Kingsrose Mining Limited
2011 Annual Report

ACN 112 389 910

CORPORATE DIRECTORY

Directors
John C. Morris – Chairman
Christopher N. Start - Managing Director
Timothy G. Spencer - Executive Director
J. William Phillips - Non-Executive Director
Peter G. Cook - Non-Executive Director

Company Secretary
Jeannette P. Smith

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Australia

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Quoted on the official list of the Australian Securities Exchange.
ASX Symbols: KRM; KRMO

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CHAIRMAN'S ADDRESS

Dear Shareholders

It is with pleasure that I present to you the Annual Report of Kingsrose Mining Limited ("Kingsrose" or "the Company") for the year ended 30 June 2011.

Great progress has been made in every aspect of the Company's operations over the past 12 months. Low-cost gold and silver production has risen strongly. Holdings of cash and bullion have greatly strengthened our financial position and exploration has identified what is shaping as a second high-grade mine on the Indonesian island of Sumatra.

Every outcome achieved over the past year has been about maturing Kingsrose from a company focused on developing its first gold mine at Way Linggo into a business with multiple growth options.

A steady increase in gold and silver production from the mine has coincided with record metal prices, enabling the Company to generate very strong cash flows. This has enabled a rapid increase in exploration activity as we switch to the next discoveries and extending project life. We do believe we are exploring in one of the world's most prospective regions for high-grade gold discoveries.

Recent drill intercepts within the Talang cluster of epithermal veins is showing considerable potential to become our second mining operation. We have twelve (12) rigs operating at site as I write and six (6) are focused on the Talang area.

At the Way Linggo processing plant major improvements have been completed to optimize the operations and further reduce costs, which are already amongst the lowest in the gold industry. This includes the installation of the SAG mill to minimise materials handling impacts of wet and clay-rich ores. The SAG mill was commissioned in early September this year and is now fully operational.

None of the achievements of the past year could have been made without the contribution of our skilled management team and dedicated employees across all aspects of the operation.

Recent executive management changes have been made to bolster our technical capacity and ensure that Kingsrose maintains a clear focus on growth. The Board has been strengthened by the appointment of Mr. Peter Cook as a non-executive Director and by Mr. Chris Start who was appointed Managing Director after serving as Executive General Manager for a time. After a period in an executive capacity, I have again assumed the role of non-executive Chairman. I should also like to thank Dr. Mike Andrews for his involvement in the early discovery and development of the Way Linggo Project and his contribution to the Board during his tenure with the Company.

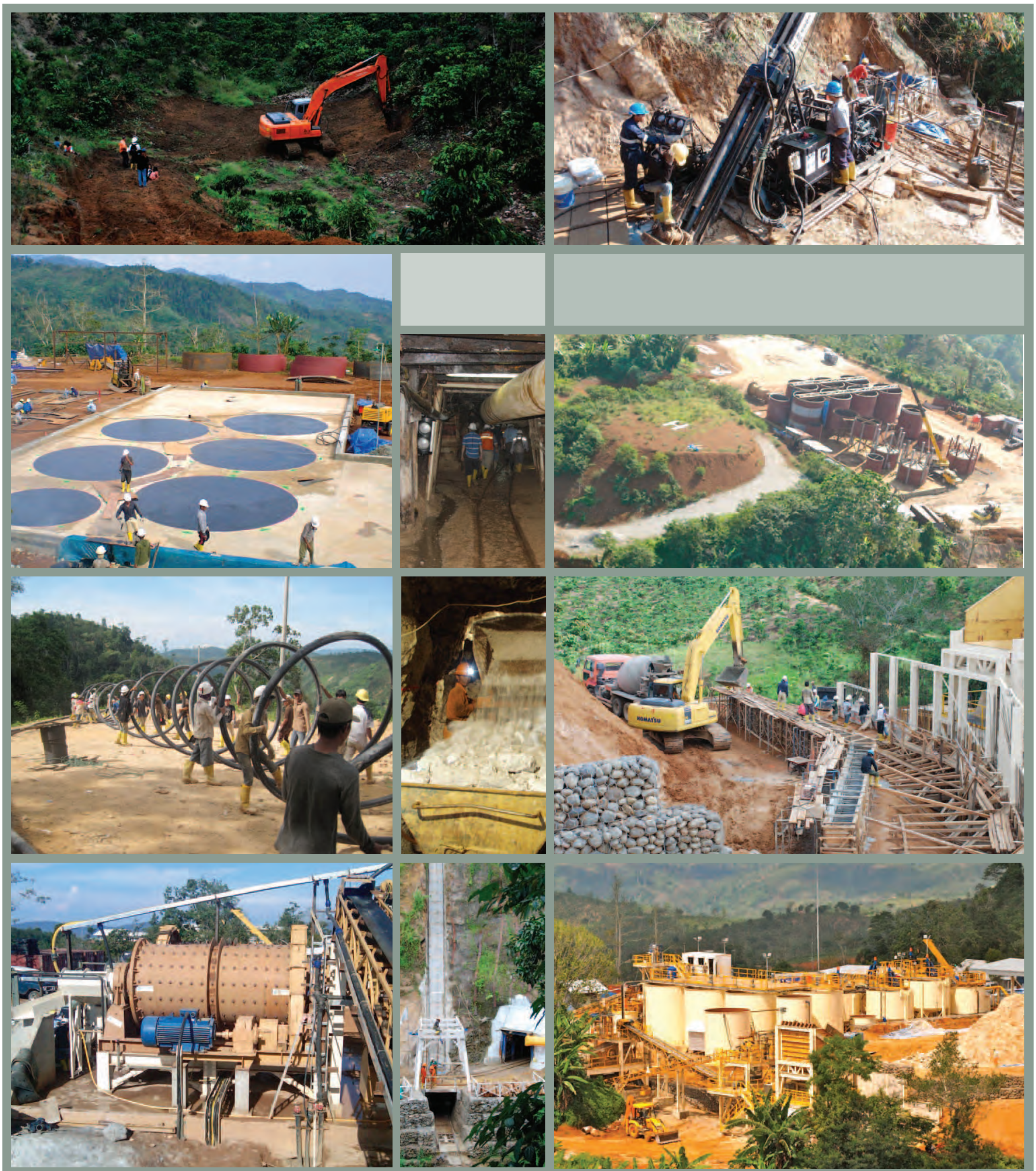
It is the combination of your capital and the hard work of management and employees that is providing the means for Kingsrose to unlock the wealth in Sumatra. I assure you that your employees and your Board will continue to strive to build shareholder wealth into the future.

John Morris

Chairman

19 September 2011

MANAGING DIRECTOR’S OPERATIONS REVIEW



A pictorial overview from explorer to producer

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

The year past

The 2010/2011 year has witnessed Kingsrose emerge as one of the lowest cost gold producers in the world.

During the year Kingsrose has achieved a number of transforming milestones:

- Construction of the Way Linggo process plant which was completed in July 2010.
- First gold pour in August 2010.
- Successfully overcame a number of teething problems in the Way Linggo process plant associated with the clay content of the ore and production ramp up.
- An aggressive exploration program utilizing up to 12 diamond drill rigs was implemented.
- A second significant discovery was made at Talang Santo which is expected to become a second mine feeding the plant.

Production for the year totalled 27,056 oz of gold and 318,869 oz of silver at an operating cost of US$142/oz of gold after silver credits.

Way Linggo mine generated (EBITDA) of US$32 million for the year.

Kingsrose closed the year with cash and gold inventory of $A28m.

The Kingsrose journey

December 2007
Kingsrose Mining Listed on ASX

February 2009
Purchase (85%) Way Linggo

February 2009
Mine Development Commenced

July 2010
Commissioning of Process Plant

August 2010
First Gold Pour

June 2011
Virgin Discovery of Talang Santo

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

Way Linggo Overview

Kingsrose Mining Limited (Australian) 100%

↓

MM Gold Pty Ltd (Australian) 100%

↓

Natarang Offshore Pty Ltd (Australian) 85%

↓

PT Natarang Mining (Indonesian) Contract of Work Way Linggo Gold Project

Kingsrose Mining Limited owns 85% of the Way Linggo Gold Project in Southern Sumatra situated on the highly prospective Trans Sumatra Fault.

Way Linggo is a high grade, low cash cost gold producer generating high cashflow. In the short term the Project is targeting steady state production of 45,000 oz of gold and 500,000 oz of silver at a cash cost of US$150/oz after silver credits.

The Company commenced an aggressive exploration campaign focusing on the Talang Cluster area 7km north of the Way Linggo mine. This area is believed to be a preserved epithermal system and recently the Company has made a virgin high grade epithermal vein discovery at Talang Santo. Talang Santo is undergoing aggressive resource definition drilling and has the potential to be a second mine.

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

Way Linggo's pot of gold at the end of the rainbow

Way Linggo

In the past two years since Kingsrose acquired the Way Linggo Project it has built a mine and process plant, weaved through the approvals process in a foreign country, commissioned the plant and has now produced gold for over nine months. It is achievements like this and the outstanding growth potential that encouraged me to join the Company, firstly as a General Manager of Operations and as of 1 July 2011 as Managing Director.

In the past year the Company has systematically overcome minor operating bottlenecks and steadily increased its operating performance. Gold production for the year totalled 27,056 oz and silver production totalled 318,869 oz making a benchmark gold equivalent production of 33,855 oz. Importantly, cash costs after silver credits were US$142/oz allowing the Project to generate an operating surplus (EBITDA) of US$32 million for the full year and a profit after tax for Kingsrose of $12.2 million.

The Way Linggo Project is poised to generate strong margins and significant cash flow in the year forward.

Rising gold prices and commensurately strong silver prices continue to set a scene where our benchmark operating costs after silver credits make our current operating surplus the vast majority of the gold price.

The Company has also implemented an aggressive exploration program which has achieved early success with the virgin discovery of several high grade epithermal veins at Talang Santo. This discovery has the potential to become a second mine and increase gold production at Way Linggo. It also significantly increases the prospectivity of the Talang area to host further high grade epithermal deposits and potential to provide additional grades and tonnage to the resource base.

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

KEY INDICATORS	Unit	Sep Qtr 2010	Dec Qtr 2010	Mar Qtr 2011	Jun Qtr 2011	Year 2010/11
Ore Mined	*(t)*	9,796	14,077	16,785	20,410	61,068
Mined grade - gold	*(g/t)*	9.4	10.8	16.0	13.8	13.0
Mined grade - silver	*(g/t)*	112	138	208	166	162
Ore Processed	*(t)*	6,617	13,948	22,283	23,487	66,336
Head grade - gold	*(g/t)*	6.8	17.9	15.5	12.5	14.1
Head grade - silver	*(g/t)*	83	214	203	161	179
Recovery - gold	*%*	87.7	89.8	93.1	91.1	91.2
Recovery - silver	*%*	85.4	79.2	85.1	84.5	83.7
Gold recovered	*(oz)*	2,982	7,216	10,346	-	27,435
Silver recovered	*(oz)*	31,302	76,049	123,750	-	317,757
Gold produced (i)	*(oz)*	918	6,918	10,463	8,756	27,056
Silver produced (i)	*(oz)*	11,201	75,464	123,774	108,430	318,869
Cash Operating Cost (before Ag credit)	*US$/oz*	996	411	388	541	464
Less Silver by-product credit	*US$/oz*	-	(211)	(363)	(396)	(323)
Cash Operating Cost (ii)	**US$/oz**	**996**	**200**	**25**	**145**	**142**
Total Production Costs (iii)	*US$/oz*	2,370	445	233	423	421
Capitalised mine development	*US$m*	0.3	1.0	0.4	0.2	1.9
Capital plant & equipment	*US$m*	1.7	1.3	1.8	1.5	6.2
Exploration	*US$m*	0.7	1.0	1.6	4.0	7.3
Gold sold	*(oz)*	-	5,015	11,155	9,098	25,268
Average gold price received	*US$/oz*	-	1,361	1,386	1,510	1,426
Silver sold	*(oz)*	-	54,399	123,909	108,862	287,170
Average silver price received	*US$/oz*	-	27	31	32	30
ORE STOCKS						
Ore (high+low grade)	*(t)*	23,628	23,341	17,440	14,365	14,365
Gold grade	*(g/t)*	20.1	12.8	9.8	6.4	6.4
Silver grade	*(g/t)*	234	165	137	99	99

(i) Gold and silver production is actual metal poured.

(ii) Includes all expenditures incurred at Site plus dore transportation and refining costs less by-product, adjusted for inventory movements less capitalised mine development and exploration expenditure and royalties.

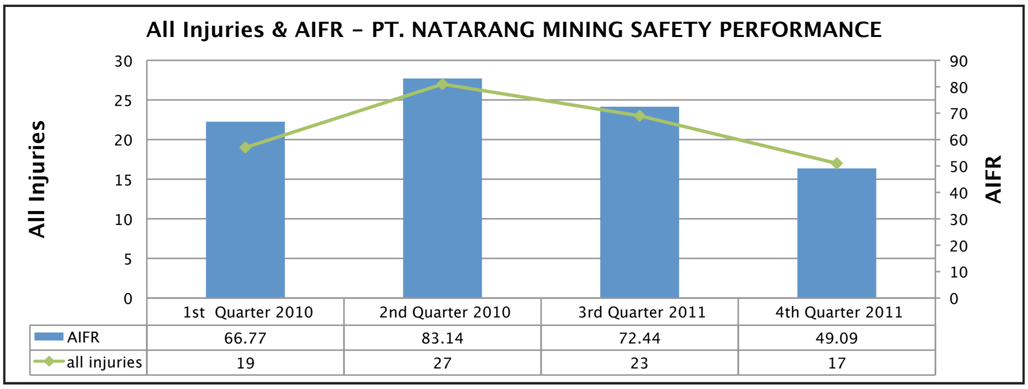
(iii) Includes Cash Operating Costs plus royalties, depreciation and mine development amortisation.

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

Safety training at Way Linggo

SAFETY

Safety performance at Way Linggo has been very good and keeps on improving. The Company continues to hire a large proportion of the workforce locally with a large number of trainees on site. The workforce is trained with a high standard of safety and is encouraged to report all injuries and incidents, no matter how minor in nature. Most of the injuries were minor cuts and abrasions which constituted the most common injury reported.



There was a total of four Lost Time Injuries reported for the year.

The Company runs a number of initiatives that continually focus on safety awareness and performance. These continually re-enforce fundamental safety tools including: safety inductions, pre-start safety meetings, work place inspections, accident reporting, accident investigations, enforced use of PPE, worker medical examinations and the use of operating procedures, checklists and manuals.

The Company operates a dedicated and full-time Mines Rescue team who conduct workforce awareness, rescue training and regular emergency training drills, both underground and on surface.

Kingsrose is committed to upholding the highest standards with respect to the safety of our employees, the environment and the community in which we co-exist.

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

ENVIRONMENT

Environmental initiatives undertaken during the year include:

- Completion of a baseline environmental study.
- Improved hydrocarbon management including storage, containment, handling and treatment of waste oil and waste water.
- Rehabilitation with the planting of native trees and grasses on disturbed areas along the new access road to the Talang area, along the provincial road to Block 1 and drill site access roads.
- Silt traps were maintained and additional silt traps constructed to control the ingress of fine clays into streams and rivers.
- Commencement of reforestation of 82 hectares of previously cleared land, donated by the Company to the Forestry Department.

COMMUNITY DEVELOPMENT

Kingsrose is particularly proud of the positive social impacts and economic outputs of the project on the local communities.

The Company is a major employer of locals and local contractors and contributor to community development projects.

The Company continues to support a number of community development opportunities including providing both money and technical assistance for infrastructure projects such as upgrading roads, building bridges, installing water tanks and providing other critical infrastructure to assist 10 villages in the area. The Company has also donated many computers to the local communities and is providing financial support to local schools.

The Company has also signed a Memorandum of Understanding with Kab Tanggamus to provide assistance to the community to develop 'micro-business' opportunities through over 300 micro-loans. Once the businesses are operational, the loans will be repaid and then lent to other individuals to create additional business opportunities and stimulate the local economies.

The pictures above and right depict some of the areas in which the Community Development programme operates.

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

Mr. Herryansjah (right), President Director of PT Natarang Mining, signing Memorandum of Understanding with Local Government for CSR Program

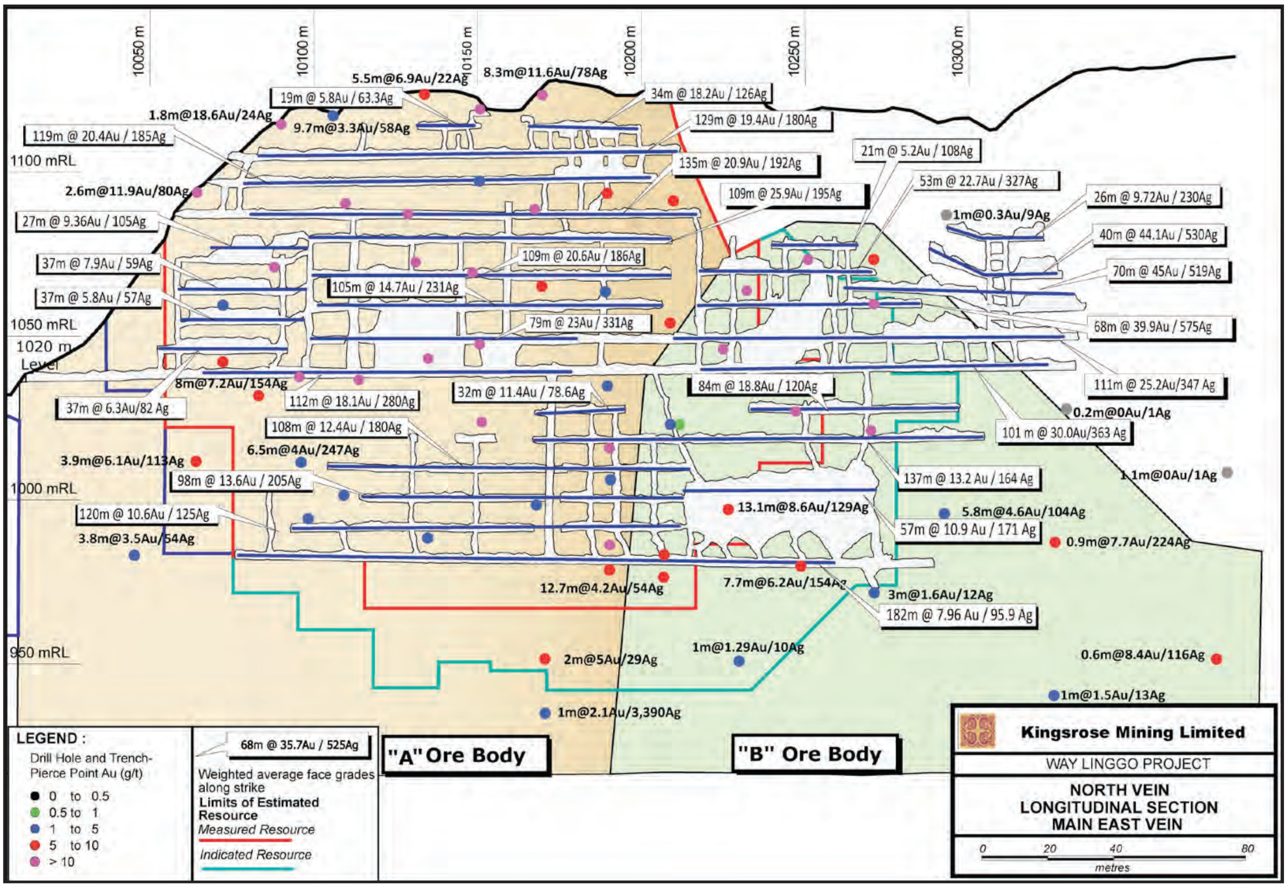
MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

MINING

During the year significant advances were made in the North Vein Mine of the Way Linggo Project.

Mine development on the two key adit levels (1065mRL and 1020mRL) was completed and the known extremities of the main vein structure were reached. This included the footwall drives and all required mill holes for ore stope bogging on the 1020mRL haulage and access drive.

Sub-level development was completed at approximately 10m level spacings and interconnecting rises have been established approximately every 15m of strike as draw-points.



Ore stoping, using a combination of shrink, gallery and short down-hole ring stoping, commenced at the same time as the commissioning of the ore processing plant.

The internal shaft from 1020mRL (or 2 Level) to the 970mRL (or 3 Level) was completed during the year and the internal head-frame, winder and ore transfer mechanisms installed and commissioned.

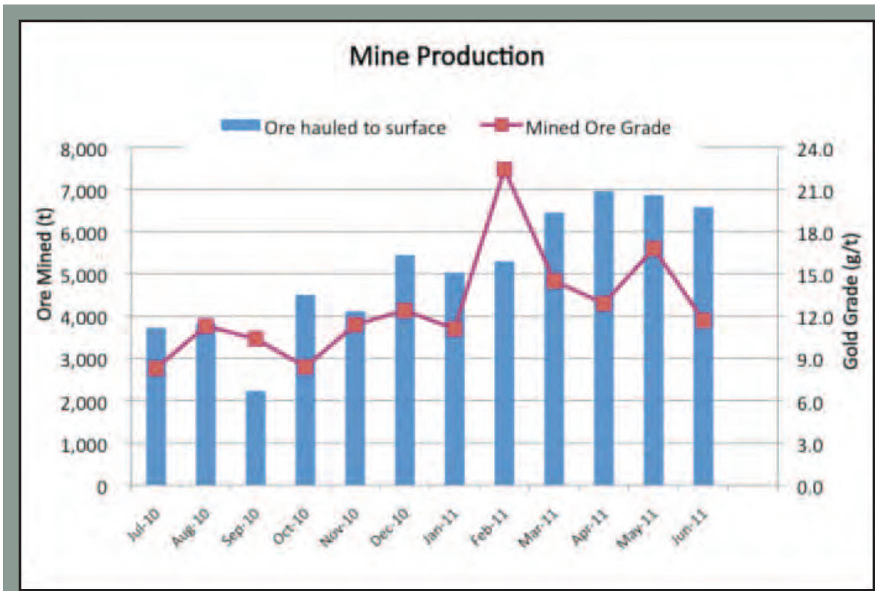
Both the footwall haulage drive and ore drives were significantly advanced by year-end and both sub-level driving to ready the area for stoping and shrink stoping was commenced on the ores.

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

The mine now has fully developed ore sufficient for the next few years of mining, significantly reducing risk associated with mine life potential in the medium term.

Mine production for the year is tabulated below on a quarterly basis:

KEY INDICATORS	Unit	Sep Qtr 2010	Dec Qtr 2010	Mar Qtr 2011	Jun Qtr 2011	Year 2010/11
Ore Mined	*(t)*	9,796	14,077	16,785	20,410	61,068
Mined grade - gold	*(g/t)*	9.4	10.8	16.0	13.8	13.0
Mined grade - silver	*(g/t)*	112	138	208	166	162



Underground at Way Linggo

Bogging

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

PROCESSING

Construction of the process plant was completed and commissioning commenced in July 2010 with the first gold pour in August 2010. Production for the year is tabulated below on a quarterly basis:

KEY INDICATORS	Unit	Sep Qtr 2010	Dec Qtr 2010	Mar Qtr 2011	Jun Qtr 2011	Year 2010/11
Ore Processed	*(t)*	6,617	13,948	22,283	23,487	66,336
Head grade - gold	*(g/t)*	6.8	17.9	15.5	12.5	14.1
Head grade - silver	*(g/t)*	83	214	203	161	179
Recovery - gold	*%*	87.7	89.8	93.1	91.1	91.2
Recovery - silver	*%*	85.4	79.2	85.1	84.5	83.7
Gold recovered	*(oz)*	2,982	7,216	10,346	-	27,435
Silver recovered	*(oz)*	31,302	76,049	123,750	-	317,757
Gold produced	*(oz)*	918	6,918	10,463	8,756	27,056
Silver produced	*(oz)*	11,201	75,464	123,774	108,430	318,869

During commissioning it became evident that the clay content would pose several materials handling issues in the crushing and Merrill Crowe circuits.

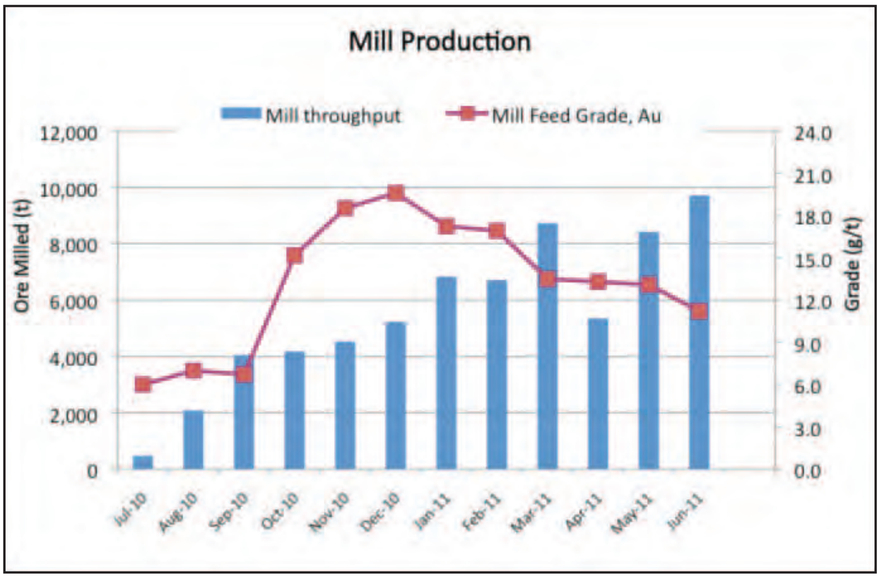
The material handling issues in the crushing circuit included chute blockages, blinding of the screen panels and compaction in the secondary crusher. These issues have been managed by modifying chutes and transfer points, altering equipment operating parameters for different ore types and increased monitoring.

The long term solution was to install a SAG mill to replace the secondary cone crusher and screen. During the year a suitable SAG mill was purchased and installed at Way Linggo with commissioning completed in early September 2011.

The installation of the SAG mill not only removed the clay material handling issues in the crushing circuit but also has other significant benefits including:

- An increase in the overall grinding circuit capacity from 400 t/day to 600 t/day.
- An expected decrease in per tonne unit operating costs.

In the Merrill Crowe circuit, the fine clay material in the ore was being carried over with the solution in the CCD's and overloading the filters, severely restricting throughput. This issue was successfully rectified through a combination of optimizing types of flocculant and coagulant to reduce fines carry over and installing a hopper clarifier as a pre-filter process to remove most of the remainder of any fines carry over from the CCD's.



MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

SAG mill installation; First gold pour

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

EXPLORATION

Following the establishment of the mine on the North Vein, the construction and commissioning of the process plant and the generation of strong cash flow, the Company has increased its focus onto aggressive exploration for new discoveries within its highly promising tenement area.

Kingsrose initiated the establishment of a tenement–wide evaluation with collection and interpretation on newly acquired geophysical and radar datasets.

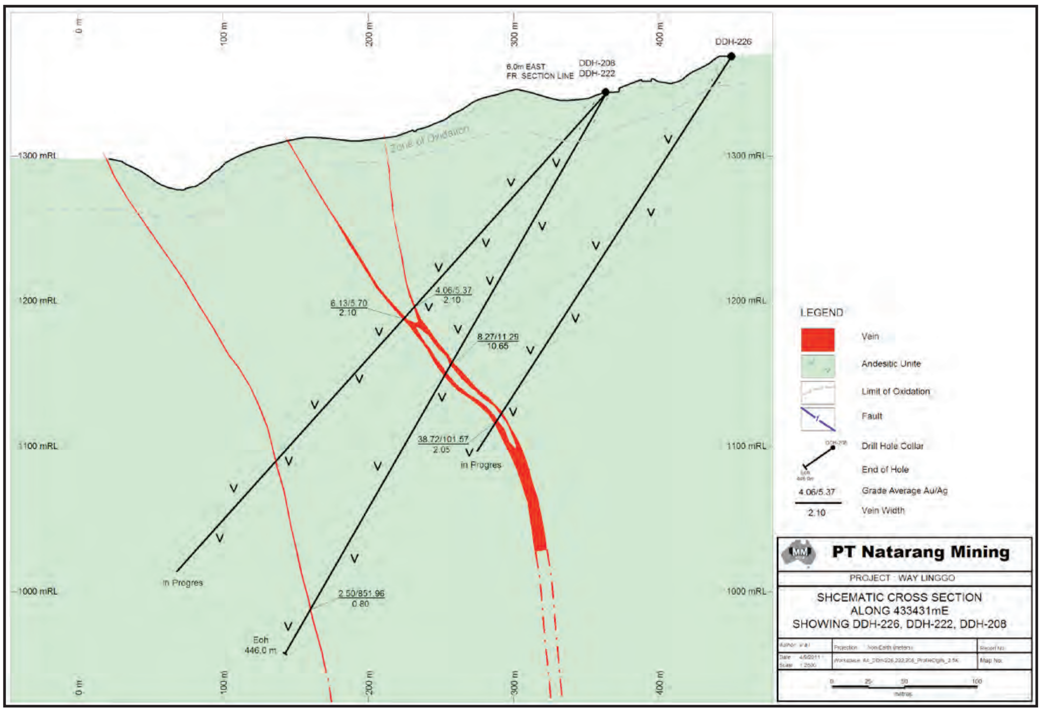
Many man-hours of ground traversing for mapping and sampling were completed and an integrated and overlapping geological data-set was established and interpreted. This work defined at least 15 internal project areas where various anomalies show evidence of epithermal up-flow and gold deposition.

Diamond drilling has commenced with an objective of first pass fence drilling in the areas immediately north of the plant and infrastructure. This process resulted in numerous gold vein discoveries with strong indications that mineable epithermal gold-silver veins may be present.

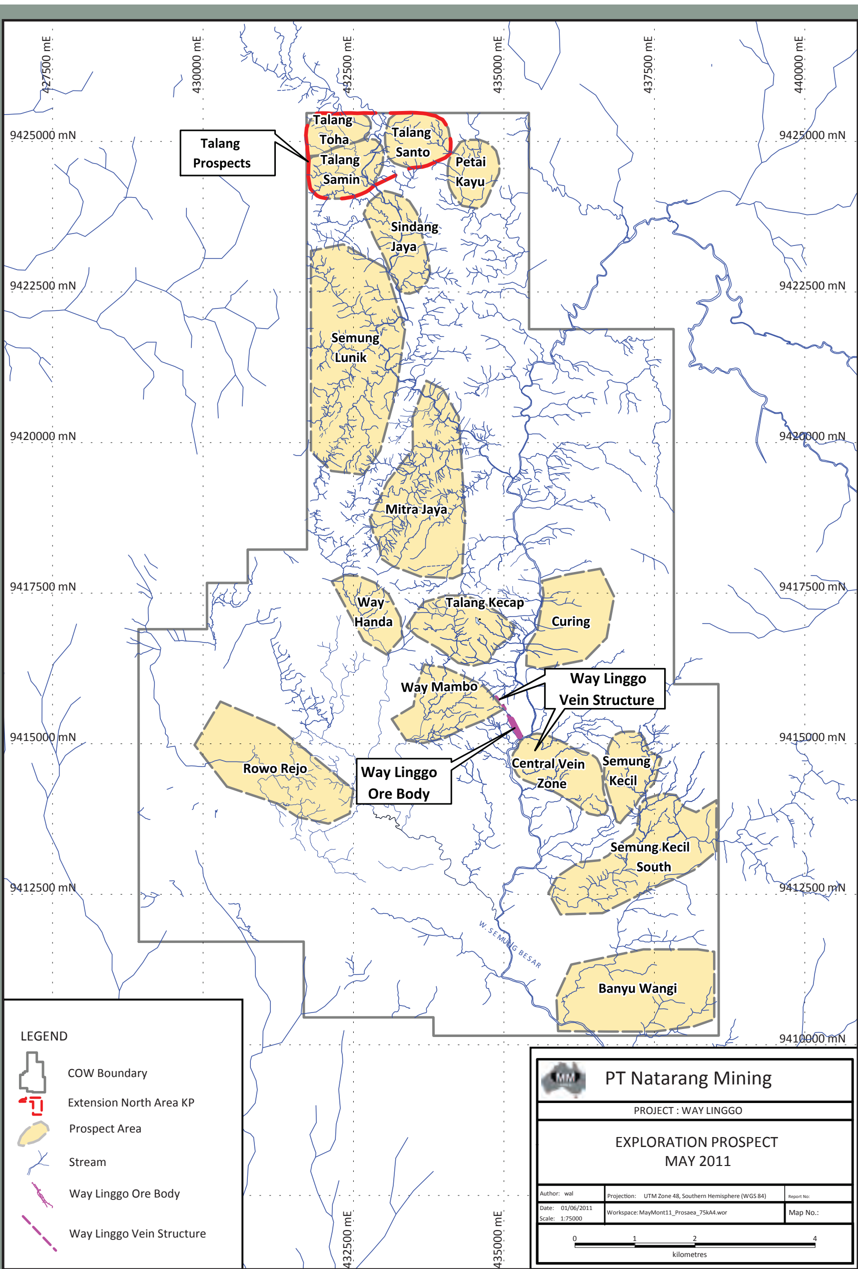
The Company has used the data collected to prioritise its three favoured exploration targets and intends to aggressively explore these priority areas in the ensuing year. The three key target areas are:

- Talang Cluster
- North Vein Mine – strike and depth extensions
- Semung Kecil

Drilling within the Talang Cluster has already resulted in a significant discovery at the Talang Santo prospect where a set of epidermal veins has returned significant and commercial grades. Kingsrose believes this is shaping as a second mine area to supply additional feed to the ore processing plant.



MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)



Director, Bill Phillips (C), and Head Geologist, Jerry Baguio (R); Looking along strike at Talang Santo

MANAGING DIRECTOR'S OPERATIONS REVIEW (cont'd)

SARINC Project

The SARINC Zinc/Lead Tailings Retreatment Project is located in Sardinia, Italy. The zinc/lead tailings are located in multiple deposits in the south-east of Sardinia and are estimated to contain a target of between 70 – 90 million tonnes of tailings material, containing between 1.8 – 2.5% zinc and 0.4 – 0.6% lead. This has been based on data provided by Regional Government of Sardinia, Italy. The estimates of the potential quantity and grade are considered conceptual in nature as there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

A drill campaign was undertaken in April 2010 and assay and preliminary metallurgical testwork in the reporting period. Whilst the technical and commercial aspects of the Project are encouraging, the Company is dependent upon developing a framework agreement with the Sardinian regional government. This has been a slow process and the Company cannot provide any assurance as to a timeline for progressing the Project.

The year ahead

With a solid foundation upon which to grow, Kingsrose is well funded to progress a number of important objectives in the ensuing year. There are two core areas of focus that will ensure the Company continues to increase shareholder value, being: achieving steady state production from the Way Linggo Project of 45,000 oz of gold and 500,000 oz of silver and grow the overall potential resource base through a comprehensive drilling program already underway to increase the mine life potential.

Kingsrose's exploration team continues to confirm the prospectivity of the multiple targets generated during the 2010/11 exploration program. In the 2011/12 year the Company is confident it can continue the track record of exploration success in 2010/11 demonstrated by significant new discoveries such as Talang Santo.

The Company expects to see steady earnings growth during 2011/12 as Kingsrose seeks to increase its production output throughout the year and target near term mineable deposits through exploration.

Chris Start

Managing Director

19 September 2011

JORC RESOURCE STATEMENT AS AT 30 JUNE 2011

As at 30 June 2011, the Measured, Indicated and Inferred Mineral Resources were as follows:

Classification	Tonnes	Au g/t	Ag g/t	AuEq g/t	AuEq Oz
Measured	467,393	12.44	166.8	16.27	244,490
Indicated	182,811	6.09	84.5	8.22	48,313
Inferred	60,138	3.77	38.1	4.65	8,991
Total	**710,342**	**10.24**	**135.6**	**13.25**	**302,604**

Notes

- The figures quoted represent the geological resource. No “Modifying Factors” have been applied as per the 2004 edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”).
- For the Way Linggo resource estimation, the geology model was formed via the incorporation of geological mapping, face production sampling and drill-hole data. In the main Way Linggo zone grade estimates have been based upon development data only. Outside of the main orebody drill-hole data has been the basis of grade estimates.
- The void file used to deplete the model was current as at 30 June 2011.
- Gold equivalent values (AuEq) assume 1 g/t Au is equivalent to 45 g/t Ag. The ratios used in gold equivalent calculations have evolved based on current (06-09-11) metal pricing and do not include any consideration of metallurgical recovery.
- The Classified Mineral Resource is reported above a 2.5 g/t AuEq cut-off grade.
- A top-cut of 125.00g/t Au and 1,800.00g/t Ag was used during estimation.
- The portion of the resource in the area above existing mine development is considered as Measured. Fans of drilling completed to circa the 900mRL allow the zone between the current base of mine development at 960mRL, and 900mRL to be considered as Indicated. Drilling to the north of current development also allows the mineralisation north of the main orebody to be considered Indicated. The mineralised zones to the south of 10,050mN is currently considered Inferred, as are the mineralised zones peripheral to the main Way Linggo zone.
- Note that small discrepancies have occurred due to rounding.

The above Resource Statement compares with the original Snowden calculated Resource (August 2008) as follows:

	Classification	Tonnes kt	Au g/t	Ag g/t	AuEq g/t
North Vein	Measured Indicated Inferred	334 93 127	11.38 7.06 4.92	172 118 83	14.2 9 6.3
	Sub-total	554	9.17	143	11.6
Hanging wall Split and Central Vein Zone	Measured Indicated Inferred	- 75 40	- 5.26 4.24	- 69 46	- 6.4 5
	Sub-total	115	4.91	61	5.92
Total		**669**	**8.44**	**129**	**10.6**

The net increase in the Total Resource reflects, after mining depletion of 61,0168 tonnes @ 16.6 g/t AuEq, changes resulting from additional data obtained due to mining, development and exploration activities. Note that the equivalent ounce figures have changed because of changing metal prices, resulting in the current Resource utilising a gold equivalency formula of 1 g/t Au = 45 g/t Ag, as compared to the Snowden Resource utilising 1g/t Au = 60g/t Ag. For the sake of clarity the equivalent grade of the Snowden’s resource would be 11.31g/t AuEq and the total remaining equivalent resource ounces would be 242,982oz AuEq. Also note that small discrepancies have occurred due to rounding

TABLE OF SIGNIFICANT DRILL INTERSECTIONS

Location	Hole ID	Truncated N	Truncated E	Dip/ Azimuth	Intercepts Weighted Average (downhole)	Depth from (m)
Talang Santo	DDH-163	14910N	19175E	-60/270	1.9m@3.73g/t Au and 5.77g/t Ag	121.1
	DDH-167	14870N	19199E	-60/240	2m@1.54g/t Au and 2.38g/t Ag	65.0
		14869N	19198E		2m@2.35g/t Au and 13.15g/t Ag	67.0
		14868N	19198E		2.4m@3.40g/t Au and 8.87g/t Ag	69.0
	DDH-194	14931N	19151E	-65/240	**2m@10.93g/t Au and 39.45g/t Ag**	109.3
		14929N	19150E		2.1m@2.46g/t Au and 4.13g/t Ag	114.5
		14929N	19150E		**2.1m@12.56g/t Au and 28.49g/t Ag**	116.6
		14928N	19149E		2.3m@2.44g/t Au and 5.91g/t Ag	118.7
	DDH-199	14987N	19114E	-51/237	**2m@21.09g/t Au and 46.13g/t Ag**	176.5
		14978N	19109E		**2.3m@14.25g/t Au and 27.92g/t Ag**	195.2
		14976N	19108E		2.25m@7.71g/t Au and 24.04g/t Ag	198.5
	DDH-201	14884N	19171E	-60/240	2.4m@3.085g/t Au and 14.08g/t Ag	279.0
	DDH-206	14997N	19120E	-60/237	**2.3m@13.03g/t Au and 30.09g/t Ag**	199.7
		14996N	19120E		2.15m@7.79g/t Au and 40.18g/t Ag	202.0
		14991N	19116E		2m@2.77g/t Au and 7.87g/t Ag	215.8
		14990N	19116E		2.65m@2.52g/t Au and 3.84g/t Ag	217.8
	DDH-207	14980N	19181E	-60/240	2m@7.33g/t Au and 11.57g/t Ag	141.6
		14978N	19180E		2.2m@8.55g/t Au and 19.79g/t Ag	147.8
	DDH-208	15015N	19086E	-60/240	**2.3m@17.03g/t Au and 22.71g/t Ag**	214.5
		15014N	19086E		2.15m@5.67g/t Au and 9.93g/t Ag	216.8
		15013N	19085E		2.15m@3.23g/t Au and 7.28g/t Ag	218.9
		15012N	19085E		2.00m@3.77g/t Au and 6.12g/t Ag	221.1
		15012N	19085E		2.2m@8.59g/t Au and 7.70g/t Ag	223.1
	DDH-215	15042N	19040E	-60/240	2.5m@3.15g/t Au and 3.65g/t Ag	242.2
	DDH-222	14990N	19071E	-49/240	2.0m@5.36g/t Au and 2.96g/t Ag	199.0
		14985N	19068E		2.1m@6.13g/t Au and 5.70g/t Ag	208.9
	DDH-223	15021N	19027E	-50/241	2.1m@6.56g/t Au and 13.53g/t Ag	223.9
	DDH-225	15005N	19141E	-60/240	2.00m@3.26g/t Au and 4.03g/t Ag	301.7
	DDH-226	15032N	19102E	-57/240	2.2m@3.86g/t Au and 5.21g/t Ag	305.6
		15032N	19101E		**2.2m@29.92g/t Au and 93.67g/t Ag**	307.8
	DDH-228	15050N	18989E	-64/242	2.1m@6.72g/t Au and 13.44g/t Ag	169.0

TABLE OF SIGNIFICANT DRILL INTERSECTIONS (cont'd)

Location	Hole ID	Truncated N	Truncated E	Dip/ Azimuth	Intercepts Weighted Average (downhole)	Depth from (m)
Talang Toha	DDH-147	14000N	20025E	-60/270	2.2m@2.73g/t Au and 6.64g/t Ag	36.0
	DDH-155	14016N	20075E	-60/270	2.2m@2.96g/t Au And 7.78g/t Ag	31.0
	DDH-171	13837N	19895E	-50/270	2.15m@4.94g/t Au and 2.65g/t Ag	454.8
	DDH-195	13804N	19852E	-52/270	2.15m@6.63g/t Au and 15.36g/t Ag	394.9
	DDH-214	13828N	19958E	-70/273	2.15m@3.13g/t Au and 25.74g/t Ag	377.9
		13827N	19958E		2.00m@3.76g/t Au and 27.76g/t Ag	382.0
Talang Samin	DDH-168	13837N	19450E	-50/90	2m@2.26g/t Au and 119.23g/t Ag	168.1
		13877N	19449E		2.4m@3.82g/t Au and 13.27g/t Ag	234.6
		13879N	19449E		2m@2.98g/t Au and 5.7g/t Ag	238.1
		13880N	19449E		3.0m@2.76g/t Au and 14.49g/t Ag	240.1
	DDH-180	13809N	19497E	-50/90	2.15m@8.11g/t Au and 9.18g/t Ag	73.8
		13814N	19497E		2.15m@2.13g/t Au and 5.91g/t Ag	82.5
		13819N	19497E		2.35m@3.13g/t Au and 3.26g/t Ag	89.2
	DDH-196	13742N	19548E	-50/270	2.2m@7.21g/t Au and 5.58g/t Ag	284.6
	DDH-204	13782N	19599E	-49/89	2.25m@3.09g/t Au and 2.60g/t Ag	292.7
Way Biawak	DDH-184	10026N	10064E	-54/125	2.2m@3.90g/t Au and 35.32g/t Ag	212.6
Talang Kecap	DDH-133	10532N	11683E	-45/130	2.7m@2.87g/t Au and 2.59g/t Ag	45.4
	DDH-134	10540N	11703E	-45/90	2m@4.28g/t Au and 5.23g/t Ag	48.0
		10542N	11703E		3m@3.29g/t Au and 3.05g/t Ag	50.0
Quarry	DDH-109	10329N	10433E	-90/130	2.3m@3.45g/t Au and 4.17g/t Ag	27.6

Competent Person Statement

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr. Peter G. Cook, BSc Applied Geol, MSc (Min Econ), who is a Member of the Australasian Institute of Mining and Metallurgy, and a Director of and a consultant to Kingsrose Mining Limited. Mr. Cook has sufficient experience which is relevant to the styles of mineralisation and types of deposits and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Mr. Cook consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors submit their report of the "Consolidated Entity" or "Group", being Kingsrose Mining Limited ("Kingsrose" or "the Company") and its Controlled Entities for the year ended 30 June 2011.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

John Morris – Non-Executive Chairman (Appointed 17 August 2007)

Mr. Morris has over 39 years experience in exploration, project development and management of public listed resource companies. He has held prior Directorships in a number of gold and base metals public companies in Australia and overseas including Forsyth NL and Amerisur Resources Plc (formerly Chaco Resources Plc/Gold Mines of Sardinia Plc).

Mr. Morris does not hold any other directorships of public companies.

Mr. Morris' status as Chairman reverted from Executive to Non-Executive on 1 July 2011.

Christopher Start – Managing Director (Appointed 1 July 2011)

Mr. Start was appointed General Manager of Kingsrose in March 2011. He was subsequently appointed Managing Director in July 2011. He graduated from RMIT as a Metallurgical Engineer with honours in 1988 and has over 23 years of experience in the mining industry. He has worked as a metallurgist, in management positions and as a consultant at a number of mine sites including Kidston, Murrin Murrin, Granny Smith and Boddington.

Mr. Start also has international experience working as the Processing Manager at Mt Muro gold and silver mine in Indonesia and as the General Manager at the Musselwhite gold mine in Canada. In addition to his extensive operational experience Mr. Start has several years of corporate experience with Dominion Mining and Australian Goldfields and has a Master of Science Degree in Mineral Economics.

Mr. Start does not hold any other directorships of public companies.

Timothy Spencer – Executive - Finance Director (Appointed 28 March 2009)

Mr. Spencer has over 17 years experience in the precious metals markets, from mining to refining and bullion distribution to in-depth precious metals market analysis, gained from working in various accounting, treasury and finance roles including two gold mining companies and a large gold refining and trading enterprise. Mr. Spencer holds an Economics degree (accounting major) from Monash University, Victoria, is a qualified CPA accountant and is an associate member of FINSIA.

Mr. Spencer does not hold any other directorships of public companies.

J. William (Bill) Phillips – Non-Executive Director (Appointed 12 January 2005)

Mr. Phillips has over 31 years experience in mining contracting and mine management, much of which has been gained in Western Australia. He is highly regarded as a leading specialist in underground narrow vein mining.

He has managed or been instrumental in the successful development of 16 mines either in the role of contractor or as owner/shareholder. Until May 2010 Mr. Phillips oversaw mining and production at Medusa Mining Limited's Co-O gold mine and processing plant in the southern Philippines.

Mr. Phillips does not hold any other directorships.

DIRECTORS' REPORT (cont'd)

Peter Cook – Non-Executive Director (Appointed 1 October 2010)

Mr. Cook is a Geologist and Mineral Economist and has considerable experience in the fields of exploration and project and corporate management of mining companies. He is the current Non-Executive Chairman of Metals X Limited and Pacific Niugini Limited. He is also a director of Westgold Resources Limited.

During the past three years he has served as a director of the following public listed companies:

- Metals X Limited – appointed 23 July 2004
- Westgold Resources Limited – appointed 19 March 2007
- Aragon Resources Limited – appointed 18 May 2007
- Pacific Niugini Limited – appointed 31 August 2009

Michael Andrews – Non-Executive Director (Appointed 9 August 2007 – Resigned 21 December 2010)

Dr. Andrews is a geologist with over 30 years of research and mining industry experience in gold, copper, coal and iron ore exploration. He holds an honours degree in Geology from the University of Reading, and a doctorate in Exploration Geochemistry from the University of Wales. Dr. Andrews previously held the positions of Executive Director and Chief Geologist of AuIron Energy Ltd and the Director of gold operations for Meekatharra Minerals Ltd. Between 1995 and 1998 Dr. Andrews managed the Teck Corporation – MM Gold Joint Venture, an exploration portfolio of 13 gold and copper projects in Indonesia. He has also previously held senior exploration positions with Ashton Mining Ltd, Aurora Gold Ltd and Muswellbrook Energy and Minerals Ltd.

During the past three years he has been and still holds a Directorship with Southern Arc Minerals Ltd. This is a company listed on the Toronto Stock Exchange Venture (TSX: SA).

EXECUTIVE AND/OR KEY MANAGEMENT PERSONNEL

Herryansjah - President Director – Board of Directors, PT Natarang Mining

Mr. Herryansjah, an Indonesian citizen, is a geology graduate having over 25 years experience of gold and base metal exploration. He has held the post of Senior Geologist or Chief Geologist with a number of Australian and Indonesian mining companies in Indonesia. During this time he has overseen the implementation of numerous exploration programmes throughout Indonesia. He has had extensive experience in the process of permitting mining development projects as well as in the fields of environmental permitting and national affairs.

Terry Butler

Mr. Terry Butler is the Operations Manager for the Way Linggo Gold Project in Indonesia. He has extensive experience in the mining industry spanning 26 years in various senior management roles including mining, maintenance (fixed plant and mine fleet), processing and site management through to operations manager level. The majority of experience was gained with involvement in green field or new project work, from feasibility, commissioning and then to senior operational management roles in overseas locations. Mr. Butler has held key positions in three successful gold treatment plant relocations, two in Australia and one in Sardinia, Italy. He has recently completed seven years' service in Uruguay, Latin America as Operations Manager for an open pit gold mine.

Jeannette Smith

The position of Company Secretary was jointly shared by Jeannette Smith and Tanya Ashley until Ms Ashley's resignation on 1 February 2011. Mrs Smith was Company Secretary during the entire financial year.

Mrs. Smith has over 28 years experience in the area of corporate administration. In 1981 she qualified as a Paralegal in the United States of America. She has been involved in the listing, compliance and administration of numerous public companies quoted on the American, London and Australian Securities Exchanges.

DIRECTORS' REPORT (cont'd)

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

At the date of this report, the interests of the Directors in the shares and options of Kingsrose Mining Limited were:

		Options			
Director	**Fully Paid Ordinary Shares**	**Unlisted expiring 31.12.2012 at $0.25**	**Unlisted expiring 16.02.2014 at $0.14**	**Unlisted expiring (various)* $1.54**	**Listed expiring 31.12.2012 at $0.20**
J.C. Morris	5,350,000	1,000,000	-	-	900,000
C.N. Start	-	-	-	3,000,000	-
T.G. Spencer	1,120,917	-	500,000	-	-
J.W. Phillips	16,250,000	-	-		3,000,000
P.G. Cook	4,000,000	-	-	-	-

*In respect of 1m options: vesting date 17.09.2011; expiry date 17.09.2013.
In respect of 1m options: vesting date 01.10.2012; expiry date 01.10.2014.
In respect of 1m options: vesting date 01.10.2013; expiry date 01.10.2015.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN THOSE ACTIVITIES

The principal activities during the year of the entities within the Group were:

- **Way Linggo Gold Project in Sumatra, Indonesia:** Construction of the process plant was completed by July 2010 with commissioning taking several months and production commencing in earnest towards the end of 2010. The development strategy is for the Project to become a steady-state, low cost producer of precious metals with an expected output of 45,000oz of gold and 500,000oz of silver per annum with cash operating costs expected to be around US$150 per gold ounce. Exploration activities are key to the future success of the Project and so significant financial, technical and human resources are being devoted to growing the Project's gold resource inventory.
- **SARINC Zinc-Lead Tailings Retreatment Project in Sardinia, Italy:** On-going evaluation and assessment of a potentially very large zinc/lead/silver tailings re-treatment project.

REVIEW OF OPERATIONS

The Group's main focus during the reporting period was gold and silver production and exploration at its flagship Way Linggo Gold Project located in Sumatra, Indonesia. It also continued with early stage investigation and evaluation of the SARINC zinc/lead/silver tailings retreatment project located in Sardinia, Italy.

The reporting period witnessed the Group transition into a gold and silver producer at Way Linggo with the process plant commencing commissioning during July 2010 and the plant reaching above 70% of its throughput capacity in March 2011. Gold production for the reporting period totalled 27,056 ounces with 318,869 ounces of silver produced as a by-product. Cash operating costs were US$142 per gold ounce produced whilst total costs, including depreciation, amortisation and government royalties totalled US$421 per gold ounce (both cost per ounce figures include a silver by-product credit of US$323 per gold ounce).

DIRECTORS' REPORT (cont'd)

Financial Results

The Group's profit after tax for the year was $14,905,273 compared to a loss of $1,411,457 in the previous year. The share of the profit after tax attributable to the owners of the Parent was $12,244,784 in the current year (2010: loss $951,753). The significant improvement in the Group's financial result was due the commencement of profitable production at the Way Linggo Gold Project.

Financial Position

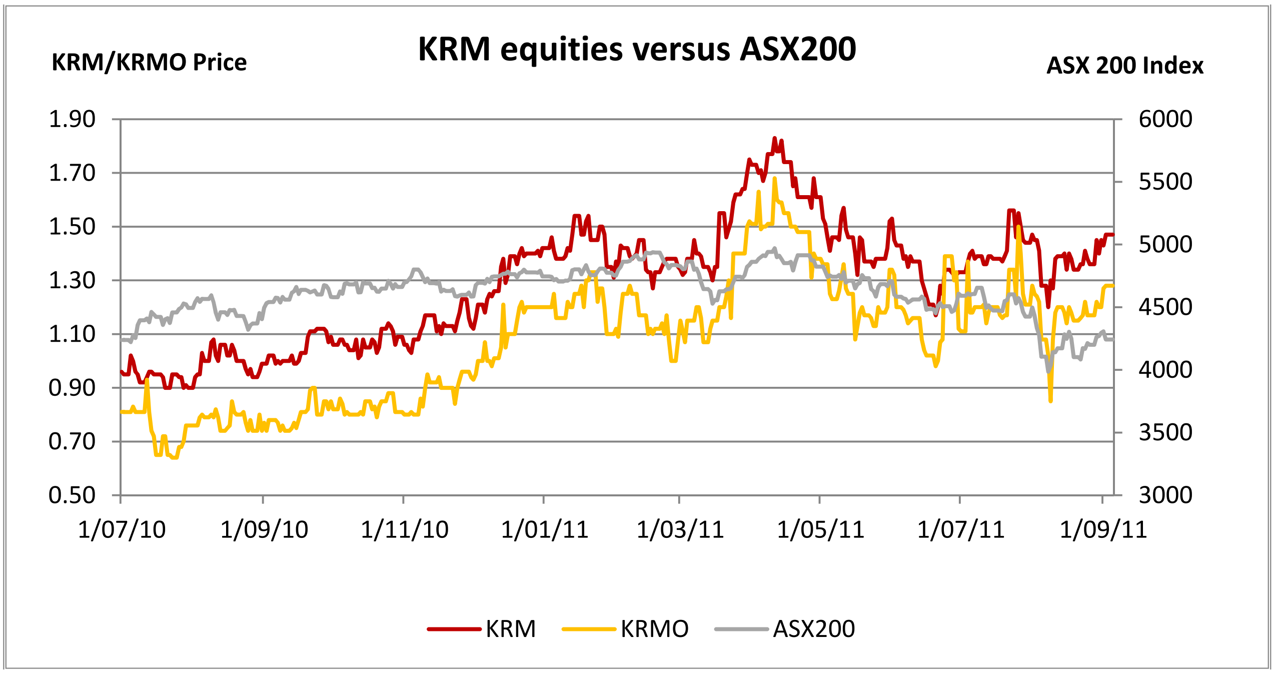
Cash and cash equivalents as at 30 June 2011 totalled $23,951,112 (2010: $7,833,315).

The Group's total assets grew by 48% over the previous period, reaching $68,456,965 as at 30 June 2011. Net assets were $50,280,884, as compared to $33,903,600 at the end of the previous reporting period. The ratio of current assets to current liabilities improved from 1.17 in 2010 to 2.50 in 2011 primarily due to an increase in cash and cash equivalents, a result of the high margin/low operating cost gold produced at Way Linggo and notwithstanding $6,966,136 invested in plant and equipment, $8,101,562 spent on exploration and evaluation activities and $9,881,017 in repayment of borrowings and interest.

In mid December 2010, Kingsrose successfully arranged a pre-paid silver forward sale transaction with Credit Suisse International raising $13,000,000. A 2-year silver forward structure was entered into whereby PT Natarang Mining agreed to sell a total of 480,120 silver ounces over 24 months starting in March 2011, receiving the discounted proceeds of the forward sales immediately.

Shareholder returns

The following graph shows the closing price of the Company's ordinary fully paid shares and listed options during the year ended 30 June 2011: [KRM – ordinary shares; KRMO – listed options].



From a low of $0.90/share in July 2010, the share price rose to $1.33/share by 30 June 2011. The 75% rise in the share price during the reporting period reflected the Company's transition from developer to producer as well reflecting the early but promising exploration results achieved during the year. The rise in the gold price and expectation of further increases would have also played a factor.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Group other than those referred to elsewhere in this Directors' Report and in the Financial Statements and notes thereto.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 1 July 2011:

- Mr. Chris Start was appointed Managing Director of the Company.
- Mr. John Morris stepped down as Executive Chairman; however he will remain as Non-Executive Chairman.

Please refer to Securities Issued/Exercised during the Year section of this report for options issued and exercised subsequent to balance date.

There have been no other significant events, other than those mentioned in Note 29 to the Financial Statements that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Kingsrose is focussed on growing the gold production from Way Linggo and the Directors believe that there is excellent potential for more large, high grade epithermal gold deposits to be discovered on the land holding. Thus the Way Linggo Project will remain the Company's main priority going forward. In the short to medium term (1 -3 years), the Company aims to continue:

- boosting production of gold and silver at the Way Linggo Project;
- aggressive exploration at Way Linggo to discover additional deposits;
- evaluation of the Zinc-Lead Tailings Retreatment Project in Sardinia, Italy; and
- assess potential growth opportunities with the focus being on resource projects with low entry level costs and high margins.

DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to environmental regulation in respect to its activities in Indonesia and Sardinia. The Group aims to ensure that appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation during the year under review.

EMPLOYEES

The Group had 603 full-time employees as at 30 June 2011 (2010: 328).

DIRECTORS' REPORT (cont'd)

SHARE OPTIONS

(a) Unissued shares

As at the date of this report, there were 30,626,304 ordinary shares under options as follows:

No. Listed	No. Unlisted		Exercise Price	Vesting Date	% vested	Expiry Date
	ESOP	*Non-ESOP*				
20,101,304			$0.20	n/a	n/a	31- Dec-12
		3,500,000	$0.25	13-Oct-07	100%	31-Dec-12
	3,000,000		$1.54	17-Sep-11	33.3%	17-Sep-13
				1-Oct-12	33.3%	01-Oct-14
				1-Oct-13	33.3%	01-Oct -15
	500,000		$0.14	16-Feb-09	100%	16- Feb -14
		100,000	$0.39	13-Jul-09	100%	13- Jul-14
		700,000	$0.20	29-Dec-09	100%	29- Dec -12
	150,000		$0.73	8-Mar-10	100%	08 Mar-15
	75,000		$1.59	21-Dec-10	100%	21-Dec-12
	2,000,000		$1.59	2-Dec-11	50%	2-Dec-13
				2-Dec-12	50%	2-Dec-14
	250,000		$1.42	22-Dec-11	100%	22-Dec-13
	250,000		$1.58	13-Jan-12	50%	13-Jan-14
				13-Jan-13	50%	13-Jan-15

Option holders do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

(b) Shares issued as a result of the exercise of options

During the financial year, employees and executives have exercised options to acquire 6,015,000 fully paid ordinary shares in the Company at a weighted average exercise price of $0.24 per share.

DIRECTORS' REPORT (cont'd)

SECURITIES ISSUED/EXERCISED DURING THE YEAR

	Issue Date	Number of securities	Issue price/ exercise price	Issued to/ Reason for issue	Allotment under ASX LR 7.1	Allotment under ESOP	Listed
Ordinary Shares							
	23/09/2010	1,500,000	$1.11	Aurora Gold Ltd Termination of Royalty *	Yes		Yes
Options issued over fully paid shares							
	21/12/2010	75,000	$1.59	Issued to employee		Yes	No
	21/02/2011	500,000	$1.52	Issued to employee	**	Yes	No
	17/03/2011	3,000,000	$1.54	Issued to employee		Yes	No
	2/06/2011	1,000,000	$1.59	Issued to employee		Yes	No
	2/06/2011	500,000	$1.59	Issued to employee		Yes	No
	2/06/2011	500,000	$1.59	Issued to employee		Yes	No
	22/06/2011	250,000	$1.42	Issued to employee		Yes	No
Option conversions							
	1/07/2010 to 30/06/2011	15,458,995	$0.20	Listed options	***		Yes
		2,000,000	$0.14	Unlisted options		Yes	No
		4,015,000	$0.25 to $0.39	Unlisted options	Yes		No
Options issued subsequent to year end							
	13/07/2011	250,000	$1.58	Issued to employee		Yes	No
Options exercised subsequent to year end							
	5/07/2011	160,000	$0.39	Exercise of options	Yes		No
	5/07/2011	121,009	$0.20	Exercise of options	**		Yes
	21/07/2011	800,000	$0.20	Exercise of options	**		Yes
	25/07/2011	50,000	$0.39	Exercise of options	Yes		No
	29/07/2011	50,000	$0.39	Exercise of options	Yes		No
	29/07/2011	500,000	$0.20	Exercise of options	Yes		No
	15/08/2011	65,817	$0.20	Exercise of options	**		Yes
	25/08/2011	419,845	$0.20	Exercise of options	**		Yes
	25/08/2011	300,000	$0.14	Exercise of options		Yes	No
	2/09/2011	200,000	$0.14	Exercise of options		Yes	No
	8/09/2011	50,000	$0.39	Exercise of options	Yes		No

* Refer to Note 21 to the Financial Statements for details
** Cancelled May 2011
*** 1:2 non-renounceable rights issue (pursuant to IPO - November 2007)

DIRECTORS' REPORT (cont'd)

INDEMNIFICATION OF OFFICERS

An indemnity agreement has been entered into between the Company and each of the Directors named earlier in this report and with each full-time Officer, including persons who act as Directors on behalf of the Company on the Boards of any company in which the Company has a financial interest. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs, to the extent permitted by law, which may arise as a result of work performed in their respective capacities. In addition, the agreement provides for the Company to procure and pay the premium for an insurance policy to cover, to the extent permitted by law, such claims and expenses, and to continue maintaining an insurance policy for a period of seven years after an officer has ceased to act in that capacity.

INSURANCE PREMIUM PAID FOR OFFICERS

The Company has paid an insurance premium in respect of a contract insuring each of the Directors of the Company named earlier in this report and the Officers of the Company against liabilities and expenses, to the extent permitted by law, arising from claims made against them in their capacity as Directors and Officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company, viz

(a) Willful breach of duty

(b) A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 1998 of the Corporations Act 2001.

During the financial year the Company has paid D&O insurance premiums of $18,583 in respect of liability of any current and future directors and officers of the Company.

DIRECTORS' MEETINGS

Six Directors' meetings were held during the financial year. In addition to formal Board meetings, matters requiring Board approval were dealt with via circular resolutions. 34 circular resolutions were signed by all the Directors during the financial year.

	Directors' Meetings	
Director	**Number meetings held whilst a director**	**Number meetings attended**
J.C. Morris	6	6
J.W. Phillips	6	4
T.G. Spencer	6	6
P.G. Cook *	5	5
C.N. Start **	0	0
M.J. Andrews ***	3	3

	Remuneration Committee Meetings	
Director	**Number meetings held whilst a director**	**Number meetings attended**
J.C. Morris	3	3
J.W. Phillips	3	3
T.G. Spencer	3	3

* Appointed 01.10.2010
** Appointed 01.07.2011
*** Resigned 21.12.2010

DIRECTORS' REPORT (cont'd)

REMUNERATION REPORT (AUDITED)

This report for the year ended 30 June 2011 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company, and includes the five executives in the Parent and Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' includes the Chief Executive Officer (CEO), executive Directors, senior executives, general managers and secretary of the Company and the Group and the term 'Director' refers to non-executive Directors only.

The remuneration report is presented under the following sections:

1. Board oversight of remuneration and approval process
2. Directors and key management personnel details
3. Company performance and the link to remuneration
4. Non-executive Director remuneration arrangements
5. Executive and Key Management Personnel (KMP) remuneration arrangements

1. Board oversight of remuneration & approval process

The Board has established a formal Remuneration Committee that makes recommendations to the Board on the remuneration arrangements for non-executive Directors (NED's) and executives.

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of NED's and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team. Details of the nature and amount of emoluments of each director are disclosed in the Company's annual report.

The Board approves the remuneration arrangements of the CEO and executives and all awards made under the long term (LTI) plan. The Board also sets the aggregate remuneration of NED's that is subject to shareholder approval.

Remuneration Committee

The role of the Remuneration Committee is to assist the Board of Directors of the Company in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations on:

a) remuneration packages of executive directors, non-executive directors and senior executives; and
b) employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

DIRECTORS' REPORT (cont'd)

REMUNERATION REPORT (AUDITED) (cont'd)

Remuneration Strategy

The Company's remuneration strategy is designed to attract, motivate and retain employees and NED's by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

The objective of the Remuneration Committee is to help the Board achieve its objective of ensuring the Company:

- Has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- Offer competitive remuneration benchmarked against the external market;
- Observes those remuneration policies and practices; and
- Fairly and responsibly rewards executives having regard to the performance of the Company, the performance of the executives and the general pay environment.

Remuneration structure

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

2. Directors and key management personnel (KMP) details

Details of Directors and KMP including the top five remunerated executives of the Company and the Group are set out below:

Name	Position	Date of appointment	Date of resignation
Directors*			
J.C. Morris	Non-Executive Chairman	17-Aug-07	-
C.N. Start	Managing Director **	17-Mar-11	-
T.G. Spencer	Finance Director	28-Mar-09	-
J.W. Phillips	Non-Executive Director	12-Jan-05	-
P.G. Cook	Non-Executive Director	1-Oct-10	-
M.J. Andrews	Non-Executive Director	9-Aug-07	21-Dec-10
Other Key Management Personnel			
Herryansyjah	President Director - PTNM	27-Feb-09	-
T. Butler	Operations Manager (Way Linggo) - PTNM	18-May-10	-
Executives			
J.P. Smith	Company Secretary	9-Aug-07	-
T.C. Ashley	Joint Company Secretary/Financial Accountant	18-Feb-09	1-Feb-11

* Executive Directors are considered to be key management personnel.
** Mr. C.N. Start was appointed as General Manager on 17 March 2011 and became the Managing Director on 1 July 2011.

There have been no other changes after reporting date and before the date the financial report was authorised for issue.

DIRECTORS' REPORT (cont'd)

REMUNERATION REPORT (AUDITED) (cont'd)

3. Company performance and the link to remuneration

The linking of Director and executive remuneration was not, in previous reporting periods, linked to either long term or short term performance conditions as the Board felt that the expiry date and exercise price of the options issued during those periods were sufficient to align the goals of the Directors and executives with those of the shareholders to maximise shareholders wealth. During this reporting period, vesting periods were introduced on options issued, requiring the recipient of the options to complete a minimum period of employment with satisfactory performance before the options vest. Satisfactory performance is determined by the Board of Directors in relation to senior executives and key management personnel. It is not based on a pre-agreed set of measurement parameters but takes into account the individual's performance in relation to the expectations of the Board of Directors, particularly comparing how well the individual has achieved the key responsibilities as detailed in that person's employment agreement and/or job description.

The Company does not currently have a policy addressing the hedging of share and options granted to key management personnel as part of their remuneration.

Non-executive Director (NED) remuneration arrangements

Remuneration policy

The Company's policy is to remunerate non-executive directors at market rates (for comparable companies) for time, commitment and responsibilities. Fees for non-executive directors are not linked to the performance of the Company, however, to align directors' interests with shareholders' interests, directors are encouraged to hold shares in the Company. The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NED's of comparable companies.

Payments to Non-executive directors reflect the demands which are made on and the responsibilities of the Directors. Non-executive Directors' fees and payments are reviewed annually by the Remuneration Committee. The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2008 Annual General Meeting (AGM) held on 25 November 2008 when shareholders approved an aggregate fee pool of $110,000 per year (excluding share-based payments).

An amount not exceeding the approved aggregate fee pool is then divided between the Directors as agreed. Each non-executive Director currently receives $20,000 for being a Director of the Company. They may also be remunerated at market rates for additional work undertaken as required on behalf of the Group.

The Board will not seek any increase for the NED pool at the 2011 Annual General Meeting.

4. Executive and Key Management Personnel (KMP) remuneration arrangements

Remuneration levels and mix

The Group aims to reward KMP with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice. Senior management are typically remunerated with a base salary, statutory retirement benefits and share options. Details of these are disclosed in Table 1.

KMP remuneration and incentive policies and practices must be performance based and aligned with the Company's vision, values and overall business objectives. The Company undertakes periodic remuneration reviews to determine the remuneration positioning against the market as well as individual performance and contribution.

During the 2009 financial year, the Government introduced various proposals affecting employee remuneration, including legislation in respect of employee share schemes and termination payments. This review was undertaken by the Remuneration Committee in December 2010 and became effective 1 January 2011.

DIRECTORS' REPORT (cont'd)

REMUNERATION REPORT (AUDITED) (cont'd)

Executive contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements and includes base pay, superannuation and long term incentives through the issue of options.

Non-Executive Chairman

The Company commenced remunerating Mr. Morris as a non-executive Director on 1 December 2007 and thereafter as an executive Director from 1 May 2009 until 1 July 2011 when he again reverted to non-executive. The terms of employment were formalised on 1 October 2009 at which time Mr. Morris entered into a three year contract with the Company. He receives a salary of $140,000 per annum plus statutory superannuation. One month's notice by either party is required to terminate employment.

Managing Director

In March 2011 Mr. Start joined the Company as General Manager at which time he entered into a three year contract with the Company. On 1 July 2011 he was appointed Managing Director of the Company. Under the terms of his contract, he receives a salary of $300,000 per annum and statutory superannuation. One month's notice by either party is required to terminate employment. He was also granted 3,000,000 unlisted options under the Company's Employee Share Option Plan. The options were issued at an exercise price of $1.54 and are subject to the following vesting periods:

- 1m options will vest on 17 September 2011 with an expiry date of 17 September 2013
- 1m options will vest on 1 October 2012 with an expiry date of 1 October 2014
- 1m options will vest on 1 October 2013 with an expiry date of 1 October 2015

Finance Director - Executive

In February 2009 Mr. Spencer entered into a three year contract with the Company and receives a remuneration of $250,000 per annum, comprising a salary and statutory superannuation. One month's notice by either party is required to terminate employment.

Non-Executive Directors

As Non-Executive Directors, Mr. Cook and Mr. Phillips are each paid Director's fees of $20,000 per annum.

Non-Executive Directors are paid consulting fees on time spent on Company business, including reasonable expenses incurred by them on business of the Company, details of which are contained in the Remuneration Table.

Board of Directors - PT Natarang Mining

Mr. Herryansjah is employed under an Indonesian employment contract with no fixed term. He receives an annual salary of US$120,000, which is equivalent to $121,310 (2010: $140,104). One month's notice is required by either party to terminate employment.

Operations Manager – Way Linggo

In May 2010, Mr. Terry Butler was appointed Operations Manager of the Company's subsidiary, PT Natarang Mining, at which time he entered into a one year contract. His contract has subsequently been renewed for a further year. He receives $300,000 per annum (2010: $267,000). One month's notice is required by either party to terminate the contract.

DIRECTORS' REPORT (cont'd)

REMUNERATION REPORT (AUDITED) (cont'd)

Company Secretary

Mrs. Smith was appointed Company Secretary of the Company on 9 August 2007. The Company commenced remunerating Mrs. Smith in December 2007 and she has continued to serve as an employee since that time. In October 2009 the Company formalised the terms of employment with Mrs Smith and entered into a three year contract. One month's notice is required by either party to terminate employment. Mrs. Smith receives remuneration of $138,000 per annum and statutory superannuation (pro rata to days worked).

Group Performance

The table below shows the performance of the Group (as measured by the Group's EPS from continuing operations) since listing on the ASX on 7 December 2007.

Year	2008	2009	2010	2011
EPS (cents/share)				
- Basic	(17.40)	(4.20)	(3.18)	4.76
- Diluted	(17.40)	(4.20)	(3.18)	4.45
Share price	$0.25	$0.37	$1.04	$1.33

The improvement in the return to shareholders is reflected through the earnings per share that has improved over the past four years.

DIRECTORS' REPORT (cont'd)

Remuneration of key management personnel and the five highest paid executives of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2011

	Short Term				Post employment	Termination benefits	Long Term		Share-based payments		Total	Share-based payments
	Salary and fees	Cash bonus	Non-monetary benefits +	Consulting Fees	Superannuation		Incentive plans	Long service leave	Shares	Options ++		
	$	$	$	$	$	$	$	$	$	$	$	%
Executive directors												
J.C. Morris (i)	140,000	-	-	-	12,600	-	-	-	-	-	152,600	-
T.G. Spencer	204,250	-	1,041	-	15,200	-	-	-	-	-	220,491	-
Sub-total executive	344,250	-	1,041	-	27,800	-	-	-	-	-	373,091	-
Non-Executive directors												
J.W. Phillips	20,000	-	-	97,048	-	-	-	-	-	-	117,048	-
P.G. Cook (ii)	15,000	-	-	44,200	1,350	-	-	-	-	-	60,550	-
M.J. Andrews (iii)	9,462	-	-	-	-	-	-	-	-	-	9,462	-
Sub-total non-executive	44,462	-	-	141,248	1,350	-	-	-	-	-	187,060	-
Other KMP & Executives												
Herryansjah*	121,310	-	7,357	-	-	-	-	-	-	-	128,667	-
C.N. Start* (iv)	87,500	-	-	-	4,433	-	-	-	-	357,439	449,372	80%
T.Butler*	269,750	-	-	-	-	-	-	-	-	-	269,750	-
J.P. Smith**	86,800	-	-	-	7,812	-	-	-	-	-	94,612	-
T.C. Ashley** (v)	56,894	-	-	-	4,688	-	-	-	-	-	61,582	-
Sub-total Other KMP & Execs.	622,254	-	7,357	-	16,933	-	-	-	-	357,439	1,003,983	
TOTAL	1,010,966	-	8,398	141,248	46,083	-	-	-	-	357,439	1,564,134	

(i) Changed to non-executive 1 July 2011
(ii) Appointed 1 October 2010
(iii) Resigned 21 December 2010
(iv) Appointed General Manager 17 March 2011; Appointed Director 1 July 2011
(v) Resigned 1 February 2011
+ Amounts represent the annual charge for Life Insurance cover provided for T.G. Spencer and employer contribution to social security program for Herryansjah.
++ Details of performance conditions for the options are stated in section 3 of the Remuneration Report.
No elements of remuneration are performance based.

* Other Key Management Personnel
** Executives

DIRECTORS' REPORT (cont'd)

Table 2: Remuneration for the year ended 30 June 2010

	Short Term				Post employment	Termination benefits ++	Long term		Share-based payments		Total	Share-based payments
	Salary and fees	Cash bonus	Non-monetary benefits +	Consulting Fees	Superannuation		Incentive plans	Long service leave	Shares	Options		
	$	$	$	$	$	$	$	$	$	$	$	%
Executive directors												
J.C. Morris	143,033	-	-	-	12,900	-	-	-	-	-	155,933	-
T.G. Spencer	183,500	-	969	-	16,515	-	-	-	-	-	200,984	-
Sub-total executive	326,533	-	969	-	29,415	-	-	-	-	-	356,917	-
Non-Executive directors												
M.J. Andrews	142,207	-	-	-	-	-	-	-	-	-	142,207	-
J.W. Phillips	20,000	-	-	84,462	-	-	-	-	-	-	104,462	-
Sub-total non-executive	162,207	-	-	84,462	-	-	-	-	-	-	246,669	-
Other KMP & Executives												
Herryansjah*	140,104	-	8,042	-	-	-	-	-	-	-	148,146	-
M. Green* (i)	208,000	-	-	-	-	-	-	-	-	-	208,000	-
A. Sharland* (ii)	135,417	-	1,859	-	-	95,536	-	-	-	259,800	492,612	53%
T.Butler*	30,754	-	-	-	-	-	-	-	-	-	30,754	-
J.P. Smith**	77,000	-	-	-	6,930	-	-	-	-	-	83,930	-
T.C. Ashley**	77,000	-	-	-	6,930	-	-	-	-	-	83,930	-
Sub-total Other KMP & Execs.	668,275	-	9,901	-	13,860	95,536	-	-	-	259,800	1,047,372	
TOTAL	1,157,015	-	10,870	84,462	43,275	95,536	-	-	-	259,800	1,650,958	

(i) Resigned 31 May 2010

(ii) Resigned 15 May 2010

* Other Key Management Personnel

** Executives

+ Amounts represent the annual charge for Life Insurance cover provided for T.G. Spencer and A. Sharland; and employer contribution to social security program for Herryansjah.

++ Includes three months' salary and entitlements, as provided in A.Sharland's employment contract.

No elements of remuneration are performance based.

DIRECTORS' REPORT (cont'd)

Equity Instruments

Table 3: Compensation options granted to directors and named executives during the year (Consolidated)

	Granted	Terms and conditions for each Grant						Vested	
	No of options	Issue date	Fair value per option at grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date	Vested no. of options	% of options vested
Executives									
C.N. Start	1,000,000	17-Mar-11	$0.29	$1.54	17-Sep-13	17-Sep-11	17-Sep-13	-	0%
	1,000,000	17-Mar-11	$0.60	$1.54	1-Oct-14	1-Oct-12	1-Oct-14	-	0%
	1,000,000	17-Mar-11	$0.71	$1.54	1-Oct-15	1-Oct-13	1-Oct-15	-	0%
	3,000,000							-	

There were no forfeitures during the year.

Table 4: Value of options granted, exercised and lapsed during the year

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Executives				
C.N. Start	1,600,000	-	-	80%

Table 5: Shares issued on exercise of options (Consolidated)

The following compensation options were exercised during the financial year:

	Shares Issued #	Paid per share $	Unpaid per share $
Executives			
J.P. Smith	500,000	$0.25	-

End of Remuneration Report.

DIRECTORS' REPORT (cont'd)

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

The auditor's independence declaration for the year ended 30 June 2011 is on page 37. This declaration forms part of the Directors' Report.

NON-AUDIT SERVICES

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year are detailed in Note 30 of the financial statements.

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

Chris N. Start
Managing Director

Perth, 19 September 2011

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

In relation to our audit of the financial report of Kingsrose Mining Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
19 September 2011

GHM:MJ:KINGSROSE:008

CORPORATE GOVERNANCE STATEMENT

1. CORPORATE GOVERNANCE PRINCIPLES

The Board of Directors of Kingsrose Mining Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. Where a recommendation has not been followed that fact is disclosed together with the reasons for the departure.

The Corporate Governance Council's principles are summarised as follows:

Principle 1 - Lay solid foundations for management and oversight
Principle 2 - Structure the board to add value
Principle 3 - Promote ethical and responsible decision-making
Principle 4 - Safeguard integrity in financial reporting
Principle 5 - Make timely and balanced disclosure
Principle 6 - Respect the rights of shareholders
Principle 7 - Recognise and manage risk
Principle 8 - Remunerate fairly and responsibly

The table below summarises the Company's compliance with the CGC's recommendations.

	ASX P & R	Reason for non-compliance		ASX P & R	Reason for non-compliance
Recommendation 1.1	Yes		Recommendation 4.3	No	(iii)
Recommendation 1.2	Yes		Recommendation 4.4	Yes	
Recommendation 1.3	Yes		Recommendation 5.1	Yes	
Recommendation 2.1	No	(i)	Recommendation 5.2	Yes	
Recommendation 2.2	Yes		Recommendation 6.1	Yes	
Recommendation 2.3	Yes		Recommendation 6.2	Yes	
Recommendation 2.4	No	(ii)	Recommendation 7.1	Yes	
Recommendation 2.5	Yes		Recommendation 7.2	Yes	
Recommendation 2.6	Yes		Recommendation 7.3	Yes	
Recommendation 3.1	Yes		Recommendation 7.4	Yes	
Recommendation 3.2	Yes		Recommendation 8.1	Yes	
Recommendation 3.3	Yes		Recommendation 8.2	Yes	
Recommendation 4.1	No	(iii)	Recommendation 8.3	Yes	
Recommendation 4.2	No	(iii)			

(i) Refer to 2(b) below
(ii) Refer to 2(d) below
(iii) Refer to 3(a) below

Kingsrose Mining Limited's corporate governance practices were in place throughout the year ended 30 June 2011.

2. THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. It is also responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. In addition, it is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

CORPORATE GOVERNANCE STATEMENT (cont'd)

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Managing Director and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately.
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Conduct and that the Company practice is consistent with that Code; and other policies; and
- Reporting to and advising shareholders.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Executive Management.

2(b) Board Composition

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report are included in the Directors' Report. Directors of Kingsrose are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

The Board believes that the Company is not of sufficient size to warrant the inclusion of more independent non-executive Directors in order to meet the ASX recommendation of maintaining a majority of independent non-executive Directors. The Company maintains a mix of Directors from different backgrounds with complementary skills and experience.

CORPORATE GOVERNANCE STATEMENT (cont'd)

The following table shows whether directors meet the definition of independence above, and the materiality thresholds set.

Name	Position	First Appointed	Independent
J.C. Morris	Non-executive Chairman	17-Aug-07	Yes
C.N. Start	Managing Director	1-Jul-11	No
J.W. Phillips	Non-executive Director	12-Jan-05	No
T.G. Spencer	Finance Director	28-Mar-09	No
P.G. Cook	Non-executive Director	1-Oct-10	Yes

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Managing Director should be exercised by different individuals if possible;
- the majority of the Board should comprise Directors who are non-executive and independent;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company's expense.

Term in Office

- J.C. Morris – 4 years
- J. W. Phillips – 6 ½ years
- T. G. Spencer – 2 ½ years
- P.G. Cook – 1 year
- C.N. Start – appointed 1 July 2011

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last re-election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when he or she may be re-elected. If a Managing Director is appointed he or she will not be subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

2(c) Chairman and Managing Director

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the

CORPORATE GOVERNANCE STATEMENT (cont'd)

Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

During the current financial year, the position of Managing Director was assumed by the Chairman and/or Executive Management. However, with the appointment of a Managing Director in July 2011, the roles of Chairman and Managing Director are now exercised independently.

The Managing Director / Executive Directors are responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Company's business activities

The Board specifies that generally the roles of the Chairman and the Managing Director are separate roles to be undertaken by separate people and the Managing Director assumes the role of Chief Executive Officer.

2(d) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

2(e) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

2(f) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information. There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

2(g) Review of Board performance

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which Directors and executives are assessed is aligned with the financial and non-financial objectives of Kingsrose Mining Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

3. BOARD COMMITTEES

3(a) Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

CORPORATE GOVERNANCE STATEMENT (cont'd)

The Board reviews the audited annual and half-year financial statements and any reports which the Company published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

External Auditors
The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is Ernst & Young's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the Company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

The Directors are satisfied that the provision of non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Directors are satisfied that the provision of the non-audit services did not compromise the auditor's independence requirements of the Corporations Act because the services were provided by persons who were not involved in the audit and the decision as to whether or not to accept the tax planning advice was made by management.

3(b) Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has established a separate Remuneration Committee. It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives and appropriately with reference to relevant employment market conditions.

The Committee is responsible for determining and reviewing compensation arrangements for the Directors themselves and the executive team, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive Directors.

The Company has structured the remuneration of its senior executives such that it comprises a fixed salary, statutory superannuation and participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive Directors' remuneration.

The remuneration received by Directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

CORPORATE GOVERNANCE STATEMENT (cont'd)

There is no scheme to provide retirement benefits to non-executive Directors.

3(c) Finance Committee

The Board has not established a separate Finance Committee due to the size and scale of its operations. However the Board as a whole takes responsibility for such issues, viz:

- Establishing and monitoring the Company's capital management strategy, including dividend payment strategies;
- Assessing the Company's funding requirements regarding specific funding proposals;
- Monitoring borrowings from financial institutions and compliance with borrowing covenants.

3(d) Treasury Committee

The Board has not established a separate Treasury Committee due to the size and scale of its operations. However the Board as a whole takes responsibility for such issues in that it monitors financial risks and exposure from movements in interest rates and exchange rates.

3(e) Risk Committee

The Board has not established a separate Risk Committee due to the size and scale of its operations. However the Board as a whole has a proactive approach to risk management and takes responsibility for such issues in that it monitors financial risks and exposure from movements in interest rates and exchange rates.

3(f) CEO and CFO certification

In accordance with Section 295A of the Corporations Act, the CEO and CFO have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- The Company's risk management and internal compliance and controls systems is operating effectively in all material respects.

The Board agrees with the view of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

In response to this, internal control questions are required to be completed by the key management personnel of all significant business units, including finance managers, in support of these written statements.

4. ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

The "Code of Conduct" sets out the principles, practices and standards of personal behaviour the Company expects people to adopt in their daily business activities.

CORPORATE GOVERNANCE STATEMENT (cont'd)

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

a) comply with the law;
b) act in the best interests of the Company;
c) be responsible and accountable for their actions; and
d) observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

4(b) Policy concerning trading in Company securities

The Board adopted a revised Share Trading Policy effective from January 2011 in relation to the trading in the securities of the Company and has distributed the policy to all employees of the Company. The policy describes what constitutes Insider Trading, the penalties for undertaking such activities and makes recommendations on when employees should not trade in the Company's securities. The policy also notes designated "black out" periods during which Directors and senior management are not allowed to trade in securities of the Company. Full details of the Company's Securities Trading Policy may be found on the Company's website www.kingsrosemining.com.au.

4(c) Policy concerning Diversity

The Company has adopted a Diversity Policy which came into effect 1 July 2011. The Policy supports the commitment of the Company to an inclusive workplace that embraces and promotes diversity, and provides a framework for new and existing diversity-related initiatives, strategies and programs within the Company's business.

The workforce of Kingsrose is made up of many individuals with diverse skills, values, backgrounds and experiences. The Company is committed to provide an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available at work.

Diversity in the workplace refers to the variety of differences between people in an organisation which encompasses gender, race, ethnicity, age, disability, cultural background and more.

The Company believes that embracing diversity in its workforce contributes to the achievement of its corporate objectives and enhances its reputation. It enables the Company to:

(a) Recruit the right people from a diverse pool of talented candidates;
(b) Make more informed and innovative decisions, drawing on the wide range of ideas, experiences, approaches and perspectives that employees from diverse backgrounds, and with differing skill sets, bring to their roles; and
(c) Better represent the diversity of all our stakeholders.

The Company has a fair dealing policy that requires all employees and directors to deal on a fair and honest basis with the Company's shareholders, customers, suppliers, consultants, regulators and other employees. Dealings shall be done on an arm's length basis, free from any personal interest or bias and without discrimination.

The Company's recruitment policy provides that selection of employees will be such that no discrimination will be made on the basis of ethnicity, religion, age or gender.

CORPORATE GOVERNANCE STATEMENT (cont'd)

The Company is committed to achieving the goals of:

(a) Providing access to equal opportunities at work which is merit-based, allowing employees to be considered for advancement and secondment opportunities based on achievement, experience and the value they could bring to a role; and
(b) Fostering a corporate culture that embraces and values diversity.

Kingsrose is an equal opportunity employer and welcomes people from different backgrounds. Full details of the Company's Diversity Policy may be found on the Company's website www.kingsrosemining.com.au

5. TIMELY AND BALANCED DISCLOSURE

5(a) Shareholder communication

Pursuant to Principle 6, The Company's objective is to promote effective communication with its shareholders at all times.

Kingsrose Mining Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in applicable the ASX listing rules and the Corporations Act in Australia.
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Kingsrose Mining Limited.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX.
- Through the distribution of the Annual Report and Notices of Annual General Meeting.
- Through shareholder meetings and investor relations presentations.
- Through letters and other forms of communication directly to shareholders.
- By posting relevant information on the Company's website www.kingsrosemining.com.au

The Company's website has a dedicated Investor Relations section for the purpose of publishing all important Company information and relevant announcements made to the market.

The external auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the manner in which the audit and preparation of the audit report were conducted.

5(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

CORPORATE GOVERNANCE STATEMENT (cont'd)

6. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management is being established ("Risk Management and Internal Control Policy"). Considerable importance is placed on maintaining a strong control environment.

6(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principal aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level. The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

6(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

6(c) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Continuing operations			
Sale of goods	5(a)	**45,240,223**	-
Other revenue	5(a)	**491,347**	330,225
Total revenue		**45,731,570**	330,225
Cost of sales	5(b)	**(20,062,620)**	-
Gross profit		**25,668,950**	330,225
Other income	5(c)	**12,190**	412,813
Administration expenses	5(d)	**(5,006,571)**	(3,971,352)
Exploration and evaluation expenditure		**(568,684)**	(2,277,019)
Other expenses	5(e)	**(3,084,766)**	(514,007)
Finance costs	5(f)	**(599,810)**	(528,849)
Profit/(Loss) from continuing operations before income tax		**16,421,309**	(6,548,189)
Income tax expense	6(a)	**(1,760,333)**	-
Profit/(Loss) from continuing operations after income tax		**14,660,976**	(6,548,189)
Discontinued operations			
Income from discontinued operations after income tax	17(a)	**244,297**	5,136,732
Net profit/(loss) for the year		**14,905,273**	(1,411,457)
Profit/(Loss) for the year is attributable to:			
Owners of the parent		**12,244,784**	(951,753)
Non-controlling interests		**2,660,489**	(459,704)
		14,905,273	(1,411,457)
Earnings/(Loss) per share from continuing operations attributable to the ordinary equity holders of the parent:		**Cents**	Cents
Basic earnings/(loss) per share – cents per share	7	**4.76**	(3.00)
Diluted earnings/(loss) per share – cents per share	7	**4.45**	(3.00)
Earnings/(Loss) per share attributable to the ordinary equity holders of the parent:			
Basic earnings/(loss) per share – cents per share	7	**4.85**	(0.47)
Diluted earnings/(loss) per share – cents per share	7	**4.54**	(0.47)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	2011 $	2010 $
Net profit/(loss) for the year	**14,905,273**	(1,411,457)
Other comprehensive income/(loss)		
Foreign currency translations	**(5,164,423)**	98,521
Income tax	**-**	-
Other comprehensive income/(loss) for the year, net of tax	**(5,164,423)**	98,521
Total comprehensive income/(loss) for the year	**9,740,850**	(1,312,936)
Total comprehensive income/(loss) for the year is attributable to:		
Owners of the parent	**8,094,203**	(853,232)
Non-controlling interests	**1,646,647**	(459,704)
	9,740,850	(1,312,936)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 $	2010 $
Current Assets			
Cash and cash equivalents	9	**23,951,112**	7,833,315
Trade and other receivables	10	**2,716,693**	1,638,070
Inventories	11	**4,593,606**	1,679,793
Financial assets held for trading	12	**-**	2,406,858
Derivative financial instruments	13	**-**	24,175
Other		**231,549**	73,398
Total Current Assets		**31,492,960**	13,655,609
Non-Current Assets			
Plant and equipment	14	**10,634,842**	8,481,947
Mine properties and development	15	**18,095,382**	22,469,879
Exploration and evaluation assets	16	**8,233,781**	1,558,196
Total Non-Current Assets		**36,964,005**	32,510,022
TOTAL ASSETS		**68,456,965**	46,165,631
Current Liabilities			
Trade and other payables	18	**10,882,191**	2,964,540
Interest-bearing liabilities	19	**296,146**	8,561,127
Income tax payable		**1,233,485**	-
Provisions	20	**168,045**	112,291
Total Current Liabilities		**12,579,867**	11,637,958
Non-Current Liabilities			
Trade and other payables	18	**4,010,325**	-
Interest-bearing liabilities	19	**379,993**	40,856
Deferred tax liabilities	6(d)	**423,718**	-
Provisions	20	**782,178**	583,217
Total Non-Current Liabilities		**5,596,214**	624,073
TOTAL LIABILITIES		**18,176,081**	12,262,031
NET ASSETS		**50,280,884**	33,903,600
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	21	**57,066,067**	50,889,668
Reserves	22	**(2,339,739)**	1,350,807
Accumulated losses		**(5,632,387)**	(17,877,171)
		49,093,941	34,363,304
Non-controlling interests		**1,186,943**	(459,704)
TOTAL EQUITY		**50,280,884**	33,903,600

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Cash flows used in operating activities			
Receipts from customers		**57,652,436**	6,090,183
Payment to suppliers and employees		**(21,654,231)**	(9,427,663)
Interest received		**412,650**	330,225
Interest paid		**(914,818)**	(136,600)
Net cash flows from/(used in) operating activities	23(a)	**35,496,037**	(3,143,855)
Cash flows used in investing activities			
Payments for plant and equipment		**(6,966,136)**	(7,443,941)
Payments for mine properties and development		**(1,512,660)**	(5,619,556)
Payments for exploration and evaluation expenditure		**(8,101,562)**	(3,722,192)
Proceeds from Reed Resources Limited in connection with the termination of Joint Venture Agreement	17(d)	**-**	2,000,000
Buyback of third party's royalty entitlement		**(262,668)**	-
Proceeds from sale of financial assets held for trading		**2,143,451**	-
Proceeds from sale of plant and equipment		**54,743**	56,684
Net cash flows used in investing activities		**(14,644,832)**	(14,729,005)
Cash flows from financing activities			
Proceeds from issue of shares/options		**4,511,399**	10,802,108
Share issue costs		**-**	(480,000)
Repayment of borrowings		**(8,520,000)**	-
Repayment of hire purchases		**(446,199)**	(215,111)
Net cash flows (used in)/from financing activities		**(4,454,800)**	10,106,997
Net increase/(decrease) in cash and cash equivalents		**16,396,405**	(7,765,865)
Cash and cash equivalents at beginning of the year		**7,833,315**	15,607,040
Effects of exchange rate changes on cash held		**(278,608)**	(7,860)
Cash and cash equivalents at end of the year	9	**23,951,112**	7,833,315

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Equity attributable to Equity Holders of the Parent							
	Issued Capital $	Option Premium Reserve $	Convertible Note Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Subtotal $	Non-controlling Interests $	Total $
At 1 July 2009	**40,567,560**	**1,689,625**	**2,041,440**	**(2,175,164)**	**(16,925,418)**	**25,198,043**	**-**	**25,198,043**
Net loss for the year	-	-	-	-	(951,753)	(951,753)	(459,704)	(1,411,457)
Other comprehensive income for the year	-	-	-	98,521	-	98,521	-	98,521
Total comprehensive income/(loss) for the year	-	-	-	98,521	(951,753)	(853,232)	(459,704)	(1,312,936)
Transactions with owners in their capacity as owners:								
Issue of share capital	9,000,000	-	-	-	-	9,000,000	-	9,000,000
Share issue costs	(480,000)	-	-	-	-	(480,000)	-	(480,000)
Proceeds from exercise of options	1,802,108	-	-	-	-	1,802,108		1,802,108
Redemption of convertible notes	-	-	(2,041,440)	-	-	(2,041,440)	-	(2,041,440)
Share-based payments	-	1,737,825	-	-	-	1,737,825	-	1,737,825
At 30 June 2010	**50,889,668**	**3,427,450**	**-**	**(2,076,643)**	**(17,877,171)**	**34,363,304**	**(459,704)**	**33,903,600**
Net profit for the year	-	-	-	-	12,244,784	12,244,784	2,660,489	14,905,273
Other comprehensive loss for the year	-	-	-	(4,150,581)	-	(4,150,581)	(1,013,842)	(5,164,423)
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(4,150,581)**	**12,244,784**	**8,094,203**	**1,646,647**	**9,740,850**
Transactions with owners in their capacity as owners:								
Issue of share capital	1,665,000	-	-	-	-	1,665,000	-	1,665,000
Proceeds from exercise of options	4,511,399	-	-	-	-	4,511,399	-	4,511,399
Share-based payments	-	460,035	-	-	-	460,035	-	460,035
At 30 June 2011	**57,066,067**	**3,887,485**	**-**	**(6,227,224)**	**(5,632,387)**	**49,093,941**	**1,186,943**	**50,280,884**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

1. CORPORATE INFORMATION

The financial report of Kingsrose Mining Limited ("Kingsrose" or the "Company") and its controlled entities (the "Group") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 19 September 2011.

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

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

The address of the registered office of the Company is Suite 9, Level 2, 12-14 Thelma Street, West Perth, WA 6005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and financial assets held for trading which have been measured at fair value.

The financial report is presented in Australian dollars.

(a) Compliance with IFRS

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

(b) New accounting standards and interpretations

(i) Changes in accounting policies and disclosures
From 1 July 2010, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2009-5 — *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139];*
- AASB 2009-8 — *Amendments to Australian Accounting Standards – Group Cash-Settled Share Based Payment Transactions*
- AASB 2009-10 — *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]*
- AASB 2010-3 — *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 and AASB 139]*
- Interpretation 19 — *Extinguishing Financial Liabilities with Equity Instruments*

(ii) Accounting standards and interpretations issued but not yet effective
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2011. These are outlined in the following table. The impact on adoption of these new and revised standards and interpretations has not been determined by the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance under Australian Accounting Standards for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013
AASB 119 (Revised)	Employee Benefits	The main amendments to the standard relating to defined benefit plans are as follows :- • Elimination of the option to defer the recognition of actuarial gains and losses (the 'corridor method'); • Remeasurements (essentially actuarial gains and losses) to be presented in other comprehensive income; • Past service cost will be expensed when the plan amendments occur regardless of whether or not they are vested; and • Enhanced disclosures for Tier 1 entities. The distinction between short-term and other long-term employee benefits under the revised standard is now based on expected timing of settlement rather than employee entitlement. The revised standard also requires termination benefits (outside of a wider restructuring) to be recognised only when the offer becomes legally binding and cannot be withdrawn.	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	1 July 2011
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. This Standard shall be applied when AASB 9 is applied.	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. *Disclosures* require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 January 2012	1 July 2012
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards	Consequential amendments to AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates* as a result of the adoption of AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in Other Entities*.	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2011-8	Amendments to Australian Accounting Standards arising from the Fair Value Measurement Standard	Consequential amendments to existing Australian Accounting Standards as a result of the adoption of AASB 13 *Fair Value Measurement*.	1 January 2013	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from the amendments relates to the Statement of Comprehensive Income and the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not remove the option to present profit or loss and other comprehensive income in two statements. The amendments do not change the option to present items of OCI either before tax or net of tax. However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately.	1 July 2012	1 July 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Principles of consolidation

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

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

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

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

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

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

(d) Foreign currency translation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership in the product have passed to the buyer and can be reliably measured.

Interest revenue
Revenue is recognised as interest accrues using the effective interest method.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Trade and other receivables

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

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

An impairment provision is recognised when there is evidence that the Group will not be able to collect all amounts due according to the original term of receivables. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. Bad debts are written off when identified.

(h) Inventories

Inventories comprising gold bullion, gold in circuit and stockpiles of unprocessed ore, are valued at the lower of weighted average cost and net realisable value. Silver obtained as a result of the production process to extract gold is not carried as inventories as they are treated as by-products.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Derivative financial instruments

Derivative financial instruments are used by the Group to manage exposures to exchange rates and the Group does not apply hedge accounting. These derivatives are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in fair value are recognised immediately as income or expense in the income statement.

(j) Investments and other financial assets

Classification
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, and financial assets held for trading. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Subsequent measurement

(i) Financial assets classified as held for trading

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active or there are no quoted prices for the instrument, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(iv) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Property, plant and equipment

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

Items of property, plant and equipment are depreciated using the straight line or diminishing value method at a rate of 5% to 25% per annum, depending on the item of property, plant and equipment.

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

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

Impairment
Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value-in-use' (being the net present value of expected cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value-in-use, future cash flows are based on:

- a mine plan based on estimates of the quantities of ore reserves and/or mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Mine properties and development

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

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

Impairment
The carrying value of capitalised mine development expenditure is assessed for impairment whenever facts and circumstances suggests that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised mine development expenditure is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

(m) Exploration and evaluation assets

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

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

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

(n) Impairment of assets

At each reporting date, the Group reviews the carrying value of its assets for impairment. An impairment loss is recognised of the amount in which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units).

(o) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Interest-bearing liabilities

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

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

(q) Employee benefits

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

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits due to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are due to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

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

The Company also makes share-based payments to consultants, contractors and advisors, whereby those parties render services in exchange for shares or rights over shares, granted at the sole discretion of the Company (equity-settled transactions).

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

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

Equity-settled transactions granted by the Company to employees of subsidiaries are recognised in the Company's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by the Company in relation to equity-settled transactions only represents the expense associated with grants to employees of the Company. The expense recognised by the Group is the total expense associated with all such awards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Employee benefits (cont'd)

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

(r) Leases

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

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

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

(s) Income tax and other taxes

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

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

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

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

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

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

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

- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Income tax and other taxes (cont'd)

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

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

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

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

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

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- When the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables, which are stated with the amount of GST/VAT included.

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

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

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

(t) Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Provisions for decommissioning and restoration costs

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

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

(v) Contributed equity

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

(w) Earnings/(loss) per share

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

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

- Costs of servicing equity (other than dividends)
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Operating segments

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

The Group identified two operating segments by nature of product, namely gold and zinc.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

(y) Significant accounting judgements, estimates and assumptions

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

(i) Impairment of assets

The recoverable amount of a Cash Generating Unit (CGU) is determined as the higher of value in use and fair value less costs to sell.

The future recoverability of the CGU is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. Given the nature of the Group mining activities, future changes in long term assumptions upon which these estimates are based, may give rise to material adjustments to the carrying value of the CGU.

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

(ii) Provisions for decommissioning and restoration costs

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

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

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

(iii) Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black & Scholes based model, with the assumptions detailed in Note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual report period but may impact expenses and equity.

(z) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement and the assets and liabilities are presented separately on the face of the statement of financial position.

(aa) Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, finance leases, cash, short-term deposits, financial assets held for trading and derivatives.

Risk exposures and responses

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

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

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

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

(i) Interest rate risk

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

	2011	2010
	$	$
Financial Assets		
Cash and cash equivalents	**23,951,112**	7,833,315
Financial Liabilities		
Interest-bearing liabilities	**-**	(8,516,908)
Net exposure	**23,951,112**	(683,593)

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 2% (2010: 3%) increase and 2% (2010: 1%) decrease in rates is based on management's assessment of the reasonably possible changes over a financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Risk exposures and responses (cont'd)

(i) Interest rate risk (cont'd)

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2011	2010	**2011**	2010
Judgements of reasonably possible movements:	**$**	$	**$**	$
+2% (200 basis points) (2010: + 3% (300 basis points))	**335,316**	(16,142)	**-**	-
-2% (200 basis points) (2010: -1% (100 basis points))	**(335,316)**	5,381	**-**	-

(ii) Foreign currency risk

The Group has transactional currency exposures as a result of significant operations in Indonesia. As 100% of sales are denominated in United States Dollars (US$) and large purchases of goods and services are denominated in Indonesian Rupiah (IDR) and US$, the Group's income statement and statement of financial position can be affected significantly by movements in the A$/IDR and A$/US$ exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by actively monitoring foreign exchange movements and their impact on the Group's budgeted future cash flows and future net asset positions denominated in foreign currencies. There are also minor purchases of goods and services denominated in Euros (EUR); however the exposure to foreign exchange movements is minimal.

At 30 June 2011, the Group had the following exposure to US$, IDR and EUR foreign currencies:

	2011 US$ $	2010 US$ $	**2011 IDR $**	2010 IDR $	**2011 EUR $**	2010 EUR $
Financial Assets						
Cash and cash equivalents	**3,935,036**	82,239	**299,828**	35,615	**1,611**	19,544
Trade and other receivables	**-**	-	**1,911,216**	1,256,902	**37,073**	-
	3,935,036	82,239	**2,211,044**	1,292,517	**38,684**	19,544
Financial Liabilities						
Trade and other payables	**(551,910)**	(98,971)	**(1,282,249)**	(581,384)	**(46,628)**	-
Interest-bearing liabilities	**(605,359)**	-	**(70,779)**	(85,075)	**-**	-
	(1,157,269)	(98,971)	**(1,353,028)**	(666,459)	**(46,628)**	-
Net exposure	**2,777,767**	(16,732)	**858,016**	626,058	**(7,944)**	19,544

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Risk exposures and responses (cont'd)

(ii) Foreign currency risk (cont'd)

At 30 June 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		**Other Comprehensive Income Higher/(Lower)**	
	2011	2010	**2011**	2010
Judgements of reasonably possible movements:	**$**	$	**$**	$
A$/US$ +10%	**(176,767)**	(1,003)	**-**	-
A$/US$ -10%	**216,049**	1,003	**-**	-
A$/IDR +10%	**(54,601)**	389	**-**	-
A$/IDR -10%	**66,734**	(389)	**-**	-
A$/EUR +10%	**506**	965	**-**	-
A$/EUR -10%	**(618)**	(965)	**-**	-

The US$ movements in profit in 2011 are more sensitive than in 2010 due to the higher level of US$ cash and interest-bearing liabilities at balance date.

The IDR movements in profit in 2011 are more sensitive than in 2010 due to the higher level of IDR cash, receivables and payables at balance date.

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

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

(iii) Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and finance leases.

The Group monitors on a regular basis rolling forecasts of liquidity on the basis of expected cash flow.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Risk exposures and responses (cont'd)

(iii) Liquidity risk (cont'd)

	Maturity Analysis							
	2011				2010			
	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**	Within 1 year	1 to 5 years	After 5 years	Total
	$	**$**	**$**	**$**	$	$	$	$
Financial Liabilities								
Trade and other payables	**(4,866,705)**	**-**	**-**	**(4,866,705)**	(2,964,540)	-	-	(2,964,540)
Interest-bearing liabilities								
- Finance lease liabilities	**(322,791)**	**(389,861)**	**-**	**(712,652)**	(50,824)	(43,362)	-	(94,186)
- Loan from related parties	**-**	**-**	**-**	**-**	(8,860,907)	-	-	(8,860,907)
	(5,189,496)	**(389,861)**	**-**	**(5,579,357)**	(11,876,271)	(43,362)	-	(11,919,633)

(iv) Credit risk exposure

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

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

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

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

Since the Group trades only with recognised credit worthy third parties, there is no requirement for collateral.

There are no past due or material impaired receivables at balance date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Risk exposures and responses (cont'd)

(v) Fair values

The Group uses various methods in estimating fair value of a financial instrument. The fair value of the financial instrument and the methods used to estimate the fair value are summarised in the table below.

	2011			2010		
	Quoted market price (Level 1) $	**Valuation technique - market observable inputs (Level 2) $**	**Total $**	Quoted market price (Level 1) $	Valuation technique - market observable inputs (Level 2) $	Total $
Financial Assets						
Financial assets held for trading						
- Listed investments	-	-	-	2,406,858	-	2,406,858
Derivative financial instruments						
- Foreign exchange contracts	-	-	-	-	24,175	24,175
	-	-	-	2,406,858	24,175	2,431,033

Level 1 – the fair value of listed equity investments is calculated using quoted prices on active markets as at the reporting date without any deduction for transaction costs.

Level 2 – the fair value of financial instruments (foreign exchange contracts) not quoted on active markets is estimated by comparison to similar instruments for which market observable prices exist and by reference to observable market inputs such as foreign currency spot and forward exchange rates.

There were no transfers between Level 1 and Level 2 and no movement in Level 3 during the year.

The fair values of all other financial assets and liabilities approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

4. OPERATING SEGMENTS

Identification of reportable segments

- The Group has identified its operating segments based on internal reports that are reviewed and used by the Board and executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.
- The Group has identified that its operating segments are best presented by commodity as the Group's risk and rate of return are affected predominantly by the end product, namely gold and silver, and zinc. PT Natarang Mining (PTNM), operator of the Way Linggo Project, is the primary entity that produces gold whilst SARINC srl is the primary entity that is evaluating the SARINC Zinc Tailings Retreatment Project.
- Discrete financial information about each of these operating segments is reported to the Board and executive management team on a monthly basis.

Types of products

- The Group produces gold bullion at its Way Linggo Project in Indonesia and is evaluating a project in Italy that will produce a zinc based concentrate.

Accounting policies

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

Major customers

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

	2011		2010	
	Revenue	**% of External Revenue**	Revenue	% of External Revenue
	$	**%**	$	%
Customer A	**37,764,852**	**83%**	-	-
Customer B	**5,302,572**	**12%**	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

	Year ended 30 June 2011				Year ended 30 June 2010			
	Gold & Silver	Zinc	Unallocated Items	Total	Gold & Silver	Zinc	Unallocated Items	Total
	$	$	$	$	$	$	$	$
Revenue								
External sales - gold (a)	**36,421,375**	**-**	**-**	**36,421,375**	-	-	-	-
External sales – silver (a)	**8,818,848**	**-**	**-**	**8,818,848**	-	-	-	-
Total segment revenue	**45,240,223**	**-**	**-**	**45,240,223**	-	-	-	-
Interest revenue	**-**	**-**	**491,347**	**491,347**	-	-	330,225	330,225
Total revenue	**45,240,223**	**-**	**491,347**	**45,731,570**	-	-	330,225	330,225
Segment profit/(loss) before income tax	**18,522,627**	**(580,598)**	**-**	**17,942,029**	(2,714,674)	(1,121,420)	-	(3,836,094)
Interest revenue	**-**	**-**	**491,347**	**491,347**	-	-	330,225	330,225
Corporate costs	**-**	**-**	**(1,942,994)**	**(1,942,994)**	-	-	(2,513,471)	(2,513,471)
Finance costs	**-**	**-**	**(69,073)**	**(69,073)**	-	-	(528,849)	(528,849)
Profit/(Loss) before income tax	**18,522,627**	**(580,598)**	**(1,520,720)**	**16,421,309**	(2,714,674)	(1,121,420)	(2,712,095)	(6,548,189)
Income tax expense	**(1,760,333)**	**-**	**-**	**(1,760,333)**	-	-	-	-
Net profit/(loss) for the year	**16,762,294**	**(580,598)**	**(1,520,720)**	**14,660,976**	(2,714,674)	(1,121,420)	(2,712,095)	(6,548,189)
Depreciation and amortisation	**7,206,005**	**593**	**5,078**	**7,211,676**	7,220	2,726	2,085	12,031

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

	2011	2010
	$	$
United Kingdom	**39,937,651**	-
Indonesia	**5,302,572**	-
Total external sales revenue	**45,240,223**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

	Year ended 30 June 2011				Year ended 30 June 2010			
	Gold & Silver	Zinc	Unallocated Items	Total	Gold & Silver	Zinc	Unallocated Items	Total
	$	$	$	$	$	$	$	$
Segment operating assets	**48,495,274**	**10,352**	**-**	**48,505,626**	34,702,527	99,785	-	34,802,312
Unallocated assets	**-**	**-**	**19,951,339**	**19,951,339**	-	-	11,363,319	11,363,319
Total assets	**48,495,274**	**10,352**	**19,951,339**	**68,456,965**	34,702,527	99,785	11,363,319	46,165,631
Mine development, exploration and capital expenditure	**19,933,594**	**-**	**53,215**	**19,986,809**	15,403,204	-	-	15,403,204
Segment liabilities	**(17,012,047)**	**(46,628)**	**-**	**(17,058,675)**	(8,899,588)	(152,413)	-	(9,052,001)
Unallocated liabilities	**-**	**-**	**(693,688)**	**(693,688)**	-	-	(3,210,030)	(3,210,030)
Deferred tax liabilities	**(423,718)**	**-**	**-**	**(423,718)**	-	-	-	-
Total liabilities	**(17,435,765)**	**(46,628)**	**(693,688)**	**(18,176,081)**	(8,899,588)	(152,413)	(3,210,030)	(12,262,031)

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

	2011	2010
	$	$
Australia	**52,102**	5,121
Indonesia	**36,901,551**	32,488,527
Italy	**10,352**	16,374
Total non-current assets	**36,964,005**	32,510,022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

		2011 $	2010 $
5.	**REVENUES AND EXPENSES**		
(a)	**Revenue**		
	Sale of goods		
	Gold	**36,421,375**	-
	Silver	**8,818,848**	-
		45,240,223	-
	Other revenue		
	Interest	**491,347**	330,225
	Total revenue	**45,731,570**	330,225
(b)	**Cost of sales**		
	Mine production costs	**15,215,598**	-
	Royalties	**923,555**	-
	Depreciation	**3,787,324**	-
	Amortisation	**3,070,854**	-
	Inventory movements	**(2,934,711)**	-
	Total cost of sales	**20,062,620**	-
(c)	**Other income**		
	Gain on disposal of plant and equipment	**5,685**	5,955
	Gain on sale of financial assets held for trading	**-**	406,858
	Sundry income	**6,505**	-
	Total other income	**12,190**	412,813
(d)	**Administration expenses**		
	Corporate costs	**3,801,574**	2,221,496
	Depreciation	**17,449**	12,031
	Amortisation	**336,049**	-
	Royalties	**391,464**	-
	Share-based payments	**460,035**	1,737,825
	Total administration expenses	**5,006,571**	3,971,352
(e)	**Other expenses**		
	Loss on sale of financial assets held for trading	**263,407**	-
	Net loss on foreign exchange	**2,726,720**	514,007
	Non-current assets written off	**94,639**	-
	Total other expenses	**3,084,766**	514,007
(f)	**Finance costs**		
	Borrowing costs	**33,073**	6,143
	Convertible notes	**-**	172,685
	Loans from related parties	**505,392**	343,999
	Finance charges payable under finance leases	**32,354**	6,022
		570,819	528,849
	Unwinding of discount on rehabilitation provision	**28,991**	-
	Total finance costs	**599,810**	528,849

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

	2011 $	2010 $
5. REVENUE AND EXPENSES (cont'd)		
(g) Depreciation and amortisation		
Plant and equipment	**3,804,773**	50,338
Mine properties	**3,406,903**	-
Total depreciation and amortisation	**7,211,676**	50,338
Included in:		
Cost of sales	**6,858,178**	-
Administration expenses	**353,498**	12,031
Income from discontinued operations	**-**	38,307
Total depreciation and amortisation	**7,211,676**	50,338
(h) Employee benefits expense		
- Wages and salaries	**5,439,619**	3,830,557
- Defined contribution superannuation expense	**373,119**	342,126
- Share-based payments	**460,035**	1,737,825
- Other employee benefits	**114,414**	11,798
Total employee benefits expense	**6,387,187**	5,922,306

6. INCOME TAX

(a) Income tax expense

The components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	**1,336,615**	-
Deferred income tax		
Relating to origination of temporary differences	**423,718**	-
Income tax expense reported in the income statement	**1,760,333**	-

(b) Amounts charged or credited directly to equity

Deferred income tax related to items charged/(credited) directly to equity	**-**	-
Income tax expense reported in equity	**-**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

	2011 $	2010 $
6. INCOME TAX (cont'd)		
(c) Numerical reconciliation of accounting profit/(loss) to tax expense		
A reconciliation between tax expense and the accounting loss before income tax multiplied by the entity's applicable income tax rate is as follows:		
Accounting profit/(loss) before income tax	**16,665,606**	(1,411,457)
At the entity's Australian statutory income tax rate of 30% (2010: 30%)	**(702,989)**	690,195
At the entity's Indonesian statutory income tax rate of 35% (2010: 35%)	**6,737,789**	(1,102,401)
At the entity's Italian statutory income tax rate of 27.5% (2010: 27.5%)	**(66,530)**	(154,658)
(Over)/ Under provision in prior year	**(5,344)**	128,705
(Deductible)/Non-deductible expenditure	**(1,989,993)**	734,819
Income tax benefits recognised	**(2,212,600)**	(387,348)
Foreign exchange arising on Indonesian balances	**-**	90,688
Aggregate income tax expense	**1,760,333**	-
(d) Recognised deferred tax assets and liabilities		
Deferred income tax at 30 June relates to the following:		
Deferred tax assets:		
Provisions	**53,951**	43,353
Plant and equipment	**514,137**	-
Finance leases	**78,383**	-
Capital raising expenses	**3,446**	6,893
Unrealised foreign exchange movements	**-**	51,388
Australian losses available for offset against future taxable income	**2,037,638**	1,628,459
Provisions of Indonesian subsidiary	**388,294**	104,736
Indonesian losses available for offset against future taxable income	**-**	2,571,255
Gross deferred tax assets	**3,075,849**	4,406,084
Deferred tax liabilities:		
Accrued income	**(23,609)**	-
Mine development	**(1,404,532)**	-
Unrealised gain on financial assets	**-**	(122,057)
Gross deferred tax liabilities	**(1,428,141)**	(122,057)
Net deferred tax assets	**1,647,708**	4,284,027
Unrecognised net deferred tax assets	**(2,071,426)**	(4,284,027)
Net deferred tax liabilities	**(423,718)**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

6. INCOME TAX (cont'd)

Tax losses

The Group has Australian carried forward tax losses of $6,792,127 (tax effected at 30%, $2,037,638) as at 30 June 2011 (2010:$5,428,200 (tax effected at 30%, $1,628,459)). In view of the Group's Australian trading position, the Directors have not included this tax benefit in the Group's statement of financial position. A tax benefit will only be recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

PTNM, an 85% owned Indonesian subsidiary company, has Indonesian carried forward tax losses of $nil as at 30 June 2011 (2010: $7,346,444 (tax effected at 35%, $2,571,255), for which no deferred tax asset is recognised on the statement of financial position.

Unrecognised temporary differences

At 30 June 2011, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries as the Group has no liability for additional taxation should unremitted earnings be remitted (2010:$nil).

Tax consolidation

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 27 February 2009. The Company and its wholly-owned Australian controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the separate taxpayer within group approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

7. EARNINGS PER SHARE

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

	2011	2010
	$	$
(a) Earnings/(Loss) per share		
The following reflects the income used in the calculation of basic and diluted earnings/(loss) per share computations:		
Net profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	**12,000,487**	(6,088,485)
Profit/(loss) attributable to discontinued operations attributable to ordinary equity holders of the parent	**244,297**	5,136,732
Net profit/(loss) attributable to ordinary equity holders of the parent	**12,244,784**	(951,753)
(b) Weighted average number of shares	**No. of shares**	No. of shares
Weighted average number of ordinary shares for basic earnings per share *	**252,200,579**	202,414,446
Effect of dilution:		
Share options	**17,686,795**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**269,887,374**	202,414,446

* adjusted for the effect of convertible notes redeemed in the year ended 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

7. EARNINGS PER SHARE (cont'd)

(c) Information on the classification of securities

Options

Options granted to employees (including KMP) as described in Note 25 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive.

8. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company for the years ended 30 June 2011 and 30 June 2010.

	2011	2010
	$	$
9. CASH AND CASH EQUIVALENTS		
Current		
Cash at bank and in hand	**8,951,112**	7,833,315
Short-term deposits	**15,000,000**	-
	23,951,112	7,833,315

Terms and conditions

(a) Cash at bank and short-term deposits earn interest at floating rates based on bank deposit rates.

(b) The Group has to maintain a minimum cash balance of $4,000,000 as part of the Credit Suisse International pre-paid silver transaction entered into in December 2010 (refer to Note 18(b) for details).

10. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	**12,317**	200,000
Other receivables	**2,704,376**	1,438,070
	2,716,693	1,638,070

Terms and conditions

Details of the terms and conditions are set out in Note 2(g).

11. INVENTORIES

Current		
Ore stockpiles at cost	**2,013,850**	1,105,751
Gold in circuit at cost	**285,886**	-
Gold bullion at cost	**408,638**	-
Consumables and spares at cost	**1,885,232**	574,042
	4,593,606	1,679,793

12. FINANCIAL ASSETS HELD FOR TRADING

Current		
At fair value		
Shares - Australian listed	**-**	2,406,858

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

	2011	2010
	$	$
13. DERIVATIVE FINANCIAL INSTRUMENTS		
Current Assets		
Foreign currency contracts	**-**	24,175

During the previous year, the Company entered into two foreign currency swap transactions with National Australia Bank in June 2010, details of which are outlined below:

(a) Contract 1 was entered into on 3 June 2010 for the purchase of US$475,000 at a rate of USD:AUD 0.8459 (nominal value of A$561,532). The contract matured on 27 July 2010.

(b) Contract 2 was entered into on 11 June 2010 for the purchase of US$780,000 at a rate of USD:AUD 0.8406 (nominal value of A$927,908). The contract matured on 27 July 2010.

The contracts were settled during the year.

14. PLANT AND EQUIPMENT

	2011	2010
Non-Current		
Plant and Equipment		
Cost	**11,866,455**	9,362,292
Accumulated depreciation	**(3,964,983)**	(1,019,740)
Net carrying amount	**7,901,472**	8,342,552
Leased Equipment		
Cost	**1,130,228**	189,917
Accumulated depreciation	**(368,034)**	(50,522)
Net carrying amount	**762,194**	139,395
Capital Work in Progress		
Cost	**1,971,176**	-
Total Plant and Equipment	**10,634,842**	8,481,947
Movements in Plant and Equipment		
Plant and Equipment		
Carrying amount at 1 July	**8,342,552**	2,398,826
Additions	**4,561,781**	7,337,652
Transfer from capital work in progress	**274,124**	-
Disposals	**(55,643)**	(868,858)
Depreciation charge for the year	**(3,449,715)**	(22,062)
Depreciation charged to mine properties and development	**-**	(894,534)
Foreign exchange translation (loss)/gain	**(1,771,627)**	391,528
Carrying amount at 30 June	**7,901,472**	8,342,552

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

	2011	2010
	$	$
14. PLANT AND EQUIPMENT (cont'd)		
Leased Equipment		
Carrying amount at 1 July	**139,395**	59,059
Additions	**1,060,278**	106,289
Disposals	**-**	-
Depreciation charge for the year	**(355,058)**	(28,276)
Foreign exchange translation (loss)/gain	**(82,421)**	2,323
Carrying amount at 30 June	**762,194**	139,395
Capital Work in Progress		
Carrying amount at 1 July	**-**	-
Additions	**2,410,096**	-
Transfer to plant and equipment	**(274,124)**	-
Disposals	**-**	-
Foreign exchange translation (loss)/gain	**(164,796)**	-
Carrying amount at 30 June	**1,971,176**	-

15. MINE PROPERTIES AND DEVELOPMENT

Non-Current		
Cost	**21,265,360**	25,957,851
Accumulated amortisation	**(3,169,978)**	(3,487,972)
	18,095,382	22,469,879
Movements in Mine Properties and Development		
Carrying amount at 1 July	**22,469,879**	7,012,335
Additions	**3,440,328**	6,514,090
Transfer from exploration and evaluation assets	**-**	7,408,883
Expenditure written off	**(93,795)**	-
Amortisation charge for the year	**(3,406,903)**	-
Change in rehabilitation provision	**59,165**	38,952
Foreign exchange translation (loss)/gain	**(4,373,292)**	1,495,619
Carrying amount at 30 June	**18,095,382**	22,469,879

During the year, the Company bought back a net smelter return royalty from Aurora Gold Limited for a consideration of $1,927,669. Refer to Notes 21(ii) and 28(a) for further details.

16. EXPLORATION AND EVALUATION ASSETS

Non-Current		
At cost	**8,233,781**	1,558,196
Movements in Exploration and Evaluation Assets		
Carrying amount at 1 July	**1,558,196**	7,408,883
Additions	**7,532,878**	1,445,174
Transfer to mine properties and development	**-**	(7,408,883)
Foreign exchange translation (loss)/gain	**(857,293)**	113,022
Carrying amount at 30 June	**8,233,781**	1,558,196

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

17. DISCONTINUED OPERATIONS

During the previous year ended 30 June 2010, the Company reached an agreement with Reed Resources Limited for the termination of their Joint Venture Agreement (Comet Vale) for consideration of cash amounting to $1,000,000 by 31 October 2009, another $1,000,000 in cash in exchange for the Company's mining equipment by 30 June 2010 and a $2,000,000 equivalent in Reed Resources Limited shares by 2 June 2010.

The sale of the Comet Vale joint venture operation was completed on 31 May 2010, resulting in a net gain on disposal after income tax of $3,181,889. Subsequent to the disposal of this operation, proceeds from the sale of the ore stockpile on hand at 30 June 2010 of $1,358,504 was recognised during the year ended 30 June 2011. Details of the disposal and sale of ore stockpile are presented below:

	2011	2010
	$	$
(a) Financial performance of the Comet Vale joint venture operations for the year until disposal		
Revenue	**1,358,504**	6,010,893
Expenses	**(1,114,207)**	(4,056,050)
Gross profit	**244,297**	1,954,843
Gain on disposal	**-**	3,181,889
Income from discontinued operations before income tax	**244,297**	5,136,732
Income tax expense	**-**	-
Income from discontinued operations after income tax	**244,297**	5,136,732
Earnings per share (cents per share):		
Basic earnings per share from discontinued operations	**0.09**	2.53
Diluted earnings per share from discontinued operations	**0.09**	2.53
(b) Assets information of Comet Vale joint venture operations at date of disposal		
At carrying value		
Plant	-	723,111
Equipment	-	95,000
Total assets	-	818,111
(c) Cash flow information of Comet Vale joint venture operations until disposal		
Operating activities	**1,350,048**	772,874
Net cash inflow	**1,350,048**	772,874

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

17. DISCONTINUED OPERATIONS (cont'd)

(d) Details of the disposal of Comet Vale joint venture operations

	2010 $
Consideration received:	
Cash	2,000,000
Fair value of Reed Resources Limited shares	2,000,000
Total disposal considerations	4,000,000
Less net assets disposed of	(818,111)
Gain on disposal before income tax	3,181,889
Income tax expense	-
Gain on disposal after income tax	3,181,889
Net cash inflow on disposal:	
Cash and cash equivalents consideration	2,000,000
Less cash and cash equivalents balance disposed of	-
Reflected in the statement of cash flows	2,000,000

	2011 **$**	2010 $
18. TRADE AND OTHER PAYABLES		
Current		
Trade creditors (a)	**2,991,390**	978,325
Accruals	**1,717,403**	881,490
Sundry creditors (a)	**157,912**	1,104,725
Unearned revenue (b)	**6,015,486**	-
	10,882,191	**2,964,540**
Non-Current		
Unearned revenue (b)	**4,010,325**	-

Terms and conditions

(a) Trade and sundry creditors are normally settled in accordance with the terms of trade.

(b) On 20 December 2010, PTNM entered into a 2-year silver forward structure whereby PTNM has agreed to sell a total of 480,120 silver ounces over 24 months starting in March 2011 and receive the total advance proceeds of the total sales in December 2010. The pre-paid silver sale transaction with Credit Suisse International raised US$12,896,000 or equivalent to A$13,000,000 at the date of transaction.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

19. INTEREST-BEARING LIABILITIES

	2011 $	2010 $
Current		
Finance lease liabilities (a), 28(c)	**296,146**	44,219
Loans from related parties (b)	**-**	7,516,908
Other loan (c)	**-**	1,000,000
	296,146	8,561,127
Non-Current		
Finance lease liabilities (a), 28(c)	**379,993**	40,856

Terms and conditions

(a) The lease liabilities have an average term of 3 and 4 years with the option to purchase the assets at the completion of the lease term at a nominal value. The lease liabilities are secured by the assets leased.

(b) The loans from related parties are unsecured and interest-bearing. Further details are set out in Note 27(e). The loans were fully settled during the year.

(c) Other loan is unsecured and bears interest at 6% per annum. The loan was fully repaid during the year.

20. PROVISIONS

	2011 $	2010 $
Current		
Employee entitlements	**168,045**	112,291
Non-Current		
Employee entitlements	**473,916**	299,245
Rehabilitation	**308,262**	283,972
	782,178	583,217

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

The rehabilitation provision represents the present value of rehabilitation costs relating to mine site, which is expected to be incurred over the life of the mine. However, the timing of rehabilitation expenditure is dependent on the life of the mine which may vary in future.

Movements in Rehabilitation Provision	2011 $	2010 $
At 1 July	**283,972**	345,020
Provision recognised/(written back) during the year (net)	**-**	(100,000)
Utilised during the year	**-**	-
Unwinding of discount	**88,156**	38,952
Foreign exchange translation (loss)/gain	**(63,866)**	-
At 30 June	**308,262**	283,972

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

21. CONTRIBUTED EQUITY

	2011	**2011**	2010	2010
	$	**Number**	$	Number
Ordinary Shares				
Issued and fully paid	**57,066,067**	**264,407,055**	50,889,668	241,433,060
Movements in ordinary shares on issue				
Balance as at 1 July	**50,889,668**	**241,433,060**	40,567,560	218,250,020
Private placement - 22 January 2010 (i)	**-**	**-**	9,000,000	15,000,000
Share issue costs (i)	**-**	**-**	(480,000)	-
Shares issued in settlement of royalty (ii)	**1,665,000**	**1,500,000**	-	-
Exercise of options – listed	**3,091,799**	**15,458,995**	471,608	2,358,040
Exercise of options – unlisted	**1,419,600**	**6,015,000**	1,330,500	5,825,000
Balance as at 30 June	**57,066,067**	**264,407,055**	50,889,668	241,433,060

(i) On 22 January 2010, 15,000,000 ordinary fully paid ordinary shares were allotted at a price of $0.60 each to clients of Patersons Corporate Finance raising a net $8,520,000. The shares were issued within the discretionary capacity of the Board under ASX Listing rule 7.1 and were issued to investors under Section 708(1) of the Corporations Act.
(ii) On 23 September 2010, 1,500,000 fully paid ordinary shares were allotted to Harmony Gold Mining Co Limited's fully owned subsidiary, Aurora Gold Limited (AGL), to relinquish and terminate AGL's right to receive royalty under a 1995 Royalty Agreement. The shares were issued within the discretionary capacity of the Board under ASX Listing rule 7.1.

Terms and conditions
Holders of ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on shares held. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par share values. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Escrow restrictions
There are no escrow restrictions on securities in the Company.

Options on issue
The total number of options on issue as at 30 June 2011 is 33,092,975 (2010: 47,441,970).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

21. CONTRIBUTED EQUITY (cont'd)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. Capital, in this context, consists of debt, which includes trade and other payables, interest-bearing liabilities, cash and cash equivalents and equity.

The Board's focus has been to raise sufficient funds through equity to fund exploration, evaluation and development activities. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The table below summarises the components of capital managed by the Group.

	2011	2010
	$	$
Total borrowings *	**15,568,655**	11,566,523
Less: Cash and cash equivalents	**(23,951,112)**	(7,833,315)
Net debt	**(8,382,457)**	3,733,208
Total equity	**50,280,884**	33,903,600
Total capital	**41,898,427**	37,636,808
Gearing ratio	**-**	11%

* includes trade and other payables and interest-bearing liabilities

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

22. RESERVES

Nature and purpose of reserves

Option premium reserve

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

Convertible note reserve

The convertible note reserve is used to record the equity portion of the convertible note.

None of the notes were converted into ordinary shares and therefore the notes were fully redeemed on 30 June 2010.

Foreign currency translation reserve

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

23. STATEMENT OF CASH FLOWS RECONCILIATION

	2011	2010
	$	$
(a) Reconciliation of net profit/(loss) after income tax to net cash flows used in operating activities		
Net profit/(loss) after income tax	**14,905,273**	(1,411,457)
Adjustments for:		
Depreciation of plant and equipment	**3,804,773**	50,338
Amortisation of mine properties	**3,406,903**	-
Unrealised net foreign exchange loss/(gain)	**2,343,691**	(1,903,953)
Share-based payments	**460,035**	1,737,825
Convertible notes option interest	**-**	158,560
Gain on disposal associated with discontinued operations	**-**	(3,181,889)
Gain on disposal of plant and equipment	**(5,685)**	(5,955)
Non-current assets written off	**94,639**	-
Exploration and evaluation expenditure classified under investing activities	**568,684**	2,277,019
Loss/(Gain) on held for trading financial assets	**263,407**	(406,858)
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(1,078,623)**	(1,272,749)
(Increase)/decrease in inventories	**(2,913,813)**	(1,021,159)
(Increase)/decrease in derivative financial instruments	**24,175**	(24,175)
(Increase)/decrease in other assets	**(158,151)**	(65,538)
Increase/(decrease) in trade and other payables	**11,927,976**	1,707,404
Increase/(decrease) in income tax payable	**1,233,485**	-
Increase/(decrease) in provisions	**195,550**	218,732
Increase/(decrease) in deferred tax liabilities	**423,718**	-
Net cash flows from/(used in) operating activities	**35,496,037**	(3,143,855)

(b) Non-cash investing and financing activities		
Settlement of third party's royalty entitlement with shares (refer Note 21)	**1,665,000**	-
Acquisition of assets by means of finance leases (refer Note 14)	**1,060,278**	106,289

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

24. PARENT ENTITY DISCLOSURES

	2011 $	2010 $
Current Assets	**23,792,492**	12,736,828
Non-Current Assets	**26,932,564**	24,636,436
Total Assets	**50,725,056**	37,373,264
Current Liabilities	**(1,085,152)**	(3,469,664)
Non-Current Liabilities	**-**	-
Total Liabilities	**(1,085,152)**	(3,469,664)
Net Assets	**49,639,904**	33,903,600
Issued Capital	**57,066,067**	50,889,668
Accumulated Losses	**(11,313,648)**	(20,413,518)
Option Premium Reserve	**3,887,485**	3,427,450
Total Shareholder's Equity	**49,639,904**	33,903,600
Profit/(Loss) of the parent entity	**9,099,870**	(1,313,116)
Total comprehensive income/(loss) of the parent entity	**9,099,870**	(1,313,116)

Kingsrose has not entered into any guarantees in relation to the debts of its controlled entities.

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

25. SHARE-BASED PAYMENTS

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year was $460,035 (2010:$1,737,825). The share-based payment plan is described below.

(b) Employee Share Option Plan

The Company has a share-based payment Employee Share Option Plan ("ESOP") which was approved by shareholders in general meeting in May 2008. It was renewed by shareholders at the Annual General Meeting held on 9 November 2010.

The terms of the options issued under the ESOP are described below:

Expiry Date - The Option will expire at 5.00 pm Western Standard Time on expiry dates stated above.

Exercise Price - Unless otherwise determined by the Board pursuant to clause 6 of the ESOP, the Exercise Price of each Option will be the Market Value of a Share when the Board resolves to offer the Options. Market Value means the weighted average closing sale price of the Shares recorded on the ASX over the last five trading days on which sales of the Shares were recorded preceding the day on which the Board resolves to invite an Application for an Option plus a 15% premium.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

25. SHARE-BASED PAYMENTS (cont'd)

(b) Employee Share Option Plan (cont'd)

Unlisted Options - The Option will not be listed for quotation on the ASX or any other stock exchange. The Options will only be transferrable to the extent permitted by the Scheme.

Exercise of Options - If any Performance Criteria are imposed on a Holder, that Holder may only exercise their Options upon satisfaction of the Performance Criteria and prior to the Expiry Date**.**

Notwithstanding the above, all Options may be exercised:

- during a Takeover Period; or
- in the Board's absolute discretion, in the event of the death or Permanent Disablement of an Eligible Employee.

Allotment of Shares - All Shares allotted upon the exercise of Options will be of the same class and rank equally in all respects with other Shares in the Company.

Reconstruction of capital - In the event that, prior to the expiry of any Options, there is a reconstruction (including consolidation, subdivision, reduction, return or pro-rata cancellation) of the issued capital of the Company, then the number of Options to which each Holder is entitled or the Exercise Price or both will be reconstructed in the manner required by the Listing Rules.

No Rights of Participation - There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues of capital which may be offered to Shareholders during the currency of the Options.

If there is a bonus issue (Bonus Issue) to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue (Bonus Shares). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.

In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Option holder are to be changed in a manner consistent with the Listing Rules**.**

In the event that the Company makes a pro rata issue of securities, the exercise price of the Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2.

(c) Summary of options granted during the year

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year.

	2011 Number	**2011 WAEP**	2010 Number	2010 WAEP
Outstanding at the beginning of the year	**13,075,000**	**0.44**	14,250,000	0.25
Granted during the year	**5,825,000**	**1.55**	4,650,000	0.34
Exercised during the year	**(6,815,000)**	**0.23**	(5,825,000)	0.23
Lapsed/cancelled during the year	**(500,000)**	**1.52**	-	-
Outstanding at the end of the year	**11,585,000**	**1.07**	13,075,000	0.44
Exercisable at the end of the year	**6,335,000**	**0.26**	13,075,000	0.44

The outstanding balance as at 30 June 2011 is represented by the following table:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

25. SHARE-BASED PAYMENTS (cont'd)

(c) Summary of options granted during the year (cont'd)

Grant date	Issue date	Vesting date	Expiry date	Exercise price	Number of options at beginning of year	Options granted	Options exercised	Options lapsed/ cancelled	Number of options at end of year On issue	Vested
Directors										
3-Oct-07	3-Oct-07	3-Oct-07	3-Dec-12	$0.25	5,500,000		(2,000,000)	-	3,500,000	3,500,000
16-Feb-09	18-Feb-09	18-Feb-09	18-Feb-14	$0.14	1,000,000			-	1,000,000	1,000,000
Employees										
16-Feb-09	9-Apr-09	9-Apr-09	9-Apr-14	$0.14	2,000,000		(2,000,000)	-	-	-
8-Mar-10	8-Mar-10	8-Mar-10	8-Mar-15	$0.73	150,000		-	-	150,000	150,000
21-Dec-10	21-Dec-10	21-Dec-10	21-Dec-12	$1.59		75,000	-	-	75,000	75,000
21-Feb-11	21-Feb-11	21-Aug-11	21-Aug-13	$1.52		500,000	-	(500,000)	-	-
17-Mar-11	17-Mar-11	17-Sep-11	17-Sep-13	$1.54		1,000,000	-	-	1,000,000	-
17-Mar-11	17-Mar-11	1-Oct-12	1-Oct-14	$1.54		1,000,000	-	-	1,000,000	-
17-Mar-11	17-Mar-11	1-Oct-13	1-Oct-15	$1.54		1,000,000	-	-	1,000,000	-
2-Jun-11	2-Jun-11	2-Dec-11	2-Dec-13	$1.59		250,000	-	-	250,000	-
2-Jun-11	2-Jun-11	2-Dec-12	2-Dec-14	$1.59		250,000	-	-	250,000	-
2-Jun-11	2-Jun-11	2-Dec-11	2-Dec-13	$1.59		250,000	-	-	250,000	-
2-Jun-11	2-Jun-11	2-Dec-12	2-Dec-14	$1.59		250,000	-	-	250,000	-
2-Jun-11	2-Jun-11	2-Dec-11	2-Dec-13	$1.59		500,000	-	-	500,000	-
2-Jun-11	2-Jun-11	2-Dec-12	2-Dec-14	$1.59		500,000	-	-	500,000	-
22-Jun-11	22-Jun-11	22-Dec-11	22-Dec-13	$1.42		250,000	-	-	250,000	-
Consultants										
13-Jul-09	13-Jul-09	13-Jul-09	13-Jul-14	$0.39	800,000		(550,000)	-	250,000	250,000
13-Jul-09	13-Jul-09	13-Jul-09	13-Jul-14	$0.39	500,000		(340,000)	-	160,000	160,000
29-Dec-09	29-Dec-09	29-Dec-10	29-Dec-12	$0.20	2,000,000		(800,000)	-	1,200,000	1,200,000
Other - Southern Cross Equities										
7-May-09	14-May-09	14-May-09	14-May-14	$0.26	1,125,000		(1,125,000)	-	-	-
					13,075,000	**5,825,000**	**(6,815,000)**	**(500,000)**	**11,585,000**	**6,335,000**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

25. SHARE-BASED PAYMENTS (cont'd)

(c) Summary of options granted during the year (cont'd)

- Weighted average remaining contractual life – The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 2.11 years (2010: 3.05 years).
- Range of exercise price – The range of exercise prices for ESOP options outstanding at the end of the year was $0.14 to $1.59 (2010: $0.14 to $0.73).
- Weighted average fair value – The weighted average fair value of options granted during the year was $1.55 (2010: $0.34).
- Option pricing model – The fair value of equity share options granted is estimated at the date agreement was reached to grant the options using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options are granted. The following table lists the inputs to the model used for the year ended 30 June 2011:

	Granted 21-Dec-10	Granted 21-Feb-11	Granted 17-Mar-11	Granted 17-Mar-11	Granted 17-Mar-11	Granted 2-Jun-11	Granted 2-Jun-11	Granted 22-Jun-11
	ESOP	ESOP	ESOP	ESOP	ESOP	ESOP	ESOP	ESOP
Number of options granted	75,000	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	250,000
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Share price at date of grant	$1.40	$1.35	$1.35	$1.35	$1.35	$1.45	$1.45	$1.29
Exercise price	$1.59	$1.52	$1.54	$1.54	$1.54	$1.59	$1.59	$1.42
Volatility	51.36%	51.18%	49.29%	73.45%	73.45%	49.09%	49.09%	49.67%
Risk free rate	5.15%	5.19%	4.94%	5.09%	5.29%	5.13%	5.19%	4.93%
Expiration period	2 years	2 years	2 years	2 years	2 years	2 years	2 years	2 years
Expiry date	21-Dec-12	cancelled	17-Sep-13	1-Oct-14	1-Oct-15	2-Dec-13	2-Dec-14	22-Dec-13
Black-Scholes valuation	$0.24	$0.31	$0.29	$0.60	$0.71	$0.33	$0.60	$0.30

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

25. SHARE-BASED PAYMENTS (cont'd)

(d) Key Management Personnel options

During the year, 3,000,000 unlisted options were issued to a key management personnel under the Company's Employee Share Option Plan at a price of $1.54 each. The employee was subsequently appointed a director on 1 July 2011. The options are subject to the following vesting periods:

- In respect of 1,000,000 options – vesting date 17 September 2011; expiry date 17 September 2013;
- In respect of 1,000,000 options – vesting date 1 October 2012; expiry date 1 October 2014; and
- In respect of 1,000,000 options – vesting date 1 October 2013; expiry date 1 October 2015.

The outstanding balance of options on issue at balance date relating to key management personnel is disclosed in Note 27(c).

26. RELATED PARTIES

(a) Interests in controlled entities

Kingsrose Mining Limited has interests in the following controlled entities:

Entity	Place of Incorporation	Percentage Holding 2011	Percentage Holding 2010
MM Gold Pty Ltd	Australia (WA)	**100%**	100%
Natarang Offshore Pty Ltd	Australia (WA)	**100%**	100%
PT Natarang Mining	Indonesia (JAK)	**85%**	85%
Kingsrose Tanggamus Pty Ltd	Australia (WA)	**100%**	100%
SARINC UK Ltd	England and Wales (UK)	**100%**	100%
SARINC srl	Sardinia (IT)	**100%**	100%

(b) Key management personnel

Details of transactions with Key Management Personnel are disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

Name	Position	Date of appointment	Date of resignation
Directors			
J.C. Morris	Non-Executive Chairman *	17-Aug-07	-
T.G. Spencer	Finance Director	28-Mar-09	-
J.W. Phillips	Non-Executive Director	12-Jan-05	-
P.G. Cook	Non-Executive Director	1-Oct-10	-
M.J. Andrews	Non-Executive Director	9-Aug-07	21-Dec-10
Other Key Management Personnel			
Herryansyjah	President Director - PTNM	27-Feb-09	-
C.N. Start	Managing Director **	17-Mar-11	-
T. Butler	Operations Manager (Way Linggo) - PTNM	18-May-10	-

* Mr J.C. Morris was the Executive Chairman for the year ended 30 June 2011 and was changed to Non-Executive Chairman on 1 July 2011.

** Mr C.N. Start was appointed as General Manager on 17 March 2011 and became the Managing Director on 1 July 2011.

(b) Compensation of Key Management Personnel

	2011	2010
	$	$
Short term benefits	**1,016,918**	1,098,347
Post employment benefits	**33,583**	29,415
Termination benefits	**-**	95,536
Share-based payments	**357,439**	259,800
Total	**1,407,940**	1,483,098

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

27. KEY MANAGEMENT PERSONNEL (cont'd)

(c) Option holdings of Key Management Personnel

30-Jun-11	**Balance at 1 July 2010**	**Granted as remuneration**	**Net change other ^**	**Options exercised**	**Balance at 30 June 2011**	**Not vested and not exercisable**	**Vested and exercisable**
Directors							
J.C. Morris	**1,500,000**	**-**	**400,000**	**-**	**1,900,000**	**-**	**1,900,000**
T. G. Spencer	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**-**	**1,000,000**
J.W. Phillips	**3,000,000**	**-**	**-**	**-**	**3,000,000**	**-**	**3,000,000**
P.G. Cook (i)	**-**		**-**	**-**	**-**	**-**	**-**
M.J. Andrews (ii)	**1,000,000**	**-**	**(1,000,000)**	**-**	**-**	**-**	**-**
Other KMP							
Herryansjah	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.N. Start (iii)	**-**	**3,000,000**	**-**	**-**	**3,000,000**	**3,000,000**	**-**
T. Butler	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	6,500,000	**3,000,000**	**(600,000)**	**-**	**8,900,000**	**3,000,000**	**5,900,000**

(i) Appointed 1 October 2010
(ii) Resigned 21 December 2010
(iii) Appointed 17 March 2011

^ These represent change by virtue of resignation or acquisition from the market.

30-Jun-10	Balance at 1 July 2009	Granted as remuneration	Net change other ^	Options exercised	Balance at 30 June 2010	Not vested and not exercisable	Vested and exercisable
Directors							
J.C. Morris	1,500,000	-	-	-	1,500,000	-	1,500,000
T. G. Spencer	2,000,000	-		(1,000,000)	1,000,000	-	1,000,000
J.W. Phillips	3,000,000	-	-	-	3,000,000	-	3,000,000
M.J. Andrews	1,000,000	-	-	-	1,000,000	-	1,000,000
Other KMP							
Herryansjah	-	-	-	-	-	-	-
M. Green (i)	100,000	-	(100,000)	-	-	-	-
A. Sharland (ii)	-	1,000,000	-	(1,000,000)	-	-	-
	7,600,000	1,000,000	(100,000)	(2,000,000)	6,500,000	-	6,500,000

(i) Resigned 31 May 2010
(ii) Resigned 15 May 2010

^ These represent change by virtue of resignation.

All options are exercisable as soon as they are vested, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

27. KEY MANAGEMENT PERSONNEL (cont'd)

(d) Ordinary shares held by Key Management Personnel

30-Jun-11	**Balance held at 1 July 2010**	**Granted as remuneration**	**On exercise of options**	**Net change other ^**	**Balance held at 30 June 2011**
Directors					
J.C. Morris	**5,250,000**	**-**	**-**	**100,000**	**5,350,000**
T. Spencer	**1,000,000**	**-**	**-**	**-**	**1,000,000**
J.W. Phillips	**16,150,000**	**-**	**-**	**-**	**16,150,000**
P.G.Cook (i)	**-**	**-**	**-**	**4,000,000**	**4,000,000**
M.J. Andrews (ii)	**16,150,000**	**-**	**-**	**(16,150,000)**	**-**
Other KMP					
Herryansjah	**-**	**-**	**-**	**-**	**-**
C.N. Start (iii)	**-**	**-**	**-**	**-**	**-**
T. Butler	**-**	**-**	**-**	**-**	**-**
	38,550,000	**-**	**-**	**(12,050,000)**	**26,500,000**

(i) Appointed 1 October 2010
(ii) Resigned 21 December 2010
(iii) Appointed 17 March 2011

^ These represent change by virtue of appointment, resignation or acquisition from the market.

30-Jun-10	Balance held at 1 July 2009	Granted as remuneration	On exercise of options	Net change other ^	Balance held at 30 June 2010
Directors					
J.C. Morris	5,250,000	-	-	-	5,250,000
T. Spencer	-	-	1,000,000	-	1,000,000
J.W. Phillips	16,150,000	-	-	-	16,150,000
M.J. Andrews	16,150,000	-	-	-	16,150,000
Other KMP					
M. Green (i)	-	-	-	-	-
A. Sharland (ii)	-	-	1,000,000	(1,000,000)	-
	37,550,000	-	2,000,000	(1,000,000)	38,550,000

(i) Resigned 31 May 2010
(ii) Resigned 15 May 2010

^ These represent change by virtue of resignation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

27. KEY MANAGEMENT PERSONNEL (cont'd)

(e) Loans from Key Management Personnel

Details of aggregate loans from key management personnel are as follows:

Total	Balance at beginning of period $	Additions $	Repayments / Adjustments $	Balance at end of period $	Number in group	Interest Charged $	Interest Paid $
2011	**7,516,908**	**-**	**(7,516,908)**	**-**	**6**	**505,392**	**(849,391)**
2010	6,414,462	1,200,000	(97,554)	7,516,908	6	343,999	-

During the previous year, the additional loan incurred for $1,200,000 represents an unsecured, interest-bearing loan from Mr. Phillips. On 30 June 2010, the Company redeemed 11,000,000 convertible notes ("Notes") at $0.20 each. The Notes were issued in December 2007 to discharge liabilities totalling $2,200,000. The Notes bore interest at 6% per annum. The Company negotiated repayment of the Notes via unsecured 3-month loans bearing an interest rate of 6% per annum from the note holders, being Mr. Phillips and another unrelated party (refer to Note 19(c)). The loans were extended on the same terms and conditions until 31 December 2010.

Terms and conditions of loans from key management personnel

All loans from key management personnel are unsecured and interest-bearing.

Loan from Directors

(i) Mr. Phillips made a loan to the Company in the amount of $1,200,000 on 30 June 2010. The loan bears interest at 6% per annum and is repayable by 31 December 2010, following extension from the initial repayment date of 30 September 2010. Principal and interest totalling $1,236,000 was repaid in full on 24 December 2010.

(ii) As part of the Way Linggo Gold Project acquisition, a loan of $4,623,848 from Singapore Mining Ventures Pte Ltd ("SMV"), a company controlled by Dr. Andrews, to PTNM was documented in a Loan Arrangements Deed. This Deed provided that on repayment of the above mentioned sum, $1,000,000 is to be repaid by SMV to Goldcrest Pty Ltd, a company controlled by Mr. Morris and $2,626,940 to be paid to Icon Enterprises Limited ("Icon"). The SMV loan is required to be paid by PTNM from surplus operating cash flows. Principal and interest totalling $5,217,224 was fully repaid to respective companies during the year.

(iii) $186,985 loan from Dr. Andrews, Director of PTNM, was detailed in the same Deed and on the same terms noted above. Principal and interest totalling $211,233 was repaid in full during the year.

(iv) $909,060 loan from Icon was detailed in the same Deed and on the same terms noted above. Messrs. Phillips and Morris are Directors of Icon and Dr. Andrews is the General Manager. Principal and interest totalling $1,026,948 was repaid in full during the year.

(v) $268,657 loan from PT Promincon Indonesia, a company controlled by Messrs. Andrews and Phillips, was detailed in the same Deed and on the same terms noted above. Principal and interest totalling $303,497 was repaid in full during the year.

Loan from other KMP

A $328,358 loan from Mr. Herryansjah, President-Director of PTNM, was detailed in the same Deed and on the same terms noted above. Principal and interest totalling $371,397 was repaid to Mr. Herryansjah during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

27. KEY MANAGEMENT PERSONNEL (cont'd)

(f) Other transactions and balances with key management personnel and their related parties

Consulting Services
Mr. Phillips and Mr. Cook, independent non-executive directors of the Company, received $97,048 (2010: $84,462) and $44,200 (2010: Nil) consulting fees respectively during the year for professional services provided to the Group outside their normal Board duties. These fees were paid at normal commercial terms. No balance was outstanding at 30 June 2011 and 30 June 2010.

Mining Services
Westralmen Pty Ltd, an entity related to Mr. Phillips, received $380,000 fees for mining services provided to the Group during the year (2010: $380,000). These fees were paid at normal commercial terms. At 30 June 2011 $69,667 was owing to Westralmen Pty Ltd (2010: $34,833).

28. COMMITMENTS AND CONTINGENCIES

(a) Royalties
As part of the acquisition of the Way Linggo Project, the Company, through its wholly owned subsidiaries MM Gold Pty Ltd ("MMG") and Natarang Offshore Pty Ltd ("NOPL"), inherited various project royalty commitments. These are summarised as follows:

- One tonnage royalty – calculated with reference to the Company's ownership percentage of PTNM (currently 85%) by 10% of ore tonnes treated by 1.5% of the gold price.
- One product (net smelter return) royalties – calculated with reference to the Company's ownership percentage of PTNM (currently 85%) of 2% of the value of gold and silver bullion production.

A second product (net smelter return) royalty of 1.85% of the value of gold and silver bullion production (capped at US$3,500,000) was bought back from Harmony Gold Mining Co Limited's fully owned subsidiary, Aurora Gold Limited ("AGL") in September 2010, which relinquished and terminated AGL's right to receive under a 1995 Royalty Agreement. In exchange, the Company allotted AGL 1,500,000 ordinary fully paid shares in the capital of Kingsrose and paid cash of US$250,000 (A$262,668).

PTNM is obligated to pay gold and silver royalties to the Indonesian government, calculated at 2% of the value of gold and silver bullion production.

(b) Divestment
The Way Linggo project is being undertaken by PTNM pursuant to a Contract of Work (COW) dated 2 December 1986 between the Republic of Indonesia and PTNM. The COW provides that:

- by 31 December 2010 at least 15% of PTNM's shares must be offered to the Indonesian Government or Indonesian national. This has been met because as at 30 June 2009, 15% of PTNM has been owned by an Indonesian national;
- by 31 December 2011 at least 23% must be offered;
- by 31 December 2012 at least 30% must be offered;
- by 31 December 2013 at least 37% must be offered;
- by 31 December 2014 at least 44% must be offered; and
- by 31 December 2015 at least 51% must be offered.

The COW further provides that the consideration to be received by PTNM at each offer date will be determined at an amount that approximates the then fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

28. COMMITMENTS AND CONTINGENCIES (cont'd)

(c) Leasing Commitments

Operating lease commitments – Group as lessee
The Group has entered into commercial leases for property rental. These leases have an average life of between one and two years with renewal options included in the contracts.

	2011	2010
	$	$
Payable within one year	**121,897**	138,735
Payable after one year but not more than five years	**49,013**	320,156
Total minimum lease payments	**170,910**	458,891

Finance lease commitments – Group as lessee
The Group has entered into finance leases for various plant and equipment. These leases have an average remaining life of between one and three years with the option to purchase the assets at the completion of the lease term at a nominal value.

	2011	2010
	$	$
Payable within one year	**322,791**	50,824
Payable after one year but not more than five years	**389,861**	43,362
Total minimum lease payments	**712,652**	94,186
Less: Future finance charges	**(36,513)**	(9,111)
Present value of minimum lease payments	**676,139**	85,075
Included in the financial statements as interest-bearing liabilities (Note 19):		
Current	**296,146**	44,219
Non-current	**379,993**	40,856
	676,139	85,075

(d) Contingent Liabilities
There are no significant contingent liabilities at balance date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont'd)

29. SUBSEQUENT EVENTS

- On 1 July 2011 Mr. Chris Start was appointed Managing Director of the Company. Mr. John Morris stepped down as Executive Chairman; however he will remain as Non-Executive Chairman.
- On 13 July 2011 250,000 unlisted options were issued to an employee under the Company's Employee Share Option Plan at an exercise price of $1.58 each. 125,000 options will vest on 13 January 2012 with an expiry date of 13 January 2014; 125,000 options will vest on 13 January 2013 with an expiry date of 13 January 2015.
- On 5 July 2011 160,000 unlisted options were exercised at a price of $0.39 each.*
- On 5 July 2011 121,009 listed options were exercised at a price of $0.20 each. **
- On 21 July 2011 800,000 listed options were exercised at a price of $0.20 each. **
- On 25 July 2011 50,000 unlisted options were exercised at a price of $0.39 each. *
- On 29 July 2011 50,000 unlisted options were exercised at a price of $0.39 each. *
- On 29 July 2011 500,000 listed options were exercised at a price of $0.20 each. **
- On 15 August 2011 65,817 listed options were exercised at a price of $0.20 each. **
- On 25 August 2011 419,845 listed options were exercised at a price of $0.20 each. **
- On 25 August 2011 300,000 unlisted options were exercised at a price of $0.14 each. ***
- On 2 September 2011 200,000 unlisted options were exercised at a price of $0.14 each. ***
- On 8 September 2011 50,000 unlisted options were exercised at a price of $0.39 each. **

* Options issued pursuant to ASX Listing Rule 7.1 under the directors' 15% facility.
** Options issued pursuant to 1:2 Non-renounceable Rights Issue at a price of $0.05 each (pursuant to IPO dated November 2007).
***Options issued under Company's Employee Share Option Plan.

30. AUDITOR'S REMUNERATION

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

	2011	2010
	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
(i) An audit or review of the financial report of the entity and any other entity in the consolidated group	**99,840**	102,425
(ii) Tax compliance	**-**	8,000
	99,840	110,425
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
(i) An audit or review of the financial report of the entity and any other entity in the consolidated group	**67,300**	41,900
(ii) Tax services	**2,532**	-
	69,832	41,900

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Kingsrose Mining Limited, I state that:

(1) In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

On behalf of the Board

Chris N. Start
Managing Director

Perth, 19 September 2011

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

Report on the financial report

We have audited the accompanying financial report of Kingsrose Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

Opinion

In our opinion:

a. the financial report of Kingsrose Mining Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 35 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Kingsrose Mining Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
19 September 2011

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION
The following additional information was applicable as at 12 September 2011.

There are 267,123,726 ordinary fully paid shares on issue, all of which are listed on the ASX. There are no restricted securities.

SUBSTANTIAL SHAREHOLDERS
The names of the substantial shareholders and the number of shares to which they are entitled are:

Name	**Number of Shares**	**%**
Citicorp Nominees Pty Limited	59,724,160	22.35%
Advance Concept Holdings Limited	32,300,000	12.09%
KRM (WA) Pty Limited	20,000,000	7.48%
HSBC Custody Nominees (Australia) Limited	18,587,989	6.95%

FULLY PAID ORDINARY SHARES

a) Holders of fully paid ordinary shares are entitled to one vote per fully paid ordinary share.
b) The number of holders of fully paid ordinary shares is 1,315.
c) The number of fully paid ordinary shareholdings held in less than marketable parcels is 61.
d) The 20 largest fully paid ordinary shareholders together held 78.093% of the securities in this class.
e) Distribution of fully paid ordinary shareholders:

Category (Size of Holding)	Number of Fully Paid Ordinary Shareholders
1 – 1,000	163
1,001 – 5,000	358
5,001 – 10,000	276
10,001 – 100,000	394
100,000 – and over	124
TOTAL	**1,315**

LARGEST FULLY PAID ORDINARY SHAREHOLDERS

Ranking	**Name**	**Number of Shares**	**%**
1	Citicorp Nominees Pty Limited	59,724,160	22.358%
2	Advance Concept Holdings Pty Limited	32,300,000	12.091%
3	KRM (WA) Pty Limited <The Kingsrose Unit Trust a/c>	20,000,000	7.487%
4	HSBC Custody Nominee (Australia) Limited	18,587,989	6.958%
5	Fitel Nominees Limited	10,074,029	3.771%
6	JP Morgan Nominees Australia Limited	8,383,239	3.138%
7	Bond Street Custodians Limited	6,500,000	2.433%
8	National Nominees Limited	6,306,813	2.361%
9	Sun Hung Kai Investment Services Ltd	5,625,000	2.105%
10	JP Morgan Nominees Australia Limited	5,602,899	2.097%
11	Sun Hung Kai Investment Services Ltd	5,550,000	2,077%
12	Dog Meat Pty Ltd <DM a/c>	5,500,000	2,058%
13	Goldcrest Corporation Pty Ltd	5,250,000	1.965%
14	Ajava Holdings Pty Ltd	4,000,000	1.497%
15	Nefco Nominees Pty Ltd	3,098,005	1.159%
16	Mr. Frank Albert Moore	2,900,000	1.085%
17	Oakajee Corporation Ltd	2,830,000	1.059%
18	Lujeta Pty Ltd <Margaret a/c>	2,400,000	0.898%
19	Mr. G. W. Thomas & Mrs. N Thomas	2,000,000	0.748%
20	All States Secretariat Pty Ltd	2,000,000	0.748%
	TOTAL	**208,632,134**	**78.093%**

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION (continued)
There are 20,101,304 listed options on issue, all of which are listed on the ASX. There are no restricted securities.

LISTED OPTIONS

a) The number of holders of listed options is 194.
b) The number of option holders held in less than marketable parcels is 1.
c) The 20 largest fully paid ordinary shareholders together held 76.177% of the securities in this class.
d) Distribution of option holders:

Category (Size of Holding)	Number of Fully Paid Ordinary Shareholders
1 – 1,000	3
1,001 – 5,000	72
5,001 – 10,000	20
10,001 – 100,000	71
100,000 – and over	30
TOTAL	**196**

LARGEST FULLY OPTION HOLDERS

Ranking	Name	Number of Options	%
1	Colbern Fiduciary Nominees Pty Ltd	2,000,000	9.949%
2	Gold Ruby Investments Ltd	2,000,000	9.949%
3	Asian Star Investments Ltd	1,760,000	8.755%
4	Citicorp Nominees Pty Limited	1,479,112	7.358%
5	Pipe Link of Australia Pty Ltd	1,118,000	5.561%
6	Nefco Nominees Pty Ltd	1,025,000	5.099%
7	Goldcrest Corporation Pty Ltd	850,000	4.228%
8	Mrs. Nancy-Lee Thomas	725,830	3.610%
9	Mr. Garry W and Mrs. Nancy-Lee Thomas	700,000	3.482%
10	Yandal Investments Pty Ltd	600,000	2.984%
11	Bond Street Custodians Limited	500,000	2.487%
12	Lujeta Pty Ltd	358,450	1.783%
13	CGLW Nominees Pty Ltd	325,000	1.616%
14	Mrs Diane Frances Dittmer	300,000	1.492%
15	Mr .Bjorn Herluf Jonshagen & Ms Beverley Vickers	300,000	1.492%
16	Mr. Richard & Mrs Rosa DM Homsany	277,500	1.380%
17	Upper Mantle Investments Pty Ltd	260,642	1.296%
18	Mrs. Jean Moore	250,000	1.243%
19	Mrs. Susan Elizabeth Scarff	250,000	1.243%
20	Mrs. Kathryn & Mr. Christopher B. Charleston	235,232	1.170%
	TOTAL	**15,314,766**	**76.177%**

REGISTERED AND PRINCIPAL OFFICE
The address of the registered and principal office in Australia is Suite 9, Level 2, 12-14 Thelma Street, West Perth, Western Australia 6005. The telephone number is (61 8) 9486 1149 and the facsimile number is (61 8) 9486 1151.

REGISTERS OF SECURITIES
Held at the following address: Advanced Share Registry Services
1/150 Stirling Highway, Nedlands, WA 6009
Telephone: (61 8) 9389 8033
Facsimilie: (61 8) 9389 7871