

GETTING NOTICED AMONG GIANTS

We are initiating coverage on Kincora Copper Ltd., a TSX Venture listed Junior Miner that is developing its Bronze Fox project within the Oyu Tolgoi copper belt in southeast Mongolia.

MIBG has not placed a target price on Kincora as the current stage of exploration is not indicative of a resource or a style of mineralization. However, we are initiating our coverage with a **SPECULATIVE BUY** rating due to the recent exploration and management advancements the company has made. In addition to positive factors from within the company, we believe that the general conditions for explorers will see a major lift in Mongolia in 2014. That being said, Kincora is a company that offers multiple catalysts within this environment.

The Bronze Fox project is the main value driver for Kincora. Currently, the tenement sits at the target testing stage being one of the most advanced and prospective exploration projects in Mongolia. In order to realize potential upside for investors a drilling program is planned for 2014, which, if successful could lead to discovery that would then require extensive drilling. In review of qualified opinions from geologists familiar with the Bronze Fox tenement it does demonstrate the potential to be a porphyry style mineralized deposit.

Highlights

- **Located within 140km from the Oyu Tolgoi mine, which attracted over US \$6.5 billion in capital expenditures and is expected to attract a further US \$4.2 billion over the next two years. And approximately 40km from the Tsagaan Suvarga porphyry style copper deposit that expects to attract over US \$1 billion in capital expenditures.**
- **The 2013 exploration work which involved extensive geophysical work should help the company de-risk the 2014 proposed drilling program. Given that the 2012 drilling results suggest a potential porphyry style mineralization being intersected over a 40sq.km area, we expect the company to test the most prospective targets in 2014.**
- **The company's board continues to add value through the addition of qualified individuals to the management team. Additionally, by attracting a high profile figure such as Mr. Cameron McRae, who oversaw Oyu Tolgoi's Phase-1 development is a further strong signal for investors.**

KINCORA COPPER LTD.

Rating **SPECULATIVE BUY**

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Company Financials (CAD)

Stock Code	TSXV: KCC.V
Price	0.065
Market Cap	11.89M
52 Week Range	0.01-0.09
Shares Outstanding	207.23M



Stock Chart 12 months

Significant Shareholders

Origo Partners PLC	35%
Duchintav Khojgor	14%
Quantum Partners LP	12%

- **Active Mongolian shareholder participation should serve well for the company in the long run, especially with regards to local community relations and social support as the Bronze Fox project progresses.**

Potential Catalysts in 2014:

- Hitting the Discover Hole. A porphyry style intersection of significant length at above 0.6% CuEq.
- Regaining the Tourmaline Hill and North Fox licenses which were revoked in 2013.
- Oyu Tolgoi Phase-2 restart proposal approved by the Government of Mongolia, Rio Tinto Group, and Turquoise Hill Resources.
- Moratorium banning the issuance of new exploration licenses is lifted.

Company Profile:

Established: 2011
Listed: Q2'11
HQ: Vancouver, Canada
Local Offices: Ulaanbaatar, Mongolia
Operating: South Gobi Region

Kincora Copper Ltd. is a Canadian minerals exploration company listed on the TSX Venture exchange. Kincora is concentrated on identifying an economically feasible Cu-Au porphyry style deposit in the South Gobi region of Mongolia. Kincora Copper Limited owns 100% of its flagship asset Bronze Fox project through a BVI entity Kincora Group Ltd, which owns the Mongolian license holding entity named Nadmin LLC. The company's management and board of directors are balanced in terms of technical and commercial expertise.

The company currently concentrates on a single project named Bronze Fox, located in the Mandakh Soum of Dornogovi Province. The license is in the 6th year of exploration and with 4 exploration years left before required to be converted to a mining license. The Bronze Fox project has illustrated a multiple zones of Cu-Au porphyry potential according to the exploration programs conducted in 2012 and 2013, in particular, supported by previous drilling/geology and IP/geophysics.

First explored by joint Mongolian and Soviet exploration programs between 1950 and 1970, the Bronze Fox was once part of "Ivanhoe Mines" Ltd (now "Turquoise Hill Resources" Ltd). Ivanhoe decided to drop the license once a controversial "Windfall Profits

Tax,” which was approved by the Mongolia Parliament in 2006 and then rescinded in 2009. Exploration activities that yielded usable data are 6,000 rock chip sample analysis, 1,000 line ground magnetic survey, geological mapping, geochemical sampling, trenching, IP survey, and reconnaissance drilling that Ivanhoe conducted from 1997 to 2006 at Bronze Fox. Since then 15,000 meters of drilling took place between the 2010 and 2011 exploration seasons, and 14,000 meters of drilling took place in 2012. Kincora concentrated on additional geophysical surveying in 2013, which helped explain previous drilling results.

KEY PROJECTS

Bronze Fox Project

Target: *Copper-Gold porphyry style mineralization*
 Area: *22,323 hectares*
 Location: *Mandakh Soum, Dornogovi Province*
 Ownership: *Wholly owned by Kincora Copper Ltd through a domestic entity named Nadmin LLC*

Project Overview

According to an independent technical report prepared under the NI 43-101 standards by Micromine Pty Ltd in 2011, the project is located within the Gurvansaikhan Terrane, and is underlain by an intrusive center referred to by Ivanhoe as the Bronze Fox Intrusive Complex (Stewart and Brown, 2005). The technical report further explains the local geology as the intrusive complex is weakly oxidized, calc-alkaline I-type intermediate to felsic intrusive center emplaced within volcano-sedimentary rocks of Carboniferous to Early Permian age.

As mentioned within the technical report (Micromine, 2011) and of the independent opinion provided by MIBG’s in-house geologists the main deposit style that can be found in the project area is a porphyry copper system.

Kincora has undertaken exploration-drilling programs at Bronze Fox since 2010. The drilling results are of interest and we believe that it could be indicative of the extensive halo to the main porphyry zone. The previous drilling results from the project’s West Kasulu target area include:

- F62 intersected 661m at 0.35% Cu, 0.01% Mo and 0.08g/t Au from 399-1,060m, including 37m at 0.8% Cu (1.07% CuEq) between 573-610m

Figure 1: Project location

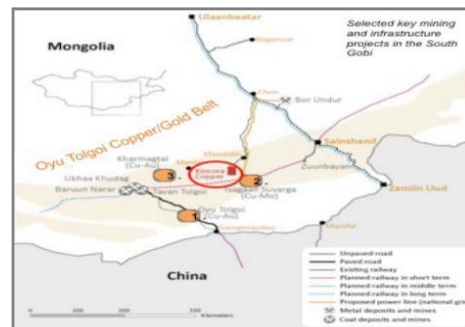
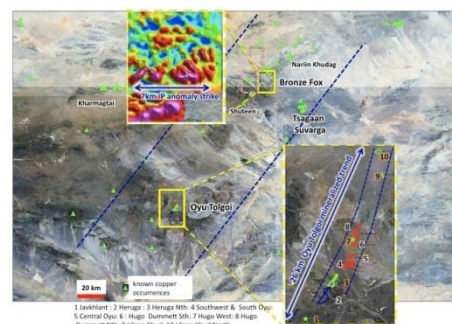


Figure 2: Regional location of project



- F64 was drilled 600m to the east of F62 and mineralized zones included: 440-467m @ 0.31% Cu; 481-523m @ 0.33% Cu; 595-733m @ 0.29% CuEq; and 827-828m @ 4.39 g/t Au.
- F68 was drilled 300m south east of F62, and mineralized intersects included: 312-484m @ 0.25%; 603-625m @ 0.30%; 754-784m @ 0.25%; and 984-1007m @ 0.28% of Cu Eq
- F72 was drilled 2 km north west of F62 and including broad lower grade of 1000m @0.40% Cu Eq
- F85 was drilled 250m to the west of F62 and intersected lower grade mineralization at around 400m depth which continued to 1000m with grades of 0.10-0.20% Cu.

In 2013 Kincora conducted Induced Polarization (IP) survey, which resulted in a number of new high priority targets. According to the company materials and during multiple interviews with the management, the company claims that the 2013 IP survey and its lower priority target confirms the sub-economic mineralization drilled up to date.

The company has identified multiple large-scale IP targets that are untested to date. Currently, there is a plan to drill these targets during the 2014 field season. This includes a 7km long anomaly zone in central Bronze Fox, a 2km circular anomaly in the northern area and a large conductive region with high chargeability and high gold rock chip samples to the south. Currently the company has identified 5 untested large-scale target areas for exploration drilling. These targets are named Sophie North / Buchanan Heights, Leca Pass, Dunlop Fox, Happy Geo, and the main anomalies at West Kasulu.

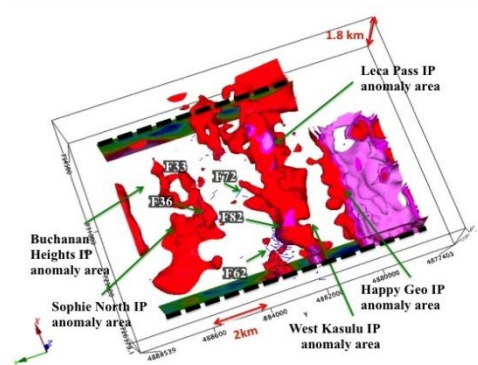
At MIBG we believe the 2013 IP survey conducted adds further value to Kincora copper and agree with management that in order to unlock potential value, the targets identified to date at Bronze Fox warrant further drilling.

The 106 License Saga Could Be Resolved in 2014

In April of 2012 in a bid to consolidate the original land package that was possessed by Ivanhoe Mines Kincora acquired an entity called Golden Grouse. The combined land packages of Bronze Fox and Golden Grouse totaled 62,202Ha.

In 2013 a criminal investigation, involving the former head of the Mineral Resource Authority of Mongolia resulted in Kincora's Golden Grouse licenses being revoked as part of 106 exploration licenses. Kincora and its management were not involved in the criminal investigation, nor were they found of any wrongdoing in this case. In addition to Kincora, many other entities have suffered

Figure 3: Geological model



unexpected losses due to the 106 licenses being revoked. The Government of Mongolia and its respective agencies have The Government of Mongolia has countered these adverse conditions by completely revamping the legislative environment. In 2013, four new pieces of legislation were passed by the acknowledged the adverse effects of this case. We believe that the Mineral Resource Authority of Mongolia will likely issue the licenses back to those parties (including Kincora) that were not involved in the criminal investigation.

Review of Management and Key Personnel

- Executive Chairman, **John Rickus**, was previously in senior roles at Rio Tinto including Technical Services and the Copper Group. Mr. Rickus had also served as the President of Resolution Copper.
- Director of Exploration, **Yawen Cao**, has 30 years experience including 13 within BHP mainly focused on copper porphyries. In his last role Yawen made a significant copper porphyry discovery in China and has been with Kincora at Bronze Fox for three years.
- President & CEO, **Sam Spring**, formerly a senior mining analyst with over 10 years experience within Goldman Sachs and Ocean Equities, and is a Chartered Accountant and CFA Charter holder. Mr. Spring was involved in the formation of Kincora and has been with the Company for 1.5 years as the President & CEO.
- Director, **Luke Leslie** is the Head of Metals & Mining at Origo Partners (Kincora's largest shareholder), with over ten years of transaction experience in the mining sector including with UBS Investment Bank's Metals & Mining team.
- Director, **Duchintav Khojgor**, a successful Mongolian entrepreneur and the second largest shareholder of Kincora. Mr. Khojgor, as a large domestic shareholder can play a key role in the future of the project especially when communicating with local community agencies and various regulators.

Government Support for Junior Explorers Will Take Positive Turn in 2014

Once regarded as "Minegolia" and still one of the fastest growing economies in the world, Mongolia has experienced some economic turbulence over the past 18 months. It all started with the Strategic Entity Foreign Investment Law (SEFIL), which was enacted in 2012 to block the Chinese state owned mining company Chalco from taking over South Gobi Resources (TSX:SGQ). The introduction of SEFIL as well as demands to re-negotiate the Investment Agreement of the massive Oyu Tolgoi Copper-Gold project resulted in a 54% decrease of Foreign Direct Investment (FDI) in Mongolia. The result of this has been a significant

depreciation in the Mongolian Tugrik, plunging by 25% over a 12-month period at the end of 2013. Parliament of Mongolia to attract FDI back into the country. These pieces of legislation include:

1. Investment Law (Abolishing SEFIL and creating the Invest Mongolia Agency)
2. Securities Market Law (Possible dual listing opportunities and effort to modernize the country's capital markets)
3. Investment Fund Law (To attract institutional investors into Mongolia)
4. Amended the Minerals Law (Supports domestic gold producers and to boost the central bank's gold reserves)

There are clear signs that further policy and legislation will be approved to make Mongolia a friendlier destination for foreign capital. At MIBG we feel that Mongolia's short democratic history has been characterized by short-term political volatility but over the long-term the country does embrace free market and democratic principles. This does and will provide the best opportunities for global investors compared to other frontier market economies.

Conclusion

We believe that Kincora offers pure exploration upside potential to investors coupled with upside potential related to Mongolia as a frontier economy with a revamped legal environment. We believe the probability of the above-mentioned catalysts being realized within 2014 is high and therefore we have rated Kincora as a SPECULATIVE BUY.

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