received		7,015	185,726	7,015	185,726
Interest paid		(33,831)	(23,212)	(33,831)	(23,212)
South Mt Cameron pre-acquisition expenditure		-	(410,622)	-	-
<b>Net cash used in operating activities</b>	23	<b>(414,186)</b>	<b>(798,548)</b>	<b>(409,229)</b>	<b>(387,589)</b>
<b>Cash flows from investing activities</b>					
Exploration and evaluation expenditure		(806,074)	(691,675)	-	-
Acquisition of property, plant and equipment		(14,962)	(1,017,142)	(14,962)	(1,017,142)
Investment in Joint Venture		(178,966)	-	(178,966)	-
Payment of tenement bonds		405	(5,000)	405	-
<b>Net cash used in investing activities</b>		<b>(999,597)</b>	<b>(1,713,817)</b>	<b>(193,523)</b>	<b>(1,017,142)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of equity securities		1,943,000	243,937	1,943,000	243,937
Capital raising costs		-	(22,792)	-	(22,792)
Investment in controlled entities		-	-	(804,835)	(1,112,447)
Repayment of loans from others		(863,591)	-	(863,591)	-
Proceeds from borrowings		150,000	577,004	150,000	577,004
<b>Net cash provided by financing activities</b>		<b>1,229,409</b>	<b>798,149</b>	<b>424,574</b>	<b>(314,298)</b>
Net increase/(decrease) in cash and cash equivalents		(184,374)	(1,714,216)	(178,178)	(1,719,029)
Cash and cash equivalents at beginning of year		1,321,338	3,035,554	1,315,135	3,034,164
<b>Cash and cash equivalents at end of year</b>	23	<b>1,136,964</b>	<b>1,321,338</b>	<b>1,136,957</b>	<b>1,315,135</b>

The statements of cash flows should be read in conjunction with the accompanying notes.

### 1. Reporting Entity

Kangaroo Resources Limited (formerly Kangaroo Metals Limited) (the "Company") is a company incorporated and domiciled in Australia. The financial report for the year ended 30 June 2009 includes separate financial statements for Kangaroo Resources Limited as an individual entity and the consolidated entity comprising the Company and its subsidiary (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

This financial report is a general purpose financial report which has 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 report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The 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 with the exception of loans and receivables and available-for-sale financial assets at fair value through profit and loss which are stated at their fair value.

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

For the year ended 30 June 2009, the consolidated entity and the Company incurred losses of \$2,024,765 and \$2,066,132 respectively of which \$1,364,583 and \$1,405,950 respectively are attributed to continuing operations. Further, at that date the consolidated entity had cash resources of \$1,136,964 and minimum commitments (Note 19) on its Australian exploration tenements of \$2,331,857. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the consolidated entity and the Company to continue as going concerns.

The ability of the consolidated entity and the Company to continue paying their debts as and when they fall due is dependent upon the Company limiting its future expenditure, raising additional equity or debt funding (as and when required), negotiating successful farm-in arrangements establishing profitable operations, or the sale or relinquishment of its tenements. In common with many exploration companies, the Company raises funding for the group's exploration and appraisal activities in discrete tranches.

The Directors are confident that the Company's track record of successful capital raisings will continue. During the financial year ended 30 June 2009, the Company raised \$1,908,000 and subsequent to the balance date, the Company raised a further \$2,587,932 by placing 36,970,454 million shares at \$0.07 in order to provide working capital for its projects.

The Company requires additional funding for the development costs of its GPK project (refer note 26 Subsequent Events) and its other commitments as set out in Note 19 (Commitments) and Note 26 (Subsequent Events). The Directors have performed cash flow forecasts for the 12 months period from the sign off of this financial report which indicate that the Company's existing funds will not be sufficient to bring the projects into development and production and, in due course, further funding will be required.

In the event that the Company is unable to secure further equity or debt funding, either through other third parties or capital raisings, it may not be able to fully develop its projects. The Company has the ability to terminate these projects without significant financial impact on the group should adequate funding not be obtained, or the Company could apply for exemptions in meeting its minimum spend commitments in relation to its Australian tenements.

Based on the cash flow forecasts prepared, and capital raising that the Directors propose to undertake in the following 12 months, the Directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity and the parent entity be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity and the parent entity be unable to continue as going concerns.

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

These financial statements are presented in Australian dollars, which is the Company's functional currency and the presentation currency of the Group.

### **(e) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3(b) Exploration and evaluation expenditure.

The accounting policies set out below have been applied consistently by the Group entities.

**(a) Basis of consolidation**  
**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company financial statements, investments in subsidiaries are carried at cost less impairment losses.

**(ii) Transactions eliminated on consolidation**

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**(b) Exploration and evaluation expenditure**

Exploration, evaluation and development costs represent intangible assets and are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure to the area of interest is current and they 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 intangible assets to mining property and development assets within property, plant and equipment.

The Directors consider that there are two areas of interest held during the year, being Northern Queensland and Tasmania. Tasmania was written off during the year ended 30 June 2009 as a result of the sale of the South Mount Cameron Mine.

**(c) Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated on a diminishing value method so as to write off the net cost of each asset during their expected useful life of 2 to 10 years.

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.

*Leased Asset*

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less

accumulated depreciation and impairment losses.

**(d) Financial instruments**

**(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, loans and receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through income statement, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchased and sales of financial assets are accounted for at trade date, i.e. the date that the Group's commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Groups obligations specified in the contract expire or are discharged or cancelled.

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

***Loans and receivables***

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. The collectability of debts is assessed at reporting date and where required specific provision is made for any doubtful debts.

***Other financial liabilities***

Other financial liabilities comprise loans, borrowings and other payables being measured at amortised cost using the effective interest method.

**(ii) Share capital**

***Ordinary Shares***

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

**(e) 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. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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 income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

### **(f) Employee benefits**

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

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as living accommodation and cars, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **(ii) Long service leave**

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### **(iii) Share-based payment transactions**

The fair value of options granted to employees in relation to the employee share scheme is recognised as an employee expense, with a corresponding increase in equity, over the period in which the shares vest.

### **(g) Finance income and expenses**

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through income statement, foreign currency gains, and gains on hedging instruments that are recognised in income statement. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Dividend revenue is recognised net of any franking credits.

Finance expenses comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through income statement, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in income statement. All borrowing costs are recognised in profit or loss using the effective interest method.

### (h) 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.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating 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.

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

### (i) Income tax

Income tax expenses comprise current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### (i) Tax consolidation legislation

Kangaroo Resources Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Kangaroo Resources Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Kangaroo Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Any difference between the amounts assumed and amounts receivable or payable are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### **(j) Goods and Services Tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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 ATO are classified as operating cash flows.

### **(k) Earnings per share**

#### ***Basic earnings per share***

Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### ***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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **(l) Non-current assets and disposal groups held for sale and discontinued operations**

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 coordinated 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 on the face of the income statement and the assets and liabilities are presented separately on the face of the balance sheet.

### **(m) New accounting standards and interpretations**

New accounting standards and interpretation have been published which are not mandatory for the 30 June 2009 financial year. Any options for early adoption have not been applied in the preparation of this financial report. The following amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application:

## NOTES TO THE FINANCIAL STATEMENTS



Reference	Title	Details	Application date of standard	Impact on the Group	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009

## NOTES TO THE FINANCIAL STATEMENTS



Reference	Title	Details	Application date of standard	Impact on the Group	Application date for Group
AASB 3 (revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	This may affect future business combinations. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 2008 - 5	Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Makes amendments to 25 different Standards and is equivalent to the IASB Standard Improvements to IFRSs issued in May 2008. The IASB's annual improvements project provides a vehicle for making non-urgent but necessary amendments to Standards. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 January 2009	These amendments are not expected to have a material impact on the Group's financial report.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Makes amendments to Australian Accounting Standards AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and AASB 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are additional to those in AASB 2008-5 Amendments to Australian Accounting Standards arising from the	1 January 2009	These amendments are not expected to have a material impact on the Group's financial report.	1 July 2009

For personal use only

## NOTES TO THE FINANCIAL STATEMENTS



		Annual Improvements Project.		
--	--	------------------------------	--	--

Reference	Title	Details	Application date of standard	Impact on the Group	Application date for Group
AASB 2008 - 7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>This Amending Standard:</p> <ul style="list-style-type: none"> <li>amends AASB 127 Consolidated and Separate Financial Statements to remove the definition of the 'cost method' and to require the separate financial statements of a new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation</li> <li>removes from AASB 118 Revenue the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. Therefore, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income</li> <li>implements consequential amendments to AASB 136 Impairment of Assets, introducing a new indicator of impairment for investments in subsidiaries, jointly controlled entities and associates where a dividend has been recognised</li> <li>allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous GAAP to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.</li> </ul>	1 January 2009	These amendments are not expected to have a material impact on the Group's financial report.	1 July 2009

For personal use only

Reference	Title	Details	Application date of standard	Impact on the Group	Application date for Group
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the Company after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

**4. Determination of Fair Values**

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(i) Share-based payment transactions**

The fair value of employee share options is measured using the Black-Scholes formula

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

For personal use only

5. Financial and Sundry Income

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Fuel tax credit refund	14,989	-	14,989	-
Interest income-other entities	7,015	174,182	7,015	174,182

6. Loss from continuing activities

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

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Depreciation - plant & equipment	434,680	89,115	434,680	89,115
Depreciation capitalised to carrying value of exploration and evaluation expenditure	(429,720)	(87,951)	(429,720)	(87,951)
Net depreciation	4,960	1,164	4,960	1,164
Operating lease rental expense	15,090	19,431	15,090	19,431
Finance Expenses	100,350	-	100,350	-
Net movements in provision for: impairment in investments	-	-	58,415	410,961
Employee entitlements	145,380	20,721	145,380	20,721

7. Loss from discontinued operations

(i) Description

The assets and liabilities relating to the South Mount Cameron operation in Tasmania have been disposed of during the year. The board of directors decided to terminate the initial acquisition agreement for the South Mount Cameron mine plant and mill and exploration and mining licences. This decision was first publicly announced on 13 November 2008. The termination of the acquisition agreement was settled on 19 March 2009 resulting in the Company being release from all liabilities resulting from the initial acquisition. No cash was received as consideration.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance of discontinued operations

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Exploration expenditure	366,444	-	-	-
Impairment in investment	-	-	366,444	-
Interest expense	90,563	-	90,563	-
Loss on disposal of plant and equipment	385,875	-	385,875	-
<b>Loss from discontinued operations before income tax expense</b>	<b>842,882</b>	<b>-</b>	<b>842,882</b>	<b>-</b>
Income tax expense	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS



<b>Loss from discontinued operations after income tax expense</b>	842,882	-	842,882	-
---	---------	---	---------	---

### 7. Loss from discontinued operations (Continued)

(iii) Details of the sale of the operations

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Consideration received:				
Fair value of consideration received	1,590,563	-	1,590,563	-
Total disposal consideration	1,590,563	-	1,590,563	-
Carrying amount of net assets sold	1,976,438	-	1,976,438	-
<b>Loss on sale before income tax</b>	<b>385,875</b>	<b>-</b>	<b>385,875</b>	<b>-</b>

The carrying amount of assets and liabilities as at date of sale 19 March were:

Property plant and equipment	976,438	-	976,438	-
Capitalised exploration expenditure	1,000,000	-	1,000,000	-
<b>Total assets</b>	<b>1,976,438</b>	<b>-</b>	<b>1,976,438</b>	<b>-</b>
Interest Bearing Liabilities	1,590,563	-	1,590,563	-
<b>Total liabilities</b>	<b>1,590,563</b>	<b>-</b>	<b>1,590,563</b>	<b>-</b>
<b>Net assets attributable to Discontinued Operations</b>	<b>385,875</b>	<b>-</b>	<b>385,875</b>	<b>-</b>

### Cash flows attributable to discontinued operations

Cash flows from operating activities	(366,444)	-	(366,444)	-
Cash flows from investing activities	(700,000)	-	(700,000)	-
Cash flows from financing activities	-	-	-	-
<b>Total Cash Flows</b>	<b>(1,066,444)</b>	<b>-</b>	<b>(1,066,444)</b>	<b>-</b>

### 8. Income Tax Expense

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

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Current income tax expense	-	-	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-	-	-
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

8. Income Tax Expense (Continued)

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

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Loss before tax	(2,024,765)	(837,879)	(2,066,132)	(837,879)
Income tax using the domestic corporation tax rate of 30% (2008: 30%)	(607,429)	(251,364)	(619,839)	(251,364)
Tax effect of:				
Non-deductible expenses	119,939	14,296	119,939	14,296
Capitalised exploration and development expenditure deductible	-	(256,789)	-	(256,789)
Other items	-	(13,818)	-	(13,818)
Unused tax losses and temporary differences not recognised as deferred tax assets	487,490	507,675	499,900	507,675
Income tax expense on pre-tax loss	-	-	-	-

(c) Unrecognised deferred tax balances

Deferred tax assets / (liabilities) calculated at 30% (2008: 30%) have not been recognised in respect of the following:

Income tax losses	882,732	400,035	1,081,432	400,035
Temporary differences	-	-	-	-
Impairment of Investment	-	-	127,458	-
Superannuation Accrual	-	-	8,226	-
Provision for Audit Fees	-	-	7,500	-
Business Related Costs	-	-	35,932	-
Net deferred tax asset	882,732	400,035	1,260,548	400,035

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.

9. Other receivables

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Current</b>				
Other receivables	63,634	111,352	60,157	111,352
<b>Non-current</b>				
Tenement security bonds	41,160	35,000	1,160	-

10. Other Current Assets

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Prepayments	-	15,978	-	15,978

11. Other Financial Assets

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Non-Current</b>				
Deposit	178,966	-	178,966	-
<i>Controlled entities</i>				
- Unlisted investments at cost	-	-	3,434,598	2,181,780
- Less: impairment	-	-	(847,608)	(422,748)
	178,966	-	2,765,956	1,759,032

The directors have considered that the net assets of the subsidiary equate to the fair value of the investment and as such, an impairment loss of \$424,859 has been recognised (2008:\$422,748)

12. Property, Plant and Equipment

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Plant & Equipment – at cost	513,579	1,053,920	513,579	1,053,920
Less: Accumulated depreciation	(110,484)	(91,874)	(110,484)	(91,874)
Carrying amount at end of year	403,095	962,046	403,095	962,046

Reconciliations

<b>Plant &amp; Equipment</b>				
Carrying amount at beginning of year	962,046	37,470	962,046	37,470
Additions	1,215,230	1,013,691	1,215,230	1,013,691
Disposals	(1,265,125)	-	(1,265,125)	-
Less: depreciation	(434,680)	(89,115)	(434,680)	(89,115)
Less: impairment	(74,376)	-	(74,376)	-
Carrying amount at end of year	403,095	962,046	403,095	962,046

The carrying amount of Plant and Equipment pledged as security is \$176,680 (2008:\$580,658).

During the period, the directors determined that the carrying value of certain items of plant and equipment was deemed to exceed the recoverable amount. Therefore, as required by AASB 136, the directors authorised the write-off of items of plant and equipment that were deemed impaired.

13. Exploration and Evaluation Expenditure

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Costs carried forward in respect of areas of interest in exploration phase - at cost				
Balance at beginning of the year	1,718,043	862,078	-	-
Exploration & evaluation expenditure	1,235,392	1,266,587	-	-
Impairment Loss recognised (discontinued operations)	(366,444)	(410,622)	-	-
Balance at end of the year	2,586,991	1,718,043	-	-

**13. Exploration and Evaluation Expenditure (Continued)**

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.

During the year, Kangaroo Resources Limited relinquished its Tasmanian tenements as a part of the South Mount Cameron Mine transaction (refer note 7). As a result, all capitalised expenditure relating to the Tasmanian tenements have been impaired.

**14. Trade and Other Payables**

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade payables	315,642	157,305	313,525	157,091
Other payables and accruals	80,800	53,301	80,800	53,301
	396,442	210,606	394,325	210,392

**15. Provisions**

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Current</b>				
Employee entitlements	42,207	27,999	42,207	27,999
Number of employees at year end	0	17	0	17

**16. Interest Bearing Liabilities**

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Current</b>				
Equipment loan from Bank (a)	64,296	127,129	64,296	127,129
Other loans (b)	150,000	-	150,000	-
	214,296	127,129	214,296	127,129
<b>Non current</b>				
Equipment loan from Bank (a)	126,681	449,875	126,681	449,875
	126,681	449,875	126,681	449,875
	340,977	577,004	340,977	577,004

(a) Financiers secure their interest by registering a charge over the subject assets. The carrying amount of assets under security is \$176,680 (2008:\$580,658).

(b) In September 2008 the company entered into an unsecured loan agreement with a substantial shareholder. The principal borrowed was \$150,000 with interest payable at 25% per annum payable monthly in arrears.

17. Issued Capital and Reserves

(i) Issued Capital

Ordinary Shares – Fully Paid

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Fully paid ordinary shares at 1 July 2008: 48,787,501 (1 July 2007:48,787,501)	4,317,811	4,340,603	4,316,811	4,339,603
1:2 consolidation of shares (24,393,762)(2008: Nil)	-	-	-	-
Issuance of fully paid shares during the year: 253,800,000 (2008: Nil)	1,908,000	-	1,908,000	(22,792)
Capital raising costs	-	(22,792)	-	-
278,193,762 fully paid ordinary shares at 30 June 2009(30 June 2008:48,787,501)	6,225,811	4,317,811	6,224,811	4,316,811
<b>Total Issued Capital at end of period</b>	<b>6,225,811</b>	<b>4,317,811</b>	<b>6,224,811</b>	<b>4,316,811</b>

Note:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

(ii) 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 to employees or consultants as remuneration until the options are exercised or expire.

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Balance 1 July	271,912	-	271,912	-
Options issued to directors	-	271,912	-	271,912
Share Based Payments	399,800	-	399,800	-
<b>Total Share-based payment reserve at end of period</b>	<b>671,712</b>	<b>271,912</b>	<b>671,712</b>	<b>271,912</b>

18. Accumulated Losses

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Accumulated losses at beginning of year	1,241,574	403,695	1,240,575	402,696
Net losses attributable to members of the parent entity	2,024,765	837,879	2,066,132	837,879
Accumulated losses at the end of the year	3,266,339	1,241,574	3,306,707	1,240,575

19. Commitments

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		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Not later than one year	2,331,857	1,090,000	-	-
Later than one year but not later than five years	1,880,000	3,090,000	-	-
Total	4,211,857	4,180,000	-	-

Employee remuneration commitments

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>Directors</i>				
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:				
Within one year	-	163,500	-	163,500
One year or later and no later than five years	-	40,875	-	40,875
	-	204,375	-	204,375

Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	-	5,500	-	5,500
Later than one year but not later than five years	-	-	-	-
	-	5,500	-	5,500

19. Commitments (Continued)

Finance Lease Payment Commitments

Within One Year	79,411	180,586	79,411	180,586
One year or later but not later than five years	133,941	485,176	133,941	485,176
Total	213,352	665,762	213,352	665,762
Less: Future lease finance charges	(22,375)	(88,758)	(22,375)	(88,758)
	190,977	577,004	190,977	577,004
Lease liabilities provided for in the financial statements:				
Current (Note 16)	64,296	127,129	64,296	127,129
Non-Current (Note 16)	126,681	449,875	126,681	449,875
	190,977	577,004	190,977	577,004

The Group leased plant and equipment under a finance lease with a 3 year term.

20. Particulars in relation to controlled entities

Name of Controlled Entity	Country of Incorporation	Ownership Interest	
		2009	2008
		%	%
Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	Australia	100	100

Acquisition and Disposal of Controlled Entities

The group did not acquire or lose control over any entities during the year.

21. 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.

S F Chan	Non-Executive Chairman (resigned 19 November 2008)
B Teale	Managing Director (resigned 19 November 2008)
R Taylor	Non-Executive Director (resigned 26 September 2008)
W Shire	Non-Executive Director
G Wallace	Company Secretary (resigned – 29 October 2008)
F Ismail	Non-Executive Director (appointed 19 November 2008)
M O'Keeffe	Non-Executive Director (appointed 19 November 2008)
S Henbury	Company Secretary (appointed 19 November 2008)

21. Related Party Disclosures (Continued)

b) Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Short term employee benefits	60,783	151,199	60,783	151,199
Post employment benefits	51,733	179,492	51,733	179,492
Share-based payments	45,200	27,975	45,200	27,975
	<u>157,716</u>	<u>358,666</u>	<u>157,716</u>	<u>358,666</u>

c) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares

No options were granted to key management personnel as remuneration during the financial year. Certain key management personnel did receive options as part of the purchase of shares during the reconstruction.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director, including their personally related parties, are set out below:

2009 Name	Balance at the start of the year	Granted as compensation	Exercised	1:2 Consolidation of shares	Other changes	Balance at the end of the year	Unvested	Vested and exercisable
<b>Directors of Kangaroo Resources Limited</b>								
M O'Keeffe	750,000	-	-	(375,000)	30,000,000	30,375,000	-	30,375,000
F Ismail	-	-	-	-	10,000,000	10,000,000	-	10,000,000
W Shire	550,000	-	-	(275,000)	-	275,000	-	275,000
SF Chan	-	-	-	-	-	-	-	-
B Teale	1,535,000	-	-	(767,500)	-	767,500	-	767,500
2008 Name	Balance at the start of the year	Granted as compensation	Exercised	1:2 Consolidation of shares	Other changes <sup>A</sup>	Balance at the end of the year	Unvested	Vested and exercisable
<b>Directors of Kangaroo Resources Limited</b>								
W Shire	-	-	-	-	550,000	550,000	-	550,000
SF Chan	-	-	-	-	-	-	-	-
B Teale	-	750,000	-	-	785,000	1,535,000	-	1,535,000

Further details of options granted during the financial year are contained in the Directors' report.

(iii) Share holdings

The number of shares in the Company held during the financial year by each Director of the Company, including their personally related parties, are set out below:

M O'Keeffe and F Ismail received shares during the year as compensation, refer to share based payments below for further details.

For personal use only

21. Related Party Disclosures (Continued)

Directors and Key Management Staff of Kangaroo Resources Limited:

2009	Balance at the start of the year	Received during the year on exercise of options	1:2 Consolidation of shares	Share based payments	Other changes during the year	Balance at the end of the year
<b>Ordinary shares</b>						
M O'Keefe	1,500,000	-	(750,000)	35,000,000	12,000,000	47,750,000
F Ismail	-	-	-	12,500,000	5,000,000	17,500,000
W Shire	1,600,000	-	(800,000)	-	-	800,000
SF Chan	1	-	-	-	-	1
B Teale	1,460,000	-	(730,000)	-	-	730,000
R Taylor	-	-	-	-	-	-
S Henbury	-	-	-	-	360,000	360,000
G Wallace	-	-	-	-	-	-

2008	Balance at the start of the year	Received during the year on exercise of options	1:2 Consolidation of shares	Share based payments	Other changes during the year	Balance at the end of the year
<b>Ordinary shares</b>						
W Shire	1,600,000	-	-	-	-	1,600,000
SF Chan	1	-	-	-	-	1
B Teale	1,570,000	-	-	-	(110,000)	1,460,000
R Taylor	-	-	-	-	-	-
G Wallace	-	-	-	-	-	-

Individual directors and executives disclosure

Information regarding individual directors and executives compensation, service agreements and some equity instruments disclosures is provided in the Remuneration Report section of the Directors Report.

Other key management personnel transactions

During the year the group made other payments to key management personnel and related parties as follows:

- Dr Brett Teale (Director) and Carrie Teale: \$9,954 (2008: \$26,000) for lease of residential property used as exploration base. Owing to them at balance date nil (2008: \$954).
- Mr SF Chan: \$9,000 for the lease of office space used as the registered office of the Company. Owing to him at balance date nil (2008: \$nil).
- 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 arms length transaction. Payments made to FJH Solutions during the period totaled \$95,986 (2008: \$nil)
- Dr Brett Teale (Former Director) \$30,000 (2008: \$nil) for geological consulting.
- In April 2009 the Company entered into converting loan agreements with two of the Directors, being Mr Mark O'Keefe and Mr Faldi Ismail. Refer below for further details.

Share Based Payments

Under the terms of the converting loan agreements, Mr Ismail provided a loan facility of up to \$112,500 to the Company and Mr O'Keefe provided a loan facility of up to \$265,000 to the Company (on an unsecured basis). The

Company drew down \$62,500 and \$35,000 respectively from these facilities. The drawn down loans converted into ordinary shares and options, as follows:

**21. Related Party Disclosures (Continued)**

- (c) Mr Faldi Ismail received 12,500,000 ordinary shares at an issue price of \$0.001 each, 5,000,000 shares at an issue price of \$0.01 each and 10,000,000 options for no consideration; and
- (d) Mr Mark O’Keeffe received 35,000,000 ordinary shares at an issue price of \$0.001 each, and 30,000,000 options for no consideration.

The shares and options were distributed as follows:

*Loans*

During the period, Mr O’Keeffe loaned the Company \$12,800. In order to repay the loan, the Company issued 12,800,000 shares at \$0.001 per share (\$12,800). The Company also issued 30,000,000 options for no consideration, which were deemed to have a fair value of \$0.005 per option (based on a Black & Scholes valuation).

During the period, Mr Ismail loaned the Company \$39,500. In order to repay the loan, the Company issued 12,500,000 shares at \$0.001 per share (\$12,500), and 2,700,000 shares at \$0.01 per share (\$27,000). The Company also issued 10,000,000 options for no consideration, which were deemed to have a value of \$0.005 per option (based on a Black & Scholes valuation).

*Valuation of Options:*

Using the Black & Scholes model, the 40,000,000 options are assumed to have a common volatility factor of 70% and an approximate risk free interest rate of 5.5%. The options have an exercise price of \$0.01 and expire on 31 January 2013. There are no vesting requirements.

*Directors Remuneration*

Mr O’Keeffe was issued 2,220,000 fully paid ordinary shares on 4 May 2009 for an issue price of \$0.001 per share. As the Company was at this time suspended from trading its shares on the ASX, the market value of these shares has been deemed to be 1 cent per share resulting in directors fees of \$22,200.

Mr Ismail were issued 2,300,000 fully paid ordinary shares respectively on 4 May 2009 for an issue price of \$0.01 per share (market value), resulting in directors fees of \$23,000.

*Impact on the Profit and Loss*

As a result of the issue of the above shares and options, the Company has recognised the following impact on profit and loss:

	2009 \$	2008 \$
Payments for directors fees (taken up in directors remuneration)	45,200	-
Fair value of shares and options issued as converting loan facility fee	399,800	-

As a result of the issue of the above shares and options, the Company has recognised the following impact on the balance sheet

Repayment of Loan	52,300	-
-------------------	--------	---

**Non-key management disclosures**

*Kangaroo Minerals Limited*

In addition to its key management personnel, the parent entity has a related party relationship with its subsidiary.

Loans are advanced by the Company to its wholly owned subsidiary for exploration and evaluation expenditure. The loans have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June

For personal use only

**21. Related Party Disclosures (Continued)**

2009, such loans to the subsidiary totalled \$ 2,586,991 (2008: \$1,276,739). These loans have been recognised as an additional investment in Kangaroo Minerals Pty Ltd.

*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 paid a deposit of \$178,966 for its interest in the Joint Venture. Subsequent to 30 June 2009, the Company completed the acquisition of its 15% interest in the Joint Venture (refer to note 26).

**22. Earnings per Share**

Loss per share from Continuing Operations	Consolidated	
	2009	2008
Loss from Continuing Operations	(\$1,181,883)	(\$ 837,879)
Basic loss per Share (cents per share)	0.48	3.43
Weighted average number of Ordinary Shares on issue used in the calculation of basic earnings per Share	246,140,110	24,393,751

The loss per share for the comparative period has been retrospectively adjusted to reflect the share consolidation performed in the current period.

Loss per share from Discontinued Operations	Consolidated	
	2009	2008
Loss from discontinued operations	(\$842,882)	-
Basic loss per Share (cents per share)	0.34	-
Weighted average number of Ordinary Shares on issue used in the calculation of basic earnings per Share	246,140,110	-

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.

For personal use only

**23. 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.

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>(a) Reconciliation of cash and cash equivalents</b>				
Reconciliation of cash balance comprises:				
Cash at bank	1,136,964	1,321,338	1,136,957	1,315,135
	<u>1,136,964</u>	<u>1,321,338</u>	<u>1,136,957</u>	<u>1,315,135</u>
<b>(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities:</b>				
Loss from ordinary activities after income tax	(2,024,765)	(837,879)	(2,066,132)	(837,879)
Add/(less) non-cash items:				
Depreciation	4,960	1,164	4,960	1,164
Impairment in value of investments	366,847	-	425,262	410,961
Impairment of fixed assets	74,376	-	74,376	-
Loss on disposal of discontinued plant and equipments	385,472	-	385,472	-
Non cash interest expense	156,948	-	156,948	-
Share based payments expense	399,800	27,975	399,800	27,975
Change in assets and liabilities during the financial year:				
(Increase)/decrease in prepayments	15,978	(15,978)	15,978	(15,978)
Increase/(decrease) in trade payables	144,272	97,408	128,704	97,406
Increase/(decrease) in employee entitlements	14,208	20,721	14,208	20,721
(Increase) /decrease in trade receivables	47,718	(91,959)	51,195	(91,959)
Net cash used in Operating activities	<u>(414,186)</u>	<u>(798,548)</u>	<u>(409,229)</u>	<u>(387,589)</u>

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

The assets and liabilities relating to the South Mount Cameron operation in Tasmania have been disposed of during the year. No cash was received for this transaction. Refer to note 7 for further details.

**24. Segment Reporting**

The Company operates predominantly in one industry segment of mineral exploration and one geographical segment being Australia.

**25. Contingent Liabilities**

For personal use only

The Directors are not aware of any material contingent liabilities as at the date of these financial statements.

### 26. Subsequent Events

- a) In accordance with the Heads of Agreement entered into prior to year end, the Company transferred US\$300,000 to Alexis Minerals to earn the Company its 15% interest in the Joint Venture. As discussed in the Directors' Report, the Joint Venture relates to two East Kalimantan coal projects, being Bara Pratama (BP) and Mitra Bara Karya (MBK), located in Indonesia.
- b) On 31 July 2009, the Company entered into a mandate with PT Energi Surya Abadi to identify and Procure acquisition and investment opportunities for the Company in resource projects located in Indonesia.

The engagement fee payable by the Company will be as follows:

- I. A cash payment of US\$500,000; and
  - II. The issue of 150 million fully paid ordinary shares in the capital of the Company.
- c) In September 2009, the Company entered into a Framework Agreement with PT Graha Panca Karsa (PT GPK) in relation to the GPK Project, which has a JORC resource of 248 million tonnes of thermal coal. The Company paid an initial sum of US\$2 million to PT GPK in consideration for the Company receiving mining rights representing an economic interest to 84.82% of this project. For this interest the Company will also pay up to US\$8 million for development costs to bring this project into production.

The Company has the appropriate industry knowledge and resources relating to the exploration and exploitation of coal. PT GPK has requested assistance from the Company with the exploration and exploitation of coal, and the Company has agreed, subject to completion of the due diligence to the Company's satisfaction, to provide such assistance.

The Company and PT GPK have agreed to jointly cooperate to conduct mining activities in the concession areas.

To fund this initial payment the Company entered into a loan agreement with Pala Investments Holdings Limited. The facility was for \$2,500,000, at an interest rate of 6% per annum and a fixed and floating charge over the assets of the Company as security. The agreement required that the funds be repaid by 30 September 2009. On the 25<sup>th</sup> September 2009, the Company repaid this loan and all security has been released.

In order to repay this loan and provide some initial working capital for its projects the Company placed 36,970,454 shares at \$0.07 for \$2,587,932 in September 2009. These shares were placed with sophisticated investors and institutions.

- d) In September 2009 the Company entered into a deed of release agreement with Kal Energy Ltd and its subsidiary Thatcher Mining Pte Ltd, which previously had an economic interest in the GPK Project (refer note 26 (c) above). Under the terms of this deed the Kangaroo Resources will pay up to US\$5 million to Kal Energy for Kal Energy to provide a blanket release to the Company for any ownership issues that may arise from the period of Kal Energy's association with the GPK Project. An initial payment of US\$100,000 has already been paid and a further US\$2.4 million is scheduled for the end of October 2009, and a final US\$2.5 million is scheduled for the end of November 2009.

In return for this payment, the Company will receive the deed of release as well as all drilling data and technical information relating to the project (including the JORC resource information). The Company was able to secure a further 9.82% of the GPK Project within this agreement, taking the Company's interest in this project to 84.82%.

The Directors are currently undertaking a further capital raising to provide funds for additional working capital to move into production at GPK as well as for this deed of release.

**27. Financial Risk Management**

**Overview**

This note presents information about the Group's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the balance sheet date there were no significant concentrations of credit risk.

*Cash and cash equivalents*

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

*Other receivables*

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Other receivables comprise of refunds owing from the Australian Tax Office.

*Exposure to credit risk*

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Consolidated		The Company	
		2009 \$	2008 \$	2009 \$	2008 \$
Receivables	9	63,634	111,352	60,157	111,352
Cash and cash equivalents	23	1,136,964	1,321,338	1,136,957	1,315,135

*Impairment losses*

None of the Group's other receivables are past due (2008:nil).

The Group where necessary establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet its obligations.

For personal use only

**27. Financial Risk Management (Continued)**

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The Group anticipates a need to raise additional capital in the next 12 months to meet forecast operational and exploration activities. The decision on how the Group will raise future capital will depend on market conditions existing at the time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

**30 June 2009**

	Carrying _amount \$	Contractual cash flows \$	6 mths or less \$	6-12 mths \$	1-2 years \$	2-5 years \$
Trade and other payables						
Consolidated	396,442	396,442	396,442	-	-	-
The Company	394,325	394,325	394,325	-	-	-
Equipment loan from Bank						
Consolidated	190,977	213,352	39,705	39,70€	133,941	-
The Company	190,977	213,352	39,705	39,70€	133,941	-
Other loans						
Consolidated	150,000	150,000	150,000	-	-	-
The Company	150,000	150,000	150,000	-	-	-

For personal use only

27. Financial Risk Management (Continued)

30 June 2008

	Carrying _amount \$	Contractual cash flows \$	6 mths or less \$	6-12 mths \$	1-2 years \$	2-5 years \$
Trade and other payables	210,606	210,606	210,606	-	-	
Consolidated	210,392	210,392	210,392	-	-	
The Company						
Equipment loan from Bank						
Consolidated	577,004	665,762	90,293	90,293	180,586	304,590
The Company	577,004	665,762	90,293	90,293	180,586	304,590

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency Risk**

The Group is not exposed to currency risk and at balance sheet date the Group holds no financial assets or liabilities which are exposed to foreign currency risk.

**Interest Rate Risk**

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit maturing within 60 days.

**Profile**

At the reporting date the following financial instruments are effected by variable interest rates.

	Consolidated Carrying Amount		The Company Carrying Amount	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Variable rate instruments</b>				
Financial assets – cash and cash equivalents	1,136,964	1,321,328	1,136,957	1,315,135

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity.

For personal use only

27. Financial Risk Management (Continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

Group

	Profit or loss		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
<b>30 June 2009</b>				
Variable rate instruments	11,369	(11,369)	11,369	(11,369)
<b>30 June 2008</b>				
Variable rate instruments	13,213	(13,213)	13,213	(13,213)

Fair Values

Fair values versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated

	30 June 2009		30 June 2008	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Receivables	63,634	63,634	111,352	111,352
Cash and cash equivalents	1,136,964	1,136,964	1,321,338	1,321,338
Trade and other payables	(396,442)	(396,442)	(210,606)	(210,606)
Interest Bearing Liabilities	(340,977)	(340,977)	(577,004)	(577,004)
	<u>463,179</u>	<u>463,179</u>	<u>645,080</u>	<u>645,080</u>

The Company

	30 June 2009		30 June 2008	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Receivables	60,157	60,157	111,352	111,352
Cash and cash equivalents	1,136,957	1,136,957	1,315,135	1,315,135
Trade and other payables	(394,325)	(394,325)	(210,392)	(210,392)
Interest Bearing Liabilities	(340,977)	(340,977)	(577,004)	(577,004)
	<u>461,812</u>	<u>461,812</u>	<u>639,091</u>	<u>639,091</u>

Other Market Price Risk

Other equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

**27. Financial Risk Management (Continued)**

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's investment in equity instruments at balance sheet was Nil (2008:Nil).

**Commodity Price Risk**

The group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

**Capital Risk Management**

The Group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance.

The capital structure of the Group consists of cash and cash equivalents, interest bearing liabilities and the equity attributed to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

Due to the nature of the Group's activities (exploration) the directors believe that the most advantageous way to fund these activities is primarily through equity.

**28. Auditor's Remuneration**

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Auditors of the Company – PKF (East Coast Practice)				
Audit services	52,839	30,150	52,839	30,150
Other services – tax services (PKF Perth partnership)	-	1,530	-	1,530
<b>Total</b>	<b>52,839</b>	<b>31,680</b>	<b>52,839</b>	<b>31,680</b>



Chartered Accountants  
& Business Advisers

## 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 balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both the company and 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statement*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report comprising the financial statements and notes, complies 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.

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

Tel: 61 7 3226 3555 | Fax: 61 7 3226 3500 | [www.pkf.com.au](http://www.pkf.com.au)  
PKF | ABN 83 236 985 726  
Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia  
GPO Box 1078 | Brisbane | Queensland 4001

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

*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 company's and the consolidated entity's financial position as at 30 June 2009 and of their 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 2a.

*Material uncertainty regarding continuation as a going concern*

Without qualifying our opinion, we draw attention to Note 2c in the financial report which indicates that for the year ended 30 June 2009 the consolidated entity and parent incurred losses of losses of \$2,024,765 and \$2,066,132 respectively. Further, at that date the consolidated entity had cash resources of \$1,136,964 and minimum commitments on its Australian exploration tenements of \$2,331,857. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity and parent to continue as going concerns.

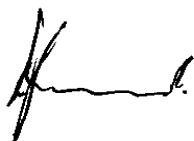
Should the consolidated entity and parent be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the period ended 30 June 2009. 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 period ended 30 June 2009, complies with section 300A of the *Corporations Acts 2001*.

**PKF****PKF**

**Wayne Wessels**  
Partner

Dated at Brisbane this 30<sup>th</sup> day of September 2009

For personal use only

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

### 1. Shareholder Information

- 1.1 As at 27 September 2009 the Company had 603 holders of Ordinary Fully Paid Shares, 8 holders of unlisted Options expiring 31 January 2013, and 1 holder of unlisted options expiring 27 November 2010.

#### 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.

### 1.2 Distribution of Share and Option Holders (as at 19 November 2008)

No.	Fully Paid Shares	Unlisted Options 27 November 2010	Unlisted Options 31 January 2013
1-1,000	10	-	-
1,001-5,000	150	-	-
5,001-10,000	74	-	-
10,001-100,000	231	-	-
100,001-over	138	1	8
	603	1	8

The number of shareholders holding less than a marketable parcel is 160.

### 1.3 Substantial Shareholders

The following shareholders are recorded in the register of substantial shareholders:

NANNOOK HOLDINGS PTY LTD  
 PETER WILLIAM AND JUDITH ANN DORIZZI  
 ROMFAL SIFAT PTY LTD & FALDI ISMAIL  
 MR ARIF ELBERT MATTHEE & MRS HAMEEDAH MATTHEE <THE AH SUPER FUND A/C>  
 MARK O'KEEFFE

### 1.4 Share Buy-Backs

There is no current on-market buy-back scheme.

## 1.5 Twenty Largest Shareholders (as at 27 September 2009)

Ordinary Shareholders	Fully Paid Ordinary	
	Number	Percentage
NANNOOK HOLDINGS PTY LTD	49,000,000	16.779
MARK O'KEEFE <THE AUSTRALIAN OAK A/C>	35,000,000	11.985
LAMONDE INDUSTRIES PTY LTD <DORIZZI SUPER FUND A/C>	25,168,000	8.618
MR ARIF ELBERT MATTHEE & MRS HAMEEDAH MATTHEE <THE AH SUPER FUND A/C>	19,400,000	6.643
ROMFAL SIFAT PTY LTD <THE FIZMAIL FAMILY A/C>	17,500,000	5.992
MANNING OAK PTY LTD	12,000,000	4.109
PHEAKES PTY LTD <SENATE A/C>	10,000,000	3.424
DAVID JENNINGS	9,000,000	3.082
MELBOR PTY LTD <CD WALL SUPER FUND A/C>	7,250,000	2.483
DR NIZAR SAAB	7,045,000	2.412
MISS KSENIJA NAPRELAC	6,000,000	2.055
MS EMMA GONZALEZ	5,450,000	1.866
BAYLEAF PTY LTD	5,000,000	1.712
CEILCORP INVESTMENTS PTY LTD	4,285,714	1.468
MR PETER CHRISTOPHER WALL & MRS TANYA-LEE WALL <WALL FAMILY SUPER FUND A/C>	2,500,000	0.856
D O'NEIL & S O'NEIL <THE O'NEIL SUPER FUND A/C>	2,500,000	0.856
CAPITAL MAA LIMITED	2,500,000	0.856
MR DAVID JOHN PATRICK O'NEIL & MRS SHERREL LYNN O'NEIL <O'NEIL SUPER FUND A/C>	1,713,318	0.587
HARTLAND HOLDINGS PTY LTD <MASSOUD FAMILY SUPER A/C>	1,590,000	0.544
PAUL ANDREW O'KEEFE <GREEN OAK FAMILY A/C>	1,500,000	0.514
<b>Total</b>	<b>224,402,032</b>	<b>76.8411</b>

## 2. Schedule of Tenements

Project	Tenement Details	Registered Holder	KML Interest %	Application or Grant Date	Expiry Date	Area
<b>QUEENSLAND</b>						
The Oaks	EPM14842	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	14/09/2005	13/09/2010	50 blks
Mount Carbine South	EPM14871	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	13/12/2005	12/12/2010	64 blks
Mount Carbine South	EPM14872	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	12/12/2005	11/12/2010	70 blks
Stannary Hills	EPM14875	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	13/12/2005	12/12/2010	98 blks
California	EPM14877	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	13/12/2005	12/12/2010	98 blks
Ravenshoe	EPM14879	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	13/12/2005	12/12/2010	14 blks
Ravenshoe	EPM14880	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	28/02/2006	27/02/2011	58 blks
Croyden South #1	EPM14889	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	09/11/2005	08/11/2010	85 blks
Ewan	EPM14943	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	12/12/2005	11/12/2010	87 blks
Mungana	EPM14947	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	12/12/2005	11/12/2010	82 blks
Featherbed	EPM14949	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	12/12/2005	11/12/2010	100 blks
Featherbed	EPM14951	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	12/12/2005	11/12/2010	80 blks
Exmoor	EPM 17056	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	29/05/2008	28/05/2011	32 blks
Mt Pelion	EPM 17058	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	29/05/2008	28/05/2011	41 blks
The Source	EPM 17051	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	29/05/2008	28/05/2011	10 blks
Boomer Transfer	EPM 16749	Kangaroo Minerals Pty Ltd (formerly Stonebase Pty Ltd)	100	07/08/2007	06/08/2012	100 blks

## 3. Restricted Securities

8,974,500 ordinary fully paid shares were removed from escrow on 19 April 2009. The Company has no further restricted securities at 27 September 2009.

## 4. Other Information

Kangaroo Resources Limited (formerly Kangaroo Metals Limited), incorporated and domiciled in Australia, is a public listed Company limited by Shares.