CAPITAL MARKETS HAYWOOD

K92 Mining Inc.
(KNT-V)
SECTOR: Mining

STOCK PRICE	$6.78
RATING	BUY
TARGET PRICE ↑	$10.00
Previous	*$6.15*

VALUATION UPDATE

Kora Kora Kora! What to do when you need an Octopus!

OUR TAKE – *What to do when you need an Octopus? Well, being an Octopus would make the task of simultaneously tackling the multitude of value accretive paths that lay before K92 much easier!* With the Kora resource update and positive PEA established (see details below), the Company is now presented with options that break down broadly into two categories: 1. Growing and de-risking Kora through drilling, decline development and further optimization of the 1 Mtpa plant; and, 2. Testing the proximal low sulphidation epithermal gold-(copper) systems, and Au-Cu porphyry targets within the expansive land package. The latter mentioned group of targets have been somewhat offset from the spotlight due to Kora's success and prioritization, however, Kora is by no means set alone and appears to comprise part of an epithermal vein field (system)consisting of several vein/breccia events punctuated, at least in space (if not time) by porphyry Au-Cu systems (e.g., Blue Lake).

We believe that the next stepwise change for the Company relates to discovery at one or more of these target systems, and which together with growth and de-risking at Kora underpin a clear <u>production growth and discovery platform for K92 Mining</u>.

Given our firm belief in the value of Kora, and the capacity of the geology to deliver further resource growth (underpinned by the 2020 PEA outcomes for the expansion) we have increased our target price to $10.00 (from $6.15). *Our target is predicated on a 1.0x NAV multiple to our Corp. NAV7% (Haywood Base Case), which following an update to our Kainantu mine model on the basis of the PEA update, increases to C$9.98/sh from $6.33/sh, previously.* ***With the Stage 3 PEA now in hand, we now await the delivery of a Feasibility study, which is expected to be completed by mid-2021.***

As a highlight, we note that the Phase 3 expansion study outlined a NAV >20% higher than our previous expectations. Published metrics came in ahead of our estimates on CAPEX, grade, and costs, driving a NPV5% of US$1.6 billion using a price of US$1,600/oz Au, which compared to our previous estimate of US$1.35 billion using a long-term price of US$1,650/oz.

PEA KEY HIGHLIGHTS

- The previously released resource update tabled in May, which outlined 4.8 Moz AuEq (see our report here) formed the basis of the PEA, which outlines a material step-change in overall processing capacity from the upcoming Stage 2 Expansion level of 400 ktpa (1,100 tpd run-rate scheduled to be reached by Q4/20), to 1 Mtpa (2,750 tpd) by the end of 2023. The study outlines a 12 year mine life, average annual production of 258 koz AuEq at an average AISC of US$489/oz AuEq. We note that the initial CAPEX estimate of US$125 million was ahead of our expectations, largely resulting from timing and classification of some underground development capital (ongoing twin incline construction) into ongoing sustaining capital.
- Our updated base-case LOM project scenario (2021+) boasts an NPV7% of C$2.2 billion using a long-term price deck of US$1,650/oz. Using US$1,900/oz, our NPV5% of C$3.1 billion compares to the PEA figure of C$2.6 billion, which we note is supported by our assertion of a longer operating life (16 years). Importantly, expect the Company to deliver further organic growth via the drill bit given our positive standpoint on management's ability to extract further value from its extensive land holdings that host significant potential for both epithermal and porphyry-style mineralization. Currently, underground and surface drilling is ongoing with a total of up to 10 rigs by year-end.

RECOMMENDED ACTION

We recommend accumulating shares at current levels

- **We reiterate our Buy rating and revised target price of $10.00/sh (from $6.15/sh).** We believe K92 offers Tier-1 asset exposure through its high-grade Kainantu Gold Mine in PNG, which is progressing towards near-term production growth in Q3/20. We anticipate K92 will continue to garner interest from investors seeking a growing production base and near-mine resource expansion opportunities. Given K92's cheap valuation relative to peers, we believe the Company is well positioned for share price appreciation.

CATALYSTS

1. **Q3/20 –** Commissioning Stage 2 Plant Expansion to 400,000 tpa
2. **H1/21 –** Stage 3 FS; and, 3. Exploration drilling on epithermal and porphyry targets

PROJECTED RETURN	47%
RISK FACTOR	Very High

SCENARIO ANALYSIS

Downside Scenario	Current Price	Price Target
$5.00	$6.78	$10.00
↓ 26%		↑47%

KEY STATISTICS AND METRICS

52-Week High/Low	$6.80/$0.67
YTD Performance	135%
Shares O/S	214.1M
Market Capitalization	$1.45 B
Cash	$28.7 M
LT Debt (Q1/20)	$4.0 M
Enterprise Value	$1.43 B
Daily Volume (3 mos.)	973,300
Currency	CAD

HAYWOOD ESTIMATES (USD)

	2019A	2020E	2021E
Revenue ($M)	101.7	180.8	225.3
EBITDA ($M)	38.7	119.1	150.9
OCF (before WC) ($M)	49.7	110.6	133
OCF / sh (before WC) ($)	0.23	0.52	0.61
Production (AuEq)	79	105	131
TCC (US$/oz AuEq)	267	361	453
AISC (US$/oz AuEq)	587	516	798

VALUATION

K92's current valuation is at a discount relative to its broader development-stage peers on a P/NAV basis.

K92 is trading at a 0.68x multiple to corporate $NAV_{7\%}$, which compares with peers ranging between 0.63x and 1.27x (average ~0.94x).

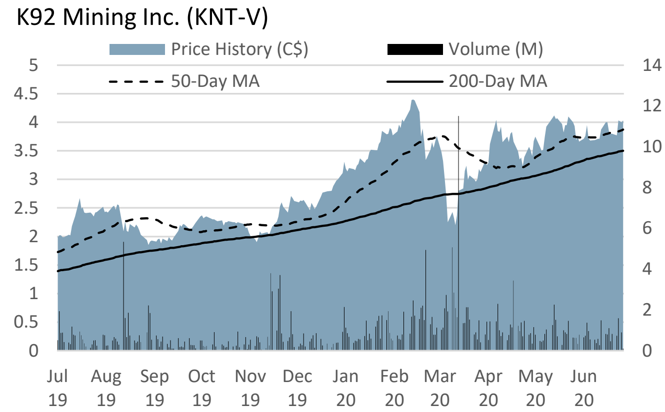
Geordie Mark, PhD, 604-697-6112, gmark@haywood.com
Alvin Islam, GIT, 416-507-2365, aislam@haywood.com

INVESTMENT THESIS

Our investment thesis for K92 is predicated on the following key highlights:

- **Short- and long-term expansion at Kora:** Since the discovery of Kora North in May 2017, K92 has hit the ground running, commencing commercial production in February 2018. The Company is working towards doubling mill throughput as part of its 'Stage 2' mine expansion to 400,000 tpa (from 200,000 tpa) that is expected to be fully commissioned later this quarter. We agree with the Company's view that the current resource base, (M+I+I of 4.8 Moz AuEq), could reach 5 million ounces in the near-term (and ultimately exceed this) given that copper-gold mineralization remains open along strike to the south and at depth for both the K1 and K2 veins; the recognition of high-grade linkage structures also add another dimension to the Kora deposit. This expansion potential would likely justify a larger mining operation, which we have outlined in our assumptions in this report.
- **Tight/clean capital structure:** K92 originally acquired Kainantu from Barrick Gold (Not Rated), in 2015 for an initial cash payment of US$2 million, and in August 2019 made a US$12.5 million payment to Barrick under an Amended Agreement to eliminate the contingent payment arrangement under the terms of the share sale agreement, which continued until March 6th, 2025.
- **District expansion potential:** While Kora is the primary focus for K92, the Company also has an extensive land package that holds significant potential for both epithermal gold and porphyry-style gold-copper mineralization. This includes the adjacent Judd vein and the Blue Lake porphyry project (a 1.5-kilometer-wide soil geochemical anomaly with several holes intersecting broad zones of low- to moderate-grade copper-gold mineralization). The discovery of a large-scale porphyry would likely garner significant interest from copper producers.

SCENARIO ANALYSIS



Source: Capital IQ, and Haywood Securities

TARGET PRICE

Our target price of $10.00 per share is based on a ~1.0x multiple to our fully financed corporate net asset value $(NAV)_{7\%}$ of $9.98 per share. We reach our NAV considering a DCF analysis of the Company's Kora and Kora North projects. We have also included a regional exploration in-situ valuation upside adjustment for its porphyry copper prospects' potential and epithermal gold prospects' potential, as well as factored in corporate adjustments.

DOWNSIDE CASE

Our downside case reflects an assessment of K92's current P/NAV multiple to a selection of comparable peers. Based on the current market conditions, we have estimated a downside scenario of a 0.50x P/NAV placing K92 at a per share price of ~$5.00.

Our downside scenario price is a theoretical case based on notional valuation metrics and market assumptions. The downside price is solely intended for demonstrative purposes and is not to be regarded as a reflection of all market possibilities. It is not a guarantee that this company's share price will not drop below this price level and hence should not be taken as such.

KEY RISKS

- **Exploration risk:** There is no assurance that exploration expenditures made by the Company will result in new discoveries and resource expansion.
- **Financial Risk:** The nature of operations creates exposure to financial risk, including interest rate fluctuations, changes in the Canadian/U.S. dollar exchange rate, and access to equity and debt markets.

K92 Mining is a producing company focused on its Kainantu Gold Mine located in the Eastern Highlands province of Papua New Guinea.

Website

www.k92mining.com

Key Management

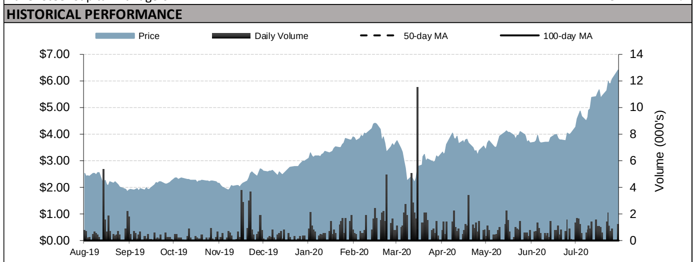
John Lewins (CEO)

K92 Mining Inc. (KNT-V)

K92 Mining Inc. (KNT-TSXV,$6.78)	**Target Price (C$)**	**$10.00**	**Mkt. Cap, C$M**	**$1,449**
Rating: BUY	**Return (%)**	**47%**	CEO	John Lewins
Risk: Very High	52 Week High/Low (C$)	$6.80/$0.67	Company Website	
Valuation: 1.0x NAV	Daily Volume (3-month avg)	973,300		www.k92mining.com

Capital Structure		Shares
		Millions
Shares Outstanding		213.7
Fully Diluted Shares		224.2
Ownership	Shares O/S (mln)	% O/S
RBC Global Asset Management Inc.	14.1	6.6%
Van Eck Associates Corporation	10.3	4.8%
Invesco Ltd.	9.1	4.3%
1832 Asset Management L.P.	8.7	4.1%
Baker Steel Capital Managers LLP	4.5	2.1%

HISTORICAL PERFORMANCE



Financial Summary (US$mln)					
Year-end Dec 31	2019A	2020E	2021E	2022E	2023E
Shares Outstanding, mln	213.0	213.7	219.3	221.7	225.1
FD Shares, mln	229.0	229.7	229.7	229.7	229.7
EPS	0.15	0.25	0.24	0.23	0.79
Op. CFPS (before WC)	0.23	0.52	0.61	0.60	1.04
Income Statement (USD$M)					
Revenue	101.7	180.8	225.3	221.4	466.4
General & Admin	(5.3)	(10.4)	(10.4)	(10.4)	(10.4)
Net Income	32.5	53.9	53.3	50.8	177.9
Balance Sheet (USD$M)					
Cash & Equivalents	21.6	89.8	159.9	246.7	385.8
Debt	5.7	3.7	3.7	43.7	43.7
Cash Flow (USD$M)					
Operating CF (before WC)	49.7	110.6	133.0	134.1	234.3
Financing CF	32.8	(2.1)	2.8	41.2	2.1
Investing CF	(44.4)	(33.8)	(65.6)	(88.5)	(97.3)
Change in Cash	15.3	69.6	70.1	86.7	139.1

NET ASSET VALUE		
	C$M	C$/sh
Kora North - Underground Mining Phase 1 +	246.8	1.14
Kora - Underground Mining Phase 3	1914.1	8.34
Regional Land Package - Epithermal Gold- InSitu Valuation	82.9	0.38
Regional Land Package - Porphyry Copper- InSitu Valuation	87.4	0.41
Corporate Adjustments	(68.0)	(0.30)
Total	2263.2	9.97

COMPARABLES

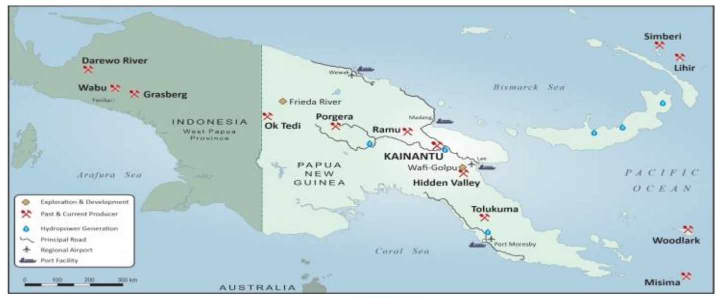
Company	Ticker	Price C$	Total Resources Moz Au	Total Resources Mt Cu	EV/AuEq US$/oz	P/NAV
Argonaut Gold Inc.	TSX:AR	$3.30	12.36	0.20	$45	0.67x
Equinox Gold Corp.	TSX:EQX	$16.53	12.36	0.66	$227	0.89x
Guyana Goldfields Inc.	TSX:GUY	$1.80	6.59	0.00	$30	1.09x
Liberty Gold Corp.	TSX:LGD	$2.30	1.56	0.39	$82	0.65x
Premier Gold Mines Limited	TSX:PG	$2.93	10.61	0.00	$45	0.64x
Roxgold Inc.	TSX:ROXG	$1.74	1.65	0.00	$302	0.75x
Wesdome Gold Mines Ltd.	TSX:WDO	$14.23	7.08	0.00	$202	1.32x
Selected Company Average					**$133**	**0.86x**
K92 Mining Inc.	TSXV:KNT	$6.78	2.45	0.12	$207	0.68x

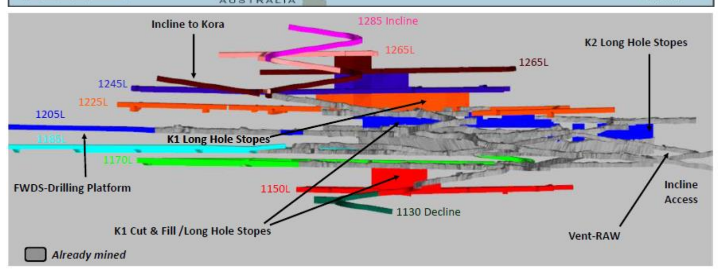
Asset Description: Kainantu gold-copper project

Project Interest: 100%

Location: Papua New Guinea

Deposit Description: The Kainantu project comprises K92's flagship asset Kora North, where commercial production commenced in February 2019, in addition to the past-producing Irumafimpa gold mine, and a large regional land package comprising numerous high potential porphyry and epithermal-style targets. With the discovery of Kora North adjacent to the southern extent of the underground incline, K92 shut-down its production at Irumafimpa where grade continuity and reconciliation was relatively problematic; unlike Irumafimpa, copper-gold mineralization at Kora and Kora North is strongly associated with sulphide (pyrite and chalcopyrite) and therefore easy to identify underground. The discovery of Kora North also reinforced the interpretation that exploration drilling could expand the Kora resource significantly. We agree with the Company's view that increasing the current resource base at Kora to 5 million ounces of AuEq is achievable given that copper-gold mineralization remains open along strike and at depth to the K1 and K2 veins, while the recognition of high-grade linkage structures also add another dimension to the Kora deposit.





Combined Global Mineral Resources Kora (April 2020)										
Deposit	Category	Tonnes	Gold		Silver		Copper		AuEq	
		Mt	g/t	Moz	g/t	Moz	%	kt	g/t	Moz
Irumafimpa	Indicated	0.56	12.80	0.23	9	0.2	0.3	17	13.4	0.2
Irumafimpa	Inferred	0.53	10.70	0.19	9	0.2	0.3	34	11.5	0.2
Kora	Measured	0.66	13.34	0.28	12	0.3	0.5	3	14.1	0.3
Kora	Indicated	2.47	8.44	0.67	16	1.3	0.6	16	9.5	0.8
Kora	M + I	3.13	9.47	0.95	15	1.5	0.6	19	10.4	1.1
Kora	Inferred	12.67	7.32	2.98	20	8.1	1.1	139	9.0	3.7
	Total Measured	**0.66**	**13.34**	**0.28**	**12**	**0.3**	**0.5**	**3**	**14.1**	**0.3**
	Total Indicated	**3.03**	**9.25**	**0.9**	**15**	**1.5**	**0.6**	**32**	**10.2**	**1.0**
	Total M+I	**3.69**	**9.95**	**1.18**	**14**	**1.7**	**0.4**	**36**	**11.3**	**1.3**
	Total Inferred	**12.20**	**7.46**	**3.17**	**19**	**8.3**	**1.1**	**173**	**9.1**	**3.9**

CATALYST CALENDAR

1) Ongoing UG and Near-Mine Exploration Drilling - H2/20
2) Mine Capacity expansion from 200,000 tpa to 400,000 tpa – (Q3/20- Q4/20)
3) Stage 3 Expansion - Feasibility Study (H1/21)

Source: Bloomberg, Capital IQ, Company Reports, and Haywood Securities

Geordie Mark, PhD, 604-697-6112, gmark@haywood.com
Alvin Islam, GIT, 416-507-2365, aislam@haywood.com

Stage 3 PEA By the Numbers

- The previously released resource update tabled in May, which outlined 4.8 Moz AuEq (see our report here) formed the basis of the PEA, which outlines a material step-change in overall processing capacity from the upcoming Stage 2 Expansion level of 400 ktpa (1,100 tpd run-rate scheduled to be reached by Q4/20), to 1 Mtpa (2,750 tpd) by the end of 2023. The study outlines a 12 year mine life, average annual production of 258 koz AuEq at an average AISC of US$489/oz AuEq. We note that the initial CAPEX estimate of US$125 million was ahead of our expectations, largely resulting from timing and classification of some underground development capital (ongoing twin incline construction) into ongoing sustaining capital. K92 has outlined ~C$610 million in total CAPEX within the PEA, which compares to our revised estimate outlining a more conservative figure of C$806 million. ***We highlight a comparison of the aforementioned metrics in Figure 1 below.***
- The updated mining plan outlines 80% of material extracted from long-hole mining with remainder from cut and fill mining, and drove mining unit expectations down. Our revised operating costs of US$135/tonne compare to the PEA estimate of US$128/tonne. Processing is outlined to be undertaken at a new 1 Mtpa process plant to be built proximal to the existing facility, which in itself is unemployed in the future mine plan adding future latent mill capacity (400 ktpa).
- ***Our updated base-case LOM project scenario (2021+) boasts an NPV7% of C$2.2 billion using a long-term price deck of US$1,650/oz. Using US$1,900/oz, our NPV5% of C$3.1 billion compares to the PEA figure of C$2.6 billion, which we note is supported by our assertion of a longer operating life (16 years). Importantly, expect the Company to deliver further organic growth via the drill bit given our positive standpoint on management's ability to extract further value from its extensive land holdings that host significant potential for both epithermal and porphyry-style mineralization. Currently, underground and surface drilling is ongoing with a total of up to 10 rigs to be deployed by year's end.***

Figure 1: Haywood vs K92 PEA Key Parameters Comparison Table

Metric	Haywood LOM Forecast (2021+)	K92 Mining PEA Update LOM Metrics	Δ	Variance (%)
Minable Resource				
Ore Tonnes Processed (Mt)	14.2	9.8	4	**31%**
Throughput (tpd)	2,502	2,750	(248)	**-10%**
Gold Grade (g/t)	8.87	8.84	0	**0%**
Copper Grade (%)	0.96%	1.00%	(0)	**-4%**
Production				
Gold Recoveries (%)	93%	95%	(0)	**-2%**
Gold Produced (koz)	3,706	2,642	1,064	**29%**
Copper Recoveries (%)	94%	95%	(0)	**-1%**
Copper Produced (klb)	275,868	195,000	80,868	**29%**
LOM Process Life (years)	16.0	12.0	4	**25%**
Costs				
Operating Cost (C$/t)	$ 135	$ 128	7	**5%**
Cash Operating Cost (US$/oz AuEq)	$ 481	NA	NA	**NA**
Cash Cost (US$/oz AuEq)	$ 531	$ 353	178	**34%**
AISC (US$/oz AuEq)	$ 644	$ 489	155	**24%**
CAPEX				
Pre-production (C$M)	$ 187	$ 164	23	**12%**
Sustaining & Closure (C$M)	$ 620	$ 447	173	**28%**
Total (C$M)	$ 806	$ 610	196	**24%**
Financial				
LOM Average Gold Price (US$/oz)	$ 1,653	$ 1,500	153	**9%**
LOM Average Copper Price (US$/lb)	$ 3.05	$ 3.00	0	**2%**
LOM Average Silver Price (US$/oz)	$ 16.53	$ 18.00	(1)	**-9%**
NPV5% (C$M)	***$ 2,544***	***$ 1,965***	***579***	***23%***
NPV5% (C$M) @ US$1,900/oz Au	***$ 3,078***	***$ 2,620***	***458***	***15%***
NPV7% (C$M) - Haywood Base Case	***$ 2,161***	***NA***	***NA***	***NA***

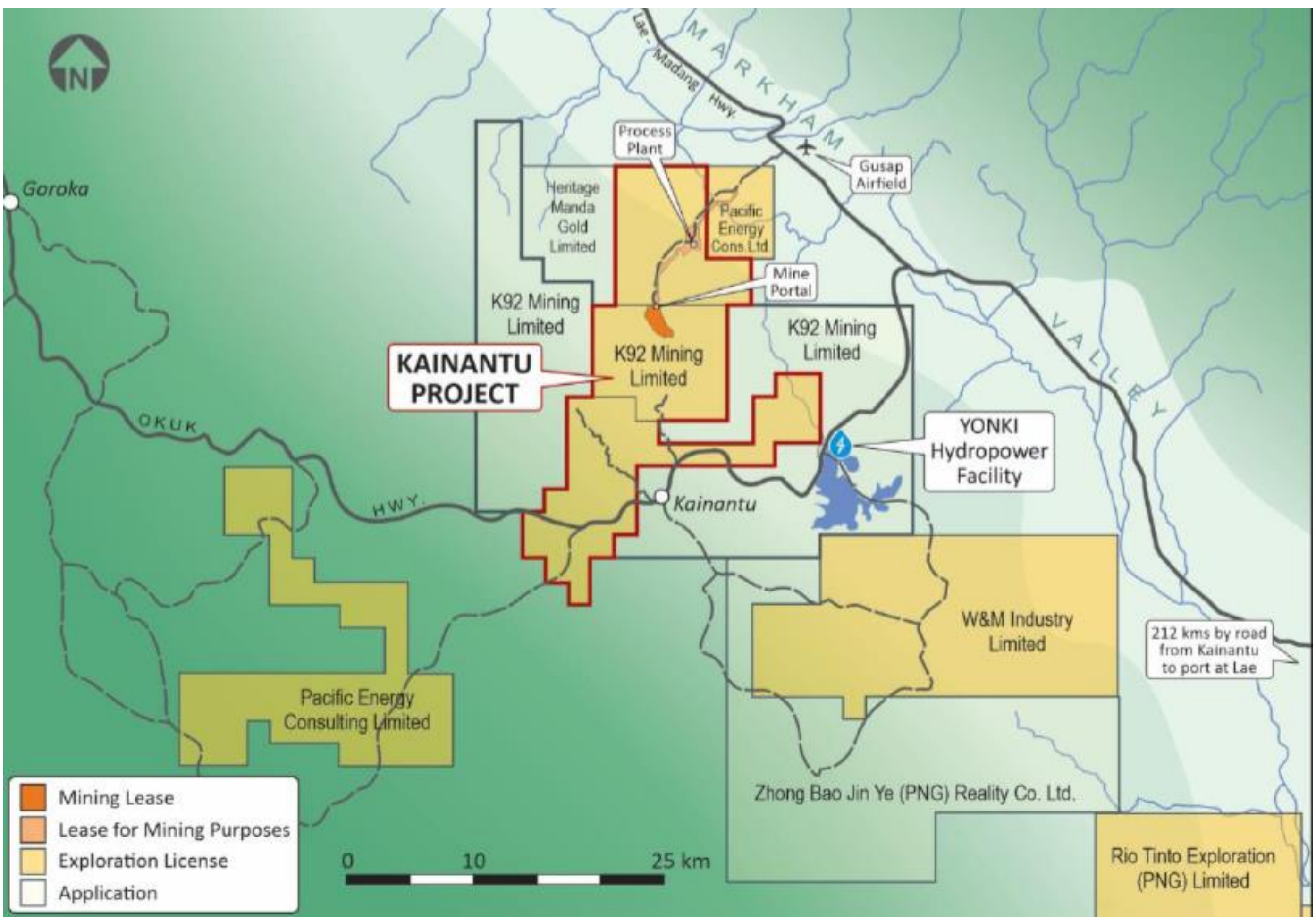
Source: Company Reports and Haywood Securities

Q2/20 Production Summary Recap

- **Strong Q2 Operations Performance Aided by a Step Change in Head Grades:** The Company noted that average plant head grades were above budget with gold grades (17.64 g/t Au) delivering positive grade reconciliation, and copper grades coming in significant higher than budget, which in concert with record mill throughput of 49.3 kt (Q1/20: 47.4 kt) drove record production. While not confirmed, the step change in feed grade (Q1/20 Au gold grade of 13.6 g/t) presumably stemmed from a combination of dynamic mine plan implementation, exploiting a higher proportion of higher grade material from the K1 vein, and potentially to a lesser extent a degree of positive reconciliation on gold grade. Mining in the quarter exploited both the K1 and K2 veins with 5 levels of development active on the K1 vein. Long-hole stoping is active on the 1205 metre level on K1 with such mining active at the K2 vein on the 1185 metre level.

- **Q2/20 Financials Preview:** We have revised our model following the delivery of Q2 preliminary production results. Our projections outline quarterly revenues of US$45 million (including 1.2 koz Au of Q1/20 production sold in April), EBITDA of US$29 million, OCFPS (pre-WC) of US$0.10/sh. Our anticipated unit costs are outlined at TCC of US$487/oz AuEq, and AISC of US$638/oz AuEq. The schedule for full Q2/20 operations and financial data is TBA.

Figure 2: Location Map showing the Kainantu Project Mining Lease and Exploration License areas as well as major roads and drainage system markers



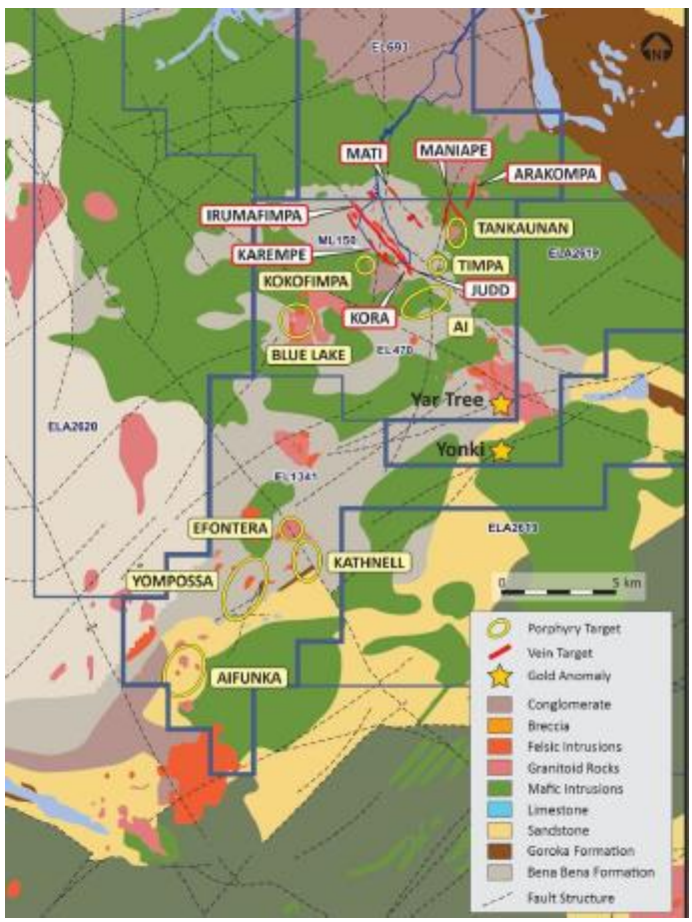
Source: Company Reports

An Example of Exploration Potential

Kainantu Project Area: Geological Potential yet Fully Unrealized

- The Company's 725 km2 land package (see Figure 2), not only features the late Miocene aged (?) Kora epithermal gold-silver-copper deposit, but also contains a geological footprint with unrealized potential for economically appreciable epithermal gold and porphyry Au-Cu mineralization as historically primary focus has been on the area of the current operating system. Mineralized targets on the Company's property are characterized as Au-(Ag-Cu) epithermal vein systems (northwest and north-northeast trending) and porphyry Cu-Au systems in which the Kora deposit is described as residing in the core of a modest scale 5 km by 5 km envelop, but which additional porphyry and or other gold anomalous targets reside further to the south on Exploration License areas beyond the Mining License 150 area (Figure 3). The Company aims to test the resource growth and discovery potential on Kainantu through the development of up to 10 rigs by later this year with targeting looking to feature infill and expansion drilling on Kora, as well as exploration drilling on priority epithermal gold vein and porphyry targets (e.g., Karempa, Judd, Blue Lake).

Figure 3: Kainantu Project Mining Lease and Exploration License areas showing simplified plan geology and selected target areas



Source: Company Reports

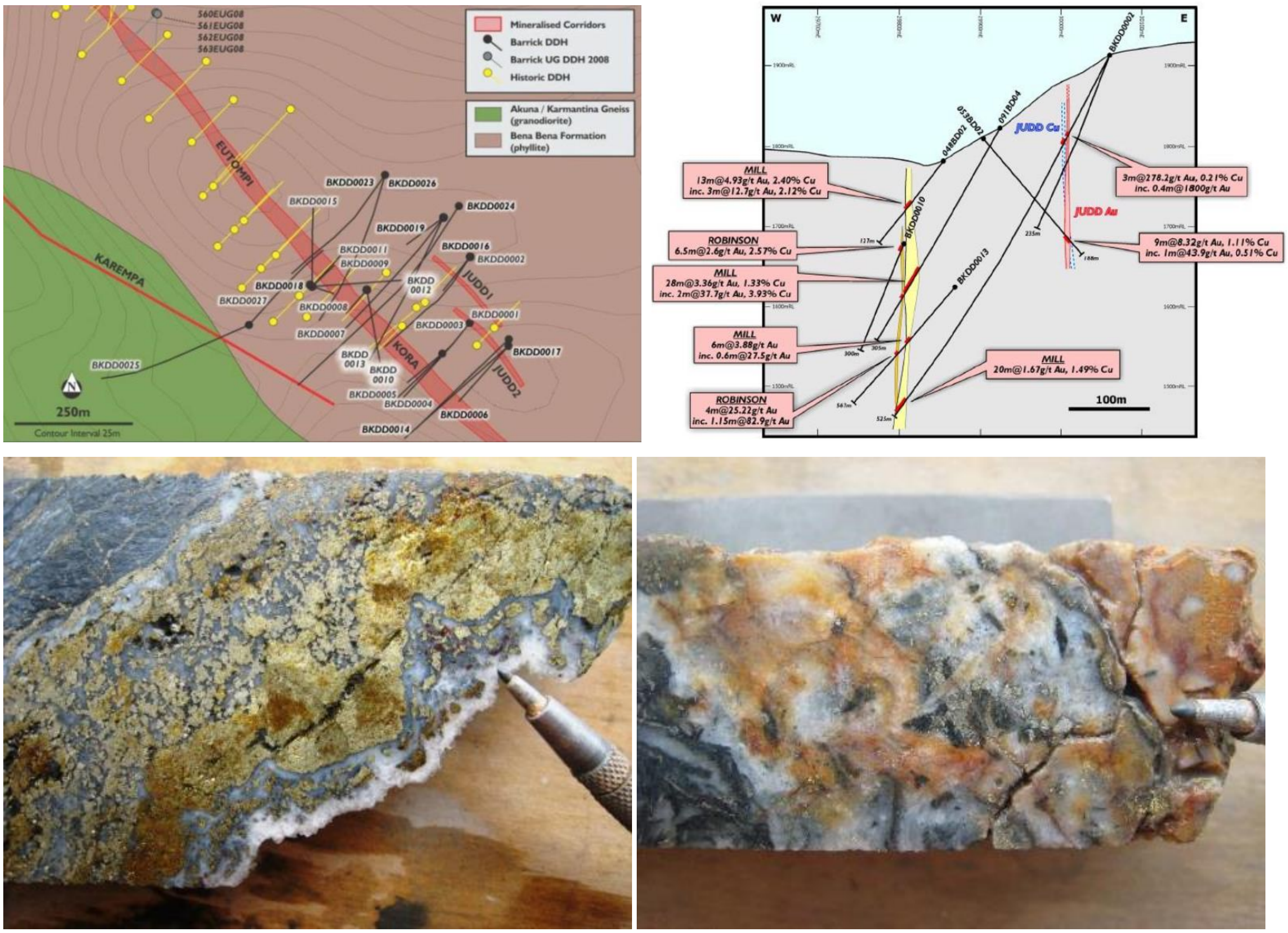
Kora itself represents a steeply dipping, northwest trending low-sulphidation epithermal quartz vein system that is open laterally and to depth. Hosted within chlorite-sericite schist, these low sulphidation epithermal veins are interpreted to extend along strike for over 2.5 kilometres and locally crop out in artisanal workings (see Figure 5). The Judd vein(s) are subparallel low sulphidation epithermal quartz veins hosted in chlorite-sericite schist, and have been noted to extend for over a 2.5 kilometres strike length and locally crop out (see Figures 4-5). These veins have witnessed little consistent drill targeting, but should be a feature of targeting later this year: we note that underground development has cut the Judd vein given its proximity to K1 lode (see Figure 5 at 1185 plan level). Of importance, we note that both Kora and Judd are documented to extend for up to 1 kilometre south beyond the ML150 (Mining Lease) boundary (see Figure 5).

Figure 4: (Top Left) Simplified Geological Map over the Kora, Judd and Karempa quartz veins showing completed drilling (collars and strings).

(Top Right) Cross-section showing selected drilling on Judd

(Bottom Left) Chalcopyrite-rich epithermal quartz vein (Judd) intersected in EKDD0002 (see section above)

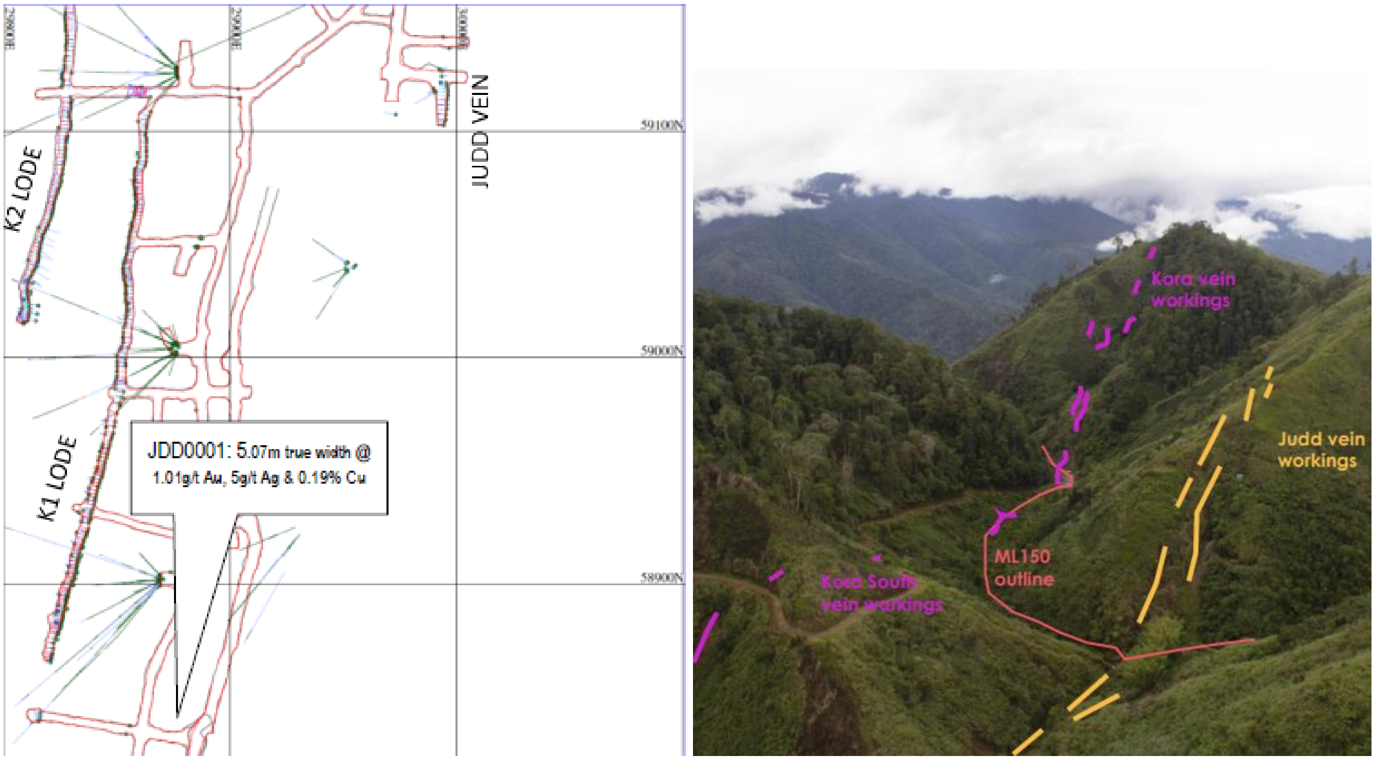
(Bottom Right) Epithermal quartz vein/breccia from Judd intersected in EKDD0002 (see section above)



Source: Company Reports

Figure 5: (Left) 1185 Plan Level showing K1, K2 and Judd with linking mine development and drill fans

(Right) Photo showing surface trace of Kora (plus Kora South) and Judd vein workings



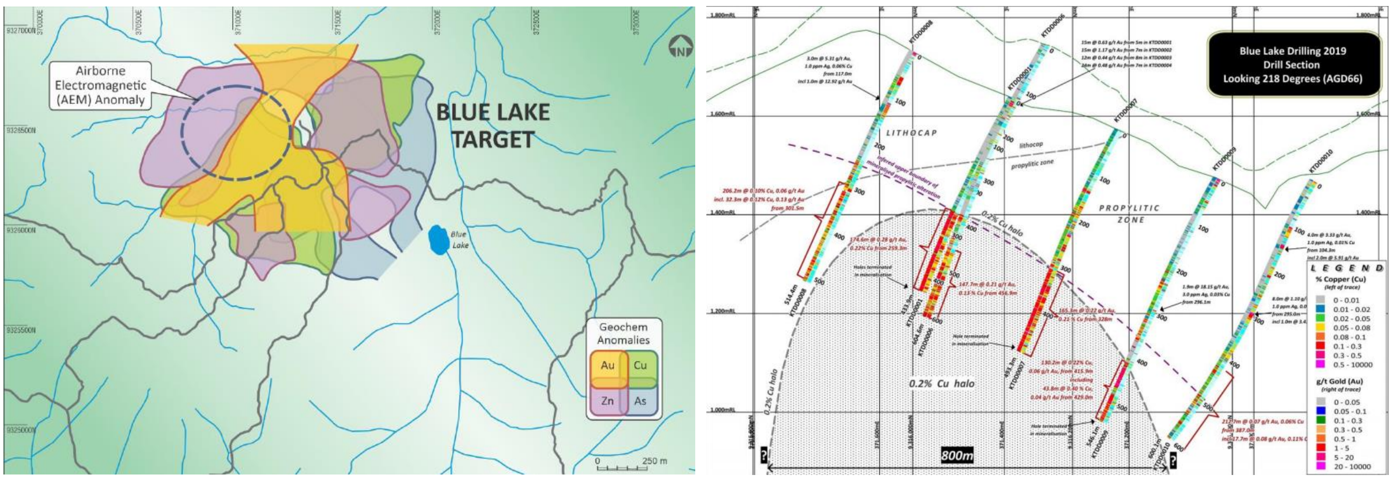
Source: Company Reports

Blue Lake Porphyry Au-Cu target

The Blue Lake porphyry Au-Cu target represents one of several porphyry targets on the Company's property (e.g., Yompossa, A1 and Yonki; see Figure 3) and was initially drill tested last year. The target exhibits spatially overlapping geochemical anomalism (Au-Cu) together with the presence of enargite-bearing breccia and vuggy silica rock in outcrop, and a diagnostic EM signature. Early drilling tested to 600 metres and revealed a Au-Cu mineralized propylitic altered zone below an advanced argillic lithocap (see Figure 6). This drilling commonly ended in Au-Cu mineralization with follow up drilling this year looking to test for potassic 'core' of the system.

Figure 6: (Left) Blue Lake Porphyry Au-Cu target area showing surface geochemical and geophysical anomalism

(Right) Simplified cross-section over Blue Lake showing drill traces and grade distribution



Source: Company Reports

Valuation and Target Price

Our target price of $10.00 per share is based on a ~1.0x multiple to our fully financed after-tax corporate net asset value $(NAV)_{7\%}$ of $9.98 per share. In deriving our corporate $NAV_{7\%}$, we have outlined two mining scenarios, the first (Stage 2) is based on the nearly completed mine expansion to a capacity of 400,000 tpa, and the second (Stage 3) is based on a conceptual mine plan that outlines a much larger mining operation utilizing a new 1 Mtpa processing plant.

We have modelled the start of production for Stage 3 at Kora and Kora North to in early-2023. Stage 3 will include the construction of a new and larger processing facility using a similar flow sheet with throughput capacity of 2,750 tpd producing gold, silver, and copper concentrate and gold and silver dore. We anticipate a ~14-year life of mine for the overall production of 3.4 Moz gold, 5.9 Moz silver, and 265.6 Mlb copper (~4.0 Moz gold equivalent).

K92 currently has ~C$28.7 million in cash and trades at a 0.68x multiple to our fully financed after-tax corporate $NAV_{7\%}$ estimate of $9.98 per share. Comparatively, other gold/copper-developer peers in Haywood's coverage universe trade between 0.63x and 1.27x corporate NAV estimates.

Figure 7: Select Peer Comps Table

Company	Symbol	Price	Shares O/S (millions)	Market Capitalization (millions)	Cash (millions)	Working Capital (millions)	Debt (millions)	Enterprise Value (millions)	2020E CFPS	2021E CFPS	Number of Estimates	P/CF Ratio 2020E	P/CF Ratio 2021E	EV/CF Ratio 2020E	EV/CF Ratio 2021E	EV/EBITDA Ratio 2020E	EV/EBITDA Ratio 2021E	P/NAV
K92 Mining Inc. *	**TSXV:KNT**	**C$ 6.78**	**213.7**	**US$ 1,098**	**US$ 21**	**US$ 33**	**US$ 3**	**US$ 1,068**	**US$ 0.49**	**US$ 0.61**		**10.4x**	**8.4x**	**10.1x**	**8.2x**	**9.0x**	**7.1x**	**0.68x**
Alacer Gold Corp.	TSX:ASR	C$ 10.42	294.8	US$ 2,319	US$ 199	US$ 223	US$ 189	US$ 2,285	US$ 1.04	US$ 1.18	8	**7.6x**	**6.7x**	**7.5x**	**6.6x**	**6.4x**	**5.6x**	**1.27x**
Argonaut Gold Inc.	TSX:AR	C$ 3.30	288.4	US$ 719	US$ 42	US$ 70	-	US$ 648	US$ 0.46	US$ 0.64	7	**5.4x**	**3.9x**	**4.9x**	**3.5x**	**5.1x**	**3.1x**	**0.68x**
Galiano Gold Inc.	TSX:gau	C$ 2.71	223.2	US$ 457	US$ 65	US$ 66	-	US$ 391	(US$ 0.02)	(US$ 0.02)	2	**-**	**-**	**-**	**-**	**5.5x**	**5.9x**	**1.07x**
Equinox Gold Corp.	TSX:EQX	C$ 16.53	239.8	US$ 2,992	US$ 303	US$ 339	US$ 728	US$ 3,381	US$ 1.27	US$ 2.21	6	**9.8x**	**5.6x**	**11.1x**	**6.4x**	**8.8x**	**5.1x**	**0.90x**
Guyana Goldfields Inc.	TSX:GUY	C$ 1.80	174.6	US$ 237	US$ 19	US$ 42	-	US$ 195	US$ 0.03	US$ 0.26	2	**45.3x**	**5.2x**	**37.3x**	**4.3x**	**65.1x**	**4.0x**	**1.09x**
Premier Gold Mines Limited	TSX:PG	C$ 2.93	237.4	US$ 525	US$ 51	US$ 29	US$ 17	US$ 512	US$ 0.04	US$ 0.46	0	**50.1x**	**4.8x**	**48.9x**	**4.7x**	**-**	**4.9x**	**0.63x**
Roxgold Inc.	TSX:ROXG	C$ 1.74	372.9	US$ 490	US$ 44	US$ 1	US$ 9	US$ 497	US$ 0.22	US$ 0.25	4	**5.8x**	**5.3x**	**5.9x**	**5.4x**	**4.8x**	**4.3x**	**0.75x**
Wesdome Gold Mines Ltd.	TSX:WDO	C$ 14.23	138.9	US$ 1,492	US$ 35	US$ 27	-	US$ 1,465	US$ 0.63	US$ 0.88	10	**17.0x**	**12.2x**	**16.7x**	**12.0x**	**15.9x**	**9.2x**	**1.33x**
Group Average												**18.9x**	**6.5x**	**17.8x**	**6.4x**	**15.1x**	**5.5x**	**0.93x**
Group Average - (excluding high/low)												**14.5x**	**5.7x**	**13.4x**	**5.6x**	**8.4x**	**5.3x**	**0.92x**

Source: Capital IQ, and Haywood Securities

Significant Investment Risks

The investment to which this report relates carries various risks, which are reflected in our Overall Risk Rating. We consider the following to be the most significant of these investment risks:

We identify several inherent risks and uncertainties associated with K92's business model. Aside from broad market conditions influencing metal (gold) prices, and general market sentiment, most of the risks identified are typical, or at least reflective of those attributable to other growing production and exploration companies, as outlined below:

- **Overall Risk –High:** We assign an overall High-risk rating to K92 given its relatively small market capitalization and uncertainty associated with future resource expansion. Since infrastructure is already in place and commercial production has already been declared at Kora, we acknowledge that future funding and permitting risks are significantly minimized. We also acknowledge that the Company's ability to maintain a close capital structure while also prioritizing the elimination of its contingent payment arrangement with Barrick, bodes well for investors regarding managements' conscientiousness to avoid over dilution.
- **Valuation Risk – Very High:** K92 is trading at a 0.68x multiple to corporate $NAV_{7\%}$, compared with peers ranging between 0.63x and 1.27x. Our target of $10.00 per share equates to a ~1.0x multiple to corporate $NAV_{7\%}$. Our valuation is based on a risk-adjusted fully financed corporate $NAV_{6\%}$ of $9.98 per share. Our NAV was derived from three discounted-cash-flow models of the underground mine exploitation of ~14.2 million tonnes of material from Kora and Kora North. We feel that our $10.00 price target based on a ~1.0x multiple to our corporate NAV accurately captures the risks and opportunities of K92.
- **Financial Risk – High**: As K92 declared commercial production in February of 2018, we recognize that the Company will be able fund a great deal of its Capital requirement through its ongoing operations. We do, however still estimate that future financing will be needed in order to fully satisfy the capital requirements related to plant upgrades in addition to the Company funding its future exploration and delineation drill programs. While here are no assurances that the financing requirements can be completed, we see the risk as High given the Company's market capitalization relative to the financing requirements.
- **Forecast Risk – Very High:** Our evaluation is based on a conceptual mine plan for the Company's Kainantu project. We have also factored in in situ credits on an EV/oz basis for the Company's other projects and regional exploration potential. Many exploration targets remain untested or little tested, and we envisage the resource base growing not only at Kora, but from elsewhere within K92's land package.
- **Political Risk – Very High:** K92's success at Kainantu has been aided by changing sentiment towards Papua New Guinea as a mining jurisdiction. Relatively unknown to North American investors compared to investors in Australia, for example, Papua New Guinea is host to several world class mines operated by major Australian and international producers including Hidden Valley (Newcrest Mining, NCM-ASX, Not Rated) and Porgera (Barrick Gold, ABX-T, Not Rated) as well as the Newcrest and Harmony Gold (HMY-US, Not Rated) joint venture development project at Wafi-Golpu. K92's training program provides social license for the company to operate, and relations with the local community are reportedly better than they have been in past years. K92 has also undertaken several training and infrastructure projects in the local community. We note that Papua New Guinea has an established underground mining culture owing to other mining operations in the country.

Important Information and Legal Disclosures

This report may be distributed in the following states: nil. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

Analyst Certification

I, Geordie Mark, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

Important Disclosures

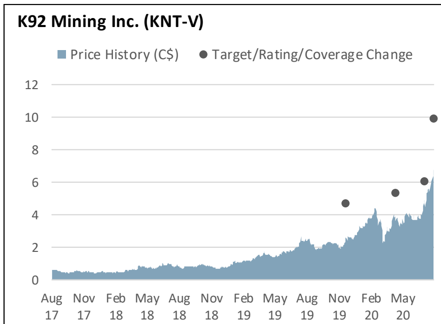
Of the companies included in the report the following Important Disclosures apply:

- Haywood Securities, Inc. has reviewed lead projects of Equinox Gold Corp. (EQX-T), Galiano Gold (GAU-T), Roxgold Inc. (ROXG-T), K92 Mining Inc. (KNT-V) and a portion of the expenses for this travel may have been reimbursed by the issuer.
- Haywood Securities, Inc. or an Affiliate has received compensation for investment banking services from Equinox Gold Corp. (EQX-T) in the past 24 months

Distribution of Ratings (as of August 6, 2020)

	%	#	IB Clients (TTM)
Buy	70.8%	68	85.0%
Hold	6.3%	6	5.0%
Sell	0.0%	0	0.0%
Tender	0.0%	0	0.0%
UR (Buy)	1.0%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	21.9%	21	10.0%

Price Chart, Rating and Target Price History (as of August 6, 2020)



Date	Target(C$)	Rating
8/6/20	$10.00	Buy
7/9/20	$6.15	Buy
4/17/20	$5.40	Buy
11/28/19	$4.75	Buy

Initiated Coverage: 11/28/2019; Transferred Coverage 4/1/2020

B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities

Link to Research Policy: http://haywood.com/what-we-offer/research/research-policy
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Geordie Mark, PhD, 604-697-6112, gmark@haywood.com
Alvin Islam, GIT, 416-507-2365, aislam@haywood.com