

Kingston Resources Limited

Building a production base

Kingston Resources Limited (ASX:KSN) is an ASX-listed gold and copper mining company with two significant projects at Mineral Hill (Cobar, NSW), where the tailings production project is delivering record quarterly results, and the 3.8Moz Misima Gold Project in PNG, with a recently completed DFS. The tailings project at Mineral Hill is a precursor to the company's aim to return to full-scale mining through building the reserves and resources base during 2023. The company expects to commence open-pit operations at the Pearse deposits in early 2024, progressing to underground works and first copper in late 2024 from the Southern Ore Zone. Initial and historical exploration results point to multiple high-quality opportunities for expansion and extension. Misima Project modelling supports a large scale, low-cost, long-life mine containing a total resource of 3.8Moz gold and 22.1Moz silver. The DFS underpins a 22% IRR and A\$956mn pre-tax NPV(7). Management is undertaking a review of financial and strategic options at Misima. The company ended the year with A\$6.8mn cash in hand, with an additional A\$5.6mn escrowed in environmental bonds and drawn debt of A\$5mn.

Portfolio description

The company holds two key projects. The **Mineral Hill Gold-Copper Mine** (Cobar, NSW), where gold and silver from tailings is delivering record production results and planning for a restart of open-pit and underground mining is progressing. The company aims to leverage the existing processing plant at Mineral Hill through returning to copper, lead and zinc production underpinned by reserves and production target estimates at the Pearse and SOZ (Southern Ore Zone) deposits. In addition, with the completion of the DFS on the **Misima Gold Project** (PNG) a review of funding and strategy is underway. The DFS confirmed the potential for restarting operations, modelling a long-life (20 years), low-cost gold project based on 1.73Moz gold reserves. Misima production ceased in 2004. The focus of works through 2023 are to progress Mining Licence and Environmental and Social studies.

More to come at Mineral Hill

Kingston expects a reserve update for Pearse and the release of a LOM plan in Q123. SOZ MRE evaluation has already delivered a 114% increase in resource tonnage (to 3.8Mt @ 1.29g/t Au, 19.2g/t Ag, 0.9% Cu, 1.6% Pb and 1.4% Zn). Importantly, the company recently completed induced polarisation geophysics south of Mineral Hill in Q123 to test existing gravity anomalies. Some 10 walk-up drill targets had been identified from the existing geophysical data set...none of which have been previously drill-tested. The company considers Mineral Hill as highly under-explored, particularly having previously been focussed on shallower targets (averaging 90m). Numerous prospects have been identified within the mining lease and on the adjoining exploration leases. The company plans to expand the existing resources with additional drilling this calendar year.

Material progress could be delivered in a sector gaining favour

How the coin flips. Some 12 months ago the gold price outlook was bearish on impacts related to pressure on global economies from volatile currencies and inflation data. Longer-term fundamentals continue to support a positive outlook for gold prices and the rise that has been evident since November 2022 could support higher prices – further interest rate rises, a weaker US dollar and persistent above-target inflation, the platform for price accretion is set. The range of gold price forecasts is wide with some views that gold could test new highs through 2023. In an environment of significant economic uncertainties all we can say for certain is the short-term outlook will be bumpy but likely positive.

Share Details

ASX code	KSN
Share price (24-Feb)	\$0.091
Market capitalisation	\$37.8M
Number of shares	415.7M
Net cash at 31-Dec-2022	\$1.8M

Share Price Performance (12 months)



Upside Case

- Continuing record operations outcome in the Mineral Hill Tailings Project pushing operations beyond Mar-2024
- Gold price above-consensus estimates, perhaps testing new highs in 2023
- Significant exploration upside identified through current field campaigns with fast-track potential

Downside Case

- Tailings project underperforms model
- Gold price retraces 2022 lows
- Weaker results or slower progress on exploration campaigns

Catalysts

- Reserves estimates for Pearse, resource estimate for Jack's Hut, LOM plan for open pit and underground mining at Mineral Hill
- Completion of strategic review on Misima and definition on commercial path forward
- Incremental and ongoing positive exploration results
- Rising gold price lifting sector sentiment

Comparative Companies (Australia & NZ)

HLX, PEX, WC1

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FINANCIAL SERVICES GUIDE

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