

## KINGSROSE MINING LIMITED

Quarterly Report for the Period Ended 30 September 2019

# Strong quarter sees Kingsrose beat production and cost guidance despite pit wall failure

Cash and bullion increases 27% to A\$15m; FY20 guidance set at 23,000-25,000oz at AISC of US\$1,130-US\$930/oz

### HIGHLIGHTS

<u>Consolidated Production Summary</u>		<u>Jun 19 Qtr</u> <u>Actual</u>	<u>Sep 19 Qtr</u> <u>Actual</u>	<u>Sep 19 Qtr</u> <u>Guidance</u>
Mined Ounces	Au oz	7,871	10,214	4,601
Gold Produced	Au oz	7,469	6,049	3,637
Silver Produced	Ag oz	46,699	31,892	27,750
Cash Costs (C1)	US\$/oz	919	711	1,866
All in Sustaining Costs	US\$/oz	1,033	854	2,164

- Kingsrose beats Sept Qtr production and cost guidance significantly
- Gold sales of 5,920 ounces at an average gold price of A\$2,044/oz (US\$1,402/oz), generating A\$12.1m in revenue.
- Cash and bullion of A\$15.18m at 30 September 2019 (June 30, 2019: A\$12.4m).
- Strong results came despite the Way Linggo pit wall failure, which halted mining in the pit for three weeks in the quarter and resulted in the plant being shutdown for four weeks in the quarter
- Way Linggo pit successfully remediated in October following wall failure at the end of June 2019;
- Review of shallow drilling at Talang Santo completed and pit re-optimised, resulting in the pit life being extended by seven months to July 2020; Processing to continue to September 2020.
- Deep drilling under old Talang Santo underground works progressing on schedule with completion expected mid-November.
- Deep drilling under old Way Linggo underground works set to start in November.
- Guidance for the six months to Dec 31 (published on 8 August 2019) is production of 9,500oz–11,000oz at an AISC of US\$1,000-US\$1,200/oz.
- Guidance for the year to 30 June 2020 is 23,000-25,000oz at a cash cost of US\$730-US\$780/oz and an AISC of US\$1,130 – US\$930/oz.

## EXECUTIVE SUMMARY

Kingsrose Mining (ASX: KRM) is pleased to report on another successful quarter during which it beat production and cost guidance significantly and increased cash on hand by 27 per cent.

The strong performance came despite the wall failure at the Way Linggo open pit at the end of June (refer ASX announcement of 28 June 2019). This impacted mining from Way Linggo for three weeks and the processing plant was shut for a month due to the interruption of ore supply. The pit wall failure removed an estimated 4,000 gold ounces from the current plan, (refer ASX announcement of 8 August 2019).

Despite this, the Way Linggo pit performed well with above target in respect to ore mined. Mining in the Way Linggo pit will end in December 2019 as the current economic life of this pit has been reached.

Talang Santo exceeded production expectations as extra equipment was allocated to this pit while Way Linggo was not using it. Talang Santo consistently over-achieved in the quarter in terms of in mined volumes, ore tonnes and ore grade.

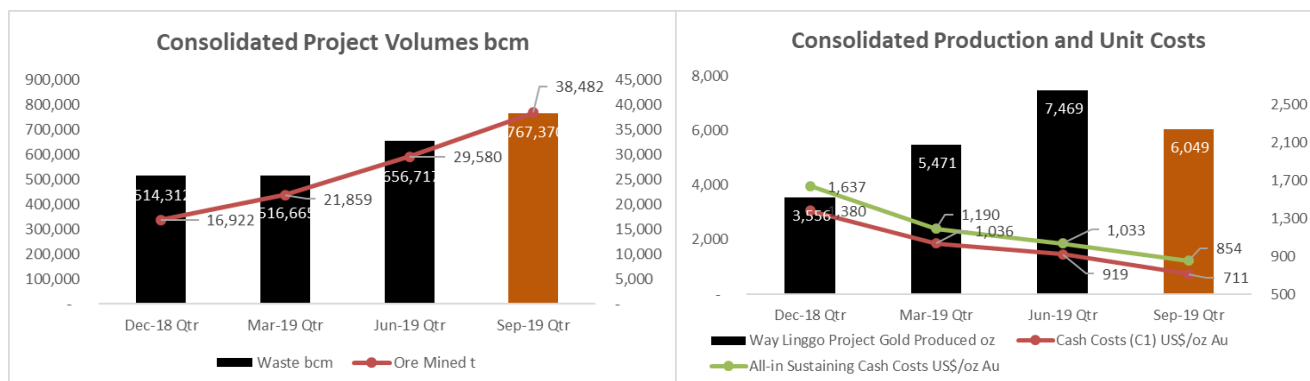
Kingsrose CEO Karen O'Neill said: *"We were prepared for a tough quarter and the team has performed well, ensuring that we did not only achieve our targets, but we excelled. We exceeded our production plans in both open pits with higher than forecast grades. Despite the processing plant running for only two of the three months, it ran at capacity and recovery performances were strong while we focused on high and medium-grade ore throughput. The strong production performance assisted in unit costs coming in well below our expectations. The shallow drilling programme undertaken in and around Talang Santo in May – July 2019 has assisted our near-term ore interpretation and confirmed the opportunity to extend mining in this pit to July 2020. We will continue to review and optimise the design of this pit to ensure we get the maximum economic life.*

*"Our phase one deep drilling programme below the current underground works at Talang Santo pit is expected to be completed in November and holes below the Way Linggo underground works will follow. By December, we expect to have all the in-fill drill results as well as a concept of the mining method and associated costs for returning underground at Talang Santo."*

## OPERATIONS OVERVIEW

With the wall slippage failure in June 2019 no mining occurred in the Way Linggo pit for three weeks and production from the mill stopped for one month. Despite this challenge, the quarter has exceeded guidance significantly. Productivity has been high with a total of **777k bcm** ore and waste moved (FY2019 Q4: 669k bcm). The gold in ore mined totalled **10,214 ounces** (FY2019 Q4: 7,871 ounces) and Kingsrose produced **6,049 gold ounces** and **31,892 silver ounces** (FY2019 Q4: 7,469 Au oz and 46,699 Ag oz).

The last two months of the quarter saw the processing plant running at capacity. It achieved higher than forecast throughput rates in those two months and achieved higher recovery from higher grade. Consolidated unit costs dropped as efficiencies achieved through running the mill at capacity.



		SEPTEMBER 2019 QUARTER	YEAR TO DATE
		UNITS	
MINE PRODUCTION			
WAY LINGGO			
WASTE	bcm	277,567	277,567
ORE MINED	t	13,441	13,441
MINE GRADE (GOLD)	g/t	10.0	10.0
MINE GRADE (SILVER)	g/t	117	117
TALANG SANTO			
WASTE	bcm	489,803	489,803
ORE MINED	t	25,040	25,040
MINE GRADE (GOLD)	g/t	7.3	7.3
MINE GRADE (SILVER)	g/t	26	26
TOTAL			
WASTE	bcm	767,370	767,370
ORE MINED	t	34,482	34,482
MINE GRADE (GOLD)	g/t	8.3	8.3
MINE GRADE (SILVER)	g/t	57	57
ORE PROCESSED			
TONNES MILLED	t	21,277	21,277
HEAD GRADE (GOLD)	g/t	9.2	9.2
HEAD GRADE (SILVER)	g/t	56	56
RECOVERY (GOLD)	%	96.6	96.6
RECOVERY (SILVER)	%	83.0	83.0
GOLD PRODUCED	oz	6,049	6,049
SILVER PRODUCED	oz	31,892	31,892
COSTS OF PRODUCTION			
CASH OPERATING COSTS (C1)	US\$/oz	711	711
ALL-IN-SUSTAINING COSTS OF PRODUCTION (AISC)	US\$/oz	854	854

## SAFETY

In this quarter one Lost Time Injury and one Restricted Work Injury occurred, with a 12-month moving average Lost Time Injury Frequency Rate of **1.14** (FY2019 Q4: 1.18). The total recordable injury frequency rate (TRIFR) for the site at the end of the quarter was **3.98** (FY2019 Q4: 4.71) which underpins the commitment to safety by all personnel on site.

Continued focus on the safety programs including Hazard Reporting, Inspections, Take 5 and training ensure that safety is top of mind in the operations. Focus on the quality of the reviews and training is constantly being reviewed and improved.

## MINING

### Way Linggo Mine



The Way Linggo open pit mined **13,441** ore tonnes at **10.0 g/t Au** and **117 g/t Ag** (FY2019 Q4: 16,747 t at 6.5 g/t Au and 78 g/t Ag) for the quarter. Total waste removed from the pit was **277,567 bcm** (FY2019 Q4: 310,151 bcm).

The wall failure in late June 2019 impacted this quarters mined production. For three weeks the focus was on establishing a safe access ramp around the eastern slip and developing a permanent northern ramp. During this period there was no mine production.



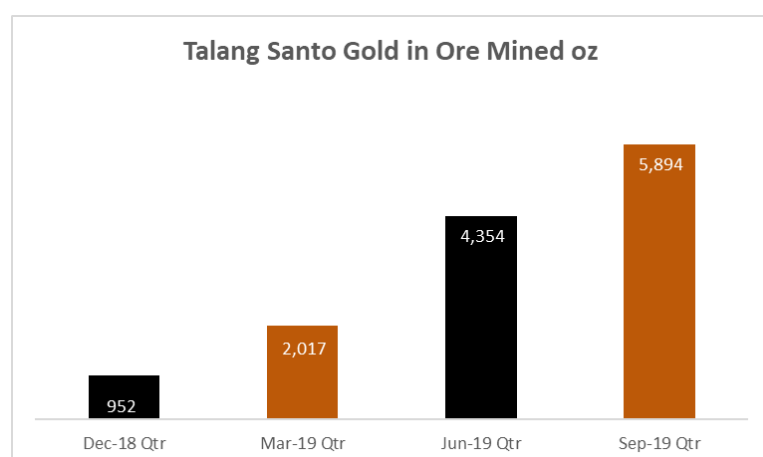
**Figure 1: Way Linggo Open Pit looking east**

Remediation on the wall failure began once the northern ramp was completed, and there was alternative emergency egress established from the pit. With the support of a Slope Stability Radar the remediation occurred faster than expected with work occurring on both day and night shifts. The bulk of the slip material was excavated in this quarter.

A detailed geotechnical review of a planned extension to the Way Linggo pit was commissioned in August 2019. This recommended changes in slope design parameters to mitigate against future wall failures. These new design parameters make further development of the Way Linggo open pit uneconomic. Mining will be completed in December 2019 and the open pit will transition to a rehabilitation plan.

The previous underground mining at Way Linggo stopped at 175 metres below the surface and there is strong potential for further mineralisation below the previous underground mine. Deep diamond drill holes to test below the underground workings are scheduled to begin in November 2019 once rigs with sufficient depth capacity become available from Talang Santo.

### Talang Santo Open Pit Mine



The Talang Santo pit produced **25,040** ore tonnes at **7.3 g/t Au** and **26 g/t Ag** (FY2019 Q4: 12,833 t at 10.6 g/t Au and 33 g/t Ag) for the quarter. Total waste moved from the pit was **489,803 bcm** (FY2019 Q4: 346,566 bcm).

The Talang Santo open pit performance for this quarter was above target due to the re-allocation of idle fleet from Way Linggo open pit once the wall slip occurred.

Drier seasonal weather than expected assisted in maximising production and the quarter lost in total only 40 hours of production due to 84mm of rain over 15 days. Ore supply from Talang Santo came from both the eastern and western cutbacks of the pit.

On completion of an aggressive diamond drilling programme, which was undertaken from May through to July 2019, focusing within the current pit boundary and potential near-pit resource extensions, a re-optimisation review was undertaken. In light of this review the Talang Santo open pit has been extended to July 2020 and gold production from milling stockpiled ore will continue to September 2020.

This current pit is essentially a stage pit for the further cutbacks under review and this new extension is considered a low to medium risk design with the best financial outcome for the Company. Further cutbacks and optimum designs will continue to be reviewed.





Figure 2: Talang Santo open pit looking east

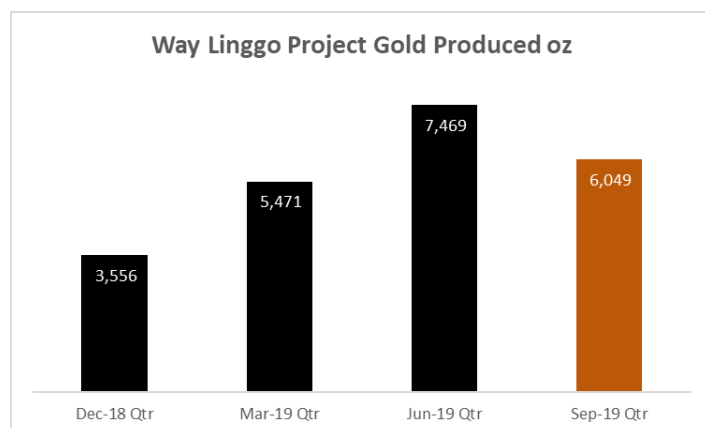
#### Talang Santo In-Fill Deep Drilling Programme

The deep diamond drilling programme, to increase confidence in resources beneath the previous deepest level of underground mining at Talang Santo, is progressing well. This first phase of drilling will be completed in November 2019. Results will be assessed, and any further plans reported in December 2019. At the end of the quarter 9 deep holes have been completed (~2,893m), 5 are in progress (1,186m) and there are 6 remaining (2,889m).

An interim update on results will be released in coming weeks. These initial results confirm the continuity of high-grade mineralisation below the old underground workings.



## PROCESSING



The plant throughput for the quarter was **21,277** dry tonnes (FY2019 Q4: 29,123 t) at a head grade of **9.2 g/t Au** and **56g/t Ag** (FY2019 Q4: 8.4 g/t Au and 58 g/t Ag). Gold recovery exceeded expectations at **96.6%** (FY2019 Q4: 94.9%).

Following the Way Linggo pit wall failure the mill was stopped for four weeks and during this time general maintenance was undertaken. On start up the plant ample stockpile had been built up to ensure the plant would be running at full capacity for the rest of the period.

The plant exceeded quarter expectations in all three key areas including throughput rates, gold grade and recoveries. During this quarter key bottlenecks were resolved allowing the plant to be better optimised. These include the blending management of the ore from both the pits to obtain optimum recovery. Having the right blend of hard and soft ore helps increase throughput on a consistent basis as well as recoveries. High and medium grade ore from the stockpiles was prioritised to maximise production and recoveries.

## EXPLORATION

All regional exploration has been put on hold until the in-fill resource drilling at Talang Santo and Way Linggo are complete. A report on the progress on the in-fill drilling for Talang Santo is included in the paragraph above.

## COMMUNITY AND THE ENVIRONMENT

### Community

The aim of Community Relations and Empowerment team is to create a harmonious relationship between the community, the Company and all stakeholders and to assist in increasing the community self-reliance in areas including health, education, agriculture and forestry.

During the quarter resources were directed towards local community initiatives at numerous local villages, these included:

- Distributing incentives for contract teachers in elementary schools.
- Empowering healthcare units and monitoring activities.
- Constructing clean water infrastructure.
- Assisting various small industries for women.
- Donation of cement for mosque building.
- Donation of loud speakers for local mosque.
- Road maintenance and local bridge construction.



*Figures 3-6: Participating in Lampung Fair event, donating animals for Eidul Adha celebration and Donating light bulbs for Peta Kayu village.*



## Environment

The site practises continuous rehabilitation and revegetation to minimise its environmental impact. Environmental activities carried out this quarter include:

- Reclamation and revegetation in waste dumps at Way Linggo, and maintenance of nurseries for revegetation programmes.
- Statutory environmental monitoring of the sedimentation ponds, tailings storage facility and river and ground water.
- Monthly water sampling by external laboratory.
- Construction of addition sedimentation ponds for open pit run off.



*Figure 7: Preparation of compost*



*Figure 8: Preparation of seeds at Way Linggo nursery*



*Figure 9: Reservoir for camp water supply*

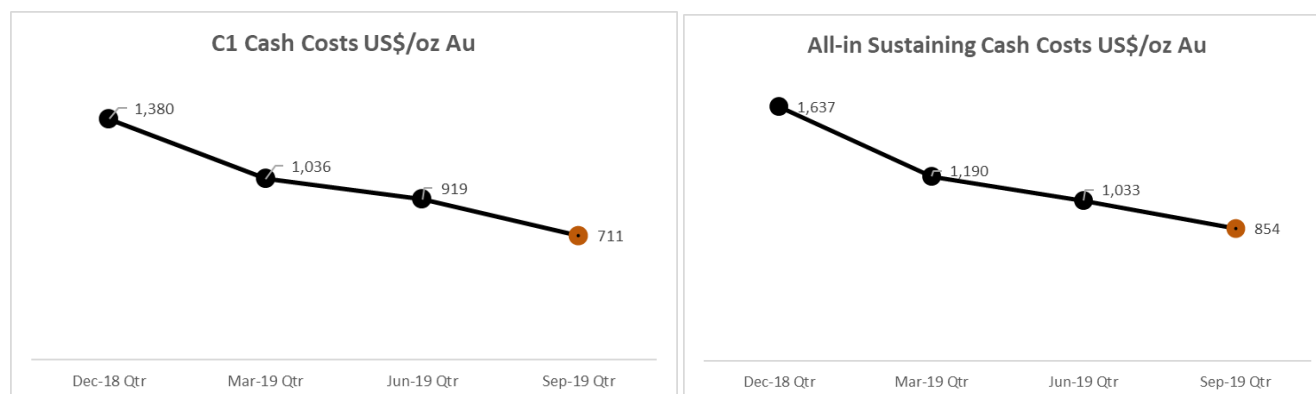


*Figure 10: Maintenance and monitoring water quality*

## GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold **5,920 ounces** of gold at an average gold price of **A\$2,044/oz** (US\$1,402/oz) and realised **A\$12.10m** in revenue, (FY2019 Q4: 5,626 oz at A\$1,839/oz / US\$1,299/oz).

The cash costs of production for the quarter were **US\$711/oz** and all-in sustaining costs of production for the period were **US\$854/oz**. Quarter on quarter improvement continues and is illustrated in the graphs below.

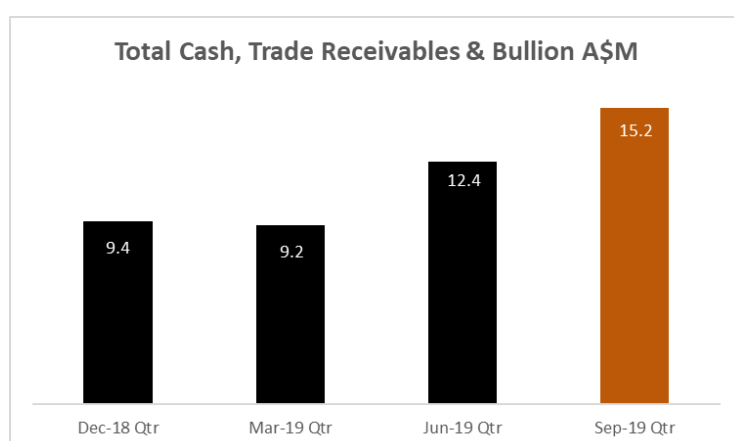


## GUIDANCE TO 30 JUNE 2020

In the guidance given to the market on 8 August 2019 Kingsrose expected to produce **9,500oz – 11,000oz** in the six months to December 31, 2019 at an all-in sustaining cost of **US\$1,000-US\$1,200/oz**.

Kingsrose current guidance to 30 June 2020 is **23,000-25,000oz** in the 12 months at a cash cost of **US\$730-US\$780/oz** and an All-in Sustaining Cost of **US\$930 – US\$1,130/oz**.

## CASH AND BULLION ON HAND AS AT 30 SEPTEMBER 2018



Cash & Term Deposits	A\$ 6.14M
Bullion <sup>1</sup>	A\$ 9.04M
<b>Total</b>	<b>A\$15.18M</b>

<sup>1</sup> Bullion includes unrefined (filter cake, dore) and refined gold (at A\$2,201/oz) and silver (at A\$26/oz).

## CAPITAL STRUCTURE

Ordinary Fully Paid Shares	730,007,352
Options	9,550,000 (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	N/A	85%	N/A

### Competent Persons Statement

*The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled under the supervision of Dr Michael Andrews, who is a Fellow of the Australasian Institute of Mining and Metallurgy and a Director and Substantial Shareholder of Kingsrose Mining Limited. Dr Andrews has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves." Dr Andrews consents to the inclusion in this report of the matter based on his information in the form and context in which it appears.*

**-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)

*Rule 5.5*

## 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

<b>Entity Kingsrose Mining Limited</b>		<b>Quarter ended:</b>	
<b>ABN 49 112 389 910</b>		<b>30 September 2019</b>	
<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>	<b>Year to date</b>
		<b>\$A'000</b>	<b>(3 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	12,912	12,912
1.2	Payments for:		
	(a) exploration and evaluation	-	-
	(b) development	(403)	(403)
	(c) production	(10,555)	(10,555)
	(d) staff costs	(351)	(351)
	(e) administration and corporate costs	(257)	(257)
1.3	Dividends received	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(11)	(11)
1.6	Income taxes paid	(218)	(218)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	742	742
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>1,860</b>	<b>1,860</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(193)	(193)
	(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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(193)</b>	<b>(193)</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	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Repayment of hire purchases)	(23)	(23)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(23)</b>	<b>(23)</b>



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

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	4,314	4,314
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,860	1,860
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(193)	(193)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(23)	(23)
4.5 Effect of movement in exchange rates on cash held	184	184
<b>4.6 Cash and cash equivalents at end of period</b>	<b>6,142</b>	<b>6,142</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	6,142	4,314
5.2	Call deposits	-	-
5.3	Bank overdraft	-	-
5.4	Other	-	-
	<b>Cash and cash equivalents at end of quarter (item 4.6 above)</b>	<b>6,142</b>	<b>4,314</b>

**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	54
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	
N/A	

**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**

		<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

**9. Estimated cash outflows for next quarter**

	<b>\$A'000</b>
9.1 Exploration and evaluation	342
9.2 Development	852
9.3 Production	10,383
9.4 Staff costs	350
9.5 Administration and corporate costs	469
9.6 Other	-
<b>9.7 Total estimated cash outflows</b>	<b>12,396</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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**Karen O'Neill**  
**Company Secretary**  
**24 October 2019**

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