

## KINGSROSE MINING LIMITED

Quarterly Report for the Period Ended 31 March 2018

### Way Linggo open pit continues to deliver results with strong margins and solid cash generation

*Permitting progressing to expand Way Linggo open pit and establish open pit at Talang Santo*

#### HIGHLIGHTS

- **Total production** of 5,249 ounces of gold for the March quarter.
- Recoveries continue to exceed expectations with gold recoveries averaging 97.4% for the quarter.
- Cash costs of US\$737/oz with all-in sustaining costs of US\$912/oz.
- Gold sales of 4,051 oz at an average gold price of US\$1,332/oz generating A\$6.8m in revenue.
- **Cash and bullion of A\$12.7m** at 31 March 2018 (A\$9.6m at 31 Dec 2017).
- Way Linggo open cut operating to plan, with consistent production rates.
- Mining contractor PT Madhani commenced to assist with increased waste material movement.
- Highly promising early stage exploration results indicating strong gold mineralisation.
- Permitting on track for open pit mining to commence at Talang Santo open pit in the September quarter.
- Permitting advanced for the planned expansion of the Way Linggo open pit.
- Way Linggo Project Contract of Work Amendment signed with Indonesian Government – another key milestone achieved providing certainty around the Company's financial and operational obligations.

#### POST QUARTER EVENTS

- Receipt of outstanding Value Added Tax (VAT) refund from the Indonesian tax office of A\$3.1m – further strengthening the Company's balance sheet (*Refer ASX announcement dated 19 April 2018*)
- **Cash and Bullion as at 18 April ~ A\$15.9m**

Kingsrose Managing Director Paul Jago said the Company's turnaround strategy was continuing to deliver results.

*"Way Linggo is performing in line with our expectations with solid production and tight costs underpinning robust margins and cashflow," Mr Jago said.*

*"This has enabled us to continue strengthening our balance sheet with cash and bullion rising by another A\$3 million to A\$12.7 million over the quarter.*

*"We continue to make progress towards securing the permits, which are currently on target, required to expand the Way Linggo and develop the Talang Santo open pits. These developments are essential for our short to medium term growth."*



## WAY LINGGO PROJECT OPERATIONS OVERVIEW

		SEPTEMBER 2017 QUARTER	DECEMBER 2017 QUARTER	MARCH 2018 QUARTER	YEAR TO DATE
<b>MINE PRODUCTION</b>					
<b>WAY LINGGO</b>					
ORE MINED	t	24,225	24,841	20,905	69,971
WASTE	bcm	121,919	120,866	353,025	595,810
MINE GRADE (GOLD)	g/t	9.1	7.5	8.2	8.2
MINE GRADE (SILVER)	g/t	66	69	87	73
<b>TALANG SANTO</b>					
ORE MINED	t	7,422	482	-	7,904
MINE GRADE (GOLD)	g/t	6.7	5.4	-	6.7
MINE GRADE (SILVER)	g/t	17	9	-	17
<b>TOTAL</b>					
ORE MINED	t	31,647	25,323	20,905	77,875
MINE GRADE (GOLD)	g/t	8.5	7.5	8.2	8.1
MINE GRADE (SILVER)	g/t	54	68	87	68
<b>ORE PROCESSED</b>					
TONNES MILLED	t	32,882	25,679	20,883	79,445
HEAD GRADE (GOLD)	g/t	8.6	7.6	8.0	8.1
HEAD GRADE (SILVER)	g/t	53	74	87	69
RECOVERY (GOLD)	%	96.9	97.4	97.4	97.2
RECOVERY (SILVER)	%	86.8	87.1	85.4	86.5
GOLD PRODUCED	oz	8,792	6,077	5,249	20,117
SILVER PRODUCED	oz	48,761	53,313	49,758	151,832
<b>COSTS OF PRODUCTION</b>					
CASH OPERATING COSTS (C1)	US\$/oz	489	522 <sup>1</sup>	737	564
ALL-IN-SUSTAINING COSTS OF PRODUCTION (AISC)	US\$/oz	720	701 <sup>1</sup>	912	764

<sup>1</sup>. December 2017 quarterly report dated 29 January 2018 reported C1 costs as US\$455/oz and AISC as US\$645/oz. Following audit adjustments, C1 costs for the December 2017 quarter were US\$522/oz and AISC were US\$701/oz.

## SAFETY

The creation of a safe working environment continues to be a key focus of the Group. No Lost Time Injuries occurred during the quarter, with a 12-month moving average Lost Time Injury Frequency Rate of 1.32.

## MINING

### Way Linggo Mine

Open cut activities at the Way Linggo Mine were in line with expectations during the quarter as mining continued to recover remaining ore left behind by the historic Way Linggo underground mine.

Mining contractor PT Madhani commenced in late January with a fleet of larger mining equipment which has resulted in significantly increased waste material movement.



Ore mining continued throughout the quarter at the base of the open pit, with waste stripping continuing on the next phase of the mine plan, though total material movement was impacted by higher than expected rainfall of 925mm for the quarter, 460mm of which was recorded in the month of March.

The Way Linggo open pit produced 20,905 tonnes at 8.2 g/t Au and 87 g/t Ag for the quarter.

### Open Pit Development

As highlighted in the September 2017 quarter, the outstanding results delivered to date by the Way Linggo open pit resulted in a study to explore the possibility of expanding the pit beyond the current plan to recover the remaining ore body down to the 3 Level.

Kingsrose's Indonesian subsidiary PT Natarang Mining (**PTNM**) commenced the permitting process following completion of the study to expand the Way Linggo open pit and other ancillary permits required to facilitate mining activities into the future. This process is well underway and it is anticipated approvals will be received during the September 2018 quarter.



Figure 1: Way Linggo Open Pit at 31 March 2018



Figure 2: Way Linggo Open Pit at 31 March 2018



Figure 3: Bulk material movement at the Way Linggo Open Pit

### Talang Santo Mine

No mining activities were undertaken at the Talang Santo Mine during the quarter, with underground operations remaining suspended.

PTNM continues to advance the permitting process to allow open pit mining to commence at Talang Santo, with pleasing progress made during the quarter. At this stage, mining is on track to commence during the September quarter following receipt of the requisite permits.

In anticipation of this, PTNM has begun preparations to ensure mining can commence as soon as the relevant permits have been received.

### PROCESSING

The processing statistics for the operating period are tabulated below:

		SEPTEMBER 2017 QUARTER	DECEMBER 2017 QUARTER	MARCH 2018 QUARTER	YEAR TO DATE
<b>ORE PROCESSED</b>	<b>UNITS</b>				
<b>TONNES MILLED</b>	<b>t</b>	<b>32,882</b>	<b>25,679</b>	<b>20,883</b>	<b>79,445</b>
<b>HEAD GRADE (GOLD)</b>	<b>g/t</b>	<b>8.6</b>	<b>7.6</b>	<b>8.0</b>	<b>8.1</b>
<b>HEAD GRADE (SILVER)</b>	<b>g/t</b>	<b>53</b>	<b>74</b>	<b>87</b>	<b>69</b>
<b>RECOVERY (GOLD)</b>	<b>%</b>	<b>96.9</b>	<b>97.4</b>	<b>97.4</b>	<b>97.2</b>
<b>RECOVERY (SILVER)</b>	<b>%</b>	<b>86.8</b>	<b>87.1</b>	<b>85.4</b>	<b>86.5</b>
<b>GOLD PRODUCED</b>	<b>oz</b>	<b>8,792</b>	<b>6,077</b>	<b>5,249</b>	<b>20,117</b>
<b>SILVER PRODUCED</b>	<b>oz</b>	<b>48,761</b>	<b>53,313</b>	<b>49,758</b>	<b>151,832</b>

The plant throughput for the period was 20,883 dry tonnes at a head grade of 8 g/t Au and 87 g/t Ag. Recoveries continued to exceed expectations with gold recovery for the quarter 97.4%.

The processing plant operated at 87% capacity for the quarter. This was due to the suspension of the Talang Santo underground mine and the only source of mill feed being provided by the Way Linggo open pit. It is expected that the under-utilisation will continue until the Talang Santo open cut commences production.

## EXPLORATION

The Company embarked upon a systematic and focussed exploration program during the quarter as part of its strategy to expand activity across the broader licence area. Previously, the focus was on underground mining which limited both the scope and scale of exploration and as such, the current board of directors have committed to expanding both the near mine and regional exploration activity due to the potential for further significant gold discoveries on our extremely prospective land holding.

After reviewing the Project from both an operational and regional perspective, it is clear that alongside existing and future production a sustained exploration strategy offers a real possibility of growing shareholder value by organic growth in the short, medium and long term.

An initial review of the existing datasets identified a project pipeline of multiple high priority targets to evaluate. The highest priority, namely Talang Toha and Rawa Gabus are seen as the most robust opportunities in the short term. Other areas that have been identified for more of a medium-term focus are Way Handa, Rowo Rejo and Talang Tebat. These prospects are by no means less prospective, but are simply earlier stage in their technical evaluation.

During the quarter this new strategy was implemented across more than a numerous target areas within the Contract of Work area (**CoW**) inclusive of the following work streams via the recently expanded exploration team;

- 2,500 meters of auger drilling
- 21.5 km stream and ridge traverses
- 20 km of CSAMT (Controlled Source Audio-Frequency Magnetotellurics) and other Geophysics surveys
- 1,400 XRD (X-Ray Diffraction) samples and analysis
- 400 soil and rock chip samples



Auger sampling and clay analysis completed over the two highest priority epithermal structures at Talang Toha and Rawa Gabus demonstrate strong similarities to material both currently and previously exploited within the CoW area. These projects will be structurally mapped using CSAMT with final analysis expected to lead to drill target definition.

All prospects will eventually be assessed through a structured exploration process that combines mapping, sampling, geophysical surveying and ultimately drilling. Many of the projects have now been subjected to at least soil and rock chip sampling, BLEG (Bulk Leach Extractable Gold) analysis as well as in-house XRD analysis on recently acquired laboratory grade equipment. These results will be used to identify drill targets in the coming months.

The Company looks forward to updating shareholders in the near future as results come to hand.

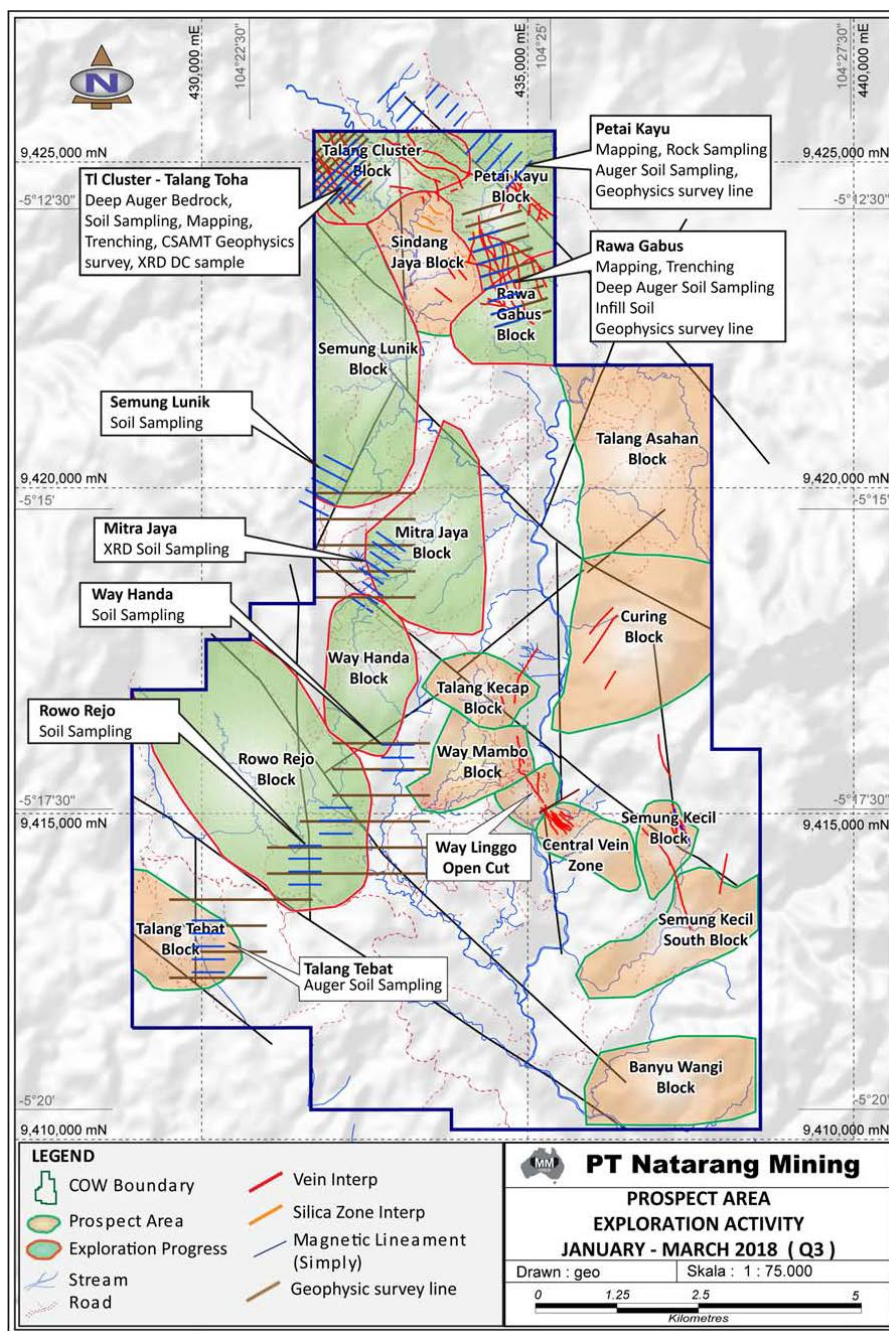


Figure 4: Areas of exploration focus during the March 2018 Quarter

## COMMUNITY AND THE ENVIRONMENT

### Community

PTNM’s community development team continues to actively engage the community and keep all community members and stakeholders updated as to the status of the Project’s operations. PTNM continues to make every effort to assist the local community achieve their development goals, employ locals and utilise local suppliers wherever possible.

Furthermore, a significant portion of the onsite workforce comes from the local communities surrounding the Project area.



During the quarter significant resources were directed towards healthcare initiatives, with food, equipment and supplies donated to 43 local medical clinics and numerous maternity clinics. Additional support and resources were provided to local schools, music and sporting groups as well as supporting local infrastructure projects.



Figure 5: Donations to local communities affected by wet season flooding



Figure 6: Donations to midwives at local medical clinics

### Environment

The Group continues to conduct its operations in a manner that minimises its environmental foot print 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.

During the quarter, a total of 0.5 Ha of disturbed areas was rehabilitated utilising a variety of plant stock cultivated at the Way Linggo nursery.

### CORPORATE

#### Finalisation of Contract of Work Amendment with Indonesian Government

During the quarter, the Company's 85% owned Indonesian subsidiary PTNM finalised an amendment to the Way Linggo Project CoW with the Government of the Republic of Indonesia (GOI).

The Way Linggo Project is held under a 4<sup>th</sup> generation CoW covering an area of 10,540ha and is held by PTNM. The signing of the Amendment to the CoW (**Amendment**) reaffirms PTNM as the legal holder of the CoW with the sole rights to exploration and exploit any mineral deposits within the CoW area until 2040. After this period, the operations under the CoW may be extended in accordance with prevailing laws and regulations.

The Amendment sets out PTNM's rights and obligations with respect to all phases of a mining operation and contains specific clauses relating to taxation, royalties and other financial obligations in line with prevailing regulations. The Amendment includes:

- A reduction in the corporate income tax rate from 35% to 25% (effective 1 January 2018 in line with PTNM's financial year); and
- An increase in the net smelter royalty rate from 2% to 3.75% for gold and 3.25% for silver.



### GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold 4,051 ounces of gold at an average gold price of A\$1,686/oz (US\$1,332) and realised A\$6.8m in revenue. The cash costs of production for the quarter were US\$737/oz and all-in sustaining costs of production for the period were US\$912/oz.

During the quarter, one off costs associated with the mobilisation of PT Madhani, were incurred. In addition, the cost of mining increased during the quarter due to the higher strip ratio incurred at Way Linggo. It is expected that these costs will remain around similar levels moving forward until open pit mining at Talang Santo commences.

Overall, costs for the quarter were impacted by lower production rates, with a significant portion of the cost base being fixed, however as production increases, costs are forecast to decrease.

### CASH AND BULLION ON HAND AS AT 31 MARCH 2018

Cash & Term Deposits	A\$7.44M
Bullion <sup>1</sup>	<u>A\$5.29M</u>
<b>Total</b>	<b>A\$12.73M</b>

<sup>1</sup>Bullion includes unrefined (filter cake, dore) and refined gold (at A\$1,727/oz) and silver (at A\$21/oz).

### CAPITAL STRUCTURE

Ordinary Fully Paid Shares	730,007,352
Options	10,300,000 (various strike prices and expiry dates)

### 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 THE QUARTER
4 <sup>th</sup> generation Contract of Work with the Government of the Republic of Indonesia	Lampung Province, South Sumatra, Indonesia		85%	N/A

-ENDS-

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**For more information regarding the Company's activities, please visit our website [www.kingsrosemining.com.au](http://www.kingsrosemining.com.au)**



## 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 <b>Kingsrose Mining Limited</b> ABN <b>49 112 389 910</b>		<b>Quarter ended: 31 March 2018</b>	
<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>	<b>Year to date (9 months)</b>
		<b>\$A'000</b>	<b>\$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	9,635	34,553
1.2	Payments for:		
	(a) exploration and evaluation	(301)	(627)
	(b) development	-	(1,438)
	(c) production	(6,184)	(24,129)
	(d) staff costs	(430)	(1,284)
	(e) administration and corporate costs	(636)	(3,115)
1.3	Dividends received	-	-
1.4	Interest received	-	2
1.5	Interest and other costs of finance paid	(9)	(35)
1.6	Income taxes paid	(121)	(363)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	614	853
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>2,568</b>	<b>4,417</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(135)	(483)
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	9
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Other	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(135)</b>	<b>(474)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(2,250)
3.7	Transaction costs related to loans and borrowings	-	(97)
3.8	Dividends paid	-	-
3.9	Other (Repayment of hire purchases)	(10)	(94)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(10)</b>	<b>(2,441)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,942	5,934
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,568	4,417
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(135)	(474)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	(2,441)
4.5	Effect of movement in exchange rates on cash held	78	7
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,443</b>	<b>7,443</b>

**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	3,186	4,942
5.2	Call deposits	4,257	-
5.3	Bank overdraft	-	-
5.4	Other	-	-
	<b>Cash and cash equivalents at end of quarter</b> (item 4.6 above)	<b>7,443</b>	<b>4,942</b>

**6. Payments to directors of the entity and their associates**

- 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

Current quarter \$A'000
191
-

- 6.3 Explanation necessary to understand the transactions included in item 6.1 and 6.2

Included in the payments to directors of the entity and their associates during the quarter were:

- An amount of \$54k relating to drilling services provided by an entity associated with a director.

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

- 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

Current quarter \$A'000
-
-

- 6.3 Explanation necessary to understand the transactions included in item 7.1 and 7.2

N/A

**8. Financing facilities available**

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount Drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other	-	-

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

N/A
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**9. Estimated cash outflows for next quarter**

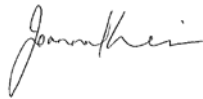
	<b>\$A'000</b>
9.1 Exploration and evaluation	439
9.2 Development	-
9.3 Production	7,298
9.4 Staff costs	465
9.5 Administration and corporate costs	292
9.6 Other	-
<b>9.7 Total estimated cash outflows</b>	<b>8,494</b>

**10. Changes in interests in mining tenements**

		<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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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**Joanna Kiernan**  
**Company Secretary**  
**19 April 2018**

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