

# Kingsrose Mining Limited



Quarterly Activities Report for the three months ended 30 September 2011

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## HIGHLIGHTS DURING THE QUARTER

- **Way Linggo Gold Project (85% KRM)** produced **9,702 oz of gold** and 120,663oz of silver (or 11,918 oz gold equivalent) for the quarter. Gold production increased by 11% from the previous quarter despite down-time resulting from the tie-in and commissioning of the SAG mill.

### Quarterly Production:

	Jun-11 Qtr	Sep-11 Qtr	Project To Date
<b>Gold – oz</b>	8,756	<b>9,702</b>	36,758
<b>Silver - oz</b>	108,430	<b>120,663</b>	439,532
<b>Gold Equivalent – oz*</b>	11,045	<b>11,918</b>	45,773

- Cash operating costs for the quarter were **US\$154** per gold ounce (after silver credits).
- Project Cash Operating Surplus (**EBITDA**) reached **US\$13.08 million** for the quarter (pre-audit).
- Successful commissioning of the SAG mill improved operability of the plant and increased milling capacity.
- The Way Linggo total Mineral Resource update as of 30 June 2011 was 710,342 tonnes @ 10.24 g/t Au and 135.6 g/t Ag.
- Drilling success continued at the Talang Santo prospect with additional high grade epithermal vein intercepts received that continue to suggest that the prospect has potential to be a second mine at the Way Linggo Operation.
- Closing cash balance and bullion increased \$A5.4 million for the quarter to **A\$32.7 million**.

\* Gold equivalent oz was calculated by dividing the silver ounces by the average gold price received and multiplied by the average silver price received for the quarter

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**WAY LINGGO PROJECT (85% KRM)**
**OPERATIONS SUMMARY**

The table below shows Way Linggo Project performance over the quarter:

Table 1- KEY INDICATORS	Unit	Jun-11 Qtr	Sep-11 Qtr	Project to Date
<b>WAY LINGGO</b>				
Ore Mined	t	20,410	21,775	107,164
Mined Grade - Gold	g/t	13.8	15.0	14.5
Mined Grade - Silver	g/t	166	191	181
Ore Processed	t	23,487	30,779	97,115
Head Grade - Gold	g/t	12.5	11.3	13.2
Head Grade - Silver	g/t	161	148	169
Recovery - Gold	%	91.1	89.8	90.7
Recovery - Silver	%	84.5	82.9	83.4
Gold Recovered	oz	8,614	9,997	37,433
Silver Recovered	oz	102,813	120,698	438,455
Gold Produced <sup>(i)</sup>	oz	8,756	9,702	36,758
Silver Produced <sup>(i)</sup>	oz	108,430	120,663	439,532
Cash Operating Cost (before Ag credit)	US\$/oz	541	484	470
Less Silver By-Product Credit	US\$/oz	(396)	(330)	(325)
<b>Cash Operating Cost <sup>(ii)</sup></b>	<b>US\$/oz</b>	<b>145</b>	<b>154</b>	<b>145</b>
Total Production Costs <sup>(iii)</sup>	US\$/oz	423	382	411
Capitalised mine development	US\$m	0.2	0.6	2.5
Capital plant & equipment	US\$m	1.5	1.6	7.8
Exploration	US\$m	4.0	4.2	11.5
Gold Sold	oz	9,098	8,519	33,788
Average Gold Price Received	US\$/oz	1,510	1,728	1,502
Silver Sold	oz	108,862	101,017	388,188
Average Silver Price Received	US\$/oz	32	32	31
<b>Ore Stocks</b>				
Ore (high + low grade)	t	14,365	14,642	
Gold Grade	g/t	6.4	7.7	
Silver Grade	g/t	99	114	

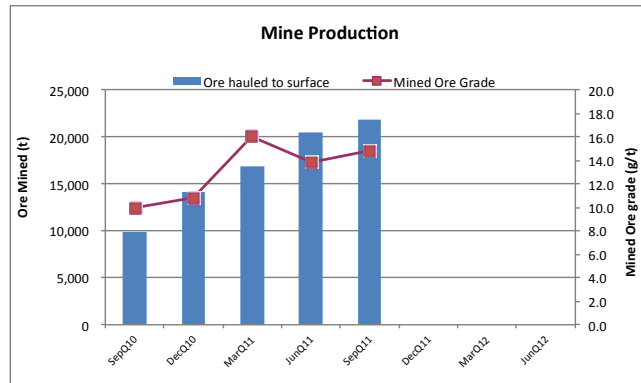


### Mining

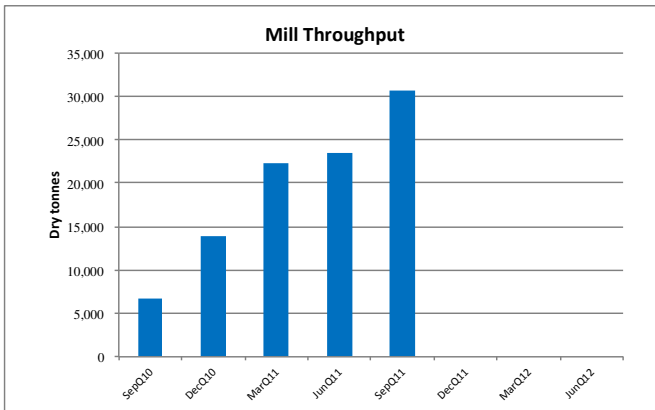
The quarter witnessed an increase in mine productivity with hoist tonnage increasing by 7% over the previous quarter to 21,775 tonnes at 15.0 g/t gold and 191 g/t silver.

The mined production for the project to date now stands at 82,842 tonnes at a grade of 14.5 g/t gold and 181 g/t silver. Total surface stocks in front of the plant at the end of the quarter are estimated at 14,642 tonnes at 7.7 g/t gold and 114 g/t silver.

Due to the advanced stage of development in the mine, development rates were decreased with a total advance of 687 m of development drives and sub-levels completed during the quarter. A total of 98% of all development for the month was on ore, which contributed to 30% of total ore production.



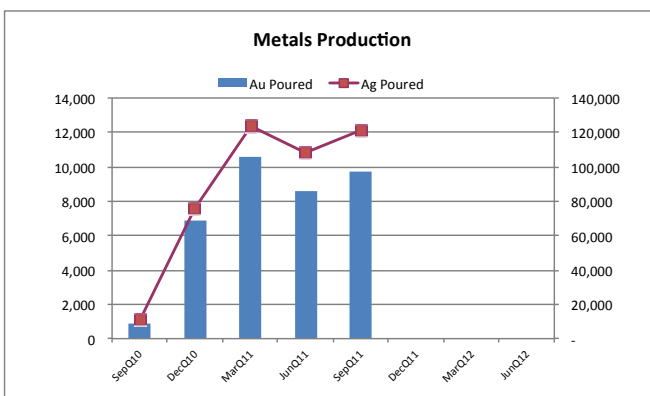
### Processing



Plant throughput increased by 31% over the previous quarter to 30,779 dry tonnes. This was achieved through the successful commissioning of the SAG Mill. In addition to the increased mill capacity, the SAG mill installation has also resulted in significantly improving the operability of the grinding circuit and alleviated the clay handling issues previously experienced.

Mill head grade for the quarter was 11.3 g/t gold and 148 g/t silver relating to a deliberate policy to blend downgrades as the impact of higher throughputs on gold leaching and adsorption were assessed. Metallurgical

recoveries decreased slightly to 89.8 % and 82.9% for gold and silver respectively. Lower recoveries were primarily due to the lower residence time in the leach circuit and lower wash efficiency in the Merrill Crowe circuit at the higher mill throughput rates. Investigations are being progressed to improve metal recovery at the higher throughput rates.



Gold produced in the June quarter exceeded the June quarter by 11% due to higher throughput, which more than offset the slightly lower head grade, recovery and down-time associated with installation and commissioning of the SAG mill.

Gold sales for the quarter totalled US\$14.7 million from the sale of 8,519 gold ounces at an average price of US\$1,728/oz. Silver sales for the quarter (silver sold is treated as a by-product credit) totalled US\$3.2 million from the sale of 101,017 ounces at an average price of US\$32/oz. This included the delivery of 60,015 forward sold ounces at a fixed



price of US\$26.86/oz.

Operating margins were excellent and the Project generated a Cash Operating Surplus (EBITDA) of US\$13.08 million for the quarter (Kingsrose share 85%).

## RESOURCE UPGRADE

During the quarter, the Way Linggo Mine - Mineral Resource estimate was updated: equivalent ounces and as at 30 June 2011, the Measured, Indicated and Inferred Mineral Resources were as follows:

**Table 2 Way Linggo Mine – Total Identified Mineral Resource Estimate – as at June 30, 2011.**

Classification	Tonnes	Au g/t	Ag g/t	Au.Eq. g/t	Au.Eq. Oz
Measured	467,393	12.44	166.8	16.27	244,490
Indicated	182,811	6.09	84.5	8.22	48,313
Inferred	60,138	3.77	38.1	4.65	8,991
<b>Total</b>	<b>710,342</b>	<b>10.24</b>	<b>135.6</b>	<b>13.25</b>	<b>302,604</b>

### Notes

- The figures quoted represent the geological resource. No “Modifying Factors” have been applied as per the 2004 edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”).
- For the Way Linggo resource estimation, the geology model was formed via the incorporation of geological mapping, face production sampling and drill-hole data. In the main Way Linggo zone grade estimates have been based upon development data only. Outside of the main orebody drill-hole data has been the basis of grade estimates.
- The void file used to deplete the model was current as at 30 June 2011.
- Gold equivalent values (Au. Eq.) assume 1 g/t Au is equivalent to 45 g/t Ag. The ratios used in gold equivalent calculations have evolved based on current (06-09-11) metal pricing and do not include any consideration of metallurgical recovery.
- The Classified Mineral Resource is reported above a 2.5 g/t Au. Eq. cut-off grade.
- A top-cut of 125.00g/t Au and 1,800.00g/t Ag was used during estimation.
- The portion of the resource in the area above existing mine development is considered as Measured. Fans of drilling completed to circa the 900mRL allow the zone between the current base of mine development at 960mRL, and 900mRL to be considered as Indicated. Drilling to the north of current development also allows the mineralisation north of the main orebody to be considered Indicated. The mineralised zones to the south of 10,050mN is currently considered Inferred, as are the mineralised zones peripheral to the main Way Linggo zone.
- Note that small discrepancies have occurred due to rounding.

The net increase in the Total Resource reflects, after mining depletion of 61,0168 tonnes @ 16.6 g/t AuEq., changes resulting from additional data obtained due to mining, development and exploration activities. Note that the equivalent ounce figures have changed because of changing metal prices, resulting in the current Resource utilising a gold equivalency formula of 1 g/t Au = 45 g/t Ag, as compared to the Snowden Resource utilising 1g/t Au = 60g/t Ag.

Kingsrose expects to be in a position to estimate a maiden mineral resource estimate for the Talang Santo Prospect by year end.



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## EXPLORATION ACTIVITIES

Exploration activities for the quarter continued at an aggressive rate, comprised of diamond drilling, geological reconnaissance, trenching and CSAMT ground resistivity surveys. Physical ground coverage during the quarter is summarized in the following table of activity:

Exploration	Meters
Diamond Drilling	15,383
Stream sediment sample coverage	32,079
Soil Sample traverse lines	11,570
Ridge and spur sample traverses	28,143
Hand Trenching traverses	6,344
Road and exposed face mapping	5,229

The large amount of data generated from these activities has greatly increased the geological understanding of the area. The original 15 exploration targets generated from the initial immature database is now in the process of being reviewed with the additional data gathered over the last 6 months to provide a more refined set of priority targets.

The majority of these exploration efforts during the quarter were focused on the Talang cluster area to the north of the tenement. The Semung Kecil prospect, southeast of the Way Linggo mine remains a high priority target but with challenging access and logistics and consequently exploration in the area was limited to target generation during the quarter due to the core focus on the Talang cluster. Exploration is expected to recommence in the Semung Kecil area in the next quarter with ground reconnaissance and helicopter supported scout drilling once a fly camp is established in the area.

### The Talang Cluster of Prospects

The aggressive exploration program in the Talang cluster area continues to be successful in discovering multiple outcropping epithermal vein structures with encouraging textural and metal anomalism. The vein system can now be traced over considerable distance as shown in figure 2.

A total of 32,079 meters of streams were traversed and proved to be successful at uncovering new outcrops and alteration in the area as well as allowed for strategically positioned stream sediment samples to be collected. A total of 6,344 meters of manual trenching was also conducted using local labor, mainly at the Petai Kayu and the Rawa Gabus prospects

As the data from the comprehensive geological program is analysed, evidence of extensive clay-silica-pyrite alteration zones and the recognition of the close association and distribution of the different quartz-calcite mineralization and brecciation of the Talang Cluster is indicative of a large hydrothermal system which Kingsrose believes holds excellent potential to define further high grade epithermal mineralization similar to that at the Way Linggo mine.

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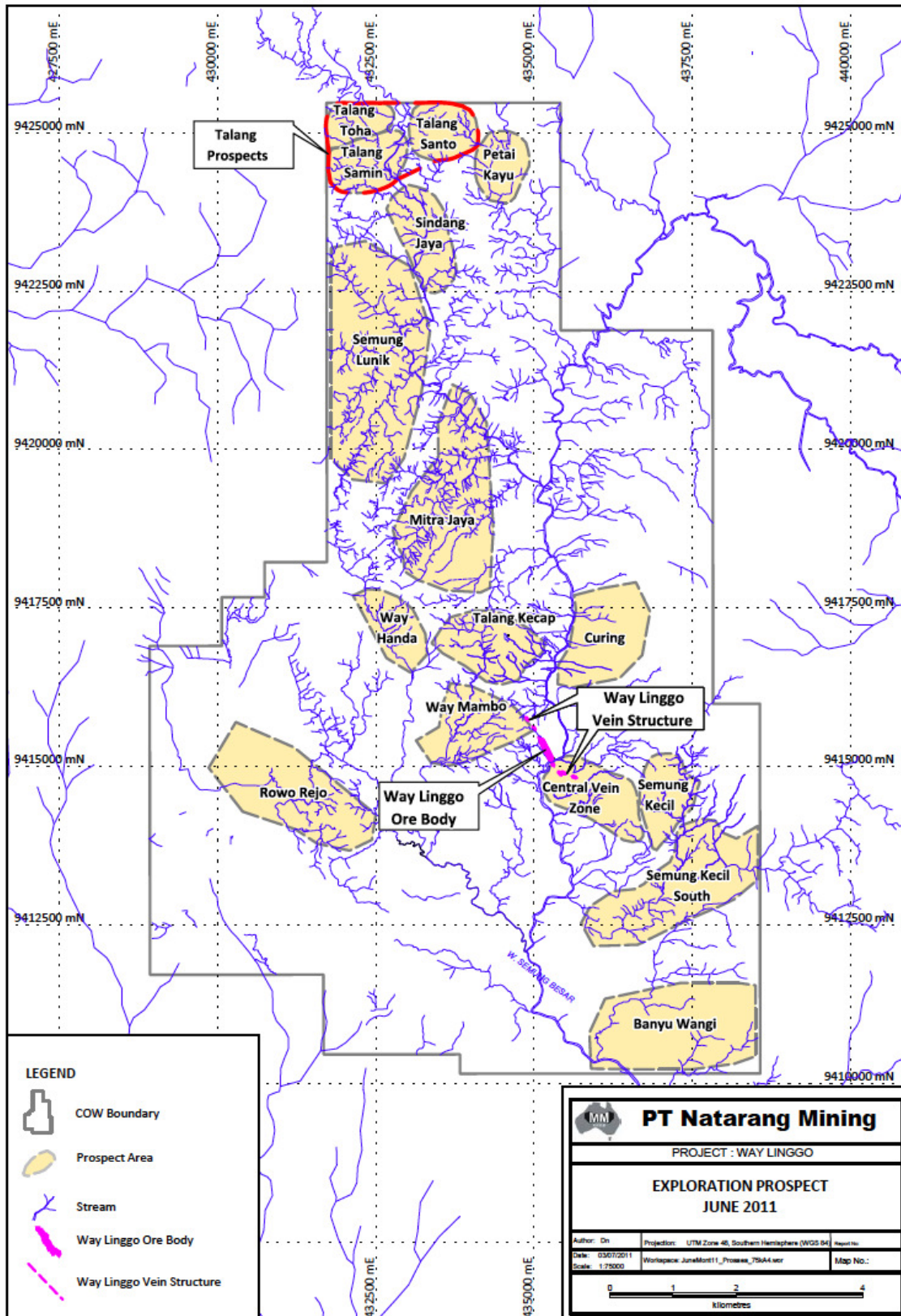


Figure 1. PT Natarang Mining Contract of Work area showing prospect areas highlighted in orange.

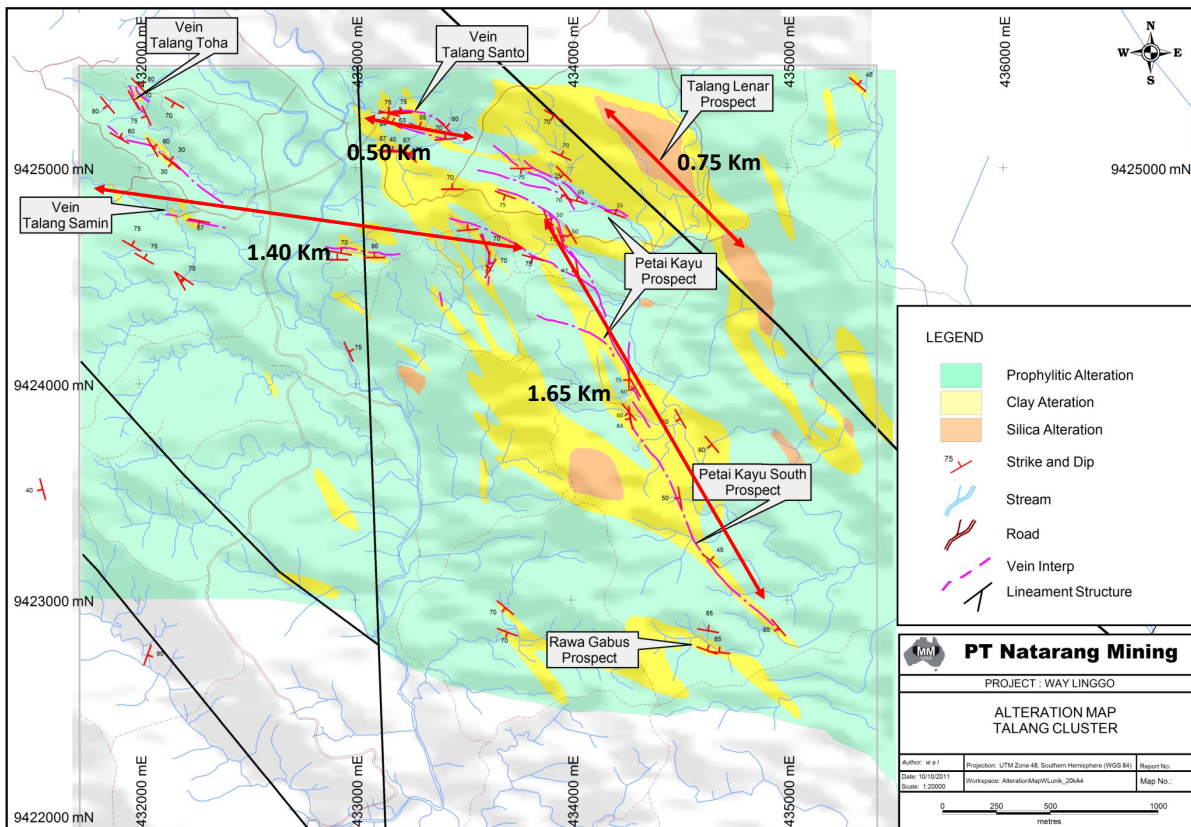


Figure 2. Geological map of the Talang cluster of prospects area

### Talang Santo

In the March quarter the Company announced it had discovered significant epithermal veins with promising gold and silver assay results from this prospect. Initial drilling encountered high-grade intercepts of gold and silver within parallel veins over a strike length of approximately 200 m. Further detailed mapping has extended the strike length of the Talang Santo veins to approximately 800 m on the surface based on projections of outcrops. Talang Santo is now interpreted as a high-grade, low-sulphidation epithermal vein deposit manifesting as steeply dipping veins in what appears to be local tensional jog.

Drilling at Talang Santo for the quarter consisted of 21 holes at 50 m spacing to define quartz-calcite vein mineralization along a strike length of approximately 500 m and to a depth of approximately 300 m. There are now at least three sub-parallel veins that have been identified in this potential mine area. The Talang Santo system which remains open up and down-dip and along strike to the east.

The following table summarises all intercepts from the Talang Santo vein that are considered significant (i.e. quartz veins with grades > 1g/t gold) that were received during the quarter.



Hole No.	N	E		Dip/Az	Intercept	From
DDH-208	19153	15102	1346	-60/240	10.65m @ 8.27 g/t Au, 11.3 g/t Ag (including 1.25m @ 30.6 g/t Au, 40 g/t Ag) (Including 2.8m @ 6.71 g/t Au, 13.8 g/t Ag) (Including 1.65m @ 12.52 g/t Au, 10.5 g/t Ag)	215.1m (215.1m) (218.65m) (224.1m)
DDH-215	19097	15139	1373	-60/240	1.95m @ 4.01 g/t Au, 4.3 g/t Ag, and 0.45m @ 1.42 g/t Au, 2.3 g/t Ag	242.75m 248.8m
DDH-218	19056	15165	1361	-60/240	0.45m @ 2.49 g/t Au, 9.3 g/t Ag, and 1.45m @ 2.29 g/t Au, 5.0 g/t Ag	231.25m 234.35m
DDH-222	19135	15097	1346	-48/240	3.05m @ 4.06 g/t Au, 5.4 g/t Ag, and 2.10m @ 6.13 g/t Au, 5.7 g/t Ag	199.6m 208.9m
DDH-223	19097	15139	1373	-50/241	1.50m @ 1.79 g/t Au, 72.5 g/t Ag, and 1.10m @ 12.07 g/t Au, 23.6 g/t Ag	215.4m 223.9m
DDH-225	19216	15142	1358	-58/240	1.60m @ 0.93 g/t Au, 8.2 g/t Ag, and 2.30m @ 0.74 g/t Au, 5.2 g/t Ag, and 2.00m @ 3.26 g/t Au, 4.0 g/t Ag	281.3m 289.3m 301.7m
DDH-226	19183	15168	1371	-57/240	4.65m @ 16.31 g/t Au, 47.4 g/t Ag (including 1.75m @ 37.9 g/t Au, 117 g/t Ag)	305.6m (308.5m)
DDH-228	19021	15110	1350	-64/242	1.10m @ 12.79 g/t Au, 24.45 g/t Ag, and 3.5m @ 0.84 g/t Au, 3.43 g/t Ag	170.0m 174.3m
DDH-231	18959	15204	1364	-60/223	1.25m @ 0.03 g/t Au, 1.89 g/t Ag, and 0.80m @ 1.1 g/t Au, 1.34 g/t Ag	212.8m 321.2m
DDH-232	18995	15152	1349	-70/240	0.75m @ 0.14 g/t Au, 1.34 g/t Ag, and 0.95m @ 4.31 g/t Au, 6.4 g/t Ag	187.3m 200.75m
DDH-233	19097	15139	1373	-70/240	2.40m @ 5.12 g/t Au, 6.9 g/t Ag, and 4.95m @ 17.56 g/t Au and 33.6 g/t Au (including 0.95m @ 51.81 g/t Au and 93 g/t Ag)	267.7m 271.2m (275.2m)
DDH-236	19135	15241	1400	-65/238	3.40m @ 4.65 g/t Au, 14.8 g/t Ag (including 0.1m @ 56.94 g/t Au, 221.4 g/t Ag)	370.6m (372.1m)
DDH-238	19184	15169	1371	-70/240	2.30m @ 1.85 g/t Au, 4.6 g/t Ag,	351.85m
DDH-243	19217	15142	1358	-70/249	2.45m @ 1.89 g/t Au, 2.52 g/t Ag, and 3.1m @ 0.11 g/t Au, 0.7 g/t Ag	309.45m 328.5m
DDH-245	19191	14297	1295	-60/205	1.40m @ 13.35 g/t Au, 48.8 g/t Ag	90.5m

The Talang Santo prospect is now showing potential to be Kingsrose's second mine on the tenement (CoW). At the end of the quarter considerations for mine development were underway including an adit and exploration drive and underlay shaft access.



### Talang Toha-Samin Prospect

Talang Samin – Talang Toha prospect consists of three anomalous epithermal veins referred to as a) Talang Toha ; b) the Talang Samin and; c) Discovery-171. A total of 31 holes have been drilled into the area. Sampling and assay returns from the vein intercept, indicate irregular gold distribution, minimal epithermal texture and weak clay alteration. The three mineralized structures tend to join or merge into a single vein towards the south-east. However, at the north-western section, they tend to diverge as indicated by wider distance of drill hole intercepts. Most of the drill holes programmed were focused and positioned along the discovery-171 vein.

During the quarter 3,878 m of diamond drilling in 11 holes was completed. The significant vein intercepts (>1m @ 1g/t Au) received for the quarter are:

Hole No.	N	E	Dip/Az	Intercept	From
DDH-214	19949	13947	-70/270	6.10m @ 3.04 g/t Au, 24.1 Ag (including 0.35m @12.35 g/t Au, 104.5 g/t Ag)	377.9m (379.2m)

Kingsrose believes there is potential for these veins to make good at depth. Kingsrose has temporarily halted drilling at this prospect whilst it fully evaluates and interprets information collected to date. The focus of drilling going forward at Talang Toha-Samin is to prove vein continuity and then to track epithermal texture and alteration within the vein looking for the development of the expected high-grade bonanza and boiling zones.

### Petai Kayu Prospect

The Petai Kayu vein has now been identified along a strike length of 1,600 m and varies in width from 1.0 meters to 3.0 meter at surface. Petai Kayu was initially interpreted as a split/splay of the Talang Santo vein but persistent and continuous exposures of outcropping vein mineralization identified along creeks, gullies and trenching warranted re-interpretation. The Petai Kayu vein is now interpreted to be the same vein as Talang Santo.

Structural movement of regional fault/major lineament that runs parallel with the Trans Sumatra Fault has created dilatant fractures and subsidiary structures favourable for gold mineralization within a dilational environment. The change in direction of the Talang Santo from N 40 W to N 80 W is the result of dilation. Sampling of the outcrops of Petai Kayu has returned anomalous gold with occasionally high silver assays from a highly oxidized quartz-calcite vein.

Kingsrose considers this a high priority prospect scheduled for next quarter drilling activities.

### Rawa Gabus

This prospect is situated at the southern end of the Petai Kayu Prospect. The Rawa Gabus vein, which strikes east-west was discovered at the southern end of the Petai Kayu. Though limited exposures were mapped and trenched during the quarter, the Rawa Gabus vein exhibits a narrow quartz-calcite vein with strong silicification and stockwork within an andesitic rock unit and bears a resemblance to the Talang Santo prospect. Highly anomalous silver contents ranging from 3.99 g/t Ag to 22.23 g/t Ag from 6 samples taken from this prospect are noted in trenching. The similarity of the exposed vein mineralization with that of Talang Santo indicates that extensive trenching and detailed mapping activities are required to advance the prospect and will be conducted in the coming quarter.



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## Way Linggo Mine

Drilling at Way Linggo continued with the objective of the drilling to advance geological information and establish a platform resource definition outside of the known resource. While no further significant assays were received, the drilling has continued to show the vein structure well developed and strongly anomalous. Kingsrose continues to believe there is good potential for extensions and repetitions of economic zones along strike and at depth. Drill testing of the near-mine area and structures is continuing.

## **SARINC – SARDINIA ZINC TAILINGS PROJECT**

Further metallurgical testwork on bulk samples was undertaken during the Quarter with results indicating that metal recovery would likely be possible using a combination of standard flotation and acid leach circuits, depending on the deposit in question, although mixed. The Company has now elected to minimise its activity and expenditure on the Project from November whilst it awaits for the Sardinian regional government to provide a formal response on its position with regards entering into a commercial arrangement with the Company to advance the Project. To date, this has not been forthcoming.

## **CORPORATE**

### **Cash and bullion on hand at end of Quarter:**

Cash	A\$26.2m
Bullion*	A\$6.5m
Total	A\$32.7m

*\*Bullion includes unrefined (filter cake, dore) and refined gold and silver*

### **Securities:**

During the quarter:

- 2,816,671 listed and unlisted options were exercised for a total consideration of A\$592,234.20.

At the end of the quarter the Company had the following securities on issue:

- 267,223,726 Fully Paid Ordinary Shares
- 20,001,304 Listed Options
- 10,525,000 Unlisted Options issued to directors, employees and/or contractors under the ESOP or directors' 15% rule.

**CHRIS START**  
**MANAGING DIRECTOR**

31 October 2011

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**Competent Person Statement**

*The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr. Peter G. Cook, BSc Applied Geol, MSc (Min Econ), who is a Member of the Australasian Institute of Mining and Metallurgy, and a Director of and a consultant to Kingsrose Mining Limited. Mr. Cook has sufficient experience which is relevant to the styles of mineralisation and types of deposits and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Mr. Cook consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

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**APPENDIX "A"**

