



KINGSROSE
MINING LIMITED

KINGSROSE MINING LIMITED

Quarterly Report for the Period Ended 31 December 2019

Outstanding Quarter Positions Kingsrose with A\$26.5m in Cash and Bullion

FY20 guidance increased to 25,000-29,000oz at AISC of US\$930-US\$1,130/oz
Encouraging drilling results and initial studies highlight potential for a resumption of
underground mining at Talang Santo

HIGHLIGHTS

<u>Consolidated Production</u>		<u>Jun 19 Qtr.</u>	<u>Sep 19 Qtr.</u>	<u>Dec 19 Qtr.</u>	<u>Dec 19 Qtr.</u>
<u>Summary</u>		<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Guidance</u>
Mined Ounces	Au oz	7,871	10,214	13,221	13,500
Gold Produced	Au oz	7,469	6,049	10,950	7,500
Silver Produced	Ag oz	46,699	31,892	85,006	62,000
Cash Costs (C1)	US\$/oz	919	711	335	700
All in Sustaining Costs	US\$/oz	1,033	854	464	850

- December quarter gold production of 10,950oz, exceeding guidance by 45%
- All-in sustaining costs (AISC) of US\$464/oz
- Gold sales of 12,056oz at an average gold price of A\$2,179/oz (US\$1,491/oz), generating A\$26.3m in revenue
- Cash and bullion of A\$26.5m at December 31, 2019 (September 30, 2019: A\$15.2m); no debt
- Way Linggo pit successfully mined to planned closure depth; mining ceased on December 19, 2019
- Talang Santo pit performed in line with expectations
- Talang Santo drilling confirmed continuity of high-grade mineralisation below and along strike from old underground workings
- Initial studies highlight potential to resume underground mining at Talang Santo
- Production of 17,000oz gold at an all-in sustaining cost (AISC) of US\$603/oz for the six months to December 31 compared to six-month guidance (published on 8 August 2019) 9,500oz–11,000oz at an AISC of US\$1,000-US\$1,200/oz
- Guidance for the year to 30 June 2020 is upgraded from 23,000-25,000oz to 25,000-29,000oz at an AISC of US\$930 – US\$1,130/oz



EXECUTIVE SUMMARY

Kingsrose Mining (ASX: KRM or the “Company”) is pleased to report on another highly successful quarter, marked by strong production and substantial free cashflow generation.

This outstanding performance culminated in Kingsrose finishing the quarter with A\$26.5 million in cash and bullion, up from A\$15.2 million on September 30.

In light of these results, the Company has increased its FY20 guidance to 25,000-29,000oz at an AISC of US\$930-US\$1,130/oz.

Production during the quarter came from mining at both the Way Linggo and Talang Santo open pits. Mining ceased at Way Linggo as planned on December 19, 2019 but processing of lower-grade stockpiles from Way Linggo is underway and scheduled to continue until June 2020.

Mining at the Talang Santo open pit is expected to continue until May 2020, although work is underway on the potential to extend production from Talang Santo.

The deep diamond drilling program below the existing Talang Santo underground works was successfully completed. This programme achieved its key objective of increased confidence in the resource both below and along strike from the underground workings and confirmed continuity of high-grade mineralisation.

Preliminary results of a conceptual study conducted by an independent consulting group indicate there is strong potential for a resumption of underground mining at Talang Santo below the previous underground workings. This preliminary high-level review indicates scope for an initial three-year mine life and work will continue in the new year to complete a full evaluation.

One deep diamond drill hole was completed below the Way Linggo underground workings in November 2019. Although this drill hole intercepted the main Way Linggo fault structure down plunge, no economic grades were returned. Samples from this core have been sent for petrological, fluid inclusion and XRD mineralogy studies and further drilling will be dependent on findings.

Strategic focus for six months to June 30, 2020:

- Extension of operations:
 - Phase 2 deep diamond drilling at Talang Santo to begin early 2020 with the key objectives of increasing resource confidence in the planned new underground area and to confirm continuation of ore to deeper levels.
 - Completion of independent conceptual study for the resumption of underground mining at the Talang Santo deposit.
 - Evaluation of potential for remnant mining in area of previous underground mining below the existing open pit.
- Building a pipeline of projects:
 - Compilation of all historical exploration and geological data for the entire Contract of Work into a single database has been completed and several regional target areas have been identified and ranked and field verification is underway.
 - During the first quarter of 2020 independent experts will conduct site visits to review the exploration data and working with the Company’s geologists will optimize exploration and drilling programmes for 2020.



Kingsrose CEO Karen O’Neill said: “These latest results provide more evidence that Kingsrose is now consistently delivering on its operational and financial targets. This includes production figures which are in line with plans and forecasts supported by tight cost control.

“The December Quarter results were outstanding on many levels, Ms O’Neill said. The Way Linggo pit delivered substantial ore at a low strip ratio. We also prioritised high-grade and medium-grade stockpiles through the processing plant which helped to maximise production. These factors resulted in extremely low All in Sustaining Costs per ounce.

“Our cash and bullion position rose 74 per cent to A\$26.5 million. This is important because it puts the Company in an extremely robust position as it looks to extend production at Talang Santo beyond the pit’s current mine life.

In the six months to June 2020 production will continue from the Talang Santo pit and from lower-grade material in the stockpiles. While we won’t repeat the spectacular performance of this December quarter, production guidance has been increased for the 12 months to June 30, 2020.

“Our focus is now firmly on planning for new production sources. Drilling results and preliminary studies by an independent consultant highlight the excellent potential to resume underground mining at Talang Santo and this study will continue in the current quarter.

“We also believe there is strong potential to increase the Way Linggo inventory and mine life through our regional exploration program. As part of this we are looking forward to inviting structural geologist experts to site and sharing our data for a geologically reasoned set of prioritised targets.

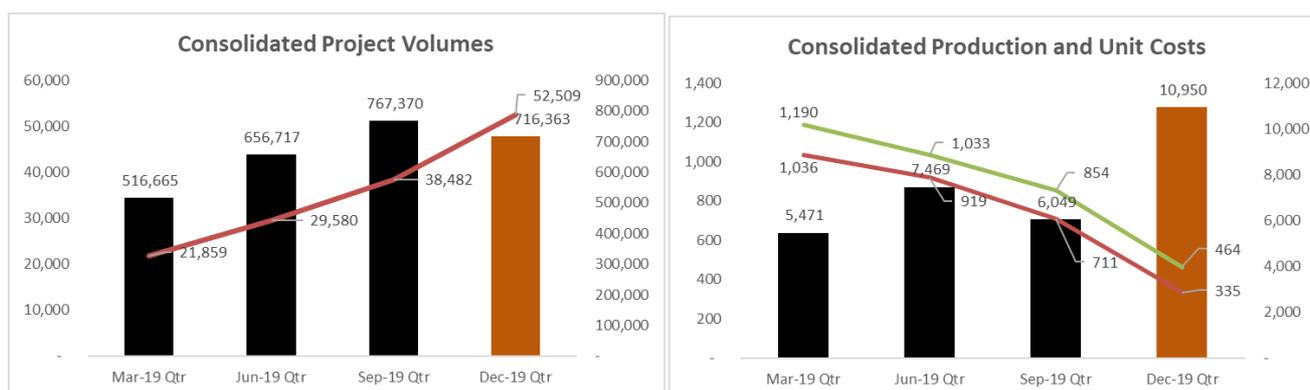
“We look forward to moving ahead with these growth strategies in 2020.”

OPERATIONS OVERVIEW

Productivity was high with a total of **734k bcm** ore and waste moved (FY2020 Q1: 777k bcm). The gold in ore mined totalled **13,221 ounces** (FY2020 Q1: 10,214 ounces) and Kingsrose produced **10,950 gold ounces** and **85,006 silver ounces** (FY2020 Q1: 6,049 Au oz and 31,892 Ag oz).

The processing plant ran at capacity for the quarter and has consistently pushed higher than forecast throughput rates and achieved higher recovery from higher grade.

Consolidated unit cash costs and all in sustaining costs dropped significantly with increased production.





	UNITS	SEPTEMBER 2019 QUARTER	DECEMBER 2019 QUARTER	YEAR TO DATE
MINE PRODUCTION				
WAY LINGGO				
WASTE	bcm	277,567	126,778	404,345
ORE MINED	t	13,441	31,224	44,666
MINE GRADE (GOLD)	g/t	10.0	8.8	9.2
MINE GRADE (SILVER)	g/t	117	124	122
TALANG SANTO				
WASTE	bcm	489,803	589,585	1,079,388
ORE MINED	t	25,040	21,285	46,325
MINE GRADE (GOLD)	g/t	7.3	6.4	6.9
MINE GRADE (SILVER)	g/t	26	32	28
TOTAL				
WASTE	bcm	767,370	716,363	1,483,733
ORE MINED	t	34,482	52,509	90,991
MINE GRADE (GOLD)	g/t	8.3	7.8	8.0
MINE GRADE (SILVER)	g/t	57	87	74
ORE PROCESSED				
TONNES MILLED	t	21,277	34,237	55,515
HEAD GRADE (GOLD)	g/t	9.2	10.4	9.9
HEAD GRADE (SILVER)	g/t	56	95	80
RECOVERY (GOLD)	%	96.6	95.4	95.9
RECOVERY (SILVER)	%	83.0	81.3	82.0
GOLD PRODUCED	oz	6,049	10,950	17,000
SILVER PRODUCED	oz	31,892	85,006	116,898
COSTS OF PRODUCTION				
CASH OPERATING COSTS (C1)	US\$/oz	711	335	469
ALL-IN-SUSTAINING COSTS OF PRODUCTION (AISC)	US\$/oz	854	464	603

SAFETY

In this quarter one Medical Treatment Injury and one Restricted Duties Injury occurred, with a 12-month moving average Lost Time Injury Frequency Rate (LTIFR) of **1.12** (FY2020 Q1: 1.14). The total recordable injury frequency rate (TRIFR) for the site at the end of the quarter was **3.36** (FY2020 Q1: 3.98).

Continued focus on the safety programs including Hazard Reporting, Safety Inspections, Take 5 safety checks and training ensure that safety is absolute priority in the operations. Site is constantly reviewing ways to reinforce the safety management system and keep motivating employees.



MINING

Way Linggo Mine



The Way Linggo open pit mined **31,224** ore tonnes at **8.8 g/t Au** and **124 g/t Ag** (FY2020 Q1: 13,441 t at 10.0 g/t Au and 117 g/t Ag) for the quarter. Total waste removed from the pit was **126,778 bcm** (FY2020 Q1: 277,567 bcm).

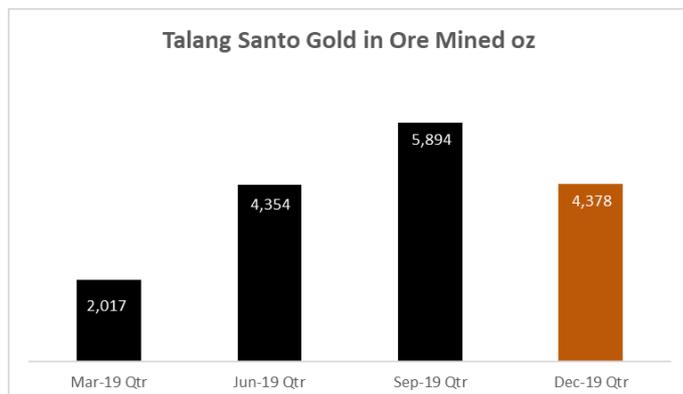
Mining ceased in the Way Linggo pit on December 19, 2019 as planned. Rehabilitation on the area has begun. The team achieved more than planned depth without further significant incident after the wall failure in late June 2019 (see ASX release dated June 28, 2019).



Figure 1: Way Linggo Open Pit



Talang Santo Open Pit Mine



The Talang Santo pit produced **21,285** ore tonnes at **6.4 g/t Au** and **32 g/t Ag** (FY2020 Q1: 25,040 t at 7.3 g/t Au and 26 g/t Ag) for the quarter. Total waste moved from the pit was **589,585 bcm** (FY2020 Q1: 489,803 bcm).

Material movement from the pit remained consistent and at higher than planned efficiency.

Drier than expected seasonal weather assisted in maximising production and the quarter lost in total only 170 hours of production due to 24mm of rain over 51

days (FY2020 Q1: 40 hours due to 84mm over 15 days).

The current Talang Santo open pit cutback is forecast to be completed in May 2020 and gold production from milling stockpiled ore will continue to June 2020. A potential further cutback is currently being reviewed and any changes in plan will be finalised before the end of this quarter.



Figure 2: Talang Santo open pit looking east



Talang Santo In-Fill Deep Drilling Programme

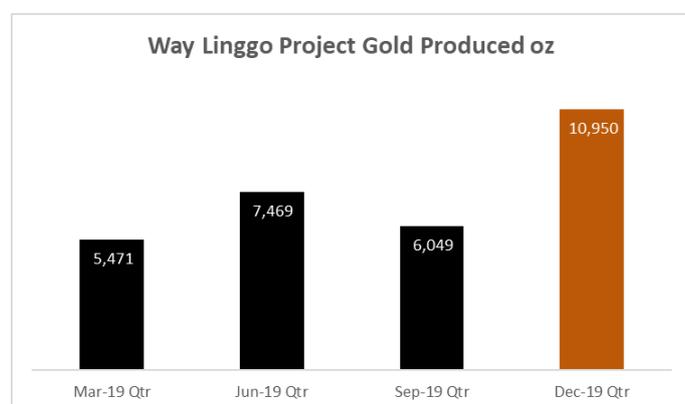
The first phase of a deep diamond drilling program under existing Talang Santo underground works was successfully completed and significant intercepts were reported to the market in November 2019 (see ASX releases dated November 11 and November 20, 2019).

This Phase 1 deep drilling programme of 21 drill holes (7,318.2m) infilled and tested grade continuity between widely spaced intersections from the drilling campaigns, completed by the Company in 2012 and 2013, which highlighted the potential for continuation of high-grade gold mineralisation below the underground mine at Talang Santo. This programme achieved its key objective of increased confidence in the resource both below and along strike from the previous underground workings and confirmed continuity of high-grade mineralisation.

Planning is underway for a second phase of deep diamond drilling beneath the Talang Santo Mine with the objectives of extending the known depth and strike extents of identified high-grade zones and testing other areas along the main Talang Santo vein structure where individual high-grade intersections from the earlier drilling have not been followed up.

The positive outcome of this and subsequent drill programmes, in conjunction with a full assessment of appropriate underground mining methodologies, will enable Kingsrose to determine the potential for future underground mining at Talang Santo.

PROCESSING



The plant throughput for the quarter was **34,237** dry tonnes (FY2020 Q1: 21,277 t) at a head grade of **10.4 g/t Au** and **95 g/t Ag** (FY2020 Q1: 9.2 g/t Au and 56 g/t Ag). Gold recovery was marginally above forecast at **95.4%** (FY2020 Q1: 96.6%). Gold production for the quarter was **10,950** ounces (FY2020 Q1: 6,049 ounces) and silver production **85,006** ounces (FY2020 Q1: 31,892 ounces).

The plant exceeded quarter expectations in two key areas: throughput rates and gold grade. Optimisation was possible due to sufficient ore stocks of soft and hard ore to blend and high and medium grade ore from the stockpiles was prioritised to maximise production. The mill is forecast to continue running at capacity through to June 2020.

EXPLORATION

Regional exploration drilling was put on hold while the priority in-fill resource drilling at Talang Santo was completed.

Compilation of all historical exploration and geological data for the entire Contract of Work area into a single database has been completed. This work is designed to provide input into 3D modelling and structure interpretation to assist in a refresh and geologically reasoned ranking of target areas by our internal team and independent structural geologists. Several priority target areas have been highlighted and field verification is underway. During the first quarter of 2020 expert consultants will conduct site visits to review the exploration data and, working with the Company's geologists, will optimize exploration and drilling programmes for 2020.



Way Linggo Deep Drilling

A single deep drill hole was completed along strike from the Way Linggo underground workings in November 2019. This drill hole targeted the main fault structure hosting the Way Linggo orebody approximately 150 meters along strike to the north of the old underground workings at a depth of 50 m below the deepest level of workings. The drill hole successfully intercepted the main structure represented by a 4.8 metre quartz/calcite vein. The dominant calcite parts of this vein were barren and quartz intervals were weakly mineralized grading between 0.93 g/t Au and 1.92 g/t Au.

Although no economic grades were returned the intercept confirms the continuation of the main Way Linggo fault structure northwards. This represents a priority exploration target for hosting potential additional ore zones. Core samples have been sent for petrological, fluid inclusion and XRD mineralogy studies to assist vectoring within the epithermal system and planning additional drill testing.

COMMUNITY AND THE ENVIRONMENT

Community

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

During the quarter resources were directed towards local community initiatives at numerous local villages including construction of clean water infrastructure in two regional community areas; road improvements and road construction between villages; preparation of an area to be used as a village marketplace; and various donations to local religious centres, health centres and student associations.



Figures 3 and 4: Donation of uniforms to community healthcare workers; and monitoring road improvements in local community.

Environment

The site practises continuous rehabilitation and revegetation to minimise its environmental impact. This quarter close to 23,000 trees have been planted in several reclamation areas including waste dumps at Way Linggo and Talang Santo. Upkeep of nurseries to provide the saplings is ongoing as is the maintenance of the planted areas.

Statutory environmental monitoring of sedimentation ponds, the tailings storage facility and ground water is ongoing.

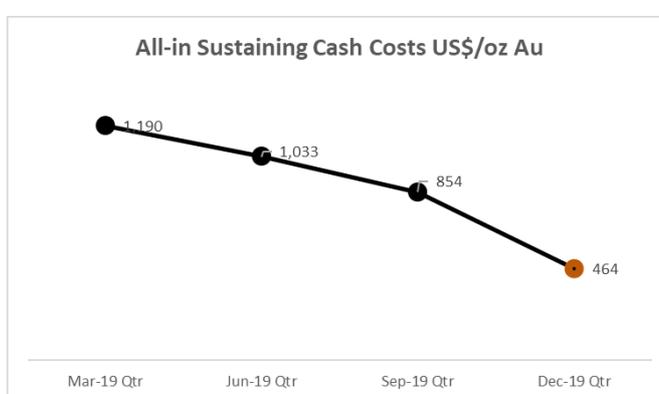
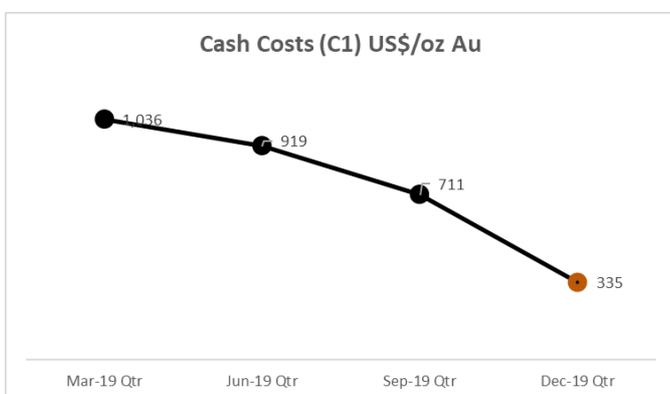


GOLD SALES AND COSTS OF PRODUCTION

During the quarter the Company sold **12,056 ounces** of gold at an average gold price of **A\$2,179/oz** (US\$1,491/oz) and realised **A\$26.27m** in revenue, (FY2020 Q1: 5,755* oz at A\$2,103/oz / US\$1,442/oz).

The cash costs of production for the quarter were **US\$335/oz** and all-in sustaining costs of production for the period were **US\$464/oz**. These unit costs are expected to increase in the next two quarters as ounce production reduces while we fill the processing plant with lower grade material than we have processed this quarter, however the Company still expects to finish the 2020 year with an average Cash Cost of US\$730-US\$780/oz and an All-in Sustaining Cost of US\$930-US\$1,130/oz.

(*an error in the September 2019 quarterly recorded sold ounces of 5,920 ounces – an overstatement of 165 ounces. Revenues reported were correct.)

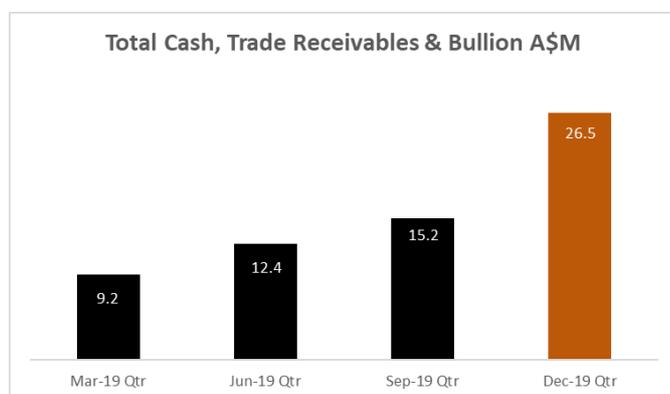


GUIDANCE TO 30 JUNE 2020

In the guidance given to market in the previous quarterly report Kingsrose's 12-month production guidance to 30 June 2020 was **23,000-25,000oz** at a Cash Cost of **US\$730-US\$780/oz** and an All-in Sustaining Cost of **US\$930 – US\$1,130/oz**.

Production Guidance is now increased to a 12-month production to 30 June 2020 of **25,000 – 29,000oz**.

CASH AND BULLION ON HAND AS AT 31 DECEMBER 2018



Cash & Term Deposits	A\$19.98M
Bullion ¹	A\$ 6.52M
Total	A\$26.50M

¹ Bullion includes unrefined (filter cake, dore) and refined gold (at A\$2,174/oz) and silver (at A\$26/oz).



CAPITAL STRUCTURE

Ordinary Fully Paid Shares	730,007,352
Options	6,200,000 (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 th 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-

For more information please contact:

Karen O'Neill
Managing Director and CEO
+61 8 9381 5588
info@kingsrosemining.com.au

Paul Armstrong
Read Corporate
+61 8 9388 1474
paul@readcorporate.com.au

For more information regarding the Company's activities, please visit our website 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 Kingsrose Mining Limited ABN 49 112 389 910		Quarter ended: 31 December 2019	
Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	28,384	41,296
1.2	Payments for:		
	(a) exploration and evaluation	(938)	(938)
	(b) development	(582)	(985)
	(c) production	(11,785)	(22,340)
	(d) staff costs	(323)	(674)
	(e) administration and corporate costs	(295)	(552)
1.3	Dividends received	-	-
1.4	Interest received	4	5
1.5	Interest and other costs of finance paid	(12)	(23)
1.6	Income taxes paid	(188)	(406)
1.7	Research and development refunds	-	-
1.8	Other (VAT refund received)	129	871
1.9	Net cash from / (used in) operating activities	14,394	16,254
2.	Cash flows from investing activities		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(397)	(590)
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	1	1
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(396)	(589)
3.	Cash flows from financing activities		
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)	(21)	(44)
3.10	Net cash from / (used in) financing activities	(21)	(44)

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (6 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6,142	4,314
4.2 Net cash from / (used in) operating activities (item 1.9 above)	14,394	16,254
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(396)	(589)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(21)	(44)
4.5 Effect of movement in exchange rates on cash held	(139)	45
4.6 Cash and cash equivalents at end of period	19,980	19,980

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	14,984	6,142
5.2 Call deposits	4,996	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Cash and cash equivalents at end of quarter (item 4.6 above)	19,980	6,142

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

Item 6.1 consists of:

- Directors' fees A\$46K
- Drilling services provided by an entity associated with a director A\$1,123K
- Consulting fees provided by an entity associated with a director A\$4K

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

8. Financing facilities available

	Total facility amount at quarter end \$A'000	Amount Drawn at quarter end \$A'000
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

	\$A'000
9.1 Exploration and evaluation	222
9.2 Development	963
9.3 Production	8,113
9.4 Staff costs	350
9.5 Administration and corporate costs	309
9.6 Other	1,307
9.7 Total estimated cash outflows	11,264

10. Changes in interests in mining tenements

	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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
29 January 2020

== == == == ==