



KINGSROSE  
MINING LIMITED

Quarterly Report for the Period Ended 31 December 2018

## Highly successful quarter results in final approvals and start of production at Talang Santo

### HIGHLIGHTS

- Production increased and costs fell compared with the September quarter (Q1), resulting in higher revenue:
  - Total production of 3,556 ounces of gold for the quarter (Q1: 2,318).
  - Cash costs of US\$1,351/oz (Q1: US\$2,200/oz), with all-in sustaining costs of US\$1,603/oz (Q1: US\$2,582/oz).
  - Gold sales of 3,440 ounces (Q1: 1,832 ounces) at an average gold price of A\$1,715/oz (US\$1,236) generating A\$5.9m (Q1: A\$3.0m) in revenue.
- Cash and bullion of A\$9.38m at 31 December 2018.
- Mining at Talang Santo open pit started with waste stripping in early November. High-grade ore was encountered just 1m below surface. It was previously interpreted that the top of the orebody began 20m below surface. This additional ore at surface has seen Talang Santo outperform the mine plan for the December quarter by 360 contained gold ounces. The encouraging discovery of the extension of the Talang Santo ore body to surface has stimulated a full reinterpretation of the Talang Santo ore body which is ongoing.
- Final approvals granted by the Indonesian Government in January 2019. All permitting is now in place to allow for ore production from the newly established Talang Santo gold-silver open pit mine and continuation of production from the Way Linggo gold-silver open pit. This completes the transformation of the Way Linggo project from an underground operation to an open pit operation.
- Exploration targets progressed in the quarter with continued geochemical soil sampling and geological mapping. Diamond drilling underway at the Talang Toha Samin and Rawa Gabus prospects to test gold mineralisation identified from surface programmes.

## EXECUTIVE SUMMARY

KingsRose Managing Director Paul Jago said the Company hit key milestones in the December quarter, achieving its goal of having two operating open pit gold mines, Way Linggo and Talang Santo, at the Way Linggo project.

*“The bonus on breaking ground in our new Talang Santo pit was that we found ore within 1m of surface,” Mr Jago said. “This has challenged our interpretation of the ore body and we are doing extensive test work in the existing planned pit area as well as the surrounds. We believe we will see upside with a re-interpretation of our current model.”*

*“The other significant milestone achieved this quarter was securing the final permits from the Indonesian Government needed for our near-term production and growth strategy for both the Way Linggo and the new Talang Santo open pits. This marks the transformation of the Way Linggo project from an underground operation to an open pit focused mining company.”*

The operations were impacted by higher than average rainfall which slowed waste stripping and some exploration drilling. Overall performance improved on the first quarter and further improvement is expected in the second half of this financial year.

## WAY LINGGO PROJECT OPERATIONS OVERVIEW

MINE PRODUCTION WAY LINGGO	UNITS	SEPTEMBER	DECEMBER	YEAR TO DATE
		2018 QUARTER	2018 QUARTER	
<b>WASTE</b>	<b>bcm</b>	<b>531,785</b>	<b>386,275</b>	<b>918,059</b>
<b>ORE MINED</b>	<b>t</b>	<b>11,283</b>	<b>12,318</b>	<b>23,601</b>
<b>MINE GRADE (GOLD)</b>	<b>g/t</b>	<b>6.5</b>	<b>7.6</b>	<b>7.1</b>
<b>MINE GRADE (SILVER)</b>	<b>g/t</b>	<b>80</b>	<b>106</b>	<b>94</b>
<b>TALANG SANTO</b>				
<b>WASTE</b>	<b>bcm</b>	<b>-</b>	<b>128,038</b>	<b>128,038</b>
<b>ORE MINED</b>	<b>t</b>	<b>-</b>	<b>4,603</b>	<b>4,603</b>
<b>MINE GRADE (GOLD)</b>	<b>g/t</b>	<b>-</b>	<b>6.4</b>	<b>6.4</b>
<b>MINE GRADE (SILVER)</b>	<b>g/t</b>	<b>-</b>	<b>11</b>	<b>11</b>
<b>TOTAL</b>				
<b>WASTE</b>	<b>bcm</b>	<b>531,785</b>	<b>514,312</b>	<b>1,046,097</b>
<b>ORE MINED</b>	<b>t</b>	<b>11,283</b>	<b>16,922</b>	<b>28,204</b>
<b>MINE GRADE (GOLD)</b>	<b>g/t</b>	<b>6.5</b>	<b>7.3</b>	<b>7.0</b>
<b>MINE GRADE (SILVER)</b>	<b>g/t</b>	<b>80</b>	<b>80</b>	<b>80</b>
<b>ORE PROCESSED</b>				
<b>TONNES MILLED</b>	<b>t</b>	<b>11,479</b>	<b>16,031</b>	<b>27,510</b>
<b>HEAD GRADE (GOLD)</b>	<b>g/t</b>	<b>6.6</b>	<b>7.4</b>	<b>7.1</b>
<b>HEAD GRADE (SILVER)</b>	<b>g/t</b>	<b>79</b>	<b>81</b>	<b>80</b>
<b>RECOVERY (GOLD)</b>	<b>%</b>	<b>95.6</b>	<b>92.9</b>	<b>94.0</b>
<b>RECOVERY (SILVER)</b>	<b>%</b>	<b>84.8</b>	<b>87.2</b>	<b>86.2</b>
<b>GOLD PRODUCED</b>	<b>oz</b>	<b>2,318</b>	<b>3,556</b>	<b>5,874</b>
<b>SILVER PRODUCED</b>	<b>oz</b>	<b>24,890</b>	<b>36,594</b>	<b>61,484</b>
<b>COSTS OF PRODUCTION</b>				
<b>CASH OPERATING COSTS (C1)</b>	<b>US\$/oz</b>	<b>2,200</b>	<b>1,351</b>	<b>1,686</b>
<b>ALL-IN-SUSTAINING COSTS OF PRODUCTION (AISC)</b>	<b>US\$/oz</b>	<b>2,582</b>	<b>1,603</b>	<b>1,989</b>



## SAFETY

The creation of a safe working environment continues to be a key focus of the Company. There were no lost time injuries for the quarter. The 12-month moving average Lost Time Injury Frequency Rate continues to reduce and is now 0.66. The total recordable injury frequency rate (TRIFR) for the site at the end of the quarter was 4.29 which underpins the commitment to safety by all personnel on site.

## MINING

### Way Linggo Mine

Total material movement at the Way Linggo Mine was lower than expected with this year's extreme monsoon season impacting production hours significantly in November and December. A total of 908mm of rain was observed on site for the quarter, with 63 days experiencing wet weather causing a total of 644 hours of lost production. Despite higher than average rainfall the major cutback progressed this quarter with the expectation the pit should access the major ore body early in the next quarter.

Ore mining continued throughout the quarter at the base of the open pit, with waste stripping continuing for the next phase of the mine plan. The ore was won from the Stages 3 and 4 with waste removal continuing on the Stage 5 cutback.

The Way Linggo open pit mined **12,318** ore tonnes at **7.6 g/t Au** and **106 g/t Ag** for the quarter.



Figure 1: Way Linggo Open Pit at 31 December 2018, looking south



Figure 2: Way Linggo Open Cut Progress looking north at Stage 4 at 31 December 2018

### Way Linggo Open Pit Development

The December quarter saw the start of the stripping for the Stage 5 extension, 20 metres deeper in the base of the current Way Linggo pit, which will provide an estimated additional 13,000 ounces of gold. In the March 2019 quarter the economics of an additional extension to the west of the Way Linggo pit will be assessed and incorporated in the schedule if this is positive. This extension would provide a minimum additional 16,000 ounces of gold and further extend the Way Linggo pit life. If this extension is approved the waste stripping will begin in May 2019 and the ore mining from the Way Linggo pit will continue into Quarter three of 2020.

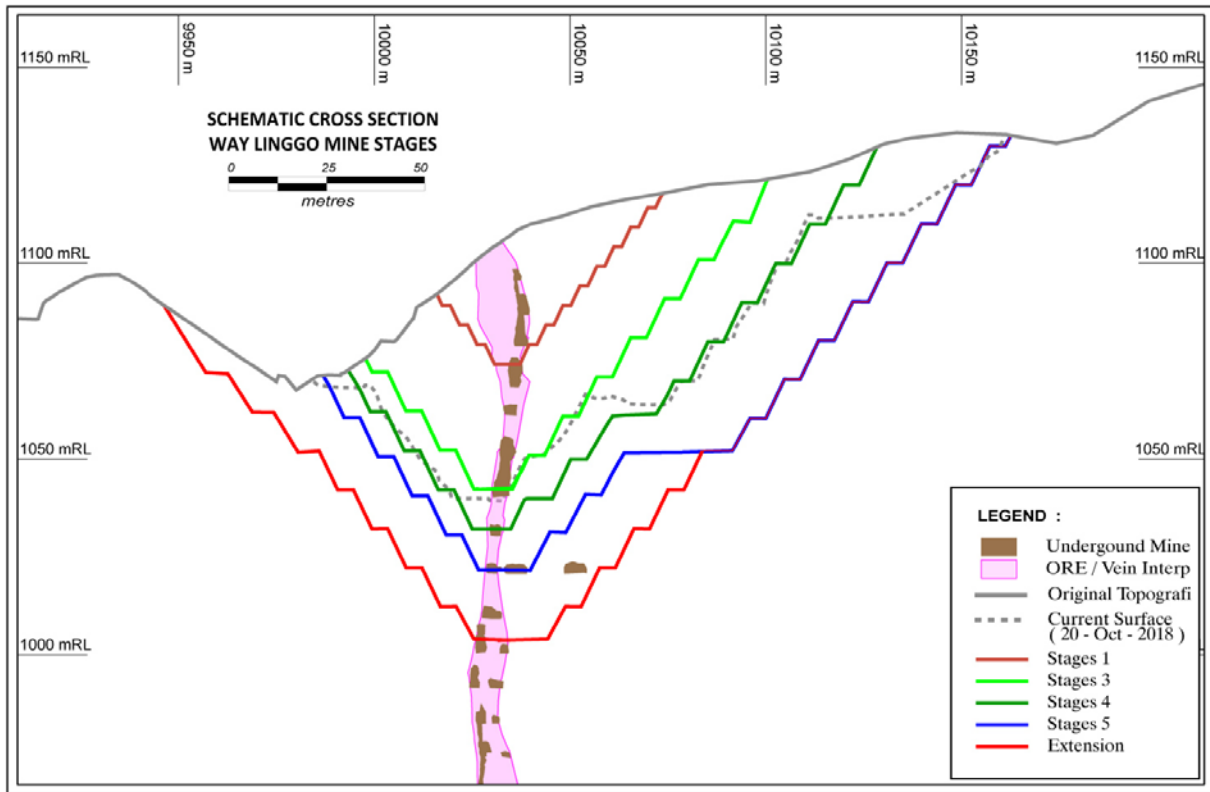


Figure 3: Cross Section showing Current Surface, Current Designs and Extension Way Linggo

### Talang Santo Open Pit Mine

Approval was granted for the commissioning of this second mine at the Way Linggo Project in late October and the Talang Santo open pit mine began waste stripping in November. Ore production began the same month with ore being encountered from just below the surface. Waste stripping continued, in line with expectations, in Stages 1 and 3.

All approvals were granted for the Talang Santo open pit during the quarter with final delivery of the government decrees received in January.

The Talang Santo open pit produced **4,603** ore tonnes at **6.4 g/t Au** and **11 g/t Ag** for the quarter.

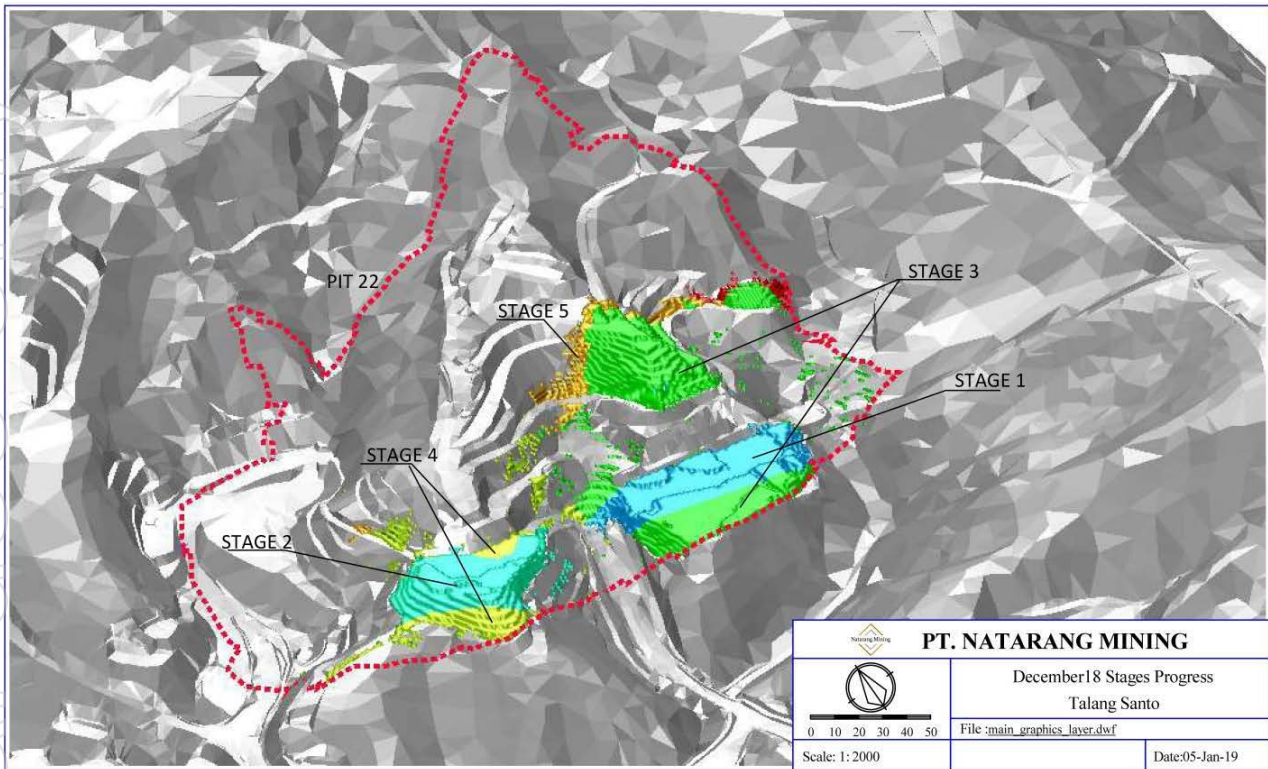


Figure 4: Current pit stages 1-5, Potential ultimate pit (pit 22)



Figure 5: Talang Santo Stage 1 Pit

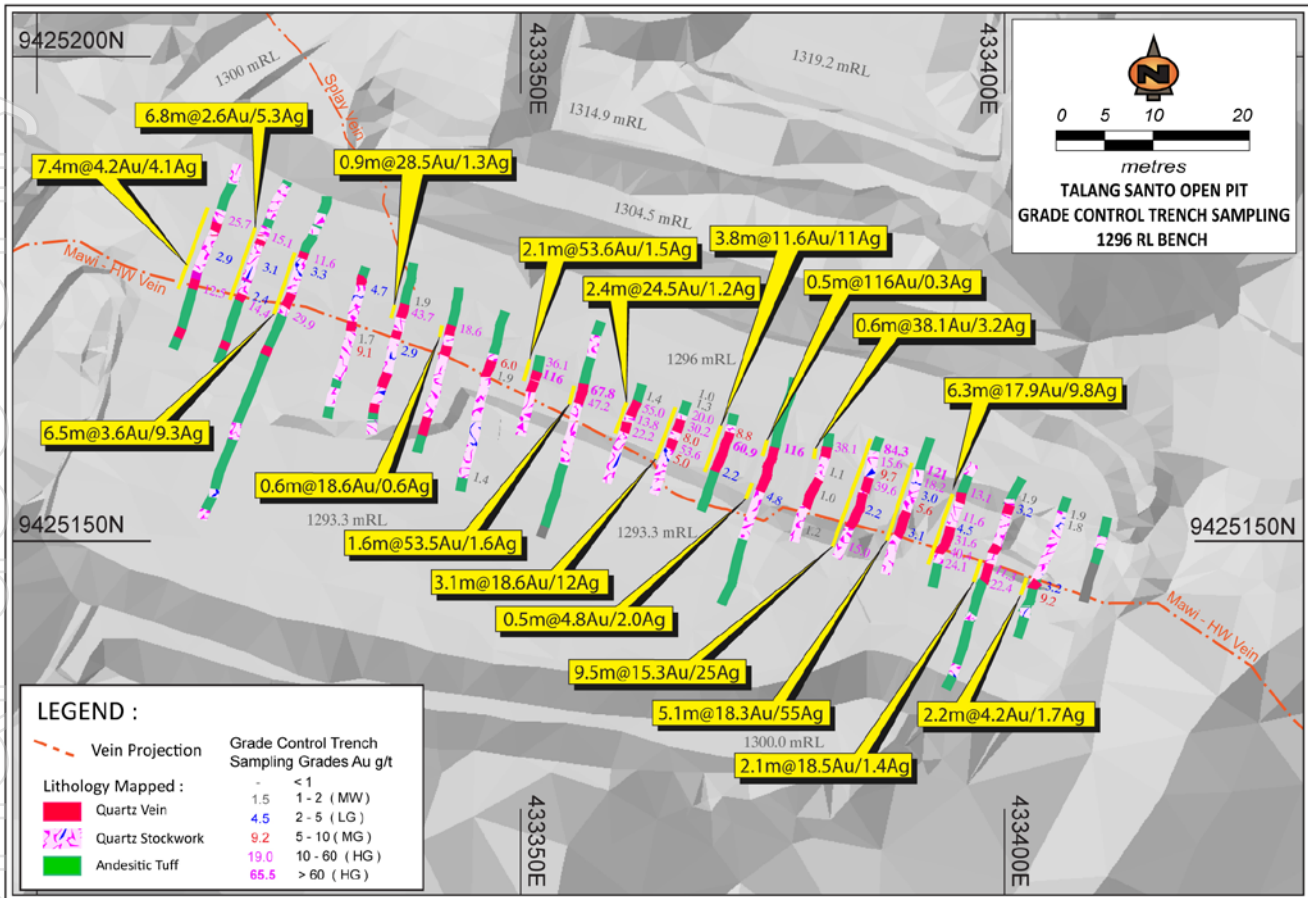


Figure 6: Talang Santo Stage 1 Pit, Grade Control Trenching Results

The grade control trenching has identified two zones of epithermal quartz vein mineralisation separated by quartz stockwork from surface in the Stage 1 pit. These mineralised zones are continuous down to the previously mined underground workings. High-grade quartz veins sampled during the grade control trenching have consistently returned assays greater than 20 g/t Au. Figure 6 highlights the high grades encountered in the pit with numerous multi ounce intervals encountered with grades up to a maximum of **121 g/t Au** to date.

The extensive grade control trenching program underway is confirming the extent of the near-surface mineralisation within the current pit designs. The extension of the mineral resource into this area is important for the understanding of the Talang Santo deposit and will be used to remodel the current mineral resource, optimise the Talang Santo open pit expansion as well as assess the potential to resume underground operations at Talang Santo.



## PROCESSING

The processing statistics for the operating period are tabulated below:

ORE PROCESSED	UNITS	SEPTEMBER 2018 QUARTER	DECEMBER 2018 QUARTER	YEAR TO DATE
TONNES MILLED	t	11,479	16,031	27,510
HEAD GRADE (GOLD)	g/t	6.6	7.4	7.1
HEAD GRADE (SILVER)	g/t	79	81	80
RECOVERY (GOLD)	%	95.6	92.9	94.0
RECOVERY (SILVER)	%	84.8	87.2	86.2
GOLD PRODUCED	oz	2,318	3,556	5,874
SILVER PRODUCED	oz	24,890	36,594	61,484

The plant throughput for the period was 16,031 dry tonnes at a head grade of 7.4 g/t Au and 81 g/t Ag. Gold recovery was slightly lower than the previous quarter. This was due to an area in the Way Linggo pit where the arsenic concentration of the ore increased resulting in lower recoveries. A study is currently underway to increase gold recoveries for this ore, and careful blending with other ore sources has shown improved results late in the quarter.

The processing plant operated at 45% capacity for the quarter, an increase of 10% on the preceding quarter. It is expected that the plant will begin to operate at 100% capacity in the June 2019 quarter when Way Linggo Stage 5 is producing ore and Talang Santo's ore production is more consistent.

## EXPLORATION

The Company continued upon its systematic and focussed exploration program during the quarter with the aim to discover and define additional high-grade gold resources within its large (10,000 hectare) tenement. Diamond drilling commenced on two prospects, Talang Toha Samin and Rawa Gabus, during the December 2018 quarter.



Exploration activities are illustrated in Figure 7 and summarised below:

- 2,676m of Diamond Drilling at Rawa Gabus and Talang Toha Samin
- 736m of auger soil sampling
- 17.1 km stream and ridge traverses
- 1,600 XRD (X-Ray Diffraction) samples and analysis
- 1,161 soil and rock chip samples

Drilling is ongoing at Rawa Gabus with 6 holes returning low grade gold intersections associated with a vein system and encouraging intervals have been returned:

- 1.55m @ 6.1 g/t Au and 7.1 g/t Ag from 160m downhole
- 1.0 m @ 11.5 g/t Au and 28 g/t Ag from 180m downhole
- 1.5 m @ 3.9 g/t Au and 6.4 g/t Ag from 142m downhole.

No significant gold intercepts were encountered at Talang Toha Samin but some of narrow anomalous silver intercepts were encountered.

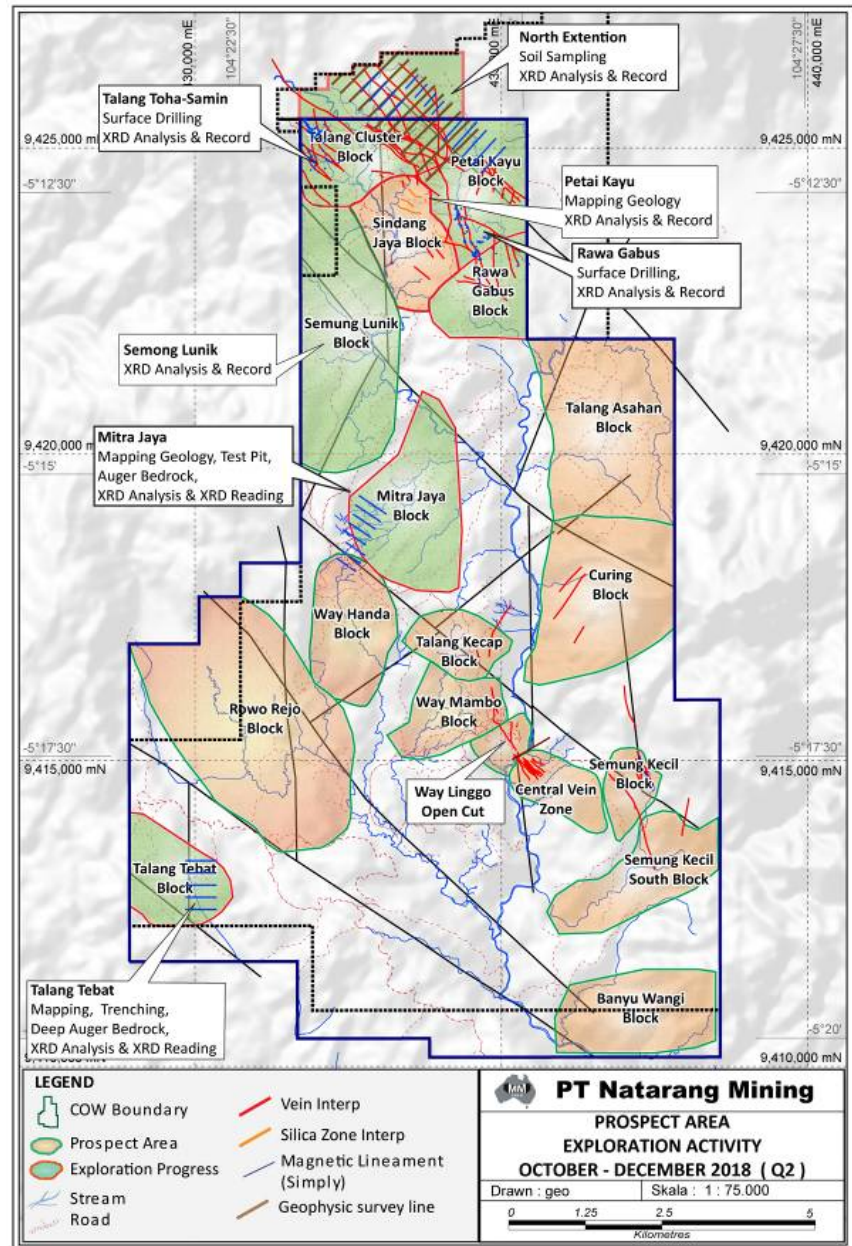


Figure 7: Exploration focus for quarter in Way Linggo Project Area



## 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;

- Assisted the local community after the Tsunami
- Donations to numerous elementary and preschools
- 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 in local area
- Donation of materials for the local police
- 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 additional food for children and elderly people around the company in 43 healthcare units.



Figure 8: Donation to local Women's Group



Figure 9: Donation of Materials to local Police



Figure 10 and 11: PT Natarang mines rescue team involved in recent Tsunami recovery efforts in South Sumatra, South Lampung Province





## Environment

The Group continues to conduct its operations in a manner that minimises its environmental foot print. Environmental activities during the quarter included reclamation, re-vegetation, conducting monitoring programs as well as assisting with sedimentation control, and waste management.

## GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold 3,440 ounces of gold at an average gold price of A\$1,715/oz (US\$1,236/oz) and realised A\$5.9m in revenue. The cash costs of production for the quarter were US\$1,351/oz and all-in sustaining costs of production for the period were US\$1,603/oz.

Overall, costs per ounce for the quarter were impacted by lower ore production rates due to waste stripping and a decrease in production due to the significantly higher than average rainfall. As a significant portion of the cost base is fixed and the process facility only operating for 45% utilisation, the unit costs were higher than anticipated, however as production increases, costs are forecast to decrease.

It is expected that gold production for the six months to the end of June 2019 will be 13,000 to 14,000 ounces, slightly less than last quarter's guidance, at an average C1 cost of US\$790 to US\$840 per ounce.

## CASH AND BULLION ON HAND AS AT 31 DECEMBER 2018

Cash & Term Deposits	A\$ 5.78M
Bullion <sup>1</sup>	<u>A\$ 3.60M</u>
<b>Total</b>	<b>A\$9.38M</b>

<sup>1</sup>Bullion includes unrefined (filter cake, dore) and refined gold (at A\$1,816/oz) and silver (at A\$22/oz).

## CAPITAL STRUCTURE

Ordinary Fully Paid Shares	730,007,352
Options	7,200,000 (various strike prices and expiry dates)
Performance Rights	789,115 (vest 30 June 2021)

## 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



KINGSROSE  
MINING LIMITED

### Competent Persons Statement

*The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled under the supervision of Dr Michael Andrews, who is a Fellow of the Australasian Institute of Mining and Metallurgy and a Director and Substantial Shareholder of Kingsrose Mining Limited. Dr Andrews has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves." Dr Andrews consents to the inclusion in this report of the matter based on his information in the form and context in which it appears.*

-ENDS-

**For more information please contact:**

Paul Jago  
Managing Director  
+61 8 9381 5588  
[info@kingsrosemining.com.au](mailto:info@kingsrosemining.com.au)

Paul Armstrong  
Read Corporate  
+61 8 9388 1474  
[paul@readcorporate.com.au](mailto:paul@readcorporate.com.au)

For more information regarding the Company's activities, please visit our website [www.kingsrosemining.com.au](http://www.kingsrosemining.com.au)

## 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: 31 December 2018	
Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	6,725	12,753
1.2	Payments for:		
	(a) exploration and evaluation	(228)	(491)
	(b) development	-	-
	(c) production	(6,721)	(14,440)
	(d) staff costs	(340)	(691)
	(e) administration and corporate costs	(444)	(866)
1.3	Dividends received	-	-
1.4	Interest received	21	51
1.5	Interest and other costs of finance paid	(13)	(26)
1.6	Income taxes paid	(452)	(579)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	389	482
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,063)</b>	<b>(3,807)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(194)	(623)
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	30	41
	(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>(164)</b>	<b>(582)</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)	(23)	(61)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(23)</b>	<b>(61)</b>

	Current quarter \$A'000	Year to date (6 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	6,951	10,068
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,063)	(3,807)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(164)	(582)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(23)	(61)
4.5 Effect of movement in exchange rates on cash held	78	161
<b>4.6 Cash and cash equivalents at end of period</b>	<b>5,779</b>	<b>5,779</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	4,779	3,066
5.2 Call deposits	1,000	3,885
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Cash and cash equivalents at end of quarter (item 4.6 above)</b>	<b>5,779</b>	<b>6,951</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

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

N/A

Current quarter \$A'000
142
-

**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

6.3 Explanation necessary to understand the transactions included in item 7.1 and 7.2

N/A

Current quarter \$A'000
-
-

**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	476
9.2 Development	-
9.3 Production	9,909
9.4 Staff costs	409
9.5 Administration and corporate costs	433
9.6 Other	-
<b>9.7 Total estimated cash outflows</b>	<b>11,227</b>

For personal use only

**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.



.....  
**Karen O'Neill**  
**Company Secretary**  
**31 January 2019**

=====

For personal use only