

Quarterly Report for the Period Ended 30 June 2019

## Another successive quarter of increased production, lower unit costs and higher revenue

Drilling underway below underground workings at Talang Santo

### HIGHLIGHTS

- Fourth successive quarter of increased production, lower unit costs and higher revenue.
  - Total production of 7,469 ounces of gold for the quarter (March quarter (Q3): 5,471 oz).
  - Cash costs of US\$919/oz (Q3: US\$1,036/oz), with all-in sustaining costs of US\$1,033/oz (Q3: US\$1,190/oz).
  - Gold sales of 5,626 ounces (Q3: 5,401 ounces) at an average gold price of A\$1,839/oz (Q3: US\$1,821/oz) generating A\$10.3m (Q3: A\$9.8m) in revenue.
- Cash and bullion of A\$12.4m at 30 June 2019 (Q3: A\$9.2m).
- A wall slip failure occurred in June in the Way Linggo open pit and brought mining in that pit to a halt. Production will be delayed by 4 to 5 weeks as a result.
- Talang Santo performing as expected. Surface drilling will be completed in July - August and the results will underpin near term production in the 2019/2020 plan.
- A diamond drilling program below the current underground works at Talang Santo and Way Linggo pits has been designed and approved. This drilling will commence in July and should be completed by December 2019.

## EXECUTIVE SUMMARY

Kingsrose Mining (ASX: KRM) is pleased to report on another successful quarter marked by increased production, lower unit costs and a significant increase in cash on hand.

The June quarter saw Talang Santo exceed production expectations. The Way Linggo pit produced consistently until late June when a wall failure stopped production there, (refer ASX announcement of 28 June 2019).

Kingsrose CEO Karen O'Neill said: "It has been pleasing to see the improvement in production at both the Way Linggo and Talang Santo pits, enabling us to record quarter on quarter improvement. However, the wall slippage in June has impacted our production outlook for the September quarter. We stopped processing on 2 July 2019 and plan to resume at the end of the first week of August 2019. While the plant is on standby, we are completing maintenance projects and stockpiling and crushing material from Talang Santo. We have completed an assessment on the Way Linggo pit slippage and the plans for remediation works. Normal mining resumed in mid-July, while remediation works continue around the north east wall while we develop a new ramp access. With equipment not being fully utilised in the Way Linggo pit, we reallocated it to Talang Santo and have been mining ahead of schedule in Talang Santo."

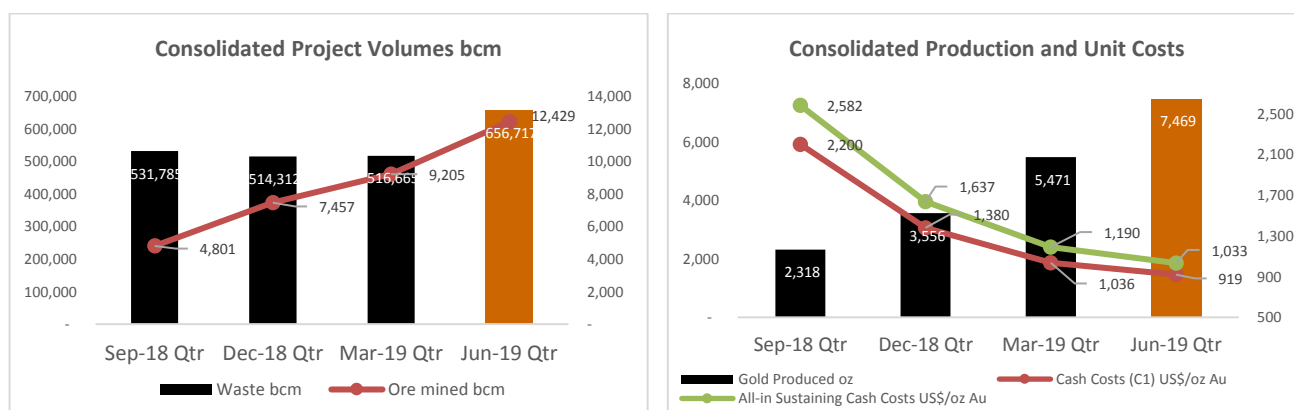
"We engaged an experienced specialist open pit geotechnical consultant to review the wall failure and provide recommendations for safely remediating the slip and restarting mining. We have the findings of this review and we will publish production guidance for the September quarter in the coming days."

"Our surface drilling program in and around the Talang Santo pit over the last quarter to assist in near-term ore interpretation and confirm resource extensions to the current pit boundary will finish in July. We expect to finalise the results of the program in August and review the pit design by September. This program is being followed by deep drilling under existing underground mine workings in both pits."

## Operations Overview

With the drier months experienced in May and June productivity has been high with a total of 669k bcm ore and waste moved (Q3: 526k bcm). The gold in ore mined totalled 7,871 ounces (Q3: 5,631 ounces) and Kingsrose produced 7,469 gold ounces and 46,699 silver ounces (Q3: 5,471 Au oz and 45,640 Ag oz).

The overall strip ratio has remained consistent with the prior quarter and with two pits in production the processing plant has been running close to capacity for the quarter. Consolidated unit costs are dropping as efficiencies are achieved through running the mill at capacity.





Way Linggo Project - Production Physicals						
Mining	Units	Sep-18 Qtr	Dec-18 Qtr	Mar-19 Qtr	Jun-19 Qtr	YTD 2018-19
<b>Talang Santo Open Pit</b>						
Waste	bcm	-	128,038	180,855	346,566	655,459
Ore Mined	t	-	4,603	8,020	12,833	25,457
Mined Grade - Gold	g/t	-	6.4	7.8	10.6	8.9
Mined Grade - Silver	g/t	-	11	22	33	26
<b>Way Linggo Open Pit</b>						
Waste	bcm	531,785	386,275	335,810	310,151	1,564,020
Ore Mined	t	11,283	12,318	13,839	16,747	54,186
Mined Grade - Gold	g/t	6.5	7.6	8.1	6.5	7.2
Mined Grade - Silver	g/t	80	106	102	78	91
<b>Total Mining</b>						
Waste	bcm	531,785	514,312	516,665	656,717	2,219,479
Ore Mined	t	11,283	16,922	21,859	29,580	79,643
Mined Grade - Gold	g/t	6.5	7.3	8.0	8.3	7.7
Mined Grade - Silver	g/t	80	80	73	58	70
Gold in Ore Mined	oz	2,358	3,980	5,631	7,871	19,840
Silver in Ore Mined	oz	28,963	43,700	51,106	55,336	179,104
<b>Processing</b>						
Ore Milled	t	11,479	16,031	22,702	29,123	79,335
Head Grade - Gold	g/t	6.6	7.4	7.9	8.4	7.8
Head Grade - Silver	g/t	79	81	73	58	70
Recovery - Gold	%	95.6	92.9	95.3	94.9	94.7
Recovery - Silver	%	84.8	87.2	85.9	85.6	85.9
Gold Produced	oz	2,318	3,556	5,471	7,469	18,815
Silver Produced	oz	24,890	36,594	45,640	46,699	153,823
<b>Way Linggo Project - Unit Costs Per Ounce Produced</b>						
Cash Operating Cost	Units	Sep-18 Qtr	Dec-18 Qtr	Mar-19 Qtr	Jun-19 Qtr	YTD 2018-19
Cash Costs (C1)	US\$/oz Au	2,200	1,380	1,036	919	1,198
All-in Sustaining Cash Cos	US\$/oz Au	2,582	1,637	1,190	1,033	1,383

### Health and Safety

Kingsrose had one Lost Time Injury in the quarter. In April a labourer sustained a fracture to the left thumb. There has been an overall reduction in the number of incidents compared to the previous quarter, however we had one Lost Time Injury and one Production Loss. Site safety programs continue to reinforce the need to undertake safety assessments before starting a job and encourage quality hazard reporting and inspections.

The 12-month moving average Lost Time Injury Frequency Rate is **1.18** (Q3: 0.62). The 12-month moving average Total Recordable Injury Frequency Rate for the site at the end of the quarter is **4.71** (Q3: 4.35).

## Exploration

Regional exploration was halted in May to focus primarily on the near pit drilling activities at Talang Santo. A geologist is currently employed to complete a comprehensive geochemistry and geophysics validation, compilation and reporting of the significant work undertaken on the regional exploration. This work is ongoing, and we expect an output, including prioritisation and assessment of targets, in the second quarter of this financial year.

In April, Kingsrose began a resource definition and resource extension surface diamond drilling program in and around the existing Talang Santo pit. Four drill rigs have been mobilised to site and achieved 3,949m this quarter out of a planned 4,970 metres. This drilling should be completed in late July and assays and review of results completed in August. These should inform our plans for the 2019/ 2020 financial year and any pit re-design should be completed by September 2019. Resource definition drilling was undertaken as a priority to inform current mining activities. The resource extension drilling is still being completed.

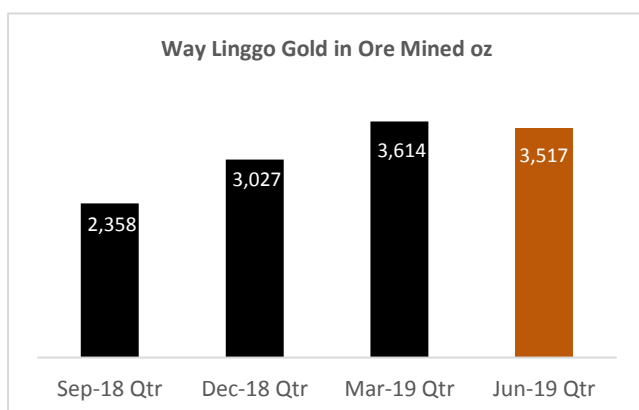
The next phase of drilling is deep drilling under the existing underground workings of both Talang Santo and Way Linggo mines. This drilling will begin in July in Talang Santo as soon as the surface diamond drilling program is complete. The program will begin below Talang Santo to confirm and evaluate the potential for re-entering the underground. We already have some significant deep drill intersections from previous drilling.

The planned drill pad sites for the deep holes under Way Linggo were impacted by the wall slip and so we intend to focus on Talang Santo first and then move the deep rig to Way Linggo. New drill sites are being assessed and will be confirmed in the coming month.

The deep drilling at Talang Santo will continue for approximately three months and then the Way Linggo holes will be completed. Results and assessment of this drill program are expected by December 2019.

## OPERATIONS

### Way Linggo Open Pit



The Way Linggo open pit mined **16,747** ore tonnes at **6.5g/t** Au and **78g/t** Ag (Q3: 13,839 t at 8.1g/t Au and 102g/t Ag) for the quarter. Total waste removed from the pit was **310,151 bcm** (Q3: 335,810 bcm).

Focus was on waste stripping on the eastern cutback from 1080mRL to 1060mRL and ore development at the bottom of the pit at 1037.5mRL to 1027mRL. April production was impacted with 233 hours lost due to rain. May and June were much drier with an average of 45 hours lost due to wet weather. In April and May ore tonnes mined were above

plan and sourced from underground stope pillars and remnant material from the previous underground mine, and a splay vein in the eastern cutback. The slip experienced in June impacted overall expected production for the quarter as mining ceased. There is a delay of 4 to 5 weeks in the production, mining in the pit was delayed by 3 to 4 weeks while the areas were assessed, and there is a section of the northern pit that will no longer be safely accessible that will impact our planned production for the coming 6 months by approximately 4,000 gold ounces.





**Figure 1: Way Linggo Open Pit June 2019, looking south**

#### Way Linggo Open Pit Wall Slippage Event Update

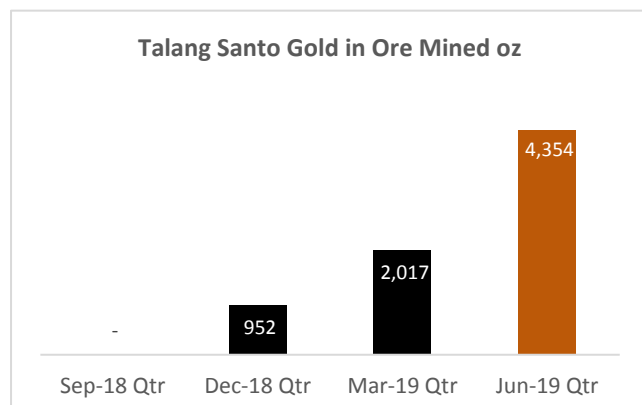
Further to the announcement of 28 June 2019 Kingsrose mobilised a specialised open pit geotechnical consultant to site to assess the slippage and recommend options for remediation and production recovery. Drone photogrammetry was also obtained to assist in the overall review.

The slip occurred on the northern portion of the eastern wall of the Way Linggo pit from the upper haulage ramp to the lower access ramp. It is a wedge type failure on a combination of a few weak structures. Some of these features were not obvious in pre-failure photos of the wall or mapping. The structures that failed extend below the current intact rock. An estimated 60,000 bcm material failed in the mid-section of the pit. At the time of the failure the operations had stood down all personnel and equipment as a safety measure and were monitoring movement in the walls.

Slip remediation underway includes pushing down the upper portion of the loose slip material to an angle lower than 40°. A second means of access is being developed to minimise risks of instability in the main ramp.

It is expected that the processing plant will be producing again by the end of the first week of August. There is an estimated 4,000 gold ounces that we believe we will leave buried under the defensive buttress at the base of the slippage.

### Talang Santo Open Pit



The Talang Santo pit produced **12,833** ore tonnes at **10.6g/t Au** and **33g/t Ag** (Q3: 8,020 t at 7.8g/t Au and 22g/t Ag) for the quarter. Total waste moved from the pit was 346,566 bcm (Q3: 180,855 bcm).

The Talang Santo pit design has been refined and we are currently mining a smaller pit in which we have a higher confidence we can achieve the plan. Since May 2019 we have undertaken an aggressive surface diamond drilling program focusing within the current pit boundary as well as on potential near pit resource extensions around the Talang

Santo pit. The drilling will be completed in July and all assay results compiled by August. These results will inform the current pit design and new ore model and to inform our near term 2019 / 2020 operational plans. Any material changes will be announced in September.

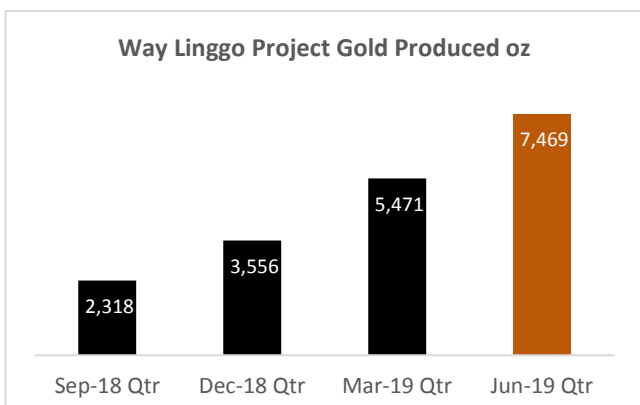
Talang Santo experienced less wet weather delays and has been mining according to expectations. As a result of the wall slip in Way Linggo an additional excavator fleet was brought over to Talang Santo to help increase the waste movement.



**Figure 2: Talang Santo Pit June 2019, looking north**



## Processing



The plant throughput for the quarter was **29,123** dry tonnes (Q3: 22,702 t) at a head grade of **8.4g/t Au** and **58g/t Ag** (Q3: 7.9g/t Au and 73g/t Ag). Gold recovery was in line with expectations at **94.9%** (Q3: 95.3%).

The plant operated at 92.5% of its capacity for the quarter, an increase of 22.5% on the March quarter and above the expected 90%.

Slightly lower recoveries were achieved compared to plan as a result of a higher ratio of Way Linggo ore being processed.

The Way Linggo ore is hard and recovery is improved by blending with softer Talang Santo material. Leach test work has been conducted on the Way Linggo ore to understand how to best optimise the blending to sustain consistent recovery. The mill processed more tonnes than planned, but the overall grade was slightly lower.

The stockpile at the end of the quarter was low due to the disruption of supply from Way Linggo from the wall slip. The intent is to build up the stockpiles until we can restart the mill to run at maximum capacity consistently for cost efficiency.

## COMMUNITY AND THE ENVIRONMENT

### Community

The aim of Community Relations and Empowerment team is to create a harmonious relationship between the community, our company and all stakeholders and to assist in increasing the community self-reliance in areas including health, education, agriculture and forestry.

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

- **Education:** donation of toys for kids in Buna Khanza kindergarten, Roworejo; donation of art supplies for Al Qolam high school, Kota Agung.;



**Figure 3 and 4: Donation of toys to Buna Khanza kindergarten**

- **Health:** empowering healthcare units around the company; donation of material for clean water infrastructure in Talang Palas and Petay Kayu; donation of medicine for a sick local in Blok 10;
- **Employment:** opportunity to the community around the company to work for the company as daily labourers for

Projects and Geophysics Survey works (Cutting the bushes, fixing the ditch, geophysics survey crew, driver, etc.; prioritizing local people on company recruitment; giving opportunity to the local people to be suppliers for the site canteen.;

- **Economic Independence:** assisting Nusa Indah small industries for women in Blok 10, Pekon Roworejo; assisting small industries of brown sugar in Pekon Petay Kayu;
- **Social and Cultural:** donation of muslim uniform for Pekon Banding and Pekon Nyam; volleyball field construction in Dusun Bandar Teladan, Pekon Bandar Agung; donation of uniform for Pekon Padang Ratu, Wonosobo; donation of cement for mosque renovation in Pekon Sri Purnomo; making flower arrangement and banner for the 73rd Bhayangkara anniversary;
- **Environmental:** assisting the community in maintaining the seedling nursery in Talang Toha and Talang Topa;
- **Creating the community groups to support community development:** assisting Satgas to handle natural disaster in Pekon Roworejo, Blok 10; assisting Women Group of Quran recitation in Blok 10, Sidodadi, Muara Dua, Rawa Gabus, Sindang Jaya, Petay Kayu; donation of uniform for female volleyball team in Pekon Petay Kayu;
- **Infrastructure support:** road maintenance in Petay Kayu and Penangkulan; construction of emergency embankment in Sungai Banding;



**Figure 5 and 6: Road maintenance in Petay Kayu and Construction of emergency embankment in Sungai Banding**

### Environment

The site practises continuous rehabilitation and revegetation to minimise its environmental impact. Environmental activities carried out this quarter include:

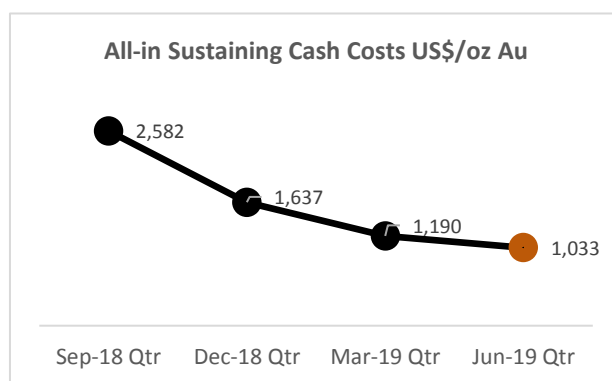
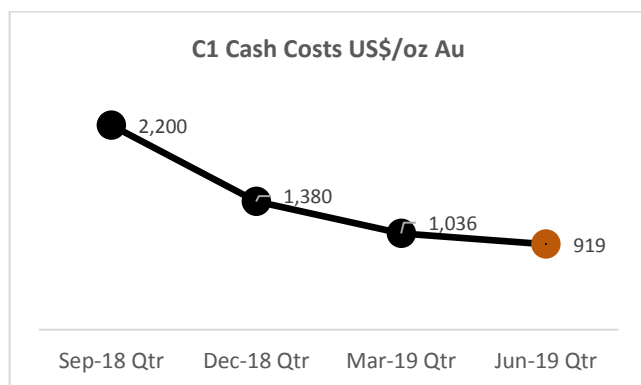
- Reclamation and Revegetation in Way Linggo waste dump
- Planting on slope at Talang Semin and maintenance of Nursery
- Continual environmental monitoring of statutory requirement for the sediment pond, river and ground water.
- Monthly water sampling by external laboratory
- Making V notch for measuring water discharge in sediment pond at Talang Santo.



## CORPORATE AND FINANCE

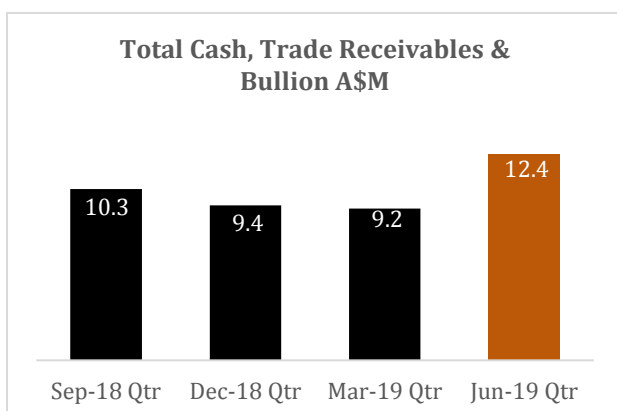
During the quarter the Company sold 5,626 ounces of gold (Q3: 5,401 ounces) at an average gold price of A\$1,839, US\$1,299 (Q3: A\$1,821, US\$1,305) per ounce and realised A\$10.3m (Q3: A\$9.8m) in revenue.

The cash costs (C1) of production for the quarter were US\$919 per ounce (Q3: US\$1,036), and all-in sustaining costs of production for the period were US\$1,033 per ounce (Q3: US\$1,190). Overall unit costs have improved due to increased ore production and associated efficiencies. This is the second quarter with positive earnings before interest and tax.



Compared to our outlook for this last quarter of the financial year we have overachieved. Production outlook was 5,500 – 5,800 ounces, we achieved 7,469 ounces, at guidance average cash cost (C1) per ounce of US\$980 – US\$1,100 while we achieved US\$919. A separate announcement will be issued shortly to provide guidance for the next 6 months of the Way Linggo project.

### Cash and Bullion on Hand as at 30 June 2019



Cash	A\$ 4.3m
Bullion <sup>1</sup>	<u>A\$ 8.1m</u>
<b>Total</b>	<b>A\$12.4m</b>

<sup>1</sup> Bullion includes unrefined (filter cake, Dore) and refined gold (at A\$2,009/ounce) and silver (at A\$22/ounce).

## 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 <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

### 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-

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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 June 2019</b>	
Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	11,099	34,593
1.2	Payments for:		
	(a) exploration and evaluation	(59)	(781)
	(b) development	-	-
	(c) production	(11,047)	(35,903)
	(d) staff costs	(414)	(1,578)
	(e) administration and corporate costs	(393)	(1,655)
1.3	Dividends received	-	-
1.4	Interest received	8	64
1.5	Interest and other costs of finance paid	(10)	(48)
1.6	Income taxes paid	(210)	(922)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	87	1,223
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(939)</b>	<b>(5,007)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(112)	(855)
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	2	43
	(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>(110)</b>	<b>(812)</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)	(31)	(119)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(31)</b>	<b>(119)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

	Current quarter \$A'000	Year to date (12 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	5,373	10,068
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(939)	(5,007)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(110)	(812)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(31)	(119)
4.5 Effect of movement in exchange rates on cash held	21	184
<b>4.6 Cash and cash equivalents at end of period</b>	<b>4,314</b>	<b>4,314</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	4,314	4,673
5.2	Call deposits	-	700
5.3	Bank overdraft	-	-
5.4	Other	-	-
<b>Cash and cash equivalents at end of quarter</b> (item 4.6 above)		<b>4,314</b>	<b>5,373</b>

**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	58
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	

**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**

		<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	-
9.2 Development	202
9.3 Production	10,574
9.4 Staff costs	348
9.5 Administration and corporate costs	404
9.6 Other	-
<b>9.7 Total estimated cash outflows</b>	<b>11,528</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**  
**Company Secretary**  
**30 July 2019**

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