



**KINGSROSE**  
MINING LIMITED

**Annual Report**  
**2019**

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<b>Corporate Directory .....</b>	<b>1</b>	<b>Consolidated Statement of Financial Position .....</b>	<b>33</b>
<b>Chairman's Letter .....</b>	<b>2</b>	<b>Consolidated Statement of Cash Flows.....</b>	<b>34</b>
<b>Review of Operations .....</b>	<b>3</b>	<b>Consolidated Statement of Changes in Equity .....</b>	<b>35</b>
<b>Way Linggo Project Mineral Resource.....</b>	<b>12</b>	<b>Notes to the Financial Statements .....</b>	<b>37</b>
<b>Directors' Report.....</b>	<b>14</b>	<b>Directors' Declaration .....</b>	<b>85</b>
<b>Auditor's Independence Declaration .....</b>	<b>30</b>	<b>Independent Audit Report .....</b>	<b>86</b>
<b>Consolidated Income Statement .....</b>	<b>31</b>	<b>Shareholder Information .....</b>	<b>91</b>
<b>Consolidated Statement of Comprehensive Income.....</b>	<b>32</b>		

## Corporate Directory

### Directors

Michael Andrews	Non-Executive Chairman
John Morris	Non-Executive Director
Grant Mills	Non-Executive Director
John Carlile	Non-Executive Director

### Company Secretary

Karen O'Neill

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### Home Stock Exchange

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Perth WA 6000  
ASX Code: KRM

### Australian Business Number

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# Chairman's Letter

Dear Shareholders

On behalf of the Directors, I am pleased to present the 2019 Annual Report for Kingsrose Mining Limited.

The past financial year saw your company make strong progress on several fronts. The operational performance at our Way Linggo Project in Sumatra, Indonesia improved significantly, reaching the point where our processing facility was being utilised at its full design capacity.

By the end of the financial year, we had two open pits in operation - Way Linggo and Talang Santo. Unfortunately, some of the shine was taken off these achievements by the wall failure at the Way Linggo pit in late June. While this will impact our production in the first quarter of the 2020 financial year, I am pleased to confirm that no one was injured in the incident and no equipment was damaged. Access to the pit was re-established during July and full mining resumed in August.

Operational improvements reflected the investment in stripping for a deeper cut back at the Way Linggo pit and opening the Talang Santo pit during the first half of the year. The second half of the year saw the Company capitalise on that investment and report successive quarters of improved production, lower costs and increasing cash on hand.

A programme of resource definition and resource extension drilling was undertaken in and around the Talang Santo open pit. This programme, which was completed in July 2019, has provided a better understanding of the ore body and will help drive our future decisions on an open pit expansion.

As part of our renewed focus on exploration, we also undertook regional exploration drilling with a particular emphasis on the Rawa Gabus, Talang Toha and Talang Samin prospect areas. The results of this work and other regional exploration surveys we completed are being compiled and reviewed to drive further exploration drilling during the 2020 financial year.

We believe that the progress made during the past year will result in consistent production over the latter three quarters of the current financial year, including having the processing plant running at full capacity.



We will also work towards a resumption of underground mining at Talang Santo. As part of this strategy a deep drilling programme is in progress to increase confidence in the potential underground resources below and along strike from the Talang Santo open pit.

The depth potential beneath the Way Linggo mine remains untested. Deep drill holes are also to be drilled below the Way Linggo workings to determine the extent of mineralisation at depth.

I would like to thank our skilled management team and dedicated employees across all aspects of the business for the contributions they have made towards achieving these results over the past year.

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 course of the new 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 4<sup>th</sup> 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 2019 financial year, production was sourced from both the Way Linggo and Talang Santo open pits with a total of 18,815 ounces of gold produced and 16,299 ounces sold at an average gold price of A\$1,786 per ounce. Revenue of A\$29,117,741 was realised.

The cash operating costs<sup>1</sup> for the period were US\$1,230 per ounce and the all-in sustaining costs of production<sup>2</sup> were US\$1,415 per ounce.

		September 2018 Quarter	December 2018 Quarter	March 2019 Quarter	June 2019 Quarter	FY2019
<b>Mine Production</b>						
<b>WAY LINGGO</b>						
Waste	bcm	531,785	386,275	335,810	310,151	1,564,020
Ore Mined	t	11,283	12,318	13,839	16,747	54,186
Mine Grade (Gold)	g/t	6.5	7.6	8.1	6.5	7.2
Mine Grade (Silver)	g/t	80	106	102	78	91
<b>TALANG SANTO</b>						
Waste	bcm	-	128,038	180,855	346,566	655,459
Ore Mined	t	-	4,603	8,020	12,833	25,457
Mine Grade (Gold)	g/t	-	6.4	7.8	10.6	8.9
Mine Grade (Silver)	g/t	-	11	22	33	26
<b>TOTAL</b>						
Waste	bcm	531,785	514,312	516,665	656,717	2,219,479
Ore Mined	t	11,283	16,922	21,859	29,580	79,643
Mine Grade (Gold)	g/t	6.5	7.3	8.0	8.3	7.7
Mine Grade (Silver)	g/t	80	80	73	58	70
Gold in Ore Mined	oz	2,358	3,980	5,631	7,871	19,840
Silver in Ore Mined	oz	28,963	43,700	51,106	55,336	179,104
<b>ORE PROCESSED</b>						
Tonnes Milled	t	11,479	16,031	22,702	29,123	79,335
Head Grade (Gold)	g/t	6.6	7.4	7.9	8.4	7.8
Head Grade (Silver)	g/t	79	81	73	58	70
Recovery (Gold)	%	95.6	92.9	95.3	94.9	94.7
Recovery (Silver)	%	84.8	87.2	85.9	85.6	85.9
Gold Produced	oz	2,318	3,556	5,471	7,469	18,815
Silver Produced	oz	24,890	36,594	45,640	46,699	153,823
<b>COSTS OF PRODUCTION</b>						
Cash Operating Costs <sup>1</sup>	US\$/oz	2,200	1,380	1,036	999	1,230
All-In Sustaining Costs of Production <sup>2</sup>	US\$/oz	2,582	1,637	1,190	1,113	1,415

<sup>1</sup> Cash operating costs (C1) are mine production costs less by-product credits, adjusted for inventory movements.

<sup>2</sup> 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.

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# 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 1.18 (2018: 1.37). The 12-month moving average Total Recordable Injury Frequency Rate for the site is 4.71 (2018: 4.78).

## Way Linggo Open Pit Mine

The Way Linggo open pit mined 54,186 ore tonnes at 7.2g/t Au and 91g/t Ag for the year (2018: 86,166t at 8.0g/t Au and 75g/t Ag). Total waste removed from the pit was 1,564,020 bcm (2018: 1,084,014 bcm).

Extra cutbacks were added to the original design of the Way Linggo open pit extending the pit beyond the initial mine plan and last year's reported mid-2019 estimate. Mining at the Way Linggo open pit is currently scheduled to continue until December 2019 and gold production from both the Way Linggo and Talang Santo ore stockpile is set to continue until June 2020. An assessment is underway of the economics of deepening the pit in a further cutback, extending its life beyond December 2019.



The first half of the year saw high strip ratios while a major cutback was undertaken. Unplanned material movement also added to the waste volume as a result of a wall slip that occurred late in the first quarter. The second half of the year witnessed the return to good production volumes at lower strip ratios. This resulted in successive quarters of increased production, lower unit costs and higher revenue. The open pit ore mined in the year was sourced from remnant underground stope pillars and other material from the previous underground workings.





## Review of Operations

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 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 and movement in the walls was monitored. The slip impacted production for the quarter as mining in this pit ceased. Production was delayed for four weeks in the first quarter of the 2020 financial year and mining in the pit was delayed by three weeks while the ground stability was assessed. An estimated 4,000 gold ounces will remain buried under the defensive buttress at the base of the slippage, which will impact planned production in the first half of the 2020 financial year and impairment assessment at balance date. Refer to Note 14 to the Financial Statements for details of impairment testing.

The previous underground mining at Way Linggo stopped at 175 metres below the surface and there is strong potential for further mineralisation below the previous underground mine. Deep diamond drill holes to test below the underground workings are scheduled for November 2019 once rigs with sufficient depth capacity become available from the Talang Santo deep drilling programme.

### Talang Santo Mine

The Talang Santo open pit produced 25,457 ore tonnes at 8.9g/t Au and 26g/t Ag for the year. Total waste moved from the pit was 655,459 bcm.

Underground production at Talang Santo was progressively suspended from mid-October 2017 due to the adverse impacts of the inflow of groundwater and poor ground conditions, continued underperformance and unsustainably high costs. The plan for an open pit on the previously mined underground ore body was implemented with the open pit extracting upper levels of the remnant ore pillars and areas of the mine that were left behind.

The preliminary approval received in June 2018 allowed pre-mining development works to begin at Talang Santo. Construction of a new 80-person camp, office blocks, sediment ponds, a waste dump and associated infrastructure was completed by October 2018. Mining approval was granted for the commissioning of the Talang Santo open pit in late October 2018 and the mine began waste stripping in November 2018. Ore production began the same month with final delivery of the government decrees in January 2019.



# Review of Operations

High grade ore was encountered near surface and reinterpretation of the ore body began immediately. Talang Santo pit delivered quarter-on-quarter increased production, lower unit costs and higher revenue. However, reconciliations to the resource model proved to be inconsistent and as a result, the pit design for Talang Santo was refined and scaled back in April 2019. This smaller pit provided higher confidence that the mine production would be delivered in the short term while a resource definition drilling programme was commenced. The current pit design takes mining to December 2019 and gold production from the Way Linggo and Talang Santo stockpiled ore is set to continue to June 2020.

To better inform production scheduling in this open pit, an aggressive resource definition diamond drilling programme began in May 2019 focusing within the current pit boundary as well as potential near-pit resource extensions around Talang Santo. This drilling finished in late July 2019 and the data has been collated into the new draft resource model. Pit optimisation incorporating this data is to be completed in the first quarter of the 2020 financial year. This review will evaluate opportunities to enlarge and deepen the current pit further into the remnant underground works and extend the pit life beyond December 2019.

A deep diamond drilling programme to increase confidence in resources beneath the previous deepest level of underground mining at Talang Santo began in late July 2019. During this first phase of drilling, 20 holes are planned (totalling approximately 7,000 metres) and drilling is expected to be completed in November 2019.

Concurrently, options for a new underground mine beneath the existing underground works at Talang Santo is being assessed, including the costs and overall feasibility. The initial study will be completed by the end of November 2019 and will underpin decisions on any new underground mine and further deep drilling phases for Talang Santo.

## Exploration

The Way Linggo Project encompasses an area of 100km<sup>2</sup> and is located adjacent to the prolifically mineralised Trans-Sumatran Fault, which is part of the Pacific Rim of Fire. The area is considered highly prospective for low sulphidation epithermal gold-silver deposits with several multi-million-ounce deposits located on it.

The northern part of the CoW was the subject of a BLEG (Bulk Leach Extractable Gold) infill sampling programme, mapping, soil sampling, trenching, auger sampling, CSAMT (controlled source audio frequency magnetotellurics) and XRD alteration mineral analysis programmes. This work identified numerous prospective areas of interest for follow up to define drill targets. Three of these areas, Rawa Gabus, Talang Toha and Talang Samin were targeted with scout diamond drilling programmes during the year.

Surface diamond drilling undertaken at Rawa Gabus, located about 2.3km south-east from the Talang Santo mine, included 18 holes with a total depth of 4,338m and were completed during the months of October 2018 to February 2019. The intent was to define the vein geometry and gold / silver grade and distribution over the quartz-calcite stockwork veins at the prospect.

The Talang Toha and Talang Samin prospects are near the Talang Santo mine. Geological mapping, geochemical sampling and CSAMT geophysics survey showed that combined resistivity and multi-element geochemical anomalies correlated with poorly exposed veining, stockworks and alteration systems having potential to extend to significant depths. A series of six diamond drill holes, totaling 1,086 metres, were completed at Talang Toha and Talang Samin between September and November 2018.

This limited drilling programme did not highlight near-term potential targets. All the regional and prospect level exploration data are being collated into a detailed database to create a pipeline of high-value targets in coming years.



# Review of Operations

## 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.

## 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.

PTNM's 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.





# Review of Operations

## 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

The Company has laid foundations for twin production sources from its single asset base, and the strategy for the business remains simple and focussed. All key pieces of due diligence have been set in motion to provide supportable data for clear and informed decision making in the future. Pit development, exploration and resource definition drilling and ground works have been financed by the operations, and every effort will be made to deliver a long-term and low-cost mining operation which extracts full value for all stakeholders.

The Way Linggo Project holds enormous exploration potential, with the broader Project area remaining highly prospective and under explored for additional low sulphidation epithermal gold deposits.

Open cut activities at the Way Linggo Mine are planned to continue into the 2020 financial year focusing on safely recovering stope pillars and remnant material from the Way Linggo underground mine. This open pit mine does have limited life, with strip ratios increasing as the pit deepens, and the strategy is to ensure the Company gets the most out of this pit safely at depth. There is strong potential for further mineralisation below the previous underground mine which will be tested by deep drilling during the 2020 financial year.

The open pit mine at Talang Santo is continually being optimised, taking into consideration the prospective gold price. Recent drilling at Talang Santo has identified a possibility of expanding the current designed open pit and this is being assessed. Historic deep drill holes beneath the underground workings at Talang Santo confirmed the potential for high grade extensions of mineralisation at depth, however this drilling was too widely spaced to confidently model resources. Four diamond drill rigs are currently undertaking drilling programme to increase confidence in these resources and to define JORC compliant resources for future underground mine planning. A study is in progress to review a safe, cost-effective mining method to return underground at the highly prospective Talang Santo site.





# Review of Operations

## FINANCIAL REVIEW

	2015	2016	2017 (Restated)	2018 (Restated)	2019
	\$	\$	\$	\$	\$
Sales Revenue	33,198,589	31,663,847	21,317,781	44,056,921	<b>32,006,179</b>
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation – EBITDA <sup>1</sup>	22,245,302	5,224,497	(41,640,238)	11,346,494	<b>(10,574,476)</b>
Earnings/(Loss) Before Interest & Tax – EBIT <sup>2</sup>	17,209,185	(1,713,930)	(49,110,504)	8,267,182	<b>(12,810,535)</b>
Net Profit/(Loss) After Tax	10,485,507	(1,957,241)	(61,176,220)	7,474,579	<b>(14,038,798)</b>
Earnings/(Loss) Per Share	0.0248	(0.0044)	(0.1199)	0.0104	<b>(0.0196)</b>
Net Operating Cash Flows	9,750,099	2,685,388	(1,178,097)	9,445,670	<b>(4,216,947)</b>
Total Assets	105,601,669	104,093,456	55,216,322	59,785,134	<b>49,533,540</b>
Net Assets	86,199,737	85,807,054	33,790,028	52,113,312	<b>36,598,464</b>

<sup>1</sup> EBITDA has been calculated by adding back interest, tax, depreciation and amortisation.

<sup>2</sup> EBIT has been calculated by adding back interest and tax.

Note: EBITDA and EBIT are non-IFRS measures and are unaudited. These measures are used in order to provide more meaningful information for the users of the Group's financial information and to allow users to assess the Group's performance relative to other companies in the industry.

### Income Statement

The Group recorded a net loss after tax for the year ended 30 June 2019 of \$14,038,798 (2018: net profit after tax \$7,474,579), largely impacted by the following significant items:

- Sales revenue for the year ended 30 June 2018 was \$32,006,179, down from \$44,056,921 on the corresponding period in 2018, primarily driven by a reduction of 7,781 ounces of gold sold. This 32% reduction in gold sales volume was due to various factors such as the impact of the planned high strip ratio, unplanned extra material moved and above 5-year average rainfall on mining productivity at the Way Linggo open pit, and the impact of an extended shutdown period at the refinery during the Indonesian festive holidays in June 2019 on sales realisation. The reduction in gold sold was partially offset by a 7% increase in realised gold price, which saw an average increase in revenue of A\$118 per ounce of gold sold in comparison to the 2018 reporting period.
- In addition to the impact on revenue, the planned high strip ratio and unplanned extra material moved at the Way Linggo open pit have a significant impact on total cost of sales for the year. Despite the lower production, total cost of sales increased by \$7,064,179 in comparison to the corresponding period in 2018 largely driven by an increase in load and haul costs at the Way Linggo open pit and due to commencement of the Talang Santo open pit operations in November 2018.
- Other income increased by \$1,144,776 due to a higher net foreign exchange gain being recorded during the year (2019: \$3,829,336, 2018: \$2,604,210), aided by the strengthening of the US dollar against the Australian dollar.
- Non-cash impairment loss of \$4,403,131 was recognised in relation to the Way Linggo Project assets (included in other expenses). The impairment was the result of changes in the mine plans that resulted in a decrease in mine life. The Company is currently undertaking studies to extend the lives of the Way Linggo and Talang Santo open pits and drilling programmes to firm up the underground resources at both mines.
- A write off of \$4,806,450 was recognised in relation to the Group's exploration and evaluation assets (included in other expenses).

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# Review of Operations

## Financial Position

At 30 June 2019 the Group's net assets were \$36,598,464 (2018: \$52,113,312).

### Assets

At reporting date, the Group's total current assets were \$14,571,464, which represents a reduction of \$3,701,892 for the year ended 30 June 2019. This movement was primarily driven by a decrease of \$5,753,517 in cash and cash equivalents and \$1,705,912 in trade and other receivables, and an increase of \$3,321,528 in inventories held.

Non-current assets of the Group stood at \$34,962,076 at balance date, \$6,549,702 lower than 30 June 2018, largely due to a decrease in mine properties and development of \$3,874,178 as a result of impairment charge recognised during the year and a decrease in exploration and evaluation assets of \$1,942,485. This impact was partially offset by an increase in other receivables.

### Liabilities

At reporting date, the Group's total liabilities were \$12,935,076, which represents an increase of \$5,263,254 over the year ended 30 June 2018. This was primarily driven by an increase in trade and other payables and provision for employee entitlements.

## Group Cash Flows and Liquidity

At 30 June 2019 the Group held cash and cash equivalents of \$4,314,202 (2018: \$10,067,719) and had trade receivables of \$Nil (2018: \$2,586,411) and bullion on hand of \$8,125,856<sup>1</sup> (2018: \$2,261,481)<sup>2</sup>. The Group's total cash, trade receivables and bullion balance at 30 June 2019 was \$12,440,058 (2018: \$14,915,611).

Cash flow from operating activities for the year ended 30 June 2019 were a net cash outflow of \$4,216,947, primarily driven by lower gold sales and higher operating costs during the year.

Cash flow from investing activities decreased by \$1,305,104 mainly as a result of no expenditure spent on mine development following the suspension of the Talang Santo underground mine operations in October 2017.

Cash flow from financing activities for the year ended 30 June 2019 related solely to repayment of hire purchase agreements.

<sup>1</sup> Bullion on hand at 30 June 2019 – 3,749 oz Au and 27,766 oz Ag calculated using LBMA spot price at 30 June 2019.

<sup>2</sup> Bullion on hand at 30 June 2018 – 1,174 oz Au and 12,852 oz Ag calculated using LBMA spot price at 30 June 2018.

## CORPORATE

### Board Changes

Following the resignation of Non-Executive Chairman Roderick McIllree in December 2018, Non-Executive Director Michael Andrews assumed the role of Interim Non-Executive Chairman.

In February 2019, Managing Director Paul Jago resigned from the Board and John Carlile, a highly experienced exploration geologist, was appointed to the Board as a Non-Executive Director. It is expected that Mr Carlile's skills and experience will be invaluable to the Company to unlock the full value of its Way Linggo Project.

### Management Restructure

The Company underwent a significant management restructure during the year with the resignation and appointment of several key executives.

The management restructure was completed in May 2019 with the appointment of Karen O'Neill as Chief Executive Officer, Chloe Lam as Chief Financial Officer and John Nguyen as PTNM General Manager.

Ms O'Neill, who commenced in September 2018 as Chief Financial Officer and Joint Company Secretary, replaced Stuart Bodey, who has filled the role of interim Chief Executive Officer from March to May 2019 following the resignation of Managing Director Mr Jago in February 2019.

General Manager - Corporate and Company Secretary, Joanna Kiernan resigned in July 2018 and Susan Hunter was appointed Company Secretary for an interim period from July to September 2018 and Joint Company Secretary from September to December 2018.

PTNM General Manager, Michael McCracken resigned in February 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.



# Way Linggo Project Mineral Resource

As at 30 June 2019, the Total Mineral Resource for the Way Linggo Project was 1.47 million tonnes @ 7.3 g/t Au and 30 g/t Ag for 343,000 ounces of gold and 1,410,000 ounces of silver.

For both Talang Santo and Way Linggo deposits the underlying Mineral Resource models reported are the same as those reported at 30 June 2018, with the differences being attributable to reduction due to mining activities (extraction and sterilisation) undertaken during the intervening period.

## 2019 Way Linggo Project Mineral Resource

Category	Tonnes (Kt)	Gold (Au) g/t	Au Ounces (Koz)	Silver (Ag) g/t	Ag Ounces (Koz)
<b>Talang Santo</b>					
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
<b>Way Linggo</b>					
Measured	-	-	-	-	-
Indicated	207	7.9	53	78	520
Inferred	85	4.6	13	36	98
Subtotal	292	6.9	66	65	618
<b>GRAND TOTAL</b>	<b>1,471</b>	<b>7.3</b>	<b>343</b>	<b>30</b>	<b>1,410</b>

## 2018 Way Linggo Project Mineral Resource

Category	Tonnes (Kt)	Gold (Au) g/t	Au Ounces (Koz)	Silver (Ag) g/t	Ag Ounces (Koz)
<b>Talang Santo</b>					
Measured	205	10.5	69	24	160
Indicated	286	11.1	102	20	185
Inferred	701	5.0	112	20	459
Subtotal	1,192	7.4	283	21	804
<b>Way Linggo</b>					
Measured	-	-	-	-	-
Indicated	257	8.1	67	79	653
Inferred	97	4.7	14	37	116
Subtotal	354	7.2	81	68	769
<b>GRAND TOTAL</b>	<b>1,545</b>	<b>7.3</b>	<b>364</b>	<b>32</b>	<b>1,573</b>



# Way Linggo Project Mineral Resource

## Mineral Resource Governance and Internal Controls

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

## Competent Persons Statement

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

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

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# 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 2019.

## Directors

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

Name and Qualification	Experience, Special Responsibilities and Other Directorships
<b>Michael Andrews</b>	
BSc (Hons), PhD, FAusIMM, FSEG	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 President and COO of Southern Arc Minerals Inc and President and COO of Japan Gold Corp, exploration companies listed on the Toronto Venture Exchange.
Interim Non-Executive Chairman Appointed: 5 December 2018	
Non-Executive Director Appointed: 16 August 2017 Resigned: 4 December 2018	Dr Andrews was a Founding Director of Kingsrose and played an instrumental role in the discovery, exploration, feasibility and development of its Way Linggo Gold Mine in Indonesia and he has been closely involved with the development of a number of other gold mines in Southeast Asia.
	Dr Andrews also held the positions of Executive Director and Chief Geologist of Aulron 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.
	None.
Special Responsibilities	
<b>John Carlile</b>	
BSc (Honours) Geology, MSc DIC in Mineral Exploration, FAusIMM	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.
Independent Non-Executive Director Appointed: 4 February 2019	
	He is currently a Non-Executive Director of Southern Arc Minerals Inc and a Director and Executive Vice President of Japan Gold Corp, all public exploration companies listed on the Toronto Venture Exchange.
Special Responsibilities	None.



## Directors' Report

### 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.

### Grant Mills

Independent Non-Executive Director  
Appointed: 16 August 2017

Mr Grant Mills holds an Associate Diploma in Mining and Mineral Technology from the Western Australian School of Mines and has extensive experience in the mining industry having held previous roles at Great Central Mines and at the Granny Smith Gold Mine. Mr Mills has broad ranging commercial experience across a wide range of industries, including mining and manufacturing particularly in Asia.

Mr Mills has held no other Directorships in public listed companies in the last three years.

Special Responsibilities

None.

### Roderick McIlree

BSc (Geology), Grad Dip (Mineral Economics), MAusIMM

Independent Non-Executive Chairman  
Appointed: 16 August 2017  
Resigned: 5 December 2018

Mr Roderick McIlree is a corporate geologist. A graduate of Curtin University School of Mines he has spent decades working in frontier locations during which time he has gained a global perspective of commodities. Mr McIlree has held numerous technical roles at a range of companies with a particular focus on gold in the broader Asia-Pacific region. Mr McIlree has extensive capital markets experience having successfully raised funds for mining and exploration companies with assets both within Australia and overseas.

Mr McIlree is the Managing Director of AIM listed Blue Jay Mining Plc and has held this position since 8 December 2015.

Special Responsibilities

None.

### Paul Jago

B.Eng  
Managing Director  
Appointed: 23 November 2017  
Resigned: 4 February 2019

Mr Paul Jago is a mining engineer with more than 21 years' operational and management experience across a diverse range of operations and commodities both in Australia and overseas. He has held senior management positions with a number of companies including MACA Ltd, Gold Stallion Resources and over ten years in various roles at Kalgoorlie Consolidated Gold Mines. Mr Jago has had extensive experience in the management of large open pit operations to small operations from pre-feasibility through to production.

Mr Jago was a Non-Executive Director of Coolgardie Minerals Limited from 14 May 2012 to 21 December 2018.

Special Responsibilities

None.

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# Directors' Report

## Company Secretary

### Karen O'Neill

BCompt Accounting & Auditing, MBA in Strategic Management, ACIS, GAICD

Appointed: 24 September 2018

Ms Karen O'Neill has over 20 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 qualified Member of the Governance Institute of Australia and the Australian Institute of Company Directors.

Ms O'Neill has held no other Directorships in public listed companies in the last three years.

Prior to the appointment of Ms O'Neill, Susan Hunter was the Company Secretary for an interim period from 16 July to 31 December 2018 following Joanna Kiernan's resignation on 16 July 2018.

### Principal Activities

The principal activity of the Company for the year ended 30 June 2019 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 2019, including details of the results of operations, changes in the state of affairs, and likely developments in the operation of the Company in subsequent financial years are set out on pages 3 to 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.

### Dividends

No dividends were declared or paid during the financial year.

### Subsequent Events

There are no material subsequent events after the balance date.

### Directors' Meetings

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

Director	Directors' Meetings		Meetings of Committees			
	Eligible	Attended	Remuneration <sup>1</sup>		Audit <sup>2</sup>	
			Eligible	Attended	Eligible	Attended
Michael Andrews	10	10	-	-	-	-
John Morris	10	10	-	-	-	-
Grant Mills	10	10	-	-	-	-
John Carlile	3	3	-	-	-	-
Paul Jago	7	7	-	-	-	-
Roderick McIlree	5	4	-	-	-	-

<sup>1</sup>The Remuneration Committee was suspended with effect from 29 April 2016.

<sup>2</sup>The Audit Committee was suspended with effect from 29 April 2016.



# Directors' Report

## 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	-
John Morris	13,100,000	-
Grant Mills	410,000	-
John Carlile	-	-

## 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	5,000,000	\$0.200	25 November 2019
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 2019:

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

The following share performance rights were issued during the financial year ended 30 June 2019:

Instrument	Number	Exercise Price	Expiry Date
Share Performance Rights	789,115	-	30 June 2021

## SECURITIES LAPSED OR CANCELLED

The following securities lapsed during the financial year ended 30 June 2019:

Instrument	Number Under Option	Exercise Price	Expiry Date
Options	3,550,000	\$0.26	18 November 2018
Options	1,000,000	\$0.27	8 March 2019

## 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 2019 reporting period.

## INSURANCE OF OFFICERS

During the financial year, the Company paid a premium of \$22,534 (2018: \$19,793) 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.

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# Directors' Report

## 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.

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# Directors' Report

## REMUNERATION REPORT (AUDITED)

### INTRODUCTION

This report for the year ended 30 June 2019 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
<b>Non-Executive Directors</b>		
Michael Andrews	Interim Non-Executive Chairman (formerly Non-Executive Director)	Full financial year (appointed Interim Non-Executive Chairman on 5 December 2018)
John Morris	Non-Executive Director	Full financial year
Grant Mills	Non-Executive Director	Full financial year
John Carlile	Non-Executive Director	Appointed 4 February 2019
Roderick McIlree	Non-Executive Chairman	Ceased 5 December 2018
<b>Executives</b>		
Karen O'Neill	Chief Executive Officer	Appointed 6 May 2019
	Chief Financial Officer & Company Secretary	Appointed 24 September 2018, Ceased Chief Financial Officer position 6 May 2019
Chloe Lam	Chief Financial Officer	Appointed 6 May 2019
Ivan Kusnadi	PTNM President Director	Full financial year
John Nguyen	PTNM General Manager	Appointed 1 June 2019
Paul Jago	Managing Director	Ceased 4 February 2019
Stuart Bodey	Interim Chief Executive Officer	Appointed 6 March 2019, Ceased 6 May 2019
Joanna Kiernan	General Manager - Corporate & Company Secretary	Ceased 16 July 2018
Michael McCracken	PTNM General Manager	Ceased 28 February 2019

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.

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# Directors' Report

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.

## Directors' Report

For the year ended 30 June 2019, the KPIs chosen for the Executives aligned remuneration with performance and the overall objectives of the Group and included:

- Achievement of the FY2019 budget with particular emphasis on safety, cost management and production; and
- Achievement of personal KPIs.

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

All Executives were entitled to STI bonus in the 2019 financial year, except for Ms Kiernan who left the Company in July 2018, Mr Bodey who assumed the role of Chief Executive Officer for an interim period and Mr Nguyen who was employed after the STI bonus was suspended. The STI bonus was suspended in May 2019 while the Company undertakes a strategic review of its operations.

### FY2019 STI Bonus Outcomes

Executives	Maximum STI bonus opportunity	% STI bonus paid/payable <sup>1</sup>	STI bonus paid/payable
Paul Jago	40% of base salary	-	-
Karen O'Neill	25% of base salary	-	-
Chloe Lam	25% of base salary	-	-
Ivan Kusnadi	25% of base salary	5.581%	\$13,651 <sup>2</sup>
Michael McCracken	25% of base salary	-	-

<sup>1</sup> STI bonus not paid is forfeited.

<sup>2</sup> Amount related to meeting individual KPI of achieving the permitting timetable, has vested during the year and paid in March 2019 prior to suspension of the STI bonus.

### 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 5,200,000 options were issued to Executives.

### 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 <sup>2</sup> \$	Value of Options Exercised During the Year \$
<b>Executives</b>										
Karen O'Neill	600,000	26-Nov-18	\$0.023	\$0.060	26-Nov-18	26-Nov-21	600,000	-	13,800	-
	3,000,000	29-Apr-19	\$0.014	\$0.057	29-Apr-19	29-Apr-22	3,000,000	-	42,000	-
Chloe Lam <sup>1</sup>	600,000	26-Nov-18	\$0.023	\$0.060	26-Nov-18	26-Nov-21	600,000	-	13,800	-
	1,000,000	29-Apr-19	\$0.014	\$0.057	29-Apr-19	29-Apr-22	1,000,000	-	14,000	-
	-	18-Nov-15	\$0.074	\$0.260	18-Nov-15	18-Nov-18	-	300,000	-	-
Ivan Kusnadi	-	18-Nov-15	\$0.074	\$0.260	18-Nov-15	18-Nov-18	-	300,000	-	-

<sup>1</sup> The options were awarded to Ms Lam as Financial Controller of the Company, prior to becoming a KMP (Chief Financial Officer) on 6 May 2019.

<sup>2</sup> 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 24 to the Financial Statements.

# Directors' Report

## 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.

During the year, a total of 789,115 share performance rights were issued to an Executive.

The share performance rights issued during the year will not vest (and the underlying shares will not be issued) unless performance conditions have been satisfied. The performance condition attached to these rights will be measured by comparing the Company's TSR with that of a comparator group of companies from 1 July 2018 to 30 June 2021.

The comparator group of companies consists of a selected group of ASX listed companies focussed on gold exploration and/or production that have a market capitalisation of one third, to three times that of Kingsrose's market capitalisation.

In addition, the share performance rights will not vest if the Executive ceases to be an employee prior to vesting date unless the Board exercise its discretion to vest the share performance rights.

The number of share performance rights that will vest is dependent upon the Company's percentile ranking within the comparator group on the relevant vesting date as follows:

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

## Share Performance Rights Granted, Vested and Lapsed During the Year

Executive	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 Rights Granted During the Year <sup>1</sup>	Value of Rights Exercised During the Year
									\$	\$
Karen O'Neill	789,115	26-Nov-18	\$0.039	-	30-Jun-21	30-Jun-21	-	-	30,775	-

<sup>1</sup> Determined at date of grant in accordance with AASB 2. For details on the valuation of the share performance rights, including models and assumptions used, refer to Note 24 to the Financial Statements.



# Directors' Report

## 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:

	2015	2016	2017	2018	2019
EPS (cents/share)					
- Basic	2.48	(0.44)	(11.99)	1.04	<b>(1.96)</b>
- Diluted	2.48	(0.44)	(11.99)	1.04	<b>(1.96)</b>
Share Price	\$0.28	\$0.15	\$0.10*	\$0.066	<b>\$0.038</b>

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

In the 2019 financial year, EPS contracted primarily driven by the recognition of non-cash impairment charge on the Way Linggo Project assets of \$4,403,131, write off of \$4,806,450 in relation to its exploration and evaluation assets in addition to the increase in operating costs.

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# Directors' Report

## EXECUTIVE REMUNERATION

The table below represents the total remuneration (both fixed and variable) paid or payable to Executives of the Group during the 2019 and 2018 financial years:

		Short-Term					Post	Long-Term	Share-	Total	Proportion of
		Salary & Fees	Cash Bonus	Annual Leave Benefits	Non-Monetary Benefits	Consulting Fees	Employment	Long Service Leave Benefits	Based Payments		Remuneration Performance Related
		\$	\$	\$	\$	\$	\$	Options & Rights <sup>10</sup>	\$	%	
<b>Executive Directors</b>											
Paul	2019	291,667	-	21,090	-	-	27,708	(1,365)	-	339,100	-
Jago <sup>1</sup>	2018	276,427	10,000	20,642	4,000	-	27,211	1,365	-	339,645	-
John Morris <sup>2</sup>	2019	-	-	-	-	-	-	-	-	-	-
	2018	18,952	-	-	-	-	1,800	-	-	20,752	-
<b>Other Executives</b>											
Karen O'Neill <sup>3</sup>	2019	181,536	-	(704)	-	-	17,246	1,101	66,030	265,209	4%
	2018	-	-	-	-	-	-	-	-	-	-
Chloe Lam <sup>4</sup>	2019	30,108	-	2,110	-	-	2,860	1,422	-	36,500	-
	2018	-	-	-	-	-	-	-	-	-	-
Ivan Kusunadi <sup>5</sup>	2019	244,618	13,651	406	14,041	-	-	55,023	-	327,739	4%
	2018	197,938	12,697	3,776	22,951	-	-	-	-	237,362	5%
John Nguyen <sup>6</sup>	2019	23,333	-	-	-	-	2,217	-	-	25,550	-
	2018	-	-	-	-	-	-	-	-	-	-
Stuart Bodey <sup>7</sup>	2019	-	-	-	-	112,500	-	-	-	112,500	-
	2018	-	-	-	-	-	-	-	-	-	-
Joanna Kiernan <sup>8</sup>	2019	7,021	-	532	-	-	667	(22,768)	-	(14,548)	-
	2018	200,913	-	9,801	-	-	19,087	11,915	-	241,716	-
Michael McCracken <sup>9</sup>	2019	220,800	-	-	-	-	-	-	-	220,800	-
	2018	201,600	18,622	-	-	183,300	-	-	-	403,522	5%
<b>Total</b>	<b>2019</b>	<b>999,083</b>	<b>13,651</b>	<b>23,434</b>	<b>14,041</b>	<b>112,500</b>	<b>50,698</b>	<b>33,413</b>	<b>66,030</b>	<b>1,312,850</b>	
<b>Total</b>	<b>2018</b>	<b>895,830</b>	<b>41,319</b>	<b>34,219</b>	<b>26,951</b>	<b>183,300</b>	<b>48,098</b>	<b>13,280</b>	<b>-</b>	<b>1,242,997</b>	

<sup>1</sup> Mr Jago was appointed Chief Executive Officer on 1 August 2017 and became the Managing Director on 23 November 2017. He received a sign-on bonus of \$10,000 on commencement of his employment. Mr Jago 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.

<sup>2</sup> Mr Morris was the Executive Chairman until he assumed the role of a Non-Executive Director on 16 August 2017. Total remuneration received as the Non-Executive Director in the 2019 and 2018 financial years is set out in the Non-Executive Director Remuneration section of the Remuneration Report.

<sup>3</sup> Ms O'Neill was appointed Chief Financial Officer & Company Secretary on 24 September 2018 and became the Chief Executive Officer on 6 May 2019.

<sup>4</sup> Ms Lam was appointed on 6 May 2019.

<sup>5</sup> The cash bonus received by Mr Kusunadi during the year related to his achievement of the permitting timetable. The amount has vested and paid in March 2019.

<sup>6</sup> Mr Nguyen was appointed on 1 June 2019.

<sup>7</sup> 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.

<sup>8</sup> Ms Kiernan was appointed General Manager - Corporate on 1 July 2017 in addition to her existing role as Company Secretary and resigned on 16 July 2018.

<sup>9</sup> Mr McCracken was appointed on 1 February 2017 and resigned on 28 February 2019. From February to November 2017, Mr McCracken had no formal agreement between himself and the Company. His remuneration during this period was by way of a service agreement with a mining consultancy firm for services provided to the Company invoiced on a daily rate basis.

<sup>10</sup> Details of performance conditions for the options and share performance rights are outlined in the Executive Remuneration Framework section of the Remuneration Report. The amount included as remuneration relating to options and share performance rights is not related to or indicative of the benefit (if any) that the individual may ultimately realise. The fair value of these options and share performance rights as at their date of grant was determined in accordance with AASB 2 *Share-Based Payment* applying valuation models. Details of the assumptions underlying the valuations are set out in Note 24 to the Financial Statements.



## EXECUTIVE 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.

### Paul Jago

#### Managing Director (Ceased 4 February 2019)

- Appointed Chief Executive Officer on 1 August 2017 before Mr Jago was appointed Managing Director on 23 November 2017;
- Initial three-month term, extended for a further two years and nine months;
- Initial salary of \$286,000 per annum inclusive of statutory superannuation commencing 1 August 2017 which was increased to base salary of \$350,000 per annum plus statutory superannuation on 1 February 2018;
- Sign-on bonus of \$10,000;
- Life insurance and income protection insurance policies; and
- Three months' notice of termination required by either party except in the event of summary dismissal.

### Karen O'Neill

#### Chief Financial Officer & Company Secretary (Appointed 24 September 2018, Ceased Chief Financial Officer position 6 May 2019)

#### Chief Executive Officer (Appointed 6 May 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; and
- Three months' notice of termination required by either party except in the event of summary dismissal from 6 May 2019.

### Ivan Kusnadi

#### PTNM President Director

- Appointed acting PTNM President Director from 16 June 2017 pending Indonesian Mines Department approval (obtained 9 April 2018);
- Two-year term commencing 9 April 2018; 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 (Appointed 1 June 2019)

- 12-month term; and
- Base salary of \$280,000 per annum plus statutory superannuation;
- One month notice of termination required by either party except in the event of summary dismissal

### Michael McCracken

#### General Manager PTNM (Ceased 28 February 2019)

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

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# Directors' Report

## 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 2019 and 2018 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		%
		\$	\$	\$	\$	\$		
<b>Non-Executive Directors</b>								
Michael Andrews <sup>1,7,8</sup>	2019	56,340	-	-	-	-	56,340	-
	2018	21,900	-	-	-	-	21,900	-
John Morris <sup>2,8</sup>	2019	40,000	-	-	3,800	-	43,800	-
	2018	20,000	-	-	1,900	-	21,900	-
Grant Mills <sup>3,8</sup>	2019	40,000	-	-	3,800	-	43,800	-
	2018	20,000	-	-	1,900	-	21,900	-
John Carlile <sup>4,7</sup>	2019	17,859	-	12,913	-	-	30,772	-
	2018	-	-	-	-	-	-	-
Roderick McIlree <sup>5,7,8</sup>	2019	28,258	-	-	-	-	28,258	-
	2018	32,850	-	-	-	-	32,850	-
Andrew Spinks <sup>6</sup>	2019	-	-	-	-	-	-	-
	2018	3,790	-	-	360	-	4,150	-
<b>Total</b>	<b>2019</b>	<b>182,457</b>	<b>-</b>	<b>12,913</b>	<b>7,600</b>	<b>-</b>	<b>202,970</b>	
<b>Total</b>	<b>2018</b>	<b>98,540</b>	<b>-</b>	<b>-</b>	<b>4,160</b>	<b>-</b>	<b>102,700</b>	

<sup>1</sup> Dr Andrews was appointed on 16 August 2017 and assumed the role of Interim Non-Executive Chairman on 5 December 2018.

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

<sup>3</sup> Mr Mills was appointed on 16 August 2017.

<sup>4</sup> Mr Carlile was appointed on 4 February 2019.

<sup>5</sup> Mr McIlree was appointed on 16 August 2017 and resigned on 5 December 2018.

<sup>6</sup> Mr Spinks resigned on 16 August 2017.

<sup>7</sup> As non-residents for Australian tax purposes, Dr Andrews, Mr Carlile and Mr McIlree 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.

<sup>8</sup> No fees were paid to the Non-Executive Directors from their date of appointment of 16 August 2017 to 31 December 2017. Following a successful restructure of the Group's operations and re-listing of the Company's securities on the ASX, the Board resolved on 19 February 2018 that payment of fees would commence with effect from 1 January 2018.



## Directors' Report

### 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 2018	Granted as Remuneration	On Exercise of Options/Share Performance Rights	Net Change Other	Balance at 30 June 2019
<b>Executive Director</b>					
Paul Jago	-	-	-	-	-
<b>Non-Executive Directors</b>					
Michael Andrews	66,826,024	-	-	4,562,411 <sup>1</sup>	71,388,435
John Morris	9,600,000	-	-	3,500,000 <sup>1</sup>	13,100,000
Grant Mills	10,000	-	-	400,000 <sup>1</sup>	410,000
John Carlile	-	-	-	-	-
Roderick McIlree	22,900,000	-	-	(22,900,000) <sup>2</sup>	-
<b>Other KMP</b>					
Karen O'Neill	-	-	-	-	-
Chloe Lam	-	-	-	-	-
Ivan Kusnadi	-	-	-	-	-
John Nguyen	-	-	-	-	-
Stuart Bodey	-	-	-	-	-
Joanna Kiernan	-	-	-	-	-
Michael McCracken	-	-	-	-	-
<b>Total</b>	<b>99,336,024</b>	<b>-</b>	<b>-</b>	<b>(14,437,589)</b>	<b>84,898,435</b>

<sup>1</sup> Represents change by virtue of shares acquired via an on-market or off-market transaction.

<sup>2</sup> Represents net change by virtue of shares acquired on the market and resignation.

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# Directors' Report

## 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 2018	Granted as Remuneration	Options Exercised	Net Change Other	Balance at 30 June 2019	Not Vested and Not Exercisable	Vested and Exercisable
<b>Executive Director</b>							
Paul Jago	-	-	-	-	-	-	-
<b>Non-Executive Directors</b>							
Michael Andrews	-	-	-	-	-	-	-
John Morris	-	-	-	-	-	-	-
Grant Mills	-	-	-	-	-	-	-
John Carlile	-	-	-	-	-	-	-
Roderick McIlree	-	-	-	-	-	-	-
<b>Other KMP</b>							
Karen O'Neill	-	3,600,000	-	-	3,600,000	-	3,600,000
Chloe Lam	-	-	-	1,600,000 <sup>1</sup>	1,600,000	-	1,600,000
Ivan Kusnadi	300,000	-	-	(300,000) <sup>2</sup>	-	-	-
John Nguyen	-	-	-	-	-	-	-
Stuart Bodey	-	-	-	-	-	-	-
Joanna Kiernan	300,000	-	-	(300,000) <sup>3</sup>	-	-	-
Michael McCracken	-	-	-	-	-	-	-
<b>Total</b>	<b>600,000</b>	<b>3,600,000</b>	<b>-</b>	<b>1,000,000</b>	<b>5,200,000</b>	<b>-</b>	<b>5,200,000</b>

<sup>1</sup> Represents number held at date of appointment as Chief Financial Officer.

<sup>2</sup> Represents number of options lapsed.

<sup>3</sup> Represents change by virtue of resignation.

## 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 2018	Granted as Remuneration	Rights Exercised	Rights Cancelled	Balance at 30 June 2019	Not Vested	Vested
<b>Executive Director</b>							
Paul Jago	-	-	-	-	-	-	-
<b>Non-Executive Directors</b>							
Michael Andrews	-	-	-	-	-	-	-
John Morris	-	-	-	-	-	-	-
Grant Mills	-	-	-	-	-	-	-
John Carlile	-	-	-	-	-	-	-
Roderick McIlree	-	-	-	-	-	-	-
<b>Other KMP</b>							
Karen O'Neill	-	789,115	-	-	789,115	789,115	-
Chloe Lam	-	-	-	-	-	-	-
Ivan Kusnadi	-	-	-	-	-	-	-
John Nguyen	-	-	-	-	-	-	-
Stuart Bodey	-	-	-	-	-	-	-
Joanna Kiernan	-	-	-	-	-	-	-
Michael McCracken	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>789,115</b>	<b>-</b>	<b>-</b>	<b>789,115</b>	<b>789,115</b>	<b>-</b>

# Directors' Report

## 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 \$1,880,044 fees for drilling services provided to the Company's subsidiary, PTNM during the year. These fees are payable at a competitive commercial rate per drill metre compared to other tender companies. At 30 June 2019, \$1,880,110 was owing to PT Promincon Indonesia (2018: \$45,881).

#### *John Carlile*

The Company paid \$12,913 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. The fees were paid at a fixed rate of US\$1,000 per day in accordance with the consultancy agreement entered into on 15 March 2019. At 30 June 2019, \$4,273 was owing to Mr Carlile (2018: \$Nil).

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 2019 is on page 30. This declaration forms part of the Directors' Report.

### Non-Audit Services

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

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

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



Michael Andrews  
Chairman  
17 September 2019



# Auditor's Independence Declaration



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

As lead auditor for the audit of the financial report of Kingsrose Mining Limited for the financial year ended 30 June 2019, 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

Philip Teale  
Partner  
17 September 2019

# Consolidated Income Statement

For The Year Ended 30 June 2019

		2019	2018 (Restated)
	Note	\$	\$
<b>Continuing operations</b>			
Revenue from contracts with customers	4(a)	32,006,179	44,056,921
<b>Total revenue</b>		<b>32,006,179</b>	44,056,921
Cost of sales	5(a)	(35,070,779)	(28,006,600)
<b>Gross (loss)/profit</b>		<b>(3,064,600)</b>	16,050,321
Other income	5(b)	3,879,252	2,734,476
Administration expenses	5(c)	(3,321,292)	(3,575,182)
Other expenses	5(d)	(10,253,979)	(6,478,036)
Finance costs	5(e)	(104,696)	(401,537)
(Loss)/Profit from continuing operations before income tax		(12,865,315)	8,330,042
Income tax expense	6(a)	(1,173,483)	(855,463)
<b>Net (loss)/profit for the year</b>		<b>(14,038,798)</b>	7,474,579
<b>(Loss)/Profit for the year is attributable to:</b>			
Owners of the parent		(13,989,049)	7,453,135
Non-controlling interest		(49,749)	21,444
		(14,038,798)	7,474,579
<b>Earnings per share attributable to the ordinary equity holders of the parent:</b>			
Basic (loss)/earnings per share – cents per share	7	(1.96)	1.04
Diluted (loss)/earnings per share – cents per share	7	(1.96)	1.04

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

# Consolidated Statement Of Comprehensive Income

For The Year Ended 30 June 2019

	2019	2018 (Restated)
	\$	\$
<b>Net (loss)/profit for the year</b>	<b>(14,038,798)</b>	7,474,579
<b>Other comprehensive (loss)/income</b>		
<i>Items that may be reclassified to profit and loss in subsequent periods</i>		
Foreign currency translations attributable to parent entity interest	(1,511,273)	(824,233)
Income tax effect	-	-
	<b>(1,511,273)</b>	<b>(824,233)</b>
<i>Items that may not be reclassified to profit and loss in subsequent periods</i>		
Foreign currency translations attributable to non-controlling interest	(3,679)	23,094
Re-measurement adjustments on defined benefit obligations	(73,238)	(148,226)
Income tax effect	18,310	44,893
	<b>(58,607)</b>	<b>(80,239)</b>
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(1,569,880)</b>	<b>(904,472)</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>(15,608,678)</b>	6,570,107
<b>Total comprehensive (loss)/income for the year is attributable to :</b>		
Owners of the parent	(15,555,091)	6,525,877
Non-controlling interest	(53,587)	44,230
	<b>(15,608,678)</b>	6,570,107

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



# Consolidated Statement Of Financial Position

As At 30 June 2019

		2019	2018	As at 1 July
	Note	\$	(Restated) \$	2017 \$
<b>Current Assets</b>				
Cash and cash equivalents	9	4,314,202	10,067,719	5,933,935
Trade and other receivables	10	2,226,754	3,932,666	1,331,689
Inventories	11	7,381,790	4,060,262	4,931,899
Other		648,718	212,709	152,300
<b>Total Current Assets</b>		<b>14,571,464</b>	<b>18,273,356</b>	<b>12,349,823</b>
<b>Non-Current Assets</b>				
Trade and other receivables	10	3,148,402	2,336,644	4,541,385
Plant and equipment	12	4,564,905	6,109,702	6,715,549
Mine properties and development	13	10,741,451	14,615,629	14,248,946
Exploration and evaluation assets	15	16,507,318	18,449,803	17,360,619
<b>Total Non-Current Assets</b>		<b>34,962,076</b>	<b>41,511,778</b>	<b>42,866,499</b>
<b>TOTAL ASSETS</b>		<b>49,533,540</b>	<b>59,785,134</b>	<b>55,216,322</b>
<b>Current Liabilities</b>				
Trade and other payables	16	7,871,645	4,204,092	6,970,853
Interest-bearing liabilities	17	90,671	104,704	108,892
Income tax payable		550,159	320,620	6,366,109
Employee entitlements and other provisions	18	1,053,310	579,170	396,430
<b>Total Current Liabilities</b>		<b>9,565,785</b>	<b>5,208,586</b>	<b>13,842,284</b>
<b>Non-Current Liabilities</b>				
Interest-bearing liabilities	17	89,896	130,350	45,388
Other financial liabilities		-	-	4,738,576
Employee entitlements and other provisions	18	3,279,395	2,332,886	2,800,046
<b>Total Non-Current Liabilities</b>		<b>3,369,291</b>	<b>2,463,236</b>	<b>7,584,010</b>
<b>TOTAL LIABILITIES</b>		<b>12,935,076</b>	<b>7,671,822</b>	<b>21,426,294</b>
<b>NET ASSETS</b>		<b>36,598,464</b>	<b>52,113,312</b>	<b>33,790,028</b>
<b>EQUITY</b>				
Equity attributable to equity holders of the parent				
Contributed equity	19	105,688,558	105,688,558	93,764,241
Reserves	20	7,975,574	9,393,017	10,388,390
Accumulated losses		(78,778,403)	(64,734,585)	(72,084,695)
		<b>34,885,729</b>	<b>50,346,990</b>	<b>32,067,936</b>
Non-controlling interest	22(b)	1,712,735	1,766,322	1,722,092
<b>TOTAL EQUITY</b>		<b>36,598,464</b>	<b>52,113,312</b>	<b>33,790,028</b>

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

# Consolidate Statement of Cash Flows

For The Year Ended 30 June 2019

		2019	2018
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		34,592,629	41,470,471
Payments to suppliers and employees		(39,126,382)	(35,513,639)
VAT refund received		1,222,516	3,992,003
Interest received		63,977	24,731
Interest and other finance costs paid		(47,569)	(44,439)
Income tax paid		(922,118)	(483,457)
<b>Net cash flows (used in)/from operating activities</b>	9(a)	<b>(4,216,947)</b>	9,445,670
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(824,352)	(934,427)
Proceeds from sale of plant and equipment		43,092	51,637
Payment for mine properties and development		-	(1,401,535)
Payment for exploration and evaluation expenditure		(821,487)	(623,526)
<b>Net cash flows used in investing activities</b>		<b>(1,602,747)</b>	(2,907,851)
<b>Cash flows from financing activities</b>			
Transaction costs related to convertible loans		-	(96,612)
Repayment of borrowings	9(b)	-	(2,250,000)
Repayment of hire purchase agreements	9(b)	(118,516)	(119,753)
<b>Net cash flows used in financing activities</b>		<b>(118,516)</b>	(2,466,365)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,938,210)</b>	4,071,454
Cash and cash equivalents at beginning of the year		10,067,719	5,933,935
Effects of exchange rate changes on cash and cash equivalents held		184,693	62,330
<b>Cash and cash equivalents at end of the year</b>	9	<b>4,314,202</b>	10,067,719

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 2019

	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
<b>At 1 July 2018 (As previously stated)</b>	<b>105,688,558</b>	<b>8,331,600</b>	<b>83,407</b>	<b>(2,040,906)</b>	-	<b>(57,491,891)</b>	<b>54,570,768</b>	<b>(2,457,456)</b>	<b>52,113,312</b>
Restatement of prior periods (see note 2(c)(iii))	-	-	14,425	(397,999)	3,402,490	(7,242,694)	(4,223,778)	4,223,778	-
<b>At 1 July 2018 (Restated)</b>	<b>105,688,558</b>	<b>8,331,600</b>	<b>97,832</b>	<b>(2,438,905)</b>	<b>3,402,490</b>	<b>(64,734,585)</b>	<b>50,346,990</b>	<b>1,766,322</b>	<b>52,113,312</b>
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)
<b>Transactions with owners in their capacity as owners:</b>									
Share-based payments	-	93,830	-	-	-	-	93,830	-	93,830
<b>At 30 June 2019</b>	<b>105,688,558</b>	<b>8,425,430</b>	<b>97,832</b>	<b>(3,950,178)</b>	<b>3,402,490</b>	<b>(78,778,403)</b>	<b>34,885,729</b>	<b>1,712,735</b>	<b>36,598,464</b>

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



# Consolidated Statement Of Changes In Equity

For The Year Ended 30 June 2018

	Issued Capital	Share- Based Payments Reserve	Convertible Loans Reserve	General Reserve	Foreign Currency Translation Reserve	Other Capital Reserve	Accumulated Losses	Owners of the Parent	Non- Controlling Interest	Total
<b>At 1 July 2017</b>	<b>93,764,241</b>	<b>8,310,283</b>	<b>192,457</b>	<b>83,407</b>	<b>(1,302,701)</b>	-	<b>(63,624,908)</b>	<b>37,422,779</b>	<b>(3,451,272)</b>	<b>33,971,507</b>
<b>(As previously stated)</b>										
Restatement of prior periods (see note 2(c)(iii))	-	-	-	14,425	(311,971)	3,402,490	(8,459,787)	(5,354,843)	5,173,364	(181,479)
<b>At 1 July 2017 (Restated)</b>	<b>93,764,241</b>	<b>8,310,283</b>	<b>192,457</b>	<b>97,832</b>	<b>(1,614,672)</b>	<b>3,402,490</b>	<b>(72,084,695)</b>	<b>32,067,936</b>	<b>1,722,092</b>	<b>33,790,028</b>
Net profit for the year (Restated – see note 2(c)(iii))	-	-	-	-	-	-	7,453,135	7,453,135	21,444	7,474,579
Other comprehensive loss for the year (Restated – see note 2(c)(iii))	-	-	-	-	(824,233)	-	(103,025)	(927,258)	22,786	(904,472)
Total comprehensive income/(loss) for the year	-	-	-	-	(824,233)	-	7,350,110	6,525,877	44,230	6,570,107
<b>Transactions with owners in their capacity as owners:</b>										
Conversion of loans	11,731,860	-	-	-	-	-	-	11,731,860	-	11,731,860
Equity component of loans converted	192,457	-	(192,457)	-	-	-	-	-	-	-
Share-based payments	-	21,317	-	-	-	-	-	21,317	-	21,317
<b>At 30 June 2018</b>	<b>105,688,558</b>	<b>8,331,600</b>	-	<b>97,832</b>	<b>(2,438,905)</b>	<b>3,402,490</b>	<b>(64,734,585)</b>	<b>50,346,990</b>	<b>1,766,322</b>	<b>52,113,312</b>

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

# Notes to the Financial Statements

For The Year Ended 30 June 2019

<b>NOTE NUMBER</b>		<b>PAGE</b>
1	Corporate Information	38
2	Summary of Significant Accounting Policies	38
3	Operating Segments	54
4	Revenue from Contracts with Customers	55
5	Expenses	56
6	Income Tax	58
7	Earnings Per Share	60
8	Dividends Paid and Proposed	60
9	Cash and Cash Equivalents	61
10	Trade and Other Receivables	63
11	Inventories	63
12	Plant and Equipment	64
13	Mine Properties and Development	65
14	Impairment Testing of Non-Current Assets	65
15	Exploration and Evaluation Assets	66
16	Trade and Other Payables	67
17	Interest-Bearing Liabilities	67
18	Employee Entitlements and Other Provisions	67
19	Contributed Equity	70
20	Reserves	70
21	Financial Instruments and Capital Risk Management	71
22	Information Relating to Subsidiaries	76
23	Parent Entity Disclosures	77
24	Share-Based Payments	78
25	Related Party Disclosures	80
26	Commitments and Contingencies	82
27	Subsequent Events	84
28	Auditor's Remuneration	84

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 1. CORPORATE INFORMATION

The financial report of Kingsrore Mining Limited (“Kingsrore” or the “Company”) and its controlled entities (the “Group”) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 17 September 2019. The directors have the power to amend and reissue the financial report.

Kingsrore (the “Parent”) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. Kingsrore 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.

The financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional statement of financial position at 1 July 2017 is presented in these consolidated financial statements due to retrospective restatement in relation to the loans extended to a non-controlling interest. See Note 2(c)(iii).

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 the Group incurred a net loss for the year of \$14,038,798 including non-cash impairment and write offs of \$9,209,581, cash outflow from operations of \$4,216,947 and had net working capital of \$5,005,679. The Group has prepared a 12-month cash flow forecast which indicates positive cash flows from 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 2018. AASB 9 *Financial Instruments* and AASB15 *Revenue from Contracts with Customers* were applied for the first time. The nature and effect of the changes as a result of these new accounting standards are described below. Several other amendments and interpretations apply for the first time on 1 July 2018, but do not have an impact on the consolidated financial statements of the Group.

#### AASB 9 *Financial Instruments* (AASB 9)

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139), bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The



# Notes to the Financial Statements

For The Year Ended 30 June 2019

accounting policies have been updated to reflect the application of AASB 9 for the period from 1 July 2018. See Note 2(g) for details of the new accounting policy for financial assets.

## Measurement and classification

Under AASB 9, debt instruments are subsequently measured at fair value through profit and loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets, and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the SPPI criterion).

At date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 July 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139 (i.e. prior to 1 July 2018)	New measurement category under AASB 9 (i.e. from 1 July 2018)	Carrying value at 30 June 2018 under AASB 139
Cash at bank and on hand	Loans and receivables	Financial assets at amortised cost	\$5,414,722
Short-term deposits	Loans and receivables	Financial assets at amortised cost	\$4,652,997
Trade receivables	Loans and receivables	Financial assets at amortised cost	\$2,586,411
Other receivables	Loans and receivables	Financial assets at amortised cost	\$152,245
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	\$4,204,092

The change in classification of financial instruments has not resulted in any re-measurement adjustments at 1 July 2018.

## Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss (ECL) if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

At 1 July 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the Group concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. Based on historical and expected losses, the application of the ECL model had no significant impact on the Group.

The result of the assessment is as follows:

Items existing at 1 July 2018 that are subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance recognised on 1 July 2018 (\$)
Cash at bank and short-term deposits	All balances are assessed to have low credit risk as they are either on demand or have short term maturities and held with reputable financial institutions with high credit ratings.	-
Trade and other receivables	The Group has applied the simplified approach and concluded that the lifetime ECL for these assets would be negligible due to the short term maturity and therefore no additional loss allowance was required at 1 July 2018.	-

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## Hedge accounting

The Group has not applied hedge accounting.

## *AASB 15 Revenue from Contracts with Customers (AASB 15)*

The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 15, the Group has adopted the standard using the full retrospective approach.

AASB 15 supersedes AASB 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 1 July 2017 and at 1 July 2018 all existing sales contracts were assessed, and it was determined that the adoption of AASB 15 had no significant impact on the Group. For bullion sales, most of this 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 and credited to the metal account, and the Group provides notice to the customer to purchase the outturned fine metal. As all performance obligations are satisfied at that time, there are no remaining performance obligations under the contract. The transaction price is determined when the Group provides the notice to the customer to purchase the outturned fine metal and there are no further adjustments to this price. See Note 2(f) for details of the new accounting policy for revenue from contracts with customers.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2019 are outlined in the following table.

Reference	Title	Summary	Application date of standard	Application date for Group	Impact on Group financial report
AASB 16	Leases	AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees.	1 January 2019	1 July 2019	<p>The Group plans to adopt AASB 16 using the modified retrospective approach at date of initial application, i.e. it will apply the Standard from 1 July 2019, the cumulative impact of adoption will be recognised at 1 July 2019 and comparatives will not be restated.</p> <p>The Group will elect to use the exemptions proposed by the Standard on lease contracts for which the lease terms ends within 12 months as of date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment such as IP phones and multi-function printers that are considered of low value.</p> <p>The Standard will affect primarily the accounting for the Group's operating leases. At 30 June 2019, the Group had non-cancellable operating lease commitments of \$1,404,113 (refer Note 26(c)).</p> <p>Based on work completed to date, the Group expects that there will not be a significant impact on the Group's financial statements on adoption of this Standard.</p>

# Notes to the Financial Statements

For The Year Ended 30 June 2019

Reference	Title	Summary	Application date of standard	Application date for Group	Impact on Group financial report
2018-2	Amendments to Australian Accounting Standards – Plan, Amendment, Curtailment or Settlement	<p>This Standard amends AASB 119 Employee Benefits to specify how an entity accounts for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments:</p> <ul style="list-style-type: none"> <li>Require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event occurs;</li> <li>Clarify that when such an event occurs, an entity recognises the past service cost or a gain or loss on settlement separately from its assessment of the asset ceiling.</li> </ul>	1 January 2019	1 July 2019	The impact on adoption of this Standard has not been fully assessed by the Group.

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

### (iii) Restatement of prior periods

In December 2013 and December 2014, USD loans were extended to a non-controlling interest (minority shareholder) in PTNM. The funds were used to subscribe for new shares in PTNM in order for the minority shareholder to retain his 15% interest pursuant to the governing Shareholder Agreement. The loans are unsecured and repayable by the minority shareholder via the Company's retention of 80% of the minority shareholder's entitlement to PTNM dividends until the loans are repaid in full. Interest is charged at LIBOR plus 5% per annum. Interest not paid on due date is capitalised and bears interest at the same rate as the loans.

On assessing the impact of AASB 9 on the Group, the accounting for these arrangements was reassessed. Given the limited recourse nature of these loans, it was concluded that these transactions are more appropriately accounted for in the scope of AASB 2 *Share-Based Payment*. As a result, the legal loan net of impairment amounted to \$Nil at 30 June 2018 (\$Nil at 30 June 2017) has been derecognised, associated interest income and foreign exchange movements on the legal loan reversed, share-based payments amounting to \$1,815,450 (\$1,074,450 at 23 December 2014 and \$741,000 at 8 October 2013) recognised and the minority shareholder's interest in PTNM adjusted to reflect the minority shareholder's present ownership interest in PTNM (0.3% from December 2014 and 0.7% from December 2013).

The Group previously classified these loans as loans and receivables under AASB 139 and recognised interest income on the loans and an allowance for impairment loss on the receivables.

The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on the consolidated income statement – increase/(decrease)	30 June 2018
	\$
Interest income	(424,711)
Net gain on foreign exchange	(19,096)
Allowance for impairment loss on other receivables	625,286
<b>Net impact on profit for the period</b>	<b>181,479</b>
Attributable to:	
Owners of the parent	1,232,283
Non-controlling interest	(1,050,804)

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## Impact on basic and diluted earnings per share (EPS) – increase/(decrease)

	30 June 2018
	\$
Earnings per share attributable to the ordinary equity holders of the parent:	
Basic earnings per share	0.17
Diluted earnings per share	0.17

## Impact on the consolidated statement of comprehensive income – increase/(decrease)

	30 June 2018
	\$
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods</i>	
Foreign currency translations attributable to parent entity interest	(86,028)
<i>Items that may not be reclassified subsequently to profit or loss in subsequent periods</i>	
Foreign currency translations attributable to non-controlling interest	86,028
<b>Net impact on other comprehensive income</b>	-
Attributable to:	
Owners of the parent	(86,028)
Non-controlling interest	86,028

## Impact on the consolidated statement of financial position – increase/(decrease)

	30 June 2018	1 July 2017
	\$	\$
Reserves		
- Foreign currency translation reserve	(397,999)	(311,971)
- General reserve	14,425	14,425
- Other capital reserve	3,402,490	3,402,490
Accumulated losses	(7,242,694)	(8,459,787)
Non-controlling interest	4,223,778	5,173,364
<b>Net impact on equity</b>	-	(181,479)

The change did not have an impact on the Group's operating, investing and financing cash flows.

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 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.

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Revenue from contracts with customers (new policy applied from 1 July 2018 due to adoption of AASB 15)

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 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 (new policy applied from 1 July 2018 due to adoption of AASB 9)

#### 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 market place (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:

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

### 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) Financial assets (policy applied prior to adoption of AASB 9)

#### Trade and other receivables

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

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

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

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Inventories

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

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

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

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

### (j) Property, plant and equipment

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

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

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

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

Assets are depreciated from the date 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.

### (k) Mine properties and development

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

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



# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Exploration and evaluation assets

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

- (i) such costs are expected to be recouped through successful development and exploration of the area of interest or, by its sale; or
- (ii) exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable Ore Reserves, Mineral Resources and active operations in relation to the area are continued.

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

### (m) Impairment of non-current assets

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

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

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

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

### (n) Trade and other payables

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

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Loans and borrowings

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

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

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

#### Borrowing costs

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

### (p) Employee benefits

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

#### Short-term benefits

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

#### Long-term benefits

The long-term employee benefits within the Group relate to liabilities for long service leave of 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.

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Employee benefits (continued)

#### Share-based payments

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

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

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

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

### (r) Leases

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

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

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

### (s) Income tax and other taxes

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

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

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

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

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Income tax and other taxes (continued)

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

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

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

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

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

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

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

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

#### Other taxes

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

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

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

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



# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Provisions

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

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

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

### (u) Provisions for decommissioning and restoration costs

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

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

### (v) Contributed equity

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

### (w) Earnings per share

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

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

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

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

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x) Operating segments

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

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

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

#### (i) Impairment of non-current assets

##### Cash-generating unit (CGU)

The recoverable amount of a CGU is determined as the higher of value in use and fair value less costs of disposal.

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

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

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

Refer to Note 14 for impairment testing of the Group's CGU at 30 June 2019.

##### 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 2019.

#### (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 2019, the Group has net deferred tax assets of \$25,864,992 (2018: \$19,706,934) 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.

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (iii) Provision for Indonesian employee termination benefits

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

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

#### (iv) Provisions for decommissioning and restoration costs

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

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

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

#### (v) Share-based payments

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

#### (vi) VAT contingent liabilities

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

#### (z) Comparatives

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

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 3. OPERATING SEGMENTS

### Identification of reportable segments

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

### Types of products

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

### Accounting policies

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

### Major customers

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

	2019		2018	
	Revenue	% of External Revenue	Revenue	% of External Revenue
	\$	%	\$	%
Customer A	31,592,945	99	43,190,275	98

### 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.

	2019	2018
	\$	\$
Australia	31,592,945	43,190,275
Indonesia	413,234	755,113
British Virgin Islands	-	111,533
<b>Total revenue</b>	<b>32,006,179</b>	<b>44,056,921</b>

### Analysis of location of non-current assets

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

	2019	2018
	\$	\$
Australia	50,359	11,859
Indonesia	34,911,717	41,499,919
<b>Total non-current assets</b>	<b>34,962,076</b>	<b>41,511,778</b>



# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019	2018
	\$	\$
<b>(a) Segment:</b>	<b>Gold &amp; Silver</b>	Gold & Silver
Type of goods		
- Sale of gold	29,117,741	40,183,783
- Sale of silver	2,888,438	3,873,138
<b>Total revenue from contracts with customers</b>	<b>32,006,179</b>	44,056,921
<b>Geographical markets:</b>		
Australia	31,592,945	43,190,275
Indonesia	413,234	755,113
British Virgin Islands	-	111,533
<b>Total revenue from contracts with customers</b>	<b>32,006,179</b>	44,056,921
<b>Timing of revenue recognition:</b>		
Goods transferred at a point in time	32,006,179	44,056,921
<b>Total revenue from contracts with customers</b>	<b>32,006,179</b>	44,056,921
<b>(b) Contract balances</b>		
Trade receivables (Refer to Note 10)	-	2,586,411
	-	2,586,411
<b>(c) Reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information in Note 3</b>		
<b>Revenue</b>		
External customer	32,006,179	44,056,921
<b>Total revenue from contracts with customers</b>	<b>32,006,179</b>	44,056,921

### (d) 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.

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 5. EXPENSES

	2019	2018
	\$	\$
<b>(a) Cost of sales</b>		
Mine production costs	35,007,131	23,682,038
Royalties	1,186,666	1,037,671
Depreciation of plant and equipment	2,230,799	1,799,148
Amortisation of mine properties	-	1,274,800
Inventory movements	(3,353,817)	212,943
<b>Total cost of sales</b>	<b>35,070,779</b>	<b>28,006,600</b>
<b>(b) Other income</b>		
Interest income	49,916	39,686
Net gain on foreign exchange	3,829,336	2,604,210
Gain on early retirement of loans	-	61,434
Sundry income	-	29,146
<b>Total other income</b>	<b>3,879,252</b>	<b>2,734,476</b>
<b>(c) Administration expenses</b>		
Corporate costs	3,222,202	3,548,501
Depreciation of equipment	5,260	5,364
Share-based payments	93,830	21,317
<b>Total administration expenses</b>	<b>3,321,292</b>	<b>3,575,182</b>
<b>(d) Other expenses</b>		
Loss on disposal of plant and equipment	127,191	253,588
Plant and equipment written off	-	52,247
Exploration and evaluation assets written off	4,806,450	144,219
Impairment loss on mine properties and development	4,403,131	-
Re-measurement adjustments on VAT receivables	125,129	(186,879)
Consumables written down	25,436	933,988
Loss on settlement of loans in equity	-	2,594,178
Non-production mine site costs	762,007	2,686,696
Sundry expenses	4,635	-
<b>Total other expenses</b>	<b>10,253,979</b>	<b>6,478,036</b>
<b>(e) Finance costs</b>		
Borrowing costs	16,739	26,403
Finance charges payable under finance leases	30,830	18,036
	47,569	44,439
Unwinding of discount on rehabilitation provision	57,127	12,666
Unwinding of discount on loans	-	344,432
<b>Total finance costs</b>	<b>104,696</b>	<b>401,537</b>

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 5. EXPENSES (continued)

	2019	2018
	\$	\$
<b>(f) Depreciation and amortisation</b>		
Plant and equipment	2,236,059	1,804,512
Mine properties	-	1,274,800
<b>Total depreciation and amortisation</b>	<b>2,236,059</b>	<b>3,079,312</b>
Included in:		
Cost of sales	2,230,799	3,073,948
Administration expenses	5,260	5,364
	<b>2,236,059</b>	<b>3,079,312</b>
<b>(g) Employee benefits expense</b>		
Wages and salaries	6,483,736	9,613,896
Defined contribution superannuation expense	121,866	115,950
Defined benefit expense	420,595	38,786
Share-based payments	93,830	21,317
Other employee benefits	1,384,260	1,061,826
<b>Total employee benefits expense</b>	<b>8,504,287</b>	<b>10,851,775</b>
Included in:		
Cost of sales	6,832,630	6,418,905
Administration expenses	1,671,657	1,746,174
Other expenses	-	2,686,696
	<b>8,504,287</b>	<b>10,851,775</b>

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 6. INCOME TAX

	2019	2018
	\$	\$
<b>(a) Income tax expense</b>		
<b>Income Statement</b>		
<i>Current income tax</i>		
Current income tax charge	221,050	667,914
Under provision in prior year	934,123	142,656
	<b>1,155,173</b>	810,570
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	18,310	44,893
<b>Income tax expense reported in the Income Statement</b>	<b>1,173,483</b>	855,463
<b>(b) Amounts charged directly to other comprehensive income</b>		
<b>Statement of Other Comprehensive Income</b>		
<i>Deferred tax related to items recognised in other comprehensive income:</i>		
Re-measurement adjustments on defined benefit obligations	(18,310)	(44,893)
<b>Income tax benefit reported in other comprehensive income</b>	<b>(18,310)</b>	(44,893)

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

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

	2019	2018
	\$	\$
Accounting (loss)/profit before income tax	(12,865,315)	8,330,042
At Australian statutory income tax rate of 30%	(3,859,595)	2,499,013
Effect of different tax rate in accordance with Contract of Work Agreement and its amendment in Indonesia	828,230	14,124
Deferred tax assets in current period not recognised	1,858,413	98,409
Utilisation of previously unrecognised deferred tax assets	(40,644)	(2,400,711)
Under provision in prior year	934,123	142,656
Non-assessable income	(1,065)	-
Non-deductible expenses	1,454,021	501,972
<b>Aggregate income tax expense</b>	<b>1,173,483</b>	855,463

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 6. INCOME TAX (continued)

### (d) Recognised deferred tax assets and liabilities

	BALANCE SHEET	
	2019	2018
	\$	\$
Deferred tax at 30 June relates to the following:		
<i>Deferred tax assets</i>		
Provisions	3,060,477	2,626,055
Plant and equipment	816,963	604,817
Losses available for offset against future taxable income	26,396,289	20,531,987
<b>Gross deferred tax assets</b>	<b>30,273,729</b>	<b>23,762,859</b>
<i>Deferred tax liabilities</i>		
Accrued income	(268)	(4,487)
Mine properties and development	(3,479,327)	(3,201,251)
Finance leases	(925,752)	(820,859)
Unrealised foreign exchange movements	(3,390)	(29,328)
<b>Gross deferred tax liabilities</b>	<b>(4,408,737)</b>	<b>(4,055,925)</b>
Net deferred tax assets	25,864,992	19,706,934
Unrecognised net deferred tax assets	(25,864,992)	(19,706,934)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>
Reconciliation of net deferred tax assets movement:		
At 1 July	-	-
Charged to income	(18,310)	(44,893)
Credited to other comprehensive income	18,310	44,893
<b>At 30 June</b>	<b>-</b>	<b>-</b>

#### Tax consolidation

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

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

#### Tax losses

The Group has tax losses that arose in Australia of \$969,170 (2018: \$1,104,697) and Indonesia of \$90,947,178 (2018: \$80,802,313). 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.

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 7. EARNINGS PER SHARE

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

	2019	2018
	\$	\$
<b>(a) Earnings per share</b>		
The following reflects the income used in the calculation of basic and diluted loss per share computations:		
Net (loss)/profit attributable to ordinary equity holders of the parent	(13,989,049)	7,453,135
	Shares	Shares
<b>(b) Weighted average number of shares</b>		
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	-	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>715,462,960</b>	<b>715,462,960</b>

### (c) Information on the classification of securities

#### Options and share performance rights

Total options of 10,200,000 (2018: 9,550,000) 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 (2018: Nil) 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 2019 and 30 June 2018.

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 9. CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
<b>Current</b>		
Cash at bank and in hand (i)	4,314,202	5,414,722
Short-term deposits (ii)	-	4,652,997
	<b>4,314,202</b>	<b>10,067,719</b>

### Terms and conditions

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

### (a) Reconciliation to the Statement of Cash Flows

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

	2019	2018
	\$	\$
Net (loss)/profit after income tax	(14,038,798)	7,474,579
<i>Adjustments for:</i>		
Depreciation of plant and equipment	2,236,059	1,804,512
Amortisation of mine properties	-	1,274,800
Unrealised net foreign exchange (gain)/loss	(3,613,888)	(2,398,647)
Share-based payments	93,830	21,317
Loss on disposal of plant and equipment	127,191	253,588
Gain on early settlement of loans	-	(61,434)
Loss on settlement of loans in equity	-	2,594,178
Plant and equipment written off	-	52,247
Exploration and evaluation assets written off	4,806,450	144,219
Impairment on mine properties and development	4,403,131	-
Finance costs	-	344,432
<i>Change in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	1,369,557	(396,237)
(Increase)/decrease in inventories	(3,321,528)	871,637
(Increase)/decrease in other assets	(436,009)	(60,409)
Increase/(decrease) in trade and other payable	2,561,633	(2,555,168)
Increase/(decrease) in income tax payables	229,539	320,620
Increase/(decrease) in provisions	1,365,886	(238,564)
<b>Net cash flows (used in)/from operating activities</b>	<b>(4,216,947)</b>	<b>9,445,670</b>
<b>Non-cash investing and financing activities</b>		
Acquisition of assets by means of finance leases	74,430	292,511
Conversion of debt to equity	-	11,731,860

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 9. CASH AND CASH EQUIVALENTS (continued)

### (b) Changes in Liabilities Arising from Financing Activities

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

	1 July 2017	Cash Flows	Foreign Exchange Movement	New Leases / Loans	Debt to Equity Conversion	Other	30 June 2018
	\$	\$	\$	\$	\$	\$	\$
<b>Current</b>							
Finance lease liabilities	108,892	(119,753)	(29,282)	99,814	-	45,033	104,704
Other financial liabilities	6,366,109	-	-	-	(6,548,471)	182,362	-
<b>Non-Current</b>							
Finance lease liabilities	45,388	-	5,731	124,263	-	(45,032)	130,350
Other financial liabilities	4,738,576	(2,250,000)	-	-	(5,183,389)	2,694,813	-
<b>Total liabilities from financing activities</b>	<b>11,258,965</b>	<b>(2,369,753)</b>	<b>(23,551)</b>	<b>224,077</b>	<b>(11,731,860)</b>	<b>2,877,176</b>	<b>235,054</b>

The 'Other' column includes the effect of reclassification of non-current portion of finance lease liabilities to current due to passage of time. For the year ended 30 June 2018, it also includes adjustments related to the restructure or settlement of loans disclosed under other financial liabilities.

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

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 10. TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
<b>Current</b>		
Trade receivables (i)	-	2,586,411
Other receivables (ii)	2,226,754	1,346,255
	<b>2,226,754</b>	<b>3,932,666</b>
<b>Non-Current</b>		
Other receivables (ii)	<b>3,148,402</b>	2,336,644

### Terms and conditions

- (i) Trade receivables from gold and silver sales are non-interest bearing and are normally settled within two to four trading days from date of invoice. They are neither past due nor impaired at balance date.
- (ii) Other receivables consist primarily of VAT recoverable from PTNM's operations that are expected to be recovered within 1 to 24 months.

## 11. INVENTORIES

	2019	2018
	\$	\$
<b>Current</b>		
Ore stockpiles at cost or net realisable value	72,692	90,272
Gold in circuit at cost or net realisable value	173,139	207,440
Gold dore and bullion at cost or net realisable value	5,459,387	1,869,450
Consumables and spares at cost or net realisable value	1,676,572	1,893,100
	<b>7,381,790</b>	<b>4,060,262</b>

During the year, \$3,961,276 was recognised as an expense for inventories carried at net realisable value (2018: \$933,988). \$3,935,840 is recognised in cost of sales and \$25,436 is recognised in other expenses.

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 12. PLANT AND EQUIPMENT

	2019	2018
	\$	\$
<b>Non-Current</b>		
<i>Plant and Equipment</i>		
Gross carrying amount – at cost	30,462,873	28,338,807
Accumulated depreciation and impairment	(26,775,131)	(23,424,621)
Net carrying amount	3,687,742	4,914,186
<i>Leased Equipment</i>		
Gross carrying amount – at cost	399,303	510,958
Accumulated depreciation	(203,632)	(212,370)
Net carrying amount	195,671	298,588
<i>Capital Work in Progress</i>		
Gross carrying amount – at cost	681,492	896,928
<b>Total Plant and Equipment</b>	<b>4,564,905</b>	<b>6,109,702</b>
<b>Movements in Plant and Equipment</b>		
<i>Plant and Equipment</i>		
Carrying amount at 1 July	4,914,187	6,235,493
Additions	175,907	30,789
Transfer from leased equipment	27,853	41,267
Transfer from capital work in progress	409,293	219,609
Disposals	(1,612)	(105,553)
Depreciation charge	(2,072,817)	(1,687,281)
Foreign exchange translation gain	234,931	179,863
Carrying amount at 30 June	3,687,742	4,914,187
<i>Leased Equipment</i>		
Carrying amount at 1 July	298,588	151,824
Additions	74,430	292,511
Transfer to plant and equipment	(27,853)	(41,267)
Depreciation charge	(163,242)	(117,228)
Foreign exchange translation gain	13,748	12,748
Carrying amount at 30 June	195,671	298,588
<i>Capital Work in Progress</i>		
Carrying amount at 1 July	896,928	328,232
Additions	626,115	801,258
Transfer to plant and equipment	(409,293)	(219,609)
Disposals	(475,403)	(52,247)
Foreign exchange translation gain	43,145	39,294
Carrying amount at 30 June	681,492	896,928



# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 13. MINE PROPERTIES AND DEVELOPMENT

	2019	2018
	\$	\$
<b>Non-Current</b>		
Gross carrying amount – at cost	56,967,369	54,428,154
Accumulated amortisation and impairment	(46,225,918)	(39,812,525)
	10,741,451	14,615,629
<b>Movements in Mine Properties and Development</b>		
Carrying amount at 1 July	14,615,629	14,248,946
Additions	-	1,401,535
Impairment (i)	(4,403,131)	-
Disposals	(168,671)	(199,672)
Amortisation charge	-	(1,274,800)
Change in rehabilitation provision	-	(133,690)
Foreign exchange translation gain	697,624	573,310
Carrying amount at 30 June	10,741,451	14,615,629

(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. The Way Linggo Project CGU comprises mine properties and development assets and associated plant and equipment.

### 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 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%	

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

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

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.

### 30 June 2018 Assessment

For the year ended 30 June 2018, the Group assessed whether there were any indicators of impairment in relation to the Way Linggo Project CGU. Upon the identification of impairment indicators relating to Company's market capitalisation relative to the Group's net assets, management performed an impairment assessment on the CGU, applying the fair value less costs of disposal basis using a discounted cash flow model over a two and a half-year period (level 3 in the fair value hierarchy).

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

The table below summarises the key assumptions used in the carrying value assessments at 30 June 2018.

Assumptions		
Gold price (US\$ per ounce)	\$1,300-\$1,303	Commodity prices are estimated with reference to external market forecasts.
Size and grade of ore bodies	Way Linggo Resource: 354,000t @ 7.2g/t Au and 68g/t Ag Talang Santo Resource: 1,192,000t @ 7.4g/t Au and 21g/t Ag	
Projected operating and capital costs	The operating and capital cost assumptions are based on the Group's latest forecasts* and CGU specific studies. These projections can include expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimize and reduce operational activity and improve capital and labour productivity.	
Discount rate	23.3%	

\* The impairment model assumes approval will be obtained to develop the open pit mine at Talang Santo. Should this approval not be obtained, the assessment of impairment will need to be revisited.

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

## 15. EXPLORATION AND EVALUATION ASSETS

	2019	2018
	\$	\$
<b>Non-Current</b>		
At cost	<b>16,507,318</b>	18,449,803
<b>Movements in Exploration and Evaluation Assets</b>		
Carrying amount at 1 July	<b>18,449,803</b>	17,360,619
Additions	<b>1,927,407</b>	508,545
Write off (i)	<b>(4,806,450)</b>	(144,219)
Foreign exchange translation gain	<b>936,558</b>	724,858
Carrying amount at 30 June	<b>16,507,318</b>	18,449,803

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 \$4,806,450 has been recognised in the income statement

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 15. EXPLORATION AND EVALUATION ASSETS (continued)

in relation to areas of interest where no future exploration and evaluation activities are planned and no future benefits are expected (2018: \$144,219).

## 16. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
<b>Current</b>		
Trade creditors	5,307,997	2,806,108
Accruals	2,295,336	1,105,773
Sundry creditors	268,312	292,211
	<b>7,871,645</b>	<b>4,204,092</b>

### 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

	2019	2018
	\$	\$
<b>Current</b>		
Finance lease liabilities (i)	90,671	104,704
<b>Non-Current</b>		
Finance lease liabilities (i)	89,896	130,350

### Terms and conditions

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

## 18. EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS

	2019	2018
	\$	\$
<b>Current</b>		
Employee entitlements (i)	1,053,310	579,170
<b>Non-Current</b>		
Employee entitlements (i)	2,497,692	1,646,458
Rehabilitation (ii)	781,703	686,428
	<b>3,279,395</b>	<b>2,332,886</b>

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

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

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 18. EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS (continued)

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:

	2019	2018
Discount rate	7.50% per annum	8.25% 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:

	2019	2018
	\$	\$
<b>Benefit Liability</b>		
Current	616,056	398,614
Non-current	1,957,351	1,585,642
Present value of defined benefit obligation - unfunded	2,573,407	1,984,256
<b>Movements in Benefit Liability</b>		
At 1 July	1,984,256	2,175,734
Net benefits expense	420,595	38,786
Charged directly to equity – re-measurement adjustments	73,238	148,226
Benefits paid	(64,731)	(318,641)
Foreign exchange translation loss/(gain)	160,049	(59,849)
At 30 June	2,573,407	1,984,256
<b>Net Benefit Expense</b>		
Current service cost	267,495	668,889
Interest cost	153,100	108,834
Curtailed gains	-	(738,937)
	420,595	38,786

A quantitative sensitivity analysis for significant assumptions at 30 June 2019 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	(194,107)	226,059	250,207	(217,445)	10,199	(9,365)

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.

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 18. EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS (continued)

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

	2019	2018
	\$	\$
Within 1 year	617,855	358,584
1 – 5 years	784,365	593,232
6 – 10 years	1,943,007	1,377,694
After 10 years*	15,099,501	12,925,380
	<b>18,444,728</b>	<b>15,254,890</b>

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

The average duration of the defined benefit obligation at the end of the reporting period is 17.1 years (2018: 18.1 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.

	2019	2018
	\$	\$
<b>Movements in Rehabilitation Provision</b>		
At 1 July	686,428	781,551
Provisions written back – net	-	(133,690)
Unwinding of discount	57,127	12,666
Foreign exchange translation loss	38,148	25,901
At 30 June	<b>781,703</b>	<b>686,428</b>

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 19. CONTRIBUTED EQUITY

	2019		2018	
	\$	Number	\$	Number
<b>Ordinary Shares</b>				
Issued and fully paid	<b>105,688,558</b>	<b>730,007,352</b>	105,688,558	730,007,352
<b>Movements in Ordinary Shares on Issue</b>				
At 1 July	<b>105,688,558</b>	<b>730,007,352</b>	93,764,241	436,710,852
Conversion of loans (i)	-	-	11,731,860	293,296,500
Equity portion of loans converted	-	-	192,457	-
	<b>105,688,558</b>	<b>730,007,352</b>	105,688,558	730,007,352

- (i) On 31 July 2017, a total of 293,296,500 shares were issued in full satisfaction of the convertible loans and the outstanding loans from Great Golden Investment Limited and Dr Andrews following the receipt of shareholder approval at a general meeting on 28 July 2017. The shares were issued at a price of \$0.04 per share.

### 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 2019 was 10,200,000 (2018: 9,550,000).

The total number of share performance rights on issue at 30 June 2019 was 789,115 (2018: Nil).

## 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.

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 20. RESERVES (continued)

### 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, finance leases, cash and short-term deposits.

### Objectives and Policies

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

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

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

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

### (a) Interest rate risk

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

	2019	2018
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	4,314,202	10,067,719
<b>Net exposure</b>	<b>4,314,202</b>	<b>10,067,719</b>

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.

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 21. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

### (a) Interest rate risk (continued)

At 30 June 2019, 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)	
	2019	2018
Judgements of reasonably possible movements:	\$	\$
+2% (200 basis points)	<b>86,284</b>	140,948
-2% (200 basis points)	<b>(86,284)</b>	(140,948)

### (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 2019, the Group had the following exposure to USD and IDR foreign currencies:

	2019	2018	2019	2018
	USD Denominated balances	USD Denominated balances	IDR Denominated balances	IDR Denominated balances
	A\$	A\$	A\$	A\$
<b>Financial Assets</b>				
Cash and cash equivalents	<b>952,974</b>	5,099,353	<b>481,221</b>	1,190,311
Trade and other receivables	-	2,547,971	-	38,440
	<b>952,974</b>	7,647,324	<b>481,221</b>	1,228,751
<b>Financial Liabilities</b>				
Trade and other payables	-	(252,714)	<b>(3,019,657)</b>	(2,425,142)
Interest-bearing liabilities	-	-	<b>(180,567)</b>	(235,054)
	-	(252,714)	<b>(3,200,224)</b>	(2,660,196)
<b>Net exposure</b>	<b>952,974</b>	7,394,610	<b>(2,719,003)</b>	(1,431,445)

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 21. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

### (b) Foreign currency risk (continued)

At 30 June 2019, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

	Post-Tax Profit Higher/(Lower)	
	2019	2018
Judgements of reasonably possible movements:	\$	\$
A\$/US\$ +5%	(31,766)	(246,487)
A\$/US\$ -5%	35,110	272,433
US\$/IDR +15%	247,866	130,697
US\$/IDR -15%	(335,348)	(176,825)

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

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

### (c) Commodity price risk

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

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

### (d) Liquidity risk

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

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

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 21. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

### (d) Liquidity risk (continued)

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

	Maturity Analysis			
	Within 1 year	1 to 5 years	After 5 years	Total
	\$	\$	\$	\$
<b>Financial Liabilities</b>				
<b>2019</b>				
Trade and other payables	(7,871,645)	-	-	(7,871,645)
Interest-bearing liabilities - Finance lease liabilities	(109,365)	(95,983)	-	(205,348)
	<b>(7,981,010)</b>	<b>(95,983)</b>	-	<b>(8,076,993)</b>
<b>2018</b>				
Trade and other payables	(4,204,092)	-	-	(4,204,092)
Interest-bearing liabilities - Finance lease liabilities	(131,404)	(147,473)	-	(278,877)
	<b>(4,335,496)</b>	<b>(147,473)</b>	-	<b>(4,482,969)</b>

### (e) Credit risk exposure

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

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

#### Cash

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

#### Trade Receivables

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

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

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 21. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

### (f) Fair values

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

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

### (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.

	2019	2018
	\$	\$
Total borrowings*	8,052,212	4,439,146
Less: Cash and cash equivalents	(4,314,202)	(10,067,719)
Net debt/(cash)	3,738,010	(5,628,573)
Total equity	36,598,464	52,113,312
<b>Total capital</b>	<b>40,336,474</b>	<b>46,484,739</b>
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.

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 22. INFORMATION RELATING TO SUBSIDIARIES

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

Entity	Place of Incorporation	Equity Interest	
		2019	2018
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 2019, the proportion of legal equity interest held by non-controlling interest was 15% (2018: 15%).

	2019	2018
	\$	\$
Accumulated balances of material non-controlling interest	1,712,735	1,766,322
(Loss)/Profit allocated to material non-controlling interest	(49,749)	21,444

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

Summarised Income Statement	2019	2018
	\$	\$
Revenue from contracts with customers	32,006,179	44,058,142
Cost of sales	(35,070,779)	(27,787,049)
Other income	3,345,722	1,358,687
Administrative expenses	(1,265,140)	(1,671,823)
Other expenses	(10,253,979)	(3,883,869)
Finance costs	(5,326,608)	(4,880,871)
<b>(Loss)/Profit from continuing operations before income tax</b>	<b>(16,564,605)</b>	<b>7,193,217</b>
Income tax	(18,310)	(44,893)
<b>(Loss)/Profit for the year from continuing operations after income tax</b>	<b>(16,582,915)</b>	<b>7,148,324</b>
<b>Total comprehensive (loss)/income</b>	<b>(17,862,247)</b>	<b>14,743,686</b>
Attributable to non-controlling interest	(53,587)	44,230
Dividend paid to non-controlling interest	-	-

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 22. INFORMATION RELATING TO SUBSIDIARIES (continued)

Summarised Statement of Financial Position	2019	2018
	\$	\$
Current Assets	12,692,032	9,405,993
Non-Current Assets	34,986,646	41,532,546
Current Liabilities	(84,407,246)	(70,436,687)
Non-Current Liabilities	(3,324,793)	(2,402,420)
<b>Total Capital Deficiency</b>	<b>(40,053,361)</b>	<b>(21,900,568)</b>
Attributable to:		
Owners of the parent	(41,766,096)	(23,666,890)
Non-controlling interest	1,712,735	1,766,322

  

Summarised Cash Flow Information	2019	2018
	\$	\$
Operating	(1,816,962)	13,688,219
Investing	(1,602,110)	(2,896,164)
Financing	4,555,258	(12,220,142)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,136,186</b>	<b>(1,428,087)</b>

## 23. PARENT ENTITY DISCLOSURES

	2019	2018
	\$	\$
Current Assets	7,782,806	10,011,449
Non-Current Assets	25,613,717	20,746,099
<b>Total Assets</b>	<b>33,396,523</b>	<b>30,757,548</b>
Current Liabilities	(816,613)	(646,738)
Non-Current Liabilities	(44,498)	(60,816)
<b>Total Liabilities</b>	<b>(861,111)</b>	<b>(707,554)</b>
<b>Net Assets</b>	<b>32,535,412</b>	<b>30,049,994</b>
Issued Capital	105,688,558	105,688,558
Accumulated Losses	(81,578,574)	(83,970,162)
Reserves	8,425,428	8,331,598
<b>Total Shareholder's Equity</b>	<b>32,535,412</b>	<b>30,049,994</b>
Profit/(Loss) of the parent entity	2,391,589	(81,477,996)
Total comprehensive income/(loss) of the parent entity	2,391,589	(81,477,996)

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

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

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 24. SHARE-BASED PAYMENTS

### (a) Recognised share-based payment expenses

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

	2019	2018
	\$	\$
Options	83,600	21,317
Share performance rights	10,230	-
	93,830	21,317

### (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.

	2019	2019	2018	2018
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	9,550,000	0.23	10,300,000	\$0.23
Granted during the year	5,200,000	0.06	-	-
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	(4,550,000)	0.26	(750,000)	\$0.26
Outstanding at the end of the year	10,200,000	0.13	9,550,000	\$0.23
Exercisable at the end of the year	10,200,000	0.13	9,550,000	\$0.23

- Weighted average share price – No options were exercised during the years ended 30 June 2019 and 30 June 2018.
- Weighted average remaining contractual life – The weighted average remaining contractual life for the options outstanding as at 30 June 2019 is 1.59 years (2018: 0.95 years).
- Range of exercise price – The range of exercise prices for the options outstanding at the end of the year is \$0.06 to \$0.20 (2018: \$0.20 to \$0.27).
- Weighted average fair value – The weighted average fair value of options granted during the year ended 30 June 2019 was \$0.02. No options were granted during the year ended 30 June 2018.

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 24. 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 2019:

Grant date	26 November 2018	29 April 2019
Dividend yield	-	-
Share price at grant date	\$0.056	\$0.042
Exercise price	\$0.060	\$0.057
Expected volatility	63.1%	61.1%
Risk-free interest rate	2.08%	1.47%
Expiration period	3 years	3 years
Expiry date	26 November 2021	29 April 2022
Binomial valuation per option	\$0.023	\$0.014

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

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

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

	2019	2018
	Number	Number
Outstanding at the beginning of the year	-	-
Granted during the year	789,115	-
Exercised during the year	-	-
Cancelled during the year	-	-
Outstanding at the end of the year	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 2019 is 2 years (2018: Nil).
- Range of exercise price – The exercise price for the share performance rights outstanding at the end of the year is \$Nil (2018: \$Nil).
- Weighted average fair value – The weighted average fair value of share performance rights granted during the year was \$0.04 (2018: \$Nil).
- Valuation model – The fair value of the share performance rights was estimated at the date of grant using a Monte Carlo simulation model with the following assumptions for the year ended 30 June 2019:

Grant date	26 November 2018
Dividend yield	-
Share price at grant date	\$0.056
Exercise price	-
Expected volatility	67.8%
Risk-free interest rate	2.09%
Expected life	3 years

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

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 24. SHARE-BASED PAYMENTS (continued)

The performance condition for the share performance rights granted during the year 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 50 <sup>th</sup> percentile	Nil
50 <sup>th</sup> percentile	50%
51 <sup>st</sup> to 74 <sup>th</sup> percentile	50% plus an additional 2% for each percentile ranking above the 50 <sup>th</sup> percentile
75 <sup>th</sup> percentile or higher	100%

Share performance rights that do not vest will automatically lapse.

## 25. RELATED PARTY DISCLOSURES

### (a) Interests in Subsidiaries

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

### (b) Transactions with Related Parties

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

		Amount of Transactions	Interest Charged	Amount Owed by/(to) Related Parties
		\$	\$	\$
Drilling services (i)	2019	1,880,044	-	(1,880,110)
	2018	121,222	-	(45,881)
Consulting services (ii)	2019	12,913	-	(4,273)
	2018	-	-	-
Professional services from External Administrators (iii)	2019	-	-	-
	2018	95,770	-	-
Sale of goods (iv)	2019	-	-	-
	2018	111,533	-	-

#### (i) Drilling Services

PT Promincon Indonesia, an entity related to Dr Andrews (Interim Non-Executive Chairman), received \$1,880,044 fees for drilling services provided to the Company's subsidiary, PTNM during the year. These fees are payable at a competitive commercial rate per drill metre compared to other tender companies. At 30 June 2019, \$1,880,110 was owing to PT Promincon Indonesia (2018: \$45,881).

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 25. RELATED PARTY DISCLOSURES (continued)

### (b) Transactions with Related parties (continued)

#### (ii) Consulting Services

The Company paid \$12,913 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. 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 2019, \$4,273 was owing to Mr Carlile (2018: \$Nil).

#### (iii) Professional Services from External Administrators

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

#### (iv) Sale of Goods

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

### (c) Compensation of Key Management Personnel

	2019	2018
	\$	\$
Short-term benefits	1,358,079	1,280,159
Post-employment benefits	58,298	52,258
Long-term benefits	33,413	13,280
Share-based payments	66,030	-
<b>Total</b>	<b>1,515,820</b>	<b>1,345,697</b>

#### 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	2019	Expiry Date	WAEP	2018
			Number Outstanding			Number Outstanding
<b>Options</b>						
FY 2016	-	-	-	FY 2018	\$0.26	600,000
FY 2019	FY 2021 - FY 2022	\$0.058	5,200,000	-	-	-
<b>Share Performance Rights</b>						
FY 2019	FY 2021	-	789,115	-	-	-

Details of the IOPRP are set out in Note 24.

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# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 26. COMMITMENTS AND CONTINGENCIES

### (a) Royalties

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

Royalty	Calculation Method	Gross Royalty Calculation Formula
Tonnage royalty	If gold revenue is greater than 90% of total PTNM revenue	10% of ore tonnes treated x gold price x 2%
Net profit royalty	If gold revenue is less than 90% of total PTNM revenue	5% of net profit

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

In addition, PTNM is obligated to pay gold and silver royalties to the Indonesian government, calculated at 3.75% and 3.25% of the value of gold and silver bullion production respectively.

### (b) Divestment

The Company is obligated to offer for sale equity tranches in PTNM which if taken up would result in the Company's share of PTNM reducing down to 49% over a five year period in accordance with a divestment schedule outlined in PTNM's Contract of Work Agreement and its amendment (CoW) with the Indonesian government. Each tranche is to be offered for sale at a fair market price to either an Indonesian government body or an Indonesian national.

Subsequent to balance date, PTNM submitted to the Indonesian Mines Department its offer for sale a 22% equity in PTNM in accordance with the divestment schedule in the CoW on 27 August 2019. 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 Indonesian government.

The Indonesian government has a period of three months from the date of offer to advise the Company of its intention to exercise its option to purchase the 22% equity.

### (c) Leasing Commitments

#### Operating lease commitments – Group as lessee

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

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

	2019	2018
	\$	\$
Payable within one year	1,404,113	1,585,149
Payable after one year but not more than five years	-	781,004
Total minimum lease payments	1,404,113	2,366,153

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 26. COMMITMENTS AND CONTINGENCIES (continued)

### (c) Leasing Commitments (continued)

#### Finance lease commitments – Group as lessee

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

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

	2019	2018
	\$	\$
Payable within one year	109,365	131,404
Payable after one year but not more than five years	95,983	147,473
Total minimum lease payments	205,348	278,877
Less: Future finance charges	(24,781)	(43,823)
Present value of minimum lease payments	180,567	235,054
Included in the financial statements as interest-bearing liabilities (Note 17):		
Current	90,671	104,704
Non-current	89,896	130,350
	180,567	235,054

### (d) Contingent Liabilities

The Company's subsidiary, PTNM, has a matter outstanding with the Indonesian Tax Office (ITO) arising from the routine audit of monthly VAT returns for the period January 2010 to August 2013. The VAT refund claims for this period were denied by the ITO. The Group appealed against the ITO's assessments and the Indonesian Tax Court has ruled in favour of PTNM with respect to the assessments issued by the ITO for the period January to December 2010 (2010 VAT refund claims) in October 2014 and the period January 2011 to August 2013 (2011-2013 VAT refund claims) in February 2018.

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

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 twenty-seven out of the thirty-two 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 2019, the contingent liability is equivalent to \$1,995,933 (2018: \$13,605,219).

# Notes to the Financial Statements

For The Year Ended 30 June 2019

## 27. SUBSEQUENT EVENTS

There are no material subsequent events after the balance date.

## 28. AUDITOR'S REMUNERATION

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

	2019	2018
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
(i) An audit or review of the financial report of the entity and any other entity in the consolidated group	118,350	151,994
(ii) Tax services	15,000	8,000
	133,350	159,994
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
(i) An audit or review of the financial report of the entity and any other entity in the consolidated group	82,487	74,055
	82,487	74,055

## 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 2019 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 2019.

On behalf of the Board



Michael Andrews  
Chairman  
17 September 2019

# Independent Audit Report



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## Independent auditor's report to the members of Kingsrose Mining Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Kingsrose Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

#### Key audit matters

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

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



## 1. Carrying value of the Way Linggo Project Cash generating unit

### Why significant

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 Australian Accounting Standards at each reporting date.

Where impairment indicators are identified, the applicable assets are required to be tested for impairment.

As at 30 June 2019, the Group identified impairment indicators and performed an assessment of the recoverable value of the property, plant and equipment and mine properties associated with the Way Linggo Project cash generating unit ("CGU"), utilising a fair value less costs to sell model. 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 \$4.4 million being recorded as at 30 June 2019.

As disclosed in Note 14 of the financial report, the recoverable amount of the assets is sensitive to changes in key assumptions including the estimated gold price, the size and grade of ore bodies and projected operating and capital costs.

### How our audit addressed the key audit matter

Our procedures included the following:

- ▶ Assessed the Group's identification of indicators of impairment
- ▶ Assessed the carrying value assigned to the Way Linggo Project CGU by the Group.
- ▶ Evaluated the Group's assumptions and estimates to determine the recoverable value of the Way Linggo Project 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

The carrying value of exploration and evaluation assets are assessed for impairment by the Group when facts and circumstances indicate that the capitalised exploration and evaluation expenditure may exceed its recoverable amount.

The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has title and tenure to the licenses, will be able to perform ongoing exploration and evaluation expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. During the year, the Group determined that there had been indicators of impairment and the Talang Baru and Talang Kecap blocks were fully impaired. A \$4.8m impairment charge was recorded.

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 2019 and related disclosure.

### How our audit addressed the key audit matter

We evaluated the Group's assessment of the carrying value of exploration and evaluation assets. In performing our procedures, we:

- ▶ Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation
- ▶ Considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included assessment of the Group's cash-flow forecast models, enquiries with senior management and Directors as to the intentions and strategy of the Group
- ▶ Assessed the carrying value of assets where recent exploration activity in a given exploration area of interest provided negative indicators as to the recoverability of other exploration costs that remain capitalised
- ▶ Considered the Group's assessment of the commercial viability of results relating to exploration and evaluation activities carried out in the relevant area
- ▶ Assessed the ability to finance any planned future exploration and evaluation activity.

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# Independent Audit Report



## 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 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the Directors for the financial report

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

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

## Auditor's responsibilities for the audit of the financial report

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

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

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

# Independent Audit Report



- ▶ 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, related safeguards.

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

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Kingsrose Mining Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

# Independent Audit Report



## 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*

Philip Teale  
Partner  
Perth  
17 September 2019

## Shareholder Information

The following information as required by ASX Listing Rules is current as at 6 September 2019.

### 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	347	687,877,936	94.23
1,001 – 5,000	980	35,893,191	4.92
5,001 – 10,000	446	3,650,199	0.50
10,001 – 100,000	777	2,397,106	0.33
100,001 and Over	379	188,920	0.02
<b>Total</b>	<b>2,929</b>	<b>730,007,352</b>	<b>100.00</b>

There are 1,651 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
BNP Paribas Nominees Pty Ltd <Jarvis A/C Non Treaty DRP>	118,661,266	16.25
HSBC Custody Nominees (Australia) Limited	79,444,928	10.88
Mr Michael John Andrews	66,826,024	9.15
Citicorp Nominees Pty Limited	61,202,798	8.38
HSBC Custody Nominees (Australia) Limited-GSCO ECA	51,102,753	7.00
City Securities Ltd	48,458,654	6.64
J P Morgan Nominees Australia Pty Limited	20,049,617	2.75
Goldcrest Corporation Pty Ltd <The John Morris S/Plan A/C>	13,100,000	1.79
HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	12,475,000	1.71
Pegasus Corp (Aust) Pty Ltd <Xingfa Ma Family A/C>	10,000,000	1.37
Bond Street Custodians Limited <CPCPL - TU0022 A/C>	9,100,000	1.25
Cameron John French	8,000,000	1.09
Peter Bowman Nominees Pty Ltd <Peter Bowman Family A/C>	6,500,000	0.89
Mr Richard Arthur Lockwood	5,666,667	0.78
Just Greenery Pty Ltd <Green Family Super Fund A/C>	5,500,000	0.75
Roderick McIlree	4,750,000	0.65
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	4,668,767	0.64
Ajava Holdings Pty Ltd	4,216,344	0.58
City Securities Ltd	4,000,303	0.55
Idrawfast Qld Pty Ltd	3,892,237	0.53
<b>Total</b>	<b>537,615,358</b>	<b>73.65</b>

# Shareholder Information

## 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
Rex Harbour and Associates	54,729,940	7.50

## OPTIONS

10,200,000 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
Unlisted Options	5,000,000	\$0.200	25 November 2019	2
Employee Options	1,200,000	\$0.060	26 November 2021	2
Employee Options	4,000,000	\$0.057	29 April 2022	2
<b>Total</b>	<b>10,200,000</b>			

## 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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