



KINGSROSE MINING LIMITED | QUARTERLY REPORT

For the period ending 31 December 2012

KEY POINTS

- Way Linggo Gold Project (85% KRM) produced 3,307 oz of gold and 32,615 oz of silver (or 3,815 oz gold equivalent for the Quarter).

	Sept 12 Qtr	Dec 12 Qtr
Gold – oz	3,683	3,307
Silver – oz	34,416	32,615
Gold Equivalent – oz*	4,238	3,815

* Gold equivalent oz was calculated by dividing the silver ounces by the silver:gold price ratio (average prices received) added to the gold ounces produced.

- Cash costs restricted to \$623/oz (\$484/oz in Sept Quarter) with cost-cutting measures partially offsetting impact of lower production.
- In-Principle Forestry Permit for Talang Santo received.
- Updated Way Linggo Project Feasibility study and AMDAL (Environmental Impact Report) submitted to the relevant Government departments.
- Production at Talang Santo expected to resume in March with accelerated ramp-up scheduled to hit targeted annualised rate of +40,000ozs of gold by end of June Quarter, 2013.
- Mining continuing at the Way Linggo mine.
- Ongoing exploration activities including geological mapping, soil sampling and reconnaissance field work.
- US\$5m short term loan facility arranged and drawn down.
- Cash and bullion of \$10.3m at 31 December 2012.

Corporate Snapshot (as at 31/12/12)

ASX Code: KRM
Share Price: \$0.85
Issued Capital: 291,959,871 (KRM)
Market Capital: \$248m
Cash & Bullion: \$10.3m

Board & Management

John Morris Chairman
Chris Start Managing Director
Tim Spencer Finance Director
Bill Phillips Director
Andrew Spinks Director

Company Highlights

- Flagship project 85% owned Way Linggo high grade Gold & Silver Project in Sumatra
- FY 2012 production 37,650 ounces at cash cost US\$254 (after silver credits)
- Talang Santo resource increase by 73%
- Extensional and resource definition drilling on going
- Maiden 4c dividend declared in May 2012 – paid on 4 July 2012

JORC RESOURCES

WAY LINGGO PROJECT

Way Linggo mine:

527,480 @ 11.71/t Au for 198,380 oz
527,480 @135.05/t Ag for 2,288,326 oz

Talang Santo mine :

1,660,980t @ 5.39g/t Au for 166,400 oz
1,660,980t @16.77g/t Ag for 894,951oz

Total Resource:

2.2Mt @ 6.91/t Au for 485,869 oz
2.2Mt @ 45.28 g/t Ag for 3,183,278 oz

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WAY LINGGO PROJECT (85% KRM)

OPERATIONS SUMMARY

The table below summarises the Way Linggo Project performance for the Quarter:

KEY INDICATORS	Unit	Sep-12 Qtr	Dec-12 Qtr	FY 2013 TOTAL
WAY LINGGO PROJECT				
Ore Mined	t	14,269	11,702	25,971
Mined Grade - Gold	g/t	9.5	9.8	9.6
Mined Grade - Silver	g/t	84	85	84
Ore Processed	t	13,036	13,005	26,041
Head Grade - Gold	g/t	9.0	8.1	8.6
Head Grade - Silver	g/t	89	84	86
Recovery - Gold	%	95.0	95.8	95.4
Recovery - Silver	%	87.7	91.3	89.5
Gold Recovered	oz	3,584	3,259	6,843
Silver Recovered	oz	32,870	31,886	64,755
Gold Produced ⁽ⁱ⁾	oz	3,683	3,307	6,989
Silver Produced ⁽ⁱ⁾	oz	34,416	32,615	67,031
Cash Operating Cost (before Ag credit)	US\$/oz	918	1,102	1,005
Less Silver By-Product Credit ⁽ⁱⁱ⁾	US\$/oz	(435)	(478)	(456)
Cash Operating Cost ⁽ⁱⁱⁱ⁾	US\$/oz	483	623	550
Total Production Costs ^(iv)	US\$/oz	1,064	1,267	1,160
Capitalised mine development	US\$m	2.1	1.6	3.6
Capital plant & equipment	US\$m	0.7	0.5	1.2
Exploration	US\$m	3.0	0.9	3.9
Gold Sold	oz	4,726	3,279	8,005
Average Gold Price Received	US\$/oz	1,654	1,692	1,669
Silver Sold ^(v)	oz	60,015	60,015	120,030
Average Silver Price Received	US\$/oz	27	26	27

⁽ⁱ⁾ Gold and silver production is actual metal poured.

⁽ⁱⁱ⁾ Calculated using actual silver sales for the period.

⁽ⁱⁱⁱ⁾ Includes all expenditure incurred at site plus dore transportation and refining costs less by-product, adjusted for inventory movements less capitalised mine development and exploration expenditure and royalties.

^(iv) Includes cash operating costs plus royalties, depreciation and mine development amortisation.

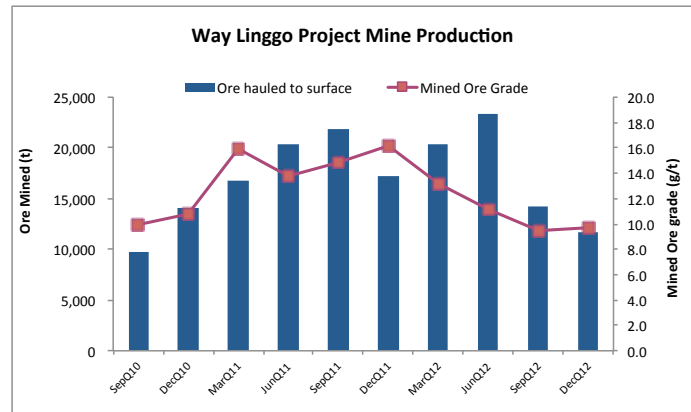
^(v) Includes 9,991oz purchased off the market for the Dec-12 Qtr, hence net sales from production was 50,024oz.



Project Overview

Production levels at the Way Linggo mine continued at similar levels as the previous quarter.

In late November, Kingsrose's 85% owned Indonesian subsidiary, PT Natarang Mining ("PTNM") was advised by the Indonesian Mines Department of the steps that it was required to take to allow full mining activities to resume at the Talang Santo mine at Way Linggo. Steps included the preparation of an updated Way Linggo Project Feasibility study and an updated AMDAL (environmental impact study) to include Talang Santo. Both of which, have since been submitted to the relevant government departments for review.



The Company anticipates that full-scale mining activities at Talang Santo will recommence in March 2013.

Way Linggo Mine

Way Linggo Mine production continued at similar levels to last quarter as anticipated with a total of 11,702 tonnes of ore at a grade of 9.8 g/t gold and 85 g/t silver mined. The slower mining rates continued with old stope backfilling activities to support the oxidised zones and assist in remnant mining and pillar recovery.

Mine development continued on the 4 level at 935m RL extending the level to the north and south. Sub level development also continued above the 3 and 4 levels allowing production from the deeper parts of the mine.

Approximately 67% of the ore was mined from stopes while the remaining 33% was derived from development.

Talang Santo Mine

No mining activities took place during the Quarter following the fatality that occurred at Talang Santo in September 2012. Following the Indonesian Mines Department's investigations into the fatality, PT Natarang Mining (Kingsrose's 85% owned Indonesian subsidiary) received formal notification of five key steps it was required to take prior to the resumption of mining activities. (*Refer ASX Announcement dated 28 November 2012*). These were:

- Prepare an updated Way Linggo Project Feasibility Study, including Talang Santo;
- Prepare an updated AMDAL (environmental impact study) covering the Way Linggo Project, including Talang Santo;
- Obtain a second forestry permit to cover Talang Santo and associated infrastructure;
- Provide an emergency evacuation plan for both portals (to be included in feasibility study);
- Employ or contract the services of a Geotechnical Engineer.

PTNM swiftly complied with the requests, contracting the services of an on-site Geotechnical Engineer, submission of an updated Way Linggo Project Feasibility Study to include Talang Santo and the appropriate emergency evacuation plans; and submission of an updated AMDAL to the Indonesian Mines Department.

An important milestone was achieved during the quarter with the grant of an In-Principle Forestry Permit over the area that hosts the Talang Santo Mine. The grant of this permit is a crucial component in the steps required to be taken before the resumption of full scale mining activities at the mine. The permit is issued prior to granting the final "Pinjam Pakai" or



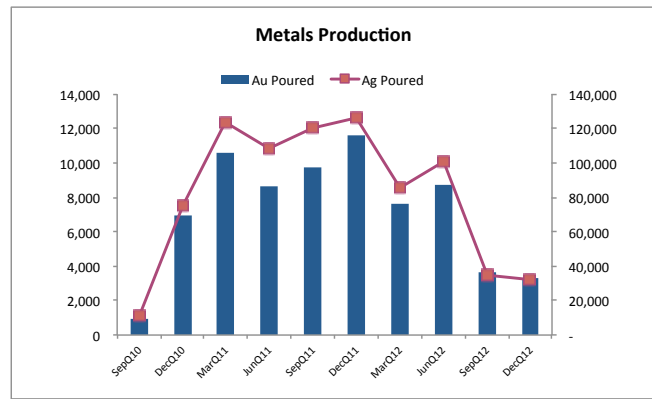
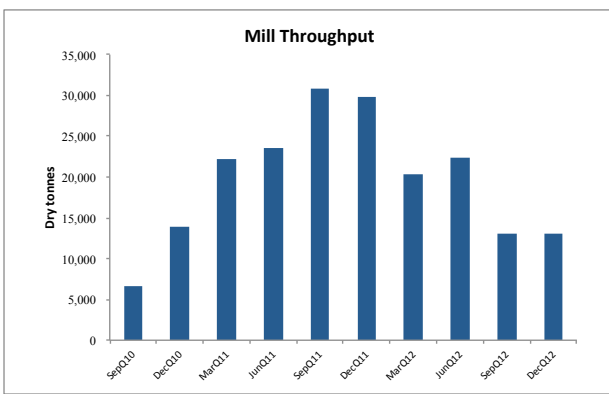
“Borrow and Use of Forest Area Permit” and outlines a set of standard obligations with which PTNM must comply to secure the Pinjam Pakai. *(Refer ASX Announcement dated 20 December 2012).* PTNM is in the process of complying with the standard obligations.

PROCESSING

Plant throughput for the Quarter was 13,005 tonnes at a head grade of 8.1 g/t gold and 84 g/t silver. Mill throughput matched mine production and plant mechanical availability remained 98.4%

Metallurgical recovery rates remained high at 95.8% for gold and 91.3% for silver. The higher recoveries were with the lower throughput rates providing greater circuit residence time.

Gold and silver production for the Quarter was 3,307 oz of gold and 32,615 oz of silver (3,815 oz in gold equivalent).



EXPLORATION SUMMARY

During the Quarter, exploration drilling was wound down and temporarily suspended to conserve funds.

Exploration activity during the quarter also included:

- Detailed surface geology mapping;
- Soil sampling at Talang Santo South, which has highlighted an anomalous zone as a target for future drilling;
- Reconnaissance field work at Petai Kau East.

The following table summarises key physical activity statistics for the quarter:

Exploration	
Diamond drilling	1923.9
Stream traverses	50,137
Ridge and spur sample traverses	13,624
Drill core samples assayed	191
Rock chip samples assayed	74
Soil samples assayed	54
BLEG samples assayed	34

**SARINC Project, Sardinia, Italy**

In January 2011, the Company decided to minimise its activity and expenditure on the SARINC Project located in Sardinia, Italy whilst it waited for the Sardinian regional government to provide a formal response on its position with regards to entering into a commercial arrangement with the Company to advance the Project.

As of October 2012, the Sardinian regional government had still not provided a formal response; accordingly, the Company made the decision to permanently cease any further involvement in this Project and formally wound up the Project at a corporate level by selling its wholly owned subsidiary, SARINC UK, to a non-related party on 21 December 2012. Intellectual property rights have remained with the Company.

Cash and bullion on hand at the end of the Quarter:

Cash	\$8.8m
Bullion*	\$1.5m
Total	\$10.3m

**Bullion includes unrefined (filter cake, dore) and refined gold and silver*

Cash Reconciliation and Funding

As highlighted last quarter, prudent steps were being taken to ensure that the Group maintains adequate cash reserves to continue to fund and accelerate its operational, development and exploration strategies while it works towards recommencing full scale mining activities at Talang Santo.

An unsecured US\$5 million short term bridging loan was arranged and subsequently drawn down during the quarter with Advance Concept Holdings Pty Ltd ("ACH"), a company of which Mr Phillips, a Non-Executive director of the Company is associated. The terms of the loans have been determined on an arms-length basis with the principal sum and all outstanding interest repayable from surplus funds exceeding US\$2m per month or if more than US\$9 million is raised via debt or equity.

Securities

During the Quarter:

- 1,071,254 Listed Options were exercised for a total consideration of \$214,250.80
- 1,500,000 Unlisted Options were exercised for a total consideration of \$375,000.
- 270,269 Unlisted Share Performance Rights were issued to two executive directors. Full details of the Rights may be obtained from the Company's Explanatory Memorandum, which accompanied the Notice of Meeting for the Annual General Meeting held on 1 November 2012.



At the end of the Quarter the following securities were on issue:

- 291,959,871 Fully Paid Ordinary Shares.
- 7,000,000 Unlisted Options – various expiry dates.
- 270,269 Unlisted Share Performance Rights.

65,169 unexercised Listed Options lapsed on 31 December 2012.

A handwritten signature in black ink, appearing to read 'C Start'.

CHRIS START
MANAGING DIRECTOR

31 January 2013

Competent Person Statement

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr. Andrew Spinks, B.App.Sc (Geology), Grad.Dip (Mining) and is a member of AusIMM who is a Director of Kingsrose Mining Limited. Mr. Spinks has sufficient experience, which is relevant to the styles of mineralisation and types of deposits and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Mr. Spinks consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

APPENDIX "A"

Contract of Work Area.

