



KINGSROSE
MINING LIMITED

KINGSROSE MINING LIMITED

Quarterly Report for the Period Ended 30 June 2018

Strong progress in securing approvals puts Kingsrose on track for major production increase in December quarter

Expansion underway at Way Linggo open pit and infrastructure being put in place at Talang Santo ahead of mining start-up; Costs to fall as production rises

- Solid June quarter with total production of 3,477 ounces of gold.
- Cash costs of US\$1,175/oz and all-in sustaining costs of US\$1,536/oz.
- Gold sales of 4,919 ounces at an average gold price of A\$1,720/oz (US\$1,295/oz) generating A\$8.5m in revenue.
- Way Linggo open cut continuing to operate to plan, with consistent production rates.
- Successful receipt of outstanding Value Added Tax (VAT) refund from the Indonesian tax office of A\$3.1m during the quarter, further strengthening the Company's balance sheet.
- Cash and bullion of A\$14.97m at 30 June 2018 (A\$12.73m at 31 March 2018).
- Tekno Ekonomi approval granted for the planned expansion of the Way Linggo open pit down to the 3 level of the underground mine and development of the Talang Santo open pit.
- Permitting on track to enable open pit mining to commence at Talang Santo in the December 2018 quarter.
- Major cutback underway at Way Linggo pit to access lower levels. Gold production is expected to increase at the end of 2018 as access to these lower levels becomes available. The increase in gold production will result in lower costs.
- Encouraging drill results at Talang Santo to test the upper limit of the pit indicate potential for further high-grade mineralisation. Follow up drilling underway to confirm possible extension to the west of the current Talang Santo pit design.
- Highly promising early stage exploration results indicate strong gold mineralisation across the entire Contract of Work area. A systematic drilling campaign is expected to commence in the September 2018 quarter

Kingsrose Managing Director Paul Jago said Kingsrose made strong progress during the quarter, particularly in relation to securing permits.

“Receipt of the key Tekno-Ekonomi approval was an important step in the permitting process, allowing expansion of the Way Linggo open pit down to the 3 Level,” Mr Jago said.

“As part of the expansion, a major pit cut back was started during the quarter. This process will allow for increased gold production from this area.

“During the quarter, the overall Way Linggo project continued to perform in line with our expectations with the increase in waste material handled accounting for the high C1 costs for the quarter.

“Cost of production is expected to fall during the next 6 months.

“Preparations are also underway for the start of mining at the Talang Santo open pit with implementation of the required infrastructure. Accommodation facilities are under construction and other infrastructure construction is planned for the September quarter.

“The team remains focussed on finalising the environmental approval process to ensure that the Talang Santo open pit commences in the December 2018 quarter.

“The successful receipt of our VAT refund during the quarter enabled the Company to increase its cash and bullion position by A\$2.2m, with a portion of these funds earmarked for exploration on broader Contract of Work area as part of the Company’s strategy to define additional high grade ore deposits.

“In parallel with the work at Way Linggo and Talang Santo, we will commence a major drilling campaign to test several very exciting mineralised systems within the broader project area. The potential for additional high-grade epithermal deposits has been demonstrated by our systematic work to date over the licence area.

“A drill program commenced in June 2018 to test the possible extension of the Talang Santo ore body, with results to be released in due course. Initial geological interpretations demonstrate the continuation of the known orebody to the west. Other highly prospective areas will be targeted for drilling campaigns in the September and December 2018 quarters.”



WAY LINGGO PROJECT OPERATIONS OVERVIEW

| | | SEPTEMBER 2017 | DECEMBER 2017 | MARCH 2018 | JUNE 2018 | YEAR TO DATE |
|--|---------|-------------------|------------------|---------------|--------------|-----------------|
| | UNITS | QUARTER | QUARTER | QUARTER | QUARTER | |
| MINE PRODUCTION | | | | | | |
| WAY LINGGO | | | | | | |
| ORE MINED | t | 24,225 | 24,841 | 20,905 | 16,195 | 86,166 |
| WASTE | bcm | 121,919 | 120,866 | 353,025 | 488,204 | 1,084,014 |
| MINE GRADE (GOLD) | g/t | 9.1 | 7.5 | 8.2 | 7.0 | 8.0 |
| MINE GRADE (SILVER) | g/t | 66 | 69 | 87 | 84 | 75 |
| TALANG SANTO | | | | | | |
| 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 |
| TOTAL | | | | | | |
| ORE MINED | t | 31,647 | 25,323 | 20,905 | 16,195 | 94,070 |
| MINE GRADE (GOLD) | g/t | 8.5 | 7.5 | 8.2 | 7.0 | 7.9 |
| MINE GRADE (SILVER) | g/t | 54 | 68 | 87 | 84 | 71 |
| ORE PROCESSED | | | | | | |
| TONNES MILLED | t | 32,882 | 25,679 | 20,883 | 15,961 | 95,406 |
| HEAD GRADE (GOLD) | g/t | 8.6 | 7.6 | 8.0 | 7.0 | 7.9 |
| HEAD GRADE (SILVER) | g/t | 53 | 74 | 87 | 85 | 71 |
| RECOVERY (GOLD) | % | 96.9 | 97.4 | 97.4 | 96.7 | 97.1 |
| RECOVERY (SILVER) | % | 86.8 | 87.1 | 85.4 | 85.2 | 86.3 |
| GOLD PRODUCED | oz | 8,792 | 6,077 | 5,249 | 3,477 | 23,594 |
| SILVER PRODUCED | oz | 48,761 | 53,313 | 49,758 | 36,988 | 188,820 |
| COSTS OF PRODUCTION | | | | | | |
| CASH OPERATING COSTS (C1) | US\$/oz | 489 | 522 | 737 | 1,175 | 658 |
| ALL-IN-SUSTAINING COSTS OF PRODUCTION (AISC) | US\$/oz | 720 | 701 | 912 | 1,536 | 882 |

SAFETY

The creation of a safe working environment continues to be a key focus of the Group. No Lost Time Injuries or restricted work injuries occurred during the quarter, with a 12-month moving average Lost Time Injury Frequency Rate of 1.37.



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.

During the quarter, Kingsrose's Indonesian subsidiary PT Natarang Mining (**PTNM**) received Tekno Ekonomi approval from the Indonesian Government. Tekno Ekonomi approval enabled the company to expand the Way Linggo pit to access the ore body at lower levels. A major cutback was commenced to access these levels and resulted in higher strip ratios. It is expected that the current levels of production will be encountered in the September 2018 quarter. Gold production from this cutback is expected to increase towards the end of 2018.

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, total material movement was 5% above expectations

The Way Linggo open pit produced 16,195 tonnes at 7.0 g/t Au and 84 g/t Ag for the quarter.

Way Linggo Open Pit Development

The receipt of the Tekno Ekonomi approval allowed PTNM to immediately commence work on expanding the Way Linggo pit in a series of phases, down to the 3 level of the underground mine, which will be the final pit limit. Based on the current pit design, it is expected that the mining of ore can now continue at Way Linggo through to the second half of 2019, with the processing of the ore to continue for a further 3 months once the mining has finished.

Kingsrose is currently reviewing the Way Linggo pit optimisation and design with the view of extending the current design to enable the extraction of more ore at the base of the current pit. The result of this work is expected in the September 2018 quarter.



Figure 1: East wall Way Linggo Open Pit at 30 June 2018



Figure 2: West wall Way Linggo Open Pit at 30 June



Figure 3: Base of Way Linggo Open Pit at 30 June 2018

Talang Santo Open Pit Mine

The Talang Santo open pit mine will become the Company's second operating open pit mine on its highly prospective Way Linggo Project Contract of Work area.

The Talang Santo open pit is similar to the Way Linggo open pit in which the mine will be located on the previously mined underground ore body. The open pit will extract upper levels of the remnant ore pillars and areas of the mine that were left behind, due to the mining method employed in the underground mine. It is estimated that there is 50% of the orebody remaining in the area that the open pit will extract.



PTNM continues to advance the permitting process to allow open pit mining to commence at Talang Santo, with pleasing progress made during the quarter. The approval of the Tekno Ekonomi also allows pre-mining development works to begin at Talang Santo. Construction of a new 60-person camp and associated infrastructure commenced in June 2018 and is expected to be completed by September 2018. Other development works scheduled for the September 2018 quarter include construction of the settlement ponds for the construction of the waste dumps. Upgrade of the access road from the Talang Santo mine to the Way Linggo processing facility and the finalisation of compensation to the local community to allow the planned commencement of mining in the December 2018 quarter.

A sterilisation drilling program was undertaken at Talang Santo following pleasing results obtained during a drilling program to test the upper limit of the ore body for mine scheduling purposes. The upper limit drilling returned the following results;

- 5.95m @ 15.2g/t Au and 68 g/t Ag, 27.2m from surface including:
 - 0.35m @ 46.5g/t Au and 217g/t Ag
 - 0.7m @ 47.6g/t Au and 199g/t Ag
 - 0.75m @ 19.4g/t Au and 21g/t Ag
- 2m @ 8.7g/t Au and 8 g/t Ag, 17.2m from surface including:
 - 0.4m @ 36.8g/t Au and 9g/t Ag
- 5.8m @ 4.3g/t Au and 27g/t Ag, 27.8m from surface including
 - 0.45m @ 12.4g/t Au and 78g/t Ag
 - 0.65m @ 12.4g/t Au and 27g/t Ag
- 2m @ 8.7g/t Au and 81g/t Ag, 18.6m from surface
- 1m @ 4.8g/t Au and 13g/t Ag, 7.3m from surface

This current sterilisation program has been designed to test for possible extensions to the west of the current known Talang Santo ore body.

Final environmental approval for the commencement of mining progressed well during the quarter and it is anticipated all outstanding approvals will be received during the September 2018 quarter.

PROCESSING

The processing statistics for the operating period are tabulated below:

| ORE PROCESSED | UNITS | SEPTEMBER | DECEMBER | MARCH | JUNE | YEAR TO |
|---------------------|-------|-----------|----------|---------|---------|---------|
| | | 2017 | 2017 | 2018 | 2018 | DATE |
| | | QUARTER | QUARTER | QUARTER | QUARTER | |
| TONNES MILLED | t | 32,882 | 25,679 | 20,883 | 15,961 | 95,406 |
| HEAD GRADE (GOLD) | g/t | 8.6 | 7.6 | 8.0 | 7.0 | 7.9 |
| HEAD GRADE (SILVER) | g/t | 53 | 74 | 87 | 85 | 71 |
| RECOVERY (GOLD) | % | 96.9 | 97.4 | 97.4 | 96.7 | 97.1 |
| RECOVERY (SILVER) | % | 86.8 | 87.1 | 85.4 | 85.2 | 86.3 |
| GOLD PRODUCED | oz | 8,792 | 6,077 | 5,249 | 3,477 | 23,594 |
| SILVER PRODUCED | oz | 48,761 | 53,313 | 49,758 | 36,988 | 188,820 |

The plant throughput for the period was 15,961 dry tonnes at a head grade of 7.0 g/t Au and 85 g/t Ag. Recoveries were in line with expectations with gold recovery for the quarter 96.7%.



The processing plant only operated at 51% capacity for the quarter. This was due to the reduced ore supply from the Way Linggo pit. It is expected that the under-utilisation will continue until the Talang Santo open cut commences ore production.

EXPLORATION

The Company continued upon its systematic and focussed exploration program during the quarter as part of its strategy to expand activity and define additional high grade deposits across the broader Project area.

During the quarter this strategy continued across numerous target areas within the Contract of Work area (CoW) inclusive of the following work streams via the recently expanded exploration team;

- 295m of Diamond Drilling at Talang Santo
- 3,110 meters of auger drilling
- 33.4 km stream and ridge traverses
- 33.4 km of CSAMT (Controlled Source Audio-Frequency Magnetotellurics) and other Geophysics surveys
- 1,500 XRD (X-Ray Diffraction) samples and analysis
- 530 soil and rock chip samples

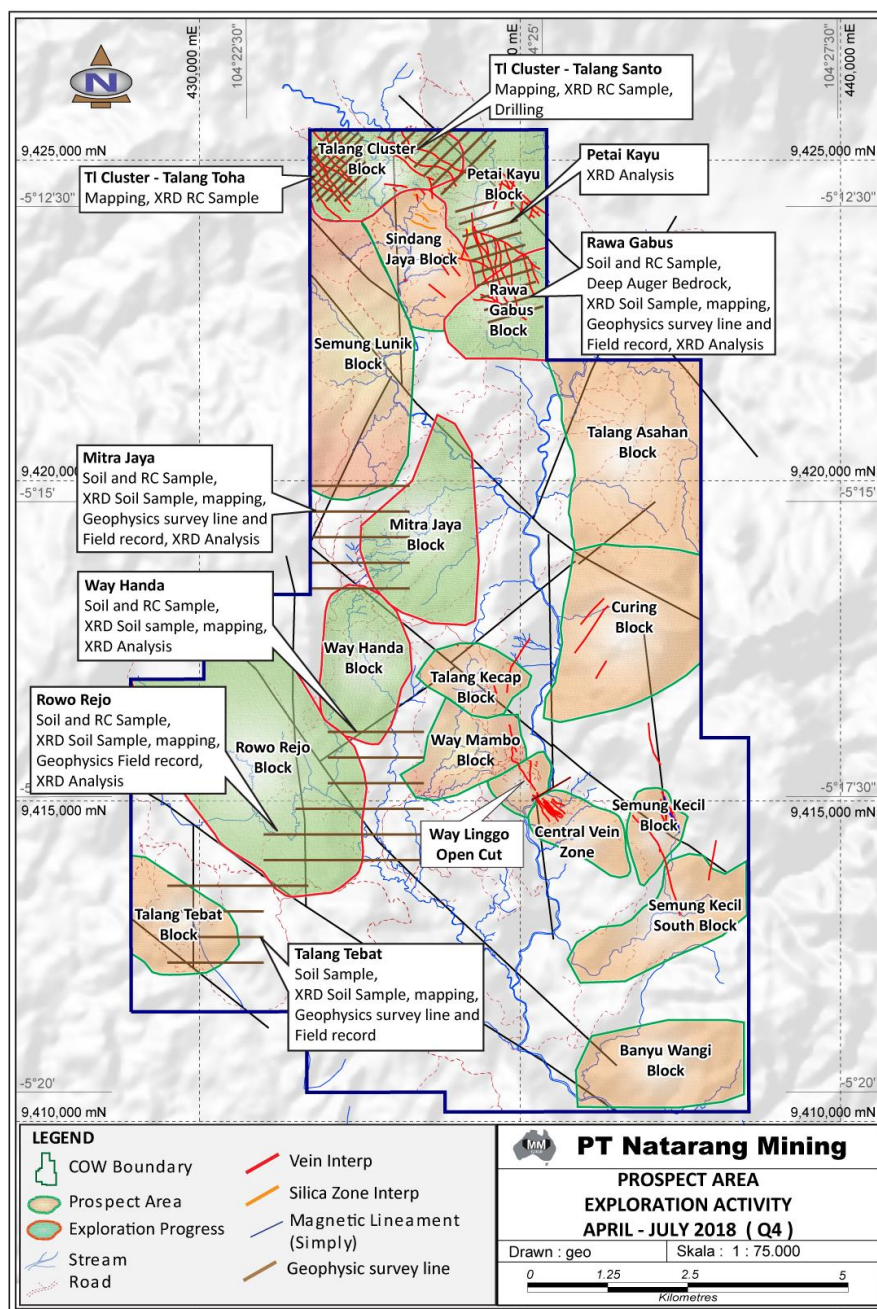


Figure 4: Areas of exploration focus during the June 2018 Quarter



Sterilisation drilling commenced at Talang Santo in June to confirm a western extension / upgrade to the current known Talang Santo ore body. Three holes were completed with encouraging vein structures encountered in all holes. Assay results are pending for these holes.

CSMAT surveys were completed at the Toha-Samin and Rawa Gabus prospects during the quarter. Analysis of this data has commenced in conjunction with all of the other geological studies to define potential drill targets in these areas. It is expected that initial exploration drilling will occur on these 2 prospects in the September 2018 quarter once the results of the trenching activities have been completed.

CSMAT surveys continued in the northern extension area, Talang Tebat, Rowo Rejo and Mitra Jaya prospects.

The Company looks forward to updating shareholders in the near future as results from the Talang Santo drilling comes to hand.

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 continued to be directed towards local community initiatives including support for local businesses, educational assistance including the provision of 34 scholarships to students attending schools in the surrounding community and a donation of medical equipment to midwives clinics in Talang Toha and Block 10



Figure 5: Building maintenance of elementary school in a local village



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.

GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold 4,919 ounces of gold at an average gold price of A\$1,720/oz (US\$1,295/oz) and realised A\$8.5m in revenue. The cash costs of production for the quarter were US\$1,175/oz and all-in sustaining costs of production for the period were US\$1,536/oz.

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

There was a significant increase the waste mining volumes during the June 2018 quarter which can be attributed to the commencement of the next phase of mining at the Way Linggo pit. The decrease in ore production was due to the reduced mining rates that were feasible in the base of the initial Way Linggo open pit. Increased ore production for the next cutback is expected towards the end of 2018.

CASH AND BULLION ON HAND AS AT 30 JUNE 2018

| | |
|--|------------------|
| Cash & Term Deposits | A\$10.09M |
| Bullion ¹ & Trade Receivables | A\$ 4.88M |
| Total | A\$14.97M |

¹ Bullion includes unrefined (filter cake, dore) and refined gold (at A\$1,692/oz) and silver (at A\$22/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 th generation Contract of Work with the Government of the Republic of Indonesia | Lampung Province, South Sumatra, Indonesia | N/A | 85% | N/A |

-ENDS-



KINGSROSE
MINING LIMITED

For more information please contact:

Paul Jago
Managing Director
+61 8 9381 5588
info@kingsrosemining.com.au

Paul Armstrong
Read Corporate
+61 8 9388 1474
paul@readcorporate.com.au

For more information regarding the Company's activities, please visit our website 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 Kingsrose Mining Limited ABN 49 112 389 910 | | Quarter ended: 30 June 2018 | |
|---|--|---------------------------------------|--|
| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | 6,956 | 41,509 |
| 1.2 | Payments for: | | |
| | (a) exploration and evaluation | (130) | (644) |
| | (b) development | - | (1,438) |
| | (c) production | (6,148) | (30,390) |
| | (d) staff costs | (417) | (1,701) |
| | (e) administration and corporate costs | (253) | (3,368) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest received | 23 | 25 |
| 1.5 | Interest and other costs of finance paid | (9) | (44) |
| 1.6 | Income taxes paid | (120) | (483) |
| 1.7 | Research and development refunds | - | - |
| 1.8 | Other (VAT refund received) | 3,139 | 3,992 |
| 1.9 | Net cash from / (used in) operating activities | 3,041 | 7,458 |
| 2. | Cash flows from investing activities | | |
| 2.1 | Payment to acquire: | | |
| | (a) property, plant and equipment | (462) | (945) |
| | (b) tenements | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | 43 | 52 |
| | (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 | (135) | (893) |
| 3. | Cash flows from financing activities | | |
| 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) | (29) | (123) |
| 3.10 | Net cash from / (used in) financing activities | (29) | (2,470) |

Appendix 5B
Mining exploration entity quarterly report

| | | Current quarter | Year to date (12 months) |
|------------|--|-----------------|-----------------------------|
| | | \$A'000 | \$A'000 |
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 7,443 | 5,934 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 3,041 | 7,458 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (419) | (893) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (29) | (2,470) |
| 4.5 | Effect of movement in exchange rates on cash held | 54 | 61 |
| 4.6 | Cash and cash equivalents at end of period | 10,090 | 10,090 |

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 | 5,437 | 3,186 |
| 5.2 | Call deposits | 4,653 | 4,257 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other | - | - |
| | Cash and cash equivalents at end of quarter (item 4.6 above) | 10,090 | 7,443 |

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 | 145 |
| 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 | |
| | Nil | |

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 | - | - |
| 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 |
|-----|

9. Estimated cash outflows for next quarter

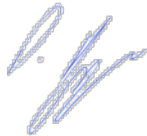
| | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | 511 |
| 9.2 Development | - |
| 9.3 Production | 6,407 |
| 9.4 Staff costs | 426 |
| 9.5 Administration and corporate costs | 412 |
| 9.6 Other | - |
| 9.7 Total estimated cash outflows | 7,756 |

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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Paul Jago
Managing Director
31 July 2018

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