

KINGSROSE MINING LIMITED

Quarterly Report for the Period Ended 31 December 2017

Kingsrose marks completion of restructure with strong cashflow and strategy to grow production and mine life

Permitting underway to expand Way Linggo pit and establish Talang Santo pit following successful studies on both developments

HIGHLIGHTS

- **Total production** of 6,077 ounces of gold for the December 2017 quarter.
- Recoveries continue to exceed expectations with gold recoveries averaging 97.4% for the quarter
- Cash costs of US\$455/oz with all-in sustaining costs of US\$645/oz – a 10% decrease on the September 2017 quarter.
- Gold sales of 7,652 oz at an average gold price of US\$1,278/oz and realised A\$12.7m in revenue.
- **Cash and bullion of A\$9.6m** at Dec 31 (A\$12.3m at Sept 30, 2017) reflecting one-off costs including \$A2.25m to retire unsecured debt, redundancy and decommissioning expenses at the Talang Santo Mine, capital expenditure and outlays associated with the start of the exploration program.
- Way Linggo open cut operating to plan, with consistent production rates.
- Suspension of underground operations at Talang Santo, where high costs had a negative effect on cashflow.
- Commencement of Project-wide exploration program to develop a pipeline of near-term production targets.
- Strong results from studies to expand existing Way Linggo open pit and to establish an open pit at Talang Santo to extract the remaining Mineral Resource in the upper levels of the underground mine.
- Permitting advancing for both these open pit projects.

CORPORATE

- Kingsrose securities re-instated to trading on ASX.
- Share registry expanded with the entry of new London based institutions and retail shareholders.
- Board restructure completed with appointment of CEO Paul Jago as Managing Director.

Kingsrose Managing Director Paul Jago said: *“This quarter’s results clearly show that our focus on optimising both the mine and recovery circuit have delivered a steady and profitable gold and silver operation at Way Linggo. At the same time, our studies show we can grow mine life by expanding Way Linggo and increase production by establishing an open cut mine at Talang Santo. We will now focus on continuing to generate consistent results at Way Linggo, securing the permits to implement our growth plans and unlocking the exploration value of our wider land holding.”*



WAY LINGGO PROJECT OPERATIONS OVERVIEW

	UNITS	SEPTEMBER 2017 QUARTER	DECEMBER 2017 QUARTER	YEAR TO DATE
MINE PRODUCTION WAY LINGGO				
ORE MINED	t	24,225	24,841	49,066
WASTE	bcm	121,919	120,866	242,784
MINE GRADE (GOLD)	g/t	9.1	7.5	8.3
MINE GRADE (SILVER)	g/t	66	69	68
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	56,970
MINE GRADE (GOLD)	g/t	8.5	7.5	8.1
MINE GRADE (SILVER)	g/t	54	68	60
ORE PROCESSED				
TONNES MILLED	t	32,882	25,679	58,561
HEAD GRADE (GOLD)	g/t	8.6	7.6	8.1
HEAD GRADE (SILVER)	g/t	53	74	62
RECOVERY (GOLD)	%	96.9	97.4	97.1
RECOVERY (SILVER)	%	86.8	87.1	86.9
GOLD PRODUCED	oz	8,792	6,077	14,868
SILVER PRODUCED	oz	48,761	53,313	102,074
COSTS OF PRODUCTION				
CASH OPERATING COSTS (C1)	US\$/oz	488	455	476
ALL-IN-SUSTAINING COSTS OF PRODUCTION	US\$/oz	717	645	689

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 2.07. This was a substantial improvement on the September quarter. Incidents and high risk safety hazards have reduced significantly following the suspension of underground operations at the Talang Santo Mine.

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. Stripping continued on the next phase of the mine plan, though total waste material movement was impacted by the onset of the wet season.

The Way Linggo open pit produced 24,841 tonnes at 7.5 g/t Au and 69 g/t Ag for the quarter.

Open Pit Development

As highlighted in the September 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**) has commenced the permitting process to expand the Way Linggo open pit and other ancillary permits required to facilitate mining activities into the future.



Figure 1: Way Linggo open cut progress

Kingsrose expects mining at Way Linggo will continue throughout 2018 until mid-2019.

PTNM entered discussions with several mining contractors during the quarter to increase mining rates at Way Linggo, and subsequent to the end of the December quarter, PTNM engaged contractors to supply equipment and personnel to mine the bulk waste material. This decision was made in light of the increased stripping ratio, which is expected to result in slightly lower production levels and an associated increase in costs moving forward.

Talang Santo Mine

Total production at the Talang Santo Mine during the Quarter was 482 tonnes at 5.4 g/t Au and 9 g/t Ag.

Underground operations at the Talang Santo Mine were suspended from mid-October 2017 in view of the persistent operational challenges, safety concerns, continued under-performance and high costs. The suspension resulted in a significant reduction in the workforce with all redundancy entitlements paid in full as per the prevailing government regulations. Pleasingly, a number of personnel were able to be retained and were transferred to open cut and exploration activities.

Following the suspension, decommissioning work continued throughout November. After the recovery of valuable equipment, the underground mine was secured and the dewatering bores decommissioned, causing the water levels to rise in the mine.

The Company continued to explore options throughout the quarter for the potential economic recovery of the remaining Talang Santo Mineral Resource, which includes open pit mining and possible mechanised underground mining. A study on establishing an open pit operation at Talang Santo showed that the recovery of the ore left in the upper levels of the mine was possible and had the potential to generate significant free cashflow for the Company.

PTNM is in the process of seeking the relevant open pit approvals, which at this stage, are anticipated to be received during the September 2018 quarter, with mining scheduled to commence shortly thereafter.

Work continues on the scoping study to assess the viability of the underground via alternative mining methods. Initial results of the study indicate that an underground mine may be viable in the future, however additional work will be required prior to any decision on the future of the Talang Santo underground can be made.

The processing statistics for the operating period are tabulated below:

The plant throughput for the period was 25,679 dry tonnes at a head grade of 7.6 g/t Au and 74g/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 closure 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.

The broader Way Linggo Project area is considered highly prospective for additional high-grade, low-sulphidation epithermal gold occurrences. However, it has remained largely under-explored. The Board recognises that exploration success is a key part of the Company's growth and critical to delivery of its strategy to deliver a sustainable, long life and low cost mining operation.

An exploration program was finalised during the quarter and fieldwork commenced in late October. The northern part of the Contract of Work area (**CoW**) was the subject of a BLEG (Bulk Leach Extractable Gold) infill sampling program with activities concentrated at the Rawa Gabus prospect where mapping and soil sampling was also undertaken with several gold soil anomalies associated with veining being identified.

Quartz-Silica veins material was identified in some auger holes with 3 meters depth at the Toha-Samin prospect part of the 'Talang Cluster'. This will be the subject of further work in the next quarter.

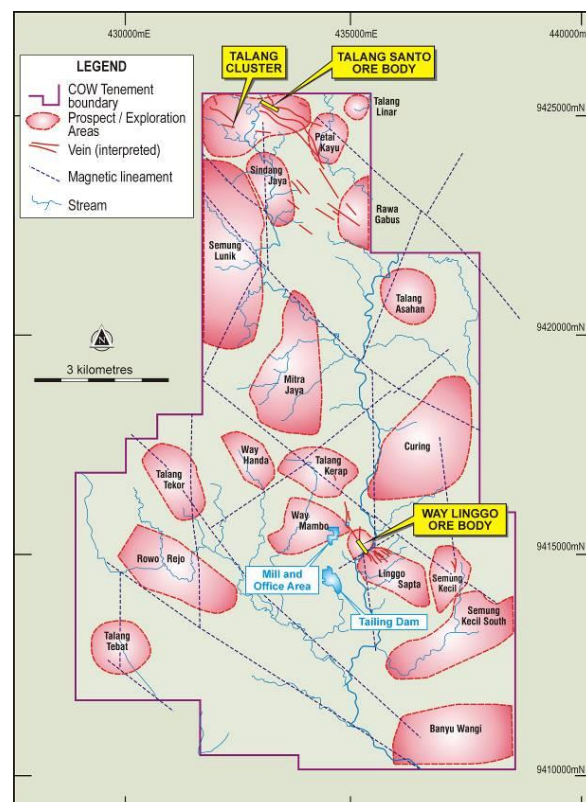


Figure 2: Way Linggo Project CoW area

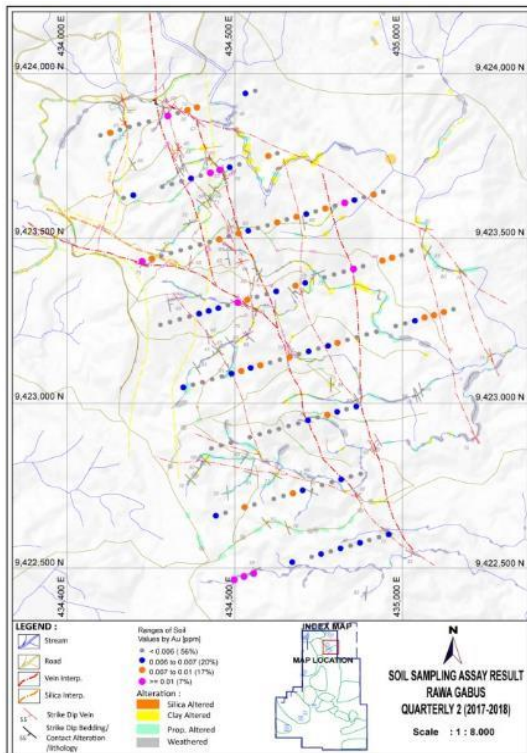


Figure 3: Soil sampling at Rawa Gabus

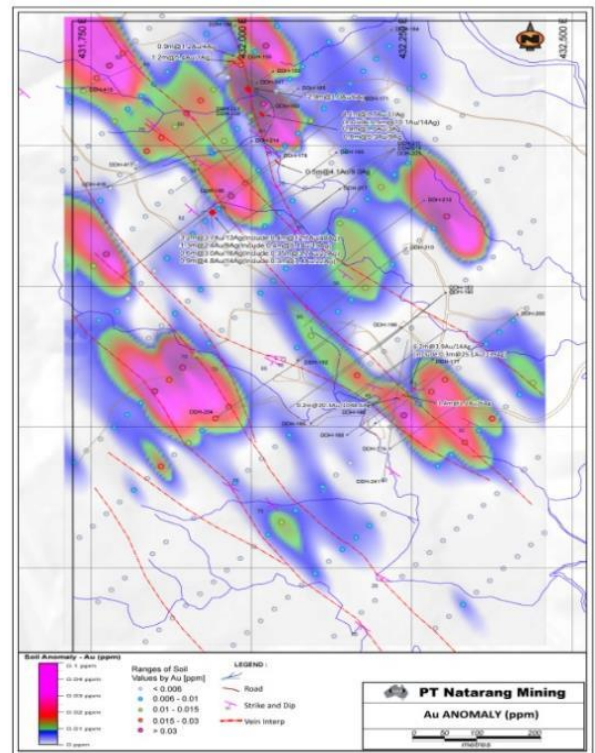


Figure 4: Gold soil anomalies zones and previous drilling

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. A significant portion of the onsite workforce comes from the local communities surrounding the Project area. Following the decision to suspend underground operations at the Talang Santo Mine, PTNM engaged extensively with the local community in an effort to minimise the impact the suspension would have on the local community. Furthermore, PTNM paid those employees made redundant full redundancy entitlements in line with Indonesian statutory requirements. The support PTNM received at the time of the suspension, and continues to receive from the local community is overwhelmingly positive, and PTNM continues to make every effort to assist the local community achieve their development goals, employ locals and utilise local suppliers wherever possible.



Figure 5: Meetings with local teachers to discuss educational needs in the local villages



Figure 6: Solar panel donation to the local community

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 was re-vegetated using a variety of plant stock including Acacia, Medang, Mahoni, Sengon, Sonokeling and Trembesi at the reclamation guarantee area and along the mine road. Some of the plants are fruit trees (e.g Durian, Pala) which the local community will utilise.



Figure 7: Erosion and sediment control

In addition, the tailings dam lift at the Way Linggo Tailings Storage Facility is 70% completed, which will allow the deposit of tailings for a further two years.

CORPORATE

Appointment of Managing Director

Chief Executive Officer (**CEO**), Paul Jago was appointed Managing Director during the quarter, completing the restructure of the Board. Since his appointment as CEO, Mr Jago has led the turnaround at the Way Linggo Project where production has increased, costs decreased and strategic planning on growth options is well advanced. His appointment to the Board of Kingsrose was part of the Company's strategy to ensure it had both the corporate and operational expertise needed to underpin a strong, sustainable future.

Retirement of Debt

During the quarter, the Company retired its A\$4.4m unsecured debt to Beaurama Pty Ltd (**Beaurama**) ahead of schedule. Under the agreement, Beaurama agreed to accept A\$2.25m in full and final satisfaction of the loan facility. Repayment of the debt was a significant milestone for the Company, being the final step in the restructure of the Company's finances.

Reinstatement of Trading on the ASX

On 18 December 2017, ASX reinstated trading in the Company's securities following the successful restructure of Kingsrose's operations and finances, including a period of administration which saw creditors paid 100 cents in the dollar.

Since the recommencement of trading, the Company has welcomed the strong support of both existing and new shareholders and was pleased to see its share registry strengthened with the entry of a number of new shareholders, including various London based institutions.

GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold 7,652 ounces of gold at an average gold price of A\$1,662/oz (US\$1,278) and realised A\$12.72m (Sept 17: A\$12.17m) in revenue. The cash costs of production for the quarter were US\$455/oz (Sept 17: US\$488/oz) and all-in sustaining costs of production for the period were US\$645/oz (Sept 17: US\$717/oz).

CAPITAL EXPENDITURE

The Company also incurred additional Capital Expenditure costs (~US\$185,000) relating to the construction of stage one of the Tailings Storage Facility lift, the purchase of an XRD analysis machine and the relocation of the Way Linggo powerhouse.

CASH AND BULLION ON HAND AS AT 31 DECEMBER 2017

During the quarter, the Company made various one off payments associated with the suspension of underground operations at the Talang Santo Mine (~US\$230,000) and subsequent redundancies (~US\$2.6m). In addition, the Company made a payment of A\$2.25m to retire its unsecured debt ahead of schedule.

Cash & Term Deposits	A\$4.94M
Bullion & Trade Receivables ¹	A\$4.71M
Total	A\$9.65M

¹ Bullion includes unrefined (filter cake, dore) and refined gold (at A\$1,662/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 QUARTER
4 th generation Contract of Work	Lampung Province, South Sumatra, Indonesia			

-ENDS-

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For more information regarding the Company's activities, please visit our website 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

Entity Kingsrose Mining Limited		Quarter ended:	
ABN 49 112 389 910		31 December 2017	
Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	11,930	24,918
1.2	Payments for:		
	(a) exploration and evaluation	(274)	(698)
	(b) development	(166)	(1,438)
	(c) production ⁽ⁱ⁾	(9,958)	(17,571)
	(d) staff costs	(428)	(854)
	(e) administration and corporate costs	(551)	(2,479)
1.3	Dividends received	-	-
1.4	Interest received	1	2
1.5	Interest and other costs of finance paid	(13)	(26)
1.6	Income taxes paid	(121)	(242)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	-	239
1.9	Net cash from / (used in) operating activities	420	1,851
2.	Cash flows from investing activities		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(231)	(348)
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	9	9
	(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	(222)	(339)
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)	(2,250)
3.7	Transaction costs related to loans and borrowings	-	(97)
3.8	Dividends paid	-	-
3.9	Other (Repayment of hire purchases)	(32)	(84)
3.10	Net cash from / (used in) financing activities	(2,282)	(2,431)

(i) Production costs for the quarter included redundancy payments following the suspension of Talang Santo underground operations in October 2017.

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (6 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6,939	5,934
4.2 Net cash from / (used in) operating activities (item 1.9 above)	420	1,851
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(222)	(339)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(2,282)	(2,431)
4.5 Effect of movement in exchange rates on cash held	90	(70)
4.6 Cash and cash equivalents at end of period	4,945	4,945

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	4,945	6,939
5.2	Call deposits	-	-
5.3	Bank overdraft	-	-
5.4	Other	-	-
	Cash and cash equivalents at end of quarter (item 4.6 above)	4,945	6,939

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	222
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	
<p>Included in the payments to directors of the entity and their associates during the quarter were:</p> <ul style="list-style-type: none"> An amount of \$151k relating to fees paid to current and former directors for the period from December 2016 to July 2017 (external administration period); and An amount of \$28k relating to drilling services rendered during the period which were provided by an entity associated with a director. 	

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.

During the quarter, the Company paid \$2.25m in full and final satisfaction of the \$4.4m outstanding loan from Beaurama Pty Ltd. The loan was originally repayable in a single payment on 30 November 2023.

9. Estimated cash outflows for next quarter

	\$A'000
9.1 Exploration and evaluation	357
9.2 Development	-
9.3 Production	7,072
9.4 Staff costs	436
9.5 Administration and corporate costs	271
9.6 Other	-
9.7 Total estimated cash outflows	8,136

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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Joanna Kiernan
Company Secretary
29 January 2018

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