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**ANNUAL REPORT  
2021**

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## CORPORATE DIRECTORY

### Directors

Michael Andrews	Non-Executive Chairman
Fabian Baker	Managing Director
John Carlile	Non-Executive Director
Andrew Cooke	Non-Executive Director
Daryl Corp	Non-Executive Director
Tim Coughlin	Non-Executive Director

### Company Secretary

Joanna Kiernan

### Registered Office

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### Indonesian Office (PT Natarang Mining)

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Pondok Pinang, Kebayoran Lama  
Jakarta Selatan 12310 Indonesia

### Auditors

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

### Share Registry

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

### Home Stock Exchange

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

### Australian Business Number

49 112 389 910



## CHAIRMAN'S LETTER



**On behalf of the Directors, I am pleased to present the 2021 Annual Report for Kingsrose Mining Limited.**

**This past financial year saw the Company conclude gold and silver production at the Way Linggo project in Sumatra, Indonesia. With the final doré sale in November 2020, the project produced over 200,000 ounces of gold and 2.7 million ounces of silver over approximately 10 years in production.**

The completion of mining operations signalled the beginning of a new discovery-focused strategy for the Company, and a key step in managing this transition was the appointment of new management and directors with the experience to deliver growth through exploration. I thank Karen O'Neil, John Morris, Chloe Lam, and Peter Lester for their significant contributions to Kingsrose, and I am looking forward to working with our new Board and Management on this exciting new future.

Although mining operations at Talang Santo and the Way Linggo deposit have ceased, the Company sees great exploration potential within its PT Natarang Mining Contract of Work area, and during 2021 we have established a dedicated exploration team who are systematically advancing exploration targets throughout the area. Work is focused on identifying and mapping and trenching outcropping vein systems to define new drill targets.

Additional drilling to depth at Talang Santo continued to intersect mineralisation and resulted in an updated Mineral Resource estimate of 1.4 million tonnes at 5.4 g/t gold and 18 g/t silver for 240,000 ounces of gold and 790,000 ounces of silver calculated at a 2.0 g/t gold cut-off in combined Indicated and Inferred categories, a 70 per cent increase in contained gold ounces and 120 per cent increase in contained silver ounces in the Inferred category compared to the previous estimate announced September 2020.

In parallel with our ongoing exploration, and in keeping with our strong commitment to our communities and environmental best practice at Way Linggo, the Company has been proactive in commencing the reclamation and rewilding of areas of the mine site that will not be of use to a future mining operation. We expect reclamation of both open pits, the waste dumps and other sites to be completed by the end of the 2021 calendar year, well in advance of the requirements under the mining law and positioning the Company to be entitled to the return of a portion of its environmental bonds.

Furthermore, the Company is very active in seeking and completing due diligence on other project opportunities, with a focus on gold and 'green energy metals' exploration in secure mining jurisdictions, and we hope to deliver news of the first of such transactions in the coming months.

Finally, on behalf of the Board, I would like to take this opportunity to thank our shareholders for their support as we implement our new strategy. I believe the Company is well positioned for success and I look forward to reporting on our progress over the coming year.

Yours Faithfully

**Michael Andrews**  
Chairman





## REVIEW OF OPERATIONS



Spreading topsoil at a waste dump for revegetation

### MINE OPERATIONS REVIEW

#### The Way Linggo Project

The Company holds an 85% interest in the Way Linggo project in South Sumatra, Indonesia. The project, which is held under a 4<sup>th</sup> generation Contract of Work and its amendment (CoW) with the Indonesian Government, is located on the mineral rich Trans-Sumatran Fault, part of the Pacific Rim of Fire. Kingsrose holds its interest through its 85% owned subsidiary, PT Natarang Mining (PTNM), owner and operator of the Way Linggo project.

During the 2021 financial year the Group produced a total of 3,105 ounces of gold and 21,660 ounces of silver. A total of 6,528 ounces of gold was sold at an average gold price of A\$2,609/oz (US\$1,886/oz) and A\$17,029,735 in revenue was realised. The cash operating costs<sup>1</sup> for the period were US\$882/oz and the all-in sustaining costs of production<sup>2</sup> were US\$1,180/oz.

With the completion of mining in April 2020, processing of stockpiles and mineralised waste occurred during the period concluding in September 2020, with the final gold sale occurring in November 2020. Subsequently, the processing plant was decommissioned, and the mine site placed on care and maintenance.

With the conclusion of production from the Talang Santo and Way Linggo deposits, the Company is now focused on resource growth at Talang Santo and exploration within the wider CoW for its near-term future growth strategy.



## REVIEW OF OPERATIONS

	Unit	30 June 2021	30 June 2020
<b>Mine Production</b>			
<b>WAY LINGGO MINE</b>			
Waste	bcm	-	404,345
Ore Mined	t	-	44,666
Mine Grade (Gold)	g/t	-	9.2
Mine Grade (Silver)	g/t	-	122
<b>TALANG SANTO MINE</b>			
Waste	bcm	-	1,327,386
Ore Mined	t	-	77,205
Mine Grade (Gold)	g/t	-	6.3
Mine Grade (Silver)	g/t	-	25
<b>TOTAL</b>			
Waste	bcm	-	1,731,731
Ore Mined	t	-	121,871
Mine Grade (Gold)	g/t	-	7.4
Mine Grade (Silver)	g/t	-	60
<b>ORE PROCESSED</b>			
Tonnes Milled	t	30,180	122,848
Head Grade (Gold)	g/t	3.4	7.6
Head Grade (Silver)	g/t	29	61
Recovery (Gold)	%	95.2	95.3
Recovery (Silver)	%	76.3	76.5
Ounces Produced (Gold)	oz	3,105	28,508
Ounces Produced (Silver)	oz	21,660	188,539
<b>COSTS OF PRODUCTION</b>			
Cash Operating Costs (C1) <sup>1</sup>	US\$/oz	822	557
All-In Sustaining Costs of Production (AISC) <sup>2</sup>	US\$/oz	1,180	705

<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.





## REVIEW OF OPERATIONS



*Revegetation activities with local government representatives and local stakeholders*

### Health and Safety

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

There was one Lost Time Injury for the period. The 12-month moving average Lost Time Injury Frequency Rate stood at 2.20 as at 30 June 2021 (30 June 2020: 0.67).

The Total Recordable Injury Frequency Rate at 30 June 2021 was 4.40 (30 June 2020: 2.69).

### Mine Site Closure & Reclamation

Following the completion of mining, Senior Management, with the support of specialist consultants, completed a comprehensive site-wide review and implemented care and maintenance procedures in order to preserve valuable mining equipment and infrastructure, while also allowing the Company to reduce ongoing operational costs.

Although it is recognised that mining operations may restart at a future date, the Company commenced closure and reclamation of areas of the Way Linggo site that are not deemed of value to future mining. As such the waste dumps, open pits and various disturbed areas of the mine site are in the process of being reshaped and revegetated. This process is not only an important aspect of the Company's commitment to responsible operations and undertakings to the local community and government, it is also more financially efficient while the site is open to support the ongoing exploration programme.

### Environmental Management

The Company maintains continuous and thorough environmental monitoring of the Way Linggo site. In addition to regular monitoring of water levels and sampling of open pit and tailings storage facility (TSF) water by the Company, environmental inspections and analysis are carried out by an independent third party biannually and reported to the Indonesian government.





## REVIEW OF OPERATIONS



Additional initiatives have been implemented as a part of the care and maintenance and mine closure process, particularly with respect to the passive management of water in the Talang Santo pit where a new spillway has been built to allow the flow of rain waters through the existing settling ponds and into the natural water drainage in accordance with the Company's water discharge permit.

### **Exploration**

#### *Regional Exploration*

A project wide review of existing geological, geochemical and geophysical data was conducted to prioritise exploration targets within the CoW. Follow up field work is ongoing at the highest priority targets and includes soil sampling, detailed mapping and trenching. Results to date have identified six principal target areas: Talang Santo South, Maul Vein, Samin Toha, Talang Kecap, Semung Kecil and Rowo Rejo. Each of these targets is at early stages of exploration, and field work is focused on a systematic approach to generating drill targets.

#### *Talang Santo Deep Drilling Programme*

Ten diamond drill holes for a total of 5,121 metres targeted the down plunge extension of the Talang Santo deposit, and were used to prepare an updated Mineral Resource that was announced to the ASX on 10 August 2021. The drill program has shown that mineralisation remains open down plunge and remains high grade, with hole DDH-594 returning 5.8 metres at 13.6 g/t gold and 64 g/t silver from 443 metres.







Community aid programs – flood disaster relief

### Community Relations

The Company is committed to engaging and co-operating with the communities surrounding the Way Linggo project and the wider Lampung province, and provides on-going support to various health, educational, cultural and economic initiatives.

During the period, resources were directed towards local community initiatives at numerous local villages including donations of food, sanitation items and personal protective equipment in response to the COVID-19 pandemic, road improvements and road construction between villages, assistance with restoring access to local villages following landslides, general agricultural assistance and various donations to local religious centres, health centres and student associations.

The Group's on-site workforce continued to be predominately comprised of local personnel with approximately 95% of the on-site employees from the nearby Lampung Province, while more than 99% of employees are Indonesian Nationals.



*PTNM received an award in March 2021 for best in 'Community Empowerment' by the Tanggamus Province Government, where the majority of the Way Linggo project is located.*

### Impact of COVID-19 Pandemic

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





## REVIEW OF OPERATIONS



Revegetation activities with local government representatives and local stakeholders

Towards the end of June 2021, the situation in Indonesia worsened prompting Management to temporarily suspend mine reclamation and local geology activity at the Way Linggo site with the health and wellbeing of its employees and contractors paramount. Activity subsequently resumed in August 2021 with a renewed focus on health, safety and security.

Kingsrose's operations in South Sumatra are remote, however fortunately, with positive protection measures implemented by the Company, and with the support of local governments and employees, activity has not been materially impacted by government-regulated COVID-19 restrictions.

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

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

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

### Likely Developments and Expected Results of Operations

Following the completion of mining activities, the Company is in a robust financial position and despite challenges caused by the COVID-19 pandemic continues to develop future growth strategies through identification of potential new project acquisitions while continuing exploration of the Way Linggo project.

A disciplined review of strategic business opportunities is ongoing with a focus on high quality exploration opportunities that demonstrate potential for large scale discovery in jurisdictions that offer a good mining framework and security of tenure. It is anticipated that a business opportunity in line with these parameters is likely to be concluded during the coming financial year, diversifying the Company's operations.

The recently updated Mineral Resource at Talang Santo of 240,000 ounces gold and 790,000 ounces of silver at 5.4 and 18 g/t respectively demonstrates the remaining potential of the deposit, which remains open at depth. The broader Way Linggo project area holds enormous exploration potential and remains highly prospective and under explored. The reestablished exploration team has made significant progress in its systematic review and is continuing to advance targets through mapping and trenching towards drill readiness where warranted by results.



# REVIEW OF OPERATIONS

## FINANCIAL REVIEW

	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$
Sales Revenue	21,317,781	44,056,921	32,006,179	70,652,257	<b>18,382,761</b>
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation - EBITDA <sup>1</sup>	(41,640,238)	11,346,494	(10,574,476)	24,701,531	<b>(6,227,602)</b>
Earnings/(Loss) Before Interest & Tax - EBIT <sup>2</sup>	(49,110,504)	8,267,182	(12,810,535)	20,377,396	<b>(7,129,808)</b>
Net Profit/(Loss) After Tax	(61,176,220)	7,474,579	(14,038,798)	19,378,237	<b>(6,625,928)</b>
Earnings/(Loss) Per Share	(0.1199)	0.0104	(0.0196)	0.027	<b>(0.0091)</b>
Net Operating Cash Flows	(1,178,097)	9,445,670	(4,216,947)	21,388,372	<b>9,942,502</b>
Total Assets	55,216,322	59,785,134	49,533,540	59,796,981	<b>52,906,433</b>
Net Assets	33,790,028	52,113,312	36,598,464	55,096,456	<b>50,144,057</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 2021 of \$6,625,928 (2020: net profit after tax \$19,378,237), largely contributed by the following significant items:

Sales revenue for the year ended 30 June 2021 was \$18,382,761 down by \$52,269,496 on the corresponding period in 2020 due to the cessation of production activity occurring in the first quarter. During the period 3,105 ounces of gold were produced compared to 28,508 ounces in 2020.

Despite the decrease in sales the Way Linggo operation was still able to generate a gross profit on operations of \$6,725,370 (2020: \$36,555,187).

Other expenses incurred of \$10,744,083 was down from \$15,684,620 recorded in the prior period in part due to no Group impairment charges being recognised in relation to the Way Linggo project assets (2020: \$6,108,462) and for write-off recognised in relation to the Group's exploration and evaluation assets (2020: \$2,103,086) although offset with higher costs incurred at Way Linggo for site care and maintenance.

### Financial Position

At 30 June 2021 the Group's net assets were \$50,144,057 (2020: \$55,096,456).

#### Assets

At reporting date, the Group's total current assets were \$32,967,439 which represents a decrease of \$3,854,241 over the year ended 30 June 2020. This movement was primarily driven by an increase of \$7,499,596 in cash and cash equivalents and decreases of \$2,998,954 in trade and other receivables, and \$8,855,186 in inventories held.

Non-current assets of the Group stood at \$19,938,994 at balance date, \$3,036,308 lower than 30 June 2020, mainly due to a decrease in plant and equipment of \$902,716 and, a decrease in exploration and evaluation assets of \$1,290,421.

#### Liabilities

At reporting date, the Group's total liabilities were \$2,762,376 which represents a decrease of \$1,938,149 over the year ended 30 June 2020. This was primarily driven by a reduction in trade and other payables and provision for income tax payable.





## REVIEW OF OPERATIONS

### Group Cash Flows and Liquidity

At 30 June 2021 the Group held cash and cash equivalents of \$30,571,261 (2020: \$23,071,665) and bullion on hand of \$346,402<sup>1</sup> (2020: \$9,289,527<sup>2</sup>). The Group's total cash and bullion balance at 30 June 2021 was \$30,917,663 (2020: \$32,361,192).

Cash flow from operating activities for the year ended 30 June 2021 was a net cash inflow of \$9,942,502, primarily driven by sales receipts partially offset with disbursements during the year, and VAT refunds received.

Cash flow from investing activities for the year ended 30 June 2021 related mainly to payments for the purchase of plant and equipment.

Cash flow from financing activities for the year ended 30 June 2021 related solely to repayment lease liabilities.

### CORPORATE

#### Board and Executive Management Changes

John Morris, a founding Director of the Company, retired from the Board on 2 October 2020. Mr Morris had been on the Kingsrose Board since 2007 and played a key role in the formation and public listing of the Company as well as providing a significant leadership role over the years.

Peter Lester ceased being a Director on 19 November 2020 following his decision not to stand for re-election at the 2020 Annual General Meeting due to increasing work commitments in his other roles.

Following the resignation of Messer's Morris and Lester, Dr Tim Coughlin, Daryl Corp and Andrew Cooke were appointed to the Board as Non-Executive Directors on 19 November 2020.

Karen O'Neill resigned as Managing Director and Company Secretary of the Company effective 31 December 2020. Dr Michael Andrews assumed the role of Executive Chairman until the appointment of Fabian Baker as Chief Executive Officer on 8 February 2021. Upon Fabian Baker's appointment Dr Andrews reverted to the role of Non-Executive Chairman. Fabian Baker was appointed to the position of Managing Director in June, 2021

Joanna Kiernan was appointed Company Secretary on 31 December 2020. Ms Kiernan has a Bachelor of Arts degree and is a governance professional with over 16 years' experience in the administration and operation of listed public companies, predominately in the resources sector having previously held the position of Company Secretary for numerous ASX, AIM and SGX listed companies.

Chloe Lam resigned as Chief Financial Officer on 21 April 2021 and Mark Smith commenced as Chief Financial Officer on 26 April 2021.

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<sup>1</sup> Bullion on hand at 30 June 2021 - 136oz Au calculated using LBMA spot price at 30 June 2021

<sup>2</sup> Bullion on hand at 30 June 2020 - 3,388oz Au and 21,843oz Ag calculated using LBMA spot price at 30 June 2020







Revegetation activities

### 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.





## REVIEW OF OPERATIONS

As at 30 June 2021, the total Mineral Resource for the Way Linggo project was 1.6 million tonnes @ 5.5 g/t Au and 24g/t Ag for 280,000 ounces of gold and 1,206,000 ounces of silver. This estimate is reported in accordance with the JORC Code (2012 ed.) with an effective date of 30 June 2021. The updated estimate incorporates the results of ten additional diamond drillholes, for

a total of 5,121 metres, targeting the down plunge extension of the Talang Santo deposit (refer ASX releases dated 21 January 2021, 2 March 2021 and 10 May 2021).

For the Way Linggo deposit, the underlying Mineral Resource model reported is the same as those reported at 30 June 2020.

### 2021 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	-	-	-	-	-
Indicated	240	6.0	47	13	100
Inferred	1,100	5.3	190	19	690
<b>Total</b>	<b>1,400</b>	<b>5.4</b>	<b>240</b>	<b>18</b>	<b>790</b>
<b>WAY LINGGO</b>					
Measured	-	-	-	-	-
Indicated	152	6.5	32	65	318
Inferred	84	4.6	12	36	97
<b>Total</b>	<b>236</b>	<b>5.8</b>	<b>44</b>	<b>55</b>	<b>415</b>

*Note: The 2021 Talang Santo Mineral Resource is reported to two significant figures to reflect the precision of the estimates. This may result in some apparent discrepancies in totals.*

### 2020 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	-	-	-	-	-
Indicated	244	6.1	48	13	102
Inferred	606	4.7	92	13	250
<b>Total</b>	<b>850</b>	<b>5.1</b>	<b>140</b>	<b>13</b>	<b>352</b>
<b>WAY LINGGO</b>					
Measured	-	-	-	-	-
Indicated	152	6.5	32	65	318
Inferred	84	4.6	12	36	97
<b>Total</b>	<b>236</b>	<b>5.8</b>	<b>44</b>	<b>55</b>	<b>415</b>

### Mineral Resource Governance and Internal Controls

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



### Competent Persons Statement

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

Further information that relates to the Mineral Resource estimate of the Talang Santo deposit is available in the report entitled "Talang Santo Resource Update" dated 30 June 2021 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)).

The information in this report relating to drilling results is extracted from the ASX Release entitled 'Kingsrose Mining Reports 5.8 Metres at 13.6g/t Gold and 64.2 g/t Silver; Continued Expansion of the Talang Santo Deposit' created on 10 May 2021 which is available to review on [www.kingsrosemining.com.au](http://www.kingsrosemining.com.au).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the ASX release referred to above and it further confirms that all material assumptions and technical parameters underpinning the drilling results continues to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



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# DIRECTORS' REPORT

The Directors submit their report of the “Consolidated Entity” or “Group”, being Kingsrore Mining Limited (“Kingsrore” or “the Company”) and its Controlled Entities for the year ended 30 June 2021.

## DIRECTORS

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

Name and Qualification	Experience, Special Responsibilities and Other Directorships
<b>Michael Andrews</b>	
BSc (Hons), PhD, FAusIMM, FSEG	Dr 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.
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 Kingsrore and played an instrumental role in the discovery, exploration, feasibility and development of its Way Linggo Gold Mine in Indonesia and he has been closely involved with the development of several other gold mines in Southeast Asia.
	Dr Andrews also held the positions of Executive Director and Chief Geologist of 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, a Fellow of the Geological Society and a Fellow of the Society of Economic Geologists.
Other Directorships	Dr Andrews is a substantial shareholder of the Company.  Dr Andrews is currently a Non-Executive Director of Southern Arc Minerals Inc and Japan Gold Corp, exploration companies listed on the Toronto Venture Exchange.
Special Responsibilities	None.
<b>Fabian Baker</b>	
BSc Applied Geology	Mr Baker is a geologist with more than 12 years of experience in the minerals exploration industry. Mr Baker was the founder and Chief Executive Officer of Tethyan Resource Corp (“Tethyan”), a TSX Venture Exchange listed company. He led Tethyan’s entry into Serbia and neighbouring Balkan countries, identifying and negotiating the acquisition of significant gold, copper and base metal advanced exploration assets. In 2020 Tethyan was successfully acquired by Adriatic Metals Plc, a company listed on the ASX and LSE.
Managing Director Appointed: 25 June 2021	
Chief Executive Officer Appointed: 8 February 2021 Ceased: 25 June 2021	Mr Baker’s positions prior to Tethyan include that of Chief Geologist at Lydian International, where he was an integral part of the team which proved up the +4 million ounce gold resource and completed the feasibility study on the major Amulsar gold deposit in Armenia. He was also Exploration Manager for Royal Road Minerals in Turkey.



## DIRECTORS' REPORT

Other Directorships Mr Baker holds a Bachelor of Science in Applied Geology from the Camborne School of Mines

Special Responsibilities Mr Baker is currently a Non-Executive Director of Highlander Silver Corp.

None.

### John Carlile

BSc (Honours) Geology, MSc DIC in Mineral Exploration, FAusIMM

Independent Non-Executive Director  
Appointed: 4 February 2019

Mr 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 exploration 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.

Other Directorships Mr Carlile is currently a Non-Executive Director of Southern Arc Minerals Inc and Japan Gold Corp, both public exploration companies listed on the Toronto Venture Exchange.

Special Responsibilities Member of the Audit and Risk Committee.

### Andrew Cooke

LLB

Independent Non-Executive Director  
Appointed: 19 November 2020

Mr Andrew Cooke holds a law degree from Sydney University and has extensive experience in law, corporate finance, governance and compliance. He has over 30 years of boardroom experience and has developed a practical blend of legal and commercial acumen. He has served as a consultant to listed, public and private companies in the resources, property, mining services, technology and biotech sectors focusing on stock exchange, capital raisings, regulatory compliance and a wide range of corporate transactions. Much of his work has been focussed on the resources sector where he has worked closely with exploration, mining and oil and gas companies in Australia, Canada, Fiji and the Solomon Islands.

Other Directorships Mr Cooke was a Non-Executive Director of Ampila Therapeutics Limited until February 2020.

Special Responsibilities Chair of the Audit and Risk Committee.

### Daryl Corp

B.Eng (Mining), GradDipGeoSc  
FAusIMM

Independent Non-Executive Director  
Appointed: 19 November 2020

Mr Corp is an experienced mining executive with over 40 years in the minerals industry in a wide range of both corporate and operational roles. This has involved base metals, iron ore and precious metals projects and operations, both in Australia and offshore.

Commencing his career as a graduate mining engineer in Broken Hill he moved to a role as Senior Mining Engineer with a small gold and base metals company before joining Newcrest Mining Limited in mid-1990. Whilst at Newcrest he progressed through technical roles to more senior roles where he developed broader corporate skills, holding a range of positions including Transformation Executive – Business Development, General Manager – ExCo Co-ordination and Projects, Head of Ore Reserves Governance, General Manager – Corporate Affairs, and Manager – Business Development.

Mr Corp managed feasibility studies for several underground gold mine developments and well as initial studies for both the Cadia Hill and



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## DIRECTORS' REPORT

<p>development of the Gosowong Gold Mine in Indonesia, remaining with the project as Project Manager – Mining during the construction and early operations at Gosowong.</p> <p>Mr Corp holds a Bachelor of Engineering in Mining from the University of Melbourne and a Diploma in Geoscience from Macquarie University. He is a Fellow of The Australasian Institute of Mining and Metallurgy.</p>	
Other Directorships	Mr Corp is currently a Non-Executive Director of Sihayo Gold Limited.
Special Responsibilities	Lead Independent Director.

<b>Timothy Coughlin</b>	
BSc, MSc, PhD, FAusIMM, MSEG	Dr Coughlin is an exploration geologist with over 30-years of experience exploring for gold, copper, base metals and oil in Australasia, the Americas, Asia, the Middle East and Eastern Europe. Dr Coughlin was responsible for the discovery of new gold deposits in Peru and Armenia. He has held senior positions with major companies and founded and listed two successful exploration companies on the Toronto Stock Exchange.
Independent Non-Executive Director	
Appointed: 19 November 2020	
Other Directorships	Dr Coughlin is currently President and CEO of TSXV-listed and Latin America-focused Royal Road Minerals Ltd.
Special Responsibilities	Member of the Audit and Risk Committee.

<b>Karen O'Neill</b>	
BCompt Accounting & Auditing, MBA in Strategic Management, FGIA, FCIS, GAICD	Ms O'Neill has over 25 years' experience as a finance professional, company secretary and commercial manager with operation 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.
Managing Director	
Appointed: 21 November 2019	
Resigned: 31 December 2020	Ms O'Neill has a MBA in Strategic Management and is a Fellow of the Governance Institute of Australia and UK and a qualified Member of the Australian Institute of Company Directors.
Other Directorships	Ms O'Neill has held no other Directorships in public listed companies in the last three years.
Special Responsibilities	None.

<b>John Morris</b>	
Non-Executive Director	Mr 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).
Appointed: 17 August 2007	
Resigned: 2 October 2020	
Other Directorships	Mr Morris has held no other Directorships in public listed companies in the last three years.
Special Responsibilities	None.

<b>Peter Lester</b>	
BE (Mining Hons), MAusIMM, MAICD	Mr Lester is a qualified mining engineer with over 40 years' experience in the mining industry. He has held senior executive positions with North Ltd, Newcrest Mining Limited, Oxiana/Oz Minerals Limited and Citadel Resource Group Limited. He has extensive experience in initial public
Independent Non-Executive Director	
Appointed: 13 February 2020	

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## DIRECTORS' REPORT

Resigned: 19 November 2020	offerings and project funding, development and acquisition spanning Australia, South America, Turkey, Indonesia, Laos and Saudi Arabia.
Other Directorships	Mr Lester has served on several ASX listed and private mining boards and is currently an Executive Chairman of Helix Resources Limited since March 2020 (Non-Executive Chairman from October 2018 to March 2020) and a Non-Executive Chairman of White Rock Minerals Ltd since January 2019.
Special Responsibilities	None.

### COMPANY SECRETARY

Karen O'Neill was appointed Company Secretary on 24 September 2018 and resigned on 31 December 2020.

Joanna Kiernan was appointed Company Secretary on 31 December 2020.

### PRINCIPAL ACTIVITIES

The principal activity of the Company for the year ended 30 June 2021 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 2021, including details of the results of operations, changes in the state of affairs, impact of COVID-19 pandemic and likely developments in the operation of the Company in subsequent financial years are set out on pages 2 to 12.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than as referred to in the Review of Operations 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 and Risk <sup>2</sup>	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Michael Andrews	9	9	-	-	-	-
Fabian Baker	0	0	-	-	-	-
John Carlile	9	9	-	-	1	1
Andrew Cooke	6	6	-	-	1	1
Daryl Corp	6	6	-	-	-	-
Timothy Coughlin	6	5	-	-	1	1
Karen O'Neill	4	4	-	-	-	-
John Morris	2	2	-	-	-	-
Peter Lester	2	2	-	-	-	-

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

<sup>2</sup> The Audit and Risk Committee was established on 12 January 2021





# 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	Performance Rights
Michael Andrews	71,388,435	-	-
Fabian Baker	28,000	5,000,000	5,000,000
John Carlile	1,750,000	-	-
Andrew Cooke	-	-	-
Daryl Corp	-	-	-
Timothy Coughlin	-	-	-

## SHARES UNDER OPTION

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

Instrument	Number Under Option	Exercise Price	Expiry Date
Options	1,200,000	\$0.060	26 November 2021
Options	4,000,000	\$0.057	29 April 2022
Options	5,000,000	\$0.059	8 February 2026
Options	3,000,000 <sup>1</sup>	\$0.072	24 July 2026

<sup>1</sup>This relates to options issued to the Chief Financial Officer (Mr Mark Smith) on 16 August 2021.

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 2021:

Instrument	Number Under Option	Exercise Price	Expiry Date
Options	5,000,000	\$0.059	8 February 2026

The following share performance rights were issued during the financial year ended 30 June 2021:

Instrument	Number	Exercise Price	Expiry Date
Share Performance Rights	2,500,000	-	30 June 2022
Share Performance Rights	2,500,000	-	30 June 2023

## SECURITIES LAPSED OR CANCELLED

The following securities were cancelled due to forfeiture during the financial year ended 30 June 2021:

Instrument	Number	Exercise Price	Expiry Date
Share Performance Rights	789,115	-	1 July 2023

## 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 2021 reporting period.

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## DIRECTORS' REPORT

### INSURANCE OF OFFICERS

During the financial year, the Company paid a premium of \$31,150 (2020: \$24,469) to insure the Directors and Officers of the Company and its controlled entities. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as officers of entities in the Group except where the liability arises out of conduct involving a lack of good faith.

### INDEMNIFICATION OF AUDITORS

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

### PROCEEDINGS ON BEHALF OF THE COMPANY

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





# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED)

### INTRODUCTION

This report for the year ended 30 June 2021 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, and the President Director of PTNM.

For the purposes of this report the term "Executive" includes the Managing Director, Chief Executive Officer, Chief Financial Officer and President Director 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	Non-Executive Chairman	Full financial year
John Carlile	Non-Executive Director	Full financial year
Andrew Cooke	Non-Executive Director	Appointed 19 November 2020
Daryl Corp	Non-Executive Director	Appointed 19 November 2020
Timothy Coughlin	Non-Executive Director	Appointed 19 November 2020
John Morris	Non-Executive Director	Ceased 2 October 2020
Peter Lester	Non-Executive Director	Ceased 19 November 2020
<b>Executives</b>		
Fabian Baker	Managing Director	Appointed 25 June 2021
	Chief Executive Officer	Appointed 8 February 2021
		Ceased 25 June 2021
Mark Smith	Chief Financial Officer	Appointed 26 April 2021
Ivan Kusnadi	PTNM President Director	Full financial year
Karen O'Neill	Managing Director	Appointed 21 November 2019
		Ceased 31 December 2020
Chloe Lam	Chief Executive Officer	Ceased 21 November 2019
	Chief Financial Officer	Ceased 21 April 2021

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

### REMUNERATION GOVERNANCE

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

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



## DIRECTORS' REPORT

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*

The Company's Short-Term Incentive Bonus program offers Executives with the opportunity to earn a cash payment if certain financial hurdles and agreed key performance indicators (KPIs) are achieved. Ordinarily, the KPIs would include measures relating to the Group and individual, and include financial, production, safety and risk measures.

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

The formal STI bonus program was suspended in May 2019 with the Board retaining the discretion to award STI bonus payments on an ad-hoc basis in the case of exceptional performance. During the period Mr Fabian Baker and Ms Chloe Lam were awarded cash bonuses details of which appear in the executive remuneration table in this Directors' Report.

##### *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 in some





## DIRECTORS' REPORT

cases, are 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 5,000,000 options were issued to an Executive.

### Options Granted, Vested and Lapsed During the Year

	Number Granted	Grant Date	Fair Value at Grant Date	Exercise Price	Vesting Date	Expiry Date	Number Vested During the Year	Number Lapsed During the Year	Value of Options Granted During the Year <sup>1</sup> \$	Value of Options Exercised During the Year \$
<b>Executives</b>										
Fabian Baker	1,000,000	8-Feb-21	\$0.036 <sup>1</sup>	\$0.059	8-Feb-21	8-Feb-26	1,000,000	-	36,000	-
	1,000,000	8-Feb-21	\$0.036	\$0.059	8-Aug-21	8-Feb-26	-	-	36,000	-
	1,000,000	8-Feb-21	\$0.036	\$0.059	8-Feb-22	8-Feb-26	-	-	36,000	-
	1,000,000	8-Feb-21	\$0.036	\$0.059	8-Aug-22	8-Feb-26	-	-	36,000	-
	1,000,000	8-Feb-21	\$0.036	\$0.059	8-Feb-23	8-Feb-26	-	-	36,000	-

<sup>1</sup> Determined at date of grant in accordance with AASB 2. For details on the valuation of the options, including models and assumptions used, and amounts expensed to the statement of income, refer to Note 25 to the Financial Statements.

### 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 share price appreciation over a period determined by the Board.

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.

5,000,000 share performance rights were issued to an Executive during the year.

789,115 share performance rights were cancelled during the year.

The share performance rights issued during the year will not vest (and the underlying shares will not be issued) unless the performance conditions have been satisfied. The performance condition attached to the rights issued during the year are the achievement of a pre-determined share price over a specified time period. This performance condition was selected as the most relevant to the Company at the time of award to the Executive.



## Share Performance Rights 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 Rights Granted / Lapsed During the Year <sup>1</sup> \$	Value of Rights Exercised During the Year \$
<b>Executive</b>										
Fabian Baker	1,500,000	8-Feb-21	\$0.050	-	30-Jun-22	30-Jun-22	1,500,000	-	75,000	-
	1,000,000	8-Feb-21	\$0.042	-	30-Jun-22	30-Jun-22	1,000,000	-	42,000	-
	1,500,000	8-Feb-21	\$0.034	-	30-Jun-23	30-Jun-23	1,500,000	-	51,000	-
	1,000,000	8-Feb-21	\$0.028	-	30-Jun-23	30-Jun-23	1,000,000	-	28,000	-
Karen O'Neill	789,115	26-Nov-18	\$0.039	-	30-Jun-21	30-Jun-21	-	(789,115)	(20,517)	-

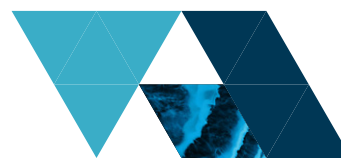
<sup>1</sup> Determined at date of grant in accordance with AASB 2. For details on the valuation of the share performance rights, including models and assumptions used, and amounts expensed to the statement of income, refer to Note 25 to the Financial Statements.

## 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:

	2017	2018	2019	2020	2021
EPS (cents/share)					
- Basic	(11.99)	1.04	(1.96)	2.70	<b>(0.90)</b>
- Diluted	(11.99)	1.04	(1.96)	2.70	<b>(0.90)</b>
Share Price	\$0.10*	\$0.066	\$0.038	\$0.041	<b>\$0.053</b>

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



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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 2021 and 2020 financial years:

		Short-Term			Post Employment	Long-Term	Share-Based Payments	Total	Proportion of Remuneration Performance Related		
		Salary & Fees	Cash Bonus	Annual Leave Benefits	Non-Monetary Benefits	Consulting Fees	Super-annuation	Long Service Leave Benefits	Options & Rights <sup>7</sup>	Total	%
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Executive Directors</b>											
Fabian	2021	-	35,000	-	-	101,903	-	-	140,248	277,151	13%
Baker <sup>1</sup>	2020	-	-	-	-	-	-	-	-	-	-
Karen	2021	375,000	-	1,154	-	-	14,250	2,917	(20,517)	372,804	-
O'Neill <sup>2</sup>	2020	300,000	-	8,078	-	-	28,500	2,129	10,287	348,994	3%
<b>Other Executives</b>											
Mark Smith <sup>3</sup>	2021	-	-	-	-	41,528	-	-	-	41,528	-
	2020	-	-	-	-	-	-	-	-	-	-
Chloe Lam <sup>4</sup>	2021	161,111	40,000	6,154	-	-	19,106	3,500	-	229,871	17%
	2020	200,000	-	6,538	-	-	19,000	4,667	-	230,205	-
Ivan Kusanadi	2021	228,908	45,782	16,600	13,139	-	-	-	-	304,429	15%
	2020	260,727	-	35,515	14,966	-	-	(43,887) <sup>6</sup>	-	267,321	-
John Nguyen <sup>5</sup>	2021	-	-	-	-	-	-	-	-	-	-
	2020	256,667	-	23,077	-	-	24,383	-	6,000	310,127	2%
<b>Total</b>	<b>2021</b>	<b>765,019</b>	<b>120,782</b>	<b>23,908</b>	<b>13,139</b>	<b>143,431</b>	<b>33,356</b>	<b>6,417</b>	<b>119,731</b>	<b>1,225,783</b>	
<b>Total</b>	<b>2020</b>	<b>1,017,394</b>	<b>-</b>	<b>73,208</b>	<b>14,966</b>	<b>-</b>	<b>71,883</b>	<b>(37,091)</b>	<b>16,287</b>	<b>1,156,647</b>	

<sup>1</sup> Mr Baker was appointed Chief Executive Officer on 8 February 2021 and appointed Managing Director on 25 June 2021.

<sup>2</sup> Ms O'Neill resigned on 31 December 2020.

<sup>3</sup> Mr Smith was appointed Chief Financial Officer on 26 April 2021.

<sup>4</sup> Ms Lam resigned on 21 April 2021.

<sup>5</sup> Mr Nguyen ceased employment on 31 May 2020 upon expiry of his 12-month contract.

<sup>6</sup> Included adjustment made due to actuarial assumptions during the year.

<sup>7</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 25 to the Financial Statements.



## DIRECTORS' REPORT

### EXECUTIVE EMPLOYMENT ARRANGEMENTS

Remuneration arrangements for Executives are formalised in employment or consulting agreements. Except as disclosed below, all Executives of the Company are employed on individual open-ended employment contracts with three 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.

#### **Fabian Baker**

**Managing Director (Appointed 25 June 2021)**

**Chief Executive Officer (Appointed 8 February 2021, ceased 25 June 2021)**

- Appointed Chief Executive Officer on 8 February 2021 via a consultancy agreement with no fixed term;
- Base consultancy fee of \$300,000 per annum plus statutory on-costs and three month's notice of termination required by either party except in the event of summary dismissal;
- In the case of the Company terminating the employment of Mr Baker, three month's termination notice is required and the Company must pay a cash sum equal to six months remuneration (subject to any relevant shareholder approval being obtained);
- A one-off sign on bonus of \$35,000; and
- Appointed as Managing Director on 25 June 2021 with no change to remuneration arrangements.

#### **Mark Smith**

**Chief Financial Officer (Appointed 26 April 2021)**

- Appointed Chief Financial Officer on 26 April 2021 via a consultancy agreement with no fixed term; and
- Base consultancy fee of \$250,000 inclusive of statutory on-costs and three month's notice of termination required by either except in the event of summary dismissal.

#### **Ivan Kusnadi**

**PTNM President Director**

- Appointed acting PTNM President Director from 16 June 2017 pending Indonesian Mines Department approval (obtained 9 April 2018);
- Initial two-year term commencing 9 April 2018 which was extended for a further two years on 10 August 2020; and
- Base salary of US\$175,000 plus Indonesian statutory entitlements.



## 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 2021 and 2020 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</sup>	2021	65,700	-	-	-	65,700	-
	2020	65,700	-	-	-	65,700	-
John Carlile <sup>2,7</sup>	2021	43,800	-	-	-	43,800	-
	2020	43,800	-	4,427	-	48,227	-
Tim Coughlin <sup>3,7</sup>	2021	27,010	-	-	-	27,010	-
	2020	-	-	-	-	-	-
Daryl Corp <sup>3</sup>	2021	24,667	-	-	2,343	27,010	-
	2020	-	-	-	-	-	-
Andrew Cooke <sup>3,8</sup>	2021	27,010	-	-	-	27,010	-
	2020	-	-	-	-	-	-
John Morris <sup>4</sup>	2021	10,215	-	-	970	11,185	-
	2020	40,000	-	-	3,800	43,800	-
Peter Lester <sup>5</sup>	2021	15,444	-	9,000	1,467	25,911	-
	2020	15,287	-	-	1,452	16,739	-
Grant Mills <sup>4</sup>	2021	-	-	-	-	-	-
	2020	16,667	-	-	1,583	18,250	-
<b>Total</b>	<b>2021</b>	<b>213,846</b>	<b>-</b>	<b>9,000</b>	<b>4,780</b>	<b>227,626</b>	<b>-</b>
<b>Total</b>	<b>2020</b>	<b>181,454</b>	<b>-</b>	<b>4,427</b>	<b>6,835</b>	<b>192,716</b>	<b>-</b>

<sup>1</sup> Dr Andrews assumed the role of Non-Executive Chairman on 5 December 2018.

<sup>2</sup> Mr Carlile was appointed on 4 February 2019.

<sup>3</sup> Dr Coughlin, Mr Corp and Mr Cooke were appointed 19 November 2020.

<sup>4</sup> Mr Morris resigned on 2 October 2020

<sup>5</sup> Mr Lester resigned on 19 November 2020.

<sup>6</sup> Mr Mills resigned on 30 November 2019.

<sup>7</sup> As non-residents for Australian tax purposes, Dr Andrews, Mr Carlile and Dr Coughlin 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> Mr Cooke fees are inclusive of superannuation in accordance with the Superannuation Guarantee (Administration) Act 1992.



# 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 2020	Granted as Remuneration	On Exercise of Options/Share Performance Rights	Net Change Other	Balance at 30 June 2021
<b>Executive Director</b>					
Fabian Baker	-	-	-	28,000 <sup>1</sup>	28,000
Karen O'Neill	-	-	-	-	-
<b>Non-Executive Directors</b>					
Michael Andrews	71,388,435	-	-	-	71,388,435
John Carlile	-	-	-	1,750,000 <sup>2</sup>	1,750,000
Tim Coughlin	-	-	-	-	-
Daryl Corp	-	-	-	-	-
Andrew Cooke	-	-	-	-	-
John Morris	13,100,000	-	-	(13,100,000) <sup>3</sup>	-
Peter Lester	-	-	-	-	-
Grant Mills	-	-	-	-	-
<b>Other KMP</b>					
Mark Smith	-	-	-	-	-
Chloe Lam	-	-	-	-	-
Ivan Kusnadi	-	-	-	-	-
<b>Total</b>	<b>84,488,435</b>	<b>-</b>	<b>-</b>	<b>(11,322,000)</b>	<b>73,166,435</b>

<sup>1</sup> Held prior to Mr Baker's appointment as Chief Executive Officer on 8 February 2021.

<sup>2</sup> Represents shares acquired by Mr Carlile during the financial year.

<sup>3</sup> Represents change by virtue of resignation and therefore the total number of shares held has been removed from the holdings of Key Management Personnel.

### Options

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

	Balance at 1 July 2020	Granted as Remuneration	Options Exercised	Net Change Other	Balance at 30 June 2021	Not Vested and Not Exercisable	Vested and Exercisable
<b>Executive Director</b>							
Fabian Baker	-	5,000,000	-	-	5,000,000	4,000,000	1,000,000
Karen O'Neill	3,600,000 <sup>1</sup>	-	-	-	3,600,000	-	3,600,000
<b>Non-Executive Directors</b>							
Michael Andrews	-	-	-	-	-	-	-
John Carlile	-	-	-	-	-	-	-
Tim Coughlin	-	-	-	-	-	-	-
Daryl Corp	-	-	-	-	-	-	-
Andrew Cooke	-	-	-	-	-	-	-
John Morris	-	-	-	-	-	-	-
Peter Lester	-	-	-	-	-	-	-
Grant Mills	-	-	-	-	-	-	-
<b>Other KMP</b>							
Mark Smith	-	-	-	-	-	-	-
Ivan Kusnadi	-	-	-	-	-	-	-
Chloe Lam	1,600,000 <sup>1</sup>	-	-	-	1,600,000	-	1,600,000
<b>Total</b>	<b>5,200,000</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>10,200,000</b>	<b>4,000,000</b>	<b>6,200,000</b>

<sup>1</sup> The share options for Ms O'Neill and Ms Lam did not lapse upon their resignation.



## DIRECTORS' REPORT

### 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 2020	Granted as Remuneration	Rights Exercised	Rights Cancelled	Balance at 30 June 2021	Not Vested	Vested
<b>Executive Director</b>							
Karen O'Neill	789,115	-	-	(789,115)	-	-	-
Fabian Baker	-	5,000,000	-	-	5,000,000	5,000,000	-
<b>Non-Executive Directors</b>							
Michael Andrews	-	-	-	-	-	-	-
John Carlile	-	-	-	-	-	-	-
Tim Coughlin	-	-	-	-	-	-	-
Daryl Corp	-	-	-	-	-	-	-
Andrew Cooke	-	-	-	-	-	-	-
John Morris	-	-	-	-	-	-	-
Peter Lester	-	-	-	-	-	-	-
Grant Mills	-	-	-	-	-	-	-
<b>Other KMP</b>							
Mark Smith	-	-	-	-	-	-	-
Ivan Kusnadi	-	-	-	-	-	-	-
Chloe Lam	-	-	-	-	-	-	-
<b>Total</b>	<b>789,115</b>	<b>5,000,000</b>	<b>-</b>	<b>(789,115)</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>-</b>

### 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 \$1,003,514 fees (net of taxes) for drilling services provided to the Company's subsidiary, PTNM during the year (2020: \$2,516,263). These fees are payable on arm's length commercial terms resulting from a competitive tender program for PTNM's drilling requirements at the Way Linggo site. At 30 June 2021, no amount was owing to PT Promincon Indonesia (2020: \$0).

##### Peter Lester

Vintage94 Pty Ltd an entity related to Mr Lester, received \$9,000 fees (net of taxes) for metallurgical services provided to the Company during the year (2020: \$0). The services are ad-hoc and minor in nature, on an "as required basis" and on arm's length commercial terms. At 30 June 2021, no amount was owing to Vintage94 Pty Ltd (2020: \$0).

##### John Carlile

There were no consulting fees paid 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 and as 30 June 2021, no amount was owing to Jem Resources Limited. During the 2020 financial year the consulting fees paid to Jem Resources Limited by the Company were \$4,427. 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.

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 2021 is on page 29. This declaration forms part of the Directors' Report.

#### Non-Audit Services

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year are detailed in Note 29 of the financial statements.

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



Michael Andrews  
Chairman  
29 September 2021



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# AUDITOR'S INDEPENDENCE DECLARATION



**Building a better  
working world**

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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 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

*Ernst & Young*

Ernst & Young

A handwritten signature in black ink, appearing to read 'Teale', written over a horizontal line.

Philip Teale  
Partner  
29 September 2021



# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

		2021	2020
	Note	\$	\$
<b>Continuing operations</b>			
Revenue from contracts with customers	4(a)	18,382,761	70,652,257
<b>Total revenue</b>		<b>18,382,761</b>	70,652,257
Cost of sales	5(a)	(11,657,391)	(34,097,070)
<b>Gross profit</b>		<b>6,725,370</b>	36,555,187
Other income	5(b)	136,003	2,179,335
Administration expenses	5(c)	(3,189,460)	(2,614,223)
Other expenses	5(d)	(10,744,083)	(15,684,620)
Finance costs	5(e)	(86,679)	(106,471)
(Loss)/Profit from continuing operations before income tax		(7,158,849)	20,329,208
Income tax benefit / (expense)	6(a)	532,921	(950,971)
<b>Net (loss)/profit for the year</b>		<b>(6,625,928)</b>	19,378,237
<b>(Loss)/profit for the year is attributable to:</b>			
Owners of the parent		(6,613,790)	19,324,509
Non-controlling interest		(12,138)	53,728
		(6,625,928)	19,378,237
Earnings per share attributable to the ordinary equity holders of the parent:		<b>Cents</b>	<b>Cents</b>
Basic (loss)/earnings per share – cents per share	7	(0.91)	2.70
Diluted (loss)/earnings per share – cents per share	7	(0.91)	2.70

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



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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	\$	\$
<b>Net (loss)/profit for the year</b>	<b>(6,625,928)</b>	19,378,237
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit and loss in subsequent periods</i>		
Foreign currency translations attributable to parent entity interest	1,569,359	(1,274,400)
Income tax effect	-	-
	1,569,359	(1,274,400)
<i>Items that may not be reclassified to profit and loss in subsequent periods</i>		
Foreign currency translations attributable to non-controlling interest	4,281	(3,455)
Re-measurement adjustments on defined benefit obligations	(34,036)	508,431
Income tax effect	8,509	(127,108)
	(21,246)	377,868
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>1,548,113</b>	(896,532)
<b>Total comprehensive (loss)/income for the year</b>	<b>(5,077,815)</b>	18,481,705
<b>Total comprehensive (loss)/income for the year is attributable to:</b>		
Owners of the parent	(5,069,881)	18,430,286
Non-controlling interest	(7,934)	51,419
	(5,077,815)	18,481,705

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



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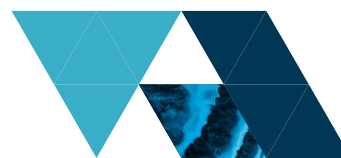


# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		2021	2020
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	9	30,571,261	23,071,665
Trade and other receivables	10	1,020,397	4,019,351
Inventories	11	228,743	9,083,929
Income tax receivable	6	705,343	-
Other		441,695	646,734
<b>Total Current Assets</b>		<b>32,967,439</b>	<b>36,821,679</b>
<b>Non-Current Assets</b>			
Trade and other receivables	10	1,385,341	1,794,601
Plant and equipment	12	518,717	1,421,433
Mine properties and development	13	4,514,063	4,947,974
Exploration and evaluation assets	15	13,520,873	14,811,294
<b>Total Non-Current Assets</b>		<b>19,938,994</b>	<b>22,975,302</b>
<b>TOTAL ASSETS</b>		<b>52,906,433</b>	<b>59,796,981</b>
<b>Current Liabilities</b>			
Trade and other payables	16	947,572	2,280,565
Interest-bearing liabilities	17	6,294	83,744
Income tax payable		-	452,908
Employee entitlements and other provisions	18	91,622	287,159
<b>Total Current Liabilities</b>		<b>1,045,488</b>	<b>3,104,376</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	17	-	7,084
Employee entitlements and other provisions	18	1,716,888	1,589,065
<b>Total Non-Current Liabilities</b>		<b>1,716,888</b>	<b>1,596,149</b>
<b>TOTAL LIABILITIES</b>		<b>2,762,376</b>	<b>4,700,525</b>
<b>NET ASSETS</b>		<b>50,144,057</b>	<b>55,096,456</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Contributed equity	19	105,688,558	105,688,558
Reserves	20	8,406,551	6,717,461
Accumulated losses		(65,707,272)	(59,073,717)
		<b>48,387,837</b>	<b>53,332,302</b>
Non-controlling interest	23(b)	1,756,220	1,764,154
<b>TOTAL EQUITY</b>		<b>50,144,057</b>	<b>55,096,456</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

		2021	2020
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		18,382,761	70,652,257
Payments to suppliers and employees		(11,329,165)	(50,272,566)
VAT refund received		3,533,505	2,211,799
Interest received		57,645	59,171
Interest and other finance costs paid		(6,075)	(40,252)
Income tax paid		(696,169)	(1,222,037)
<b>Net cash flows from operating activities</b>	9(a)	<b>9,942,502</b>	<b>21,388,372</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(95,662)	(969,072)
Proceeds from sale of plant and equipment		28,024	33,393
Payment for exploration and evaluation expenditure		-	(1,105,919)
<b>Net cash flows used in investing activities</b>		<b>(67,638)</b>	<b>(2,041,598)</b>
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	9(b)	(77,184)	(95,500)
<b>Net cash flows used in financing activities</b>		<b>(77,184)</b>	<b>(95,500)</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,797,680</b>	<b>19,251,274</b>
Cash and cash equivalents at beginning of the year		23,071,665	4,314,202
Effects of exchange rate changes on cash and cash equivalents held		(2,298,084)	(493,811)
<b>Cash and cash equivalents at end of the year</b>	9	<b>30,571,261</b>	<b>23,071,665</b>

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



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
AS AT 30 JUNE 2021

	Share-Based		Foreign			Other		Non-		Total
	Issued Capital	Payments Reserve	General Reserve	Currency Translation Reserve	Capital Reserve	Accumulated Losses	Owners of the Parent	Controlling Interest		
<b>At 1 July 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>	
Net profit for the year	-	-	-	-	-	19,324,509	19,324,509	53,728	19,378,237	
Other comprehensive income for the year	-	-	-	(1,274,400)	-	380,177	(894,223)	(2,309)	(896,532)	
Total comprehensive income/(loss) for the year	-	-	-	(1,274,400)	-	19,704,686	18,430,286	51,419	18,481,705	
<b>Transactions with owners in their capacity as owners:</b>										
Share-based payments	-	16,287	-	-	-	-	16,287	-	16,287	
<b>At 30 June 2020</b>	<b>105,688,558</b>	<b>8,441,717</b>	<b>97,832</b>	<b>(5,224,578)</b>	<b>3,402,490</b>	<b>(59,073,717)</b>	<b>53,332,302</b>	<b>1,764,154</b>	<b>55,096,456</b>	
Net profit for the year	-	-	-	-	-	(6,613,790)	(6,613,790)	(12,138)	(6,625,928)	
Other comprehensive income for the year	-	-	-	1,569,359	-	(19,765)	1,549,594	4,204	1,553,798	
Total comprehensive income/(loss) for the year	-	-	-	1,569,359	-	(6,633,555)	(5,064,196)	(7,934)	(5,072,130)	
<b>Transactions with owners in their capacity as owners:</b>										
Share-based payments	-	119,731	-	-	-	-	119,731	-	119,731	
<b>At 30 June 2021</b>	<b>105,688,558</b>	<b>8,561,448</b>	<b>97,832</b>	<b>(3,655,219)</b>	<b>3,402,490</b>	<b>(65,707,272)</b>	<b>48,387,837</b>	<b>1,756,220</b>	<b>50,144,057</b>	

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



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 1. CORPORATE INFORMATION

The financial report of Kingsrose Mining Limited (“Kingsrose” or the “Company”) and its controlled entities (the “Group”) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 29 September 2021. The directors have the power to amend and reissue the financial report.

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

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

The address of the registered office of the Company is 8/150 Hay Street, Subiaco WA 6008.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

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

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

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

#### (a) Compliance with IFRS

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

#### (b) Going concern

During the year ended 30 June 2021, the Group recorded a net loss for the year of \$6,625,928, net cashflow generated from operations of \$9,942,502 and had a net working capital of \$31,921,951. The Group has prepared a 15-month cash flow forecast which indicates adequate cash flows to sustain operations and as a result the financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

#### (c) Changes in Accounting Policies and Disclosures

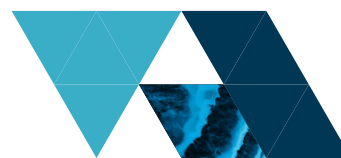
##### (i) New and amended accounting standards and interpretations

The Group has adopted all new Australian Accounting Standards and Interpretations effective from 1 July 2020.

There has been no material impact from the adoption of these standards and interpretations.

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

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



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

**(d) Principles of consolidation**

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

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

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

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

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

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

**(e) Foreign currency translation**

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

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

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

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

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

**(f) Revenue from contracts with customers**

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

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

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

**(f) Revenue from contract with customers (continued)**

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

**(g) Financial assets**

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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





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

**(g) Financial assets (continued)**

**Financial assets at fair value through profit or loss**

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

**Impairment of financial assets**

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

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

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

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

**(h) Inventories**

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

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

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

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

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

**(i) Property, plant and equipment**

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

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

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

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

Assets are depreciated from the date when it is ready to be operated in the manner intended by the Group.

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

**Derecognition**

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

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

**(j) Mine properties and development**

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

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

**(k) Exploration and evaluation assets**

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

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

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



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

**(l) Impairment of non-current assets**

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

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

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

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

**(m) Trade and other payables**

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

**(n) Loans and borrowings**

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

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

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

**Borrowing costs**

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

**(o) Employee benefits**

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

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

**(o) Employee benefits (continued)**

**Short-term benefits**

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

**Long-term benefits**

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

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

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

**Defined contribution superannuation plan**

Contributions to defined contribution superannuation plans are expensed when incurred.

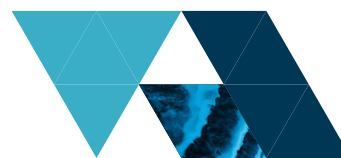
**Share-based payments**

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Binomial based model and the fair value of share performance rights is determined using a Monte Carlo simulation model, further details of which are provided in Note 25. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

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

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





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

**(p) Leases**

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

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

**Leases as a lessee**

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

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

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

**Short-term leases and lease of low value assets**

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

**(q) Income tax and other taxes**

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

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

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

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

**(q) Income tax and other taxes (continued)**

- 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.

**(r) 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.



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

**(r) Provisions (continued)**

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.

**(s) 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.

**(t) 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.

**(u) 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.

**(v) 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.

**(w) 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:

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

**(w) Significant accounting judgements, estimates and assumptions (continued)**

*(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 2021.

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.

*(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 2021, the Group has net deferred tax assets of \$16,003,950 (2020: \$17,783,476) which have not been recognised. A tax benefit will only be recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

*(iii) Provision for Indonesian employee termination benefits*

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

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





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

**(w) Significant accounting judgements, estimates and assumptions (continued)**

*(iv) Provisions for decommissioning and restoration costs*

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

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

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

*(v) Share-based payments*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options and share performance rights is determined by using a Binomial and Monte Carlo simulation models respectively, with the assumptions detailed in Note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

*(vi) VAT contingent liabilities*

The Group has disclosed contingent liabilities relating to its VAT claims arising from its operations in Indonesia in Note 27(c). The amount of contingent liabilities is based on estimates determined by the Group having taken suitable independent expert tax advice and based on interpretation of currently enacted tax laws and regulations. Actual results could differ from those estimates.

**(x) Comparatives**

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

**(y) Impact of COVID-19 pandemic**

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

**(z) Government grants**

Government grants are recognised as other income where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 3. OPERATING SEGMENTS

#### Identification of reportable segments

- The Group has identified one operating segment, i.e. gold & silver, based on internal reports that are reviewed and used by the Board and executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

#### Types of products

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

#### Accounting policies

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

	2021		2020	
	Revenue	% of External Revenue	Revenue	% of External Revenue
	\$	%	\$	%
Customer A	18,382,761	100	70,652,257	100

#### Revenue from external customers by geographical locations

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

	2021	2020
	\$	\$
Australia	18,382,761	70,652,257
Indonesia	-	-
<b>Total revenue</b>	<b>18,382,761</b>	<b>70,652,257</b>

#### Analysis of location of non-current assets

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

	2021	2020
	\$	\$
Australia	53,534	3,489
Indonesia	19,885,440	22,971,813
<b>Total non-current assets</b>	<b>19,938,974</b>	<b>22,975,302</b>



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021	2020
	\$	\$
<b>(a) Segment:</b>	<b>Gold &amp; Silver</b>	<b>Gold &amp; Silver</b>
Type of goods		
- Sale of gold	17,029,735	65,880,548
- Sale of silver	1,353,026	4,771,709
<b>Total revenue from contracts with customers</b>	<b>18,382,761</b>	<b>70,652,257</b>
<b>Geographical markets:</b>		
Australia	18,382,761	70,652,257
Indonesia	-	-
<b>Total revenue from contracts with customers</b>	<b>18,382,761</b>	<b>70,652,257</b>
<b>Timing of revenue recognition:</b>		
Goods transferred at a point in time	18,382,761	70,652,257
<b>Total revenue from contracts with customers</b>	<b>18,382,761</b>	<b>70,652,257</b>
<b>(b) Reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information in Note 3</b>		
<b>Revenue</b>		
External customer	18,382,761	70,652,257
<b>Total revenue from contracts with customers</b>	<b>18,382,761</b>	<b>70,652,257</b>

#### (c) Performance obligation

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



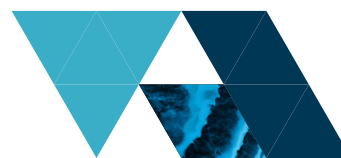
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 5. EXPENSES

	2021	2020
	\$	\$
<b>(a) Cost of sales</b>		
Mine production costs	2,440,248	29,077,330
Royalties	895,972	2,931,366
Depreciation of plant and equipment	793,451	4,287,222
Inventory movements	7,527,720	(2,198,848)
<b>Total cost of sales</b>	<b>11,657,391</b>	<b>34,097,070</b>
<b>(b) Other income</b>		
Interest income	57,638	58,284
Gain on disposal of plant and equipment	27,798	-
Net gain on foreign exchange	-	2,039,404
Sundry income	50,567	81,647
<b>Total other income</b>	<b>136,003</b>	<b>2,179,335</b>
<b>(c) Administration expenses</b>		
Corporate costs	3,048,992	2,561,023
Depreciation of equipment	20,737	36,913
Share-based payments	119,731	16,287
<b>Total administration expenses</b>	<b>3,189,460</b>	<b>2,614,223</b>
<b>(d) Other expenses</b>		
Loss on disposal of plant and equipment	-	165,506
Net loss on foreign exchange	6,752,355	-
Plant and equipment written off	-	1,909
Exploration and evaluation assets written off	-	2,103,086
Resource definition and extension costs	1,649,796	4,006,467
Impairment loss on mine properties and development (see Note 14)	-	6,108,462
Re-measurement adjustments on VAT receivables	(79,777)	(191,569)
Consumables written down	576,393	37,807
Non-production mine site costs		
- Termination / redundancy costs	291,653	3,435,857
- Site care and maintenance	1,544,077	-
Sundry expenses	9,586	17,095
<b>Total other expenses</b>	<b>10,744,083</b>	<b>15,684,620</b>
<b>(e) Finance costs</b>		
Borrowing costs	787	20,923
Interest on lease liabilities	5,288	19,328
	6,075	40,251
Unwinding of discount and effect of changes in discount rate on rehabilitation provision	80,604	66,220
<b>Total finance costs</b>	<b>86,679</b>	<b>106,471</b>





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2021

**5. EXPENSES (continued)**

	2021	2020
	\$	\$
<b>(f) Depreciation and amortisation</b>		
Plant and equipment	902,206	4,324,135
<b>Total depreciation and amortisation</b>	<b>902,206</b>	<b>4,324,135</b>
Included in:		
Cost of sales	881,469	4,287,222
Administration expenses	20,737	36,913
	<b>902,206</b>	<b>4,324,135</b>
<b>(g) Employee benefits expense</b>		
Wages and salaries	2,269,003	6,212,770
Defined contribution superannuation expense	53,987	127,692
Defined benefit expense	143,255	475,080
Share-based payments	119,731	16,287
Other employee benefits	289,234	430,871
<b>Total employee benefits expense</b>	<b>2,875,210</b>	<b>7,262,700</b>
Included in:		
Cost of sales	1,003,814	5,820,975
Administration expenses	1,871,396	1,441,725
	<b>2,875,210</b>	<b>7,262,700</b>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 6. INCOME TAX

	2021	2020
	\$	\$
<b>(a) Income tax expense</b>		
<b>Income Statement</b>		
<i>Current income tax</i>		
Current income tax (benefit) / charge	(545,591)	1,078,079
Under provision in prior year	-	-
	(545,591)	1,078,079
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	12,670	(127,108)
<b>Income tax (benefit) / expense reported in the Income Statement</b>	<b>(532,921)</b>	<b>950,971</b>
<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	(12,670)	127,108
<b>Income tax benefit reported in other comprehensive income</b>	<b>(12,670)</b>	<b>127,108</b>

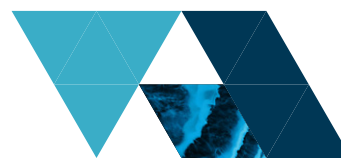
#### (c) Numerical reconciliation of accounting (loss)/profit to tax expense

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:

	2021	2020
	\$	\$
Accounting (loss)/profit before income tax	(7,158,849)	20,329,208
At Australian statutory income tax rate of 30%	(2,147,655)	6,098,762
Effect of different tax rate in accordance with Contract of Work Agreement and its amendment in Indonesia	201,672	(889,110)
Deferred tax assets in current period not recognised	592,628	253,985
Derecognition / (recognition) of previously unrecognised deferred tax assets	822,888	(5,643,189)
Non-assessable income	(80,057)	(17,484)
Non-deductible expenses	-	1,148,007
Unclaimed foreign tax credit	77,603	-
<b>Aggregate income tax expense</b>	<b>(532,921)</b>	<b>950,971</b>

#### (d) Numerical reconciliation of current income tax assets and liabilities

	2021	2020
	\$	\$
At 1 July	(452,908)	(550,158)
Charged to income	545,591	(1,078,080)
Net payments/(refunds)	612,660	1,175,330
At 30 June	<b>705,343</b>	<b>(452,908)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2021

**6. INCOME TAX (continued)**

**(e) Recognised deferred tax assets and liabilities**

	BALANCE SHEET	
	2021	2020
	\$	\$
Deferred tax at 30 June relates to the following:		
<i>Deferred tax assets</i>		
Provisions	2,725,208	2,417,613
Plant and equipment	1,245,396	1,562,074
Unrealised foreign exchange movements	609,436	287,147
Losses available for offset against future taxable income	12,112,794	15,471,329
<b>Gross deferred tax assets</b>	<b>16,692,834</b>	<b>19,738,163</b>
<i>Deferred tax liabilities</i>		
Accrued income	-	(2)
Mine properties and development	106,028	(985,900)
Leases	(794,912)	(968,785)
<b>Gross deferred tax liabilities</b>	<b>(688,884)</b>	<b>(1,954,687)</b>
Net deferred tax assets	16,003,950	17,783,476
Unrecognised net deferred tax assets	(16,003,950)	(17,783,476)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>
Reconciliation of net deferred tax assets movement:		
At 1 July	-	-
Charged to income	12,760	127,108
Credited to other comprehensive income	(12,670)	(127,108)
<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.

**Unrecognised net deferred tax assets and tax losses**

The Group has unrecognised net deferred tax assets in Australia of \$2,852,749 (2020: \$2,260,121) and Indonesia of \$13,151,201 (2020: \$15,523,355). Included in this balance are tax losses that arose in Australia of \$252,806 (2020: \$252,806) and Indonesia of \$11,859,987 (2020: \$15,218,523). 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 CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 7. (LOSS)/EARNINGS PER SHARE

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

	2021	2020
	\$	\$
<b>(a) (Loss)/earnings per share</b>		
The following reflects the income used in the calculation of basic and diluted (loss)/earnings per share computations:		
Net (loss)/profit attributable to ordinary equity holders of the parent	<b>(6,613,790)</b>	19,324,509
	Shares	Shares
<b>(b) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic loss per share	<b>730,007,352</b>	730,007,352
Effect of dilution:		
Options and share performance rights	<b>7,145,205</b>	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>737,152,557</b>	730,007,352
	Cents	Cents
<b>(c) Loss per share attributable to the equity holders of the Company:</b>		
Basic (loss)/earnings per share – cents per share	<b>(0.91)</b>	2.70
Diluted (loss)/earnings per share – cents per share	<b>(0.91)</b>	2.70

Note (\*): Because the diluted loss per share amount is decreased when taking share options into account, the share options had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the year of \$6,613,790 (2020: profit of \$19,324,509), and the weighted average number of ordinary shares 730,007,352 (2020: 730,007,352) on issue during the year that are considered in the calculation of basic loss per share.

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

Options and share performance rights

Total options of 10,200,000 (2020: 5,200,000) on issue at balance date are considered to be potential ordinary shares; however are not included in the determination of diluted loss per share given they have anti-dilutive effect.

Total share performance rights of 5,000,000 (2020: 789,115) on issue at balance date are not included in the determination of diluted loss 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 2021 and 30 June 2020.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 9. CASH AND CASH EQUIVALENTS

	2021	2020
	\$	\$
<b>Current</b>		
Cash at bank and in hand (i)	6,562,073	7,754,288
At-call deposits (ii)	24,009,188	15,317,377
	<b>30,571,261</b>	<b>23,071,665</b>

#### Terms and conditions

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

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

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

	2021	2020
	\$	\$
Net (loss)/profit after income tax	(6,625,928)	19,378,237
<i>Adjustments for:</i>		
Depreciation of plant and equipment	902,206	4,324,135
Unrealised net foreign exchange (gain)/loss	5,684,575	(1,729,531)
Share-based payments	119,731	16,287
Loss on disposal of plant and equipment	(27,798)	165,506
Plant and equipment written off	-	1,909
Exploration and evaluation assets written off	-	2,103,086
Impairment on mine properties and development	-	6,108,462
<i>Change in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	3,408,214	(438,796)
Decrease/(increase) in inventories	8,855,186	(1,702,139)
Increase in income tax receivable	(750,453)	-
Decrease/(increase) in other assets	205,039	(37,300)
Decrease in trade and other payable	(1,332,993)	(4,485,159)
Decrease in income tax payables	(452,908)	(97,251)
Decrease in provisions	(87,479)	(2,219,074)
<b>Net cash flows from operating activities</b>	<b>9,942,502</b>	<b>21,388,372</b>
<b>Non-cash investing and financing activities</b>		
Acquisition of assets by means of leases	-	-

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 9. CASH AND CASH EQUIVALENTS (continued)

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

	1 July 2020	Cash Flows	Foreign Exchange Movement	New Leases / Loans	Other	30 June 2021
	\$	\$	\$	\$	\$	\$
<b>Current</b>						
Lease liabilities	83,744	(77,184)	(6,626)	-	6,360	6,294
<b>Non-Current</b>						
Lease liabilities	7,084	-	(724)	-	(6,360)	-
<b>Total liabilities from financing activities</b>	<b>90,828</b>	<b>(77,184)</b>	<b>(7,350)</b>	<b>-</b>	<b>-</b>	<b>6,294</b>

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

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

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

### 10. TRADE AND OTHER RECEIVABLES

	2015 2021	2014 2020
	\$	\$
<b>Current</b>		
Other receivables (i)	1,020,397	4,019,351
<b>Non-Current</b>		
Bonds and deposits	1,206,729	868,837
Other receivables (i)	178,612	925,764
	<b>1,385,341</b>	<b>1,794,601</b>

#### Terms and conditions

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 11. INVENTORIES

	2021	2020
	\$	\$
<b>Current</b>		
Ore stockpiles at cost or net realisable value	-	2,448,510
Gold in circuit at cost or net realisable value	-	182,418
Gold dore and bullion at cost or net realisable value	47,506	5,351,379
Consumables and spares at cost (less impairment)	181,237	1,101,622
	<b>228,743</b>	9,083,929

During the year, no amount was recognised as an expense for non-consumables related inventories carried at net realisable value (2020: \$0).

### 12. PLANT AND EQUIPMENT

	2021	2020
	\$	\$
<b>Non-Current</b>		
<i>Plant and Equipment</i>		
Gross carrying amount – at cost	29,575,163	32,664,647
Accumulated depreciation and impairment	(29,133,774)	(31,390,143)
Net carrying amount	441,389	1,274,504
<i>Right-of-Use Assets – Equipment</i>		
Gross carrying amount – at cost	372,481	194,812
Accumulated depreciation	(325,104)	(109,577)
Net carrying amount	47,377	85,235
<i>Right-of-Use Assets – Office Premises</i>		
Gross carrying amount – at cost	79,013	40,143
Accumulated depreciation	(49,062)	(33,264)
Net carrying amount	29,951	6,879
<i>Capital Work in Progress</i>		
Gross carrying amount – at cost	-	54,815
<b>Total Plant and Equipment</b>	<b>518,717</b>	<b>1,421,433</b>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 12. PLANT AND EQUIPMENT (continued)

	2021	2020
	\$	\$
<b>Movements in Plant and Equipment</b>		
<i>Plant and Equipment</i>		
Carrying amount at 1 July	1,274,504	3,687,742
Additions	95,662	183,673
Transfer from capital work in progress	49,208	1,441,403
Disposals	(521)	(1,908)
Depreciation charge	(853,894)	(4,172,828)
Foreign exchange translation (loss)/gain	(123,570)	136,422
Carrying amount at 30 June	441,389	1,274,504
<i>Leased Equipment</i>		
Carrying amount at 1 July	-	195,671
Additions	-	-
Transfer to right-of-use assets - equipment	-	(195,671)
Depreciation charge	-	-
Foreign exchange translation gain	-	-
Carrying amount at 30 June	-	-
<i>Right-of-Use Assets - Equipment</i>		
Carrying amount at 1 July	85,235	-
Transfer from leased equipment	-	195,671
Depreciation charge	(29,927)	(117,294)
Foreign exchange translation (loss)/gain	(7,931)	6,858
Carrying amount at 30 June	47,377	85,235
<i>Right-of-Use Assets - Office Premises</i>		
Carrying amount at 1 July upon adoption of AASB 16	6,879	39,284
Additions	41,664	-
Depreciation charge	(18,386)	(34,012)
Foreign exchange translation (loss)/gain	(206)	1,607
Carrying amount at 30 June	29,951	6,879
<i>Capital Work in Progress</i>		
Carrying amount at 1 July	54,815	681,492
Additions	-	785,398
Transfer to plant and equipment	(49,208)	(1,441,403)
Foreign exchange translation (loss)/gain	(5,608)	29,328
Carrying amount at 30 June	-	54,815



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 13. MINE PROPERTIES AND DEVELOPMENT

	2021	2020
	\$	\$
<b>Non-Current</b>		
Gross carrying amount – at cost	53,122,849	58,011,994
Accumulated amortisation and impairment	(48,608,786)	(53,064,000)
	4,514,063	4,947,994
<b>Movements in Mine Properties and Development</b>		
Carrying amount at 1 July	4,947,994	10,741,451
Impairment (i)	-	(6,108,462)
Disposals	-	(198,899)
Change in rehabilitation provision	-	142,770
Foreign exchange translation (loss)/gain	(433,931)	371,134
Carrying amount at 30 June	4,514,063	4,947,994

(i) Refer to Note 14 for details.

### 14. IMPAIRMENT TESTING OF NON-CURRENT ASSETS

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

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

#### 30 June 2021 Assessment

For the year ended 30 June 2021, the Group assessed whether there were any indicators of impairment in relation to the Way Linggo Project CGU. Upon the identification of impairment indicator relating to Company's market capitalisation relative to the Group's net assets, management performed an impairment assessment on the CGU, applying the fair value less costs of disposal basis using a discounted cash flow model over a 5-year period (level 3 in the fair value hierarchy).

The assessment of the recoverable amount of the Way Linggo Project CGU has determined that no further impairment is required at 30 June 2021.

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 2021.

Assumptions		
Gold price (US\$ per ounce)	\$1,600-\$1,775	Commodity prices are estimated with reference to external market forecasts.
Size and grade of ore bodies	Way Linggo Resource: 236,000t @ 5.8g/t Au and 55g/t Ag Talang Santo Resource: 850,000t @ 5.1g/t Au and 13g/t Ag	
Projected operating and capital costs	The operating and capital cost assumptions are based on the Group's latest forecasts and CGU specific studies. These projections can include expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimize and reduce operational activity and improve capital and labour productivity.	
Discount rate (post tax)	10.9%	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

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

The headroom between the carrying amount and recoverable amount in the Way Linggo Project CGU is, on the current period assumptions marginal, and any unfavourable changes to key assumptions and inputs would result in an impairment charge. If the key assumptions used in the carrying value assessments at 30 June 2021 were changed to the extent in the following table, the changes would have the following approximate impact on the carrying amount for the year ended 30 June 2021. It must be noted that each of the sensitivities below assumes that the specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions is usually accompanied with a change in another assumption, which may have offsetting impact.

	Impairment Charge
	\$
-5% change in USD gold price per ounce	(4,360,153)
+2.5% change in project operating costs	(1,388,189)
+150 basis points change in discount rate	(610,205)

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

#### 30 June 2020 Assessment

For the year ended 30 June 2020, the Group assessed whether there were any indicators of impairment in relation to the Way Linggo Project CGU. Upon the identification of impairment indicator relating to Company's market capitalisation relative to the Group's net assets, management performed an impairment assessment on the CGU, applying the fair value less costs of disposal basis using a discounted cash flow model over a 4.5-year period (level 3 in the fair value hierarchy).

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

The determination of the recoverable amount required the use of assumptions which impact the estimates associated with future cash flows. The table below summarises the key assumptions used in the carrying value assessments at 30 June 2020.

Assumptions		
Gold price (US\$ per ounce)	\$1,534-\$1,851	Commodity prices are estimated with reference to external market forecasts.
Size and grade of ore bodies	Way Linggo Resource: 236,000t @ 5.8g/t Au and 55g/t Ag Talang Santo Resource: 850,000t @ 5.1g/t Au and 13g/t Ag	
Projected operating and capital costs	The operating and capital cost assumptions are based on the Group's latest forecasts and CGU specific studies. These projections can include expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimize and reduce operational activity and improve capital and labour productivity.	
Discount rate (post tax)	10.9%	





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

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

### 15. EXPLORATION AND EVALUATION ASSETS

	2021	2020
	\$	\$
<b>Non-Current</b>		
At cost	13,520,873	14,811,294
<b>Movements in Exploration and Evaluation Assets</b>		
Carrying amount at 1 July	14,811,294	16,507,318
Additions	-	-
Write off (i)	-	(2,103,086)
Foreign exchange translation (loss)/gain	(1,290,422)	407,062
Carrying amount at 30 June	13,520,873	14,811,294

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 considering various indicators of impairment. As a result of this review no write off has been recognised in the income statement in relation to areas of interest where future exploration and evaluation activities are planned and future benefits are expected (2020: \$2,103,086). The determination as to whether there are any indicators to require exploration and evaluation assets to be assessed for impairment, involves a number of judgments including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. The Group performed an assessment of the impairment indicators at 30 June 2021 in accordance with AASB 6, taking into account the following factors:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 15. EXPLORATION AND EVALUATION ASSETS (continued)

1. The Group still had the right to explore the tenements until 2034.
2. Further exploration and evaluation activities have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.
3. Active and significant operations in the area of interest is continuing.

As a result of considering these factors, the directors did not identify any impairment indicators.

### 16. TRADE AND OTHER PAYABLES

	2021	2020
	\$	\$
<b>Current</b>		
Trade creditors	224,714	761,558
Accruals	666,779	1,083,049
Sundry creditors	56,079	435,958
	<b>947,572</b>	<b>2,280,565</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

	2021	2020
	\$	\$
<b>Current</b>		
Lease liabilities (i)	6,294	83,744
<b>Non-Current</b>		
Lease liabilities (i)	-	7,084

#### Terms and conditions

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



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 18. EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS

	2021	2020
	\$	\$
<b>Current</b>		
Employee entitlements (i)	91,622	287,159
<b>Non-Current</b>		
Employee entitlements (i)	307,252	380,481
Rehabilitation (ii)	1,409,636	1,208,584
	<b>1,716,888</b>	<b>1,589,065</b>

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

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

	2021	2020
Discount rate	7.81% per annum	8.30% 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 2019 (TM IV)	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:

	2021	2020
	\$	\$
<b>Benefit Liability</b>		
Current	51,703	110,756
Non-current	282,069	297,740
Present value of defined benefit obligation - unfunded	<b>333,142</b>	<b>408,496</b>
<b>Movements in Benefit Liability</b>		
At 1 July	408,496	2,573,407
Net benefits expense	143,255	475,080
Charged directly to equity – re-measurement adjustments	34,036	(508,431)
Benefits paid	(211,486)	(2,214,157)
Foreign exchange translation loss	(41,158)	82,597
At 30 June	<b>333,142</b>	<b>408,496</b>
<b>Net Benefit Expense</b>		
Current service cost	139,131	281,725
Interest cost	4,124	193,355
	<b>143,255</b>	<b>475,080</b>

A quantitative sensitivity analysis for significant assumptions at 30 June 2021 is shown below:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

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

	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	(32,915)	38,419	37,776	(32,966)	158	(158)

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

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

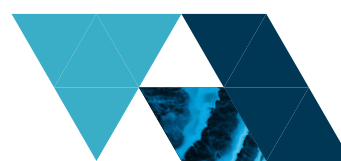
	2021	2020
	\$	\$
Within 1 year	51	197,287
1 – 5 years	181,306	786,496
After 5 years *	3,291,060	7,906,863
	3,472,417	8,890,646

\* The expected payment after 5 years represents future undiscounted amount of benefits payable assuming all employees who reach retirement age (60 years) more than 5 years from balance date, remain in continuous employment with PTNM until retirement.

The average duration of the defined benefit obligation at the end of the reporting period is 13.0 years (2020: 12.3 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.

	2021	2020
	\$	\$
<b>Movements in Rehabilitation Provision</b>		
At 1 July	1,208,584	781,703
Provisions recognised – net	273,405	409,023
Provision utilised	-	(11,460)
Unwinding of discount	80,604	66,220
Foreign exchange translation (gain)	(152,957)	(36,902)
At 30 June	1,409,636	1,208,584



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 19. CONTRIBUTED EQUITY

	2021	2021	2020	2020
	\$	Number	\$	Number
<b>Ordinary Shares</b>				
Issued and fully paid	105,688,558	730,007,352	105,688,558	730,007,352

There were no movements in ordinary shares on issue for the years ended 30 June 2021 and 30 June 2020.

#### 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 2021 was 10,200,000 (2020: 5,200,000).

The total number of share performance rights on issue at 30 June 2021 was 5,000,000 (2020: 789,115).

### 20. RESERVES

#### Nature and purpose of reserves

##### *Share-based payments reserve*

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

##### *General reserve*

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

##### *Foreign currency translation reserve*

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

##### *Other capital reserve*

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



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 21. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

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

#### Objectives and Policies

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

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

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

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

#### (a) Interest rate risk

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

	2021	2020
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	30,571,261	23,071,665
<b>Net exposure</b>	<b>30,571,261</b>	<b>23,071,665</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.

At 30 June 2021, 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)	
	2021	2020
	\$	\$
Judgements of reasonably possible movements:		
+2% (200 basis points)	427,948	323,003
-2% (200 basis points)	(427,948)	(323,003)



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

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

#### (b) Foreign currency risk

The Group has transactional currency exposures as a result of significant operations in Indonesia. As more than 98% of sales are denominated in United States Dollars (USD) and large proportion of the Group's purchases are denominated in Indonesian Rupiah (IDR) and USD, the Group's income statement and statement of financial position can be affected significantly by movements in the AUD/USD and USD/IDR exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by actively monitoring foreign exchange movements and their impact on the Group's budgeted future cash flows and future net asset positions denominated in foreign currencies.

At 30 June 2021, the Group had the following exposure to USD and IDR foreign currencies:

	2021	2020	2021	2020
	USD	USD	IDR	IDR
	Denominated balances	Denominated balances	Denominated balances	Denominated balances
	A\$	A\$	A\$	A\$
<b>Financial Assets</b>				
Cash and cash equivalents	29,277,232	21,597,087	957,713	234,893
	29,277,232	21,597,087	957,713	234,893
<b>Financial Liabilities</b>				
Trade and other payables	-	-	-	(626,236)
Interest-bearing liabilities	-	-	-	(91,222)
	-	-	-	(717,458)
<b>Net exposure</b>	<b>29,277,232</b>	<b>21,597,087</b>	<b>957,713</b>	<b>(482,565)</b>

At 30 June 2021, had the Australian and US dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

	Post-Tax Profit Higher/(Lower)	
	2021	2020
Judgements of reasonably possible movements:	\$	\$
A\$/US\$ +10% (2020: +10%)	(975,908)	(1,374,360)
A\$/US\$ -10% (2020: -10%)	1,078,635	1,679,773
US\$/IDR +20% (2020: +20%)	(111,733)	56,299
US\$/IDR -20% (2020: -20%)	167,600	(84,449)

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

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements, economic forecaster's expectations and volatility experienced since the onset of COVID-19 pandemic;
- The reasonably possible movement of 10% and 20% was calculated by taking the foreign currency spot rate as at balance date, moving this spot rate by 10% and 20%; and then re-converting the foreign currency into AUD with the "new spot-rate". This methodology reflects the translation methodology undertaken by the Group;
- The translation of the net assets in subsidiaries with a functional currency other than AUD has not been included in the sensitivity analysis as part of the equity movement; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

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

#### (c) Commodity price risk

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

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

#### (d) Liquidity risk

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

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

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

	Maturity Analysis			
	Within 1 year	1 to 5 years	After 5 years	Total
	\$	\$	\$	\$
<b>Financial Liabilities</b>				
<b>2021</b>				
Trade and other payables	(947,572)	-	-	(947,572)
Interest-bearing liabilities				
- Lease liabilities	(6,450)	-	-	(6,450)
	(954,022)	-	-	(954,022)
<b>2020</b>				
Trade and other payables	(2,280,565)	-	-	(2,280,565)
Interest-bearing liabilities				
- Lease liabilities	(89,720)	(7,256)	-	(96,976)
	(2,370,285)	(7,256)	-	(2,377,541)

#### (e) Credit risk exposure

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

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

#### Cash

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



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

**Trade Receivables**

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

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

As at 30 June 2021, the Group did not have trade receivable balance (2020: nil).

**(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.

	2021	2020
	\$	\$
Total borrowings*	953,866	2,371,393
Less: Cash and cash equivalents	(30,571,261)	(23,071,665)
Net (cash)	(29,617,395)	(20,700,272)
Total equity	50,144,057	55,096,456
<b>Total capital</b>	<b>20,526,662</b>	<b>34,396,184</b>
Gearing ratio	-	-

\*Includes trade and other payables and interest-bearing liabilities

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

**22. LEASES**

**Group as a lessee**

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

The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases. The carrying amounts of right-of-use assets recognised and the movements during the year are set out in Note 12.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 22. LEASES (continued)

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

	2020
	\$
At 1 July	90,828
Accretion of interest	5,288
Payments	(82,471)
Foreign exchange translation loss	(7,351)
At 30 June	6,294
Included in the financial statements as interest-bearing liabilities (Note 17):	
Current	6,294
Non-current	-
<b>Total</b>	<b>6,294</b>

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

The following are the amounts recognised in profit or loss:

	2021
	\$
Depreciation expense of right-of-use assets	48,313
Interest expense on lease liabilities	5,288
Expense relating to short-term leases (included in cost of sales)	17,899
Expense relating to leases of low-value assets (included in administration expenses)	65,863
<b>Total amount recognised in profit or loss</b>	<b>137,363</b>

The Group had total cash outflows for leases of \$82,472, comprising payments of principal \$77,184 and interest \$5,288 during the year. The Group had total cash outflows for short-term leases and leases of low value assets of \$83,762 during the year (2020: \$79,278).

Since cessation of mining activity at the Way Linggo site in April 2020 the processing plant was decommissioned, and the mine site placed on care and maintenance. As a result, all variable payment lease contracts have been concluded and closed.

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

	2021
	\$
Within 1 years	20,434

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



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 23. INFORMATION RELATING TO SUBSIDIARIES

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

Entity	Place of Incorporation	Equity Interest	
		2021	2020
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%
Kingsrose Mining (Jersey) Limited	Jersey (S.H)	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 2021, the proportion of legal equity interest held by non-controlling interest was 15% (2020: 15%).

	2021	2020
	\$	\$
Accumulated balances of material non-controlling interest	1,756,220	1,764,154
(Loss)/profit allocated to material non-controlling interest	(12,138)	53,728

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

Summarised Income Statement	2021	2020
	\$	\$
Revenue from contracts with customers	18,382,761	70,652,257
Cost of sales	(11,657,391)	(34,097,070)
Other income	31,495	2,386,962
Administrative expenses	(1,207,777)	(1,189,835)
Other expenses	(8,406,742)	(15,683,728)
Finance costs	(810,711)	(4,286,388)
<b>(Loss)/profit from continuing operations before income tax</b>	<b>(3,668,365)</b>	<b>17,782,198</b>
Income tax	(12,670)	127,108
<b>(Loss)/profit for the year from continuing operations after income tax</b>	<b>(3,681,035)</b>	<b>17,909,306</b>
<b>Total comprehensive (loss)/income</b>	<b>(3,653,009)</b>	<b>17,893,913</b>
Attributable to non-controlling interest	(7,934)	51,419
Dividend paid to non-controlling interest	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 23. INFORMATION RELATING TO SUBSIDIARIES (continued)

Summarised Statement of Financial Position	2021	2020
	\$	\$
Current Assets	2,708,078	14,320,737
Non-Current Assets	19,918,067	23,004,440
Current Liabilities	(46,077,258)	(58,822,192)
Non-Current Liabilities	(1,717,409)	(1,543,573)
<b>Total Capital Deficiency</b>	<b>(25,168,522)</b>	<b>(23,040,588)</b>
Attributable to:		
Owners of the parent	(26,924,742)	(24,804,742)
Non-controlling interest	1,756,220	1,764,154

Summarised Cash Flow Information	2021	2020
	\$	\$
Operating	12,381,211	23,789,052
Investing	(13,975)	(2,041,599)
Financing	(11,802,013)	(23,625,453)
<b>Net increase in cash and cash equivalents</b>	<b>565,223</b>	<b>(1,878,000)</b>

### 24. PARENT ENTITY DISCLOSURES

	2021	2020
	\$	\$
Current Assets	30,259,351	23,257,613
Non-Current Assets	10,844,646	21,064,322
<b>Total Assets</b>	<b>41,103,997</b>	<b>44,321,935</b>
Current Liabilities	(124,482)	(642,036)
Non-Current Liabilities	521	(52,576)
<b>Total Liabilities</b>	<b>(123,961)</b>	<b>(694,612)</b>
<b>Net Assets</b>	<b>40,980,036</b>	<b>43,627,323</b>
Issued Capital	105,688,558	105,688,558
Accumulated Losses	(73,269,968)	(70,502,950)
Reserves	8,561,446	8,441,715
<b>Total Shareholder's Equity</b>	<b>40,980,036</b>	<b>43,627,323</b>
(Loss)/profit of the parent entity	(2,767,018)	11,075,623
Total comprehensive income of the parent entity	(2,767,018)	11,075,623

Kingsrose has not entered into any guarantees in relation to the debts of its controlled entities during the years ended 30 June 2021 and 30 June 2020.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2021

#### 25. SHARE-BASED PAYMENTS

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

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

	2021	2020
	\$	\$
Options	94,614	6,000
Share performance rights	25,117	10,287
	<b>119,731</b>	<b>16,287</b>

##### (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.

	2021	2021	2020	2020
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	5,200,000	0.06	10,200,000	0.13
Granted during the year	5,000,000	0.06	1,000,000	0.06
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	-	-	(6,000,000)	0.18
Outstanding at the end of the year	<b>10,200,000</b>	<b>0.06</b>	5,200,000	0.06
Exercisable at the end of the year	<b>10,200,000</b>	<b>0.06</b>	5,200,000	0.06

- Weighted average share price – No options were exercised during the years ended 30 June 2021 and 30 June 2020.
- Weighted average remaining contractual life – The weighted average remaining contractual life for the options outstanding as at 30 June 2021 is 2.84 years (2020: 1.73 years).
- Range of exercise price – The range of exercise prices for the options outstanding at the end of the year is \$0.06 (2020: \$0.06).
- Weighted average fair value – The weighted average fair value of options granted during the year ended 30 June 2021 was \$0.03 (2020: \$0.01)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 25. SHARE-BASED PAYMENTS (continued)

- Valuation model – The fair value of the options granted during the period 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 2021:

Grant date	8 February 2021
Dividend yield	-
Share price at grant date	\$0.055
Exercise price	\$0.059
Expected volatility	85%
Risk-free interest rate	0.415%
Expiration period	5 years
Expiry date	8 February 2026
Binomial valuation per option	\$0.036

#### (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.

	2021	2020
	Number	Number
Outstanding at the beginning of the year	789,115	789,115
Granted during the year	5,000,000	-
Exercised during the year	-	-
Cancelled during the year	(789,115)	-
Outstanding at the end of the year	5,000,000	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 2021 is 1.50 years (2020: 1.0 years).
- Range of exercise price – The exercise price for the share performance rights outstanding at the end of the year is \$Nil (2020: \$Nil).
- Weighted average fair value – The weighted average fair value of share performance rights granted during the year ended 30 June 2021 was \$0.038 (2020: 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 2021:

Grant date	8 February 2021			
Tranche number	1	2	3	4
Dividend yield	-	-	-	-
Share price at grant date	\$0.055	\$0.055	\$0.055	\$0.055
Exercise price	-	-	-	-
Expected volatility	85%	85%	85%	85%
Risk-free interest rate	0.090%	0.090%	0.105%	0.105%
Expected life	1.39 years	1.39 years	2.39 years	2.39 years
Expiry date	30 June 2022	30 June 2022	30 June 2023	30 June 2023
Binomial valuation per right	\$0.050	\$0.042	\$0.034	\$0.028



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 25. SHARE-BASED PAYMENTS (continued)

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

The performance conditions for the share performance rights are:

- The Tranche 1 Rights (1,500,000) vest upon the Company's share price exceeding \$0.060 on five consecutive ASX trading days.
- The Tranche 2 Rights (1,000,000) vest upon the Company's share price exceeding \$0.080 on five consecutive ASX trading days.
- The Tranche 3 Rights (1,500,000) vest upon the Company's share price exceeding \$0.150 on five consecutive ASX trading days.
- The Tranche 4 Rights (1,000,000) vest upon the Company's share price exceeding \$0.200 on five consecutive ASX trading days.

Share performance rights that do not vest will automatically lapse.

### 26. RELATED PARTY DISCLOSURES

#### (a) Interests in Subsidiaries

The information about the Group's structure including the details of the subsidiaries is set out in Note 23(a).

#### (b) Transactions with Related Parties

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

		Amount of Transactions	Interest Charged	Amount Owed by/(to) Related Parties
		\$	\$	\$
Drilling services (i)	2021	1,003,514	-	-
	2020	2,516,263	-	-
Consulting services (ii)	2021	9,000	-	-
	2020	4,427	-	-

#### (i) Drilling Services

PT Promincon Indonesia, an entity related to Dr Andrews, received \$1,003,514 fees (net of taxes) for drilling services provided to the Company's subsidiary, PTNM during the year (2020: \$2,516,263). These fees are payable on arm's length commercial terms resulting from a competitive tender program for PTNM's drilling requirements at the Way Linggo site. At 30 June 2021, no amount was owing to PT Promincon Indonesia (2020: \$0).

#### (ii) Consulting Services

Vintage94 Pty Ltd an entity related to Mr Lester, received \$9,000 fees (net of taxes) for metallurgical services provided to the Company during the year (2020: \$0). The services are ad-hoc and minor in nature, on an "as required basis" and on arm's length commercial terms. At 30 June 2021, no amount was owing to Vintage94 Pty Ltd (2020: \$0).





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 26. RELATED PARTY DISCLOSURES (continued)

#### (ii) Consulting Services (continued)

There were no consulting fees paid 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 and as 30 June 2021, no amount was owing to Jem Resources Limited. During the 2020 financial year the Company the consulting fees paid to Jem Resources Limited were \$4,427. 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.

#### (c) Compensation of Key Management Personnel

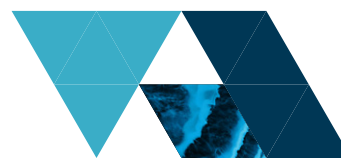
	2021	2020
	\$	\$
Short-term benefits	1,289,125	1,291,449
Post-employment benefits	38,137	78,718
Long-term benefits	6,417	(37,091)
Share-based payments	119,731	16,287
<b>Total</b>	<b>1,453,410</b>	<b>1,349,363</b>

#### 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	2020	Expiry Date	WAEP	2019
Issue Date	Expiry Date	WAEP	2021	Expiry Date	WAEP	2020
			Number Outstanding			Number Outstanding
<b>Options</b>						
FY 2019	-	-	-	FY 2022	\$0.058	5,200,000
FY 2021	<b>FY 2026</b>	<b>\$0.059</b>	<b>5,000,000</b>	-	-	-
<b>Share Performance Rights</b>						
FY 2019	-	-	-	FY 2021	-	789,115
FY 2021	<b>FY2022 and FY 2023</b>	-	<b>5,000,000</b>	-	-	-

Details of the IOPRP are set out in Note 25.



**27. COMMITMENTS AND CONTINGENCIES**

**(a) Royalties**

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

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

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

In addition, PTNM is obligated to pay gold and silver royalties to the Indonesian government, calculated at 3.75% to 5.00% of the value of gold bullion sales and 3.25% of the value of silver bullion sales.

**(b) Divestment**

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

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

On 29 June 2020, PTNM submitted a letter to the Indonesian Mines Department requesting a 12-month deferral of the next tranche of 7% equity in PTNM and previous 29% tranche not taken up by the GOI (cumulatively 36%) to be offered for sale by 30 June 2020 in accordance with the divestment schedule in the CoW. On 24 September 2020, PTNM received a letter from the Indonesian Mines Department rejecting the request for the 12-month deferral. On 16 November 2020, PTNM submitted its offer for sale of 36% equity in PTNM to the Indonesian Mines Department. A response from the Indonesian Mines Department has not been received at the date of this report.

The 36% equity tranche is the final tranche required to be offered for sale under the Company's divestment obligations. In accordance with the Indonesian regulations, if the offer is not taken up, the 36% equity tranche in PTNM is required to be revalued annually and re-offered to the Indonesian government body or Indonesian national every year.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 27. COMMITMENTS AND CONTINGENCIES (continued)

#### (c) Contingent Liabilities

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

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

The Supreme Court has rejected ITO's appeal and ruled in favour of PTNM in relation to six out of the eight 2010 VAT refund claims and all the 2011-2013 VAT refund claims under dispute. Based on the recent ruling from the Supreme Court and independent expert tax advice, the Group is confident of achieving a favourable outcome for the remaining claims.

Accordingly, no provision has been recognised in the financial statements for this matter. At 30 June 2021, the contingent liability is equivalent to \$390,067 (2020: \$433,090).

### 28. SUBSEQUENT EVENTS

There are no material subsequent events after the balance date.

### 29. AUDITOR'S REMUNERATION

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

	2021	2020
	\$	\$
Fees to Ernst & Young (Australia) for:		
(i) Auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	120,700	120,700
(ii) Other services		
- Tax compliance	45,000	15,000
<b>Total fees to Ernst &amp; Young (Australia)</b>	<b>165,700</b>	<b>135,700</b>
Fees to other overseas member firms of Ernst & Young (Australia) for:		
(i) Auditing the financial report of any controlled entities	66,095	88,546
<b>Total fees to overseas member firms of Ernst &amp; Young (Australia)</b>	<b>66,095</b>	<b>88,546</b>
<b>Total auditor's remuneration</b>	<b>231,795</b>	<b>224,246</b>



## 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 2021 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 2021.

On behalf of the Board



Michael Andrews  
Chairman  
29 September 2021

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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 2021, 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 consolidated 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 2021 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for opinion**

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

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

#### **Key audit matters**

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

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





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

Why significant	How our audit addressed the key audit matter
<p>The Group's non-current assets comprising property, plant and equipment and mine properties are required to be assessed for indicators of impairment in accordance with the Group's accounting policies at each reporting date.</p> <p>Where impairment indicators are identified, the applicable assets are required to be tested for impairment.</p> <p>As at 30 June 2021, the Group identified impairment indicators and performed an assessment of the recoverable value of the Way Linggo Project cash generating unit ("CGU"), including the relevant property, plant and equipment and mine properties, utilising a fair value less costs of disposal ("FVLCD") model. It was determined that the recoverable amount of the Way Linggo Project CGU, based on the FVLCD model, approximated the carrying amount and therefore, no further impairment nor reversal of impairment, was recorded.</p> <p>Given the significance of the CGU value relative to the Group's total assets and the degree of judgement involved in assessing the recoverable value of the CGU, we consider this a key audit matter.</p> <p>As disclosed in Note 14 to the financial report, the recoverable amount of the assets is sensitive to changes in key assumptions including the estimated gold price, the size and grade of ore bodies and projected operating and capital costs.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the Group's identification of indicators of impairment</li> <li>▶ Assessed the carrying value assigned to the CGU by the Group</li> <li>▶ Evaluated the Group's assumptions and estimates to determine the recoverable value of the CGU taking into considerations the requirements of ASA 540 revised - <i>Auditing Accounting Estimates and Related Disclosures</i>, including those relating to discount rate, gold price, the size and grades of ore bodies and the projected operating and capital costs including their timing of occurrence. 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</li> <li>▶ Tested the mathematical accuracy of the impairment model and compared relevant data to supporting documentation</li> <li>▶ Reviewed the transaction and trading multiples of comparable projects</li> <li>▶ Assessed the adequacy of the Group's disclosures in respect of asset carrying values, the impairment testing performed and the impairment recognised.</li> </ul>

## 2. Carrying value of capitalised exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
<p>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.</p> <p>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.</p>	<p>We evaluated the Group's assessment of the carrying value of exploration and evaluation assets. In performing our procedures, we:</p> <ul style="list-style-type: none"> <li>▶ Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as the license agreement</li> <li>▶ Considered the Group's intention to carry out exploration and evaluation activity in the relevant exploration areas which included an assessment of the Group's cash-flow budgets, enquiries with senior management and Directors as to the intentions and strategy of the Group</li> </ul>

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## Why significant

Given the significance of the capitalised exploration and evaluation assets relative to the Group's total assets and the degree of judgement involved in assessing whether any indicators of impairment exist, we consider this a key audit matter.

Refer to Note 15 to the financial report for the amounts recorded in the consolidated statement of financial position as at 30 June 2021 and related disclosure.

## How our audit addressed the key audit matter

- ▶ 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
- ▶ Assessed the adequacy of the related disclosures in the consolidated financial statements.

## Information other than the financial statements and auditor's report

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the Directors for the financial report

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



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Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- ▶ Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



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

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Kingsrose Mining Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

Ernst & Young

Philip Teale  
Partner  
Perth  
29 September 2021



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## SHAREHOLDER INFORMATION

The following information as required by ASX Listing Rules is current as at 31 August 2021.

### 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	358	164,691	0.02
1,001 – 5,000	636	1,921,016	0.26
5,001 – 10,000	354	2,952,164	0.40
10,001 – 100,000	1059	40,183,444	5.50
100,001 and Over	465	684,786,037	93.81
<b>Total</b>		<b>730,007,352</b>	<b>100.00</b>

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

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

Name	Number of Shares	% of Issued Capital
Citicorp Nominees Pty Limited	159,446,360	22.05
Mr Michael John Andrews	66,826,024	9.15
City Securities Ltd	62,968,839	8.63
HSBC Custody Nominees (Australia) Limited	55,840,543	7.68
BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	21,738,124	2.97
Mrs Anna Vorontsova	15,222,497	2.09
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail client DRP>	13,343,040	1.82
Goldcrest Corporation Pty Ltd <The John Morris S/Plan A/C>	13,100,000	1.79
Pegasus Corp (Aust) Pty Ltd <Xingfa Ma Family A/C>	10,000,000	1.37
Mrs Anna Vorontsova	8,969,296	1.23
Cameron John French	8,000,000	1.10
Croesus Mining Pty Ltd <Steinepreis Superfund A/C>	7,694,798	0.92
Bond Street Custodians Limited <CPCPL - TU0022 A/C>	7,000,000	0.96
Peter Bowman Nominees Pty Ltd <Peter Bowman Family A/C>	6,500,000	0.89
Just Greenery Pty Ltd <Green Family Super Fund A/C>	5,300,000	0.75
CS Fourth Nominees Pty Ltd <HSBC Cust NBom Au Ltd 11 A/C>	4,443,610	0.62
Mr Cameron Macko	4,399,403	0.60
Idrawfast Qld Pty Ltd	4,202,165	0.58
BNP Paribas Nominees Pty Ltd ACF Clearstream	4,200,263	0.63
Ajava Holdings Pty Ltd	4,200,000	0.58
<b>Total</b>	<b>483,394,962</b>	<b>66.41</b>



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## 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
Grimpeur Holdings Limited	56,893,039	7.79
Rex Harbour and Associates	54,729,940	7.50

### OPTIONS

13,200,000 unlisted options with various exercise prices and expiry dates are on issue. Options do not carry a right to vote.

Instrument	Number Under Option	Exercise Price	Expiry Date	Number of Holders
Employee Options	1,200,000	\$0.060	26 November 2021	2
Employee Options	4,000,000	\$0.057	29 April 2022	2
Employee Options	5,000,000	\$0.059	8 February 2026	1
Employee Options	3,000,000	\$0.072	24 July 2026	1
<b>Total</b>	<b>13,200,000</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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