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Kingsrose Mining Ltd (KRM)

4Q FY15 production report

Recommendation

Buy (unchanged)

Price

\$0.26

Target (12 months)

\$0.49 (previously \$0.45)

Expected Return

Capital growth **88%**

Dividend yield **0%**

Total expected return **88%**

Company Data & Ratios

Enterprise value **\$92m**

Market cap **\$93m**

Issued capital **358.6m**

Free float **58%**

Avg. daily val. (52wk) **\$0.07m**

12 month price range **\$0.215 - \$0.63**

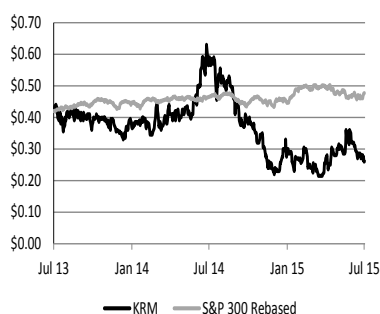
GICS sector

Materials

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.35	0.23	0.59
Absolute (%)	-25.7	15.6	-55.6
Rel market (%)	-28.0	20.4	-58.3

Absolute Price



SOURCE: IRESS

Heavy influx of water restricts gold production

Gold production was 5,763 ounces, down 10% on the previous quarter as a result of an unexpectedly high influx of water from the intersection of a high pressure aquifer in the lowest level in the mine which adversely impacted production and development. The water restricted ore production resulting in ore treated from the Talang Santo mine being down 10% although the average gold head grade was steady at 12.2g/t. KRM was able to continue operations as it managed to deal with the water and did so safely. Silver grades were lower than expected, being steady at 24g/t. The water influx impacted adversely on C1 cash costs, which were 16% higher than in the previous quarter at \$US763/oz and all in sustaining costs were 11% higher at \$US1,116/oz. Gold sales were up 9% to 6,141 ounces at an average realised gold price of A\$1,513/oz, similar to the previous quarter. A \$3.6m corporate income tax refund helped KRM lift its holdings of cash and bullion by 44% to \$12.7m at June 2015. Debt remained steady at \$11.5m, giving a net cash balance of \$1.2m.

In-mine and regional exploration success

Resource definition drilling in the Talang Santo mine yielded significant results in the Hanging Wall vein (3.1m at 21.0g/t gold and 99g/t silver) and in the Mawi Vein (3.2m at 10.8g/t gold and 43g/t silver). Significant exploration results were achieved in the broader Way Linggo Project area with gold mineralisation identified under cover using soil geochemistry that increases the potential for further discoveries.

Investment thesis: Buy, TP \$0.49/sh (previously \$0.45/sh)

Our Buy recommendation is based on valuation and the expectation that gold production and profitability will increase markedly once the mine gets deeper into fresher rock and reaches the high grade zones on Levels 5 and 6. We have revised our production estimates in light of the latest quarterly results and we have revised our forecasts for commodity prices and exchange rates. These changes have resulted in lower earnings in FY16 but higher earnings in FY17 and the valuation up by 9% to \$0.49/sh. Our target price is based on the re-set 12-month forward NPV.

Earnings Forecast

Year ending June	2014a	2015e	2016e	2017e
Sales (A\$m)	6	44	49	88
EBITDA (A\$m)	(32)	18	18	45
NPAT (reported) (A\$m)	(5)	7	6	22
NPAT (adjusted) (A\$m)	(21)	7	6	22
EPS (adjusted) (eps)	(6)	2	2	6
EPS growth (%)	na	na	-9%	232%
PER (x)	na	14.7	16.2	4.9
FCF Yield (%)	na	na	5%	30%
EV/EBITDA (x)	na	5.9	5.8	2.3
Dividend (eps)	-	-	-	1
Yield (%)	0%	0%	0%	4%
Franking (%)	0%	0%	0%	0%
ROE (%)	-29%	9%	8%	21%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

June 2015 production summary

Table 1 - KRM June 2015 production summary

	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Jun-15	Variance	Variance
	Actual	Actual	Actual	Actual	Actual	BP est.	% qoq	% BP est.
Gold and Silver Production								
Ore Mined (t)	3,272	16,123	20,242	16,475	14,647	19,340	-11%	-24%
Average Grade - Gold (g/t)	9.2	8.9	8.3	12.4	12.5	13.5	0%	-7%
- Silver (g/t)	36	34	25	25	24	34	-4%	-29%
Ore Treated (t)	0	23,278	23,747	17,002	15,265	19,340	-10%	-21%
Average Grade - Gold (g/t)	0.0	9.1	7.4	12.1	12.2	13.5	1%	-10%
- Silver (g/t)	0	31	24	24	24	34	-1%	-29%
Recoveries - Gold (%)	na	97%	97%	97%	96%	97%	-1%	-1%
- Silver (%)	na	92%	92%	87%	89%	87%	2%	2%
Gold Produced (ozs)	na	6,590	5,465	6,409	5,763	8,129	-10%	-29%
Silver Production (ozs)	na	21,137	16,870	11,509	10,433	18,186	-9%	-43%
Gold production (oz AuEq)	na	6,881	5,713	6,575	5,907	8,373	-10%	-29%
Costs (A\$/oz AuEq, by-product basis)								
C1 cash costs	na	660	780	658	763	575	16%	33%
All In Sustaining costs	na	997	1,208	1,006	1,116	892	11%	25%
Gold Sales and Realised Prices								
Gold Sales (ozs)	na	4,469	5,884	5,647	6,141	8,129	9%	-24%
Average realised gold price (A\$/oz)	na	1,415	1,346	1,522	1,513	1,532	-1%	-1%
Balance Sheet								
Cash and bullion (\$A m)	6.7	9.0	8.4	8.8	12.7	10.1	44%	25%
Debt (\$A m)	(11.1)	(11.1)	(11.1)	(11.6)	(11.5)	(11.6)	0%	0%
Net cash/(debt) (\$A m)	(4.4)	(2.1)	(2.7)	(2.8)	1.2	(1.4)	-143%	-184%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

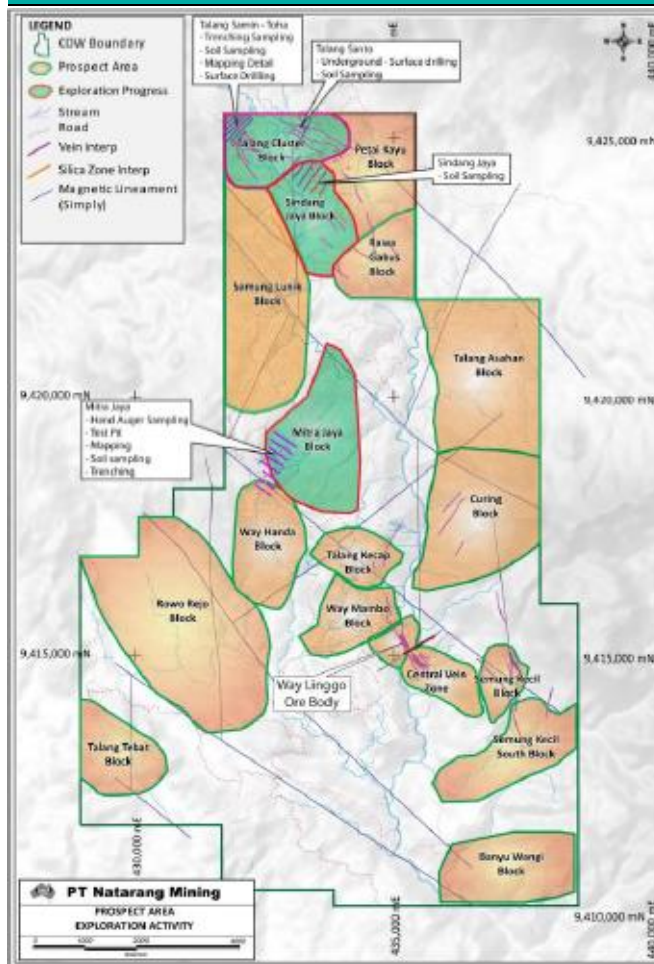
The main features of the June 2015 production report are as follows:

- Gold production was 5,763 ounces (5,907 ounces of gold equivalent) from the company's Talang Santo underground mine in Indonesia, 10% lower than in the previous quarter. While mining conditions continued to be challenging because of poor ground conditions on Levels 2 and 3, the overall average gold head grade mined of 12.5g/t continued the recent improved grade trend but an unexpected heavy influx of water from development on the lowest level (4 Level) adversely impacted the level of mine production. The influx of water resulted from the intersection of a high pressure aquifer. KRM did well to manage the impact of the water and continue mining operations while ensuring that safe working conditions were maintained.
- The influx of water particularly adversely impacted development into the planned high grade areas that had previously yielded high grade production (such as 1,028t at 28g/t gold from the Hangingwall Vein in January 2015). The high level of water influx impacted adversely on C1 cash costs, which were 16% higher than in the previous quarter at \$US763/oz and all in sustaining costs were 11% higher at \$US1,116/oz.
- KRM achieved 9% higher gold sales of 6,141 ounces in the latest quarter at an average realised gold price of A\$1,513/oz, down 1% on the previous quarter.
- Mine development at Talang Santo was directed at the development of the haulage shaft to the 5 Level, which remains on schedule with 84m of fully equipped advance being achieved in the quarter. The headframe was fabricated and installation commenced in July. Completion of the planned ventilation works was deferred following a request from the Indonesian Mines Department for an additional review following submission of the work plan for it. A decision was made to break the 5 Level

haulage shaft through to the 3 Level to ensure adequate ventilation in the interim but it also meant that ore which was potentially recoverable as part of the planned surface vent was also deferred.

- Resource definition drilling totalling 67m was completed at the Talang Santo mine in the quarter with significant results in the Hangingwall Vein (3.1m averaging 21.0g/t gold and 99g/t silver) and in the Mawi vein (3.2m averaging 10.8g/t gold and 43g/t silver).
- Regional exploration achieved several notable successes as KRM continues to review and infill its exploration dataset and to identify quality targets within the Way Linggo Project area (Figure 1). A key aspect of this work has been the acquisition of additional soil geochemistry over a further seven priority targets. At Talang Santo, based on strong geochemical results, KRM carried out drilling to define the upper limit of mineralisation given there was little evidence of grade at surface. Significant intersections included 1.6m at 39.6g/t gold and 82.5g/t silver from 36m down hole and 1.1m at 11.5g/t gold and 11g/t silver from 18m down hole. At Talang Toha, follow up trenching of soil geochemical anomalies identified mineralised veining under cover with no surface outcrop. At Mitra Jaya, test pits, trenching and auger sampling have confirmed very encouraging results in a zone of clay alteration with gold grades between 0.3 – 1.2g/t over a broad zone that is at least 12.5m wide in altered volcanics that will be followed up with initial drilling in the near term
- The company remains adequately funded for its activities, with cash and bullion of \$12.7m at the end of the quarter, boosted by a \$3.9m corporate tax refund. Debt was about \$11.5m at June 30 2015 reflecting the restructured loan arrangements that were agreed with the company’s lenders that now sees the loan repaid by February 2017.

Figure 1 - Map showing major areas of exploration activity at KRM's Way Linggo Project



SOURCE: KINGSROSE MINING LTD

Earnings and valuation changes

Reduced earnings forecast for FY16; increased earnings forecast for FY17

Beyond updating our forecasts for the June quarter production and cost report and rolling our valuation forward, we make the following changes to our modelling assumptions:

- We have lowered our production forecasts and slightly increased our mining cost forecasts for KRM in FY16 and FY17 reflecting the production results for 4Q FY15 and a reassessment of future mining costs to incorporate some allowance for the potentially ongoing need to manage the influx of more water encountered recently
- Incorporated our latest currency and commodity price assumptions (Table 2)

Table 2 - Changes to our currency and commodity price assumptions

	FY14a	FY15e	FY16e	FY17e	FY18e	LTe
Currency US\$/A						
Previous	0.92	0.84	0.75	0.78	0.83	0.85
New	0.92	0.83	0.73	0.70	0.715	0.75
Change	0%	-1%	-3%	-10%	-14%	-12%
Gold price (US\$/oz)						
Previous	1,295	1,208	1,175	1,245	1,282	1,150
New	1,295	1,224	1,200	1,250	1,300	1,320
Change	0.0%	1%	2%	0%	1%	15%
Silver price (US\$/oz)						
Previous	20.6	17.9	17.3	15.0	14.3	15.0
New	20.6	17.3	17.1	17.9	18.6	19.0
Change	0%	-3%	-1%	15%	30%	27%

SOURCE: BELL POTTER SECURITIES ESTIMATES

The revised production and earnings forecasts and revised valuations are summarised in Table 3.

Table 3 - KRM earnings and valuation changes

Share capital	Previous			New			Change		
	2015e	2016e	2017e	2015e	2016e	2017e	2015e	2016e	2017e
Prices and currency									
Spot - Gold (US\$/oz)	1,208	1,175	1,225	1,224	1,200	1,250	1%	2%	2%
- Silver (US\$/oz)	17	16	15	17	17	18	-1%	4%	19%
- US\$/A\$	0.85	0.80	0.80	0.83	0.77	0.75	-2%	-4%	-6%
- Gold (\$A/oz)	1,421	1,469	1,531	1,470	1,558	1,667	3%	6%	9%
- Silver (A\$/oz)	20	20	19	20	22	24	1%	8%	27%
Production and costs (By-product basis)									
Gold production (koz AuEq)	32	40	58	25	31	56	-21%	-23%	-4%
C1 cost (A\$/oz)	740	701	608	859	785	628	16%	12%	3%
All-in sustaining costs (\$A/oz)	1,169	1,114	966	1,301	1,199	949	11%	8%	-2%
Earnings and valuations									
EBITDA (A\$m)	24	21	40	18	18	45	-25%	-13%	14%
EBIT (A\$m)	19	16	35	12	13	40	-33%	-19%	15%
NPAT (adjusted) (A\$m)	11	8	18	7	6	22	-33%	-21%	16%
EPS (adjusted) (cps)	3	2	5	2	2	6	-33%	-21%	16%
PER (x)	8.5	11.0	4.9	14.7	16.2	4.9	73%	47%	0%
EPS growth (%)	na	-23%	126%	na	-9%	232%	na	14%	106%
DPS (cps)	-	-	1	-	-	1	na	na	0%
Yield	0%	0%	4%	0%	0%	4%	na	na	-1%
NPV (\$/sh)	0.42	0.45	0.48	0.47	0.49	0.53	12%	9%	10%
Price Target (\$/sh)	0.45			0.49			9%		

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

12-month forward valuation increased by 9% to \$0.49/share

Our risked valuations of KRM (Table 4) have been increased by incorporating the revised commodity and currency forecasts of Table 2. The valuation is based on the following parameters:

- A sum-of-the-parts valuation based on the net present value of discounted cash flow estimates for the Way Linggo Gold Project incorporating production from the Talang Santo mine, exploration and corporate costs using a discount rate of 10%.
- Key modelled assumptions are as follows:
 1. Talang Santo mine life of 7 years based on approximately 60% conversion of resources to reserves.
 2. C1 cash costs for Talang Santo mine of US\$587/oz (A\$785/oz) in FY16; US\$478/oz (A\$628/oz) in FY17; and US\$543/oz (A\$658/oz) in FY18.
 3. Sustaining capital expenditure of around \$1.3m per annum and mine development expenditure at Talang Santo of around \$6m pa over the next three years.
 4. Annual exploration expenditure of around \$3.5 - 4m.
 5. Estimated valuation of \$49m for the remaining resource at the Way Linggo mine.
 6. Estimated valuation for exploration elsewhere in the Way Linggo Gold Project of \$57m.
 7. Repayment of the loan under the recently revised terms that sees it fully repaid by February 2017.

Table 4 - DCF-based valuation summary

DCF sum-of-parts valuation	Now		+12 months		+24 months	
	A\$m	\$/sh	A\$m	\$/sh	A\$m	\$/sh
Talang Santo mine	76	0.20	85	0.24	92	0.26
Way Linggo mine	49	0.14	49	0.14	49	0.14
Exploration	57	0.16	57	0.16	57	0.16
Corporate	(17)	(0.05)	(15)	(0.04)	(12)	(0.03)
Total enterprise value	166	0.46	177	0.49	186	0.52
Net cash & bullion/(debt)	1	0.00	(2)	(0.01)	3	0.01
Equity value	167	0.47	175	0.49	189	0.53

SOURCE: BELL POTTER SECURITIES ESTIMATES

Kingsrose Mining Ltd (KRM)

Company description

KRM is a specialist high grade, narrow vein gold miner and producer with a track record of successful low cost mine development and production in the Way Linggo Gold Project in South Sumatra, Indonesia. The company has been operating in Indonesia since 2008 but members of its Board and senior management have very extensive operating experience in mines in Indonesia and with similar styles of deposit and mines to those at the Way Linggo Gold Project. KRM's key asset is the high grade Talang Santo underground gold-silver mine where production was commenced in mid-2014 and is still being ramped up while the project area is successfully explored for multiple high grade mining areas. The Way Linggo mine ceased operations in 2013 but still contains a significant remnant gold-silver resource that is the subject of ongoing studies into its recovery. KRM's Way Linggo Project is held under a fourth generation Contract of Work covering an area of 105km² that is highly prospective for additional high sulphidation epithermal gold deposits and contains multiple prospects and target areas, which are the subject of ongoing exploration.

Investment thesis – Buy, TP \$0.49/sh (previously \$0.45/sh)

Our Buy recommendation is based on valuation and the expectation that gold production and profitability will increase markedly once the mine gets deeper into fresher rock and reaches the high grade zones on Levels 5 and 6. We have revised our production estimates in light of the latest quarterly results and we have revised our forecasts for commodity prices and exchange rates. These changes have resulted in lower earnings in FY16 but higher earnings in FY17 and the valuation up by 9% to \$0.49/sh. Our target price is based on the re-set 12-month forward NPV.

Risks

The key risks include the following:

- 1. Sovereign risk:** Indonesia, where KRM has its mining operations, is regarded as being a country with much higher sovereign risk than Australia because of various factors. KRM seeks to mitigate the sovereign risk by ensuring it is fully compliant with all legal and statutory operational requirements and by engaging appropriately with and supporting the local communities in which it operates.
- 2. Regulatory and government approvals risk:** Changes to the regulatory regime of the mining industry (which includes taxation and environmental aspects) in the various jurisdictions that KRM operates can impact the returns generated and therefore the valuation of the company's assets. KRM's operations in Indonesia are largely governed by the Contract of Work under which KRM holds its interest in the Way Linggo Gold Project, which largely defines the terms and conditions, including taxation rates, under which KRM operates.
- 3. Commodity price and exchange rate risk:** The relatively liquid nature of gold makes it subject to wide fluctuations in price, particularly during more difficult economic times or major world events. Associated with gold price volatility are different gold price and foreign exchange rate outcomes to our forecasts;
- 4. Operational risk:** By their nature, high sulphidation epithermal gold deposits such as occur in the Way Linggo Gold Project and are represented by the Talang Santo mine can contain considerable geological and grade variability and metallurgical complexity, which can present operational challenges leading to different outcomes to those we are forecasting;

- 5. Lack of exploration success:** The exploration areas where KRM is currently directing its exploration focus to locate additional deposits of gold mineralisation are regarded as highly prospective because of the presence of economic gold mineralisation and the multiple targets for similar mineralisation that has been identified in them. There may be general geological complexity in these areas from the wide range of rock types that are often considerably altered and extensively metamorphosed and the tectonically disrupted nature of them. Areas containing gold mineralization may contain greater than expected geological complexities that may be difficult to resolve without extensive drilling programs and these issues may inhibit the definition of adequate resources and reserves;
- 6. Funding risk:** By its nature, the mining and exploration activities of KRM are capital intensive and the company needs to ensure that it has adequate funding to carry out its activities and to maintain its interests. KRM also needs to ensure that it is able to fund its share of capital expenditure commitments when required including when the cost to do so may be higher than expected from unexpected operational complications; and
- 7. Inappropriate acquisition risk:** The acquisition of other assets can be inappropriate because it can divert management effort from the current focus and may yield inadequate returns.

Other significant risks include regulatory, environmental and commercial ones, which are typical for natural resource projects. These aspects are usually well understood and readily managed by KRM and the competent and well experienced operational personnel it employs.

Table 5 - Financial summary

PROFIT AND LOSS							FINANCIAL RATIOS								
Year ending 30 Jun	Unit	2013a	2014a	2015e	2016e	2017e	Year ending 30 Jun	Unit	2013a	2014a	2015e	2016e	2017e		
Total Revenue							VALUATION								
Expense	\$m	(21.6)	(37.4)	(25.6)	(30.7)	(42.5)	Normalised NPAT	\$m	1.5	(4.8)	7.1	6.5	21.5		
Exploration	\$m	0.0	0.0	(0.5)	(0.6)	(1.0)	Basic EPS	c/sh	0.9	(6.4)	2.0	2.0	6.0		
EBITDA	\$m	3.7	(31.9)	17.8	17.9	45.0	Basic EPS growth	%	-85%	na	na	-9%	232%		
Depreciation & amortisation	\$m	(4.8)	(1.9)	(5.3)	(5.3)	(5.3)	Fully diluted EPS	c/sh	0.9	(6.1)	1.9	1.7	5.7		
EBIT	\$m	(1.1)	(33.7)	12.5	12.6	39.7	Full diluted EPS growth	%	-85%	na	na	-9%	232%		
Net interest expense/income	\$m	(0.4)	(1.0)	(1.2)	(1.1)	(0.0)	PER	x	29.9x	na	14.7x	16.2x	4.9x		
PBT	\$m	(1.5)	(34.7)	11.2	11.6	39.7	DPS	c/sh	-	-	-	-	1		
Tax expense	\$m	1.7	10.5	(2.9)	(3.9)	(14.4)	Franking	%	0%	0%	0%	0%	0%		
Minority interests	\$m	(1.3)	(3.6)	1.3	1.1	3.8	Yield	%	0%	0%	0%	0%	4%		
Reported NPAT	\$m	1.5	(20.6)	7.1	6.5	21.5	FCF/share	c/sh	na	na	na	1	8		
Net Adjustments	\$m	0.0	15.8	0.0	0.0	0.0	P/CFPS	x	na	na	na	19.2x	3.3x		
Normalised NPAT	\$m	1.5	(4.8)	7.1	6.5	21.5	EV/EBITDA	x	28.2x	na	5.9x	5.8x	2.3x		
CASH FLOW							PROFITABILITY								
Year ending 30 Jun	Unit	2013a	2014a	2015e	2016e	2017e	EBITDA margin	%	15%	na	41%	36%	51%		
OPERATING CASHFLOW							EBIT margin	%	-4%	na	28%	26%	45%		
Receipts	\$m	16.6	3.8	32.7	47.5	85.6	Return on assets	%	2%	na	7%	6%	16%		
Payments	\$m	(21.5)	(13.5)	(28.3)	(30.3)	(41.9)	Return on equity	%	2%	-29%	9%	8%	21%		
Tax	\$m	(7.8)	3.0	1.9	1.5	(3.9)	LIQUIDITY & LEVERAGE								
Net interest	\$m	(0.0)	(0.9)	(1.4)	(1.1)	(0.0)	Net debt / (cash)	\$m	10.6	4.5	2.0	(3.2)	(33.7)		
Other	\$m	0.3	1.7	0.2	0.0	0.0	ND / E	%	15%	6%	2%	-4%	-30%		
Operating cash flow	\$m	(12.4)	(6.0)	5.1	17.6	39.7	ND / (ND + E)	%	13%	6%	2%	-4%	-43%		
INVESTING CASHFLOW							EBITDA / Interest	x	9.1	-33.1	14.6	17.0	2,911.9		
Capex	\$m	(1.4)	(0.4)	(1.2)	(1.3)	(1.3)	ASSUMPTIONS - Production & costs								
Investments	\$m	0.0	0.0	0.0	0.0	0.0	Year ending 30 Jun	Unit	2013a	2014a	2015e	2016e	2017e		
Intangible assets	\$m	0.0	0.0	0.0	0.0	0.0	Gold production								
Exploration & evaluation	\$m	(3.1)	(1.8)	(2.4)	(3.5)	(4.0)	Talang Santo Au Eq	koz	0	2	25	31	56		
Mine development	\$m	(9.8)	(7.4)	(4.6)	(7.5)	(4.0)	Way Linggo Au Eq	koz	11						
Other	\$m	(0.0)	(0.1)	0.0	0.0	0.0	Total Au Eq	koz	11	2	25	31	56		
Investing cash flow	\$m	(14.3)	(9.7)	(8.2)	(12.3)	(9.3)	C1 cash costs (net of Ag credits)								
Free cash flow	\$m	(26.7)	(15.7)	(3.2)	5.2	30.4	Talang Santo	A\$/oz			859	785	628		
FINANCING CASHFLOW							Way Linggo	A\$/oz	1,155	na					
Share issues/(buy-backs)	\$m	0.0	23.3	0.0	0.0	0.0	Group C1 cash costs	A\$/oz	1,155	na	859	785	628		
Debt proceeds/(repayments)	\$m	9.8	0.0	(0.8)	(6.9)	(4.6)	Group all in sustaining costs	A\$/oz	na	na	1,301	1,199	949		
Dividends	\$m	(12.6)	0.0	0.0	0.0	0.0		US\$/oz	na	na	1,075	899	724		
Other	\$m	0.6	(1.9)	0.0	0.0	0.0	ASSUMPTIONS - Prices (nominal)								
Financing cash flow	\$m	(2.2)	21.4	(0.8)	(6.9)	(4.6)	Year ending 30 Jun	Unit	2013a	2014a	2015e	2016e	LT-real		
Change in cash	\$m	(28.8)	5.7	(3.9)	(1.6)	25.8	Gold								
BALANCE SHEET							Realised								
Year ending 30 Jun	Unit	2013a	2014a	2015e	2016e	2017e	At spot	US\$/oz	1,605	1,295	1,224	1,200	1,320		
ASSETS							Realised	A\$/oz	1,559	1,408	1,470	1,558	1,760		
Cash & deposits	\$m	1.3	6.7	9.5	7.9	33.7	Silver								
Accounts receivable	\$m	5.5	5.4	10.9	12.3	14.8	At spot	US\$/oz	29	20	17	17	17		
Inventory	\$m	3.6	3.1	4.8	4.8	4.8	Realised	A\$/oz	28	22	20	22	23		
Property, plant & equipment	\$m	9.8	8.1	8.5	8.7	8.8	Currency								
Exploration & evaluation	\$m	20.5	21.6	27.0	29.9	32.9	\$/US/\$A	US\$/A\$	1.03	0.92	0.83	0.77	0.75		
Mine development	\$m	39.1	26.2	31.7	36.0	36.0	Valuation								
Investments and other	\$m	8.2	15.3	15.6	15.3	15.8	Issued capital								
Total assets	\$m	88.0	86.5	108.1	114.8	146.8	Shares on issue								
LIABILITIES							Options								
Accounts payable	\$m	3.9	2.8	2.4	2.8	3.4	Total diluted shares on issue								
Borrowings	\$m	11.9	11.1	11.5	4.6	0.0	358.6								
Other	\$m	2.5	1.8	11.8	17.4	31.6	15.6								
Total liabilities	\$m	18.4	15.8	25.7	24.8	35.1	374.2								
SHAREHOLDER'S EQUITY							DCF sum-of-parts valuation								
Share capital	\$m	62.8	84.9	84.9	84.9	84.9	Now	A\$m	\$/sh	+12 months	A\$m	\$/sh	+24 months	A\$m	\$/sh
Reserves	\$m	2.1	3.4	4.1	4.1	4.1	Talang Santo mine	76	0.21	85	0.24	92	0.26		
Retained earnings	\$m	1.8	(18.6)	(11.5)	(5.0)	12.9	Way Linggo mine	49	0.14	49	0.14	49	0.14		
Total equity	\$m	69.6	70.7	82.3	90.0	111.7	Exploration	57	0.16	57	0.16	57	0.16		
Weighted average shares	m	290.8	325.3	358.6	358.6	358.6	Corporate	(17)	(0.05)	(15)	(0.04)	(12)	(0.03)		
							Total enterprise value	166	0.46	177	0.49	186	0.52		
							Net cash & bullion/(debt)	1	0.00	(2)	(0.01)	3	0.01		
							Equity value	167	0.47	175	0.49	189	0.53		

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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