



Kincora Copper (KCC, A\$0.24. Mkt cap A\$29m) Strategy and exploration update

KCC last week released a comprehensive update on exploration and one key strategic outcome, its exit from Mongolia.

Exit from Mongolia

- Arguably one of the more important points is that KCC has successfully negotiated the sale of its Mongolian assets to Resilience Mining, which we understand will soon list on the ASX.
- KCC will retain a 9.9% interest in Resilience (post Resilience raising a minimum of \$5m at IPO) and a 20% carried interest until several project milestones are achieved. Drilling is expected at the West Fox gold-copper target as soon as practical post listing.
- This transaction was delayed by what seems to be an opportunistic tax grab by the Mongolian Government. The sum claimed by the Mongolians is the equivalent of around US\$950,000. This liability stays with the project and has been taken on by Resilience.
- We think this is a positive outcome for KCC, with a clean exit from Mongolia and carried upside to exploration success.

Drilling at the Trundle project (KCC 65%: 35% REE)

- KCC's search for copper-gold mineralised porphyries within the Lachlan Fold Belt continues with the majority of drilling at the Trundle project.
- At Trundle Park, to the south, the deepest hole yet drilled (TRDD022) was completed and provides some encouragement that the geologists may be getting close to a discovery.
- Below skarn mineralisation, drilling encountered over 300m of a monzodiorite which in part has been altered along the margin with potassium-bearing feldspar. This can be characteristic of the so-called potassic (or high temperature) alteration within a porphyry system, suggesting to the geologists that a copper-gold system may be close. Sulphide mineralisation and quartz veining was also encountered.
- Assays have not yet been received. While it is not expected that this will be an economic intercept, it does reinforce KCC's geological model.
- While TRDD022 was the deepest hole to date at Trundle Park, an ongoing drill hole (TRDD023) is expected to be the shallowest following up to the east the high grade skarn mineralisation intersected in TRDD011 (including 14m @ 1.39 g/t Au & 1.69% Cu). The total skarn system near surface now extends to over 500m NNE.
- With improved geological understanding (from deeper drilling completed by Kincora, prior explorer drill depth at Trundle Park averaged only 28m) we expect the next phase of drilling at Trundle Park to similarly follow suit, specifically testing porphyry (larger scale prize, from moderate depth) and skarn-style (shallow depth) mineralisation.

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- To the north at Mordialloc, results from several new holes were reported. Perhaps the most significant was TRDD020 which encountered 68m from 82m at 0.11% copper with trace gold and molybdenum. This, with other holes, is suggestive of a large mineralised system within a multiple phase intrusive complex. Clearly these grades are a long way from being economic, but they are certainly encouraging.
- Drilling to test coincident geochem and geophysical anomalies is ongoing on what is interpreted to be the margin of the intrusive complex where High Powered Exploration (HPX, CEO Robert Friedland) drilled its only hole at Trundle following its proprietary Typhoon Induced Polarization (IP) survey before the last commodity cycle downturn.
- As we've said in past reports, the search for blind copper-gold porphyry systems is not for the faint-hearted. It is slow and expensive. But the size of the prize can be very large, as evidenced by Alkane's Boda discovery, which may have added over \$200m to the value of the company.
- We think the results of drilling at Trundle Park over the past 12 months certainly warrants follow-up holes.

Drilling at Nyngan (KCC 100%)

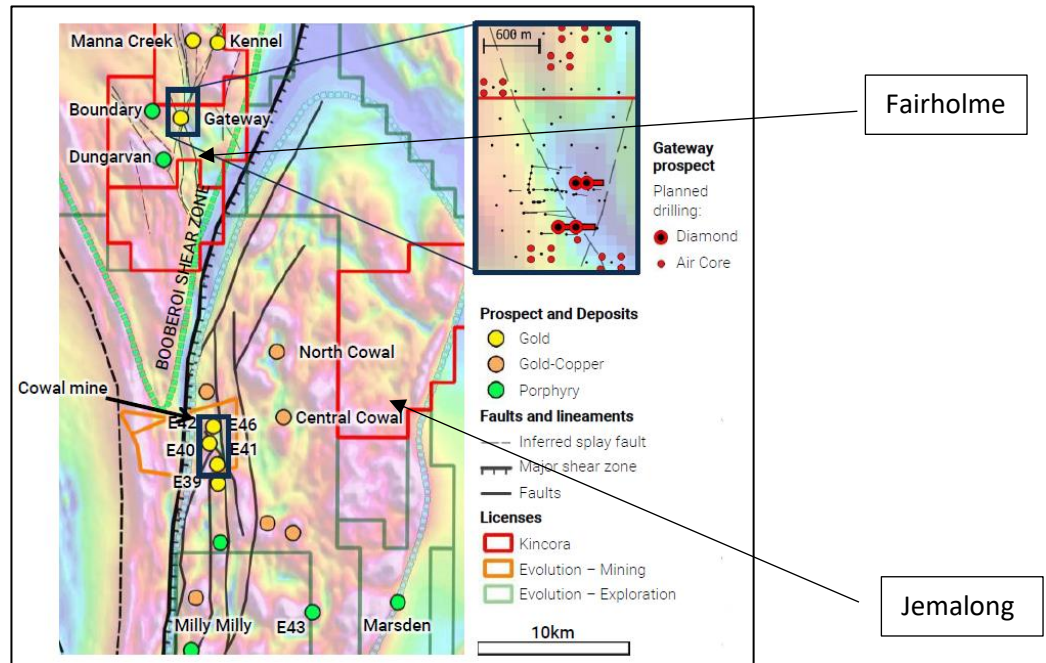
- As a reminder, this is very much a grass-roots exploration play, with 50% of drilling costs supported by the NSW Government as part of its "New Frontiers" initiative.
- Basement geology was intersected at around anticipated depth (just over 300m). Volcanic rock types were encountered as were fossil-bearing horizons. This is useful as it will allow geologists to date the host rocks. Hopefully these are Ordovician or Silurian in age (which is the age of rocks which host the North Parkes and Cadia deposits) which should encourage the geologists to plan further drillholes.
- Further drilling has been delayed until this dating is complete.

Forthcoming drilling at Fairholme (KCC 65%: 35% REE)

- The Fairholme Project is located 10 to 20 km along strike from the Cowal epithermal quartz carbonate-base metal gold mine. Historical activities were focussed on the deeper copper porphyry targets and did not target the shallower epithermal gold-base metal potential.
- KCC's forthcoming program, likely to start within the next 2 weeks, will systematically explore for and focus on the Cowal-style deposits, as well as continue the search for porphyry related systems.
- Three prospects were identified from Newcrest's work between 1993 and 2005: Boundary, Dungarvan and Gateway. Broad anomalous intercepts with a few narrow higher-grade zones were returned from deeper drilling at Boundary and Dungarvan. Best results from Gateway were 124 m at 0.36 g/t Au and 0.10% Cu (including 8 m at 5.18 g/t Au and 0.09% Cu) and 27 m at 0.69 g/t Au, and from Boundary was 48 m @ 0.60 g/t Au and 0.16% Cu. Mineralisation is hosted in very sheared and altered volcanoclastics.
- The Fairholme area has not really been prospected for look-alikes of Evolution's (EVN: ASX) huge Cowal epithermal gold deposit. Since its acquisition from Barrick in 2015, Cowal's resource has grown to 9.7 million ounces (265mt at 1.06g/t), despite mine depletion (Barrick and EVN's historical production totals 4 million ounces). This is truly a world class orebody with further exploration upside expected.
- The main gold deposits at Cowal are the E41, E42, E46, Galway and Regal (shown on the plan below). These gold deposits occur within the 40km long by 15km wide Ordovician Lake Cowal Volcanic Complex, east of the Gilmore Fault. The overall structure of the gold deposits is complex but in general consists of a faulted antiform that plunges shallowly to the north-northeast. The deposits are aligned along a north-south orientated corridor with bounding

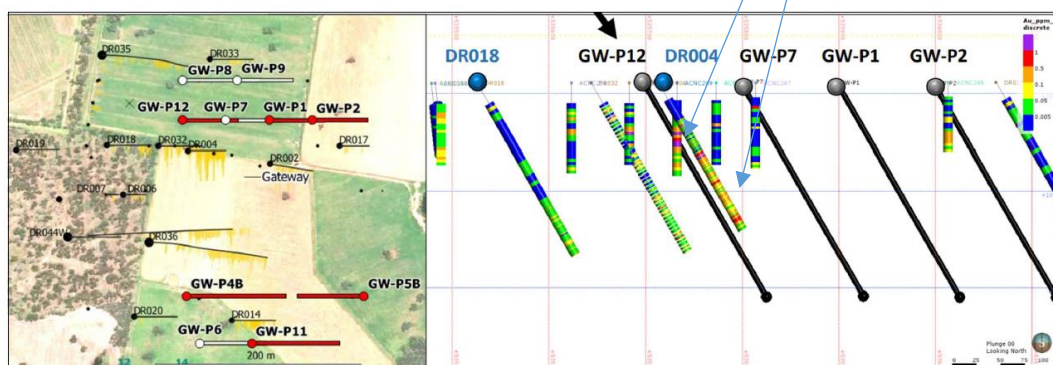
faults, the Booberoi Fault on the western side and the Reflector Fault on the eastern side (making up the Gold Corridor).

- Rocks within the Fairholme project are part of the Ordovician Fairholme Intrusive Complex, comparable to the Lake Cowal volcanics, and lie to the north of the Booberoi Fault. As such, the region is considered to be prospective for Cowal look-alikes.



Source: KCC presentation, March 2021

- To us, the Gateway anomaly is of most interest. Newcrest during its period of exploration at Fairholme between 1990-2005 undertook a series of relatively shallow RC holes across quite a significant coincident gold (100ppb) and copper (500ppm) anomaly, around 400m in strike, identified by air core drilling. This anomaly appears to be at the intersection of NNW and NE trending fault sets.
- Several economic or near-economic intercepts were encountered, including 8m at 5.11gpt.
- To us the reasonably significant intercepts in hole DR004 – highlighted in the section below and which includes 8m at 5.11gpt and 16m at 0.61gpt (within a broad lower grade interval of 124m) - do not appear to have been chased up by Newcrest, or others – indeed, previous explorers consistently dismissed the scale of the gold corridor at Cowal, and no exploration has taken place at Fairholme since EVN's rapid resource growth there. Given this intercept is a little over 10km north of the world class Cowal gold deposit, we see this as a very worthy target.



Source: KCC. Note the GW holes are proposed to be drilled by KCC.

- Fairholme has several additional under-drilled prospects of interest, including:
 - **Boundary**, a 1200m x 500m copper-gold coincident over a NW-trending magnetic high with diamond drill holes having encountered significant widths of low grade gold and copper mineralisation (eg 48m at 0.6gpt and 0.16% copper in basalt and andesitic volcanics).
 - **Dungarvan** was identified by a Newcrest during an air core drilling program and is defined as a NW-trending copper-gold anomaly, approximately 2km x 700m in area and coincident along a NW-trending magnetic high. A limited number of drillholes identified low tenor copper and gold within intermediate to mafic intrusives, volcanics and volcanoclastics.
 - **Manna Creek**, a coincident mag high with gold copper anomalism.
 - **Anomaly 2**, an inadequately tested magnetic high, again with gold-copper anomalism and a single intercept of 9m at 1gpt (from 75m)
 - **Driftway C**, an epithermal/porphyry target.
 - **Canal** (or Kennel), a 500 x 350m mag low with a single air core hit of 6m at 0.1% copper.

Sultan Resources (SLZ:ASX)/Big Hill 'near-ology' (KCC 65%: 35% REE)

- KCC notes the recent SLZ announcement of drilling results from the Big Hill gold-copper porphyry target. This is relevant as this drilling of Big Hill was collared just 280m from KCC's Cundumbul licence boundary.
- SLZ reported (on 7/7/21) that initial drilling of a coincident magnetic and IP anomaly has intersected interpreted porphyry alteration with disseminated pyrite, trace chalcopyrite and bornite. Assays are not yet available.
- The Big Hill magnetic complex is approximately 5km long by 2.5km wide situated within both the Sultan and Kincora licenses.
- We'd imagine KCC will wait until the SLZ's next phase programme (permitted for a further 7 holes) is complete before putting boots on the ground.

Kincora – Investment Overview

Source: updated from BSCP report Aril 2021

- When investing in exploration – arguably one of the riskiest exposures in the mining sector – we always look to back good geologists with one or two high quality, well-priced exposures in what we consider to be geological terrains that can deliver Tier 1 discoveries.
- There is no question that NSW's Lachlan Fold Belt can deliver world class orebodies. Cadia/Ridgeway, Northparkes and Cowal are three examples. Exploration models are being refined by the geologists. Exploration budgets are now generous and this is translating to discoveries. In our view it's a matter of time before further significant discoveries are made.
- We have chosen to back Kincora's strategy in the Lachlan on the following basis:
 - KCC have put together a strong exploration team, transitioning from its Mongolian exploration effort assisted by well-known Lachlan explorer, and former Newcrest GM Exploration, John Holliday (JH), who lives in, and is a foremost figure in the region.
 - KCC, with the assistance of JH, identified the RareX (ex-Clancy) tenement package as being one of the more attractive, and a deal was done. Most of the projects are ex-Newcrest, and are well known to JH. As well, the company was just ahead of the pack and pegged 2 large tenements to the north of the Junee-Narromine belt.
 - KCC have put together a senior team of 'mine finders', with good LFB experience and with the knowledge of porphyry and epithermal systems globally.
 - The team is focussed on the discovery of Cadia-type porphyry gold/copper and Cowal-type epithermal/mesothermal gold plays.

- The company has attracted funding from the NSW Government to co-fund exploration drilling on the Nyngan Project as part of the New Frontiers programme.
- The board has excellent commercial acumen and is likely to seek new opportunities within the LFB and value from within its current portfolio. A \$10m raise leaves the company well positioned to accelerate a drill programme into 2021 and 2022.
- With an EV of around \$20m KCC appears relatively inexpensive in the current exploration-focussed market.

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Appendix 1

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