

Kingsrose Mining Limited

ACN 112 389 910



Annual Report 2010



CONTENTS

Directors

John C. Morris – Executive Chairman
Timothy G. Spencer – Finance Director
J. William Phillips – Non-Executive Director
Michael J. Andrews – Non-Executive Director

Company Secretaries

Jeannette P. Smith
Tanya C. Ashley

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Western Australia 6009

Quoted on the official list of the Australian Securities Exchange.

ASX Symbols:

Ordinary share code: KRM

Listed option code: KRMO



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CHAIRMAN'S ADDRESS (Cont'd)

Dear Shareholders,

It is my pleasure to present to you the Kingsrose Mining Limited ("Kingsrose" or "the Company") Annual Report for the year ending 30 June 2010.

It has been a year in which the Company has not only experienced significant growth and success but one that has shaped the Company and secured its future.

We have capitalised on our investment in the Comet Vale Mining Joint Venture by divesting it, allowing our efforts to be focussed on our core production project at Way Linggo in Southern Sumatra, Indonesia.

I am very proud of our team who has steered the Company through financing and development of the Way Linggo Gold Project which is now set to become not just a producer, but one of the lowest cost gold producers in the world. A strong gold price and exceptionally high grades allow for the project to operate at projected margins above US\$1,000 per ounce.

The development of a mine in remote Sumatra brings its challenges and it is pleasing to now see that the milestones of project approval, permitting, mine development, construction and now commissioning have now been surpassed. We are now in a phase of ensuring a ramp-up to full capacity and the niggling hindrances of achieving full productivity are being dealt with. We look forward to Way Linggo and Kingsrose emerging in the ensuing year as a low-cost gold and silver producer. Additionally, the excellent exploration potential should underwrite future expansion.

Another major development during the past year has been the initiation of an agreement in collaboration with the regional government of Sardinia, Italy in relation to a vast tonnage of historic lead-zinc tailings in southwest Sardinia, Italy. Although in its infancy, this project and opportunity has the potential to provide significant future value to Kingsrose shareholders as the magnitude and its economic potential becomes more apparent.

Of course, the achievements of the Company over the past year are nothing without the dedication and efforts of our executive, site-based management and all our employees for whom I am most thankful and appreciative.

To you, our shareholders, I thank you on behalf of the Board for your support and belief in the Company over the year past and into the future.

A handwritten signature in black ink, appearing to read "John Morris".

John Morris
Executive Chairman
20 September 2010



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 2010.

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 – Executive Chairman (Appointed 17 August 2007)

Mr. Morris has over 38 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).

During the past three years he held the following listed company Directorship:

- Uruguay Mineral Exploration Plc - resigned in 2007

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

Mr. Spencer has over 16 years experience in the precious metals markets, from mining to refining and bullion distribution to in-depth precious metals market analysis. After completion of an Economics degree Mr. Spencer worked in various accounting, treasury and finance roles including two gold mining companies and a large gold refining and trading enterprise. In his most recent role he provided strategic advice on metals and mainstream treasury products to a diverse range of mining clients, including the development of policies, hedging strategies, pricing and execution. Mr. Spencer holds an Economics degree (accounting major) from Monash University, Victoria, is a qualified CPA accountant and is an associate member of FINSIA.

He has held no previous Directorships.

Michael Andrews – Non-Executive Director (Appointed 9 August 2007)*

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 Aulron 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:

- Canadian exploration company, Southern Arc Minerals Ltd. This is a company listed on the Toronto Stock Exchange Venture (TSX: SA).

* Mr Timothy Spencer and Dr Mike Andrews are also on the Board of the Company's subsidiary, PT Natarang Mining.

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 which produced approximately 80,000 ounces of gold per



DIRECTORS' REPORT (Cont'd)

annum. He was also providing valuable input into the underground development at both the Comet Vale Gold Mine in Kalgoorlie and mine development of PT Natarang Mining's Way Linggo gold/silver mine located in Sumatra, Indonesia.

Mr. Phillips does not hold any other directorships.

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 24 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.

Michael Green

Until 31 May 2010, the date the Company exited from the Comet Vale Gold Mine joint venture in Kalgoorlie, Mr. Green's position was Eastern Goldfields Operations Manager. He holds an Underground Supervisor's Certificate and has worked in the underground mining industry for over 32 years.

Alec Sharland

Mr. Sharland commenced employment as Production Manager for the Way Linggo Gold project in September 2009. Prior to joining PT Natarang Mining (PT NM), he was employed for four years as a Division Head for PT Adaro Indonesia based in Kelanis South Kalimantan. In May 2009 Mr. Sharland's position with PT NM terminated.

Terry Butler

Mr. Terry Butler has recently been appointed Operations Manager for the Way Linggo gold project in Indonesia. He has extensive experience in the mining industry spanning 25 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.

Company Secretaries

The position of Company Secretary is shared jointly by Jeannette Smith and Tanya Ashley and they each held that position at the end of the financial year.

Jeannette Smith

Mrs. Smith has over 27 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 compliance and administration of numerous public companies listed on the American, London and Australian Securities Exchanges.

Tanya Ashley

Miss Ashley was appointed in February 2009. Her qualifications include a Bachelor of Commerce degree with a triple major: International Business, Finance and Accounting from Notre Dame University, Perth, Western Australia. In addition to her corporate secretarial duties she is also the Financial Accountant for the Company. In June 2010 she successfully completed her graduate diploma in corporate governance from Chartered Secretaries Australia.



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:

Director	Fully Paid Ordinary Shares	Options		
		Unlisted expiring 31.12.2012 at \$0.25	Unlisted expiring 16.02.2014 at \$0.14	Listed expiring 31.12.2012 at \$0.20
J.C. Morris	5,250,000	1,000,000	-	500,000
J.W. Phillips	16,250,000	-	-	3,000,000
M.J. Andrews	16,250,000	1,000,000	-	-
T.G. Spencer	1,000,000	-	1,000,000	-



DIRECTORS' REPORT (Cont'd)

REVIEW OF OPERATIONS

PRINCIPAL ACTIVITIES

The principal activities during the year of the Consolidated Entity were:

- **Way Linggo Gold and Silver project in Sumatra, Indonesia:** Mine development and construction of the process plant was completed with commissioning started in July 2010. The development strategy is for the Project to become a steady-state producer of precious metals with an expected output of 45,000oz of gold and over 750,000oz of silver per annum.
- **SARINC Zinc-Lead Tailings Retreatment Project in Sardinia, Italy:** Pre-feasibility work including a 4,900m drilling campaign continued on the potentially very large scale zinc/lead tailings retreatment project.
- **Comet Vale Gold Production J.V. in Kalgoorlie, Western Australia:** The joint venture with Reed Resources Limited ("Reed"), in which Kingsrose was responsible for mining in return for between 50% and 60% of gold produced, was terminated effective 31 May 2010.

GROUP OVERVIEW

In February 2009, Kingsrose Mining acquired 85% of PT Natarang Mining ("PT NM"), owner of the **Way Linggo Gold and Silver Project** in Sumatra, Indonesia. PT NM holds a fourth generation Contract of Work with the Indonesian government covering 10,540 hectares surrounding the Way Linggo mine area. The remaining 15% is held by an Indonesian partner.

The Way Linggo Project is currently based on a modest JORC Resource (refer page 15) from which the Company has developed a plan to move to a steady-state production rate of 45,000 ozs of gold and 750,000 ozs of silver per annum at a budgeted cash operating cost of US\$147/gold ounce, based on a 12 gpt gold head grade through the process plant. The highly positive gold and silver grade reconciliations from development mining over the past twelve months have given management a high degree of confidence that gold production may exceed this target.



Furthermore, exploration activities focussed on mine extension and near mine targets are yielding encouraging indications that additional ore sources may be found. Please refer to the Way Linggo Exploration Review for a more detailed discussion.

After completion of preliminary research and negotiations with relevant key stakeholders, in December 2009 Kingsrose entered into an agreement with a government agency on the island of Sardinia, Italy, to undertake feasibility work on a potentially massive **zinc/lead tailings retreatment project** with the view to proceeding with development of the project should the feasibility studies prove it to be viable. By year end, 4,900 metres of drilling had been carried out in 11 areas containing over 20 separate tailings dams.



DIRECTORS' REPORT (Cont'd)

WAY LINGGO PROJECT – OPERATIONS REVIEW

Kingsrose Mining Ltd (“Kingsrose” **ASX.KRM**) is well on its way to achieving its objective of becoming a significant low cost gold producer at its Way Linggo Gold & Silver Project located in Lampung Province, Sumatra, Indonesia (Figure 1). Kingsrose owns 85% of PT Natarang Mining, the Indonesian company holding a Contract of Work with the Indonesian Government covering 10,540 hectares of highly prospective ground centred on the Way Linggo mine. All permitting is in place with the final approval of the Forestry Permit, which is valid for a period of 20 years, received in May 2010.



Figure 1 – Location map of Way Linggo Project,

Management have spent the past 12 months focussed on mine development and construction of the 140,000 tonnes per annum process plant whilst also undertaking a complete reassessment and upgrade of its geological knowledge of the immediate area surrounding the Way Linggo mine.

The Company has three main objectives at Way Linggo during the next twelve months. Firstly, it will finish plant modifications that will resolve issues caused by the ‘sticky’ fine clay ores as well as provide much improved reliability and increased throughput capacity. Efforts will then move to streamlining processes to optimize recoveries and reduce costs.

Secondly, focus will be on the development and extension of the North Vein orebody, which is the basis of the current mine plan. Thirdly, an aggressive exploration drilling programme is underway on the various prioritized targets within a 5 km radius of the North Vein orebody with the goal of identifying the next high grade ore source.



Figure 2 – Way Linggo 400 tonnes per day Merrill Crowe gold plant.



DIRECTORS' REPORT (Cont'd)



Figure 3 - The first gold/silver dore pour in early August 2010

Commissioning of the Merrill - Crowe processing plant commenced during July 2010 with the first official dore poured on 7 August 2010 weighing 5.6kg. At the time of writing, the commissioning process thus far has shown that the plant will be able to meet its design nameplate capacity of 400 tonnes per day however it requires modifications in two main areas as performance is sub-optimal due to the sticky fine clay ores being processed.

The crushing circuit, which contains a jaw crusher, cone crusher, four conveyors and two sizing screens is being affected by the sticky ore 'balling' and occasionally partially clogging at various points in the circuit. Remedial action is underway and management is also assessing the introduction of a SAG mill, which will have the dual benefits

of increasing the throughput capacity of the process plant as well as resolving the abovementioned problems in the crushing circuit. The second area affected by the fine clay ores is the clarification/thickener circuit where the fine clays are prematurely blocking filter screens. The introduction of a pre-clarifier tank, planned to be operational in October, will resolve this problem.

Gold production is expected to steadily increase over the next few months, reaching the target production rate of 3,750 gold ounces per month (45,000 ounces annualised) by February next year.

On a positive note, updated metallurgical test-work has shown that between 40% and 50% (depending on grade) of fine gold is sized at less than 150 microns, which is the size that is achieved through the milling circuit. The high proportion of super fine gold should therefore result in lower processing and treatment costs and allow an increase in throughput capacity. In addition, the ore is not metallurgically complex and recoveries over 90% are expected.

The budgeted cash cost per ounce once in full production is US\$147 after silver credits, refining and royalty costs, making Way Linggo an extremely low cost mine by global standards.

Substantial progress was achieved throughout the year on mine development. The extent of underground development as at end June 2010 is shown in the 3-D model (Figure 4).

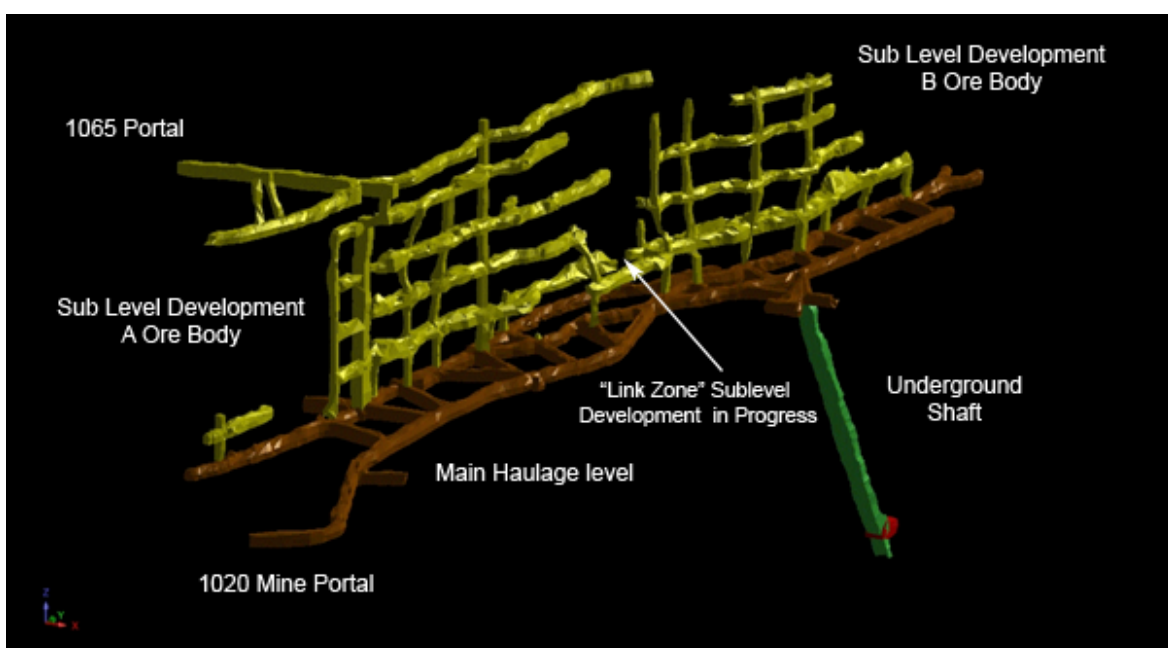


Figure 4 – 3D projection of underground development at Way Linggo



DIRECTORS' REPORT (Cont'd)

Ore is hauled from the 2 Level (1020 m RL) and raised to the mine service area ROM pad via a 700 ft inclined skipway shown in Figure 5.

Sub level development between the 1 Level (1065 m RL) and the 2 Level main haulage drive was completed, setting the mine up for full production with nearly 12 months of ore fully developed.

The internal shaft from the hanging wall of the 2 Level to the 3 Level was completed and preparations for sill driving in the ore body at the 3 Level is in progress.

As at 30 June 2010, **25,000 tonnes** of high grade ore was stockpiled on the surface grading **19.7 g/t gold** and **227 g/t silver**. This ore derived from the underground development drives within the previously reported JORC compliant mineral resource estimate.

The long section (Figure 6) shows the extent of underground development and the gold and silver grades returned from grade control face channel sampling within the development drives.

Highly positive grade reconciliations have been achieved between the substantial and spatially representative bulk samples from mine development represented by the surface stockpile as compared to the North Vein Resource grade of 9.17 g/t gold and 143 g/t silver (previously reported) predicted from the historic drilling data.

The Way Linggo mine is developed on two distinct zones of mineralisation, the A and B ore bodies, located in a NW trending fault zone called the North Vein Fracture Zone. The A and B orebodies are mineralogically distinctive but are both high grade. The A ore body is characterised by a Quartz – Adularia – Clay assemblage and the B ore body characterised by a Quartz-Calcite-Chlorite/Smectite assemblage.

The occurrence of these zones of different characteristics in close proximity within the North Vein Fracture Zone is encouraging as it indicates that the mineralisation was formed by multi-phase hydrothermal pulses within an evolving epithermal system. In the mine area the sub vertical epithermal veins average 4.6 metres in width and historical drilling indicated a strike length of economic mineralisation of around 300 metres.

The depth of the orebody has not yet been tested (the deepest drill hole reached 164 m) but an underground drilling plan from the 3 Level (once it is developed) has been prepared to test below the current Resource. Of particular interest is an intersection of 1 metre 2.1 g/t Au and 3,390 g/t Ag located just below the current Indicated Resource boundary and slightly adjacent to the plunge of the "A" Vein (refer to lowest shown blue dot in Figure 6 below.)



Figure 5 – Aerial view of Way Linggo minesite showing mine service area, level 2 Portal and incline.

DIRECTORS' REPORT (Cont'd)

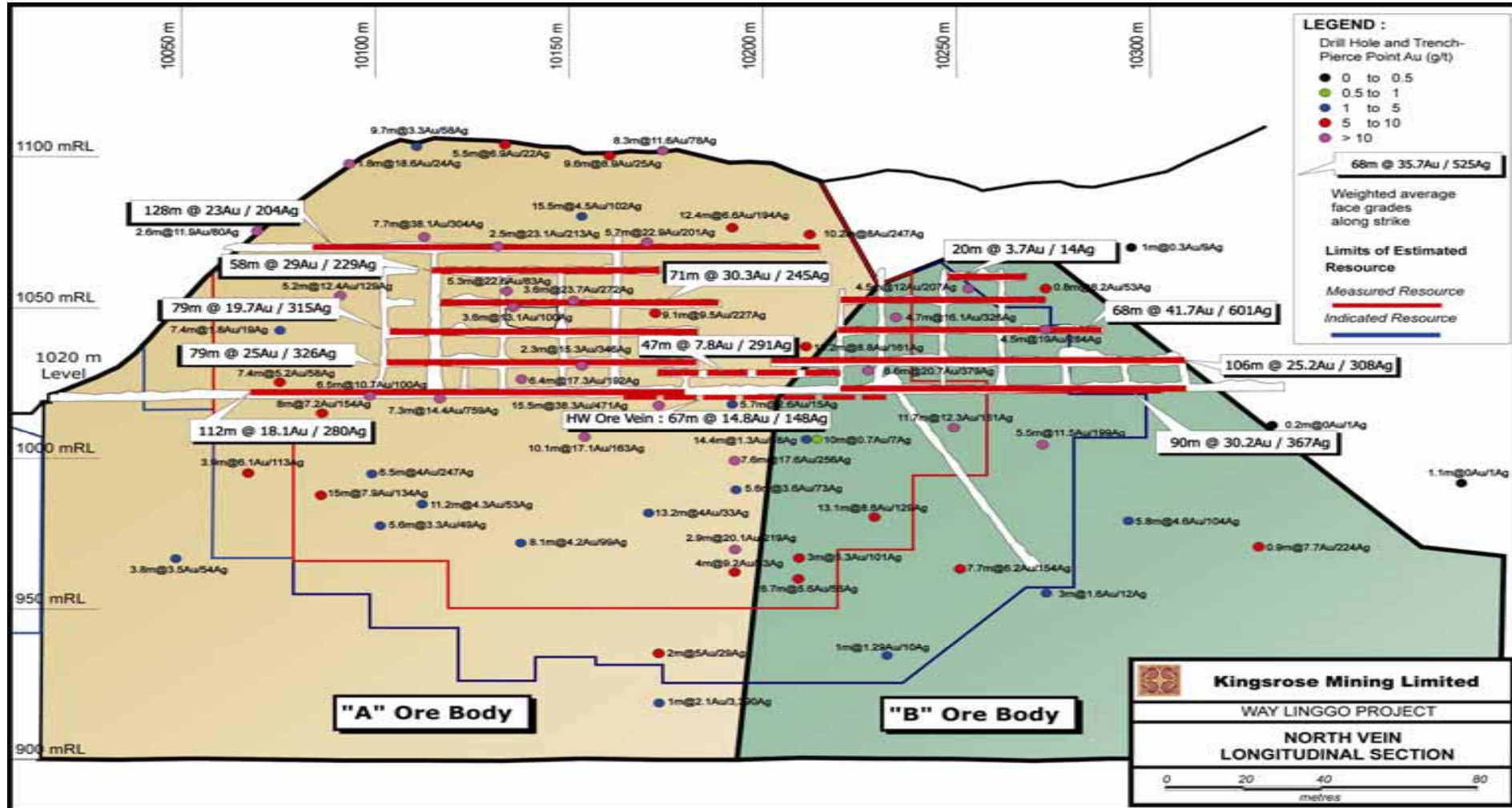


Figure 6: Long section of Way Linggo mine showing extent of underground development and weighted average grades from face sampling along sublevel drives.



DIRECTORS' REPORT (Cont'd)

WAY LINGGO – EXPLORATION REVIEW

A thorough review of all previous exploration data and the involvement of a world renowned structural geologist along with other leading experienced epithermal consulting geologists has shed new light and resulted in new interpretations of the geological setting of the PT Natarang Contract of Work area.

A helicopter aeromagnetics/radiometrics geophysical survey was completed over the entire Contract of Work area in October 2009 and its interpretation along with structural analysis of satellite imagery has enhanced Kingsrose' exploration team understanding of the structural and geological setting of the mineralisation in the district.

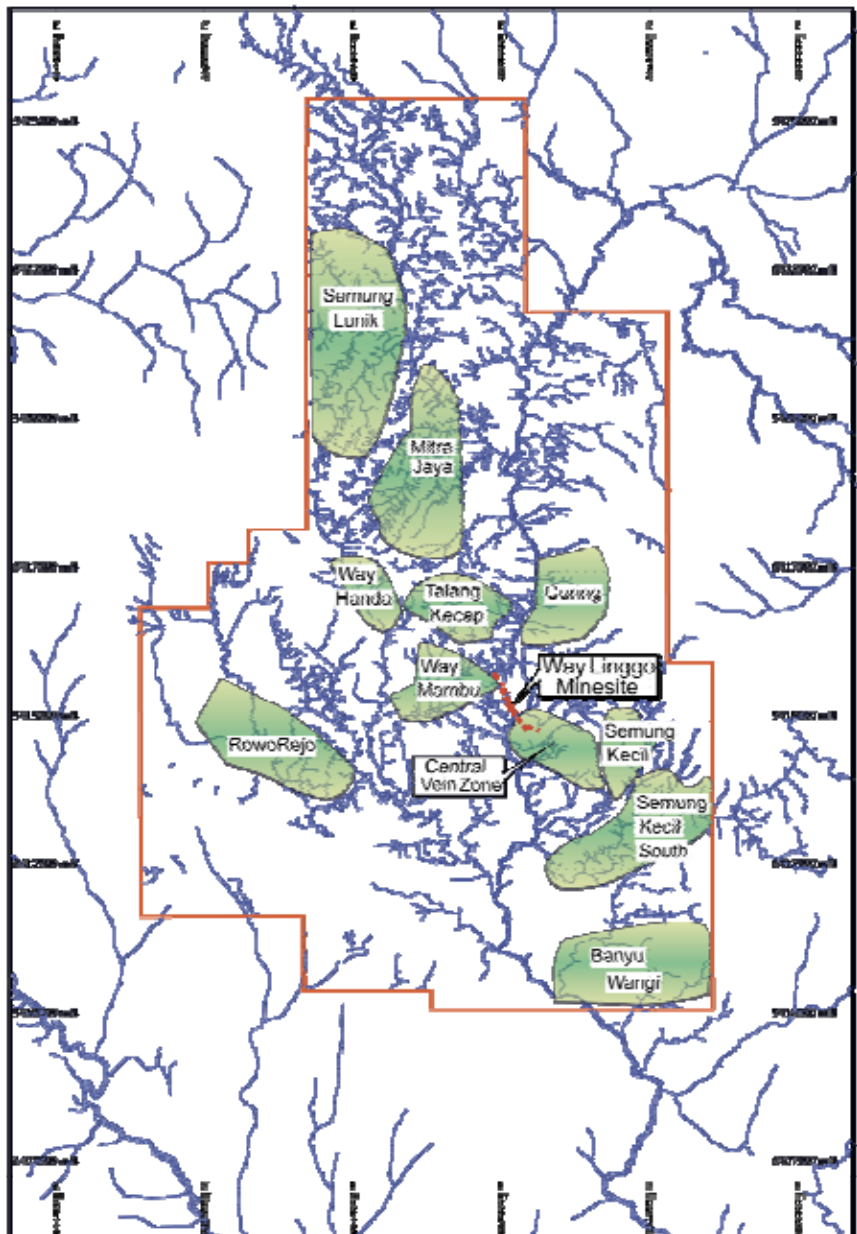
Geological mapping, geochemical sediment sampling, ground geophysics and trenching is continuing, following up the air-borne anomalies and historical regional geochemical targets. Eleven prospect areas, characterised by mineralised epithermal style quartz boulders in streams, have been identified and detailed mapping along with structural and geophysical targeting is defining drill targets for ongoing testing. The location of these prospect areas is shown in Figure 7.

A total of 7,850 metres of diamond drilling was completed during the year targeting the strike extension of the North Vein Fracture to the north, as well as targets peripheral and to the south of the mine. The drilling extended the known strike extent of the North Vein system to over 750 metres and although mineralised intersections north of the current mine limits were of sub-economic grades the potential for further ore shoots along strike remains high.

Kingsrose is planning approximately 23,000 metres of diamond drilling in the next 12 months on the various targets around the mine as well as from underground to extend the known orebodies both down dip and along strike. The programme includes approximately 15,000 metres of surface based drilling with the balance of around 8,000 metres to be drilled from underground (predominantly from the 3 Level in the mine).

The Geology Department personnel numbers have been boosted in line with the proposed increased activity and six teams will be on the ground working on prospect identification and evaluation.

Figure 7 – Map of PT Natarang Mining Contract of Work area. Geochemically and structurally anomalous exploration prospects surrounding the Way Linggo minesite are shaded in green.





DIRECTORS' REPORT (Cont'd)

The first two near-mine target areas (shown in Figure 7) to be tested are Talang Kecap and Mitra Jaya.

TALANG KECAP

This target is located 2km along strike from the Way Linggo mine. A small pull-apart basin is located in the area of interest and immediately adjacent to the first drill targets. The structural setting is conducive to dilatational vein orientation and an initial three drill targets have been identified from soil, rick chip and trench sampling.

MITRA JAYA

This target is located 5km along strike from the Way Linggo mine. Part of the area is typified by younger unaltered Ranau Tuff. Magnetic data interpretation has successfully identified windows of outcrop of older clay altered and mineralised rock units and encouraging in-situ samples of 3.1 g/t Au have been returned. High grade float trains (up to 33 g/t Au) have also been identified in creeks in the area.

A detailed BLEG and stream sediment sampling campaign is now being conducted over a larger area to identify more windows of mineralised outcrop. It is believed that mineralisation extends along the same strike as the Way Linggo mine under a zone of cover.

WAY LINGGO RESOURCES TABLE

Way Linggo Mineral Resource, depleted for mining to end of June 2010, reported above a 2.5 g/t AuEq cut-off:

Deposit	Classification	Tonnes	Au g/t	Ag g/t	AuEq g/t	AuEq oz
North Vein	Measured	309,000	10.99	167	13.78	137,000
	Indicated	89,000	6.78	113	8.65	24,900
	Inferred	125,000	4.81	81	6.16	24,800
	Sub-total	523,000	8.79	137	11.08	186,600
Hangingwall Split and Central Vein Zone	Measured	-	-	-	-	-
	Indicated	73,000	5.20	68	6.34	14,900
	Inferred	40,000	4.23	46	5.00	6,500
	Sub-total	113,000	4.86	60	5.86	21,400
Total		636,000	8.09	124	10.15	208,000

* Reported and classified based on the guidelines of the 2004 JORC Code

* Small discrepancies have occurred due to rounding

* Gold equivalent (AuEq) assumes 1 g/t Au is equivalent to 60 g/t Ag

* Classified Mineral Resource is based on 2.5 g/t Au Eq cut-off grade

The Mineral Resource statement has been reviewed by Mrs. Christine Standing of Snowden Mining Industry Consultants. Mrs Standing is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration 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. Mrs. Standing consents to the inclusion in this report of the matters based her information in the form and context in which it appears.



DIRECTORS' REPORT (Cont'd)

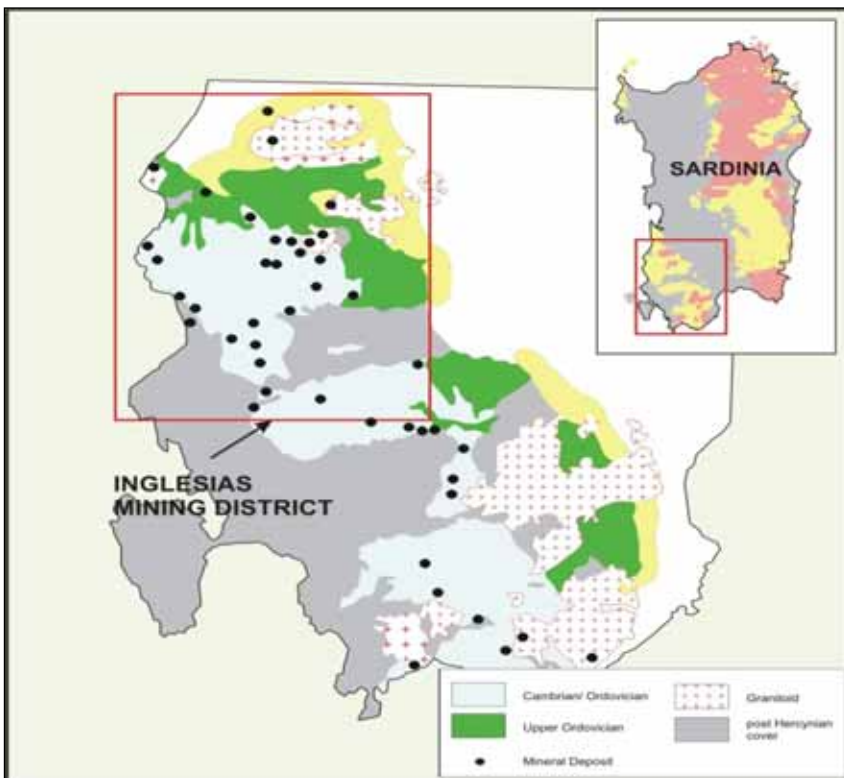
SARINC ZINC TAILINGS RETREATMENT PROJECT – OPERATIONS REVIEW

Kingsrose Mining Ltd reached agreement in December 2009 with the semi-autonomous government of the island of Sardinia (a part of Italy) to conduct a pre-feasibility study on re-processing the massive tailings deposits located in the south-west of the Island, the result of many centuries of mining zinc, lead and silver in one of the largest historic mining districts in Europe. Sardinia is located in the middle of the Mediterranean Sea (approximately 350km south-west of Rome) and is around 24,000km² in size.

The Iglesias-Sulcis province located in the south-west of Sardinia, Italy, is one of the oldest mining districts in the world, with production dating from before 1000 BC. In context of the modern era, early mining targeted for lead and silver deposits (and copper to a lesser extent) followed by zinc and barium. During its peak mining period early in the 20th century, around 60 mines existed but over the ensuing decades, ore depletion and a lack of new discoveries saw mine numbers dwindle. Low metal prices during the 1990s resulted in the last of the mines being closed.



Figure 8 - Location of the SARINC Project area



Drilling activities commenced in March 2010 and approximately 4,900 metres of air core drilling were completed within historic tailings dams. The average hole depth was 15m and the deepest hole around 70m. Nine historic tailings areas containing 25 identifiable tailings dams were drilled.

Preliminary assays received are encouraging. It is anticipated that resource modelling will continue in the last quarter of 2010.

Collection and preparation of detailed technical data and analysis of the mining history of the region continues. Metallurgical test-work is scheduled towards the end of this calendar year.



DIRECTORS' REPORT (Cont'd)



Figure 10 - Partially covered Tailings Dams at San Giovanni Mine.

COMET VALE PROJECT

As announced on 16 October 2009, agreement was reached with Production JV partner, Reed Resources Ltd (ASX: RDR) to allow Kingsrose to exit Comet Vale on favourable terms, effective 31 May 2010. The agreement included Kingsrose receiving the following:

- A\$1m on 31 October 2009
- A\$1m in cash in exchange for its mining equipment on 30 June 2010
- A\$2m equivalent in Reed Resources Ltd shares (4,011,431) on 3 June 2010. It is the intention of management to sell down the shares in an orderly way over the remainder of 2010.
- Kingsrose continued to earn gold production, as per the (then) current arrangement, from October 2009 until 31 May 2010.

* * * * *

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Dr. Michael Andrews B.Sc. (Hons) Ph.D., who is a Fellow of the Australasian Institute of Mining and Metallurgy, and a Director of Kingsrose Mining Limited. Dr. Andrews 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"). Dr. Andrews 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 (Cont'd)

FINANCIAL REVIEW

Financial Results

The Group's net loss for the year after tax was \$1,411,457 compared to a loss of \$5,562,362 in the previous year. The share of the loss attributable to the owners of the Parent was \$951,753 in the current year (2009: \$5,562,362). The significant improvement in the Group's net loss position was primarily due to a gross profit from the Comet Vale project in 2010 of \$5,136,732 as compared to a loss in 2009 of \$940,320. Included in this profit was a gain made on the disposal of that Project in May 2010 of \$3,181,889.

Financial Position

Cash and cash equivalents as at 30 June 2010 totalled \$7,833,315 (2009: \$15,607,040).

The Group's net asset position as at 30 June 2010 was \$33,903,600, an increase of 35% over the previous year. The ratio of current assets to current liabilities fell from 2.1 in 2009 to 1.2 in 2010 due to the investment made during the year in mine development and plant and equipment. Trade creditors and short term borrowings rose by 48% to \$11,525,667 due to convertible notes being redeemed via the Company entering into unsecured, interest-bearing loans totalling \$2,200,000 with the note holders.

Exploration & Development

At the Way Linggo Project, mine properties and development totalled \$22,469,879 for the financial year (2009: \$7,012,335) and exploration and evaluation assets totalled \$1,558,196 (2009: \$7,408,883) whilst capitalised expenditure on the process plant, power supply, mining equipment, mobile fleet and various infrastructure totalled \$8,481,947 (2009: \$2,457,885).

Exploration and evaluation assets of \$1,121,420 and mine properties and development of \$1,158,325 were written off during the year.

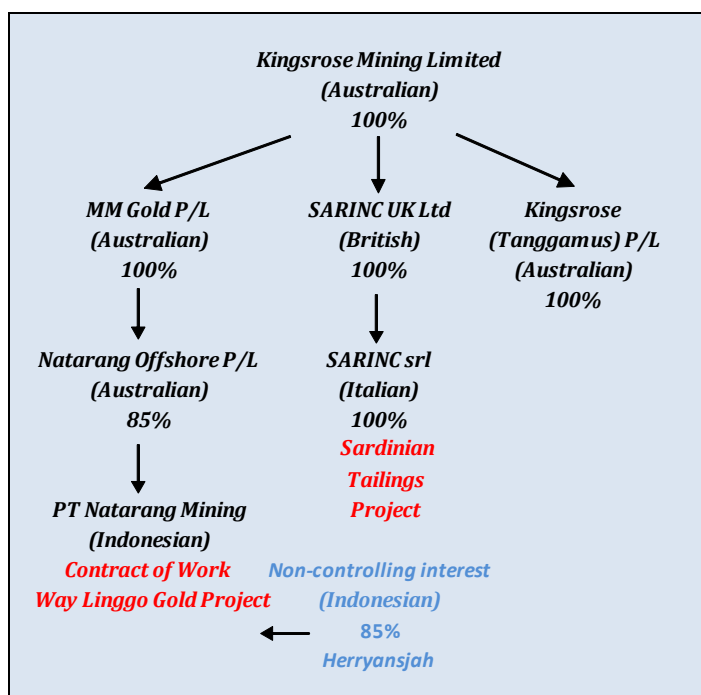
Shareholder returns

The share price continues to benefit from our improved performance and the Directors are confident that as a result of the many initiatives put in place to increase production and extend mine life and continue to improve profitability, the favourable movement in share price will continue.

CORPORATE STRUCTURE

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

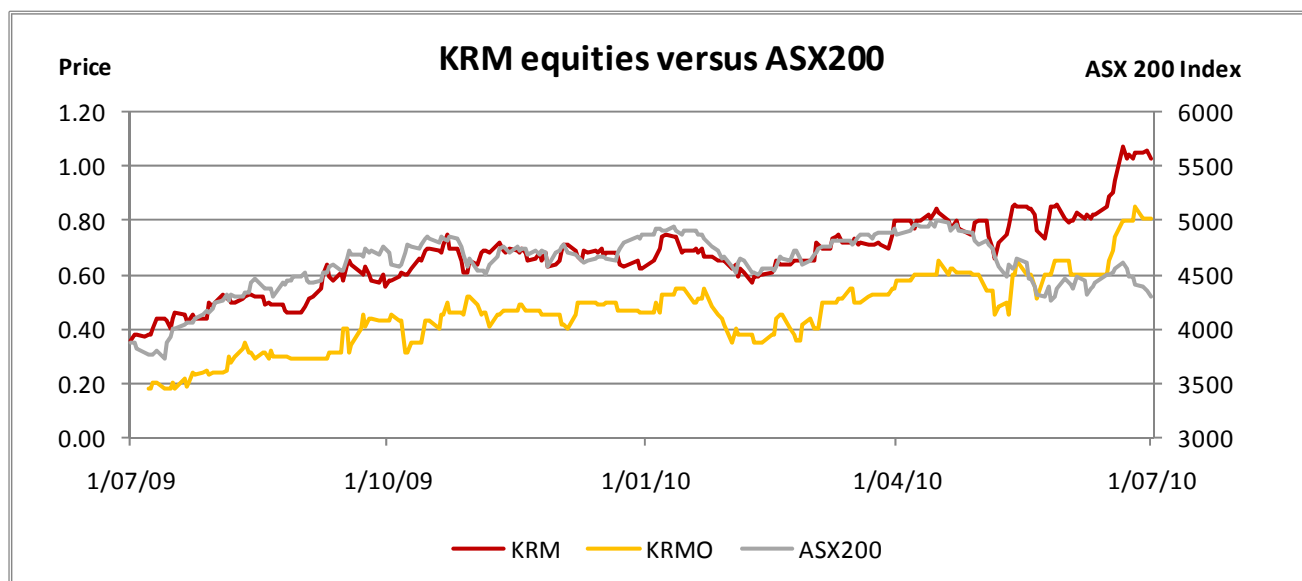
During the financial year the Company incorporated three new subsidiaries: a 100% owned Australian subsidiary, a 100% owned UK domiciled holding company and a 100% owned operating company in Sardinia, Italy, the latter two to carry out the evaluation phases of the SARINC – Zinc Tailings project.





DIRECTORS' REPORT (Cont'd)

The following graph shows the closing price of the Company's ordinary fully paid shares and listed options during the year ended 30 June 2010: [KRM – ordinary shares; KRMO – listed options].



SIGNIFICANT CHANGES IN STATE OF AFFAIRS

- On 31 May 2010 the Company exited on favourable terms from the Comet Vale joint venture with Reed Resources Limited ("Reed"). Proceeds from the sale of this project amounted to \$4,000,000 which included \$2,000,000 in cash and \$2,000,000 worth of Reed ordinary shares.
- Pre-feasibility work on the potentially very large scale Zinc-Lead Tailings Retreatment Project in Sardinia, Italy continued. Approximately 4,900 samples have been collected from drilling and dispatched for preparation and analysis. Resource modelling and commencement of metallurgical test work will take place during the July-December 2010 period.
- Total equity increased to \$33,903,600 from \$25,198,043, an increase of \$8,705,557. The movement was largely the result of increase in contributed equity. These funds were predominantly used to fund mine development for the Way Linggo Gold Project.

There have been no significant changes in the state of affairs of the Group other than those listed above.

SIGNIFICANT EVENTS AFTER BALANCE DATE

- On 5 July 2010, 1,275,000 listed options were exercised at a price of \$0.20 each. These options were allotted to existing shareholders under the 1:2 Rights Issue.
- On 13 July 2010, 500,000 unlisted options were exercised at a price of \$0.25 each. These options were allotted to the joint Company Secretary prior to the Company's listing on the ASX in December 2007.
- On 13 July 2010, 50,000 unlisted options were exercised at a price of \$0.39 each. These options were allotted to a Consultant under the Directors' 15% Facility.
- On 29 July 2010, 525,000 listed options were exercised at a price of \$0.20 each. These options were allotted to existing shareholders under the 1:2 Rights Issue.
- On 13 August 2010 the Way Linggo gold mine was commissioned. A total of four bars of dore, a mix of gold and silver, weighing a total of 5.9 kilograms were poured at the Way Linggo mine on the Indonesia island of Sumatra.



DIRECTORS' REPORT (Cont'd)

- On 23 August 2010, 50,000 unlisted options were exercised at a price of \$0.39 each. These options were allotted to a Consultant under the Directors' 15% Facility.
- On 3 September 2010, 275,000 listed options were exercised at a price of \$0.20 each. These options were allotted to existing shareholders under the 1:2 Rights Issue.
- On 8 September 2010, 12,500 listed options were exercised at a price of \$0.20 each. These options were allotted to existing shareholders under the 1:2 Rights Issue.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company aims to continue:

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

These activities are ongoing.

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. The Directors do not recommend that any amount be paid by way of dividend.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities. 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 Group are not aware of any breach of environmental legislation during the year under review.

EMPLOYEES

The Group had 328 full-time employees as at 30 June 2010 (2009: 158).

SHARE OPTIONS

(a) Unissued shares

As at the date of this report, there were 46,479,470 ordinary shares under option as follows:

No. Listed	No. Unlisted		Exercise Price	Expiry Date
	ESOP	Non-ESOP		
34,004,470			\$0.20	31 Dec 2012
		5,000,000	\$0.25	31 Dec 2012
	1,000,000		\$0.14	18 Feb 2014
	2,000,000		\$0.14	09 Apr 2014
		1,125,000	\$0.26	14 May 2014
		700,000	\$0.39	13 Jul 2014
		500,000	\$0.39	13 Jul 2014
		2,000,000	\$0.20	29 Dec 2012
	150,000		\$0.73	08 Mar 2015



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	ESOP	Listed
Ordinary Shares						
22.01.10	15,000,000	\$0.60	Patersons Corporate Finance capital raising - net consideration \$8.25m.	Yes		Yes
Ordinary Shares Released from Escrow						
07.12.09	22,300,000		Released from escrow			Yes
26.02.10	42,500,000		Released from escrow			Yes
Options issued over fully paid shares						
13.07.09	1,500,000	\$0.39	Two consultants	Yes		No
28.07.09	1,000,000	\$0.48	Employee		Yes	No
29.10.09	2,000,000	\$0.20	Consultant re: Sardinia project	Yes		
08.03.10	150,000	\$0.73	Employee		Yes	No
Option Conversions						
12.08.09	1,000,000	\$0.10	Exercise of options		Yes	No
16.10.09	50,000	\$0.39	Exercise of options	Yes		No
11.01.10	50,000	\$0.39	Exercise of options	Yes		No
11.01.10	50,000	\$0.26	Exercise of options	Yes		No
19.01.10	325,000	\$0.26	Exercise of options	Yes		No
19.01.10	1,000,000	\$0.14	Exercise of options		Yes	No
25.01.10	250,000	\$0.14	Exercise of options		Yes	No
29.01.10	10,000	\$0.20	Exercise of options	*		Yes
19.03.10	50,000	\$0.39	Exercise of options	Yes		No
22.04.10	2,000,000	\$0.20	Exercise of options	Yes		No
22.04.10	2,000,000	\$0.20	Exercise of options	*		Yes
27.04.10	348,040	\$0.20	Exercise of options	*		Yes
12.05.10	50,000	\$0.39	Exercise of options	Yes		No
14.05.10	1,000,000	\$0.48	Exercise of options		Yes	No
Options released from Escrow						
07.12.09	5,000,000		Released from escrow			
Options exercised subsequent to year end						
5.07.2010	1,275,000	\$0.20	Exercise of options	*		Yes
13.07.10	50,000	\$0.39	Exercise of options	Yes		No
13.07.10	500,000	\$0.25	Exercise of options	#		No
29.07.2010	500,000	\$0.20	Exercise of options	*		Yes
29.07.2010	25,000	\$0.20	Exercise of options	*		Yes
23.08.2010	75,000	\$0.20	Exercise of options	*		Yes
23.08.2010	50,000	\$0.39	Exercise of options	Yes		No
3.09.2010	275,000	\$0.20	Exercise of options	*		Yes
8.09.2010	12,500	\$0.20	Exercise of options	*		Yes

* Issued under 1:2 Non renounceable rights issue (pursuant to IPO - November 2007)

Issued prior to listing



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. Due to confidentiality restrictions in the insurance policy the premium paid has not been disclosed.

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. 29 circular resolutions were signed by the Directors during the financial year.

Director	Directors' Meetings	
	Number meetings held whilst a director	Number meetings attended
J.C. Morris	6	6
J.W. Phillips	6	2
M.J. Andrews	6	3
T.G. Spencer	6	6

Director	Remuneration Committee Meetings	
	Number meetings held whilst a director	Number meetings attended
J.C. Morris	1	1
J.W. Phillips	1	1
T.G. Spencer	1	1

Committee membership

The Company does not presently have separate nomination or audit committees as the Directors believe that the Company is not yet of a size nor are its financial affairs of such complexity to justify these separate committees. All matters which might be dealt with by such committees are subject to the full scrutiny of Board meetings. This decision will be reviewed as the Company develops in the future. Notwithstanding this, it is the Board's responsibility to ensure that an effective internal control framework exists within the entity.



DIRECTORS' REPORT (Cont'd)

REMUNERATION REPORT (AUDITED)

This report for the year ended 30 June 2010 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 secretaries of the Parent and the Group and the term 'Director' refers to non-executive Directors only.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosure

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

Key management personnel

Name	Position	Date of appointment	Date of resignation
Directors			
J.C. Morris	Executive Chairman	17-Aug-07	-
J.W. Phillips	Non-Executive Director	12-Jan-05	-
M.J. Andrews	Non-Executive Director	9-Aug-07	-
T.G. Spencer	Finance Director	28-Mar-09	-
Other Key Management Personnel* and Executives**			
Herryansyah*	President Director (PTNM)	27-Feb-09	-
M. Green*	Operations Manager (Comet Vale)	1-Feb-05	31-May-10
A. Sharland*	Production Manager (Way Linggo)	7-Sep-09	15-May-10
T. Butler*	Operations Manager (Way Linggo)	1-Jun-10	-
J. P. Smith**	Joint Company Secretary	9-Aug-07	-
T.C. Ashley**	Joint Company Secretary/Financial Accountant	18-Feb-09	-

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

2. Remuneration at a glance

The Board will not be seeking any increase to the Director fee pool at the next annual general meeting.

Remuneration strategy under review

During the 2009 financial year, the Government introduced various proposals affecting employee remuneration, including legislation in respect of employee share schemes and termination payments.

The Company will be undertaking a review of its executive remuneration strategy to ensure the approach reflects business needs, shareholder views and contemporary market practice. The Company expects that any changes resulting from this review will be implemented for the financial year commencing 1 July 2010.



DIRECTORS' REPORT (Cont'd)

3. Board oversight of remuneration & approval process

The Board has established a formal remuneration committee which 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 conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team. In determining the level and composition of executive remuneration, external consultants are engaged to provide independent advice.

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.

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 which is then subject to shareholder approval.

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.

4. Non-executive Director remuneration arrangements

Remuneration policy

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain NED's of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

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. The Board considers advice from external consultants when undertaking the annual review process.



DIRECTORS' REPORT (Cont'd)

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). During the financial year ended 2009 a share based payment valued at \$64,600 was made to Mr. Franks in his capacity as a non-executive director. This was considered a departure from the Corporate Governance Recommendations as published by the ASX Corporate Governance Council.

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. The current aggregate fee pool excludes share-based payments. They are also remunerated by the Group for additional work undertaken on behalf of the Group.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

The Board will not seek any increase for the NED pool at the 2010 Annual General Meeting.

Non-executive Directors are encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the Company whose Board he or she sits.

Structure

The remuneration of non-executive Directors consists of Directors' fees. They do not receive retirement benefits but are able to participate in share option based incentive programmes in accordance with Company policy.

Each NED currently receives \$20,000 for being a Director of the Company. NED's are also remunerated by the Group for additional work undertaken on behalf of the Group.

The remuneration of non-executive Directors for the years ending 30 June 2010 and 30 June 2009 is detailed in Tables 1 and 2 respectively in this report.

5. Executive remuneration arrangements

Remuneration levels and mix

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice.

Executive remuneration and incentive policies and practices must be performance based and aligned with the Company's vision, values and overall business objectives. Executive remuneration and incentive policies and practices must be designed to motivate the directors and management to pursue the Company's long term growth and success and demonstrate a clear relationship between the Company's overall performance and the performance of executives.

The Company undertakes an annual remuneration review to determine the total remuneration positioning against the market.

Fixed Remuneration

Executive contracts of employment do not include any guaranteed base pay increases but total employment costs (TEC) is reviewed annually by the Remuneration Committee and then presented to the Board for approval. The process consists of a review of company, business unit and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.



DIRECTORS' REPORT (Cont'd)

The fixed remuneration component of executives is detailed in Table 1.

Variable remuneration – short term incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Individual and Company operating targets associated with traditional financial and non-financial measures are difficult to set given the small number of Executives and the need to be flexible and multi-tasked, as the Company responds to a continually changing business environment. Consequently, a formal process of defining Key Performance Indicators (KPI's) and setting targets against the KPI's has not been adopted at the present time. Due to the absence of any set KPI's the existing remuneration is not linked to Company Performance.

The aggregate of annual STI payments available for executives across the Company is subject to the approval of the Board. Payments are usually delivered as a cash bonus. There were no STI payments during the financial year.

Variable remuneration – long term incentive (LTI)

The objective of the LTI plan is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance.

LTI grants to executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue.

The employee share options are generally issued in accordance with the Company's Share Option Plan ("ESOP"); however certain unlisted options issued to executives were issued outside of the Plan: i.e. options issued to Messrs Morris, Andrews and Mrs Smith prior to the Company's listing on the ASX in December 2007.

To date, 6,400,000 options have been issued under the ESOP to directors and key management personnel.

During the current financial year the following options issued under ESOP have been exercised:

- Mr. Spencer has exercised 1,000,000 options at \$0.14 each;
- Miss Ashley has exercised 250,000 options at \$0.14 each;
- Mr. Sharland has exercised 1,000,000 options at \$0.48 each;

Typically, the grant of LTI's occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time. However, under certain circumstances, including breach of employment conditions, the Directors may cause the options to expire prior to their vesting date. In addition, individual performance is more commonly rewarded over time through the STI program.

Table 3 on page 31 provides details of LTI options granted and the value of options granted, exercised and lapsed during the year.

During the 2009 financial year, the Government introduced various proposals affecting employee remuneration, including legislation in respect of employee share schemes and termination payments.

The Company will be undertaking a review of its executive remuneration strategy and the Company expects that any changes resulting from this review will be implemented for the financial year commencing 1 July 2010.



DIRECTORS' REPORT (Cont'd)

6. Company performance and the link to remuneration

Director and executive remuneration is currently not linked to either long term or short term performance conditions. The Board feels that the expiry date and exercise price of the options currently on issue to the Directors and executives is sufficient to align the goals of the Directors and executives with those of the shareholders to maximise shareholders wealth, and as such, has not set any performance conditions for the Directors or the executives of the Company. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

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.

The Company's performance since listing on the ASX on 7 December 2007 is as follows:

Year ended	EPS (cents)	Share Price
2008	(17.40)	\$0.25
2009	(4.20)	\$0.37
2010	(3.18)	\$1.04

Share price on 7 December 2007 was \$0.40. The improvement in the return to shareholders is reflected through the basic earnings per share that has improved over the past three years.

Executive contractual arrangements

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

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. 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 9% statutory superannuation. One month's notice by either party is required to terminate employment. Prior to listing on the ASX he was allotted 1,000,000 unlisted options at an exercise price of \$0.25, exercisable on or before 31 December 2012. These options were subject to escrow restrictions for a period of two years and were released from escrow on 7 December 2009.

Finance Director - Executive

In February 2009 Mr. Spencer entered into a three year contract with the Company and receives a salary of \$183,500 per annum and 9% statutory superannuation contributions. One month's notice by either party is required to terminate employment. He was also granted 2,000,000 unlisted options under the Company's Employee Share Option Plan. The options were issued at an exercise price of \$0.14 and will expire on 16 February 2014. Mr. Spencer exercised 1,000,000 options during the current financial year.

Non-Executive Directors

As Non-Executive Directors, Dr. Andrews 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.



DIRECTORS' REPORT (Cont'd)

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 A\$140,104 plus 6% superannuation (2009: A\$96,799). One month's notice is required by either party to terminate employment.

Dr. Andrews, in his capacity as Operations Director, receives an annual salary of A\$122,207 (2009: A\$91,100).

Board of Commissioners – PT Natarang Mining

Mr. Phillips, in his capacity as Commissioner, receives an annual salary of A\$84,462 (2009: \$Nil).

Operations Manager - Comet Vale

In September 2007, the Company entered into a Mining Services Agreement with Westralmen Pty Ltd ("Westralmen"), a company partly owned by Mr. M. Green. Westralmen performed mining services for the Company.

The initial term of the contract was for a period of two years and was extended by mutual agreement in September 2009 on a rolling monthly basis until the Company exited from the Comet Vale joint venture on 31 May 2010.

In consideration of Westralmen performing the mining services, the Company paid Westralmen a services fee of \$418,000 per annum inclusive of GST in equal instalments monthly in arrears until 30 August 2009 and subsequent to the recent extension, the service fee remained unchanged. 50% of this amount has been included as remuneration for Mr. Green for services provided to the Company. Westralmen is solely responsible for all taxes incurred or payable in respect of the services fee received from the Company.

The services that Westralmen provided to the Company included managing all aspects of the conduct of mining operations on the joint venture tenements, preparing and submitting expenditure proposals and work programs, maintaining all mining equipment, reporting to the Company in respect of the progress of the services and preparing and submitting any reports relating to the mining services as the Company required.

Under the terms of the agreement, the Company effected and maintained all insurances required by all applicable laws in respect of the mining services.

Production Manager – Way Linggo

In July 2009 Mr. Sharland entered into a two year contract with the Company's subsidiary, PT Natarang Mining. His remuneration included A\$250,000 per annum and 1,000,000 unlisted options allotted under the Company's Employee Share Option Plan (ESOP) at an exercise price of \$0.48 with an expiry date of 27 July 2014. On 15 May 2010 Mr. Sharland's position with PT Natarang Mining terminated. Pursuant to the terms of the ESOP, Mr. Sharland was afforded 30 days in which to exercise all or part of his options. On 14 May 2010, Mr. Sharland exercised all of his options.

Operations Manager – Way Linggo

In May 2010, Mr. Terry Butler was appointed Operations Manager. He has entered into a one year contract with PT Natarang Mining and receives \$267,000 per annum. One month's notice is required by either party to terminate the contract.

Joint Company Secretaries

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 \$110,000 pa and 9% statutory superannuation (pro rata to days worked). Prior to listing on the ASX



DIRECTORS' REPORT (Cont'd)

in December 2007 she was allotted 500,000 unlisted options at an exercise price of \$0.25 on or before 31 December 2012 which were subject to escrow restrictions of 12 months from the date of listing. These options were exercised in July 2010.

Miss Ashley entered into a Letter Agreement with the Company, effective from 11 February 2008. There is no fixed term; however one month's notice is required by either party to terminate employment. She was appointed joint Company Secretary in February 2009. She receives remuneration of \$85,000 pa and 9% statutory superannuation. Miss Ashley was allotted 250,000 unlisted options under the Company's Share Option Plan on 16 February 2009 at an exercise price of \$0.14 each, exercisable on or before 16 February 2014. These options were exercised during the current financial year.

 **DIRECTORS' REPORT (Cont'd)**

Remuneration of key management personnel and the five highest paid executives of the Company and the Group for 2010.

Table 1. Remuneration for the year ended 30 June 2010

	Short Term				Post employment	Termination benefits	Long term		Share-based payment		Total	Share-based payments
	Salary and fees	Cash bonus	Non-monetary benefits	Other (i)	Superannuation	Payments (ii)	Incentive plans	Long service leave	Shares	Options		%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Executive directors												
J.C. Morris	106,233	-	-	-	49,700	-	-	-	-	-	155,933	-
T.G. Spencer	183,500	-	-	969	16,515	-	-	-	-	-	200,984	-
Sub-total executive	289,733	-	-	969	66,215	-	-	-	-	-	356,917	-
Non-Executive directors												
M.J. Andrews	142,207	-	-	-	-	-	-	-	-	-	142,207	-
J.W. Phillips	104,462	-	-	-	-	-	-	-	-	-	104,462	-
Sub-total non-executive	246,669	-	-	-	-	-	-	-	-	-	246,669	-
Other KMP & Executives												
Herryansjah*	140,104	-	-	-	8,042	-	-	-	-	-	148,146	-
M. Green*	208,000	-	-	-	-	-	-	-	-	-	208,000	-
A. Sharland*	135,417	-	-	1,859	-	95,536	-	-	-	259,800	492,612	53%
T. Butler*	30,754	-	-	-	-	-	-	-	-	-	30,754	-
J.P. Smith**	34,930	-	-	-	49,000	-	-	-	-	-	83,930	-
T.C. Ashley**	77,000	-	-	-	6,930	-	-	-	-	-	83,930	-
Sub-total Other KMP & Execs.	626,205	-	-	1,859	63,972	95,536	-	-	-	259,800	1,047,372	
TOTAL	1,162,607	-	-	2,828	130,187	95,536	-	-	-	259,800	1,650,958	

(i) Amounts represent the annual charge for Life Insurance cover provided for the employee.

(ii) Ceased employment 15 May 2010. The termination payment includes three months' salary and entitlements, as provided in his employment contract.

* Other Key Management Personnel

** Executives

No elements of remuneration are performance based.

 **DIRECTORS' REPORT (Cont'd)**

Remuneration of key management personnel and the five highest paid executives of the Company and the Group for 2009

Table 2. Remuneration for the year ended 30 June 2009

	Short Term				Post employment	Termination benefits	Long term		Share-based payment		Total	Share-based pay-ments %
	Salary and fees	Cash bonus	Non-monetary benefits	Other (vi)	Superannuation	Payments	Incentive plans	Long service leave	Shares	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive directors												
J.C. Morris(i)	-	-	-	-	61,767	-	-	-	-	-	61,767	-
D.F. Hatch (ii)	151,333	-	-	10,349	66,667	200,112	-	-	-	-	428,461	-
T.G. Spencer(iii)	68,813	-	-	-	6,193	-	-	-	-	104,246	179,252	58.2%
Sub-total executive	220,146	-	-	10,349	134,627	200,112	-	-	-	104,246	669,480	
Non-Executive directors												
M.J. Andrews	111,100	-	-	-	1,800	-	-	-	-	-	112,900	-
J.W. Phillips	20,000	-	-	-	1,800	-	-	-	-	-	21,800	-
D.W. Franks(iv)	28,500	-	-	-	2,025	-	-	-	-	64,600	95,125	67.9%
Sub-total non-executive	159,600	-	-	-	5,625	-	-	-	-	64,600	229,825	
Other KMP and Executives												
Herryansjah*	96,799	-	-	-	-	-	-	-	-	-	96,799	-
M. Green*	209,000	-	-	6,790	-	-	-	-	-	-	215,790	-
J.P. Smith**	1,667	-	-	-	68,333	-	-	-	-	-	70,000	-
T.C. Ashley(v)**	63,583	-	-	-	5,722	-	-	-	-	13,031	82,336	15.8%
Sub-total Other KMP & Execs.	371,049	-	-	6,790	74,055	-	-	-	-	13,031	464,925	
TOTAL	750,795	-	-	17,139	214,307	200,112	-	-	-	181,877	1,364,230	-

(i) status changed from non-executive to executive 27 February 2009. Mr Morris has elected to receive his remuneration into superannuation.

(ii) resigned 27 February 2009. The termination payment included six months worth of salary and benefits as provided in Mr. Hatch's employment contract.

(iii) appointed 28 March 2009

(iv) resigned 28 March 2009

(v) appointed as Joint Company Secretary 18 February 2009

(vi) includes payment of motor vehicle allowances and/or sundry services.

* Other Key Management Personnel

** Executives

No elements of remuneration are performance based.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.



DIRECTORS' REPORT (Cont'd)

Table 3 - Compensation Options granted to directors and named executives during the financial year (consolidated)

30-Jun-10	Granted		Terms and conditions for each Grant					Vested	
	Granted 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									
A.Sharland	1,000,000	28-Jul-09	\$0.44	\$0.48	28-Jul-14	28-Jul-09	28-Jul-14	1,000,000	100%

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
	\$	\$	\$	%
A.Sharland	259,800	370,000	-	53%
D.W. Franks (former director)	-	430,000	-	-
T.G. Spencer	-	560,000	-	-
T.C. Ashley	-	132,500	-	-

Table 5 - Shares issued on exercise of options (consolidated)

The following compensation options were exercised during the financial year:

30-Jun-10	Shares Issued	Paid per share	Unpaid per share
	#	\$	\$
<u>Directors</u>			
T.G. Spencer	1,000,000	\$0.14	-
<u>KMP* and Executives**</u>			
A. Sharland*	1,000,000	\$0.48	-
T.C. Ashley**	250,000	\$0.14	-
Total	<u>2,250,000</u>		

End of Remuneration report.



DIRECTORS' REPORT (Cont'd)

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

The auditor's independence declaration for the year end 30 June 2010 is on page 33. This declaration forms part of the directors' report.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit 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.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:
(2009: \$41,498)

- Tax compliance \$8,000

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

T. G. Spencer
Finance Director
Perth, 20 September 2010



AUDITOR INDEPENDENCE DECLARATION

The Directors received the following declaration from the auditor of Kingsrose Mining Limited.

[Declaration to go here]



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

Recommendation	Comply Yes/No	Reference/ explanation	ASX Listing Rule/CGC recommendations
<i>Principle 1 - Lay solid foundations for management and oversight</i>			
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	2(a) Remuneration Report	ASX CGC 1.1
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	2(h), 3(b) Remuneration Report	ASX CGC 1.2
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	2(a), 2(h), 3(b) Remuneration Report	ASX CGC 1.3
<i>Principle 2 - Structure to board to add value</i>			
2.1 A majority of the board should be independent directors.	No	2(e)	ASX CGC 2.1
2.2 The chair should be an independent director.	No	2(c), 2(e)	ASX CGC 2.2
2.3 The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	No	2(b), 2(c)	ASX CGC 2.3
2.4 The board should establish a nomination committee	No	2(d)	ASX CGC 2.4
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	2(h)	ASX CGC 2.5
2.6 Companies should provide the information indicated	Yes	2(b), 2(c), 2(d)	ASX CGC 2.6



CORPORATE GOVERNANCE STATEMENT (cont'd)

Principle 3- Promote ethical and responsible decision-making

3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Yes	4(a)	ASX CGC 3.1
	• The practices necessary to maintain confidence in the Company's integrity.	Yes	4(a)	
	• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	Yes	4(a)	
	• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	4(a)	
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	4(b)	ASX CGC 3.2
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	4(a), 4(b)	ASX CGC 3.3

Principle 4 - Safeguard integrity in financial reporting

4.1	The board should establish an audit committee.	No	3(a)	ASX CGC 4.1
4.2	The audit committee should be structured so that it:	No	3(a)	ASX CGC 4.2
	• Consists only of non-executive directors.	No	3(a)	
	• Consists of a majority of independent directors.	No	3(a)	
	• Is chaired by an independent chair, who is not chair of the board.	No	3(a)	
	• Has at least three members.	No	3(a)	
4.3	The audit committee should have a formal charter.	No	3(a)	ASX CGC 4.3
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes		ASX CGC 4.4

Principle 5 - Make timely and balance disclosure

5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	5(a), 5(b)	ASX CGC 5.1
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	5(a), 5(b)	ASX CGC 5.2



CORPORATE GOVERNANCE STATEMENT (cont'd)

Principle 6 - Respect the rights of shareholders

6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	5(a), 5(b)	ASX CGC 6.1
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	5(a), 5(b)	ASX CGC 6.2

Principle 7 - Recognise and manage risk

7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	6(a)	ASX CGC 7.1
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	6(a), 6(b), 6(c)	ASX CGC 7.2
7.3	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	6(a), 6(b), 6(c)	ASX CGC 7.3

Principle 8 - Remunerate fairly and responsibly

8.1	The board should establish a remuneration committee.	Yes	3(b)	ASX CGC 8.1
8.2	Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	Yes	3(b) Remuneration Report	ASX CGC 8.2
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	3(b)	ASX CGC 8.3

Kingsrose Mining Limited's corporate governance practices were in place throughout the year ended 30 June 2010 with the exception of the Remuneration Committee which was established in June 2010.

2. THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

The Board 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.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Managing Director and senior management;



CORPORATE GOVERNANCE STATEMENT (cont'd)

- 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 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; however at present this is not the case as the Company has a total of four Directors: two executive and two non-executive;
- 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.

The term in office held by each Director at the date of this report is as follows:

Term in Office

- J.C. Morris – 3 years
- J. W. Phillips – 5 ½ years
- M.J. Andrews – 3 years
- T. G. Spencer – 1 ½ years



CORPORATE GOVERNANCE STATEMENT (cont'd)

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.

The table below sets out the detail of the tenure of each Director at the date of this report.

Name	Position	First Appointed	Independent
J.C. Morris	Executive Chairman	17-Aug-07	No
J.W. Phillips	Non-executive Director	12-Jan-05	No
M.J. Andrews	Non-executive Director	9-Aug-07	No
T.G. Spencer	Finance Director	28-Mar-09	No

2(c) Chairman and Managing Director

The roles of Chairman and Managing Director (if one is appointed) are not exercised by the same individual.

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 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.

The Managing Director is responsible for implementing the Company's strategies and policies. The Board specifies that these are generally separate roles to be undertaken by separate people.

Following the former Managing Director's resignation during the last financial year, the position of Managing Director has not been filled and this role has been assumed by the Chairman and/or Executive Management.

The Board has considered this matter carefully and decided that it does not affect the operation of the Company.

The Board does not comply with the ASX Recommendation 2.2 in that the Chairman is an Executive Director, is associated with a substantial shareholder and has a material contractual relationship with the Company.

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. However, as previously stated, the role of Managing Director is currently being handled by the Chairman and/or Executive Management.



CORPORATE GOVERNANCE STATEMENT (cont'd)

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) Independent Directors

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Kingsrose Mining Limited 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 making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

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.

2(f) 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(g) 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(h) 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.



CORPORATE GOVERNANCE STATEMENT (cont'd)

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.

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. 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.



CORPORATE GOVERNANCE STATEMENT (cont'd)

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

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.

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.

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

Company policy prohibits Directors, Company officers and employees dealing in Company shares while in possession of price sensitive information. As a matter of practice, Company shares may only be dealt with under the following guidelines:



CORPORATE GOVERNANCE STATEMENT (cont'd)

- No trading is permitted two days before and two days after an announcement to the ASX.
- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- Prior approval of the Executive Chairman is required prior to any trading being undertaken. If it is the Chairman who wishes to trade, prior approval must be sought from the Board of Directors.

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 conduction of the audit and preparation of the audit report.

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.

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



CORPORATE GOVERNANCE STATEMENT (cont'd)

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 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	<i>Consolidated</i> 30-Jun-10	<i>Consolidated</i> 30-Jun-09
Continuing operations			
Revenue	6(a)	330,225	124,902
Other income	6(b)	412,813	4,896
Administration expenses	6(c)	(4,482,633)	(4,679,573)
Exploration and evaluation expenditure		(2,279,745)	-
Finance costs	6(d)	(528,849)	(72,267)
Loss from continuing operations before income tax		(6,548,189)	(4,622,042)
Income tax benefit/(expense)		-	-
Loss from continuing operations after income tax		(6,548,189)	(4,622,042)
Discontinued operations			
Income/(loss) from discontinued operations after income tax	16(b)	5,136,732	(940,320)
Loss for the period		(1,411,457)	(5,562,362)
Other comprehensive income/(loss)			
Foreign currency translations		98,521	(2,175,164)
Income tax		-	-
Other comprehensive income/(loss) for the year, net of tax		98,521	(2,175,164)
Total comprehensive income/(loss) for the year		(1,312,936)	(7,737,526)
Loss for the year is attributable to:			
Non-controlling interests	32	(459,704)	-
Owners of the parent		(951,753)	(5,562,362)
		(1,411,457)	(5,562,362)
Total comprehensive loss for the year is attributable to:			
Non-controlling interests		(459,704)	-
Owners of the parent		(853,232)	(7,737,526)
		(1,312,936)	(7,737,526)
Loss per share from continuing operations attributable to the ordinary equity holders of the parent:			
Basic loss per share – cents per share	8	(3.00)	(4.46)
Diluted loss per share – cents per share	8	(3.00)	(4.46)
Loss per share attributable to the ordinary equity holders of the parent:			
Basic loss per share – cents per share	8	(0.47)	(5.36)
Diluted loss per share – cents per share	8	(0.47)	(5.36)

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	<i>Consolidated</i> As at 30-Jun-10	<i>Consolidated</i> As at 30-Jun-09
Current Assets			
Cash & cash equivalents	5	7,833,315	15,607,040
Trade & other receivables	10	1,638,070	365,321
Inventories	11	1,679,793	658,634
Held for trading financial assets	12	2,406,858	-
Derivative financial instruments	22	24,175	-
Other assets		73,398	-
Total Current Assets		13,655,609	16,630,995
Non-Current Assets			
Plant & equipment	13	8,481,947	2,457,885
Mine properties and development	14	22,469,879	7,012,335
Exploration and evaluation assets	15	1,558,196	7,408,883
Total Non-Current Assets		32,510,022	16,879,103
TOTAL ASSETS		46,165,631	33,510,098
Current Liabilities			
Trade & other payables	17	2,964,540	1,257,137
Interest bearing loans & borrowings	18	8,561,127	6,436,947
Non-interest bearing loans & borrowings	19	-	99,990
Provisions	20	112,291	61,387
Total Current Liabilities		11,637,958	7,855,461
Non-Current Liabilities			
Interest bearing loans & borrowings		40,856	-
Provisions	21	583,217	379,588
Other payable		-	77,006
Total Non-Current Liabilities		624,073	456,594
TOTAL LIABILITIES		12,262,031	8,312,055
NET ASSETS		33,903,600	25,198,043
EQUITY			
Equity attributable to the equity holders of the parent			
Contributed equity	23	50,889,668	40,567,560
Reserves	24	1,350,807	1,555,901
Accumulated losses	25	(17,877,171)	(16,925,418)
Parents interest		34,363,304	25,198,043
Non-controlling interests	32	(459,704)	-
TOTAL EQUITY		33,903,600	25,198,043

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 2010

	<i>Consolidated</i>	<i>Consolidated</i>
Note	2010	2009
	\$	\$
Cash flows used in operating activities		
Receipts from customers	6,090,183	4,530,558
Payment to suppliers and employees	(8,530,404)	(8,062,124)
Interest received	330,225	134,694
Interest paid	(136,600)	(57,767)
Net cash flows used in operating activities	(2,246,596)	(3,454,639)
34		
Cash flows used in investing activities		
Payments for plant and equipment	(7,443,941)	(419,405)
Payments for mine properties and development	(7,672,415)	(1,645,981)
Payments for exploration and evaluation assets	(2,566,594)	-
Proceeds from Reed Resources Limited in connection with the termination of Joint Venture Agreement	2,000,000	-
Proceeds from sale of plant and equipment	56,684	(19,909)
Business acquisition costs	-	(737,114)
Cash acquired on acquisition	-	45,396
Net cash flows used in investing activities	(15,626,266)	(2,777,012)
Cash flows from financing activities		
Proceeds from issue of shares/options	10,802,108	20,980,675
Share issue costs	(480,000)	(1,000,000)
Repayment of borrowings	-	(1,180,000)
Repayment of hire purchases	(215,111)	(93,098)
Net cash flows from financing activities	10,106,997	18,707,577
Net decrease in cash and cash equivalents	(7,765,865)	12,475,926
Cash and cash equivalents at beginning of financial year	15,607,040	3,140,620
Effects of exchange rate changes on cash held	(7,860)	(9,506)
Cash and cash equivalents at end of period	7,833,315	15,607,040
5		

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 2010

	Issued Capital	Option Premium Reserve	Convertible Note Reserve	FX Translation Reserve	Accumulated Losses	Owners of the parent	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
Income/(loss) for the year	-	-	-	-	(951,753)	(951,753)	(459,704)	(1,411,457)
Other comprehensive income/(loss) 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

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

	Issued Capital	Option Premium Reserve	Convertible Note Reserve	FX Translation Reserve	Accumulated Losses	Owners of the parent	Non-controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2008	12,507,946	442,167	2,041,440	-	(11,363,056)	3,628,497	-	3,628,497
Income/(loss) for the year	-	-	-	-	(5,562,362)	(5,562,362)	-	(5,562,362)
Other comprehensive income/(loss) for the year	-	-	-	(2,175,164)	-	(2,175,164)	-	(2,175,164)
Total comprehensive income/(loss) for the year	-	-	-	(2,175,164)	(5,562,362)	(7,737,525)	-	(7,737,525)
Transactions with owners in their capacity as owners:								
Issue of share capital	29,470,000	-	-	-	-	29,470,000	-	29,470,000
Share issue cost	(1,000,000)	-	-	-	-	(1,000,000)	-	(1,000,000)
Proceeds from exercise of options	-	10,675	-	-	-	10,675	-	10,675
Share based payments	(410,386)	1,236,783	-	-	-	826,397	-	826,397
At 30 June 2009	40,567,560	1,689,625	2,041,440	(2,175,164)	(16,925,418)	25,198,043	-	25,198,043

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. CORPORATE INFORMATION

The financial report of Kingsrose Mining Limited (the “Company” or “Kingsrose”) and its Controlled Entities (the “Group”) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 16 September 2010.

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 and all values are rounded to the nearest dollar unless otherwise stated.

(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 2009 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 3 (Revised) *Business Combinations*. The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree’s net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively;
- AASB 8 and AASB 2007-3 *Operating Segments and consequential amendments to other Australian Accounting Standards*. This Standard requires disclosure of information about the Group’s segments and replaces the requirements to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard has resulted in the Group revising its segment reporting. Refer to Note 4 for details of reportable segments;



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

- AASB 101 (Revised), AASB 2007-8 and AASB 2007-10 *Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards*. The revised Standard separates owner and non-owner changes in equity and requires a statement of comprehensive income to be prepared which discloses all changes in equity during a period resulting from non-owner transactions. The Group has elected to present comprehensive income using the one statement approach;
- AASB 127 Revised *Consolidated and Separate Financial Statements*. The revised Standard, which has been applied prospectively from 1 July 2009 in accordance with transitional provisions of the Standard, requires total comprehensive income to be allocated to the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. The Group previously only attributed losses to the non-controlling interests in excess of their share of the equity of the subsidiary where the non-controlling interest had a binding obligation and the ability to make an additional investment. As a result of the adoption of the revised Standard, the previous allocation of losses to the parent entity remains and is not reversed by subsequent profits. Accordingly, the Group recognised non-controlling interests in total comprehensive income for the year amounting to \$459,704 from 1 July 2009.
- AASB 2008-5 and 6
AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations;*
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127;*
- AASB 2008-7 *Amendments to Australian Accounting Standards – Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;*
- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038];*
- AASB Int. 17 and
AASB 2008-13 *Distribution of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110;*
- AASB 2009-7
and *Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136, 139 Interpretation 17];*
- AASB 123 (R) and
AASB 2007-6 (R) *Borrowing Costs and consequential amendments to other Australian Accounting Standards.*

(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 2010. The impact on adoption of these new and revised standards and interpretations has not been determined by the Group, these are outlined in the following table:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for 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]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.</p> <p>The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal are whether the entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p> <ul style="list-style-type: none"> (a) has a primary responsibility for providing the goods or service;has inventory risk; (b) has discretion in establishing prices; (c) bears the credit risk. <p>The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.</p> <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts an provide clarification in relation to accounting for cash flow hedges.</p>	1-Jan-10	1-Jul-10
AASB 2009-8	Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2]	<p>This Standard makes amendments to Australian Accounting Standard <i>AASB 2 Share-based Payment</i> and supersedes Interpretation 8 <i>Scope of AASB 2 and Interpretation 11 AASB 2 - Group and Treasury Share Transactions</i>.</p> <p>The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.</p> <p>The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p>	1-Jan-10	1-Jul-10



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2009-10	Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1-Feb-10	1-Jul-10
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 Interpretation 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: (a) two categories for financial assets being amortised cost or fair value; (b) removal of the requirement to separate embedded derivatives in financial assets; (c) strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest, and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows; (d) an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition (e) reclassification between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes; and (f) changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.	1-Jan-13	1-Jul-13
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 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 IFRSs by the IASB.	1-Jan-11	1-Jul-11
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "considered paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1-Jul-10	1-Jul-10



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	<p>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).</p> <p>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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>	1-Jan-13	1-Jul-13
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;</p> <p>(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; and</p> <p>(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.</p> <p>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.</p>	1-Jan-11	1-Jul-11
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 & AASB 139]	<p>Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.</p> <p>Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.</p> <p>Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.</p> <p>Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.</p>	1-Jul-10	1-Jul-10



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Group
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]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>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.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions</p> <p>Clarify 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.</p>	1-Jan-11	1-Jul-11



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (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 (formerly known as minority interests) are allocated their share of net profit or loss after tax in the statement of comprehensive income 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 (\$). The Indonesian subsidiary's functional currency is United States dollars (\$) which is translated to the presentation currency.

(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 are taken to the foreign currency translation reserve. If the Indonesian subsidiary was sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (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 and other receivables, which generally have 30-60 day terms, are recorded at fair value based on estimated amounts due less any impairment losses. An impairment loss is established when there is evidence that the Group will not be able to collect all amounts due according to the original term of receivables.

(h) Inventories

Finished goods, gold concentrate, gold in circuit and stockpiles of unprocessed ore have been valued at the lower of cost and estimated net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to gold concentrate, gold in circuit and items of inventory on the basis of weighted average costs and stockpiles of unprocessed ore on the basis of first-in, first-out.

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.

(i) Derivatives

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 statement of comprehensive income.

(j) 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

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 is 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.

(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 statement of comprehensive income as incurred.

Depreciation is calculated on the diminishing value basis over the estimated useful life of the specific assets as follows:

- **Mining property, plant and equipment:** based on economically recoverable reserves.
- **Other equipment:** based on a rate of 5% to 20% per annum, depending on the item of equipment.

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

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.

De-recognition

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 statement of comprehensive income in the period the item is derecognised.

Impairment of property, plant and equipment

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.

(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 straight-line basis so as to write off the cost based on economically recoverable reserves.

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 asset

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

- (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 tangible and intangible 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 30 days of recognition.

(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 statement of comprehensive income 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) Convertible notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transactions costs. The carrying amount of the conversion options is not re-measured in subsequent years.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

Interest on the liability component of the instruments is recognised as an expense in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(r) 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 26. 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 Parent'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 parent. The expense recognised by the Group is the total expense associated with all such awards.

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 statement of comprehensive income with a corresponding adjustment to equity.

(s) 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

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 statement of comprehensive income 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.

(t) 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.

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 Statement of Comprehensive Income.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

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 except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST 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 included

The net amount of GST 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 Consolidated Statement of Cash Flows on a gross basis and the GST 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 recoverable from, or payable to, the taxation authority.

(u) 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 Statement of Comprehensive Income 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.

(v) 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(w) 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.

(x) 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 per share is calculated as net profit 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.

(y) 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.

(z) 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

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 26. 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.

(aa) Comparatives

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

(ab) 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 Consolidated Statement of Comprehensive Income and the assets and liabilities are presented separately on the face of the Consolidated Statement of Financial Position.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, convertible notes, 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, including interest rate and currency risk 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 rate, 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:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Financial assets		
Cash and cash equivalents	<u>7,833,315</u>	15,607,040
	<u>7,833,315</u>	<u>15,607,040</u>
Financial liabilities		
Interest bearing liabilities	<u>8,601,983</u>	6,314,472
	<u>8,601,983</u>	<u>6,314,472</u>
Net exposure	<u>(768,668)</u>	<u>9,292,568</u>

The Company 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 3% increase and 1% decrease in rates is based on reasonably expected possible changes over a financial year, using the observed range of historical rates for the preceding five year period with an emphasis on rates observed during the past two years as a result of the global financial crisis.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax losses and equity would have been affected as follows:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2010	2009	2010	2009
	\$	\$	\$	\$
Judgements of reasonably possible movements:				
Consolidated				
+ 3.0% (300 basis points)	(16,142)	195,144	-	-
- 1.0% (100 basis points)	5,381	(65,048)	-	-

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australia and foreign countries, relationships with finance institutions, the level of debt that is expected to be renewed as well as a review of the last two year's historical movements and economic forecaster's expectations.

(ii) Foreign currency risk

As a result of significant operations in Indonesia and large purchases of goods and services denominated in Rupiah and United States Dollars, the Group's statement of financial position can be affected significantly by movements in the Rupiah/A\$ and US\$/A\$ 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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

future net asset positions denominated in foreign currencies. There are also minor purchases of goods and services denominated in Euros however, the exposure to foreign exchange movements is minimal.

The Group's gold sales from the Comet Vale Project located in Western Australia are executed in A\$ whereby the gold ounces are priced in US\$ but automatically overlaid by the buyer with a foreign exchange transaction resulting in the Group receiving an equivalent A\$ gold price.

At 30 June 2010, the Group had the following exposure to US\$, IDR and EUR foreign currencies:

	<i>Consolidated</i>		<i>Consolidated</i>		<i>Consolidated</i>	
	2010	2009	2010	2009	2010	2009
	USD	USD	IDR	IDR	EUR	EUR
	\$	\$	Million	Million	€	€
Financial Assets						
Cash and cash equivalents	70,438	90,909	278	38	13,780	-
Other receivable	-	-	9,827	2,856	-	-
	70,438	90,909	10,105	2,894	13,780	-
Financial Liabilities						
Trade and other payables	(84,769)	(312,452)	(4,546)	(1,514)	-	-
	(84,769)	(312,452)	(4,546)	(1,514)	-	-
Net exposure	(14,331)	(221,543)	5,559	1,380	13,780	-

At 30 June 2010, 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)	
	2010	2009	2010	2009
Judgements of reasonably possible movements:				
Consolidated				
AUD/US Dollar + 10%	(1,003)	(15,508)	-	-
AUD/US Dollar - 10%	1,003	15,508	-	-
AUD/IDR Rupiah + 10%	389	(103,320)	-	-
AUD/IDR Rupiah - 10%	(389)	103,320	-	-
AUD/EUR Euro + 10%	965	-	-	-
AUD/EUR Euro - 10%	(965)	-	-	-

The USD\$ movements in profit in 2010 are more sensitive than in 2009 due to the higher level of US Dollar interest bearing loans and borrowings at balance date. The IDR movements in profit in 2010 are less sensitive than in 2009 due to the lower level of 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

- 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 the reporting date.
- The sensitivity does not include financial instruments that are non-monetary items as these are not considered to give rise to currency risk.

(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, bank loans, finance leases and committed available credit lines.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities. The respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amounts or timing are based on the conditions existing at 30 June 2010.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments of working capital e.g. inventories and trade receivables.

To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Group monitors its expected settlement of financial assets and liabilities on an ongoing basis. The following table reflects all contractually fixed pay-offs and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities. The contractual maturity for liabilities represents undiscounted gross amounts.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

<i>Consolidated</i>	< 6 months	6-12	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2010					
Financial assets					
Cash and equivalents	7,833,315	-	-	-	7,833,315
Trade and other receivables	405,343	1,256,902	39,300	-	1,701,545
Derivative financial instruments					
- gross settled					
Inflows	1,489,441	-	-	-	1,489,441
Outflows	(1,465,266)	-	-	-	(1,465,266)
Financial liabilities					
Trade and other payables	(2,964,540)	-	-	-	(2,964,540)
Interest-bearing liabilities	(8,561,127)	-	(40,856)	-	(8,601,983)
Non-interest bearing loan	-	-	-	-	-
Net Maturity	(3,262,834)	1,256,902	(1,556)	-	(2,007,488)
	< 6 months	6-12	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2009					
Financial assets					
Cash and equivalents	15,607,040	-	-	-	15,607,040
Trade and other receivables	365,321	-	-	-	365,321
Financial liabilities					
Trade and other payables	(1,257,137)	-	-	-	(1,257,137)
Interest-bearing liabilities	-	(135,151)	-	-	(135,151)
Non-interest bearing loan	(99,990)	(6,314,472)	-	-	(6,414,462)
Net Maturity	14,615,234	(6,449,623)	-	-	8,165,611

(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 counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets.

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.

The Group has no significant concentrations of credit risk within the Group except for cash held with National Australia Bank and gold-ore stockpile held with recognised third parties.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

Cash

The Group's primary banker is National Australia Bank. The Board considers the use of this financial institution, which has a rating of AA/A-1+ from Standards and Poor's, to be sufficient in the management of credit risk with regards to these funds.

Trade Debtors

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 ore sales due to dependence for a significant volume of its sales revenues on a few principal buyers. For gold-ore sales in Australia there is generally a six to eight week delay between shipment of gold ore and payment from a customer. In relation to managing other potential credit risk exposures, the Group has in place policies that aim to ensure that derivative counterparties and cash transactions are limited to high credit quality financial institutions and that the amount of credit exposure to any one financial institution is limited as far as is considered commercially appropriate.

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

(v) Fair values

	<i>Consolidated</i>		<i>Consolidated</i>	
	2010	2010	2009	2009
	\$	\$	\$	\$
	Quoted market price (Level 1)	Valuation technique - observable market inputs (Level 2)	Quoted market price (Level 1)	Valuation technique - observable market inputs (Level 2)
Financial Assets				
Equity instruments held for trading	2,406,858	-	-	-
Derivative financial instruments	-	24,175	-	-
	<u>2,406,858</u>	<u>24,175</u>	<u>-</u>	<u>-</u>

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (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 management in assessing performance and 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 zinc. PT Natarang Mining (operator of the Way Linggo Project) is the primary entity that will be producing 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 (the chief operating decision makers) on a monthly basis.

Types of Products

- As at the reporting date, the Group is planning to produce 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 and inter-segment transactions

- The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the accounts except for intercompany loans which are initially recognised at the consideration received.
- 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.

Major Customers

- The Group did not produce saleable products from its continuing operations and therefore does not have any major customers.

Income Tax Expense

- Income tax expense has not been calculated for the reported segments as both segments have made operating losses. No effect is given for taxable or deductible temporary differences.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

	Year ended 30 June 2010				Year ended 30 June 2009			
	Gold \$	Zinc \$	Unallocated Items \$	Total \$	Gold \$	Zinc \$	Unallocated Items \$	Total \$
Interest revenue	-	-	330,225	330,225	-	-	124,902	124,902
Total revenue	-	-	330,225	330,225	-	-	124,902	124,902
Segment loss before income tax	(2,714,674)	(1,121,420)	-	(3,836,094)	(1,778,944)	-	-	(1,778,944)
Interest revenue	-	-	330,225	330,225	-	-	124,902	124,902
Corporate costs	-	-	(2,513,471)	(2,513,471)	-	-	(2,895,733)	(2,895,733)
Finance costs	-	-	(528,849)	(528,849)	-	-	(72,267)	(72,267)
Loss before income tax	(2,714,674)	(1,121,420)	(2,712,095)	(6,548,189)	(1,778,944)	-	(2,843,098)	(4,622,042)
Income tax expense	-	-	-	-	-	-	-	-
Net loss for the year	(2,714,674)	(1,121,420)	(2,712,095)	(6,548,189)	(1,778,944)	-	(2,843,098)	(4,622,042)
Depreciation	7,220	-	-	7,220	7,528	-	-	7,528
Segment operating assets	34,702,527	99,785	-	34,802,312	16,519,125	-	-	16,519,125
Unallocated assets	-	-	11,363,319	11,363,319	-	-	16,990,973	16,990,973
Total assets	34,702,527	99,785	11,363,319	46,165,631	-	-	-	33,510,098
Mine development, exploration and capital expenditure	15,403,204	-	-	15,403,204	1,441,883	-	-	1,441,883
Segment liabilities	(8,899,588)	(152,413)	-	(9,052,001)	(7,125,713)	-	-	(7,125,713)
Unallocated liabilities	-	-	(3,210,030)	(3,210,030)	-	-	(1,186,342)	(1,186,342)
Deferred tax liabilities	-	-	-	-	-	-	-	-
Total liabilities	(8,899,588)	(152,413)	(3,210,030)	(12,262,031)	-	-	-	(8,312,055)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

	<i>Consolidated</i>	
	2010	2009
	\$	\$

(i) Segment assets by geographical location based on location of mining activity

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

Australia	-	-
Indonesia	32,510,022	16,879,103
Sardinia	-	-
	32,510,022	16,879,103

5. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	<i>Consolidated</i>	
	2010	2009
	\$	\$

Cash at bank and in hand	7,833,315	15,607,040
	7,833,315	15,607,040

Cash at bank earns interest at floating rates based on daily bank deposit rates.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

6. REVENUES AND EXPENSES

	<i>Consolidated</i>	
	2010	2009
	\$	\$
(a) Revenue		
Interest	330,225	124,902
Total Revenue	<u>330,225</u>	<u>124,902</u>
(b) Other Income/(Losses)		
Profit from sale of assets	5,955	4,896
Gain on held for trading financial asset	406,858	-
Total other income	<u>412,813</u>	<u>4,896</u>
(c) Administration expenses		
<i>Employee benefits expense</i>		
Salaries, wages expense and other employee benefits	1,108,393	892,693
Directors fees and other benefits	40,000	43,600
Share based payments	1,737,825	826,397
	<u>2,886,218</u>	<u>1,762,690</u>
<i>Other expenses</i>		
Consulting expense	153,379	426,617
Depreciation expense	9,305	853
Administration costs	919,724	1,000,208
Exchange gain/(loss)	514,007	1,489,205
Total administration expenses	<u>4,482,633</u>	<u>4,679,573</u>
(d) Finance costs		
Interest	356,164	57,767
Interest on convertible notes	172,685	14,500
Total finance costs	<u>528,849</u>	<u>72,267</u>

7. INCOME TAX

	<i>Consolidated</i>	
	2010	2009
	\$	\$
(a) Income tax expense		
The components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax benefit	-	-
Deferred income tax		
Relating to origination of temporary differences	-	-
Income tax expense/(benefit) reported in income statement	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(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

-	-
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(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 loss before income tax	1,411,457	(5,562,362)
At the entity's Australian statutory income tax rate of 30% (2009: 30%)	690,195	(1,135,025)
At the entity's Indonesian statutory income tax rate of 35% (2009: 35%)	(1,102,401)	(622,631)
At the entity's Italian statutory income tax rate of 27.5%	(154,658)	-
Under/(over)-provision in prior year	128,705	(1,094,446)
Australian non-deductible expenditure	522,164	207,003
Australian income tax benefit not recognised/ (recognised)	(1,341,063)	928,022
Indonesian non-deductible expenditure	57,997	-
Indonesian carry forward tax benefits restated at new exchange rate	90,688	-
Indonesian income tax benefit not recognised	953,715	1,717,077
Italian non-deductible expenditure	154,658	-
Aggregate income tax expense/(benefit)	-	-

(d) Recognised deferred tax assets and liabilities

Deferred tax balances

<i>Consolidated</i>	
2010	2009
\$	\$

Taxable and deductible temporary differences arise from the following:

Deferred tax assets:

Provisions	43,353	87,612
Plant and equipment	-	186,309
Mine development	-	195,336
Capital raising expenses	6,893	10,339
Unrealised foreign exchange movements	51,388	-
Australian losses available for offset against future taxable income	1,628,459	2,479,132
Provisions of Indonesian subsidiary	104,736	46,092
Indonesian losses available for offset against future taxable income	2,571,255	1,676,184

Deferred tax liabilities:

Accrued income	-	(9,627)
Unrealised gain on financial assets	(122,057)	-
Unrecognised net deferred tax asset	(4,284,027)	(4,671,377)

-	-
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The Group has Australian carried forward tax losses of \$5,428,200 (tax effected at 30%, \$1,628,460) as at 30 June 2010. PTNM, an 85% owned Indonesian subsidiary company, has Indonesian carried forward tax losses of \$7,346,444 (tax effected at 35%, \$2,571,255) as at 30 June 2010. In view of the Group's trading position, the directors have not included this tax benefit in the Group's balance sheet. 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

Unrecognised temporary differences

At 30 June 2010, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should unremitted earnings be remitted (2009:\$nil).

8. EARNINGS PER SHARE

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

	<i>Consolidated</i>	
	2010	2009
(a) Earnings per share	\$	\$
The following reflects the income used in the calculation of basic and diluted EPS:		
Net loss from continuing operations attributable to ordinary equity holders of the parent	(6,088,485)	(4,622,042)
Profit/(loss) attributable to discontinued operations attributable to ordinary equity holders of the parent	5,136,732	(940,320)
Net loss attributable to ordinary equity holders of the parent	<u>(951,753)</u>	<u>(5,562,362)</u>
(b) Weighted average number of shares	<u>No. of shares</u>	<u>No. of shares</u>
Weighted average number of ordinary shares (excluding reserved shares) for basic earnings per share*	<u>202,414,446</u>	103,706,710
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution.	<u>202,414,446</u>	103,706,710

* adjusted for the effect of convertible notes in 2009 and 2010

(b) Information on the classification of securities

(i) Options

Options granted to employees (51,925,010 on issue at 30 June 2010; 47,275,010 at 30 June 2009) are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share to the extent they are dilutive.

(ii) Convertible Notes

For the 2009 financial year the mandatorily convertible notes as described in Note 24 were included in the determination of basic and diluted earnings per share. The convertible notes were redeemed at the reporting date 30 June 2010 and no ordinary shares were issued. The weighted average number of ordinary shares outstanding during the period factors in the redemption of these convertible notes.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

9. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company during the year.

10. TRADE AND OTHER RECEIVABLES (CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Trade receivables	200,000	-
Accrued revenue	-	-
Other receivables	1,438,070	365,321
	<u>1,638,070</u>	<u>365,321</u>

11. INVENTORIES (CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Ore stocks at cost	1,105,751	515,756
Stores and spares at cost	574,042	142,878
Total inventories at lower of cost and net realisable value	<u>1,679,793</u>	<u>658,634</u>

12. FINANCIAL ASSETS HELD FOR TRADING (CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
At fair value		
Shares - Australian listed	2,406,858	-
	<u>2,406,858</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

13. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Property, plant and equipment		
At cost or fair value	9,552,209	2,798,805
Accumulated depreciation	<u>(1,070,262)</u>	<u>(340,920)</u>
Net carrying amount	<u>8,481,947</u>	<u>2,457,885</u>
Movement in property, plant and equipment		
At 1 July net of accumulated depreciation and impairment	2,457,885	745,543
Acquisition of business	-	2,065,212
Additions	7,443,941	472,726
Disposals - at cost	(1,084,388)	(24,805)
Disposals - accumulated depreciation	215,530	-
Depreciation charged to mine properties and development	(894,534)	(93,659)
Depreciation charged to profit and loss	(50,338)	(151,195)
Foreign exchange translation gain/(loss)	<u>393,851</u>	<u>(555,937)</u>
At 30 June net of accumulated depreciation and impairment	<u>8,481,947</u>	<u>2,457,885</u>

The Group has entered into finance lease arrangements for the hire of 5 vehicles. These finance lease commitments are disclosed at Note 27.

14. MINE PROPERTIES AND DEVELOPMENT (NON-CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Mine properties and development		
At cost or fair value	25,957,851	10,500,307
Accumulated impairment	<u>(3,487,972)</u>	<u>(3,487,972)</u>
Net carrying amount	<u>22,469,879</u>	<u>7,012,335</u>
Movement in mine properties and development		
At 1 July net of accumulated depreciation and impairment	7,012,335	-
Acquisition of business	-	7,979,958
Additions	6,514,090	1,760,028
Transferred from exploration and evaluation assets	7,408,883	-
Unwinding of rehabilitation asset present value	38,952	11,183
Foreign exchange translation gain/(loss)	<u>1,495,619</u>	<u>(2,738,834)</u>
At 30 June net of accumulated depreciation and impairment	<u>22,469,879</u>	<u>7,012,335</u>
	<u>22,469,879</u>	<u>7,012,335</u>

No impairment losses were incurred in the reporting period (2009: \$Nil).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

15. EXPLORATION AND EVALUATION ASSETS (NON-CURRENT)

	Way Linggo \$
Consolidated	
At cost or fair value	<u>1,558,196</u>
Net carrying amount	<u>1,558,196</u>
Movement in exploration and evaluation assets	
Cost as at 1 July 2008	-
Acquisition of business	8,120,750
Foreign exchange translation loss	<u>(711,867)</u>
Cost as at 30 June 2009	7,408,883
Additions	1,445,174
Transfer to mine property and development	(7,408,883)
Foreign exchange translation gain	<u>113,022</u>
Cost as at 30 June 2010	<u>1,558,196</u>

16. DISCONTINUED OPERATIONS

(a) Details of discontinued operations

The Board of Directors concluded that it was in the best interest of Kingsrose shareholders for the Company to exit from the Comet Vale joint venture operations to allow management and resources to be focussed on the Way Linggo development.

During the fiscal year ended 30 June 2010, Kingsrose Mining Limited reached an agreement for the termination on 31 May 2010 of their Joint Venture Agreement (Comet Vale) with Reed Resources Limited (dated 12 May 2005), for consideration of cash amounting to A\$1,000,000 by 31 October 2009, another A\$1,000,000 in cash in exchange for the Company's mining equipment by 30 June 2010 and a 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 and the result was a gain on disposal of \$3,181,889 after income tax. This has been presented as a discontinued operation of which the results of the Comet Vale joint venture operations for the year until disposal are presented below:

(b) Financial performance of the Comet Vale joint venture operations for the year until disposal

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Revenue	6,010,893	4,171,002
Expenses	<u>(4,056,050)</u>	<u>(5,111,322)</u>
Gross profit/(loss)	1,954,843	(940,320)
Gain on disposal	<u>3,181,889</u>	-
Income/(loss) before tax from discontinued operations	<u>5,136,732</u>	<u>(940,320)</u>
Income tax benefit/(expense)	-	-
Net Income/(loss) before tax from discontinued operations	<u>5,136,732</u>	<u>(940,320)</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(c) Assets information of Comet Vale joint venture operations at date of disposal

	2010 \$
<i>Assets at carrying value</i>	
Plant	723,111
Equipment	95,000
Total assets	<u>818,111</u>

(d) Cash flow information of Comet Vale joint venture operations until disposal

	2010 \$	2009 \$
Operating activities	772,874	(885,456)
Net cash inflow/(outflow)	<u>772,874</u>	<u>(885,456)</u>

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

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

	2010 \$	2009 \$
Earning per share (cents per share):		
Basic EPS (cents) from discontinued operations	2.54	(0.91)
Diluted EPS (cents) from discontinued operations	2.54	(0.91)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

17. TRADE AND OTHER PAYABLES (CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Trade creditors (a)	978,325	327,041
Sundry creditors (b)	849,725	570,722
Accruals (b)	881,490	359,374
Unearned revenue (c)	255,000	-
	<u>2,964,540</u>	<u>1,257,137</u>

(a) The trade creditors are non interest-bearing and generally on 30 day terms.

(b) Sundry creditors and accruals are non interest-bearing and generally on 30 day terms.

(c) Unearned revenue relates to cash received for shares issued on the exercise of options that were issued after 30 June 2010.

Due to the short term nature of these payables, their carrying value approximates their fair value.

18. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Convertible note	-	122,475
Hire purchase	44,219	-
Loan from related party (a)	6,316,908	6,314,472
Loan from related party (b)	2,200,000	-
	<u>8,561,127</u>	<u>6,436,947</u>

(a) Represents unsecured interest-bearing loans to Related Parties to the Company. Refer to Note 30 Related Parties.

(b) Following the redemption of 11,000,000 Convertible Notes at \$0.20 each on 30 June 2010 which Notes were issued to two note holders, including a Director of the Company, prior to the Company's listing on the ASX in December 2007, effective 30 June 2010 the Company entered into a three month unsecured loan of \$2,200,000 with the two note holders, bearing interest at a rate of 6% per annum. The loan and interest is due to be repaid in full by 30 September 2010.

19. NON-INTEREST BEARING LOAN AND BORROWINGS (CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Loan from related party	-	99,990
	<u>-</u>	<u>99,990</u>

Represents an unsecured interest-free loan from Mr. Phillips that was paid during the year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

20. PROVISIONS (CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Provision for annual leave	112,291	61,387
	<u>112,291</u>	<u>61,387</u>

21. PROVISIONS (NON CURRENT)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
Rehabilitation	283,972	345,020
Other - employee benefit provision	299,245	34,568
	<u>583,217</u>	<u>379,588</u>
Movement in rehabilitation		
At 1 July 2009	345,020	100,000
Acquisition of business	-	233,837
Relief of provision	(100,000)	-
Unwinding of discount	38,952	11,183
At 30 June 2010	<u>283,972</u>	<u>345,020</u>
Total rehabilitation	<u>283,972</u>	<u>345,020</u>

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

	<i>Consolidated</i>	<i>Consolidated</i>
	2010	2009
	\$	\$
Current assets		
Forward currency contracts	<u>24,175</u>	-

The Company has 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 USD 475,000 at a rate of USD:AUD 0.8459 (nominal value of AUD\$561,532). The contract matured on 27 July 2010.
- (b) Contract 2 was entered into on 11 June 2010 for the purchase of USD 780,000 at a rate of USD:AUD 0.8406 (nominal value of AUD\$927,908). The contract matured on 27 July 2010.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

23. CONTRIBUTED EQUITY

	<i>Consolidated</i>		<i>Consolidated</i>	
	2010	2010	2009	2009
Issued Capital during the year:	\$	Number	\$	Number
<i>(a) Ordinary Shares</i>				
Issued and fully paid	50,889,668	241,433,060	40,567,560	218,250,020
<i>(b) Movements in ordinary shares on issue</i>				
Balance as at 1 July	40,567,560	218,250,020	12,507,946	66,050,020
Private placement - 16 January 2009	-	-	970,000	9,700,000
Consideration shares - acquisition of MM Gold P/L	-	-	8,500,000	42,500,000
Private placement - 7 May 2009	-	-	20,000,000	100,000,000
Share issue costs	-	-	(1,410,386)	-
Private placement - 22 January 2010 (i)	9,000,000	15,000,000	-	-
Share issue costs (i)	(480,000)	-	-	-
Exercise of options - listed	471,608	2,358,040	-	-
Exercise of options - unlisted	1,330,500	5,825,000	-	-
Balance as at 30 June	50,889,668	241,433,060	40,567,560	218,250,020

- (i) On 22 January 2010, 15,000,000 ordinary fully paid 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.

(c) Terms and Conditions of contributed equity

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.

(d) Escrow restrictions

There are no escrow restrictions on securities in the Company.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(e) *Options on issue*

Unissued ordinary shares of the Company at 30 June 2010:

No. Listed	No. Unlisted		Exercise Price	Expiry Date
	ESOP	Non-ESOP		
34,366,970			\$0.20	31 Dec 2012
		5,000,000	\$0.25	31 Dec 2012
	1,000,000		\$0.14	18 Feb 2014
	2,000,000		\$0.14	09 Apr 2014
		1,125,000	\$0.26	14 May 2014
		750,000	\$0.39	13 Jul 2014
		500,000	\$0.39	13 Jul 2014
		2,000,000	\$0.20	29 Dec 2012
	150,000		\$0.73	08 Mar 2015

(f) *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 interest bearing loans and borrowings, 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 consolidated entity'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.

	<i>Consolidated</i>	
	2010 \$	2009 \$
Total borrowings*	11,566,523	7,874,231
Less cash and cash equivalents	(7,833,315)	(15,607,040)
Net debt	3,733,208	(7,732,809)
Total equity	33,903,600	25,198,043
Total capital	37,636,808	17,465,234
Gearing ratio	11%	-

*Includes trade and other payables, interest bearing loans and borrowings, and non-interest bearing loans and borrowings.

The Group's gearing ratio is monitored and maintained at a level that is appropriate for its growth plans, taking into account the fact that a significant component of Group liabilities (\$6,316,908 outstanding as at 30 June 2010) were part of the business acquisition of the Way Linggo Gold Project and are payable from surplus operating cash-flows generated once the project is in operation in accordance with various acquisition related agreements. A specific maximum target gearing ratio has not been set by the Board.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

24. RESERVES

	<i>Consolidated</i>	
	2010	2009
	\$	\$
<i>Option premium reserve (a):</i>		
At 1 July	1,689,625	442,167
Issued during the year	1,737,825	1,236,783
Proceeds from issue of options	-	10,675
At 30 June	3,427,450	1,689,625
<i>Convertible note reserve (b):</i>		
At 1 July	2,041,440	2,041,440
Redeemed during the year	(2,041,440)	-
At 30 June	-	2,041,440
<i>FX translation reserve (c):</i>		
At 1 July	(2,175,164)	-
Recorded during the year	98,521	(2,175,164)
At 30 June	(2,076,643)	(2,175,164)
	1,350,807	1,555,901

Nature and purpose:

(a) Option premium reserve

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

Details of issue	Number of options	Fair value per option	Value \$
<i>At 30 June 2009:</i>	47,275,010		1,689,625
<u>Other</u>			
Issued under Employee Share Option Plan	150,000	\$0.3955	59,325
Issued to Consultant under 15% Rule	2,000,000	\$0.5370	1,074,000
Issued under Employee Share Option Plan	1,000,000	\$0.2598	259,800
Issued to Consultant under 15% Rule	500,000	\$0.2298	114,900
Issued to Consultant under 15% Rule	1,000,000	\$0.2298	229,800
	4,650,000		1,737,825
<i>At 30 June 2010</i>	51,925,010		3,427,450

(b) Convertible note reserve

The convertible note reserve is used to record the equity portion of the Convertible Note. This reserve represented the equity component of 11,000,000 Convertible Notes on issue as at 30 June 2009. Each note had a face value of \$0.20. Interest of 6% per annum was payable annually in arrears. The Convertible Notes could be converted into shares at 20 cents per share on or before the Redemption Date in minimum parcels of 5,000 convertible notes. The Convertible Notes could be redeemed at 20 cents per share unless converted on or before the redemption date. The Convertible Notes were issued in December 2007 and the Redemption Date was 30 June 2010. The Company could, at its absolute discretion cause the moneys payable to the note holder to be converted into shares at the redemption date rather than being redeemed.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

None of the Notes were converted into ordinary shares during the financial year and therefore a total of 11,000,000 Notes were redeemed on 30 June 2010. Interest of \$132,000 was paid being interest of 6% due from 1 July 2009 to 30 June 2010.

(c) FX translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

25. ACCUMULATED LOSSES

	<i>Consolidated</i>	
	2010	2009
	\$	\$
At July 1	(16,925,418)	(11,363,056)
Net (loss) in current period	<u>(951,753)</u>	<u>(5,562,362)</u>
At 30 June	<u>(17,877,171)</u>	<u>(16,925,418)</u>

26. SHARE-BASED PAYMENTS

During the year the Company issued the following unlisted options over fully paid shares.

- On 13 July 2009, 1,500,000 unlisted options were allotted to two consultants at an exercise price of \$0.39 each, exercisable on or before 13 July 2014. The options were allotted within the discretionary capacity of the Board under ASX Listing Rule 7.1.
- On 28 July 2009, 1,000,000 unlisted options were issued to a senior employee under the Company's Employee Share Option Plan at an exercise price of \$0.48 each on or before 28 July 2014.
- On 29 December 2009, 2,000,000 unlisted options issued were allotted to a consultant pursuant to a consulting agreement dated July 2008 with regard to the Sardinian tailings project. The options were issued within the discretionary capacity of the Board under ASX Listing Rule 7.1 at an exercise price of \$0.20 each, exercisable on or before 29 December 2012.
- On 8 March 2010, 150,000 unlisted options were allotted to an employee under the Company's Employee Share Option Plan. The options are exercisable on or before 8 March 2015 at an exercise price of \$0.73 each.

In accordance with AASB2 'Share-based Payments' the Company has charged the relative costs of share-based payments to the statement of comprehensive income.

(a) Recognised share-based payment expense

The expense recognised for employee services receiving during the year was \$1,737,825 (2009: \$1,236,783).

(i) Unlisted options issued to a key management personnel were issued under the Company's ESOP which was approved by shareholders on 6 May 2008

The Company has a share-based payment Employee Share Option Scheme ("ESOP") which was approved by shareholders in general meeting in May 2008. There have been no cancellations or modifications to the ESOP during 2009.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

During the year:

- a) 1,000,000 options were issued and vested immediately to a senior employee on 28 July 2009 at an exercise price of \$0.48 on or before 28 July 2014;
- b) 150,000 options were issued and vested immediately to an employee on 8 March 2010 at an exercise price of \$0.73 on or before 8 March 2015;

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 in a) and b) above. ("Expiry Date").

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 5 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 10% premium.

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 paragraph (a) 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(ii) Unlisted options issued to consultants

The terms of these options are described below:

- Each Option entitles the holder to one (1) Share.
- The Options are exercisable at any time prior to 5.00pm WST five years from the date of allotment, unless otherwise stated. Full details of exercise prices and expiry dates are shown in the schedule of pages 83.
- The Options are freely transferable.
- The Company will provide to each Option holder a notice that is to be completed when exercising the Options (Notice of Exercise). The Options may be exercised wholly or in part by completing the Notice of Exercise and delivering it together with payment to the secretary of the Company to be received any time prior to the Expiry Date. The Company will process all relevant documents received at the end of every calendar month.
- Upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares.
- There will be 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. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least seven (7) business days after the issue is announced. This will give Option holders the opportunity (where available) to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(b) 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.

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Outstanding at the beginning of the year	14,250,000	0.20	5,500,000	0.25
Granted during the year	4,650,000	0.34	8,750,000	0.17
Exercised during the year	(5,825,000)	0.23	-	-
Lapsed/cancelled during the year	-		-	-
Outstanding at the year end	13,075,000	0.44	14,250,000	0.20
Exercisable at the year end	13,075,000	0.44	14,250,000	0.20



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

The outstanding balance as at 30 June 2010 is represented by the following table:

Grant date	Issue date	Vesting date	Expiry date	Exercise price	Options granted	Options Lapsed/ cancelled	Options exercised	Number of options at end of period		
								On issue	Vested	
<i>Directors</i>										
3-Oct-07	3-Oct-07	3-Oct-07	3-Dec-12	\$0.25	5,500,000	-	-	5,500,000	5,500,000	
4-Dec-08	4-Dec-08	4-Dec-08	4-Dec-13	\$0.10	1,000,000	-	(1,000,000)	-	-	
16-Feb-09	18-Feb-09	18-Feb-09	18-Feb-14	\$0.14	2,000,000	-	(1,000,000)	1,000,000	1,000,000	
<i>Employees</i>										
16-Feb-09	18-Feb-09	18-Feb-09	18-Feb-14	\$0.14	250,000	-	(250,000)	-	-	
16-Feb-09	9-Apr-09	9-Apr-09	9-Apr-14	\$0.14	2,000,000	-	-	2,000,000	2,000,000	
28-Jul-09	28-Jul-09	28-Jul-09	28-Jul-14	\$0.48	1,000,000	-	(1,000,000)	-	-	
8-Mar-10	8-Mar-10	8-Mar-10	8-Mar-15	\$0.73	150,000	-	-	150,000	150,000	
<i>Consultants</i>										
16-Apr-09	16-Apr-09	16-Apr-09	16-Apr-14	\$0.20	2,000,000	-	(2,000,000)	-	-	
13-Jul-09	13-Jul-09	13-Jul-09	13-Jul-14	\$0.39	1,000,000	-	(200,000)	800,000	800,000	
13-Jul-09	13-Jul-09	13-Jul-09	13-Jul-14	\$0.39	500,000	-	-	500,000	500,000	
28-Jul-08	29-Dec-09	29-Dec-10	29-Dec-12	\$0.20	2,000,000	-	-	2,000,000	2,000,000	
<i>Other - Southern Cross Equities</i>										
7-May-09	14-May-09	14-May-09	14-May-14	\$0.26	1,500,000	-	(375,000)	1,125,000	1,125,000	
						18,900,000	-	(5,825,000)	13,075,000	13,075,000

Weighted average remaining contractual life – The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 3.05 years. (2009: 4.1 years).

Range of exercise price – The range of exercise prices for ESOP options outstanding at the end of the year was \$0.14 to \$0.73. (2009: \$0.10 to \$0.26).

Weighted average fair value – The weighted average fair value of options granted during the year was \$0.34 (2009: \$0.16).

Option pricing model – The fair value of equity share options granted is estimated at the date agreement was reached to grant the options using a Black & Scholes based model, taking into account the terms and conditions upon which the options are granted.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

In accordance with AASB2 'Share-based Payments' the Company has charged the relative costs of share-based payments to the income statement. The following unlisted options were allotted during the year ended 30 June 2010. The fair value of the options granted is estimated using the Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 30 June 2010:

	Granted 13 July 2009	Granted 13 July 2009	Granted 28 July 2009	Granted 16 December 2009	Granted 8 March 2010
ESOP or other	15% Facility	15% Facility	ESOP	15% Facility	ESOP
Number of options granted	1,000,000	500,000	1,000,000	2,000,000	150,000
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Share price at date of grant	\$0.44	\$0.44	\$0.44	\$0.70	\$0.70
Exercise price	\$0.39	\$0.39	\$0.48	\$0.20	\$0.73
Volatility	104.14%	104.14%	102.94%	93.82%	95.00%
Risk free rate	4.03%	4.03%	4.66%	4.71%	4.79%
Expiration period	5 years	5 years	5 years	3 years	5 years
Expiry date	15/07/2014	15/07/2014	28/07/2014	29/12/2012	8/03/2015
Black & Scholes valuation	\$0.28	\$0.28	\$0.26	\$0.54	\$0.36

(c) Directors' and Key Management Personnel options

	2010 Number	2009 Number
Grant date	28 July 2009	18 February 2009
Vesting date	28 July 2009	18 February 2009
Expiry date	28 July 2014	18 February 2014
Exercise price	\$0.48	\$0.14
Options granted	1,000,000	2,000,000
Options lapsed/cancelled	-	-
Options exercised	2,000,000	-
Number of options at end of period – on issue	6,600,000	7,600,000
Number of options at end of period – vested	6,600,000	7,600,000

27. 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 PT Natarang Mining (currently 85%) by 10% of ore tonnes treated by 1.5% of the gold price
- Two product (net smelter return) royalties – calculated with reference to the Company's ownership percentage of PT Natarang Mining (currently 85%) by 1.85% and 2%, respectively, of the value of gold and silver bullion production.

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(b) Leasing Commitments

Finance lease commitments – Company as lessee

The Company has entered into commercial leases for the financing of five vehicles. These leases have an average remaining life of between one and three years. Future minimum rentals payable under non-cancellable financing leases as at 30 June 2010 are as follows:

	2010 \$	2009 \$
<i>Finance lease commitments – Company as lessee</i>		
Within one year	30,047	-
After one year but not more than five years	30,709	-
Total minimum lease payments	60,756	-
Less amounts representing finance charges	5,375	-
Present value of minimum lease payments	55,381	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

28. AUDITOR'S REMUNERATION

The auditor of Kingsrose Mining Limited is Ernst & Young.

	<i>Consolidated</i> 2010 \$	<i>Consolidated</i> 2009 \$
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.	102,425	164,474
(ii) Other services in relation to the entity and any other entity in the consolidated group – acquisition due diligence	-	28,698
(iii) Tax compliance	8,000	12,800
Total auditor remuneration	110,425	205,972
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.	41,900	19,944
Total auditor remuneration	41,900	19,944
Amounts received or due and receivable by non Ernst & Young audit firms for:		
(i) Tax services	13,825	16,943
Total auditor remuneration	13,825	16,943



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

Name	Position	Date of appointment	Date of resignation
Directors			
J.C. Morris	Executive Chairman	17-Aug-07	-
J.W. Phillips	Non-Executive Director	12-Jan-05	-
M.J. Andrews	Non-Executive Director	9-Aug-07	-
T.G. Spencer	Finance Director	28-Mar-09	-
Other Key Management Personnel			
Herryansyah	President Director (PTNM)	27-Feb-09	-
M. Green	Operations Manager (Comet Vale)	1-Feb-05	31-May-10
A. Sharland	Production Manager (Way Linggo)	7-Sep-09	15-May-10
T. Butler	Operations Manager (Way Linggo)	1-Jun-10	-

There are no changes to key management personnel after reporting date and as at the date of this report.

(b) Compensation of Key Management Personnel

	<i>Consolidated</i> 2010	<i>Consolidated</i> 2009
	\$	\$
Short-term employee benefits	1,053,505	702,684
Post employment benefits	74,257	140,252
Termination benefits	95,536	200,112
Share-based payments	259,800	168,846
	<u>1,483,098</u>	<u>1,211,894</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(c) Option holdings of Key Management Personnel

	Balance at beginning of period 1 July 2009	Granted as remuneration	Net change other	Options exercised	Balance at end of period 30 June 2010	Not vested and not exercisable	Vested and exercisable
30-Jun-10							
<u>Directors</u>							
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
<u>Other KMP</u>							
Herryansjah	-	-	-	-	-	-	-
M. Green	100,000	-	-	-	100,000	-	100,000
A. Sharland (i)	-	1,000,000	-	(1,000,000)	-	-	-
	7,600,000	1,000,000	-	(2,000,000)	6,600,000	-	6,600,000

(i) Ceased employment 15 May 2010. The termination payment includes three months' salary and entitlements, as provided in his employment contract.

All options are exercisable as soon as they are vested.

	Balance at beginning of period 1/07/2008	Granted as remuneration	Net change other (+)	Options exercised	Balance at end of period 30/06/2009	Not vested and not exercisable	Vested and exercisable
30-Jun-09							
<u>Directors</u>							
J.C. Morris	1,500,000	-	-	-	1,500,000	-	1,500,000
D. F. Hatch (i)	4,500,000	-	(4,500,000)	-	-	-	-
D. W. Franks (ii)	500,000	1,000,000	(1,500,000)	-	-	-	-
T. G. Spencer(iii)	-	2,000,000	-	-	2,000,000	-	2,000,000
J.W. Phillips	3,000,000	-	-	-	3,000,000	-	3,000,000
M.J. Andrews	1,000,000	-	-	-	1,000,000	-	1,000,000
<u>Other KMP</u>							
Herryansjah	-	-	-	-	-	-	-
M. Green	100,000	-	-	-	100,000	-	100,000
	10,600,000	3,000,000	(6,000,000)	-	7,600,000	-	7,600,000

(i) D Hatch - Resigned – 27 February 2009

(ii) D. Franks – Resigned – 28 March 2009

(iii) T. Spencer - Appointed – 28 March 2009

(+) These represent change by virtue of resignation before year end.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(d) Ordinary shares held by Key Management Personnel

	Balance held at 1 July 2009	Granted as remuneration	On exercise of options	Net change other	Balance held at 30 June 2010
30-Jun-10					
<i><u>Directors</u></i>					
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
<i><u>Other KMP</u></i>					
M. Green	-	-	-	-	-
A. Sharland	-	-	1,000,000	(1,000,000)	-
	37,550,000	-	2,000,000	(1,000,000)	38,550,000

	Balance held at 1 July 2008	Granted as remuneration	On exercise of options	Net change other	Balance held at 30 June 2009
30-Jun-09					
<i><u>Directors</u></i>					
J.C. Morris	1,000,000	-	-	4,250,000	5,250,000
D. Hatch (i)	3,000,000	-	-	(3,000,000)	-
D. Franks (ii)	1,000,000	-	-	(1,000,000)	-
T. Spencer (iii)	-	-	-	-	-
J.W. Phillips	-	-	-	16,150,000*	16,150,000
M.J. Andrews	-	-	-	16,150,000*	16,150,000
<i><u>Other KMP</u></i>					
M. Green	-	-	-	-	-
	5,000,000	-	-	32,800,000	37,550,000

* Held in escrow until 27 February 2010.

These shares were issued pursuant to the Share Purchase Agreement which provided for:

- the acquisition by the Company from Icon of 221 issued fully paid shares of A\$0.01 each in the capital of MMG, which represented all of the total shares issued by MMG; and
- the allotment by the Company to Icon of an aggregate of 42,500,000 fully paid shares in the Company. Messrs Morris, Phillips and Andrews were shareholders of Icon, with ownership being beneficially or non-beneficially held. Their beneficial ownership was transferred out of Icon and into their respective ownerships on 10 June 2010.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(e) Loans from Key Management Personnel

	Balance at beginning of period	Loans	Interest Charged	Interest not charged	Repayments/ adjustments	Balance at end of period	Number in group
Total	\$	\$	\$	\$	\$	\$	
2010	6,414,462	2,200,000	-	-	(97,554)	8,516,908	6
2009	99,990	6,314,472	-	-	-	6,414,462	6

Terms and conditions of loan

The loans incurred during the year for \$2,200,000 represents an unsecured, interest-bearing loan from Mr Phillips and Airedale (Asia) Limited. 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 \$2.2m. The Notes bore interest at 6% per annum. The Company was able to negotiate repayment of the Notes via unsecured 3-month loans from the note holders bearing an interest rate of 6% per annum.

During the year the loan for \$99,990 representing an unsecured, interest-bearing loan from Mr Phillips was repaid.

The loans outstanding at the end of the period represent unsecured loans from Directors of the company, and/or from companies where they hold a Directorship. Refer to Note 30.

30. RELATED PARTY TRANSACTIONS

(a) Ultimate parent

Kingsrose Mining Limited is an Australian Company which, at balance date, has three Australian subsidiary companies, one Indonesian subsidiary company, one England and Wales subsidiary company and one Italian subsidiary company.

(b) Subsidiary companies

The Company owns:

- 100% of each of the three Australian subsidiary companies;
- 85% of the Indonesian subsidiary, PT Natarang Mining (PT NM), a company in which Mr. Herryansjah is a Director and is also the holder of the remaining 15% shareholding in PTNM;
- 100% of the England and Wales subsidiary (SARINC UK Ltd) which in turn owns 100% of the Italian subsidiary (SARINC srl).

(c) Key management personnel

Details of transactions with Key Management Personnel are disclosed in Note 29.

(d) Kalgoorlie Office Lease and Workshop

An arms-length arrangement existed whereby the Company leased the Kalgoorlie office and workshop from Messrs Michael Green and Darren Phillips. Mr Phillips is considered a related party as he is the son of Director, Mr. J.W. Phillips. In view of this, Kingsrose procured an independent valuation from a real estate Company which valued the rental thereby deeming that the arrangement was indeed arms length. An amount of \$30,000, plus outgoings is paid annually to Messrs Green and Phillips. At 30 June 2010 \$Nil was owing to Messrs Green and Phillips (2009: Nil). The rental agreement expired on 1 June 2010 and was not renewed.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

(e) *Mining Services Agreement – Westralmen Pty Ltd*

In September 2007, the Company entered into a Mining Services Agreement with Westralmen Pty Ltd, a Company in which Mr. D Phillips is associated. Westralmen Pty Ltd is considered a related party. Westralmen Pty Ltd performed mining services for the Company. The initial term of the contract was for a period of two years and has been extended by mutual agreement for an indefinite period of time at the same rate.

In consideration of Westralmen Pty Ltd performing the mining services, the Company paid Westralmen Pty Ltd a fee of \$418,000 per annum inclusive of GST in equal instalments monthly in arrears. The agreement with Westralmen was extended from 30 August 2009 on a monthly basis until the Company's exit from Comet Vale on 31 May 2010. At 30 June 2010 \$34,833 was owing to Westralmen Pty Ltd (2009: \$34,833).

(f) *Loan from Directors*

- (i) Mr. J.W. Phillips made a loan to the Company in the amount of \$1,200,000. The loan is interest bearing and is repayable by 30 September 2010. (2009: \$Nil). Refer to Note 18 for additional information.
- (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. At the date of this report the SMV loan is required to be paid by PTNM from surplus operating cash-flow.
- (iii) A\$186,985 loan from Dr. Andrews, (Director) of PTNM, was detailed in the same Deed and on the same terms noted above.
- (iv) A\$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.
- (v) A\$268,657 loan from Pt Promincon, a company controlled by Messrs. Andrews and Phillips was detailed in the same Deed and on the same terms noted above.

(g) *Loan from Mr Herryansjah*

A \$328,358 loan from Mr. Herryansjah, (President-Director) of PTNM, was detailed in the same Deed and on the same terms noted above.

All loans mentioned at (e) and (f) above are unsecured, interest-bearing loans.

31. SUBSEQUENT EVENTS

- On 5 July 2010, 1,275,000 listed options were exercised at a price of \$0.20 each. These options were allotted to existing shareholders under the 1:2 Rights Issue.
- On 13 July 2010, 500,000 unlisted options were exercised at a price of \$0.25 each. These options were allotted to the joint Company Secretary prior to the Company's listing on the ASX in December 2007.
- On 13 July 2010, 50,000 unlisted options were exercised at a price of \$0.39 each. These options were allotted to a Consultant under the Directors' 15% Facility.
- On 29 July 2010, 525,000 listed options were exercised at a price of \$0.20 each. These options were allotted to existing shareholders under the 1:2 Rights Issue.
- On 13 August 2010 the Way Linggo gold mine was commissioned. A total of four bars of dore, a mix of gold and silver, weighing a total of 5.9 kilograms were poured at the Way Linggo mine on the Indonesia island of Sumatra.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

- On 23 August 2010, 50,000 unlisted options were exercised at a price of \$0.39 each. These options were allotted to a Consultant under the Directors' 15% Facility.
- On 3 September 2010, 275,000 listed options were exercised at a price of \$0.20 each. These options were allotted to existing shareholders under the 1:2 Rights Issue.
- On 8 September 2010, 12,500 listed options were exercised at a price of \$0.20 each. These options were allotted to existing shareholders under the 1:2 Rights Issue.

32. NON-CONTROLLING INTERESTS

The equity balance of PT Natarang, the operating company for the Way Linggo Gold Project, was nil at 30 June 2009 and again at 30 June 2010. Due to accumulated losses exceeding issued capital and reserves under current Australian accounting standards, it is appropriate for the Non-Controlling Interest to recognise a share of the current period losses in the statement of financial position or statement of comprehensive income of the consolidated Group.

The following table summarises the Non-controlling Interest (debit) balances recognised at 30 June 2010 and comparatively at 30 June 2009:

	<i>Consolidated</i> 2010 \$	<i>Consolidated</i> 2009 \$
Non-controlling Interest in:		
Issued share capital	<u>92,433</u>	92,433
Income loss for the year	<u>(459,704)</u>	<u>(92,433)</u>
	<u>(459,704)</u>	<u>(92,433)</u>

33. CONTROLLED ENTITIES

Entity	Place of Incorporation	Percentage Holding	
		2010	2009
Kingsrose Mining Limited			
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%	0%
SARINC UK Ltd	England and Wales	100%	0%
SARINC srl	Sardinia (IT)	100%	0%



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

34. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	<i>Consolidated</i>	
	2010	2009
Reconciliation of net (loss)/income after income tax to net cash flows used in operating activities.	\$	\$
Net income/(loss) after income tax	(1,411,457)	(5,562,362)
Adjustments for:		
Depreciation	(50,338)	151,195
Unrealised foreign exchange loss	(908,761)	1,489,205
Share based payments	1,737,825	826,397
Accrued interest	343,999	-
Convertible notes option interest	158,560	14,500
Gain on disposal associated with discontinued operation:	(3,181,889)	-
Gain/(Loss) on disposal of assets	(5,937)	4,896
Exploration and evaluation expenditure	2,279,745	-
Gain on held for trading financial asset	(406,858)	-
Impairment loss on investment and loan to subsidiary	-	-
Change in assets and liabilities		
(Increase)/decrease in receivables	(1,272,749)	(326,955)
(Increase)/decrease in prepayments	(89,713)	-
Increase/(decrease) in accounts payable	1,363,405	(100,391)
(Increase)/decrease in stock	(1,021,159)	84,196
Increase/(decrease) in provisions	218,732	(35,320)
Net cash used in operating activities	(2,246,596)	(3,454,639)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

35. PARENT ENTITY INFORMATION

	<u>30-Jun-10</u>	<u>30-Jun-09</u>
	\$	\$
Current Assets	12,736,828	16,268,913
Total Assets	37,373,264	26,378,150
Current Liabilities	3,469,664	1,080,107
Total Liabilities	3,469,664	1,180,107
Net Assets	33,903,600	25,198,043
Issued Capital	50,889,668	40,567,560
Option Premium Reserve	2,321,699	1,689,625
Convertible Note Reserve	-	2,041,440
Accumulated Losses	(20,413,518)	(19,100,582)
Total shareholder's equity	32,797,849	25,198,043
Profit or loss of the parent entity	(1,313,116)	(7,737,526)
Total comprehensive income of the parent entity	(1,313,116)	(7,737,526)
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries. See (c) below.	39,300	-
Details of any contingent liabilities of the parent entity.	-	-

(a) Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 27 February 2009.

The Company and the 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 the Controlled Entities in the consolidated group have not entered into a tax funding arrangement or a tax sharing agreement.

(b) Operating lease commitments – Company as lessee

The Company 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.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2010 are as follows:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

	<i>Consolidated</i>	
	2010	2009
	\$	\$
<i>Operating lease commitments – Company as lessee</i>		
Within one year	138,735	73,236
After one year but not more than five years	320,156	82,439
After more than five years	-	-
Total minimum lease payments	<u>458,891</u>	<u>155,676</u>

There are no other significant commitments and contingencies at balance date that require disclosure.

- (c) The Company has entered in to an “Offer to Lease” agreement with an unrelated party and has guaranteed an irrevocable bank guarantee pertaining to its registered Australian office and drawn on an Australian Bank as defined by the Banking Act 1959 for a sum equivalent to four (4) months Net Rent, Outgoings, Parking and GST to be held by the Lessor.



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 2010 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; and
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2 (b);
 - (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
 - (d) 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 2010.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Timothy G. Spencer', written over a horizontal line.

Timothy G. Spencer
Finance Director

Perth, 20 September 2010



INDEPENDENT AUDIT REPORT



INDEPENDENT AUDIT REPORT (cont'd)



SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

The following additional information was applicable as at 7 September 2010.

There is a total of 244,183,040 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 Shar	Percentage
Citicorp Nominees Pty Ltd	42,980,106	17.60%
Advance Concept Holdings Ltd	32,300,000	13.23%
KRM (WA) Pty Ltd ATF the Kingsrose Mining Unit Trust	20,000,000	8.19%

FULLY PAID ORDINARY SHARES

- Holders of fully paid ordinary shares are entitled to one vote per fully paid ordinary share.
- The number of holders of fully paid ordinary shares is 905
- The number of fully paid ordinary shareholdings held in less than marketable parcels is 3,009.
- The 20 largest fully paid ordinary shareholders together held 73.55% of the securities in this class
- Distribution of fully paid ordinary shareholders:

Category (Size of Holding)	Number of Fully Paid Ordinary Shareholders
1 - 1,000	41
1,001 - 5,000	161
5,001 - 10,000	202
10,001 - 100,000	365
100,001 - and over	136
TOTAL	905

LARGEST FULLY PAID ORDINARY SHAREHOLDERS

Ranking	Name	Number	%
1	Citicorp Nominees Pty Limited	42,980,106	17.60
2	Advance Concept Holdings Ltd	32,300,000	13.23
3	KRM (WA) Pty Ltd	20,000,000	8.19
4	HSBC Custody Nominees	13,839,920	5.67
5	Fitel Nominees Limited	10,057,100	4.12
6	Bond Street Custodians Limited	7,523,600	3.08
7	Dog Meat Pty Ltd	7,000,000	2.87
8	Airedale (Asia) Ltd	6,250,000	2.56
9	Goldcrest Corporation Pty Ltd	5,250,000	2.15
10	Ajava Holdings Pty Ltd	4,400,000	1.80
11	Nefco Nominees Pty Ltd	3,826,000	1.57
12	ANZ Nominees Limited	3,645,905	1.49
13	Lujeta Pty Ltd	3,500,000	1.43
14	All States Secretariat Pty Ltd	3,000,000	1.23
15	Oakajee Corporation Ltd	3,000,000	1.23
16	Mr Frank Albert Moore	3,000,000	1.23
17	Worldpower Pty Ltd	2,805,000	1.15
18	National Nominees Ltd	2,736,621	1.12
19	JP Morgan Nominees Australia Limited	2,389,422	0.98
20	Mr Gary William Thomas & Mrs Nancy-Lee Thomas	2,100,000	0.86
		179,603,674	73.57



SHAREHOLDER INFORMATION (cont'd)

SHAREHOLDER INFORMATION (cont'd)

There is a total of 34,016,970 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 253
- b) The number of option holdings held in less than a marketable parcel is 550.
- c) The 20 largest option holders together held 77.57%
- d) Distribution of option holders:

Category (Size of Holding)	Number of Fully Paid Ordinary Shareholders
1 - 1,000	3
1,001 - 5,000	94
5,001 - 10,000	14
10,001 - 100,000	103
100,001 - and over	39
TOTAL	253

LARGEST LISTED OPTION HOLDERS

Ranking	Name	Number	%
1	Airedale (Asia) Ltd	5,625,000	16.54
2	KRM (WA) Pty Ltd	3,500,000	10.29
3	Prosperity Finance Co Ltd	3,000,000	8.82
4	Colbern Fiduciary Nominees Pty Ltd	2,000,000	5.88
5	Asian Star Investments Ltd	1,810,000	5.32
6	Upper Mantle Investments Pty Ltd	1,289,568	3.79
6	Mr Roderick Claude McIlree	175,000	0.51
7	Pipe Link of Australia Pty Ltd	1,118,000	3.29
8	Nefco Nominees Pty Ltd	1,095,000	3.22
9	Mr Frank Albert Moore	975,000	2.87
10	Citicorp Nominees Pty Ltd	858,430	2.52
11	Mrs Nancy-Lee Thomas	725,830	2.13
12	Mr Garry William Thomas & Mrs Nancy-Lee Thomas	700,000	2.06
13	Dog Meat Pty Ltd	625,000	1.84
14	Yandal Investments Pty Ltd	600,000	1.76
15	Goldcrest Corporation Pty Ltd	500,000	1.47
16	Bond Street Custodians Ltd	500,000	1.47
17	Cost Nominees Ltd	335,272	0.99
18	Mr Lee Zaugra	330,000	0.97
19	CGLW Nominees Pty Ltd	325,000	0.96
20	Mr Bjorn Herluf Honshagen & Ms Beverley Vickers	300,000	0.88
		26,387,100	77.57

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