

KINGSROSE MINING LIMITED | QUARTERLY REPORT

For the period ended 31 December 2015

Costs fall to as low as US\$798/oz as turnaround strategy gains momentum

55% increase in gold production to 6,212oz helps underpin record low costs at Talang Santo

KEY POINTS

- Strong quarter at flagship Talang Santo Mine in Indonesia marked by significantly increased production and lower costs
- Gold production rose 55% from September Quarter to 6,212oz and silver production was up 43% to 14,188oz
- A record 21,341 ore tonnes mined for the quarter from the Talang Santo Mine
- All-in sustaining costs averaged US\$963/oz for the quarter – a record quarterly low for the Talang Santo Mine – and reduced steadily over the period to just US\$798/oz in the month of December
- Significant increase in mine development rates for the period

DEVELOPMENT

- Development of the Splay vein sublevels continue to indicate potential for additional high-grade stoping zones
- Development of 5 Level haulage shaft suspended pending completion of grouting solution to manage water flows

PROJECT SCALE EXPLORATION

- Drilling at Talang Toha identified a broad mineralised zone, confirming mineralised corridor
- Drilling at Mitra Jaya intersected similar host lithologies to both the Way Linggo and Talang Santo deposits

CORPORATE

- Cash and bullion on hand of \$6.38M at 31 December 2015
- Successful restructure of Loan Facilities

“These strong results provide further evidence that our strategies for improving the performance at Talang Santo, including managing the water issues, are working,” Executive Chairman John Morris said. “We are confident that this momentum can be maintained as we progress mine development and exploration.”

TALANG SANTO OPERATIONS OVERVIEW

	UNITS	SEPTEMBER 2015 QUARTER	DECEMBER 2015 QUARTER	YEAR TO DATE
MINE PRODUCTION				
ORE MINED	t	13,162	21,341	34,503
MINE GRADE (GOLD)	g/t	10.2	9.4	9.7
MINE GRADE (SILVER)	g/t	26	24	25
ORE PROCESSED				
TONNES MILLED	t	13,250	21,612	34,863
HEAD GRADE (GOLD)	g/t	9.8	9.3	9.5
HEAD GRADE (SILVER)	g/t	25	24	24
RECOVERY (GOLD)	%	95.6	95.8	95.7
RECOVERY (SILVER)	%	91.6	86.0	88.1
GOLD PRODUCED	Oz	4,010	6,212	10,222
SILVER PRODUCED	Oz	9,901	14,188	24,089
COSTS OF PRODUCTION				
CASH OPERATING COSTS (C1)	US\$/oz	920	662	763
ALL-IN-SUSTAINING COSTS OF PRODUCTION (AISC)	US\$/oz	1,580	963	1,205

SAFETY

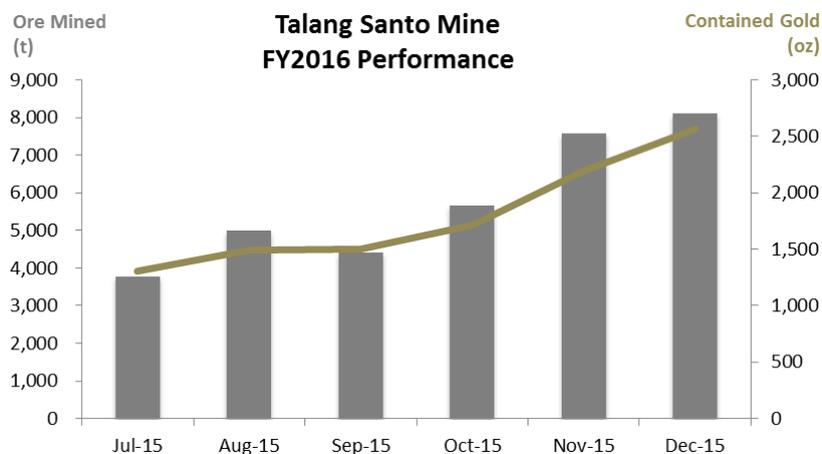
There were no Lost Time Injuries (“LTIs”) for the quarter with the site remaining 285 days LTI-free. The 12-month moving average Lost Time Injury Frequency Rate (“LTIFR”) was 2.08, down from 2.6 in the September quarter.

MINING

The December quarter saw record ore production from the Talang Santo Mine with significantly improved performance largely as a result of the implementation of a plan to minimise the impact of water on production horizons. The dewatering plan included the commissioning of a 200kw multi-stage pump on the 4 Level at the end of October, which resulted in a significant lift in production from the mine in November and December. Production from stoping was 7,960 tonnes @ 12.2 g/t Au and 30.1 g/t Ag.

A total of 21,341 ore tonnes were mined at 9.4 g/t Au for the period, representing an increase of 62% over the September quarter, with the bulk of the tonnage mined during the period from development drives.

During the December quarter mining activities were focused on sublevel and stope development on the 4 Level. Significant advance rates were achieved opening up a large proportion of the



mineable area on the 4 Level with the bulk of the work areas now dry. A total of 2,017m of development advance was achieved during the quarter, including 1,719m of operating development, which represents an increase of 89% over the September quarter.

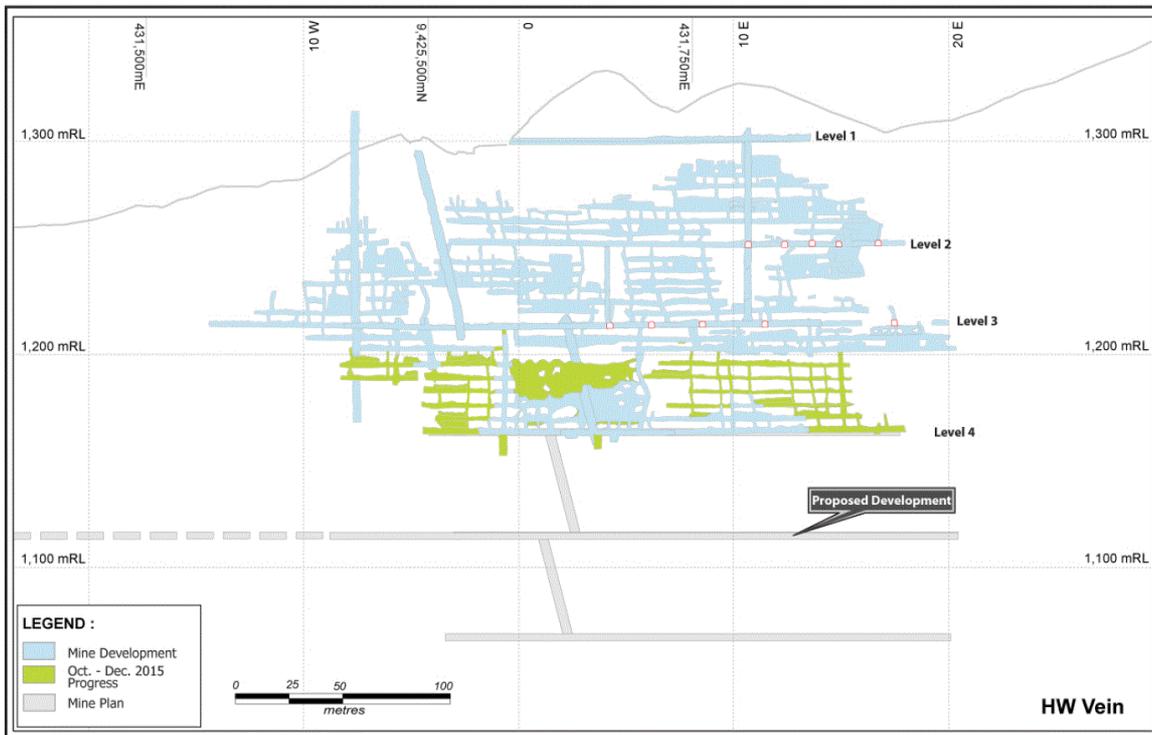


Figure 1 – Quarterly mine development progress | Hanging Wall vein

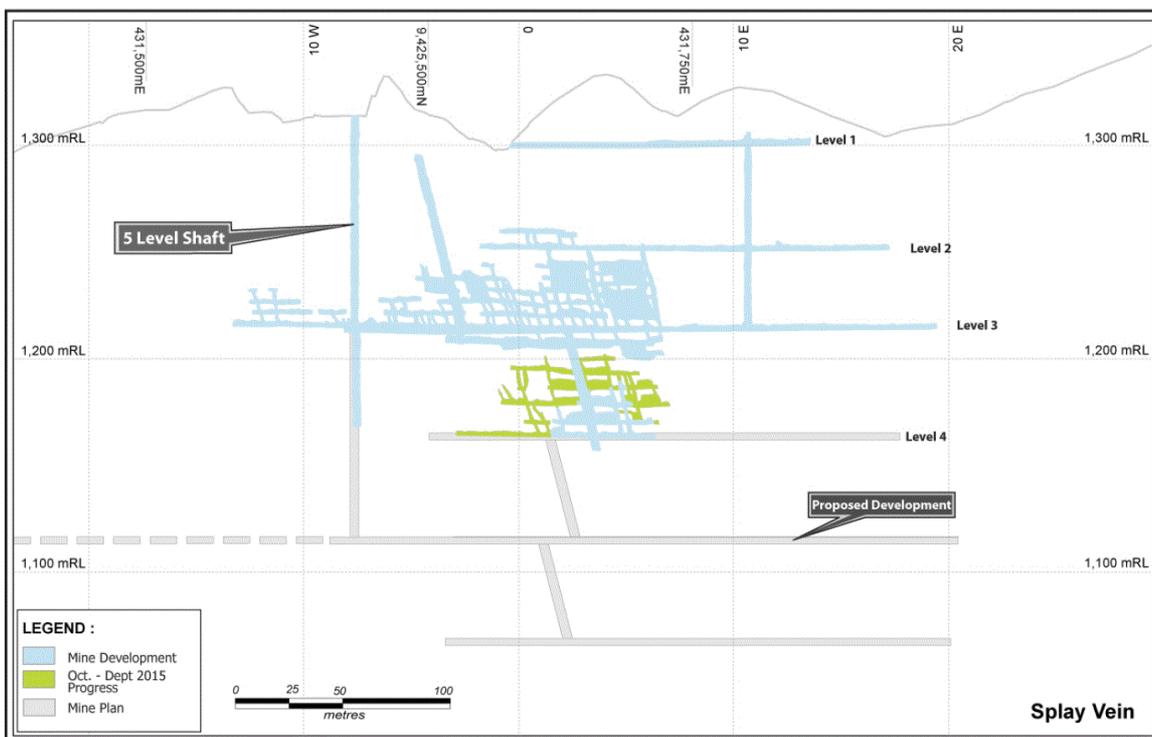


Figure 2 – Quarterly mine development progress | Splay vein

Capital Mine Development

The development of the external shaft to the 5 Level was suspended during the period due to the intersection of a significant water-bearing fault structure.

A grouting program has been designed to seal and minimise the water ingress to both the Splay vein and the external shaft. It is anticipated that the program will commence during the March quarter with development on the external shaft to recommence at the end of the March quarter. Establishment of pumping infrastructure on the 5 Level can then be completed with development following shortly after.

PROCESSING

The processing statistics for the operating period are tabulated below:

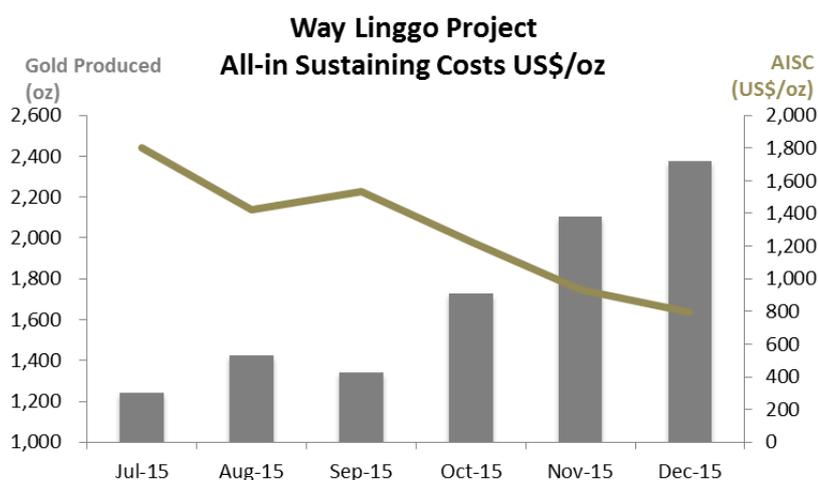
ORE PROCESSED	UNITS	SEPTEMBER 2015 QUARTER	DECEMBER 2015 QUARTER	YEAR TO DATE
TONNES MILLED	t	13,250	21,612	34,863
HEAD GRADE (GOLD)	g/t	9.8	9.3	9.5
HEAD GRADE (SILVER)	g/t	25	24	24
RECOVERY (GOLD)	%	95.6	95.8	95.7
RECOVERY (SILVER)	%	91.6	86.0	88.1
GOLD PRODUCED	Oz	4,010	6,212	10,222
SILVER PRODUCED	Oz	9,901	14,188	24,089

The plant throughput for the period was 21,612 dry tonnes at a head grade of 9.3 g/t Au and 24 g/t Ag. Recoveries of both gold and silver were 96% and 86% respectively.

The lower silver recovery was attributed to a planned trial to reduce the concentration of cyanide in the leach circuit. The trial resulted in significant cost savings in re-agents, with the processing plant achieving a record milling cost per tonne during the December quarter.

GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold 4,308 ounces of gold at an average gold price of A\$1,548 per ounce and realised A\$6.67M in revenue. The cash costs of production for the quarter were US\$662/oz and all-in sustaining costs ("AISC") of production for the period were US\$963/oz, the lowest since mining commenced at Talang Santo. The increased production saw unit costs reduced to targeted levels during the quarter, with the AISC for December being US\$798/oz.



EXPLORATION

Project/Regional Exploration

The company continues to see significant potential for organic growth supported by the early success of the current exploration program in identifying targets within the prospective Way Linggo Project area. Exploration activities for the quarter included surface drilling at Talang Toha and Mitra Jaya and follow up test pitting on the soil anomalies at Talang Toha, Mitra Jaya, Sindang Jaya and Way Handa.

A total of 2,036m of surface diamond drilling across Mitra Jaya and Talang Toha were completed during the period with key geological information being obtained. Results from Mitra Jaya suggest that there is potentially a much deeper and larger mineralised target which warrants follow up work.

Geophysics

An ongoing review of historical geophysics was completed during the quarter with some of the historical geophysical surveys over the Way Linggo mine and surrounds being reprocessed and returning positive results. Whilst the original work was successful in identifying the anomalies associated with the known mineralisation at the Way Linggo deposit, the recently reprocessed data clearly defines the mineralisation.

Final results of the reprocessing over the Semung Kecil and Way Linggo prospects are expected early in the forthcoming quarter, which may generate additional drill targets.

COMMUNITY AND THE ENVIRONMENT

Community

The Group continues to enjoy a mutually rewarding relationship with the local community not only surrounding the mine but also the wider Lampung province, through its active engagement and ongoing support of local cultural, environmental, health and educational initiatives and programs. Donations of food and medical supplies continued to be provided to local child care centres and charity groups and assistance with local infrastructure projects remained ongoing, including the installation of a new suspension bridge at Sindang Jaya, installation of plumbing for the fresh water tank at Talang Toha-Santo and extensive road maintenance and repair in the areas surrounding the mine.

Local employment at site continues to be actively encouraged with approximately 70% of employees coming from the nearby Lampung province.

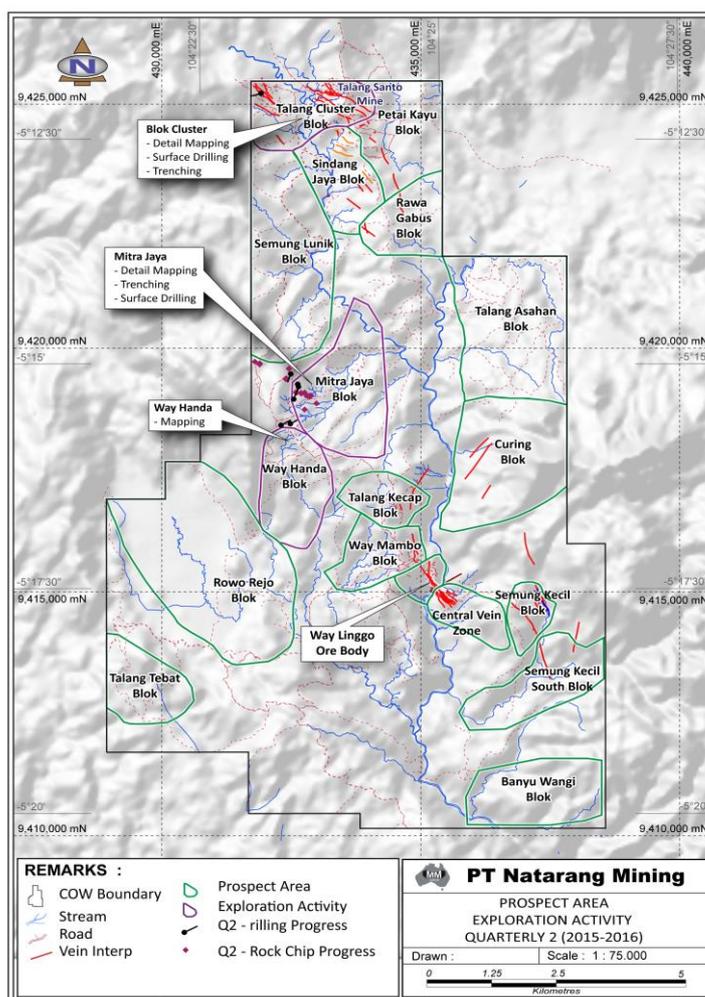


Figure 3 – Quarterly Exploration Activity



Image 1: Food donations to local child care centre



Image 2: Plumbing supplies for fresh water tank at Talang Toha-Santo Community

Environment

The Group continues to conduct its operations in a manner that minimises its environmental footprint on the Project area. Monitoring of air quality and emissions, bio aquatic sampling and assistance to National Park officers with conservation patrols was ongoing throughout the period. Two additional monitoring wells were installed during the period as part of the ongoing monitoring of the tails dam.



Image 3: Tree planting for erosion control



Image 4: Bio Aquatic monitoring

CORPORATE

Debt repayments

During the quarter, the Company successfully completed the restructure of the repayment profile of its Loan Facilities, deferring any further repayment for a period of six (6) months. Under the revised terms, the repayment of the outstanding principal will recommence in April 2016 with final repayment due in August 2017.

Resignation of Managing Director

During the quarter, Scott Huffadine tendered his resignation as Managing Director, giving the Company a three-month notice period. Chairman John Morris has temporarily assumed an Executive role while the Company finalises its search for a new Managing Director.

CORPORATE SNAPSHOT AS AT 31 DECEMBER 2015

KEY STATISTICS	
Shares on Issue	358,611,493
Unlisted Options	12,650,000
Share Price	\$0.22
Market Capitalisation	\$79M
Cash & Bullion	A\$6.38M
Debt	A\$10.07M

DIRECTORS & MANAGEMENT	
John Morris	Chairman
Scott Huffadine	Managing Director
Bill Phillips	Non Exec Director
Andrew Spinks	Non Exec Director
Matthew Smith	Chief Financial Officer
Joanna Kiernan	Company Secretary

CASH AND BULLION ON HAND AS AT 31 DECEMBER 2015

Cash & Term Deposits	A\$1.39M
Bullion*	<u>A\$4.99M</u>
Total	A\$6.38M

* Bullion includes unrefined (filter cake, dore) and refined gold (at A\$1,454/oz) and silver (at A\$19/oz).

SUMMARY OF MINING TENEMENTS AND AREAS OF INTEREST

PROJECT/TENEMENT HELD	LOCATION	TENEMENT NUMBER	EQUITY'S INTEREST AT QUARTER END	CHANGE IN ENTITY'S INTEREST DURING QUARTER
4 th generation Contract of Work (CoW)	Lampung Province, South Sumatra, Indonesia	N/A	85%	N/A

-ENDS-

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The information contained in this quarterly report contains forward looking statements and forward looking information, which are based on assumptions and judgements of management regarding future events and results. Such forward looking statements and forward looking information involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward looking statements. Such factors include, among others, the actual market prices of gold, the actual results of current exploration, the availability of debt and equity financing, the volatility in global financial markets, the actual results of future mining, processing and development activities, receipt of regulatory approvals as and when required and changes in project parameters as plans continue to be evaluated.

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

Entity Kingsrose Mining Limited ABN 49 112 389 910		Quarter ended: 31 December 2015	
		Current quarter \$A'000	Year to date (6 months) \$A'000
Consolidated statement of cash flows			
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	6,878	13,805
1.2	Payments for:		
	(a) exploration & evaluation	(519)	(1,041)
	(b) development	(1,357)	(3,737)
	(c) production	(6,231)	(11,550)
	(d) administration	(1,140)	(2,152)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	7
1.5	Interest and other costs of finance paid	(300)	(642)
1.6	Income taxes paid	(112)	(226)
1.7	Other	-	-
	Net Operating Cash Flows	(2,777)	(5,536)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(115)	(398)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	3
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
	Net investing cash flows	(115)	(395)
1.13	Total operating and investing cash flows	(2,892)	(5,931)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(250)	(1,799)
1.18	Dividends paid	-	-
1.19	Other (Repayment of hire purchases)	(172)	(424)
	Net financing cash flows	(422)	(2,223)
Net increase / (decrease) in cash and cash equivalents held		(3,314)	(8,154)
1.20	Cash and cash equivalents at beginning of quarter/year	4,962	9,517
1.21	Exchange rate adjustments to item 1.20	(261)	24
1.22	Cash and cash equivalents at end of quarter	1,387	1,387

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	207
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Nil	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	10,067	10,067
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	378
4.2	Development	730
4.3	Production	6,380
4.4	Administration	1,080
	Total	8,568

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.

- 5.1 Cash on hand and at bank
- 5.2 Deposits at call
- 5.3 Bank overdraft
- 5.4 Other

Total: cash and cash equivalents at end of quarter (item 1.22)

Current quarter \$A'000	Previous quarter \$A'000
1,387	4,962
-	-
-	-
-	-
1,387	4,962

Changes in interests in mining tenements

	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (\$)	Amount paid up per security (\$)
7.1	+Preference securities	-	-	-	-
7.2	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	+Ordinary securities	358,611,493	358,611,493	-	-
7.4	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	+Convertible debt securities	-	-	-	-
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-
7.7	Options	12,650,000	-	-	-
				<i>Exercise price (\$)</i>	<i>Expiry date</i>
		500,000	-	0.44	11 Aug 2016
		1,500,000	-	0.55	28 Jan 2016
		500,000	-	0.47	7 Apr 2016
		2,350,000	-	0.55	7 Apr 2016
		3,000,000	-	0.55	13 Jan 2017
		4,800,000	-	0.26	18 Nov 2018
7.8	Issued during quarter	4,800,000	-	0.26	18 Nov 2018
7.9	Exercised during quarter	-	-	-	-
7.10	Expired/cancelled during quarter	500,000	-	0.39	30 Jun 2016
		500,000	-	0.41	2 Jan 2017
7.11	Share performance rights	834,327	-	-	Various
7.12	Issued during quarter	209,446	-	-	30 Jun 2018
7.13	Exercised during quarter	-	-	-	-
7.14	Expired/cancelled during quarter	89,553	-	-	30 Jun 2017
7.15	Debentures (totals only)	-	-	-	-
7.12	Unsecured notes (totals only)	-	-	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



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Joanna Kiernan
Company Secretary

29 January 2016

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