KINGSROSE
MINING LIMITED

Annual Report 2017

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Corporate Directory

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Chairman's Letter

Dear Shareholders

It is my pleasure to be able to report to you on the situation that is Kingsrose Mining Limited. As you are aware the 2017 financial year has been very challenging. Fortunately, what is now becoming clear is that the hard work and vision by a number of stakeholders through this process whether they be existing and/or new shareholders through the provision of a funding package that maintained the structural integrity of the Company, through to the restructuring work by the administrator to the highly motivated and capable residual staff at Kingsrose, as well as one of the best mine site expatriate and Indonesian teams I have had the privilege to work with is starting to pay some very encouraging dividends.

What is left after the recent restructure is a lean, focussed and highly motivated operational and management team at all levels of the Company. The next six months will, in my opinion, be equally transformative as we now focus on the longer-term sustainability of the operation. There are several key items the Company needs to finalise prior to reinstating trading of its securities on the ASX, however we believe this to be the best path forward and that by doing so, the Company's prospects will be bright indeed.

I think it's important to take this opportunity to thank everyone involved to date for their hard work through what has been a very difficult time in the Company's history. Firstly, Michael Ryan from FTI Consulting has done a remarkable job in conjunction with Bob Catto and some of the larger long term shareholders to ensure the continued viability of the Company moving forward, the way was not always clear and their vision in my opinion is why we are all here today. Secondly and more importantly, the Indonesian team on site have continued to work hard through what has been a very difficult and uncertain time. This team has been hand-picked and trained over more than a decade and is actually the best asset the Company has. Without this human resource it would be difficult to see a way forward and it's my privilege to be on working with such a skilled group. Thirdly to the Company Secretary Joanna Kiernan and Group Financial Controller, Chloe Lam, who stayed the course under enormous strain during the administrative process. These in my experience are rare characteristics to find in one place at one time. The Company, in my opinion, is strong and poised to move forward.

My decision to join this team was based on the above more than anything else. The possibility of joining a team of highly motivated professionals hardened by adversity, a team that stood together during difficult times and has come out stronger from the experience, are people that can be relied on. The fact that we have potentially one of the world's lowest cost producing gold mines is a mere bonus because it's not the Mineral Resource that makes the Company it's the human resource and we are very fortunate in this regard.

Looking farther into the future, past just a profitable mining operation, it is now possible to see the exploration potential of the broader Way Linggo Project area and as such, the Company has recently initiated a process to prioritise the large number of gold occurrences already identified on the Project area for drill testing and further work with a core focus on near mine development. The objective being to put in place over time a steady 5-year life of mine. The Company has already started to work through the large regional datasets in their possession and based on the initial review of the project pipeline, we are confident that we will have a constant stream of positive results for the market over the next 12 months.

I would like to kindly ask all Shareholders to give us their continued support during the next 12 months as we work towards optimising what is a truly unique situation. My view is we all have a lot to look forward to and your continued support is vital as we work to achieve these objectives.

Lastly it is clear that over the last 12 months the focus has been on the operational survival of the Company and by necessity shareholder updates came at a cost of this focus. This will change in the future and I commit to you that one of our many priorities is to engage with shareholders through regular briefings, updates and news.

I am always available to speak to any and all stakeholders about our Company as there is a lot to be positive about.

Thank you again and I look forward to updating you all as we continue to finalise the restructuring process.

Rod McIllree
Chairman

Voluntary Administration

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 return the Way Linggo Project to profitability during the latter part of 2016.

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 ("MMG") and Natarang Offshore Pty Ltd ("NOPL"), were also placed into voluntary administration.

While the Company and the relevant Australian subsidiaries set out above were under administration, pursuant to section 437A of the Act, the Administrators controlled the Group's business, property and affairs and were able to 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.

During the period of voluntary administration the Administrators undertook a restructure of the Group's financial arrangements and the operations at the Company's 85% owned Way Linggo Project in Indonesia. This resulted in a strengthened balance sheet through a large reduction in secured debt via a debt to equity conversion, a $6.55M capital raising via several convertible loan facilities and the commencement of open cut activities at the historic Way Linggo underground mine.

Deed of Company Arrangement

On 8 June 2017, the Administrators held the second meeting of creditors for the Company and NOPL to end the voluntary administration of the Company and NOPL by way of a deed of company arrangement ("DOCA") proposal. At the meeting, creditors approved entering into the DOCA against liquidation alternatives. Following execution of the DOCA, the Administrators were appointed as deed administrators of the Company and NOPL ("Deed Administrators"). The key objectives of the DOCA was to facilitate the adjudication and payment of creditors claims, facilitate the conversion of the convertible loan facilities and debts owed to secured creditors Michael John Andrews ("MJA") and Great Golden Investment Limited ("GGIL") following shareholder approval, facilitate the business of the Company to continue as a going concern and enable all employees of the Company to continue employment.

The conditions precedent for the completion of the DOCA were:

1. Lodgement of the financial reports for the half year ended 31 December 2016 with ASX and ASIC;
2. Shareholders of the Company in general meeting approving the conversion of the convertible loans and the debts of MJA and GGIL to equity;
3. The share issues referred to in point 2 above having been issued; and
4. The Deed Administrators having paid the final distribution of funds to creditors in accordance with the terms of the DOCA.

Following the satisfaction of the above conditions, including payment of unsecured creditors of the Company of 100 cents in the dollar, the DOCA was effectuated on 31 July 2017 allowing the Company and NOPL to transition out of external administration with control of the Company returned to the Directors.

The second meeting of creditors for 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.

Review of Operations

Mine Operations 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 2017 financial year, production was sourced from the Talang Santo underground mine and the Way Linggo open cut with a total of 12,862 ounces of gold produced with 12,253 ounces sold at an average gold price of A$1,670 per ounce and A$20,456,841 in revenue was realised.

The cash operating costs[1] for the period were US$1,026 per ounce and the all-in sustaining costs of production[2] were US$1,766 per ounce.

Operations at the Way Linggo Project experienced a significant improvement in the second half of the financial year, largely attributable to the commencement of open cut mining activities at the Way Linggo Mine. Total production for the June 2017 Quarter of 5,055 ounces represented a 50% increase from the March 2017 Quarter and a 183% increase over the December 2016 Quarter.

	Units	September 2016 Quarter	December 2016 Quarter	March 2017 Quarter	June 2017 Quarter	Year To Date
Mine Production						
TALANG SANTO						
Ore Mined	t	9,298	9,988	7,939	5,550	32,776
Mine Grade (Gold)	g/t	9.0	5.9	8.7	7.6	7.7
Mine Grade (Silver)	g/t	18	16	21	21	19
WAY LINGGO						
Ore Mined	t	-	-	4,728	16,938	21,666
Waste	bcm	-	-	17,751	83,146	100,897
Mine Grade (Gold)	g/t	-	-	9.2	7.5	7.9
Mine Grade (Silver)	g/t	-	-	36	41	40
TOTAL						
Ore Mined	t	9,298	9,988	12,668	22,448	54,442
Mine Grade (Gold)	g/t	9.0	5.9	8.9	7.5	7.8
Mine Grade (Silver)	g/t	18	16	27	36	27
ORE PROCESSED						
Tonnes Milled	t	10,255	11,079	13,627	21,772	56,733
Head Grade (Gold)	g/t	8.4	5.4	8.0	7.5	7.4
Head Grade (Silver)	g/t	17	16	25	37	27
Recovery (Gold)	%	96.2	93.5	95.4	96.5	95.6
Recovery (Silver)	%	87.3	88.3	88.7	87.9	88.1
Gold Produced	oz	2,660	1,786	3,361	5,055	12,862
Silver Produced	oz	5,072	4,915	9,750	23,029	42,766
COSTS OF PRODUCTION						
Cash Operating Costs	US$/oz	1,440	2,017	851	583	1,026
All-In Sustaining Costs of Production	US$/oz	2,149	3,179	1,322	1,366	1,766

[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.

The Talang Santo Mine

Mining

Production from the Talang Santo Mine for the 2017 financial year was 32,776 tonnes of ore at 7.7 g/t Au and 19 g/t Ag.

The result was impacted by the ongoing challenges presented by the inflow of groundwater into the mine, poor ground conditions and a reduction in mineable areas largely driven by slower than expected development of the 5 Level of the Mine. A comprehensive review of the mining operations was initiated in July 2016 to address ongoing operational challenges, with a particular focus on improvements to mining productivity and Resource recovery, cost reduction and management of the inflow of ground water.

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. The review also highlighted that capital expenditure would be required to improve the dewatering system.

While process and productivity improvements were being trialed and implemented, ore was sourced primarily from the 4 Level down to the 5 Level Sublevels as well as some remnant pillar recovery on the 3 Level. Production however, 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 (“Shaft”).

The 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. Intersection of a water bearing fault structure, and resultant inflows necessitated the suspension of development of the Shaft during the latter part of 2015.

Development of the Shaft recommenced in July 2016, however advance rates were slower than forecast, largely due to the inflow of ground water into the Shaft, poor ground conditions and the difficulty in grouting the area. The Shaft advanced a further 38m during the period, before the decision was made in November 2016 to suspend the vertical advance of the Shaft pending a review of the mine plan and design.

An alternative plan of sinking an internal shaft in the Hanging wall of the ore body from the 5 Level Sublevel 3 to the 6 Level was developed as the Hanging wall was located away from the main water bearing structures. This would then allow the establishment of a pumping station capable of handling anticipated water flows as production areas were developed at the lower levels of the Mine.

The commencement of the internal shaft project was delayed in December 2016 following the entry into Voluntary Administration and the resultant slowdown of all mining activities. Production was limited in February and March with little development occurring in the Mine.

In April 2017, the internal shaft project commenced with initial infrastructure installation and sinking of the internal shaft commenced in May 2017 with 21m of advance completed by 30 June 2017. Development of the internal shaft was slower than expected due to the difficult ground conditions, which further delayed access to the lower levels of the mine and restricted ore production.

Mining continued to focus on the 5 Level Sublevels following the completion of mining of ore above the 4 Level. Several winzes were required down to the 5 Level Sublevel 3 to maintain ore production areas, however this involved significant dewatering as winzes were developed and progress was consequently slow.

Water Management

The inflow of water into the Mine continued to present a significant challenge throughout the financial year, and despite numerous initiatives trialed to reduce the inflow of water, including a stream diversion, no material reduction was experienced, with the inflows increasing at depth. In addition to the adverse effect on production, water management was a significant cost to the operation.

Work was ongoing in relation to the establishment of a long term and more efficient pumping system for the Mine in conjunction with the ongoing review of the Talang Santo hydrological model.

Review of Operations

Way Linggo Open Pit

A review of the existing remnant Resource at the original Way Linggo Mine was conducted in January 2017, and a plan was subsequently developed to recover part of this resource via an open cut mine. The Way Linggo open pit was designed to mine the remaining Measured Resource above the 1 Level of the Way Linggo underground Mine. The open cut will recover the pillars and remnant ore that was unable to be mined with the mining methods previously used at the Way Linggo underground mine.

The open pit was designed to mine the ore in a series of staged cutbacks beginning with an initial trench cut following approvals by the Indonesian Mines Department in February 2017. Approval of the remainder of the open cut was still under application at the end of the reporting period.

Mining was undertaken using a fleet of small equipment owned by the Group, supplemented by some additional contract equipment which arrived on site in late May 2017. Mining is continuing according to plan with the open cut supplying the majority of the feed to the mill. Recovered gold ounces from the open cut operation to 30 June 2017 was in line with expectations, producing a total of 21,666 tonnes of ore at 7.9 g/t Au and 40 g/t Ag for 5,501 contained ounces of Au from March to 30 June 2017.

Exploration

The Way Linggo Project encompasses an area of $100km^2$ and is held under a 4th generation CoW with the Indonesian Government. It is located on the prolifically mineralised Trans-Sumatran Fault, which is part of the Pacific Rim of Fire. The area is considered highly prospective for low sulphidation epithermal gold-silver deposits with several multi-million ounce deposits located on it.

Geological exploration activities conducted during the year were constrained predominantly to geological mapping and rock chip sampling of float and outcrop. The main areas of focus included the Talang Cluster, Mitra Jaya, Way Handa, Rowo Rejo, and Talang Tebat. The majority of work was undertaken in the early half of the financial year, with only very limited work carried out while the Company was under external administration.

Detailed geological mapping at Mitra Jaya and Way Handa identified gold anomalies in rock float and silica outcrop. These areas were interpreted to be part of the main mineralisation which is north-south. Auger bedrock sampling and trenching was conducted at Rowo Rejo and Talang Tebat. The focus of these activities was to identify the mineralisation zone highlighted by hill float of hydrothermal breccia over a 200 meter length, in a north south orientation along the ridge.

The review of the 3D inversion of CSAMT geophysics, surface geology data, and previous drill hole data indicated that gold mineralisation is still open to the south part of the Rowo Rejo prospect. This data has generated resistor vein structures that were field tested and many of them related to previously identified silica quartz veins from drill holes intercepts.

Occupational Health and Safety

The Group continued its firm commitment to fostering a culture that prioritises a safe working environment above all else during the financial year. Operations at the Talang Santo Mine are highly manual, given the hand held mining methods employed by the mining team which can result in higher rates of first aid injuries due to the manual handling activities that are associated with this mining method.

The dedicated onsite safety team worked diligently throughout the year having run 237 internal training workshops covering 28 different subject modules and overseeing the regular reinforcement of procedures and correct mining and manual handling techniques and reparative strain injury workshops in an effort to mitigate any potential health and safety risks.

The 12 month moving average Lost Time Injury Frequency Rate ("LTIFR") stands at 2.44. The Company remains committed to reducing these rates.

Environment

The Group continues to conduct its activities in a manner that minimises its environmental footprint, and as such there has been very little environmental impact on the Project area to date.

The Group conducts its activities 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 are a key part of its 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 its long-term environmental strategy.

Environmental activities during the year included ongoing monitoring and control of water discharge and waste disposal, observation and monitoring of the Tailings Storage Facility, biodiversity assessments and extensive reclamation and revegetation programs. A total of 1.22ha hectares was revegetated during the financial year on disturbed areas by replanting a total of 1,452 trees using a variety of plant stock, including fruits trees such as Durian and Palma (nutmeg) which can be utilised by the community.

The creation and cultivation of the Way Linggo Nursery has also assisted with the rehabilitation and re-vegetation in the areas of mining and exploration activities on the wider Project area. In addition, comprehensive rehabilitation and reforestation takes place on compensation land purchased by PT Natarang Mining (PTNM) and donated to the Ministry of Forestry.

Review of Operations

Community Engagement

Building a long term, genuinely collaborative relationship based on mutual trust and respect with the local communities surrounding the Way Linggo Project not only underpins the Company's Social Responsibility Program but is crucial to the ongoing success of the Company's activities.

PTNM's community development team continued to actively engage the local community and keep all community members and stakeholders updated as to the status of the Project's operations, particularly during the period of external administration. The Group provided ongoing support to local cultural, environmental, health and education initiatives and programs throughout the year, many of which are designed to increase community self-reliance.

Local Employment

One of the biggest benefits provided to the community are the many employment opportunities available at the Way Linggo Project and providing employees with strong and sustainable skill sets. Throughout the year, approximately 58% of the on-site workforce was from neighboring villages and communities and a further 14% from the wider Lampung Province. The Company remains committed to employing the majority of its on-site workforce from the local community.

Likely Developments and Expected Results of Operations

Operations

The Company continues to operate from a single asset base and the strategy for the business remains simple and focussed. Following an extremely challenging 12 months, the primary objective for the 2018 financial year is on establishing a consistent, production profile generating positive cash flow from the operating mines at the Way Linggo Project. Significant potential exists at both the Way Linggo and Talang Santo Mines and under the direction of the new Board and executive management team, every effort will be made to swiftly deliver a long term and low cost mining operation which extracts full value for all stakeholders.

The Way Linggo Project holds enormous exploration potential, with the broader Project area remaining highly prospective and under explored for additional low sulphidation epithermal gold deposits. The new Board, excited by this potential, has tasked the exploration team with the creation of a systematic and disciplined exploration program to be implemented over the next 12 months to develop a pipeline of targets aimed at delineating a near term production target.

Open cut activities at the Way Linggo Mine are planned to continue for much of the 2018 financial year focusing on safely recovering pillars and remnant ore located above the 1 Level of the Way Linggo underground mine. In parallel with these mining activities, studies are underway to explore the possibility of expanding the current open pit to recover the ore body down to the 3 Level to recover as much of the remaining Resource as possible. It is anticipated that ore mined from the Way Linggo open cut will be the primary source of feed for the processing facility for the 2018 financial year and will continue to generate positive cash flow for the Company.

The potential at Talang Santo is immense, with a portion of the Mineral Resource remaining both at surface and at depth. Production however, continues to be adversely affected by the ongoing impact of water ingress into the mine, the limits of the current mine design and the mining methods employed at the mine which makes the safe and cost effective recovery of this high grade Mineral Resource challenging.

The new Board and Management team are currently reviewing operations at Talang Santo in an effort to develop a sustainable, cash flow positive life of mine plan that can underpin the future growth of the Company.

The first phase of the review was initiated by the Board soon after their appointment in August 2017. Highly specialised consultants were engaged to undertake a comprehensive operational review. Results from these reviews will assist the Board and management in determining the safest and most cost effective way of exploiting the Resource. At this stage, it is highly probable that the remnant Resource remaining in the upper levels of the Mine will be recovered via an open cut. In parallel with these open cut activities, options to redesign the current underground mine will be explored in order to increase productivity and Resource recovery and reduce costs.

The next phase will focus on implementing the life of mine plan which is expected to incorporate a combination of open cut and underground mining at the Talang Santo Mine and expanding the Mine's current Mineral Resource through additional exploration and drilling activities which will occur progressively over the next few financial years and as cash flow allows.

As at the date of this report, the Company's securities remained suspended from trading on ASX. ASX has provided the Company a list of re-instatement conditions that must be met prior to the re-instatement of trading in the Company's securities. The Company has until 15 December 2017 to satisfy those conditions. The Board deemed it prudent to complete its operational review referred to above prior to the re-instatement of trading in the Company's securities. The review is nearing completion, and once finalised, it will be a priority of the Board to satisfy all outstanding conditions in an effort to facilitate trading on ASX as soon as practically possible.

Review of Operations

Financial Review

	2013 $	2014 $	2015 $	2016 $	2017 $
Sales Revenue	20,693,822	3,815,074	33,198,589	31,663,847	**21,317,781**
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation – EBITDA[1]	3,811,940	(31,709,945)	22,245,302	5,224,497	**(41,640,238)**
Earnings/(Loss) Before Interest & Tax – EBIT[2]	(985,520)	(33,748,691)	17,209,185	(1,713,930)	**(49,110,504)**
Net Profit/(Loss) After Tax	299,749	(24,179,777)	10,485,507	(1,957,241)	**(61,176,220)**
Earnings/(Loss) Per Share	0.54	(6.21)	2.48	(0.44)	**(11.99)**
Net Operating Cash Flows	(12,416,938)	(5,992,194)	9,750,099	2,685,388	**(1,178,097)**
Total Assets	87,998,397	86,457,769	105,601,669	104,093,456	**55,397,801**
Net Assets	69,613,989	70,706,124	86,199,737	85,807,054	**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 are 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 year ended 30 June 2017 of $61,176,220 (2016: $1,957,241), largely impacted by the following significant items:

- Sales revenue was down 33% on the corresponding period in 2016, primarily driven by a reduction of 7,100 ounces of gold sold. This 37% reduction in gold sales volume was due to the continued impact of the inflow of ground water on mining productivity and a reduction in effective working areas within the Talang Santo Mine during the year. The reduction in gold sold was partially offset by a 5% increase in realised gold price, which saw an average increase in revenue of A$78 per ounce of gold sold in comparison to the 2016 reporting period.
- The reduced production profile contributed to the decrease in cost of sales of $4,734,219. The impact however, was partially offset by an increase in fuel costs following the installation of additional pumping infrastructure during the 2016 financial year to dewater the Talang Santo Mine.
- Other income for the year increased primarily due to recognition of a $5,035,505 gain on restructure of the loans from Beaurama, GGIL and MJA post the debt restructure in February 2017.
- Administrative expenses increased by $1,276,183 mainly due to costs incurred in relation to the external administration of the Company.
- An allowance for impairment loss on other receivables of $5,216,555 was recognised in relation to the loans to non-controlling interest.
- Non-cash impairment on the mine properties and development of $22,266,402 was recognised in relation to the Talang Santo Mine. The impairment was the result of uncertainty surrounding timing of future cash flows from the Talang Santo Mine at 30 June 2017. A comprehensive operational review is being undertaken to determine more economically viable options to extract the remaining ore at the Talang Santo Mine and develop a new Life of Mine plan which will likely incorporate a combination of open cut and underground mining.
- A write off of $13,250,456 was recognised in relation to the Group's exploration and evaluation assets.
- Income tax expense of $11,071,809 primarily related to the derecognition of the Group's deferred tax assets.

Financial Position

At 30 June 2017 the Group's total assets were $55,397,801 (2016: $104,093,456) and net assets were $33,971,507 (2016: $85,807,054).

Assets

At reporting date, the Group's total assets were $55,397,801, which represents a reduction of $48,695,655 over the year ended 30 June 2016. This was largely driven by a decrease in mine properties and development of $21,585,733, exploration and evaluation assets of $13,106,752 and deferred tax assets of $10,825,941.

Liabilities

At reporting date, the Group's total liabilities were $21,426,294 (2016: $18,286,402).

Included in the Group's total liabilities are outstanding loans of $11,104,685, which have increased from $9,973,135 at 30 June 2016. This increase was primarily the result of funds raised via numerous secured convertible loan facilities during the voluntary administration period, which offsets a reduction in the amount outstanding under the loan facilities following the partial settlement of loan via a share subscription by one of the Company's secured lenders in September 2016 and adjustments recognised as a result of the debt restructure in February 2017.

Group Cash Flows and Liquidity

At 30 June 2017 the Group held cash and cash equivalents of $5,933,935 (2016: $1,507,749) and had bullion on hand of $2,935,567 (2016: $2,215,396). The Group's total cash and bullion balance at 30 June 2017 was $8,869,502 (2016: $3,723,145).

During the year the Group continued its focus and efforts on resolving the ongoing issues at the Talang Santo 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 completion of the 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.

Over the course of March, April and May 2017 the Administrators raised a total of $6,548,471 via a number of secured convertible loan facilities ("Convertible Facility"). The Convertible Facility was convertible at $0.04 per share and subject to shareholder approval which was obtained on 28 July 2017. As a result of the fundraising, the debt restructure with the Company's secured lenders outlined below became effective.

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, GGIL and Beaurama Pty Ltd ("Beaurama") upon the earlier of either the receipt of an outstanding Indonesian VAT refund or 31 March 2017.

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.

On 20 February 2017, the Administrators renegotiated the terms of the Company's secured debt facilities. The Company owed secured lenders MJA, 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, MJA ($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 was conditional upon any necessary shareholder approvals and the simultaneous conversion of any convertible loan forming part of the additional funding. Shareholder approval was obtained on 28 July 2017.

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.

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, resigning in April 2017.

WAY LINGGO PROJECT MINERAL RESOURCE

As at 30 June 2017, the Total Mineral Resource for the Way Linggo Project was 1.7 million tonnes @ 8.7 g/t Au and 54 g/t Ag for 477,000 ounces of gold and 2,951,000 ounces of silver.

This represents a 8% decrease in contained gold, and 5% decrease in contained silver, over the 2016 Way Linggo Project Mineral Resource. The underlying Mineral Resource models reported are the same as those reported at 30 June 2016, with the differences being entirely attributable to reduction for mine depletion during the intervening period.

2017 Way Linggo Project Mineral Resource

Category	Tonnes (Kt)	Gold (Au) g/t	Au Ounces (Koz)	Silver (Ag) g/t	Ag Ounces (Koz)
Talang Santo					
Measured	211	10.5	71	24	165
Indicated	312	11.2	112	21	207
Inferred	707	5.0	114	20	463
Subtotal	**1,230**	**7.5**	**297**	**21**	**835**
Way Linggo					
Measured	301	14.5	141	181	1,746
Indicated	169	6.3	34	61	332
Inferred	14	12.1	5	88	39
Subtotal	**484**	**11.6**	**180**	**136**	**2,117**
GRAND TOTAL	1,713	8.7	477	54	2,951

2016 Way Linggo Project Mineral Resource

Category	Tonnes (Kt)	Gold (Au) g/t	Au Ounces (Koz)	Silver (Ag) g/t	Ag Ounces (Koz)
Talang Santo					
Measured	255	11.2	92	25	207
Indicated	335	10.7	115	20	216
Inferred	739	5.2	124	22	531
Subtotal	**1,329**	**7.7**	**331**	**22**	**954**
Way Linggo					
Measured	318	14.4	147	174	1,784
Indicated	170	6.3	34	61	333
Inferred	14	12.1	5	88	39
Subtotal	**502**	**11.5**	**186**	**134**	**2,156**
GRAND TOTAL	1,831	8.8	517	53	3,110

Mineral Resource Governance and Internal Controls

The Company ensures that the Mineral Resource estimate reported is subject to governance arrangements and internal controls at both a site and corporate level. The original Mineral Resource estimates at Way Linggo Mine and Talang Santo Mine were externally derived by an independent consulting organisation whose staff have exposure to best practice in modelling and estimation techniques. In addition, Kingsrose management has carried out internal reviews of the estimate to ensure that it accurately represents the geological models and has been classified accordingly.

The Company's procedures for the sample techniques and sample preparation are reviewed by independent third parties. Assays are performed by independent accredited laboratories with a QAQC program showing acceptable levels of accuracy and precision.

Competent Persons Statement

The information in this report that relates to the Talang Santo Mine Mineral Resource is based on and fairly represents information compiled under the supervision of Mr Bill Rayson, who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Rayson is a consultant to the Company, and is an employee of "The Trustee For TES Trust". Mr Rayson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves." Mr Rayson consents to the inclusion in this report of the matter based on his information in the form and context in which it appears.

The information in this report that relates to the Way Linggo Mineral Resource is based on and fairly represents information compiled under the supervision of Mr Bill Rayson, who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Rayson is a consultant to the Company, and is an employee of "The Trustee For TES Trust". Mr Rayson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves." Mr Rayson consents to the inclusion in this report of the matter based on his information in the form and context in which it appears.

The Way Linggo Mine Mineral Resource was first reported by the Company in compliance with the 2004 edition of the JORC Code and has not been updated to comply with the 2012 edition of the JORC Code. The Company confirms that it is not aware of any new information or data that materially affects the Way Linggo Mine Mineral Resource Statement and further confirms that all material assumptions and technical parameters underpinning the Way Linggo Mine Mineral Resource estimate continue to apply and have not materially changed.

Forward Looking Statements

Kingsrose Mining Limited has prepared this report based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this report. To the maximum extent permitted by law, none of Kingsrose Mining Limited, its Directors, employees or agents, advisers, nor any other person accepts any liability, including without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this report or its contents or otherwise arising in connect with it.

The information contained in this 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.

The Directors submit their report of the "Consolidated Entity" or "Group", being Kingsrose Mining Limited ("Kingsrose" or "the Company") and its Controlled Entities for the year ended 30 June 2017.

Directors

The names of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Name and Qualification	Experience, Special Responsibilities and Other Directorships
Roderick McIlree	
BSc (Geology), Grad Dip (Mineral Economics), MAusIMM Independent Non-Executive Chairman Appointed: 16 August 2017	Mr Roderick McIllree is a corporate geologist. A graduate of Curtin University School of Mines he has spent decades working in frontier locations during which time he has gained a global perspective of commodities. Mr McIllree has held numerous technical roles at a range of companies with a particular focus on gold in the broader Asia-Pacific region. Mr McIllree has extensive capital markets experience having successfully raised funds for mining and exploration companies with assets both within Australia and overseas. Mr McIllree is currently Managing Director of AIM listed Blue Jay Mining Plc.
Special Responsibilities	None.
Michael Andrews	
BSc (Hons), PhD, FAusIMM Non-Executive Director Appointed: 16 August 2017	Dr Michael Andrews is a geologist with more than 35 years of research and mining industry experience in gold, copper, coal and iron exploration. He holds an honours degree in Geology from the University of Reading, and a doctorate in Exploration Geochemistry from the University of Wales. Dr Andrews is currently President and COO of Southern Arc Minerals Inc, President and COO of Japan Gold Corp and President and CEO of Q Investments all public exploration companies listed on the Toronto Venture Exchange. He is also a Director of AIM listed Tethyan Resources Ltd. Dr Andrews was a Founding Director of Kingsrose Mining and played an instrumental role in the discovery, exploration, feasibility and development of its Way Linggo Gold Mine in Indonesia and he has been closely involved with the development of a number of other gold mines in Southeast Asia. Dr Andrews also held the positions of Executive Director and Chief Geologist of AuIron Energy Ltd., Director of Gold Operations for Meekatharra Minerals Ltd, and managed the Teck Corporation-MM Gold Indonesian Joint Venture, an exploration portfolio of thirteen gold and copper projects, and also held senior exploration positions with Ashton Mining Ltd, Aurora Gold Ltd and Muswellbrook Energy and Minerals. Dr Andrews is a fellow of the Australasian Institute of Mining and Metallurgy and a member of the Society of Economic Geologists. Dr Andrews is a substantial shareholder of the Company.
Special Responsibilities	None.

Directors' Report

Grant Mills	
Independent Non-Executive Director Appointed: 16 August 2017	Mr Mills holds an Associate Diploma in Mining and Mineral Technology from the Western Australian School of Mines and has extensive experience in the mining industry having held previous roles at Great Central Mines and at the Granny Smith Gold Mine. Mr Mills has broad ranging commercial experience across a wide range of industries, including mining and manufacturing particularly in Asia. Mr Mills has held no other Directorships in public listed companies in the last three years.
Special Responsibilities	None.
John Morris	
Executive Chairman Appointed: 17 August 2007 Resigned: 16 August 2017 Non-Executive Director Appointed: 16 August 2017	Mr Morris has over 44 years' experience in exploration, project development and management of publicly listed resource companies. He has held prior Directorships in a number of gold and base metals public companies in Australia and overseas including Forsyth NL and Amerisur Resources Plc (formerly Chaco Resources Plc/Gold Mines of Sardinia Plc). Mr Morris has held no other Directorships in public listed companies in the last three years.
Special Responsibilities	Mr Morris was chairman of the Remuneration Committee and a member of the Audit Committee during the period in which the relevant Committee's operated.
Andrew Spinks	
B.App.Sc (Geol), Grad.Dip (Mining) MAusIMM Independent Non-Executive Director Appointed: 21 August 2012 Resigned: 16 August 2017	Mr Spinks is a geologist with over 27 years' experience in nickel, gold, coal, iron ore and diamonds in Australia and Africa. He has undertaken diverse roles from grass roots exploration through to senior management and consulting roles in exploration, project development and mining. He is a co-founder of Strategic Resource Management Pty Ltd and is responsible for the strategy, target generation and acquisitions of that company. Mr Spinks is currently the Managing Director of Kibaran Resources Limited, and has held no other Directorships in public listed companies in the last three years.
Special Responsibilities	Mr Spinks was Chairman of the Audit Committee and a member of the Remuneration Committee during the period in which the relevant Committee's operated.
Joanna Kiernan	
BA Non-Executive Director Appointed: 21 November 2016 Resigned: 16 August 2017 Company Secretary Appointed: 16 April 2014	Ms Kiernan has over 13 years' experience in the administration and operation of listed public companies within the resources industry, having previously held the position of Company Secretary for numerous ASX and AIM listed companies. Ms Kiernan has held no other Directorships in public listed companies in the last three years.
Special Responsibilities	None.

Douglas Kirwin	
B.Sc, MSc Independent Non-Executive Director Appointed: 2 May 2016 Resigned: 21 November 2016	Mr Kirwin is a geologist with over 45 years' experience, mainly in the Asia-Pacific region. He was previously the exploration Executive Vice-President of Ivanhoe Mines and was Managing Director of International Geological Services Pty Ltd. Mr Kirwin has also held several senior positions with Anglo American and Amax. Mr Kiwin is currently an adjunct research professor at James Cook University. Mr Kirwin has held no other Directorships in public listed companies in the last three years.
Special Responsibilities	None.

Principal Activities

The principal activity of the Company for the year ended 30 June 2017 was the production, exploration and development of its gold and silver deposit at the Way Linggo Project in South Sumatra, Indonesia.

Operating and Financial Review

A review of the operations and financial position of the Company during the year ended 30 June 2017, including details of the results of operations, changes in the state of affairs, and likely developments in the operation of the Company in subsequent financial years are set out on pages 3 to 12.

Significant Changes in State of Affairs

There have not been any significant changes in the state of affairs of the Company during the financial year, other than those noted in this financial report on page 3.

Dividends

No dividends were declared or paid during the financial year.

Subsequent Events

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 in February 2017. In addition, shareholders were asked to approve the issue of shares pursuant to the 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.

On 1 August 2017, Paul Jago was appointed as Chief Executive Officer.

On 1 August 2017, the Company issued a Cleansing Prospectus pursuant to section 708A(11) of the Act to raise a nominal amount ("Offer"). The primary purpose of the Prospectus was to remove any trading restrictions on the sale of shares issued by the Company referred to above. The issue of the Cleansing Prospectus was permitted following the grant of relief by the Australian Securities and Investments Commission on 28 June 2017 allowing it to issue a transaction specific prospectus under section 713 of the Act in respect of the Offer rather than a full form prospectus under section 710 of the Act.

On 16 August 2017, Roderick McIllree was appointed as Non-executive Chairman replacing John Morris who remains on the Board as a Non-executive Director. In addition, Michael Andrews and Grant Mills were appointed as Non-executive Directors. Andrew Spinks and Joanna Kiernan resigned as Non-executive Directors of the Company. Ms Kiernan remains as Company Secretary as was appointed as General Manager – Corporate.

On 14 September 2017, approval for the final stage of the Way Linggo open cut was received from the Indonesian Mines Department.

On 10 October 2017, the Board resolved to progressively suspend underground operations at the Talang Santo Mine in view of the persistent operational challenges resulting from the ongoing inflow of groundwater in the mine, poor ground conditions and a reduction of mineable areas. Refer to the Likely Developments and Expected Results of Operations section of this report for additional information.

Directors' Meetings

The number of Directors' meetings (including meetings of committees or Directors) and number of meetings attended by each of the Directors of the Company during the financial year are set out below:

			Meetings of Committees			
	Directors' Meetings		Remuneration[1]		Audit[2]	
Director	Eligible	Attended	Eligible	Attended	Eligible	Attended
John Morris	4	4	-	-	-	-
Andrew Spinks	4	3	-	-	-	-
Douglas Kirwin	2	2	-	-	-	-
Joanna Kiernan	2	2	-	-	-	-

1. The Remuneration Committee was suspended with effect from 29 April 2016
2. The Audit Committee was suspended with effect from 29 April 2016

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Fully Paid Ordinary Shares	Options Over Ordinary Shares
Roderick McIlree	22,300,000	-
John Morris	9,600,000	-
Michael Andrews	100,159,357	-
Grant Mills	10,000	-

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Instrument	Number Under Option	Exercise Price	Expiry Date
Options	4,300,000	$0.26	18 November 2018
Options	1,000,000	$0.27	8 March 2019
Options	5,000,000	$0.20	25 November 2019

Option holders do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

OPTIONS ISSUED

The following options were issued during the financial year ended 30 June 2017:

Instrument	Number Under Option	Exercise Price	Expiry Date
Options	5,000,000	$0.20	25 November 2019

SHARE PERFORMANCE RIGHTS ISSUED

No share performance rights were issued during the financial year.

SECURITIES LAPSED OR CANCELLED

The following securities lapsed during the financial year ended 30 June 2017:

Instrument	Number Under Option	Exercise Price	Expiry Date
Options	500,000	$0.44	11 August 2016
Options	3,000,000	$0.55	31 January 2017

The following securities were cancelled during the financial year ended 30 June 2017:

Instrument	Number Under Option	Exercise Price	Expiry Date
Options	500,000	$0.26	18 November 2018
Options	2,000,000	$0.27	8 March 2019
Share Performance Rights	206,967	-	30 June 2017
Share Performance Rights	209,446	-	30 June 2018

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group’s operations in Indonesia are subject to local environmental laws, regulations and permit conditions.

The Directors of the Company are not aware of any material breach of environmental legislation while conducting their operations in Indonesia during the 2017 reporting period.

EMPLOYEES

The Group had 665 full-time employees as at 30 June 2017 (2016: 713).

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium of $18,000 (2016: $18,000) to insure the Directors and Officers of the Company and its controlled entities. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as officers of entities in the Group except where the liability arises out of conduct involving a lack of good faith.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

REMUNERATION REPORT (AUDITED)

INTRODUCTION

This report for the year ended 30 June 2017 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act 2001*.

This report details the remuneration arrangements for key management personnel (KMP) of the Group who are defined as those persons who have the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the parent company. Kingsrose Mining Limited's KMP are defined as Directors (whether Executive or otherwise), the Chief Executive Officer, the Chief Financial Officer, the General Manager and the President Director of PTNM.

For the purposes of this report the term "Executive" includes the Executive Chairman, Chief Executive Officer, Chief Financial Officer, General Manager and the President Director of PTNM.

Details of KMP of the Group during the reporting period are set out below:

Name	Position	Term as KMP
Non-Executive Directors		
Andrew Spinks	Non-Executive Director	Full financial year
Joanna Kiernan	Non-Executive Director	Appointed 21 November 2016
Douglas Kirwin	Non-Executive Director	Ceased 21 November 2016
Executives		
John Morris	Executive Chairman	Full financial year
Michael Moore	Chief Executive Officer	Appointed 16 November 2016, Ceased 12 April 2017
Matthew Smith	Chief Financial Officer	Ceased 30 November 2016
Ivan Kusnadi	PTNM Acting President Director	Appointed 16 June 2017
Michael McCracken	PTNM General Manager	Appointed 1 February 2017
Yohanes Parapat	PTNM President Director	Ceased 16 June 2017
Paul Androvic	PTNM General Manager	Ceased 19 March 2017
External Administrators		
Michael Ryan and Ian Francis of FTI Consulting	Joint and Several Voluntary Administrators	Appointed 14 December 2016, Ceased 8 June 2017
	Deed Administrators	Appointed 8 June 2017

Details of changes to KMP after the reporting date and before the date the financial report was authorised for issue are set out below:

Name	Position	Term as KMP
Non-Executive Directors		
Roderick McIllree	Non-Executive Chairman	Appointed 16 August 2017
John Morris	Non-Executive Director	Appointed 16 August 2017
Michael Andrews	Non-Executive Director	Appointed 16 August 2017
Grant Mills	Non-Executive Director	Appointed 16 August 2017
Andrew Spinks	Non-Executive Director	Ceased 16 August 2017
Joanna Kiernan	Non-Executive Director	Ceased 16 August 2017

Executives		
John Morris	Executive Chairman	Ceased 16 August 2017
Paul Jago	Chief Executive Officer	Appointed 1 August 2017
Joanna Kiernan	General Manager - Corporate	Appointed 1 July 2017
External Administrators		
Michael Ryan and Ian Francis of FTI Consulting	Deed Administrators	Ceased 31 July 2017

REMUNERATION GOVERNANCE

During the reporting period, the Board as a whole carried out the function of the Remuneration Committee, with remuneration matters to be discussed during meetings of the full Board, with Directors excluded from individual discussions as required. The Board will continue to assess the Company's circumstances, and reinstate the Remuneration Committee when deemed appropriate.

The Board (operating under the formal charter of the Remuneration Committee), is responsible for reviewing and recommending the remuneration arrangements for the Executive and Non-Executive Directors and KMP each year and ensuring that the Group's remuneration structures are aligned with the long term interests of the Company and its shareholders. This includes an annual remuneration review of base salary, short term incentives (STIs) and any long term incentives (LTIs) including the appropriateness of performance hurdles and total payments proposed, superannuation, termination payments and service contracts.

Additional information regarding the role and function of the Remuneration Committee, which has now been assumed by the Board, can be found within the Corporate Governance Section of the Company's website.

REMUNERATION CONSULTANTS

During the reporting period, the Remuneration Committee did not employ the services of a remuneration consultant to provide recommendations as defined in section 9B of the *Corporations Act 2001.*

REMUNERATION OVERVIEW & STRATEGY

The Company has adopted a remuneration strategy intended to support the delivery of long-term shareholder value and to ensure remuneration accurately reflects achievement in line with general market conditions. The strategy is designed to attract, motivate and retain high calibre individuals through the provision of remuneration packages which contain the appropriate balance of fixed remuneration, short term incentives and long term incentives measured against clearly defined performance hurdles aligned with the strategic and operational objectives of the Company and the creation of value for shareholders.

In accordance with good corporate governance practices, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

In light of the Company's operational performance, the Board resolved on 22 June 2016 to suspend any further equity grants to KMP and further resolved that no KMP would receive a short term incentive bonus or receive an increase in their fixed remuneration until the operational and share price performance of the Company improved. Furthermore, the Board resolved to suspend payment of Executive and Non-Executive Director fees from 1 December 2016. These amounts were accrued up until the date of resignation and are payable on 1 December 2017.

EXECUTIVE REMUNERATION FRAMEWORK

The Board's objective is to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities and that is competitive within the market.

Employee Options

Options were issued in prior years pursuant to the Company's OSRP and were issued with vesting periods requiring the recipient to complete a minimum period of employment with satisfactory performance before the options vest. Satisfactory performance is determined by the Board of Directors and is not based on a pre-agreed set of performance conditions. The Board will take into account the individual's performance with a focus on delivery against the key responsibilities outlined in that person's employment agreement and/or job description.

Long Term Incentives

Long term incentives were provided to Executives in prior years in the form of share performance rights issued pursuant to the Company's OSRP. The Company's LTI plan is designed to provide its Executives with long term incentives which create a link between the delivery of value to shareholders, financial performance, and rewarding and retaining executives. Share performance rights are designed to reward long term sustainable business performance measured by total shareholder return (TSR) over a three year period.

No amount is payable by the recipient on the grant or vesting of share performance rights. Share performance rights that do not vest automatically lapse.

Group Performance

The table below sets out the performance of the Group (as measured by the Group's EPS from continuing operations) over the past five years up to and including the current financial year:

	2013	2014	2015	2016	2017
	$	$	$	$	$
EPS (cents/share)					
- Basic	0.54	(6.21)	2.48	(0.44)	**(11.99)**
- Diluted	0.54	(6.21)	2.48	(0.44)	**(11.99)**
Share Price	$0.36	$0.56	$0.28	$0.15	**$0.10***

* Share price at 14 December 2016 prior to suspension on ASX

Since the 2016 financial year, the EPS of the Group was adversely impacted by the declining production from the Talang Santo Mine. In the 2017 financial year, EPS further contracted primarily driven by the recognition of a non-cash impairment charge on the Group's mine properties and developments of $22,266,402, write off of $13,250,456 in relation to its exploration and evaluation assets and income tax expense of $11,071,809 relating to the derecognition of net deferred tax assets.

EXECUTIVE REMUNERATION

The table below represents the total remuneration (both fixed and variable) paid or payable to Executives of the Group during the 2017 financial year:

		Short-Term			Post Employment	Termination Payments	Shared-Based Payments	Total	Proportion of Remuneration Performance Related
		Salary & Fees $	Non-Monetary Benefits $	Consulting Fees $	Super-annuation $	$	Options & Rights[11] $	$	%
Executive Directors									
John	2017	150,000	-	-	14,250	-	-	164,250	-
Morris[1]	2016	68,852	-	-	6,541	-	-	75,393	-
J. William	2017	-	-	-	-	-	-	-	-
Phillips[2]	2016	-	-	36,900	-	-	-	36,900	-
Scott	2017	-	-	-	-	-	-	-	-
Huffadine[3]	2016	243,177	4,754	-	15,642	-	(38,898)	224,675	-
Other Executives									
Michael	2017	153,786	-	-	13,558	-	-	167,344	-
Moore[4]	2016	-	-	-	-	-	-	-	-
Matthew	2017	146,668	-	-	10,467	-	(47,710)	109,425	-
Smith[5]	2016	264,421	779	-	24,151	-	28,446	317,797	9%
Ivan	2017	13,764	790	-	-	-	-	14,554	-
Kusnadi[6]	2016	-	-	-	-	-	-	-	-
Michael	2017	-	-	202,000	-	-	-	202,000	-
McCracken[7]	2016	-	-	-	-	-	-	-	-
Yohanes	2017	318,091	18,258	-	-	-	-	336,349	-
Parapat[8]	2016	354,883	20,370	-	-	-	37,000	412,253	9%
Paul	2017	275,019	231	-	23,865	-	65,907	365,022	18%
Androvic[9]	2016	256,075	434	-	24,327	-	58,093	338,929	17%
Ashley	2017	-	-	-	-	-	-	-	-
McAleese[10]	2016	136,254	36,717	-	-	54,922	-	227,893	-
Total	**2017**	**1,057,328**	**19,279**	**202,000**	**62,140**	**-**	**18,197**	**1,358,944**	
Total	**2016**	**1,323,662**	**63,054**	**36,900**	**70,661**	**54,922**	**84,641**	**1,633,840**	

[1] Mr Morris, formerly Non-Executive Chairman assumed the role of Executive Chairman for an interim period following the departure of Managing Director, Mr Huffadine on 15 January 2016. Total remuneration received as the Non-Executive Chairman in the 2016 financial year is set out in the Non-Executive Director Remuneration section of the Remuneration Report.

[2] Mr Phillips was a Non-Executive Director until he was appointed to the role of Executive Director – Mining on 29 April 2016. Mr Phillips tendered his resignation on 22 June 2016. Total remuneration received as a Non-Executive Director in the 2016 financial year is set out in the Non-Executive Director Remuneration section of the Remuneration Report.

[3] Mr Huffadine resigned on 15 January 2016.

[4] Mr Moore was appointed on 16 November 2016 and resigned on 12 April 2017.

[5] Mr Smith resigned on 30 November 2016. The share performance rights on issue were cancelled upon his departure and the share-based payments amortisation expense that has been recognised for these rights was reversed.

[6] Mr Kusnadi was appointed as Acting President Director on 16 June 2017.

[7] Mr McCracken was appointed on 1 February 2017. Mr McCracken has no formal agreement between himself and the Company. His remuneration is by way of a service agreement with a mining consultancy firm for services provided to the Company invoiced on a daily rate basis.

[8] Mr Parapat resigned on 16 June 2017.

[9] Mr Androvic resigned on 19 March 2017. The options on issue were cancelled upon his departure and the share-based payments amortisation expense that has been recognised for the options that have not vested was reversed.

[10] Mr McAleese resigned on 25 October 2015.

[11] Details of performance conditions for the options and share performance rights are outlined in the Executive Remuneration Framework section of the Remuneration Report. The amount included as remuneration relating to options and share performance rights is not related to or indicative of the benefit (if any) that the individual may ultimately realise. The fair value of these options and share performance rights as at their date of grant was determined in accordance with AASB 2 *Share-Based Payment* applying valuation models. Details of the assumptions underlying the valuations are set out in Note 24 to the Financial Statements.

EXECUTIVE CONTRACTS

A summary of the key terms of each Executive contract in FY 2017 is set out below.

John Morris
Executive Chairman

- Appointed as Non-Executive Chairman on 17 August 2007 with no fixed term and in accordance with the Company's Constitution;
- No changes to Mr Morris' Non-Executive Director Agreement were made when he assumed the role as Executive Chairman for an interim period; and
- Annual director's fee of $150,000 per annum plus statutory superannuation.

Michael Moore
Chief Executive Officer (Appointed 16 November 2016, Ceased 12 April 2017)

- Initial 6 month term; extendable for a further two and a half years;
- Base salary of $350,000 per annum plus statutory superannuation; and
- One month notice of termination required by either party except in the event of summary dismissal.

Ivan Kusnadi
President Director PTNM (Appointed 16 June 2017)

- Appointed acting PTNM President Director from 16 June 2017 pending Indonesian Mines Department approval;
- Acting President Director until approval from the Indonesian Mines Department after which, Mr Kusnadi will serve as President Director for a period of two years from the date of the approval; and
- Base salary of US$135,000 plus Indonesian statutory entitlements.

Matthew Smith
Chief Financial Officer (Ceased 30 November 2016)

- Three year term commencing 28 January 2014;
- Base salary of $264,421 per annum plus statutory superannuation;
- Life insurance policy; and
- Three months' notice of termination required by either party except in the event of summary dismissal.

Yohanes Parapat
President Director PTNM (Ceased 16 June 2017)

- Two year term commencing 28 May 2015; and
- Base salary of US$240,000 per annum plus Indonesian statutory entitlements.

Paul Androvic
General Manager, Way Linggo Project (Ceased 19 March 2017)

- Initial 6 month term commencing 10 September 2015 which was extended for a further 18 months on 8 March 2016;
- Base salary of $350,000 per annum plus statutory superannuation;
- Life insurance policy; and
- Two months' notice of termination required by either party except in the event of summary dismissal.

Short Term Incentives

No bonus payments were made during the year.

No options were issued to Executives during the year.

Options Granted, Vested and Lapsed During the Year (Consolidated)

	Number Granted	Grant Date	Fair Value at Grant Date	Exercise Price	Vesting Date	Expiry Date	No. Vested During the Year	No. Lapsed During the Year	Value of Options Granted During the Year $	Value of Options Exercised During the Year $
Executives										
Yohanes Parapat	-	18-Nov-15	$0.074	$0.26	18-Nov-15	18-Nov-18	-	500,000	-	-
Paul Androvic	-	8-Mar-16	$0.124	$0.27	8-Mar-17	8-Mar-19	-	1,000,000	-	-
	-	8-Mar-16	$0.124	$0.27	8-Mar-18	8-Mar-19	-	1,000,000	-	-

Long Term Incentives

No share performance rights were issued to Executives during the year.

Share Performance Rights Granted, Vested and Lapsed During the Year (Consolidated)

	Number Granted	Grant Date	Fair Value at Grant Date	Exercise Price	Vesting Date	Expiry Date	No. Vested During the Year	No. Lapsed During the Year	Value of Rights Granted During the Year $	Value of Rights Exercised During the Year $
Executive										
Matthew Smith	-	20-Nov-14	$0.28	-	30-Jun-17	30-Jun-17	-	206,967	-	-
	-	18-Nov-15	$0.13	-	30-Jun-18	30-Jun-18	-	209,446	-	-

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NON-EXECUTIVE DIRECTOR REMUNERATION

The Company's policy is to remunerate Non-Executive Directors at market rates (for comparable ASX listed companies) for their time, commitment and responsibilities. Fees paid to Non-Executive Directors are not directly linked to the performance of the Company, however, to align Directors' interests with shareholders' interest, Directors are encouraged to hold shares in the Company.

Fees paid to Non-Executive Directors cover all activities associated with their role on the Board and any sub-committees. The Company does not pay additional fees to Directors who are appointed to Board Committees or to the Boards of subsidiary or associated companies. However, Non-Executive Directors may be remunerated at market rates for additional work undertaken as required on behalf of the Group. They may also be reimbursed for reasonable out of pocket expenses incurred as a result of their Directorships.

Non-Executive Director's fees are determined within an aggregate limit, which currently sits at $300,000 per annum and was approved by shareholders at the annual general meeting of 1 November 2012. Fees paid to Non-Executive Directors are reviewed annually by the Remuneration Committee against fees paid by comparable peer companies and general market conditions.

		Short-Term			Post Employment	Share-Based Payments	Total	Proportion of Remuneration Performance Related
		Salary & Fees $	Non-Monetary Benefits $	Consulting Fees $	Superannuation $	Options & Rights[5] $	$	%
Non-Executive Directors								
Andrew Spinks	2017	30,000	-	-	2,850	-	32,850	-
	2016	30,000	-	-	2,850	-	32,850	-
Joanna Kiernan[1]	2017	18,333	-	-	1,742	-	20,075	-
	2016	-	-	-	-	-	-	-
Douglas Kirwin[2]	2017	-	-	19,967	-	36,690	56,657	65%
	2016	-	-	7,610	-	-	7,610	-
John Morris[3]	2017	-	-	-	-	-	-	-
	2016	81,148	-	-	7,709	-	88,857	-
J. William Phillips[4]	2017	-	-	-	-	-	-	-
	2016	-	-	203,633	-	-	203,633	-
Total	**2017**	**48,333**	**-**	**19,967**	**4,592**	**36,690**	**109,582**	
Total	**2016**	**111,148**	**-**	**211,243**	**10,559**	**-**	**332,950**	

[1] Ms Kiernan was appointed on 21 November 2016.

[2] Mr Kirwin resigned on 21 November 2016. Mr Kirwin's share-based payment amortisation expenses recognised during the year relate to options awarded to him as a consultant to the Group, prior to his appointment as a Non-Executive Director. The Board permitted Mr Kirwin to retain these options upon his resignation.

[3] Mr Morris, formerly Non-Executive Chairman assumed the role of Executive Chairman for an interim period following the departure of Managing Director, Mr Huffadine on 15 January 2016. Total remuneration received as the Executive Chairman is set out in the Executive Remuneration section of the Remuneration Report.

[4] Mr Phillips was a Non-Executive Director until he was appointed to the role of Executive Director – Mining on 29 April 2016. Mr Phillips tendered his resignation on 22 June 2016. Total remuneration received as the Executive Director - Mining in the 2016 financial year is set out in the Executive Remuneration section of the Remuneration Report.

[5] Details of performance conditions for the options and share performance rights are outlined in the Executive Remuneration Framework section of the Remuneration Report. The amount included as remuneration relating to options and share performance rights is not related to or indicative of the benefit (if any) that the individual may ultimately realise. The fair value of these options and share performance rights as at their date of grant was determined in accordance with AASB 2 *Share-Based Payment* applying valuation models. Details of the assumptions underlying the valuations are set out in Note 24 to the Financial Statements.

EXTERNAL ADMINISTRATORS REMUNERATION

		Short-Term			Post Employment	Share-Based Payments	Total	Proportion of Remuneration Performance Related
		Salary & Fees $	Non-Monetary Benefits $	Fees $	Super-annuation $	Options & Rights $	$	%
External Administrators								
Michael Ryan & Ian Francis of FTI Consulting[1]	2017	-	-	1,016,756	-	-	1,016,756	-
	2016	-	-	-	-	-	-	-
Total	**2017**	**-**	**-**	**1,016,756**	**-**	**-**	**1,016,756**	
Total	**2016**	**-**	**-**	**-**	**-**	**-**	**-**	

[1] Mr Ryan and Mr Francis of FTI Consulting were appointed as Joint and Several Voluntary Administrators of the Company pursuant to section 436A of the *Corporations Act 2001* on 14 December 2016. Following cessation of voluntary administration on 8 June 2017, they were appointed as Deed Administrators. Fees are charged on an hourly rate basis and are subject to the approval of the creditors, committee of creditors or court pursuant to section 449E of the Act.

EQUITY INSTRUMENTS HELD BY KMP

Ordinary Shares

The number of ordinary shares in the Company held during the year by each Director of the Company and any other KMP of the Group, including their personally related entities, are as follows:

	Balance at 1 July 2016	Granted as Remuneration	On Exercise of Options/Share Performance Rights	Net Change Other[1]	Balance at 30 June 2017
Executive Director					
John Morris	9,600,000	-	-	-	9,600,000
Non-Executive Directors					
Andrew Spinks	-	-	-	-	-
Joanna Kiernan	-	-	-	-	-
Douglas Kirwin	-	-	-	-	-
Other KMP					
Michael Moore	-	-	-	-	-
Matthew Smith	25,000	-	-	(25,000)	-
Ivan Kusnadi	-	-	-	-	-
Michael McCracken	-	-	-	-	-
Yohanes Parapat	-	-	-	-	-
Paul Androvic	-	-	-	-	-
Michael Ryan & Ian Francis of FTI Consulting	-	-	-	-	-
Total	**9,625,000**	**-**	**-**	**(25,000)**	**9,600,000**

[1] Represents change by virtue of resignation and therefore the total number of shares held has been removed from the holdings of Key Management Personnel.

Options

The number of options over ordinary shares in the Company held during the year by each Director of the Company and any other KMP of the Group, including their personally related entities, are as follows:

	Balance at 1 July 2016	Granted as Remuneration	Options Exercised	Net Change Other[1]	Balance at 30 June 2017	Not Vested and Not Exercisable	Vested and Exercisable
Executive Director							
John Morris	-	-	-	-	-	-	-
Non-Executive Directors							
Andrew Spinks	500,000	-	-	(500,000)	-	-	-
Joanna Kiernan	-	-	-	300,000	300,000	-	300,000
Douglas Kirwin	1,000,000	-	-	(1,000,000)	-	-	-
Other KMP							
Michael Moore	-	-	-	-	-	-	-
Matthew Smith	-	-	-	-	-	-	-
Ivan Kusnadi	-	-	-	300,000	300,000	-	300,000
Michael McCracken	-	-	-	-	-	-	-
Yohanes Parapat	500,000	-	-	(500,000)	-	-	-
Paul Androvic	2,000,000	-	-	(2,000,000)	-	-	-
Michael Ryan & Ian Francis of FTI Consulting	-	-	-	-	-	-	-
Total	**4,000,000**	**-**	**-**	**(3,400,000)**	**600,000**	**-**	**600,000**

[1] Represents change by virtue of lapse, resignation or amount held at date of appointment and therefore the total number of shares held has been removed from the holdings of Key Management Personnel.

Share Performance Rights

The number of share performance rights in the Company held during the year by each Director of the Company and any other KMP of the Group, including their personally related entities, are as follows:

	Balance at 1 July 2016	Granted as Remunera-tion	Rights Exercised	Rights Cancelled	Balance at 30 June 2017	Not Vested	Vested
Executive Director							
John Morris	-	-	-	-	-	-	-
Non-Executive Directors							
Andrew Spinks	-	-	-	-	-	-	-
Joanna Kiernan	-	-	-	-	-	-	-
Douglas Kirwin	-	-	-	-	-	-	-
Other KMP							
Michael Moore	-	-	-	-	-	-	-
Matthew Smith	416,413	-	-	(416,413)	-	-	-
Ivan Kusnadi	-	-	-	-	-	-	-
Michael McCracken	-	-	-	-	-	-	-
Yohanes Parapat	-	-	-	-	-	-	-
Paul Androvic	-	-	-	-	-	-	-
Ashley McAleese	-	-	-	-	-	-	-
Michael Ryan & Ian Francis of FTI Consulting	-	-	-	-	-	-	-
Total	**416,413**	**-**	**-**	**(416,413)**	**-**	**-**	**-**

Shares Issued on Exercise of Options and Share Performance Rights

There were no shares issued to any KMP upon exercise of options and share performance rights during the year.

OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

Services

Douglas Kirwin

The Company was charged $19,967 during the year for consulting fees by Mr Kirwin for professional services provided to the Group. The fees were paid at normal commercial rates. No amount was owing to Mr Kirwin at 30 June 2017.

Michael Ryan and Ian Francis of FTI Consulting

The Company was charged $1,016,756 during the year for fees by FTI Consulting (an entity associated with the External Administrators) for professional services provided to the Group. 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. On 8 June 2017, $935,756 relating to fees incurred during the voluntary administration period from 14 December 2016 to 8 June 2017 was approved for payment by the creditors. At 30 June 2017, $1,016,756 was owing to FTI Consulting.

Amounts Recognised at Balance Date

The amounts recognised at the balance date in relation to other transactions with key management personnel and their personally related parties are:

	2017 $
Liabilities	
Current Liabilities	1,016,756
Non-Current Liabilities	-
Total Liabilities	**1,016,756**
Expenses	
Administrative Expenses	1,036,723
Total Expenses	**1,036,723**

End of Remuneration Report.

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

The auditor's independence declaration for the year ended 30 June 2017 is on page 30. This declaration forms part of the Directors' Report.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are detailed in Note 28 of the financial statements.

The report is signed for and on behalf of the Directors in accordance with a resolution of the Directors.

Roderick McIllree
Chairman
10 October 2017

Ernst & Young
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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Kingsrose Mining Limited

As lead auditor for the audit of Kingsrose Mining Limited for the financial year ended 30 June 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 audit; and

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

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

Ernst & Young

Ernst & Young

D S Lewsen

D S Lewsen
Partner
10 October 2017

Consolidated Income Statement
for the Year Ended 30 June 2017

	Note	2017 $	2016 $
Continuing operations			
Sale of goods	4(a)	**21,317,781**	31,633,847
Other revenue	4(a)	**387,787**	340,257
Total revenue		**21,705,568**	31,974,104
Cost of sales	4(b)	**(26,029,895)**	(30,764,114)
Gross (loss)/profit		**(4,324,327)**	1,209,990
Other income	4(c)	**5,050,451**	1,972,987
Administration expenses	4(d)	**(5,705,026)**	(4,428,843)
Other expenses	4(e)	**(43,743,815)**	(127,807)
Finance costs	4(f)	**(1,381,694)**	(1,279,758)
Loss from continuing operations before income tax		**(50,104,411)**	(2,653,431)
Income tax (expense)/benefit	5(a)	**(11,071,809)**	696,190
Net loss for the year		**(61,176,220)**	(1,957,241)
Loss for the year is attributable to:			
Owners of the parent		**(52,428,406)**	(1,569,834)
Non-controlling interest		**(8,747,814)**	(387,407)
		(61,176,220)	(1,957,241)
Earnings per share attributable to the ordinary equity holders of the parent:		**Cents**	Cents
Basic loss per share – cents per share	6	**(11.99)**	(0.44)
Diluted loss per share – cents per share	6	**(11.99)**	(0.44)

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

Consolidated Statement Of Comprehensive Income
for the Year Ended 30 June 2017

	2017	2016
	$	$
Net loss for the year	**(61,176,220)**	(1,957,241)
Other comprehensive income/(loss)		
Items that may be reclassified to profit and loss in subsequent periods		
Foreign currency translations attributable to parent entity interest	**90,331**	934,951
Income tax effect	**-**	-
	90,331	934,951
Items that may not be reclassified to profit and loss in subsequent periods		
Foreign currency translations attributable to non-controlling interest	**(17,572)**	167,804
Re-measurement adjustments on defined benefit obligations	**(79,743)**	58,850
Income tax effect	**27,910**	(20,598)
	(69,405)	206,056
Other comprehensive income for the year, net of tax	**20,926**	1,141,007
Total comprehensive loss for the year	**(61,155,294)**	(816,234)
Total comprehensive loss for the year is attributable to :		
Owners of the parent	**(52,382,133)**	(602,369)
Non-controlling interest	**(8,773,161)**	(213,865)
	(61,155,294)	(816,234)

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

Consolidated Statement Of Financial Position
as at 30 June 2017

	Note	2017 $	2016 $
Current Assets			
Cash and cash equivalents	8	**5,933,935**	1,507,749
Trade and other receivables	9	**1,513,168**	5,148,758
Inventories	10	**4,931,899**	5,862,167
Other		**152,300**	263,017
Total Current Assets		**12,531,302**	12,781,691
Non-Current Assets			
Trade and other receivables	9	**4,541,385**	5,927,665
Plant and equipment	11	**6,715,549**	8,256,109
Mine properties and development	12	**14,248,946**	35,834,679
Exploration and evaluation assets	14	**17,360,619**	30,467,371
Deferred tax assets	5(d)	**-**	10,825,941
Total Non-Current Assets		**42,866,499**	91,311,765
TOTAL ASSETS		**55,397,801**	104,093,456
Current Liabilities			
Trade and other payables	15	**6,970,853**	5,227,756
Interest-bearing liabilities	16	**108,892**	5,502,264
Other financial liabilities	17	**6,366,109**	-
Provisions	18	**396,430**	259,872
Total Current Liabilities		**13,842,284**	10,989,892
Non-Current Liabilities			
Interest-bearing liabilities	16	**45,388**	4,835,080
Other financial liabilities	17	**4,738,576**	-
Provisions	18	**2,800,046**	2,449,425
Deferred tax liabilities	5(d)	**-**	12,005
Total Non-Current Liabilities		**7,584,010**	7,296,510
TOTAL LIABILITIES		**21,426,294**	18,286,402
NET ASSETS		**33,971,507**	85,807,054
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	19	**93,764,241**	84,867,375
Reserves	20	**7,283,446**	6,770,234
Accumulated losses		**(63,624,908)**	(11,152,444)
		37,422,779	80,485,165
Non-controlling interest	22(b)	**(3,451,272)**	5,321,889
TOTAL EQUITY		**33,971,507**	85,807,054

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

Consolidated Statement Of Cash Flows
for the Year Ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		**21,317,781**	31,633,847
Payments to suppliers and employees		**(22,395,426)**	(28,995,148)
VAT refund received		**821,664**	1,540,175
Interest received		**15,743**	16,620
Interest and other finance costs paid		**(468,683)**	(1,227,691)
Income tax paid		**(469,176)**	(282,415)
Net cash flows (used in)/from operating activities	8(a)	**(1,178,097)**	2,685,388
Cash flows from investing activities			
Payments for plant and equipment		**(131,805)**	(339,512)
Proceeds from sale of plant and equipment		**124**	3,799
Payment for mine properties and development		**(7,502,645)**	(6,491,863)
Payment for exploration and evaluation expenditure		**(1,006,239)**	(1,513,883)
Net cash flows used in investing activities		**(8,640,565)**	(8,341,459)
Cash flows from financing activities			
Proceeds from issue of shares		**8,707,206**	-
Share issue costs		**(475,057)**	-
Proceeds from convertible loans		**6,548,471**	-
Transaction costs related to convertible loans		**(289,837)**	-
Repayment of hire purchase agreements		**(197,922)**	(604,748)
Repayment of borrowings		**-**	(1,799,080)
Net cash flows from/(used in) financing activities		**14,292,861**	(2,403,828)
Net increase/(decrease) in cash and cash equivalents		**4,474,199**	(8,059,899)
Cash and cash equivalents at beginning of the year		**1,507,749**	9,517,239
Effects of exchange rate changes on cash and cash equivalents held		**(48,013)**	50,409
Cash and cash equivalents at end of the year	8	**5,933,935**	1,507,749

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

Consolidated Statement Of Changes In Equity
for the Year Ended 30 June 2017

	Issued Capital	Share-Based Payments Reserve	Convertible Loans Reserve	General Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Subtotal	Non-Controlling Interest	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 for the year	-	-	-	-	-	(1,569,834)	(1,569,834)	(387,407)	(1,957,241)
Other comprehensive income for the year	-	-	-	-	934,951	32,514	967,465	173,542	1,141,007
Total comprehensive income for the year	-	-	-	-	934,951	(1,537,320)	(602,369)	(213,865)	(816,234)
Transactions with owners in their capacity as owners:									
Share-based payments	-	423,551	-	-	-	-	423,551	-	423,551
At 30 June 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 year	-	-	-	-	-	(52,428,406)	(52,428,406)	(8,747,814)	(61,176,220)
Other comprehensive income/(loss) for the year	-	-	-	-	90,331	(44,058)	46,273	(25,347)	20,926
Total comprehensive income/(loss) for the year	-	-	-	-	90,331	(52,472,464)	(52,382,133)	(8,773,161)	(61,155,294)
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	-	230,424	-	-	-	-	230,424	-	230,424
Equity component of convertible loans	-	-	192,457	-	-	-	192,457	-	192,457
At 30 June 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**

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

Notes To The Financial Statements
for the Year Ended 30 June 2017

1. CORPORATE INFORMATION

The financial report of Kingsrose Mining Limited ("Kingsrose" or the "Company") and its controlled entities (the "Group") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 10 October 2017.

Kingsrose (the "Parent") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. Kingsrose is the ultimate holding company.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis and is presented in Australian dollars.

For the purpose of preparing the financial report, the Company is a for-profit entity.

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 year ended 30 June 2017, the Group incurred a net loss after tax of $61,176,220. At 30 June 2017, the Group had cash and cash equivalents of $5,933,935, net assets of $33,971,507 and a working capital deficiency of $1,310,982.

The Directors 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:

- Conversion of the convertible loan facilities and outstanding debts from GGIL and MJA to equity following receipt of shareholder approval at a general meeting on 28 July 2017, resulting in a net current asset position at 31 July 2017;
- The expectation of positive operating cash flow generation in future periods from the Way Linggo Mine following receipt of approval for the final stage of the Way Linggo open cut operations from the Indonesian Mines Department on 14 September 2017;
- 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;
- The Group's ability to raise funds from external sources to meet ongoing working capital and mine development requirements; 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

(i) Changes in accounting policies and disclosures

Since 1 July 2016, the Group has adopted all new, revised or amending accounting standards and interpretations that were effective at 1 July 2016. Adoption of these standards, interpretations or amendments did not have any significant impact on the financial position or performance of the Group.

(ii) Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2017 are outlined in the following table.

Reference	Title	Summary	Application date of standard	Application date for Group	Impact on Group financial report
AASB 9	Financial Instruments	A finalised version of AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 *Financial Instruments: Recognition and Measurement*. The Standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition.	1 January 2018	1 July 2018	The impact on adoption of this Standard has not been fully assessed by the Group.
AASB 15	Revenue from Contracts with Customers	AASB 15 provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.	1 January 2018	1 July 2018	The impact on adoption of this Standard has not been fully assessed by the Group.
AASB 16	Leases	AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees.	1 January 2019	1 July 2019	The impact on adoption of this Standard has not been fully assessed by the Group.
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017	No significant impact.
2016-5	Amendments to Australian Accounting Standards –	This Standard amends AASB 2 *Share-Based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the	1 January 2018	1 July 2018	The impact on adoption of this Standard has

Reference	Title	Summary	Application date of standard	Application date for Group	Impact on Group financial report
	Classification and Measurement of Share-Based Payment Transactions	effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.			not been fully assessed by the Group.

Apart from the above, other accounting standards, amendments and interpretations that will be applicable in future periods have been considered; however their impact is considered insignificant to the Group.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Kingsrose and its controlled entities, referred to collectively throughout these financial statements as the “Group”.

Controlled entities are consolidated from the date on which control commences until the date that control ceases.

The financial statements of the controlled entities are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The balances and effects of transactions between controlled entities included in the consolidated financial statements have been fully eliminated.

Non-controlling interests are allocated their share of net profit or loss after tax in the income statement and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interests even if that results in a deficit balance.

(d) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Kingsrose and its controlled entities are Australian dollars ($) other than its Indonesian subsidiary. The Indonesian subsidiary’s functional currency is United States dollars which is translated to the presentation currency (see (iii) below).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the prevailing exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the prevailing exchange rate at the reporting date. All exchange differences in the consolidated financial statements are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(iii) Translation of Group Companies’ functional currency to presentation currency

The results of the Indonesian subsidiary are translated into Australian dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at the reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of borrowings that form part of the net investment in the Indonesian subsidiary are taken to the foreign currency translation reserve. If the Indonesian subsidiary was sold, the exchange differences would be transferred out of equity and recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership in the product have passed to the buyer and can be reliably measured.

Interest revenue
Revenue is recognised as interest accrues using the effective interest method.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Trade and other receivables

Trade receivables from gold and silver sales are recorded at fair value of the sales proceeds and are to be settled within four trading days from date of invoice.

Other receivables are recorded at original invoiced amount less an allowance for impairment.

An impairment allowance account is recognised when there is evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. Bad debts are written off when identified.

(h) Inventories

Inventories comprising gold dore, bullion, gold in circuit and stockpiles of unprocessed ore, are valued at the lower of weighted average cost and net realisable value. Silver obtained as a result of the production process to extract gold is carried at net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to gold bullion, gold in circuit and items of inventory on the basis of weighted average costs.

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of weighted average cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Other financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets carried at amortised cost. Loans and receivables are included in trade and other receivables in the statement of financial position.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(j) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the income statement as incurred.

The cost of property, plant and equipment constructed by the Group includes the costs of all materials used in construction, direct labour and an allocation of overheads.

Items of property, plant and equipment are depreciated as outlined below:

- Processing plant: unit of production based on economically recoverable Mineral Resource.
- Other plant and equipment: straight line or diminishing value method at a rate of 20% to 33% per annum, depending on the item of property, plant and equipment.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and available for use.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, at each reporting date.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(k) Mine properties and development

Mine properties and development represent the acquisition costs and/or accumulation of exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced. When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of mine properties and development only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a production output basis, proportional to the depletion of the Mineral Resource expected to be ultimately economically recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Exploration and evaluation assets

Exploration and evaluation expenditure is carried forward as an asset where:

(i) such costs are expected to be recouped through successful development and exploration of the area of interest or, by its sale; or

(ii) exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable Ore Reserves, Mineral Resources and active operations in relation to the area are continued.

Accumulated costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then exploration and evaluation expenditure and any subsequent expenditure within the area of interest are tested for impairment and reclassified to mine properties and development.

(m) Impairment of non-current assets

The Group assesses, at each reporting date, whether there is an indication that a non-current asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any impairment losses are recognised in the income statement.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are based on:

- A mine plan based on estimates of the quantities of Ore Reserves and/or Mineral Resources for which there is a high degree of confidence of economic extraction;
- Future production rates;
- Future commodity prices; and
- Future cash costs of production, royalties, capital expenditure and apportionment of overheads.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

(n) Trade and other payables

Trade and other payables are carried at amortised cost. Due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 14-30 days of recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. The increase in the loans and borrowings due to the passage of time is recognised as a finance cost.

The component of the convertible loans that exhibit characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. The fair value of the liability component is determined using a market rate for an equivalent non-convertible loan on initial recognition and the amount is subsequently carried on the amortised cost basis until extinguished on conversion or settlement. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the conversion feature that is recognised and included in equity as a convertible loan reserve, net of transaction costs. The carrying amount of the conversion feature is not remeasured in subsequent years.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

Borrowing costs

Borrowing costs are recognised as an expense when incurred, except where the borrowing costs incurred are directly associated with the construction, purchase or acquisition of a qualifying asset, in which case the borrowing costs are capitalised as part of the cost of the asset.

(p) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, long service leave and other long-term service benefits.

Short-term benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Long-term benefits

The long-term employee benefits within the Group relate to liabilities for long service leave of Kingsrose employees and termination benefits for PTNM employees.

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates, experience of employee departures and period of service. Expected future payments are discounted using the market yields at the reporting date on high quality corporate bonds which have maturity dates approximating the terms of the Company's obligations.

The termination benefits are unfunded. The liability for termination benefits recognised is the present value of the defined benefit obligation at the reporting date. The obligation is calculated by independent actuaries using the projected unit credit valuation method. Actuarial gains and losses arising from the changes in actuarial estimates are recognised immediately in other comprehensive income. Past service costs arising from the introduction of the defined benefit plan or changes in the benefits payable of an existing plan are recognised immediately in the income statement if the benefits have vested immediately following the introduction of, or changes to, the defined benefit plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

Defined contribution superannuation plan

Contributions to defined contribution superannuation plans are expensed when incurred.

Share-based payments

The Company provides benefits to its employees (including KMP and eligible employees of the Group) in the form of share-based payments via the Kingsrose Mining Limited Options and Share Rights Plan (“OSRP”), whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Binomial based model and the fair value of share performance rights is determined using a Monte Carlo simulation model, further details of which are provided in Note 24. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of the goods and services received unless this cannot be reliably measured, in which case these are measured at the fair value of the equity instruments granted.

At each reporting date, the Group revises its estimate of the number of equity-settled transactions that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(q) Leases

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the facility.

(r) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax and other taxes (continued)

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST/VAT except when the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(t) Provisions for decommissioning and restoration costs

The Group is required to decommission and rehabilitate mines at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning and rehabilitation program, discounted to its present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses over the life of the mine. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related assets are adjusted and the effect is recognised in the income statement on a prospective basis over the remaining life of the operation.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, options or share performance rights are shown in equity as a deduction, net of tax, from the proceeds.

(v) Earnings per share

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Operating segments

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors and executive management team (chief operating decision makers) in assessing performance and determining the allocation of resources.

(x) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of assets

The recoverable amount of a cash-generating unit (CGU) is determined as the higher of value in use and fair value less costs of disposal.

The future recoverability of the CGU is dependent on a number of factors, including the level of measured, indicated and inferred Mineral Resources, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Given the nature of the Group's mining activities, future changes in long term assumptions upon which these estimates are based, may give rise to material adjustments to the carrying value of the CGU.

To the extent that the carrying value of the CGU is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Refer to Note 13 for impairment testing of the Group's CGU at 30 June 2017.

(ii) Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

(iii) Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options and share performance rights is determined by using a Binomial and Monte Carlo simulation models respectively, with the assumptions detailed in Note 24. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(y) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year's disclosures.

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 in determining the allocation of resources.

Types of products

- The Group produces gold and silver at its Way Linggo Project in Indonesia, which is refined locally in Indonesia to produce gold and silver granules.

Accounting policies

- The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2 to the financial statements.
- Segment profit/(loss) include 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).

Major customers

- Major customers to which the Group provides goods that are more than 10% of external revenue are as follows:

	2017		2016	
	Revenue	**% of External Revenue**	Revenue	% of External Revenue
	$	**%**	$	%
Customer A	**21,317,781**	**100**	31,633,847	100

3. OPERATING SEGMENTS (continued)

	Year ended 30 June 2017				Year ended 30 June 2016			
	Gold & Silver	Total Segment	Unallocated Items	Total	Gold & Silver	Total Segment	Unallocated Items	Total
	$	$	$	$	$	$	$	$
Revenue								
External sales – gold (a)	**20,456,841**	**20,456,841**	**-**	**20,456,841**	30,794,392	30,794,392	-	30,794,392
External sales – silver (a)	**860,940**	**860,940**	**-**	**860,940**	839,455	839,455	-	839,455
Total segment revenue	**21,317,781**	**21,317,781**	**-**	**21,317,781**	31,633,847	31,633,847	-	31,633,847
Interest revenue	**-**	**-**	**387,787**	**387,787**	-	-	340,257	340,257
Total revenue	**21,317,781**	**21,317,781**	**387,787**	**21,705,568**	31,633,847	31,633,847	340,257	31,974,104
Segment (loss)/profit before income tax	**(44,422,746)**	**(44,422,746)**	**-**	**(44,422,746)**	941,682	941,682	-	941,682
Interest revenue	**-**	**-**	**387,787**	**387,787**	-	-	340,257	340,257
Other income	**-**	**-**	**5,035,505**	**5,035,505**	-	-	-	-
Corporate costs	**-**	**-**	**(9,767,415)**	**(9,767,415)**	-	-	(2,763,943)	(2,763,943)
Finance costs	**-**	**-**	**(1,337,542)**	**(1,337,542)**	-	-	(1,171,427)	(1,171,427)
(Loss)/Profit before income tax	**(44,422,746)**	**(44,422,746)**	**(5,681,665)**	**(50,104,411)**	941,682	941,682	(3,595,113)	(2,653,431)
Income tax (expense)/benefit	**(10,683,105)**	**(10,683,105)**	**(388,704)**	**(11,071,809)**	1,138,137	1,138,137	(441,947)	696,190
Net (loss)/profit for the year	**(55,105,851)**	**(55,105,851)**	**(6,070,369)**	**(61,176,220)**	2,079,819	2,079,819	(4,037,060)	(1,957,241)
Depreciation and amortisation	**7,453,464**	**7,453,464**	**16,802**	**7,470,266**	6,912,296	6,912,296	26,131	6,938,427
Impairment on mine properties and development	**22,266,402**	**22,266,402**	**-**	**22,266,402**	-	-	-	-
Exploration and evaluation assets written off	**13,250,456**	**13,250,456**	**-**	**13,250,456**	-	-	-	-

(a) Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of customers.

	2017	2016
	$	$
Australia	**21,332,437**	31,636,548
Indonesia	**373,131**	337,556
Total revenue	**21,705,568**	31,974,104

3. OPERATING SEGMENTS (continued)

	As at 30 June 2017			As at 30 June 2016		
	Gold & Silver	**Unallocated Items**	**Total**	Gold & Silver	Unallocated Items	Total
	$	**$**	**$**	$	$	
Segment operating assets	**51,877,726**	**-**	**51,877,726**	87,496,106	-	87,496,106
Unallocated assets	**-**	**3,520,075**	**3,520,075**	-	5,771,409	5,771,409
Deferred tax assets	**-**	**-**	**-**	10,825,941	-	10,825,941
Total assets	**51,877,726**	**3,520,075**	**55,397,801**	98,322,047	5,771,409	104,093,456
Mine development, exploration and capital expenditure	**8,592,341**	**2,827**	**8,595,168**	8,711,151	-	8,711,151
Segment operating liabilities	**(8,360,867)**	**-**	**(8,360,867)**	(7,866,022)	-	(7,866,022)
Unallocated liabilities	**-**	**(13,065,427)**	**(13,065,427)**	-	(10,408,375)	(10,408,375)
Deferred tax liabilities	**-**	**-**	**-**	-	(12,005)	(12,005)
Total liabilities	**(8,360,867)**	**(13,065,427)**	**(21,426,294)**	(7,866,022)	(10,420,380)	(18,286,402)

The analysis of location of non-current assets is as follows:

	2017	2016
	$	$
Australia	**3,218**	5,095,098
Indonesia	**42,863,281**	86,216,667
Total non-current assets	**42,866,499**	91,311,765

4. REVENUE AND EXPENSES

		2017	2016
		$	$
(a)	**Revenue**		
	Sale of goods		
	Gold	**20,456,841**	30,794,392
	Silver	**860,940**	839,455
		21,317,781	31,633,847
	Other revenue		
	Interest	**387,787**	340,257
	Total revenue	**21,705,568**	31,974,104
(b)	**Cost of sales**		
	Mine production costs	**18,327,431**	23,072,259
	Royalties	**270,549**	632,677
	Depreciation of plant and equipment	**1,391,823**	1,558,825
	Amortisation of mine properties	**6,058,444**	5,346,635
	Inventory movements	**(18,352)**	153,718
	Total cost of sales	**26,029,895**	30,764,114
(c)	**Other income**		
	Gain on disposal of plant and equipment	**-**	3,085
	Net gain on foreign exchange	**-**	1,944,562
	Gain on restructure of loans	**5,035,505**	-
	Sundry income	**14,946**	25,340
	Total other income	**5,050,451**	1,972,987
(d)	**Administration expenses**		
	Corporate costs	**5,454,603**	3,972,325
	Depreciation of equipment	**19,999**	32,967
	Share-based payments	**230,424**	423,551
	Total administration expenses	**5,705,026**	4,428,843
(e)	**Other expenses**		
	Net loss on foreign exchange	**2,675,478**	-
	Allowance for impairment loss on other receivables	**5,216,555**	-
	Impairment on mine properties and development	**22,266,402**	-
	Exploration and evaluation assets written off	**13,250,456**	-
	Mine development expenditure written off	**-**	127,807
	Loss on re-measurement of VAT receivables	**334,924**	-
	Total other expenses	**43,743,815**	127,807

4. REVENUE AND EXPENSES (continued)

		2017	2016
		$	$
(f)	**Finance costs**		
	Borrowing costs	**24,245**	61,306
	Interest on loans - related parties	**-**	804,648
	- other	**669,178**	343,870
	Finance charges payable under finance leases	**27,806**	38,295
		721,229	1,248,119
	Unwinding of discount on rehabilitation provision	**16,346**	31,639
	Unwinding of discount on loans	**644,119**	-
	Total finance costs	**1,381,694**	1,279,758
(g)	**Depreciation and amortisation**		
	Plant and equipment	**1,411,822**	1,591,792
	Mine properties	**6,058,444**	5,346,635
	Total depreciation and amortisation	**7,470,266**	6,938,427
	Included in:		
	Cost of sales	**7,450,267**	6,905,460
	Administration expenses	**19,999**	32,967
		7,470,266	6,938,427
(h)	**Employee benefits expense**		
	Wages and salaries	**8,485,512**	10,611,845
	Defined contribution superannuation expense	**133,811**	160,709
	Defined benefit expense	**543,041**	445,680
	Share-based payments	**230,424**	423,551
	Other employee benefits	**644,617**	834,831
	Total employee benefits expense	**10,037,405**	12,476,616
	Included in:		
	Cost of sales	**7,919,074**	10,241,959
	Administration expenses	**2,118,331**	2,234,657
		10,037,405	12,476,616

5. INCOME TAX

		2017	2016
		$	$
(a)	**Income tax (expense)/benefit**		
	Income Statement		
	Current income tax		
	Current income tax charge	**400,712**	457,857
	Deferred income tax		
	Relating to origination and reversal of temporary differences	**10,671,097**	(1,243,089)
	Under provision in prior year	**-**	89,042
	Income tax expense/(benefit) reported in the Income Statement	**11,071,809**	(696,190)
(b)	**Amounts charged directly to other comprehensive income**		
	Statement of Other Comprehensive Income		
	Deferred tax related to items recognised in other comprehensive income:		
	Re-measurement adjustments on defined benefit obligations	**(27,910)**	20,598
	Income tax (benefit)/expense reported in other comprehensive income	**(27,910)**	20,598

(c) Numerical reconciliation of accounting loss to tax expense/(benefit)

A reconciliation between tax expense/(benefit) and the accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:

	2017	2016
	$	$
Accounting loss before income tax	**(50,104,411)**	(2,653,431)
At Australian statutory income tax rate of 27.5% (2016: 30%)	**(13,778,713)**	(796,029)
Effect of change in Australian income tax rate	**(1,000)**	-
Effect of higher tax rate in accordance with Contract of Work Agreement in Indonesia	**(3,572,674)**	(186,046)
Derecognition of previously recognised deferred tax assets	**10,813,936**	-
Deferred tax assets in current period not recognised	**18,164,086**	-
Under provision in prior year	**-**	89,042
Non-assessable income	**(1,384,764)**	-
Non-deductible expenses	**383,891**	190,317
Foreign tax credit not utilised	**447,047**	6,528
Aggregate income tax expense/(benefit)	**11,071,809**	(696,190)

5. INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

	BALANCE SHEET	
	2017	2016
	$	$
Deferred tax at 30 June relates to the following:		
Deferred tax assets		
Provisions	**10,215,468**	969,705
Plant and equipment	**544,613**	582,430
Borrowing costs	**45,817**	4,960
Losses available for offset against future taxable income	**23,826,298**	16,749,906
Gross deferred tax assets	**34,632,196**	18,307,001
Deferred tax liabilities		
Accrued income	**-**	(93)
Mine properties and development	**(4,490,180)**	(5,368,768)
Finance leases	**(1,066,330)**	(1,024,100)
Unrealised foreign exchange movements	**(97,664)**	(90,331)
Gross deferred tax liabilities	**(5,654,174)**	(6,483,292)
Net deferred tax assets	**28,978,022**	11,823,709
Unrecognised net deferred tax assets	**(28,978,022)**	(1,009,773)
Net deferred tax assets	**-**	10,813,936
Reconciliation of net deferred tax assets movement:		
At 1 July	**10,813,936**	9,395,452
(Charged)/Credited to income	**(10,671,097)**	1,243,089
Under provision in prior year	**-**	(89,042)
Credited/(Charged) to other comprehensive income	**27,910**	(20,598)
Foreign exchange translation (loss)/gain	**(170,749)**	285,035
At 30 June	**-**	10,813,936

Tax consolidation

The Company and its wholly owned Australian controlled entities formed a tax consolidated group on 27 February 2009. The head entity, Kingsrose, and its wholly owned Australian entities in the tax consolidated group continue to account for their own current and deferred tax balances. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

The Company and its wholly owned Australian entities in the tax consolidated group have not entered into a tax funding arrangement or a tax sharing agreement.

6. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and dilutive loss per share computations:

		2017	2016
		$	$
(a)	**Earnings per share**		
	The following reflects the income used in the calculation of basic and diluted loss per share computations:		
	Net loss attributable to ordinary equity holders of the parent	**(52,428,406)**	(1,569,834)
		Shares	Shares
(b)	**Weighted average number of shares**		
	Weighted average number of ordinary shares for basic loss per share	**437,353,033**	358,611,493
	Effect of dilution:		
	Options and share performance rights	**-**	-
	Weighted average number of ordinary shares adjusted for the effect of dilution	**437,353,033**	358,611,493

(c) Information on the classification of securities

Options and share performance rights

Total options of 10,300,000 (2016: 11,300,000) and share performance rights of Nil (2016: 416,413) on issue at balance date are considered to be potential ordinary shares but are not included in the determination of diluted earnings per share as they are not dilutive.

No options or share performance rights were issued between the reporting date and the date of completion of these financial statements.

Details of shares issued between the reporting date and the date of completion of these financial statements are described in Note 27.

7. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company for the years ended 30 June 2017 and 30 June 2016.

8. CASH AND CASH EQUIVALENTS

	2017	2016
	$	$
Current		
Cash at bank and in hand	**5,933,935**	1,507,749

Terms and conditions

Cash at bank earn interest at floating rates based on bank deposit rates.

(a) Reconciliation to the Statement of Cash Flows

Reconciliation of net loss after income tax to net cash flows from operating activities:

	2017	2016
	$	$
Net loss after income tax	**(61,176,220)**	(1,957,241)
Adjustments for:		
Depreciation of plant and equipment	**1,411,822**	1,591,792
Amortisation of mine properties	**6,058,444**	5,346,635
Unrealised net foreign exchange loss/(gain)	**1,888,042**	(988,408)
Share-based payments	**230,424**	423,551
Gain on disposal of plant and equipment	**-**	(3,085)
Gain on extinguishment of loan	**(5,035,505)**	-
Impairment on mine properties and development	**22,266,402**	-
Exploration and evaluation assets written off	**13,250,456**	-
Mine expenditure written off	**-**	127,807
Finance costs	**988,284**	-
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	**5,021,870**	(700,408)
(Increase)/decrease in inventories	**930,268**	(105,733)
(Increase)/decrease in income tax receivables	**-**	206,815
(Increase)/decrease in other assets	**110,717**	(45,348)
(Increase)/decrease in deferred tax assets	**10,825,941**	(1,402,574)
Increase/(decrease) in trade and other payables	**1,690,249**	(76,465)
Increase/(decrease) in provisions	**372,714**	283,960
Increase/(decrease) in deferred tax liabilities	**(12,005)**	(15,910)
Net cash flows from operating activities	**(1,178,097)**	2,685,388
Non-cash investing and financing activities		
Acquisition of assets by means of finance leases	**-**	207,147

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	$	$
Current		
Other receivables (i)	**1,513,168**	5,148,758
Non-Current		
Other receivables (i)	**4,541,385**	868,756
Loans to non-controlling interest (ii)	**5,216,555**	5,058,909
Less: Impairment allowance	**(5,216,555)**	-
	4,541,385	5,927,665

Terms and conditions

(i) Other receivables consist primarily of VAT refunds that are expected to be recovered within 1 to 24 months.

(ii) Balance consists of USD loans extended to 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 when due is capitalised and bears interest at the same rate as the loans.

10. INVENTORIES

	2017	2016
	$	$
Current		
Ore stockpiles at cost or net realisable value	**317,704**	112,121
Gold in circuit at cost or net realisable value	**168,921**	201,818
Gold dore and bullion at cost or net realisable value	**1,810,365**	2,046,683
Consumables and spares at cost	**2,634,909**	3,501,545
	4,931,899	5,862,167

During the year, $3,707,043 was recognised as an expense for inventories carried at net realisable value (2016: $676,681). This is recognised in cost of sales.

11. PLANT AND EQUIPMENT

	2017	2016
	$	$
Non-Current		
Plant and Equipment		
Gross carrying amount – at cost	**28,990,232**	29,963,767
Accumulated depreciation and impairment	**(22,754,739)**	(22,456,841)
Net carrying amount	**6,235,493**	7,506,926
Leased Equipment		
Gross carrying amount – at cost	**674,445**	723,505
Accumulated depreciation	**(522,621)**	(292,354)
Net carrying amount	**151,824**	431,151
Capital Work in Progress		
Gross carrying amount – at cost	**328,232**	318,032
Total Plant and Equipment	**6,715,549**	8,256,109
Movements in Plant and Equipment		
Plant and Equipment		
Carrying amount at 1 July	**7,506,926**	8,281,930
Additions	**61,363**	158,155
Transfer from leased equipment	**1,532**	149,117
Transfer from capital work in progress	**48,832**	-
Disposals	**(124)**	(714)
Depreciation charge	**(1,143,785)**	(1,382,890)
Foreign exchange translation (loss)/gain	**(239,251)**	301,328
Carrying amount at 30 June	**6,235,493**	7,506,926
Leased Equipment		
Carrying amount at 1 July	**431,151**	559,965
Additions	**-**	207,147
Transfer to plant and equipment	**(1,532)**	(149,117)
Depreciation charge	**(268,037)**	(208,902)
Foreign exchange translation (loss)/gain	**(9,758)**	22,058
Carrying amount at 30 June	**151,824**	431,151
Capital Work in Progress		
Carrying amount at 1 July	**318,032**	135,531
Additions	**70,441**	181,358
Transfer to plant and equipment	**(48,832)**	-
Foreign exchange translation (loss)/gain	**(11,409)**	1,143
Carrying amount at 30 June	**328,232**	318,032

12. MINE PROPERTIES AND DEVELOPMENT

	2017	2016
	$	$
Non-Current		
Gross carrying amount – at cost	**86,305,727**	81,634,916
Accumulated amortisation and impairment	**(72,056,781)**	(45,800,237)
	14,248,946	35,834,679
Movements in Mine Properties and Development		
Carrying amount at 1 July	**35,834,679**	33,253,142
Additions	**7,502,645**	6,491,863
Impairment (i)	**(22,266,402)**	-
Expenditure written off	**-**	(127,807)
Amortisation charge	**(6,058,444)**	(5,346,635)
Change in rehabilitation provision	**70,407**	478,017
Foreign exchange translation (loss)/gain	**(833,939)**	1,086,099
Carrying amount at 30 June	**14,248,946**	35,834,679

(i) Refer to Note 13 for details.

13. IMPAIRMENT TESTING OF NON-CURRENT ASSETS

Non-current assets are reviewed at each reporting period to determine whether there is an indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

The Group has identified one cash generating unit (CGU), the Way Linggo Project. The Way Linggo Project CGU comprises mine properties and development assets and associated plant and equipment.

For the year ended 30 June 2017, the Group assessed whether there were any indicators of impairment in relation to the Way Linggo Project CGU. Upon the identification of impairment indicators relating to the ongoing challenges presented by the flow of water into the Talang Santo Mine, poor ground conditions and reduction in mineable areas, management performed an impairment assessment on the CGU, applying the fair value less costs of disposal basis using a discounted cash flow model over a six-year period (level 3 in the fair value hierarchy).

The determination of the recoverable amount required the use of assumptions which impact the estimates associated with future cash flows.

The table below summarises the key assumptions used in the carrying value assessments at 30 June 2017.

Assumptions		
Gold price (US$ per ounce)	$1,251-$1,300	Commodity prices are estimated with reference to external market forecasts.
Size and grade of ore bodies	Way Linggo Resource: 484,000t @ 11.6g/t Au and 136g/t Ag Talang Santo Resource: 1,230,000t @ 7.5g/t Au and 21g/t Ag	
Projected operating and capital costs	The operating and capital cost assumptions are based on the Group's latest forecasts and CGU specific studies. These projections can include expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimize and reduce operational activity and improve capital and labour productivity.	

The impairment assessment resulted in an impairment charge of $22,266,402 allocated to Mine Properties and Development based on a determined recoverable amount of $20,961,277 for the CGU.

14. EXPLORATION AND EVALUATION ASSETS

	2017	2016
	$	$
Non-Current		
At cost	**17,360,619**	30,467,371
Movements in Exploration and Evaluation Assets		
Carrying amount at 1 July	**30,467,371**	27,873,561
Additions	**960,718**	1,672,628
Write off (i)	**(13,250,456)**	-
Foreign exchange translation (loss)/gain	**(817,014)**	921,182
Carrying amount at 30 June	**17,360,619**	30,467,371

Recoverability of the carrying amount of the exploration and evaluation assets is dependent upon the successful development and continuing exploitation, or alternatively, sale of the assets.

(i) At each reporting date, the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the year, 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 planned and no future benefits are expected.

15. TRADE AND OTHER PAYABLES

	2017	2016
	$	$
Current		
Trade creditors	**3,931,744**	3,770,739
Accruals	**2,773,805**	1,065,823
Sundry creditors	**265,304**	391,194
	6,970,853	5,227,756

Terms and conditions

Trade and sundry creditors are normally settled in accordance with the terms of trade.

16. INTEREST-BEARING LIABILITIES

	2017	2016
	$	$
Current		
Finance lease liabilities (i)	**108,892**	222,369
Loans (ii)		
- Related parties	**-**	3,764,948
- Other	**-**	1,514,947
	108,892	5,502,264
Non-Current		
Finance lease liabilities (i)	**45,388**	141,840
Loans (ii)		
- Related parties	**-**	3,346,620
- Other	**-**	1,346,620
	45,388	4,835,080

Terms and conditions

(i) 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.

(ii) Balances at 30 June 2016 consist of secured loans from Beaurama Pty Ltd and Great Golden Investment Limited, entities controlled by former Director, Mr J. Williams Phillips (retired on 22 June 2016) and Michael John Andrews. During the year, the loans were restructured and became interest free. At 30 June 2017, the loans were included as other financial liabilities in Note 17. Refer to Note 17(ii) for details.

17. OTHER FINANCIAL LIABILITIES

	2017	2016
	$	$
Current		
Convertible loans (i)	**6,366,109**	-
Non-Current		
Loans – Other (ii)	**4,738,576**	-

Terms and conditions

(i) During the year, the Company raised a total of $6,548,471 under secured convertible loan facilities. The loan facilities are 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 the loans on the termination of the deed of company arrangement. Subsequent to balance date, the loans were converted to equity following the receipt of shareholder approval at a general meeting on 28 July 2017. Refer to Note 27.

17. OTHER FINANCIAL LIABILITIES (continued)

(ii) Loans – Other consist of loans from the following parties:

	2017	2016
	$	$
Beaurama Pty Ltd ("Beaurama") (iv)	**2,179,914**	4,250,000*
Great Golden Investment Limited ("GGIL") (iv)	**1,449,908**	2,861,567*
Michael John Andrews ("Mr Andrews") (iii),(iv)	**1,108,754**	2,861,568*
	4,738,576	9,973,135*

* At 30 June 2016, the loans were included as interest-bearing liabilities in Note 16.

(iii) In July 2016, Mr Andrews agreed to reduce the amount outstanding under his loan facility via a share subscription. Following 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.

(iv) On 31 October 2016, the Company entered into a Deed of Variation of Loan Agreement ("Deed") with each of its 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 GGIL and Beaurama 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 into voluntary administration.

Following the event of default, the Company renegotiated with each of its lenders and successfully restructured the loan facilities on 20 February 2017 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.
- 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 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 secured convertible loan facilities as set out in Note 17(i).

17. OTHER FINANCIAL LIABILITIES (continued)

The key terms of the loans at balance date are as follows:

Beaurama Pty Ltd

	2017	2016
Carrying value	$2,179,914	$4,250,000
Interest rate	Interest free from 21 February 2017 to 31 July 2020. 5% per annum from 1 August 2020, payable monthly in arrears	10.5% per annum, payable monthly in arrears
Repayment	Single payment on 30 November 2023. The Company can elect to repay any outstanding funds early.	From October 2016 to February 2018 in seventeen instalments of $250,000 each. The Company can elect to repay any outstanding funds early.
Security	None.	First ranking security with Great Golden Investment Limited and Michael John Andrews over all the issued shares in the Company's Australian subsidiaries that hold the (85%) ownership of the Way Linggo Project.

Great Golden Investment Limited

	2017	2016
Carrying value	$1,449,908	$2,861,567
Interest rate	Interest free from 21 February 2017 to 31 July 2020. 5% per annum from 1 August 2020, payable monthly in arrears	10% plus 1-month LIBOR plus withholding tax per annum, payable monthly in arrears
Repayment	Single payment on 30 November 2023. The Company can elect to repay any outstanding funds early.	From October 2016 to February 2018 in seventeen instalments of US$125,000 each. The Company can elect to repay any outstanding funds early.
Conversion to Equity	Subject to shareholder approval, conversion price of $0.04 per share	Not applicable
Security	None.	First ranking security with Beaurama Pty Ltd and Michael John Andrews over all the issued shares in the Company's Australian subsidiaries that hold the (85%) ownership of the Way Linggo Project.

17. OTHER FINANCIAL LIABILITIES (continued)

Michael John Andrews

	2017	2016
Carrying value	$1,108,754	$2,861,568
Interest rate	Interest free from 21 February 2017 to 31 July 2020. 5% per annum from 1 August 2020, payable monthly in arrears	10% plus 1-month LIBOR plus withholding tax per annum, payable monthly in arrears
Repayment	Single payment on 30 November 2023. The Company can elect to repay any outstanding funds early.	From October 2016 to February 2018 in seventeen instalments of US$125,000 each. The Company can elect to repay any outstanding funds early.
Conversion to Equity	Subject to shareholder approval, conversion price of $0.04 per share	Not applicable
Security	None.	First ranking security with Beaurama Pty Ltd and Great Golden Investment Limited over all the issued shares in the Company's Australian subsidiaries that hold the (85%) ownership of the Way Linggo Project.

Subsequent to balance date, the loans from GGIL and Mr Andrews were converted to equity following the receipt of shareholder approval at a general meeting on 28 July 2017. Refer to Note 27.

18. PROVISIONS

	2017	2016
	$	$
Current		
Employee entitlements (a)	**396,430**	259,872
Non-Current		
Employee entitlements (a)	**2,018,495**	1,728,021
Rehabilitation (b)	**781,551**	721,404
	2,800,046	2,449,425

The nature of the provisions is described in Note 2(p) and 2(t).

(a) Included in the current and non-current provision for employee entitlements is the provision for Indonesian employee termination benefits.

The Indonesian employee termination benefits arrangement is regulated under Indonesian labour laws enacted in 2003, which require companies to provide a minimum level of benefits to employees upon employment termination, based on the reason for termination and the employee's years of service. The benefits are not funded and the provision is recognised based on independent actuarial valuation reports. The following assumptions are used in the calculation:

	2017	2016
Discount rate	7.5% per annum	8.5% per annum
Future salary increase	6.0% per annum	6.0% per annum
Normal retirement age	60 years of age	60 years of age
Mortality	Indonesia Mortality Table 2011 (TM III)	Indonesia Mortality Table 2011 (TM III)

The following tables summarise the amount recognised in the statement of financial position, movements in the liability and the components of net benefit expense recognised in the income statement:

	2017	2016
	$	$
Benefit Liability		
Current	**193,757**	-
Non-current	**1,981,977**	1,697,243
Present value of defined benefit obligation - unfunded	**2,175,734**	1,697,243
Movements in Benefit Liability		
At 1 July	**1,697,243**	1,296,396
Net benefits expense	**543,041**	445,680
Charged/(Credited) directly to equity – re-measurement adjustments	**79,743**	(58,850)
Benefits paid	**(65,054)**	(39,106)
Foreign exchange translation (gain)/loss	**(79,239)**	53,123
At 30 June	**2,175,734**	1,697,243
Net Benefit Expense		
Current service cost	**386,983**	324,213
Interest cost	**156,058**	121,467
	543,041	445,680

18. PROVISIONS (continued)

A quantitative sensitivity analysis for significant assumptions at 30 June 2017 is shown below:

	Discount Rate		Future Salary Increase		Life Expectancy	
	1% increase $	1% decrease $	1% increase $	1% decrease $	Increase by 1 year $	Decrease by 1 year $
Increase/(decrease) in defined benefit obligation	(183,911)	214,022	235,397	(204,504)	11,725	(8,527)

The sensitivity analysis above is based on a method that extrapolates the impact of the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The expected payments to be made in future years in relation to the defined benefit obligation are set out below:

	2017	2016
	$	$
Within 1 year	**125,924**	332,970
1 – 5 years	**610,337**	584,824
6 – 10 years	**1,853,388**	1,708,104
After 10 years*	**20,056,430**	20,297,304
	22,646,079	22,923,202

* The expected payment after 10 years represents future undiscounted amount of benefits payable assuming all employees who reach retirement age (60 years) more than 10 years from balance date, remain in continuous employment with PTNM until retirement.

The average duration of the defined benefit obligation at the end of the reporting period is 19.7 years (2016: 19.6 years).

(b) The rehabilitation provision represents the present value of rehabilitation costs relating to the mine site, which are expected to be incurred over the life of the mine. However, the timing of rehabilitation expenditure is dependent on the life of the mine which may vary in future.

	2017	2016
	$	$
Movements in Rehabilitation Provision		
At 1 July	**721,404**	348,967
Provisions recognised – net	**70,407**	478,017
Utilised during the year	**-**	(82,117)
Unwinding of discount	**16,346**	31,639
Foreign exchange translation gain	**(26,606)**	(55,102)
At 30 June	**781,551**	721,404

19. CONTRIBUTED EQUITY

	2017	2017	2016	2016
	$	**Number**	$	Number
Ordinary Shares				
Issued and fully paid	**93,764,241**	**436,710,852**	84,867,375	358,611,493
Movements in Ordinary Shares on Issue				
At 1 July	**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**	-	-
	93,764,241	**436,710,852**	84,867,375	358,611,493

(i) During the 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 Mr Andrews pursuant to his agreement to partially reduce the amount outstanding under his loan facility via a share subscription. Refer to Note 17(iii) for details.

Terms and conditions

Holders of ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on shares held. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par share values. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Escrow restrictions

There are no escrow restrictions on securities in the Company.

Options and share performance rights on issue

The total number of options on issue as at 30 June 2017 was 10,300,000 (2016: 11,300,000).

The total number of share performance rights on issue at 30 June 2017 was Nil (2016: 416,413).

20. RESERVES

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to record the value of options and share performance rights provided to shareholders, consultants and employees including key management personnel as part of their remuneration.

Convertible loans reserve

The convertible loans reserve is used to record the equity component of the loans.

General reserve

The general reserve is used to record the portion of PTNM's accumulated profits required to be set aside in accordance with the prevailing laws and regulations in Indonesia.

20. RESERVES (continued)

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record exchange gains or losses on borrowings that form part of the Company's net investments in foreign operations.

21. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, loans, finance leases, cash and short-term deposits.

Objectives and Policies

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, liquidity risk and credit risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates, foreign exchange and commodity prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board of Directors because, due to the size of the Company, there is currently no financial risk management committee.

(a) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash holdings, loans to non-controlling interest and interest-bearing liabilities. At the reporting date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	2017	2016
	$	$
Financial Assets		
Cash and cash equivalents	**5,933,935**	1,507,749
Other receivables	**5,216,555**	5,058,909
Financial Liabilities		
Interest-bearing liabilities	**-**	(5,723,135)
Net exposure	**11,150,490**	843,523

The Group constantly monitors its interest rate exposure and consideration is given to renewals of existing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 2% increase and 2% decrease in rates is based on management's assessment of the reasonably possible changes over a financial year.

21. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(a) Interest rate risk (continued)

At 30 June 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and other comprehensive income would have been affected as follows:

	Post-Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2017	**2016**	**2017**	**2016**
Judgements of reasonably possible movements:	**$**	$	**$**	$
+2% (200 basis points)	**156,107**	11,809	**-**	-
-2% (200 basis points)	**(156,107)**	(11,809)	**-**	-

(b) Foreign currency risk

The Group has transactional currency exposures as a result of significant operations in Indonesia. As 100% of sales are denominated in United States Dollars (USD) and large proportion of the Group's purchases are denominated in Indonesian Rupiah (IDR) and USD, the Group's income statement and statement of financial position can be affected significantly by movements in the AUD/USD and USD/IDR exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by actively monitoring foreign exchange movements and their impact on the Group's budgeted future cash flows and future net asset positions denominated in foreign currencies.

At 30 June 2017, the Group had the following exposure to USD and IDR foreign currencies:

	2017	2016	2017	2016
	USD Denominated balances	USD Denominated balances	**IDR Denominated balances**	IDR Denominated balances
	A$	A$	**A$**	A$
Financial Assets				
Cash and cash equivalents	**2,694,425**	588,853	**440,656**	725,860
Other receivables	**5,216,555**	5,058,909	**-**	-
	7,910,980	5,647,762	**440,656**	725,860
Financial Liabilities				
Trade and other payables	**(1,001,524)**	(952,021)	**(1,849,810)**	(3,323,459)
Interest-bearing liabilities	**(65,641)**	(5,955,184)	**(88,639)**	(135,588)
	(1,067,165)	(6,907,205)	**(1,938,449)**	(3,459,047)
Net exposure	**6,843,815**	(1,259,444)	**(1,497,793)**	(2,733,187)

21. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(b) Foreign currency risk (continued)

At 30 June 2017, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Post-Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2017	**2016**	**2017**	**2016**
Judgements of reasonably possible movements:	**$**	$	**$**	$
A$/US$ +5%	**(228,127)**	55,750	**-**	-
A$/US$ -5%	**252,141**	(61,619)	**-**	-
US$/IDR +15%	**136,755**	249,552	**-**	-
US$/IDR -15%	**(185,022)**	(337,629)	**-**	-

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations;
- The reasonably possible movement of 5% and 15% was calculated by taking the foreign currency spot rate as at balance date, moving this spot rate by 5% and 15%; and then re-converting the foreign currency into AUD with the "new spot-rate". This methodology reflects the translation methodology undertaken by the Group;
- The translation of the net assets in subsidiaries with a functional currency other than AUD has not been included in the sensitivity analysis as part of the equity movement; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

(c) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs. The Group is exposed to commodity price risk arising from revenue derived from sales of gold and silver. This risk is managed through contractual arrangements with customers.

As at reporting date, the Group had no financial instruments with material exposure to commodity price risk.

(d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of external funding. The Group monitors on a regular basis rolling forecasts of liquidity on the basis of expected cash flow.

21. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

The following table reflects the liquidity risk arising from the financial liabilities held by the Group at balance date. The contractual maturity represents undiscounted gross amounts.

	Maturity Analysis			
	Within 1 year	1 to 5 years	After 5 years	Total
	$	$	$	$
Financial Liabilities				
2017				
Trade and other payables	**(6,970,853)**	**-**	**-**	**(6,970,853)**
Interest-bearing liabilities				
- Finance lease liabilities	**(121,665)**	**(49,907)**	**-**	**(171,572)**
Other financial liabilities				
- Convertible loans*	**(6,548,471)**	**-**	**-**	**(6,548,471)**
- Loans*	**-**	**(919,185)**	**(10,280,673)**	**(11,199,858)**
	(13,640,989)	**(969,092)**	**(10,280,673)**	**(24,890,754)**
2016				
Trade and other payables	(5,227,756)	-	-	(5,227,756)
Interest-bearing liabilities				
- Finance lease liabilities	(252,459)	(159,262)		(411,721)
- Loans	(6,196,510)	(4,890,860)	-	(11,087,370)
	(11,676,725)	(5,050,122)	-	(16,726,847)

* Subsequent to balance date, the loans were converted to equity. Refer to Note 27.

(e) Credit risk exposure

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with the maximum exposure equal to the carrying amount of these assets as indicated in the statement of financial position.

The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

Cash

Cash is held with several reputable financial institutions assigned A or greater credit ratings by Standards and Poor's.

Trade Receivables

While the Group has policies in place to ensure that sales of its products are made to customers with an appropriate credit history, it does have a concentration of credit risk in relation to its gold and silver sales due to a dependence on a single buyer. The Group has in place policies that aim to ensure that sales transactions are limited to high credit quality customers and that the amount of credit exposure to any one customer is limited as far as is considered commercially appropriate. Sales are settled within four trading days from invoice date, minimising credit exposure.

Since the Group trades only with recognised credit worthy third parties, there is no requirement for collateral. There are no past due or material impaired receivables at balance date.

21. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(f) Fair values

The fair values of all financial assets and liabilities approximate their carrying amounts at balance date.

The fair values of the Group's cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the Group's loans approximate their carrying values at balance date. Fair values of the Group's 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.

(g) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. Capital, in this context, consists of debt, which includes trade and other payables, interest-bearing liabilities, other financial liabilities, cash and cash equivalents and equity.

The Board's focus has been to raise sufficient funds through debt and equity to fund exploration, evaluation and development activities. There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The table below summarises the components of capital managed by the Group.

	2017	2016
	$	$
Total borrowings*	**18,229,818**	15,565,100
Less: Cash and cash equivalents	**(5,933,935)**	(1,507,749)
Net debt	**12,295,883**	14,057,351
Total equity	**33,971,507**	85,807,054
Total capital	**46,267,390**	99,864,405
Gearing ratio	**36%**	16%

*Includes trade and other payables, interest-bearing liabilities and other financial liabilities

The Group's gearing ratio is monitored and maintained at a level that is appropriate for its growth plans. A specific maximum target gearing ratio has not been set by the Board.

22. INFORMATION RELATING TO SUBSIDIARIES

(a) The consolidated financial statements of the Group include:

Entity	Place of Incorporation	Equity Interest 2017	Equity Interest 2016
MM Gold Pty Ltd	Australia (WA)	100%	100%
Natarang Offshore Pty Ltd	Australia (WA)	100%	100%
PT Natarang Mining	Indonesia (JAK)	85%	85%
Kingsrose Tanggamus Pty Ltd	Australia (WA)	100%	100%

(b) Financial information of subsidiary that has material non-controlling interest are provided below:

PTNM is the subsidiary in the Group that has material non-controlling interest. PTNM's principal place of business is in Indonesia. At 30 June 2017, the proportion of equity interest held by non-controlling interest was 15% (2016: 15%).

	2017	2016
	$	$
Accumulated balances of material non-controlling interest – 30 June 2017	**(3,451,272)**	5,321,889
Loss allocated to material non-controlling interest	**(8,747,814)**	(387,407)

The summarised financial information of PTNM is provided below. This information is based on amounts before intercompany eliminations.

Summarised Income Statement	2017	2016
	$	$
Revenue	**21,318,559**	31,640,788
Cost of sales	**(26,041,744)**	(30,554,933)
Other income	**14,946**	1,563,487
Administrative expenses	**(1,399,177)**	(1,499,476)
Other expenses	**(36,421,873)**	(127,807)
Finance costs	**(5,106,369)**	(4,742,907)
Loss from continuing operations before income tax	**(47,635,658)**	(3,720,848)
Income tax	**(10,683,105)**	1,138,137
Loss for the year from continuing operations after income tax	**(58,318,763)**	(2,582,711)
Total comprehensive loss	**(58,487,743)**	(1,425,765)
Attributable to non-controlling interest	**(8,773,161)**	(213,865)
Dividend paid to non-controlling interest	**-**	-

22. INFORMATION RELATING TO SUBSIDIARIES (continued)

Summarised Statement of Financial Position	2017	2016
	$	$
Current Assets	**9,014,435**	12,105,370
Non-Current Assets	**42,676,357**	85,885,784
Current Liabilities	**(77,026,296)**	(65,277,253)
Non-Current Liabilities	**(2,808,916)**	(2,560,487)
Total equity	**(28,144,420)**	30,153,414
Attributable to:		
Owners of the parent	**(24,693,148)**	24,831,525
Non-controlling interest	**(3,451,272)**	5,321,889

Summarised Cash Flow Information	2017	2016
	$	$
Operating	**2,311,378**	5,924,827
Investing	**(8,637,862)**	(8,342,200)
Financing	**8,074,306**	(1,588,950)
Net increase/(decrease) in cash and cash equivalents	**1,747,822**	(4,006,323)

23. PARENT ENTITY DISCLOSURES

	2017	2016
	$	$
Current Assets	**9,776,271**	2,690,216
Non-Current Assets	**103,142,819**	94,484,294
Total Assets	**112,919,090**	97,174,510
Current Liabilities	**(8,369,183)**	(5,931,164)
Non-Current Liabilities	**(4,775,094)**	(4,566,690)
Total Liabilities	**(13,144,277)**	(10,497,854)
Net Assets	**99,774,813**	86,676,656
Issued Capital	**93,764,241**	84,867,375
Accumulated Losses	**(2,492,166)**	(6,270,578)
Reserves	**8,502,738**	8,079,859
Total Shareholder's Equity	**99,774,813**	86,676,656
Profit/(Loss) of the parent entity	**3,778,412**	(11,794)
Total comprehensive income/(loss) of the parent entity	**3,778,412**	(11,794)

Kingsrose has guaranteed the discharge by its subsidiary, PTNM of its financial obligations under a US$700,000 corporate facility obtained in April 2016 for the provision of bank guarantees to the Indonesian Mines Department in respect of rehabilitation obligations. The Company's liability under the guarantee for this facility is limited to US$400,000 (A$520,021).

There are no contractual commitments for acquisition of plant and equipment and contingent liabilities for the Company at balance date.

24. SHARE-BASED PAYMENTS

(a) Recognised share-based payment expenses

The expense arising from share-based payment transactions recognised for employee services received during the year were as follows:

	2017	2016
	$	$
Options	**278,134**	442,339
Share performance rights	**(47,710)**	(18,788)
	230,424	423,551

(b) Option and Share Rights Plan

The Company has an Option and Share Rights Plan (OSRP or Plan) which was approved by shareholders at the Annual General Meeting on 12 November 2015. Under the Plan, the Company can issue Options or Share Performance Rights to Eligible Persons or their nominees for no cash consideration. The Options or Share Performance Rights granted under the Plan may be subject to various forfeiture conditions and/or performance conditions as determined by the Board.

(c) Movements in options during the year

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, options during the year.

	2017	2017	2016	2016
	Number	**WAEP**	Number	WAEP
Outstanding at the beginning of the year	**11,300,000**	**$0.35**	13,850,000	$0.56
Granted during the year	**5,000,000**	**$0.20**	7,800,000	$0.26
Exercised during the year	**-**	**-**	-	-
Lapsed/cancelled during the year	**(6,000,000)**	**$0.42**	(10,350,000)	$0.57
Outstanding at the end of the year	**10,300,000**	**$0.23**	11,300,000	$0.35
Exercisable at the end of the year	**9,800,000**	**$0.23**	8,300,000	$0.38

- Weighted average share price – No options were exercised during the years ended 30 June 2017 and 30 June 2016.
- Weighted average remaining contractual life – The weighted average remaining contractual life for the options outstanding as at 30 June 2017 is 1.91 years (2016: 1.88 years).
- Range of exercise price – The range of exercise prices for the options outstanding at the end of the year is $0.20 to $0.27 (2016: $0.26 to $0.55).
- Weighted average fair value – The weighted average fair value of options granted during the year was $0.03 (2016: $0.09).
- Valuation model – The fair value of the options granted was estimated at 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 for the year ended 30 June 2017:

24. SHARE-BASED PAYMENTS (continued)

(c) Movements in options during the year (continued)

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
Binomial valuation per option	$0.03

- Modifications – There were no modifications to options during the year.

(d) Movements in share performance rights during the year

The following table illustrates the number of, and movements in, share performance rights during the year.

	2017	2016
	Number	Number
Outstanding at the beginning of the year	**416,413**	714,434
Granted during the year	**-**	209,446
Exercised during the year	**-**	-
Cancelled during the year	**(416,413)**	(507,467)
Outstanding at the end of the year	**-**	416,413
Exercisable at the end of the year	**-**	-

The outstanding balance at 30 June 2016 related to share performance rights granted to an Executive, Mr Smith on 20 November 2014 and 18 November 2015. During the year, the share performance rights on issue were cancelled upon the departure of the Executive on 30 November 2016 and the expense relating to these rights that has been recognised in the income statement was reversed.

The terms and conditions of the share performance rights up until cancellation date were as follows.

The number of share performance rights to vest is subject to the satisfaction of the performance conditions, along with continued employment with the Company.

The performance condition was determined by reference to the Company's total shareholder return (TSR) performance compared with the TSR performance of a group of comparable ASX listed gold mining companies (Peer Group) over the periods from 1 July 2014 to 30 June 2017 and 1 July 2015 to 30 June 2018 (the Performance Period). The Company's TSR ranking within the Peer Group at the end of the Performance Period determines the number of performance rights that will vest on the following basis:

24. SHARE-BASED PAYMENTS (continued)

(d) Movements in share performance rights during the year (continued)

Kingsrose TSR Rank	Percentage of Share Performance Rights that Vest
Below 50^{th} percentile	Nil
50^{th} percentile	50%
51^{st} to 74^{th} percentile	50% plus an additional 1% for each percentile ranking above the 50^{th} percentile
75^{th} percentile or higher	100%

Share performance rights that do not vest will automatically lapse.

The weighted average remaining contractual life for the share performance rights outstanding at 30 June 2016 was 1.5 years. The weighted average fair value of share performance rights granted during that year was $0.13. The fair value was estimated at the date of grant using a Monte Carlo simulation model.

25. RELATED PARTY DISCLOSURES

(a) Interests in Subsidiaries

The information about the Group's structure including the details of the subsidiaries is set out in Note 22(a).

(b) Transactions with Related Parties

The following table provides the amount of transactions and outstanding balances that have been entered into with related parties during the year.

		Fees	Interest Charged	Amount Owed by/(to) Related Parties
		$	$	$
Professional services from External Administrators (i)	**2017**	**1,016,756**	**-**	**1,016,756**
	2016	-	-	-
Consulting services from Directors (ii)	**2017**	**19,967**	**-**	**-**
	2016	248,143	-	(22,643)
Loans from KMP/other related parties (iii)	**2017**	**-**	**-**	**-**
	2016	-	804,648	(7,111,568)

(i) Professional Services from External Administrators

The Company was charged $1,016,756 during the year for fees by FTI Consulting (an entity associated with the External Administrators) for professional services provided to the Group. 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 *Corporations Act 2001*. On 8 June 2017, $935,756 relating to fees incurred during the voluntary administration period from 14 December 2016 to 8 June 2017 was approved for payment by the creditors. At 30 June 2017, $1,016,756 was owing to FTI Consulting.

(ii) Consulting Services from Directors

The Company was charged $19,967 during the year for consulting fees by Mr Kirwin for professional services provided to the Group (2016: $7,610). The fees were paid at normal commercial rates. At 30 June 2017, no amount was owing to Mr Kirwin (2016: $7,610).

25. RELATED PARTY DISCLOSURES (continued)

(b) Transactions with Related parties (continued)

(ii) Consulting Services from Directors (continued)

In the previous year, the Company was charged $240,533 for consulting fees by Philquest Holding Corporation (an entity associated with Mr Phillips) for professional services provided to the Group. The fees were paid at a fixed rate of $20,500 per month in accordance with the Consultancy Agreement entered into on 29 October 2013. At 30 June 2016, $15,033 was owing to Philquest Holding Corporation.

(iii) Loans from Key Management Personnel including their Personally Related Entities/Other Related Parties

All loans from key management personnel, including their personally related entities, and other related parties during the previous year were secured and interest-bearing. Refer to Note 16 for details.

(c) Compensation of Key Management Personnel

	2017	2016
	$	$
Short-term benefits	**2,363,663**	1,746,007
Post-employment benefits	**66,732**	81,220
Termination benefits	**-**	54,922
Share-based payments	**54,887**	84,641
Total	**2,485,282**	1,966,790

Interests held by Key Management Personnel under the OSRP

Options and share performance rights held by key management personnel under the OSRP have the following expiry dates and weighted average exercise prices:

Issue Date	Expiry Date	WAEP	2017	Expiry Date	WAEP	2016
			Number Outstanding			Number Outstanding
Options						
2016	2018	$0.26	**600,000**	2018-2019	$0.27	3,500,000
2014			**-**	2016	$0.44	500,000
			600,000			4,000,000
Share Performance Rights						
2016	-	-	**-**	2018	-	209,446
2015	-	-	**-**	2017	-	206,967
			-			416,413

Details of the OSRP are set out in Note 24.

26. COMMITMENTS AND CONTINGENCIES

(a) Royalties

As part of the acquisition of the Way Linggo Project, the Company's wholly owned subsidiary MM Gold Pty Ltd inherited various project royalty commitments. At balance date, the only outstanding commitment was the "tonnage or net profit royalty". The gross royalty is calculated as follows:

Royalty	Calculation Method	Gross Royalty Calculation Formula
Tonnage royalty	If gold revenue is greater than 90% of total PTNM revenue	10% of ore tonnes treated x gold price x 1.5%
Net profit royalty	If gold revenue is less than 90% of total PTNM revenue	5% of net profit

The gross royalty is then multiplied by the Company's Australian subsidiary's ownership percentage of PTNM (currently 85%) to determine the net royalty payable.

In addition, PTNM is obligated to pay gold and silver royalties to the Indonesian government, calculated at 2% of the value of gold and silver bullion production.

(b) 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 Agreement (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.

During the year, 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. Subsequent to balance date, the offer was submitted to the Indonesian Mines Department on 26 July 2017. The Indonesian government has a period of three months from the date of offer to advise the Company of its intention to exercise its option to purchase the 8% equity.

The Indonesian government is currently undertaking a renegotiation process individually with all CoW holders. PTNM is involved in this process and the divestment obligation is one of the key terms being negotiated. Out of this process, PTNM's divestment obligation may change both in terms of total divestment requirement and timing.

(c) Leasing Commitments

Operating lease commitments – Group as lessee

The Group has entered into a commercial lease for property rental. This lease has an average life of one year.

	2017	2016
	$	$
Payable within one year	**23,534**	44,021
Total minimum lease payments	**23,534**	44,021

26. COMMITMENTS AND CONTINGENCIES (continued)

(c) Leasing Commitments (continued)

Finance lease commitments – Group as lessee

The Group has entered into finance leases for various plant and equipment. These leases have an average remaining lives of one to three years with the option to purchase the assets at the completion of the lease term at a nominal value.

	2017	2016
	$	$
Payable within one year	**121,665**	252,459
Payable after one year but not more than five years	**49,907**	159,262
Total minimum lease payments	**171,572**	411,721
Less: Future finance charges	**(17,292)**	(47,512)
Present value of minimum lease payments	**154,280**	364,209
Included in the financial statements as interest-bearing liabilities (Note 16):		
Current	**108,892**	222,369
Non-current	**45,388**	141,840
	154,280	364,209

(d) Contingent Liabilities

The Company's subsidiary, PTNM, has a matter outstanding with the Indonesian Tax Office (ITO) arising from the routine audit of monthly VAT returns for the period January 2010 to July 2013. The VAT refund claims for this period have been denied by the ITO. The Group has appealed against the ITO's assessments and at balance date the claims were at varying stages of the appeal process.

In October 2014, the Indonesian Tax Court ruled in favour of PTNM with respect to the assessments issued by the ITO for the period January to December 2010. After the Tax Court's decision was handed down, the ITO filed a notice to appeal to the Indonesian Supreme Court in March 2015. During the year, the Indonesian Supreme Court rejected ITO's appeal and ruled in favour of PTNM in relation to five out of the twelve 2010 VAT refund claims under dispute. Based on the recent ruling from the Supreme Court and independent expert tax advice, the Group is confident of achieving a favourable outcome for the remaining seven claims for the period January to December 2010.

The Group is also confident of achieving a favourable outcome in relation to the remaining claims for the 2011 to 2013 VAT refunds based on the independent expert tax advice and the ruling from the Indonesian Tax and Supreme Courts in relation to the 2010 claim.

Accordingly, no provision has been recognised in the financial statements for this matter. At 30 June 2017, the contingent liability is equivalent to US$10,870,710 (2016: US$10,985,355).

27. SUBSEQUENT EVENTS

- On 28 July 2017, the Company held a General Meeting of Shareholders whereby the shareholders approved the issue of shares relating to the debt restructuring agreements reached between the Company and its secured lenders in February 2017. In addition, the shareholders approved the issue of shares pursuant to the convertible loan facilities.

- On 31 July 2017, the Company issued 163,711,775 and 129,584,725 shares in full satisfaction of the convertible loans and the outstanding loans from GGI and Mr Andrews respectively. The shares were issued at an issue price of $0.04 per share.

- On 10 October 2017, the Board resolved to progressively suspend underground operations at the Talang Santo Mine in view of the persistent operational challenges resulting from the ongoing inflow of groundwater in the mine, poor ground conditions and a reduction of mineable areas.

28. AUDITOR'S REMUNERATION

The auditor of Kingsrose Mining Limited is Ernst & Young (Australia).

	2017	2016
	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
(i) An audit or review of the financial report of the entity and any other entity in the consolidated group	**131,600**	105,250
(ii) Tax services	**5,000**	5,000
	136,600	110,250
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
(i) An audit or review of the financial report of the entity and any other entity in the consolidated group	**80,006**	81,259
	80,006	81,259

Directors' Declaration

In accordance with a resolution of the Directors of Kingsrose Mining Limited, I state that:

1. In the opinion of the Directors:

   (a) the financial statements and notes of the consolidated entity 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 30 June 2017 and of its performance for the year ended on that date; and

      (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).

   (c) 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.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

On behalf of the Board

Roderick McIllree
Chairman
10 October 2017

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

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Independent auditor's report to the Members of Kingsrose Mining Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Kingsrose Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$61.2m during the year ended 30 June 2017 and, as of that date, the Group has net current liabilities of \$1.3m and incurred an operating cash outflow after income tax of \$1.2m. The Group's ability to continue as a going concern and meet its debts as and when they fall due is dependent on the Group's ability to raise funds from external sources and to manage the timing of cash flows. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of the Way Linggo Cash Generating Unit ("CGU")

Why significant	How our audit addressed the key audit matter
The Group's non-current assets comprising property, plant and equipment and mine properties are required to be assessed for indicators of impairment in accordance with the Group's accounting policies at each reporting date. Where impairment indicators are identified, the applicable assets are required to be tested for impairment. As at 30 June 2017, the Group identified impairment indicators and performed an assessment of the recoverable value of the property, plant and equipment and mine properties associated with the Way Linggo CGU, utilising a fair value less costs to sell model. As a result of the assessment, the Group recorded an impairment of $22.3 million. As disclosed in note 13 of the financial report, the recoverable amount of the assets is sensitive to changes in key assumptions including the discount rate, estimated gold price, the size and grade of ore bodies and projected operating and capital costs.	Our procedures included the following: ▶ assessed the Group's identification of indicators of impairment; ▶ assessed the Group's carrying value assigned to the CGU; ▶ evaluated the Group's assumptions and estimates to determine the recoverable value of the assets, including those relating to discount rate, gold price, the size and grades of ore bodies and the projected operating and capital costs. In doing so, we involved our valuation specialists to compare certain assumptions against external market data and we considered the assumptions based on our knowledge of the Group; ▶ assessed the mathematical accuracy of the impairment model and compared relevant data to supporting documentation; and ▶ assessed the adequacy of the Group's disclosures in respect of asset carrying values, the impairment testing performed and the impairment recognised.

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2. Carrying value of capitalised exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
The carrying value of exploration and evaluation assets is subjective as it is based on the Group's ability and intention to continue to explore the area of interest. The carrying value may also be impacted by the results of exploration work indicating that the mineral reserves and resources may not be commercially viable for extraction. This creates a risk that the amounts stated in the financial report may not be recoverable. Refer to Note 14 to the financial report for the amounts held on the consolidated statement of financial position as at 30 June 2017 and related disclosure.	We evaluated the Group's assessment of the carrying value of exploration and evaluation assets. In performing our procedures, we: ▸ considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation; ▸ considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included assessment of the Group's cash-flow forecast models, enquiries with senior management and Directors as to the intentions and strategy of the Group; ▸ assessed the carrying value of intangible assets where recent exploration activity in a given exploration area of interest provided negative indicators as to the recoverability of other intangible costs that remain capitalised; ▸ considered the Group's assessment of the commercial viability of results relating to exploration and evaluation activities carried out in the relevant area; and ▸ assessed the ability to finance any planned future exploration and evaluation activity.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report and our knowledge obtained in the audit or otherwise doesn't appear to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Kingsrose Mining Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
10 October 2017

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Shareholder Information

The following information as required by ASX Listing Rules is current as at 29 September 2017.

DISTRIBUTION OF EQUITY SECURITIES

There are 730,007,352 ordinary fully paid shares quoted on ASX. All ordinary shares carry one vote per share.

Size of Shareholding	Number of Holders	Number of Shares	% of Issued Capital
1 -1,000	424	221,508	0.03
1,001 – 5,000	1,071	3,381,365	0.46
5,001 – 10,000	658	5,403,099	0.74
10,001 – 100,000	1,238	43,112,701	5.91
100,001 and Over	282	677,888,679	92.86
Total	**3,673**	**730,007,352**	**100**

There are 1,315 shareholders holding less than a marketable parcel of shares in the Company.

The names of the twenty largest holders of ordinary fully paid shares are listed below:

Name	Number of Shares	% of Issued Capital
Citicorp Nominees Pty Limited	103,802,647	14.22
Mr Michael John Andrews	100,159,357	13.72
Great Golden Investment Ltd	95,231,350	13.05
BNP Paribas Nominees Pty Ltd <Jarvis A/C Non Treaty DRP>	85,462,810	11.71
HSBC Custody Nominees (Australia) Limited	45,770,186	6.27
Mr Rex Seager Harbour	15,615,988	2.14
Gravity Capital Limited	14,800,000	2.03
JP Morgan Nominees Australia Limited	11,997,829	1.64
Pegasus Corp (Aust) Pty Ltd <Xingfa Ma Family A/C>	10,000,000	1.37
Bond Street Custodians Limited <CPCPL – TU0022 A/C>	9,100,000	1.25
Lujeta Pty Ltd <The Margaret Account>	8,084,212	1.11
Cameron John French	8,000,000	1.10
Goldcrest Corporation Pty Ltd	7,100,000	0.97
Peter Bowman Nominees Pty Ltd <Peter Bowman Family A/C>	6,500,000	0.89
El'Raghy Kriewaldt Pty Ltd	6,250,000	0.86
Mr Seager Rex Harbour	5,069,037	0.69
Ajava Holdings Pty Ltd	5,000,000	0.68
Roderick McIllree	4,750,000	0.65
Lujeta Pty Ltd <Margaret A/C>	4,175,788	0.57
Mr Luca Rotter & Ms Jane Louise Abbott	3,616,323	0.50
Total	**550,485,527**	**75.41**

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as disclosed in the substantial shareholding notices received by the Company are:

Name	Number of Shares	% of issued capital
Michael John Andrews	100,159,357	13.72
James William Phillips	95,599,858	13.10
Rex Harbour and Associates	54,729,940	7.50

OPTIONS

10,300,000 unlisted options with various exercise prices and expiry dates are on issue. Options do not carry a right to vote.

Instrument	Number Under Option	Exercise Price	Expiry Date	Number of Holders
Employee Options	4,300,000	$0.26	18 November 2018	11
Employee Options	1,000,000	$0.27	8 March 2019	1
Unlisted Options	5,000,000	$0.20	25 November 2019	2
Total	**10,300,000**			**14**

RESTRICTED SECURITIES

Currently no securities are subject to either ASX imposed or voluntary restrictions.

ON MARKET BUY BACK

Currently there is no on-market buy-back of the Company's securities.

KINGSROSE
MINING LIMITED