

20 December 2011

UPDATE ON ACQUISITION OF DIRECT FOREIGN OWNERSHIP OF PAKAR COAL PROJECT CONCESSIONS

SHARE SALE & PURCHASE AGREEMENT GIVES KRL DIRECT 99% OWNERSHIP OF FIVE CONCESSIONS OF CORNERSTONE THERMAL COAL ASSET

Key Points:

- *Agreement involves KRL acquiring five companies, each with an IUP concession within the Pakar Project.*
- *Agreement also includes acquisition of one holding-company controlling various assets constituting land, building and other mining support facilities, namely PT Sumber Aset Utama.*
- *Each company has been converted to a PMA (foreign investment company) and shares transferred to Kangaroo Resources.*
- *Restructured ownership clears the way for commercial development to proceed, securing KRL's exposure to future cash flows to be generated by Pakar.*

International coal producer Kangaroo Resources Limited (ASX: KRL) ("KRL" or the "Company") is pleased to advise that it has executed the deeds of transfer with leading Indonesian coal conglomerate PT Bayan Resources Tbk ("Bayan") giving it direct foreign ownership of five key concessions and one asset-holding company at the **Pakar Thermal Coal Project** in Kalimantan, Indonesia.

KRL, which has previously announced the acquisition of a 99 per cent interest in the Project from Bayan, is restructuring the ownership of the assets in line with the new Indonesian mining law introduced in 2009 which permits direct foreign ownership.

This further enhances KRL's ownership of the project, clearing the way for commercial development of this cornerstone asset to proceed.

The restructure has been effected by converting each of the five concession holding companies (with IUP licences) and one asset-holding company to Indonesian PMA companies (a foreign investment company) and transferring 99 per cent of the shares from Bayan to KRL.

The Pakar Coal Project is a cornerstone asset in KRL's Indonesian coal production strategy and the direct ownership will secure KRL's exposure to future cash flows to be

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generated by the Project, and complements KRL's existing portfolio of thermal and coking coal projects in Indonesia. KRL is currently in preliminary production at its Mamahak Coking Coal Project and is developing its GPK Project.

KRL's Managing Director, Mark O'Keefe said: "We are pleased to have completed the transfer of equity for the six companies thus far. We believe this will make a significant positive contribution and be instrumental in achieving our objectives for the Pakar Project.

"With direct ownership of the five Concessions and the asset holding company secured, it will provide the Company with the impetus to fully develop and commercialise the company's cornerstone asset."

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

ABOUT KANGAROO RESOURCES

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

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

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

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

ABOUT BAYAN RESOURCES

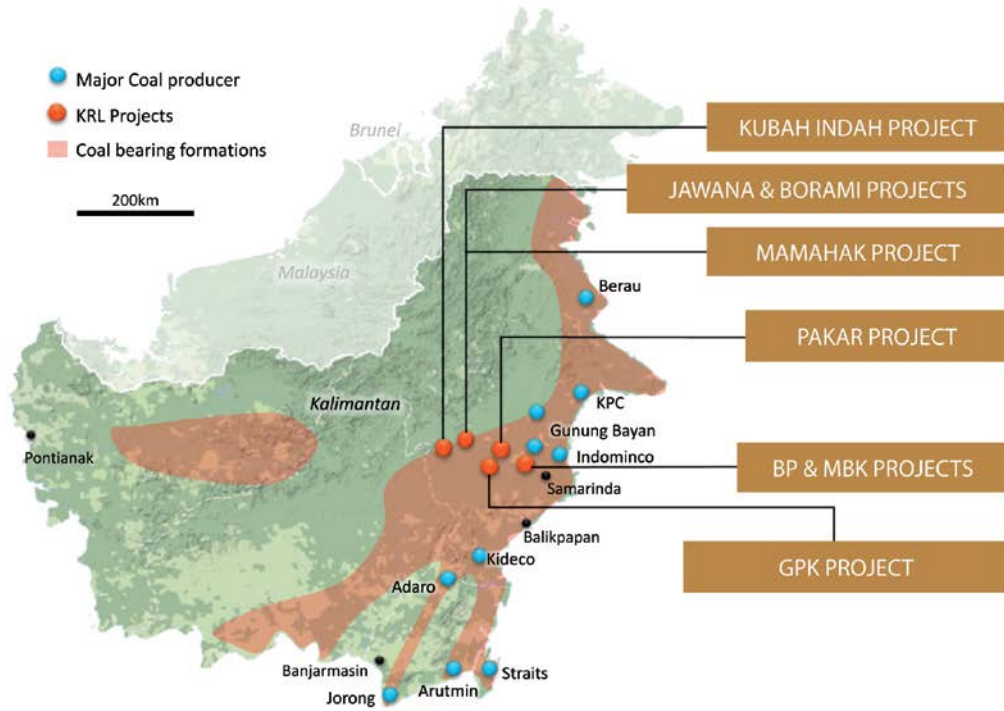
PT. Bayan Resources Tbk is a leading Indonesian-focused coal producer which is listed on the Indonesian Stock Exchange. Bayan produced approximately 11.9 million tonnes of coal in 2010 from six projects, making it one of Indonesia's largest coal producers. In addition, Bayan owns the Balikpapan Coal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

Bayan is committed to expanding its overall coal production and its association with Kangaroo as major shareholder. Bayan has the necessary resources, experience and expertise to help Kangaroo drive forward its Indonesian coal strategy.

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



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



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