

## KINGSROSE MINING LIMITED

### Quarterly Report for the Period Ended 30 September 2017

## Kingsrose marks successful quarter with end of administration, increased production, lower costs and appointment of new Board and management team

### OPERATIONAL HIGHLIGHTS

- Total production for the September 2017 quarter of 8,792 ounces – a 74% increase on the June 2017 quarter
- Cash costs at Way Linggo Project of US\$488/oz with all-in sustaining costs of US\$717/oz – a 47% decrease on the June 2017 quarter
- Way Linggo open pit continued to deliver high-grade, low cost gold and silver
- Potential to expand the current open pit at the Way Linggo Mine beyond currently planned cutback
- Subsequent to end of the quarter, operations at the Talang Santo Mine were suspended due to the unsustainable high cost of mining and continued operational challenges
- Study underway on establishing an open pit to access substantial high-grade ore remaining in upper levels at Talang Santo
- Scoping study underway to re-engineer the underground mine at Talang Santo

### CORPORATE

- Successful completion of the Deed of Company Arrangement (**DOCA**) with control of the Company's affairs reverting to the Directors on 31 July 2017
- Strengthened balance sheet resulting from completion of debt to equity conversion following shareholder approval
- Appointment of highly experienced mining engineer Paul Jago as Chief Executive Officer
- Appointment of three new Non-Executive Directors, completing the restructure of the Board of Directors
- Cash and bullion balance as at 30 September 2017 of A\$12.3M (June 2017: A\$8.8M)

## WAY LINGGO PROJECT OPERATIONS OVERVIEW

	UNITS	SEPTEMBER 2017 QUARTER	YEAR TO DATE
<b>MINE PRODUCTION</b>			
<b>TALANG SANTO</b>			
ORE MINED	t	7,422	7,422
MINE GRADE (GOLD)	g/t	6.7	6.7
MINE GRADE (SILVER)	g/t	17	17
<b>WAY LINGGO</b>			
ORE MINED	t	24,225	24,225
WASTE	bcm	121,919	121,919
MINE GRADE (GOLD)	g/t	9.1	9.1
MINE GRADE (SILVER)	g/t	66	66
<b>TOTAL</b>			
ORE MINED	t	31,647	31,647
MINE GRADE (GOLD)	g/t	8.5	8.5
MINE GRADE (SILVER)	g/t	54	54
<b>ORE PROCESSED</b>			
TONNES MILLED	t	32,882	32,882
HEAD GRADE (GOLD)	g/t	8.6	8.6
HEAD GRADE (SILVER)	g/t	53	53
RECOVERY (GOLD)	%	96.9	96.9
RECOVERY (SILVER)	%	86.8	86.8
GOLD PRODUCED	oz	8,792	8,792
SILVER PRODUCED	oz	48,761	48,761
<b>COSTS OF PRODUCTION</b>			
CASH OPERATING COSTS (C1)	US\$/oz	488	488
ALL-IN-SUSTAINING COSTS OF PRODUCTION	US\$/oz	717	717

### SAFETY

The 12-month moving average Lost Time Injury Frequency Rate was 3.77. The creation of a safe working environment continues to be a key focus of the Group.

### MINING

#### Way Linggo Mine

Open cut activities at the Way Linggo Mine continued to deliver high-grade, low cost gold and silver throughout the quarter, producing 24,225 tonnes at 9.1 g/t Au at a cash cost of just US\$311/oz.

The final pit cutback was approved by the Indonesian Mines Department during the quarter. The application for the Pinjam Pakai (borrow and use forestry permit) is expected to be approved in February 2018 in line with the Company's development timetable.

The approval of the pit cutback means the Company will continue to generate solid production and cashflow from this Mine. Given the outstanding result to date, a study is underway to explore the possibility of expanding the existing open pit beyond the currently planned cutback to recover the ore body down to the 3 Level.

### Talang Santo Mine

Total production at the Talang Santo Mine during the Quarter was, 7,422 tonnes @ 6.7 g/t Au and 17 g/t Ag.

Total development ore tonnes were 990 tonnes with stope production providing 6,432 tonnes.

Ore mining at Talang Santo continued to focus on the 5 Level Sublevel 3 as well as some remnant pillar recovery in previously mined areas. This proved to be difficult with recovered grade and tonnes being below expectations. In addition, water ingress and poor ground conditions continued to remain a challenge and impact production rates. It was anticipated that these difficult conditions would continue until the 6 Level internal access shaft was in a suitable position to allow access to the lower levels of the mine.

Development of the 6 Level internal access shaft continued throughout July, however sinking work was halted in August due to significant water inflow into the internal shaft. Grouting work commenced and continued throughout September.

### Suspension of Underground Operations at Talang Santo

A comprehensive financial and operational review of the Talang Santo Mine was undertaken by the Board and management during the quarter. The current mine design, mining method and associated operational risks, continued underperformance and unsustainable high costs resulted in the Board resolving to progressively suspend underground operations from mid-October.

The Company is firmly of the view that significant potential remains at Talang Santo and therefore it has commenced a scoping study to consider options to re-engineer the current underground mine. This would involve modern mechanised underground mining methods which would result in far greater rates of production and lower costs. The initial results of the study are encouraging and it is expected to be completed within a fortnight.

In parallel with the underground scoping study, the Company is in the process of completing a feasibility study on an open pit operation at Talang Santo, where, similar to the Way Linggo Mine, there is a significant high-grade portion of the Resource remaining in the upper levels of the mine. This was unable to be extracted via the current underground mining method.

Accessing the remnant Resource at Talang Santo via an open cut presents an excellent cash generation opportunity and will allow the Company to direct funds towards expanding the currently known resource at Talang Santo via additional exploration and also progress exploration on the wider Project area.

The Company is working to accelerate the open pit studies for Talang Santo and intends to seek the required regulatory approvals from the Indonesian Mines Department. At this stage, it is anticipated that the relevant open pit approvals will be received during the September 2018 quarter.

## PROCESSING

The processing statistics for the operating period are tabulated below

ORE PROCESSED	UNITS	SEPTEMBER 2017 QUARTER	YEAR TO DATE
TONNES MILLED	t	32,882	32,882
HEAD GRADE (GOLD)	g/t	8.6	8.6
HEAD GRADE (SILVER)	g/t	53	53
RECOVERY (GOLD)	%	96.9	96.9
RECOVERY (SILVER)	%	86.8	86.8
GOLD PRODUCED	oz	8,792	8,792
SILVER PRODUCED	oz	48,761	48,761

The plant throughput for the period was 32,882 dry tonnes at a head grade of 8.6 g/t Au and 53 g/t Ag. Recoveries Continued to exceed expectations with gold recovery for the quarter 96.9%.

## GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold 7,458 ounces of gold at an average gold price of A\$1,632/oz (US\$1,288) and realised A\$12.17m (June 17: A\$8.65m) in revenue. The cash costs of production for the quarter were US\$488/oz (June 17: US\$583/oz) and all-in sustaining costs of production for the period were US\$717/oz (June 17: 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. There was no expansion of disturbed areas or clearing for mining activities during the quarter.

During the quarter, a total of 0.317 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.

## CORPORATE

### Deed of Company Arrangement

A significant milestone was achieved during the quarter with the Company emerging from external administration, with effectuation of the DOCA occurring on 31 July 2017 and control of the Company's affairs reverting to the Directors.

Effectuation of the DOCA occurred following the approval by Shareholders of the issue of shares relating to the debt restructuring agreements reached between the Company and its secured lenders in February 2017. In addition, shareholders approved the issue of shares pursuant to various convertible loan facilities under which the Administrators raised \$6.55M between March and May 2017.

The approval of shares referred to above resulted in the Company's balance sheet being significantly strengthened with a large reduction in secured debt. The Company has one outstanding unsecured loan facility of A\$4.42M which remains interest free until July 2020. From July 2020, 5% interest per annum is payable monthly in arrears. To the extent that it has not been repaid earlier, this loan facility will be deferred to a single payment due on 30 November 2023.

### Appointment of new Directors and Management

The restructure of the Board and management team was completed during the quarter with the appointment three new Non-Executive Directors and highly experienced mining engineer Paul Jago as Chief Executive Officer. Mr Jago has had extensive experience in the management of both large and small open operations from pre-feasibility to production. His operational and management experience in these areas will be invaluable as the Company continues to move forward with the open cut at the Way Linggo Mine and as the transition to open cut mining at the Talang Santo Mine unfolds.

The new Board, led by non-executive Chairman Rod McIlree, was specifically selected to provide a diverse range of complementary skill sets to ensure the future stability and growth of the Company as it continues to develop its long term strategy aimed at delivering a consistent low-cost, high-grade production profile from the operating mines at the Way Linggo Project.

Dr Michael Andrews, a geologist and substantial shareholder of the Company who has over 35 years' experience, much of which has been in Indonesia, was appointed a non-executive Director, as was Grant Mills, who brings to the Board extensive commercial experience with a particular focus on manufacturing and mining particularly in Asia. Mr John Morris, formally Chairman, remains on the Board as a non-executive Director.

### CASH AND BULLION ON HAND AS AT 30 SEPTEMBER 2017

Cash & Term Deposits	A\$6.94M
Bullion & Trade Receivables <sup>1</sup>	<u>A\$5.39M</u>
<b>Total</b>	<b>A\$12.33M</b>

<sup>1</sup> Bullion includes unrefined (filter cake, dore) and refined gold (at A\$1,637/oz) and silver (at A\$22/oz).

### CAPITAL STRUCTURE

Ordinary Fully Paid Shares	730,007,352
Options	10,300,000 (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 QUARTER
4 <sup>th</sup> generation Contract of Work	Lampung Province, South Sumatra, Indonesia	N/A	85%	N/A

**-ENDS-**

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## 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: 30 September 2017	
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	12,988	12,988
1.2	Payments for:		
	(a) exploration and evaluation	(424)	(424)
	(b) development	(1,272)	(1,272)
	(c) production	(7,613)	(7,613)
	(d) staff costs	(426)	(426)
	(e) administration and corporate costs <sup>(i)</sup>	(1,928)	(1,928)
1.3	Dividends received	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(13)	(13)
1.6	Income taxes paid	(121)	(121)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	239	239
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>1,431</b>	<b>1,431</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(117)	(117)
	(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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(117)</b>	<b>(117)</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	(97)	(97)
3.8	Dividends paid	-	-
3.9	Other (Repayment of hire purchases)	(52)	(52)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(149)</b>	<b>(149)</b>

(i) Largely comprises of costs associated with the external administration of the Company which ceased on 31 July 2017.

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

		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,934	5,934
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,431	1,431
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(117)	(117)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(149)	(149)
4.5	Effect of movement in exchange rates on cash held	(160)	(160)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,939</b>	<b>6,939</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	6,939	5,934
5.2	Call deposits	-	-
5.3	Bank overdraft	-	-
5.4	Other	-	-
	<b>Cash and cash equivalents at end of quarter</b> (item 4.6 above)	<b>6,939</b>	<b>5,934</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

Current quarter \$A'000
162
-

No amounts were paid to directors of the entity and their associates during the quarter, except for:

- An amount of \$0.008m relating to fees paid to former directors for the period from 1 August 2017 (post cessation of external administration) to 16 August 2017 (resignation date); and
- An amount of \$0.154m relating to drilling services rendered during the external administration period which were provided by an entity associated with a newly appointed 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

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

N/A
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**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	4,416	4,416
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.

Item 8.1 consists of a loan from Beaurama Pty Ltd. 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. At balance date, the loan is carried at amortised cost of \$2.18m.

**9. Estimated cash outflows for next quarter**

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


\* Following the cessation of external administration, the new Board of Directors undertook a comprehensive operational and financial review of the Company. This work is progressing and is still underway (Refer ASX Announcement dated 11 October 2017). 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**

	<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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**Joanna Kiernan**  
**Company Secretary**  
**27 October 2017**

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