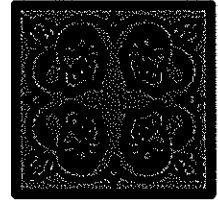


Kingsrose Mining Limited



KINGSROSE MINING LIMITED

**HALF-YEAR
FINANCIAL REPORT**

31 December 2007

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Corporate Information

Directors

Name

David F. Hatch (Managing Director)
John C. Morris (Chairman / Non Executive Director)
Michael J. Andrews (Non Executive Director)
J. William Phillips (Non Executive Director)
Dennis W. Franks (Non Executive Director)

Company Secretary

Jeannette P. Smith

Registered Office

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Applecross WA 6153

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Facsimile: (08) 9316 2511

Website: www.kingsrosemining.com.au

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Bankers

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

Share Registry

Advanced Share Registry Services
110 Stirling Highway
Nedlands, Western Australia 6009

Telephone: (08) 9389 8033
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Australian Securities Exchange Limited
(Code: KRM)

Directors' Report

The Directors present their report together with the condensed financial report for the half-year ended 31 December 2007.

Directors

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

Name

David F. Hatch	(Managing Director) – appointed 22 October 2007
John C. Morris	(Chairman / Non Executive Director) – appointed 18 August 2007
Michael J. Andrews	(Non Executive Director) – appointed 9 August 2007
J. William Phillips	(Non Executive Director) – appointed 12 January 2005
Dennis W. Franks	(Non Executive Director) – appointed 4 February 2008

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

Principal Activities

The principal activity of the Company was the development and mining of the Comet Vale mine, Kalgoorlie, in conjunction with Reed Resources Limited, pursuant to a joint venture agreement.

Review of Operations and Activities

OVERVIEW

During the period, the Company converted from a private company to a public company. Kingsrose Mining Limited (Kingsrose) was listed on the Australian Securities Exchange Limited on 7 December 2007.

Key points regarding the project include:

- In May 2005 the Kingsrose Unit Trust entered into a joint venture agreement with Reed Resources Limited to develop two mining leases and one miscellaneous licence, collectively called the Comet Vale Venture.
- The joint venture agreement required the Kingsrose Unit Trust to develop the mine. Reed Resources Limited is responsible for exploration, transport and toll treatment of the ore. Since May 2005 a significant amount of development work has occurred and ore recovered during development has been processed and sold.

On 20 October 2007 the Company acquired the joint venture assets of the Kingsrose Unit Trust by way of a Deed which then placed the Company in the same position as the Kingsrose Unit Trust. For accounting purposes, the acquisition was deemed to have occurred on 7 December 2007. The Company has maintained existing personnel and equipment and seamlessly continued the development work.

- The initial May 2005 joint venture between Reed Resources Ltd and the Kingsrose Unit Trust is continuing as a joint venture between Reed Resources and Kingsrose Mining Limited by way of an Asset Sale Agreement between the Kingsrose Unit Trust and Kingsrose Mining Limited and a Deed of Assumption between the relevant parties.
- The joint venture agreement, as amended, provides that the Company is responsible for all costs of development and mining the ore. Reed Resources Ltd is responsible for all transport and treatment costs as well as tenement management. Reed is also responsible for all

surface exploration of the tenements which means that the Company's costs are limited to any underground exploration and mine development costs.

- The Company is entitled to 50% of the gold produced within the project area up to and including a depth of 243 metres. The Company's product entitlement in respect of gold ore produced within the project area from a depth exceeding 243 metres will be 60% whilst Reed Resources Ltd's product entitlement is 40%.
- By the joint venture agreement, as amended, a gold production milestone of 25,000 ounces of gold ore is to be achieved by 31 May 2009. When the Company achieves this milestone, it will be issued with a 50% registered interest in the initial tenements. If the gold production milestone is not met, Reed Resources Ltd may terminate the agreement, in which case, the Company's joint venture interest will be reduced to zero.
- Subject to certain conditions, Reed Resources will extend to the Company a first right of refusal over all the Comet Vale tenements to form a joint venture in similar nature to that formed over the initial tenements.
- Reed Resources Ltd is also in agreement that it will not commence open pit operations at any place that would jeopardise or limit underground mining reasonably expected to occur given the underground resources identified at the time of commencing any open pit mine.

DEVELOPMENT TO DATE

- The Sand Queen Shaft has been fully rehabilitated to Level 3 approximately 100 metres below surface, just above the water table.
- Level development driving has been extended on 2 Level for approximately 487 metres and on the 3 Level for approximately 392 metres along strike.
- A Return Airway/Secondary Egress from surface down to the 2 level, near the old Sand King workings has been established.
- The Company has around 15 employees on site and expects to stay on two shifts once level 3 production comes on line. Mining is conducted using pneumatic airleg drilling tools. Level development and ore haulage is achieved by using battery powered locomotives and ore cars on rails to the Sand Queen shaft.
- MTAB Pty Ltd, a company associated to certain directors of Reed Resources Ltd, holds a 2% gross royalty over the gold production of the joint venture area.
- Due to the shortage of skilled underground miners in Australia the Company is sourcing a number of overseas miners. One group arrived in February 2008, with a further group of 10 is due to start in March 2008.

LISTING UPDATE

In accordance with the Prospectus, costs associated with the listing, including the repayment of vendor debt have been settled. A total of \$6.0 million was raised by the issue of 30 million new shares at an issue price of 20 cents. Together with vendor considerations, the Company's register totals 65,050,020 shares on issue.

2008 MINE PLAN AND BUDGET

The Company's management team has completed a detailed mine plan for 2008, together with the associated operating and capital budget. A clear objective of this plan is to reach the metal production Joint Venture obligation of 25,000 ozs comfortably within the required timeframe of 31 May 2009.

The Company will extend mine operations in 2008 to the 4 Level at Sand Queen and expects to be hoisting ore from this level during the second half. Prior work will involve dewatering, shaft refurbishment and level development.

OPERATIONS REPORT

During the December 2008 quarter, 58 metres of rail development was completed on the 3 Level to the end of the Sand George lode, some 600 metres south of the Sand Queen shaft. Stope development above the 3 Level progressed with the establishment of a number of rises and sub-levels.

Although manpower constraints affected production capacity during the quarter, a parcel of ore was mined and hoisted ready for toll treatment. Previous ore parcels were mostly derived from level development. The January 2008 ore parcel is the first parcel of ore from Sand Queen and Sand George that mostly originated from new stoping above the 3 Level and remnant stoping above the 2 Level.

An ore parcel of some 4,190 tonnes was treated through a toll milling facility in January 2008. This parcel consisted of 3,712 tonnes of stope ore grading 10.66 g/t and a further 478 tonnes of lower grade development ore grading 2.45 g/t. Mill recovery averaged 96% and the resultant attributable gold production for the Joint Venture was 1,235 ounces. Kingsrose's share of gold production was 602 ounces, which when sold at a price of AUD\$1,015.00 per ounce realised AUD\$611,800.00 in cash net of royalties.

Since May 2005, a total of 4,390 ounces of gold has been produced from the mine.

RESULTS

The net loss of the Company for the period ended 31 December 2007 was \$5,861,237 (2006: Nil).

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 14 January 2008 the Company engaged a Kalgoorlie based geological consultancy firm to provide a full-time graduate geologist at the Comet Vale mine in Kalgoorlie until 31 December 2008.

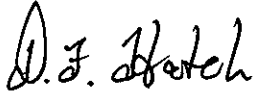
On 4 February 2008 Mr. Dennis Franks was appointed a non-executive director of the Company.

On 8 February 2008, the Company and its joint venture partner, Reed Resources Limited, announced the results of the fourth toll-treatment campaign of ore from the Sand Queen Gold Mine, situated at Comet Vale, 100 kilometres north of Kalgoorlie. A parcel of 4,190 tonnes comprising 3,712 tonnes of stoping ore grading 10.66 grams per tonne gold and 478 tonnes of flushing material grading 2.45 grams per tonne gold from the Sand George deposit was processed at Higginsville Mining's Greenfields plant at Coolgardie. A total of 1,235 ounces of gold and 101 ounces of silver were extracted of which 602 ounces has been credited to the Company. Since May 2005 a total of 4,390 ounces of gold has been produced from the mine.

Auditor's Independence Declaration

Ernst and Young's independence declaration is set out on page 8 and forms part of the directors' report for the half-year ended 31 December 2007.

Signed in accordance with a resolution of the Directors:



David Hatch
Managing Director
14 March 2008

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 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



G H Meyerowitz
Partner
Perth

14 March 2008

Condensed Income Statement
For the half-year ended 31 December 2007

	Note	31 Dec 2007 \$	31 Dec 2006 \$
Continuing operations			
Revenue from ordinary activities		-	-
Other income		71,499	-
Write down of inventories to net realisable value		(34,885)	-
Share based payment		(1,948,521)	-
Depreciation and amortisation costs		(43,303)	-
Impairment of goodwill on acquisition		(3,434,555)	-
Other expenses		(654,638)	-
Finance costs		(11,643)	-
(Loss) before income tax		<u>(6,056,046)</u>	-
Income tax benefit		194,809	-
Net (loss) after income tax		<u>(5,861,237)</u>	-
Basic (loss) per share – cents per share		(45.90)	-
Diluted (loss) per share – cents per share		(45.90)	-

Condensed Balance Sheet
As at 31 December 2007

	Note	As at 31 Dec 2007 \$	As at 30 Jun 2007 \$
Current Assets			
Cash and cash equivalents	4	4,559,727	20
Trade and other receivables		145,356	-
Inventories		287,134	-
Total Current Assets		<u>4,992,217</u>	<u>20</u>
Non-Current Assets			
Deferred tax asset		224,297	-
Plant and equipment		1,508,401	-
Mine development		3,487,972	-
Total Non-Current Assets		<u>5,220,670</u>	<u>-</u>
Total Assets		<u>10,212,887</u>	<u>20</u>
Current Liabilities			
Trade and other payables		424,152	-
Hire purchase liabilities		152,134	-
Interest bearing liabilities		2,008,270	-
Provisions		163,973	-
Total Current Liabilities		<u>2,748,529</u>	<u>-</u>
Non-current Liabilities			
Hire purchase liabilities		32,861	-
Provision for rehabilitation		100,000	-
Total Non-Current Liabilities		<u>132,861</u>	<u>-</u>
Total Liabilities		<u>2,881,390</u>	<u>-</u>
Net Assets		<u>7,331,497</u>	<u>20</u>
Equity			
Contributed equity	5	12,377,968	20
Reserves		814,766	-
Accumulated losses		(5,861,237)	-
Total Equity		<u>7,331,497</u>	<u>20</u>

Condensed Cash Flow Statement
For the half-year ended 31 December 2007

	Note	31 Dec 2007 \$	31 Dec 2006 \$
Cash flows from operating activities			
Payment to suppliers and employees		(986,983)	-
Interest received		39,469	-
Interest paid		(1,584)	-
Net cash flows used in operating activities		(949,098)	-
Cash flows from investing activities			
Purchase of plant and equipment		(260,048)	-
Cash acquired on acquisition	6	356,079	-
Mine development expenditure		(233,426)	-
Net cash flows used in investing activities		(137,395)	-
Cash flows from financing activities			
Proceeds from issue of shares		6,063,000	-
Payment of share issue costs		(400,074)	-
Repayment of hire purchases		(16,726)	-
Net cash flows from financing activities		5,646,200	-
Net increase in cash and cash equivalents		4,559,707	-
Cash and cash equivalents at beginning of year		20	20
Cash and cash equivalents at end of year	4	4,559,727	20

Condensed Statement of Changes in Equity
For the half-year ended 31 December 2007

	Issued Capital	Accumulated Losses	Option Reserve	Other Reserve	Total
	\$	\$	\$	\$	\$
At 1 July 2007	20	-	-	-	20
Loss for the period	-	(5,861,237)	-	-	(5,861,237)
Total income/expense for the period recognised directly in equity	-	(5,861,237)	-	-	(5,861,237)
Issued of capital	12,658,000	-	-	-	12,658,000
Share issue cost (net of tax)	(280,052)	-	-	-	(280,052)
Convertible note equity portion	-	-	-	211,245	211,245
Cost of share based payments	-	-	603,521	-	603,521
At 31 December 2007	12,377,968	(5,861,237)	603,521	211,245	7,331,497

	Issued Capital	Total
	\$	\$
At 1 July 2006 / 31 December 2006	20	20

Notes to the Financial Statements

1. Basis of Preparation and Accounting Policies

(a) Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2007 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 company as the full financial report.

It is recommended that the half-year financial report should be considered in conjunction with the prospectus and any public announcements made by Kingsrose Mining Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations of the ASX listing rules.

The financial report has been prepared on a historical cost basis and is presented in Australian dollars.

(b) Changes in Accounting Policies

Since 1 July 2007 the Company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company.

- AASB 101 (revised October 2006) *Presentation of Financial Statements*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)*
- AASB 2007-1 *Amendments to Australian Accounting Standards arising from Interpretation 11(AASB 2)*
- AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*
- AASB 2007-7 *Amendments to Australian Accounting Standards (AASB 1, AASB 2, AASB 4, AASB 5, AASB 107, & AASB 128)*
- Interpretation 10 *Interim Financial Reporting and Impairment*
- Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*

2. Summary of significant accounting policies

(a) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(a) Business combinations (continued)

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the company's share of the identifiable net assets acquired is recognised as goodwill.

If the cost of acquisition is less than the company's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(b) Cash and cash equivalents

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

For the purpose of the Cash Flow Statement, cash and cash equivalents consists of cash and cash equivalents as defined above.

(c) Trade and other receivables

Trade receivables, generally have 30-60 days terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(d) Inventories

Ore and Concentrate

Inventories are valued at the lower of weighted average cost and net realisable value. Costs include fixed direct costs, variable direct costs and an appropriate portion of fixed overhead costs.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(e) Property, plant and equipment

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

Depreciation is calculated on plant and equipment using the diminishing value basis.

Rates used are as follows:

	<u>Depreciation rates</u>
Headframe and property improvements	5% - 7.5%
Plant and equipment	10% - 20%
Motor Vehicles	18.75%
Low value pool items	37.5%

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gains or loss arising on derecognition of the asset (calculated as difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the assets is derecognized.

Impairment of property, plant and equipment

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

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

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

(f) Trade and other payables

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

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(g) Mine Development expenditure

Mine development expenditure represents the costs incurred in preparing mines for production, and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised using the units-of-production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Impairment

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

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

For an asset that does not generate largely independent cash flows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value-in-use can be estimated to be close to its fair value.

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

(h) Provisions for decommissioning and restoration costs

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

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

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(i) Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflected the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognized in finance costs.

(j) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognized when the leave is taken and are measured at the rates paid or payable.

(k) Share-based payment transactions

The company provides benefits to its employees (including KMP) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/ or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- (i) the grant fair value of the award;
- (ii) the current best estimate of the number of award that will vest, taking into account such factors as the likelihood of employee turnover over the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(k) Share-based payment transactions (continued)

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

If the equity-settled award is cancelled, it is treated as it had vested on the date of cancellation, and any expense not yet recognised is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(l) Convertible notes

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

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

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

The corresponding equity dividends on those shares are recognised as a distribution. Interest on the liability component of the instruments is recognised as an expense in profit or loss.

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

(m) Contributed equity

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

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(n) Revenue recognition

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

(i) Sale of goods

- Revenue from sales of gold is recognised when the significant risks and rewards of ownership in the product have passed to the buyer and can be reliably measured.

(ii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(o) Income tax and other taxes

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

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

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

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(o) Income tax and other taxes (continued)

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date and income taxes relating to items recognised in equity are directly recognised in equity and not in profit or loss.

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

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(p) Significant accounting estimates and assumptions

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

(i) Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

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

(ii) Provisions for decommissioning and restoration costs

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

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

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

(q) Interest in jointly controlled operation

The Company has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishment of a separate entity. The Company recognises its interest in the jointly controlled operation by recognising its interest in the assets and the liabilities of the joint venture. The Company also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(r) Comparatives

As the Company has only commenced operation during the period, the comparatives shown for the corresponding period show that the Company was dormant.

Notes to the Financial Statements

3. Segment information

The entity operates in one business segment, being the resource sector in Australia.

4. Cash and cash equivalents

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

	31 Dec 2007	30 Jun 2007
Cash at bank and in hand	568,861	20
Short-term deposit	3,990,866	-
	<u>4,559,727</u>	<u>20</u>

5. Contributed equity

	31 Dec 2007		30 Jun 2007	
	\$		\$	
Issued and paid-up share capital				
Ordinary shares	<u>11,032,968</u>		<u>20</u>	
	Number	\$	Number	\$
Movements in shares on issue				
Balance as at 1 July 2007	20	20	20	20
Seed capital at a deemed value of \$0.16 per share	8,800,000	1,408,000	-	-
Share issue in settlement of debt at a deemed value of \$0.20 per share	6,250,000	1,250,000	-	-
Share issue as purchase consideration at a deemed value of \$0.20 per share	20,000,000	4,000,000	-	-
Ordinary shares issued pursuant to Prospectus at \$0.20 per share	30,000,000	6,000,000	-	-
Share issue costs	-	(280,052)	-	-
Balance as at 31 December 2007	<u>65,050,020</u>	<u>12,377,968</u>	<u>20</u>	<u>20</u>

Notes to the Financial Statements

6. Business combination

On 7 December 2007, for accounting purposes, Kingsrose Mining Limited acquired 100% of the joint venture assets of the Kingsrose Unit Trust by way of a Deed.

The Company issued 20,000,000 ordinary shares with a fair value of \$0.20 each, based on the initial public offering price at the date of exchange.

From the date of the acquisition, the business acquired has not generated any revenue and incurred operating costs of \$4,179,024. If the combination had taken place at the beginning of the period, the result from continuing operations for the Company would have been a loss of \$5,980,454 and the revenue from continuing operations would have been \$611,601.

The Company is continuing to finalise the allocation of the consideration paid to the fair value of the net asset acquired. Insufficient development and mining has been carried out as at balance date, therefore it has not been possible to determine the contained mineable ounces at Sand Queen to support the carrying value based on the acquisition price. The provisional fair values of the identifiable assets and liabilities of Kingsrose Unit Trust as at the date of the acquisition are as follows:

	Fair value recognised on acquisition	Carrying value
	\$	\$
Property, plant and equipment	1,291,656	1,291,656
Mine development	3,254,546	3,254,546
Cash and cash equivalents	356,079	356,079
Trade and other receivables	47,847	47,847
Inventories	322,019	322,019
Deferred tax asset	30,000	30,000
	<u>5,302,147</u>	<u>5,302,147</u>
Trade and other payables	4,404,981	4,404,981
Provision for rehabilitation	100,000	100,000
Hire purchase liabilities	201,721	201,721
Deferred tax liabilities	30,000	30,000
	<u>4,736,702</u>	<u>4,736,702</u>
Fair value of identifiable net assets	565,445	
Goodwill arising on acquisition	3,434,555	
	<u>4,000,000</u>	
Cost of the combination:		
Issue of shares at fair value		<u>4,000,000</u>

Goodwill represents the market premium being the excess of purchase consideration paid over the net assets acquired.

At balance sheet date, the directors performed a goodwill impairment test and determined that the carrying value of goodwill was in excess of the recoverable amount. The goodwill arising on acquisition was written off as the directors believed it was fully impaired.

Notes to the Financial Statements

7. Share based payments

Prior to listing, 5,500,000 options were issued to three directors and an employee as part of their remuneration. These options have an exercise price of \$0.25 and an expiry date of 31 December 2012.

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

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 2007:

	31 Dec 2007
Dividend yield	0.0%
Share price at date of grant	\$0.20
Exercise price	\$0.35
Volatility – Employee options	64.96%
Volatility – Directors options	64.50%
Risk free rate	6.34% to 6.45%
Expiration period	5 years
Binomial Model valuation	\$0.10973

8. Commitments and contingencies

There are no significant commitments and contingencies at balance sheet date that required disclosure.

9. Events after the balance sheet date

On 14 January 2008 the Company engaged a Kalgoorlie based geological consultancy firm to provide a full-time graduate geologist at the Comet Vale mine in Kalgoorlie until 31 December 2008.

On 4 February 2008 Mr. Dennis Franks was appointed a non-executive director of the Company.

On 8 February 2008, the Company and its joint venture partner, Reed Resources Limited, announced the results of the fourth toll-treatment campaign of ore from the Sand Queen Gold Mine, situated at Comet Vale, 100 kilometres north of Kalgoorlie. A parcel of 4,190 tonnes comprising 3,712 tonnes of stoping ore grading 10.66 grams per tonne gold and 478 tonnes of flushing material grading 2.45 grams per tonne gold from the Sand George deposit was processed at Higginsville Mining's Greenfields plant at Coolgardie. A total of 1,235 ounces of gold and 101 ounces of silver were extracted of which 602 ounces has been credited to the Company.

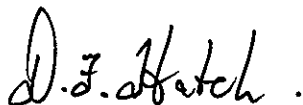
Directors' Declaration

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

In the opinion of the directors of Kingsrose Mining Limited ("the Company"):

- 1 the financial statements and notes of the Company, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position as at 31 December 2007 and the 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; and
- 2 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.



David F. Hatch
Managing Director

14 March 2008

To the members of Kingsrose Mining Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kingsrose Mining Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date and the Directors' Declaration.

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 an Interim 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 company's financial position as at 31 December 2007 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, 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.

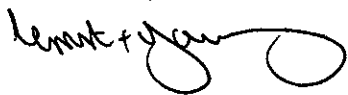
Independence

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 interim 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 company's financial position as at 31 December 2007 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".



Ernst & Young



G H Meyerowitz
Partner
Perth

14 March 2008