

Stock Commentary

Subject Company: Kingwest Resources Limited

Menzies Gold Project: New Mining & Processing Joint Venture to Provide Revenue from Gold Production in 2022

FMR Investments Pty Ltd to Mine High Grade Ore from Yundaga Underground Operation & Haul to FMRs Coolgardie Mill for Treatment

Background

Kingwest Resources Limited (ASX:KWR) announced on 6th October 2021 that it has entered into a non-binding agreement with established WA Goldfields mining and milling company FMR Investments Pty Ltd to form a gold production Joint Venture between the two companies.

The 40% KWR / 60% FMR profit share JV will see subject to a short due diligence period, FMR underground mine high grade ore from the recently defined Mineral Resource Estimate (MRE) located beneath the historical Yundaga open cut at the Menzies Gold Project (MGP) in Western Australia, truck and then process it through FMR's toll milling and treatment facility at Coolgardie.

The reader is encouraged to view the KWR's market release for more detail, however we have summarised what we believe to be the key highlights and terms below:

- Within 6 months inclusive of a short due diligence period, a legally binding JV agreement will be signed covering production of 180,000 ounces from the Yundaga Mining Zone (YMZ) (Figure 2) or 5 years from commencement of mining, whichever occurs first.
- FMR to pay KWR \$500,000 within 1 month of signing and a further \$500,000 one month after first cut in the decline is fired.
- YMZ to be mined and processed through a Mining & Production Schedule agreed to by both parties.
- FMR to fund all exploration, development, mining, treatment and rehabilitation activities at the YMZ during the term of the JV.
- FMR will be responsible for the Project Management Plan for the YMZ. KWR will be responsible for the Mining Proposal (including Mine Closure Plan) and other tenement items such as environmental, bonds, water licensing, waste dump approvals etc.
- Milling of any ore extracted from the YMZ will occur at FMR's Greenfield's Mill and is to be charged to the JV at a fixed rate per dry metric tonne.
- Full control of the YMZ will revert back to 100% to KWR at the end of the JV period.

Key Takeaway Points from this Announcement

1. We view this announcement of a production JV agreement extremely favourably. Whilst production is realistically still some months off, it nevertheless aligns KWR to enter the more exclusive *gold producer club*, in an advantageously and substantially reduced arms-length risk scenario and without the need for substantial capital requirements and ultimately significant share dilution.
2. Due to the necessary statutory approvals process which needs to be adhered to, we would envisage mining of high-grade ore, haulage and processing to commence some time towards the latter part of H1 of CY2022.
3. Whilst it is early days and with little data to work from currently, we can still nevertheless speculatively envisage free cash flow emanating from his JV being somewhere in the region of \$0.5m to \$1m per month post FMR's capital (CAPEX) recovery.

4. We consider FMR Investments Pty Ltd to be a perfect fit for the JV. FMR is a seasoned, well known established WA Goldfields miner and toll treater with significant resources and production experience. Advantageously, we understand FMR has key technical staff that have had experience working at Yundaga in the past, a deposit which has out-performed gold production expectation historically.
5. We also view the Yundaga deposit as a deposit perfect for such a JV. Whilst it is very much part of the MGP, the deposit sits as an *outlying* deposit (Fig 1) currently amenable to underground mining only, which is in contrast to the majority of the current Menzies resource base. This natural separation advantageously allows KWR to consider other open cut JV opportunities on the rest of the resource base or favourable corporate transactions should they arise.
6. Finally and extremely importantly, production from the JV which will be managed and taken care of by FMR, allows KWR to continue on better funded with its successful exploration activities of both the MGP and Goongarie Gold Project (GGP).

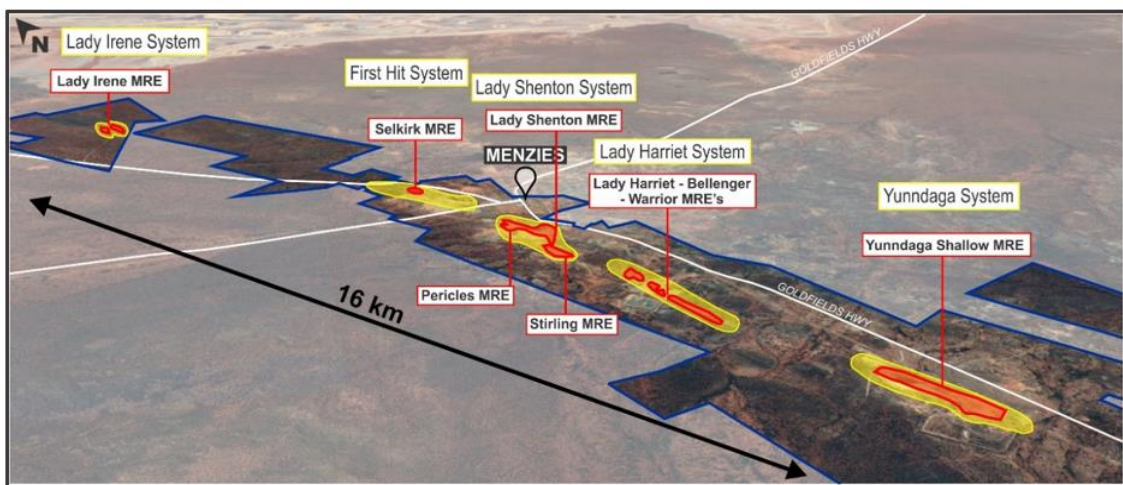


Figure 1: Location of the Yundaga MRE within the MGP

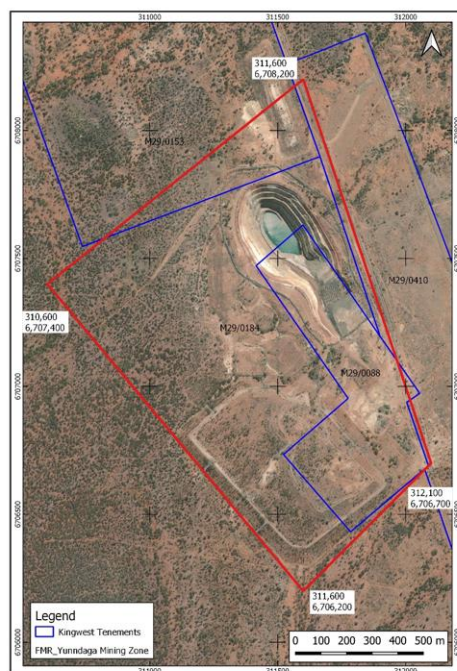


Figure 2: The YMZ

The reader of this Stock Commentary is strongly encouraged to obtain a copy of Peloton Capital's Initiating Coverage Research report on KWR dated 20th October 2020 which provides more detail and our view on KWR and its projects.

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