KINGSROSE
MINING LIMITED

HALF YEAR FINANCIAL REPORT
31 DECEMBER 2014

CONTENTS

CORPORATE DIRECTORY

Directors

John Morris	Chairman
Scott Huffadine	Managing Director
J. William Phillips	Non Executive Director
Andrew Spinks	Non Executive Director

Company Secretary
Joanna Kiernan

Registered Office
Suite 9, Level 2
12-14 Thelma Street
West Perth WA 6005
T: +61 8 9486 1149 | F: +61 8 9486 1151

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 4
152 St Georges Terrace
Perth WA 6000

T: 1300 554 474

Stock Exchange Listing
Australian Securities Exchange
(Code: KRM)

Australian Business Number
49 112 389 910

DIRECTORS' REPORT

The Directors present their report for the half-year ended 31 December 2014.

DIRECTORS

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

John Morris	Chairman
Scott Huffadine	Managing Director
J. William Phillips	Non-Executive Director
Andrew Spinks	Non-Executive Director

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

PRINCIPAL ACTIVITIES

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

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

OPERATING REVIEW

Way Linggo Project, Southern Sumatra, Indonesia

Kingsrose Mining Limited owns 85% of the Way Linggo Project in South Sumatra, Indonesia. The Project is held under a 4th generation Contract of Work ("CoW") with the Indonesian Government and is located on the mineral rich Trans-Sumatran Fault, part of the Pacific Rim of Fire. The Project has established infrastructure with a 140Ktpa Merrill Crowe gold circuit and has a track record of high grade, low cost gold production from the original Way Linggo Mine.

The Company brought its second mine on the Project area, the Talang Santo Mine into production during the period following receipt of the final forestry approval on 8 July 2014.

During the six months to 31 December 2014, the Group produced a total of 12,055 ounces of gold at 8.24 g/t and 38,007 ounces of silver at 28 g/t.

A total of 10,353 ounces of gold was sold at an average gold price of A$1,376/oz and A$14.2 million in revenue was realised.

The cash costs of production for the period were US$714/oz and the all-in sustaining costs of production were US$1,092/oz.

MINE OPERATIONS REVIEW

	Unit	31 December 2014
Mine Production		**Six Months**
Ore Hoisted	**t**	**36,365**
Mine Grade (Gold)	**g/t**	**8.60**
Mine Grade (Silver)	**g/t**	**29.00**
Ore Processed		
Tonnes Milled	**t**	**47,025**
Head Grade (Gold)	**g/t**	**8.24**
Head Grade (Silver)	**g/t**	**28.00**
Recovery (Gold)	**%**	**96.80**
Recovery (Silver)	**%**	**91.00**
Ounces Produced (Gold)	**oz**	**12,055**
Ounces Produced (Silver)	**oz**	**38,007**
Costs of Production		
Cash Operating Costs (C1)	**US$/oz**	**714**
All In Sustaining Costs of Production (AISC)	**US$/oz**	**1,092**

OCCUPATIONAL HEALTH & SAFETY

There was one Lost Time Injury ("LTI") for the period which was related to a hand injury in processing whilst undertaking maintenance. The 12 month moving average Lost Time Frequency Rate ("LTIFR") stood at 0.70 as at 31 December 2014.

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

THE TALANG SANTO MINE

Receipt of the final forestry permit on 8 July 2014 allowed full mining operations to commence shortly after with the main focus being on the establishment of additional working areas within the mine required to facilitate consistent production levels.

Development work began with extensive sublevelling completed on the Splay, Hanging Wall and Mawi veins on both the 2 and 3 Levels for the commencement of stoping activities in the main orezones. Approximately 2,295 metres of lateral development and 1,025 metres of vertical development was completed during the period. This included the completion of the vertical development on the internal shaft to the 4 Level as scheduled by mid-December.

This development exposed significant sections of the Mawi and Hanging Wall veins over the currently defined 300 metres of strike. This development provided a higher level of resolution than previously seen in the Resource drilling, identified variability in the grade along strike and also better defined high and lower grade areas within the mine.

With the establishment of stoping activities on the 2 Level it became apparent that additional ground support would be required to safely recover ore from these areas. This resulted in a reduction in the anticipated mining rate from these higher grade areas. The amount of development ore mined increased relative to production ore as a result of the lower mining rates from the scheduled stopes on the 2 Level. The impact of this combined with delayed access to production ore on the 3 Level, contributed to the revision of guidance for production in the 2015 financial year from 40,000 ounces of gold to a range of 30,000-35,000 ounces of gold.

Stoping activities increased over the period, and whilst the overall mined grade was lower than expected, the grade increased towards the end of the period with a reconciled mine grade from Talang Santo in December of 9.50 g/t Au.

The expectation is for continued improvement in grade, however tonnage is likely to remain below the initial target rates whilst mining continues on the 2 and 3 Levels.

Definition Drilling

Definition drilling on the 2 and 3 Levels during development has returned positive results, highlighting a number of wider mineralised sections within the main ore zone, where the Hanging Wall and Mawi veins coalesced in areas of local structural dilation along the orebody which were not identified in previous wider spaced Resource drilling.

A mine plan to maximise the recovery of these wider areas was completed and implemented in late November. This necessitated further development around the existing workings and additional ground control measures to be installed in-cycle to support mining in the wider areas. The set-up required and additional ground control measures to maximise recovery resulted in a drop in the mining rates towards the end of the December quarter.

Capital Mine Development

To allow access to the higher grade portions of the orebody below the 4 Level, work commenced on the internal shaft from the 3 to the 4 Level and its target depth was reached by mid-December. Following this, work focussed on completion of the shaft sump and establishing development from the shaft onto the Level. The focus moving forward will be on establishing pumping infrastructure on the Level prior to accessing the orebody.

Work commenced during the latter part of the period on the sinking of a second vertical shaft at Talang Santo to the 5 Level. Importantly, this will provide direct access to the higher grade sections of the main orebody indicated by drilling, and allow development to be undertaken to evaluate the potential of the Central and North West Mawi prospects. Furthermore, a key benefit is the establishment of services for pumping and electrical reticulation for accessing the deeper part of the mine which will reduce future capital requirements. In the latter part of the period, a pilot and geotechnical hole was completed as well as site works. It is expected to take 12 months to reach the 5 Level (ground conditions and water dependent).

PROCESSING

Mill feed for the period was from a combination of mine production, stockpiled ore and low grade material recovered from Talang Samin exploration.

The plant ran without issue during the period at an average through put of 312.8 tonnes per day.

Recoveries of both gold and silver have remained consistently high at 96.8% and 91.0% respectively.

EXPLORATION

The broader strategy for growth at the Way Linggo Project is focussed on testing near mine opportunities from underground, along with the evaluation of advanced projects in particular, Talang Samin. Talang Samin is part of the wider Talang Cluster area which is considered highly prospective for additional high grade epithermal deposits. Project scale exploration which incorporates the evaluation of a number of known prospects is also being completed.

Work undertaken during the period was concentrated on infilling gaps in the current project scale dataset and focussed predominately on completing lithology and alteration mapping with a soil geochemistry programme underway. Once completed, the results will allow any newly identified targets and existing targets to be ranked and prioritised prior to the commencement of surface drilling.

Talang Samin Exploration Shaft

During the period, work at Talang Samin was focussed on setting up from the base of the shaft and advancing towards the mineralised intercepts from previous drilling located on this horizon. The evaluation of the mineralisation and production potential at Talang Samin will be undertaken via development over the next 9 months. The immediate objective is to gather sufficient information to warrant any further decision to advance to a production phase, and provide continued support for the potential within the broader Talang Cluster.

Development during the period indicated a broad alteration zone with a number of semi contiguous stock work zones and narrow high grade vein sets. The development of the Level has confirmed the presence of the veining and it considered that the current Level is located at a higher level of, or peripheral to, a potentially larger system. It is anticipated development will intersect the projection of the high grade intersection identified by previous drilling early in the March quarter.

COMMUNITY DEVELOPEMENT

The Group is committed to engaging and co-operating with the communities surrounding the Way Linggo Project and the wider Lampung province, and provides on-going support to various health, educational and economic initiatives. During the period, support was provided for various infrastructure projects, including significant assistance in relation to road extension and maintenance, irrigation and power plant repairs.

The Group’s onsite workforce continued to be predominately comprised of local personnel with 71% of employees coming from the nearby Lampung Province.

ENVIRONMENT

The Group conducts its activities in accordance with its obligations under the CoW, prevailing local laws and environmental regulations. The Company is not aware of any material breach of environmental legislation while conducting their operations in Indonesia during the reporting period.

FINANCIAL REVIEW

	31 December 2014	31 December 2013	Change
Sales Revenue	**14,891,349**	2,011,394	↑ **12,879,955**
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation - EBITDA	**13,337,507**	(3,681,471)	↑ **17,018,978**
Earnings/(Loss) Before Interest & Tax – EBIT	**10,649,531**	(5,039,797)	↑ **15,689,328**
Net Profit/(Loss) After Tax - NPAT	**7,630,210**	(3,864,485)	↑ **11,494,695**
Earnings/(Loss) Per Share	**1.83**	(1.01)	↑ **2.84**
	31 December 2014	30 June 2014	**Change**
Total Assets	**100,714,675**	86,457,769	↑ **14,256,906**
Net Assets	**81,608,293**	70,706,124	↑ **10,902,169**

EBITDA has been calculated by adding back interest ($522,178), tax ($2,497,143), depreciation and amortisation ($2,687,976). EBIT has been calculated by adding back interest ($522,178) and tax ($2,497,143). Note: EBITDA and EBIT are non-IFRS measures and are unaudited.

Income statement

The Group recorded sales revenue for the half-year ended 31 December 2014 of $14,891,349 (31 December 2013: $2,011,394), a significant increase from the corresponding period last year due to the commencement of full mining activities at Talang Santo during July 2014. The Group sold 10,353 ounces of gold and realised an average gold price $1,376/oz.

The Group's net profit after tax for the half-year ended 31 December 2014 was $7,630,210 (31 December 2013: net loss after tax of $3,864,485).

Financial Position

At 31 December 2014 total Group assets increased by $14,256,906 (from $86,457,769 to $100,714,675) and net assets increased by $10,902,169 (from $70,706,124 to $81,608,293).

Group Liquidity

The Group held cash and cash equivalents at 31 December 2014 of $6,080,302 (30 June 2014: $6,661,056) and had outstanding loans of $11,096,074 from related parties, Advance Concept Holdings Limited ("ACH") and Beaurama Pty Ltd ("Beaurama") (entities associated with Mr Phillips) (30 June 2014: $10,307,856).

At 31 December 2014, the Group had a working capital deficiency of $729,362 (30 June 2014: $911,966) primarily due to the ACH and Beaurama loan facilities being due and payable within 12 months. The working capital deficiency was negated in January 2015 upon the successful renegotiation of the Group's loan facilities as outlined below.

Restructure of Loan Facilities

At 31 December 2014 the loans from ACH and Beaurama were due for repayment over ten instalments commencing in January 2015 with final repayment due in October 2015.

Subsequent to the reporting date, on 30 January 2015, the repayment profile of the ACH and Beaurama loan facilities was extended, with the debt to be repaid over twenty instalments commencing in July 2015 and final repayment due in February 2017. In addition to the extension of repayment terms, the US$5,000,000 ACH loan facility was assigned equally to Great Golden Investment Limited (an entity associated with Mr Phillips) and Michael John Andrews (a related party).

SUBSEQUENT EVENTS AFTER REPORTING DATE

Other than disclosed above, there has been no other significant events that have arisen since the end of the reporting period, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial years. The subsequent events are also included in Note 11 to the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

Ernst and Young's independence declaration is set out on page 9 and forms part of the directors' report for the half-year ended 31 December 2014.

Signed in accordance with a resolution of the Directors.

Scott Huffadine
Managing Director
12 March 2015

Competent Person Statement

The information in this section that relates to exploration results, data quality, geological interpretations, potential for eventual extraction and estimates of exploration potential, is based on and fairly represents information complied by or under the supervision of Mr Scott Huffadine, who is a member of the Australasian Institute of Mining and Metallurgy and a Director and full time employee of Kingsrose Mining Limited. Mr Huffadine has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Mr Huffadine consents to the inclusion in this report of the matter based on his information in the form and context in which it appears.

Caution Regarding Forward Looking Statements and Forward Looking Information

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

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

Building a better working world

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

Auditor's independence declaration to the Directors of Kingsrose Mining Limited

In relation to our review of the financial report of Kingsrose Mining Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Lewsen

D S Lewsen
Partner
12 March 2015

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CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	31 December 2014 $	31 December 2013 $
Continuing operations			
Sale of goods	4(a)	**14,891,349**	2,011,394
Other revenue	4(a)	**108,138**	81,778
Total revenue		**14,999,487**	2,093,172
Cost of sales	4(b)	**(11,637,891)**	(6,317,217)
Gross profit/(loss)		**3,361,596**	(4,224,045)
Other income	4(c)	**9,664,655**	1,531,512
Administration expenses	4(d)	**(2,239,159)**	(2,265,425)
Other expenses	4(e)	**(29,423)**	(61)
Finance costs	4(f)	**(630,316)**	(521,135)
Profit/(loss) before income tax		**10,127,353**	(5,479,154)
Income tax (expense)/benefit		**(2,497,143)**	1,614,669
Net profit/(loss) for the period		**7,630,210**	(3,864,485)
Profit/(Loss) for the period is attributable to:			
Owners of the parent		**6,556,936**	(3,329,801)
Non-controlling interests		**1,073,274**	(534,684)
		7,630,210	(3,864,485)

		Cents	Cents
Earnings/(Loss) per share attributable to the ordinary equity holders of the parent:			
Basic earnings/(loss) per share – cents per share		**1.83**	(1.01)
Diluted earnings/(loss) per share – cents per share		**1.83**	(1.01)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	31 December 2014	31 December 2013
	$	$
Net profit/(loss) for the period	**7,630,210**	(3,864,485)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss in subsequent periods		
Foreign currency translations	**883,776**	1,025,134
Income tax effect	**-**	-
	883,776	1,025,134
Items that may not be reclassified subsequently to profit or loss in subsequent periods		
Actuarial (losses)/gains on defined benefit obligation	**(34,742)**	72,050
Income tax effect	**12,160**	(25,218)
	(22,582)	46,832
Other comprehensive income/(loss) for the period, net of tax	**861,194**	1,071,966
Total comprehensive income/(loss) for the period	**8,491,404**	(2,792,519)
Total comprehensive income/(loss) for the period is attributable to:		
Owners of the parent	**7,201,798**	(2,442,732)
Non-controlling interests	**1,289,606**	(349,787)
	8,491,404	(2,792,519)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	31 December 2014 $	30 June 2014 $
Current Assets			
Cash and cash equivalents		**6,080,302**	6,661,056
Trade and other receivables	7	**1,702,748**	473,012
Inventories		**4,814,148**	3,109,497
Income tax receivable		**3,412,950**	2,884,095
Other		**541,286**	160,794
Total Current Assets		**16,551,434**	13,288,454
Non-Current Assets			
Trade and other receivables	7	**7,721,586**	4,910,818
Plant and equipment		**8,452,808**	8,129,196
Mine properties and development		**30,477,720**	26,247,795
Exploration and evaluation assets		**25,804,612**	21,635,399
Deferred tax assets		**11,706,515**	12,246,107
Total Non-Current Assets		**84,163,241**	73,169,315
TOTAL ASSETS		**100,714,675**	86,457,769
Current Liabilities			
Trade and other payables	8	**5,192,228**	2,788,131
Interest-bearing liabilities		**11,785,105**	10,885,179
Income tax payable		**-**	177,068
Provisions		**303,463**	350,042
Total Current Liabilities		**17,280,796**	14,200,420
Non-Current Liabilities			
Interest-bearing liabilities		**183,506**	259,665
Provisions		**1,642,080**	1,291,560
Total Non-Current Liabilities		**1,825,586**	1,551,225
TOTAL LIABILITIES		**19,106,382**	15,751,645
NET ASSETS		**81,608,293**	70,706,124
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		**84,867,375**	84,867,375
Reserves		**4,061,977**	3,391,001
Accumulated losses		**(12,049,378)**	(18,587,119)
		76,879,974	69,671,257
Non-controlling interests		**4,728,319**	1,034,867
TOTAL EQUITY		**81,608,293**	70,706,124

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	31 December 2014 $	31 December 2013 $
Cash flows from operating activities			
Receipts from customers		**14,891,349**	809,360
Payment to suppliers and employees		**(10,963,596)**	(6,481,844)
VAT refund received		**230,158**	1,656,338
Interest received		**44,478**	82,598
Interest and other finance costs paid		**(783,988)**	(477,028)
Income tax paid		**(1,001,537)**	(2,473,182)
Net cash flows from/(used in) operating activities		**2,416,864**	(6,883,758)
Cash flows from investing activities			
Payments for plant and equipment		**(604,168)**	(274,277)
Proceeds from sale of plant and equipment		**3,411**	9
Payments for mine properties and development		**(1,614,750)**	(3,894,833)
Payments for exploration and evaluation expenditure		**(880,553)**	(1,363,671)
Buyback of third party's royalty entitlement		**-**	(134,466)
Net cash flows used in investing activities		**(3,096,060)**	(5,667,238)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	15,327,893
Share issue costs		**-**	(803,262)
Repayment of hire purchases		**(354,844)**	(370,946)
Loan to key management personnel/non-controlling interests		**(2,403,846)**	(1,676,352)
Equity contribution from key management personnel/non-controlling interests to the share capital of subsidiary		**2,403,846**	-
Net cash flows (used in)/from financing activities		**(354,844)**	12,477,333
Net decrease in cash and cash equivalents		**(1,034,040)**	(73,663)
Cash and cash equivalents at beginning of the period		**6,661,056**	1,307,739
Effects of exchange rate changes on cash and cash equivalents held		**453,286**	1,831
Cash and cash equivalents at end of the period	6	**6,080,302**	1,235,907

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Share-Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Owners of the Parent	Non-Controlling Interests	Total
	$	$	$	$	$	$	$	$
At 1 July 2014	84,867,375	7,616,023	83,407	(4,308,429)	(18,587,119)	69,671,257	1,034,867	70,706,124
Net profit for the period	-	-	-	-	6,556,936	6,556,936	1,073,274	7,630,210
Other comprehensive income/(loss) for the period	-	-	-	664,057	(19,195)	644,862	216,332	861,194
Total comprehensive income for the period	-	-	-	664,057	6,537,741	7,201,798	1,289,606	8,491,404
Transactions with owners in their capacity as owners:								
Share-based payments	-	6,919	-	-	-	6,919	-	6,919
Contribution from key management personnel/non-controlling interests to the increase in share capital of subsidiary	-	-	-	-	-	-	2,403,846	2,403,846
At 31 December 2014	84,867,375	7,622,942	83,407	(3,644,372)	(12,049,378)	76,879,974	4,728,319	81,608,293

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Issued Capital	Share-Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Retained Earnings/ (Accumulated Losses)	Owners of the Parent	Non-Controlling Interests	Total
	$	$	$	$	$	$	$	$
At 1 July 2013	62,769,532	6,619,155	83,407	(4,628,052)	1,950,612	66,866,654	2,986,547	69,853,201
Net loss for the period	-	-	-	-	(3,329,801)	(3,329,801)	(534,684)	(3,864,485)
Other comprehensive income for the period	-	-	-	847,261	39,808	887,069	184,897	1,071,966
Total comprehensive income/(loss) for the period	-	-	-	847,261	(3,289,993)	(2,442,732)	(349,787)	(2,792,519)
Transactions with owners in their capacity as owners:								
Proceeds from issue of shares	15,327,893	-	-	-	-	15,327,893	-	15,327,893
Share issue costs	(803,262)	-	-	-	-	(803,262)	-	(803,262)
Share-based payments	-	374,547	-	-	-	374,547	-	374,547
Contribution from non-controlling interests to the increase in share capital of subsidiary	-	-	-	-	-	-	1,582,112	1,582,112
At 31 December 2013	77,294,163	7,065,702	83,407	(3,780,791)	(1,339,381)	79,323,100	4,218,872	83,541,972

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

NOTES TO THE FINANCIAL STATEMENTS

This general purpose condensed financial report of Kingsrose Mining Limited ("Kingsrose" or the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 12 March 2015.

1. CORPORATE INFORMATION

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

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

The address of the registered office of the Company is Suite 9, Level 2, 12-14 Thelma Street, West Perth, WA 6005.

The Group's corporate structure is:

Company	Place of Incorporation	Equity Interest Held	
		As at 31 December 2014	As at 31 December 2013
		%	%
MM Gold Pty Ltd	Australia	**100**	100
Natarang Offshore Pty Ltd	Australia	**100**	100
PT Natarang Mining *	Indonesia	**85**	85
Kingsrose Tanggamus Pty Ltd	Australia	**100**	100

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

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

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report should be read in conjunction with the annual financial report of Kingsrose Mining Limited as at 30 June 2014 and considered together with any public announcements made by the Company during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX listing rules.

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

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

Changes in accounting policies

Since 1 July 2014, the Group has adopted all Accounting Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2014. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 1031 *Materiality*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-1 *Amendments to Australian Accounting Standards – Part A Annual Improvements 2010-2012 Cycle*
- AASB 2014-1 *Amendments to Australian Accounting Standards – Part A Annual Improvements 2010-2013 Cycle*
- AASB 2014-1 *Amendments to Australian Accounting Standards – Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)*

The Group has not elected to early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

Working Capital Deficiency

At balance date the Group had a working capital deficiency of $729,362 (30 June 2014: $911,966). Cash and cash equivalents balance at 31 December 2014 was $6,080,302 (30 June 2014: $6,661,056), tax related current receivables were $4,709,931 (30 June 2014: $2,884,095) and the Group had current interest-bearing liabilities of $11,785,105 (30 June 2014: $10,885,179) which included $11,096,074 (30 June 2014: $10,307,856) of loans from related parties due for repayment between January and October 2015. The Directors have considered the funding and operational status of the business along with events occurring after balance date, in arriving at their assessment of going concern including the following:

- Successful restructure of the Company's loan facilities in January 2015, which are now repayable between July 2015 and February 2017, resulting in a net current asset position at 31 January 2015;
- Positive operating cash flow generation in future periods from the Talang Santo Mine on the back of positive operating cash flows for the six months to 31 December 2014; and
- Ability to manage the timing of cash flows to meet the obligations of the business as and when due.

Accordingly, the Directors believe that the Group will continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENTS

Identification of reportable segments

- The Group has identified its operating segments based on internal reports that are reviewed and used by the Board and executive management team (the chief operating decision makers) in assessing performance and determining the allocation of resources.
- The Group has identified that its operating segments are best presented by commodity as the Group's risk and rate of return are affected predominantly by the end product, namely gold (and silver as a by-product). PT Natarang Mining, owner of the Way Linggo Project, is the primary entity that produces gold and silver.
- Discrete financial information is reported to the Board and executive management team on a monthly basis.

Accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENTS (CONTINUED)

	Six months ended 31 December 2014				Six months ended 31 December 2013			
	Gold & Silver	Total Segment	Unallocated Items	Consolidated	Gold & Silver	Total Segment	Unallocated Items	Consolidated
	$	$	$	$	$	$	$	$
Revenue								
External sales - gold	14,241,492	14,241,492	-	14,241,492	1,687,370	1,687,370	-	1,687,370
External sales - silver	649,857	649,857	-	649,857	324,024	324,024	-	324,024
Total segment revenue	14,891,349	14,891,349	-	14,891,349	2,011,394	2,011,394	-	2,011,394
Interest revenue	-	-	108,138	108,138	-	-	81,778	81,778
Total revenue	14,891,349	14,891,349	108,138	14,999,487	2,011,394	2,011,394	81,778	2,093,172
Segment profit/(loss) before income tax	12,511,218	12,511,218	-	12,511,218	(3,329,476)	(3,329,476)	-	(3,329,476)
Interest revenue	-	-	108,138	108,138	-	-	81,778	81,778
Corporate costs	-	-	(1,889,125)	(1,889,125)	-	-	(1,750,724)	(1,750,724)
Finance costs	-	-	(602,878)	(602,878)	-	-	(480,732)	(480,732)
Profit/(Loss) before income tax	12,511,218	12,511,218	(2,383,865)	10,127,353	(3,329,476)	(3,329,476)	(2,149,678)	(5,479,154)
Income tax (expense)/benefit	(2,319,247)	(2,319,247)	(177,896)	(2,497,143)	1,830,556	1,830,556	(215,887)	1,614,669
Net profit/(loss) for the period	10,191,971	10,191,971	(2,561,761)	7,630,210	(1,498,920)	(1,498,920)	(2,365,565)	(3,864,485)
Depreciation and amortisation	2,672,911	2,672,911	15,065	2,687,976	1,347,332	1,347,332	10,994	1,358,326

	At 31 December 2014				At 30 June 2014			
Segment operating assets	84,390,943	84,390,943	-	84,390,943	68,285,962	68,285,962	-	68,285,962
Unallocated assets	-	-	4,617,217	4,617,217	-	-	5,925,700	5,925,700
Deferred tax assets	11,277,804	11,277,804	428,711	11,706,515	11,985,823	11,985,823	260,284	12,246,107
Total assets	95,668,747	95,668,747	5,045,928	100,714,675	80,271,785	80,271,785	6,185,984	86,457,769

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND EXPENSES

		31 December 2014	31 December 2013
		$	$
(a)	**Revenue**		
	Sale of goods		
	Gold	**14,241,492**	1,687,370
	Silver	**649,857**	324,024
	Total sales revenue	**14,891,349**	2,011,394
	Other revenue		
	Interest	**108,138**	81,778
	Total revenue	**14,999,487**	2,093,172
(b)	**Cost of sales**		
	Mine production costs	**9,679,001**	4,261,549
	Royalties	**297,829**	39,923
	Depreciation	**1,077,490**	1,197,514
	Amortisation	**1,589,621**	146,120
	Inventory movements	**(1,006,050)**	672,111
	Total cost of sales	**11,637,891**	6,317,217
(c)	**Other income**		
	Gain on disposal of plant and equipment	**2,839**	-
	Net gain on foreign exchange	**9,661,816**	1,526,794
	Sundry income	**-**	4,718
	Total other income	**9,664,655**	1,531,512
(d)	**Administration expenses**		
	Corporate costs	**2,211,375**	1,876,186
	Depreciation	**20,865**	14,692
	Share-based payments	**6,919**	374,547
	Total administration expenses	**2,239,159**	2,265,425
(e)	**Other expenses**		
	Loss on disposal of plant and equipment	**-**	61
	Sundry expenses	**29,423**	-
	Total other expenses	**29,423**	61
(f)	**Finance costs**		
	Borrowing costs	**11,395**	3,007
	Interest on loans from related parties	**591,483**	477,725
	Finance charges payable under finance leases	**27,438**	40,403
	Total finance costs	**630,316**	521,135

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND EXPENSES (CONTINUED)

		31 December 2014	31 December 2013
		$	$
(g)	**Depreciation and amortisation**		
	Plant and equipment	**1,098,355**	1,212,206
	Mine properties	**1,589,621**	146,120
	Total depreciation and amortisation	**2,687,976**	1,358,326
(h)	**Employee benefits expense**		
	Wages and salaries	**4,339,409**	3,669,162
	Defined contribution superannuation expense	**52,049**	38,027
	Defined benefit expense	**147,328**	118,366
	Share-based payments	**6,919**	374,547
	Other employee benefits	**283,916**	294,896
	Total employee benefits expense	**4,829,621**	4,494,998

5. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company for the half-year ended 31 December 2014.

6. CASH AND CASH EQUIVALENTS

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

	31 December 2014	31 December 2013
	$	$
Current		
Cash at bank and in hand	**4,780,302**	1,235,907
Short-term deposits	**1,300,000**	-
	6,080,302	1,235,907

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TRADE AND OTHER RECEIVABLES

	31 December 2014	30 June 2014
	$	$
Current		
Other receivables (a)	**1,702,748**	473,012
	1,702,748	473,012
Non-Current		
Other receivables (a)	**3,410,924**	3,318,461
Loans to a related party (b)	**4,310,662**	1,592,357
	7,721,586	4,910,818

(a) Other receivables consist primarily of VAT recoverable from PT Natarang Mining's operations that can be recovered between 1 to 24 months.

(b) Balance comprises USD loans extended to a key management personnel of the Group and minority shareholder of PTNM, Mr Herryansjah. The funds were used to subscribe for new shares in PTNM on 30 December 2013 (US$1,500,000) and 24 December 2014 (US$1,950,000) in order for Mr Herryansjah to retain his 15% interest pursuant to the governing Shareholder Agreement. The loans are unsecured and repayable from 80% of dividends payable by PTNM to Mr Herryansjah. Interest is charged at LIBOR plus 5% per annum. Interest not paid on due date is capitalised and bears interest at the same rate as the loans.

8. TRADE AND OTHER PAYABLES

	31 December 2014	30 June 2014
	$	$
Current		
Trade creditors	**3,966,325**	976,998
Accruals	**800,604**	887,747
Sundry creditors	**425,299**	923,386
	5,192,228	2,788,131

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. SHARE-BASED PAYMENTS

On 13 November 2014, 3,000,000 options and 417,914 share performance rights were granted to Mr Scott Huffadine, Managing Director under the Company's Employee Options and Share Rights Plan 2012 ("EOSRP").

On 20 November 2014, 206,967 and 89,553 share performance rights were granted to Mr Matthew Smith, Chief Financial Officer and a senior executive under the Company's EOSRP respectively.

The terms and conditions applicable to the options and share performance rights granted are set out below:

Options

The 3,000,000 options were issued at a price of $0.55 each. The options vested on the commencement of the award, on 13 January 2014 and have an expiry date of 13 January 2017. The fair value of the options was $0.06 per option and was estimated on the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Grant date	13 November 2014
Dividend yield	-
Share price at grant date	$0.33
Exercise price	$0.55
Expected volatility	57.4%
Risk-free interest rate	2.6%
Expiration period	3 years
Expiry date	13 January 2017

Share Performance Rights

The exercise price of the share performance rights granted is nil. The number of share performance rights to vest is subject to the satisfaction of the performance conditions along with the continued employment of the executives with the Company.

The performance condition is determined by reference to the Company's total shareholder return ("TSR") performance compared with the TSR performance of a group of comparable ASX listed gold mining companies ("Peer Group") over the period from 1 July 2014 to 30 June 2017 (the "Performance Period"). A Peer Group company that ceases to be listed on the ASX during the Performance Period will be excluded from the Peer Group and will not be replaced. The Company's TSR ranking within the Peer Group at the end of the Performance Period determines the number of performance rights that will vest and becomes exercisable (if any) on the following basis:

TSR Ranking in Peer Group	Percentage of Performance Rights that Vest
Below 50th percentile	Nil
50th percentile	50%
51st to 74th percentile	50% plus an additional 2% for each additional percentile ranking above the 50th percentile
75th percentile or higher	100%

Share performance rights that do not vest will automatically lapse.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. SHARE-BASED PAYMENTS (continued)

Share Performance Rights (continued)

The fair value of the share performance rights was $0.28 per right and was estimated on the date of grant using a Monte Carlo simulation model with the following assumptions:

Grant date	13 November 2014	20 November 2014
Dividend yield	-	-
Share price at grant date	$0.33	$0.34
Exercise price	-	-
Expected volatility	59.0%	59.0%
Risk-free interest rate	2.6%	2.5%
Expected life	3 years	3 years

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

	31 December 2014	31 December 2013
	$	$
Options	**(26,512)**	367,347
Share performance rights	**33,431**	7,200
	6,919	374,547

10. CONTINGENT LIABILITIES

In October 2014, the Indonesian Tax Court ruled in favour of the Company’s subsidiary, PTNM, with respect to the assessment issued by the Indonesian Tax Office (“ITO”) denying the monthly VAT refund claims for the period January to December 2010.

PTNM also has the same matter outstanding with the ITO in relation to its monthly VAT returns for the period January 2011 to July 2013. The monthly VAT returns for this period are at varying stages of the appeal process, however based on the recent ruling and independent expert tax advice, the Group is confident of achieving a favourable outcome. Accordingly, no provision has been recognised in the financial statements for this matter. At 31 December 2014, the contingent liability is equivalent to US$8,869,025 (30 June 2014: US$9,005,179).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. EVENTS AFTER REPORTING DATE

At 31 December 2014 Kingsrose had $11,096,074 of loans from Advance Concept Holdings Limited ("ACH") and Beaurama Pty Ltd ("Beaurama") (30 June 2014: $10,307,856), due for repayment over ten instalments commencing in January 2015 with final repayment due in October 2015.

Subsequent to the reporting date, on 30 January 2015, the repayment profile of the ACH and Beaurama loan facilities were extended, with the debt to be repaid over twenty instalments commencing in July 2015 and final repayment due in February 2017. In addition to the extension of repayment terms, the US$5,000,000 ACH loan facility was assigned equally to Great Golden Investment Limited (an entity associated with Mr Phillips) and Michael John Andrews (a related party).

12. CHANGE IN COMPOSITION OF THE GROUP

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity for the half-year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including:
   (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date, and
   (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer as required by section 295A of the *Corporations Act 2001.*

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

Scott Huffadine
Managing Director
12 March 2015

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 Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kingsrose Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001* . As the auditor of Kingsrose Mining Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
12 March 2015