

KINGSROSE MINING LIMITED (ADMINISTRATORS APPOINTED)

Quarterly Report for the Period Ended 31 March 2017

KEY POINTS

- Kingsrose continued to operate under voluntary administration.
- Significant progress made on financial restructure and development of the new operational strategy.
- Commencement of open cut activities at the Way Linggo Mine to recover a portion of the remaining resources.
- To date 4,728 ore tonnes have been extracted from the Open Cut at the Way Linggo Mine at an average mine grade of 9.2 g/t Au.
- Implementation of revised mining plan at the Talang Santo Mine has commenced.
- A long term solution to water ingress into the Talang Santo Mine is being investigated.
- Total project production for the quarter of 3,361 ounces of gold at 8 g/t Au and 9,750 ounces of silver at 25 g/t Ag, representing a 88% increase in gold produced over the December 2016 Quarter.
- Project all-in sustaining cost of US\$1,322/oz for the quarter – a 58% decrease on the December 2016 Quarter, with all-in sustaining costs for the month of March 2017 of US\$915.

CORPORATE

- Restructure of secured loan facilities; including agreement for a substantial debt to equity conversion (subject to shareholder approval).
- As at the end of the quarter, \$5.6m raised through secured convertible loan facility agreements.

WAY LINGGO PROJECT OPERATIONS OVERVIEW

	UNITS	SEPTEMBER 2016 QUARTER	DECEMBER 2016 QUARTER	MARCH 2017 QUARTER	YEAR TO DATE
MINE PRODUCTION TALANG SANTO					
ORE MINED	t	9,298	9,988	7,939	27,226
MINE GRADE (GOLD)	g/t	9.0	5.9	8.7	7.7
MINE GRADE (SILVER)	g/t	18	16	21	18
WAY LINGGO					
ORE MINED	t	-	-	4,728	4,728
WASTE	bcm	-	-	17,751	17,751
MINE GRADE (GOLD)	g/t	-	-	9.2	9.2
MINE GRADE (SILVER)	g/t	-	-	36	36
TOTAL					
ORE MINED	t	9,298	9,988	12,668	31,954
MINE GRADE (GOLD)	g/t	9.0	5.9	8.9	8.0
MINE GRADE (SILVER)	g/t	18	16	27	21
ORE PROCESSED					
TONNES MILLED	t	10,255	11,079	13,627	34,961
HEAD GRADE (GOLD)	g/t	8.4	5.4	8.0	7.3
HEAD GRADE (SILVER)	g/t	17	16	25	20
RECOVERY (GOLD)	%	96.2	93.5	95.4	95.0
RECOVERY (SILVER)	%	87.3	88.3	88.7	88.2
GOLD PRODUCED	oz	2,660	1,786	3,361	7,807
SILVER PRODUCED	oz	5,072	4,915	9,750	19,737
COSTS OF PRODUCTION					
CASH OPERATING COSTS	US\$/oz	1,440	2,017	851	1,318
ALL-IN-SUSTAINING COSTS OF PRODUCTION	US\$/oz	2,149	3,179	1,322	2,028

SAFETY

There were 2 Lost Time Injuries for the quarter. The 12-month moving average Lost Time Injury Frequency Rate was 4.1, up from 3.6 in the December 2016 Quarter.

MINING

Talang Santo Mine

During the March Quarter, operations continued at Talang Santo (albeit at a reduced rate), with a key focus on finalising the mine plan, including the design of the necessary infrastructure to access the lower levels of the mine and developing a long term solution to the ongoing water ingress into the mine.

As a short term solution, revised mining plans were implemented concentrating on mining readily available ore including mining ore blocks from below the 4 Level that were already developed, setting up the splay vein area above the 4 Level for a cut and fill system and setting up capital development below the 5 Level.

Total mine production during the period was 7,939 tonnes at 8.7 g/t Au and 21 g/t Ag.

Capital Mine Development

The development of the external haulage shaft to the 5 (Sub 3) Level has now been permanently suspended due to the impracticality to effectively work through the previously intersected significant water-bearing fault structure.

A revised capital development plan has been implemented with the existing an internal shaft which currently stops at the 4 Level being extended, effectively, to the 7 Level. This has been positioned away from the water bearing structures, with geotechnical work undertaken during the quarter to confirm the suitability of the development of the internal shaft and associated excavations for a winder and pumping facilities.

A revised production plan for below the 5 Level has also been prepared with a series of more efficient stopes planned by implementation of smaller backfilled primary stopes and larger secondary stopes. This is a departure from the traditional hand held gallery stoping that has been previously employed at the Talang Santo Mine and should allow for greater recovery of available ore. This method also allows greater flexibility to mine within the stopes and will provide a safer working environment.

Way Linggo Mine

During the March Quarter an open pit mining operation commenced at the Way Linggo orebody following receipt of preliminary approvals from the Indonesian Mines Department on 20 February 2017. Preparations for mining commenced with clearing and establishing access, haul road construction and the establishment of other necessary infrastructure prior to the commencement of mining. By the end of the quarter, 4,728 ore tonnes had been extracted with an average mine grade of 9.2 g/t Au.

The work was started utilising a fleet of small equipment owned by the Kingsrose group. Work is underway to obtain additional equipment. As proposed to the Indonesian Mines Department, the potential recommencement of underground mining at the Way Linggo Mine to be accessed from the open pit is being evaluated.

PROCESSING

ORE PROCESSED	UNITS	SEPTEMBER 2016 QUARTER	DECEMBER 2016 QUARTER	MARCH 2017 QUARTER	YEAR TO DATE
TONNES MILLED	t	10,255	11,079	13,627	34,961
HEAD GRADE (GOLD)	g/t	8.4	5.4	8.0	7.3
HEAD GRADE (SILVER)	g/t	17	16	25	20
RECOVERY (GOLD)	%	96.2	93.5	95.4	95.0
RECOVERY (SILVER)	%	87.3	88.3	88.7	88.2
GOLD PRODUCED	oz	2,660	1,786	3,361	7,807
SILVER PRODUCED	oz	5,072	4,915	9,750	19,737

The plant throughput for the period was 13,627 dry tonnes at a head grade of 8 g/t Au and 25 g/t Ag. Recoveries of gold and silver were 95.4% and 88.7% respectively.

GOLD SALES AND COSTS OF PRODUCTION

During the quarter, 1,929 ounces of gold was sold at an average gold price of A\$1,611/oz and realised A\$3.108M in revenue. The cash costs of production for the quarter were US\$851/oz and all-in sustaining costs of production for the period were US\$1,322/oz.

EXPLORATION

No exploration activities were undertaken during the quarter. It is anticipated regional exploration activities will recommence next quarter, cash flow permitting.

COMMUNITY AND THE ENVIRONMENT

Community

Kingsrose's Indonesian subsidiary, PTNM continues to actively engage the community through its community development team and is keeping all community members and stakeholders updated as to the status of the project's operations.

Environment

The Group continues to conduct its operations in a manner that minimises its environmental footprint on the project area. Environmental activities during the quarter included reclamation, re-vegetation, conducting monitoring programs as well as assisting with remediation works due to damage from heavy rain and landslides, erosion and sedimentation control, and waste management. There has been no expansion of disturbed areas or clearing for mining activities during the Quarter. Revegetation was conducted on disturbed areas by replanting or replacing trees and conducting weeding programs to reduce the erosion at surface.

During this quarter, a total of 0.5697Ha was re-vegetated using a variety of plant stock including acacia, durian, sengon and trembesi at the reclamation guarantee area and along the main road leading into the Way Linggo Project.

CORPORATE

Significant progress was made in restructuring the Company's financial arrangements during the quarter.

Debt Restructure

The terms of the Company's secured debt facilities were renegotiated, with Michael John Andrews (A\$2.25M) and Great Golden Investment Limited (A\$2.9M) agreeing to convert their debt to equity as part of a broader equity raising. These arrangements were conditional upon the Company raising no less than US\$4M within three months through an equity raising or alternative debt arrangement, with at least US\$1M being by way of equity (or a convertible loan). Conversion of the debts to equity was further conditional upon the Company obtaining any necessary shareholder approvals and the simultaneous conversion of any convertible loan forming part of the additional funding. The price at which the debt will convert to equity was agreed to be the weighted average price of shares that the Company agrees to issue under the equity raising – which at this stage is four cents per share.

Beaurama Pty Ltd (A\$4.4M) agreed to release the existing security it had over the shares in the entity which holds Kingsrose's interest in the Way Linggo Project. It also agreed that no further interest would accrue in relation to the Beaurama debt until July 2020, at which point an interest rate of 5% per annum would be applied, payable monthly in arrears. To the extent it has not been repaid earlier, the Beaurama debt will be deferred to a single payment due on 30 November 2023.

Convertible Loan Facility

During the quarter, the Company raised A\$5.6M via a number of secured convertible loan facilities. The convertible facilities were provided by a group of sophisticated and professional investors, and can be converted to equity at four cents per share (subject to shareholder approval). If the loan is not converted to equity, the Company is required to repay it on the later of termination of the administration or any deed of company arrangement which may be entered into by Kingsrose.

As a result of the fund raising, the debt restructure as outlined above became effective.

As noted in the Company's ASX announcement of 19 April 2017, further amounts have been raised under the convertible loan facilities since the end of the Quarter, bringing the total amount raised to A\$6.4M.

CASH AND BULLION ON HAND AS AT 31 MARCH 2017

Cash & Term Deposits	A\$6.01M
Bullion & Trade Receivables ¹	<u>A\$3.13M</u>
Total	A\$9.14M

¹ Bullion includes unrefined (filter cake, dore) and refined gold (at A\$1,629/oz) and silver (at A\$24/oz).

SUMMARY OF MINING TENEMENTS AND AREAS OF INTEREST

PROJECT/TENEMENT HELD	LOCATION	TENEMENT NUMBER	EQUITY INTEREST AT QUARTER END	CHANGE IN ENTITY'S INTEREST DURING QUARTER
4 th generation Contract of Work	Lampung Province, South Sumatra, Indonesia	N/A	85%	N/A

-ENDS-

Enquiries:

Michael Ryan, Ian Francis and Eileen Chan
FTI Consulting
+61 8 9321 8533

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013, 01/09/2016

Entity Kingsrose Mining Limited (Administrators Appointed) ABN 49 112 389 910		Quarter ended: 31 March 2017	
Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	3,217	12,183
1.2	Payments for:		
	(a) exploration and evaluation	(80)	(1,008)
	(b) development	(1,101)	(4,721)
	(c) production	(2,954)	(12,860)
	(d) staff costs	(209)	(1,125)
	(e) administration and corporate costs	(691)	(1,442)
1.3	Dividends received	-	-
1.4	Interest received	-	10
1.5	Interest and other costs of finance paid	(5)	(463)
1.6	Income taxes paid	-	(231)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	300	557
1.9	Net cash from / (used in) operating activities	(1,523)	(9,100)
2.	Cash flows from investing activities		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(6)	(88)
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(6)	(88)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	8,707
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(475)
3.5	Proceeds from borrowings	5,632	5,632
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Repayment of hire purchases)	(28)	(143)
3.10	Net cash from / (used in) financing activities	5,604	13,721

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (9 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,004	1,508
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,523)	(9,100)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(6)	(88)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5,604	13,721
4.5 Effect of movement in exchange rates on cash held	(67)	(29)
4.6 Cash and cash equivalents at end of period	6,012	6,012

5. Reconciliation of cash and cash equivalents

Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,012	2,004
5.2	Call deposits	-	-
5.3	Bank overdraft	-	-
5.4	Other	-	-
Cash and cash equivalents at end of quarter (item 4.6 above)		6,012	2,004

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	-
6.2 Aggregate amount of loans to these parties included in item 2.3	-
6.3 Explanation necessary to understand the transactions included in item 6.1 and 6.2	
No amounts were paid to directors during the administration period.	

7. Payments to related entities of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	-
6.2 Aggregate amount of loans to these parties included in item 2.3	-
6.3 Explanation necessary to understand the transactions included in item 7.1 and 7.2	
N/A	

8. Financing facilities available

		Total facility amount at quarter end \$A'000	Amount Drawn at quarter end \$A'000
8.1	Loan facilities	9,570	9,570
8.2	Credit standby arrangements	-	-
8.3	Other	5,632	5,632

8.4 Description of each facility above, including the lender, interest rate and whether it is secured or unsecured.

Item 8.1 consists of the following:

- Loan from Beaurama Pty Ltd of A\$4.387m. Balance includes capitalised interest of A\$0.137m. At 31 March 2017, the loan is unsecured and interest-free until July 2020 after which interest will accrue at 5% per annum. The loan is repayable in a single payment on 30 November 2023.
- Loan from Great Golden Investment Limited of US\$2.203m (A\$2.937m). Balance includes capitalised interest of US\$0.078m (A\$0.101m). At 31 March 2017, the loan is unsecured, interest-free and convertible to equity at four cents per share subject to shareholders' approval.
- Loan from Michael John Andrews of US\$1.684m (A\$2.246m). Balance includes capitalised interest of US\$0.059m (A\$0.077m). At 31 March 2017, the loan is unsecured, interest-free and convertible to equity at four cents per share subject to shareholders' approval.

Refer ASX Announcements 23 February 2017 and 24 March 2017.

Item 8.3 comprise a secured convertible loan facility, which can be converted to equity at four cents per share subject to shareholders' approval. If the loan is not converted to equity, Kingsrose is required to repay it on the later of termination of the voluntary administration or any deed of company arrangement which may be entered into by Kingsrose. To date Kingsrose has received conversion notices for 74% in value of the total funds raised from lenders confirming they wish to convert their facility into shares. Refer ASX Announcements 23 February 2017, 24 March 2017 and 19 April 2017.

9. Estimated cash outflows for next quarter

	\$A'000
9.1	Exploration and evaluation
9.2	Development
9.3	Production
9.4	Staff costs
9.5	Administration and corporate costs
9.6	Other
9.7	Total estimated cash outflows

* Since being appointed, the Administrators are reviewing the Company's financial arrangements and operations at the Way Linggo Project in Indonesia and exploring opportunities to recapitalise or restructure the Company. This work is progressing and is still underway. Given the current situation, it is not appropriate to provide forward looking estimates of the relevant items in section 9 above.

10. Changes in interests in mining tenements

	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements lapsed, relinquished or reduced	Nil		
10.2	Interests in mining tenements acquired or increased	Nil		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement does give a true and fair view of the matters disclosed.


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Michael Ryan
Joint and Several Administrator
24 April 2017

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