



KINGSROSE  
MINING LIMITED

ASX Announcement  
13 March, 2020

Financial Results for Six Months to 31 December 2019

# Kingsrose posts A\$6.6m net profit on strong operational turnaround

## Cash, cash equivalents and bullion of A\$26.5m

### Highlights

- Revenue rose four-fold to A\$41.3m from A\$10.2m in the previous corresponding period (pcp)
- Net profit after tax of A\$6.6m compared with net loss after tax of A\$8.3m in the pcp
- EBITDA of A\$9.2m compared with a loss of A\$7.1m in the pcp
- Gold production rose to 17,000oz compared with 5,874oz in the pcp
- Cash operating costs of US\$469/oz and AISC for the period of US\$603/oz (pcp: US\$1,704/oz and US\$2,010/oz respectively)
- Cash, cash equivalents and bullion of A\$26.5m at Dec 31, 2019
- Net assets of A\$43.3m, up from A\$36.6m in the pcp

Kingsrose Mining Limited (ASX: KRM) is pleased to report a significant turnaround in its financial performance during the first half of this financial year on the back of an improved operational result at its Way Linggo gold project in Indonesia.

Net profit after tax was A\$6.6 million compared with a net loss after tax of A\$8.3 million in the previous corresponding period.

The turnaround stemmed from the Company mining two ore sources during the period, which in turn allowed the processing plant to run at optimum capacity.

As a result, gold production rose to 17,000oz compared with 5,874oz for the same time last year.

Much of Kingsrose's focus is now on determining the potential to extend operations at Way Linggo beyond June 2020. This includes the Phase 2 drilling programme now underway at Talang Santo and the independent conceptual study for resumption of underground mining at Talang Santo progressing.

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Options for a further cut back at Talang Santo are also being assessed. The optimised exploration and drilling programme is being developed with independent expert input.

Kingsrose Managing Director Karen O'Neill said the financial results highlighted the immense cashflow-generating capacity of the Way Linggo project.

"With efficient and consistent production performance and strong cost management across the project, we have been able to improve the underlying cashflow which is assisting us in funding the development and growth prospects of the project," Ms O'Neill said.

"We are making strong progress on our review of these growth prospects and we look forward to providing an update on our production strategy in the coming quarter."

**-ENDS-**

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For further information regarding the Company and its projects please visit [www.kingsrosemining.com.au](http://www.kingsrosemining.com.au)

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**KINGSROSE**  
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**HALF YEAR FINANCIAL REPORT**  
**31 DECEMBER 2019**

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## CORPORATE DIRECTORY

### Directors

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

### Company Secretary

Karen O'Neill

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### Share Registry

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### Stock Exchange Listing

Australian Securities Exchange (ASX: KRM)

### Australian Business Number

49 112 389 910

## DIRECTORS' REPORT

The Directors of Kingsrose Mining Limited (“Kingsrose” or the “Company”) present their report for the half year ended 31 December 2019.

### DIRECTORS

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

Michael Andrews	Non-Executive Chairman
Karen O’Neill	Managing Director (appointed 21 November 2019)
John Morris	Non-Executive Director
John Carlile	Non-Executive Director
Peter Lester	Non-Executive Director (appointed 13 February 2020)
Grant Mills	Non-Executive Director (ceased 30 November 2019)

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

### PRINCIPAL ACTIVITIES

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

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

### MINE OPERATIONS REVIEW

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 half year ended 31 December 2019 the Group produced a total of 17,000 ounces of gold and 116,898 ounces of silver. A total of 17,811 ounces of gold was sold at an average gold price of A\$2,154/oz (US\$1,475/oz) and A\$38,373,764 in revenue was realised.

The cash operating costs<sup>1</sup> for the period were US\$469/oz and the all-in sustaining costs of production<sup>2</sup> were US\$603/oz.

	Unit	31 December 2019 Six Months	31 December 2018 Six Months
<b>Mine Production</b>			
<b>Way Linggo Mine</b>			
Waste	bcm	404,345	918,059
Ore Mined	t	44,666	23,601
Mine Grade (Gold)	g/t	9.2	7.1
Mine Grade (Silver)	g/t	122	94
<b>Talang Santo Mine</b>			
Waste	bcm	1,079,388	128,038
Ore Mined	t	46,325	4,603
Mine Grade (Gold)	g/t	6.9	6.4
Mine Grade (Silver)	g/t	28	11
<b>Total</b>			
Waste	bcm	1,483,733	1,046,097
Ore Mined	t	90,991	28,204
Mine Grade (Gold)	g/t	8.0	7.0
Mine Grade (Silver)	g/t	74	80

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	Unit	31 December 2019 Six Months	31 December 2018 Six Months
<b>Ore Processed</b>			
<b>Tonnes Milled</b>	t	55,515	27,510
<b>Head Grade (Gold)</b>	g/t	9.9	7.1
<b>Head Grade (Silver)</b>	g/t	80	80
<b>Recovery (Gold)</b>	%	95.9	94.0
<b>Recovery (Silver)</b>	%	82.0	86.2
<b>Ounces Produced (Gold)</b>	oz	17,000	5,874
<b>Ounces Produced (Silver)</b>	oz	116,898	61,484
<b>Costs of Production</b>			
<b>Cash Operating Costs (C1)<sup>1</sup></b>	US\$/oz	469	1,704
<b>All-In Sustaining Costs of Production (AISC)<sup>2</sup></b>	US\$/oz	603	2,010

<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.

## Safety

There was one Lost Time Injury for the period. The 12-month moving average Lost Time Injury Frequency Rate continues to reduce and stood at 1.12 as at 31 December 2019 (30 June 2019: 1.18).

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. The Total Recordable Injury Frequency Rate at 31 December 2019 was 3.36 (30 June 2019: 4.71), which demonstrates the commitment to safety by all personnel on site.

## Way Linggo Mine

Production from the Way Linggo Mine for the period was 44,666 tonnes of ore at 9.2 g/t Au (13,162 mined ounces) and 122 g/t Ag (175,017 mined ounces). Total waste movement was 404k bcm.

The Way Linggo open pit experienced a wall failure in late June 2019 which impacted the first quarter. There were three weeks of no mine production while the focus was on establishing a safe access ramp around the eastern slip and developing a permanent northern ramp. Remediation on the wall failure began once the northern ramp was completed, and there was alternative emergency egress established from the pit. The bulk of the wall slip material was excavated in the first quarter.

A detailed geotechnical review of a planned extension to the Way Linggo pit was commissioned in August 2019. This recommended changes in slope design parameters to mitigate against future wall failures. These new design parameters made further development of the Way Linggo open pit uneconomic.

Mining ceased in the Way Linggo pit on 19 December 2019. The team achieved more than the planned depth without further significant incident. Rehabilitation works to the area are underway.

Overall the Way Linggo open pit delivered 53,407 gold ounces and 570,176 silver ounces in just under three years. There is still strong geological interest in the area around the Way Linggo mine.

## Talang Santo Mine

Production from the Talang Santo Mine for the period was 46,325 tonnes of ore at 6.9 g/t Au (10,272 mined ounces) and 28 g/t Ag (42,263 mined ounces). Total waste movement was 1,079k bcm.

On completion of an aggressive shallow diamond drilling programme, which was undertaken from May through to July 2019, focusing within the current pit boundary and potential near-pit resource extensions, a re-optimisation review of the Talang Santo open pit was undertaken. Considering this review, the Talang Santo open pit was extended to June 2020.

The Talang Santo open pit performance for the half year to December 2019 was above target. The high performance was achieved through the re-allocation of idle fleet from the Way Linggo open pit, when the wall slip occurred, and greater productivity through lower than expected lost production hours to rainfall. Higher productivity over the period brought the current Talang Santo open pit cutback completion forward to April or early May 2020.

In February 2020 the Talang Santo open pit experienced a wall slippage which stopped mine production from this pit two months earlier than planned. At time of signing this report the open pit remains closed to production. A review of the possibility of returning to production is underway.

Preliminary results of a conceptual study conducted by an independent consulting group indicate there is strong potential for a resumption of underground mining at Talang Santo below the previous underground workings. This preliminary high-level review indicates scope for an initial three-year mine life and work will continue to complete a full evaluation.

### Processing

The plant throughput for the period was 55,515 dry tonnes at a head grade of 9.9 g/t Au and 80 g/t Ag.

Following the Way Linggo pit wall failure the mill was stopped for four weeks and during this time general maintenance was undertaken. Since restarting the plant has been running at capacity and exceeded half year expectations in all three key areas including throughput rates, gold grade and recoveries. Key bottlenecks were resolved allowing the plant to be better optimised. High and medium grade ore from the stockpiles was prioritised to maximise production and recoveries.

The mill is forecast to continue running at capacity through to May 2020 from the existing stockpiles.

### Exploration

#### *Regional*

Regional exploration drilling was put on hold while the priority in-fill resource drilling at Talang Santo was completed. Compilation of all historical exploration and geological data for the entire Contract of Work area into a single database has been completed. This work is designed to provide input into 3D modelling and structure interpretation to assist in a refresh and geologically reasoned ranking of target areas by our internal team and independent structural geologists. Several priority target areas have been highlighted and field verification is underway. During the first quarter of calendar year 2020 expert consultants will conduct site visits to review the exploration data and, working with the Company's geologists, will optimize exploration and drilling programmes for 2020.

#### *Talang Santo*

The first phase of the Talang Santo Deep Drilling Programme was successfully completed in November 2019 reporting significant intercepts to the market in November 2019. This Phase 1 deep drilling programme of 21 drill holes (7,318.2m) infilled and tested grade continuity between widely spaced intersections from the drilling campaigns, completed by the Company in 2012 and 2013, which highlighted the potential for continuation of high-grade gold mineralisation below the underground mine at Talang Santo. This programme achieved its key objective of increased confidence in the resource both below and along strike from the previous underground workings and confirmed continuity of high-grade mineralisation.

The second phase of deep diamond drilling beneath the Talang Santo Mine began in February 2020 with the objectives of extending the known depth and strike extents of identified high-grade zones and testing other areas along the main

Talang Santo vein structure where individual high-grade intersections from the earlier drilling have not been followed up.

The positive outcome of this and subsequent drill programmes, in conjunction with a full assessment of appropriate underground mining methodologies, will enable Kingsrose to determine the potential for future underground mining at Talang Santo.

#### *Way Linggo*

A single deep drill hole was completed along strike from the Way Linggo underground workings in November 2019. This drill hole targeted the main fault structure hosting the Way Linggo orebody approximately 150 meters along strike to the north of the old underground workings at a depth of 50 m below the deepest level of workings. The drill hole successfully intercepted the main structure represented by a 4.8 metre quartz/calcite vein which was weakly mineralized grading between 0.93 g/t Au and 1.92 g/t Au.

Although no economic grades were returned, the intercept confirms the continuation of the main Way Linggo fault structure northwards. This represents a priority exploration target for hosting potential additional ore zones. Core samples have been sent for petrological, fluid inclusion and XRD mineralogy studies to assist in planning additional drill testing.

#### **Environmental Management**

The Group continues to conduct its operations in a manner that minimises the environmental footprint of the Project area and in accordance with its obligations under the CoW, its Environmental license (AMDAL), prevailing local laws and environmental regulations.

In compliance with this, regular and comprehensive environmental impact assessments are conducted which form part of the Group's Environmental Management and Monitoring Plan. This Plan aims to identify, assess and minimise environmental risk at all stages of its operations as a fundamental part of the long-term environmental strategy.

The Company is not aware of any material breach of environmental legislation while conducting its operations in Indonesia during the period.

Environmental activities conducted during the period included reclamation, re-vegetation and conducting monitoring programs as well as assisting with sedimentation control, and waste management.

#### **Community Engagement**

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

During the period, resources were directed towards local community initiatives at numerous local villages including construction of clean water infrastructure in two regional community areas, road improvements and road construction between villages, preparation of an area to be used as a village marketplace 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 72% of the on-site employees were from the nearby Lampung Province, while more than 99% of employees are Indonesian locals.



## FINANCIAL REVIEW

	31 December 2019 Six Months (\$)	31 December 2018 Six Months (\$)		Change (\$)
Sales Revenue	41,295,853	10,166,986	↑	31,128,867
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation – EBITDA <sup>3</sup>	9,205,668	(7,103,815)	↑	16,309,483
Earnings/(Loss) Before Interest & Tax – EBIT <sup>4</sup>	7,169,936	(7,944,461)	↑	15,114,397
Net Profit/(Loss) After Tax	6,647,915	(8,290,602)	↑	14,938,517
Earnings/(Loss) Per Share	0.0093	(0.0115)	↑	0.0208
	31 December 2019 (\$)	30 June 2019 (\$)		Change (\$)
Total Assets	57,021,352	49,533,540	↑	7,487,812
Net Assets	43,298,124	36,598,464	↑	6,699,660

<sup>3</sup> EBITDA has been calculated by adding back interest, tax, depreciation and amortisation.

<sup>4</sup> EBIT has been calculated by adding back interest and tax.

Note: EBITDA and EBIT are non-IFRS measures and 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 significant increase in sales revenue of \$31,128,867 during the half year ended 31 December 2019, primarily driven by increased production having two ore sources available with the commencement of the Talang Santo open pit operations in November 2018. Sales revenue for period was \$41,295,853, up from \$10,166,986 in the corresponding period last year relating to the sale of 17,811 ounces of gold and 119,127 ounces of silver at an average price of A\$2,154/oz and A\$25/oz respectively. The Group was aided by a 27% increase in realised Australian gold price, which saw an average increase in revenue of A\$460 per ounce of gold sold in comparison to the corresponding period in 2018.

The Group's net profit after tax for the half year ended 31 December 2019 was \$6,647,915 (31 December 2018: net loss after tax of \$8,290,602).

## Financial Position

## Assets

At reporting date, the Group's total current assets were \$30,111,780, which represents an \$15,540,316 increase for the half year ended 31 December 2019. This movement was primarily driven by an increase of \$15,667,300 in cash and cash equivalents.

Non-current assets of the Group stood at \$26,909,572 at balance date, \$8,052,504 lower than 30 June 2019, largely due to a non-cash impairment recognised on mine properties and development of \$5,989,774 and a decrease in exploration and evaluation assets as a result of the amount written off during the period.

## Liabilities

At reporting date, the Group's total liabilities were \$13,723,228, which represents an \$788,152 increase over the half year ended 31 December 2019. This was primarily driven by an increase in trade and other payables.

These factors resulted in a strengthening of the Group's balance sheet across the reporting period with an increase in total Group assets of \$7,487,812 to a total of \$57,021,352 and net assets of \$6,699,660 to a total of \$43,298,124.

## Group Cash Flows and Liquidity

The Group generated net operating cash flows of \$17,067,202 during the period, invested a total of \$599,702 in plant and equipment and settled \$803,997 in exploration and evaluation expenditure incurred in prior financial year.

At balance date, the Group held cash and cash equivalents of \$19,981,502 (30 June 2019: \$4,314,202) and had bullion on hand of \$6,516,054<sup>5</sup> (30 June 2019: \$8,125,856)<sup>6</sup>. The Group's total cash and bullion balance at 31 December 2019 was \$26,497,556 (30 June 2019: \$12,440,058).

<sup>5</sup> Bullion on hand at 31 December 2019 – 2,736oz Au and 22,385oz Ag calculated using LBMA spot price at 31 December 2019.

<sup>6</sup> Bullion on hand at 30 June 2019 – 3,749oz Au and 27,766oz Ag calculated using LBMA spot price at 30 June 2019.

## CORPORATE

### Board Changes

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

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

Subsequent to balance date, Peter Lester was appointed independent Non-Executive Director on 13 February 2020.

Mr Lester is a mining engineer with more than 40 years' experience in a wide range of resource companies. His early career including working underground at Mt Isa and Broken Hill before a brief stint as a Resource Analyst with JB Were and ANZ McCaughan. He then returned to the resources sector, taking on senior executive and eventually Board roles. He has extensive experience in Initial Public Offerings and project funding, development and acquisitions spanning Australia, South America, Turkey, Indonesia, Laos and Saudi Arabia.

Mr Lester's previous executive positions include Executive General Manager – Corporate Development Newcrest Mining Ltd where he spent 3 years leading the Gosowong project in Indonesia from studies through permitting and design to start of construction; Executive General Manager – Corporate Development at Oxiana Ltd, where he played a leading role in several key acquisitions and Executive Director at Citadel Resource Group. More recently as a consultant, Mr Lester provided services to Martabe Gold Mine in Sumatra, Indonesia. Mr Lester has also managed several large IPOs in the resources sector, worked closely with exploration teams and has overseen project studies both in Australia and overseas. Mr Lester is currently Non-Executive Chairman of White Rock Minerals (ASX: WRM) and Helix Resources (ASX: HLX).

## EVENTS AFTER REPORTING DATE

On 17 February 2020, mining at the Talang Santo open pit mine was halted following a wall slippage incident.

Due to damage caused by recent heavy rains, the north wall of the Talang Santo open pit has been monitored closely. Following a minor slip preceding the main event, mining was halted, and personnel and equipment were removed from the mapped potential sliding zone. This meant there were no casualties or property damage as a result of this incident.

The incident has resulted in the Talang Santo pit being temporarily inaccessible to normal mining activities and the ground continues to be unstable with further material movement expected. The full impact of this incident is still being assessed. Options of returning to production from the Talang Santo pit are being reviewed.

The Talang Santo pit was scheduled to be completed in April 2020. Production will continue from existing stockpiles through to May 2020.

## AUDITOR'S INDEPENDENCE DECLARATION

Ernst and Young's independence declaration is set out on page 10 and forms part of the Directors' Report for the half year ended 31 December 2019.

Signed in accordance with a resolution of the Directors.



Michael Andrews  
Chairman  
13 March 2020

### Caution Regarding Forward Looking Statements and Forward Looking Information

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

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



Building a better  
working world

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## Auditor's Independence Declaration to the Directors of Kingsrose Mining Limited

As lead auditor for the review of the half-year financial report of Kingsrose Mining Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

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

*Ernst & Young*

Ernst & Young

Philip Teale  
Partner  
Perth  
13 March 2020

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## CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 \$	31 December 2018 \$
<b>Continuing operations</b>			
Revenue	3(a)	41,295,853	10,166,986
<b>Total revenue</b>		<b>41,295,853</b>	<b>10,166,986</b>
Cost of sales	3(b)	(21,245,966)	(15,528,052)
<b>Gross profit/(loss)</b>		<b>20,049,887</b>	<b>(5,361,066)</b>
Other income	3(c)	32,330	3,550,339
Administration expenses	3(d)	(1,303,529)	(1,661,071)
Other expenses	3(e)	(11,595,182)	(4,164,214)
Finance costs	3(f)	(53,258)	(47,833)
<b>Profit/(Loss) before income tax</b>		<b>7,130,248</b>	<b>(7,683,845)</b>
Income tax expense		(482,333)	(606,757)
<b>Net profit/(loss) for the period</b>		<b>6,647,915</b>	<b>(8,290,602)</b>
<b>Profit/(Loss) for the period is attributable to:</b>			
Owners of the parent		6,630,767	(8,261,190)
Non-controlling interest		17,148	(29,412)
		<b>6,647,915</b>	<b>(8,290,602)</b>
		<b>Cents</b>	<b>Cents</b>
Earnings per share attributable to the ordinary equity holders of the parent:			
Basic earnings/(loss) per share – cents per share		<b>0.93</b>	(1.15)
Diluted earnings/(loss) per share – cents per share		<b>0.93</b>	(1.15)

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED  
31 DECEMBER 2019**

	31 December 2019	31 December 2018
	\$	\$
<b>Net profit/(loss) for the period</b>	<b>6,647,915</b>	<b>(8,290,602)</b>
<b>Other comprehensive (loss)/income</b>		
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods</i>		
Foreign currency translations attributable to parent entity interest	<b>(175,915)</b>	(1,289,455)
Income tax effect	-	-
	<b>(175,915)</b>	<b>(1,289,455)</b>
<i>Items that may not be reclassified subsequently to profit or loss in subsequent periods</i>		
Foreign currency translations attributable to non-controlling interest	<b>(513)</b>	(3,120)
Re-measurement adjustments on defined benefit obligations	<b>293,011</b>	23,115
Income tax effect	<b>(73,253)</b>	(5,779)
	<b>219,245</b>	<b>14,217</b>
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>43,330</b>	<b>(1,275,238)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>6,691,245</b>	<b>(9,565,840)</b>
<b>Total comprehensive income/(loss) for the period is attributable to:</b>		
Owners of the parent	<b>6,673,950</b>	(9,533,360)
Non-controlling interest	<b>17,295</b>	(32,480)
	<b>6,691,245</b>	<b>(9,565,840)</b>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		31 December 2019	30 June 2019
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		19,981,502	4,314,202
Trade and other receivables	6	1,788,777	2,226,754
Inventories		7,748,358	7,381,790
Other		593,143	648,718
<b>Total Current Assets</b>		<b>30,111,780</b>	<b>14,571,464</b>
<b>Non-Current Assets</b>			
Trade and other receivables	6	4,232,913	3,148,402
Plant and equipment		3,205,706	4,564,905
Mine properties and development	7	4,961,974	10,741,451
Exploration and evaluation assets	8	14,508,979	16,507,318
<b>Total Non-Current Assets</b>		<b>26,909,572</b>	<b>34,962,076</b>
<b>TOTAL ASSETS</b>		<b>57,021,352</b>	<b>49,533,540</b>
<b>Current Liabilities</b>			
Trade and other payables		8,394,690	7,871,645
Interest-bearing liabilities		98,734	90,671
Income tax payable		716,939	550,159
Provisions	9	2,390,426	1,053,310
<b>Total Current Liabilities</b>		<b>11,600,789</b>	<b>9,565,785</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities		40,517	89,896
Provisions	9	2,081,922	3,279,395
<b>Total Non-Current Liabilities</b>		<b>2,122,439</b>	<b>3,369,291</b>
<b>TOTAL LIABILITIES</b>		<b>13,723,228</b>	<b>12,935,076</b>
<b>NET ASSETS</b>		<b>43,298,124</b>	<b>36,598,464</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Contributed equity		105,688,558	105,688,558
Reserves		7,808,074	7,975,574
Accumulated losses		(71,928,538)	(78,778,403)
		41,568,094	34,885,729
Non-controlling interest		1,730,030	1,712,735
<b>TOTAL EQUITY</b>		<b>43,298,124</b>	<b>36,598,464</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	31 December 2019	31 December 2018
Note	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	41,295,853	12,753,436
Payment to suppliers and employees	(24,675,497)	(16,031,502)
VAT refund received	871,412	481,744
Interest received	4,597	50,895
Interest and other finance costs paid	(22,706)	(26,050)
Income tax paid	(406,457)	(579,449)
<b>Net cash flows from/(used in) operating activities</b>	<b>17,067,202</b>	<b>(3,350,926)</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(599,702)	(624,511)
Proceeds from sale of plant and equipment	1,130	40,959
Payments for exploration and evaluation expenditure	(803,997)	(455,973)
<b>Net cash flows used in investing activities</b>	<b>(1,402,569)</b>	<b>(1,039,525)</b>
<b>Cash flows from financing activities</b>		
Repayment of hire purchase agreements	(42,750)	(60,965)
<b>Net cash flows used in financing activities</b>	<b>(42,750)</b>	<b>(60,965)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>15,621,883</b>	<b>(4,451,416)</b>
Cash and cash equivalents at beginning of the period	4,314,202	10,067,719
Effects of exchange rate changes on cash and cash equivalents held	45,417	162,217
<b>Cash and cash equivalents at end of the period</b>	<b>19,981,502</b>	<b>5,778,520</b>

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

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Issued Capital	Share-Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Other Capital Reserve	Accumulated Losses	Owners of the Parent	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 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 period	-	-	-	-	-	<b>6,630,767</b>	<b>6,630,767</b>	<b>17,148</b>	<b>6,647,915</b>
Other comprehensive income/(loss) for the period	-	-	-	<b>(175,915)</b>	-	<b>219,098</b>	<b>43,183</b>	<b>147</b>	<b>43,330</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(175,915)</b>	<b>-</b>	<b>6,849,865</b>	<b>6,673,950</b>	<b>17,295</b>	<b>6,691,245</b>
<b>Transactions with owners in their capacity as owners:</b>									
Share-based payments	-	<b>8,415</b>	-	-	-	-	<b>8,415</b>	-	<b>8,415</b>
<b>At 31 December 2019</b>	<b>105,688,558</b>	<b>8,433,845</b>	<b>97,832</b>	<b>(4,126,093)</b>	<b>3,402,490</b>	<b>(71,928,538)</b>	<b>41,568,094</b>	<b>1,730,030</b>	<b>43,298,124</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Share- Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Other Capital Reserve	Accumulated Losses	Owners of the Parent	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2018</b>	<b>105,688,558</b>	<b>8,331,600</b>	<b>97,832</b>	<b>(2,438,905)</b>	<b>3,402,490</b>	<b>(64,734,585)</b>	<b>50,346,990</b>	<b>1,766,322</b>	<b>52,113,312</b>
Net loss for the period	-	-	-	-	-	(8,261,190)	(8,261,190)	(29,412)	(8,290,602)
Other comprehensive (loss)/income for the period	-	-	-	(1,289,455)	-	17,285	(1,272,170)	(3,068)	(1,275,238)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,289,455)</b>	<b>-</b>	<b>(8,243,905)</b>	<b>(9,533,360)</b>	<b>(32,480)</b>	<b>(9,565,840)</b>
<b>Transactions with owners in their capacity as owners:</b>									
Share-based payments	-	32,743	-	-	-	-	32,743	-	32,743
<b>At 31 December 2018</b>	<b>105,688,558</b>	<b>8,364,343</b>	<b>97,832</b>	<b>(3,728,360)</b>	<b>3,402,490</b>	<b>(72,978,490)</b>	<b>40,846,373</b>	<b>1,733,842</b>	<b>42,580,215</b>

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

**NOTES TO THE FINANCIAL STATEMENTS****NOTE NUMBER**

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**1. CORPORATE INFORMATION**

This half year financial report of Kingsrose Mining Limited (“Kingsrose” or the “Company”) and its controlled entities (the “Group”) for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 13 March 2020.

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

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

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

The Group’s corporate structure is:

Company	Place of Incorporation	Equity Interest Held	
		As at 31 December 2019 %	As at 31 December 2018 %
MM Gold Pty Ltd	Australia	100	100
Natarang Offshore Pty Ltd	Australia	100	100
PT Natarang Mining (PTNM) *	Indonesia	85**	85**
Kingsrose Tanggamus Pty Ltd	Australia	100	100

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

\*\* This represents the legal ownership in PTNM. The Company’s interest in PTNM is adjusted to 99.7% in the financial statements due to the accounting treatment for the limited recourse loan transactions with the minority shareholder of PTNM.

Information on other related party transactions of the Group is provided in Note 11.

**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES****(a) Basis of preparation**

This half year financial report for the interim period ended 31 December 2019 is a general purpose condensed financial report for the half year ended 31 December 2019 prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half year financial report should be read in conjunction with the annual financial report of Kingsrose as at 30 June 2019 and considered together with any public announcements made by the Company during the half year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX listing rules.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)****(b) Going concern**

During the half year ended 31 December 2019, the Group recorded a net profit for the period of \$6,647,915, cash from operations of \$17,067,202 and had net working capital of \$18,510,991. The Group has prepared a 12-month cash flow forecast which indicates adequate cash flows to sustain operations and as a result the financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

**(c) New accounting standards and interpretations adopted**

The Group has adopted all Accounting Standards and Interpretations effective from 1 July 2019.

New and amended Accounting Standards and Interpretations applied for the first time from 1 July 2019 did not have a significant impact on the consolidated financial statements of the Group.

**(d) Amended accounting standards and interpretations issued but not yet effective**

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. REVENUE AND EXPENSES

	31 December 2019	31 December 2018
	\$	\$
<b>(a) Revenue</b>		
Revenue from contracts with customers		
- Sale of gold	38,373,764	8,935,402
- Sale of silver	2,922,089	1,231,584
<b>Total revenue from contracts with customers</b>	<b>41,295,853</b>	<b>10,166,986</b>
Timing of revenue recognition:		
Goods transferred at a point in time	41,295,853	10,166,986
<b>Total revenue from contracts with customers</b>	<b>41,295,853</b>	<b>10,166,986</b>
<b>(b) Cost of sales</b>		
Mine production costs	18,306,443	14,964,714
Royalties	1,571,953	375,239
Depreciation of plant and equipment	2,015,548	838,022
Inventory movements	(647,978)	(649,923)
<b>Total cost of sales</b>	<b>21,245,966</b>	<b>15,528,052</b>
<b>(c) Other income</b>		
Interest income	13,570	37,968
Net gain on foreign exchange	-	3,503,004
Gain on disposal of plant and equipment	1,130	-
Sundry income	17,630	9,367
<b>Total other income</b>	<b>32,330</b>	<b>3,550,339</b>
<b>(d) Administration expenses</b>		
Corporate costs	1,274,928	1,625,704
Depreciation of equipment	20,186	2,624
Share-based payments	8,415	32,743
<b>Total administration expenses</b>	<b>1,303,529</b>	<b>1,661,071</b>
<b>(e) Other expenses</b>		
Net loss on foreign exchange	187,370	-
Loss on disposal of plant and equipment	-	125,593
Exploration and evaluation assets written off	2,062,221	4,101,464
Impairment loss on mine properties and development	5,989,774	-
Re-measurement adjustments on VAT receivables	(73,789)	18,278
Consumables written back	(19,023)	(81,121)
Non-production mine site costs	3,448,629	-
<b>Total other expenses</b>	<b>11,595,182</b>	<b>4,164,214</b>
<b>(f) Finance costs</b>		
Borrowing costs	11,549	9,916
Finance charges payable under finance leases	11,157	16,134
	22,706	26,050
Unwinding of discount on rehabilitation provision	30,552	21,783
<b>Total finance costs</b>	<b>53,258</b>	<b>47,833</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 4. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company for the half year ended 31 December 2019.

## 5. CASH AND CASH EQUIVALENTS

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

	31 December 2019	31 December 2018
	\$	\$
<b>Current</b>		
Cash at bank and on hand	14,985,784	4,778,520
Short-term deposits	4,995,718	1,000,000
	<b>19,981,502</b>	<b>5,778,520</b>

## 6. TRADE AND OTHER RECEIVABLES

	31 December 2019	30 June 2019
	\$	\$
<b>Current</b>		
Other receivables (a)	1,788,777	2,226,754
	<b>1,788,777</b>	<b>2,226,754</b>
<b>Non-Current</b>		
Other receivables (a)	4,232,913	3,148,402
	<b>4,232,913</b>	<b>3,148,402</b>

- (a) Other receivables consist primarily of value added tax (VAT) recoverable from PTNM's operations that can be recovered between 3 to 24 months.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 7. MINE PROPERTIES AND DEVELOPMENT

During the half year ended 31 December 2019, the Group assessed whether there are any indicators of impairment in relation to the Way Linggo Project cash generating unit (CGU). Upon identification of impairment indicator relating to the 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 six-month period.

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 assessment at 31 December 2019.

Assumptions		
Gold price (US\$ per ounce)	\$1,483-\$1,500	Commodity prices are estimated with reference to external market forecasts.
Size and grade of ore bodies	Talang Santo Resource: 1,179,000t @ 7.3g/t Au and 21g/t Ag	
Projected operating and capital costs	The operating and capital cost assumptions are based on the Group's forecasts and CGU specific studies. These projections can include expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimize and reduce operational activity and improve capital and labour productivity.	
Discount rate	11.5%	

The impairment assessment resulted in an impairment charge of \$5,989,774 (2018: Nil) allocated to Mine Properties and Development based on a determined recoverable amount of \$14,440,789 for the CGU.

## 8. EXPLORATION AND EVALUATION ASSETS

	31 December 2019 \$	30 June 2019 \$
<b>Non-Current</b>		
At cost	<b>14,508,979</b>	16,507,318
<b>Movements in Exploration and Evaluation Assets:</b>		
Opening balance	<b>16,507,318</b>	18,449,803
Additions	-	1,927,407
Write off (i)	<b>(2,062,221)</b>	(4,806,450)
Foreign exchange translation gain	<b>63,882</b>	936,558
<b>Closing balance</b>	<b>14,508,979</b>	16,507,318

- (i) At each reporting date, the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the period, the Group identified indicators of impairment on certain exploration and evaluation assets. As a result of this review, a write off of \$2,062,221 has been recognised in the income statement in relation to an area of interest where no future exploration and evaluation activities are expected.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. PROVISIONS

	31 December 2019	30 June 2019
	\$	\$
<b>Current</b>		
Employee entitlements	2,390,426	1,053,310
	<b>2,390,426</b>	<b>1,053,310</b>
<b>Non-Current</b>		
Employee entitlements	1,237,947	2,497,692
Rehabilitation	843,975	781,703
	<b>2,081,922</b>	<b>3,279,395</b>

## 10. SHARE-BASED PAYMENTS

On 6 December 2019, 1,000,000 options were granted to a senior management under the Company's Incentive Option and Performance Rights Plan. The terms and conditions applicable to the options granted are set out below.

**Options**

The 1,000,000 options were issued in two tranches: 500,000 options at an exercise price of \$0.057 each, vesting immediately and expiring on 6 December 2022; 500,000 options at an exercise price of \$0.057 each, vesting on 6 April 2020 and expiring on 6 December 2022. The fair value of the options was \$0.006 per option and was estimated on the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

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

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

	31 December 2019	31 December 2018
	\$	\$
Options	3,244	27,600
Share performance rights	5,171	5,143
	<b>8,415</b>	<b>32,743</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****11. RELATED PARTY DISCLOSURES***Drilling Services*

PT Promincon Indonesia, an entity related to Dr Andrews (Non-Executive Chairman), received \$1,700,686 fees for drilling services provided to the Company's subsidiary, PTNM during the period. These fees are payable at competitive commercial rate per drill metre compared to other tender companies. At 31 December 2019, \$2,730,263 was owing to PT Promincon Indonesia (30 June 2019: \$1,880,110).

*Consulting Services*

The Company paid \$4,383 for consulting fees to Jem Resources Limited, an entity related to Mr Carlile (Non-Executive Director), for professional services provided to the Group outside his normal Board duties during the period. The fees were paid at a fixed rate of US\$1,000 per day in accordance with the consultancy agreement entered into on 15 March 2019. At 31 December 2019, no amount was owing to Mr Carlile (30 June 2019: \$4,273).

**12. COMMITMENTS AND CONTINGENT LIABILITIES***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 CoW with the Government of Indonesian (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. Subsequent to balance date, 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 is to be 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 financial report.

*VAT*

At 31 December 2019, the contingent liability relating to the various VAT refund claims under the appeal process at the Indonesian Supreme Court was reduced to US\$305,804 (30 June 2019: US\$1,995,933). During the period, the Indonesian Supreme Court has rejected the Indonesian Tax Office's appeal and ruled in favour of PTNM in relation to the remaining five 2011-2013 VAT refund claims under dispute.

Other than the above, there have been no other significant changes to commitments and contingent liabilities since the last reporting date.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****13. EVENTS AFTER REPORTING DATE**

On 17 February 2020, mining at the Talang Santo open pit mine was halted following a wall slippage incident.

Due to damage caused by recent heavy rains, the north wall of the Talang Santo open pit has been monitored closely. Following a minor slip preceding the main event, mining was halted, and personnel and equipment were removed from the mapped potential sliding zone. This meant there were no casualties or property damage as a result of this incident.

The incident has resulted in the Talang Santo pit being temporarily inaccessible to normal mining activities and the ground continues to be unstable with further material movement expected. The full impact of this incident is still being assessed. Options of returning to production from the Talang Santo pit are being reviewed.

The Talang Santo pit was scheduled to be completed in April 2020. Production will continue from existing stockpiles through to May 2020.

**14. CHANGE IN COMPOSITION OF THE GROUP**

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

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## DIRECTORS' DECLARATION

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity for the half year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:
- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
  - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Michael Andrews  
Chairman  
13 March 2020



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working world

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

### Report on the half-year financial report

#### Conclusion

We have reviewed the accompanying half-year financial report of Kingsrose Mining Limited (the Company), and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' responsibility for the half-year financial report

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Philip Teale'.

Philip Teale  
Partner  
Perth  
13 March 2020

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