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HOLD

Current Price C\$4.68
Price Target C\$5.00
TSR 7%

Ticker KRR CN
Sector: Metals & Mining

Shares on issue (m) 176
Market Cap (C\$m) 825
Net cash (debt) (C\$m) 27
Enterprise Value (C\$m) 797

52 Week High 5.62
52 Week Low 3.60
ADTO (C\$m) 4.3

Key Metrics	CY24E	CY25E	CY26E
P/E (x)	12.1	8.3	11.3
EV/Ebit (x)	7.6	4.7	6.0
EV/Ebitda (x)	4.5	2.9	3.2
FCF yield (%)	2.4%	11.7%	7.7%
Dividend yield (%)	0.0%	0.0%	0.0%

Financial Summary	CY24E	CY25E	CY26E
Revenue (C\$m)	520	633	604
Ebitda (C\$m)	174	234	196
Ebit (C\$m)	68	99	73
Earnings (C\$m)	520	633	604

Op cash flow (C\$m)	137	191	160
Capex (C\$m)	(102)	(79)	(81)
Free CF (C\$m)	103	145	104

Debt (cash) (C\$m)	(45)	(141)	(204)
Gearing (%)	(11%)	(33%)	(46%)

Gold production (koz)	CY24E	CY25E	CY26E
Beta Hunt (koz)	130.6	167.0	167.0
Higginsville (koz)	51.4	51.4	51.4
Total (koz)	182.0	218.4	218.4

AISC	CY24E	CY25E	CY26E
Beta Hunt (A\$/oz)	2,154	2,031	2,014
Higginsville (A\$/oz)	2,182	2,182	2,176
Group (A\$/oz)	2,162	2,067	2,052

Share price performance vs ASX 200



Source: Bloomberg, Argonaut, March 2024

Please refer to important disclosures from page 14

Tuesday, 12 March 2024

Karora Resources (KRR CN)

Beta Hunt to drive growth to +200koz

Analyst | Hayden Bairstow

Quick Read

We are initiating coverage on Karora Resources with a HOLD rating and set a C\$5.00 price target. KRR owns the Beta Hunt and Higginsville gold mines in Western Australia. We expect the assets will produce 182koz in CY24 at an AISC of US\$1,405/oz. An expansion of the Beta Hunt mine to 2.0mtpa provides a pathway to grow production to +200kozpa from CY25. Our base case production forecasts for KRR assume a 7-8-year mine life at both Beta Hunt and Higginsville. KRR confirmed it has entered into exclusive merger discussions with Ramelius Resources (RMS AU, BUY, Price Target A\$2.20).

Key points

Beta Hunt expansion key driver of production growth: The Beta Hunt underground mine is KRR's core operation, accounting for ~65% of group production over the past four years. KRR has completed a second decline to access the high-grade ore at Beta Hunt, which should enable mine production to rise from ~1.3mt in CY23 to 2.0mtpa from CY25. We have incorporated this production ramp up into our base case forecasts for KRR, which translates to an increase in mine production from ~100kozpa to ~167kozpa from CY25.

Higginsville boasts large reserve base: The Higginsville Gold mine is currently producing ~60kozpa of gold at an AISC of ~US\$1,300/oz. Gold is sourced from several open pit and underground reserves to provide a stable ore feed to the Higginsville process plant. Ore mined from Beta Hunt is also trucked to Higginsville for processing. Near-term production is forecast to be sourced from the Pioneer and Two Boys deposits. Longer-term we assume production is sourced from higher grade reserves, enabling production at Higginsville to remain around 50kozpa through to CY30.

Near mine and regional exploration upside: We believe the potential to expands reserves and resources at both Beta Hunt and Higginsville is strong. Recent drilling at Beta Hunt has already demonstrated extensions to key high-grade gold and nickel mineralisation. KRR has highlighted the 5km sleuth trend at Higginsville that lies over the Zuleika shear zone. A potential underground development below the Spargos open pit, which ceased mining in late 2022, could provide higher grade ore to the Higginsville mill.

Valuation & recommendation

We are initiating coverage on KRR CN with a HOLD rating and set a C\$5.00. Our price target methodology assumes a 50/50 Blend of our NPV using Argonaut gold price forecasts and at spot prices. Ramelius Resources (RMS AU, BUY, Price Target A\$2.20) recently confirmed recent press speculation that it has entered into exclusive discussions on a potential merger with Karora Resources. These discussions remain incomplete and there is no certainty that this will lead to a transaction.

Karora Resources Limited

ASX: KRR CN	Share price (C\$)	C\$4.68
	Market Cap (C\$m)	825
Analyst: Hayden Bairstow	Shares (m)	176
www.argonaut.com		

Key metrics	CY23E	CY24E	CY25E	CY26E	CY27E	CY28E
EPS (C¢)	10.88	38.61	56.15	41.30	38.91	32.82
DPS (C¢)	0.00	0.00	0.00	0.00	0.00	0.00

P/E (x)	43.0	12.1	8.3	11.3	12.0	14.3
EV/Ebit (x)	12.7	7.6	4.7	6.0	5.8	6.2
EV/Ebitda (x)	6.3	4.5	2.9	3.2	2.9	2.8
EV/Production (x)	4,974	4,284	3,131	2,843	2,550	2,266

Free cash flow yield (%)	1.0%	2.4%	11.7%	7.7%	7.9%	7.6%
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net debt (cash) (C\$m)	(26.4)	(45.0)	(140.9)	(203.7)	(267.8)	(329.8)
Gearing (%)	(7.0%)	(10.5%)	(32.7%)	(46.3%)	(60.2%)	(75%)

Profit & Loss	CY23E	CY24E	CY25E	CY26E	CY27E	CY28E
Sales revenue (C\$m)	421.6	519.7	633.3	604.2	611.4	609.4
Operating costs (C\$m)	(252.1)	(305.6)	(357.8)	(366.0)	(376.5)	(386.7)
Exploration expense (C\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Corporate overhead (C\$m)	(42.9)	(40.2)	(41.4)	(42.6)	(43.9)	(45.2)
Ebitda (C\$m)	126.6	173.9	234.1	195.6	191.1	177.4
Depreciation (C\$m)	(64.0)	(71.0)	(89.3)	(92.0)	(94.8)	(97.6)
Ebit (C\$m)	62.6	102.9	144.9	103.6	96.3	79.7
Net interest (C\$m)	(7.3)	(5.7)	(3.5)	0.4	1.6	2.9
Pre-tax profit (C\$m)	55.4	97.2	141.3	104.0	97.9	82.6
Tax (C\$m)	(17.7)	(29.2)	(42.4)	(31.2)	(29.4)	(24.8)
Underlying earnings (C\$m)	37.7	68.0	98.9	72.8	68.6	57.8
Exceptional items (C\$m)	(18.6)	0.0	0.0	0.0	0.0	0.0
Reported Earnings (C\$m)	19.2	68.0	98.9	72.8	68.6	57.8

Cash flow statement	CY23E	CY24E	CY25E	CY26E	CY27E	CY28E
Net profit (C\$m)	37.7	68.0	98.9	72.8	68.6	57.8
Depreciation (C\$m)	64.0	71.0	89.3	92.0	94.8	97.6
Exploration, interest and tax (C\$m)	15.0	8.1	3.3	(4.8)	1.1	(0.6)
Working Capital (C\$m)	(10.3)	(10.0)	(0.3)	0.5	(0.3)	(0.1)
Other (C\$m)	7.6	0.0	0.0	0.0	0.0	0.0
Operating cash flow (C\$m)	113.9	137.1	191.2	160.5	164.2	154.8
Capital expenditure (C\$m)	(94.6)	(102.0)	(78.9)	(81.3)	(83.7)	(76.5)
Exploration (C\$m)	(10.8)	(15.6)	(15.6)	(15.6)	(15.6)	(15.6)
Other (C\$m)	(0.2)	0.0	0.0	0.0	0.0	0.0
Free cash flow (C\$m)	8.4	19.5	96.7	63.6	64.9	62.7
Dividends (C\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Equity (C\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Debt draw / (repay) (C\$m)	(7.7)	(0.9)	(40.8)	(0.8)	(0.8)	(0.7)
Net cash flow (C\$m)	0.7	18.6	55.9	62.8	64.1	62.0

Balance sheet	CY23E	CY24E	CY25E	CY26E	CY27E	CY28E
Current assets						
Cash at bank (C\$m)	66.4	85.0	140.9	203.7	267.8	329.8
Receivables (C\$m)	4.3	6.1	6.3	6.0	6.1	6.2
Inventories (C\$m)	41.0	58.2	59.9	57.1	58.5	59.0
Other (C\$m)	4.7	4.7	4.7	4.7	4.7	4.7
Current assets (C\$m)	116.4	153.9	211.8	271.5	337.1	399.6
Non-Current assets						
PP&E and Development (C\$m)	465.5	496.5	486.1	475.4	464.3	443.2
Exploration & evaluation (C\$m)	2.7	18.3	33.9	49.5	65.1	80.7
Other (C\$m)	0.4	0.4	0.4	0.4	0.4	0.4
Non-Current assets (C\$m)	468.5	515.1	520.3	525.2	529.8	524.2
Total assets (C\$m)	584.9	669.1	732.1	796.7	866.9	923.8
Current liabilities						
Payables (C\$m)	44.2	53.1	54.7	52.1	53.4	53.8
Short-term debt (C\$m)	12.4	12.2	4.1	3.9	3.8	3.6
Other (C\$m)	2.3	2.3	2.3	2.4	2.4	2.5
Current liabilities (C\$m)	62.6	71.4	64.8	62.2	63.3	63.7
Non-current liabilities						
Long-term debt (C\$m)	32.0	32.0	0.0	0.0	0.0	0.0
Lease liabilities (C\$m)	17.7	17.0	16.3	15.7	15.0	14.4
Provisions (C\$m)	17.0	17.9	18.8	19.7	20.7	21.7
Deferred tax (C\$m)	41.4	48.6	51.0	45.2	45.3	43.6
Other (C\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Non-Current liabilities (C\$m)	118.1	125.4	96.1	90.6	91.0	89.8
Total liabilities (C\$m)	180.6	196.8	160.9	152.7	154.4	153.5
Net assets (C\$m)	404.2	472.3	571.2	644.0	712.5	770.4

Equity	CY23E	CY24E	CY25E	CY26E	CY27E	CY28E
Contributed equity (C\$m)	433.3	433.3	433.3	433.3	433.3	433.3
Accumulated earnings (losses)	(29.0)	39.0	137.9	210.7	279.2	337.1
Total attributable equity	404.2	472.3	571.2	644.0	712.5	770.4
Minorities (C\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity (C\$m)	404.2	472.3	571.2	644.0	712.5	770.4

Source: KRR CN, Argonaut Research, March 2024

Recommendation	HOLD
Price Target (C\$)	C\$5.00
TSR (%)	7%

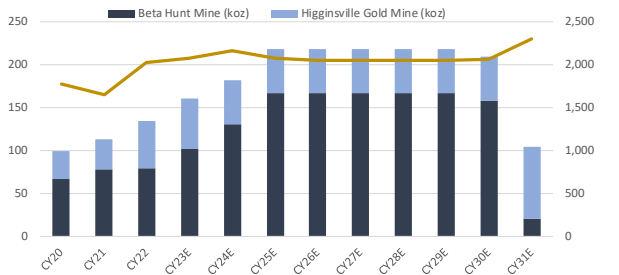


Commodity price assumption	CY23E	CY24E	CY25E	CY26E	CY27E	CY28E
Gold price (US\$/oz)	1,944	2,125	2,175	2,075	2,100	2,093
A\$/US\$ exchange rate (x)	0.665	0.650	0.650	0.650	0.650	0.650
Gold price (A\$/oz)	2,927	3,269	3,346	3,192	3,231	3,220

Mine production details	CY23E	CY24E	CY25E	CY26E	CY27E	CY28E
Beta Hunt Mine (koz)	101.7	130.6	167.0	167.0	167.0	167.0
Higginsville Gold Mine (koz)	58.8	51.4	51.4	51.4	51.4	51.4
Total (koz)	160.5	182.0	218.4	218.4	218.4	218.4

AISC	CY23E	CY24E	CY25E	CY26E	CY27E	CY28E
Beta Hunt Mine (A\$/oz)	2,158	2,154	2,031	2,014	2,010	2,003
Higginsville Gold Mine (A\$/c)	1,912	2,182	2,182	2,176	2,174	2,172
Group (A\$/oz)	2,068	2,162	2,067	2,052	2,049	2,043

Production Outlook



Reserves and Resources

Ore reserves	Ore (mt)	(g/t)	(koz)
Project			
Beta Hunt Gold Mine	6.6	2.71	573
Higginsville Gold Mine	14.3	1.54	706
Total	20.9	1.91	1,279
EV/Reserve (A\$/oz)			610

Mineral Resources	Ore (mt)	(g/t)	(koz)
Project			
Beta Hunt Gold Mine	31.0	2.70	2,687
Higginsville Gold Mine	38.8	1.64	2,041
Total	69.8	2.11	4,728
EV/Resource (A\$/oz)			165

Board and Management

Paul Huet	Executive Chairman
Leigh Junk	Managing Director, Australia
Scott Hand	Non-Executive Director
Peter Goudie	Non-Executive Director
Shirley In't Veld	Non-Executive Director
Char Williams	Non-Executive Director
Meri Verli	Non-Executive Director
Tony Makuch	Non-Executive Director
Derek Humphry	Chief Financial Officer
Oliver Turner	Executive Vice President, Corporate Development
Michael Doolin	Michael Doolin, Senior Vice President, Technical Services
John Leddy	John Leddy, Senior Advisor, Legal & Strategic Matters

Substantial shareholders	Shares (m)	Stake (%)
Van Eck Associates	15.2	8.6%
Invesco	12.1	6.8%
T Rowe Price	7.7	4.3%
Top 20	66.0	37.5%

Valuation	Spot Prices		Argonaut forecasts	
Asset	C\$m	C\$/sh	C\$m	C\$/sh
Beta Hunt Mine	684.4	3.72	498.1	2.71
Higginsville Gold Mine	385.9	2.10	266.8	1.45
Resources	184.8	1.01	162.3	0.88
Hedge book	0.0	0.00	0.0	0.00
Corporate overhead	(208.6)	(1.13)	(208.6)	(1.13)
Unpaid capital	0.0	0.00	0.0	0.00
Cash	101.6	0.55	98.0	0.53
Debt	(70.6)	(0.38)	(70.6)	(0.38)
Total	1,077.4	5.86	746.0	4.06
				5.00

Eight Key Charts

Figure 2: Beta Hunt production summary

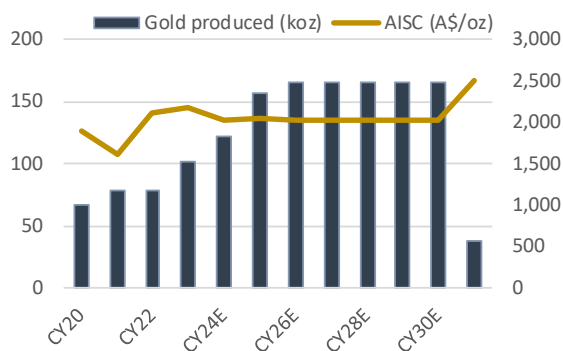


Figure 4: Capex by project

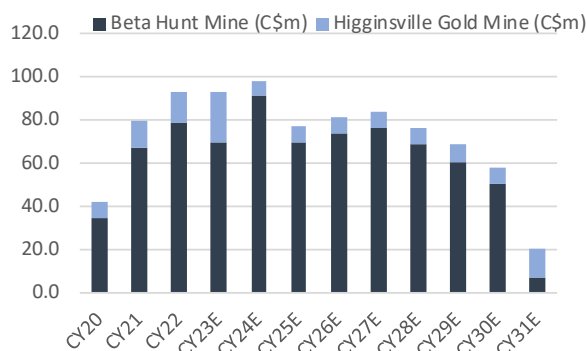


Figure 6: Reserves by project

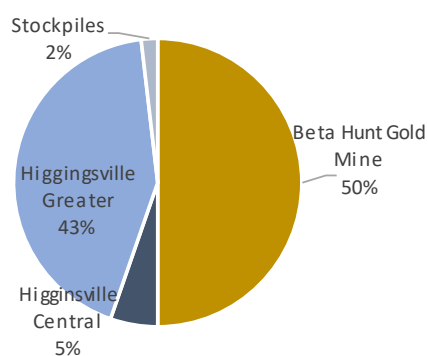
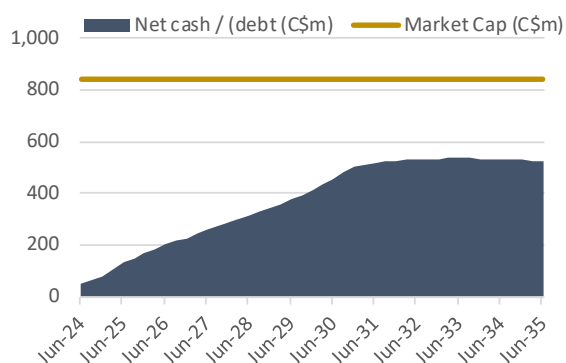


Figure 8: Net cash build vs market cap



Sources Fig 2-9: Bloomberg, Argonaut Research, March 2024

Figure 3: Higginsville production summary

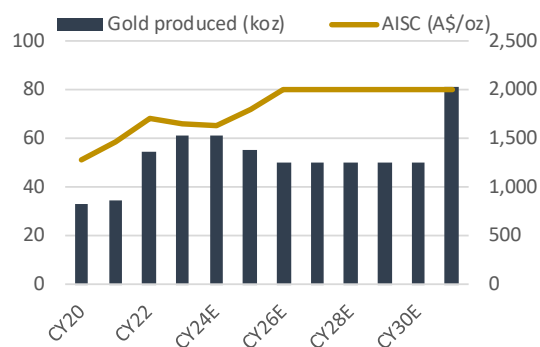


Figure 5: Exploration spend

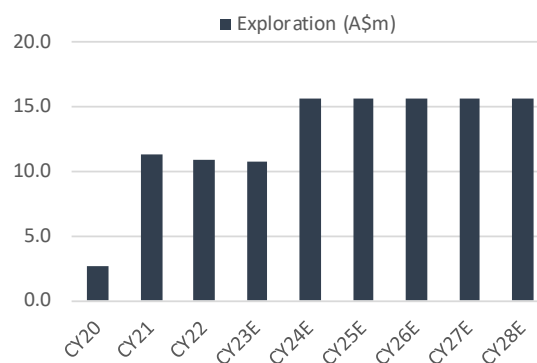


Figure 7: Resources by project

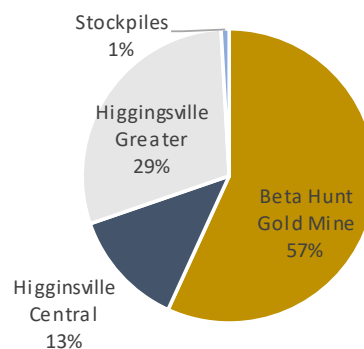
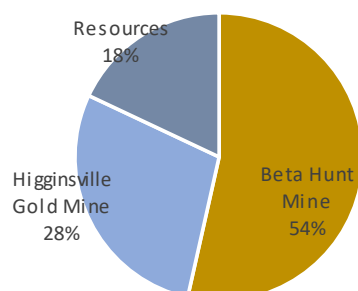


Figure 9: NPV Breakdown



Beta Hunt expansion key to pathway to 200kozpa

KRR owns the Beta Hunt and Higginsville gold mines

KRR has two key mines and two processing centres

Karora Resources (KRR) owns the Beta Hunt and Higginsville gold mines in Western Australia. Beta Hunt is located in Kambalda and historically was one of the primary sources of nickel ore for the Kambalda Nickel Concentrator, owned by BHP Group's Nickel West business.

KRR acquired the Beta Hunt operation in 2016 through a series of separate transactions. In 2018 the discovery of high-grade gold at the Father's Day Vein transformed production and cash flow at Beta Hunt. In June 2019, KRR acquired the Higginsville project, which included the 1.6mtpa gold processing plant and associated infrastructure.

KRR's core assets were burdened by high royalties. Through 2019 and 2020, KRR was able to buy out the Higginsville Gold royalty from Morgan Stanley. The Beta Hunt Maverix royalty was reduced from 6.5% NSR to 4.75% NSR.

The acquisition of Lakewood has increased KRR's milling capacity to 2.6mtpa

In June 2022, the final major infrastructure transaction was completed, with the acquisition of the 1.0mtpa Lakewood gold processing plant for A\$80m. The acquisition of Lakewood increased KRR's milling capacity in the Kambalda region to 2.6mtpa. An upgrade to lift Lakewood's capacity to 1.2mtpa is underway.

Figure 10: Karora Resources key asset locations



Source: KRR, March 2024

KRR has delivered strong production growth over the past four years

KRR has indicated a pathway to 200kozpa

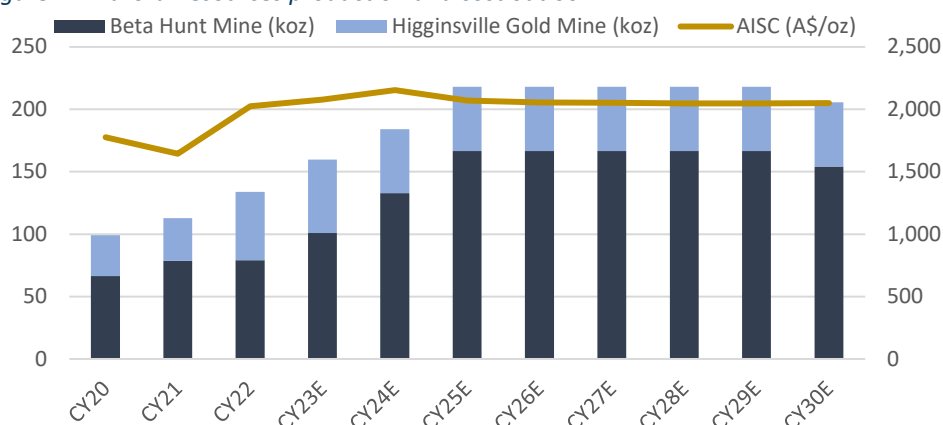
The acquisition of Higginsville has enabled KRR to deliver strong production growth over the past four years. Boosted by the Lakewood process plant acquisition in 2022, KRR has achieved a four-year production CAGR of 15%, with CY23 production forecast to be over 50% higher than in CY20.

KRR has outlined a plan to push group production to ~200kozpa. The key driver behind the growth in output from current levels is an expansion of the mine capacity at Beta Hunt to 2.0mtpa, up from 1.3mtpa currently. A second decline has been constructed and upgrades to the ventilation system are now underway to enable the increased production rate to be achieved.

The expansion of Lakewood to 1.2mtpa is underway

The other key investment is an increase in the capacity at the Lakewood process plant from 1.0mtpa to 1.2mtpa. KRR expects these key infrastructure upgrades to be completed over the next 12-18 months, enabling the ramp up to ~200kozpa by early 2025. Our base case forecasts assume KRR achieves production in CY25 of 218koz.

Figure 11: Karora Resources production and cost outlook



Source: KRR, Argonaut Research, March 2024

We expect production in CY24 to be within the guidance range

Cost guidance reliant on nickel credits in 1HCY24

We set our CY24 production forecast at 182koz, which is in the middle of the 170-185koz guidance range. However, our AISC assumption of US\$1,405/oz is above the top end of the US\$1,250/oz-US\$1,375/oz guidance range.

However, costs are likely to be higher due to lower nickel by-product credits

We note that the cost guidance includes 200-300kt of payable nickel in ore as a by-product. However, with BHP Group indicating that the Kambalda nickel concentrator will close in June 2024 post the cessation of Wyloo Metals nickel operations. KRR has the potential to truck the ore to the Leinster concentrator, given current nickel prices, we believe KRR is likely to cease mining the nickel stopes at Beta Hunt.

Figure 12: Our production forecasts within guidance for CY24

CY24 guidance	Low	High	Avg Argonaut		Low	High	Avg
Gold production (koz)	170	185	178	182	7%	(2%)	3%
AISC (US\$/oz)	1,250	1,375	1,313	1,405	12%	2%	7%
Payable Nickel (kt)	200	300	250	200	0%	(33%)	(20%)

Source: KRR, Argonaut Research, March 2024

Initiating coverage with a HOLD rating and C\$5.00 price target

Valuation and price target

We are initiating coverage on KRR CN with a HOLD rating and set a C\$5.00. Our price target methodology assumes a 50/50 Blend of our NPV using Argonaut gold price forecasts and at spot prices. Our NPV is dominated by discounted cash flow valuations of our development scenarios for the Beta Hunt and Higginsville gold mines.

We also capture resources not incorporated into our production forecasts at 2% of in ground value. Our NPV also factors in current cash and debt balances and corporate overhead costs.

Figure 13: Price target is a 50/50 blend of spot and Argonaut NPV

Valuation	Spot Prices		Argonaut forecasts	
Asset	C\$m	C\$/sh	C\$m	C\$/sh
Beta Hunt Mine	684.4	3.72	498.1	2.71
Higginsville Gold Mine	385.9	2.10	266.8	1.45
Resources	184.8	1.01	162.3	0.88
Hedge book	0.0	0.00	0.0	0.00
Corporate overhead	(208.6)	(1.13)	(208.6)	(1.13)
Unpaid capital	0.0	0.00	0.0	0.00
Cash	101.6	0.55	98.0	0.53
Debt	(70.6)	(0.38)	(70.6)	(0.38)
Total	1,077.4	5.86	746.0	4.06
				5.00

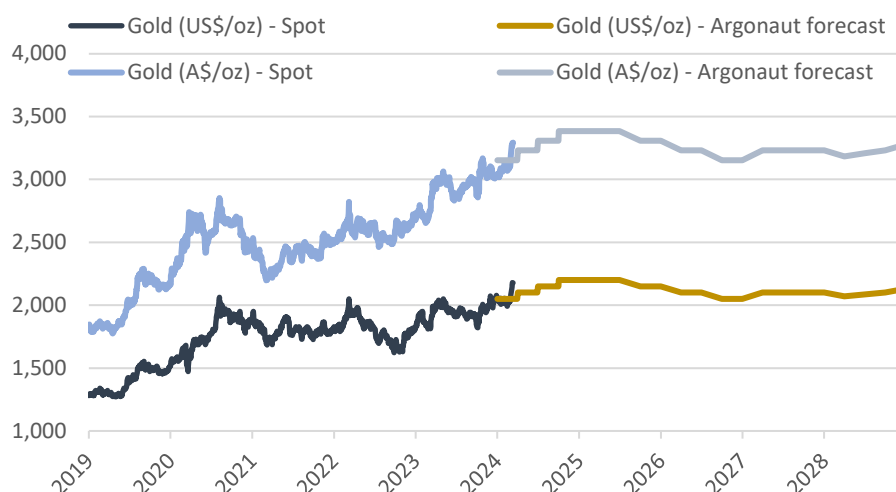
Source: KRR, Argonaut Research, March 2024

Argonaut has a bullish outlook on gold.

Gold prices have surged in the past few weeks, rising 7% in March 2024. Spot gold is now up 205 from the October 2023 lows. We expect to see further strength in gold prices in 2024 with our forecasts calling for the spot price to US\$2,200/oz by the end of the year. Beyond 2024 we assume a more stable outlook, with our long-term price in real terms US\$1,850/oz.

We remain bullish on the outlook for gold prices

Figure 14: We forecast further strength in gold prices in 2024



Source: Bloomberg, Argonaut Research, March 2024

Earnings and valuation sensitivity is high for KRR

Earnings and valuation sensitivity

Our earnings forecasts for KRR are highly sensitive to variances in gold prices vs our forecasts. We note that a 10% rise in gold prices vs our base case drives ~43-77% increases in our earnings forecasts for CY24-CY30. A 10% fall in gold prices would have a similar impact to the downside, demonstrating KRR's earnings leverage to gold due. We note that a 10% rise or fall in our base case gold price forecasts shifts our valuation for KRR by ~44%.

Figure 15: Earnings sensitivity to a 10% move in gold prices

Y/E June	CY24E	CY25E	CY26E	CY27E	CY28E	CY29E	CY30E
10% rise in gold price	50%	43%	57%	62%	75%	75%	77%

Source: KRR, Argonaut Research, March 2024

Upside risk to near-term earnings at spot prices

Our gold price forecasts are lower than current spot prices for the next three years, and then fall back (on an escalated basis) from CY27. As a result, there is upside risk to our earnings estimates at spot prices for CY24-CY25 of ~6-8% and upside of ~56-117% for CY26-CY30.

Figure 16: Earnings impact of a 10% move in gold prices

Y/E June	CY24E	CY25E	CY26E	CY27E	CY28E	CY29E	CY30E
Earnings (C\$/sh) - Spot	42.1	60.3	63.9	66.8	69.7	72.8	70.9
Earnings (C\$/sh) - Argonaut	39.7	55.8	41.0	38.6	32.5	34.0	32.6
Variance	6%	8%	56%	73%	114%	114%	117%

Source: KRR, Argonaut Research, March 2024

Our price target is equivalent to a flat gold price valuation of US\$2,100/oz

Valuation upside at various gold prices

Our valuation for KRR is highly sensitive to our longer-term gold price assumptions. We outline the impact on our valuation using various flat gold prices. In this analysis we assume a flat C\$/US\$ exchange rate of 0.74, in line with current spot prices. A flat gold price of US\$2,000/oz generates an NPV below our price target.

Figure 17: NPV scenarios at various gold prices

Gold price (US\$/oz)	1,600	1,800	2,000	2,200	2,400	2,600
NPV (C\$/sh)	0.59	2.41	4.23	6.05	7.87	9.69

Source: KRR, Argonaut Research, March 2024

Key risks to our base case

Variances in the gold price outlook vs our base case present the most material risks to our forecasts and valuation for KRR. We note that a 10% change in gold prices moves CMM's earnings by 43-77% over CY24-CY30 and our NPV by ~44%.

Variances in our mining inventory assumptions and timing of project developments present key risks to our base case earnings and valuation

Variances in mining rates, average grades, operating costs, and the timing of the development of each new mining area at Beta Hunt and new mines at Higginsville present key risks to our base case forecasts and valuation for KRR.

Beta Hunt expansion to 2.0mtpa

Mine production at Beta Hunt has been increasing in recent years

Expanding underground infrastructure

KRR restarted decline haulage in 2019. Since that period ore hauled up the Hunt decline has increased from ~750kt in CY20 to 1.3mt in CY23. A second decline, called West, was completed in early 2023 and will underpin a significant step up in production. KRR completed three ventilation raise bores to ensure sufficient ventilation would be in place as volumes increased.

Figure 18: Beta Hunt mine overview



Source: KRR, March 2024

Significant reserves and resources

Underground reserves are over 0.5moz

Total reserves at Beta Hunt stand at 6.6mt @ 2.71g/t containing 573koz. The bulk of the reserves are located in the Western Flanks lodes, with mineralisation also defined in the A Zone lode and Larkin lode.

Figure 19: Beta Hunt gold reserves

Deposit	Ore (mt)	Grade (g/t)	Gold (koz)
Western Flanks	4.5	2.78	405
A Zone	1.2	2.51	99
Larkin	0.8	2.64	69
Total	6.6	2.71	573

Source: KRR, Argonaut Research, March 2024

Resources are over 4x the reserves

Resources are over four times larger than reserves and are also dominated by the Western Flanks lodes. The A Zone and Larkin lodes also contain material resources, with modest mineralisation defined at Mason and Cowcill. KRR notes that there is over 400km of underground development already in place at Beta Hunt, with the installation of the second decline expected to enable additional resource areas to be exploited.

Figure 20: Beta Hunt gold resources

Deposit	Ore (mt)	Grade (g/t)	Gold (koz)
Western Flanks	17.7	2.90	1,646
A Zone	8.5	2.38	650
Larkin	3.8	2.48	302
Mason	0.8	2.68	67
Cowcill	0.3	2.42	22
Total	31.0	2.70	2,687

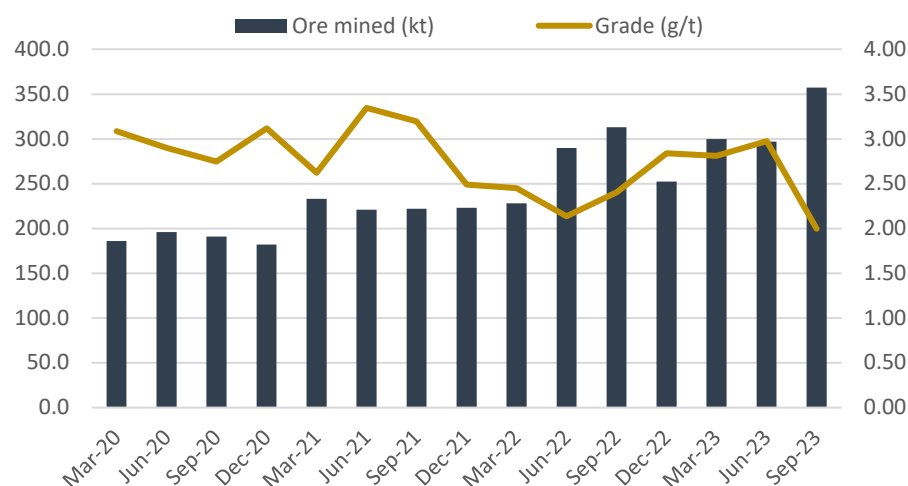
Source: KRR, Argonaut Research, March 2024

Average grades have been in decline as mine production increases

Throughput has been rising as grades fall

The mining rate at Beta Hunt has risen strongly in the past few quarters. In 2020 and 2021, the quarterly mining rate rose of ~200kt/quarter to over 300kt/quarter currently. The +350kt mined in the September 2023 quarter was a record for KRR. However, we note that the average gold grade has been declining as mine production increased.

Figure 21: Quarterly mine production and grade



Source: KRR, Argonaut Research, March 2024

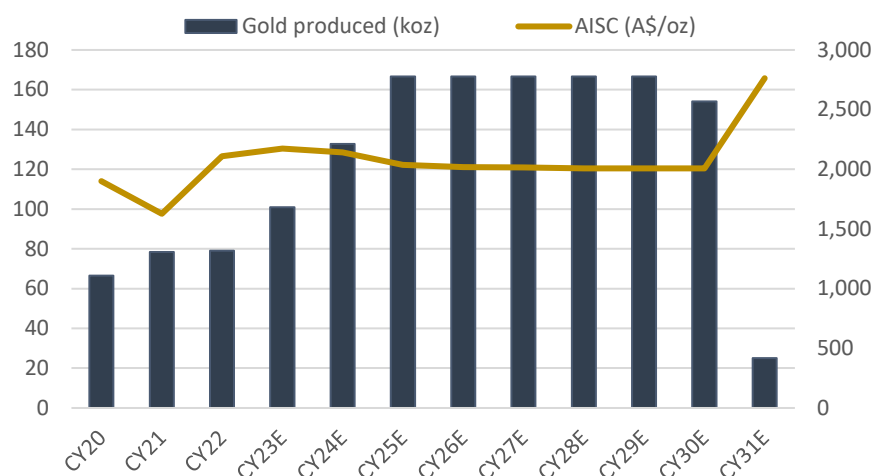
We forecast production at Beta Hunt to rise to 165kozpa

Our base case forecasts for Beta Hunt assume mine production ramps up to 2.0mtpa in line with KRR's guidance. The rising mine output, which is underpinned by the second decline and increased ventilation capacity, should see gold production rise to 165kozpa by CY25.

Our development scenario for Beta Hunt is based on our mining inventory of 13.9mt @ 2.7g/t containing 1.2moz. The mining inventory is based on current reserves at Beta Hunt and 30% of the resources not currently included in reserves. We note that variances in our mining inventory assumptions present a material risk to our base case forecasts and valuation for Beta Hunt, should KRR be unable to convert additional reserves to resources.

An increase in mine output to 2.0mtpa should lift gold production at Beta Hunt to 165kozpa

Figure 22: Beta Hunt gold production and AISC forecasts



Source: KRR, Argonaut Research, March 2024

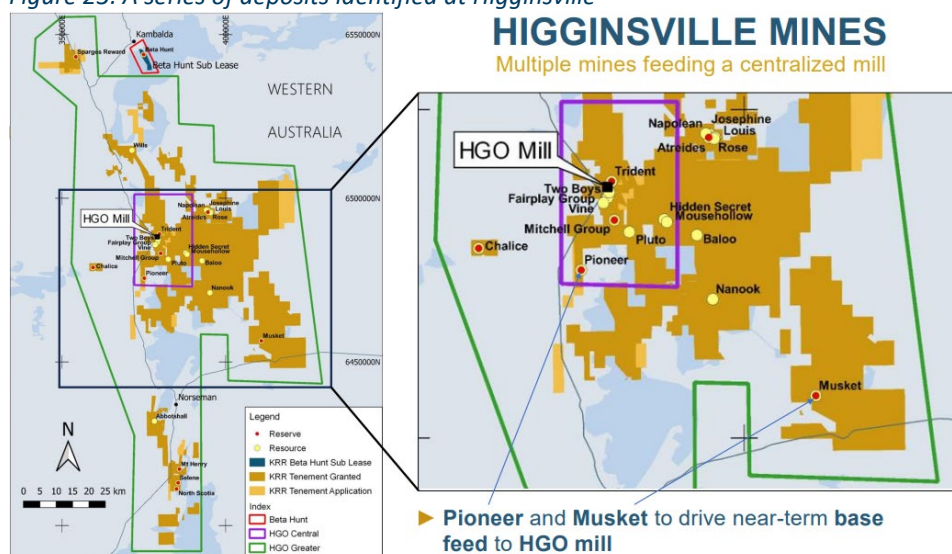
Higginsville feed to come from regional deposits

KRR acquired Higginsville in 2019

Multiple ore sources feed Higginsville

KRR has been mining a series of open pit and underground deposits at Higginsville since acquiring the project in 2019. KRR has indicated that the Pioneer and Two Boys deposits will provide feed in the near-term for Higginsville. The Spargos deposit was mined previously as an open pit and work is underway to test for a potential underground mine.

Figure 23: A series of deposits identified at Higginsville



Source: KRR, March 2024

Reserves and resources dominated by regional deposits

Deposits located in close proximity to the Higginsville process plant only account for 75koz of current reserves, with the bulk of reserves located in deposits in the Greater tenements.

Figure 24: Reserves located larger in regional deposits

Reserves	Ore (mt)	Grade (g/t)	Gold (koz)
Higginsville Central	0.9	2.66	75
Higginsville Greater	12.4	1.51	605
Stockpiles	1.0	0.83	26
Total	14.3	1.54	706

Source: KRR, Argonaut Research, March 2024

Total resources at Higginsville exceed 2.0moz. We have not assessed the deposits on an individual basis, instead apply a portfolio approach to reserves and resources.

Figure 25: Higginsville resources exceed 2.0moz

Resources	Ore (mt)	Grade (g/t)	Gold (koz)
Higginsville Central	7.3	2.61	610
Higginsville Greater	29.6	1.46	1,389
Stockpiles	1.9	0.69	42
Total	38.8	1.64	2,041

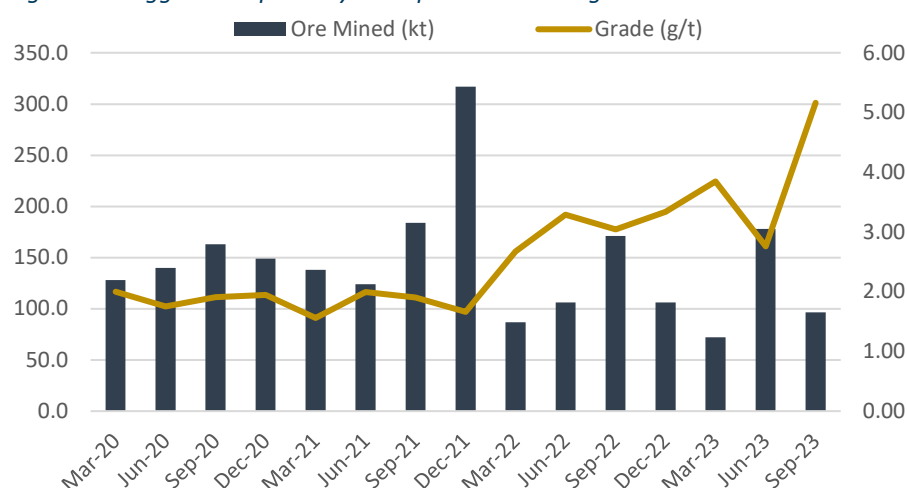
Source: KRR, Argonaut Research, March 2024

Higginsville grades have been rising at the expense of volume

Focus on grade has been a key strategy

Post the completion of mining at Spargos, KRR has focused on providing the Higginsville process plant with higher grades. This has resulted in reduced ore tonnes mined, however a material lift in grades.

Figure 26: Higginsville quarterly mine production and grade



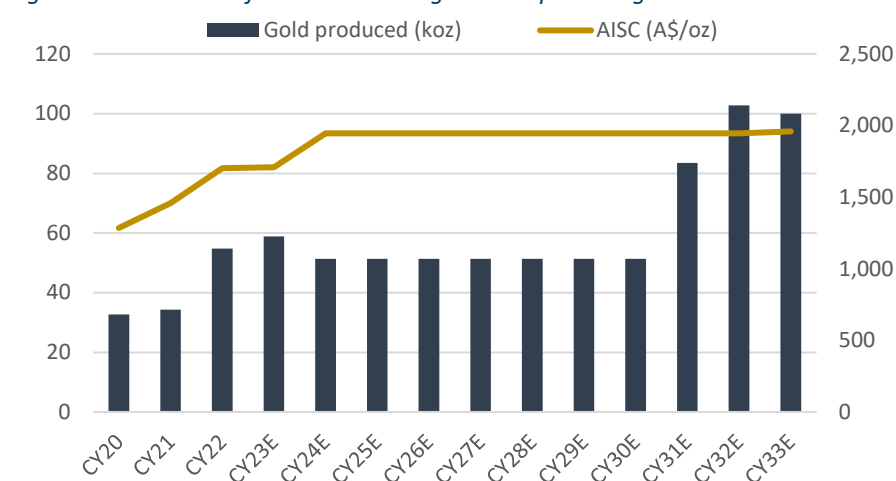
Source: KRR, Argonaut Research, March 2024

Flat production outlook through to 2030

We have assumed a flat production profile for Higginsville, with material mined around Higginsville providing supplemental feed for Beta Hunt, which at 2.0mtpa is expected to deliver ~800ktpa of high-grade ore to Higginsville. Beyond 2030, we assume an increase in mining rates as the Beta Hunt mine ramps down.

We assume a ~50kozpa production rate through to CY30

Figure 27: Production forecast to average ~50kozpa through to CY30



Source: KRR, Argonaut Research, March 2024

Strong exploration potential

Exploration potential is strong

Beta Hunt is target rich for additional exploration success

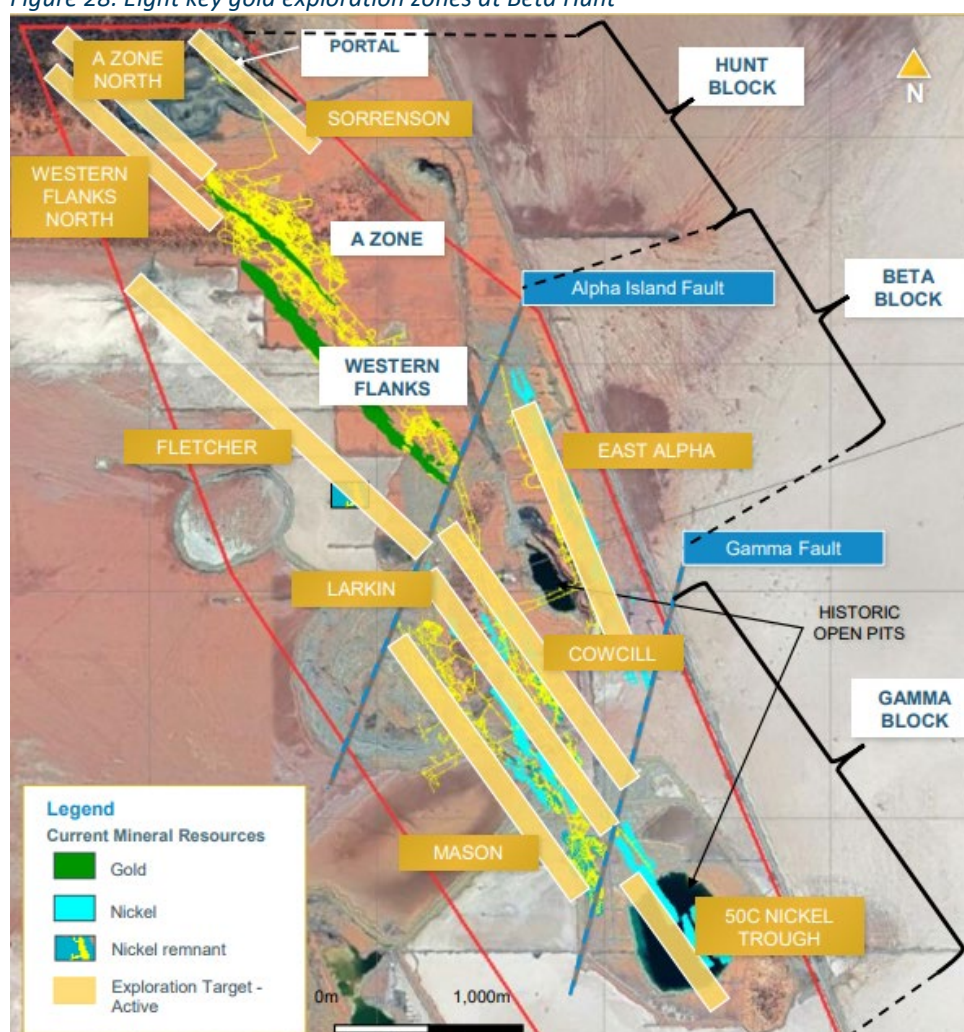
We believe the potential to expand reserves and resources at Beta Hunt is strong. Recent drilling has already demonstrated extensions to key high-grade gold and nickel mineralisation.

KRR has identified eight key exploration target zones at Beta Hunt that are prospective for gold mineralisation. Recent drilling has focused on the Fletcher zone have returned some impressive intersections including 33m @ 3.8g/t. Drilling at the Larkin zone has returned hits including 9.4m @ 6.7g/t and 3.5m @ 13.7g/t.

High-grade drilling success likely to deliver increased reserves and resources

The drilling completed to date should enable a maiden resource to be defined for the Fletcher zone. KRR indicates that additional drilling is planned for the new Larkin and Mason zones, which will be opened up to support current production from the Western Flanks and A zones.

Figure 28: Eight key gold exploration zones at Beta Hunt



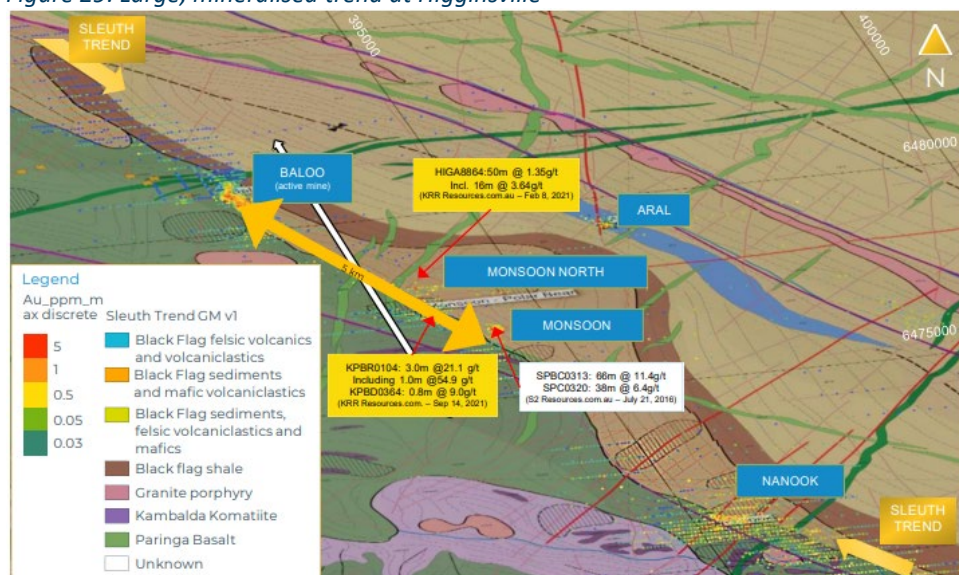
Source: KRR, March 2024

5km trend identified at Higginsville

Regional potential at Higginsville

KRR has highlighted the 5km sleuth trend at Higginsville that lies over the Zuleika shear zone. A potential underground development below the Spargos open pit, which ceased mining in late 2022, could provide higher grade ore to the Higginsville mill.

Figure 29: Large, mineralised trend at Higginsville



Source: KRR, March 2024

RESEARCH:

Hayden Bairstow | Executive Director, Head of Research
+61 8 9224 6835

Ian Christie | Director Research
+61 8 9224 6872

George Ross | Senior Analyst, Metals & Mining Research
+61 8 9224 6840

Pat Streater | Analyst, Metals & Mining Research
+61 8 9224 6818

INSTITUTIONAL SALES:

Chris Wippl | Executive Director, Head of Institutional Sales
+61 8 9224 6875

Damian Rooney | Director, Institutional Sales Trader
+61 8 9224 6862

Josh Welch | Institutional Research Sales
+61 8 9224 6868

George Ogilvie | Institutional Research Sales
+61 8 9224 6871

Matt Middlemas | Associate, Institutional Sales
+61 8 9224 6803

John Santul | Consultant, Institutional Sales & Research
+61 8 9224 6859

CORPORATE AND PRIVATE CLIENT SALES:

Glen Colgan | Executive Director, Desk Manager
+61 8 9224 6874

Kevin Johnson | Executive Director, Corporate Stockbroking
+61 8 9224 6880

Ben Willoughby | Senior Dealer, Corporate Stockbroking
+61 8 9224 6876

David Keogh | Senior Dealer, Corporate Stockbroking
+61 8 9224 6852

Geoff Barnesby-Johnson | Senior Dealer, Corporate Stockbroking
+61 8 9224 6854

James Massey | Dealer, Corporate Stockbroking
+61 8 9224 6849

Cameron Prunster | Dealer, Private Clients
+61 8 9224 6853

Harry Massey | Dealer, Private Clients
+61 8 9224 6829

Jake Solomon | Dealer, Private Clients
+61 8 9224 6855

Matej Mandic | Dealer, Private Clients
+61 8 9224 6887

Amanda Fu | Provisional Provider, Private Clients
+61 8 9224 6805

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