



KINGSROSE
MINING LIMITED
ADMINISTRATORS APPOINTED

**HALF YEAR FINANCIAL REPORT
31 DECEMBER 2016**

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CORPORATE DIRECTORY

Directors

John Morris	Chairman
Joanna Kiernan	Non-Executive Director
Andrew Spinks	Non-Executive Director

Company Secretary

Joanna Kiernan

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Stock Exchange Listing

Australian Securities Exchange
(Code: KRM)

ADMINISTRATORS' REPORT

The Administrators of Kingsrose Mining Limited (Administrators Appointed) (the "Company") present their report for the half year ended 31 December 2016.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Voluntary Administration

During the period the Board extensively explored options to restructure the Company and its financial arrangements in an effort to provide sufficient working capital to implement the operational changes required to achieve consistent production at the Talang Santo Mine and return the Way Linggo Project to profitability.

On 14 December 2016, the Board of Directors resolved to appoint Michael Ryan and Ian Francis of FTI Consulting as joint and several voluntary administrators ("Administrators") pursuant to section 436A of the *Corporations Act 2001 (Cth)* ("the Act"). The Australian subsidiaries of the Company, MM Gold Pty Ltd (Administrators Appointed) and Natarang Offshore Pty Ltd (Administrators Appointed), were also placed into voluntary administration.

While the Company and the relevant Australian subsidiaries set out above are under administration, pursuant to section 437A of the Act, the Administrators control the Group's business, property and affairs and may perform any function and exercise any power that the Company or any of the relevant subsidiaries set out above, or any of their respective officers, could perform or exercise if the Company and the relevant subsidiaries were not under administration.

Upon the appointment of the Administrators on 14 December 2016, (and while the Company and the relevant subsidiaries set out above are under administration), section 437C of the Act prohibits a director or officer of the Company or any of the relevant subsidiaries from performing or exercising, or purporting to perform or exercise, unless approved in writing by the Administrators under section 437C(1A) of the Act.

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.

John Morris	Chairman
Andrew Spinks	Non-Executive Director
Douglas Kirwin	Non-Executive Director (Resigned 21 November 2016)
Joanna Kiernan	Non-Executive Director (Appointed 21 November 2016)

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 Talang Santo Mine at the Way Linggo Project; and
- Exploration and evaluation of gold and silver deposits at the Way Linggo Project.

OPERATING REVIEW

The Company owns 85% of 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.

During the six months to 31 December 2016, the Group produced a total of 4,445 ounces of gold at 6.8 g/t and 9,987 ounces of silver at 16 g/t.

A total of 5,147 ounces of gold was sold at an average gold price of A\$1,690/oz and A\$8,697,009 in revenue was realised.

The cash operating costs¹ for the period were US\$1,672/oz and the all-in sustaining costs of production² were US\$2,563/oz. Unit costs were impacted by lower than forecast production levels during the period.

MINE OPERATIONS REVIEW

	Unit	31 December 2016	31 December 2015
Mine Production		Six Months	Six Months
Ore Hoisted	t	19,286	34,503
Mine Grade (Gold)	g/t	7.4	9.7
Mine Grade (Silver)	g/t	17	25
Ore Processed			
Tonnes Milled	t	21,334	34,863
Head Grade (Gold)	g/t	6.8	9.5
Head Grade (Silver)	g/t	16	24
Recovery (Gold)	%	94.8	95.7
Recovery (Silver)	%	87.8	88.1
Ounces Produced (Gold)	oz	4,445	10,222
Ounces Produced (Silver)	oz	9,987	24,089
Costs of Production			
Cash Operating Costs (C1) ¹	US\$/oz	1,672	763
All-In Sustaining Costs of Production (AISC) ²	US\$/oz	2,563	1,205

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 3.65 as at 31 December 2016.

The Group is committed to conducting its operations to the highest safety standards. A dedicated on-site team of Senior Management, 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 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.

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.

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 Talang Santo Mine

A comprehensive review of mining operations was initiated in July 2016 to address ongoing operational challenges. Mining Plus, a specialist mining engineering firm was engaged to review current mining practices with a focus on improvements to mining productivity and Resource recovery.

The review highlighted a number of measures, which included overhauling mine planning and scheduling methods and investigating alternative mining methods all aimed at improving operational performance and reducing costs. It was anticipated that implementation of these recommendations would occur progressively over a twelve month period.

Mining Plus noted that alternative mining methods should be investigated with a view to extracting high-value ore which may have been left behind in pillars. Significant efforts were directed towards planning for the recovery of the remnant pillars located above the 4 Level in the Splay vein in the later part of the period, with test work having commenced in December 2016. Should this prove to be successful, further areas will be evaluated for pillar recovery with the potential to transition the overall mining method to incorporate consolidated fill. In addition, a further opportunity exists to evaluate the re-entry and pillar recovery of the historic Way Linggo Mine.

While process and productivity improvements were being trialled and implemented, mining activities were focussed on the development of the 5 Level sublevels in the Hanging Wall, Mawi and Splay veins with the Mawi vein providing the primary supply of ore for the period. Production continued to be adversely impacted by a reduction in workable areas and the delay in accessing the higher grade portion of the ore body as a result of the suspension of the External Haulage Shaft (see Capital Mine Development section below).

Water Management

Water ingress into the Mine and the reliability of the pumping infrastructure continued to present a challenge throughout the period and had a direct impact upon both production and unit costs. Various initiatives were trialled throughout the period, including a complete reconfiguration of the 4 Level pumping station. A third, centrally located, multistage pumping station was installed on the 4 Level horizon which was designed to provide additional flexibility in the management of water and assist with redundancy planning. This resulted in a significant improvement in pumping reliability, however water ingress into the Mine continued to increase throughout the period.

A review of the Talang Santo hydrological model was ongoing throughout the period, aimed at the development of an alternate water management solution to reduce the flow of water into the Mine.

Capital Mine Development

The External Haulage Shaft was designed to not only provide additional hoisting flexibility but also to provide direct access from surface to the 5 Level horizon, allowing access to higher grade portion of the ore body.

Following the intersection of a water bearing fault structure in the December 2015 Quarter, development of the External Haulage Shaft was suspended. The External Haulage Shaft reached a depth of 145m, with a further 75m of vertical advance required to meet its target depth of 220m. Sinking of the Shaft recommenced in July 2016, however advance rates were slower than forecast, largely due to the inflow of water into the Shaft, the difficulty in grouting the water bearing structures around the Shaft and poor ground conditions. The Shaft advanced a further 38m during the period, before the decision was made to suspend the vertical advance of the Shaft pending a review of the mine plan and design.

Exploration

The Company continues to see significant potential for organic growth within the broader Project area.

Exploration targets continued to be developed throughout the period, with a specific focus on the Rowo Rejo and South Way Handa Prospects where detailed geological mapping, float and outcrop sampling and auger drilling was undertaken.

At 31 December 2016, the Group undertook an assessment of the carrying amount of its exploration and evaluation assets. As a result of this review, a write off of \$13,250,456 was recognised in the income statement in relation to areas of interest where no future exploration and evaluation activities are expected.

FINANCIAL REVIEW

	31 December 2016 Six Months (\$)	31 December 2015 Six Months (\$)
Sales Revenue	8,965,797	13,804,613
(Loss)/Earnings Before Interest, Tax, Depreciation & Amortisation – EBITDA ¹	(15,832,514)	4,393,992
(Loss)/Earnings Before Interest & Tax – EBIT ²	(19,029,106)	735,707
Net Loss After Tax	(13,133,014)	(2,206)
Loss Per Share	(2.67)	(0.00)
	31 December 2016 \$	30 June 2016 \$
Total Assets	100,137,497	104,093,456
Net Assets	82,045,610	85,807,054

¹ EBITDA has been calculated by adding back interest (\$811,854), depreciation and amortisation (\$3,196,592) and deducting tax benefit (\$6,707,946) from net loss after tax.

² EBIT has been calculated by adding back interest (\$811,854) and deducting tax benefit (\$6,707,946) from net loss after 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 loss after tax for the half year ended 31 December 2016 of \$13,133,014 (31 December 2015: \$2,206). The decrease was primarily driven by a write off of \$13,250,456 recognised on the Group's exploration and evaluation assets and lower sales revenue as a result of production shortfall during the period.

Revenue

Sales revenue for the half year ended 31 December 2016 was \$8,965,797 relating to the sale of 5,147 ounces of gold and 11,257 ounces of silver at an average price A\$1,690/oz and A\$24/oz respectively. Sales revenue was down 35% on the corresponding period in 2015, primarily driven by a reduction of 3,565 ounces of gold sold. This 41% reduction in gold sales volume was due to the continued impact of water on mining productivity and a reduction in effective working areas within the mine during the period. The reduction in gold sold was partially offset by a 10% increase in realised gold price, which saw an average increase in revenue of A\$153/ounce of gold sold in comparison to the corresponding period in 2015.

Cost of Sales

In addition to the impact on revenue, mine dewatering continued to have a significant impact on total cost of sales for the period. Despite the lower production, total cost of sales increased by \$812,212 in comparison to the corresponding

period in 2015 largely driven by an increase in fuel costs following the installation of additional pumping infrastructure during the 2016 financial year to dewater the mine.

Other Income

There was a reduction of \$1,196,108 in other income over the corresponding period in 2015. This reduction was predominantly driven by a lower unrealised foreign exchange gain relating to the revaluation of loans recorded for the period.

Other Expenses

A write off of \$13,250,456 was recognised in the income statement during the period in relation to the Group's exploration and evaluation assets (31 December 2015: \$Nil).

Financial Position

At 31 December 2016 the Group's total assets were \$100,137,497 (30 June 2016: \$104,093,456) and net assets were \$82,045,610 (30 June 2016: \$85,807,054).

Assets

At reporting date, the Group's total current assets were \$7,719,369, which represents a reduction of \$5,062,322 over the half year ended 31 December 2016. This movement was primarily driven by a decrease of \$1,682,128 in inventories and \$3,989,642 in other receivables on reclassification of Indonesian VAT refunds to non-current assets during the period.

Non-current assets of the Group stood at \$92,418,128 at balance date, \$1,106,363 higher than 30 June 2016. This increase was largely the result of continued investment in mine development at the Talang Santo Mine and the reclassification of Indonesian VAT refunds to non-current assets (from current assets) during the period, which offsets the decrease in exploration and evaluation assets as a result of the amount written off during the period.

Liabilities

At reporting date, the Group's total liabilities were \$18,091,887 (30 June 2016: \$18,286,402).

Included in the Group's total liabilities are outstanding loans of \$9,432,421, down from \$9,973,135 at 30 June 2016. This decrease was chiefly the result of a reduction in the amount outstanding under the loan facility from Michael John Andrews by \$664,717 (US\$500,000) in September 2016 via a share subscription. At 31 December 2016 all outstanding loans were classified as current liabilities due to an event of default, which was triggered when the Company was placed under voluntary administration on 14 December 2016. As a result, the Group had a working capital deficiency of \$7,855,377 at balance date.

Group Cash Flows and Liquidity

At 31 December 2016 the Group held cash and cash equivalents of \$1,999,579 (30 June 2016: \$1,507,749) and had bullion on hand of \$1,024,321 (30 June 2016: \$2,215,396). The Group's total cash and bullion balance at 31 December 2016 was \$3,023,900 (30 June 2016: \$3,723,145).

During the period the Group continued its focus and efforts on resolving the ongoing issues presented by the flow of water into the mine and took a number of key measures to support the Group's liquidity.

Capital Raising

In July 2016 the Company completed a two-tranche share placement at \$0.12 per share raising a total of \$8,707,206 in gross proceeds to fund the ongoing mine development at Talang Santo, including the completion of External Haulage Shaft and establishment of capital infrastructure, and working capital requirements of the Group. The gross proceeds of \$6,455,007 from Tranche One of the share placement was received in July 2016, with the remaining proceeds from Tranche Two received following shareholder approval on 14 September 2016.

Restructure of Secured Loan Facilities

In November 2016, the Company renegotiated the terms of its secured debt facilities with its lenders. Under the revised agreements, the Company's scheduled loan repayments were deferred until July 2017 with the exception of payment of the fourth repayment instalment to two of its lenders, Great Golden Investment Limited ("GGIL") and Beaurama Pty Ltd ("Beaurama") upon the earlier of either the receipt of an outstanding Indonesian VAT refund or 31 March 2017.

Key terms of the renegotiated agreements with the Company's secured lenders are:

- Ongoing payment of interest at 10.5% per annum, which increases to 12.5% for overdue amounts;
- Payment of a renegotiation fee equal to 2% of the outstanding principal over 7 equal monthly instalments;
- Ability to convert all or part outstanding monies to shares in the Company; and
- Increased events of default, warranties, guarantees and undertakings on the part of the Company.

The revised terms of the loan and securities agreements were conditional (amongst other matters) upon ASX granting the Company a waiver of Listing Rule 10.1 or obtaining the approval of its shareholders in general meeting. Prior to the satisfaction of these conditions precedent, an event of default occurred on 14 December 2016 when the Company was placed under voluntary administration. In accordance with the agreements, the lenders may declare the outstanding loans immediately due and payable in an event of default. As a result the Group has classified the outstanding loans as current liabilities at 31 December 2016.

Subsequent to balance date, the Administrators further restructured the secured debt facilities. Refer to the Events After Reporting Date section below.

Corporate*Executive Management Changes*

Following the resignation of Non-Executive Director Douglas Kirwin in November 2016, Joanna Kiernan was appointed to the Board.

Chief Financial Officer, Matthew Smith resigned in November 2016.

Michael Moore was appointed Chief Executive Officer in November 2016.

EVENTS AFTER REPORTING DATE

On 23 February 2017, the Administrators advised that they had renegotiated the terms of the Company's secured debt facilities. The Company owed secured lenders Mr Andrews, GGIL and Beaurama a total of \$9,570,321 comprising outstanding principal and interest. The agreements were conditional on the Company raising no less than US\$4 million through an equity raising or alternative debt arrangement, with at least US\$1 million being by way of equity (or a convertible loan) within three months.

Under the revised agreements, Mr Andrews (\$2,246,135) and GGIL (\$2,937,254) agreed to convert their debt to equity as part of a broader equity raising at the weighted average price of any shares in the Company issued under an equity raising. Conversion of the debt to equity is conditional upon any necessary shareholder approvals and the simultaneous conversion of any convertible loan forming part of the additional funding.

Beaurama (\$4,386,932) agreed to release the existing security it had over the shares in the entity which holds the Company's interest in the Way Linggo Project. It also agreed that no further interest would accrue in relation to the Beaurama debt until July 2020. From July 2020, the interest rate would be reduced from 10.5% per annum to 5% per annum, payable monthly in arrears. To the extent it has not been repaid earlier, the Beaurama debt will be deferred to a single payment due on 30 November 2023.

On 23 February 2017, the Administrators advised that a review of the remnant resource at the original Way Linggo Mine had been conducted and a plan had been developed to recover part of this resource via an open cut mine. Following approval from the Indonesian Mines Department, initial work commenced on the first phase of the open

cut mine plan. The Administrators further advised that in order to obtain the full approval for the open cut mine plan at the Way Linggo Mine, the Indonesian Mines Department requires an updated feasibility study for the mine, which was completed and submitted in mid May 2017.

On 24 March 2017, the Administrators advised that they had raised \$5,387,197 via a secured convertible loan facility ("Convertible Facility"). The Convertible Facility can be converted to equity at four cents per share (subject to shareholder approval). If the loan is not converted to equity, the Company is required to repay it on the later of termination of the administration or any deed of company arrangement which may be entered into by the Company. The Administrators further advised that as a result of the fundraising, the debt restructuring arrangements as outlined above became effective.

On 19 April 2017, the Administrators advised a further \$1,061,274 had been raised through secured convertible loan facility agreements taking the total amount raised to \$6,448,471.

On 19 April 2017, Michael Moore ceased his role as Chief Executive Officer with the Company.

On 5 May 2017, the Administrators advised a total of \$6,548,471 had been raised through secured convertible loan facility agreements.

AUDITOR'S INDEPENDENCE DECLARATION

Ernst and Young's independence declaration is set out on page 10 and forms part of the Administrators' Report for the half year ended 31 December 2016.

On behalf of the Administrators



Michael Ryan
Joint and Several Administrator
6 June 2017

Caution Regarding Forward Looking Statements and Forward Looking Information

The information contained in the Administrators' 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 (Administrators Appointed) 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.

Auditor's Independence Declaration to the Administrators of Kingsrose Mining Limited (Administrators Appointed)

As lead auditor for the review of Kingsrose Mining Limited (Administrators Appointed) for the half-year ended 31 December 2016, 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 (Administrators Appointed) and the entities it controlled during the financial period.



Ernst & Young



D S Lewsen
Partner
6 June 2017

CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		31 December 2016	31 December 2015
	Note	\$	\$
Continuing operations			
Sale of goods	4(a)	8,965,797	13,804,613
Other revenue	4(a)	205,158	175,994
Total revenue		9,170,955	13,980,607
Cost of sales	4(b)	(14,309,463)	(13,497,251)
Gross (loss)/profit		(5,138,508)	483,356
Other income	4(c)	1,751,714	2,947,822
Administration expenses	4(d)	(2,186,698)	(2,519,477)
Other expenses	4(e)	(13,250,456)	-
Finance costs	4(f)	(1,017,012)	(668,286)
(Loss)/Profit before income tax		(19,840,960)	243,415
Income tax benefit/(expense)		6,707,946	(245,621)
Net loss for the period		(13,133,014)	(2,206)
(Loss)/Profit for the period is attributable to:			
Owners of the parent		(11,159,684)	(9,182)
Non-controlling interests		(1,973,330)	6,976
		(13,133,014)	(2,206)

	Cents	Cents
Loss per share attributable to the ordinary equity holders of the parent:		
Basic loss per share – cents per share	(2.67)	(0.00)
Diluted loss per share – cents per share	(2.67)	(0.00)

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 2016

	31 December 2016 \$	31 December 2015 \$
Net loss for the period	(13,133,014)	(2,206)
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods</i>		
Foreign currency translations	170,038	1,332,553
Income tax effect	-	-
	170,038	1,332,553
<i>Items that may not be reclassified subsequently to profit or loss in subsequent periods</i>		
Foreign currency translations	55,455	283,123
Re-measurement adjustments on defined benefit obligations	27,205	119,858
Income tax effect	(9,522)	(41,950)
	73,138	361,031
Other comprehensive income for the period, net of tax	243,176	1,693,584
Total comprehensive (loss)/income for the period	(12,889,838)	1,691,378
Total comprehensive (loss)/income for the period is attributable to:		
Owners of the parent	(10,974,614)	1,389,592
Non-controlling interests	(1,915,224)	301,786
	(12,889,838)	1,691,378

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 2016

		31 December 2016	30 June 2016
	Note	\$	\$
Current Assets			
Cash and cash equivalents		1,999,579	1,507,749
Trade and other receivables	7	1,159,116	5,148,758
Inventories	8	4,180,039	5,862,167
Income tax receivable		55,525	-
Other		325,110	263,017
Total Current Assets		7,719,369	12,781,691
Non-Current Assets			
Trade and other receivables	7	10,281,671	5,927,665
Plant and equipment		7,808,793	8,256,109
Mine properties and development		37,825,647	35,834,679
Exploration and evaluation assets	9	18,201,306	30,467,371
Deferred tax assets	10	18,300,711	10,825,941
Total Non-Current Assets		92,418,128	91,311,765
TOTAL ASSETS		100,137,497	104,093,456
Current Liabilities			
Trade and other payables		5,359,282	5,227,756
Interest-bearing liabilities	11	9,613,276	5,502,264
Provisions		602,188	259,872
Total Current Liabilities		15,574,746	10,989,892
Non-Current Liabilities			
Interest-bearing liabilities	11	74,351	4,835,080
Provisions		2,410,374	2,449,425
Deferred tax liabilities		32,416	12,005
Total Non-Current Liabilities		2,517,141	7,296,510
TOTAL LIABILITIES		18,091,887	18,286,402
NET ASSETS		82,045,610	85,807,054
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	12	93,764,241	84,867,375
Reserves		7,171,800	6,770,234
Accumulated losses		(22,297,096)	(11,152,444)
		78,638,945	80,485,165
Non-controlling interests		3,406,665	5,321,889
TOTAL EQUITY		82,045,610	85,807,054

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 2016

		31 December 2016	31 December 2015
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers		8,965,797	13,804,613
Payment to suppliers and employees		(11,946,264)	(13,980,776)
VAT refund received		256,812	-
Interest received		9,588	6,769
Interest and other finance costs paid		(458,366)	(642,035)
Income tax paid		(230,723)	(225,609)
Net cash flows used in operating activities		(3,403,156)	(1,037,038)
Cash flows from investing activities			
Payments for plant and equipment		(95,515)	(123,691)
Proceeds from sale of plant and equipment		124	3,080
Payments for mine properties and development		(3,407,434)	(3,834,024)
Payments for exploration and evaluation expenditure		(754,359)	(986,095)
Net cash flows used in investing activities		(4,257,184)	(4,940,730)
Cash flows from financing activities			
Proceeds from issue of shares		8,707,206	-
Share issue costs		(475,057)	-
Repayment of hire purchases		(116,714)	(381,197)
Repayment of borrowings		-	(1,799,080)
Net cash flows from/(used in) financing activities		8,115,435	(2,180,277)
Net increase/(decrease) in cash and cash equivalents		455,095	(8,158,045)
Cash and cash equivalents at beginning of the period		1,507,749	9,517,239
Effects of exchange rate changes on cash and cash equivalents held		36,735	24,713
Cash and cash equivalents at end of the period	6	1,999,579	1,383,907

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 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	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 2015	84,867,375	7,656,308	83,407	(2,327,983)	(9,615,124)	80,663,983	5,535,754	86,199,737
Net (loss)/profit for the period	-	-	-	-	(9,182)	(9,182)	6,976	(2,206)
Other comprehensive income for the period	-	-	-	1,332,553	66,221	1,398,774	294,810	1,693,584
Total comprehensive income for the period	-	-	-	1,332,553	57,039	1,389,592	301,786	1,691,378
Transactions with owners in their capacity as owners:								
Share-based payments	-	380,815	-	-	-	380,815	-	380,815
At 31 December 2015	84,867,375	8,037,123	83,407	(995,430)	(9,558,085)	82,434,390	5,837,540	88,271,930

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Administrators of Kingsrose Mining Limited (Administrators Appointed) ("Kingsrose" or the "Company") submit this general purpose financial report for the Company and its controlled entities (the "Group") for the half year ended 31 December 2016.

1. CORPORATE INFORMATION

Kingsrose is a 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 Administrators' Report.

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

The Group's corporate structure is:

Company	Place of Incorporation	Equity Interest Held	
		As at 31 December 2016	As at 31 December 2015
		%	%
MM Gold Pty Ltd (Administrators Appointed)	Australia	100	100
Natarang Offshore Pty Ltd (Administrators Appointed)	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

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 2016 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 2016 and considered together with any public announcements made by the Company during the half year ended 31 December 2016 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 2016. In addition the Group adopted all new and revised accounting standards and interpretations that were effective at 1 July 2016. 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.

Going concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

During the half year ended 31 December 2016, the Group incurred a net loss after tax of \$13,133,014 and a net cash outflow from operating activities of \$3,403,156. At 31 December 2016, the Group had cash and cash equivalents of \$1,999,579, net assets of \$82,045,610 and a working capital deficiency of \$7,855,377.

The Administrators have considered the funding and operational status of the business in arriving at their assessment of going concern and believe that the going concern basis of preparation is appropriate based upon:

- Successful completion of fundraising via a convertible loan facility in March 2017, with a total of \$6,548,471 proceeds received between March and April 2017;
- Shareholder approval of the successful restructure of the Company's secured loan facilities in March 2017, with agreements received from GGIL and Mr Andrews to convert their outstanding debts to equity and Beaurama to defer its outstanding loan to a single payment due on 30 November 2023 and the expected satisfaction of the conditions precedent in relation to the same;
- The expectation of positive operating cash flow generation in future periods from the Way Linggo Mine following the commencement of open cut operations in February 2017 upon receipt of preliminary regulatory approval and that full approval will be obtained in the short term;
- The expectation of successful implementation of the new mine plan at the Talang Santo Mine which is expected to facilitate an increase in mining productivity and return the operation to profitability; and
- The Group's ability to manage the timing of cash flows to meet the obligation of the business as and when they fall due.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENTS

Identification of reportable segments

- The Group has identified its operating segments based on internal reports that are reviewed and used by the Board and executive management team (the chief operating decision makers) in assessing performance and determining the allocation of resources.
- Discrete financial information about each of these operating segments is reported to the Board and executive management team on a monthly basis.

Accounting policies

- The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2 to the annual financial statements.
- Segment profit/(loss) includes foreign exchange movements on intercompany loans and external finance costs that relate directly to segment operations.
- Unallocated corporate costs are non-segmented expenses such as head office expenses and finance costs that do not relate directly to segment operations.
- Income tax expense is calculated based on the segment operating net profit/(loss).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENTS (CONTINUED)

	Six months ended 31 December 2016				Six months ended 31 December 2015			
	Gold & Silver	Total Segment	Unallocated Items	Consolidated	Gold & Silver	Total Segment	Unallocated Items	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
External sales - gold	8,697,009	8,697,009	-	8,697,009	13,385,465	13,385,465	-	13,385,465
External sales - silver	268,788	268,788	-	268,788	419,148	419,148	-	419,148
Total segment revenue	8,965,797	8,965,797	-	8,965,797	13,804,613	13,804,613	-	13,804,613
Interest revenue	-	-	205,158	205,158	-	-	175,994	175,994
Total revenue	8,965,797	8,965,797	205,158	9,170,955	13,804,613	13,804,613	175,994	13,980,607
Segment (loss)/profit before income tax	(17,966,633)	(17,966,633)	-	(17,966,633)	2,308,853	2,308,853	-	2,308,853
Interest revenue	-	-	205,158	205,158	-	-	175,994	175,994
Corporate costs	-	-	(1,536,612)	(1,536,612)	-	-	(1,635,571)	(1,635,571)
Finance costs	-	-	(542,873)	(542,873)	-	-	(605,861)	(605,861)
(Loss)/Profit before income tax	(17,966,633)	(17,966,633)	(1,874,327)	(19,840,960)	2,308,853	2,308,853	(2,065,438)	243,415
Income tax benefit/(expense)	6,906,461	6,906,461	(198,515)	6,707,946	(68,187)	(68,187)	(177,434)	(245,621)
Net (loss)/profit for the period	(11,060,172)	(11,060,172)	(2,072,842)	(13,133,014)	2,240,666	2,240,666	(2,242,872)	(2,206)
Depreciation and amortisation	3,187,246	3,187,246	9,346	3,196,592	3,643,626	3,643,626	14,659	3,658,285
Exploration and evaluation assets written off	13,250,456	13,250,456	-	13,250,456	-	-	-	-
	At 31 December 2016				At 30 June 2016			
	Gold & Silver	Total Segment	Unallocated Items	Consolidated	Gold & Silver	Total Segment	Unallocated Items	Consolidated
Segment operating assets	80,491,165	80,491,165	-	80,491,165	92,555,015	92,555,015	-	92,555,015
Unallocated assets	-	-	1,345,621	1,345,621	-	-	712,500	712,500
Deferred tax assets	18,300,711	18,300,711	-	18,300,711	10,825,941	10,825,941	-	10,825,941
Total assets	98,791,876	98,791,876	1,345,621	100,137,497	103,380,956	103,380,956	712,500	104,093,456

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND EXPENSES

	31 December 2016 \$	31 December 2015 \$
(a) Revenue		
Sale of goods		
Gold	8,697,009	13,385,465
Silver	268,788	419,148
Total sales revenue	8,965,797	13,804,613
Other revenue		
Interest	205,158	175,994
Total revenue	9,170,955	13,980,607
(b) Cost of sales		
Mine production costs	9,762,273	11,435,213
Royalties	29,248	276,092
Depreciation	720,101	916,666
Amortisation	2,464,849	2,721,890
Inventory movements	1,332,992	(1,852,610)
Total cost of sales	14,309,463	13,497,251
(c) Other income		
Gain on disposal of plant and equipment	-	3,080
Net gain on foreign exchange	1,736,766	2,938,687
Sundry income	14,948	6,055
Total other income	1,751,714	2,947,822
(d) Administration expenses		
Corporate costs	1,943,528	2,118,933
Depreciation	11,642	19,729
Share-based payments	231,528	380,815
Total administration expenses	2,186,698	2,519,477
(e) Other expenses		
Exploration and evaluation assets written off	13,250,456	-
Total other expenses	13,250,456	-
(f) Finance costs		
Borrowing costs	11,138	37,827
Interest on loans - related parties	-	415,225
- other	531,735	176,961
Finance charges payable under finance leases	17,489	23,050
	560,362	653,063
Unwinding of discount on rehabilitation provision	29,605	15,223
Discount on non-current VAT receivables	427,045	-
Total finance costs	1,017,012	668,286

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company for the half year ended 31 December 2016.

6. 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 2016	31 December 2015
	\$	\$
Current		
Cash at bank and in hand	1,999,579	1,383,907
	1,999,579	1,383,907

7. TRADE AND OTHER RECEIVABLES

	31 December 2016	30 June 2016
	\$	\$
Current		
Other receivables (a)	1,159,116	5,148,758
	1,159,116	5,148,758
Non-Current		
Other receivables (a)	4,736,378	868,756
Loans to a related party (b)	5,545,293	5,058,909
	10,281,671	5,927,665

- (a) Other receivables consist primarily of 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, 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 from 80% of dividends payable by PTNM to Mr Herryansjah. 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 2016, a total interest of \$353,549 was capitalised to the loans. The carrying values of the loans approximate their fair values at the balance sheet date.

8. INVENTORIES

During the half year ended 31 December 2016, \$2,856,684 was recognised as an expense for inventories carried at net realisable value (31 December 2015: \$65,275). This is recognised in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. EXPLORATION AND EVALUATION ASSETS

	31 December 2016	30 June 2016
	\$	\$
Non-Current		
At cost	18,201,306	30,467,371
	18,201,306	30,467,371
Movements in Exploration and Evaluation Assets:		
Opening balance	30,467,371	27,873,561
Additions	717,841	1,672,628
Write off (i)	(13,250,456)	-
Foreign exchange translation gain	266,550	921,182
Closing balance	18,201,306	30,467,371

- (i) At each reporting date, the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the period, the Group identified indicators of impairment on certain exploration and evaluation assets. As a result of this review, a write off of \$13,250,456 has been recognised in the income statement in relation to areas of interest where no future exploration and evaluation activities are expected.

10. DEFERRED TAX ASSETS

The carrying amount of deferred tax assets is reviewed at each reporting date. The deferred tax assets of the Group at 31 December 2016 relate to its subsidiary, PTNM. The Group has considered the Indonesian trading position and determined that it is probable that future taxable profits will be available against which the deferred tax assets could be utilised.

11. INTEREST-BEARING LIABILITIES

	31 December 2016	30 June 2016
	\$	\$
Current		
Finance lease liabilities (a)	180,855	222,369
Loans (b),(c)		
- Related parties	-	3,764,948
- Other	9,432,421	1,514,947
	9,613,276	5,502,264
Non-Current		
Finance lease liabilities (a)	74,351	141,840
Loans (b),(c)		
- Related parties	-	3,346,620
- Other	-	1,346,620
	74,351	4,835,080

- (a) Finance lease liabilities have an average term of 3 years with the option to purchase the assets at the completion of the lease term at a nominal value and are secured by the assets leased.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INTEREST-BEARING LIABILITIES (continued)

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

	31 December 2016	30 June 2016
	\$	\$
Beaurama Pty Ltd (i),(iii)	4,250,000	4,250,000
Great Golden Investment Limited (i),(iii)	2,936,705	2,861,567
Michael John Andrews (ii),(iii)	2,245,716	2,861,568
	9,432,421	9,973,135

(i) Loans from Beaurama Pty Ltd and Great Golden Investment Limited, entities controlled by former non-executive Director, Mr J. William Phillips were included as loans from related parties at 30 June 2016. At 31 December 2016, these loans were included in loans – other as Mr Phillips is no longer a related party of the Group.

(ii) In July 2016, Mr Andrews agreed to reduce the amount outstanding under his loan facility via a share subscription. Following the receipt of shareholder approval at a General Meeting on 14 September 2016, his loan was reduced by US\$500,000 (\$664,717) in return for the issue of 5,539,307 shares in the Company at \$0.12 per share.

(iii) On 31 October 2016, the Company entered into a Deed of Variation of Loan Agreement (“Deed”) with each of the lenders to defer the fourth repayment instalment due on 31 October 2016 to 21 November 2016, pending finalisation of the revised repayment schedule and other proposed changes to the loan and security agreements. The debt restructure was completed on 21 November 2016, with the following key terms:

- Payment of the fourth repayment instalment to Great Golden Investment Limited and Beaurama Pty Ltd upon the earlier of the receipt of an outstanding Indonesian VAT refund or 31 March 2017 with all further repayments of the principal deferred until July 2017 and final repayment in October 2018;
- Repayment of outstanding principal owed to Mr Andrews deferred until July 2017 with final repayment in November 2018;
- Payment of interest at 10.5% per annum, which increases to 12.5% for overdue amounts;
- Payment of a renegotiation fee equal to 2% of the outstanding principal over 7 equal monthly instalments;
- Ability to convert all or part of outstanding monies to shares in the Company; and
- Increased events of default, warranties, guarantees and undertakings on the part of the Company.

The revised terms of the loan facilities were conditional (amongst other matters) upon ASX granting the Company a waiver of Listing Rule 10.1 or the Company obtaining the approval of its shareholders in a general meeting by 31 January 2017. Prior to the satisfaction of these conditions precedent, an event of default occurred on 14 December 2016 when the Company was placed under voluntary administration. In accordance with the Deeds, the lenders may declare the outstanding loans immediately due and payable in an event of default. As a result, the Group has classified the outstanding loans as current liabilities at 31 December 2016.

Subsequent to balance date, the loans were further restructured. Refer to Note 16.

- (c) The fair values of the Group’s interest-bearing loans approximate their carrying values at balance date. Fair values of the Group’s interest-bearing loans are determined by using the discounted cash flow method, applying a discount rate that reflects the Company’s borrowing rate at the end of the reporting period. Fair values of the Group’s fixed rate borrowings are determined by using discounted cash flow models that use market rates currently available for debt on similar terms, credit risk and remaining maturities. There were no changes during the year in the valuation techniques used by the Group to determine the Level 2 fair values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. CONTRIBUTED EQUITY

	31 December 2016		30 June 2016	
	\$	Number	\$	Number
Ordinary shares				
Issued and fully paid	93,764,241	436,710,852	84,867,375	358,611,493
	93,764,241	436,710,852	84,867,375	358,611,493
Movements in ordinary shares on issue:				
Opening balance	84,867,375	358,611,493	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	-	-
Closing balance	93,764,241	436,710,852	84,867,375	356,611,493

- (i) During the period, 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 Mr Andrews pursuant to his agreement to partially reduce the amount outstanding under his loan facility via a share subscription. Refer to Note 11(b)(ii) for details.

13. SHARE-BASED PAYMENTS

The expense arising from share-based payment transactions recognised for employee and consultancy services received during the period was as follows:

	31 December 2016	31 December 2015
	\$	\$
Options	279,238	355,200
Share performance rights	(47,710)	25,615
	231,528	380,815

On 25 November 2016, 5,000,000 options were granted to two consultants in consideration for advisory services provided to the Company in relation to the share placement disclosed in Note 12(i). As the Company could not reliably determine the fair value of the services received, the options have been valued using an option pricing model.

The options were issued at a price of \$0.20 each. The options vested immediately and have an expiry date of 25 November 2019. The fair value of the options was \$0.028 per option and was estimated on the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Grant date	25 November 2016
Dividend yield	-
Share price at grant date	\$0.11
Exercise price	\$0.20
Expected volatility	61.2%
Risk-free interest rate	1.92%
Expiration period	3 years
Expiry date	25 November 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. RELATED PARTY DISCLOSURES

Transactions with the Administrators

The Company incurred \$101,000 for professional services provided by the Administrators to the Group during the period. The fees are payable at normal commercial terms and are subject to the approval of the creditors, committee of creditors or court pursuant to section 449E of the Act. At 31 December 2016, \$101,000 was owing to the Administrators.

15. 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 to 49% over a five year period in accordance with a divestment schedule outlined in PTNM's CoW Agreement 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.

During the half year ended 31 December 2016, the Indonesian Mines Department confirmed that the Company's next obligation to offer for sale 8% equity in PTNM is required to be completed by June 2017 (six years after the commencement of production in accordance with Article 24 of the CoW).

At balance date, PTNM was in discussion with the Indonesian Mines Department in relation to its outstanding obligation to submit the offer for sale proposal.

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

16. EVENTS AFTER REPORTING DATE

Way Linggo Mine Operations

In February 2017, open cut mining operations commenced at the Way Linggo orebody following receipt of preliminary approval from the Indonesian Mines Department for the first phase of the open cut mine plan. A total of 9,195 ore tonnes has been extracted from the open cut at an average grade of 8.6g/t Au and 37g/t Ag from February to April 2017, with 2,450 ounces of gold and 9,670 ounces of silver produced and included in the shipments made post balance date.

The Group is in the process of obtaining the full approval for the open cut and underground mine plans at the Way Linggo Mine.

Restructure of Secured Loan Facilities

On 20 February 2017, the Company entered into a Debt Restructure Deed with each of its lenders to restructure the loan facilities with the following key terms:

- Beaurama agreed to defer its outstanding debt to a single payment due on 30 November 2023 and no further interest will accrue in relation to the debt until July 2020, after which interest will accrue at 5% per annum. The Company can elect to repay all or any part of the outstanding debt early.
- GGIL and Mr Andrews agreed to convert their debt to equity at \$0.04 per share as part of a broader equity raising and no further interest will accrue in relation to the debts. Conversion of the debt to equity is subject to shareholder approval and the simultaneous conversion of any convertible loan forming part of the additional funding. If these conditions are not met, the same terms agreed with Beaurama will apply.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. EVENTS AFTER REPORTING DATE (continued)

Restructure of Secured Loan Facilities (continued)

- Release of the existing security each lender has over the shares in the Company's Australian subsidiaries that hold the 85% interest in the Way Linggo Project.

The revised terms relating to the debt to equity conversion and release of security were conditional on Kingsrose raising no less than US\$4 million through an equity raising or alternative debt arrangements, with at least US\$1 million being by way of equity (or a convertible loan) within three months. This was satisfied on 24 March 2017 when the Company successfully raised in excess of US\$4 million through a secured convertible loan facility as set out below.

Convertible Loan Facility

As announced to the market in March, April and May 2017, the Company raised a total of \$6,548,471 under a secured convertible loan facility. The loan facility is interest free and convertible to equity at \$0.04 per share subject to shareholder approval. If the loan is not converted to equity, the Company is required to repay on the later of termination of the voluntary administration or any deed of company arrangement which may be entered into by the Company. Conversion may occur if the 50% by value of all lenders elect to convert. In April 2017, the Company received conversion notices in excess of 50% in value of the total funds raised from lenders confirming they wish to convert their facility into shares.

17. CHANGE IN COMPOSITION OF THE GROUP

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

ADMINISTRATORS' DECLARATION

In the opinion of the Administrators:

- (a) The financial statements and notes of the consolidated entity for the half year ended 31 December 2016 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 2016 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) Subject to the matters set out in Note 2 to the Financial Statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Administrators



Michael Ryan
Joint and Several Administrator
6 June 2017

To the members of Kingsrose Mining Limited (Administrators Appointed)

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Kingsrose Mining Limited (Administrators Appointed) which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and 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 administrators' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Administrators' responsibility for the half-year financial report

The administrators 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 controls as the administrators determine are 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 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Kingsrose Mining Limited (Administrators Appointed) and the entities it controlled during the period, 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*. We have given to the administrators of the company a written Auditor's Independence Declaration, a copy of which is included in the Administrators' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kingsrose Mining Limited (Administrators Appointed) is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its 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*.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Ernst & Young



D S Lewsen
Partner
Perth
6 June 2017