



QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2008

HIGHLIGHTS

- ◆ Following the signing of a Letter of Intent in April 2008 to acquire the advanced, high grade Way Linggo underground gold/silver project in Indonesia, technical, accounting and legal due diligence was substantially completed.
- ◆ Corporate due diligence is well advanced, including the drafting of a Share Purchase Agreement, Loan Arrangements Deed, Explanatory Memorandum and Independent Expert's Report. Documents and advice of an Extraordinary Meeting of Shareholders are expected to be mailed to shareholders following ASX and ASIC review in early August.
- ◆ Second group of overseas miners arrive at Comet Vale.
- ◆ Fifth toll treatment campaign from Comet Vale in May produces 1,466 oz Au (KRM share 700 oz), with sixth ore parcel scheduled for toll milling in early July.
- ◆ Record number of ore tonnes extracted in June 2008 quarter to quickly generate sufficient ore for the sixth toll treatment campaign, which occurred in early July.
- ◆ 1:2 non-renounceable rights issue take up by shareholders was 91.3%.
- ◆ Shareholders approve 1:2 option issue to convertible note holders.

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WAY LINGGO ACQUISITION

On 28 April 2008, the Company announced that it had signed a Letter of Intent to acquire 85% of the advanced Way Linggo underground high grade gold/silver project in South Sumatra, Indonesia.

In pursuing this acquisition, the Company believes that shareholders will receive early benefits due to:

- the advanced nature of the project;
- the modest amount of capital to complete construction;
- the expected low unit cash cost/oz of production; and
- the exploration potential for more high grade epithermal mineralisation on the Company's 10,540 hectare Contract of Work.

Whilst the due diligence process has taken a little longer than expected, site progress has continued with commissioning now expected in the March 2009 quarter at a forecast annualized production rate of 30,000 ozs Au Eq. The capital requirement to complete construction is expected to be approximately A\$8 million.



An interim loan facility taken out by the project vendors has enabled the ball mill to be secured along with other equipment required for the on-site processing plant. This interim funding facility has also ensured that underground mine development continues, with a total of 280 metres of level development now completed (including four separate crosscut intersections of the orebody at two different horizons), as well as the continuation of ongoing low cost surface exploration in the immediate mine vicinity. The acquisition will involve the repayment of approximately A\$4 million of vendor loans and the interim facility.

The Independent Board Committee comprising Non-Executive Director, Mr Dennis Franks and Managing Director, David Hatch has been directing the completion of technical, accounting and legal due diligence on behalf of shareholders, which was essentially complete at the time of writing. Corporate due diligence is proceeding, with draft documents including the Share Purchase Agreement (SPA), Loan Arrangements Deed (LAD), Explanatory Memorandum to Shareholders (EM) and Independent Expert's Report (IER) in circulation. Following the execution of the SPA and LAD, documents will be forwarded to ASX and ASIC for review prior to dispatch to shareholders, which is expected in early August.

COMET VALE OPERATIONS

Mining:

Mining operations at Comet Vale continue to improve, with record ore production achieved from underground during the quarter. This improved performance saw an ore parcel (No. 5) being treated in May and a further ore parcel (No. 6) ready for toll treatment in early July.

Ore production from underground for the June 2008 quarter totaled 7,556 tonnes at an estimated grade of 12.1 g/t Au. Included in this total was 5,672 tonnes of high grade ore at an estimated grade of 13.8 g/t Au and a further 1,884 tonnes of low grade ore grading 4.6 g/t Au.

Stope ore was sourced predominantly from new gallery stopes above the 3 level.

Development was limited to sub-levels in the stopes.

Ore mining during the September 2008 quarter will focus on the stopes being developed above the 3 level, however operations personnel are now preparing to dewater to the 4 level following the acquisition of a new genset and associated electrical equipment.

During the June 2008 quarter, four additional underground miners arrived from the Philippines bringing the total overseas complement to eight. A further group of Philippines miners are being assessed at an underground gold mine in the Philippines before being mobilized to Australia.

In June, the Company acquired an underground bazooka diamond drill rig. This is expected to commence work by the end of July, the main objective being to test for parallel mineralized structures to the main Comet Vale lodes.



Miners Roy Del-Ong, Suleiman Mbeleya, and Francis Egsaen at the Comet Vale Minesite

Milling:

An ore parcel of some 5,731 tonnes was toll treated in May, 2008. This parcel consisted of some 3,821 tonnes of stope ore grading 12.3 g/t Au and 1,375 tonnes of low grade ore at 3.3 g/t Au, which was followed by 535 tonnes of flush material for an overall bullion reconciled feed grade of 9.0 g/t Au. Mill recovery of 97.5% was a significant improvement on the performance of the previous parcel.

This resulted in Kingsrose's attributable gold of 700 ozs, which when sold realised revenue of \$675,325.

During the June 2008 quarter, 4,411 tonnes of stope ore at an estimated grade of 13.8 g/t Au and 970 tonnes of low grade order at an estimated grade 4.6 g/t Au was stockpiled pending toll treatment in early July. Results are currently being concluded and will be advised soon.

Corporate:

During the quarter, the Board implemented the issue of new options to shareholders on the basis of new option for every two shares held. Shareholder take up was 91.3%, or 30,139,778 options applied for, which at an issue price of \$0.005/option resulted in funds received by the company totaling \$150,698.89 before expenses. The shortfall of 2,885,232 was allotted to non related parties, 885,232 during the quarter and 2,000,000 in July 2008. The option exercise price is 20 cents.



An Extraordinary General Meeting held on 6 May 2008 shareholders approved three associated resolutions, i.e. the issue of 5,500,000 options upon similar terms to the two convertible note holders, and the approval of the implementation of the Kingsrose Mining Limited Share Option Plan. As at the date of this report, no options have been issued under the Plan.

David Hatch
Managing Director