

KINGSROSE MINING LIMITED

A.C.N. 112 389 910



HALF-YEAR FINANCIAL REPORT

31 December 2009



CORPORATE INFORMATION

Corporate Information	Page 3
Directors' Report	Page 4
Auditor's Independence Declaration	Page 11
Statement of Comprehensive Income	Page 12
Consolidated Statement of Financial Position	Page 13
Statement of Cash Flow	Page 14
Statement of Changes in Equity	Page 15
Notes to the Financial Statements	Page 17
Directors' Declaration	Page 28
Independent Review Report	Page 29



CORPORATE INFORMATION

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

Registered Office

Suite 9/Level 2,
12-14 Thelma Street
West Perth 6005
Western Australia
Tel: +61-8 9486 1149
Fax: +61-8 9486 1151
E-mail: info@kingsrosemining.com.au
Website: www.kingsrosemining.com.au

Kalgoorlie Office

13 Dwyer Street
Boulder 6433
Western Australia
Tel: +61-8 9093 0771
Fax: +61-8 9093 0731
[Email: kingsrose@kingsrosemining.com.au](mailto:kingsrose@kingsrosemining.com.au)

Indonesian Office

PT. Natarang Mining
Jl. Ciputat Raya 16
Pondok Pinang, Kebayoran Lama
Jakarta Selatan 12310
Indonesia
Tel: +62-21 7510 125
Fax: +62-21 7692 783
[Email: ptnm@kingsrosemining.com.au](mailto:ptnm@kingsrosemining.com.au)

Bankers

National Australia Bank
2 The Esplanade
Perth
Western Australia 6000

Bank of New Zealand Australia
2 The Esplanade
Perth
Western Australia 6000

Auditors

Ernst & Young
11 Mounts Bay Road
Perth
Western Australia 6000

Ernst & Young
Indonesia Stock Exchange Building
Tower 2, 7th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
Indonesia

Share Registry

Advanced Share Registry Services
1/150 Stirling Highway
Nedlands
Western Australia 6009
Tel: 61-8 9389 8033
Fax: 61-8 9389 7871

Domicile and Country of Incorporation

Australia

Stock Exchange

The Company is listed on the Australian Securities Exchange Limited (ASX)
Home Exchange – Perth
ASX Symbols – KRM (shares) & KRMO (options)

**DIRECTORS' REPORT**

The Directors present their report together with the financial report for the half-year ended 31 December 2009.

Directors

The Directors of the Company at any time during or since the end of the half-year are:

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

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

Principal Activities

The principal activities of the Company were:

- The construction of the Way Linggo underground gold/silver mining project in Sumatra, Indonesia.
- On-going development and mining of the Comet Vale project, Kalgoorlie, operated in joint venture with Reed Resources Limited, subject to the “Deed of variation to termination arrangements and Termination Notice” signed on 15 October 2009.

Review of Operations and Activities

During the period under review:

Way Linggo Project, Southern Sumatra, Indonesia

During the September and December Quarters 2009 Kingsrose Mining (ASX “KRM”) continued making very good progress on preparations to bring its Way Linggo high grade gold/silver project in southern Sumatra, Indonesia into production.

The expansion of the underground mine infrastructure to accommodate the planned 400 tonne per day ore production target was completed and construction of the process plant is scheduled to start commissioning in April 2010.

Face channel sampling in sublevel development drives continued to confirm significantly higher gold and silver grades than predicted from the feasibility drill data resource model.

Exploration activities continued with diamond drilling from surface and from underground as well as regional exploration following up over 20 targets developed from interpretation of the airborne geophysical programme completed during September 2009.

Construction of the 140,000 tonnes per annum Merrill-Crowe processing plant was well advanced during the period. Construction of the leach tanks, other ancillary tankage and CCD thickener sections neared completion and all major large equipment items including ball mills, crushers, conveyors, feeders and hoppers were moved to site in preparation for installation and concrete foundation construction for all these sections is progressing.

Construction of the gold room, on-site laboratory, and 3 MW power house is progressing.



DIRECTORS' REPORT

The upgrading of underground and surface mining infrastructure to accommodate the proposed 400 tpd production rate was completed. These works have included:

- Installation of a larger hoist winder on the ROM Pad incline
- Commissioning of four electric underground locomotives for ore haulage
- Commencement of construction of the underground inclined shaft to access the 970 level from the main haulage level
- Commencement of raises and sublevels in parts of the A and B ore bodies in preparation for stoping

The extent of development completed by the end of December 2009 is shown in the Figure 1 long section.

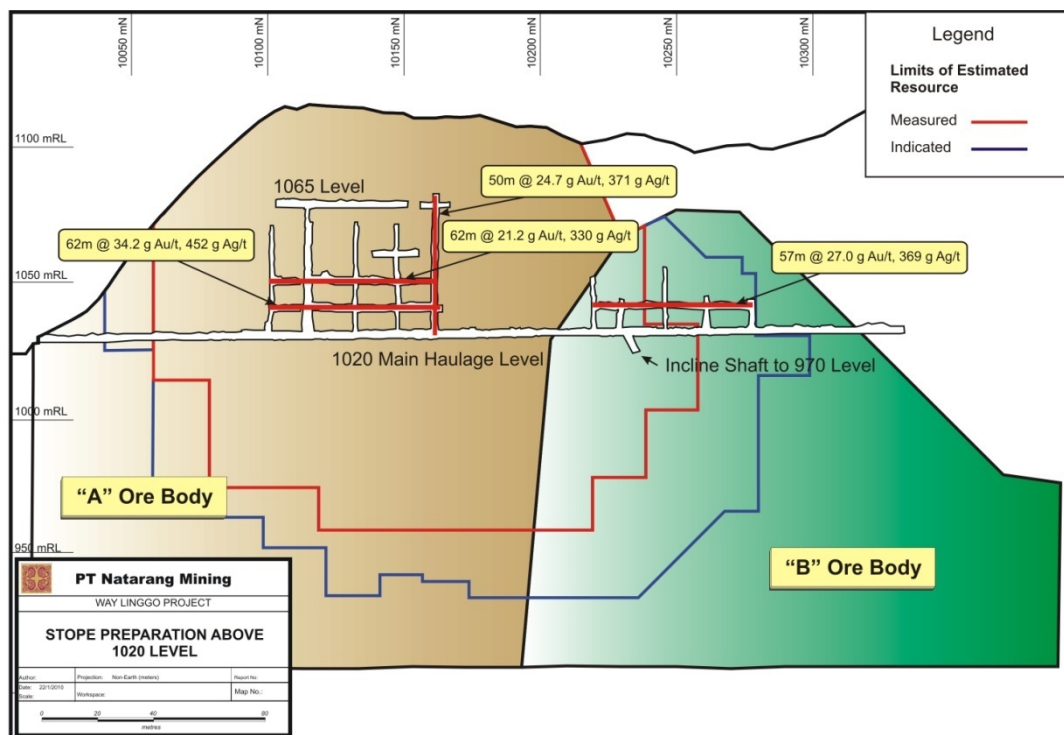


Figure 1 Long section of North Vein A and B ore bodies showing extent of development completed end December and sublevel face sampling results

Face channel sampling along the strike of the A Ore Body in sublevels above 1020 Level continued to return encouragingly high gold and silver grades. Sampling within the sublevels developed in the A ore body in preparation for production stoping returned:

62 metres grading 34.2 g Au/t and 452 g Ag/t

and

62 metres grading 21.2 g Au/t and 330 g Ag/t

Channel sampling in an Alimak rise on the northern end of this area has returned:

50 m grading 24.7 g Au/t and 371 g Ag/t

Similar sampling in the first B Ore Body sublevel has returned:

57 m grading 27.0 g Au/t and 369 g Ag/t



DIRECTORS' REPORT

Updated face sampling results are summarized in Figure 1 (grade calculations are based on uncut assay values). These results from within both North Vein ore bodies continues to confirm the positive reconciliation observed between the higher production grades and the drill data based resource model.

As much of this development has been in high grade ore approximately

8,650 tonnes of ore grading 21.9 g/t Gold and 293 g/t Silver

has been stockpiled at the surface. This represents significantly higher grades of both metals than was predicted for these development areas from the feasibility drill based resource estimate

Comet Vale Project, Western Australia

During the period the Kingsrose Board of Directors concluded that it is in the best interest of Kingsrose shareholders for the company to exit from the Comet Vale project to allow management and resources to be focussed on the Way Linggo development. An agreement was negotiated with "Production JV" partner Reed Resources Ltd (ASX:RDR) to allow Kingsrose to exit on favourable terms as follows:

Under the terms of the agreement Reed Resources paid Kingsrose A\$1,000,000 in October 2009, a further A\$1,000,000 will be paid for mining equipment by 30 June 2010 and Reed will issue shares to the value of A\$2,000,000 by 30 June 2010. Kingsrose will continue to operate the mine and receive its share of gold production, as per the current agreement, until 31st May 2010.

Mining continued on the Sand George Level 4. The Block 1 stope was completed with 4,700 tonnes @ 19.0 g/t Au hoisted from here during the December quarter. Mining of the Sand George Hanging Wall Lode Block 2 is well advanced. Grade control sampling from this block has indicated an average mined grade of 21.6 g/t Au.

Campaign 10 milling was completed with 7,319 tonnes @ 12.0 g/t Au was milled at the Burbanks Mill.

At the end of December ROM figures for the Campaign 11 stood at 9,510 tonnes @ 11.6g/t Au.

SARINC Project, Sardinia, Italy

Kingsrose Mining Ltd reached agreement through a letter of intent 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 legacy of many centuries of mining is many separate tailings dams and disposal sites of sizes ranging from tens of thousands of tonnes to major ones containing millions of tonnes. The majority of the remaining dams are poorly constructed and all are known to leach heavy metals and/or acid drainage into the surrounding rural and semi-rural areas. A number of natural entrapment areas exist located within and near coastal swamps and perched valleys, which have caught and contained finer tailings material eroded from the dams or that were discharged directly into the steep valleys and waterways.

Kingsrose has been provided with various data from work undertaken on the majority of the tailings deposits by local agencies, including drill samples results and other information. It is not yet possible to accurately ascertain the quantities of metals contained within the deposits but the data received does indicate that there is potential for a large, long life operation focussed on the recovery of zinc, lead and silver. Kingsrose has carried out preliminary analysis of the data provided and has calculated a target of between 70 – 90 million tonnes of material with an overall average target grade of



DIRECTORS' REPORT

between 1.7 – 2.5% zinc and 0.4 – 0.6% lead with some areas grading up to 10% zinc and other areas showing grades below 1% zinc. The silver content of the deposits are not known as silver has not been assayed due to it not having been considered an environmental pollutant.

It should be noted these figures and comments are considered conceptual in nature as there has been insufficient exploration to define a mineral resource and it is uncertain at this stage if further exploration will result in the determination of a mineral resource.

Kingsrose will undertake the first three phases of the project evaluation process as follows:

Phase Description

i) Measurement and Quantification

Drilling, sampling assaying, surveying and bulk density estimation of the various tailings dumps to accurately determine tonnages and metal contents.

ii) Metallurgical Test work

The profiling of data collected from individual tailings dumps into representative samples to perform mineral extraction studies and designing of metallurgical process flow-sheets.

iii) Project Feasibility Studies

The physical and financial profiling of the re-mining, mineral processing, reclamation and environmental management of the project.

The first two phases are aimed to be completed by September Quarter 2010 at a cost of approximately US\$2,500,000 with the third phase anticipated to take a further 6 – 12 months (it is not yet possible to estimate the cost of this stage). Kingsrose intend the drilling programme will provide sufficient data to enable a JORC compliant Resource to be reported.

Kingsrose will be working closely with Sardinian government agency, IGEA SpA (Interventi Geo Ambientali – Geo Environment Intervention), the organisation responsible for the management and rehabilitation of closed mine sites on Sardinia. Kingsrose has senior personnel who are experienced in operating in Sardinia and who have a strong network of governmental and corporate contacts.

* * * * *

Competent Person Statement

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



DIRECTORS' REPORT

Corporate

During the period the following significant events took place:

- In December 2009 the Company announced that it would begin pre-feasibility work on a potentially very large scale Tailings Retreatment Project in one of the largest historic mining districts in Europe. Kingsrose reached in principle agreement with the regional government of Sardinia, Italy, to commence work on multiple Zinc-Lead tailings deposits containing a target of between 70 - 90 million tonnes of material accumulated from over 200+ years of mining.
- 1,000,000 unlisted options were issued to a consultant under the directors' 15% facility on 13 July 2009 at an exercise price of \$0.39, exercisable on or before 13 July 2014.
- 500,000 unlisted options were issued to a consultant under the directors' 15% facility on 13 July 2009 at an exercise price of \$0.39, exercisable on or before 13 July 2014.
- 1,000,000 unlisted options were issued under the Company's Employee Share Option Plan on 28 July 2009 at an exercise price of \$0.48, exercisable on or before 28 July 2014.
- 2,000,000 unlisted options were issued to a consultant under the directors' 15% facility on 29 December 2009 at an exercise price of \$0.20 each, exercisable on or before 29 December 2012, following the execution of an agreement between the Company and the consultant dated July 2008.
- 1,000,000 unlisted options issued under the Company's Employee Option Plan were exercised at an exercise price of \$0.10 each.
- 50,000 unlisted options issued under the directors' 15% facility were exercised at an exercise price of \$0.39 each.
- 22,300,000 ordinary shares were released from escrow on 7 December 2009.
- 5,000,000 unlisted options at an exercise price of \$0.25 each were released from escrow on 7 December 2009.
- In November 2009, Kingsrose (Tanggamus) Pty Ltd was incorporated as a wholly owned subsidiary of the Company.

Results

The net loss of the Group for the period ended 31 December 2009 was \$3,205,396 (2008 Parent: \$444,401).

Significant Events After Balance Date

- The Company placed 15,000,000 ordinary shares at a price of \$0.60 each to clients of Patersons Securities Limited raising a net amount of A\$8,520,000. The shares issued were within the discretionary capacity of the Board under ASX Listing Rule 7.1. The proceeds are intended to be applied towards additional exploration and review of the recently acquired zinc/lead tailings deposits in Sardinia, further exploration work at its Way Linggo gold/silver project in Indonesia and funding general working capital.
- 50,000 unlisted options issued under the directors' 15% facility were exercised at \$0.39 each.
- 375,000 unlisted options issued under the directors' 15% facility were exercised at \$0.26 each.
- 1,250,000 unlisted options issued under the Company's Employee Option Plan were exercised at \$0.14 each.



DIRECTORS' REPORT

- 10,000 listed options issued under the Company's 1:2 Rights Issue were exercised at \$0.20 each.
- 42,500,000 fully paid, ordinary shares were released from escrow on 26 February 2010.
- 150,000 unlisted options issued under the Company's share option plan at an exercise price of \$0.73 on or before 8 March 2015.
- Sarinc UK Ltd was incorporated in England and Wales and is 100% wholly owned by the Consolidated Entity.



DIRECTORS' REPORT

Auditor's Independence Declaration

Ernst and Young's independence declaration is set out on page 11 and forms part of the directors' report for the half-year ended 31 December 2009.

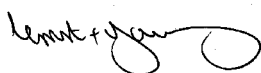
Signed in accordance with a resolution of the Directors:



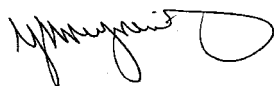
John C. Morris
Executive Chairman
10 March 2010

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

In relation to our review of the financial report of Kingsrose Mining Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz'.

G H Meyerowitz
Partner
Perth
10 March 2010



STATEMENT OF COMPREHENSIVE INCOME

	Note	CONSOLIDATED	PARENT
		31-Dec-09	31-Dec-08
		\$	\$
Continuing operations			
Revenue	4(a)	153,849	60,427
Other income	4(b)	6,034	-
Administration expenses	4(c)	(3,504,314)	(810,729)
Finance costs	4(d)	(18,977)	(9,923)
Loss from continuing operations before income tax		(3,363,408)	(760,225)
Income tax benefit/(expense)		-	-
Loss from continuing operations after income tax		(3,363,408)	(760,225)
Discontinued operations			
Income from discontinued operations after income tax	8	158,012	315,824
Net loss for the period		(3,205,396)	(444,401)
Other comprehensive income/(loss)			
Foreign currency translations		(1,638,474)	-
Income tax		-	-
Other comprehensive income/(loss) for the period, net of tax		(1,638,474)	-
Total comprehensive income/(loss) for the period		(4,843,870)	(444,401)
Loss for the period is attributable to:			
Non-controlling interests		(480,809)	-
Owners of the parent		(2,724,587)	(444,401)
		(3,205,396)	(444,401)
Total comprehensive income/(loss) for the period is attributable to:			
Non-controlling interests		(480,809)	-
Owners of the parent		(4,363,061)	(444,401)
		(4,843,870)	(444,401)
Loss per share from continuing operations attributable to the ordinary equity holders of the parent:			
Basic (loss) per share – cents per share		(0.99)	(1.16)
Diluted (loss) per share – cents per share		(0.99)	(1.16)
Loss per share attributable to the ordinary equity holders of the parent:			
Basic (loss) per share – cents per share		(0.93)	(0.68)
Diluted (loss) per share – cents per share		(0.93)	(0.68)

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		CONSOLIDATED	
		As at	As at
Note		31-Dec-09	30-Jun-09
Current Assets			
	Cash & cash equivalents	7,020,725	15,607,040
	Trade & other receivables	684,183	365,321
	Inventories	3,174,811	1,131,794
	Other assets	107,013	-
		10,986,732	17,104,155
	Non-current assets classified as held for sale	787,686	-
	Total Current Assets	11,774,418	17,104,155
Non-Current Assets			
	Plant & equipment	3,904,316	2,457,885
	Mine development	15,835,551	13,948,058
	Total Non-Current Assets	19,739,867	16,405,943
	TOTAL ASSETS	31,514,285	33,510,098
Current Liabilities			
	Trade & other payables	2,311,584	1,257,137
	Interest bearing loans & borrowings	102,767	125,626
	Non-interest bearing loans & borrowings	6,314,472	6,414,462
	Provisions	81,576	61,387
	Total Current Liabilities	8,810,399	7,858,612
Non-Current Liabilities			
	Interest bearing loans & borrowings	55,412	-
	Provisions	422,351	376,437
	Other payables	-	77,006
	Total Non-Current Liabilities	477,763	453,443
	TOTAL LIABILITIES	9,288,162	8,312,055
	NET ASSETS	22,226,123	25,198,043
EQUITY			
Equity attributable to the equity holders of the parent			
	Contributed equity	40,687,060	40,567,560
	Reserves	1,669,877	1,555,901
	Accumulated losses	(19,650,005)	(16,925,418)
	Parents interest	22,706,932	25,198,043
	Non-controlling interests	(480,809)	-
	TOTAL EQUITY	22,226,123	25,198,043

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



STATEMENT OF CASH FLOWS

	Note	CONSOLIDATED	PARENT
		31-Dec-09	31-Dec-08
		\$	\$
Cash flows used in operating activities			
Receipts from customers		1,886,661	2,185,968
Payment to suppliers and employees		(6,481,351)	(3,431,694)
Interest received		153,849	62,468
Interest paid		(78,076)	(7,299)
Net cash flows used in operating activities		(4,518,917)	(1,190,557)
Cash flows used in investing activities			
Payments for plant and equipment		(2,306,836)	(72,948)
Payments for mine properties and development		(2,830,142)	-
Proceeds from Reed Resources Limited in connection with the termination of Joint Venture Agreement	8	1,000,000	-
Proceeds from sale of plant and equipment		6,034	-
Business acquisition costs		-	(1,216,941)
Net cash flows used in investing activities		(4,130,944)	(1,289,889)
Cash flows from/(used in) financing activities			
Proceeds from issue of shares/options		119,500	10,675
Repayment of hire purchases		(55,954)	(60,881)
Net cash flows from/(used in) financing activities		63,546	(50,206)
Net decrease in cash and cash equivalents		(8,586,315)	(2,530,652)
Cash and cash equivalents at beginning of period		15,607,040	3,140,300
Cash and cash equivalents at end of period	5	7,020,725	609,648

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



STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

	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
Loss for the period	-	-	-	-	(2,724,587)	(2,724,587)	(480,809)	(3,205,396)
Other comprehensive income/(loss) for the period	-	-	-	(1,638,474)	-	(1,638,474)	-	(1,638,474)
Total comprehensive income/(loss) for the period	-	-	-	(1,638,474)	(2,724,587)	(4,363,061)	(480,809)	(4,843,870)
Transactions with owners in their capacity as owners:								
Issue of share capital	119,500	-	-	-	-	119,500	-	119,500
Proceeds from issue of options	-	-	-	-	-	-	-	-
Share based payments	-	1,752,450	-	-	-	1,752,450	-	1,752,450
At 31 December 2009	40,687,060	3,442,075	2,041,440	(3,813,638)	(19,650,005)	22,706,932	(480,809)	22,226,123

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



STATEMENT OF CHANGES IN EQUITY (CONTINUED)

PARENT

	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
Loss for the period	-	-	-	-	(444,401)	(444,401)	-	(444,401)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	(444,401)	(444,401)	-	(444,401)
Transactions with owners in their capacity as owners:								
Issue of share capital	-	-	-	-	-	-	-	-
Proceeds from issue of options	-	10,675	-	-	-	10,675	-	10,675
Share based payments	-	64,600	-	-	-	64,600	-	64,600
At 31 December 2008	12,507,946	517,442	2,041,440	-	(11,807,457)	3,259,371	-	3,259,371

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



NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The financial report of Kingsrose Mining Limited for the half year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 10 March 2010.

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

The nature of the operations and principal activities of the Consolidated Entity are:

- the construction of the Way Linggo underground gold/silver mining project in Sumatra, Indonesia; and
- on-going development and mining of the Comet Vale project, Kalgoorlie, operated in joint venture with Reed Resources Limited, subject to the “Deed of variation to termination arrangements and Termination Notice” signed on 15 October 2009 (Note 8).

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

The Group’s corporate structure is:

Company	Place of Incorporation	% Interest held by consolidated entity		
		As at 31/12/2009 %	As at 31/12/2008 %	
MM Gold Pty Ltd	Australia	100	-	
Natarang Offshore Pty Ltd	Australia	100	-	
PT Natarang Mining*	Indonesian	85	-	*Contract of Work, Way Linggo Gold Project
Kingsrose Tangammas Pty Ltd	Australia	100	-	

Refer to Note 13, the Group has incorporated Sarinc UK Ltd post half-year end.

2. Basis of preparation and accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The Company operated solely as a parent entity during the 2008 financial year. Following the acquisition of subsidiary companies in February 2009, the Company’s financial statements include consolidated and parent figures for the 2009 financial year.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Kingsrose Mining Ltd during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Basis of preparation and accounting policies (continued)

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

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 *Operating Segments*. 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 3 for details of reportable segments;
- AASB 101 Revised *Presentation of Financial Statements*. 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 Standard has been revised relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction;
- AASB 2007-3 *Amendments to Australian Accounting Standards – Operating Segments and consequential amendments to other Australian Accounting Standards;*
- AASB 2007-8 and AASB 2007-10 *Amendments to Australian Accounting Standards arising from AASB 101;*
- AASB 2008-5 and 6 AASB 2009-4 and 5 *Amendments to Australian Accounting Standards arising from the Annual Improvement 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 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 *Amendments to Australian Accounting Standards [AASB 5, 7, 101, 112, 136, 139 and Interpretation 17].*



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Basis of preparation and accounting policies (continued)

The entity has not elected to early adopt any new standards or amendments. When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements of performance of the Group, its impact is described below:

- *AASB 127 Revised Consolidated and Separate Financial Statements*. The Standard requires that profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

3. Segment information

The Group has identified that it has one continuing operating segment being the resource sector within Indonesia that involves in the construction of the Way Linggo underground gold/silver mining, development of processing gold plant and exploration activities of the surrounding tenement.

Half year ended 31 December 2008

For the half year ended 31 December 2008, the entity operated as one business segment, being the resource sector in Australia.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and expenses

	CONSOLIDATED 31-Dec-09	PARENT 31-Dec-08
	\$	\$
(a) Revenue		
Interest	153,849	60,427
Total revenue	153,849	60,427
(b) Other income		
Profit from sale of assets	6,034	-
Total other income	6,034	-
(c) Administration expenses		
<i>Employee benefits expense</i>		
Salaries, wages expense and other employee benefits	572,397	253,310
Share-based payments	1,752,450	64,600
Directors fees and other benefits	20,000	47,238
	2,344,847	365,148
<i>Other expenses</i>		
Project evaluation costs written off	126,313	126,922
Consulting expense	244,853	1,200
Depreciation expense	7,049	-
Administration costs	561,528	317,459
Exchange loss	219,724	-
	1,159,467	445,581
Total administration expenses	3,504,314	810,729
(d) Finance costs		
Interest on convertible notes	11,501	2,623
Interest	7,476	7,300
Total finance costs	18,977	9,923
(e) Total employee benefits	4,027,926	1,890,463



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	CONSOLIDATED		PARENT
	31-Dec-09	30-Jun-09	31-Dec-08
	\$	\$	\$
Cash at bank and in hand	7,020,725	15,607,040	609,648
	7,020,725	15,607,040	609,648

6. Trade and other receivables

	CONSOLIDATED	
	31-Dec-09	30-Jun-09
	\$	\$
Other receivables	684,183	365,321
	684,183	365,321

7. Inventories

	CONSOLIDATED	
	31-Dec-09	30-Jun-09
	\$	\$
Ore stocks at cost at Way Linggo	1,539,898	473,160
Ore stocks at cost at Comet Vale	1,560,318	515,756
Stores and spares at cost	74,595	142,878
	3,174,811	1,131,794



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Assets classified as held for sale

(a) Details of held for sale operations

The Board of Directors concluded that it is 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 half year ended 31 December 2009, 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 3 June 2010.

The sale of the Comet Vale joint venture operation is due to be completed on 31 May 2010 and as at 31 December 2009 final negotiations for the sale were in progress. As at 31 December 2009, the plant and equipment relates to the Comet Vale joint venture project has been classified as held for sale, and the result for this operation has been presented as a discontinued operation.

(b) Financial performance of held for sale operations

	<u>31-Dec-09</u>	<u>31-Dec-08</u>
Revenue *	1,807,371	3,260,715
Expenses	(1,649,359)	(2,944,891)
Gross profit	158,012	315,824
Income before tax from discontinued operations	158,012	315,824
Income tax benefit/(expense)	-	-
Income for the period from discontinued operations	158,012	315,824

* Included in the revenue is the amortised unearned revenue in the amount of A\$333,333 from the cash consideration received in October 2009.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Assets classified as held for sale (continued)

(c) Assets held for sale

	<u>2009</u>
<i>Assets at carrying value</i>	
Plant	697,386
Equipment	<u>90,300</u>
Total assets	<u><u>787,686</u></u>

(d) Cash flow information - held for sale operations

	<u>31-Dec-09</u>	<u>31-Dec-08</u>
Operating activities	<u>(1,205,599)</u>	(379,828)
Net cash outflow	<u><u>(1,205,599)</u></u>	<u>(379,828)</u>

9. Mine Development

	CONSOLIDATED	
	<u>31-Dec-09</u>	<u>30-Jun-09</u>
	\$	\$
Mine properties and development		
At cost or fair value	19,323,523	17,436,030
Impairment	<u>(3,487,972)</u>	<u>(3,487,972)</u>
Net carrying amount	<u><u>15,835,551</u></u>	<u>13,948,058</u>
Movement in mine properties and development		
At beginning of period net of accumulated depreciation and impairment	13,948,058	-
Acquisition of business (refer Note 14)	-	16,100,708
Additions	2,830,142	1,286,868
Amortisation	-	-
Unwinding of rehabilitation asset present value	-	11,183
Impairment	-	-
Foreign exchange translation loss	<u>(942,649)</u>	<u>(3,450,701)</u>
At end of period net of accumulated depreciation and impairment	<u><u>15,835,551</u></u>	<u>13,948,058</u>
Total mine property and development	<u><u>15,835,551</u></u>	<u>13,948,058</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Trade and other payables

	CONSOLIDATED	
	<u>31-Dec-09</u>	<u>30-Jun-09</u>
	\$	\$
Trade creditors (a)	1,049,174	327,041
Sundry creditors (b)	264,394	570,722
Accruals (b)	331,349	359,374
Unearned revenue (c)	666,667	-
	<u>2,311,584</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) Relates to unearned revenue in respect of cash consideration received from Reed Resources Limited (Note 8)

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

11. Non-interest bearing loans and borrowings (current)

	CONSOLIDATED	
	<u>31-Dec-09</u>	<u>30-Jun-09</u>
	\$	\$
Loan from related party (a)	327,338	327,338
Loan from related party (b)	186,404	186,404
Loan from related party (c)	4,623,848	4,623,848
Loan from related party (d)	909,060	909,060
Loan from related party (e)	267,822	267,822
Loan from related party (f)	-	99,990
	<u>6,314,472</u>	<u>6,414,462</u>

- (a) Represents an unsecured interest-free loan from Mr. Herryansjah (President-Director) of PT Natarang Mining.
- (b) Represents an unsecured interest-free loan from Dr. Andrews (Director) of PTNM.
- (c) Represents an unsecured interest-free loan from Singapore Mining Venture, a company controlled by Dr. Andrews.
- (d) Represents an unsecured interest-free loan from Icon. Messrs Phillips and Morris are directors of Icon and Dr. Andrews is the General Manager.
- (e) Represents an unsecured interest-free loan from PT. Promincon Indonesia, a company controlled by Dr. Andrews and Mr. Phillips.
- (f) Represents an unsecured interest-free loan from Mr. Phillips that was paid during the period.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Share based payments

- 1,000,000 unlisted options were issued to a consultant under the directors' 15% facility on 13 July 2009 at an exercise price of \$0.39, exercisable on or before 13 July 2014.
- 500,000 unlisted options were issued to a consultant under the directors' 15% facility on 13 July 2009 at an exercise price of \$0.39, exercisable on or before 13 July 2014.
- 1,000,000 unlisted options were issued under the Company's Employee Share Option Plan on 28 July 2009 at an exercise price of \$0.48, exercisable on or before 28 July 2014.
- 2,000,000 options were issued under the Company's 15% facility to a consultant on 29 December 2009 with an exercise price of \$0.20, exercisable on or before 29 December 2012, following the execution of an agreement between the Company and a consultant dated July 2008.

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

The fair value of equity share options granted is estimated at the grant date using the binomial model, taking into account the terms and conditions upon which the options are granted.

The following table lists the inputs to the model used for the half-year ended 31 December 2009:

	Granted 13 July 2009	Granted 13 July 2009	Granted 28 July 2009	Granted 16 December 2009
Dividend yield	0.00%	0.00%	0.00%	0.00%
Share price at date of grant	\$0.44	\$0.44	\$0.44	\$0.70
Exercise price	\$0.39	\$0.39	\$0.48	\$0.20
Volatility	104.14%	104.14%	102.94%	93.82%
Risk free rate	4.03%	4.03%	4.66%	4.71%
Expiration period	5 years	5 years	5 years	3 years
Black & Scholes valuation	\$0.28	\$0.28	\$0.26	\$0.54

13. Events after the balance sheet date

- The Company placed 15,000,000 ordinary shares at a price of \$0.60 each to clients of Patersons Securities Limited raising a net amount of A\$8,520,000. The shares issued were within the discretionary capacity of the Board under ASX Listing Rule 7.1. The proceeds are intended to be applied towards additional exploration and review of the recently acquired zinc/lead tailings deposits in Sardinia, further exploration work at its Way Linggo gold/silver project in Indonesia and funding general working capital.
- 50,000 unlisted options issued under the directors' 15% facility were exercised at \$0.39 each.
- 375,000 unlisted options issued under the directors' 15% facility were exercised at \$0.26 each.
- 1,250,000 unlisted options issued under the Company's Employee Option Plan were exercised at \$0.14 each.
- 10,000 listed options issued under the Company's 1:2 Rights Issue were exercised at \$0.20 each.
- 42,500,000 fully paid, ordinary shares were released from escrow on 26 February 2010.
- 150,000 unlisted options issued under the Company's share option plan at an exercise price of \$0.73 on or before 8 March 2015.
- Sarinc UK Ltd was incorporated in England and Wales and is 100% wholly owned by the Consolidated Entity.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Business Combination

On 10 September 2008, the Company entered into a Share Purchase Agreement for the acquisition of the shares in MMG Pty Ltd (MMG), a Company incorporated in Australia, with Icon Enterprises Limited (Icon) and its shareholders, including Messrs Morris, Phillips and Andrews, who are also directors of Kingsrose. Due to changing economic conditions, the agreement was subsequently varied on 26 November 2008 (as varied, the Share Purchase Agreement).

The Share Purchase Agreement 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 represents 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.

The fair value of shares issued was determined by reference to the closing price quoted on the Australian Stock Exchange on 27 February 2009. This price was \$0.20 per ordinary share.

Following shareholder approval on 21 January 2009 and completion of all conditions precedent on 27 February 2009 the Company acquired 100% of the voting shares in MMG, from its parent Company, Icon. MMG holds all of the shares in Natarang Offshore Pty Ltd (NOPL), a Company incorporated in Australia. NOPL holds 85% of the shares in PT Natarang Mining (PTNM), a Company incorporated in Indonesia that is owner and operator of the Way Linggo Gold Project. Thus, by acquiring all of the shares in MMG, the Company has acquired an 85% interest in the Project. The remaining 15% is held by an Indonesian national.

The Project is being undertaken by PTNM pursuant to a Contract of Work dated 2 December 1986 between the Republic of Indonesia and PTNM (Contract of Work or COW).

The COW provides that:

- following the end of the fourth full calendar year of the Operating Period to the end of the fifth year, at least 15% of PTNM's shares must be offered to the Indonesian Government or Indonesian national. This has been met as 15% of PTNM is owned by an Indonesian national at 31 December 2009;
- by the end of the sixth year, at least 23% must be offered;
- by the end of the seventh year, at least 30% must be offered;
- by the end of the eighth year, at least 37% must be offered;
- by the end of the ninth year, at least 44% must be offered; and
- by the end of the tenth year, at least 51% must be offered.

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Business Combination (continued)

The fair value of the identifiable assets and liabilities of the acquiree as at the date of acquisition are:

	2009 Carrying value \$	2009 Fair value \$
Property, plant and equipment	2,065,212	2,065,212
Mine development	16,133,335	16,100,708
Cash and cash equivalents	45,396	45,396
Trade and other receivables	171,107	171,107
Inventories	451,564	451,564
Other	330	330
	18,866,944	18,834,317
Trade and other current payables	1,009,937	1,009,937
Other non-current payables	7,827,808	7,827,808
Provisions	373,915	373,915
Hire purchase liabilities	-	-
	9,211,660	9,211,660
Fair value of identifiable net assets		9,622,657
Minority Interest		-
KRM share of fair value of the identifiable net assets		9,622,657
Cost of the combination:		
Issue of shares at fair value		8,500,000
Direct costs relating to the acquisition		1,122,657
Total cost of the combination		9,622,657
Net cash inflow on acquisition:		
Cash acquired		45,396

The amount of PTNM's loss included in the Group's profit or loss for the period since the acquisition date was \$2,199,929. No revenue was recorded.

The equity balance of PT Natarang, the operating company for the Way Linggo Gold Project, was negative (i.e. a debit balance) at the time of the acquisition in February 2009, at 30 June 2009 and again at 31 December 2009 due to accumulated losses exceeding issued capital and reserves.



DIRECTORS' DECLARATION

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

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 financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity.
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

John C. Morris
Executive Chairman
10 March 2010

To the members of Kingsrose Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kingsrose Mining Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kingsrose Mining Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

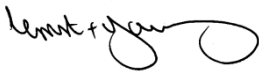
Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kingsrose Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz'.

G H Meyerowitz
Partner
Perth
10 March 2010