

## Kingman Minerals Ltd. (TSXV: KGS / OTCQB: KGSSF / FSE: 47A1)

### Preparing a Maiden High-Grade Gold Resource - Initiating Coverage

**BUY**

**Current Price: C\$0.065**

**Fair Value: C\$0.28**

**Risk: 5**

**Sector / Industry: Junior Resource**

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#### Highlights

- Kingman is focused on the **Mohave gold project in Arizona**, which includes the historically producing Rosebud gold mine.
- Historical **inferred resources of 568 Koz Au (17 g/t), and 2.18 Moz Ag (65.49 g/t)**, and indicated resource of 9.1 Koz Au (20.13 g/t) and 29 Koz Ag (64.8 g/t). We note that these are very high gold grades.
- High-grade samples from mineralized veins in Rosebud's underground infrastructure returned 688 g/t Au and 468 g/t Ag over 0.18 m, and 252 g/t Au and 341 g/t Ag over 0.46 m.
- **Phase 1 drilling** (five holes/778 m) completed earlier this year returned **high grades over short intercepts**.
- Kingman is planning a 24-drill hole program to test for high-grade gold areas along strike and depth in unexplored areas below the oxidized zone. **A maiden NI 43-101 compliant resource is expected in two months.**
- We are expecting gold prices to strengthen in H2-2021, as inflation kicks in from a global economic recovery.
- **Kingman's shares are trading at \$11/oz vs the sector average of \$59/oz.**

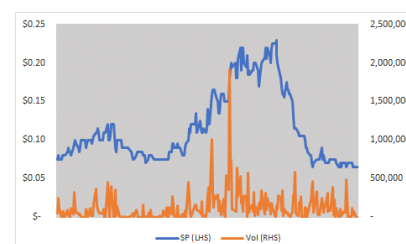
#### Risks

- The value of the company is dependent on gold prices.
- **Access to capital and share dilution.**
- The upcoming NI43-101 compliant resource estimate might not confirm historical resources.
- Exploration and development.

**Sid Rajeev, B.Tech, MBA, CFA**  
Head of Research

**Nina Rose Coderis, B.Sc (Geology)**  
Equity Analyst

#### Price and Volume



	YTD	12M
Ret.	-41%	-13%
TSXV	2%	31%

#### Company Data

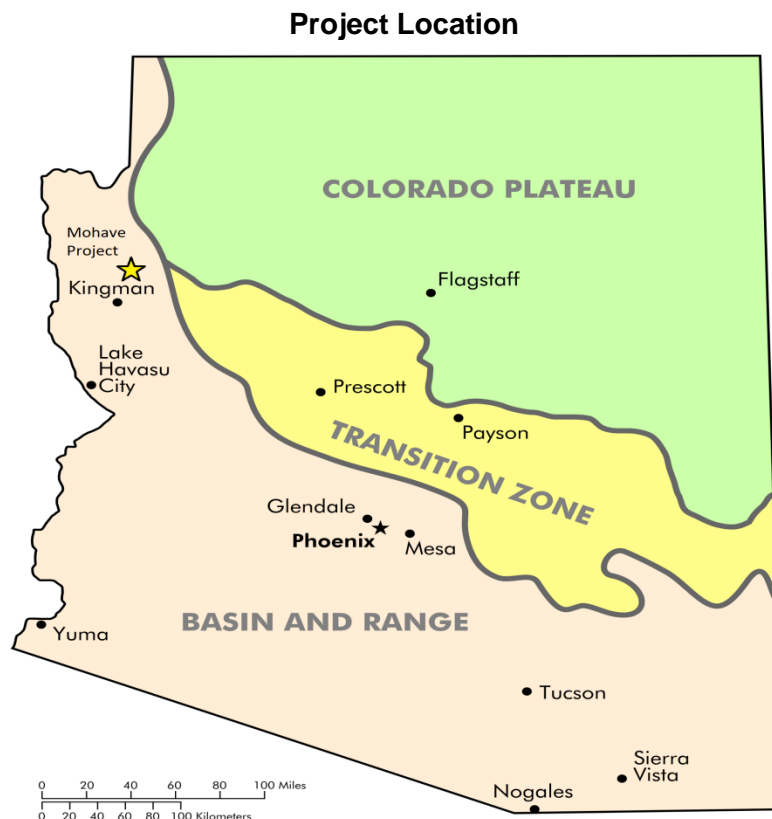
52 Week Range	\$0.06 - \$0.24
Shares O/S	55M
Market Cap.	C\$3.6M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	2.1x

Key Financial Data (FYE - Sept 30)		
(C\$)	2020	2021 (6M)
Cash	\$93,229	\$674,415
Working Capital	-\$254,287	\$566,393
Mineral Assets + PPE	\$473,427	\$1,094,537
Total Assets	\$575,403	\$1,809,537
Net Income (Loss)	-\$737,302	-\$1,623,602
EPS	-\$0.04	-\$0.05

See last page of this report for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.

## Mohave Project

Kingman is focused on developing the gold-silver Mohave project located in Mohave county in Arizona.



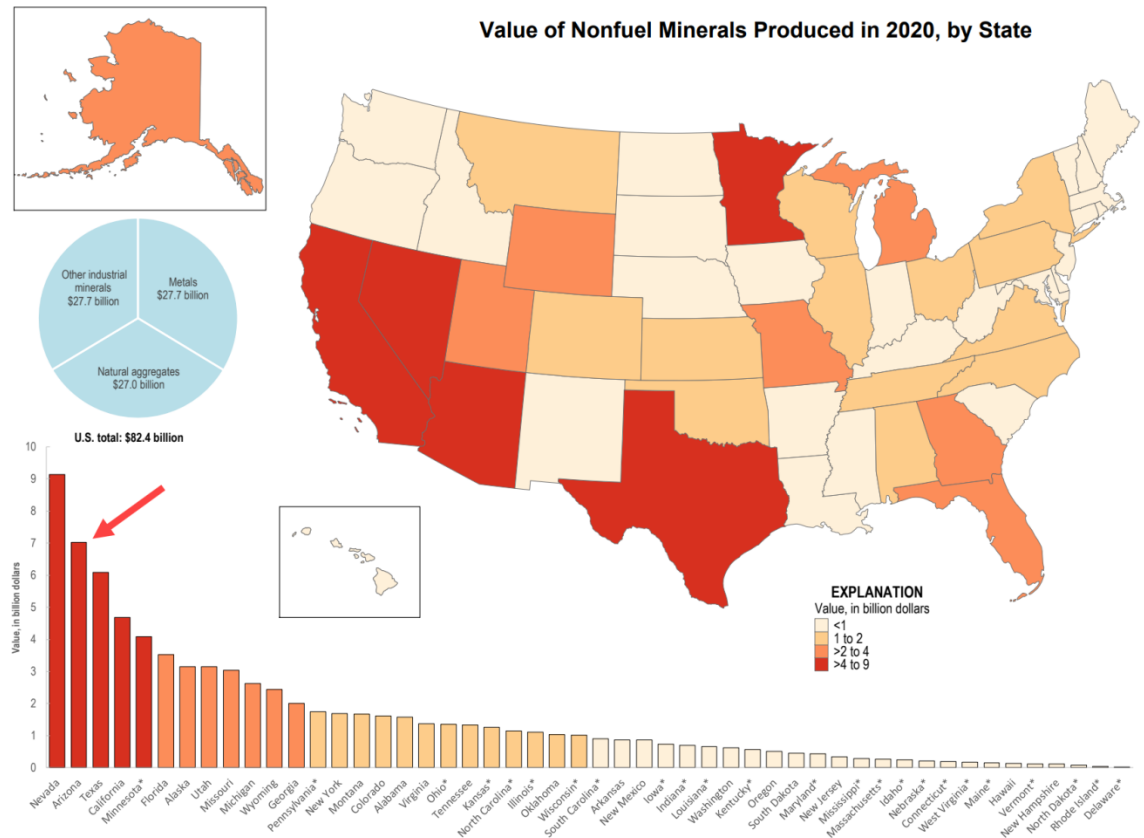
*Source: Company*

Kingman has an option agreement to acquire a 100% interest in the project for \$289k.

## Arizona

In 2020, Arizona was the second largest producer of non-fuel minerals in the U.S., outranked only by Nevada. Copper, molybdenum, construction material, and aggregates are the primary commodities produced in Arizona. The state is also the top producer of copper, and accounts for 74% of copper output in the U.S.

Arizona was ranked second in the U.S. for producing US\$7.03B worth of non-fuel minerals in 2020

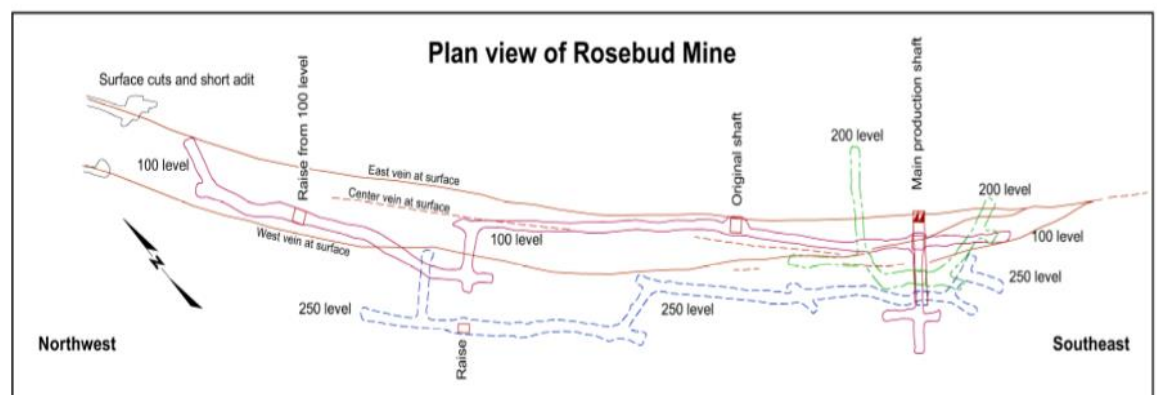


Source: USGS

## Location and Infrastructure

The project (covering 413 acres) is in the Music Mountain district, and 35 miles (56.3 km) from the town of Kingman. It is directly accessible by car through Route 66, and a paved highway. The historically producing Rosebud gold mine within the project, has an underground development, including a 400-ft shaft, and 2,500 ft of drifts, raises, and crosscuts.

Accessible by a paved highway



Source: Company

Due to the arid climate of the area, historical reports for Rosebud confirm sparse access to water. According to reports from the 1980's, workings below the 250 level were flooded, which possibly indicates that the water table could be nearby. The existing infrastructure does not have a facility to process ore. **However, Northern Vertex's (TSXV: NEE) facility at the Moss mine is 80 km from Mohave.**

### Property Access



Source: Company

*Mohave county is known for high-grade epithermal deposits*

### Mineralization

In the 1980s, Mohave county ranked second among gold-producing counties in Arizona. Most deposits in the county were classified as epithermal and mesothermal deposits. These types of deposits are well-known to have high ore grades and can be mined through open pit, underground, or both methods.

The Rosebud mine had eight individual veins and one prominent double vein (Southwick vein) which extended from the northwest corner to almost the southeast corner of the claims block. The width of veins varied from <1 ft (0.3m) to >16 ft (4.9m).

### Historical Resource and Production

The Music Mountain and Rosebud claims covered the historical Music Mountain mining camp. The Music Mountain claims encompass 19 veins spanning over 23 km, where only 3.7 km, or 16% of the total length was surveyed. The surveyed veins contain **high-grade indicated resources @ 18.55 g/t Au (57.2 Koz) and 101.49 g/t Ag (312.8 Koz), and inferred resources @ 16.56 g/t Au (348.6 Koz) and 75.09 g/t Ag (1.58 Moz).** Kingman is planning to expand their land package in the region.

Rosebud is adjacent to Music Mountain. Similar to Music Mountain, Rosebud's resource has notably high gold grades.

## Historical Resources (Rosebud)

Au (g/t)	Ag (g/t)	Tonnage (tonnes)	Au (oz)	Ag (oz)	Mineral category
20.13	64.80	14,116	9,134	29,408	Total indicated resources
17.04	65.49	1,036,147	568,049	2,177,642	Total inferred resources

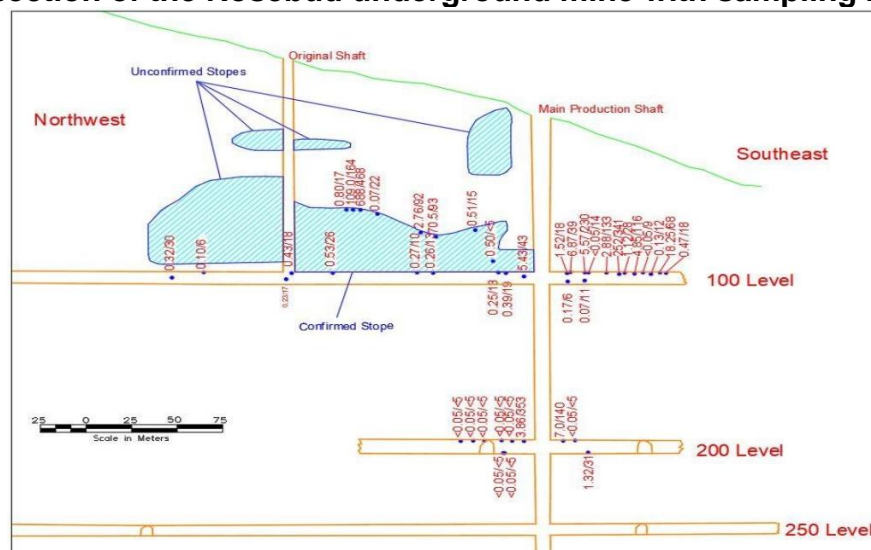
Source: Company / FRC

No production figures are available, but **historical grades ranged between 15-20 opt (514.2-685.6 g/t) Au.**

## Current Exploration

During inspection of the shafts, and the existing mine infrastructure at the 100-ft and 200-ft levels, Kingman outlined high-grade veins. Two samples were extracted from the 100 and 200 ft levels: **688 g/t Au and 468 g/t Ag over 0.18 m**, and **252 g/t Au and 341 g/t Ag over 0.46 m**.

### Cross section of the Rosebud underground mine with sampling locations

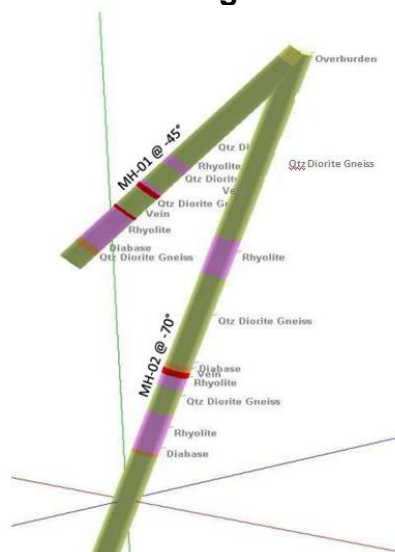


Source: Company

A phase I drill program (five holes) was designed to validate past high-grade intercepts, and to test historical resources at the Rosebud mine. All five holes intersected mineralized veins connected to the veins exposed in Rosebud's underground development. **All five returned high grades over short intercepts.**



## Strip log of two drillholes showing mineralized vein intersections



## Five Completed Holes Drilled in Mohave

Hole ID	Total depth (m)	Mineralized vein intersection?	Purpose	Key Results
MH-01	68.6	Yes	Intersect two mineralized veins exposed in Rosebud	15.2g/t gold over 1.3FT (0.4 M) & 320 g/t silver
MH02	346.0	Yes	Verify vein thickness and grade of previous exploration reports	94.5 g/t gold and 40.2 g/t silver over 1 ft (0.3 m)
MH-03	139	Yes	Confirm two vein structures separated by a rhyolite dike	44.7 g/t gold & 190 g/t silver from 268-269 ft (82.7-83.0 m)
MH-04	269	Yes	Intersect two mineralized veins at depth	6.76 g/t Au and 26.3 g/t Ag over 1.25 feet
MH-05	137	Yes	Confirm location and vein types of historically reported structures	6.0 g/t Au over 4 feet; 23.3 g/t Au over 1 feet

Source: Company

With the positive outcome of the first phase of the drill program, Kingman is planning to conduct a 24-drill hole program to explore other areas within Mohave, particularly the NW and SE extension of the individual eight veins. The objective of Phase II drilling, especially in the NW extension, is to assess the lateral length and vertical depth (down to 2,000 ft/610 m) extent of the mineralized veins.

## Outline of the 24-Hole Drill Program in Mohave



Source: Company

*Technical report to  
be published in the  
next two months*

Upon completing Phase II, Kingman is planning to complete a maiden NI 43-101 compliant resource estimate by September. **Management expects to confirm and possibly add to the historic resource.**

## Other Projects

The company has another project in Canada which it may pursue should they choose to diversify outside of Mohave in Arizona.

Project	Covette
Location	James Bay, Quebec, Canada
Components	Comprised of 12 contiguous claims
Ownership	Option agreement - \$1.25M to acquire a 100% interest

Source: Company / FRC

## Management and Directors

Management and  
board hold 7%

Management and Board	Shares	% of Total
Peter Born - CEO and Director	250,000	0.45%
Arthur Brown -Chairman and CFO	3,125,000	5.66%
Cyrus Driver - Independent Director	450,000	0.82%
	<b>3,825,000</b>	<b>6.93%</b>

Source: Company

Brief biographies of the management team and board members, as provided by the company, follow:

### Dr. Peter Born, P. Geo – CEO and Director

Dr. Peter Born is a registered professional geologist with the Association of Professional Geoscientists of Ontario and is a Fellow of the Geological Association of Canada. He has more than 35 years of experience doing exploration, project generation, and management. He previously worked as senior geologist with Western Mining Corporation (WMC at Meliadine in Nunavut) as well as a consultant/senior geologist, modeling the Aquarius (Timmins) ore body with Echo Bay Mines. Dr. Born holds a Ph.D. in Earth Sciences and has decades of experience in the Abitibi greenstone and gold belt (Ontario and Quebec) especially the 80M ounce Timmins gold camp, Northern Ontario, which was the study area for his Ph.D. research back in the 1990s.

### Arthur Brown – Chairman and CFO

Art brings 36 years of business experience to Kingman's board. He has served on the boards of eight other companies in sectors ranging from technology to oil & gas and mineral exploration. Mr. Brown has substantial knowledge and experience in corporate structure and development, financings and venture capital.

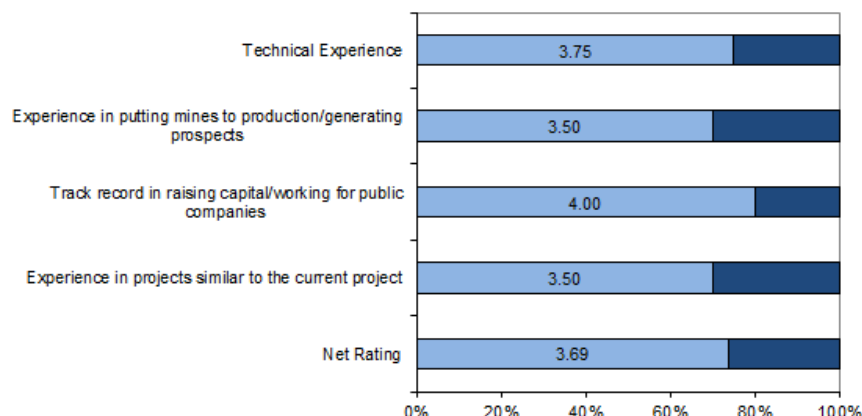
### Cyrus Driver - Independent Director

A chartered accountant, Cyrus was founding partner in the firm of Driver Anderson since its inception in 1982 and a retired partner in the firm of Davidson and Company LLP. Whilst providing general public accounting services to a wide range of clients, he specializes in servicing TSX Venture listed companies and members of the brokerage community. His wide knowledge of the securities industry and its rules have enabled him to give valuable advice to clients with respect to finance, taxation and other accounting related matters. Cyrus currently serves as director and or CFO of several TSX-V listed companies.



Our net rating on the company's management team is 3.7 out of 5.0

#### Management Rating



#### Strength of Board

Only one independent director

	Poor	Average	Good
Three board members; one independent	X		
Directors' share ownership			X
The Audit committee is composed of two board members, one independent	X		
Management compensation is decided by the board		X	

Source: FRC

## Financials

\$0.57M in working capital as of March 31, 2021

C\$ - YE (Sept 30)	2020	2021 (6M)
Cash	\$93,229	\$674,415
Working Capital	-\$254,287	\$566,393
Current Ratio	0.29	5.41
Monthly Burn Rate (G&A)	-\$52,905	-\$149,476
Cash from Financing Activities	\$997,522	\$2,366,598
Cash spent on Properties	-\$210,927	-\$621,110

Source: FRC / Company

**Stock Options and Warrants:** 5.37M options (weighted average exercise price of \$0.16) and 36.75M warrants (\$0.12). None of the options/warrants are in-the-money.

## Valuation

	Company	EV / Resource
1	Pure Gold Mining Inc.	\$313.09
2	Victoria Gold Corp	\$279.09
3	Osisko Mining	\$243.11
4	Marathon Gold Corp.	\$212.32
5	Bonterra Resources	\$98.54
6	Probe Metals	\$80.01
7	Monarch Mining	\$73.02
8	GMV Minerals	\$66.86
9	Sabina Gold	\$65.36
10	Fury Gold	\$64.71
11	Nighthawk Gold Corp.	\$62.31
12	Maple Gold Mines Ltd.	\$56.95
13	Gowest Gold Ltd.	\$52.53
14	Renforth Resources	\$48.61
15	Gold Springs	\$40.34
16	O3 Mining	\$34.70
17	Moneta Porcupine Mines Inc.	\$27.57
18	Gatling Exploration	\$23.89
19	Southern Empire	\$12.02
20	Kingman	\$11.48
	<b>Average (excl outliers)</b>	<b>\$59.35</b>

\* Net Resource = 100% of M&I + 50% of Inferred Resources

Source: FRC / S&P Capital IQ / Various Companies

Applying \$59/oz to KGS' resource, we arrived at a fair value estimate of \$0.28 per share. We are including potential share dilution from a \$1M equity financing at current prices. **We are initiating coverage with a BUY rating.** Key catalysts include strong gold prices, phase II drilling, and the maiden resource estimate.

## Risks

We believe the company is exposed to the following key risks:

- The value of the company is dependent on gold prices.
- **Access to capital and share dilution.**
- The upcoming NI43-101 compliant resource estimate might not confirm historical resources.
- Exploration and development.

*KGS' shares are trading at \$11/oz vs the sector average of \$59/oz*

*As with most junior exploration/development companies, we are assigning a risk rating of 5*

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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