KINGSROSE
MINING LIMITED

ASX Announcement
18 September 2020

FY20 Results and Annual Report

Kingsrose posts A$19m profit after tax

Strong balance sheet opens door to strategic growth opportunities as well as continued investment in the Way Linggo gold-silver Project

Highlights:

- **Revenue more than doubled to A$70.7m compared to A$32m in FY19**
- **Net profit after tax of A$19.4m compared to a loss of -A$14m in FY19**
- **EBITDA of A$24.7m compared with loss of -A$10.6m in FY19**
- **FY20 gold production second highest in the history of the Way Linggo Project at 28,508oz compared with 18,815oz in FY19**
- **Cash operating costs of US$557/oz and all-in sustaining costs of US$705/oz compared to cash costs of US$1,230/oz and all-in sustaining costs of US$1,415/oz in FY19**
- **Cash, cash equivalents and bullion of A$32.4m at June 30, 2020 compared to A$12.4m at end of FY19**
- **Net assets of A$55.1m at June 30, 2020 compared to A$36.6m at end of FY19**

Kingsrose Mining Limited (ASX: KRM) (Kingsrose) is pleased to announce strong results for the past financial year, with a net profit after tax of A$19 million compared with a A$14 million loss in the previous corresponding period.

Revenue more than doubled in FY20 to A$70.7 million on the back of solid production at the Way Linggo project in Indonesia and strong prices for gold and silver. The significant profit turnaround came despite the Company booking an A$8.2 million impairment and asset write-down and investing A$4 million in exploration and resource extension drilling at the Way Linggo Project.

The strong operational and financial performance means Kingsrose has the financial strength to pursue growth opportunities in addition to those at the Way Linggo Project. This may include acquisitions, mergers and other transactions which the Board believes will create shareholder value and establish a platform for long-term growth.

The Managing Director, Karen O'Neill, said "*We have established a strong balance sheet which will enable us to capitalise on growth opportunities. The Board is committed to pursuing a two-pronged expansion strategy which involves unlocking further value at the Way Linggo Project while assessing opportunities elsewhere. At all times, this strategy will be driven by the need to generate strong financial returns*".

KINGSROSE MINING LIMITED

Annual General Meeting

Kingsrose advises that its Annual General Meeting (AGM) will be held at 3pm (WST) on 19 November 2020.

In accordance with ASX Listing Rule 3.13.1 the Company advises that the closing date for director nominations for the AGM is 1 October 2020.

-ENDS-

For more information please contact:

Karen O'Neill, Managing Director
+61 8 9381 5588
info@kingsrosemining.com.au

Paul Armstrong
Read Corporate
+ 61 8 9388 1474

For further information regarding the Company and its projects please visit www.kingsrosemining.com.au

This announcement was authorised for release to the ASX by the Board of Directors.

KINGSROSE
MINING LIMITED

Annual Report
2020


GUNAKAN SARUNG TANGAN
BAHAN KIMIA BERBAHAYA

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Corporate Directory

Directors

Michael Andrews	Non-Executive Chairman
Karen O'Neill	Managing Director
John Morris	Non-Executive Director
John Carlile	Non-Executive Director
Peter Lester	Non-Executive Director

Company Secretary

Karen O'Neill

Registered Office

8/150 Hay Street
Subiaco WA 6008

T + 61 8 9381 5588
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

On behalf of the Directors, I am pleased to present the 2020 Annual Report for Kingsrose Mining Limited.

This past financial year saw your company achieve the second highest gold production in its history from its Way Linggo Project in Sumatra, Indonesia and returned a net profit after tax of A$19 million with an all-in sustaining cost of production of US$705/oz. The operational performance recorded increased mining productivity on previous years and our processing facility operated at full design capacity for most of the year.

Even though we have faced many challenges during the year, including a wall failure at the Way Linggo open pit significantly impacting production, a wall failure at Talang Santo open pit negating further pit cutbacks, and the COVID-19 pandemic affecting travel, rostering and supervision, our dedicated operations and management team responded resiliently to all the challenges and worked tirelessly to deliver the fantastic results.

Unfortunately, our plans to progress our growth and future development of the Way Linggo Project were hampered this year due to the outbreak of the COVID-19 virus. Planned milestones for the second half of the year including the completion of Talang Santo deep drilling, the finalisation of a feasibility study for a new underground mine at Talang Santo and further regional exploration have been delayed.

A programme of resource definition and resource extension drilling below the Talang Santo open pit and previous underground workings was completed in November 2019. This first phase of deep drilling reported encouraging assay results and significant mineralisation in several holes drilled. The second phase, interrupted by the pandemic, is still in progress and will continue to provide a better understanding of the ore body and help drive our future decisions on a potential reopening of the Talang Santo underground mine. We will endeavour to complete the drilling and mining studies as quickly and safely as possible.

I would like to thank our management and staff responsible for the strong operational results this year across all aspects of the business, for the contributions they have made towards building a strong balance sheet and ensuring we are in this robust position to look to future growth opportunities.

Finally, on behalf of the Board, I would also like to take this opportunity to thank our shareholders for their support as we have implemented our operational strategy at the Way Linggo Project. I believe we have made strong progress towards our overall goal of maximising returns for all our stakeholders and I look forward to reporting to you during the coming financial year.

Yours Faithfully

Mike Andrews
Interim Chairman

MINE OPERATIONS REVIEW

The Way Linggo Project

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, which is part of the Pacific Rim of Fire.

During the 2020 financial year, production was sourced from both the Way Linggo and Talang Santo open pits with a total of 28,508 ounces of gold produced and 28,773 ounces sold at an average gold price of A$2,290 per ounce. Revenue of A$65,880,548 was realised.

The cash operating costs[1] for the period were US$557 per ounce and the all-in sustaining costs of production[2] were US$705 per ounce.

	Units	September 2019 Quarter	December 2019 Quarter	March 2020 Quarter	June 2020 Quarter	FY2020
Mine Production						
TALANG SANTO						
Waste	bcm	489,803	589,585	240,377	7,621	1,327,386
Ore Mined	t	25,040	21,285	26,401	4,479	77,205
Mine Grade (Gold)	g/t	7.3	6.4	5.7	3.7	6.3
Mine Grade (Silver)	g/t	26	32	19	23	25
WAY LINGGO						
Waste	bcm	277,567	126,778	-	-	404,345
Ore Mined	t	13,442	31,224	-	-	44,666
Mine Grade (Gold)	g/t	10.0	8.8	-	-	9.2
Mine Grade (Silver)	g/t	117	124	-	-	122
TOTAL						
Waste	bcm	767,370	716,363	240,377	7,621	1,731,731
Ore Mined	t	38,482	52,509	26,401	4,479	121,871
Mine Grade (Gold)	g/t	8.3	7.8	5.7	3.7	7.4
Mine Grade (Silver)	g/t	57	87	19	23	60
Gold in Ore Mined	oz	10,214	13,221	4,880	527	28,841
Silver in Ore Mined	oz	71,014	146,267	15,972	3,362	236,615
ORE PROCESSED						
Tonnes Milled	t	21,277	34,237	32,487	34,846	122,848
Head Grade (Gold)	g/t	9.2	10.4	7.3	4.0	7.6
Head Grade (Silver)	g/t	56	95	59	33	61
Recovery (Gold)	%	96.6	95.4	95.1	94.5	95.3
Recovery (Silver)	%	83.0	81.3	72.6	71.5	76.5
Gold Produced	oz	6,049	10,950	7,290	4,218	28,508
Silver Produced	oz	31,892	85,006	44,974	26,668	188,539
COSTS OF PRODUCTION						
Cash Operating Costs[1]	US$/oz	711	374	501	896	557
All-In Sustaining Costs of Production[2]	US$/oz	854	504	643	1,106	705

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.

Review of Operations

Health and Safety

During the year, the Group continued its strong commitment to fostering a culture which prioritises a safe working environment. Ongoing training and development on site by the dedicated team ensures there is continual learning and reinforcement of procedures. The safety measures reflect the continued growth of the safety culture.

The 12-month moving average Lost Time Injury Frequency Rate is 0.67 (2019: 1.18). The 12-month moving average Total Recordable Injury Frequency Rate for the site is 2.69 (2019: 4.71).

Way Linggo Open Pit Mine

The Way Linggo open pit mined 44,666 ore tonnes at 9.2g/t Au and 122g/t Ag for the year (2019: 54,186t at 7.2g/t Au and 91g/t Ag). Total waste removed from the pit was 404,345 bcm (2019: 1,564,020 bcm).

The Way Linggo open pit was mined until December 2019 and exceeded productivity and grade expectations. The open pit ore mined in the period was sourced from remnant underground stope pillars and other material from the previous underground workings.

In June 2019 the Way Linggo open pit experienced a wall slip on the northern portion of the eastern wall. It was a wedge-type failure on a combination of a few weak structures. An estimated 60,000 bcm of material failed in the mid-section of the pit. At the time of the failure, all personnel and equipment had been stood down as a safety measure as movement in the walls was monitored, resulting in no casualties or property damage. The slip impacted production for the 2020 financial year as mining was delayed until mid-July 2019 and processing until early August 2019.

Due to the failure a further geotechnical review was undertaken on a possible extension to the Way Linggo pit that would take production from this pit beyond December 2019. New recommended design parameters to mitigate against future wall failures made further development of the Way Linggo open pit uneconomic.

The previous underground mining at Way Linggo stopped at 175 metres below the surface. A single deep drill hole was completed along strike from the Way Linggo underground workings in November 2019. This drill hole targeted the main fault structure hosting the Way Linggo orebody approximately 150 meters along strike to the north of the old underground workings at a depth of 50 m below the deepest level of workings. Although no economic grades were returned the intercept confirms the continuation of the main Way Linggo fault structure northwards. This represents a priority exploration target for hosting potential additional ore zones.

Talang Santo Mine

The Talang Santo open pit produced 77,205 ore tonnes at 6.3g/t Au and 25g/t Ag for the year (2019: 25,457t at 8.9g/t Au and 26g/t Ag). Total waste moved from the pit was 1,327,386bcm (2019: 655,459 bcm).

The Talang Santo open pit was scheduled to be mined until December 2019. Following a shallow diamond drilling program, undertaken from May through to July 2019, focused on potential near-pit resource extensions, planned production from this open pit was extended to July 2020. Improved mining productivity and increased fleet advanced this forecast for the same production to be achieved by April 2020.

In February 2020 a wall slippage occurred at the Talang Santo open pit due to damage caused by heavy rains. Approximately 140,000 bcm of material failed across a 150m width of the northern wall. At the time of the failure, all personnel and equipment had been stood down as a safety measure as movement in the walls was monitored, resulting in no casualties or property damage. Mining activities were placed on standby for a month and resumed in mid-March 2020 after an independent geotechnical review. Planned mining in the Talang Santo open pit was completed in April 2020.

A study for a potential further cutback in the Talang Santo open pit showed that with a revised design and increased strip ratio, as a safety mitigation after the February 2020 wall slippage, further development was uneconomic.

Two phases of deep diamond drilling under the previous underground works were undertaken during the 2020 financial year. A drilling campaign at Talang Santo in 2012 and 2013 highlighted the potential for continuation of high-grade gold mineralisation below the underground mine at Talang Santo.

In August 2019 a new in-fill deep drilling programme commenced aimed at providing more confidence in the existing Mineral Resource Estimate below the previous underground workings. This Phase 1 deep drilling programme returned promising results which along with positive preliminary results of a conceptual study, highlighted the potential for a resumption of underground mining (refer to ASX Announcement dated November 20, 2019).

Review of Operations

Results from the Phase 1 drill holes confirmed that high-grade mineralisation is continuous and extends for at least 100m beyond the existing mine development both along strike to the west and at depth. A sample of the results for drill holes in this programme obtained include (Note: All intervals are downhole lengths):

DDH-548	3.4m @ 15.1 g/t Au from 218.0m (Inc. 1.6m @ 26.9 g/t Au from 218.9m)
DDH-550	5.20m @ 9.70 g/t Au from 322.2m (Inc. 1.5m @ 23.6 g/t Au from 324.2m)
DDH-567	4.20m @ 19.8 g/t Au from 263.4m (Inc. 0.7m @ 65.3 g/t Au from 263.9m)
DDH-564	6.30m @ 16.8 g/t Au from 308.8m (Inc. 2.1m @ 42.4 g/t Au from 313.0m)

The second phase of the deep drilling programme began in February 2020 but was suspended towards the end of April 2020 as part of the Company's response to the COVID-19 pandemic (refer to ASX Announcement dated April 9, 2020). This drilling programme will recommence in September 2020 and the outcome of this drilling programme, in conjunction with an assessment of appropriate underground mining methodologies, will enable the Company to confirm the potential for future underground mining at Talang Santo.

Power

In October 2020 the Way Linggo Project was connected to the main power grid and supplied at an Indonesian Government-gazetted rate, which is significantly cheaper to the Company than the diesel generators utilized previously. This year the mainline power has supplied the processing plant and camp and contributed to operational cost savings.

This connection can be upgraded to meet the demands of any future underground operations and this development sets the Company up with a competitive cost basis for any plans to return underground at Talang Santo in the future.

Exploration

The Way Linggo Project encompasses an area of 100km^2 and is located adjacent to 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.

Regional exploration was put on hold to prioritise the in-fill resource drilling at Talang Santo discussed above.

A compilation of all historical exploration and geological data for the entire Project area into a single database was undertaken and completed in this financial year. This work is designed to provide input into 3D modelling and structure interpretation to assist in a refresh and geologically reasoned ranking of target areas to optimize future exploration drilling programmes.

Impact of COVID-19 Pandemic

The COVID-19 pandemic is having a profound effect on individuals and companies of all sizes within the communities in which we operate. Kingsrose responded quickly to protect the health and integrity of the Company's workforce, local communities and business interests, by implementing COVID-19 management protocols, which have developed over time and learning. Kingsrose is following the requirements and recommendations of regional and national governments in Indonesia and Australia in respect to COVID-19.

Indonesia continues to see rising new cases and deaths from the COVID-19 and is yet to see the peak of its first wave, with little sign of slowing down. Indonesia has not achieved the World Health Organisation's recommended number of COVID-19 swab tests.

Kingsrose's operations in South Sumatra are remote and fortunately, with positive protection measures implemented by the Company, and support of local governments and employees, the production continued to function at close to normal levels. The Company's production has not been materially impacted by government-regulated COVID-19 restrictions and the planned cessation of mining and production had been reported to market prior to COVID-19.

Travel restrictions, both internationally between Australia and Indonesia and internally from region to region in Indonesia, impacted the workforce maintained on site. Employees at all levels had to change the way they worked and adapt to shifting rosters, changed travel schedules and enhanced health and hygiene measures. All employees and contractors travelling to site from outside the immediate region are required to have a negative COVID-19 test before travel, to spend time in isolation in the camp, and be further tested before joining the workforce. Heightened hygiene and social distancing measures have been implemented across all work areas and within the camp and messing.

Kingsrose initiated what changes to the workplace were prudent and necessary to protect lives and continue production. In April 2020, non-essential site works were curtailed, including the Phase 2 Talang Santo drilling programme, due to the COVID-19 pandemic (see ASX Announcement dated April 9, 2020). The Indonesian travel restrictions made it increasingly difficult to adequately supervise the work. It is expected this programme will restart in September 2020 (see ASX Announcement dated August 27, 2020). This impacted the Company's extension of production plans and stalled progress to evaluating the potential for restarting underground mining at Talang Santo. The key impact of this has been to create a longer than planned interruption in production.

Kingsrose would like to extend gratitude for the commitment and outstanding response of our employees, contractors and communities for quickly adapting to the COVID-19 protocols. The Board and Management acknowledge those employees and contractors that were required to spend extended time at the operation and apart from their families, due to the travel restrictions imposed by the Indonesian Government. It is through the commendable work of these people that has contributed to keeping our operations safe and our people free of COVID-19.

With the continued acceleration of the COVID-19 pandemic in Indonesia, Kingsrose will continue to prioritise protocols to keep all its employees and stakeholders safe.

Environment

The Group conducts its activities in accordance with the standards of international best practice over and above its obligations under the CoW environmental licence (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, a wall lift and continued observation and monitoring of the Tailings Storage Facility, reclamation and revegetation of a waste dump, ongoing biodiversity assessments and extensive reclamation and revegetation programmes.

The continued cultivation of the Way Linggo Nursery has assisted with the rehabilitation and re-vegetation in the areas of mining and exploration activities on the wider Project area.

Review of Operations

Community Engagement

Building a long-term, genuinely collaborative relationship based on mutual trust and respect with the local communities surrounding the Way Linggo Project not only underpins the Company's Social Responsibility Programme but is crucial to the ongoing success of the Company's activities. Focus is given to increasing community self-reliance in areas including health, education, agriculture and forestry.

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

The Company plays a critical role in supporting local community during floods and other natural disasters providing monetary support as well as technical assistance to open roads and repair infrastructure. In March 2020, as recognition for its commitment to the local community, the Company was awarded the Service to Community Award from the Tangammus Local Government in South Sumatra, Indonesia. The Governor attended the award ceremony to say a personal thank you to the Company for its ongoing and consistent support to the local community.

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 72% of the on-site employees were from our Lampung Province and a further 27% are from outside the 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 Company's commitment to engaging a local workforce.

Likely Developments and Expected Results of Operations

After a strong year with production exceeding forecasts in every quarter, the Company is in a robust financial position, despite challenges caused by the COVID-19 pandemic, to develop future company growth strategies, through project acquisition or merger while continuing development of the Way Linggo Project.

A disciplined review of strategic business opportunities is ongoing with consideration to diversifying production risk, geographic risk, growing the scale and mine life of the Company.

With production scheduled to finish in September 2020 in Indonesia the structured investment in potential near term production opportunities is a priority. The primary objective for the 2021 financial year is to complete resource definition and extension drill programmes at Talang Santo, and a detailed feasibility study, to determine the potential to return to underground mining production at Talang Santo.

The Way Linggo Project broader area holds enormous exploration potential and remains highly prospective and under explored. Further to the work completed on the compilation of all geological data, the intent in 2021 is to create a systematic exploration programme to develop a pipeline of targets aimed at delineating near term production targets and expand the Mineral Resource through additional exploration and drilling activities.

FINANCIAL REVIEW

	2016 $	2017 $	2018 (Restated) $	2019 (Restated) $	2020 $
Sales Revenue	31,663,847	21,317,781	44,056,921	32,006,179	**70,652,257**
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation – EBITDA[1]	5,224,497	(41,640,238)	11,346,494	(10,574,476)	**24,701,531**
Earnings/(Loss) Before Interest & Tax – EBIT[2]	(1,713,930)	(49,110,504)	8,267,182	(12,810,535)	**20,377,396**
Net Profit/(Loss) After Tax	(1,957,241)	(61,176,220)	7,474,579	(14,038,798)	**19,378,237**
Earnings/(Loss) Per Share	(0.0044)	(0.1199)	0.0104	(0.0196)	**0.027**
Net Operating Cash Flows	2,685,388	(1,178,097)	9,445,670	(4,216,947)	**21,388,372**
Total Assets	104,093,456	55,216,322	59,785,134	49,533,540	**59,796,981**
Net Assets	85,807,054	33,790,028	52,113,312	36,598,464	**55,096,456**

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.

Review of Operations

Income Statement

The Group recorded a net profit after tax for the year ended 30 June 2020 of $19,378,237 (2019: net loss after tax $14,038,798), largely contributed by the following significant items:

- Sales revenue for the year ended 30 June 2020 was $70,652,257, up from $32,006,179 on the corresponding period in 2019, primarily driven by an increase of 12,474 ounces of gold sold and a 28% increase in realised gold price, which saw an average increase in revenue of A$503 per ounce of gold sold in comparison to the 2019 reporting period.
- Despite the increase in sales, total cost of sales have decreased largely due to a reduction in mining costs as productivity improved and the Way Linggo pit reached its economic mine life in December 2019 (costs incurred for 6 months in the financial year only); a reduction in processing costs with power costs reduced following connectivity to a main power grid at Way Linggo in October 2019; and implementation of several measures aimed at optimising the plant which has in turn improved throughput rates and recoveries and reduced reagent consumption rates.
- Non-cash impairment loss of $6,108,462 was recognised in relation to the Way Linggo Project assets (included in other expenses).
- A write off of $2,103,086 was recognised in relation to the Group's exploration and evaluation assets (included in other expenses).
- Total costs of $4,006,467 and $3,435,857 were incurred during the year in relation to the Talang Santo deep drilling programmes and termination of 305 employees following cessation of mining at both the Way Linggo and Talang Santo pits in December 2019 and April 2020 respectively (included in other expenses).

Financial Position

At 30 June 2020 the Group's net assets were $55,096,456 (2019: $36,598,464).

Assets

At reporting date, the Group's total current assets were $36,821,679, which represents an increase of $22,250,215 over the year ended 30 June 2019. This movement was primarily driven by an increase of $18,757,463 in cash and cash equivalents, $1,792,597 in trade and other receivables, and $1,702,139 in inventories held.

Non-current assets of the Group stood at $22,975,302 at balance date, $11,986,774 lower than 30 June 2019, largely due to a decrease in plant and equipment of $3,143,472, a decrease in mine properties and development of $5,793,477 mainly as a result of impairment charge recognised during the year and a decrease in exploration and evaluation assets of $1,696,024.

Liabilities

At reporting date, the Group's total liabilities were $4,700,525, which represents a decrease of $8,234,551 over the year ended 30 June 2019. This was primarily driven by a reduction in trade and other payables and provision for employee entitlements.

Group Cash Flows and Liquidity

At 30 June 2020 the Group held cash and cash equivalents of $23,071,665 (2019: $4,314,202) and bullion on hand of $9,289,527[1] (2019: $8,125,856[2]). The Group's total cash and bullion balance at 30 June 2020 was $32,361,192 (2019: $12,440,058).

Cash flow from operating activities for the year ended 30 June 2020 was a net cash inflow of $21,388,372, primarily driven by higher sales receipts and partially offset higher disbursements during the year.

Cash flow from investing activities for the year ended 30 June 2020 related mainly to settlement of costs for the regional exploration programme carried out in the last financial year.

Cash flow from financing activities for the year ended 30 June 2020 related solely to repayment lease liabilities.

CORPORATE

Board Changes

On 21 November 2019, Karen O'Neill was appointed Managing Director after serving as Chief Executive Officer of the Company since May 2019.

On 30 November 2019, Grant Mills resigned as Non-Executive Director.

On 13 February 2020, Peter Lester, a highly experienced resources executive, was appointed independent Non-Executive Director. It is expected that Mr Lester's skills and experience would be invaluable to the Company to unlock the full value of its Way Linggo Project.

1 *Bullion on hand at 30 June 2020 – 3,388oz Au and 21,843oz Ag calculated using LBMA spot price at 30 June 2020*
2 *Bullion on hand at 30 June 2019 - 3,749oz Au and 27,766oz Ag calculated using LBMA spot price at 30 June 2019*

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.

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Way Linggo Project Mineral Resource

As at 30 June 2020, the Total Mineral Resource for the Way Linggo Project was 1.1 million tonnes @ 5.3 g/t Au and 22 g/t Ag for 184,000 ounces of gold and 767,000 ounces of silver.

For the Way Linggo deposit, the underlying Mineral Resource model reported is the same as those reported at 30 June 2019, with the differences being attributable to reduction due to mining activities (open cut extraction) undertaken during the intervening period.

For Talang Santo, the underlying Mineral Resource model is new. The model previously reported in the 2019 Annual Report, at 30 June 2019, has been superseded and replaced by this model. This is the first significant update to the Mineral Resource since the last updated Mineral Resource estimate in 2015. Since that update the deposit has had further underground mining and associated development sampling (until 2017), an open cut mine with associated grade control (2018-2020) and additional diamond drilling (2019-2020). This Mineral Resource update draws on more geological exposure and "mine to mill" reconciliation than was available for previous mineral resource estimates, as well as significant additional diamond drilling. The Talang Santo model was estimated and reported as at 30 June 2020.

2020 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	-	-	-	-	-
Indicated	244	6.1	48	13	102
Inferred	606	4.7	92	13	250
Subtotal	850	5.1	140	13	352
Way Linggo					
Measured	-	-	-	-	-
Indicated	152	6.5	32	65	318
Inferred	84	4.6	12	36	97
Subtotal	236	5.8	44	55	415
GRAND TOTAL	**1,086**	**5.3**	**184**	**22**	**767**

2019 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	199	10.3	66	24	154
Indicated	284	11.0	100	20	183
Inferred	696	5.0	111	20	455
Subtotal	1,179	7.3	277	21	792
Way Linggo					
Measured	-	-	-	-	-
Indicated	207	7.9	53	78	520
Inferred	85	4.6	13	36	98
Subtotal	292	6.9	66	65	618
GRAND TOTAL	**1,471**	**7.3**	**343**	**30**	**1,410**

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 17 September 2020 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).

Directors' Report

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 2020.

DIRECTORS

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

Name and Qualification	Experience, Special Responsibilities and Other Directorships
Michael Andrews	
BSc (Hons), PhD, FAusIMM, FSEG Interim Non-Executive Chairman Appointed: 5 December 2018 Non-Executive Director Appointed: 16 August 2017 Resigned: 4 December 2018	Dr Michael Andrews is a geologist with more than 40 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 a Non-Executive Director of Southern Arc Minerals Inc and Japan Gold Corp, 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 several 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.
Karen O'Neill	
BCompt Accounting & Auditing, MBA in Strategic Management, FGIA, FCIS, GAICD Managing Director Appointed: 21 November 2019	Ms Karen O'Neill has over 25 years' experience as a finance professional, company secretary and commercial manager with operational and executive experience across a variety of industries, including resources, investment banking and professional services. She has acquired her experience working in Europe, Africa, Asia Pacific and Australia. Ms O'Neill has a MBA in Strategic Management and is a Fellow of the Governance Institute of Australia and UK and a qualified member of the Australian Institute of Company Directors. Ms O'Neill has held no other Directorships in public listed companies in the last three years.
Special Responsibilities	None.

John Morris	
Non-Executive Director Appointed: 17 August 2007	Mr John Morris has over 45 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	None.
John Carlile	
BSc (Honours) Geology, MSc DIC in Mineral Exploration, FAusIMM Independent Non-Executive Director Appointed: 4 February 2019	Mr John Carlile is a geologist with more than 40 years' experience in both major and junior resources companies. He has played key roles in major discoveries, project acquisitions and the establishment and growth of public companies. Mr Carlile led Newcrest's presence in Indonesia and grass-roots discovery and development of Gosowong high grade epithermal gold-silver deposit. Previously as a member of BHP-Utah's World Metals Group, he was involved in evaluation of acquisition and exploration opportunities in a number of countries, particularly in Asia. He is currently a Non-Executive Director of Southern Arc Minerals Inc and Japan Gold Corp, all public exploration companies listed on the Toronto Venture Exchange.
Special Responsibilities	None.
Peter Lester	
BE (Mining Hons), MAusIMM, MAICD Independent Non-Executive Director Appointed: 13 February 2020	Mr Peter Lester is a qualified mining engineer with over 40 years' experience in the mining industry. He has held senior executive positions with North Ltd, Newcrest Mining Limited, Oxiana/Oz Minerals Limited and Citadel Resource Group Limited. He has extensive experience in initial public offerings and project funding, development and acquisition spanning Australia, South America, Turkey, Indonesia, Laos and Saudi Arabia. Mr Lester has served on several ASX listed and private mining boards and is currently an Executive Chairman of Helix Resources Limited since March 2020 (Non-Executive Chairman from October 2018 to March 2020) and a Non-Executive Chairman of White Rock Minerals Ltd since January 2019.
Special Responsibilities	None.
Grant Mills	
Independent Non-Executive Director Appointed: 16 August 2017 Resigned: 30 November 2019	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.

COMPANY SECRETARY

Karen O'Neill has been the Company Secretary of the Company since 24 September 2018. Her qualification and experience are set out above.

PRINCIPAL ACTIVITIES

The principal activity of the Company for the year ended 30 June 2020 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 2020, including details of the results of operations, changes in the state of affairs, impact of COVID-19 pandemic and likely developments in the operation of the Company in subsequent financial years are set out on pages 3 to 11.

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.

DIVIDENS

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
Michael Andrews	10	10	-	-	-	-
Karen O'Neill	6	6	-	-	-	-
John Morris	10	10	-	-	-	-
John Carlile	10	10	-	-	-	-
Peter Lester	5	5	-	-	-	-
Grant Mills	4	4	-	-	-	-

[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
Michael Andrews	71,388,435	-
Karen O'Neill	-	3,600,000
John Morris	13,100,000	-
John Carlile	-	-
Peter Lester	-	-

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	1,200,000	$0.060	26 November 2021
Options	4,000,000	$0.057	29 April 2022

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

The following options were issued during the financial year ended 30 June 2020:

Instrument	Number Under Option	Exercise Price	Expiry Date
Options	1,000,000	$0.057	30 June 2020

No share performance rights were issued during the financial year ended 30 June 2020.

SECURITIES LAPSED OR CANCELLED

The following securities lapsed during the financial year ended 30 June 2020:

Instrument	Number Under Option	Exercise Price	Expiry Date
Options	5,000,000	$0.20	25 November 2019
Options	1,000,000	$0.057	30 June 2020

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 2020 reporting period.

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium of $24,469 (2019: $22,534) 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 2020 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 President Director and General Manager of PTNM.

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

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

Name	Position	Term as KMP
Non-Executive Directors		
Michael Andrews	Interim Non-Executive Chairman	Full financial year
John Morris	Non-Executive Director	Full financial year
John Carlile	Non-Executive Director	Full financial year
Peter Lester	Non-Executive Director	Appointed 13 February 2020
Grant Mills	Non-Executive Director	Ceased 30 November 2019
Executives		
Karen O'Neill	Managing Director Chief Executive Officer	Appointed 21 November 2019 Ceased 21 November 2019
Chloe Lam	Chief Financial Officer	Full financial year
Ivan Kusnadi	PTNM President Director	Full financial year
John Nguyen	PTNM General Manager	Ceased 31 May 2020

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

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.

The quantum of STI bonus to be awarded to Executives is determined by the Board and generally does not exceed 40% of the base salary for the Managing Director and Chief Executive Officer and 25% of the base salary of other Executives or any other employee deemed eligible by the Board.

The STI bonus was suspended in May 2019.

Employee Options

Options are issued pursuant to the Company's Incentive Option and Performance Rights Plan (IOPRP) and are 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.

During the year, a total of 1,000,000 options were issued to an Executive.

Options Granted, Vested and Lapsed During the Year

	Number Granted	Grant Date	Fair Value at Grant Date	Exercise Price	Vesting Date	Expiry Date	Number Vested During the Year	Number Lapsed During the Year	Value of Options Granted During the Year[1] $	Value of Options Exercised During the Year $
Executives										
John Nguyen	500,000	6-Dec-19	$0.006	$0.057	6-Dec-19	30-Jun-20[2]	500,000	500,000	3,000	-
	500,000	6-Dec-19	$0.006	$0.057	6-Apr-20	30-Jun-20[2]	500,000	500,000	3,000	-

[1] Determined at date of grant in accordance with AASB 2. For details on the valuation of the options, including models and assumptions used, refer to Note 25 to the Financial Statements.
[2] The expiry dates of the options held by Mr Nguyen, who ceased employment with the Group on 31 May 2020, were amended from 6 December 2022 to 30 June 2020 on the date of his departure.

Long-Term Incentives

Long-term incentives are provided to Executives in the form of share performance rights issued pursuant to the Company's IOPRP. 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.

The quantum of share performance rights to be awarded to Executives is determined by the Board and generally does not exceed 50% of the base salary for the Managing Director and Chief Executive Officer and 25% of the base salary of other Executives or any other employee deemed eligible by the Board.

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:

	2016	2017	2018	2019	2020
EPS (cents/share)					
- Basic	(0.44)	(11.99)	1.04	(1.96)	**2.70**
- Diluted	(0.44)	(11.99)	1.04	(1.96)	**2.70**
Share Price	$0.15	$0.10*	$0.066	$0.038	**$0.041**

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

EXECUTIVE REMUNERATION

The table below represents the total remuneration (both fixed and variable) paid or payable to Executives of the Group during the 2020 and 2019 financial years:

		Short-Term					Post Employment	Long-Term	Share-Based Payments	Total	Proportion of Remuneration Performance Related
		Salary & Fees $	Cash Bonus $	Annual Leave Benefits $	Non-Monetary Benefits $	Consulting Fees $	Super-annuation $	Long Service Leave Benefits $	Options & Rights[9] $	$	%
Executive Directors											
Karen	2020	300,000	-	8,078	-	-	28,500	2,129	10,287	348,994	3%
O'Neill[1]	2019	181,536	-	(704)	-	-	17,246	1,101	66,030	265,209	4%
Paul	2020	-	-	-	-	-	-	-	-	-	-
Jago[2]	2019	291,667	-	21,090	-	-	27,708	(1,365)	-	339,100	-
Other Executives											
Chloe	2020	200,000	-	6,538	-	-	19,000	4,667	-	230,205	-
Lam[3]	2019	30,108	-	2,110	-	-	2,860	1,422	-	36,500	-
Ivan	2020	260,727	-	35,515	14,966	-	-	(43,887)[8]	-	267,321	-
Kusnadi	2019	244,618	13,651	406	14,041	-	-	55,023	-	327,739	4%
John	2020	256,667	-	23,077	-	-	24,383	-	6,000	310,127	2%
Nguyen[4]	2019	23,333	-	-	-	-	2,217	-	-	25,550	-
Stuart	2020	-	-	-	-	-	-	-	-	-	-
Bodey[5]	2019	-	-	-	-	112,500	-	-	-	112,500	-
Joanna	2020	-	-	-	-	-	-	-	-	-	-
Kiernan[6]	2019	7,021	-	532	-	-	667	(22,768)	-	(14,548)	-
Michael	2020	-	-	-	-	-	-	-	-	-	-
McCracken[7]	2019	220,800	-	-	-	-	-	-	-	220,800	-
Total	**2020**	**1,017,394**	**-**	**73,208**	**14,966**	**-**	**71,883**	**(37,091)**	**16,287**	**1,156,647**	
Total	**2019**	**999,083**	**13,651**	**23,434**	**14,041**	**112,500**	**50,698**	**33,413**	**66,030**	**1,312,850**	

[1] Ms O'Neill was appointed Chief Financial Officer & Company Secretary on 24 September 2018, became the Chief Executive Officer on 6 May 2019 and appointed Managing Director on 21 November 2019.
[2] Mr Jago was appointed Chief Executive Officer on 1 August 2017 and became the Managing Director on 23 November 2017. He provided notice of termination on 4 February 2019, stepped down from the Managing Director role and assumed the role of PTNM Acting General Manager during his notice period from 4 February to 30 April 2019.
[3] Ms Lam was appointed Chief Financial Officer on 6 May 2019.
[4] Mr Nguyen was appointed PTNM General Manager on 1 June 2019 and his employment ceased on 31 May 2020 upon expiry of his 12-month contract.
[5] Mr Bodey was appointed Interim Chief Executive Officer on 6 March 2019. Mr Bodey had no formal agreement between himself and the Company. His remuneration was by way of a service agreement with a mining consultancy firm for services provided to the Company based on an agreed annual fixed fee invoiced on a monthly basis. The service agreement was terminated on 6 May 2019 and Mr Bodey assumed the role of PTNM Acting General Manager during his notice period from 6 to 31 May 2019.
[6] Ms Kiernan resigned on 16 July 2018.
[7] Mr McCracken resigned on 28 February 2019.
[8] Included adjustment made due to a change in actuarial assumptions during the year.
[9] 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 25 to the Financial Statements.

EXECUTIVE EMPLOYMENT ARRANGEMENTS

Remuneration arrangements for Executives are formalised in employment agreements. Except as disclosed below, all Executives of the Company are employed on individual open-ended employment contracts with one month notice of termination required by either party except in the event of summary dismissal and are entitled to termination payments in accordance with the National Employment Standards as defined in the Fair Work Act 2009 (Cth), which outline the minimum termination benefits based on years of service.

Karen O'Neill

Managing Director (Appointed 21 November 2019)
Chief Executive Officer (Ceased 21 November 2019)

- Appointed Chief Financial Officer & Company Secretary on 24 September 2018 with no fixed term, base salary of $220,000 per annum plus statutory superannuation and one month notice of termination required by either party except in the event of summary dismissal;
- A management restructure resulted in Ms O'Neill being appointed Chief Executive Officer on 6 May 2019;
- Three-year term commencing 6 May 2019;
- Base salary of $300,000 per annum plus statutory superannuation commencing 6 May 2019;
- Three months' notice of termination required by either party except in the event of summary dismissal from 6 May 2019; and
- No change to remuneration arrangements upon appointment as Managing Director on 21 November 2019.

Ivan Kusnadi

PTNM President Director

- Appointed acting PTNM President Director from 16 June 2017 pending Indonesian Mines Department approval (obtained 9 April 2018);
- Initial two-year term commencing 9 April 2018 which was extended for a further two years on 10 August 2020; 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.

John Nguyen

PTNM General Manager (Ceased 31 May 2020)

- 12-month term from 1 June 2019;
- Base salary of $280,000 per annum plus statutory superannuation; and
- 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.

The table below represents the total remuneration paid or payable to Non-Executive Directors of the Group during the 2020 and 2019 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								
Michael Andrews[1,6]	2020	65,700	-	-	-	-	65,700	-
	2019	56,340	-	-	-	-	56,340	-
John Morris	2020	40,000	-	-	3,800	-	43,800	-
	2019	40,000	-	-	3,800	-	43,800	-
John Carlile[2,6]	2020	43,800	-	4,427	-	-	48,227	-
	2019	17,859	-	12,913	-	-	30,772	-
Peter Lester[3]	2020	15,287	-	-	1,452	-	16,739	-
	2019	-	-	-	-	-	-	-
Grant Mills[4]	2020	16,667	-	-	1,583	-	18,250	-
	2019	40,000	-	-	3,800	-	43,800	-
Roderick McIllree[5,6]	2020	-	-	-	-	-	-	-
	2019	28,258	-	-	-	-	28,258	-
Total	**2020**	**181,454**	**-**	**4,427**	**6,835**	**-**	**192,716**	
Total	**2019**	**182,457**	**-**	**12,913**	**7,600**	**-**	**202,970**	

[1] Dr Andrews assumed the role of Interim Non-Executive Chairman on 5 December 2018.
[2] Mr Carlile was appointed on 4 February 2019.
[3] Mr Lester was appointed on 13 February 2020.
[4] Mr Mills resigned on 30 November 2019.
[5] Mr McIllree resigned on 5 December 2018.
[6] As non-residents for Australian tax purposes, Dr Andrews, Mr Carlile and Mr McIllree have elected to receive a cash payment in lieu of all superannuation contributions, in accordance with the Superannuation Guarantee (Administration) Act 1992. The cash payment is paid as part of their non-executive director's fees. The amount is included in salary and fees.

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 2019	Granted as Remuneration	On Exercise of Options/Share Performance Rights	Net Change Other	Balance at 30 June 2020
Executive Director					
Karen O'Neill	-	-	-	-	-
Non-Executive Directors					
Michael Andrews	71,388,435	-	-	-	71,388,435
John Morris	13,100,000	-	-	-	13,100,000
John Carlile	-	-	-	-	-
Peter Lester	-	-	-	-	-
Grant Mills	410,000	-	-	(410,000) [1]	-
Other KMP					
Chloe Lam	-	-	-	-	-
Ivan Kusnadi	-	-	-	-	-
John Nguyen	-	-	-	-	-
Total	**84,898,435**	**-**	**-**	**(410,000)**	**84,488,435**

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

Options

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

	Balance at 1 July 2019	Granted as Remuneration	Options Exercised	Net Change Other	Balance at 30 June 2020	Not Vested and Not Exercisable	Vested and Exercisable
Executive Director							
Karen O'Neill	3,600,000	-	-	-	3,600,000	-	3,600,000
Non-Executive Directors							
Michael Andrews	-	-	-	-	-	-	-
John Morris	-	-	-	-	-	-	-
John Carlile	-	-	-	-	-	-	-
Peter Lester	-	-	-	-	-	-	-
Grant Mills	-	-	-	-	-	-	-
Other KMP							
Chloe Lam	1,600,000	-	-	-	1,600,000	-	1,600,000
Ivan Kusnadi		-	-		-	-	-
John Nguyen	-	1,000,000	-	(1,000,000) [1]	-	-	-
Total	**5,200,000**	**1,000,000**	**-**	**(1,000,000)**	**5,200,000**	**-**	**5,200,000**

[1] Represents number of options lapsed.

Share Performance Rights

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

	Balance at 1 July 2019	Granted as Remuneration	Rights Exercised	Rights Cancelled	Balance at 30 June 2020	Not Vested	Vested
Executive Director							
Karen O'Neill	789,115	-	-	-	789,115	789,115	-
Non-Executive Directors							
Michael Andrews	-	-	-	-	-	-	-
John Morris	-	-	-	-	-	-	-
John Carlile	-	-	-	-	-	-	-
Peter Lester	-	-	-	-	-	-	-
Grant Mills	-	-	-	-	-	-	-
Other KMP							
Chloe Lam	-	-	-	-	-	-	-
Ivan Kusnadi	-	-	-	-	-	-	-
John Nguyen	-	-	-	-	-	-	-
Total	**789,115**	**-**	**-**	**-**	**789,115**	**789,115**	**-**

Shares Issued on Exercise of Options and Share Performance Rights

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

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

Services

Michael Andrews

PT Promincon Indonesia, an entity related to Dr Andrews, received $2,516,263 fees for drilling services provided to the Company's subsidiary, PTNM during the year (2019: $1,880,044). These fees are payable at a competitive commercial rate per drill metre compared to other tender companies. At 30 June 2020, no amount was owing to PT Promincon Indonesia (2019: $1,880,110).

John Carlile

The Company paid $4,427 for consulting fees to Jem Resources Limited, an entity related to Mr Carlile, for professional services provided to the Group outside his normal Board duties during the year (2019: $12,913). The fees were paid at a fixed rate of U$1,000 per day in accordance with the consultancy agreement entered into on 15 March 2019. At 30 June 2020, no amount was owing to Mr Carlile (2019: $4,273).

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 2020 is on page 27. 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 29 of the financial statements.

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

Michael Andrews
Chairman
18 September 2020

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

As lead auditor for the audit of the financial report of Kingsrose Mining Limited for the financial year ended 30 June 2020, 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
18 September 2020

PT:DA:KRM:004

Consolidated Income Statement

For The Year Ended 30 June 2020

	Note	2020 $	2019 $
Continuing operations			
Revenue from contracts with customers	4(a)	**70,652,257**	32,006,179
Total revenue		**70,652,257**	32,006,179
Cost of sales	5(a)	**(34,097,070)**	(35,070,779)
Gross profit/(loss)		**36,555,187**	(3,064,600)
Other income	5(b)	**2,179,335**	3,879,252
Administration expenses	5(c)	**(2,614,223)**	(3,321,292)
Other expenses	5(d)	**(15,684,620)**	(10,253,979)
Finance costs	5(e)	**(106,471)**	(104,696)
Profit/(Loss) from continuing operations before income tax		**20,329,208**	(12,865,315)
Income tax expense	6(a)	**(950,971)**	(1,173,483)
Net profit/(loss) for the year		**19,378,237**	(14,038,798)
Profit/(Loss) for the year is attributable to:			
Owners of the parent		**19,324,509**	(13,989,049)
Non-controlling interest		**53,728**	(49,749)
		19,378,237	(14,038,798)
Earnings per share attributable to the ordinary equity holders of the parent:		**Cents**	Cents
Basic earnings/(loss) per share – cents per share	7	**2.70**	(1.96)
Diluted earnings/(loss) per share – cents per share	7	**2.70**	(1.96)

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

Consolidated Statement of Comprehensive Income

For The Year Ended 30 June 2020

	2020	2019
	$	$
Net profit/(loss) for the year	**19,378,237**	(14,038,798)
Other comprehensive income/(loss)		
Items that may be reclassified to profit and loss in subsequent periods		
Foreign currency translations attributable to parent entity interest	**(1,274,400)**	(1,511,273)
Income tax effect	**-**	-
	(1,274,400)	(1,511,273)
Items that may not be reclassified to profit and loss in subsequent periods		
Foreign currency translations attributable to non-controlling interest	**(3,455)**	(3,679)
Re-measurement adjustments on defined benefit obligations	**508,431**	(73,238)
Income tax effect	**(127,108)**	18,310
	377,868	(58,607)
Other comprehensive income/(loss) for the year, net of tax	**(896,532)**	(1,569,880)
Total comprehensive income/(loss) for the year	**18,481,705**	(15,608,678)
Total comprehensive income/(loss) for the year is attributable to:		
Owners of the parent	**18,430,286**	(15,555,091)
Non-controlling interest	**51,419**	(53,587)
	18,481,705	(15,608,678)

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

Consolidated Statement of Financial Position

As At 30 June 2020

	Note	2020 $	2019 $
Current Assets			
Cash and cash equivalents	9	**23,071,665**	4,314,202
Trade and other receivables	10	**4,019,351**	2,226,754
Inventories	11	**9,083,929**	7,381,790
Other		**646,734**	648,718
Total Current Assets		**36,821,679**	14,571,464
Non-Current Assets			
Trade and other receivables	10	**1,794,601**	3,148,402
Plant and equipment	12	**1,421,433**	4,564,905
Mine properties and development	13	**4,947,974**	10,741,451
Exploration and evaluation assets	15	**14,811,294**	16,507,318
Total Non-Current Assets		**22,975,302**	34,962,076
TOTAL ASSETS		**59,796,981**	49,533,540
Current Liabilities			
Trade and other payables	16	**2,280,565**	7,871,645
Interest-bearing liabilities	17	**83,744**	90,671
Income tax payable		**452,908**	550,159
Employee entitlements and other provisions	18	**287,159**	1,053,310
Total Current Liabilities		**3,104,376**	9,565,785
Non-Current Liabilities			
Interest-bearing liabilities	17	**7,084**	89,896
Employee entitlements and other provisions	18	**1,589,065**	3,279,395
Total Non-Current Liabilities		**1,596,149**	3,369,291
TOTAL LIABILITIES		**4,700,525**	12,935,076
NET ASSETS		**55,096,456**	36,598,464
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	19	**105,688,558**	105,688,558
Reserves	20	**6,717,461**	7,975,574
Accumulated losses		**(59,073,717)**	(78,778,403)
		53,332,302	34,885,729
Non-controlling interest	23(b)	**1,764,154**	1,712,735
TOTAL EQUITY		**55,096,456**	36,598,464

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 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		**70,652,257**	34,592,629
Payments to suppliers and employees		**(50,272,566)**	(39,126,382)
VAT refund received		**2,211,799**	1,222,516
Interest received		**59,171**	63,977
Interest and other finance costs paid		**(40,252)**	(47,569)
Income tax paid		**(1,222,037)**	(922,118)
Net cash flows from/(used in) operating activities	9(a)	**21,388,372**	(4,216,947)
Cash flows from investing activities			
Payments for plant and equipment		**(969,072)**	(824,352)
Proceeds from sale of plant and equipment		**33,393**	43,092
Payment for exploration and evaluation expenditure		**(1,105,919)**	(821,487)
Net cash flows used in investing activities		**(2,041,598)**	(1,602,747)
Cash flows from financing activities			
Repayment of lease liabilities	9(b)	**(95,500)**	(118,516)
Net cash flows used in financing activities		**(95,500)**	(118,516)
Net increase/(decrease) in cash and cash equivalents		**19,251,274**	(5,938,210)
Cash and cash equivalents at beginning of the year		**4,314,202**	10,067,719
Effects of exchange rate changes on cash and cash equivalents held		**(493,811)**	184,693
Cash and cash equivalents at end of the year	9	**23,071,665**	4,314,202

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

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2020

	Issued Capital	Share-Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Other Capital Reserve	Accumulated Losses	Owners of the Parent	Non-Controlling Interest	Total
At 1 July 2018	**105,688,558**	**8,331,600**	**97,832**	**(2,438,905)**	**3,402,490**	**(64,734,585)**	**50,346,990**	**1,766,322**	**52,113,312**
Net loss for the year	-	-	-	-	-	(13,989,049)	(13,989,049)	(49,749)	(14,038,798)
Other comprehensive loss for the year	-	-	-	(1,511,273)	-	(54,769)	(1,566,042)	(3,838)	(1,569,880)
Total comprehensive (loss)/income for the year	-	-	-	(1,511,273)	-	(14,043,818)	(15,555,091)	(53,587)	(15,608,678)
Transactions with owners in their capacity as owners:									
Share-based payments	-	93,830	-	-	-	-	93,830	-	93,830
At 30 June 2019	**105,688,558**	**8,425,430**	**97,832**	**(3,950,178)**	**3,402,490**	**(78,778,403)**	**34,885,729**	**1,712,735**	**36,598,464**
Net profit for the year	-	-	-	-	-	19,324,509	19,324,509	53,728	19,378,237
Other comprehensive income for the year	-	-	-	(1,274,400)	-	380,177	(894,223)	(2,309)	(896,532)
Total comprehensive income/(loss) for the year	-	-	-	(1,274,400)		19,704,686	18,430,286	51,419	18,481,705
Transactions with owners in their capacity as owners:									
Share-based payments	-	16,287	-	-	-	-	16,287	-	16,287
At 30 June 2020	**105,688,558**	**8,441,717**	**97,832**	**(5,224,578)**	**3,402,490**	**(59,073,717)**	**53,332,302**	**1,764,154**	**55,096,456**

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

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 2020 was authorised for issue in accordance with a resolution of the Directors on 18 September 2020. 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

During the year ended 30 June 2020, the Group recorded a net profit for the year of $19,378,237, net cashflow generated from operations of $21,388,372 and had a net working capital of $33,717,303. The Group has prepared a 12-month cash flow forecast which indicates adequate cash flows to sustain operations and as a result 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) Changes in Accounting Policies and Disclosures

(i) New and amended accounting standards and interpretations

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2019. New and amended Accounting Standards and Interpretations, including AASB 16 *Leases* and Interpretation 23 *Uncertainty over Income Tax Treatment*, were applied for the first time on 1 July 2019, but did not have a significant impact on the consolidated financial statements of the Group.

AASB 16 *Leases* (AASB 16)

AASB 16 provides a new lease 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. The depreciation of the lease assets and interest of lease liabilities are recognised in the income statement.

The Group has lease contracts for various items of mining equipment, motor vehicles and buildings. It does not have any sub-leases. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception as either a finance lease or operating lease. For operating leases, the leased item was not capitalised, and the lease payments were recognised in the income statement on a straight-line basis.

The Group has adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. On the date of initial application, the right-of-use assets were recognised based on the amount equal to the lease liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policies have been updated to reflect the application of AASB 16 for the period from 1 July 2019 (see note 2(p) for details of the new accounting policy for leases).

The Standard provides specific transition requirements and practical expedients, which have been applied by the Group. The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application; and
- Applied the short-term lease exemptions to leases with lease terms that end within 12 months of the date of initial application.

The lease liabilities at 1 July 2019 can be reconciled to the operating lease commitments at 30 June 2019 as follows:

	$
Operating lease commitments at 30 June 2019	1,404,113
Commitments relating to short-term leases	(1,404,113)
Lease liabilities at 1 July 2019	-

At 1 July 2019, all existing leases of the Group were assessed, and it was determined that the adoption of AASB 16 had no significant impact for the Group.

Interpretation 23 *Uncertainty Over Income Tax Treatment*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 and does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

There has been no material impact from the adoption of this interpretation.

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

A number of new standards, amendment of standards and interpretation that have recently been issued but not yet effective have not been adopted by the Group as at the financial reporting date. The Group has reviewed these standards and interpretations and has determined that none of the new or amended standards will significantly affect the Group's accounting policies, financial position or performance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(f) Revenue from contracts with customers

The Group is principally engaged in the business of producing gold and silver bullion. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled under the contract in exchange for those goods or services and the performance obligations of transferring control have been met. The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Most of Group's bullion is sold under a long-term sales contract with the customer. Revenue from bullion sales is recognised at a point in time when control passes to the buyer. This generally occurs after the fine metal is outturned

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue from contract with customers (continued)

and the Group provides notice to the customer to purchase the outturned fine metal. A trade receivable is recognised at the date of sale and there are only several days between recognition of revenue and payment. The transaction price is determined when the Group provides the notice to the customer to purchase the outturned fine metal by virtue of the deal confirmation and there are no further adjustments to this price. As all performance obligations are satisfied at that time, there are no remaining performance obligations under the contract.

(g) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost are measured at fair value through profit and loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs. In this regard, the Group recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The lifetime ECL on these financial assets is estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtor, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other financial assets measured at amortised cost, the Group recognises lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL. The determination of the ECL includes both quantitative and qualitative information and analysis, based on the Group's historical experience and forward-looking information.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(h) Inventories

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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 when it is ready to be operated in the manner intended by the Group.

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.

(j) 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.

(k) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) 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.

(n) 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.

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.

(o) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

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 the Group's 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.

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 25. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases (new policy applied from 1 July 2019 due to adoption of AASB 16)

When a contract is entered into, the Group assess whether the contract contains a lease. A lease arises when the Group has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use.

The Group separates the lease and non-lease components of the contract and accounts for these separately. The Group allocates the consideration in the contract to each component on the basis of their relative stand-alone prices.

Leases as a lessee

Lease assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments adjusted for any lease payments made at or before the commencement date, plus any make-good obligations and initial direct costs incurred.

Lease assets are depreciated using the straight-line method over the shorter of their useful life and the lease term. Periodic adjustments are made for any re-measurements of the lease liabilities and for impairment losses, assessed in accordance with the Group's impairment policies.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments or index-based variable payments incorporating the Group's expectations of extension options and do not include non-lease components of a contract. The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with any excess recognised in the income statement.

Short-term leases and lease of low value assets

Short-term leases (lease term of 12 months or less) and leases of low value assets are recognised as incurred as an expense in the income statement. Low value assets comprise office equipment.

(q) Leases (policy applied prior to adoption of AASB 16)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax and other taxes

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax and other taxes (continued)

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.

(s) Provisions

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

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

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

(t) Provisions for decommissioning and restoration costs

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

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

(u) Contributed equity

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Earnings per share

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

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

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

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

(w) Operating segments

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

(x) Significant accounting judgements, estimates and assumptions

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

(i) Impairment of 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 14 for impairment testing of the Group's CGU at 30 June 2020.

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 15 for the recoverability assessment of the Group's exploration and evaluation assets at 30 June 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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 2020, the Group has net deferred tax assets of $17,783,476 (2019: $25,864,992) 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.

(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 25. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(vi) VAT contingent liabilities

The Group has disclosed contingent liabilities relating to its VAT claims arising from its operations in Indonesia in Note 27(c). 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.

(y) Comparatives

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

(z) Impact of COVID-19 pandemic

In preparing the financial report, the Group has considered the impact of COVID-19. Amounts received from the Australian Federal Government in the form of cash flow boost payments have been recognised as other income in the consolidated income statement and included within sundry income disclosed in Note 5(b) to the consolidated financial statements. The Group's processes for determining expected credit losses, provisions for employee entitlements and other provisions have not been impacted by COVID-19.

3. OPERATING SEGMENTS

Identification of reportable segments

- The Group has identified one operating segment, i.e. gold & silver, 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:

	2020		2019	
	Revenue	**% of External Revenue**	Revenue	% of External Revenue
	$	**%**	$	%
Customer A	**70,652,257**	**100**	31,592,945	99

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.

	2020	2019
	$	$
Australia	**70,652,257**	31,592,945
Indonesia	**-**	413,234
Total revenue	**70,652,257**	32,006,179

Analysis of location of non-current assets

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

	2020	2019
	$	$
Australia	**3,489**	50,359
Indonesia	**22,971,813**	34,911,717
Total non-current assets	**22,975,302**	34,962,076

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

		2020	2019
		$	$
(a)	**Segment:**	**Gold & Silver**	Gold & Silver
	Type of goods		
	- Sale of gold	**65,880,548**	29,117,741
	- Sale of silver	**4,771,709**	2,888,438
	Total revenue from contracts with customers	**70,652,257**	32,006,179
	Geographical markets:		
	Australia	**70,652,257**	31,592,945
	Indonesia	**-**	413,234
	Total revenue from contracts with customers	**70,652,257**	32,006,179
	Timing of revenue recognition:		
	Goods transferred at a point in time	**70,652,257**	32,006,179
	Total revenue from contracts with customers	**70,652,257**	32,006,179
(b)	**Reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information in Note 3**		
	Revenue		
	External customer	**70,652,257**	32,006,179
	Total revenue from contracts with customers	**70,652,257**	32,006,179

(c) Performance obligation

For sale of gold and silver, the performance obligation is satisfied when the fine metal is outturned and credited to the metal account, and the Group provides notice to purchase the outturned fine metal. Payment is generally due within two to four trading days from date of invoice.

5. EXPENSES

		2020 $	2019 $
(a)	**Cost of sales**		
	Mine production costs	**29,077,330**	35,007,131
	Royalties	**2,931,366**	1,186,666
	Depreciation of plant and equipment	**4,287,222**	2,230,799
	Inventory movements	**(2,198,848)**	(3,353,817)
	Total cost of sales	**34,097,070**	35,070,779
(b)	**Other income**		
	Interest income	**58,284**	49,916
	Net gain on foreign exchange	**2,039,404**	3,829,336
	Sundry income	**81,647**	-
	Total other income	**2,179,335**	3,879,252
(c)	**Administration expenses**		
	Corporate costs	**2,561,023**	3,222,202
	Depreciation of equipment	**36,913**	5,260
	Share-based payments	**16,287**	93,830
	Total administration expenses	**2,614,223**	3,321,292
(d)	**Other expenses**		
	Loss on disposal of plant and equipment	**165,506**	127,191
	Plant and equipment written off	**1,909**	-
	Exploration and evaluation assets written off	**2,103,086**	4,806,450
	Resource definition and extension costs	**4,006,467**	762,007
	Impairment loss on mine properties and development (see Note 14)	**6,108,462**	4,403,131
	Re-measurement adjustments on VAT receivables	**(191,569)**	125,129
	Consumables written down	**37,807**	25,436
	Non-production mine site costs		
	- Termination / redundancy costs	**3,435,857**	-
	Sundry expenses	**17,095**	4,635
	Total other expenses	**15,684,620**	10,253,979
(e)	**Finance costs**		
	Borrowing costs	**20,923**	16,739
	Interest on lease liabilities	**19,328**	30,830
		40,251	47,569
	Unwinding of discount and effect of changes in discount rate on rehabilitation provision	**66,220**	57,127
	Total finance costs	**106,471**	104,696

5. EXPENSES (continued)

		2020	2019
		$	$
(f)	**Depreciation and amortisation**		
	Plant and equipment	**4,324,135**	2,236,059
	Total depreciation and amortisation	**4,324,135**	2,236,059
	Included in:		
	Cost of sales	**4,287,222**	2,230,799
	Administration expenses	**36,913**	5,260
		4,324,135	2,236,059
(g)	**Employee benefits expense**		
	Wages and salaries	**6,212,770**	6,483,736
	Defined contribution superannuation expense	**127,692**	121,866
	Defined benefit expense	**475,080**	420,595
	Share-based payments	**16,287**	93,830
	Other employee benefits	**430,871**	1,384,260
	Total employee benefits expense	**7,262,700**	8,504,287
	Included in:		
	Cost of sales	**5,820,975**	6,832,630
	Administration expenses	**1,441,725**	1,671,657
		7,262,700	8,504,287

6. INCOME TAX

	2020	2019
	$	$
(a) Income tax expense		
Income Statement		
Current income tax		
Current income tax charge	**1,078,079**	221,050
Under provision in prior year	**-**	934,123
	1,078,079	1,155,173
Deferred income tax		
Relating to origination and reversal of temporary differences	**(127,108)**	18,310
Income tax expense reported in the Income Statement	**950,971**	1,173,483
(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	**127,108**	(18,310)
Income tax benefit reported in other comprehensive income	**127,108**	(18,310)

(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:

	2020	2019
	$	$
Accounting profit/(loss) before income tax	**20,329,208**	(12,865,315)
At Australian statutory income tax rate of 30%	**6,098,762**	(3,859,595)
Effect of different tax rate in accordance with Contract of Work Agreement and its amendment in Indonesia	**(889,110)**	828,230
Deferred tax assets in current period not recognised	**253,985**	1,858,413
Utilisation of previously unrecognised deferred tax assets	**(5,643,189)**	(40,644)
Under provision in prior year	**-**	934,123
Non-assessable income	**(17,484)**	(1,065)
Non-deductible expenses	**1,148,007**	1,454,021
Aggregate income tax expense	**950,971**	1,173,483

6. INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

	BALANCE SHEET	
	2020	2019
	$	$
Deferred tax at 30 June relates to the following:		
Deferred tax assets		
Provisions	**2,417,613**	3,060,477
Plant and equipment	**1,562,074**	816,963
Unrealised foreign exchange movements	**287,147**	-
Losses available for offset against future taxable income	**15,471,329**	26,396,289
Gross deferred tax assets	**19,738,163**	30,273,729
Deferred tax liabilities		
Accrued income	**(2)**	(268)
Mine properties and development	**(985,900)**	(3,479,327)
Leases	**(968,785)**	(925,752)
Unrealised foreign exchange movements	**-**	(3,390)
Gross deferred tax liabilities	**(1,954,687)**	(4,408,737)
Net deferred tax assets	**17,783,476**	25,864,992
Unrecognised net deferred tax assets	**(17,783,476)**	(25,864,992)
Net deferred tax assets	**-**	-
Reconciliation of net deferred tax assets movement:		
At 1 July	**-**	-
Charged to income	**127,108**	(18,310)
Credited to other comprehensive income	**(127,108)**	18,310
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.

Unrecognised net deferred tax assets and tax losses

The Group has unrecognised net deferred tax assets in Australia of $2,260,121 (2019: $2,044,080) and Indonesia of $15,523,355 (2019: $23,820,912). Included in this balance are tax losses that arose in Australia of $252,806 (2019: $290,751) and Indonesia of $15,218,523 (2019: $22,736,795). 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.

7. EARNINGS PER SHARE

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

		2020	2019
		$	$
(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	**19,324,509**	(13,989,049)
		Shares	Shares
(b)	**Weighted average number of shares**		
	Weighted average number of ordinary shares for basic loss per share	**715,462,960**	715,462,960
	Effect of dilution:		
	Options and share performance rights	**-**	-
	Weighted average number of ordinary shares adjusted for the effect of dilution	**715,462,960**	715,462,960

(c) Information on the classification of securities

Options and share performance rights

Total options of 5,200,000 (2019: 10,200,000) 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.

Total share performance rights of 789,115 (2019: 789,115) on issue at balance date are not included in the determination of diluted earnings per share as they are contingently issuable securities.

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

8. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company for the years ended 30 June 2020 and 30 June 2019.

9. CASH AND CASH EQUIVALENTS

	2020	2019
	$	$
Current		
Cash at bank and in hand (i)	**7,754,288**	4,314,202
At-call deposits (ii)	**15,317,377**	-
	23,071,665	4,314,202

Terms and conditions

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

(ii) At-call deposits are made for a minimum period of 31 days and earn interest at the respective currency's official cash rate plus an agreed margin.

(a) Reconciliation to the Statement of Cash Flows

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

	2020	2019
	$	$
Net profit/(loss) after income tax	**19,378,237**	(14,038,798)
Adjustments for:		
Depreciation of plant and equipment	**4,324,135**	2,236,059
Unrealised net foreign exchange (gain)/loss	**(1,729,531)**	(3,613,888)
Share-based payments	**16,287**	93,830
Loss on disposal of plant and equipment	**165,506**	127,191
Plant and equipment written off	**1,909**	-
Exploration and evaluation assets written off	**2,103,086**	4,806,450
Impairment on mine properties and development	**6,108,462**	4,403,131
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(438,796)**	1,369,557
Increase in inventories	**(1,702,139)**	(3,321,528)
Increase in other assets	**(37,300)**	(436,009)
(Decrease)/Increase in trade and other payable	**(4,485,159)**	2,561,633
(Decrease)/Increase in income tax payables	**(97,251)**	229,539
(Decrease)/Increase in provisions	**(2,219,074)**	1,365,886
Net cash flows from/(used in) operating activities	**21,388,372**	(4,216,947)
Non-cash investing and financing activities		
Acquisition of assets by means of leases	**-**	53,833

9. CASH AND CASH EQUIVALENTS (continued)

(b) Changes in Liabilities Arising from Financing Activities

	1 July 2019	Cash Flows	Foreign Exchange Movement	New Leases / Loans	Other	30 June 2020
	$	$	$	$	$	$
Current						
Lease liabilities	90,671	(95,500)	1,889	-	86,684	83,744
Non-Current						
Lease liabilities	89,896	-	3,872	-	(86,684)	7,084
Total liabilities from financing activities	**180,567**	**(95,500)**	**5,761**	**-**	**-**	**90,828**

	1 July 2018	Cash Flows	Foreign Exchange Movement	New Leases / Loans	Other	30 June 2019
	$	$	$	$	$	$
Current						
Lease liabilities	104,704	(118,516)	4,107	16,285	84,091	90,671
Non-Current						
Lease liabilities	130,350	-	6,089	37,548	(84,091)	89,896
Total liabilities from financing activities	**235,054**	**(118,516)**	**10,196**	**53,833**	**-**	**180,567**

The ‘Other’ column includes the effect of reclassification of non-current portion of lease liabilities to current due to passage of time.

The Group classifies interest paid as cash flows from operating activities.

10. TRADE AND OTHER RECEIVABLES

	2020	2019
	$	$
Current		
Other receivables (i)	**4,019,351**	2,226,754
Non-Current		
Other receivables (i)	**1,794,601**	3,148,402

Terms and conditions

(i) Other receivables consist primarily of VAT recoverable from PTNM’s operations that are expected to be recovered within 1 to 24 months.

11. INVENTORIES

	2020	2019
	$	$
Current		
Ore stockpiles at cost or net realisable value	**2,448,510**	**72,692**
Gold in circuit at cost or net realisable value	**182,418**	**173,139**
Gold dore and bullion at cost or net realisable value	**5,351,379**	**5,459,387**
Consumables and spares at cost or net realisable value	**1,101,622**	**1,676,572**
	9,083,929	**7,381,790**

During the year, no amount was recognised as an expense for inventories carried at net realisable value (2019: $3,961,276).

12. PLANT AND EQUIPMENT

	2020	2019
	$	$
Non-Current		
Plant and Equipment		
Gross carrying amount – at cost	**32,664,647**	30,462,873
Accumulated depreciation and impairment	**(31,390,143)**	(26,775,131)
Net carrying amount	**1,274,504**	3,687,742
Leased Equipment		
Gross carrying amount – at cost	**-**	399,303
Accumulated depreciation	**-**	(203,632)
Net carrying amount	**-**	195,671
Right-of-Use Assets – Equipment		
Gross carrying amount – at cost	**194,812**	-
Accumulated depreciation	**(109,577)**	-
Net carrying amount	**85,235**	-
Right-of-Use Assets – Office Premises		
Gross carrying amount – at cost	**40,143**	-
Accumulated depreciation	**(33,264)**	-
Net carrying amount	**6,879**	-
Capital Work in Progress		
Gross carrying amount – at cost	**54,815**	681,492
Total Plant and Equipment	**1,421,433**	4,564,905

12. PLANT AND EQUIPMENT (continued)

	2020	2019
	$	$
Movements in Plant and Equipment		
Plant and Equipment		
Carrying amount at 1 July	**3,687,742**	4,914,187
Additions	**183,673**	175,907
Transfer from leased equipment	**-**	27,853
Transfer from capital work in progress	**1,441,403**	409,293
Disposals	**(1,908)**	(1,612)
Depreciation charge	**(4,172,828)**	(2,072,817)
Foreign exchange translation gain	**136,422**	234,931
Carrying amount at 30 June	**1,274,504**	3,687,742
Leased Equipment		
Carrying amount at 1 July	**195,671**	298,588
Additions	**-**	74,430
Transfer to right-of-use assets - equipment	**(195,671)**	(27,853)
Depreciation charge	**-**	(163,242)
Foreign exchange translation gain	**-**	13,748
Carrying amount at 30 June	**-**	195,671
Right-of-Use Assets - Equipment		
Carrying amount at 1 July	**-**	-
Transfer from leased equipment	**195,671**	-
Depreciation charge	**(117,294)**	-
Foreign exchange translation gain	**6,858**	-
Carrying amount at 30 June	**85,235**	-
Right-of-Use Assets - Office Premises		
Carrying amount at 1 July upon adoption of AASB 16	**39,284**	-
Depreciation charge	**(34,012)**	-
Foreign exchange translation gain	**1,607**	-
Carrying amount at 30 June	**6,879**	-
Capital Work in Progress		
Carrying amount at 1 July	**681,492**	896,928
Additions	**785,398**	626,115
Transfer to plant and equipment	**(1,441,403)**	(409,293)
Disposals	**-**	(475,403)
Foreign exchange translation gain	**29,328**	43,145
Carrying amount at 30 June	**54,815**	681,492

13. MINE PROPERTIES AND DEVELOPMENT

	2020	2019
	$	$
Non-Current		
Gross carrying amount – at cost	**58,011,974**	56,967,369
Accumulated amortisation and impairment	**(53,064,000)**	(46,225,918)
	4,947,974	10,741,451
Movements in Mine Properties and Development		
Carrying amount at 1 July	**10,741,451**	14,615,629
Impairment (i)	**(6,108,462)**	(4,403,131)
Disposals	**(198,899)**	(168,671)
Change in rehabilitation provision	**142,770**	-
Foreign exchange translation gain	**371,114**	697,624
Carrying amount at 30 June	**4,947,974**	10,741,451

(i) Refer to Note 14 for details.

14. 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 including the Way Linggo mine and Talang Santo mine. The Way Linggo Project CGU comprises mine properties and development assets, associated plant and equipment and inventories.

30 June 2020 Assessment

For the year ended 30 June 2020, the Group assessed whether there were any indicators of impairment in relation to the Way Linggo Project CGU. Upon the identification of impairment indicator 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 4.5-year period (level 3 in the fair value hierarchy).

The impairment assessment resulted in an impairment charge of $6,108,462 allocated to Mine Properties and Development based on a determined recoverable amount of $15,482,488 for the CGU.

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 2020.

Assumptions		
Gold price (US$ per ounce)	$1,534-$1,851	Commodity prices are estimated with reference to external market forecasts.
Size and grade of ore bodies	Way Linggo Resource: 236,000t @ 5.8g/t Au and 55g/t Ag Talang Santo Resource: 850,000t @ 5.1g/t Au and 13g/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.	
Discount rate	10.9%	

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

Changes to key assumptions and inputs would result in changes to the recoverable amount for the CGU and the impairment charge. If the key assumptions used in the carrying value assessments at 30 June 2020 were changed to the extent in the following table, the changes would have the following approximate impact on the impairment charge for the year ended 30 June 2020. It must be noted that each of the sensitivities below assumes that the specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions is usually accompanied with a change in another assumption, which may have offsetting impact. Action is usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

	Impairment Charge Higher/(Lower)
	$
+5% change in USD gold price per ounce	**(4,356,614)**
-5% change in USD gold price per ounce	**4,404,753**
+5% change in project operating costs	**2,835,891**
-5% change in project operating costs	**(2,808,509)**
+150 basis points change in discount rate	**924,533**
-150 basis points change in discount rate	**(1,327,595)**

The uncertainties due to the COVID-19 pandemic would also have an impact on the recoverable amount of the CGU. In the event that there is an outbreak of COVID-19 on the mine site which cannot be contained, a directive from the Government of Indonesia to cease operations or an industry wide action by mining companies in Indonesia to stop operating, this will result in delay in future cash flows from the CGU. If future cash flows were deferred by 12 months, this would result in an additional $1,520,031 in impairment.

30 June 2019 Assessment

For the year ended 30 June 2019, 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 and impact of the wall slip in June 2019 on production in the first half of 2020 financial year, 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 one-year period (level 3 in the fair value hierarchy).

The impairment assessment resulted in an impairment charge of $4,403,131 allocated to Mine Properties and Development based on a determined recoverable amount of $15,332,741 for the CGU.

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 2019.

Assumptions		
Gold price (US$ per ounce)	$1,340	Commodity prices are estimated with reference to external market forecasts.
Size and grade of ore bodies	Way Linggo Resource: 292,000t @ 6.9g/t Au and 65g/t Ag Talang Santo Resource: 1,179,000t @ 7.3g/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.	
Discount rate	11.5%	

15. EXPLORATION AND EVALUATION ASSETS

	2020	2019
	$	$
Non-Current		
At cost	**14,811,294**	16,507,318
Movements in Exploration and Evaluation Assets		
Carrying amount at 1 July	**16,507,318**	18,449,803
Additions	**-**	1,927,407
Write off (i)	**(2,103,086)**	(4,806,450)
Foreign exchange translation gain	**407,062**	936,558
Carrying amount at 30 June	**14,811,294**	16,507,318

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

(i) At each reporting date, the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the year, the Group identified indicators of impairment on certain exploration and evaluation assets. As a result of this review, a write off of $2,103,086 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 (2019: $4,806,450).

16. TRADE AND OTHER PAYABLES

	2020	2019
	$	$
Current		
Trade creditors	**761,558**	5,307,997
Accruals	**1,083,049**	2,295,336
Sundry creditors	**435,958**	268,312
	2,280,565	7,871,645

Terms and conditions

Trade and sundry creditors are non-interest bearing and are normally settled in accordance with the terms of trade.

17. INTEREST-BEARING LIABILITIES

	2020	2019
	$	$
Current		
Lease liabilities (i)	**83,744**	90,671
Non-Current		
Lease liabilities (i)	**7,084**	89,896

Terms and conditions

(i) 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.

18. EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS

	2020	2019
	$	$
Current		
Employee entitlements (i)	**287,159**	1,053,310
Non-Current		
Employee entitlements (i)	**380,481**	2,497,692
Rehabilitation (ii)	**1,208,584**	781,703
	1,589,065	3,279,395

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

(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:

	2020	2019
Discount rate	8.30% per annum	7.50% 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:

	2020	2019
	$	$
Benefit Liability		
Current	**110,756**	616,056
Non-current	**297,740**	1,957,351
Present value of defined benefit obligation - unfunded	**408,496**	2,573,407
Movements in Benefit Liability		
At 1 July	**2,573,407**	1,984,256
Net benefits expense	**475,080**	420,595
Charged directly to equity – re-measurement adjustments	**(508,431)**	73,238
Benefits paid	**(2,214,157)**	(64,731)
Foreign exchange translation loss	**82,597**	160,049
At 30 June	**408,496**	2,573,407
Net Benefit Expense		
Current service cost	**281,725**	267,495
Interest cost	**193,355**	153,100
	475,080	420,595

18. EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS (continued)

A quantitative sensitivity analysis for significant assumptions at 30 June 2020 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	(37,280)	43,302	42,272	(37,042)	213	(213)

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:

	2020	2019
	$	$
Within 1 year	**197,287**	617,855
1 – 5 years	**786,496**	784,365
After 5 years *	**7,906,863**	17,042,508
	8,890,646	18,444,728

* The expected payment after 5 years represents future undiscounted amount of benefits payable assuming all employees who reach retirement age (60 years) more than 5 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 12.3 years (2019: 17.1 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.

	2020	2019
	$	$
Movements in Rehabilitation Provision		
At 1 July	**781,703**	686,428
Provisions recognised – net	**409,023**	-
Provision utilised	**(11,460)**	-
Unwinding of discount	**66,220**	57,127
Foreign exchange translation (gain)/loss	**(36,902)**	38,148
At 30 June	**1,208,584**	781,703

19. CONTRIBUTED EQUITY

	2020	2020	2019	2019
	$	**Number**	$	Number
Ordinary Shares				
Issued and fully paid	**105,688,558**	**730,007,352**	105,688,558	730,007,352

There were no movements in ordinary shares on issue for the years ended 30 June 2020 and 30 June 2019.

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 2020 was 5,200,000 (2019: 10,200,000).

The total number of share performance rights on issue at 30 June 2020 was 789,115 (2019: 789,115).

20. RESERVES

Nature and purpose of reserves

Share-based payments reserve

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

Convertible loans reserve

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

General reserve

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

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.

Other capital reserve

The other capital reserve is used to record the minority shareholder's 14.7% interest in PTNM at 23 December 2014. The minority shareholder has legal ownership interest in PTNM of 15%; however its interest was reduced to 0.3% from December 2014 in the financial statements due to the accounting treatment of the limited recourse loans extended by the Group to the minority shareholder on 8 October 2013 and 23 December 2014 under AASB 2 *Share-Based Payment*.

21. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, loans, 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. At the reporting date, the Group had the following financial assets exposed to variable interest rate risk:

	2020	2019
	$	$
Financial Assets		
Cash and cash equivalents	**23,071,665**	4,314,202
Net exposure	**23,071,665**	4,314,202

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.

At 30 June 2020, 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)	
	2020	2019
Judgements of reasonably possible movements:	$	$
+2% (200 basis points)	**323,003**	86,284
-2% (200 basis points)	**(323,003)**	(86,284)

21. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

(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 2020, the Group had the following exposure to USD and IDR foreign currencies:

	2020	2019	2020	2019
	USD Denominated balances	USD Denominated balances	**IDR Denominated balances**	IDR Denominated balances
	A$	A$	**A$**	A$
Financial Assets				
Cash and cash equivalents	**21,597,087**	952,974	**234,893**	481,221
	21,597,087	952,974	**234,893**	481,221
Financial Liabilities				
Trade and other payables	**-**	-	**(626,236)**	(3,019,657)
Interest-bearing liabilities	**-**	-	**(91,222)**	(180,567)
	-	-	**(717,458)**	(3,200,224)
Net exposure	**21,597,087**	952,974	**(482,565)**	(2,719,003)

At 30 June 2020, had the Australian and US 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)	
	2020	**2019**
Judgements of reasonably possible movements:	**$**	$
A$/US$ +10% (2019: +5%)	**(1,374,360)**	(31,766)
A$/US$ -10% (2019: -5%)	**1,679,773**	35,110
US$/IDR +20% (2019: +15%)	**56,299**	247,866
US$/IDR +20% (2019: -15%)	**(84,449)**	(335,348)

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, economic forecaster's expectations and volatility experienced since the onset of COVID-19 pandemic;
- The reasonably possible movement of 10% and 20% was calculated by taking the foreign currency spot rate as at balance date, moving this spot rate by 10% and 20%; 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.

21. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

(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.

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.

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				
2020				
Trade and other payables	(2,280,565)	-	-	(2,280,565)
Interest-bearing liabilities				
- Lease liabilities	(89,720)	(7,256)	-	(96,976)
	(2,370,285)	**(7,256)**	**-**	**(2,377,541)**
2019				
Trade and other payables	(7,871,645)	-	-	(7,871,645)
Interest-bearing liabilities				
- Lease liabilities	(109,365)	(95,983)	-	(205,348)
	(7,981,010)	**(95,983)**	**-**	**(8,076,993)**

(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.

21. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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.

(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.

(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, 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.

	2020	2019
	$	$
Total borrowings*	**2,371,393**	8,052,212
Less: Cash and cash equivalents	**(23,071,665)**	(4,314,202)
Net (cash)/debt	**(20,700,272)**	3,738,010
Total equity	**55,096,456**	36,598,464
Total capital	**34,396,184**	40,336,474
Gearing ratio	**-**	10%

*Includes trade and other payables and interest-bearing 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. LEASES

Group as a lessee

The Group has lease contracts 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.

The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases.

The carrying amounts of right-of-use assets recognised and the movements during the year are set out in Note 12.

22. LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020
	$
At 1 July	180,567
Accretion of interest	19,328
Payments	(114,828)
Foreign exchange translation loss	5,761
At 30 June	90,828
Included in the financial statements as interest-bearing liabilities (Note 17):	
Current	83,744
Non-current	7,084
Total	**90,828**

The maturity analysis of lease liabilities is disclosed in Note 21(d).

The following are the amounts recognised in profit or loss:

	2020
	$
Depreciation expense of right-of-use assets	151,306
Interest expense on lease liabilities	19,328
Expense relating to short-term leases (included in cost of sales)	9,475,318
Expense relating to leases of low-value assets (included in administration expenses)	5,595
Total amount recognised in profit or loss	**9,651,547**

The Group had total cash outflows for leases of $114,828, comprising payments of principal $95,500 and interest $19,328, during the year.

The Group has lease contracts for various mining and support equipment that contains variable payments. The following provides information on the Group's variable lease payments, including the magnitude to fixed payments:

	Fixed Payments	Variable Payments
	$	$
Equipment	4,163,030	5,280,387
Office premises	37,496	-
	4,200,526	5,280,387

The Group has one lease contract that include an extension option for its Australian office premise. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised. The undiscounted potential future rental payments relating to periods following the exercise date of extension that are not included in the lease term:

	2020
	$
Within 5 years	49,995

The Group did not have leases that have not yet commenced but committed at reporting date.

23. INFORMATION RELATING TO SUBSIDIARIES

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

		Equity Interest	
Entity	Place of Incorporation	2020	2019
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 2020, the proportion of legal equity interest held by non-controlling interest was 15% (2019: 15%).

	2020	2019
	$	$
Accumulated balances of material non-controlling interest	**1,764,154**	1,712,735
Profit/(loss) allocated to material non-controlling interest	**53,728**	(49,749)

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

Summarised Income Statement	2020	2019
	$	$
Revenue from contracts with customers	**70,652,257**	32,006,179
Cost of sales	**(34,097,070)**	(35,070,779)
Other income	**2,386,962**	3,345,722
Administrative expenses	**(1,189,835)**	(1,265,140)
Other expenses	**(15,683,728)**	(10,253,979)
Finance costs	**(4,286,388)**	(5,326,608)
Profit/(Loss) from continuing operations before income tax	**17,782,198**	(16,564,605)
Income tax	**127,108**	(18,310)
Profit/(Loss) for the year from continuing operations after income tax	**17,909,306**	(16,582,915)
Total comprehensive income/(loss)	**17,893,913**	(17,862,247)
Attributable to non-controlling interest	**51,419**	(53,587)
Dividend paid to non-controlling interest	**-**	-

23. INFORMATION RELATING TO SUBSIDIARIES (continued)

Summarised Statement of Financial Position	2020	2019
	$	$
Current Assets	**14,320,737**	12,692,032
Non-Current Assets	**23,004,440**	34,986,646
Current Liabilities	**(58,822,192)**	(84,407,246)
Non-Current Liabilities	**(1,543,573)**	(3,324,793)
Total Capital Deficiency	**(23,040,588)**	(40,053,361)
Attributable to:		
Owners of the parent	**(24,804,742)**	(41,766,096)
Non-controlling interest	**1,764,154**	1,712,735

Summarised Cash Flow Information	2020	2019
	$	$
Operating	**23,789,052**	(1,816,962)
Investing	**(2,041,599)**	(1,602,110)
Financing	**(23,625,453)**	4,555,258
Net increase in cash and cash equivalents	**(1,878,000)**	1,136,186

24. PARENT ENTITY DISCLOSURES

	2020	2019
	$	$
Current Assets	**23,257,613**	7,782,806
Non-Current Assets	**21,064,322**	25,613,717
Total Assets	**44,321,935**	33,396,523
Current Liabilities	**(642,036)**	(816,613)
Non-Current Liabilities	**(52,576)**	(44,498)
Total Liabilities	**(694,612)**	(861,111)
Net Assets	**43,627,323**	32,535,412
Issued Capital	**105,688,558**	105,688,558
Accumulated Losses	**(70,502,950)**	(81,578,574)
Reserves	**8,441,715**	8,425,428
Total Shareholder's Equity	**43,627,323**	32,535,412
Profit of the parent entity	**11,075,623**	2,391,589
Total comprehensive income of the parent entity	**11,075,623**	2,391,589

Kingsrose has not entered into any guarantees in relation to the debts of its controlled entities during the years ended 30 June 2020 and 30 June 2019.

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

25. 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:

	2020	2019
	$	$
Options	**6,000**	83,600
Share performance rights	**10,287**	10,230
	16,287	93,830

(b) Incentive Option and Performance Rights Plan

The Company has an Incentive Option and Performance Rights Plan (IOPRP or Plan) which was approved by shareholders at the Annual General Meeting on 2 November 2018. 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.

	2020	2020	2019	2019
	Number	**WAEP**	Number	WAEP
Outstanding at the beginning of the year	**10,200,000**	**0.13**	9,550,000	0.23
Granted during the year	**1,000,000**	**0.06**	5,200,000	0.06
Exercised during the year	**-**	**-**	-	-
Lapsed/cancelled during the year	**(6,000,000)**	**0.18**	(4,550,000)	0.26
Outstanding at the end of the year	**5,200,000**	**0.06**	10,200,000	0.13
Exercisable at the end of the year	**5,200,000**	**0.06**	10,200,000	0.13

- Weighted average share price – No options were exercised during the years ended 30 June 2020 and 30 June 2019.
- Weighted average remaining contractual life – The weighted average remaining contractual life for the options outstanding as at 30 June 2020 is 1.73 years (2019: 1.59 years).
- Range of exercise price – The range of exercise prices for the options outstanding at the end of the year is $0.06 (2019: $0.06 to $0.20).
- Weighted average fair value – The weighted average fair value of options granted during the year ended 30 June 2020 was $0.01 (2019: $0.02)

25. SHARE-BASED PAYMENTS (continued)

- Valuation model – The fair value of the options granted was estimated at the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 30 June 2020:

Grant date	6 December 2019
Dividend yield	-
Share price at grant date	$0.027
Exercise price	$0.057
Expected volatility	64.6%
Risk-free interest rate	0.67%
Expiration period	3 years
Expiry date	6 December 2022
Binomial valuation per option	$0.006

- Modifications – The expiry dates of the options held by Mr Nguyen, who ceased employment with the Group on 31 May 2020, were amended from 6 December 2022 to 30 June 2020 on the date of his departure. There was no impact to the expense recognised for these options due to this change.

(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.

	2020	2019
	Number	Number
Outstanding at the beginning of the year	**789,115**	-
Granted during the year	**-**	789,115
Exercised during the year	**-**	-
Cancelled during the year	**-**	-
Outstanding at the end of the year	**789,115**	789,115
Exercisable at the end of the year	**-**	-

- Weighted average remaining contractual life – The weighted average remaining contractual life for the share performance rights outstanding as at 30 June 2020 is 1 year (2019: 2 years).
- Range of exercise price – The exercise price for the share performance rights outstanding at the end of the year is $Nil (2019: $Nil).
- Weighted average fair value – No share performance rights were granted during the year. The weighted average fair value of share performance rights granted during the previous year ended 30 June 2019 was $0.04 and was estimated using a Monte Carlo simulation model.

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

25. SHARE-BASED PAYMENTS (continued)

The performance condition for the share performance rights 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 2018 to 30 June 2021 (the Performance Period). The Company's TSR ranking within the Peer Group at the end of the Performance Period determines the number of performance rights that will vest on the following basis:

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

Share performance rights that do not vest will automatically lapse.

26. 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 23(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
		$	$	$
Drilling services (i)	**2020**	**2,516,263**	**-**	**-**
	2019	1,880,044	-	(1,880,110)
Consulting services (ii)	**2020**	**4,427**	**-**	**-**
	2019	12,913	-	(4,273)

(i) Drilling Services

PT Promincon Indonesia, an entity related to Dr Andrews (Interim Non-Executive Chairman), received $2,516,263 fees for drilling services provided to the Company's subsidiary, PTNM during the year (2019: $1,880,044). These fees are payable at a competitive commercial rate per drill metre compared to other tender companies. At 30 June 2020, no amount was owing to PT Promincon Indonesia (2019: $1,880,110).

26. RELATED PARTY DISCLOSURES (continued)

(b) Transactions with Related parties (continued)

(ii) Consulting Services

The Company paid $4,427 for consulting fees to Jem Resources Limited, an entity related to Mr Carlile, for professional services provided to the Group outside his normal Board duties during the year (2019: $12,913). The fees were paid at a fixed rate of U$1,000 per day in accordance with the consultancy agreement entered into on 15 March 2019. At 30 June 2020, no amount was owing to Mr Carlile (2019: $4,273).

(c) Compensation of Key Management Personnel

	2020	2019
	$	$
Short-term benefits	**1,291,449**	1,358,079
Post-employment benefits	**78,718**	58,298
Long-term benefits	**(37,091)**	33,413
Share-based payments	**16,287**	66,030
Total	**1,349,363**	1,515,820

Interests held by Key Management Personnel under the IOPRP

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

Issue Date	Expiry Date	WAEP	2020	Expiry Date	WAEP	2019
			Number Outstanding			Number Outstanding
Options						
FY 2019	**FY 2021 - FY 2022**	**$0.058**	**5,200,000**	FY 2021 - FY 2022	$0.058	5,200,000
Share Performance Rights						
FY 2019	**FY2021**	**-**	**789,115**	FY 2021	-	789,115

Details of the IOPRP are set out in Note 25.

27. 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% to 5.00% of the value of gold bullion sales and 3.25% of the value of silver bullion sales.

(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 Government of Indonesia (GOI). Each tranche is to be offered for sale at a fair market price to either an Indonesian government body or an Indonesian national.

On 27 August 2019, PTNM submitted to the Indonesian Mines Department its offer for sale a 22% equity in PTNM in accordance with the divestment schedule in the CoW. The offer included the first and second tranche of 15% equity offered for sale on 28 August 2018 that have not been taken up by the GOI. On 3 February 2020, PTNM received confirmation from the Indonesian Mines Department that the GOI will not exercise its option to purchase the 22% equity. As a result, the offer for sale of the 22% equity was submitted to the local government (i.e. provincial or municipal/regency governments), Indonesian state-owned enterprises, Indonesian regional government-owned enterprises and Indonesian private business entities. This is in progress at the date of this annual report.

On 29 June 2020, PTNM submitted a letter to the Indonesian Mines Department requesting a 12-month deferral of the next tranche of 7% equity in PTNM and previous tranches not taken up by the GOI (cumulatively 29%) to be offered for sale by 30 June 2020 in accordance with the divestment schedule in the CoW. A response from the Indonesian Mines Department has not been received at the date of this annual report.

(c) 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.

27. COMMITMENTS AND CONTINGENCIES (continued)

(c) Contingent Liabilities (continued)

The Supreme Court has rejected ITO's appeal and ruled in favour of PTNM in relation to six out of the eight 2010 VAT refund claims and all the 2011-2013 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 2020, the contingent liability is equivalent to $433,090 (2019: $1,995,933).

28. SUBSEQUENT EVENTS

There are no material subsequent events after the balance date.

29. AUDITOR'S REMUNERATION

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

	2020	2019
	$	$
Fees to Ernst & Young (Australia) for:		
(i) Auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	**120,700**	118,350
(ii) Other services		
- Tax compliance	**15,000**	15,000
Total fees to Ernst & Young (Australia)	**135,700**	133,350
Fees to other overseas member firms of Ernst & Young (Australia) for:		
(i) Auditing the financial report of any controlled entities	**88,546**	82,487
Total fees to overseas member firms of Ernst & Young (Australia)	**88,546**	82,487
Total auditor's remuneration	**224,246**	215,837

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 2020 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 2020.

On behalf of the Board

Michael Andrews
Chairman
18 September 2020

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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 2020, 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 2020 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 (including Independence Standards)* (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.

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.

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1. **Carrying value of the Way Linggo Project 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 31 December 2019 and 30 June 2020, the Group identified impairment indicators and performed an assessment of the recoverable value of the Way Linggo Project cash generating unit ("CGU"), including the relevant property, plant and equipment and mine properties, utilising a fair value less costs of disposal ("FVLCD") model. It was determined that the recoverable amount of the Way Linggo Project CGU, based on the FVLCD model, was lower than the carrying amount resulting in an impairment loss of $6.1 million being recorded as at 31 December 2019 with no further impairment recorded at 30 June 2020. Given the significance of the CGU value relative to the Group's total assets and the degree of judgement involved in assessing the recoverable value of the CGU, we consider this a key audit matter. As disclosed in Note 14 to 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 CGU, 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 ▶ 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.

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.	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 an assessment of the Group's cash-flow forecast models, enquiries with senior management and Directors as to the intentions and strategy of the Group

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Why significant	How our audit addressed the key audit matter
During the year the Group determined that there were indicators of impairment of the Mitra Jaya block and subsequently wrote off the full value totaling $2.1m. Given the significance of the capitalised exploration and evaluation assets relative to the Group's total assets and the degree of judgement involved in assessing whether any indicators of impairment exist, we consider this a key audit matter. Refer to Note 15 - Exploration and evaluation assets to the financial report for the amounts recorded in the consolidated statement of financial position as at 30 June 2020 and related disclosure.	► 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 ► Considered the Group's determination of the recoverable amount where impairment indicators were present. Assessed the adequacy of the related disclosures in the consolidated financial statements.

Information other than the financial statements and auditor's report

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 2020, 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.

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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.
- 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, actions taken to eliminate threats or safeguards applied.

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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 2020.

In our opinion, the Remuneration Report of Kingsrose Mining Limited for the year ended 30 June 2020, 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
18 September 2020

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Shareholder Information

The following information as required by ASX Listing Rules is current as at 31 August 2020.

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	366	176,573	0.02
1,001 – 5,000	702	2,149,616	0.29
5,001 – 10,000	388	3,187,167	0.44
10,001 – 100,000	901	33,671,855	4.61
100,001 and Over	380	690,822,141	94.64
Total		**730,007,352**	**100.00**

There are 1,564 shareholders holding less than a marketable parcel of shares in the Company.

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

Name	Number of Shares	% of Issued Capital
Citicorp Nominees Pty Limited	195,019,179	26.71
Mr Michael John Andrews	66,826,024	9.15
HSBC Custody Nominees (Australia) Limited	57,985,499	7.94
City Securities Ltd	54,328,098	7.44
National Nominees Limited	30,642,720	4.20
J P Morgan Nominees Australia Pty Limited	19,403,839	2.66
Goldcrest Corporation Pty Ltd <The John Morris S/Plan A/C>	13,100,000	1.79
BNP Paribas Nominees Pty Ltd <LGT Bank AG DRP>	11,196,228	1.53
Pegasus Corp (Aust) Pty Ltd <Xingfa Ma Family A/C>	10,000,000	1.37
Bond Street Custodians Limited <CPCPL - TU0022 A/C>	9,000,000	1.23
Mrs Anna Vorontsova	8,982,893	1.23
Mr Richard Arthur Lockwood	8,140,667	1.12
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	8,082,306	1.11
Cameron John French	8,000,000	1.10
Peter Bowman Nominees Pty Ltd <Peter Bowman Family A/C>	6,500,000	0.89
Just Greenery Pty Ltd <Green Family Super Fund A/C>	5,050,000	0.69
Ajava Holdings Pty Ltd	4,216,344	0.58
Idrawfast Qld Pty Ltd	4,202,165	0.58
City Securities Ltd	4,000,303	0.55
Mr Tze Min Goh	4,000,000	0.55
Mr Laurie Thomas Etherington & Mrs Wendy Etherington (Arcadia S/F A/C)	4,000,000	0.55
Total	**532,676,265**	**72.97**

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	71,388,435	9.78
Grimpeur Holdings Limited	56,893,039	7.79
Rex Harbour and Associates	54,729,940	7.50

OPTIONS

5,200,000 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	1,200,000	$0.060	26 November 2021	2
Employee Options	4,000,000	$0.057	29 April 2022	2
Total	**5,200,000**			

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/.

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www.kingsrosemining.com.au