



KINGSROSE
MINING LIMITED

SUBJECT TO DEED OF COMPANY ARRANGEMENT

KINGSROSE MINING LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

Quarterly Report for the Period Ended 30 June 2017

KEY POINTS

- Operations at the Way Linggo Project continuing to improve
- Total production for the June 2017 Quarter of 5,055 ounces – a 50% increase from the March 2017 Quarter and a 183% increase over the December 2016 Quarter
- Project Cash Cost for the Quarter US\$583/oz with project all-in sustaining cost of US\$1,366/oz for the Quarter
- Open Cut activities at the Way Linggo Mine encouraging with 16,938 tonnes of ore mined at an average grade of 7.5g/t Au during the June Quarter
- Commencement of study to explore possibility of resuming underground mining at the Way Linggo Mine
- Underground mining at the Talang Santo Mine delivered 5,550 tonnes at an average grade of 7.6g/t Au during the Quarter with water ingress into the mine continuing to remain a challenge

CORPORATE

- Significant milestone reached in the ongoing restructure of the Company with the end of voluntary administration by way of creditor approval of a deed of company arrangement (**DOCA**) proposal
- Unsecured creditors of the Company paid 100 cents in the dollar in accordance with the terms of the DOCA
- Additional funds raised through secured convertible loan facility – total amount raised \$6.55M
- Notice of Meeting dispatched to approve issue of shares associated with the debt restructuring deeds announced in February

WAY LINGGO PROJECT OPERATIONS OVERVIEW

	UNITS	SEPTEMBER 2016 QUARTER	DECEMBER 2016 QUARTER	MARCH 2017 QUARTER	JUNE 2017 QUARTER	YEAR TO DATE
MINE PRODUCTION TALANG SANTO						
ORE MINED	t	9,298	9,988	7,939	5,550	32,776
MINE GRADE (GOLD)	g/t	9.0	5.9	8.7	7.6	7.7
MINE GRADE (SILVER)	g/t	18	16	21	21	19
WAY LINGGO						
ORE MINED	t	-	-	4,728	16,938	21,666
WASTE	bcm	-	-	17,751	83,146	100,897
MINE GRADE (GOLD)	g/t	-	-	9.2	7.5	7.9
MINE GRADE (SILVER)	g/t	-	-	36	41	40
TOTAL						
ORE MINED	t	9,298	9,988	12,668	22,448	54,442
MINE GRADE (GOLD)	g/t	9.0	5.9	8.9	7.5	7.8
MINE GRADE (SILVER)	g/t	18	16	27	36	27
ORE PROCESSED						
TONNES MILLED	t	10,255	11,079	13,627	21,772	56,733
HEAD GRADE (GOLD)	g/t	8.4	5.4	8.0	7.5	7.4
HEAD GRADE (SILVER)	g/t	17	16	25	37	27
RECOVERY (GOLD)	%	96.2	93.5	95.4	96.5	95.6
RECOVERY (SILVER)	%	87.3	88.3	88.7	87.9	88.1
GOLD PRODUCED	oz	2,660	1,786	3,361	5,055	12,862
SILVER PRODUCED	oz	5,072	4,915	9,750	23,029	42,766
COSTS OF PRODUCTION						
CASH OPERATING COSTS	US\$/oz	1,440	2,017	851	583	1,026
ALL-IN-SUSTAINING COSTS OF PRODUCTION	US\$/oz	2,149	3,179	1,322	1,366	1,766

SAFETY

The 12 month moving average Lost Time Injury Frequency Rate was 2.4, down from 4.1 on the March 2017 Quarter. The creation of a safe working environment continues to be a key focus of the Group.

MINING

The Way Linggo Mine

Open cut activities at the Way Linggo Mine commenced last Quarter to recover the Measured Resource above the 1 Level of the Way Linggo underground Mine. The open cut will recover the pillars and remnant ore that was unable to be mined with the mining methods previously used at the Way Linggo Mine. The open cut has been designed to mine the ore in a series of staged cutbacks to allow for the continual supply of ore.

Approval for mining of an initial trench cut was provided by Indonesian Mines Department in February 2017. Approval of the remainder of the open cut is under application while a study for a possible underground operation to further recover remaining ore pillars is completed. This process towards full approval is well under way and approval is expected during the September, 2017 Quarter.

Open cut mining at the Way Linggo Mine is expected to continue until late 2017 /early 2018, after having started in late February 2017. Material from the mining will be processed through to February 2018 or beyond depending upon supply from other ore sources.

The mining has been undertaken using a fleet of small equipment owned by the Group, supplemented by some additional hired equipment which arrived on site in late May 2017. Mining is continuing according to plan with the open cut supplying the majority of the feed to the mill. Recovered gold ounces from the open cut operation to end June 2017 was in line with expectations.

82,161 bcm of waste and 16,938 tonnes of ore @7.5g/t Au, 41.1 g/t Ag were mined from the Way Linggo open cut during the June 2017 Quarter.



Picture 1: Open cut activities at the Way Linggo Mine

The Talang Santo Mine

Total production at the Talang Santo Mine during the Quarter was, 5,550 tonnes @ 7.6 g/t Au and 21 g/t Ag.

Total development ore tonnes were 2,259 tonnes with stope production providing 3,291 tonnes.

Mine dewatering for the Quarter averaged 290 litres per second with little change from previous Quarter. During the June Quarter significant efforts continued to be directed towards decreasing the water ingress into the Mine. A lined diversion was placed in a nearby river as a trial to attempt to reduce the amount of water that may be transferring from surface waterways to the underground by way of porous geological structures. To date this appears to have had little effect on water entering the underground mine and water continues to remain a challenge and impact production rates.

Capital Mine Development

The main area of capital development for Talang Santo underground mine was the commencement of the 6 Level internal access shaft. This was commenced in May 2017 and is expected to be completed October 2017. This will allow access to the ore panel between 6 Level and current mine base of 5 Level Sub 3.

PROCESSING

The processing statistics for the operating period are tabulated below

ORE PROCESSED	UNITS	SEPTEMBER 2016 QUARTER	DECEMBER 2016 QUARTER	MARCH 2017 QUARTER	JUNE 2017 QUARTER	YEAR TO DATE
TONNES MILLED	t	10,255	11,079	13,627	21,772	56,733
HEAD GRADE (GOLD)	g/t	8.4	5.4	8.0	7.5	7.4
HEAD GRADE (SILVER)	g/t	17	16	25	37	27
RECOVERY (GOLD)	%	96.2	93.5	95.4	96.5	95.6
RECOVERY (SILVER)	%	87.3	88.3	88.7	87.9	88.1
GOLD PRODUCED	oz	2,660	1,786	3,361	5,055	12,862
SILVER PRODUCED	oz	5,072	4,915	9,750	23,029	42,766

The plant throughput for the period was 21,722 dry tonnes at a head grade of 7.5 g/t Au and 37 g/t Ag. Recoveries of both gold and silver were 96.5% and 87.9% respectively.

GOLD SALES AND COSTS OF PRODUCTION

During the Quarter the Company sold 5,177 ounces of gold at an average gold price of A\$1,671/oz (US\$1,258) and realised A\$8.65m in revenue. The cash costs of production for the Quarter were US\$583/oz and all-in sustaining costs of production for the period were US\$1,366/oz.

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. Support continued to be directed towards education programs, agricultural workshops and general infrastructure assistance.

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 this quarter, total of 0.2936 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.q Durian, Pala) which the local community will utilise. Only approved native trees are used in Forestry areas.

CORPORATE

Significant progress was made by the administrators in restructuring the Company's financial arrangements during the Quarter.

A further \$1.1m under the convertible loan facility was raised taking the total amount raised to \$6.55m.

A key milestone was achieved with the move into deed administration following creditor approval of the deed of company arrangement (**DOCA**) proposal and the appointment of Michael Ryan and Ian Francis of FTI Consulting as the deed administrators of the Kingsrose Group (Deed Administrators). The objectives of the DOCA are to:

- Enable creditors to receive a better return
- Facilitate the conversion of the convertible loans and the debts owed to secured creditors Michael John Andrews (**MJA**) and Great Golden Investment Limited (**GGIL**) to equity in the Company following shareholder approval
- Facilitate the business of the Kingsrose Group continuing as a going concern
- Enable all employees of the Kingsrose Group to continue employment
- Facilitate the adjudication and payment of creditors' claims.

The DOCA will come to an end upon the satisfaction of the following:

1. The lodgment of the financial reports for the half-year ended 31 December 2016 with ASX and ASIC – this was done on 7 June 2017;
2. Shareholders of the Company in general meeting approving the conversion of the convertible loans and the debts of MJA and GGIL to equity – this occurred on 28 July 2017 ;

3. The share issues referred to in 2 above, having been issued;
4. The Deed Administrators having paid the final distribution of funds to creditors in accordance with the terms of the DOCA – this was also done during the Quarter which saw ordinary unsecured creditors receive 100 cents in the dollar.

Subsequent to the Quarter end, the Deed Administrators held a general meeting of shareholders where approval was sought and obtained for the conversion of the convertible loans and the debts of MJA and GGIL to equity.

The Deed Administrators advanced discussions with ASIC and the ASX during the Quarter to seek recommencement of trading of the Company's securities on the ASX. The Deed Administrators have been working towards putting the Company into a position where it can satisfy the requirements to permit recommencement of trading of the Company's securities on the ASX.

CASH AND BULLION ON HAND AS AT 30 JUNE 2017

Cash & Term Deposits	A\$5.87M
Bullion & Trade Receivables ¹	<u>A\$2.9M</u>
Total	A\$8.8M

¹ Bullion includes unrefined (filter cake, dore) and refined gold (at A\$1,615/oz) and silver (at A\$21/oz).

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	N/A	85%	N/A

-ENDS-

Enquiries:

Michael Ryan, Ian Francis and Eileen Chan
FTI Consulting
+61 8 9321 8533

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 (subject to Deed of Company Arrangement) ABN 49 112 389 910		Quarter ended: 30 June 2017	
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	9,135	21,318
1.2	Payments for:		
	(a) exploration and evaluation	(293)	(1,301)
	(b) development	(2,867)	(7,588)
	(c) production	(4,905)	(17,765)
	(d) staff costs	(337)	(1,690)
	(e) administration and corporate costs	(1,414)	(2,628)
1.3	Dividends received	-	-
1.4	Interest received	6	16
1.5	Interest and other costs of finance paid	(6)	(469)
1.6	Income taxes paid	(238)	(469)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	265	822
1.9	Net cash from / (used in) operating activities	(654)	(9,754)
2.	Cash flows from investing activities		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(47)	(135)
	(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	-	-
2.6	Net cash from / (used in) investing activities	(47)	(135)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	8,707
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	-	(475)
3.5	Proceeds from borrowings	916	6,548
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(290)	(290)
3.8	Dividends paid	-	-
3.9	Other (Repayment of hire purchases)	(45)	(188)
3.10	Net cash from / (used in) financing activities	581	14,302

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (12 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	6,012	1,508
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(654)	(9,754)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(47)	(135)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	581	14,302
4.5 Effect of movement in exchange rates on cash held	(19)	(48)
4.6 Cash and cash equivalents at end of period	5,873	5,873

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	5,873	6,012
5.2	Call deposits	-	-
5.3	Bank overdraft	-	-
5.4	Other	-	-
Cash and cash equivalents at end of quarter (item 4.6 above)		5,873	6,012

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	-
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	
No amounts were paid to directors during the period.	

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	9,599	9,599
8.2	Credit standby arrangements	-	-
8.3	Other	6,548	6,548

8.4 Description of each facility above, including the lender, interest rate and whether it is secured or unsecured.

Item 8.1 consists of the following:

- Loan from Beaurama Pty Ltd of \$4.416m. Balance includes capitalised interest of \$0.137m and legal fees \$0.029m. At 30 June 2017, the loan is unsecured and interest-free until July 2020 after which interest will accrue at 5% per annum. The loan is repayable in a single payment on 30 November 2023.
- Loan from Great Golden Investment Limited of \$2.937m. Balance includes capitalised interest of \$0.101m. At 30 June 2017, the loan is unsecured, interest-free and convertible to equity at four cents per share subject to shareholders' approval at a general meeting. On 28 July 2017, shareholder approval was received and the shares are anticipated to be issued on 31 July 2017.
- Loan from Michael John Andrews of \$2.246m. Balance includes capitalised interest of \$0.077m. At 30 June 2017, the loan is unsecured, interest-free and convertible to equity at four cents per share subject to shareholders' approval at a general meeting. On 28 July 2017, shareholder approval was received and the shares are anticipated to be issued on 31 July 2017.

Item 8.3 comprise a secured convertible loan facility, which can be converted to equity at four cents per share subject to shareholders' approval at a general meeting. If the loan is not converted to equity, Kingsrose is required to repay it on the later of termination of the voluntary administration or any deed of company arrangement which may be entered into by Kingsrose. On 28 July 2017, shareholder approval was received and the shares are anticipated to be issued on 31 July 2017.

9. Estimated cash outflows for next quarter

	\$A'000
9.1	Exploration and evaluation
9.2	Development
9.3	Production
9.4	Staff costs
9.5	Administration and corporate costs
9.6	Other
9.7	Total estimated cash outflows

* The majority of the conditions necessary to effectuate the Deed of Company Arrangement of the Company have now been met and the final condition is expected to be met in the very near future. Once this occurs, the Company will be returned to the control of the directors. Given the current situation, it is not appropriate to provide the forward looking estimates of the relevant items in section 9 above.

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.


.....
Michael Ryan
Deed Administrator
31 July 2017

== == == == ==