Kingsrose
MINING

HALF YEAR FINANCIAL REPORT
31 DECEMBER 2021

Kingsrose MINING

CONTENTS

CORPORATE DIRECTORY

Directors

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

Company Secretary

Joanna Kiernan

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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 2021.

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

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

PRINCIPAL ACTIVITIES

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

- Exploration and evaluation of gold and silver deposits at the Way Linggo project;
- Acquisition of Element-46 Ltd and its highly prospective exploration assets comprising the Penikat project in Finland and the Porsanger project in Norway both prospective PGE-copper-nickel projects; and
- Completion of phase 1 mine reclamation at Way Linggo.

OPERATIONS REVIEW

Following extensive due diligence, the Company negotiated and closed the acquisition of Element-46 Ltd ("E-46") and its highly prospective exploration assets in Finland and Norway during the period. The Penikat project in Finland is a high-grade PGE-nickel-copper project with mineralisation demonstrated over 25 kilometres of strike length through historical mapping and drilling. The Porsanger project in Norway hosts two outcropping PGE-copper-nickel mineralised intrusions and widespread copper occurrences.

During the upcoming period, the Company is re-assaying numerous historical drill holes at Penikat for a full suite of elements including rhodium, copper and nickel that were not routinely sampled for in the past. Additionally, Kingsrose is establishing a dedicated sustainability and permitting team to complete the work required to obtain drilling permits. At Porsanger, Kingsrose is in the process of permitting and designing an electromagnetic geophysical survey to be conducted in 2022 to search for indications of massive sulphide accumulations at depth.

At Way Linggo, regional exploration that resulted in the discovery of the Maul vein has progressed to initial drilling, with 5 holes completed for a total of 816.7 metres, significant intercepts include:

- 3.1 metres at 13.0 g/t gold, 21.9 g/t silver (from 78.2 metres, DDH-597)
- 4.3 metres at 6.0 g/t gold, 8.6 g/t silver (from 41.2 metres, DDH-596)
- 2.7 metres at 6.7 g/t gold, 8.9 g/t silver (from 8.1 metres, DDH-595)

Mineralised intervals include gold grades up to 25.1 g/t over 0.7 metres (from 78.2 metres, DDH-597) that are evidence of high-grade mineralising events present within the vein system and indicate potential to vector toward thicker high-grade zones. Drilling of a further 500 metres in two drill holes has commenced to target depth extensions of the newly discovered mineralisation.

Despite past production at the Way Linggo project having been highly profitable at times and exploration potential remaining within the project area, the Board of Kingsrose has determined that current resources at the project do not meet the economic thresholds required to realise the Company's strategy. Therefore, Kingsrose is commencing a process to seek and assess opportunities to divest all or part of the Way Linggo project or realise value through an alternative transaction, in each case seeking to maximise the value of Kingsrose's interest in the Way Linggo project for the benefit of all shareholders. Any discussions with counterparties will remain incomplete and confidential until the process has concluded and there can be no certainty any transaction will be agreed. The Company shall inform the market of any developments with respect to this process in due course in accordance with its continuous disclosure obligations.

In preparation for the potential divestment of Way Linggo, and to meet the Company's commitments to the Indonesian government and local communities, phase 1 of mine reclamation has been completed over all aspects of the mine site that are not of value to a future exploration or mining operation. Based on this, the Company expects to be entitled to the reimbursement of over US$300,000 from bonds previously paid to the Indonesian Government. Such repayment is subject to an independent inspection by the Mines Department and this process is currently suspended due to COVID-19 restrictions in Indonesia.

Completion of the phase 1 reclamation allows the Company to reduce ongoing holding costs at Way Linggo to provide for the minimum maintenance and environmental monitoring requirements, and to manage ongoing drilling at the Maul Vein target.

Additionally, a dedicated team is continuing to assess further acquisition and joint venture opportunities, with a focus on drill-ready opportunities.

SAFETY

During the period, the Company's detailed COVID-19 Management Protocol was rigorously adhered to, to ensure the health and safety of all employees.

Site experienced one lost time injury and no restricted duty or medically treated injuries in the period. The 12-month moving average Lost Time Injury Frequency Rate (LTIFR) as at 31 December 2021 was 3.94 (30 June 2021: 2.36).

The Total Recordable Injury Frequency Rate (TRIFR) for the site at the end of the period was 3.94 (30 June 2021: 4.73).

EXPLORATION

Way Linggo Project, Indonesia

Exploration during the quarter focused on the newly discovered Maul Vein, including interpretation of assay results from trenching completed in the previous quarter, and completion of a scout drill program.

The Maul Vein is a newly discovered, largely concealed, four to eight metre thick, vein breccia system located 500 metres west of the Talang Santo open pit. Trenching has exposed the vein beneath one to three meters of alluvial cover, over a strike length of at least 300 metres, and the vein strikes under deep alluvial cover to the southeast. The vein displays high level epithermal quartz textures and mineralogy, indicative of being located above the main precious metal interval.

Results from the trenching were announced on 1 November 2021, including significant intercepts of:

- 4.5 metres at 1.2 g/t gold, including 0.2 metres at 4.7 g/t gold (TR-MV-03)
- 8.0 metres at 0.6 g/t gold, including 2.0 metres at 1.3 g/t gold (TR-MV-02)

Five diamond drill holes totalling 816.7 metres were completed in November and December 2021 and have proven the vein over 160 metres of strike length and to a depth of 120 metres down dip. Mineralisation remains open in all directions. Significant intercepts include (See ASX announcement dated 20 January 2022):

- 3.1 metres at 13.0 g/t gold, 21.9 g/t silver (from 78.2 metres, DDH-597)
- 4.3 metres at 6.0 g/t gold, 8.6 g/t silver (from 41.2 metres, DDH-596)
- 2.7 metres at 6.7 g/t gold, 8.9 g/t silver (from 8.1 metres, DDH-595)

Acquisition of Element-46 Ltd

On 30 November 2021, the Company announced that all conditions precedent to first completion regarding the acquisition of Element-46 Ltd had been satisfied and 88.2 % of the issued capital in E-46 had been acquired. The final 11.8% of the issued capital in E-46 was subsequently acquired following the Company's Annual General Meeting held on 28 January 2022. Kingsrose is now the owner and operator of mineral exploration rights at the Penikat PGE-nickel-copper deposit in Finland ("Penikat Project") and Porsanger PGE-copper project in Norway ("Porsanger Project").

Penikat Project, Finland

On 24 November 2021 the Company announced the results of resampling at the Penikat project, which confirmed historical high-grade intercepts of palladium, platinum, gold, nickel and copper mineralisation with significant intercepts including:

- 8.8 metres at 11.1 g/t PdEq (8.1 g/t Pd, 2.3 g/t Pt, 0.5 g/t Au, 0.5 % Cu, 0.4 % Ni) from surface (SI/KI-034)
- 4.0 metres at 6.8 g/t PdEq (3.9 g/t Pd, 1.2 g/t Pt, 0.4 g/t Au, 0.8 % Cu, 0.3 % Ni) from 3.2 metres (SI/KI-456)
- 13 metres at 2.3 g/t PdEq (1.8 g/t Pd, 0.6 g/t Pt, 0.1 g/t Au, 0.1 % Cu) from 0.8 metres (SI/KI-457), including
    - 4.3 metres at 4.0 g/t PdEq (3.1 g/t Pd, 0.9 g/t Pt, 0.1 g/t Au, 0.1 % Cu) from 3.7 metres and
    - 0.4 metres at 11.1 g/t PdEq (8.2 g/t Pd, 2.9 g/t Pt, 0.5 g/t Au, 0.4 % Cu, 0.1 % Ni) from 12.7 metres
- 10.0 metres at 3.1 g/t PdEq (2.4 g/t Pd, 0.7 g/t Pt, 0.1 g/t Au, 0.1 % Cu) from 0.7 metres

Note: Refer to ASX announcement dated 24 November 2022 for palladium equivalent (PdEq) formula.

The Company is now working towards drill permitting through an exploration licence application process at Penikat and a re-logging and resampling program is planned for Q3 2022. The aim of the re-logging and resampling program is to better characterise each of the three mineralised reefs (named the SJ, AP and PV reefs), as well as to select samples for a PGE deportment study. This work will form the foundations of a metallurgical sampling strategy to be implemented once drilling is permitted.

Porsanger Project, Norway

The Company is planning to conduct a ground-based electromagnetic geophysical survey at the Porsanger project, to explore for the potential presence of copper, nickel and PGE bearing massive sulphide deposits located at the base of the mafic-ultramafic intrusions at Porsvann and Karenhaugen. The survey will be completed in H2 2022, pending the grant of certain permits from the local authorities and municipality.

Porsanger is prospective for feeder-conduit type massive sulphide deposits, and the shallow parts of the outcropping intrusions have been proven to contain disseminated sulphide associated with copper, PGE and weak nickel mineralisation (refer to ASX announcement dated 10 November 2021).

COMMUNITY AND THE ENVIRONMENT

Community

During the period, the Community Development team at Way Linggo continued to consult and collaborate with local villagers and community leaders to maintain a harmonious working relationship. Resources were directed towards local community initiatives to assist in increasing self-reliance in numerous areas including health, education, agriculture, and forestry. Projects included monitoring medical herb plant programs, financial support and educational resources provided to numerous local schools surrounding the mine site, the provision of a new pipe for clean water to the Talang Toha community, road improvements, trenching and road construction between villages following heavy rainfall and general agricultural and construction assistance.

Environment

The Way Linggo site practises continuous rehabilitation and revegetation to manage and minimise its environmental impact. During the period seeding and planting of trees continued as part of reclamation and rehabilitation activities in both new and previously rehabilitated areas. In addition, reshaping and spreading of topsoil continued in the Talang Santo areas, including the Tailings Storage Facility, upper ROM pad and waste dumps. Environmental monitoring of sedimentation ponds, the tailings storage facility and ground water was ongoing in line with statutory requirements.

Competent Persons Statement

The information in this report that relates to drilling results at the Maul Vein was first reported by the Company in compliance with the 2012 edition of the JORC Code in an ASX announcement dated 20 January 2022.

The information in this report that relates to trenching at the Maul Vein was first reported by the Company in compliance with the 2012 edition of the JORC Code in an ASX announcement dated 1 November 2021.

The information in this report that relates to exploration results at Penikat was first reported by the Company in compliance with the 2012 edition of the JORC Code in an ASX announcement dated 24 November 2021.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the ASX announcements referred to above and it further confirms that all material assumptions and technical parameters underpinning the exploration results continues to apply and have not materially changed.

FINANCIAL REVIEW

	31 December 2021 Six Months ($)	31 December 2020 Six Months ($)
Sales Revenue	-	18,382,761
Loss Before Interest, Tax, Depreciation & Amortisation – EBITDA[1]	(7,696,853)	(5,085,224)
Loss Before Interest & Tax – EBIT[2]	(7,862,854)	(5,881,623)
Net Loss After Tax	(7,439,890)	(5,917,228)
Loss Per Share	(0.0101)	(0.0083)
	31 December 2021 ($)	**30 June 2021 ($)**
Total Assets	50,353,060	55,327,691
Net Assets	45,795,076	51,786,330

[1] EBITDA has been calculated by adding back interest, tax, depreciation and amortisation.

[2] EBIT has been calculated by adding back interest and tax.

Note: EBITDA and EBIT are non-IFRS measures and 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 half year ended 31 December 2021 of $7,439,890 (31 December 2020: net loss after tax $5,917,228), attributable to expenditure on corporate administration, Way Linggo site care & maintenance, write down of exploration and evaluation assets offset by unrealised foreign exchange gains recognised during the period.

Revenue

There was no sales revenue recorded during the half year ended 31 December 2021 as production activity had ceased in the corresponding period in 2020.

Other Expenses

The Group recorded an unrealised net foreign exchange gain of $2,785,837 for the reporting period versus a loss of $8,718,801 in the corresponding period in 2020. The gain arose mainly from the revaluation of its foreign currency denominated monetary assets and liabilities, driven by a weaker Australian dollar against the United States dollar during the period.

Offsetting this gain were significant expenditure items of write down charges of $6,829,708 on the Group's exploration and evaluation assets and $2,300,832 in site care & maintenance costs at the Way Linggo site inclusive of an extraordinary charge of $778,242 for employee redundancies scheduled to be incurred in the first quarter of calendar year 2022.

Financial Position

Assets

At reporting date, the Group's total current assets were $31,091,211 inclusive of cash and cash equivalents of $28,232,150.

Non-current assets of the Group stood at $19,261,849 at balance date, $677,145 lower than at 30 June 2021, largely due to a net write down in value of the Group's exploration and evaluation assets.

Liabilities

At reporting date, the Group's total liabilities were $4,557,984 at balance date, $1,795,608 higher than 30 June 2021 mainly due to accruals for employee redundancies referred to above and the deferred consideration estimate payable as part of the Element-46 Limited acquisition terms.

These factors resulted in an decrease in total Group net assets of $4,348,981 to a total of $45,795,076.

Group Cash Flows and Liquidity

The Group generated net operating cash outflows of $2,571,066 during the period.

At balance date, the Group held cash and cash equivalents of $28,232,150 (30 June 2021: $30,571,261).

CORPORATE

Board and Executive Management Changes

No board or management changes occurred during the period.

EVENTS AFTER REPORTING DATE

- On 21 January 2022 the income tax receivable relating to the prior financial year amounting to $705,343 was received.
- The final 11.8% of the issued capital in E-46 was subsequently acquired following the Company's Annual General Meeting held on 28 January 2022 where shareholders voted unanimously to approve the acquisition of the remaining balance from related party shareholders.
- On 11 February 2022, PTNM received VAT refunds totalling approximately US$430,000 in relation to its monthly VAT returns for the period January 2020 to March 2020. This was disclosed as current trade and other receivables in the consolidated statement of financial position at 31 December 2021 (Note 6).
- On 18 February 2022, 22,500,000 unlisted options in total were issued to the non-executive directors under the Company's Incentive Option and Performance Rights Plan. Accordingly, each director receives 4,500,000 options (22,500,000 in total) at exercise price of A$10.7 cents each, vesting on date of grant of the options on 28 January 2022 and expiring on 30 June 2026.

Other than the above, there are no other material subsequent events after the balance date.

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 2021.

Signed in accordance with a resolution of the Directors.

Michael Andrews
Chairman
13 March 2022

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.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by COVID-19.

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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 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 review;

b) no contraventions of any applicable code of professional conduct in relation to the review; and

c) no non-audit services provided that contravene 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

Teale

Philip Teale
Partner
Perth
14 March 2022

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CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 $	31 December 2020 $
Continuing operations			
Revenue	3(a)	**-**	18,382,761
Total revenue		-	18,382,761
Cost of sales	3(b)	**-**	(11,657,391)
Gross profit		-	6,725,370
Other income	3(c)	**3,069,982**	106,936
Administration expenses	3(d)	**(1,751,110)**	(1,906,196)
Other expenses	3(e)	**(9,133,292)**	(10,780,339)
Finance costs	3(f)	**(15,986)**	(48,881)
Loss before income tax		**(7,830,406)**	(5,903,110)
Income tax expense		**390,516**	(14,118)
Net loss for the period		**(7,439,890)**	(5,917,228)
Loss for the period is attributable to:			
Owners of the parent		**(7,417,867)**	(5,910,383)
Non-controlling interest		**(22,023)**	(6,845)
		(7,439,890)	(5,917,228)

		Cents	Cents
Loss per share attributable to the ordinary equity holders of the parent:			
Basic loss per share – cents per share		**(1.01)**	(0.83)
Diluted loss per share – cents per share		**(1.01)**	(0.83)

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 2021

	31 December 2021 $	31 December 2020 $
Net loss for the period	**(7,439,890)**	(5,917,228)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss in subsequent periods		
Foreign currency translations attributable to parent entity interest	**(1,013,909)**	2,645,126
Income tax effect	**-**	-
	(1,013,909)	2,645,126
Items that may not be reclassified subsequently to profit or loss in subsequent periods		
Foreign currency translations attributable to non-controlling interest	**-**	6,012
Re-measurement adjustments on defined benefit obligations	**49,839**	(37,638)
Income tax effect	**-**	14,119
	49,839	(17,507)
Other comprehensive (loss)/income for the period, net of tax	**(964,070)**	2,627,619
Total comprehensive loss for the period	**(8,403,960)**	(3,289,609)
Total comprehensive loss for the period is attributable to:		
Owners of the parent	**(8,381,937)**	(3,288,705)
Non-controlling interest	**(22,023)**	(904)
	(8,403,960)	(3,289,609)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 $	30 June 2021 $
Current Assets			
Cash and cash equivalents	5	**28,232,150**	30,571,261
Trade and other receivables	6	**1,424,503**	1,020,397
Inventories	7	**157,013**	228,743
Income tax receivable	8	**1,081,791**	705,343
Other		**195,754**	441,695
Total Current Assets		**31,091,211**	32,967,439
Non-Current Assets			
Trade and other receivables	6	**1,422,314**	1,385,341
Plant and equipment - net		**363,324**	441,390
Right of use assets - net		**376,503**	77,328
Mine properties and development	9	**4,678,234**	4,514,063
Exploration and evaluation assets	10	**12,421,474**	13,520,873
Total Non-Current Assets		**19,261,849**	19,938,994
TOTAL ASSETS		**50,353,060**	52,906,433
Current Liabilities			
Trade and other payables	11	**2,002,095**	947,572
Interest-bearing liabilities		**68,259**	6,294
Employee entitlements and other provisions		**97,334**	91,622
Total Current Liabilities		**2,167,688**	1,045,488
Non-Current Liabilities			
Interest-bearing liabilities		**256,030**	-
Rehabilitation and other provisions	12	**1,438,883**	1,716,888
Other	13	**695,383**	-
Total Non-Current Liabilities		**2,390,296**	1,716,888
TOTAL LIABILITIES		**4,557,985**	2,762,376
NET ASSETS		**45,795,076**	50,144,057
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		**107,113,091**	105,688,558
Reserves		**10,023,088**	8,406,551
Accumulated losses		**(73,075,300)**	(65,707,272)
		44,060,879	48,387,837
Non-controlling interest		**1,734,197**	1,756,220
TOTAL EQUITY		**45,795,076**	50,144,057

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

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CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 $	31 December 2020 $
Cash flows from operating activities			
Cash (used in) / generated from operating activities	5(a)	**(2,571,066)**	11,663,885
Net cash flows from operating activities		**(2,571,066)**	11,663,885
Cash flows from investing activities			
Payments for plant and equipment		**(81,053)**	(11,409)
Payments for acquisition of subsidiary (net of cash acquired)		**(389,007)**	-
Proceeds from sale of plant and equipment		**-**	29,542
Payments for exploration and evaluation expenditure		**(327,041)**	-
Other cashflows from investing activities		**13,573**	-
Net cash flows used in investing activities		**(783,528)**	18,133
Cash flows from financing activities			
Conversion of share options		**36,000**	-
Repayment of lease liabilities		**(6,294)**	(43,630)
Net cash flows used in financing activities		**29,706**	(43,630)
Net decrease / increase in cash and cash equivalents		**(3,324,888)**	11,638,388
Cash and cash equivalents at beginning of the period		**30,571,262**	23,071,665
Effects of exchange rate changes on cash and cash equivalents held		**985,776**	(3,209,168)
Cash and cash equivalents at end of the period		**28,232,150**	31,500,885

The above consolidated statement of cashflows 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 2021

	Issued Capital	Share-Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Other Capital Reserve	Accumulated Losses	Owners of the Parent	Non-Controlling Interest	Total
	$	$	$	$	$	$	$	$	$
At 1 July 2021	**105,688,558**	**8,561,448**	**97,832**	**(3,655,219)**	**3,402,490**	**(65,707,272)**	**48,387,837**	**1,756,220**	**50,144,057**
Net loss for the period	-	-	-	-	-	**(7,417,867)**	**(7,417,867)**	**(22,023)**	**(7,439,890)**
Other comprehensive income/(loss) for the period	-	-	-	**(1,013,909)**	-	**49,839**	**(964,070)**	-	**(964,070)**
Total comprehensive income/(loss) for the period	-	-	-	**(1,013,909)**	-	**(7,368,028)**	**(8,381,937)**	**(22,023)**	**(8,403,960)**
Transactions with owners in their capacity as owners:									
Issue of shares (Note 10)	**1,349,533**	**2,517,133**	-	-	-	-	**3,866,666**	-	**3,866,666**
Transfer of share based payments	**75,000**	**(75,000)**	-	-	-	-	-	-	-
Share-based payments	-	**188,313**	-	-	-	-	**188,313**	-	**188,313**
On 31 December 2021	**107,113,091**	**11,191,894**	**97,832**	**(4,669,128)**	**3,402,490**	**(73,075,300)**	**44,060,879**	**1,734,197**	**45,795,076**

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 2020

	Issued Capital	Share-Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Other Capital Reserve	Accumulated Losses	Owners of the Parent	Non-Controlling Interest	Total
	$	$	$	$	$	$	$	$	$
At 1 July 2020	**105,688,558**	**8,441,717**	**97,832**	**(5,224,578)**	**3,402,490**	**(59,073,717)**	**53,332,302**	**1,764,154**	**55,096,456**
Net loss for the period	-	-	-	-	-	(5,910,383)	(5,910,383)	(6,845)	(5,917,228)
Other comprehensive income/(loss) for the period	-	-	-	2,645,126	-	(23,448)	2,621,678	5,941	2,627,619
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**2,645,126**	**-**	**(5,933,831)**	**(3,288,705)**	**(904)**	**(3,289,609)**
Transactions with owners in their capacity as owners:									
Share-based payments	-	(20,517)	-	-	-	-	(20,517)	-	(20,517)
At 31 December 2020	**105,688,558**	**8,421,200**	**97,832**	**(2,579,452)**	**3,402,490**	**(65,007,548)**	**50,023,080**	**1,763,250**	**51,786,330**

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE NUMBER

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 2021 was authorised for issue in accordance with a resolution of the directors on 13 March 2022.

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 45 Ventnor Avenue, West Perth WA 6005.

The Group's corporate structure is:

Company	Place of Incorporation	Equity Interest Held As at 31 December 2021	 As at 31 December 2020
		%	%
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
Kingsrose Mining (Jersey) Limited	Jersey	**100**	-
Kingsrose Exploration Oy	Finland	**100**	-
Element-46 Limited ***	Great Britain	**88**	-
Pallagen Oy ***	Finland	**88**	-

* 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.
*** On 30 November 2021, the Company announced that all conditions precedent to first completion regarding the acquisition of Element-46 Ltd had been satisfied and 88.2 % of the issued capital in E-46 had been acquired. The final 11.8% of the issued capital in E-46 was subsequently acquired following the Company's Annual General Meeting held on 28 January 2022.

Information on other related party transactions of the Group is provided in Note 15.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2021 is a general purpose condensed financial report for the half year ended 31 December 2021 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 2021 and considered together with any public announcements made by the Company during the half year ended 31 December 2021 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.

(b) Going concern

During the half year ended 31 December 2021, the Group recorded a net loss for the period of $7,439,890, with cash outflows from operations of $2,571,066 and had positive net working capital of $28,923,523. The Group has prepared an 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) New accounting standards and interpretations adopted

The Group has adopted all Accounting Standards and Interpretations effective from 1 July 2021.

New and amended Accounting Standards and Interpretations applied for the first time from 1 July 2021 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.

(e) Acquisitions

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

Assets acquired during the period were capitalised as exploration assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND EXPENSES

		Note	31 December 2021 $	31 December 2020 $
(a)	**Revenue**			
	Revenue from contracts with customers			
	- Sale of gold		-	17,029,735
	- Sale of silver		-	1,353,026
	Total revenue from contracts with customers		-	18,382,761
	Timing of revenue recognition:			
	Goods transferred at a point in time		-	18,382,761
	Total revenue from contracts with customers		-	18,382,761
(b)	**Cost of sales**			
	Mine production costs		-	2,440,248
	Royalties		-	895,972
	Depreciation of plant and equipment		-	793,451
	Inventory movements		-	7,527,720
	Total cost of sales		-	11,657,391
(c)	**Other income**			
	Interest income		**32,448**	27,394
	Gain on disposal of plant and equipment		**88**	29,542
	Net gain on foreign exchange		**2,785,837**	-
	Sundry income		**251,609**	50,000
	Total other income		**3,069,982**	106,936
(d)	**Administration expenses**			
	Corporate costs		**1,522,852**	1,923,767
	Depreciation of equipment		**39,945**	2,946
	Share-based payments	14	**188,313**	(20,517)
	Total administration expenses		**1,751,110**	1,906,196
(e)	**Other expenses**			
	Net loss on foreign exchange		-	8,718,801
	Exploration and evaluation assets written off	10	**6,829,708**	-
	Resource definition and extension costs		-	903,274
	Re-measurement adjustments on VAT receivables		**2,752**	(4,907)
	Consumables written down		-	559,327
	Non-production mine site costs			
	- Termination / redundancy costs		**778,242**	97,580
	- Site care and maintenance		**1,363,437**	496,130
	- Depreciation of plant and equipment		**159,153**	-
	Sundry expenses		-	10,134
	Total other expenses		**9,133,292**	10,780,339
(f)	**Finance costs**			
	Bank charges		**15,827**	787
	Finance charges payable under lease arrangement		**159**	4,297
	Unwinding of discount on rehabilitation provision		-	43,797
	Total finance costs		**15,986**	48,881

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 2021.

5. CASH AND CASH EQUIVALENTS

	31 December 2021 $	30 June 2021 $
Current		
Cash at bank and on hand (i)	**3,324,669**	6,562,073
At-call deposits (ii)	**24,907,481**	24,009,188
	28,232,150	30,571,261

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 loss after income tax to net cash flows from operating activities:

	Note	31 December 2021 $	31 December 2020 $
Net loss after income tax		**(7,439,890)**	(5,917,228)
Adjustments for:			
Depreciation of plant and equipment		**199,098**	796,399
Share based payments	14	**188,313**	(20,517)
Unrealised foreign exchanges (gains)/losses		**(2,717,476)**	8,114,318
Exploration and evaluation assets written off	10	**6,829,708**	-
Change in assets and liabilities:			
Decrease in inventories		**71,731**	8,800,857
Increase/(decrease) in trade receivables		**(88,046)**	812,066
Increase/(decrease) in other current assets		**(446,571)**	206,097
Increase/(decrease) in trade and other payables		**1,062,318**	(714,763)
Increase/(decrease) in other liabilities		**49,839**	(269,367)
Decrease in provisions		**(280,090)**	(143,977)
Net cash flows from operating activities		**(2,571,066)**	11,663,885

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TRADE AND OTHER RECEIVABLES

	31 December 2021 $	30 June 2021 $
Current		
Bonds and deposits	**299,313**	-
Other receivables (i)	**1,125,190**	1,020,397
	1,424,503	1,020,397
Non-Current		
Bonds and deposits	**1,251,310**	1,206,729
Other receivables (i)	**171,004**	178,612
	1,422,314	1,385,341

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.

7. INVENTORIES

	31 December 2021 $	30 June 2021 $
Current		
Gold dore and bullion at cost or net realisable value	-	47,506
Consumables and spares at cost or net realisable value	**157,013**	181,237
	157,013	228,743

8. INCOME TAX RECEIVABLE

	31 December 2021 $	30 June 2021 $
Current		
Income tax receivable (i)	1,081,791	705,343
	1,081,791	705,343

(i) Income tax receivables consist of an amount of $705,343 being the income tax due for refund on the 2021 income tax year from the Australian Tax Office and $376,448 being an estimate of tax due for refund in addition to last period's amount as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. MINE PROPERTIES AND DEVELOPMENT

	31 December 2021 $	30 June 2021 $
Non-Current		
Gross carrying amount - at cost	**54,972,584**	51,122,849
Accumulated amortisation and impairment	**(50,294,350)**	(48,608,786)
	4,678,234	4,514,063
Movements in Mine Properties and Development:		
Opening balance	**4,514,064**	4,947,994
Foreign exchange translation gain/(loss)	**164,170**	(433,931)
Closing balance	**4,678,234**	4,514,063

The assessment of the recoverable amount of the Way Linggo Project CGU has determined that no impairment is required at 31 December 2021. Refer to Note 19 for further details.

10. EXPLORATION AND EVALUATION ASSETS

	31 December 2021 $	30 June 2021 $
Non-Current		
At cost	**12,421,474**	13,520,873
Movements in Exploration and Evaluation Assets:		
Opening balance	**13,520,873**	14,811,294
Additions – Element-46 Limited (i)	**4,915,056**	-
Additions – Other	**327,041**	-
Write off (ii)	**(6,829,708)**	-
Foreign exchange translation gain/(loss)	**488,212**	(1,290,421)
Closing balance	**12,421,474**	13,520,873

(i) On 30 November 2021, the Group acquired 88.2% issued capital of E46 with the balance of 11.8% subsequently acquired following the Company's Annual General Meeting held on 28 January 2022. The total consideration under the acquisition comprises a mixture of upfront and deferred considerations. The fair values of the purchase considerations have been allocated to the acquired assets and liabilities as at the acquisition date. The fair value of the upfront consideration settled in equity of $1,313,533 was measured based on the share price of the Company at acquisition date and was recognised as increase in issued capital during the period. The fair value of the deferred consideration to be settled in equity of $2,517,1333 is measured using a probability of 100% likelihood of achieving the contingent event based on share price of the Company at acquisition date and was recognised as increase in share-based payments reserve during the period. The fair value of the deferred consideration to be settled in cash is discounted to net present value of expected settlement date and was recognised as other non-current liabilities as at 31 December 2021 (Note 13).

(ii) At each reporting date, the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the half year ended 31 December 2021, the Group has not identified any indicator of impairment on is exploration and evaluation assets. However during the period a write off of $6,829,708 was recognised in the income statement in relation to areas of interest where no future exploration and evaluation activities are expected.

Kingsrose MINING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. TRADE AND OTHER PAYABLES

	31 December 2021	30 June 2021
	$	$
Current		
Trade creditors	**350,656**	224,714
Accruals	**1,651,439**	666,779
Sundry creditors	**-**	56,079
	2,002,095	947,572

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

12. REHABILITATION AND OTHER PROVISIONS

	31 December 2021	30 June 2021
	$	$
Non-Current		
Employee entitlements	**-**	307,252
Mine site rehabilitation	**1,438,883**	1,409,636
	1,438,883	1,716,888

13. OTHER NON-CURRENT LIABILITIES

	31 December 2021	30 June 2021
	$	$
Non-Current		
Deferred cash consideration (i) (Note 10)	695,383	-
	695,383	-

(i) The deferred cash consideration relates to the £451,250 due to former shareholders of Element-46 Limited based on the occurrence of certain milestone events which the Company has assigned a 100% probability of at least one of these events occurring. The fair value of the deferred consideration to be settled in cash is discounted to net present value of expected settlement date.

14. SHARE-BASED PAYMENTS

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

	31 December 2021	31 December 2020
	$	$
Options	**102,407**	-
Share performance rights	**85,906**	(20,517)
	188,313	(20,517)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. RELATED PARTY DISCLOSURES

Drilling Services

PT Promincon Indonesia, an entity related to Dr Andrews (Non-Executive Chairman), received $213,641 fees for drilling services provided to the Company's subsidiary, PTNM during the period (2020: $627,597). These fees are payable at normal commercial terms. At 31 December 2021, there was no balance owing to PT Promincon Indonesia (30 June 2021: $Nil).

E-46 Acquisition

E-46 was acquired for a total consideration of $5,206,743 including cash, shares and deferred consideration. Fabian Barker and Tim Coughlin had an ownership interest in E-46 of 0.9% and 10.8% respectively as at the acquisition date.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Divestment

Under Article 24 of the Contract of Work ("CoW") signed with the Government of the Republic of Indonesia ("GoRI") on 2 December 1986 and Article 24 of the Amended CoW signed with GoRI on 14 March 2018 on "Promotion of National Interest", the Group was obligated to comply its shareholder composition in accordance with current law and regulation i.e. the foreign shareholder only owned its interest maximum at 49%. Therefore, the foreign shareholder was obligated to offer for sale a percentage of its shares in PT Natarang Mining ("PTNM"), the Company's subsidiary who entered into the CoW with GoRI, to the Indonesian government, Indonesian nationals or Indonesian companies controlled by Indonesian nationals.

Article 24 of the Amended CoW used a timetable outlining the percentage of the shares that must be offered for sale in each year after five years of the operating period in accordance with the prevailing mining laws on divestment.

On 16 November 2020, PTNM submitted a share divestment offer to GoRI amounting to 36% equity in the Company. Accordingly, the Group fulfilled its obligation to apply for divestment of shares in the tenth year since production in accordance with the prevailing mining laws and regulations at the time. GoRI has not yet responded to the offer.

On 9 September 2021, GoRI issued Government Regulation No. 96 year 2021 ("PP") as implementing regulations for the Mining Law No. 3 year 2020 issued on 10 June 2020. Based on the new PP, companies that carry out open pit mining and have been integrated with processing and/or refining facilities are required to offer shares for divestment purposes in the fifteenth year of the operating period and with a tiered percentage of shares according to the schedule stipulated in the PP. This divestment schedule would see the Group's obligation to offer up shares commence in 2025 and culminating in a total of 51% being offered by 2030. Given PTNM currently has 15% ownership by Indonesian nationals this means that Group would need to offer additional shares for sale in 2028 to meet the requirements of the PP.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Indonesian Tax Office VAT Claims

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 31 December 2021, the contingent liability is equivalent to $409,633 (30 June 2021: $390,067).

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

17. EVENTS AFTER REPORTING DATE

- On 21 January 2022 the income tax receivable relating to the prior financial year amounting to $705,343 was received.
- The final 11.8% of the issued capital in E-46 was subsequently acquired following the Company's Annual General Meeting held on 28 January 2022 where shareholders voted unanimously to approve the acquisition of the remaining balance from related party shareholders.
- On 11 February 2022, PTNM received VAT refunds totalling approximately US$430,000 in relation to its monthly VAT returns for the period January 2020 to March 2020. This was disclosed as current trade and other receivables in the consolidated statement of financial position at 31 December 2021 (Note 6).
- On 18 February 2022, 22,500,000 unlisted options in total were issued to the non-executive directors under the Company's Incentive Option and Performance Rights Plan. Accordingly, each director receives 4,500,000 options (22,500,000 in total) at exercise price of A$10.7 cents each, vesting on date of grant of the options on 28 January 2022 and expiring on 30 June 2026.

Other than the above, there are no other material subsequent events after the balance date.

18. CHANGE IN COMPOSITION OF THE GROUP

Since the last annual reporting date the composition of the Group has changed through the acquisition of Element-46 Limited and its wholly owned subsidiary in Finland, Pallagen Oy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. IMPAIRMENT TESTING OF NON-CURRENT ASSETS

In accordance with the Group's accounting policies, each asset or cash-generating unit (CGU) is evaluated to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

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, inventories and exploration assets.

Impairment Testing of Non-Current Assets (continued)

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). FVLCD will provide the higher value for these assets as a VIU cannot be determined for the Exploration Assets given the nature of these assets. As the intention of the Group is to dispose of these assets, the FVLCD is also the most appropriate assessment for this scenario.

The assessment of the recoverable amount of the Way Linggo project CGU has determined that no further impairment is required at 31 December 2021.

DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) The interim consolidated financial statements and notes of the entity for the half year ended 31 December 2021 are in accordance with the *Corporations Act 2001*, including:

   (i) Giving a true and fair view of the entity's interim consolidated financial position as at 31 December 2021 and of its interim consolidated 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 2022

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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 2021, the consolidated income statement, the 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 statement 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 2021 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 2021 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.

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*.

Ernst & Young

Ernst & Young

Philip Teale
Partner
Perth
14 March 2022