KINGSROSE
MINING LIMITED

HALF YEAR FINANCIAL REPORT
31 DECEMBER 2017

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CORPORATE DIRECTORY

Directors

Roderick McIllree	Non-Executive Chairman
Paul Jago	Managing Director
John Morris	Non-Executive Director
Michael Andrews	Non-Executive Director
Grant Mills	Non-Executive Director

Company Secretary

Joanna Kiernan

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Stock Exchange Listing

Australian Securities Exchange (ASX: KRM)

Australian Business Number

49 112 389 910

DIRECTORS' REPORT

The Directors of Kingsrose Mining Limited (the "Company") present their report for the half year ended 31 December 2017.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Effectuation of Deed of Company Arrangement

The Deed of Company Arrangement ("DOCA") entered into by the Company and its subsidiary Natarang Offshore Pty Ltd ("NOPL") on 8 June 2017 was successfully effectuated on 31 July 2017, allowing the Company to transition out of external administration with control of the Company's affairs reverting to the Directors.

A second creditors meeting for the Company's subsidiary MM Gold Pty Ltd ("MMG") was convened for 8 June 2017, however creditors resolved to adjourn the meeting to 22 June 2017, where the absence of a quorum necessitated a further adjournment to 11 July 2017. At this meeting, a quorum was again not formed with the meeting lapsing pursuant to regulation 5.6.16(8) of the Corporations Regulations 2001 and the administration ended in accordance with section 435C(3)(e) of the Act.

During the period of external administration, the Company returned its operations to profitability largely attributable to the commencement of open cut mining at the historic Way Linggo underground mine, completed a restructure of its balance sheet through a large reduction in its secured debt via a debt to equity conversion and a capital raising.

Restructure of Loan Facilities

On 28 July 2017 the Company held a General Meeting of Shareholders where shareholders approved the issue of shares relating to the debt restructuring agreements reached between the Company and its secured lenders; Michael John Andrews ("MJA") and Great Golden Investment Limited ("GGIL") in February 2017. In addition, shareholders were asked to approve the issue of shares pursuant to a Convertible Loan Facility ("Convertible Facility") under which the Administrators raised $6.55m between March and May 2017.

Shareholders voted in favour of the resolutions and a total of 163,711,775 shares were issued at four cents per share in relation to the Convertible Facilities, and a total of 129,584,725 shares were issued at four cents per share in full satisfaction of an outstanding secured loan facility.

The issue of shares referred to above was the last substantive step under the DOCA and subsequently, the Company transitioned out of external administration on 31 July 2017, with control of the Company's affairs reverting to the Directors.

Retirement of Debt

On 5 December 2017 the Company reached an agreement with its lender Beaurama Pty Ltd ("Beaurama") to retire its $4.4m unsecured debt. Under the agreement, Beaurama agreed to accept $2.25m in full and final satisfaction of the loan facility.

The retirement of the Beaurama debt completed the restructure of the Company's balance sheet, with the Company debt free at the end of the period.

Reinstatement of Securities on the Australian Securities Exchange

On 14 December 2017 the Australian Securities Exchange ("ASX") advised that the Company's securities were to be reinstated to official quotation on 18 December 2017 following the completion by the Company of a recapitalisation.

DIRECTORS

The names of the Company's directors in office during the half year and until the date of this report are set out below.

Roderick McIllree	Chairman (appointed 16 August 2017)
Paul Jago	Managing Director (appointed 23 November 2017)
Michael Andrews	Non-Executive Director (appointed 16 August 2017)
Grant Mills	Non-Executive Director (appointed 16 August 2017)
John Morris	Non-Executive Director (resigned as Executive Chairman and appointed as Non-Executive Director 16 August 2017)
Andrew Spinks	Non-Executive Director (resigned 16 August 2017)
Joanna Kiernan	Non-Executive Director (resigned 16 August 2017)

Directors were in office for the entire period unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the reporting period were:

- Production of gold and silver from the Way Linggo Mine and the Talang Santo Mine at the Way Linggo Project in South Sumatra, Indonesia; and
- Exploration and evaluation of gold and silver deposits at the Way Linggo Project.

OPERATING REVIEW

The Company holds an 85% interest in the Way Linggo Project in South Sumatra, Indonesia. The Project is held under a 4th generation Contract of Work ("CoW") with the Indonesian Government and is located on the mineral rich Trans-Sumatran Fault, part of the Pacific Rim of Fire. The Company holds its interest through its 85% owned subsidiary, PT Natarang Mining ("PTNM"), owner and operator of the Way Linggo Project.

During the six months to 31 December 2017, the Group produced a total of 14,868 ounces of gold and 102,074 ounces of silver. A total of 15,110 ounces of gold was sold at an average gold price of A$1,647/oz and A$24,889,198 in revenue was realised.

The cash operating costs[1] for the period were US$503/oz and the all-in sustaining costs of production[2] were US$712/oz.

MINE OPERATIONS REVIEW

	Unit	31 December 2017	31 December 2016
Mine Production		**Six Months**	**Six Months**
Ore Hoisted	t	56,970	19,286
Mine Grade (Gold)	g/t	8.1	7.4
Mine Grade (Silver)	g/t	60	17
Ore Processed			
Tonnes Milled	t	58,561	21,334
Head Grade (Gold)	g/t	8.1	6.8
Head Grade (Silver)	g/t	62	16
Recovery (Gold)	%	97.1	94.8
Recovery (Silver)	%	86.9	87.8
Ounces Produced (Gold)	oz	14,868	4,445
Ounces Produced (Silver)	oz	102,074	9,987
Costs of Production			
Cash Operating Costs (C1)[1]	US$/oz	503	1,672
All-In Sustaining Costs of Production (AISC)[2]	US$/oz	712	2,563

[1] Cash operating costs (C1) are mine production costs less by-product credits, adjusted for inventory movements.

[2] All-in sustaining costs of production (AISC) are cash operating costs plus royalties, capitalised mine development, sustaining capital expenditure and corporate costs.

Note: C1 and AISC are non-IFRS measures and unaudited. These measures are widely used 'industry standard' terms and are presented to provide meaningful information to assist users of the Group's financial information in understanding the results of the Group's operations.

Occupational Health and Safety

There were no Lost Time Injuries for the period. The 12 month moving average Lost Time Frequency Rate stood at 2.07 as at 31 December 2017. This represents a reduction of 43% on the corresponding period in 2016. Incidents and high risk safety hazards have reduced significantly following the suspension of underground operations at the Talang Santo Mine.

The Group is committed to conducting its operations to the highest safety standards. A dedicated on-site team of Senior Management and Health and Safety Officers are tasked with overseeing the creation of a safe and responsible working environment, identifying and mitigating any potential health and safety risks and ensuring that regular health and safety training is provided to all employees.

Environmental Management

The Group continues to conduct its operations in a manner that minimises the environmental footprint of the Project area and in accordance with its obligations under the CoW, its Environmental license (AMDAL), prevailing local laws and environmental regulations.

In compliance with this, regular and comprehensive environmental impact assessments are conducted which form part of the Group's Environmental Management and Monitoring Plan. This Plan aims to identify, assess and minimise environmental risk at all stages of its operations as a fundamental part of the long-term environmental strategy.

The Company is not aware of any material breach of environmental legislation while conducting their operations in Indonesia during the reporting period.

Environmental activities conducted during the period included reclamation, re-vegetation as well as assisting with remediation works due to damage from heavy rain and landslides, erosion and sedimentation control.

During the period, a total of 0.817 Ha was re-vegetated using a variety of plant stock including Acacia, Medang, Mahoni, Sengon, Sonokeling and Trembesi. Some of the plants are fruit trees (eg, Durian and Pala) which the local community will utilise.

In addition, the tailings dam lift at the Way Linggo Tailings Storage Facility is 70% completed, which will allow the deposit of tailings for a further two years.

Community Engagement

The Group is committed to engaging and co-operating with the communities surrounding the Way Linggo Project and the wider Lampung province, and provides on-going support to various health, educational, cultural and economic initiatives.

Education and health care continue to remain a core focus of the PTNM Community Development team. Extensive support is provided to local primary schools through the provision of teacher training workshops, subsidisation of teachers' salaries and donations of books, equipment and musical instruments to the numerous local schools.

PTNM's onsite medical facility welcomes members of the local community for consultations, and the onsite medical team regularly consults with the wider community healthcare clinics to provide ongoing medical support and assistance.

The Group's on-site workforce continued to be predominately comprised of local personnel with approximately 70% of employees coming from the nearby Lampung Province.

The Way Linggo Mine

The Way Linggo open pit continued to deliver high-grade, low cost gold and silver throughout the period producing 49,066 tonnes of ore at 8.3 g/t Au and 68 g/t Ag.

The open pit at Way Linggo was originally designed to mine the remaining Measured Resource above the 1 Level of the Way Linggo underground mine in a series of staged cutbacks. The pleasing results delivered by the Way Linggo open pit during the period resulted in a study to explore the possibility of expanding the pit beyond the initial mine plan to recover the remaining ore body down to the 3 Level.

Following the positive results of the study, PTNM commenced the permitting process to expand the Way Linggo open pit and other ancillary permits required to facilitate mining activities into the future.

It is expected that mining at the Way Linggo open cut will continue throughout 2018 until mid-2019.

The Talang Santo Mine

Total production at the Talang Santo Mine during the period was 7,904 tonnes @ 6.7 g/t Au and 17 g/t Au.

With production at the Talang Santo Mine continuing to be adversely impacted by the inflow of groundwater into the mine and poor ground conditions, a comprehensive financial and operational review of the Mine was undertaken by the Board and Management at the start of the period. The current mine design, mining method and associated operational risks, continued underperformance and unsustainable high costs resulted in the Board resolving to progressively suspend underground operations from mid-October 2017.

The suspension resulted in a significant reduction in the workforce with all redundancy entitlements paid in full as per the prevailing government regulations. Pleasingly, a number of personnel were able to be retained and were transferred to open cut and exploration activities.

Following the suspension, decommissioning work continued throughout November 2017. After the recovery of valuable equipment, the underground mine was secured and the dewatering bores decommissioned, causing the water levels to rise in the mine.

The Company is firmly of the view that significant potential remains at Talang Santo and therefore explored options throughout the remainder of the period for the potential economic recovery of the remaining Talang Santo Mineral Resource, which included open pit mining and possible mechanised underground mining.

The Company completed a study on establishing an open pit operation at Talang Santo, where, similar to the Way Linggo Mine, there is a significant high-grade portion of the Resource remaining in the upper levels of the mine. The study indicated that the recovery of the ore left in the upper levels of the mine was possible and had the potential to generate significant free cash flow for the Company.

PTNM commenced the process of seeking the relevant open pit approvals, which are anticipated to be received during the September 2018 quarter, with mining scheduled to commence shortly thereafter.

In addition, the Company commenced a scoping study to consider options to re-engineer the current underground mine. This would involve modern mechanised underground mining methods which would result in far greater rates of production and lower costs. Initial results of the study indicate that an underground mine may be viable in the future, however additional work will be required prior to any decision on the future of the Talang Santo underground being made.

Exploration

The broader Way Linggo Project area is considered highly prospective for additional high-grade, low-sulphidation epithermal gold occurrences, however has remained largely under-explored. The Board recognises that exploration success is a key part of the Company's growth and critical to the successful delivery of its strategy to deliver a sustainable, long life and low cost mining operation.

A Project wide exploration program was finalised during the period, with fieldwork commencing in late October 2017. All historical exploration data will be systematically reviewed and previous areas of interest will be re-tested with a view of developing a pipeline of high priority, near term production targets.

Following the suspension of underground mining at Talang Santo a large number of employees were transferred to the exploration geology department which is now comprised of 65 personnel working in four teams each focussing on various areas of interest.

The northern part of the CoW was the subject of a BLEG (Bulk Leach Extractable Gold) infill sampling program in the later part of the period, with activities concentrated at the Rawa Gabus prospect where mapping and soil sampling was also undertaken with several gold soil anomalies associated with veining being identified.

Quartz-Silica veins material was identified in some auger holes with 3 meters depth at the Toha-Samin prospect part of the 'Talang Cluster'. The will be the subject of follow up work over the next six months.

FINANCIAL REVIEW

	31 December 2017 Six Months ($)	31 December 2016 Six Months ($)
Sales Revenue	**26,898,772**	**8,965,797**
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation – EBITDA[1]	**5,784,985**	**(15,832,514)**
Earnings/(Loss) Before Interest & Tax – EBIT[2]	**3,633,811**	**(19,029,106)**
Net Profit/(Loss) After Tax	**3,159,862**	**(13,133,014)**
Earnings/(Loss) Per Share	**0.38**	**(2.67)**
	31 December 2017 $	**30 June 2017 $**
Total Assets	**55,308,779**	**55,397,801**
Net Assets	**49,212,710**	**33,971,507**

[1] EBITDA has been calculated by adding back interest, tax, depreciation and amortisation.

[2] EBIT has been calculated by adding back interest and tax.

Note: EBITDA and EBIT are non-IFRS measures and unaudited. These measures are used in order to provide more meaningful information for the users of the Group's financial information and to allow users to assess the Group's performance relative to other companies in the industry.

Income Statement

The Group recorded a net profit after tax for the half year ended 31 December 2017 of $3,159,862 (31 December 2016: net loss after tax $13,133,014). The improvement was largely attributable to the following significant items:

- Sales revenue for the half year ended 31 December 2017 was $26,898,772, up from $8,965,797 in the corresponding period in 2016, primarily driven by an increase of 9,963 ounces of gold sold. The increase in gold sold was partially offset by a 3% decrease in realised Australian gold price, which saw an average decrease in revenue of $43 per ounce of gold sold in comparison to the corresponding period in 2016.
- Other income decreased by $1,661,165 due to a net foreign exchange loss being recorded during the half year ended 31 December 2017 (included in other expenses) compared to a net foreign exchange gain of $1,736,766 recognised in the corresponding period in 2016.

- Other expenses decreased by $7,265,889 due to the corresponding period in 2016 included a $13,250,456 write-off of exploration and evaluation expenditure. This impact was partially offset by a net foreign exchange loss of $1,072,051 recognised during the period, loss of $2,594,178 recognised on settlement of loans in equity in July 2017 and redundancy costs of $2,659,804 incurred following the suspension of the Talang Santo underground mine operations.

Financial Position

At 31 December 2017 the Group's balance sheet strengthened with an increase in net assets of $15,241,203 to a total of $49,212,710, primarily driven by a reduction in the Group's total liabilities following the conversion to equity and retirement of the Group's debts during the period.

Assets

Total assets have remained consistent with that as at 30 June 2017. However there were large movements between current and non-current assets during the period.

Total current assets have increased by $3,337,117 from the prior period due to an increase of $1,980,627 in trade receivables, $2,872,187 in other receivables on reclassification of Indonesian VAT refunds to current assets (from non-current assets) and partially offset by a decrease of $1,266,346 in inventories held.

Non-current assets decreased by $3,426,139 mainly as a result of reclassification of Indonesian VAT refunds to current assets during the period.

Liabilities

The Group's total liabilities reduced to $6,096,069, which was a decrease of $15,330,225 from 30 June 2017.

Total current liabilities decreased from $13,842,284 at 30 June 2017 to $3,916,453 at 31 December 2017. This decrease was the result of the conversion to equity of the amount owed by the Company under various secured convertible loan facilities in July 2017 and settlement of balances owing to the External Administrators and various creditors during the external administration period.

Non-current liabilities decreased by $5,404,394 to $2,179,616 at 31 December 2017 due to the conversion to equity of the loans from GGIL and MJA in July 2017 and early retirement of the Beaurama loan in December 2017.

Group Cash Flows and Liquidity

At 31 December 2017 the Group held cash and cash equivalents of $4,942,263 (30 June 2017: $5,933,935) and had trade receivables of $1,980,627 (30 June 2017: $Nil) and bullion on hand of $2,730,355 (30 June 2017: $2,935,567). The Group's total cash, trade receivables and bullion balance at 31 December 2017 was $9,653,245 (30 June 2017: $8,869,502).

Cash flow from operating activities for the half year ended 31 December 2017 were $3,527,389 which was $6,930,545 higher than the corresponding period in 2016. The increase was primarily driven by higher gold sales during the period, which offset the higher payments made to suppliers and employees related to the external administration of the Company and suspension of the Talang Santo underground mine operations.

Cash flow from investing activities decreased by $2,240,096 mainly as a result of lower expenditure spent on mine development following the suspension of the Talang Santo underground mine operations in October 2017.

Cash flow from financing activities for the half year ended 31 December 2017 included a $2,250,000 payment to Beaurama.

Corporate

Executive Management Changes
Following the effectuation of the DOCA, non-executive directors Andrew Spinks and Joanna Kiernan resigned from the Board in August 2017. Following their resignations, Rod McIllree was appointed as Chairman with John Morris stepping down from the role of Chairman, however remaining on the Board as a non-executive Director. In addition, Grant Mills and substantial shareholder Dr Michael Andrews joined the Board as non-executive directors.

On 1 August 2017, Paul Jago was appointed as Chief Executive Officer. On 23 November 2017, Mr Jago was appointed to the Board as Managing Director.

EVENTS AFTER REPORTING DATE

Following a period of renegotiation, PTNM finalised an amendment to its Contract of Work ("Amendment") with the Government of Indonesia ("GOI") on 14 March 2018, under which PTNM and the GOI agreed to amend the existing CoW to bring it in line with the prevailing mining and tax laws and regulations.

The Amendment, effective 19 March 2018, sets out PTNM's rights and obligations with respect to all phases of a mining operation and contains specific clauses relating to taxation, royalties and other financial obligations in line with prevailing regulations. The Amendment includes:

- A reduction in the corporate income tax rate from 35% to 25% (effective 1 January 2018 in line with PTNM's financial year); and
- An increase in the net smelter royalty rate from 2% to 3.75% for gold and 3.25% for silver.

There has been no change to the divestment obligation, with the Company still required to offer for sale equity tranches in PTNM which if taken up, would result in the Company's share of PTNM reducing to 49% by December 2020.

AUDITOR'S INDEPENDENCE DECLARATION

Ernst and Young's independence declaration is set out on page 10 and forms part of the Directors' Report for the half year ended 31 December 2017.

Signed in accordance with a resolution of the Directors.

Roderick McIllree
Chairman
15 March 2018

Caution Regarding Forward Looking Statements and Forward Looking Information
The information contained in the Directors' Report contains forward looking statements and forward looking information, which are based on assumptions and judgements of management regarding future events and results. Such forward looking statements and forward looking information involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward looking statements. Such factors include, among others, the actual market prices of gold, the actual results of current exploration, the availability of debt and equity financing, the volatility in global financial markets, the actual results of future mining, processing and development activities, receipt of regulatory approvals as and when required and changes in project parameters as plans continue to be evaluated.

Except as required by law or regulation (including ASX Listing Rules), Kingsrose Mining Limited undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

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Auditor's Independence Declaration to the Directors of Kingsrose Mining Limited

As lead auditor for the review of Kingsrose Mining Limited for the half-year ended 31 December 2017, I declare 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kingsrose Mining Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

P Teale
Partner
Perth
15 March 2018

CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 $	31 December 2016 $
Continuing operations			
Sale of goods	3(a)	**26,898,772**	8,965,797
Other revenue	3(a)	**198,662**	205,158
Total revenue		**27,097,434**	9,170,955
Cost of sales	3(b)	**(15,014,438)**	(14,309,463)
Gross profit/(loss)		**12,082,996**	(5,138,508)
Other income	3(c)	**90,549**	1,751,714
Administration expenses	3(d)	**(1,929,460)**	(2,186,698)
Other expenses	3(e)	**(6,411,612)**	(13,677,501)
Finance costs	3(f)	**(383,369)**	(589,967)
Profit/(Loss) before income tax		**3,449,104**	(19,840,960)
Income tax (expense)/benefit		**(289,242)**	6,707,946
Net profit/(loss) for the period		**3,159,862**	(13,133,014)
Profit/(Loss) for the period is attributable to:			
Owners of the parent		**2,605,871**	(11,159,684)
Non-controlling interests		**553,991**	(1,973,330)
		3,159,862	(13,133,014)

	Cents	Cents
Earnings per share attributable to the ordinary equity holders of the parent:		
Basic earnings/(loss) per share – cents per share	**0.38**	(2.67)
Diluted earnings/(loss) per share – cents per share	**0.38**	(2.67)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	31 December 2017 $	31 December 2016 $
Net profit/(loss) for the period	**3,159,862**	(13,133,014)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss in subsequent periods		
Foreign currency translations attributable to parent entity interest	**313,028**	170,038
Income tax effect	**-**	-
	313,028	170,038
Items that may not be reclassified subsequently to profit or loss in subsequent periods		
Foreign currency translations attributable to non-controlling interest	**71,524**	55,455
Re-measurement adjustments on defined benefit obligations	**(77,997)**	27,205
Income tax effect	**27,299**	(9,522)
	20,826	73,138
Other comprehensive income for the period, net of tax	**333,854**	243,176
Total comprehensive income/(loss) for the period	**3,493,716**	(12,889,838)
Total comprehensive income/(loss) for the period is attributable to:		
Owners of the parent	**2,875,806**	(10,974,614)
Non-controlling interests	**617,910**	(1,915,224)
	3,493,716	(12,889,838)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	31 December 2017 $	30 June 2017 $
Current Assets			
Cash and cash equivalents		**4,942,263**	5,933,935
Trade and other receivables	6	**6,365,982**	1,513,168
Inventories		**3,665,553**	4,931,899
Other		**894,621**	152,300
Total Current Assets		**15,868,419**	12,531,302
Non-Current Assets			
Trade and other receivables	6	**2,021,487**	4,541,385
Plant and equipment		**5,979,698**	6,715,549
Mine properties and development		**14,084,742**	14,248,946
Exploration and evaluation assets		**17,354,433**	17,360,619
Total Non-Current Assets		**39,440,360**	42,866,499
TOTAL ASSETS		**55,308,779**	55,397,801
Current Liabilities			
Trade and other payables	7	**3,406,657**	6,970,853
Interest-bearing liabilities		**49,547**	108,892
Other financial liabilities	8	**-**	6,366,109
Income tax payable		**19,960**	-
Provisions		**440,289**	396,430
Total Current Liabilities		**3,916,453**	13,842,284
Non-Current Liabilities			
Interest-bearing liabilities		**20,577**	45,388
Other financial liabilities	8	**-**	4,738,576
Provisions		**2,159,039**	2,800,046
Total Non-Current Liabilities		**2,179,616**	7,584,010
TOTAL LIABILITIES		**6,096,069**	21,426,294
NET ASSETS		**49,212,710**	33,971,507
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9	**105,688,558**	93,764,241
Reserves		**7,419,644**	7,283,446
Accumulated losses		**(61,062,130)**	(63,624,908)
		52,046,072	37,422,779
Non-controlling interests		**(2,833,362)**	(3,451,272)
TOTAL EQUITY		**49,212,710**	33,971,507

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 $	31 December 2016 $
Cash flows from operating activities			
Receipts from customers		**24,918,145**	8,965,797
Payment to suppliers and employees		**(21,363,550)**	(11,946,264)
VAT refund received		**238,800**	256,812
Interest received		**1,986**	9,588
Interest and other finance costs paid		**(26,329)**	(458,366)
Income tax paid		**(241,663)**	(230,723)
Net cash flows from/(used in) operating activities		**3,527,389**	(3,403,156)
Cash flows from investing activities			
Payments for plant and equipment		**(328,173)**	(95,515)
Proceeds from sale of plant and equipment		**9,334**	124
Payments for mine properties and development		**(1,395,058)**	(3,407,434)
Payments for exploration and evaluation expenditure		**(303,191)**	(754,359)
Net cash flows used in investing activities		**(2,017,088)**	(4,257,184)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	8,707,206
Share issue costs		**-**	(475,057)
Transaction costs related to convertible loans		**(96,612)**	-
Repayment of hire purchase agreements		**(84,170)**	(116,714)
Repayment of borrowings		**(2,250,000)**	-
Net cash flows (used in)/from financing activities		**(2,430,782)**	8,115,435
Net (decrease)/increase in cash and cash equivalents		**(920,481)**	455,095
Cash and cash equivalents at beginning of the period		**5,933,935**	1,507,749
Effects of exchange rate changes on cash and cash equivalents held		**(71,191)**	36,735
Cash and cash equivalents at end of the period	5	**4,942,263**	1,999,579

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Issued Capital	Share-Based Payments Reserve	Convertible Loans Reserve	General Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Owners of the Parent	Non-Controlling Interests	Total
	$	$	$	$	$	$	$	$	$
At 1 July 2017	**93,764,241**	**8,310,283**	**192,457**	**83,407**	**(1,302,701)**	**(63,624,908)**	**37,422,779**	**(3,451,272)**	**33,971,507**
Net profit for the period	-	-	-	-	-	**2,605,871**	**2,605,871**	**553,991**	**3,159,862**
Other comprehensive income for the period	-	-	-	-	**313,028**	**(43,093)**	**269,935**	**63,919**	**333,854**
Total comprehensive income/(loss) for the period	-	-	-	-	**313,028**	**2,562,778**	**2,875,806**	**617,910**	**3,493,716**
Transactions with owners in their capacity as owners:									
Conversion of loans	**11,731,860**	-	-	-	-	-	**11,731,860**	-	**11,731,860**
Equity portion of loans converted	**192,457**	-	**(192,457)**	-	-	-	-	-	-
Share-based payments	-	**15,627**	-	-	-	-	**15,627**	-	**15,627**
At 31 December 2017	**105,688,558**	**8,325,910**	-	**83,407**	**(989,673)**	**(61,062,130)**	**52,046,072**	**(2,833,362)**	**49,212,710**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Share-Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Owners of the Parent	Non-Controlling Interests	Total
	$	$	$	$	$	$	$	$
At 1 July 2016	**84,867,375**	**8,079,859**	**83,407**	**(1,393,032)**	**(11,152,444)**	**80,485,165**	**5,321,889**	**85,807,054**
Net loss for the period	**-**	**-**	**-**	**-**	**(11,159,684)**	**(11,159,684)**	**(1,973,330)**	**(13,133,014)**
Other comprehensive income for the period	**-**	**-**	**-**	**170,038**	**15,032**	**185,070**	**58,106**	**243,176**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**170,038**	**(11,144,652)**	**(10,974,614)**	**(1,915,224)**	**(12,889,838)**
Transactions with owners in their capacity as owners:								
Proceeds from issue of shares	**8,707,206**	**-**	**-**	**-**	**-**	**8,707,206**	**-**	**8,707,206**
Share issue costs	**(475,057)**	**-**	**-**	**-**	**-**	**(475,057)**	**-**	**(475,057)**
Issue of shares for partial settlement of debt	**664,717**	**-**	**-**	**-**	**-**	**664,717**	**-**	**664,717**
Share-based payments	**-**	**231,528**	**-**	**-**	**-**	**231,528**	**-**	**231,528**
At 31 December 2016	**93,764,241**	**8,311,387**	**83,407**	**(1,222,994)**	**(22,297,096)**	**78,638,945**	**3,406,665**	**82,045,610**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE NUMBER

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. CORPORATE INFORMATION

This general purpose financial report of Kingsrose Mining Limited ("Kingsrose" or the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 15 March 2018.

Kingsrose is a for-profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: KRM).

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The address of the registered office of the Company is 8/150 Hay Street, Subiaco WA 6008.

The Group's corporate structure is:

		Equity Interest Held	
Company	**Place of Incorporation**	**As at 31 December 2017**	As at 31 December 2016
		%	%
MM Gold Pty Ltd	Australia	**100**	100
Natarang Offshore Pty Ltd	Australia	**100**	100
PT Natarang Mining ("PTNM") *	Indonesia	**85**	85
Kingsrose Tanggamus Pty Ltd	Australia	**100**	100

* Holder of the Contract of Work for the Way Linggo Project

Information on other related party transactions of the Group is provided in Note 10.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

This general purpose financial report for the half year ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half year financial report should be read in conjunction with the annual financial report of Kingsrose as at 30 June 2017 and considered together with any public announcements made by the Company during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX listing rules.

Except as disclosed below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Changes in accounting policies

The accounting policies adopted in the preparation of the half year report are consistent with those followed in the preparation of the Group's annual financial report for the year ended 30 June 2017. In addition the Group adopted all new and revised accounting standards and interpretations that were effective at 1 July 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, the adoption of these standards, interpretations or amendments are not expected to have material impact on the financial position or performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND EXPENSES

		31 December 2017	31 December 2016
		$	$
(a)	**Revenue**		
	Sale of goods		
	Gold	**24,889,198**	8,697,009
	Silver	**2,009,574**	268,788
	Total sales revenue	**26,898,772**	8,965,797
	Other revenue		
	Interest	**198,662**	205,158
	Total revenue	**27,097,434**	9,170,955
(b)	**Cost of sales**		
	Mine production costs	**11,192,179**	9,762,273
	Royalties	**537,975**	29,248
	Depreciation of plant and equipment	**917,572**	720,101
	Amortisation of mine properties	**1,231,186**	2,464,849
	Inventory movements	**1,135,526**	1,332,992
	Total cost of sales	**15,014,438**	14,309,463
(c)	**Other income**		
	Gain on disposal of plant and equipment	**9,334**	-
	Gain on early repayment of loan	**61,434**	-
	Net gain on foreign exchange	**-**	1,736,766
	Sundry income	**19,781**	14,948
	Total other income	**90,549**	1,751,714
(d)	**Administration expenses**		
	Corporate costs	**1,911,417**	1,943,528
	Depreciation of equipment	**2,416**	11,642
	Share-based payments	**15,627**	231,528
	Total administration expenses	**1,929,460**	2,186,698
(e)	**Other expenses**		
	Net loss on foreign exchange	**1,072,051**	-
	Plant and equipment written off	**52,007**	-
	Exploration and evaluation assets written off	**-**	13,250,456
	Consumables written down	**216,817**	-
	Re-measurement adjustments on VAT receivables	**(183,245)**	427,045
	Loss on settlement of loans in equity	**2,594,178**	-
	Non production mine site costs	**2,659,804**	-
	Total other expenses	**6,411,612**	13,677,501
(f)	**Finance costs**		
	Borrowing costs	**18,877**	11,138
	Interest on loans	**-**	531,735
	Finance charges payable under finance leases	**7,452**	17,489
		26,329	560,362
	Unwinding of discount on rehabilitation provision	**12,608**	29,605
	Unwinding of discount on loans	**344,432**	-
	Total finance costs	**383,369**	589,967

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company for the half year ended 31 December 2017.

5. CASH AND CASH EQUIVALENTS

For the purpose of the half year consolidated statement of cash flows, cash and cash equivalents comprised of the following:

	31 December 2017	31 December 2016
	$	$
Current		
Cash at bank and in hand	**4,942,263**	1,999,579
	4,942,263	1,999,579

6. TRADE AND OTHER RECEIVABLES

	31 December 2017	30 June 2017
	$	$
Current		
Trade receivables	**1,980,627**	-
Other receivables (a)	**4,385,355**	1,513,168
	6,365,982	1,513,168
Non-Current		
Other receivables (a)	**1,722,312**	4,541,385
Loans to a related party (b)	**5,515,730**	5,216,555
Less: Impairment allowance	**(5,216,555)**	(5,216,555)
	2,021,487	4,541,385

(a) Other receivables consist primarily of value added tax (VAT) recoverable from PTNM's operations that can be recovered between 1 to 24 months.

(b) Balance comprises USD loans extended to a minority shareholder of PTNM, Mr Herryansjah. The funds were used to subscribe for new shares in PTNM in order for Mr Herryansjah to retain his 15% interest pursuant to the governing Shareholder Agreement. The loans, which are full recourse, are unsecured and repayable by Mr Herryansjah via the Company's retention of 80% of his entitlement to PTNM dividends until the loans are repaid in full. Interest is charged at LIBOR plus 5% per annum. Interest not paid on due date is capitalised and bears interest at the same rate as the loans. During the half year ended 31 December 2017, a total interest of $371,404 was capitalised to the loans. The carrying values of the loans approximate their fair values at balance date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TRADE AND OTHER PAYABLES

	31 December 2017	30 June 2017
	$	$
Current		
Trade creditors	**2,081,116**	3,931,744
Accruals	**1,045,164**	2,773,805
Sundry creditors	**280,377**	265,304
	3,406,657	6,970,853

8. OTHER FINANCIAL LIABILITIES

	31 December 2017	30 June 2017
	$	$
Current		
Convertible loans (a)	-	6,366,109
	-	6,366,109
Non-Current		
Loans – Other (b)	-	4,738,576
	-	4,738,576

(a) During the 2017 financial year, the Company raised a total of $6,548,471 under secured convertible loan facilities. The loan facilities were interest free and convertible to equity at $0.04 per share subject to shareholder approval. If the loans were not converted to equity, the Company was required to repay the loans on the termination of the deed of company arrangement.

On 31 July 2017, the loans were converted to equity at $0.04 per share following the receipt of shareholder approval at a general meeting on 28 July 2017. A total of 163,711,775 shares were issued in full satisfaction of the convertible loans.

(b) Balance consists of loans from the following parties:

	31 December 2017	30 June 2017
	$	$
Beaurama Pty Ltd (“Beaurama”) (i)	-	2,179,914
Great Golden Investment Limited (“GGIL”) (ii)	-	1,449,908
Michael John Andrews (“Dr Andrews”) (ii)	-	1,108,754
	-	4,738,576

(i) In December 2017, Beaurama agreed to accept $2,250,000 in full and final satisfaction of the amount outstanding under the loan facility due on 30 November 2023. The Company paid the agreed amount to Beaurama on 7 December 2017.

(ii) On 31 July 2017, the loans from GGIL and Dr Andrews were converted to equity at $0.04 per share following the receipt of shareholder approval at a general meeting on 28 July 2017. A total of 129,584,725 shares were issued in full satisfaction of the outstanding loans from GGIL and Dr Andrews.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. CONTRIBUTED EQUITY

	31 December 2017		30 June 2017	
	$	Number	$	Number
Ordinary shares				
Issued and fully paid	**105,688,558**	**730,007,352**	93,764,241	436,710,852
Movements in ordinary shares on issue:				
Opening balance	**93,764,241**	**436,710,852**	84,867,375	358,611,493
Private placement (i)	**-**	**-**	8,707,206	72,560,052
Share issue costs (i)	**-**	**-**	(475,057)	-
Issue for partial settlement of debt (ii)	**-**	**-**	664,717	5,539,307
Conversion of loans (iii)	**11,731,860**	**293,296,500**		
Equity portion of loans converted	**192,457**	**-**	-	-
Closing balance	**105,688,558**	**730,007,352**	93,764,241	436,710,852

(i) During the 2017 financial year, a total of 72,560,052 fully paid ordinary shares were allotted at $0.12 per share via a two-tranche placement raising $8,232,149, net of share issue costs.

(ii) On 20 September 2016, 5,539,307 fully paid ordinary shares were allotted at a price of $0.12 each to Dr Andrews pursuant to his agreement to partially reduce the amount outstanding under his loan facility via a share subscription.

(iii) On 31 July 2017, a total of 293,296,500 shares were issued in full satisfaction of the convertible loans and the outstanding loans from GGIL and Dr Andrews. The shares were issued at a price of $0.04 per share. Refer to Notes 8(a) and 8(b)(ii) for details.

10. RELATED PARTY DISCLOSURES

Professional Services from External Administrators
The Company was charged $95,770 during the period for fees by FTI Consulting (an entity associated with the External Administrators) for professional services provided to the Group. The fees were payable at normal commercial terms and were subject to the approval of the creditors, committee of creditors or court pursuant to section 449E of the Act.

Following receipt of approval from the Company's creditors on 8 June 2017 and 28 July 2017, a total amount of $1,112,526 relating to outstanding fees for the external administration period from 14 December 2016 to 31 July 2017 was settled during the period. At 31 December 2017, no amount was owing to FTI Consulting (30 June 2017: $1,016,756).

Drilling Services
PT Promincon Indonesia, an entity related to Dr Andrews (Non-Executive Director), received $68,310 fees for drilling services provided to the Company's subsidiary, PTNM during the period. These fees are payable at normal commercial terms. At 31 December 2017, $42,545 was owing to PT Promincon Indonesia (30 June 2017: $150,340).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. COMMITMENTS AND CONTINGENT LIABILITIES

Divestment
The Company is obligated to offer for sale equity tranches in PTNM which if taken up would result in the Company's share of PTNM reducing down to 49% over a five year period in accordance with a divestment schedule outlined in PTNM's Contract of Work ("CoW") with the Indonesian government. Each tranche is to be offered for sale at a fair market price to either an Indonesian government body or an Indonesian national.

On 26 July 2017 PTNM submitted to the Indonesian Mines Department its offer for sale an 8% equity in PTNM in accordance with the divestment schedule in the CoW. At balance date, PTNM had not received confirmation from the Indonesian Mines Department that it intends to exercise its option to purchase the 8% equity.

VAT
At 31 December 2017, the contingent liability relating to the various VAT refund claims under dispute with the Indonesian Tax Office was reduced to US$408,112 (30 June 2017: US$10,870,710) in view of the ruling received from the Indonesian Tax Court subsequent to balance date. In February 2018, the Indonesian Tax Court ruled in favour of PTNM with respect to the assessment issued by the ITO denying the monthly VAT refund claims for the period January 2011 to July 2013.

Other than the above, there have been no other significant changes to commitments and contingent liabilities since the last reporting date.

12. EVENTS AFTER REPORTING DATE

Following a period of renegotiation, PTNM finalised an amendment to its Contract of Work ("Amendment") with the Government of Indonesia ("GOI") on 14 March 2018, under which PTNM and the GOI agreed to amend the existing CoW to bring it in line with the prevailing mining and tax laws and regulations.

The Amendment, effective 19 March 2018, sets out PTNM's rights and obligations with respect to all phases of a mining operation and contains specific clauses relating to taxation, royalties and other financial obligations in line with prevailing regulations. The Amendment includes:

- A reduction in the corporate income tax rate from 35% to 25% (effective 1 January 2018 in line with PTNM's financial year); and
- An increase in the net smelter royalty rate from 2% to 3.75% for gold and 3.25% for silver.

There has been no change to the divestment obligation, with the Company still required to offer for sale equity tranches in PTNM which if taken up, would result in the Company's share of PTNM reducing to 49% by December 2020.

13. CHANGE IN COMPOSITION OF THE GROUP

Since the last annual reporting date, there have been no changes in the composition of the Group.

DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity for the half year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:

  (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and

  (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Roderick McIllree
Chairman
15 March 2018

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Independent auditor's review report to the members of Kingsrose Mining Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Kingsrose Mining Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Ernst & Young

Ernst & Young

P Teale
Partner
Perth
15 March 2018