KINGSROSE MINING LIMITED

A.C.N. 112 389 910

HALF-YEAR FINANCIAL REPORT

31 December 2012

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CORPORATE INFORMATION

Directors
John C. Morris – Chairman
Christopher N. Start – Managing Director
Timothy G. Spencer – Finance Director
J. William Phillips – Non-Executive Director
Andrew P. Spinks – Non-Executive Director

Company Secretary
Jeannette P. Smith

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Domicile and Country of Incorporation
Australia

Stock Exchange Listings
ASX - Australia
Kingsrose Mining Limited is listed on the Australian Securities Exchange Limited
(Home Branch - Perth)
ASX Code: Ordinary shares KRM

OTC - United States of America
Unsponsored American Depositary Receipts (ADRs)
Each Kingsrose ADR is equivalent to five (5) ordinary shares of Kingsrose, as traded on the ASX.

The Bank of New York Mellon is the depositary bank
www.adrbnymellon.com

DIRECTORS' REPORT

The Directors present their report for the half-year ended 31 December 2012.

Directors

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

John C. Morris – Chairman
Christopher N. Start – Managing Director
Timothy G. Spencer – Finance Director
J. William Phillips – Non-Executive Director
Andrew P. Spinks – Non-Executive Director (appointed 21 August 2012)
Peter G. Cook – Non-Executive Director (resigned 21 August 2012)

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

Principal Activities

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

- Production of gold and silver at the Way Linggo Project
- Exploration and evaluation of gold and silver deposits at the Way Linggo Project.

Summary of Activities and Results

Kingsrose Mining Limited is a gold and silver producer and explorer and owns 85% of the shares of PT Natarang Mining, the operator of the high grade Way Linggo Project located in Sumatra, Indonesia.

Production during the period was 6,989 ounces of gold (2011: 21,278) and 67,031 ounces of silver (2011: 247,158). The lower production is largely a result of decreased production levels at the Way Linggo mine as production is sourced from accessing deeper lower grade zones coupled with the delay in ramp-up and subsequent suspension of mining activity at Talang Santo following a fatality in September 2012.

Group sales revenue was $15,935,703 (2011: $40,519,262) during the half-year. The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations for the period were $4,902,299 (2011: $26,185,381) and its consolidated net profit from continuing operations after income tax was $2,548,894 (2011: $13,848,386). The reduced EBITDA and net profit from continuing operations after income tax for the half-year were principally driven by lower sales revenue resulting from lower production.

As at 31 December 2012, the Group held $8,837,666 in cash and cash equivalents (30 June 2012: $30,125,139). Total Group assets decreased from $94,072,454 to $84,194,968 whilst net assets increased from $66,479,766 to $69,861,956.

DIRECTORS' REPORT (CONTINUED)

Non-IFRS Financial Information

EBITDA excludes components that are significant in understanding and assessing our results of operations. EBITDA is used by management to evaluate, assess and benchmark our operational results and the Company believes that EBITDA is relevant and useful information used by analysts, investors and other interested parties in our industry. Accordingly, the Company is disclosing this information to permit a more comprehensive analysis of its operation performance and to provide additional measure of performance.

EBITDA represents net profit or loss with adjustments for depreciation and amortisation, net interest income or expense and income tax expense or benefit. EBITDA is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. It has not been subject to review by the Company's auditor. However, all the financial numbers used to calculate EBITDA are directly extracted from IFRS compliant financial information.

The reconciliation between the Group's EBITDA and profit from continuing operations before tax is shown below.

	2012	2011
	$	$
EBITDA	**4,902,299**	26,185,381
Interest	**14,162**	686,353
Depreciation and amortisation	**(3,043,709)**	(4,375,546)
Profit from continuing operations before tax	**1,872,752**	22,496,188

Review of Operations and Activities

Way Linggo Project, Southern Sumatra, Indonesia

Kingsrose Mining Limited owns 85% of the Way Linggo Project in Southern Sumatra, situated on the prolifically mineralised Trans Sumatran Fault, which is part of the Pacific Rim of Fire. The Way Linggo Project is held under a highly prized 4th generation Contract of Work (Mining Title) agreement with the Indonesian government covering an area of 100km^2.

The Project area contains the Way Linggo mine and Talang Santo which is being developed into the Project's second mine. In addition, numerous epithermal targets have been identified which is indicative of the immense exploration upside that exists within the Way Linggo Project.

The Way Linggo Project contains high grade, narrow vein, low sulphidation epithermal gold and silver deposits that are extracted utilising simple, underground non-mechanised mining methods. The processing plant consists of a conventional crushing, SAG and ball mill circuit and employs a Merrill Crowe circuit to extract the gold and silver. As a result of the high grades, silver credits and simple mining methods, the Way Linggo Project is a low cost gold producer, generating high cash flow.

DIRECTORS' REPORT (CONTINUED)

Production – Key Indicators

	Unit	Half-year ended 31 December 2012	Half-year ended 31 December 2011
Ore Mined	t	**25,971**	38,925
Mined Grade - Gold	g/t	**9.6**	15.5
Mined Grade - Silver	g/t	**84**	203
Ore Processed	t	**26,041**	60,639
Head Grade - Gold	g/t	**8.6**	12.0
Head Grade - Silver	g/t	**86**	154
Gold Produced (i)	oz	**6,989**	21,278
Silver Produced (i)	oz	**67,031**	247,158
Gold Sold	oz	**8,005**	20,671
Silver Sold (ii)	oz	**120,030**	219,018

	31 December 2012		31 December 2011	
	US$/oz	A$/oz	US$/oz	A$/oz
Cash Operating Cost (before Ag credit)	1,029	990	538	521
Less Silver By-Product Credit (iii)	(412)	(397)	(309)	(299)
Cash Operating Cost (iv)	618	593	229	222
Total Production Costs (v)	1,092	1,051	495	480
Average Gold Price Received	1,669	1,607	1,703	1,652
Average Silver Price Received	27	26	30	29

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

(ii) Includes 9,991oz purchased on-market for the half-year ended 31 December 2012, hence net sales from production was 110,039oz.

(iii) Calculated using actual silver sales for the period.

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

(v) Includes cash operating costs plus royalties, depreciation and mine development amortisation.

Project Overview

In September 2012 the Company announced an increase in its JORC compliant Mineral Resource estimate for its Talang Santo prospect by 73% to 287,489 ounces of gold and 894,951 ounces of silver. The total JORC compliant Project Resource increased by 25% to 485,869 ounces of gold and 3,183,278 ounces of silver.

Since the virgin discovery of Talang Santo in June 2011, Kingsrose worked rapidly to bring the project into production with the construction of a mine adit into the upper parts of the outcropping vein system and the sinking of an underlay shaft to access the ore at 3 level. Development of the first production level at Talang Santo commenced in June 2012.

At Way Linggo, the mine entered a phase of lower monthly production as pillar recovery, stope filling and accessing of deeper lower grade zones commenced.

It was anticipated that increasing production at Talang Santo would more than offset reductions in tonnages from the more mature Way Linggo mine. Unfortunately, activities at Talang Santo were impacted by a mine accident in September 2012 that tragically resulted in the death of a mine worker. As a result of the accident, operations at the Talang Santo mine remain temporarily suspended.

DIRECTORS' REPORT (CONTINUED)

Following discussions with the Indonesian Mines Department, Kingsrose expects full mining activities to resume in April 2013.

Way Linggo Mine
The Way Linggo mine production totalled 22,400 tonnes of ore at a grade of 10.0g/t Au and 94g/t Ag. As anticipated, mined tonnage decreased in line with slower mining extraction rates due to old stope backfilling activities to support the oxidised zones and assist in remnant mining and pillar recovery.

Mine development continued on the Intermediate 3 level (between levels 3 and 4) at 935mRL extending the level to the north and south. Sub level development also continued allowing production from the deeper parts of the mine.

Talang Santo

The development of the mine at Talang Santo continued on two fronts. The completion of access via an adit and an internal winze enabled level development to commence on 2 level and sinking of the underlay shaft to provide access to 3 level.

Initial delays were encountered in the completion of the underlay shaft due to water ingress. The shaft was since completed to a final depth of 100m and the level was being set up for development on ore. During shaft development, the shaft intersected the Mawi vein. Face sampling on the East panel returned 1.4m @ 56.5g/t Au and 156g/t Ag, while sampling on the West panel returned 1.8m @ 24.2g/t Au and 65g/t Ag. Face sampling on the Hanging Wall Vein on the East panel returned 3.1m @ 12.3g/t Au and 60.2g/t Ag (including 0.6m @ 62.0g/t Au and 26g/t Ag). Sampling on the West panel returned 1.6m @ 17.2g/t Au and 32.7g/t Ag.

The project was impacted on 14 September 2012 by an accident in the mine that tragically resulted in the death of a mine worker. As a result of the accident, operations at the Talang Santo mine have been temporarily suspended.

Following the Indonesian Mines Department's investigations into the fatality, PT Natarang Mining ("PTNM") received formal notification that five key steps, including four that the Company was already conducting in parallel to the development of the mine, were required to be completed prior to the resumption of mining activities.

PTNM has been working towards compliance with the five key steps, including the contracting of an on-site Geotechnical Engineer, submission of an updated Way Linggo Project Feasibility Study to include Talang Santo, submission of updated emergency evacuation plans and submission of an updated AMDAL (environmental impact study) to the relevant Government departments.

The granting of the final "Pinjam Pakai" or "Borrow and Use of Forest Area Permit" is required for the area hosting the Talang Santo Mine for resumption of full scale mining activities. An important milestone was achieved in December 2012 with the grant of an In-Principle Forestry Permit, which outlines a set of standard obligations with which PTNM must comply to secure the Pinjam Pakai. PTNM is in the process of complying with the standard obligations.

Kingsrose expects full mining activities to re-commence in April 2013. In anticipation of this, the Company has been making preparations to accelerate development at Talang Santo to offset in part the delays caused by the suspension.

Gold & Silver Sales

Gold sales of US$13,362,176 (A$12,865,566) were generated for the half-year from the sale of 8,005 ounces at an average price of US$1,669/ounce (A$1,607/ounce). Silver sales (silver sold is a by-product of gold production) totalled US$3,188,644 (A$3,070,137) with 120,030 ounces sold at an average price of US$27/ounce (A$26/ounce).

DIRECTORS' REPORT (CONTINUED)

Exploration

Initially, the focus of exploration activity was on the completion of the updated Mineral Resource Statement, infill and extensional drilling at Talang Santo, which remains open in all directions, and extensional drilling at Linggo-Sapta, which continued to return positive drill results.

High Grade intercepts include:

Talang Santo – Mawi & Mawi West

- **DDH-338** 2.5m @ 11.2g/t Au; 58.3g/t Ag from 294.25m
- **DDH-396** 0.25m @ 14.88g/t Au; 22.93g/t Ag from 261.6m and 1.7m @ 4.08g/t Au; 7.91 g/t Ag from 261.6m and; 0.95m @ 4.89 g/t Au; 7.24g/t Ag from 314.9m

Linggo Sapta

- **DDH-356** 0.6m @ 15.9g/t Au; 147.9g/t Ag from 367.30m
- **DDH-361** 0.15m @ 18.9g/t Au; 134.2 g/t Ag from 112.95m
- **DDH-373** 0.3m @ 7.22g/t Au; 2.09g/t Ag from 49m and 0.85m @ 5.07g/t Au; 29.3 g/t Ag from 119.45m
- **DDH-383** 0.35m @ 29.32g/t Au; 90g/t Ag from 60.9 and 1.9m @ 4.87g/t Au; 32.3g/t Ag from 96.8m and; 0.65m @15.1g/t Au; 233.1g/t Ag from 241.15m

Following the temporary suspension in mining activities at Talang Santo exploration drilling was curtailed as part of a broader cash management strategy. The strategy is aimed at ensuring that the Group maintains adequate cash reserves to continue to fund and accelerate its operational, development and exploration objectives.

Most of the exploration focus was on completion of detailed surface geology mapping, soil sampling at Talang Santo south and reconnaissance field work at Petai Kayu East.

Other Projects - SARINC Project, Sardinia, Italy

In January 2012, the Company decided to minimise its activity and expenditure on the project whilst it waited for the Sardinian regional government to provide a formal response on its position with regards to entering into a commercial arrangement with the Company to advance the project and elected to put its activity in Sardinia on hold.

As of October 2012, the Sardinian regional government had still not provided a formal response; accordingly the Company made the decision to permanently cease any further involvement in this project and formally wound up the project at a corporate level by selling its wholly owned subsidiary, SARINC UK Ltd, to a non-related party on 21 December 2012. The Company has retained the project's intellectual property.

* * * * *

Competent Person Statement

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr. Andrew Spinks, B.App.Sc (Geology), Grad.Dip (Mining) and is a member of AusIMM who is a Director of Kingsrose Mining Limited. Mr. Spinks has sufficient experience, which is relevant to the styles of mineralisation and types of deposits and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Mr. Spinks 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 (CONTINUED)

Corporate

During the half-year ended 31 December 2012, the following significant events took place:

Dividend

In accordance with the Company's Dividend Policy, the Directors announced on 23 May 2012 that Kingsrose would pay a maiden unfranked dividend of $0.04 cents per share. The dividend was distributed to shareholders on 4 July 2012.

Listing on OTCQX International

On 26 July 2012, the Company announced that it had commenced quotation to trade American Depositary Receipts (ADRs) on the US based exchange, OTCQX International, through the sponsored ADR program.

Directors

On 22 August 2012, the Company announced the appointment of Mr Andrew Spinks as a Non-Executive director to the Board.

Mr Spinks, who is an experienced geologist, holds a B.App.Sc (Geology) a Grad.Dip (Mining) and is a member of AusIMM. He has a wealth of technical, managerial and corporate experience gained over 24 years within the mining industry in both Australia and overseas. Previously, Andrew has held a number of key geological, operational and managerial roles, including positions with Whim Creek, Dominion Mining, Plutonic Resources, Australian Gold Fields, Black Range Minerals, Crescent Gold Limited and more recently with Macarthur Minerals Limited. Andrew is currently a director of ASX listed Kibaran Resources Limited.

At the same time, the Company advised that Mr Peter Cook had resigned as a director of the Company due to a substantial increase in his other work commitments. Mr Cook has been an integral part of the Company's swift transition from explorer to producer, initially as a consultant following the acquisition of the Way Linggo Project in 2009 and then after his appointment as a Non-Executive director in October 2010.

Cash Management

Following the Talang Santo mine closure in September 2012 as a result of a mine fatality, prudent steps were taken to ensure that the Group maintained adequate cash reserves to continue to fund and accelerate its operational, development and exploration strategies whilst working towards the recommencement of full scale mining activities at Talang Santo.

An unsecured US$5 million short term bridging loan was arranged and subsequently drawn down during the period with Advance Concept Holdings Pty Ltd ("ACH"), a company in which Mr Phillips, a non-executive director of the Company is associated. The terms of the loan have been determined on an arms-length basis with the principal sum and all outstanding interest repayable from surplus funds exceeding US$2 million per month or if more than US$9 million is raised via debt or equity.

Refer to the Significant Events after Reporting Date section for information on a US$15 million financing facility arranged with Credit Suisse in February 2013.

DIRECTORS' REPORT (CONTINUED)

Securities

During the six months to December 2012, the following securities were issued/cancelled/lapsed:

- 2,749,026 ordinary shares were issued as a result of listed and unlisted options being exercised during the period for a total consideration of $624,804. Included in this amount are 668,354 options that were exercised by 31 December 2012 but not physically allotted until 8 January 2013.
- The Company's listed options ceased trading on 20 December 2012. On 31 December 2012, 65,169 options remained unexercised and therefore lapsed.
- 500,000 unlisted options were issued under ESOP to an employee at an exercise price of $1.26 each. The employee subsequently resigned and as the options had not vested, they were cancelled in October 2012.
- 100,000 unlisted options were issued under ESOP to an employee at an exercise price of $1.27 each. The options are subject to six months' vesting period and will expire on 14 February 2015.
- 270,269 unlisted share performance rights (in total) were issued to two executive directors, as approved by shareholders at the Annual General Meeting held on 1 November 2012 (refer to Note 11 of the Financial Statements). Full details may be obtained from the Company's Explanatory Memorandum, which accompanied the Notice of Meeting.

Significant Events after Reporting Date

Financing

In February 2013, Kingsrose agreed a pre-paid gold forward sale facility with Credit Suisse International to raise US$15 million.

The pre-paid transaction will essentially involve the Company's Indonesian subsidiary, PT Natarang Mining delivering specified quantities of gold ounces (determined upon trade execution) on a monthly basis starting in January 2014 and ending in June 2015. Credit Suisse will pay the sales proceeds to PTNM at the time of trade execution of each of the two tranches:

a) the first tranche of US$4 million to be available on completion of the transaction documentation; and

b) the second tranche of US$11 million to be available upon permission being given to resume full mining activities at Talang Santo, including receipt of a forestry "borrow & use" permit.

Both tranches are subject to review by Credit Suisse of an updated cash forecast before being made available.

The combined quantity of gold to be effectively priced and committed to delivery in the two transactions will likely represent less than 20% of expected production during the delivery months.

DIRECTORS' REPORT (CONTINUED)

Listing on OTCQX International/OTC

As reported above, on 26 July 2012, the Company announced that it had commenced quotation to trade American Depositary Receipts (ADRs) on the US based exchange, OTCQX International, through the sponsored ADR program. However, the Company decided not to maintain its quotation through OTCQX International with effect from 15 March 2013 and as a result, the ADRs will become unsponsored and can only be traded through the OTC (over-the-counter - pink slips) platform.

Auditor's Independence Declaration

Ernst and Young's independence declaration is set out on page 12 and forms part of the directors' report for the half-year ended 31 December 2012.

Signed in accordance with a resolution of the Directors.

Christopher N. Start
Managing Director
14 March 2013

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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 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
14 March 2013

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	**31 December 2012 $**	31 December 2011 $
Continuing operations			
Sale of goods	4(a)	**15,935,703**	40,519,262
Other revenue	4(a)	**175,089**	706,450
Total revenue		**16,110,792**	41,225,712
Cost of sales	4(b)	**(10,241,616)**	(16,854,047)
Gross profit		**5,869,176**	24,371,665
Other income	4(c)	**23,319**	1,223,955
Administration expenses	4(d)	**(3,105,287)**	(3,079,335)
Other expenses	4(e)	**(753,529)**	-
Finance costs	4(f)	**(160,927)**	(20,097)
Profit from continuing operations before income tax		**1,872,752**	22,496,188
Income tax benefit/(expense)		**676,142**	(8,647,802)
Profit from continuing operations after income tax		**2,548,894**	13,848,386
Discontinued operations			
Loss from discontinued operations after income tax	13	**(38,022)**	(89,695)
Net profit for the period		**2,510,872**	13,758,691
Profit for the period is attributable to:			
Owners of the parent		**3,096,521**	11,363,871
Non-controlling interests		**(585,649)**	2,394,820
		2,510,872	13,758,691
		Cents	Cents
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent:			
Basic earnings per share – cents per share		**1.08**	4.28
Diluted earnings per share – cents per share		**1.08**	4.05
Earnings per share attributable to the ordinary equity holders of the parent:			
Basic earnings per share – cents per share		**1.07**	4.25
Diluted earnings per share – cents per share		**1.07**	4.02

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	$	$
Net profit for the period	**2,510,872**	13,758,691
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translations	**(364,804)**	325,130
Income tax	**-**	-
Other comprehensive income/(loss) for the period, net of tax	**(364,804)**	325,130
Total comprehensive income/(loss) for the period	**2,146,068**	14,083,821
Total comprehensive income/(loss) for the period is attributable to:		
Owners of the parent	**2,797,921**	11,608,594
Non-controlling interests	**(651,853)**	2,475,227
	2,146,068	14,083,821

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31 December 2012 $	30 June 2012 $
Current Assets			
Cash and cash equivalents		**8,837,666**	30,125,139
Other receivables		**2,562,229**	2,776,239
Inventories		**4,393,797**	4,334,366
Other		**829,440**	457,722
Total Current Assets		**16,623,132**	37,693,466
Non-Current Assets			
Other receivables		**2,729,073**	1,607,114
Income tax receivable	6	**4,981,128**	-
Plant and equipment		**9,300,407**	10,103,953
Mine properties and development		**31,262,801**	27,090,027
Exploration and evaluation assets		**18,796,572**	17,151,051
Deferred tax assets		**501,855**	426,843
Total Non-Current Assets		**67,571,836**	56,378,988
TOTAL ASSETS		**84,194,968**	94,072,454
Current Liabilities			
Trade and other payables	7	**4,512,626**	22,315,071
Interest-bearing liabilities	8	**5,448,507**	312,666
Income tax payable	6	**-**	2,962,048
Provisions		**436,859**	433,348
Total Current Liabilities		**10,397,992**	26,023,133
Non-Current Liabilities			
Interest-bearing liabilities	8	**863,336**	181,995
Deferred tax liabilities		**1,507,847**	-
Provisions		**1,563,837**	1,387,560
Total Non-Current Liabilities		**3,935,020**	1,569,555
TOTAL LIABILITIES		**14,333,012**	27,592,688
NET ASSETS		**69,861,956**	66,479,766
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9	**62,769,529**	62,144,725
Reserves		**437,457**	139,458
Retained earnings		**3,350,845**	254,324
		66,557,831	62,538,507
Non-controlling interests		**3,304,125**	3,941,259
TOTAL EQUITY		**69,861,956**	66,479,766

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	**31 December 2012 $**	31 December 2011 $
Cash flows from operating activities			
Receipts from customers		**12,867,367**	37,452,159
Payment to suppliers and employees		**(11,545,718)**	(16,621,058)
Interest received		**321,240**	481,404
Interest and other finance costs paid		**(90,634)**	(15,271)
Income tax paid		**(5,911,227)**	-
Net cash flows (used in)/from operating activities		**(4,358,972)**	21,297,234
Cash flows from investing activities			
Payments for plant and equipment		**(1,155,580)**	(2,421,916)
Proceeds from sale of plant and equipment		**33,331**	153,377
Payments for mine properties and development		**(3,489,352)**	(2,250,562)
Payments for exploration and evaluation expenditure		**(5,428,869)**	(7,330,138)
Disposal of subsidiary, net of cash disposed of	13	**(15,187)**	-
Net cash flows used in investing activities		**(10,055,657)**	(11,849,239)
Cash flows from financing activities			
Proceeds from exercise of share options		**624,804**	1,464,083
Proceeds from loan – related party		**4,835,122**	-
Proceeds from sale and leaseback of plant and equipment		**524,745**	-
Repayment of hire purchases		**(186,939)**	(177,264)
Dividends paid to owners of the parent	10	**(11,566,713)**	-
Dividends paid to non-controlling interests		**(1,000,881)**	-
Net cash flows (used in)/from financing activities		**(6,769,862)**	1,286,819
Net (decrease)/increase in cash and cash equivalents		**(21,184,491)**	10,734,814
Cash and cash equivalents at beginning of the period		**30,125,139**	23,951,112
Effects of exchange rate changes on cash and cash equivalents held		**(102,982)**	174,310
Cash and cash equivalents at end of the period	5	**8,837,666**	34,860,236

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Issued Capital $	Share-Based Payments Reserve $	General Reserve $	Foreign Currency Translation Reserve $	Retained Earnings $	Owners of the Parent $	Non-Controlling Interests $	Total $
At 1 July 2012	**62,144,725**	**5,771,197**	**98,126**	**(5,729,865)**	**254,324**	**62,538,507**	**3,941,259**	**66,479,766**
Net profit for the period	-	-	-	-	3,096,521	3,096,521	(585,649)	2,510,872
Other comprehensive income/(loss) for the period	-	-	-	(298,600)	-	(298,600)	(66,204)	(364,804)
Total comprehensive income/(loss) for the period	-	-	-	(298,600)	3,096,521	2,797,921	(651,853)	2,146,068
Transactions with owners in their capacity as owners:								
Proceeds from exercise of options	624,804	-	-	-	-	624,804	-	624,804
Share-based payments	-	611,318	-	-	-	611,318	-	611,318
Transfers	-	-	(14,719)	-	-	(14,719)	14,719	-
At 31 December 2012	**62,769,529**	**6,382,515**	**83,407**	**(6,028,465)**	**3,350,845**	**66,557,831**	**3,304,125**	**69,861,956**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Issued Capital $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Retained Earnings / (Accumulated Losses) $	Owners of the Parent $	Non-Controlling Interests $	Total $
At 1 July 2011	**57,066,067**	**3,887,485**	**(6,227,224)**	**(5,632,387)**	**49,093,941**	**1,186,943**	**50,280,884**
Net profit for the period	-	-	-	11,363,871	11,363,871	2,394,820	13,758,691
Other comprehensive income for the period	-	-	244,723	-	244,723	80,407	325,130
Total comprehensive income for the period	-	-	244,723	11,363,871	11,608,594	2,475,227	14,083,821
Transactions with owners in their capacity as owners:							
Proceeds from exercise of options	1,464,083	-	-	-	1,464,083	-	1,464,083
Share-based payments	-	1,023,556	-	-	1,023,556	-	1,023,556
At 31 December 2011	**58,530,150**	**4,911,041**	**(5,982,501)**	**5,731,484**	**63,190,174**	**3,662,170**	**66,852,344**

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

NOTES TO THE FINANCIAL STATEMENTS

This general purpose condensed financial report of Kingsrose Mining Limited ("Kingsrose" or the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 14 March 2013.

1. CORPORATE INFORMATION

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

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.

The Group's corporate structure is:

		Equity Interest Held	
Company	**Place of Incorporation**	**As at 31 December 2012**	As at 31 December 2011
		%	%
MM Gold Pty Ltd	Australia	**100**	100
Natarang Offshore Pty Ltd	Australia	**100**	100
PT Natarang Mining *	Indonesia	**85**	85
Kingsrose Tanggamus Pty Ltd	Australia	**100**	100
SARINC UK Ltd	England/Wales	**-**	100
SARINC srl	Italy	**-**	100

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

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

It is recommended that the half-year financial report should be read in conjunction with the annual financial report of Kingsrose Mining Limited as at 30 June 2012 and considered together with any public announcements made by the Company during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX listing rules.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Changes in accounting policies

Since 1 July 2012, the Group has adopted all Accounting Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2012. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]*
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]*

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

Going concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

During the period ended 31 December 2012, the Group made a net profit after tax of $2,510,872 and incurred a net cash outflow used in operating activities of $4,358,972. The cash and cash equivalents balance, as at 31 December 2012 was $8,837,666. The consolidated entity's net current asset position at 31 December 2012 was $6,225,140.

Due to the temporary closure of the Talang Santo mine, the Group anticipate a cash shortfall in the short term, whilst the mine remains closed and during the initial months of development activity when the mine restarts.

The Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing the additional funds through:

- The expected re-opening of operations at the Talang Santo mine in April 2013;
- The receipt of up to $15 million via the Credit Suisse prepaid gold forward finance transaction;
- Securing of an alternative external loan facility or placement of shares to cover any cash shortfall if required.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENTS

Identification of reportable segments

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

Accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENTS (CONTINUED)

	Six months ended 31 December 2012				Six months ended 31 December 2011				
	Gold & Silver	**Total Segment**	**Unallocated Items**	**Consolidated**	Gold & Silver	Zinc	Total Segment	Unallocated Items	Consolidated
	$	**$**	**$**	**$**	$	$	$	$	$
Revenue									
External sales - gold	**12,865,566**	**12,865,566**	**-**	**12,865,566**	34,144,234	-	34,144,234	-	34,144,234
External sales - silver	**3,070,137**	**3,070,137**	**-**	**3,070,137**	6,375,028	-	6,375,028	-	6,375,028
Total segment revenue	**15,935,703**	**15,935,703**	**-**	**15,935,703**	40,519,262	-	40,519,262	-	40,519,262
Interest revenue	**-**	**-**	**175,089**	**175,089**	-	-	-	706,450	706,450
Total revenue	**15,935,703**	**15,935,703**	**175,089**	**16,110,792**	40,519,262	-	40,519,262	706,450	41,225,712
Segment profit/(loss) before income tax	**5,210,548**	**5,210,548**	**-**	**5,210,548**	24,043,346	-	24,043,346	-	24,043,346
Interest revenue	**-**	**-**	**175,089**	**175,089**	-	-	-	706,450	706,450
Corporate costs	**-**	**-**	**(3,370,324)**	**(3,370,324)**	-	-	-	(2,253,608)	(2,253,608)
Finance costs	**-**	**-**	**(142,561)**	**(142,561)**	-	-	-	-	-
Profit/(Loss) before income tax	**5,210,548**	**5,210,548**	**(3,337,796)**	**1,872,752**	24,043,346	-	24,043,346	(1,547,158)	22,496,188
Income tax expense	**2,183,989**	**2,183,989**	**(1,507,847)**	**676,142**	(8,647,802)	-	(8,647,802)	-	(8,647,802)
Net profit/(loss) for the period	**7,394,537**	**7,394,537**	**(4,845,643)**	**2,548,894**	15,395,544	-	15,395,544	(1,547,158)	13,848,386
Depreciation and amortisation	**3,032,174**	**3,032,174**	**11,535**	**3,043,709**	4,367,488	-	4,367,488	8,058	4,375,546
	31 December 2012				30 June 2012				
Segment operating assets	**77,046,060**	**77,046,060**	**-**	**77,046,060**	66,833,928	51,379	66,885,307	-	66,885,307
Unallocated assets	**-**	**-**	**6,647,053**	**6,647,053**	-	-	-	26,760,304	26,760,304
Deferred tax assets	**501,855**	**501,855**	**-**	**501,855**	426,843	-	426,843	-	426,843
Total assets	**77,547,915**	**77,547,915**	**6,647,053**	**84,194,968**	67,260,771	51,379	67,312,150	26,760,304	94,072,454

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND EXPENSES

		31 December 2012 $	31 December 2011 $
(a)	**Revenue**		
	Sale of goods		
	Gold	**12,865,566**	34,144,234
	Silver	**3,070,137**	6,375,028
		15,935,703	40,519,262
	Other revenue		
	Interest	**175,089**	706,450
	Total revenue	**16,110,792**	41,225,712
(b)	**Cost of sales**		
	Mine production costs	**7,135,769**	9,909,706
	Royalties	**305,533**	986,385
	Depreciation	**1,306,889**	2,715,487
	Amortisation	**1,718,773**	1,647,892
	Inventory movements	**(525,924)**	1,594,577
	Finished goods purchased	**300,576**	-
	Total cost of sales	**10,241,616**	16,854,047
(c)	**Other income**		
	Gain on disposal of plant and equipment	**21,518**	60,292
	Net gain on foreign exchange	**-**	1,163,644
	Sundry income	**1,801**	19
	Total other income	**23,319**	1,223,955
(d)	**Administration expenses**		
	Corporate costs	**2,475,922**	2,043,612
	Depreciation	**18,047**	12,167
	Share-based payments	**611,318**	1,023,556
	Total administration expenses	**3,105,287**	3,079,335
(e)	**Other expenses**		
	Net loss on foreign exchange	**753,529**	-
	Total other expenses	**753,529**	-
(f)	**Finance costs**		
	Borrowing costs	**72,268**	-
	Loans from related parties	**70,293**	-
	Finance charges payable under finance leases	**18,366**	15,271
		160,927	15,271
	Unwinding of discount on rehabilitation provision	**-**	4,826
	Total finance costs	**160,927**	20,097

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND EXPENSES (CONTINUED)

		31 December 2012 $	31 December 2011 $
(g)	**Depreciation and amortisation**		
	Plant and equipment	**1,324,936**	2,727,654
	Mine properties	**1,718,773**	1,647,892
	Total depreciation and amortisation	**3,043,709**	4,375,546
(h)	**Employee benefits expense**		
	- Wages and salaries	**4,682,103**	4,220,871
	- Defined contribution superannuation expense	**45,481**	35,963
	- Share-based payments	**611,318**	1,023,556
	- Other employee benefits	**790,641**	365,526
	Total employee benefits expense	**6,129,543**	5,645,916

5. CASH AND CASH EQUIVALENTS

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

	31 December 2012 $	31 December 2011 $
Current		
Cash at bank and in hand	**4,837,666**	4,960,236
Short-term deposits	**4,000,000**	29,900,000
	8,837,666	34,860,236

The Group is required to maintain a minimum cash balance of $4,000,000 as part of the Credit Suisse International pre-paid silver transactions entered into in December 2010, expiring on 28 February 2013.

6. INCOME TAX RECEIVABLE/(PAYABLE)

	31 December 2012 $	30 June 2012 $
Balance at beginning of period	**(2,962,048)**	(1,233,485)
Charged to income	**2,067,654**	(15,792,972)
Charged to equity	**-**	-
Payments	**5,911,227**	14,148,303
Foreign exchange translation loss	**(35,705)**	(83,894)
Balance at end of period	**4,981,128**	(2,962,048)
Current	**-**	(2,962,048)
Non-Current	**4,981,128**	-
	4,981,128	(2,962,048)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TRADE AND OTHER PAYABLES

	31 December 2012 $	30 June 2012 $
Current		
Trade creditors	**2,177,110**	4,119,562
Accruals	**1,062,523**	1,161,321
Sundry creditors	**238,068**	249,062
Dividend payable	**-**	12,567,594
Unearned revenue	**1,034,925**	4,217,532
	4,512,626	22,315,071

8. INTEREST-BEARING LIABILITIES

	31 December 2012 $	30 June 2012 $
Current		
Finance lease liabilities (a)	**633,407**	312,666
Loan from a related party (b)	**4,815,100**	-
	5,448,507	312,666
Non-Current		
Finance lease liabilities (a)	**863,336**	181,995

(a) Included in the balances at 31 December 2012 are $1,160,745 (US$1,205,318) finance lease liabilities arising from a finance lease arrangement entered into by PTNM via a US$2 million corporate facility agreement on 30 July 2012. The finance leases are repayable in monthly instalments over 36 months with the final instalments due in December 2015. Interest is charged at an average rate of 6.2%. The leases are secured by the assets leased and a guarantee from Kingsrose. At balance date, a total amount of $1,198,151 (US$1,244,160) of the facility has been used.

(b) In October 2012, a US$5 million loan was extended by Advance Concept Holdings Pty Ltd, an entity in which Mr Phillips, a non-executive director of the Company, is associated. The loan is unsecured and repayable in monthly instalments within 1 year from surplus funds exceeding US$2 million per month or may be repayable in full if more than US$9 million is raised via debt or equity. Interest is charged at 8% per annum plus LIBOR.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. CONTRIBUTED EQUITY

	31 December 2012		30 June 2012	
	$	**Number**	$	Number
Ordinary Shares				
Issued and fully paid	**62,769,529**	**291,959,871**	62,144,725	282,210,845
Movements in ordinary shares on issue				
Balance at beginning of the period	**62,144,725**	**289,210,845**	57,066,067	264,407,055
Exercise of options - listed	**249,804**	**1,249,026**	4,278,758	21,393,790
Exercise of options - unlisted	**375,000**	**1,500,000**	799,900	3,410,000
Balance at end of the period	**62,769,529**	**291,959,871**	62,144,725	289,210,845

10. DIVIDENDS PAID AND PROPOSED

In accordance with its Dividend Policy, the Company declared a maiden unfranked dividend of $0.04 cents per share on 23 May 2012. The dividend of $11,566,713 was paid to shareholders on 4 July 2012.

No dividends have been paid, declared or recommended by the Company for the half-year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. SHARE-BASED PAYMENTS

On 1 November 2012, 270,269 performance rights were granted to two executive directors, Mr Start and Mr Spencer, under the Company's Employee Share Rights Plan. The terms and conditions applicable to the performance rights granted are set out below.

- The exercise price is nil and the number of performance rights will vest subject to the satisfaction of the performance conditions and the continued employment of Mr Start and Mr Spencer with the Company. Performance rights that do not vest will automatically lapse.
- The performance condition is determined by reference to the Company's total shareholder return ("TSR") performance compared with the TSR performance of a group of comparable ASX listed gold mining companies ("Peer Group") over the period from 1 July 2012 to 30 June 2015 (the "Performance Period"). A Peer Group company that ceases to be listed on the ASX during the Performance Period will be excluded from the Peer Group and will not be replaced. Kingsrose's TSR ranking within the Peer Group at the end of the Performance Period determines the number of performance rights that will vest and becomes exercisable (if any) on the following basis:

TSR Ranking in Peer Group	Percentage of Performance Rights that Vest
Below 50th percentile	Nil
50th percentile	50%
51st to 74th percentile	50% plus an additional 2% for each additional percentile ranking above the 50th percentile
75th percentile or higher	100%

The fair value of the performance rights was $0.44 per right and was estimated on the date of grant using a Monte Carlo simulation model with the following assumptions:

Dividend yield (%)	3.3
Expected volatility (%)	53.7
Risk-free interest rate (%)	2.56
Expected life of rights (years)	3
Exercise price ($)	-
Share price at grant date ($)	0.96

Total expenses arising from share-based payment transactions recognised during the period for employee services received were as follows:

	31 December 2012 $	31 December 2011 $
Options	**591,426**	1,023,556
Performance rights	**19,892**	-
	611,318	1,023,556

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. CHANGE IN COMPOSITION OF THE GROUP

Since the last annual reporting date, the Company has disposed of its wholly owned subsidiary, SARINC UK Ltd, which owned 100% of the Italian subsidiary, SARINC srl. Details of the disposal are disclosed in Note 13.

There have been no other changes in the composition of the Group.

13. DISCONTINUED OPERATIONS

In October 2012, the Board of Directors made the decision to dispose of its wholly owned subsidiary, SARINC UK Ltd, which owned 100% of the Italian subsidiary, SARINC srl. SARINC srl holds the Zinc Tailings Retreatment project in Sardinia, Italy. The project has been put on hold since January 2012 due to the metallurgical complexity, marginality of the project at current metal prices and a lack of active cooperation from the local authorities.

The Company sold all of its shares in SARINC UK Ltd to a non-related party on 21 December 2012. Details of the disposal are presented below:

	31 December 2012 $
Net assets disposed of	
Cash and cash equivalents	**15,187**
Other receivables	**30,293**
Plant and equipment	**3,179**
Other payables	**(152)**
	48,507
Loss on disposal	**(38,507)**
Total disposal consideration	**10,000**
Less cash and cash equivalents disposed of with the discontinued operations	**(15,187)**
Less disposal consideration receivable	**(10,000)**
Net cash outflow on disposal	**(15,187)**

	31 December 2012 $	31 December 2011 $
Financial performance of SARINC operations for the period until disposal		
Other income	**12,631**	20,014
Expenses	**(12,146)**	(109,709)
Loss on disposal	**(38,507)**	-
Loss from discontinued operations before income tax	**(38,022)**	(89,695)
Income tax	**-**	-
Loss from discontinued operations after income tax	**(38,022)**	(89,695)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. EVENTS AFTER REPORTING DATE

Financing

In February 2013, Kingsrose agreed a pre-paid gold forward sale facility with Credit Suisse International to raise US$15 million.

The pre-paid transaction will essentially involve the Company's Indonesian subsidiary, PT Natarang Mining delivering specified quantities of gold ounces (determined upon trade execution) on a monthly basis starting in January 2014 and ending in June 2015. Credit Suisse will pay the sales proceeds to PTNM at the time of trade execution of each of the two tranches:

a) the first tranche of US$4 million to be available on completion of the transaction documentation; and

b) the second tranche of US$11 million to be available upon permission being given to resume full mining activities at Talang Santo, including receipt of a forestry "borrow & use" permit.

Both tranches are subject to review by Credit Suisse of an updated cash forecast before being made available.

The combined quantity of gold to be effectively priced and committed to delivery in the two transactions will likely represent less than 20% of expected production during the delivery months.

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 for the half-year ended 31 December 2012 are in accordance with the *Corporations Act 2001*, including:
   (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date, and
   (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

(b) Subject to the disclosure in Note 2 "Going Concern", 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.

Christopher N. Start
Managing Director
14 March 2013

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Report on the Half-Year Financial Report of Kingsrose Mining Limited

We have reviewed the accompanying half-year financial report of Kingsrose Mining Limited, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2012 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.

ERNST & YOUNG

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:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2. As a result of these matters there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
14 March 2013