

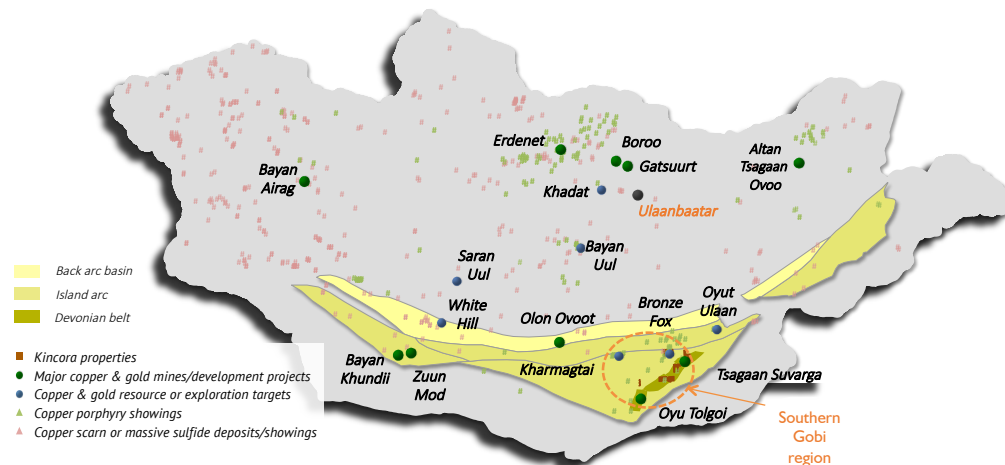
## Kincora gears up for rerating opportunity

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Copper > Leader-interviews: Staff Reporter

***Kincora Copper has been quiet recently, but is now gearing up to start drilling at its Brown Fox and Tsagaan Suvarga (TS) projects in Mongolia.***



*Kincora is hoping to make the first globally significant copper discovery since 2014*

**Mining Journal caught up with CEO Sam Spring and chairman Cameron McRae in London to hear about the company's plans for the year and how they find working in Mongolia.**

**Mining Journal: News has been pretty scarce on the ground, could you tell me what's happening at Kincora Copper at the moment?**

**Sam Spring:** We didn't drill last year, but we did a lot of work in the field. We got a new large shareholder out of Hong Kong called LIM Advisors that bought two overhangs and we've just been through an independent review process with them to go through what our plans are for this year.

We've got five large-scale targets at two projects that are now at the pointy end of drilling. That's why we're on the road in Singapore and Hong Kong last week and in London this week.

There hasn't been much meaningful exploration in this [Southern Gobi] belt, other than on a postage stamp scale. The last district scale exploration was BHP in the 2000s when they did a Falcon survey and a joint venture with Ivanhoe.

The person who lead that district-scale exploration is now our VP of exploration Peter Leaman and the ex-chief geophysicist of BHP Barry de Wet joined us as a consultant last year as well, so we've got the BHP team back and are looking to do the first modern systematic exploration in this belt.

That last decade when there was district scale exploration, Mongolia and this belt supplied 9% of the contained metal that was discovered globally and obviously you've had an improvement in the copper price since, but you haven't seen the industry have great exploration success.

Our original flagship asset was Bronze Fox. I joined when they consolidated the western licence, 1,000m of copper was drilled, 37m of over 1% [copper equivalent] recovered and then relatively soon thereafter that western licence was revoked as part of the 106-licence dispute.

It took two and a half years, but we got that land back with security of tenure restored and extended and in the meantime there was a land package called Ibex that was formed by Ivanhoe.

We fixed Bronze Fox, did the Ibex deal, then Peter Leaman joined and John Holliday came on as chairman of our technical committee.

Peter and John have both been credited with tier-one discoveries. They saw the scope here and I like to think it's pretty rare for a junior or even a mid-tier to have the exploration team with the quality and depth that we've got.

It's taken two and a half years since we've got that team on board, but now there is virtually nothing else we can do besides drill these targets and see if they are what we think they are.

When I joined Kincora it was a \$40-50 million market cap when we were drilling and getting those good results, but if you're an exploration company and you're not drilling, which was the case for us last year, what is the catalyst to own the stock?

**MJ: What do you aim to complete by the end of 2019?**

**SS:** What we'd like to do is drill five targets at the two projects - anywhere between 9,000 and 18,000m of drilling and success would be making the first globally significant discovery since 2014.

That block model we have at Bronze Fox, we'll be able to get that to a resource standard and look to convert that to a mining licence.

We could look to do that now, but the world's already got a lot of lower grade copper systems. What's unique about that is you can see up to 3% copper, so if we can drill that and prove we have higher tenure than what the industry average is, that will, in my mind, be the big rerating opportunity.

**MJ: Are you looking to raise any more finance this year?**

**SS:** We don't have enough money to drill between 14,000 and 18,000m, so we're on the road speaking to shareholders at the moment and trying to get that balance right between dilution and having a sufficient corporate strategy to really try and maximise value with where you get the project to the stage where you probably get industry guys knocking on your door.

You don't want to sell the farm before you've defined it just yet.

**MJ: How do you find working in Mongolia?**

**SS:** Pretty good. This is the stereotypical Gobi desert, so you're operating in the most sparsely populated country in the world and one of the most sparsely populated regions of the country that's trucking distance to China.

Operating costs are favourable, there are a lot of skilled drillers and geologists and there is a lot of copper.

I suppose the question is if you find what you're looking for, are you able to hold onto it and

can you permit it? The fact that you've been able to see that occur with Oyu Tolgoi, gives you confidence that if you can do it once, you can do it again.

It shows that we can build this and if we find what we're looking for, despite what we've had with the 106-licence dispute and various other precedents, this time, compared to the previous commodity cycle, we've actually got precedence to give investors confidence that we have that scenario.

**MJ: Is there sufficient infrastructure there now?**

**Cameron McRae:** When Oyu Tolgoi started the construction, there were no roads, no power lines, no airports, no water fields. All of that is now in place. The power lines have extended well up to where we are at the moment and the infrastructure is being built out, so this is not virgin desert anymore.

**SS:** This is one of the fastest emerging mining and infrastructure regions probably anywhere in the world. You're not at altitude, you haven't got forests, so from that scenario it is relatively attractive and relatively cost effective too.

What you are lacking is, back in the day this was all covered with exploration licences, now one thing that has impacted new entrants is the issuance of new land. It is then limited to the existing players that have tenure.

That's one of the policy issues that is an ongoing discussion point of trying to see how you invigorate the exploration sector.

**MJ: In the years you've been operating there, what has been the biggest challenge?**

**SS:** Since the 2012, it's probably been the capital markets more than anything else - particularly difficult for juniors.

From an operational perspective, we worked through a few problems, but then again we've come through that and there's nothing stopping us from drilling any of these five targets that we've got now. We've got drill permits in place, if we push the button on it, the rigs will be there in two weeks with competitive drilling rates and a unique landscape.

**MJ: If you didn't have these projects in Mongolia, what would your ideal asset/jurisdiction be?**

**CM:** I think you start with your geological prospectivity and where you're most likely to find the elephants. So, Mongolia would probably be one of those top three or four jurisdictions.

You've got to go where the wealth is first and then work your way back through those issues around taxation environments, governance issues, the quality of the mining service organisations that exist in the country, the skills set, your ability to bring in foreigners.

To be honest, you can still actually do business in Mongolia on all those factors, so Mongolia is not out of favour. 2012-13 wasn't a good period for Mongolia because it made some bad decisions with regards to election promises and actions just before the election and then you had 2014 hit and everybody got killed in the markets, so it wasn't a good time for development.

We're now in this situation that those who are active are working hard with the government and their investors to try and get more players back onto the ground.

One of the factors that would make the biggest difference is if the government was to open the land up to a different form of exploration allocations, because people want to be able to

pick up large allotments of land so they can do meaningful regional exploration. So, I'd recommend looking at ways to get land allocated to people who have the technical expertise and the money.

**SS:** We are seeing renewed interest from industry groups coming back, because when you speak to them, most of them are bullish on copper. Some of them are in different stages of what that strategy means and actually allocating capital to that.

We are seeing, particularly with Oyu Tolgoi progressing, a lot of groups coming back. Some to various different degrees in terms of strategy, looking at new project opportunities again.

We do like copper and most investors seem to like copper, even if they're not necessarily investing in it at the moment.

It's a supply-side story, so it's hard to know, but at some point the underinvestment that's occurred will start filtering through causing probable shortages. It's hard to tell when, but we'd like to think if we find what we're looking for we'll be in a rising tide environment with a more favourable copper price.

If you find something new that has higher grades, hence the focus on TS and Bronze Fox, that will get people's attention.

At the moment, we're a \$10 million market cap, so relatively low base and we had some headwinds last year and we didn't drill, but I'd like to think we're in a position now with these five targets - any of those could be sort of 10x types scenarios, which is a classical rerate of making a discovery.

It would be hard to find any other juniors with as many quality targets as that that has as many catalysts to own the stock.

So coming out a void of news flow, we are now entering a period where we should have a fair bit of reasons to be watching the space again.