



\$35m CapEx for 55koz from late 2018, at AISC \$1018/oz

Recommendation

BUY, High Risk

Price

26.5c

Risked, NPV based, Valuation

42c

Commodity

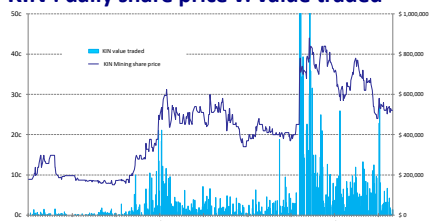
Gold

- **October 2017 DFS based on Reserves of 7.9Mt grading 1.5g/t gold, processing a total of 8.6Mt grading 1.5g/t.**
- **The DFS proposed processing 1.5Mt/yr initially. Expected pre-production capital cost is \$35m, further to the initial \$1.2m deposit paid for the Lawler's mill.**
- **First gold is expected in about 12 months, in late 2018. Total production is expected to be about 370koz, at an average rate of about 55koz/yr.**
- **Expected AISC costs are expected to be \$A 1,018/oz (based on a gold royalty rate of 2.5%).**

Snapshot

Market Cap	\$47m
Cash on hand (30 Sept 2017)	\$4m
Shares on Issue	175.7m
52 Week High	45c
52 Week Low	17.0c
1 month / 6 month VWAP	29.0c / 35.0c

KIN : daily share price v. value traded



KIN listed on the ASX in October 2013.

In April 2014, it announced the acquisition of the Leonora Gold Project (LGP) from the administrators of Navigator Resources (NAV.ASX) and the acquisition was finalised in November 2014.

KIN announced a JORC 2012 Resource estimate in May 2015, and scoping study results were announced in May 2016.

KIN announced the results of a DFS on 2 October 2017, with pre-production capital of \$35m for 55koz/yr at AISC \$A 1018/oz (adjusted), with higher production in early years, and significant potential for mine extensions given its Resource estimate of over 1.0Moz, from 22Mt at 1.42g/t.

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KIN has over 1.0Moz in Resources, from 22.3Mt at 1.4g/t

KIN announced the results of its scoping study in May 2016. This was based on a Mineral Resource Estimate announced in May 2015 of 11.8Mt grading 1.9g/t for 722koz of contained gold.

After significant further drilling, KIN increases this resource estimate to 1,023koz of gold contained in 22.3Mt, grading 1.4g/t, of which Indicated resources comprise 17Mt at 1.4g/t for 771koz of contained gold.

DFS results for Leonora Gold Project (LGP) announced 2 October 2017

KIN's DFS is to process 8.6Mt grading 1.5g/t at an initial rate of 1.5Mt/yr, reducing to 1.4Mt by year 3 and 1.2Mt by year 5 as the ore increases in hardness. The expected pre-production capital cost is \$A 35m.

In November 2016, KIN announced that it had paid an option to acquire the 800kt/yr CIL plant at Lawlers, and on 30 June 2017, KIN exercised the option. On 1 August 2017, KIN announced the acquisition of a 2.5MW ball mill to boost throughput.

First gold in about 12 months

KIN announced that the expected construction and commissioning period is about 11 months.

In August, KIN lodged its phase 1 Mining Proposal and Works Approval applications. Phase 2 application is expected to be made soon.

KIN also needs to secure finance.

Beer & Co.'s risked NPV based valuation is 42c/share

Beer & Co.'s valuation is based on near current spot prices. While we expect a longer mine life, this adds about 1c to our valuation.

Successful execution adds a further 6.5c to our valuation.

Beer & Co affirms our BUY, High Risk recommendation

KIN has progressed the Leonora project, with a lower capital cost due to the acquisition of the Lawler's CIL plant. It is now a robust project, with 3 mining centres and significant scope for further mineralisation.

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Kin Mining - Background

Leonora Gold Project

KIN is developing a gold project near Leonora, in WA,

Kin Mining (KIN) is focussed on the Leonora Gold Project, which it acquired in April 2014, 7 months after KIN listed on the ASX with exploration prospects in the Leonora area.

Figure 1 shows the general location of Leonora in WA.

Figure 2 shows that KIN has a significant tenement area, with major gold mines in current operation nearby, and also other mining in the vicinity.

KIN has identified 3 mining centres within its area, more detail of which is shown in Figure 3, which also shows the proximity to existing operating mines, all of which are under-ground operations.

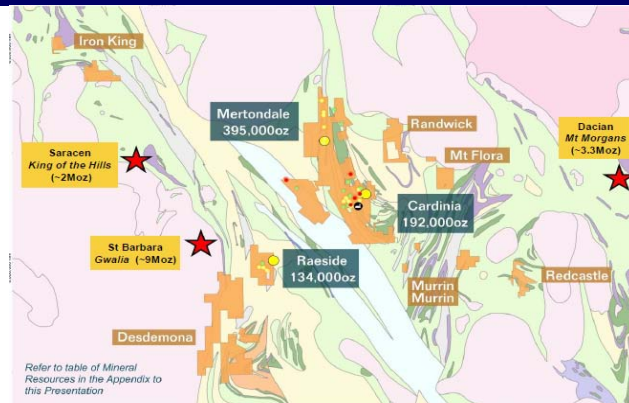
Figure 1 : Leonora, in WA



Source : KIN August 2017 Presentation

Figure 2 : KIN's tenements near Leonora

KIN's project is surrounded by existing gold mines



Source : KIN August 2017 Presentation

Figure 3 : KIN's tenements near Leonora

KIN has 3 mining centres



Source : KIN August 2017 Presentation

Resources

At the time KIN acquired the LGP, the Resource estimate (JORC 2004) totalled 12.19Mt, grading 1.9g/t for a total of 742koz of contained gold. Of this, 8.27Mt grading 2.0g/t for 539koz of gold was Indicated and the balance, of 3.91Mt at 1.6g/t for 203koz was Inferred.

On 11 May 2015, KIN announced an upgraded Mineral Resource Estimate, to JORC 2012 requirements :

- Totalling 11.8Mt, grading 1.9g/t for 722koz of contained gold, comprising
 - Indicated Resources of 8.2Mt grading 2.0g/t for 532koz of gold; and
 - Inferred resources of 3.7Mt grading 1.6g/t for 191koz of gold;
- Across 11 separate deposits clustered into 3 mining centres

On 30 August 2017, KIN announced an updated Mineral Resource Estimate of over 1.0Moz in Resources, from 22.3Mt grading 1.43g/t, as shown in Figure 4.

KIN has over 1.0Moz in Resources, from 22.4Mt grading 1.43g/t gold

From 15 different deposits

Across 3 mining centres

Figure 4 : LGP Mineral Resource Estimate

	Indicated			Inferred			TOTAL		
MERTONDALE									
Merton's Reward	2.75 Mt	1.37 g/t	121 koz	0.36 Mt	1.33 g/t	15 koz	3.11 Mt	1.37 g/t	136 koz
Mertondale 3/4	2.08 Mt	1.50 g/t	100 koz	0.48 Mt	1.33 g/t	21 koz	2.56 Mt	1.47 g/t	121 koz
Tonto	2.67 Mt	1.18 g/t	101 koz	0.18 Mt	1.30 g/t	8 koz	2.86 Mt	1.18 g/t	109 koz
Mertondale 5	0.81 Mt	1.83 g/t	47 koz	0.22 Mt	1.71 g/t	12 koz	1.03 Mt	1.80 g/t	60 koz
Sub-Total, Mertondale	8.30 Mt	1.38 g/t	370 koz	1.25 Mt	1.39 g/t	56 koz	9.55 Mt	1.39 g/t	426 koz
Quicksilver				0.81 Mt	1.54 g/t	40 koz	0.81 Mt	1.54 g/t	40 koz
Eclipse				1.23 Mt	1.39 g/t	55 koz	1.23 Mt	1.39 g/t	55 koz
Mertondale, Total	8.30 Mt	1.38 g/t	370 koz	3.29 Mt	1.43 g/t	151 koz	11.59 Mt	1.40 g/t	521 koz
CARDINIA									
Bruno Lewis Link	1.09 Mt	1.30 g/t	45 koz	0.72 Mt	1.55 g/t	36 koz	1.81 Mt	1.40 g/t	81 koz
Lewis	2.48 Mt	1.21 g/t	96 koz	0.22 Mt	1.31 g/t	9 koz	2.70 Mt	1.22 g/t	106 koz
Kyte	0.51 Mt	1.28 g/t	21 koz	0.02 Mt	1.60 g/t	1 koz	0.53 Mt	1.29 g/t	22 koz
Helens	0.99 Mt	1.53 g/t	49 koz	0.29 Mt	1.39 g/t	13 koz	1.28 Mt	1.50 g/t	62 koz
Rangoon	0.41 Mt	1.37 g/t	18 koz	0.19 Mt	1.18 g/t	7 koz	0.60 Mt	1.31 g/t	25 koz
Sub-Total, Cardinia	5.47 Mt	1.30 g/t	229 koz	1.44 Mt	1.43 g/t	66 koz	6.91 Mt	1.33 g/t	296 koz
RAESIDE									
Michelangelo	2.47 Mt	1.61 g/t	128 koz	0.09 Mt	1.51 g/t	4 koz	2.56 Mt	1.61 g/t	132 koz
Leonardo	0.75 Mt	1.81 g/t	44 koz	0.15 Mt	1.23 g/t	6 koz	0.90 Mt	1.71 g/t	50 koz
Forgotten 4				0.21 Mt	2.12 g/t	14 koz	0.21 Mt	2.12 g/t	14 koz
Krang				0.15 Mt	2.11 g/t	10 koz	0.15 Mt	2.11 g/t	10 koz
Sub-Total, Raeside	3.22 Mt	1.66 g/t	172 koz	0.60 Mt	1.80 g/t	35 koz	3.82 Mt	1.68 g/t	206 koz
TOTAL LEONORA	16.99 Mt	1.41 g/t	771 koz	5.33 Mt	1.47 g/t	252 koz	22.32 Mt	1.43 g/t	1,023 koz

Source : KIN ASX announcement, 30 August 2017, Beer & Co

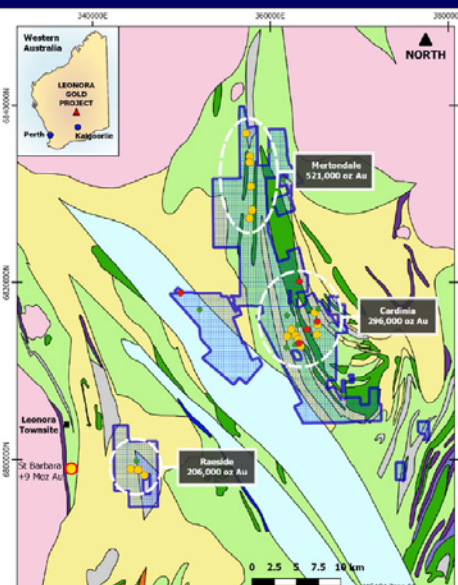
Figure 4 shows that the Mineral Resource Estimate encompasses 3 mining centres covering 15 deposits.

Figure 5 shows more detail of the location of these deposits. It also shows further prospects that are not included in the Resources Estimate.

Figure 6 shows the work that has gone into these estimates, showing that it includes the results of 6,670 holes covering over 400,000m of drilling, of which KIN has executed over 49,000m of drilling in the 3 years it has held title to the project, in 690 holes.

Figure 6 shows that most of KIN's drilling has been Reverse Circulation drilling to an average depth of 71m.

Figure 5 : LGP's Deposits



Source : KIN ASX announcement, 30 August 2017

Figure 6 : LGP Drilling inventory

			DD	RC	AC	RAB	Grade Control	Total
Mertondale	pre-2014	No. holes	188	1,131	1,343	4,195		6,857
		metres	26,666 m	112,215 m	83,508 m	109,124 m		331,513 m
		av. length	142 m	99 m	62 m	26 m		
	by KIN	No. holes	4	113				117
		metres	463 m	13,659 m				14,122 m
		av. length	116 m	121 m				
	Total, Mertondale	No. holes	192	1,244				1,436
		metres	27,129 m	125,874 m				153,003 m
		av. length	141 m	101 m				
	Cardinia	pre-2014	No. holes	26	4,064	1,740		360
metres			1,836 m	158,743 m	68,322 m		58,756 m	287,657 m
av. length			71 m	39 m	39 m			
by KIN		No. holes	11	550				561
		metres	973 m	33,172 m				34,145 m
		av. length	88 m	60 m				
Total, Cardinia		No. holes	37	4,614			360	4,651
		metres	2,809 m	191,915 m			58,756 m	194,724 m
		av. length	76 m	42 m				
Raeside		pre-2014	No. holes	12	559	83		
	metres		1,906 m	49,385 m	2,619 m			53,910 m
	av. length		159 m	88 m	32 m			
	by KIN	No. holes	4	8				12
		metres	317 m	724 m				1,041 m
		av. length	79 m	91 m				
	Total, Raeside	No. holes	16	567				583
		metres	2,223 m	50,109 m				52,332 m
		av. length	139 m	88 m				
	Total, Leonora Gold Project	pre-2014	No. holes	226	5,754	3,166	4,195	360
metres			30,408 m	320,343 m	154,449 m	109,124 m	58,756 m	673,080 m
av. length			371 m	227 m	133 m	26 m		
by KIN		No. holes	19	671				690
		metres	1,753 m	47,555 m				49,308 m
		av. length	283 m	272 m				
TOTAL		No. holes	245	6,425			360	6,670
		metres	32,161 m	367,898 m			58,756 m	400,059 m
		av. length	356 m	231 m				

Source : KIN ASX announcement, 30 August 2017, Beer & Co

Development of the Leonora Gold Project

Feasibility Studies

Scoping Study

KIN announced the results of a scoping study in May 2016

KIN published the results of a scoping study in May 2016. Beer & Co.'s previous research on KIN, see [KIN_2016Nov21](#), which was published on 21 November 2016 was based on the scoping study :

- Mine and process 6.3Mt, at a rate of 1.0Mt/yr, at a grade of 1.63g/t to produce 50koz/yr at an AISC of \$A 1185/oz
- Pre-production project capital projected to be \$A 50m.

Beer & Co.'s research gave an indicative valuation of 29c/share.

Pre-Feasibility Study (PFS)

KINI announced the results of its PFS in December 2016

On 15 December 2016, KIN announced the results of its PFS on the Leonora Gold Project. Key conclusions were :

- A mining inventory of 6.8Mt grading 1.5g/t, based on the same resource model as used in the scoping study;
- Mining and processing at a rate of 750kt/yr for years 1 & 2 before expanding to 1.2Mtyr, for production initially of 35koz/yr rising to just over 50koz/yr;
- Expected pre-production capital cost \$A 35m;
- All-In Sustaining Cash Costs of \$A 1084/oz.

Definitive Feasibility Study

On 2 October 2017, KIN announced the results of its DFS.

DFS is based on Ore Reserves of 7.9Mt grading 1.5g/t

Based on the updated Mineral Resource Estimate, announced on 30 August 2017 and shown in Figure 4, of 22.3Mt grading 1.43g/t for 1,023koz of contained gold, the DFS is based on a mining inventory of 8.6Mt, for over 400koz of contained gold, as shown in Figure 7.

Figure 7 : LGP Mining Inventory

Probable Ore Reserve	7.9 Mt	1.46 g/t	373 koz
Inferred Resources	0.7 Mt	1.38 g/t	32 koz
Total Mining Inventory	8.6 Mt	1.46 g/t	405 koz

Source : KIN ASX announcement, 2 October 2017, Beer & Co

Figure 7 shows that the mining inventory, unusually for a DFS, includes some Inferred Resources. In their announcement, KIN advised that

- The first 3 years are based exclusively on Probable Reserves; and
- The Inferred Resources included in the mining plan are blocks that need to be extracted for mining purposes, but have not had the required drill density to be classified as Indicated Resources, which would enable them to be included in Reserves.

Figure 8 shows more detail on the mining inventory, provided at the request of Beer & Co. It shows that the mining plan includes 9 deposits, while Figure 4 showed that KIN has resources in 15 deposits.

Figure 8 : LGP Mining Inventory - more detail

Probable Ore Reserve			Inferred in Mine Plan			
Tonto	210 kt	1.5 g/t	10 koz	0 kt	0.0 g/t	0 koz
Merton's Reward	1,285 kt	1.7 g/t	70 koz	38 kt	1.7 g/t	2 koz
Mertondale 3-4	952 kt	1.3 g/t	40 koz	14 kt	1.4 g/t	1 koz
Bruno-Lewis Link / Lewis	2,479 kt	1.2 g/t	96 koz	480 kt	1.4 g/t	21 koz
Kyte	461 kt	1.2 g/t	18 koz	0 kt	0.0 g/t	0 koz
Helens	873 kt	1.5 g/t	42 koz	118 kt	1.4 g/t	5 koz
Rangoon	285 kt	1.4 g/t	13 koz	61 kt	1.3 g/t	2 koz
Michelango	1,230 kt	1.9 g/t	75 koz	0 kt	1.2 g/t	0 koz
Leonardo	158 kt	2.1 g/t	11 koz	0 kt	0.0 g/t	0 koz
Total Ore Reserve	7,933 kt	1.5 g/t	374 koz	711 kt	1.4 g/t	32 koz

Source :KIN Mining, Beer & Co

Figure 9 shows the resources in those deposits that are not included in the mining plan; most are relatively immature as the resources are only Inferred resources, suggesting significant further potential with further drilling.

Figure 9 : Resources outside of the mining inventory

	Indicated Resources			Inferred Resources		
Mertondale 5	807 kt	1.8 g/t	47 koz	223 kt	1.7 g/t	12 koz
Quicksilver				810 kt	1.5 g/t	40 koz
Eclipse				1,230 kt	1.4 g/t	55 koz
Forgotten 4				210 kt	2.1 g/t	14 koz
Krang				150 kt	2.1 g/t	10 koz
	807 kt	1.8 g/t	47 koz	2,623 kt	1.6 g/t	132 koz

Source :KIN Mining, Beer & Co

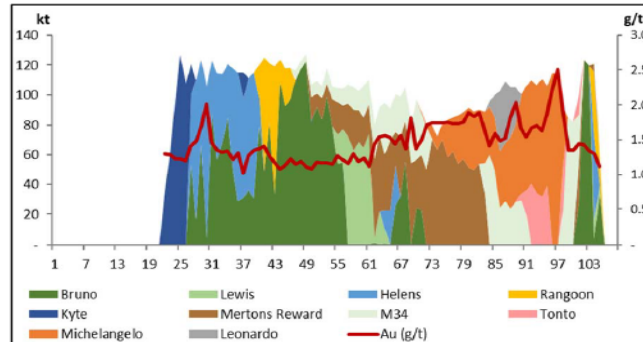
The mine plan is based on ore from 9 separate deposits (one of which has 2 resource estimates)

There are 5 deposits not included in the DFS

Mining Plan

KIN will be exploiting 9 deposits and intend to have up to 3 deposits in production at any single time to ensure continuity of ore supply and mitigate mining risks.

Figure 10 : LGP Mine Plan



Source : KIN ASX announcement, 2 October 2017

Capital Costs

The estimated pre-production capital costs for the development of the Leonora Gold Project is \$A 35.4m, of which \$A 5.4m is 18% contingency, as shown in Figure 11.

There are 2 key reasons for the low capital costs :

- The site has been partly developed due to an earlier trial mining programme undertaken in late 2015 to 2016, which provided geotechnical and cost information; and
- KIN announced the purchase of the processing plant at Lawler’s, which was put on care & maintenance by Goldfields Ltd, with an initial option payment in 24 November 2016 and final exercise of that option on 30 June 2017.

Pre-production capital costs are \$A 35.4m

\$A 1.2m has already been paid to acquire Lawler’s mill

Figure 11 : Capital Costs

	AUD m
Final Payment for Plant	1.2
Re-locate and refurbish Plant	23.4
Roads, borefields, etc	2.8
Mine establishment, Camp	2.6
	30.0
Contingency	5.4
Total, pre-production	35.4

Source : KIN, 2 October 2017, Beer & Co

The Lawler’s mill, shown in Figure 12, operated as an 800kt/yr plant.

Figure 12a : Lawler’s Gold Plant



Source : KIN ASX announcement, 26 April 2017, Beer & Co

Figure 12b : Lawler’s Gold Plant



Source : KIN ASX announcement, 26 April 2017, Beer & Co

On 1 August 2017, KIN announced the acquisition of a 2.5MW ball mill which would boost the capacity of the processing plant mill to 1.2Mt/yr. In their 2 October 2017 announcement, KIN stated that the upgraded mill could treat up to 1.5Mt/yr of (softer) oxide and transition ores.

Operating Costs

Figure 13 shows the detail of KIN's estimated Life of Mine (LoM) AISC costs of \$A 1,038/oz.

The DFS advised estimated AISC of \$A 1038/oz

Assuming a WA gold royalty of 3.75%.

Adjusting for a royalty rate of 2.5% gives an AISC of \$A 1018.0z

KIN's estimate was based on an expected WA royalty rate of 3.75%, but the WA Government announced that due to opposition in the WA Legislative Council the royalty rate will not change so Beer & Co has added the line at the bottom showing adjusted AISC of \$A 1,018/oz based on the current royalty rate of 2.5%.

Figure 13 : LoM Operating Costs

	AUD m	tonne of ore	AUD /oz
Mining	180.9	\$A 20.93/t	\$A 486/oz
Processing	158.0	\$A 18.27/t	\$A 424/oz
Site G & A	18.1	\$A 2.10/t	\$A 49/oz
Royalties	26.2	\$A 3.03/t	\$A 70/oz
Sustaining Capital	3.5	\$A 0.40/t	\$A 9/oz
TOTAL	386.7	\$A 44.73/t	\$A 1,038/oz
adjusted	379.3	\$A 43.88/t	\$A 1,018/oz

Source : KIN ASX, 2 October 2017, Beer & Co

Operations

Figure 14 shows Beer & Co.'s projected operational outcomes for KIN's Leonora Gold Project, based on the information in KIN's 2 October 2017 ASX announcement on the results of the DFS.

Figure 14 : Beer & Co.'s projected outcomes for LGP

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Ore Mined	731 kt	1,500 kt	1,425 kt	1,400 kt	1,250 kt	1,200 kt	1,138 kt	0 kt	
Gold head grade	1.31 g/t	1.58 g/t	1.82 g/t	1.52 g/t	1.21 g/t	1.25 g/t	1.32 g/t	1.46 g/t	
Recovery	95.7 %	88.8 %	90.1 %	93.5 %	94.5 %	94.1 %	91.8 %	91.3 %	
Gold produced	23 koz	68 koz	76 koz	64 koz	47 koz	45 koz	45 koz	4 koz	372 koz
AISC	\$A 995/oz	\$A 865/oz	\$A 893/oz	\$A 965/oz	\$A 1,159/oz	\$A 1,190/oz	\$A 1,258/oz	\$A 557/oz	\$A 1,018/oz

Source : Beer & Co estimates

Figure 14 shows that Beer & Co projects :

- Life of Mine All-In Sustaining Costs of \$A 1,018/oz, though lower in the early years and higher in the later years
 - The low costs in the final year arises as it processes material mined previously, given that processing lags mining;
- The decline in volume processed over time is due to primary ore being harder than the oxide ores, which are closer to surface.

Figure 14 also shows total production of 372koz, which gives annual average production of 52koz, based on the number of quarters of commercial operation.

Financial Outcomes

Figure 15 : Beer & Co.'s projected financial outcomes

AUD m	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Gold Price	\$ 1,295/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz
AUD-USD	0.779	0.775	0.775	0.775	0.775	0.775	0.775	0.775	0.775
Gold sold	0 oz	23,353 oz	67,729 oz	75,891 oz	64,057 oz	46,561 oz	45,278 oz	45,352 oz	4,075 oz
Revenue	0.0	39.2	113.6	127.3	107.5	78.1	76.0	76.1	6.8
Cash Costs	0.0	(21.5)	(54.2)	(63.0)	(57.6)	(50.7)	(50.8)	(54.0)	(2.1)
Royalties	0.0	(1.2)	(3.4)	(3.8)	(3.2)	(2.3)	(2.3)	(2.3)	(0.2)
Dep'n & Amort'sn	0.0	(3.8)	(10.2)	(10.3)	(10.0)	(9.2)	(8.6)	(8.3)	(1.4)
E B I T	0.0	12.7	45.9	50.2	36.6	15.8	14.3	11.5	3.2
Project Capital	(26.6)	(8.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sustaining Capital	0.0	(0.5)	(1.0)	(1.0)	(1.0)	(0.9)	(0.8)	(0.8)	0.0
Sus Cap Ex - Extension	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Cashflow, pre-tax	(26.6)	7.1	55.0	59.5	45.6	24.1	22.1	19.0	4.6

Source : Beer & Co estimates

Figure 15 shows Beer & Co.'s projected financial outcomes for the base case as defined by KIN's DFS.

Beer & Co.'s modelling shows that the projected capital cost is recovered after 4 quarters of production, including the start-up quarter, which is a very strong result and a quick payback.

Beer & Co expects that KIN will define further Resources and Reserves during the term of the operations expected by the DFS

Further

Beer & Co expects that KIN will significantly extend the project life by converting much of the Resources shown in Figure 9 into Reserves.

KIN has also announced many good hits in its drilling, with its 19 April announcement of drilling at Helens of

- 16m grading 37.6g/t, from 47m below surface, including 5m at 117g/t gold;
- 13m grading 14.3g/t, from 49m below surface, including 3m at 50.7g/t gold;
- 17m grading 6.0g/t, from 20m below surface, including 2m at 44.7g/t gold;
- 4m grading 15.3g/t, from 33m below surface, including 1m at 55.5g/t gold.

On 18 October 2017 KIN announced that it was starting a 6,000m drill campaign to test down-plunge extensions to existing mineralisation that are outside the current resource envelope.

Beer & Co.'s base case assumes that the mine life is extended, based on current resources but at a lower grade that the Resource grade

Beer & Co has added to the DFS plan a further 4.8Mt, grading 1.37g/t for 214koz contained gold, based on a conversion of 85% of the volume at 85% of the grade for Indicated Resources, and 80% for Inferred Resources, as shown in Figure 16.

Figure 16 : Beer & Co.'s potential extensions to KIN's DFS case

Extensions	Indicated Resources				Inferred Resources				Total		
	kt	g/t	koz	%	kt	g/t	koz	%	kt	g/t	koz
Mertondale 3-4	956	1.42	44	85%				85%	956	1.42	44
Helens	98	1.49	5	85%					98	1.49	5
Leonardo	503	1.47	24	85%					503	1.47	24
Mertondale 5	686	1.56	34	85%	178	1.37	8	80%	864	1.52	42
Forgotten 4					168	1.70	9	80%	168	1.70	9
Krang					120	1.69	7	80%	120	1.69	7
Bruno-Lewis Link / Lewis					368	1.31	15	80%	368	1.31	15
Quicksilver					648	1.23	26	80%	648	1.23	26
Michelango					72	1.21	3	80%	72	1.21	3
Eclipse					1,046	1.18	40	85%	1,046	1.18	40
	2,243	1.48	106		2,600	1.28	107		4,843	1.37	214

Source : Beer & Co estimates

Figure 17 shows the resulting operational outcome with more ounces produced, with the Life of Mine average cost being higher.

Figure 17 : Beer & Co.'s potential for KIN's Leonora Gold Project

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Ore Mined	731 kt	1,500 kt	1,425 kt	1,400 kt	1,250 kt	1,200 kt	1,200 kt	1,200 kt	1,200 kt	1,200 kt	1,120 kt	0 kt
Gold head grade	1.31 g/t	1.58 g/t	1.82 g/t	1.52 g/t	1.21 g/t	1.25 g/t	1.32 g/t	1.43 g/t	1.51 g/t	1.37 g/t	1.14 g/t	1.11 g/t
Recovery	95.7 %	88.8 %	90.1 %	93.5 %	94.5 %	94.1 %	91.7 %	90.5 %	90.8 %	86.7 %	90.0 %	90.0 %
Gold produced	23 koz	68 koz	76 koz	64 koz	47 koz	45 koz	47 koz	50 koz	53 koz	46 koz	38 koz	3 koz
A1 S C	\$A 1,016/oz	\$A 865/oz	\$A 896/oz	\$A 975/oz	\$A 1,222/oz	\$A 1,284/oz	\$A 1,306/oz	\$A 1,125/oz	\$A 1,391/oz	\$A 1,487/oz	\$A 1,798/oz	\$A 730/oz
												\$A 1,176/oz

Source : Beer & Co estimates

KIN Valuation

Financing and Development

KIN currently has just under \$4m in net cash. Including corporate costs KIN needs to raise about \$35m in debt and equity capital to bring the Leonora project into positive cashflow.

Since announcing the results of its DFS, KIN has received strong interest in providing debt funding for the development of the LGP and is well advanced in discussions. KIN expects a good outcome from these discussions.

For our analysis, as shown in Figure 17, Beer & Co projects that KIN will raise about \$25m in project debt and the balance in new equity, which is shown by Beer & Co.'s projection that the number of shares on issue at the end of FY18, of 238m, is 62m higher than KIN's current shares on issue of 175.7m.

Figure 18 : Beer & Co.'s projected financial outcomes for KIN

AUD m	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Gold Price	\$ 1,295/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz	\$ 1,300/oz
AUD-USD	0.779	0.775	0.775	0.775	0.775	0.775	0.775	0.775	0.775	0.775	0.775	0.775	0.775
Gold sold	0 oz	23,353 oz	67,729 oz	75,891 oz	64,057 oz	46,561 oz	45,278 oz	46,851 oz	49,998 oz	53,025 oz	45,933 oz	40,978 oz	3,852 oz
Revenue	0	39	114	128	109	80	78	81	86	92	80	72	6
Cost of Goods Sold	0	(23)	(58)	(67)	(61)	(56)	(56)	(58)	(53)	(71)	(65)	(69)	(2)
Corporate Costs	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0
Dep'n & Amort'sn	0	(4)	(10)	(10)	(10)	(9)	(9)	(10)	(4)	(3)	(3)	(3)	(2)
EBIT	(2)	10	44	49	35	12	11	10	27	15	9	(2)	2
Interest Expense	(0)	(1)	(0)	0	0	0	0	0	0	0	0	0	0
Tax Expense	1	(3)	(13)	(15)	(10)	(4)	(3)	(3)	(8)	(5)	(3)	1	(1)
NPAT	(2)	6	30	34	24	9	7	7	19	11	6	(2)	2
Expansion Capex	(27)	(9)	0	0	0	0	0	0	0	0	0	0	0
Other Capital	0	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(3)	(3)	(3)	(2)	0
Change in Equity	12	0	1	0	0	0	0	0	0	0	0	0	0
Change in Debt	19	0	(10)	(10)	(4)	0	0	0	0	0	0	0	0
Shares on Issue	161.7m	238.2m	240.2m	245.2m	245.2m	245.2m	245.2m	245.2m	245.2m	245.2m	245.2m	245.2m	245.2m

Source : Beer & Co estimates

Beer & Co.'s base case risked valuation

Figure 19 shows the detail of Beer & Co.'s risked base case valuation, including equity raising and risking.

Beer & Co.'s risked, base case valuation of KIN is 42c/share

Beer & Co.'s mine life extension adds only 1c/share to our risked valuation

Figure 19 : Beer & Co.'s base case valuation

discount rate = 12.0 %	risk :	30 June 2017		23-Oct-17	
		100%	Product	per share	
DFS case	90 %	\$ 86m	\$ 78m	31.4 c	33.8 c
franking credits	54 %	\$ 27m	\$ 15m	5.9 c	6.2 c
Extension	70 %	\$ 13m	\$ 9m	3.6 c	3.8 c
franking credits	42 %	\$ 5m	\$ 2m	0.9 c	1.0 c
Corporate	100 %	(\$ 15m)	(\$ 15m)	(6.3c)	(6.2c)
Equity raisings	100 %	\$ 11m	\$ 11m	4.6 c	3.3 c
Net cash / debt	100 %	\$ 0m	\$ 0m	0.0 c	0.5 c
TOTAL		\$ 128m	\$ 99m	40.2 c	42.3 c
Shares on issue		161.7m	F P O share:	40.3m	Options
		76.5m	FY 18	9.0m	ex'd

Source : Beer & Co estimates

Sensitivities

Figure 19 shows that the value of the extension is relatively trivial.

Figures 20 and 21 show the sensitivity of Beer & Co.'s risked valuation to changes in assumptions of projected commodity prices, for the DFS case and Beer & Co.'s extension case. It shows some sensitivity to lower AUD prices of gold.

Figure 20 : DFS Case Sensitivities

	0.750	0.775	0.800
\$ 1,250/oz	39.9 c	36.6 c	33.5 c
\$ 1,280/oz	42.7 c	39.3 c	36.2 c
\$ 1,300/oz	44.5 c	41.1 c	37.9 c
\$ 1,350/oz	49.2 c	45.6 c	42.3 c

Source : Beer & Co estimates

Figure 21 : Extension Case Sensitivities

	0.750	0.775	0.800
\$ 1,250/oz	40.8 c	36.9 c	33.2 c
\$ 1,280/oz	44.2 c	40.1 c	36.3 c
\$ 1,300/oz	46.4 c	42.3 c	38.5 c
\$ 1,350/oz	52.0 c	47.8 c	43.7 c

Source : Beer & Co estimates

Figures 22 and 23 show the same for the un-risked case (ie. project delivered as expected).

Figure 22 : Un-risked DFS Case

	0.750	0.775	0.800
\$ 1,250/oz	44.5 c	40.9 c	37.5 c
\$ 1,280/oz	47.6 c	43.9 c	40.4 c
\$ 1,300/oz	49.7 c	45.9 c	42.3 c
\$ 1,350/oz	54.8 c	50.9 c	47.2 c

Source : Beer & Co estimates

Figure 23 : Un-risked Extension Case

	0.750	0.775	0.800
\$ 1,250/oz	47.0 c	42.4 c	38.0 c
\$ 1,280/oz	50.9 c	46.2 c	41.8 c
\$ 1,300/oz	53.5 c	48.7 c	44.3 c
\$ 1,350/oz	60.1 c	55.1 c	50.4 c

Source : Beer & Co estimates

Conclusions

Summary

KIN acquired the Leonora Gold Project in April 2014. KIN has updated and increased the JORC Resources estimate, undertaken a trial mining programme and delivered a scoping study in May 2016, a PFS in December 2016 and a DFS in October 2017.

KIN has applied for approvals to begin operations

The key conclusions of the DFS were :

- A mining inventory of 8.6Mt grading 1.5g/t for 405koz of contained gold;
- Mining and processing at a rate of 1.5Mt/yr for 2 years of oxide material, then 1.4Mt/yr for 2 years of transitional material and 1.2Mt/yr of primary material;
- Production around 70koz in the first 2 years, at an AISC under \$A 900/oz, with the Life of Mine annual average of 52koz at an average AISC of \$A 1,038/oz, revised to \$A 1018/oz as the WA gold royalty has not been increased from 2.5%;
- Expected pre-production capital cost \$A 35.4m, including \$5.4m in contingency.

KIN needs to secure debt and equity finance

KIN has secured the Lawler's gold plant.

KIN expects first sales within 12 months

In August, KIN lodged its phase 1 Mining Proposal and Works Approval applications. Phase 2 application is expected to be made soon.

Beer & Co.'s risked base case valuation is robust, with good upside potential from successful execution and further Resources and Reserves

First gold is expected in just over 12 months; with 11 months construction following securing finance and final approvals.

Beer & Co.'s Analysis

Beer & Co expects that KIN will mine and process a greater volume of material than in the DFS, extending the project life. However, this adds only slightly to value.

Beer & Co.'s base case, risked valuation is 42c/share, based on commodity prices very near current levels.

Beer & Co affirms our BUY, High Risk, recommendation

Recommendation

Beer & Co.'s risked valuation is a significant premium to the current share price.

Our relative valuation is quite robust to all key assumptions on commodity prices, mine life and risking.

Beer & Co updates our research on KIN with a BUY, High Risk recommendation.

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The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

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Recommendation : Beer & Co's investment recommendation is driven by the difference between our base case, risked valuation and the share price at the time. A Strong BUY recommendation means a very large difference (eg. over 100%), while BUY means a significant difference and Accumulate means a small, but positive difference. The recommendation is not independent of the uncertainty in Beer & Co's valuation.

Risk : Risk relates to the potential, over the long run, for an investor to lose money; it is a function of both the difference between our base case valuation and the uncertainty in our valuation due to the degree of estimation and/or uncertainties about project execution. Speculative means a high chance of loss; High risk means a good chance of loss and medium means some chance of loss, given the company size.

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