

KINGSDROSE MINING LIMITED

Quarterly Report for the Period Ended 30 June 2020

Kingsrose finishes strong year with A\$32m in cash and bullion

FY20 production of 28,508oz at top end of guidance; AISC of US\$705¹/oz is well below guidance of US\$800-US\$1,000/oz; Review of Talang Santo's underground potential proceeding with view to resuming drilling at first opportunity

HIGHLIGHTS

<u>Consolidated Production Summary</u>		<u>Dec 19 Qtr.</u> <u>Actual</u>	<u>Mar 20 Qtr.</u> <u>Actual</u>	<u>Jun 20 Qtr.</u> <u>Actual</u>	<u>Jun 20 Qtr.</u> <u>Guidance</u>
Mined Ounces	Au oz	13,221	4,880	527	534
Gold Produced	Au oz	10,950	7,290	4,218	3,412
Silver Produced	Ag oz	85,006	44,974	26,669	34,393
Cash Costs (C1)	US\$/oz	374	501	896	1,237
All in Sustaining Costs	US\$/oz	504	643	1,106	1,482

- June quarter gold sales of 5,304oz at an average gold price of A\$2,556/oz (US\$1,668/oz), generating A\$13.6m in revenue.
- Cash and bullion of A\$32.4m at June 30, 2020 (March 31, 2020: A\$35.9m).
- Gold production for FY20 totals 28,508oz at a cash cost of US\$557¹/oz and AISC of US\$705¹/oz.
- To date the Company has no confirmed cases of COVID-19; safety measures implemented on site include isolation and "rapid tests" on arrival.
- Mining ceased on April 19, 2020; Production will cease in August 2020. A further 1,400 gold ozs scheduled be produced in July and August.
- Non-essential site works were curtailed in April due to the COVID-19 pandemic.
- Review of Talang Santo deep drilling program underway with a view to resumption of drilling immediately COVID-19 restrictions allow.

¹ Unaudited figures

EXECUTIVE SUMMARY

Kingsrose Mining (ASX: KRM) ("Kingsrose" or the "Company") is pleased to report on a strong year with production exceeding forecasts in every quarter. This places the Company in a strong financial position despite challenges caused by the COVID-19 pandemic and two pit wall failures.

This performance culminated in Kingsrose finishing the 2020 financial year with A\$32.4 million in cash and bullion. This is slightly down from A\$35.9 million on March 31, 2020 following trade creditor payments (A\$3.2 million) and employee termination payments (A\$3 million).

In response to the COVID-19 pandemic, the primary focus in the June quarter was to ensure the health and safety of the Company's employees, contractors and the local communities, while maintaining planned gold and silver production. Activities not directly related to the production of gold were curtailed during April 2020, including the Talang Santo Phase 2 drilling programme, due to the travel restrictions imposed in Indonesia and Australia as a result of COVID-19.

Production is scheduled to continue into August 2020. In parallel with this, the Company is undertaking a review of the underground potential at Talang Santo with a view to resuming drilling at the first opportunity. Accordingly, the Company is constantly reviewing the pandemic response in Indonesia.

Kingsrose Managing Director Karen O'Neill said: *"Kingsrose's strong performance over the past year has left us with an extremely robust balance sheet and we are well positioned to weather the COVID-19 restrictions while continuing to assess the future potential at Talang Santo."*

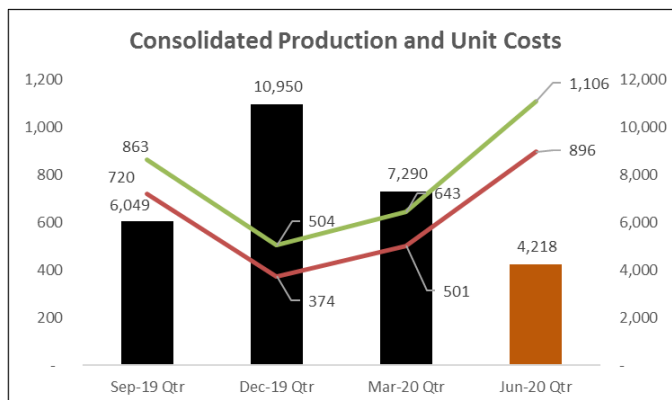
OPERATIONS OVERVIEW

The Talang Santo open pit was mined until April 19, 2020. A study on the potential for enlarging the open pit was completed in March 2020. This was not considered economic. The Company's strategy is a return to underground mining at Talang Santo. The underground mining studies and supporting drill programme are partially completed and the Company will look at completing this work when it is safe to do so in the coming months.

A total of **9k bcm** ore and waste moved (FY2020 Q3: 251k bcm). The gold in ore mined totalled **527 ounces** (FY2020 Q3: 4,880 ounces). Production from both Talang Santo and Way Linggo open pits stockpiles produced **4,218 gold ounces** and **26,668 silver ounces** (FY2020 Q3: 7,290 Au oz and 44,974 Ag oz).

The processing plant ran at full capacity for the quarter utilising stockpiles and ore mined. The plant has consistently pushed higher than forecast throughput rates and achieved higher than planned recovery from higher than planned grade. Higher grade material has been prioritised through the plant, with low grade and mineralised waste being left to be processed at the end.

For FY20 **28,508 gold ounces** and **188,539 silver ounces** were produced.



Consolidated unit cash costs and all in sustaining costs increased compared to last quarter due to lower overall ounces produced but finished FY20 on an unaudited cash cost of **A\$557/oz** and an unaudited all in sustaining cost of **A\$705/oz**.



MINE PRODUCTION	Units	Sep-19 Qtr	Dec-19 Qtr	Mar-20 Qtr	Jun-20 Qtr	YTD 2019-20
Talang Santo Open Pit						
Waste	bcm	489,803	589,585	240,377	7,621	1,327,386
Ore Mined	t	25,040	21,285	26,401	4,479	77,205
Mined Grade - Gold	g/t	7.3	6.4	5.7	3.7	6.3
Mined Grade - Silver	g/t	26	32	19	23	25
Way Linggo Open Pit						
Waste	bcm	277,567	126,778	-	-	404,345
Ore Mined	t	13,441	31,224	-	-	44,666
Mined Grade - Gold	g/t	10.0	8.8	-	-	9.2
Mined Grade - Silver	g/t	117	124	-	-	122
Total Mining						
Waste	bcm	767,370	716,363	240,377	7,621	1,731,732
Ore Mined	t	38,482	52,509	26,401	4,479	121,871
Gold in Ore Mined	oz	10,214	13,221	4,880	527	28,841
Silver in Ore Mined	oz	71,014	146,267	15,972	3,362	236,615
Processing						
Ore Milled	t	21,277	34,237	32,487	34,846	122,848
Head Grade - Gold	g/t	9.2	10.4	7.3	4.0	7.6
Head Grade - Silver	g/t	56	95	59	33	61
Recovery - Gold	%	96.6	95.4	95.1	94.5	95.3
Recovery - Silver	%	83.0	81.3	72.6	71.5	76.5
Gold Produced	oz	6,049	10,950	7,290	4,218	28,508
Silver Produced	oz	31,892	85,006	44,974	26,668	188,539
COST OF PRODUCTION						
Cash Costs (C1)	US\$/oz Au	720	374	501	896	557
All-in Sustaining Cash Cost	US\$/oz Au	863	504	643	1,106	705

SAFETY

Site experienced no lost time, restricted duty or medically treated injury in the quarter. The 12-month moving average Lost Time Injury Frequency Rate (LTIFR) was **0.67** (FY2020 Q3: 1.16). The total recordable injury frequency rate (TRIFR) for the site at the end of the quarter was **2.69** (FY2020 Q3: 2.90).

During the quarter, the detailed COVID-19 Management Protocol was further strengthened. Some of the key aspects of the safety rules in place include reduction of site staff numbers to include essential personnel only, extending rosters to minimise travelling of personnel, rapid tests for all visitors to site and employees returning to site as well as an isolation rapid test protocol for new arrivals on site.

MINING

Talang Santo Open Pit Mine

The Talang Santo open pit “good-bye” cut was safely completed on April 19, 2020. It produced **4,479** ore tonnes at **3.7 g/t Au** and **23 g/t Ag** (FY2020 Q3: 26,401 t at 5.7 g/t Au and 19 g/t Ag) for the quarter for 527 gold ounces and 3,326 silver ounces.

Gold production from stockpiled ore will continue into August 2020.

A study for a further cutback to extend the Talang Santo open pit showed marginal economics. As a result, it is not planned to proceed with this cutback but to focus on the underground study.



Figure 1: Talang Santo open pit looking west

In April 2020 the Tailings Storage Facility stage 2 raise was completed to a level to provide sufficient tailings storage capacity for the remaining low-grade stockpiles.

Talang Santo In-Fill Deep Drilling Programme

At the end of February 2020, a second phase of deep diamond drilling beneath the Talang Santo Mine began with the objective to:

- Increase confidence in the known resources as a basis for the indicated mineral resource estimate, central to the underground feasibility study; and
- Identify extensions to known high grade mineralisation to be targeted for future resource expansion.

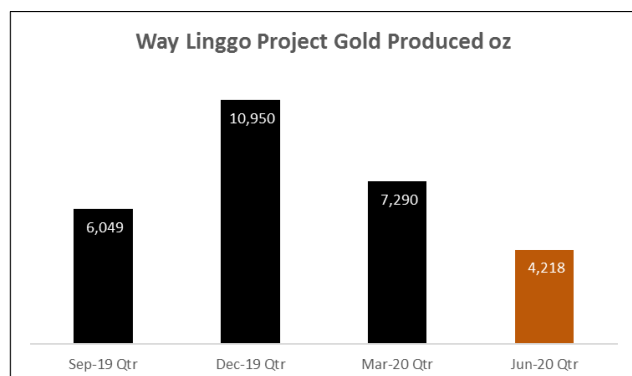
This quarter **1,462** metres were drilled incurring costs of **A\$460k**. In April 2020, the Company announced that the Phase 2 drilling programme had been suspended as part of the Company's response to the COVID-19 pandemic. Indonesian travel restrictions made it challenging to adequately supervise the drilling programme (refer to ASX Announcement dated April 9, 2020).

The Company is reviewing options to get the drill programme underway again in the coming months when it is safe to do so. A full report on this programme will be compiled on completion.



The outcome of this and subsequent drill programmes, in conjunction with a full assessment of appropriate underground mining methodologies, will enable Kingsrose to determine the potential for future underground mining at Talang Santo.

PROCESSING



The plant exceeded quarter expectations in increased throughput rates, increased gold grade and lower unit costs.

The plant throughput for the quarter was **34,846** dry tonnes (FY2020 Q3: 32,487 t) at a head grade of **4.0 g/t Au** and **33 g/t Ag** (FY2020 Q3: 7.3 g/t Au and 59 g/t Ag). Gold recovery was **94.5%** (FY2020 Q3: 95.1%).

Gold production for the quarter was **4,218** ounces (FY2020 Q3: 7,290 ounces) and silver production **26,668** ounces (FY2020 Q3: 44,974 ounces). The processing unit cost achieved was **US\$23/t** (FY2020 Q3: US\$31/t).

High and medium grade ore was prioritised in the plant over the previous two quarters, leaving mainly low-grade ore to be processed in the June quarter and through into August.

EXPLORATION

Regional exploration drilling was put on hold while the drilling focussed on the in-fill resource drilling at Talang Santo.

During the quarter expert consultants were engaged to conduct site visits and to review the geological data to provide input to future exploration programmes. Due to COVID-19 travel restrictions not all the reviews were completed. This will resume once the travel restrictions are lifted and it is deemed safe to travel to Indonesia again.

COMMUNITY AND THE ENVIRONMENT

Community

The Community Relations and Empowerment team focuses on creating a harmonious relationship between the community, the Company and stakeholders and to assist in increasing the community self-reliance in numerous areas including health, education, agriculture and forestry.

During the quarter resources were directed towards local community initiatives at numerous local villages including the donation of furniture for local schools; road improvements and road construction between villages; food donations for the community affected during the COVID-19 pandemic; donations of personal protective equipment (**PPE**) and sanitation items to assist the communities in the fight against COVID-19; and various donations to local religious centres, health centres, teacher training and student associations.

Environment

The site practises continuous rehabilitation and revegetation to minimise its environmental impact. During the quarter approximately 20,000 trees have been planted in several reclamation areas with a major focus on rehabilitation of the waste dumps at Way Linggo and Talang Santo as well as the Tailings Storage Facility Stage 2 wall.

A rehabilitation activity with participants from the environmental service, forestry service, members of parliament, members of army and police, village heads, community leaders, and NGO groups was a highlight of the quarter. This was a collaborative event between the Company and local governmental institutions to celebrate World Environment Day by planting trees at the Way Linggo waste dump to reinforce solidarity and to promote sustainable mining practices. The joint initiative was well received by the local community.

Environmental monitoring of sedimentation ponds, the tailings storage facility and ground water is ongoing in line with statutory requirements.



Figure 2: Donation of PPE to COVID-19 Task Force



Figure 3: Donation of food for the local community for COVID-19



Figure 4: World Environment Day Initiative Participants at Way Linggo Project

GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold **5,304 ounces** of gold at an average gold price of **A\$2,556/oz** (US\$1,668/oz) and realised **A\$13.56m** in revenue. (FY2020 Q3: 5,658 ounces at an average gold price of A\$2,465/oz (US\$1,609/oz)). For the FY2020 year the Company sold **28,773 ounces** of gold at an average gold price of **A\$2,290/oz** (US\$1,537/oz) and realised **A\$65.88m** in revenue.

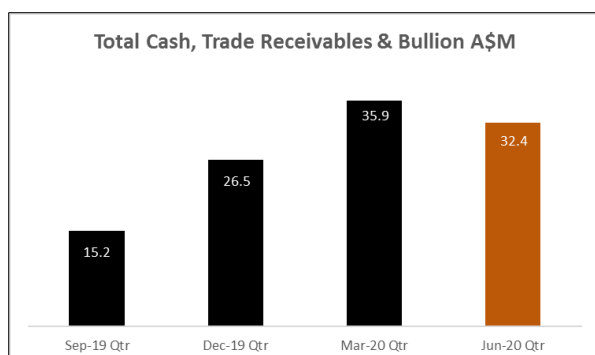
Cash costs of production for the quarter are **US\$896/oz** and all-in sustaining costs of production are **US\$1,106/oz**. Costs have increased against the previous quarter due to the lower production achieved this quarter when compared to last. FY20 cash costs are **US\$557/oz** and all-in sustaining costs are **A\$705/oz**. (All numbers are unaudited.)

CORPORATE

The following payments to Related Parties of the Company and their associates have been made during the quarter:

Director Salaries and Fees	A\$ 132k
Drilling services provided by an entity associated with a director	A\$2,251k

CASH AND BULLION ON HAND AS AT 30 JUNE 2020



Cash & Term Deposits	A\$23.07M
Bullion ¹	A\$ 9.29M
Total	A\$32.36M

¹ Bullion includes unrefined (filter cake, dore) and refined gold (at A\$2,576/oz) and silver (at A\$26/oz).

CAPITAL STRUCTURE

Ordinary Fully Paid Shares	730,007,352
Options	5,200,000 (various strike prices and expiry dates)
Performance Rights	789,115

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

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-

This Quarterly has been released with authority from the Board of Directors.

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For more information regarding the Company's activities, please visit our website www.kingsrosemining.com.au

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Kingsrose Mining Limited

ABN

49 112 389 910

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	14,286	70,652
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	(2,316)	(4,871)
	(c) production	(9,526)	(42,806)
	(d) staff costs	(339)	(1,325)
	(e) administration and corporate costs	(300)	(1,285)
1.3	Dividends received	-	-
1.4	Interest received	11	57
1.5	Interest and other costs of finance paid	(7)	(40)
1.6	Income taxes paid	(162)	(1,222)
1.7	Government grants and tax incentives	-	-
1.8	Other (VAT refund received)	241	2,212
1.9	Net cash from / (used in) operating activities	1,888	21,372
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(77)	(969)
	(d) exploration & evaluation (if capitalised)	-	(1,106)
	(e) investments	-	-
	(f) other non-current assets	-	-

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	3	33
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(74)	(2,042)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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)	(17)	(86)
3.10	Net cash from / (used in) financing activities	(17)	(86)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	23,609	4,314
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,888	21,732
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(74)	(2,042)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(17)	(86)
4.5	Effect of movement in exchange rates on cash held	(2,335)	(487)
4.6	Cash and cash equivalents at end of period	23,071	23,071

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

5.	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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,754	11,452
5.2	Call deposits	15,317	12,157
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	23,071	23,609

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	2,383
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Item 6.1 consists of:		
- Directors' salaries and fees A\$132K		
- Drilling services provided by an entity associated with a director A\$2,251K		

7.	Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
N/A			

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	1,888
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant cash inflows / (outgoings) (Item 8.1 + Item 8.2)	1,888
8.4	Cash and cash equivalents at quarter end (Item 4.6)	23,071
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	23,071
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	*

* Not applicable as the Group had a positive net cashflow for the quarter.

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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 gives a true and fair view of the matters disclosed.

Date: 15 July 2020

Authorised by: 

Karen O'Neill, Company Secretary