KINGSROSE
MINING LIMITED

Annual Report 2018


GREASE

Contents

Corporate Directory ... 1
Chairman's Letter ... 2
Review of Operations ... 3
Way Linggo Project Mineral Resource ... 13
Directors' Report ... 15
Auditor's Independence Declaration ... 28
Consolidated Income Statement ... 29
Consolidated Statement of Comprehensive Income ... 30
Consolidated Statement of Financial Position ... 31
Consolidated Statement of Cash Flows ... 32
Consolidated Statement of Changes in Equity ... 33
Notes to the Financial Statements ... 34
Directors' Declaration ... 77
Independent Audit Report ... 78
Shareholder Information ... 83

Corporate Directory

Directors

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

Company Secretary

Susan Hunter

Registered Office

8/150 Hay Street
Subiaco WA 6008

T + 61 8 9381 5588 | F + 61 8 9381 7755
E info@kingsrosemining.com.au
W www.kingsrosemining.com.au

Indonesian Office (PT Natarang Mining)

JL. Ciputat Raya 16
Pondok Pinang, Kebayoran Lama
Jakarta Selatan 12310 Indonesia

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Share Registry

Link Market Services Limited
Level 12
QV1 Building, 250 St Georges Terrace
Perth WA 6000
T 1300 554 474

Home Stock Exchange

ASX Limited
Level 4, Central Park
152-158 St Georges Terrace
Perth WA 6000
ASX Code: KRM

Australian Business Number

49 112 389 910

Chairman's Letter

Dear Shareholders

It is with great pleasure that I am able to report on what has been a solid year for your Company.

Production at our Way Linggo Project in Sumatra, Indonesia continued to exceed budget, with more gold being produced than expected due to the higher-grade of the ore compared with the mine schedule reserve.

During the year, Kingsrose also made significant progress in strengthening its relationships with the Indonesian government and regulators, as evidenced by the receipt of several critical permits allowing operations to be expanded at Way Linggo and additional permits facilitating the Talang Santo open pit development. Pre-mining work has now commenced at Talang Santo in preparation for the start of what will be our second open pit later this year.

The 2018 financial year was one of consolidation following the Company's restructure. Our performance during the period resulted in the Company building a solid cash position. One of the key benefits of this is that we can now turn some attention to advancing our regional exploration and evaluation programs. These programs have the potential to generate substantial value for shareholders over the medium to longer-term. Several of the initial exploration targets have shown great promise and we are now preparing for an aggressive exploration push across the entire Contract of Work with an initial focus on the Rawa Gabus, Toha and Samin prospect areas.

With our financial restructuring completed and a clear operational strategy in place, the Board believes your Company is now well-placed to capitalise on the start of Kingsrose's second mine and to unlock the huge potential of its broader 10,000-hectare licence area.

It is also very gratifying to see the all-in sustaining cost of production fall for the past financial year while operational costs came down. This combination helped underpin the profit increase and reflects the efficient and motivated workforce we now have in place.

Finally, I would like to take this opportunity to thank everyone who played a role in the operational and financial turnaround of the past year. The Board is confident that Kingsrose now has a strong future marked by solid production and cashflow as well as exploration success.

I would also like to thank shareholders for their patience as we implemented our turnaround strategy and wish you all the best for the new financial year.

Yours Faithfully,

Rod McIllree
Chairman

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Effectuation of Deed of Company Arrangement

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

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

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

Restructure of Loan Facilities

On 28 July 2017 the Company held a General Meeting of Shareholders where shareholders approved the issue of shares relating to the debt restructuring agreements reached between the Company and its secured lenders; Michael John Andrews ("Dr Andrews") and Great Golden Investment Limited ("GGIL") in February 2017. In addition, shareholders were asked to approve the issue of shares pursuant to a Convertible Loan Facility ("Convertible Facility") under which the Administrators raised $6,548,471 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 the outstanding secured loan facilities.

Retirement of Debt

On 5 December 2017 the Company reached an agreement with its lender Beaurama Pty Ltd ("Beaurama") to retire its $4.4m unsecured debt. Under the agreement, Beaurama agreed to accept $2,250,000 in full and final satisfaction of the loan facility.

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

Reinstatement of Securities on the Australian Securities Exchange

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

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 and its amendment ("CoW") with the Indonesian Government and is located on the mineral rich Trans-Sumatran Fault, part of the Pacific Rim of Fire.

During the 2018 financial year, production was predominantly sourced from the Way Linggo open cut with a total of 23,594 ounces of gold produced and 24,081 ounces sold at an average gold price of A$1,669 per ounce. Revenue of A$40,183,783 was realised.

The cash operating costs[1] for the period were US$658 per ounce and the all-in sustaining costs of production[2] were US$882 per ounce.

	Units	September 2017 Quarter	December 2017 Quarter	March 2018 Quarter	June 2018 Quarter	FY2018
Mine Production						
WAY LINGGO						
Ore Mined	t	24,225	24,841	20,905	16,195	86,166
Waste	bcm	121,919	120,866	353,025	488,204	1,084,014
Mine Grade (Gold)	g/t	9.1	7.5	8.2	7.0	8.0
Mine Grade (Silver)	g/t	66	69	87	84	75
TALANG SANTO						
Ore Mined	t	7,422	482	-	-	7,904
Mine Grade (Gold)	g/t	6.7	5.4	-	-	6.7
Mine Grade (Silver)	g/t	17	9	-	-	17
TOTAL						
Ore Mined	t	31,647	25,323	20,905	16,195	94,070
Mine Grade (Gold)	g/t	8.5	7.5	8.2	7.0	7.9
Mine Grade (Silver)	g/t	54	68	87	84	71
ORE PROCESSED						
Tonnes Milled	t	32,882	25,679	20,883	15,961	95,405
Head Grade (Gold)	g/t	8.6	7.6	8.0	7.0	7.9
Head Grade (Silver)	g/t	53	74	87	85	71
Recovery (Gold)	%	96.9	97.4	97.4	96.7	97.1
Recovery (Silver)	%	86.8	87.1	85.4	85.2	86.3
Gold Produced	oz	8,792	6,077	5,249	3,477	23,594
Silver Produced	oz	48,761	53,313	49,758	36,988	188,820
COSTS OF PRODUCTION						
Cash Operating Costs[1]	US$/oz	489	522	737	1,175	658
All-In Sustaining Costs of Production[2]	US$/oz	720	701	912	1,536	882

[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.

Way Linggo Mine

The Way Linggo open pit continued to deliver high-grade, low cost gold and silver throughout the financial year, producing 86,166 tonnes of ore at 8.0 g/t Au and 75 g/t Ag.

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

This study returned positive results, enabling the permitting process to expand the Way Linggo open pit to start. Economical and Technical Study ("Tekno Ekonomi") approval was obtained during the year, allowing the Way Linggo open pit to continue until mid-2019.

A study is now underway to evaluate the opportunity to expand the mine plan beyond its current design.

Talang Santo Mine

Production from the Talang Santo Mine for the financial year was 7,904 tonnes of ore at 6.7 g/t Au and 17 g/t Ag.

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

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

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

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

The Tekno Ekonomi approval received in June 2018 allows pre-mining development works to begin at Talang Santo. Construction of the new 60-person camp and associated infrastructure commenced in June 2018 and is expected to be completed by September 2018. Other development works scheduled in the September 2018 quarter include construction of the settlement ponds for the construction of waste dumps, upgrade of the access road from the Talang Santo Mine to the Way Linggo processing facility and finalisation of compensation to the local community. At the date of this report, the remaining open pit approvals were expected to be received during the September 2018 quarter, with mining scheduled to commence shortly thereafter.

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

Exploration

The Way Linggo Project encompasses an area of 100km^2 and is located on the prolifically mineralized 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.

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

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

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

The northern part of the CoW was the subject of a BLEG (Bulk Leach Extractable Gold) infill sampling program, mapping, soil sampling, trenching, auger sampling, CSAMT (controlled source audio frequency magnetotellurics) and a comprehensive XRD analysis programs. This work has identified three highly prospective areas of interest, specifically Rawa Gabus, Toha and Samin. These areas will be the subject of follow up work over the next six months.

These exploration techniques will be expanded to the greater CoW area to ensure a pipeline of potential high value targets are generated in the coming years.

Occupational Health and Safety

During the year, the Group continued its firm commitment to fostering a culture which prioritises a safe working environment above all else. Operations at the Talang Santo Mine were highly manual, which can result in higher rates of first aid injuries. The suspension of the Talang Santo underground mine has aided the site to reduce its 12-month moving average Lost Time Injury Frequency Rate ("LTIFR") from 2.44 in the previous 12 months to 1.37.

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

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.

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.

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 neighbouring 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. More than 99% of the total workforce are local Indonesians, which highlights the commitment of the company to engage a local workforce.

Likely Developments and Expected Results of Operations

The Company continues to operate from a single asset base and the strategy for the business remains simple and focussed. Following a challenging 12 months, the primary objective for the 2019 financial year is to establish a second production mine at Talang Santo to ensure a consistent production profile which generates positive cash flow. Every effort will be made to 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 Board, excited by this potential, continues to support the exploration team to identify and develop a pipeline of drill targets aimed at delineating a near term production asset.

Open cut activities at the Way Linggo Mine are planned to continue for the 2019 financial year focusing on safely recovering pillars and remnant ore pillars from the Way Linggo underground mine. The open pit mine at Talang Santo is planned to commence in the December 2018 quarter, subject to approvals, and will sustain ore production for the Company into the future. In parallel with these mining activities, studies are underway to explore the possibility of expanding the current Way Linggo open pit to recover as much of the remaining resource as possible. Recent drilling at Talang Santo has also identified a possibility of expanding the current designed open pit. Further drilling is planned to fully understand the scale of the expansion. The commencement of Talang Santo and the continuation of Way Linggo open pit mines will continue to generate positive cash flow for the Company.

FINANCIAL REVIEW

	2014 $	2015 $	2016 $	2017 $	2018 $
Sales Revenue	3,815,074	33,198,589	31,663,847	21,317,781	**44,056,921**
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation – EBITDA[1]	(31,709,945)	22,245,302	5,224,497	(41,640,238)	**11,165,014**
Earnings/(Loss) Before Interest & Tax – EBIT[2]	(33,748,691)	17,209,185	(1,713,930)	(49,110,504)	**8,085,702**
Net Profit/(Loss) After Tax	(24,179,777)	10,485,507	(1,957,241)	(61,176,220)	**7,293,099**
Earnings/(Loss) Per Share	(0.0621)	0.0248	(0.0044)	(0.1199)	**0.0087**
Net Operating Cash Flows	(5,992,194)	9,750,099	2,685,388	(1,178,097)	**9,445,670**
Total Assets	86,457,769	105,601,669	104,093,456	55,397,801	**59,785,134**
Net Assets	70,706,124	86,199,737	85,807,054	33,971,507	**52,113,312**

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 profit after tax for the year ended 30 June 2018 of $7,293,099 (2017: net loss after tax $61,176,220), largely impacted by the following significant items:

- Sales revenue for the year ended 30 June 2018 was $44,056,921, up from $21,317,781 or 107% in the corresponding period in 2017, primarily driven by an increase of 11,828 ounces of gold sold.
- Other income decreased by $2,336,564 due to the corresponding period in 2017 included a $5,035,505 gain recognised on the restructure of loans. This impact was partially offset by a net foreign exchange gain of $2,623,307 being recorded during the year.
- Administrative expenses decreased by $2,129,844 due to the corresponding period in 2017 included costs incurred in relation to the external administration of the Company.
- Other expenses decreased by $36,640,491 due to the corresponding period in 2017 included a non-cash impairment charge of $22,266,402 recognised in relation to the Talang Santo Mine, a $13,250,456 write-off of the Group's exploration and evaluation assets, an allowance for impairment loss on other receivables of $5,216,555 and a net loss on foreign exchange of $2,675,478. Other expenses for the year ended 30 June 2018 comprised mainly a loss of $2,594,178 recognised on the settlement of loans in equity in July 2017, redundancy costs of $2,686,696 and consumables written down of $933,988.

Financial Position

At 30 June 2018 the Group's balance sheet strengthened with an increase in net assets of $18,141,805 to a total of $52,113,312, primarily driven by a reduction in the Group's total liabilities following the conversion to equity and retirement of the Group's debts during the year.

Assets

At reporting date, the Group's total assets were $59,785,134, which represents an increase of $4,387,333 over the year ended 30 June 2017. This was primarily driven by an increase in cash and cash equivalents, trade receivables and exploration and evaluation assets. The increase was partially offset by a reduction in VAT receivables after the Group successfully obtained total refund of $3,992,003 during the year.

Liabilities

At reporting date, the Group's total liabilities were $7,671,822 (2017: $21,426,294), which represents a reduction of $13,754,472 over the year ended 30 June 2017.

Total current liabilities decreased from $13,842,284 at 30 June 2017 to $5,208,586 at 30 June 2018. The decrease was the result of the conversion to equity of the amount owed by the Company under various secured convertible loan facilities in July 2017 and settlement of balances owing to the External Administrators and various creditors during the external administration period.

Total non-current liabilities decreased by $5,120,774 to $2,463,236 at 30 June 2018 due to the conversion to equity of the loans from GGIL and Dr Andrews in July 2017 and early retirement of the Beaurama loan in December 2017.

Group Cash Flows and Liquidity

At 30 June 2018 the Group held cash and cash equivalents of $10,067,719 (2017: $5,933,935) and had trade receivables of $2,586,411 (2017: $Nil) and bullion on hand of $2,261,481 (2017: $2,935,567). The Group's total cash, trade receivables and bullion balance at 30 June 2018 was $14,915,611 (2017: $8,869,502).

Cash flow from operating activities for the year ended 30 June 2018 were $9,445,670 which was $10,623,767 higher than the corresponding period in 2017. The increase was largely driven by higher gold sales during the year and receipt of long outstanding VAT refunds, which offset the higher payments made to suppliers and employees as a result of increased production and related to the external administration of the Company and suspension of the Talang Santo underground mine operations.

Cash flow from investing activities decreased by $5,732,714 mainly due to lower expenditure spent on mine development following the suspension of the Talang Santo underground mine operations in October 2017.

Cash flow from financing activities for the year ended 30 June 2018 included a $2,250,000 payment to Beaurama.

CORPORATE

Board Changes

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

Paul Jago commenced employment with the Company on 1 August 2017 as the Chief Executive Officer and was appointed to the Board as Managing Director on 23 November 2017.

CoW Amendment

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

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

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

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

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.

Way Linggo Project Mineral Resource

As at 30 June 2018, the Total Mineral Resource for the Way Linggo Project was 1.55 million tonnes @ 7.3 g/t Au and 32 g/t Ag for 364,000 ounces of gold and 1,573,000 ounces of silver.

For Talang Santo, the underlying Mineral Resource models reported are the same as those reported 30 June 2017, with the differences being attributable to reduction due to mining activities (extraction and sterilisation) undertaken during the intervening period.

For Way Linggo, the underlying Mineral Resource model is the first one produced since the Company's securities were reinstated on the ASX. The model previously reported in the 2017 Annual Report, at 30 June 2017, has been superseded and replaced by this model. The new model takes into account information and experience gained by the recent mining activity at the Way Linggo open pit. The Way Linggo model was estimated and reported as at 30 June 2018.

2018 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	205	10.5	69	24	160
Indicated	286	11.1	102	20	185
Inferred	701	5.0	112	20	459
Subtotal	**1,192**	**7.4**	**283**	**21**	**804**
Way Linggo					
Measured	-	-	-	-	-
Indicated	257	8.1	67	79	653
Inferred	97	4.7	14	37	116
Subtotal	**354**	**7.2**	**81**	**68**	**769**
GRAND TOTAL	1,545	7.3	364	32	1,573

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

Way Linggo Project Mineral Resource

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 appropriately.

Competent Persons Statement

The information in this report that relates to the Mineral Resource Estimates 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 mineralization 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.

Further information that relates to the Mineral Resource Estimate of the Talang Santo deposit is available in the report entitled "Talang Santo Resource Update" dated 12 August 2015 and is available to view on the Company's website (www.kingsrosemining.com.au).

Further information that relates to the Mineral Resource Estimate of the Way Linggo deposit is available in the report entitled "Way Linggo Resource Update" dated 18 September 2018 and is available to view on the Company's website (www.kingsrosemining.com.au).

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 2018.

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 McIllree	
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 and has held this position since 8 December 2015.
Special Responsibilities	None.
Paul Jago	
B.Eng Managing Director Appointed: 23 November 2017	Mr Paul Jago is a mining engineer with more than 20 years' operational and management experience across a diverse range of operations and commodities both in Australia and overseas. He has held senior management positions with a number of companies including MACA Ltd, Gold Stallion Resources and over ten years in various roles at Kalgoorlie Consolidated Gold Mines. Mr Jago has had extensive experience in the management of large open pit operations to small operations from pre-feasibility through to production. Mr Jago is currently a Non-Executive Director of Coolgardie Minerals Limited and has held this position since 14 May 2012.
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 a Director of Tethyan Resources Plc since 16 December 2016, all public exploration companies listed on the Toronto Venture Exchange. Dr Andrews was a Founding Director of Kingsrose 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, the Geological Society and the Society of Economic Geologists. Dr Andrews is a substantial shareholder of the Company.
Special Responsibilities	None.
Grant Mills	
Independent Non-Executive Director Appointed: 16 August 2017	Mr Grant 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 John 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 Andrew 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	Ms Joanna 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.

Company Secretary

Joanna Kiernan has been the Company Secretary of the Company since 16 April 2014. Her qualification and experience are set out above. Susan Hunter has been appointed as the Company Secretary, effective 16 July 2018, following Ms Kiernan's resignation.

Principal Activities

The principal activity of the Company for the year ended 30 June 2018 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 2018, 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

There are no material subsequent events after the balance date.

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
Roderick McIllree	6	6	-	-	-	-
Paul Jago	3	3	-	-	-	-
John Morris	8	7	-	-	-	-
Michael Andrews	6	5	-	-	-	-
Grant Mills	6	6	-	-	-	-
Andrew Spinks	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 McIllree	22,900,000	-
Paul Jago	-	-
John Morris	9,600,000	-
Michael Andrews	66,826,024	-
Grant Mills	410,000	-

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	3,550,000	$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 AND SHARE PERFORMANCE RIGHTS ISSUED

No options or share performance rights were issued during the financial year.

SECURITIES LAPSED OR CANCELLED

No securities lapsed or were cancelled during the financial year.

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 2018 reporting period.

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium of $19,793 (2017: $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 2018 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, Managing Director, 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		
Roderick McIllree	Non-Executive Chairman	Appointed 16 August 2017
John Morris (formerly Executive Chairman)	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 (assumed Non-Executive role on 16 August 2017)	Executive Chairman	Ceased 16 August 2017
Paul Jago	Chief Executive Officer Managing Director	Appointed 1 August 2017, Ceased 23 November 2017 Appointed 23 November 2017
Joanna Kiernan	General Manager - Corporate & Company Secretary	Full financial year
Ivan Kusnadi	PTNM President Director	Full financial year
Michael McCracken	PTNM General Manager	Full financial year
External Administrators		
Michael Ryan and Ian Francis of FTI Consulting	Deed Administrators	Ceased 31 July 2017

Ms Kiernan resigned on 16 July 2018, after the reporting date and before the date the financial report was authorised for issue. There were no other changes to KMP during this time.

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.

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. With this in mind, the remuneration of Executives comprises both fixed and "at risk" or variable remuneration, with variable remuneration incorporating a balance of short term and long term incentives.

Fixed Remuneration

Fixed remuneration consists of base salary, superannuation and other non-cash benefits. It is designed to provide a base level of remuneration which is appropriate for the position, reflecting the Executive's skills, experience and responsibilities.

Performance Linked Remuneration

Performance linked remuneration includes both short and long term incentives and is designed to provide an at risk reward in a manner which aligns this element of remuneration with the creation of shareholder value.

All Executives are eligible to receive both short and long term incentives.

Short Term Incentives

The Company's short term incentive program is made up of two at risk components, a short term incentive bonus and employee options.

Short Term Incentive Bonus

Offers Executives with the opportunity to earn a cash payment if certain financial hurdles and agreed key performance indicators (KPIs) are achieved. Ordinarily, the KPIs would include measures relating to the Group and individual, and include financial, production, safety and risk measures.

For the year ended 30 June 2018, only PTNM Executives were entitled to STI bonus whilst the STI bonus arrangement for Kingsrose Executives is under review following a period of external administration. The KPIs chosen for the PTNM Executives aligned remuneration with performance and the overall objectives of the Group and included:

- Achievement of the FY2018 budget with particular emphasis on safety, cost management and production; and
- Achievement of the permitting timetable.

Not all of the above KPIs were assigned to all PTNM Executives.

FY2018 STI bonus outcomes

PTNM Executives	Maximum STI bonus opportunity	% STI bonus paid/payable[1]	STI bonus paid/payable[2]
Ivan Kusnadi	25% of base salary	5.625%	$12,697
Michael McCracken	25% of base salary	6.875%	$18,622

[1] STI bonus not paid is forfeited.
[2] All amounts have vested during the year and paid in July 2018.

Employee Options

Options were issued in prior years pursuant to the Company's Options and Share Rights Plan (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.

No options were issued to Executives, vested or lapsed during the year.

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.

No share performance rights were issued to Executives, vested or lapsed during the year.

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:

	2014	2015	2016	2017	2018
EPS (cents/share)					
- Basic	(6.21)	2.48	(0.44)	(11.99)	**0.87**
- Diluted	(6.21)	2.48	(0.44)	(11.99)	**0.87**
Share Price	$0.56	$0.28	$0.15	$0.10*	**$0.066**

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

EPS of the Group improved in the 2018 financial year following full year of production from the Way Linggo open pit operations and the suspension of the Talang Santo underground mine operations in October 2017.

EXECUTIVE REMUNERATION

The table below represents the total remuneration (both fixed and variable) paid or payable to Executives of the Group during the 2018 and 2017 financial years:

		Short-Term				Post Employment	Shared-Based Payments	Total	Proportion of Remuneration Performance Related
		Salary & Fees $	Cash Bonus	Non-Monetary Benefits $	Consulting Fees $	Super-annuation $	Options & Rights[10] $	$	%
Executive Directors									
John	2018	18,952		-	-	1,800	-	20,752	-
Morris[1]	2017	150,000	-	-	-	14,250	-	164,250	-
Paul	2018	276,427	10,000	4,000	-	27,211	-	317,638	-
Jago[2]	2017	-	-	-	-	-	-	-	-
Other Executives									
Joanna	2018	200,913	-	-	-	19,087	-	220,000	-
Kiernan[3]	2017	-	-	-	-	-	-	-	-
Ivan	2018	197,938	12,697	22,951	-	-	-	233,586	5%
Kusnadi[4]	2017	13,764	-	790	-	-	-	14,554	-
Michael	2018	201,600	18,622	-	183,300	-	-	403,522	5%
McCracken[5]	2017	-	-	-	202,000	-	-	202,000	-
Michael	2018	-	-	-	-		-	-	-
Moore[6]	2017	153,786	-	-	-	13,558	-	167,344	-
Matthew	2018	-	-	-	-	-	-	-	-
Smith[7]	2017	146,668	-	-	-	10,467	(47,710)	109,425	-
Yohanes	2018	-	-	-	-	-	-	-	-
Parapat[8]	2017	318,091	-	18,258	-	-	-	336,349	-
Paul	2018	-	-	-	-	-	-	-	-
Androvic[9]	2017	275,019	-	231	-	23,865	65,907	365,022	18%
Total	**2018**	**895,830**	**41,319**	**26,951**	**183,300**	**48,098**	**-**	**1,195,498**	
Total	**2017**	**1,057,328**	**-**	**19,279**	**202,000**	**62,140**	**18,197**	**1,358,944**	

[1] Mr Morris was the Executive Chairman until he assumed the role of a Non-Executive Director on 16 August 2017. Total remuneration received as the Non-Executive Director in the 2018 financial year is set out in the Non-Executive Director Remuneration section of the Remuneration Report.
[2] Mr Jago was appointed as Chief Executive Officer on 1 August 2017 and became the Managing Director on 23 November 2017. He received a sign-on bonus of $10,000 on commencement of his employment.
[3] Ms Kiernan was appointed General Manager - Corporate on 1 July 2017 in addition to her existing role as Company Secretary.
[4] Mr Kusnadi was appointed on 16 June 2017.
[5] Mr McCracken was appointed on 1 February 2017. Mr McCracken had no formal agreement between himself and the Company from February to November 2017. His remuneration during this period was by way of a service agreement with a mining consultancy firm for services provided to the Company invoiced on a daily rate basis.
[6] Mr Moore was appointed on 16 November 2016 and resigned on 12 April 2017.
[7] Mr Smith resigned on 30 November 2016. The share performance rights on issue were forfeited upon his departure and the share-based payments amortisation expense that has been recognised for these rights was reversed.
[8] Mr Parapat resigned on 16 June 2017.
[9] Mr Androvic resigned on 19 March 2017. The options on issue were forfeited upon his departure and the share-based payments amortisation expense that has been recognised for the options that have not vested was reversed.
[10] 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 2018 is set out below.

John Morris
Executive Chairman (Ceased 16 August 2017)

- 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 from 15 January 2016 to 16 August 2017; and
- Annual executive director's fee of $150,000 per annum plus statutory superannuation.

Paul Jago
Chief Executive Officer (Appointed 1 August 2017, Ceased 23 November 2017)
Managing Director (Appointed 23 November 2017)

- Initial 3 month term; extendable for a further two years and nine months;
- Initial salary of $286,000 per annum inclusive of statutory superannuation commencing 1 August 2017 which was increased to base salary of $350,000 per annum plus statutory superannuation on 1 February 2018;
- Sign-on bonus of $10,000;
- Life insurance policy;
- Income protection insurance policy; and
- One month notice of termination required by either party except in the event of summary dismissal.

Joanna Kiernan
General Manager – Corporate & Company Secretary (Appointed 1 July 2017, Ceased 16 July 2018)

- Salary of $220,000 per annum inclusive of 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 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
- Initial base salary of US$135,000 plus Indonesian statutory entitlements commencing 1 June 2017 which was increased to US$175,000 plus Indonesian statutory entitlements on 1 February 2018.

Michael McCracken
General Manager PTNM

- Initial 12 month term from 13 December 2017; and
- Salary based on a daily rate of $1,600 with no other on-costs;
- One month notice of termination required by either party except in the event of summary dismissal.

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 against fees paid by comparable peer companies and general market conditions.

No fees were paid to the Non-Executive Directors from their date of appointment of 16 August 2017 to 31 December 2017. Following a successful restructure of the Group's operations and re-listing of the Company's securities on the ASX, the Board resolved on 19 February 2018 that payment of fees would commence with effect from 1 January 2018.

The table below represents the total remuneration paid or payable to Non-Executive Directors of the Group during the 2018 and 2017 financial years:

		Short-Term			Post Employment	Share-Based Payments	Total	Proportion of Remuneration Performance Related
		Salary & Fees $	Non-Monetary Benefits $	Consulting Fees $	Superannuation $	Options & Rights $	$	%
Non-Executive Directors								
Roderick McIllree[1]	2018	32,850	-	-	-	-	32,850	-
	2017	-	-	-	-	-	-	-
John Morris[2]	2018	20,000	-	-	1,900	-	21,900	-
	2017	-	-	-	-	-	-	-
Michael Andrews[1]	2018	21,900	-	-	-	-	21,900	-
	2017	-	-	-	-	-	-	-
Grant Mills[1]	2018	20,000	-	-	1,900	-	21,900	-
	2017	-	-	-	-	-	-	-
Andrew Spinks[3]	2018	3,790	-	-	360	-	4,150	-
	2017	30,000	-	-	2,850	-	32,850	-
Joanna Kiernan[4]	2018	-	-	-	-	-	-	-
	2017	18,333	-	-	1,742	-	20,075	-
Douglas Kirwin[5]	2018	-	-	-	-	-	-	-
	2017	-	-	19,967	-	36,690	56,657	65%
Total	**2018**	**98,540**	**-**	**-**	**4,160**	**-**	**102,700**	
Total	**2017**	**48,333**	**-**	**19,967**	**4,592**	**36,690**	**109,582**	

[1] Mr McIllree, Dr Andrews and Mr Mills were appointed on 16 August 2017.

[2] Mr Morris was the Executive Chairman until he assumed the role of a Non-Executive Director on 16 August 2017. Total remuneration received as the Executive Chairman in the 2018 financial year is set out in the Executive Remuneration section of the Remuneration Report.

[3] Mr Spinks resigned on 16 August 2017.

[4] Ms Kiernan resigned on 16 August 2017. Ms Kiernan agreed not to receive fees from 1 July 2017 until her date of resignation in light of her new Executive contract being effective from 1 July 2017.

[5] 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.

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]	2018	-	-	95,770	-	-	95,770	-
	2017	-	-	1,016,756	-	-	1,016,756	-
Total	**2018**	**-**	**-**	**95,770**	**-**	**-**	**95,770**	
Total	**2017**	**-**	**-**	**1,016,756**	**-**	**-**	**1,016,756**	

[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. On 31 July 2018, their appointment as Deed Administrators ceased subsequent to the Company's exit from external administration. 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 2017	Granted as Remuneration	On Exercise of Options/Share Performance Rights	Net Change Other[1]	Balance at 30 June 2018
Executive Director					
Paul Jago	-	-	-	-	-
Non-Executive Directors					
Roderick McIllree	-	-	-	22,900,000	22,900,000
John Morris	9,600,000	-	-	-	9,600,000
Michael Andrews	-	-	-	66,826,024	66,826,024
Grant Mills[2]	-	-	-	10,000	10,000
Andrew Spinks	-	-	-	-	-
Other KMP					
Joanna Kiernan	-	-	-	-	-
Ivan Kusnadi	-	-	-	-	-
Michael McCracken	-	-	-	-	-
Michael Ryan & Ian Francis of FTI Consulting	-	-	-	-	-
Total	**9,600,000**	**-**	**-**	**89,736,024**	**99,336,024**

[1] Represents amount held at date of appointment and subsequent change by virtue of shares acquired or disposed on the market.

[2] Subsequent to balance date, Mr Mills purchased 400,000 shares on market on 16 August 2018.

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 2017	Granted as Remuneration	Options Exercised	Net Change Other	Balance at 30 June 2018	Not Vested and Not Exercisable	Vested and Exercisable
Executive Director							
Paul Jago	-	-	-	-	-	-	-
Non-Executive Directors							
Roderick McIllree	-	-	-		-	-	-
John Morris	-	-	-	-	-	-	-
Michael Andrews	-	-	-	-	-	-	-
Grant Mills	-	-	-	-	-	-	-
Andrew Spinks	-	-	-	-	-	-	-
Other KMP							
Joanna Kiernan	300,000	-	-	-	300,000	-	300,000
Ivan Kusnadi	300,000	-	-	-	300,000	-	300,000
Michael McCracken	-	-	-	-	-	-	-
Michael Ryan & Ian Francis of FTI Consulting	-	-	-	-	-	-	-
Total	**600,000**	**-**	**-**	**-**	**600,000**	**-**	**600,000**

Share Performance Rights

No share performance rights were held by any Director of the Company and any other KMP of the Group, including their personally related entities during the year.

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

Sales

Michael Andrews

During the year, the Group received $111,533 from Dr Andrews (Non-Executive Director) for the sale of 64 ounces of gold at normal market prices. At 30 June 2018, no amount was owing to the Group.

Services

Michael Andrews

PT Promincon Indonesia, an entity related to Dr Andrews, received $121,222 fees for drilling services provided to the Company’s subsidiary, PTNM during the year. These fees are payable at normal commercial terms. Fees totalling $46,190 and $75,032 were recognised in cost of sales and non-current assets respectively. At 30 June 2018, $45,881 was owing to PT Promincon Indonesia.

Michael Ryan and Ian Francis of FTI Consulting

The Company was charged $95,770 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*. Following receipt of approval from the Company’s creditors on 8 June 2017 and 28 July 2017, a total amount of $1,112,526 relating to outstanding fees for the external administration period from 14 December 2016 to 31 July 2017 was settled during the year. At 30 June 2018, no amount was owing to FTI Consulting.

End of Remuneration Report.

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

Auditor's Independence

The auditor's independence declaration for the year ended 30 June 2018 is on page 28. 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
20 September 2018

Ernst & Young Services Pty Limited
11 Mounts Bay Road
Perth WA 6000, Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2018, 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

Philip Teale
Partner
20 September 2018

	Note	2018 $	2017 $
Continuing operations			
Sale of goods	4(a)	**44,056,921**	21,317,781
Other revenue	4(a)	**464,397**	387,787
Total revenue		**44,521,318**	21,705,568
Cost of sales	4(b)	**(28,006,600)**	(26,029,895)
Gross profit/(loss)		**16,514,718**	(4,324,327)
Other income	4(c)	**2,713,887**	5,050,451
Administration expenses	4(d)	**(3,575,182)**	(5,705,026)
Other expenses	4(e)	**(7,103,324)**	(43,743,815)
Finance costs	4(f)	**(401,537)**	(1,381,694)
Profit/(Loss) from continuing operations before income tax		**8,148,562**	(50,104,411)
Income tax expense	5(a)	**(855,463)**	(11,071,809)
Net profit/(loss) for the year		**7,293,099**	(61,176,220)
Profit/(Loss) for the year is attributable to:			
Owners of the parent		**6,220,851**	(52,428,406)
Non-controlling interest		**1,072,248**	(8,747,814)
		7,293,099	(61,176,220)
Earnings per share attributable to the ordinary equity holders of the parent:		**Cents**	Cents
Basic earnings/(loss) per share – cents per share	6	**0.87**	(11.99)
Diluted earnings/(loss) per share – cents per share	6	**0.87**	(11.99)

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

Consolidated Statement Of Comprehensive Income
For The Year Ended 30 June 2018

	2018	2017
	$	$
Net profit/(loss) for the year	**7,293,099**	(61,176,220)
Other comprehensive income/(loss)		
Items that may be reclassified to profit and loss in subsequent periods		
Foreign currency translations attributable to parent entity interest	**(738,205)**	90,331
Income tax effect	**-**	-
	(738,205)	90,331
Items that may not be reclassified to profit and loss in subsequent periods		
Foreign currency translations attributable to non-controlling interest	**(62,933)**	(17,572)
Re-measurement adjustments on defined benefit obligations	**(148,226)**	(79,743)
Income tax effect	**44,893**	27,910
	(166,266)	(69,405)
Other comprehensive (loss)/income for the year, net of tax	**(904,471)**	20,926
Total comprehensive income/(loss) for the year	**6,388,628**	(61,155,294)
Total comprehensive income/(loss) for the year is attributable to :		
Owners of the parent	**5,394,812**	(52,382,133)
Non-controlling interest	**993,816**	(8,773,161)
	6,388,628	(61,155,294)

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

Consolidated Statement Of Financial Position
As At 30 June 2018

	Note	2018 $	2017 $
Current Assets			
Cash and cash equivalents	8	**10,067,719**	5,933,935
Trade and other receivables	9	**3,932,666**	1,513,168
Inventories	10	**4,060,262**	4,931,899
Other		**212,709**	152,300
Total Current Assets		**18,273,356**	12,531,302
Non-Current Assets			
Trade and other receivables	9	**2,336,644**	4,541,385
Plant and equipment	11	**6,109,702**	6,715,549
Mine properties and development	12	**14,615,629**	14,248,946
Exploration and evaluation assets	14	**18,449,803**	17,360,619
Total Non-Current Assets		**41,511,778**	42,866,499
TOTAL ASSETS		**59,785,134**	55,397,801
Current Liabilities			
Trade and other payables	15	**4,204,092**	6,970,853
Interest-bearing liabilities	16	**104,704**	108,892
Other financial liabilities	17	**-**	6,366,109
Income tax payable		**320,620**	-
Provisions	18	**579,170**	396,430
Total Current Liabilities		**5,208,586**	13,842,284
Non-Current Liabilities			
Interest-bearing liabilities	16	**130,350**	45,388
Other financial liabilities	17	**-**	4,738,576
Provisions	18	**2,332,886**	2,800,046
Total Non-Current Liabilities		**2,463,236**	7,584,010
TOTAL LIABILITIES		**7,671,822**	21,426,294
NET ASSETS		**52,113,312**	33,971,507
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	19	**105,688,558**	93,764,241
Reserves	20	**6,374,101**	7,283,446
Accumulated losses		**(57,491,891)**	(63,624,908)
		54,570,768	37,422,779
Non-controlling interest	22(b)	**(2,457,456)**	(3,451,272)
TOTAL EQUITY		**52,113,312**	33,971,507

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 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		**41,470,471**	21,317,781
Payments to suppliers and employees		**(35,513,639)**	(22,395,426)
VAT refund received		**3,992,003**	821,664
Interest received		**24,731**	15,743
Interest and other finance costs paid		**(44,439)**	(468,683)
Income tax paid		**(483,457)**	(469,176)
Net cash flows from/(used in) operating activities	8(a)	**9,445,670**	(1,178,097)
Cash flows from investing activities			
Payments for plant and equipment		**(934,427)**	(131,805)
Proceeds from sale of plant and equipment		**51,637**	124
Payment for mine properties and development		**(1,401,535)**	(7,502,645)
Payment for exploration and evaluation expenditure		**(623,526)**	(1,006,239)
Net cash flows used in investing activities		**(2,907,851)**	(8,640,565)
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		**(96,612)**	(289,837)
Repayment of borrowings	8(b)	**(2,250,000)**	-
Repayment of hire purchase agreements	8(b)	**(119,753)**	(197,922)
Net cash flows (used in)/from financing activities		**(2,466,365)**	14,292,861
Net increase in cash and cash equivalents		**4,071,454**	4,474,199
Cash and cash equivalents at beginning of the year		**5,933,935**	1,507,749
Effects of exchange rate changes on cash and cash equivalents held		**62,330**	(48,013)
Cash and cash equivalents at end of the year	8	**10,067,719**	5,933,935

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

	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 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 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**
Net profit for the year	-	-	-	-	-	6,220,851	6,220,851	1,072,248	7,293,099
Other comprehensive loss for the year	-	-	-	-	(738,205)	(87,834)	(826,039)	(78,432)	(904,471)
Total comprehensive income/(loss) for the year	-	-	-	-	(738,205)	6,133,017	5,394,812	993,816	6,388,628
Transactions with owners in their capacity as owners:									
Conversion of loans	11,731,860	-	-	-	-	-	11,731,860	-	11,731,860
Equity component of loans converted	192,457	-	(192,457)	-	-	-	-	-	-
Share-based payments	-	21,317	-	-	-	-	21,317	-	21,317
At 30 June 2018	**105,688,558**	**8,331,600**	**-**	**83,407**	**(2,040,906)**	**(57,491,891)**	**54,570,768**	**(2,457,456)**	**52,113,312**

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

NOTE NUMBER		PAGE
1	Corporate Information	35
2	Summary of Significant Accounting Policies	35
3	Operating Segments	47
4	Revenue and Expenses	48
5	Income Tax	50
6	Earnings Per Share	52
7	Dividends Paid and Proposed	52
8	Cash and Cash Equivalents	53
9	Trade and Other Receivables	55
10	Inventories	55
11	Plant and Equipment	56
12	Mine Properties and Development	57
13	Impairment Testing of Non-Current Assets	57
14	Exploration and Evaluation Assets	58
15	Trade and Other Payables	59
16	Interest-Bearing Liabilities	59
17	Other Financial Liabilities	59
18	Provisions	61
19	Contributed Equity	63
20	Reserves	63
21	Financial and Capital Risk Management	64
22	Information Relating to Subsidiaries	69
23	Parent Entity Disclosures	70
24	Share-Based Payments	71
25	Related Party Disclosures	72
26	Commitments and Contingencies	74
27	Subsequent Events	76
28	Auditor’s Remuneration	76

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 2018 was authorised for issue in accordance with a resolution of the Directors on 20 September 2018. The directors have the power to amend and reissue the financial report.

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.

(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) Going concern

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

(c) New accounting standards and interpretations

(i) Changes in accounting policies and disclosures

Since 1 July 2017, the Group has adopted all new, revised or amending accounting standards and interpretations that were effective at 1 July 2017. 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 2018 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 Group will adopt AASB 9 retrospectively from 1 July 2018 and has elected not to restate comparative information. Based on the assessments undertaken to date, the adoption of AASB 9 will not have a significant impact on the financial statements of the Group. Interest revenue will fall under the scope of AASB 9 and will be classified as other income in future periods.

Reference	Title	Summary	Application date of standard	Application date for Group	Impact on Group financial report
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 Group will adopt AASB 15 using the full retrospective approach. Based on review of the existing sales contract, the Group concluded that there is no significant impact on adoption of AASB 15. The bullion sales revenue (gold and silver) of the Group will not be affected when the Group applies this Standard for the first time on 1 July 2018. Revenue from bullion sales is currently recognised when gold or silver is sold out of the metal account. The Group has no other performance obligations once gold or silver has been sold off the metal account, and accordingly, under AASB 15 there is no change in the timing of revenue recognition.
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	AASB 16 applies mandatorily to financial year commencing on or after 1 January 2019. The Group does not intend to adopt this Standard before its effective date. This Standard will affect primarily the accounting for the Group's operating leases. At 30 June 2018, the Group had non-cancellable operating lease commitments of $2,366,153 (refer Note 26(c)). Some of the commitments may be covered by the exception for short-term and low-value leases. The impact on adoption of AASB 16 has not been fully assessed by the Group.
2018-2	Amendments to Australian Accounting Standards – Plan, Amendment, Curtailment or Settlement	This Standard amends AASB 119 Employee Benefits to specify how an entity accounts for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments: • Require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event occurs; • Clarify that when such an event occurs, an entity recognises the past service cost or a gain or loss on settlement separately from its assessment of the asset ceiling.	1 January 2019	1 July 2019	The impact on adoption of this Standard has not been fully assessed by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(d) 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.

(e) 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)

(f) 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.

(g) 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.

(h) 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.

(i) 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)

(j) 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.

(k) 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.

(l) 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)

(m) 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.

(n) 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.

(o) 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)

(p) 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.

(q) 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)

(q) 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.

(r) 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.

(s) 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)

(s) 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)

(t) 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.

(u) 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.

(v) 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.

(w) 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)

(x) 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.

(y) 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 non-current assets

Cash-generating unit (CGU)

The recoverable amount of a 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 2018.

Exploration and evaluation assets

The future recoverability of exploration and evaluation assets is dependent on a number of factors, including whether the Group decides to exploit the related area of interest itself. Factors that could impact the future recoverability include the level of Mineral Resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that the carrying value of the exploration and evaluation assets 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 14 for the recoverability assessment of the Group's exploration and evaluation assets at 30 June 2018.

(ii) Deferred tax assets

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will comply with relevant tax legislation and will generate sufficient taxable profit in future years in order to recognise and utilise those deferred tax assets. Estimates of future taxable profit are based on forecast cash flows from operations and existing tax laws in each jurisdiction. These assessments require the use of estimates and assumptions such as commodity prices and operating performance over the life of the assets.

At 30 June 2018, the Group has net deferred tax assets of $19,706,934 (2017: $28,978,022) which have not been recognised. A tax benefit will only be recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Significant accounting judgements, estimates and assumptions (continued)

(iii) Provision for Indonesian employee termination benefits

The present value of the Group's obligation for its Indonesian employee termination benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include among others, the determination of discount rate, future salary increase, employee turnover rate, disability rate, retirement age and mortality rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Further details about the provision for Indonesian employee termination benefits are provided in Note 18(i).

(iv) 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.

(v) 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.

(vi) VAT contingent liabilities

The Group has disclosed contingent liabilities relating to its VAT claims arising from its operations in Indonesia in Note 26(d). The amount of contingent liabilities is based on estimates determined by the Group having taken suitable independent expert tax advice and based on interpretation of currently enacted tax laws and regulations. Actual results could differ from those estimates.

(z) 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:

	2018		2017	
	Revenue	**% of External Revenue**	Revenue	% of External Revenue
	$	**%**	$	%
Customer A	**43,190,275**	**98**	21,317,781	100

Revenue from external customers by geographical locations

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

	2018	2017
	$	$
Australia	**43,228,741**	21,332,437
Indonesia	**1,181,044**	373,131
British Virgin Islands	**111,533**	-
Total revenue	**44,521,318**	21,705,568

Analysis of location of non-current assets

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

	2018	2017
	$	$
Australia	**11,859**	3,218
Indonesia	**41,499,919**	42,863,281
Total non-current assets	**41,511,778**	42,866,499

4. REVENUE AND EXPENSES

		2018	2017
		$	$
(a)	**Revenue**		
	Sale of goods		
	Gold	**40,183,783**	20,456,841
	Silver	**3,873,138**	860,940
		44,056,921	21,317,781
	Other revenue		
	Interest	**464,397**	387,787
	Total revenue	**44,521,318**	21,705,568
(b)	**Cost of sales**		
	Mine production costs	**23,682,038**	18,327,431
	Royalties	**1,037,671**	270,549
	Depreciation of plant and equipment	**1,799,148**	1,391,823
	Amortisation of mine properties	**1,274,800**	6,058,444
	Inventory movements	**212,943**	(18,352)
	Total cost of sales	**28,006,600**	26,029,895
(c)	**Other income**		
	Net gain on foreign exchange	**2,623,307**	-
	Gain on early retirement of loans	**61,434**	-
	Gain on restructure of loans	**-**	5,035,505
	Sundry income	**29,146**	14,946
	Total other income	**2,713,887**	5,050,451
(d)	**Administration expenses**		
	Corporate costs	**3,548,501**	5,454,603
	Depreciation of equipment	**5,364**	19,999
	Share-based payments	**21,317**	230,424
	Total administration expenses	**3,575,182**	5,705,026
(e)	**Other expenses**		
	Net loss on foreign exchange	**-**	2,675,478
	Loss on disposal of plant and equipment	**253,588**	-
	Plant and equipment written off	**52,247**	-
	Exploration and evaluation assets written off	**144,219**	13,250,456
	Impairment on mine properties and development	**-**	22,266,402
	Allowance for impairment loss on other receivables	**625,287**	5,216,555
	Re-measurement adjustments on VAT receivables	**(186,879)**	334,924
	Consumables written down	**933,988**	-
	Loss on settlement of loans in equity	**2,594,178**	-
	Non production mine site costs	**2,686,696**	-
	Total other expenses	**7,103,324**	43,743,815

4. REVENUE AND EXPENSES (continued)

		2018	2017
		$	$
(f)	**Finance costs**		
	Borrowing costs	**26,403**	24,245
	Interest on loans	**-**	669,178
	Finance charges payable under finance leases	**18,036**	27,806
		44,439	721,229
	Unwinding of discount on rehabilitation provision	**12,666**	16,346
	Unwinding of discount on loans	**344,432**	644,119
	Total finance costs	**401,537**	1,381,694
(g)	**Depreciation and amortisation**		
	Plant and equipment	**1,804,512**	1,411,822
	Mine properties	**1,274,800**	6,058,444
	Total depreciation and amortisation	**3,079,312**	7,470,266
	Included in:		
	Cost of sales	**3,073,948**	7,450,267
	Administration expenses	**5,364**	19,999
		3,079,312	7,470,266
(h)	**Employee benefits expense**		
	Wages and salaries	**9,613,896**	8,485,512
	Defined contribution superannuation expense	**115,950**	133,811
	Defined benefit expense	**38,786**	543,041
	Share-based payments	**21,317**	230,424
	Other employee benefits	**1,061,826**	644,617
	Total employee benefits expense	**10,851,775**	10,037,405
	Included in:		
	Cost of sales	**6,418,905**	7,919,074
	Administration expenses	**1,746,174**	2,118,331
	Other expenses	**2,686,696**	-
		10,851,775	10,037,405

5. INCOME TAX

		2018	2017
		$	$
(a)	**Income tax expense**		
	Income Statement		
	Current income tax		
	Current income tax charge	**667,914**	400,712
	Under provision in prior year	**142,656**	-
		810,570	400,712
	Deferred income tax		
	Relating to origination and reversal of temporary differences	**44,893**	10,671,097
	Income tax expense reported in the Income Statement	**855,463**	11,071,809
(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	**(44,893)**	(27,910)
	Income tax benefit reported in other comprehensive income	**(44,893)**	(27,910)

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

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

	2018	2017
	$	$
Accounting profit/(loss) before income tax	**8,148,562**	(50,104,411)
At Australian statutory income tax rate of 30% (2017: 27.5%)	**2,444,569**	(13,778,713)
Effect of change in Australian income tax rate	**-**	(1,000)
Effect of different tax rate in accordance with Contract of Work Agreement and its amendment in Indonesia	**14,124**	(3,572,674)
Derecognition of previously recognised deferred tax assets	**-**	10,813,936
Deferred tax assets in current period not recognised	**98,409**	18,164,086
Utilisation of previously unrecognised deferred tax assets	**(2,400,711)**	-
Under provision in prior year	**142,656**	-
Non-assessable income	**-**	(1,384,764)
Non-deductible expenses	**556,416**	383,891
Foreign tax credit not utilised	**-**	447,047
Aggregate income tax expense	**855,463**	11,071,809

5. INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

	BALANCE SHEET	
	2018	2017
	$	$
Deferred tax at 30 June relates to the following:		
Deferred tax assets		
Provisions	**2,626,055**	10,215,468
Plant and equipment	**604,817**	544,613
Borrowing costs	**-**	45,817
Losses available for offset against future taxable income	**20,531,987**	23,826,298
Gross deferred tax assets	**23,762,859**	34,632,196
Deferred tax liabilities		
Accrued income	**(4,487)**	-
Mine properties and development	**(3,201,251)**	(4,490,180)
Finance leases	**(820,859)**	(1,066,330)
Unrealised foreign exchange movements	**(29,328)**	(97,664)
Gross deferred tax liabilities	**(4,055,925)**	(5,654,174)
Net deferred tax assets	**19,706,934**	28,978,022
Unrecognised net deferred tax assets	**(19,706,934)**	(28,978,022)
Net deferred tax assets	**-**	-
Reconciliation of net deferred tax assets movement:		
At 1 July	**-**	10,813,936
Charged to income	**(44,893)**	(10,671,097)
Credited to other comprehensive income	**44,893**	27,910
Foreign exchange translation loss	**-**	(170,749)
At 30 June	**-**	-

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.

Tax losses

The Group has tax losses that arose in Australia of $1,104,697 (2017:$3,365,910) and Indonesia of $80,802,313 (2017: $65,430,495). The Australian tax losses are available indefinitely and the Indonesian tax losses are available for a period of five years for offsetting against future taxable profits of the respective companies in which the losses arose.

6. EARNINGS PER SHARE

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

		2018	2017
		$	$
(a)	**Earnings per share**		
	The following reflects the income used in the calculation of basic and diluted loss per share computations:		
	Net profit/(loss) attributable to ordinary equity holders of the parent	**6,220,851**	(52,428,406)
		Shares	Shares
(b)	**Weighted average number of shares**		
	Weighted average number of ordinary shares for basic loss per share	**715,462,960**	437,353,033
	Effect of dilution:		
	Options and share performance rights	**-**	-
	Weighted average number of ordinary shares adjusted for the effect of dilution	**715,462,960**	437,353,033

(c) Information on the classification of securities

Options and share performance rights

Total options of 9,550,000 (2017: 10,300,000) 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 shares, options or share performance rights were issued between the reporting date and the date of completion of these financial statements.

7. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company for the years ended 30 June 2018 and 30 June 2017.

8. CASH AND CASH EQUIVALENTS

	2018	2017
	$	$
Current		
Cash at bank and in hand (i)	**5,414,722**	5,933,935
Short-term deposits (ii)	**4,652,997**	-
	10,067,719	5,933,935

Terms and conditions

(i) Cash at bank earn interest at floating rates based on bank deposit rates.

(ii) Short-term deposits are made for varying periods of between one and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(a) Reconciliation to the Statement of Cash Flows

Reconciliation of net profit/(loss) after income tax to net cash flows from operating activities:

	2018	2017
	$	$
Net profit/(loss) after income tax	**7,293,099**	(61,176,220)
Adjustments for:		
Depreciation of plant and equipment	**1,804,512**	1,411,822
Amortisation of mine properties	**1,274,800**	6,058,444
Unrealised net foreign exchange (gain)/loss	**(2,398,647)**	1,888,042
Share-based payments	**21,317**	230,424
Loss on disposal of plant and equipment	**253,588**	-
Gain on restructure of loans	**-**	(5,035,505)
Gain on early settlement of loans	**(61,434)**	-
Loss on settlement of loans in equity	**2,594,178**	-
Impairment on mine properties and development	**-**	22,266,402
Exploration and evaluation assets written off	**144,219**	13,250,456
Plant and equipment written off	**52,247**	-
Finance costs	**344,432**	988,284
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(214,757)**	5,021,870
(Increase)/decrease in inventories	**871,637**	930,268
(Increase)/decrease in other assets	**(60,409)**	110,717
(Increase)/decrease in deferred tax assets	**-**	10,825,941
Increase/(decrease) in trade and other payable	**(2,555,168)**	1,690,249
Increase/(decrease) in income tax payables	**320,620**	-
Increase/(decrease) in provisions	**(238,564)**	372,714
Increase/(decrease) in deferred tax liabilities	**-**	(12,005)
Net cash flows from/(used in) operating activities	**9,445,670**	(1,178,097)
Non-cash investing and financing activities		
Acquisition of assets by means of finance leases	**292,511**	-
Conversion of debt to equity	**11,731,860**	664,717

8. CASH AND CASH EQUIVALENTS (continued)

(b) Changes in Liabilities Arising from Financing Activities

	1 July 2017	Cash Flows	Foreign Exchange Movement	New Leases / Loans	Debt to Equity Conversion	Other	30 June 2018
	$	$	$	$	$	$	$
Current							
Finance lease liabilities	**108,892**	**(119,753)**	**(29,282)**	**99,814**	**-**	**45,033**	**104,704**
Other financial liabilities	**6,366,109**	**-**	**-**	**-**	**(6,548,471)**	**182,362**	**-**
Non-Current							
Finance lease liabilities	**45,388**	**-**	**5,731**	**124,263**	**-**	**(45,032)**	**130,350**
Other financial liabilities	**4,738,576**	**(2,250,000)**	**-**	**-**	**(5,183,389)**	**2,694,813**	**-**
Total liabilities from financing activities	**11,258,965**	**(2,369,753)**	**(23,551)**	**224,077**	**(11,731,860)**	**2,877,175**	**235,054**

	1 July 2016	Cash Flows	Foreign Exchange Movement	New Leases / Loans	Debt to Equity Conversion	Other	30 June 2017
	$	$	$	$	$	$	$
Current							
Finance lease liabilities	222,370	(197,922)	(8,885)	-	-	93,329	108,892
Other financial liabilities	-	5,896,567	-	-	-	469,542	6,366,109
Non-Current							
Finance lease liabilities	141,839	-	(3,122)	-	-	(93,329)	45,388
Other financial liabilities	9,973,135	-	(53,077)	344,164	(664,717)	(4,860,929)	4,738,576
Total liabilities from financing activities	10,337,344	5,698,645	(65,084)	344,164	(664,717)	(4,391,387)	11,258,965

The 'Other' column includes the effect of reclassification of non-current portion of finance lease liabilities to current due to passage of time and adjustments relating to the restructure or settlement of loans included in other financial liabilities. The Group classifies interest paid as cash flows from operating activities.

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	$	$
Current		
Trade receivables (i)	**2,586,411**	-
Other receivables (ii)	**1,346,255**	1,513,168
	3,932,666	1,513,168
Non-Current		
Other receivables (ii)	**2,336,644**	4,541,385
Loans to non-controlling interest (iii)	**5,820,957**	5,216,555
Less: Impairment allowance	**(5,820,957)**	(5,216,555)
	2,336,644	4,541,385

Terms and conditions

(i) 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. They are neither past due nor impaired at balance date.

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

(iii) 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

	2018	2017
	$	$
Current		
Ore stockpiles at cost or net realisable value	**90,272**	317,704
Gold in circuit at cost or net realisable value	**207,440**	168,921
Gold dore and bullion at cost or net realisable value	**1,869,450**	1,810,365
Consumables and spares at cost or net realisable value	**1,893,100**	2,634,909
	4,060,262	4,931,899

During the year, $933,988 was recognised as an expense for inventories carried at net realisable value (2017: $3,707,043). This is recognised in other operating expenses for the year ended 30 June 2018 and cost of sales for the year ended 30 June 2017.

11. PLANT AND EQUIPMENT

	2018	2017
	$	$
Non-Current		
Plant and Equipment		
Gross carrying amount – at cost	**28,338,807**	28,990,232
Accumulated depreciation and impairment	**(23,424,621)**	(22,754,739)
Net carrying amount	**4,914,186**	6,235,493
Leased Equipment		
Gross carrying amount – at cost	**510,958**	674,445
Accumulated depreciation	**(212,370)**	(522,621)
Net carrying amount	**298,588**	151,824
Capital Work in Progress		
Gross carrying amount – at cost	**896,928**	328,232
Total Plant and Equipment	**6,109,702**	6,715,549
Movements in Plant and Equipment		
Plant and Equipment		
Carrying amount at 1 July	**6,235,493**	7,506,926
Additions	**30,789**	61,363
Transfer from leased equipment	**41,267**	1,532
Transfer from capital work in progress	**219,609**	48,832
Disposals	**(105,553)**	(124)
Depreciation charge	**(1,687,281)**	(1,143,785)
Foreign exchange translation gain/(loss)	**179,863**	(239,251)
Carrying amount at 30 June	**4,914,187**	6,235,493
Leased Equipment		
Carrying amount at 1 July	**151,824**	431,151
Additions	**292,511**	-
Transfer to plant and equipment	**(41,267)**	(1,532)
Depreciation charge	**(117,228)**	(268,037)
Foreign exchange translation gain/(loss)	**12,748**	(9,758)
Carrying amount at 30 June	**298,588**	151,824
Capital Work in Progress		
Carrying amount at 1 July	**328,232**	318,032
Additions	**801,258**	70,441
Transfer to plant and equipment	**(219,609)**	(48,832)
Disposals	**(52,247)**	-
Foreign exchange translation gain/(loss)	**39,294**	(11,409)
Carrying amount at 30 June	**896,928**	328,232

12. MINE PROPERTIES AND DEVELOPMENT

	2018	2017
	$	$
Non-Current		
Gross carrying amount – at cost	**54,428,154**	86,305,727
Accumulated amortisation and impairment	**(39,812,525)**	(72,056,781)
	14,615,629	14,248,946
Movements in Mine Properties and Development		
Carrying amount at 1 July	**14,248,946**	35,834,679
Additions	**1,401,535**	7,502,645
Impairment (i)	**-**	(22,266,402)
Disposals	**(199,672)**	-
Amortisation charge	**(1,274,800)**	(6,058,444)
Change in rehabilitation provision	**(133,690)**	70,407
Foreign exchange translation gain/(loss)	**573,310**	(833,939)
Carrying amount at 30 June	**14,615,629**	14,248,946

(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.

30 June 2018 Assessment

For the year ended 30 June 2018, 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 Company's market capitalisation relative to the Group's net assets, 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 two and a half-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 2018.

Assumptions		
Gold price (US$ per ounce)	$1,300-$1,303	Commodity prices are estimated with reference to external market forecasts.
Size and grade of ore bodies	Way Linggo Resource: 354,000t @ 7.2g/t Au and 68g/t Ag Talang Santo Resource: 1,192,000t @ 7.4g/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 model assumes approval will be obtained to develop the open pit mine at Talang Santo. Should this approval not be obtained, the assessment of impairment will need to be revisited.

13. IMPAIRMENT TESTING OF NON-CURRENT ASSETS (continued)

The assessment of the recoverable amount of the Way Linggo Project CGU has determined that no impairment is required at 30 June 2018.

30 June 2017 Assessment

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

	2018	2017
	$	$
Non-Current		
At cost	**18,449,803**	17,360,619
Movements in Exploration and Evaluation Assets		
Carrying amount at 1 July	**17,360,619**	30,467,371
Additions	**508,545**	960,718
Write off (i)	**(144,219)**	(13,250,456)
Foreign exchange translation gain/(loss)	**724,858**	(817,014)
Carrying amount at 30 June	**18,449,803**	17,360,619

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, a write off of $144,219 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 (2017: $13,250,456).

15. TRADE AND OTHER PAYABLES

	2018	2017
	$	$
Current		
Trade creditors	**2,806,108**	3,931,744
Accruals	**1,105,773**	2,773,805
Sundry creditors	**292,211**	265,304
	4,204,092	6,970,853

Terms and conditions

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

16. INTEREST-BEARING LIABILITIES

	2018	2017
	$	$
Current		
Finance lease liabilities (i)	**104,704**	108,892
Non-Current		
Finance lease liabilities (i)	**130,350**	45,388

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.

17. OTHER FINANCIAL LIABILITIES

	2018	2017
	$	$
Current		
Convertible loans (i)	-	**6,366,109**
Non-Current		
Loans – Other (ii)	-	**4,738,576**

Terms and conditions

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

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

17. OTHER FINANCIAL LIABILITIES (continued)

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

	2018	2017
	$	$
Beaurama Pty Ltd ("Beaurama") (iii)	-	2,179,914
Great Golden Investment Limited ("GGIL") (iv)	-	1,449,908
Michael John Andrews ("Dr Andrews") (iv)	-	1,108,754
	-	4,738,576

The key terms of the loans at 30 June 2017 were as follows:

Beaurama Pty Ltd

	2017
Interest rate	Interest free from 21 February 2017 to 31 July 2020. 5% per annum from 1 August 2020, payable monthly in arrears
Repayment	Single payment on 30 November 2023. The Company can elect to repay any outstanding funds early.
Security	None.

Great Golden Investment Limited

	2017
Interest rate	Interest free from 21 February 2017 to 31 July 2020. 5% per annum from 1 August 2020, payable monthly in arrears
Repayment	Single payment on 30 November 2023. The Company can elect to repay any outstanding funds early.
Conversion to Equity	Subject to shareholder approval, conversion price of $0.04 per share
Security	None.

Michael John Andrews

	2017
Interest rate	Interest free from 21 February 2017 to 31 July 2020. 5% per annum from 1 August 2020, payable monthly in arrears
Repayment	Single payment on 30 November 2023. The Company can elect to repay any outstanding funds early.
Conversion to Equity	Subject to shareholder approval, conversion price of $0.04 per share
Security	None.

(iii) In December 2017, Beaurama agreed to accept $2,250,000 in full and final satisfaction of the amount outstanding under the loan facility due on 30 November 2023. The Company paid the agreed amount to Beaurama on 7 December 2017. $61,434 was recognised as a gain on settlement of the loan in the Income Statement for the year ended 30 June 2018.

(iv) On 31 July 2017, the loans from GGIL and Dr Andrews were converted to equity at $0.04 per share following the receipt of shareholder approval at a general meeting on 28 July 2017. A total of 129,584,725 shares were issued in full satisfaction of the outstanding loans from GGIL and Dr Andrews. $2,594,178 was recognised as a loss on settlement of the loans by issue of shares in the Income Statement for the year ended 30 June 2018.

18. PROVISIONS

	2018	2017
	$	$
Current		
Employee entitlements (i)	**579,170**	396,430
Non-Current		
Employee entitlements (i)	**1,646,458**	2,018,495
Rehabilitation (ii)	**686,428**	781,551
	2,332,886	2,800,046

The nature of the provisions is described in Note 2(q) and 2(u).

(i) 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:

	2018	2017
Discount rate	8.25% per annum	7.5% 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:

	2018	2017
	$	$
Benefit Liability		
Current	**398,614**	193,757
Non-current	**1,585,642**	1,981,977
Present value of defined benefit obligation - unfunded	**1,984,256**	2,175,734
Movements in Benefit Liability		
At 1 July	**2,175,734**	1,697,243
Net benefits expense	**38,786**	543,041
Charged directly to equity – re-measurement adjustments	**148,226**	79,743
Benefits paid	**(318,641)**	(65,054)
Foreign exchange translation gain	**(59,849)**	(79,239)
At 30 June	**1,984,256**	2,175,734
Net Benefit Expense		
Current service cost	**668,889**	386,983
Interest cost	**108,834**	156,058
Curtailment gains	**(738,937)**	-
	38,786	543,041

18. PROVISIONS (continued)

A quantitative sensitivity analysis for significant assumptions at 30 June 2018 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	(146,552)	170,241	190,248	(165,676)	9,379	(10,165)

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:

	2018	2017
	$	$
Within 1 year	**358,584**	125,924
1 – 5 years	**593,232**	610,337
6 – 10 years	**1,377,694**	1,853,388
After 10 years*	**12,925,380**	20,056,430
	15,254,890	22,646,079

* 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 18.1 years (2017: 19.7 years).

(ii) 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.

	2018	2017
	$	$
Movements in Rehabilitation Provision		
At 1 July	**781,551**	721,404
Provisions (written back)/recognised – net	**(133,690)**	70,407
Unwinding of discount	**12,666**	16,346
Foreign exchange translation loss/(gain)	**25,901**	(26,606)
At 30 June	**686,428**	781,551

19. CONTRIBUTED EQUITY

	2018	2018	2017	2017
	$	Number	$	Number
Ordinary Shares				
Issued and fully paid	**105,688,558**	**730,007,352**	93,764,241	436,710,852
Movements in Ordinary Shares on Issue				
At 1 July	**93,764,241**	**436,710,852**	84,867,375	358,611,493
Private placement (i)	**-**	**-**	8,707,206	72,560,052
Share issue costs (i)	**-**	**-**	(475,057)	-
Issue for partial settlement of debt (ii)	**-**	**-**	664,717	5,539,307
Conversion of loans (iii)	**11,731,860**	**293,296,500**	-	-
Equity portion of loans converted	**192,457**	**-**	-	-
	105,688,558	**730,007,352**	93,764,241	436,710,852

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

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

(iii) On 31 July 2017, a total of 293,296,500 shares were issued in full satisfaction of the convertible loans and the outstanding loans from GGIL and Dr Andrews. The shares were issued at a price of $0.04 per share. Refer to Notes 17(i) and 17(iv) 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 2018 was 9,550,000 (2017: 10,300,000).

No share performance rights were on issue at 30 June 2018 and 30 June 2017.

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.

20. RESERVES (continued)

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.

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 and loans to non-controlling interest. At the reporting date, the Group had the following financial assets exposed to variable interest rate risk:

	2018	2017
	$	$
Financial Assets		
Cash and cash equivalents	**10,067,719**	5,933,935
Other receivables	**5,820,958**	5,216,555
Net exposure	**15,888,677**	11,150,490

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 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

	Post-Tax Profit Higher/(Lower)	
	2018	2017
Judgements of reasonably possible movements:	$	$
+2% (200 basis points)	222,441	156,107
-2% (200 basis points)	(222,441)	(156,107)

(b) Foreign currency risk

The Group has transactional currency exposures as a result of significant operations in Indonesia. As more than 98% 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 2018, the Group had the following exposure to USD and IDR foreign currencies:

	2018	2017	2018	2017
	USD Denominated balances	USD Denominated balances	IDR Denominated balances	IDR Denominated balances
	A$	A$	A$	A$
Financial Assets				
Cash and cash equivalents	5,099,353	2,694,425	1,190,311	440,656
Trade and other receivables	8,368,928	5,216,555	38,440	-
	13,468,281	7,910,980	1,228,751	440,656
Financial Liabilities				
Trade and other payables	(252,714)	(1,001,524)	(2,425,142)	(1,849,810)
Interest-bearing liabilities	-	(65,641)	(235,054)	(88,639)
	(252,714)	(1,067,165)	(2,660,196)	(1,938,449)
Net exposure	13,215,567	6,843,815	(1,431,445)	(1,497,793)

21. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(b) Foreign currency risk (continued)

At 30 June 2018, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

	Post-Tax Profit Higher/(Lower)	
	2018	2017
Judgements of reasonably possible movements:	$	$
A$/US$ +5%	**(440,519)**	(228,127)
A$/US$ -5%	**486,889**	252,141
US$/IDR +15%	**130,697**	136,755
US$/IDR -15%	**(176,825)**	(185,022)

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				
2018				
Trade and other payables	**(4,204,092)**	**-**	**-**	**(4,204,092)**
Interest-bearing liabilities				
- Finance lease liabilities	**(131,404)**	**(147,473)**	**-**	**(278,877)**
	(4,335,496)	**(147,473)**		**(4,482,969)**
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)

(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.

	2018	2017
	$	$
Total borrowings*	**4,439,146**	18,229,818
Less: Cash and cash equivalents	**(10,067,719)**	(5,933,935)
Net (cash)/debt	**(5,628,573)**	12,295,883
Total equity	**52,113,312**	33,971,507
Total capital	**46,484,739**	46,267,390
Gearing ratio	**-**	36%

*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 2018	Equity Interest 2017
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 2018, the proportion of equity interest held by non-controlling interest was 15% (2017: 15%).

	2018	2017
	$	$
Accumulated balances of material non-controlling interest	**(2,457,456)**	(3,451,272)
Profit/(Loss) allocated to material non-controlling interest	**1,072,248**	(8,747,814)

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

Summarised Income Statement	2018	2017
	$	$
Revenue	**44,058,142**	21,318,559
Cost of sales	**(27,787,049)**	(26,041,744)
Other income	**1,358,687**	14,946
Administrative expenses	**(1,671,823)**	(1,399,177)
Other expenses	**(3,883,869)**	(36,421,873)
Finance costs	**(4,880,871)**	(5,106,369)
Profit/(Loss) from continuing operations before income tax	**7,193,217**	(47,635,658)
Income tax	**(44,893)**	(10,683,105)
Profit/(Loss) for the year from continuing operations after income tax	**7,148,324**	(58,318,763)
Total comprehensive income/(loss)	**6,625,443**	(58,487,743)
Attributable to non-controlling interest	**993,816**	(8,773,161)
Dividend paid to non-controlling interest	**-**	-

22. INFORMATION RELATING TO SUBSIDIARIES (continued)

Summarised Statement of Financial Position	2018	2017
	$	$
Current Assets	**9,405,993**	9,014,435
Non-Current Assets	**41,532,546**	42,676,357
Current Liabilities	**(70,436,687)**	(77,026,296)
Non-Current Liabilities	**(2,402,420)**	(2,808,916)
Total Capital Deficiency	**(21,900,568)**	(28,144,420)
Attributable to:		
Owners of the parent	**(19,443,112)**	(24,693,148)
Non-controlling interest	**(2,457,456)**	(3,451,272)

Summarised Cash Flow Information	2018	2017
	$	$
Operating	**13,688,219**	2,311,378
Investing	**(2,896,164)**	(8,637,862)
Financing	**(12,220,142)**	8,074,306
Net (decrease)/increase in cash and cash equivalents	**(1,428,087)**	1,747,822

23. PARENT ENTITY DISCLOSURES

	2018	2017
	$	$
Current Assets	**10,011,449**	9,776,271
Non-Current Assets	**20,746,099**	103,142,819
Total Assets	**30,757,548**	112,919,090
Current Liabilities	**(646,738)**	(8,369,183)
Non-Current Liabilities	**(60,816)**	(4,775,094)
Total Liabilities	**(707,554)**	(13,144,277)
Net Assets	**30,049,994**	99,774,813
Issued Capital	**105,688,558**	93,764,241
Accumulated Losses	**(83,970,162)**	(2,492,166)
Reserves	**8,331,598**	8,502,738
Total Shareholder's Equity	**30,049,994**	99,774,813
(Loss)/Profit of the parent entity	**(81,477,996)**	3,778,412
Total comprehensive (loss)/income of the parent entity	**(81,477,996)**	3,778,412

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 was limited to US$400,000 (A$520,021). During the year, the corporate facility was cancelled and the corporate guarantee was released.

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 are as follows:

	2018	2017
	$	$
Options	21,317	278,134
Share performance rights	-	(47,710)
	21,317	230,424

(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.

	2018	2018	2017	2017
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	10,300,000	$0.23	11,300,000	$0.35
Granted during the year	-	-	5,000,000	$0.20
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	(750,000)	$0.26	(6,000,000)	$0.42
Outstanding at the end of the year	9,550,000	$0.23	10,300,000	$0.23
Exercisable at the end of the year	9,550,000	$0.23	9,800,000	$0.23

- Weighted average share price – No options were exercised during the years ended 30 June 2018 and 30 June 2017.
- Weighted average remaining contractual life – The weighted average remaining contractual life for the options outstanding as at 30 June 2018 is 0.95 years (2017: 1.91 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 (2017: $0.20 to $0.27).
- Weighted average fair value – The weighted average fair value of options granted during the year ended 30 June 2017 was $0.03.
- 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.
- Modifications – There were no modifications to options during the year.

24. SHARE-BASED PAYMENTS (continued)

(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.

	2018	2017
	Number	Number
Outstanding at the beginning of the year	**-**	416,413
Granted during the year	**-**	-
Exercised during the year	**-**	-
Cancelled during the year	**-**	(416,413)
Outstanding at the end of the year	**-**	-
Exercisable at the end of the year	**-**	-

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.

		Amount of Transactions	Interest Charged	Amount Owed by/(to) Related Parties
		$	$	$
Sale of goods (i)	**2018**	**111,533**	**-**	**-**
	2017	-	-	-
Professional services from External Administrators (ii)	**2018**	**95,770**	**-**	**-**
	2017	1,016,756	-	1,016,756
Drilling services (iii)	**2018**	**121,222**	**-**	**45,881**
	2017	153,269	-	150,340
Consulting services (iv)	**2018**	**-**	**-**	**-**
	2017	19,967	-	-

(i) Sale of Goods

During the year, the Group received $111,533 from Dr Andrews (Non-Executive Director) for the sale of 64 ounces of gold at normal market prices. At 30 June 2018, no amount was owing to the Group.

25. RELATED PARTY DISCLOSURES (continued)

(b) Transactions with Related parties (continued)

(ii) Professional Services from External Administrators

The Company was charged $95,770 during the year for fees by FTI Consulting, an entity associated with the External Administrators, for professional services provided to the Group. The fees were payable at normal commercial terms and were subject to the approval of the creditors, committee of creditors or court pursuant to section 449E of the *Corporations Act 2001*. Following receipt of approval from the Company's creditors on 8 June 2017 and 28 July 2017, a total amount of $1,112,526 relating to outstanding fees for the external administration period from 14 December 2016 to 31 July 2017 was settled during the year. At 30 June 2018, no amount was owing to FTI Consulting (2017: $1,016,756).

(iii) Drilling Services

PT Promincon Indonesia, an entity related to Dr Andrews, received $121,222 fees for drilling services provided to the Company's subsidiary, PTNM during the year. These fees are payable at normal commercial terms. At 30 June 2018, $45,881 was owing to PT Promincon Indonesia (30 June 2017: $150,340).

(iv) Consulting Services

In the previous year, the Company was charged $19,967 for consulting fees by Mr Kirwin (Non-Executive Director) for professional services provided to the Group. The fees were paid at normal commercial rates. At 30 June 2017, no amount was owing to Mr Kirwin.

(c) Compensation of Key Management Personnel

	2018	2017
	$	$
Short-term benefits	**1,245,940**	2,363,663
Post-employment benefits	**52,258**	66,732
Share-based payments	**-**	54,887
Total	**1,298,198**	2,485,282

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	2018	Expiry Date	WAEP	2017
			Number Outstanding			Number Outstanding
Options						
2016	2018	$0.26	**600,000**	2018	$0.26	600,000

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 2%
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 3.75% and 3.25% of the value of gold and silver bullion production respectively.

(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 and its amendment (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.

Subsequent to balance date, PTNM submitted to the Indonesian Mines Department its offer for sale a 15% equity in PTNM in accordance with the divestment schedule in the CoW on 28 August 2018. The offer included the first tranche of 8% equity offered for sale on 26 July 2017 that has not been taken up by the Indonesian government.

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 15% equity.

(c) Leasing Commitments

Operating lease commitments – Group as lessee

The Group has entered into a commercial lease for property rental and various items of plant and machinery, with lease terms between one and three years.

Future minimum lease payments under the non-cancellable operating leases at balance date are as follows:

	2018	2017
	$	$
Payable within one year	**1,585,149**	23,534
Payable after one year but not more than five years	**781,004**	-
Total minimum lease payments	**2,366,153**	23,534

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 average term of three years with the option to purchase the assets at the completion of the lease term at a nominal value.

Future minimum lease payments under the finance leases together with the present value of the minimum lease payments are as follows:

	2018	2017
	$	$
Payable within one year	**131,404**	121,665
Payable after one year but not more than five years	**147,473**	49,907
Total minimum lease payments	**278,877**	171,572
Less: Future finance charges	**(43,823)**	(17,292)
Present value of minimum lease payments	**235,054**	154,280
Included in the financial statements as interest-bearing liabilities (Note 16):		
Current	**104,704**	108,892
Non-current	**130,350**	45,388
	235,054	154,280

(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 August 2013. The VAT refund claims for this period were denied by the ITO. The Group appealed against the ITO's assessments and the Indonesian Tax Court has ruled in favour of PTNM with respect to the assessments issued by the ITO for the period January to December 2010 (2010 VAT refund claims) in October 2014 and the period January 2011 to August 2013 (2011-2013 VAT refund claims) in February 2018.

After the Tax Court's decision was handed down, the ITO filed a notice to appeal to the Indonesian Supreme Court in March 2015 in relation to the 2010 VAT refund claims and in May 2018 in relation to the 2011-2013 VAT refund claims. At balance date, these claims were at varying stages of the appeal process at the Supreme Court.

During the year ended 30 June 2017, the 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 claims.

Accordingly, no provision has been recognised in the financial statements for this matter. At 30 June 2018, the contingent liability is equivalent to $13,605,219 (2017: $14,132,488).

27. SUBSEQUENT EVENTS

There are no material subsequent events after the balance date.

28. AUDITOR'S REMUNERATION

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

	2018	2017
	$	$
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	**151,994**	131,600
(ii) Tax services	**8,000**	5,000
	159,994	136,600
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	**74,055**	80,006
	74,055	80,006

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 2018 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) 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 2018.

On behalf of the Board

Roderick McIllree
Chairman
20 September 2018

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2018, 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 2018 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.

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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Building a better working world

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

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 2018, 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 Project cash generating unit ("CGU"), utilising a fair value less costs to sell model. As a result of the assessment, no impairment was recorded for the period. As disclosed in Note 13 of the financial report, the recoverable amount of the assets is sensitive to changes in key assumptions including the 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 carrying value assigned to the CGU by the Group ▶ 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 ▶ Involving our valuation experts, we considered an external valuation obtained for the purpose of the divestment obligations under the Contract of Work with the Government of Indonesia as disclosed in Note 26 ▶ Tested the mathematical accuracy of the impairment model and compared relevant data to supporting documentation ▶ Assessed the adequacy of the Group's disclosures in respect of asset carrying values, the impairment testing performed and the impairment recognised.

Building a better
working world

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 are assessed for impairment by the Group when facts and circumstances indicate that the capitalised exploration and evaluation expenditure may exceed its recoverable amount. The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has title and tenure to the licenses, will be able to perform ongoing exploration and evaluation expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. During the year, the Group determined that there had been no indicators of impairment. Refer to Note 14 – Exploration and evaluation assets to the financial report for the amounts recorded in the consolidated statement of financial position as at 30 June 2018 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 assets where recent exploration activity in a given exploration area of interest provided negative indicators as to the recoverability of other exploration 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 ▶ 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 2018, 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.

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

Building a better working world

- 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 2018.

In our opinion, the Remuneration Report of Kingsrose Mining Limited for the year ended 30 June 2018, 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

Philip Teale
Partner
Perth
20 September 2018

The following information as required by ASX Listing Rules is current as at 7 September 2018.

DISTRIBUTION OF EQUITY SECURITIES

There are 730,007,352 ordinary fully paid shares quoted on ASX.

Size of Shareholding	Number of Holders	Number of Shares	% of Issued Capital
1 -1,000	400	204,248	0.03
1,001 – 5,000	891	2,764,247	0.38
5,001 – 10,000	542	4,415,856	0.60
10,001 – 100,000	1,076	38,572,080	5.28
100,001 and Over	325	684,050,921	93.71
Total	**3,234**	**730,007,352**	**100**

There are 1,590 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
HSBC Custody Nominees (Australia) Limited	124,467,637	17.05
Citicorp Nominees Pty Limited	119,890,143	16.42
BNP Paribas Nominees Pty Ltd <Jarvis A/C Non Treaty DRP>	104,106,057	14.26
Mr Michael John Andrews	66,826,024	9.15
J P Morgan Nominees Australia Limited	25,013,837	3.43
Mr Rex Seager Harbour	16,385,998	2.24
HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	10,500,000	1.44
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
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
Mr Richard Arthur Lockwood	5,666,667	0.78
Mr Seager Rex Harbour	5,419,037	0.74
Roderick McIllree	4,750,000	0.65
Ajava Holdings Pty Ltd	4,513,892	0.62
BPM Capital Limited	4,000,000	0.55
Mr Nick John Morris <Clearwater A/C>	3,997,971	0.55
Mr Gregory Kuenzel	3,600,000	0.49
Prosperity Finance Co Ltd	3,459,973	0.47
Total	**543,297,236**	**74.42**

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	66,826,024	9.15
Rex Harbour and Associates	54,729,940	7.50

Shareholder Information

OPTIONS

9,550,000 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	3,550,000	$0.26	18 November 2018	10
Employee Options	1,000,000	$0.27	8 March 2019	1
Unlisted Options	5,000,000	$0.20	25 November 2019	2
Total	**9,550,000**			**13**

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.

VOTING RIGHTS

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

CORPORATE GOVERNANCE

The Board of Kingsrose Mining Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at http://www.kingsrosemining.com.au/corporate-governance/.

KINGSROSE
MINING LIMITED