



## QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2008

### HIGHLIGHTS

- ◆ Corporate due diligence for the proposed acquisition of the high grade Way Linggo gold-silver mine in Sumatra, Indonesia, has been completed.
- ◆ A Share Purchase Agreement and Loan Arrangements Deed has been executed and a Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and Independent Consultant's Valuation Report will be mailed to shareholders following ASX and ASIC approval.
- ◆ Subject to regulatory and shareholder approvals and fundraising to construct the processing plant, the Company aims to commence gold and silver production from Way Linggo in mid 2009.
- ◆ Seventh ore parcel from the Comet Vale Project consisting of 6,646 tonnes at estimated grade of 9.0 g/t was milled in September, resulting in revenue of \$964,000 to Kingsrose.

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### WAY LINGGO PROJECT ACQUISITION

During the September Quarter the Company satisfactorily completed corporate and technical due diligence on the advanced Way Linggo high grade gold/silver project located in Southern Sumatra, Indonesia.

Preparation of an Explanatory Memorandum to Shareholders and an Independent Experts report will be completed shortly and will be submitted to the ASX and ASIC prior to sending to shareholders along with the Notice of Extraordinary General Meeting to seek shareholders' approval of the acquisition of this Project.

Snowden Mining Industry Consultants Pty Ltd ("Snowden") completed an independent valuation report on Way Linggo which will also be circulated to Shareholders with the Notice of Meeting.

As previously reported some of the Way Linggo Project current owners are directors of Kingsrose (Messrs Andrews, Phillips and Morris, the "Vendors"). Consequently the proposed acquisition involves related parties. Accordingly, an Independent Board Committee comprising Managing Director David Hatch and Non-Executive Director Dennis Franks had been established to represent the interests of non-related shareholders. The Independent Directors and the Vendors are working together to accommodate recent changes in the financial markets and retain a clear focus on completing the acquisition (subject to shareholder approval) and bringing the project into production.

The Company continues to evaluate debt and equity project financing options and at the time of writing, several potential financiers are undertaking due diligence on the Project.

During the Quarter the project operator, PT Natarang Mining ("PT NM"), continued to progress underground development in ore on the 1020 mRL level of the North Vein ore body. Ore development within the Way Linggo North Vein continues to support the vein widths predicted by historical diamond drilling intercepts.



Snowden was retained to develop an updated Mineral Resource model of the Way Linggo veins using drilling and trench results as well as recent results from underground face mapping.

Based on their verification of data collection and analytical procedures, QA/QC procedures and geological interpretation of Way Linggo, Snowden has classified the Mineral Resource estimate according to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). The Snowden Mineral Resource estimate is summarised in the following Table 1.

**Table 1: Snowden Way Linggo Mineral Resource reported above a 2.5 g/t AuEq cut-off, as at August 2008**

	Classification	Tonnes kt	Au g/t	Ag g/t	AuEq g/t
North Vein	Measured	334	11.38	172	14.2
	Indicated	93	7.06	118	9.0
	Inferred	127	4.92	83	6.3
	Sub-total	554	9.17	143	11.6
Hanging wall Split and Central Vein Zone	Measured	-	-	-	-
	Indicated	75	5.26	69	6.4
	Inferred	40	4.24	46	5.0
	Sub-total	115	4.91	61	5.9
<b>TOTAL</b>		<b>669</b>	<b>8.44</b>	<b>129</b>	<b>10.6</b>

**Note:** Gold Equivalent AuEq g/t is calculated as Au g/t + (Ag g/t / 60)

The Way Linggo Project is modelled on annual mine and mill production of 65,000 tonnes of ore, with metal production during the early years of operation expected to approximate 30,000 oz AuEq. Unit cash costs are expected to be in the range of US\$200-300/oz AuEq.

To date, approximately 2,000 tonnes of ore, grading 20 g/t Au and 310 g/t Ag has been stockpiled from the underground development.

As PTNM continues development in the North Vein orebody, a high level of understanding and confidence both in the grade distribution for gold and silver, and the underground geotechnical conditions are being achieved. Snowden has been engaged to assist with mine stope design and subsequent mine scheduling to refine production and cashflow forecasts.

Throughout the quarter, PTNM continued field mapping and sampling activities, with the objective of identifying and ranking additional drill targets. It is now apparent that the Way Linggo North Vein occurs within a much wider zone of alteration and that there are numerous other epithermal veins within the immediate mine vicinity. The Company therefore regards the mine area within the 105 km<sup>2</sup> Contract of Work as highly prospective for future exploration success.



## Mapping of epithermal outcrop



*Senior Geologist  
Soeharto Garyono  
mapping epithermal  
outcrop.*

The Board and all parties to the acquisition of the Way Linggo project remain committed to completing the transaction, including obtaining the required funding to construct the processing plant. The primary objective remains to commission the plant and commence metal production in mid 2009 by initially treating high grade stockpiled ore.

### **COMET VALE OPERATIONS**

Kingsrose and its venture partner Reed Resources are in discussions with regards to varying the terms of the Comet Vale Joint Venture prior to decisions concerning the re-development of the 4 level at Comet Vale.

#### Mining

Ore production from underground for the September 2008 quarter totaled 7,710 tonnes at an estimated grade of 9.5g/t. This was another successive record quarter of production and included a record month of 3,145 tonnes of ore hoisted during July. Ore mining continued predominantly on the 3 level during the September quarter, although small amounts of ore are still being generated from stopes on the 2 level.

Ore mining on the 3 level is expected to continue until the end of 2008.



### Milling

In late September, a further parcel of ore (parcel 7) was treated through a different toll treatment facility. This ore parcel of 6,646 tonnes at an estimated grade of 9.0g/t Au resulted in Kingsrose's attributable revenue of \$964,000. This amount will be received in the first week of November.

The Company anticipates submitting ore parcel 8 for treatment around December 2008.

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*The Mineral Resource statement has been reviewed by Mrs. Christine Standing of Snowden Mining Industry Consultants. Mrs. Standing is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration 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. Mrs. Standing consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.*

*The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Dr. Michael Andrews B.Sc. (Hons) Ph.D., who is a Fellow of the Australasian Institute of Mining and Metallurgy, and a Director of Kingsrose Mining Limited. Dr. Andrews 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"). Dr. Andrews consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

David Hatch  
Managing Director