

## KINGSROSE MINING LIMITED

Quarterly Report for the Period Ended 30 September 2018

### Way Linggo Pit Expansion Finalised as Development of the Way Linggo Pit Continues

*Development at Talang Santo continues as second open pit mine commissioning approaches*

#### HIGHLIGHTS

- **Cash and bullion of A\$10.35m** at 30 September 2018.
- The waste stripping at Way Linggo open pit continued to exceed plan to allow access to the lower levels in the pit. Gold production is expected to increase towards the end of December 2018 quarter when access to these lower levels becomes available. The increase in gold production will correspond to a decrease in the cost of production per ounce.
- Permitting on track to allow for open pit mining to commence at Talang Santo in November 2018.
- Optimisation Study completed at Way Linggo that highlights scope for an extension to the current pit design.
- Follow up drilling completed at Talang Santo confirming possible ore body extension to the west of the current Talang Santo pit design.
- Highly promising early-stage exploration results indicate strong gold mineralisation across the entire Contact of Work area. Exploration drilling campaign now underway to investigate two highly prospective targets.
- Total production of 2,318 ounces of gold for the September quarter, in line with budget.
- Cash costs of US\$2,200/oz with all-in sustaining costs of US\$2,582/oz, in line with budget.
- Gold sales of 1,832 ounces at an average gold price of A\$1,658/oz (US\$1,212/oz) generating A\$3.0m in revenue.

Kingsrose Managing Director Paul Jago said the Company made substantial progress in the September quarter towards its goal of having two operating gold mines, Way Linggo and Talang Santo, at the Way Linggo project.

*“We undertook a significant amount of development work at Talang Santo to ensure the mine will be commissioned on schedule.” Mr Jago said*

*The accommodation camp, workshops and associated infrastructure were completed and development earthworks commenced. The earthworks included clearing for the pit and waste dump, topsoil removal and the construction of environmental sediments ponds. By completing all of these works, we have ensured that the Talang Santo open pit can commence on plan early in November.*

*“The major cut back and waste removal at Way Linggo continued in the September quarter. This process will allow for increased gold production from this area from late December 2018 through to the middle of 2019. Overall, Way Linggo continues to perform in line with our expectations. The increase in waste material handled from the Way Linggo cutback accounting for the high C1 costs for the quarter, the cost of production is expected to fall in 2019 as the ore production from the Way Linggo pit increases.*

*“An optimisation study was completed to test for an expansion of the Way Linggo pit beyond its current design. The results from the study have indicated that a significant extension is feasible and that this will significantly extend current the mine life.*

*“In parallel with this, we have commenced a major drilling campaign to test several very exciting mineralised systems within the broader project area. The potential for additional high-grade epithermal deposits has been demonstrated by our systematic work to date over the licence area.*

*A drill program completed during the September quarter identified a western extension to the current Talang Santo ore body.” Mr Jago said.*

## WAY LINGGO PROJECT OPERATIONS OVERVIEW

		SEPTEMBER 2018 QUARTER	YEAR TO DATE
<b>MINE PRODUCTION</b>			
<b>WAY LINGGO</b>			
WASTE	bcm	531,785	531,785
ORE MINED	t	11,283	11,283
MINE GRADE (GOLD)	g/t	6.5	6.5
MINE GRADE (SILVER)	g/t	80	80
<b>TALANG SANTO</b>			
WASTE	bcm	-	-
ORE MINED	t	-	-
MINE GRADE (GOLD)	g/t	-	-
MINE GRADE (SILVER)	g/t	-	-
<b>TOTAL</b>			
WASTE	bcm	531,785	531,785
ORE MINED	t	11,283	11,283
MINE GRADE (GOLD)	g/t	6.5	6.5
MINE GRADE (SILVER)	g/t	80	80
<b>ORE PROCESSED</b>			
TONNES MILLED	t	11,479	11,479
HEAD GRADE (GOLD)	g/t	6.6	6.6
HEAD GRADE (SILVER)	g/t	79	79
RECOVERY (GOLD)	%	95.6	95.6
RECOVERY (SILVER)	%	84.8	84.8
GOLD PRODUCED	oz	2,318	2,318
SILVER PRODUCED	oz	24,890	24,890
<b>COSTS OF PRODUCTION</b>			
CASH OPERATING COSTS (C1)	US\$/oz	2,200	2,200
ALL-IN-SUSTAINING COSTS OF PRODUCTION (AISC)	US\$/oz	2,582	2,582

## SAFETY

The creation of a safe working environment continues to be a key focus of the Group. No Lost Time Injuries or Restricted Work Injuries occurred during the quarter, with a 12-month moving average Lost Time Injury Frequency Rate of 0.70. The total recordable injury frequency rate (TRIFR) for the site at the end of the quarter was 3.49 which underpins the commitment to safety by all personnel on site.

## 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.

The major cutback progressed during the quarter with the ongoing high strip ratio's continuing. The high waste mining rates will continue during the December quarter with the pit accessing the major ore body in December.

Ore mining continued throughout the quarter at the base of the open pit, with waste stripping continuing on the next phase of the mine plan. The ore at the base of the stage 1 pit has been exhausted and all ore for the rest of the pit will be sourced from the cutback.

The Way Linggo open pit produced 11,283 tonnes at 6.5 g/t Au and 80 g/t Ag for the quarter.



**Figure 1: Way Linggo Open Pit at 30 September 2018, looking south**



**Figure 2: Work Area Way Linggo Open Pit at 30 September 2018**

### Way Linggo Open Pit Development

Kingsrose completed an optimisation study on the Way Linggo resource during the September quarter. The optimisation results indicated that a significant expansion of the Way Linggo pit is possible. An additional 20,000 ounces have been identified that can be economically mined a further 20m from the base of the current pit design (see figure 3). The expanded design will be incorporated into the mine plan and budget during the December quarter.



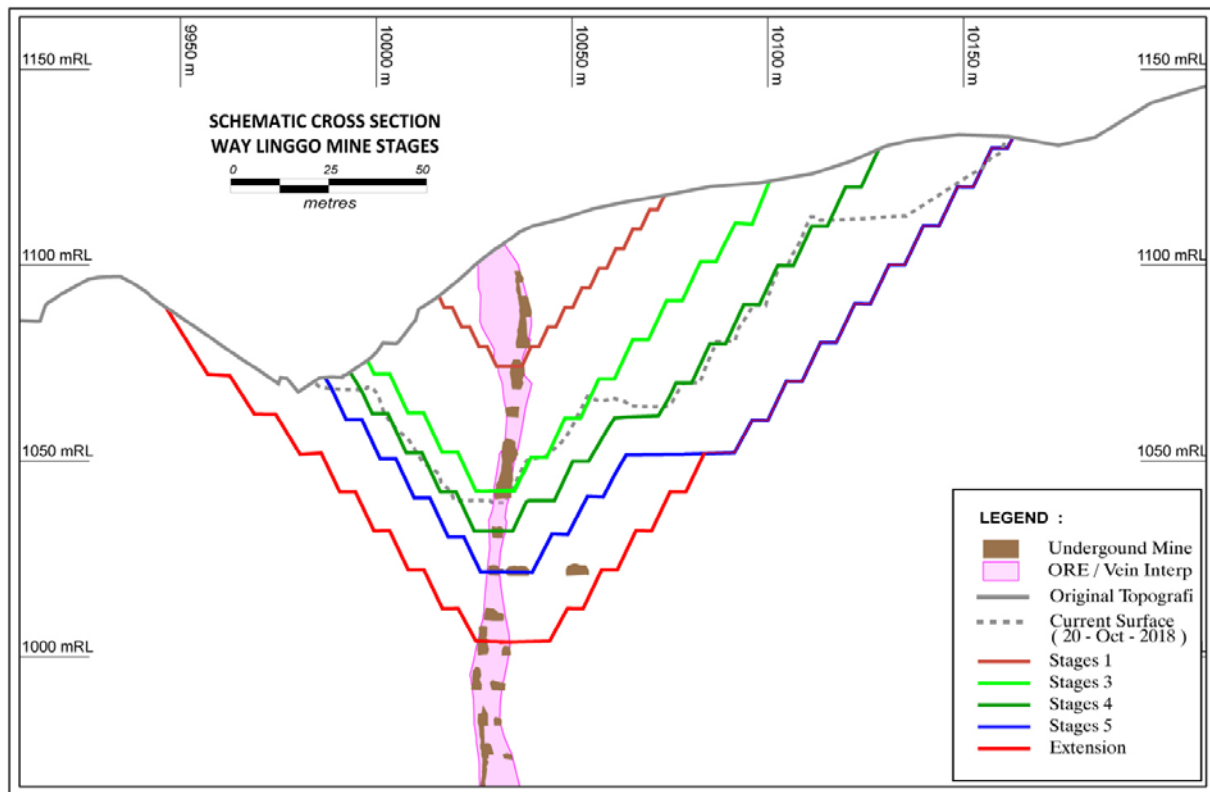


Figure 3: Cross Section showing Current Surface, Current Designs and Extension Way Linggo

### Talang Santo Open Pit Mine

The Talang Santo open pit mine will become the Company's second operating open pit mine on its highly prospective Way Linggo Project Contract of Work area.

The Talang Santo open pit is similar to the Way Linggo open pit in that the mine will be located on the previously mined underground ore body. The open pit will extract upper levels of the remnant ore pillars and areas of the mine that were left behind, due to the mining method employed in the underground mine. It is estimated that there is 50% of the orebody remaining in the area which will be the subject of the open pit.

PTNM continues to advance the permitting process to allow open pit mining to commence at Talang Santo, with significant progress made during the quarter. Much of the pre-mining development works commenced at Talang Santo during the quarter. Construction of a new 80-person camp and associated infrastructure was completed and the construction of mine offices and workshops commenced and is 90% complete. Other development works that were commenced during the quarter and are on track to be completed prior to mining include construction of the settlement ponds for the construction of the waste dumps, topsoil removal and stockpiling and the upgrade of the access road from the Talang Santo mine to the Way Linggo processing facility. The completion of these pre-mining works was essential to allow the commencement of mining in early November.



**Figure 4: 80 Person Camp Talang Santo**



**Figure 5: Topsoil Removal and Road Establishment Talang Santo**

A drilling program was completed during the quarter to test the potential resource extension along strike and to give certainty over whether the area can be used as a waste dump for the Talang Santo open pit.

The results, which show the mineralisation is close to the surface, include:

- 3.8m @ 8.55g/t Au and 7.9 g/t Ag, 50m from surface including:
  - 1.1m @ 7.47g/t Au and 9.0g/t Ag
  - 1.0m @ 8.56g/t Au and 10.5g/t Ag
- 3.8m @ 8.55g/t Au and 7.9 g/t Ag, 43m from surface including:
  - 0.5m @ 22.83g/t Au and 12.4g/t Ag
  - 0.4m @ 11.57g/t Au and 6.93g/t Ag
  - 0.6m @ 7.84g/t Au and 4.9g/t Ag

These results indicate that the Talang Santo ore body continues to the west of the current known ore body. Figure 6.

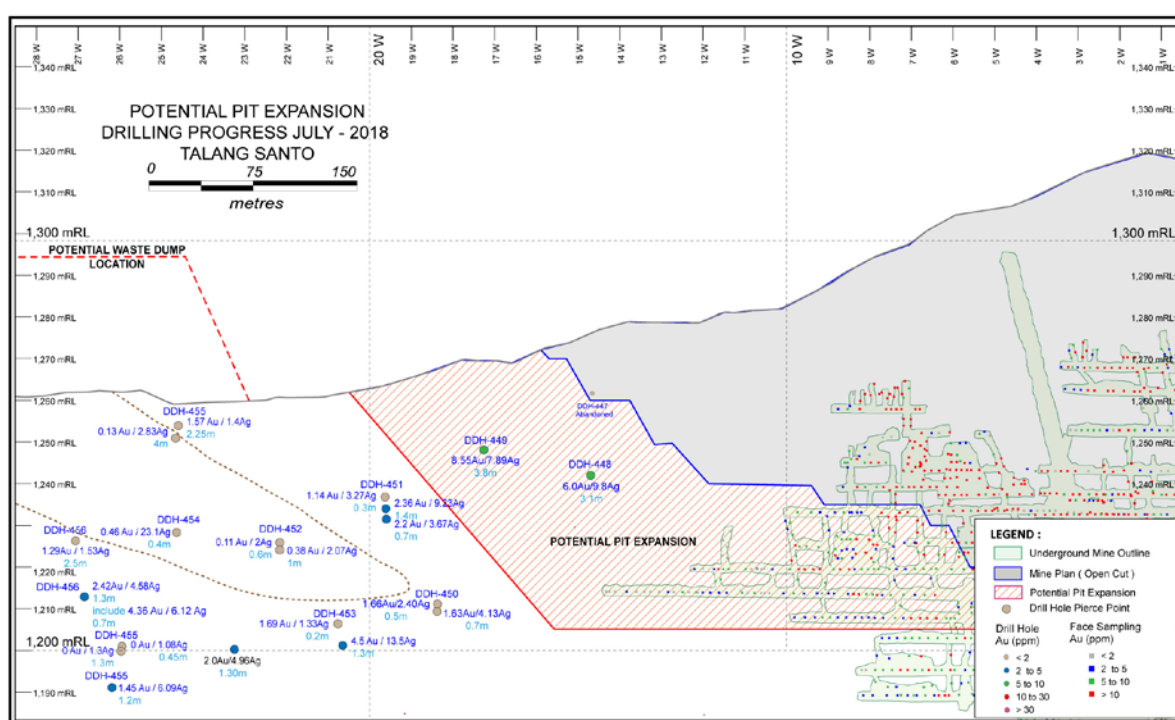


Figure 6: Drill results from recent drilling, showing the current Talang Santo pit limit and the potential expansion

Final environmental approval for the commencement of mining progressed well during the quarter. All approvals have been ratified by the respective departments and Kingsrose is awaiting final endorsement and signing of decrees from the ministers. The final endorsement will not delay the commencement of Talang Santo open pit.



## PROCESSING

The processing statistics for the operating period are tabulated below:

ORE PROCESSED	UNITS	SEPTEMBER 2018 QUARTER	YEAR TO DATE
TONNES MILLED	t	11,479	11,479
HEAD GRADE (GOLD)	g/t	6.6	6.6
HEAD GRADE (SILVER)	g/t	79	79
RECOVERY (GOLD)	%	95.6	95.6
RECOVERY (SILVER)	%	84.8	84.8
GOLD PRODUCED	oz	2,318	2,318
SILVER PRODUCED	oz	24,890	24,890

The plant throughput for the period was 11,479 dry tonnes at a head grade of 6.6 g/t Au and 79 g/t Ag. Recoveries were in line with expectations with gold recovery for the quarter 95.6%.

The processing plant only operated at 35% capacity for the quarter. This was due to the reduced ore supply from the Way Linggo pit. It is expected that the under-utilisation will continue until the Talang Santo open cut commences ore production.

## EXPLORATION

The Company continued upon its systematic and focussed exploration program during the quarter as part of its strategy to expand activity and define additional high grade deposits across the broader Project area.

During the quarter this strategy continued across numerous target areas within the Contract of Work area (CoW) inclusive of the following work streams via the recently expanded exploration team;

- 566m of Diamond Drilling at Talang Santo
- 2,055m of auger drilling
- 6.1 km stream and ridge traverses
- 2,200 XRD (X-Ray Diffraction) samples and analysis
- 665 soil and rock chip samples

Sterilisation drilling was completed at Talang Santo confirming a potential western extension / upgrade to the current known Talang Santo ore body.

Surface trenching works were completed at the Toha Samin and Rawa Gabus prospects returning some encouraging results. Some of the significant results were;

- Toha – Samin
  - 0.6m @ 10.3g/t Au, 5.47g/t Ag
  - 1.0m @ 4.49g/t Au, 2.27g/t Ag
  - 0.8m @ 5.50g/t Au, 2.87g/t Ag
  - 1.0m @ 2.47g/t Au, 1.80g/t Ag
- Rawa Gabus
  - 0.4m @ 1.94g/t Au, 5.0g/t Ag
  - 0.5m @ 0.16g/t Au, 59.93g/t Ag

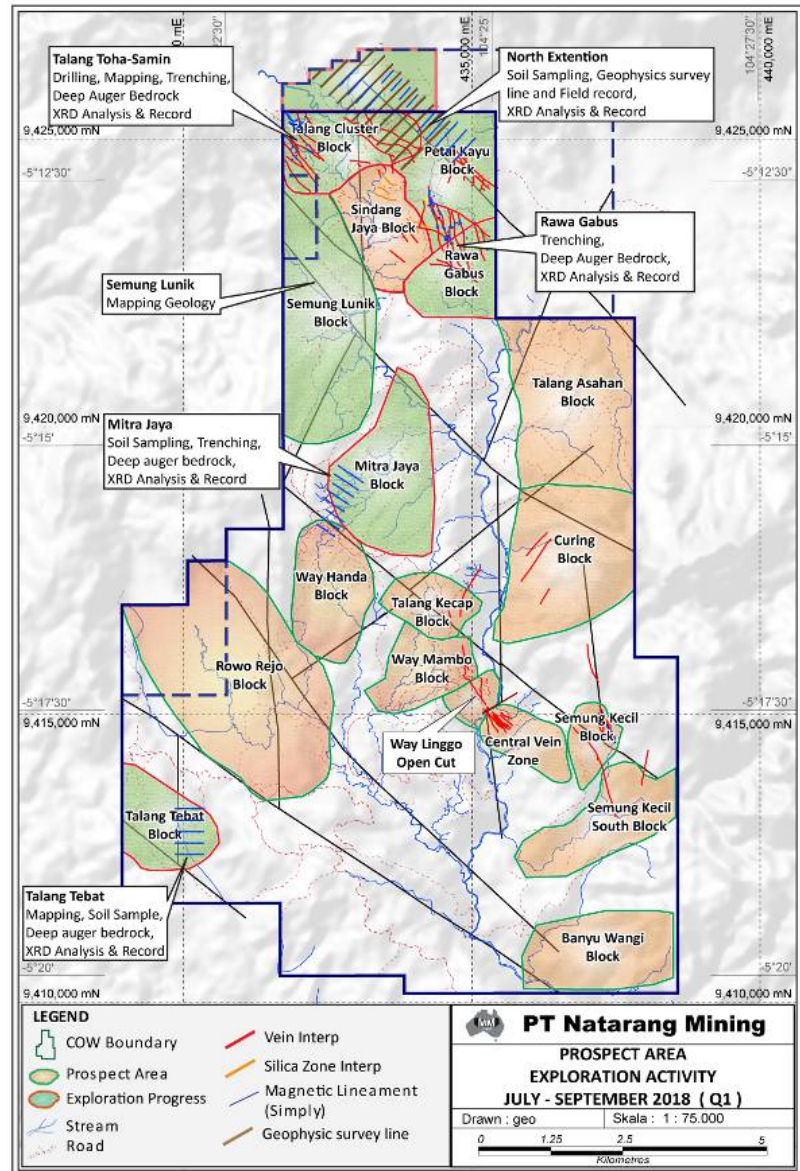


Figure 7: Areas of exploration focus during the September 2018 Quarter

An exploration drilling program commenced at Toha – Samin and Rawa Gabus to follow up on the huge amount of work and data that has been collected over the previous 12 months.

The Company looks forward to updating shareholders in the near future as results from the exploration drilling comes to hand.

## **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. PTNM continues to make every effort to assist the local community achieve their development goals, employ locals and utilise local suppliers wherever possible.

Furthermore, a significant portion of the onsite workforce comes from the local communities surrounding the Project area.

During the quarter significant resources were directed towards local community initiatives, these include but are not limited to;

- Construction of clean water storage at local village
- Support of local schools by providing scholarships, maintenance to buildings and assistance to teachers
- Assisted the small business groups of NUSA INDAH Blok 10, Pekon Rowo Rejo and brown sugar small industry in Pekon Petai Kayu
- Donation of solar power generator for local village
- Support of the Islamic Women's group
- Assisting the community in maintaining the seeding nursery in Talang Toha and Talang Topa in strengthening forest function
- Donation of Tossa three-wheeler for Tanggamus Environmental Department.
- Donation of additional food for children and elderly people around the company in 43 healthcare units.
- Donation of medical equipment for midwives in Atar Lebar



**Figure 8: Support of local schools**

**Figure 9: Donation of Tossa three-wheeler**

### **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 manufacture of fertilizer, reclamation and re-vegetation of disturbed areas, conducting monitoring programs as well as sedimentation control, and waste management.

### GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold 1,832 ounces of gold at an average gold price of A\$1,658/oz (US\$1,212/oz) and realised A\$3.0m in revenue. The cash costs of production for the quarter were US\$2,200/oz and all-in sustaining costs of production for the period were US\$2,582/oz.

Overall, costs per ounce for the quarter were impacted by planned lower ore production rates, with a significant portion of the cost base being fixed, however as production increases, costs are forecast to decrease.

The increased waste mining volumes continued during the September 2018 quarter which can be attributed to the waste stripping of the cutback at the Way Linggo pit. Increased ore production for the next cutback is expected towards the end of calendar year 2018.

It is expected that gold production for the nine months to the end of June 2019 will be 19,000 to 21,000 ounces at an average C1 cost of US\$790 to US\$840 per ounce.

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

Cash & Term Deposits	A\$ 6.95M
Bullion <sup>1</sup>	<u>A\$ 3.40M</u>
<b>Total</b>	<b>A\$10.35M</b>

<sup>1</sup> Bullion includes unrefined (filter cake, dore) and refined gold (at A\$1,644/oz) and silver (at A\$20/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

-ENDS-

#### **For more information please contact:**

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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

Entity <b>Kingsrose Mining Limited</b> ABN <b>49 112 389 910</b>		Quarter ended: <b>30 September 2018</b>	
Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	6,028	6,028
1.2	Payments for:		
	(a) exploration and evaluation	(263)	(263)
	(b) development	-	-
	(c) production	(7,719)	(7,719)
	(d) staff costs	(351)	(351)
	(e) administration and corporate costs	(422)	(422)
1.3	Dividends received	-	-
1.4	Interest received	30	30
1.5	Interest and other costs of finance paid	(13)	(13)
1.6	Income taxes paid	(127)	(127)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	93	93
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(2,744)</b>	<b>(2,744)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(429)	(429)
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	11	11
	(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>(418)</b>	<b>(418)</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)	(38)	(38)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(38)</b>	<b>(38)</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	10,068	10,068
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,744)	(2,744)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(418)	(418)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(38)	(38)
4.5 Effect of movement in exchange rates on cash held	83	83
<b>4.6 Cash and cash equivalents at end of period</b>	<b>6,951</b>	<b>6,951</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	3,066	5,415
5.2 Call deposits	3,885	4,653
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Cash and cash equivalents at end of quarter (item 4.6 above)</b>	<b>6,951</b>	<b>10,068</b>

**6. Payments to directors of the entity and their associates**

- 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

Current quarter \$A'000
278
-

- 6.3 Explanation necessary to understand the transactions included in item 6.1 and 6.2

Included in the payments to directors of the entity and their associates during the quarter was an amount of \$133k relating to drilling services provided by an entity associated with a director.

**7. Payments to related entities of the entity and their associates**

- 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

Current quarter \$A'000
-
-

- 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	441
9.2 Development	-
9.3 Production	7,184
9.4 Staff costs	461
9.5 Administration and corporate costs	289
9.6 Other	-
<b>9.7 Total estimated cash outflows</b>	<b>8,375</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**  
**Joint Company Secretary**  
**31 October 2018**

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