

Karora Resources Inc. (TSX:KRR)

Corporate Update
April 8, 2022

Consolidated Gold Resource Up 8%; Nickel to Follow

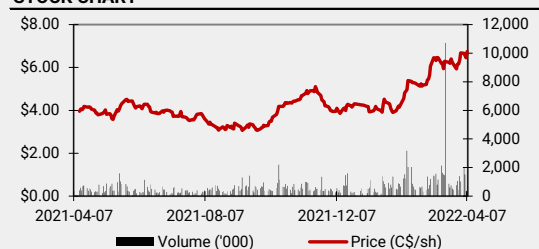
(Currency is C\$ unless noted otherwise)

| | |
|-----------------------------|-----------------|
| Closing Price (C\$/sh) | \$6.75 |
| Rating | BUY |
| Target (C\$/sh) | \$7.50 |
| Return to Target | 11% |
| 52 Week Low / High (C\$/sh) | \$3.03 / \$6.82 |

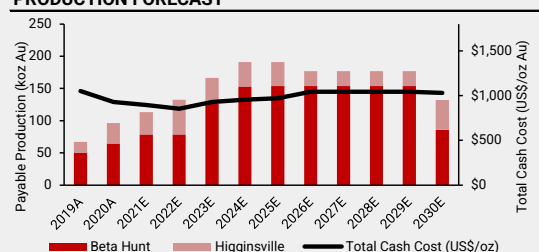
| CAPITALIZATION | Basic | Diluted |
|------------------------------|-------|---------|
| Shares Outstanding (M) | 146.1 | 149.6 |
| Market Capitalization (C\$M) | | \$986.4 |
| Enterprise Value (C\$M) | | \$925.0 |
| Cash (C\$M) | | \$91.0 |
| Debt (C\$M) | | \$29.6 |

| FYE: DEC 31 | 2020A | 2021A | 2022E |
|------------------------|--------|--------|--------|
| Au Produced (000's oz) | 96 | 113 | 133 |
| Cash Costs (US\$/oz) | \$929 | \$895 | \$852 |
| CAPEX (C\$M) | \$62 | \$92 | \$78 |
| Gross Revenue (C\$M) | \$239 | \$264 | \$318 |
| EBITDA (C\$M) | \$97 | \$104 | \$148 |
| CFPS (C\$/sh) | \$0.61 | \$0.71 | \$0.74 |
| EPS (C\$/sh) | \$0.37 | \$0.27 | \$0.56 |

STOCK CHART



PRODUCTION FORECAST



| NET ASSET VALUE (5%) | \$M | \$/sh |
|------------------------|----------------|---------------|
| Beta Hunt | \$784 | \$5.26 |
| Higginsville & Spargos | \$800 | \$5.37 |
| Taxes | -\$464 | -\$3.11 |
| Corporate Adjustments | -\$96 | -\$0.65 |
| Total NAV | \$1,024 | \$6.87 |

MAJOR SHAREHOLDERS

Eric Sprott (9%), Van Eck Associates (6%), Invesco Ltd. (4%), RBC Global Asset Management (3%)

DISCLOSURE CODE:

3,4,8

(Please refer to the disclosures listed at the end of the report)

Source: RCS estimates, Company Information, Capital IQ

Company Description

Karora Resources Inc. engages in the exploration and production of gold resources in Australia. The company owns and operates the Beta Hunt Gold Mine and the Higginsville Gold Operations located in Western Australia. The company was formerly known as Royal Nickel Corporation and changed its name to Karora Resources Inc. in June 2020. Karora Resources Inc. was incorporated in 2006 and is headquartered in Toronto, Canada.

Impact: Positive

Karora released updated Beta Hunt and Higginsville mine resources in Australia. Consolidated M&I gold resource increased by 8% to 2.7M oz net of depletion, which included the initial Larkin zone estimate at Beta Hunt. This statement represents the fourth estimate in a row since 2016 that shows growth net of mine depletion, highlighting the very strong organic growth potential and staying power of the grades of Karora's assets. **We view this news positively and believe that ongoing aggressive exploration should support plans to near double production to 185k-205k oz per year within two years. In addition to gold, a significant nickel resource upgrade is anticipated in Q2/22, which should help improve by-product credits, and lower operating costs as production rates rise. We are increasing our price target to C\$7.50/sh (was C\$6.60/sh) to reflect these improvements.**

- **Consolidated resource rose by 8%** to 2.7M oz M&I and by 43% to 1.2M oz inferred. Beta Hunt resources increased by 7% to 13.2M at 2.6 g/t for 1.12M oz M&I and by 46% to 9.4Mt at 2.6 g/t for 786k oz inferred. Higginsville resources grew by 8% to 31.7Mt at 1.6 g/t for 1.59M oz M&I, and by 38% to 6.4Mt at 2.1 g/t over 428k oz inferred. Reserves remain unchanged for both mines with an update due in Q4/22 (Figure 1), particularly once nickel zones are included within the mine plan.
- **Larkin and Spargos major contributors.** The new Larkin zone at Beta Hunt contributed 119k oz M&I at 2.6 g/t and 162k oz at 2.3 g/t inferred. This is impressive since the discovery was as recent as September 2020 and already represents almost three years' production at current rates, two years at expanded rates. The zone now measures 1,000m X 150m and remains wide open. Spargos at Higginsville totaled 105k oz M&I and 45k oz inferred at slightly higher grades of 3.0 g/t and 3.5 g/t, respectively.
- **Nickel resource update pending.** Plans are to release an updated Ni resource in Q2/22. Current Ni resource stands at 561kt at 2.9% for 16,100t Ni M&I, and 314kt at 2.8% for 8,680t Ni, entirely attributable to Beta Hunt. This would be included in the reserve update at year-end.
- **85,000m exploration planned.** Budgeted is A\$21-24M for exploration with 43,000m of drilling planned at Beta Hunt to test +8km of strike of the Au and Ni trend. About 16,000m of this is committed to test and advance Ni targets. At Higginsville, 42,000m is planned with 13,000m aimed at Spargos resource upgrade and expansion.

We are maintaining our BUY rating but increasing our target price to C\$7.50/sh (was C\$6.60/sh) to reflect improving organic gold and nickel resource growth. Our target is based on a discounted cash flow model where we estimate a NAV5% of C\$1,024M (was C\$1,021M). We now apply 1.1x (was 1.0x) multiple to the NAVPS of C\$6.87 (was C\$6.60) to factor in Karora's growth potential. **Upcoming Catalysts: 1) Exploration results (ongoing), 2) Nickel resource Q2/22 and 3) reserve update (Q4/22).**

Figure 1: Comparison of Jan/22 and Sep/20 Au Resource

| Resource comparison of old resource (Sep/20) & new resource (Jan/22) | Measured | | | Indicated | | | Measured & Indicated | | | Inferred | | | M&I + I | | |
|----------------------------------------------------------------------|---------------|------------|------------|---------------|------------|--------------|----------------------|------------|--------------|---------------|------------|--------------|---------------|------------|--------------|
| | Kt | g/t | Koz | Kt | g/t | Koz | Kt | g/t | Koz | Kt | g/t | Koz | Kt | g/t | Koz |
| Beta Hunt | | | | | | | | | | | | | | | |
| Old resource | 630 | 2.4 | 49 | 11,369 | 2.8 | 1,006 | 11,999 | 2.7 | 1,055 | 6,146 | 2.7 | 537 | 18,145 | 2.7 | 1,592 |
| New resource | 628 | 2.3 | 46 | 12,583 | 2.7 | 1,079 | 13,210 | 2.6 | 1,124 | 9,426 | 2.6 | 786 | 22,636 | 2.6 | 1,910 |
| % Change | -0.3% | -4.2% | -6.1% | 10.7% | -3.6% | 7.3% | 10.1% | -3.7% | 6.5% | 53.4% | -3.7% | 46.4% | 24.8% | -3.7% | 20.0% |
| Higginsville | | | | | | | | | | | | | | | |
| Old resource | 13,362 | 1.4 | 604 | 16,633 | 1.6 | 862 | 29,994 | 1.5 | 1,466 | 4,581 | 2.1 | 310 | 34,575 | 1.6 | 1,776 |
| New resource | 15,449 | 1.3 | 657 | 16,262 | 1.8 | 930 | 31,711 | 1.6 | 1,587 | 6,372 | 2.1 | 428 | 38,083 | 1.7 | 2,015 |
| % Change | 15.6% | -7.1% | 8.8% | -2.2% | 12.5% | 7.9% | 5.7% | 6.7% | 8.3% | 39.1% | 0.0% | 38.1% | 10.1% | 6.6% | 13.5% |
| Total | | | | | | | | | | | | | | | |
| Old resource | 13,992 | 1.5 | 653 | 28,002 | 2.1 | 1,868 | 41,993 | 1.9 | 2,521 | 10,727 | 2.5 | 847 | 52,720 | 2.0 | 3,368 |
| New resource | 16,077 | 1.5 | 703 | 28,845 | 2.1 | 2,009 | 44,921 | 1.9 | 2,712 | 15,798 | 2.5 | 1,214 | 60,719 | 2.1 | 3,926 |
| % Change | 14.9% | 0.0% | 7.7% | 3.0% | 0.0% | 7.5% | 7.0% | 0.0% | 7.6% | 47.3% | 0.0% | 43.3% | 15.2% | 1.7% | 16.6% |

Source: Company Reports, RCSI

Financial and Operating Summary: Karora Resources

FINANCIAL DATA

| | |
|-------------------------------------------|------------------------|
| TSX:KRR | |
| Current Price (C\$/sh) | C\$6.75 |
| 52 Week Low / High (C\$/sh) | \$3.03 / \$6.82 |
| Target (C\$/sh) | \$7.50 |
| Shares Outstanding (M) | 146.1 |
| Market Capitalization (C\$M) | \$986.4 |
| Cash & Cash Equivalents (C\$M) | \$91.0 |
| Total Debt (C\$M) | \$29.6 |
| Enterprise Value (C\$M) | \$925.0 |

FINANCIAL DATA

| Capital Structure | Shares |
|----------------------|----------|
| | Millions |
| Shares Outstanding | 146.1 |
| Options | 3.5 |
| Warrants | 0.0 |
| Fully Diluted Shares | 149.6 |

| Ownership | Shares O/S (M) | % O/S |
|-----------------------------|----------------|-------|
| Eric Sprott | 13.2 | 9% |
| Van Eck Associates | 8.8 | 6% |
| Invesco Ltd. | 5.8 | 4% |
| Stabilitas GmbH | 4.4 | 3% |
| RBC Global Asset Management | 4.4 | 3% |
| Management | 2.9 | 2% |

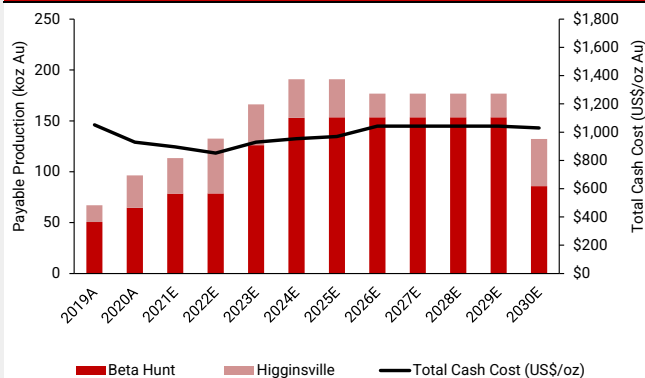
| Financial Summary (C\$) | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E |
|-------------------------|---------|--------|--------|--------|--------|--------|
| Year-end December 31 | | | | | | |
| Shares O/S (M) | 135.1 | 139.8 | 146.1 | 146.3 | 146.3 | 146.3 |
| EBITDA (C\$M) | \$25 | \$97 | \$104 | \$148 | \$192 | \$215 |
| FCF (CFO+CFI) (C\$M) | -\$32.0 | \$29.4 | \$14.5 | \$30.7 | \$61.6 | \$95.1 |
| EPS (C\$/sh) | -\$0.06 | \$0.37 | \$0.27 | \$0.56 | \$0.72 | \$0.76 |
| CFPS (C\$/sh) | \$0.08 | \$0.61 | \$0.71 | \$0.74 | \$0.98 | \$1.12 |
| EV/EBITDA | 37.6x | 9.5x | 8.9x | 6.2x | 4.8x | 4.3x |
| P/CFPS | 88.2x | 11.1x | 9.5x | 9.1x | 6.9x | 6.1x |

| Income Statement (C\$M) | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E |
|-------------------------|---------|---------|---------|---------|---------|---------|
| Revenue | \$128.0 | \$239.1 | \$264.2 | \$318.0 | \$421.1 | \$483.4 |
| Operating Expenses | \$88.6 | \$125.7 | \$138.3 | \$156.9 | \$212.2 | \$248.9 |
| Depreciation | \$9.3 | \$23.7 | \$29.3 | \$27.2 | \$37.7 | \$51.3 |
| General & Admin | \$14.8 | \$16.0 | \$21.5 | \$12.7 | \$16.8 | \$19.3 |
| Net Income | -\$7.7 | \$52.0 | \$40.2 | \$81.6 | \$105.9 | \$111.8 |

| Balance Sheet (C\$M) | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E |
|----------------------|-------|--------|--------|---------|--------|--------|
| Cash & Equivalents | \$9.9 | \$12.4 | \$4.3 | -\$24.5 | \$17.1 | \$24.0 |
| Debt | \$5.8 | \$3.0 | \$13.8 | \$13.8 | \$13.8 | \$13.8 |

| Cash Flow (C\$M) | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E |
|------------------|---------|---------|---------|---------|---------|---------|
| Operating CF | \$15.2 | \$91.1 | \$106.5 | \$108.7 | \$143.6 | \$163.1 |
| Financing CF | \$65.3 | \$14.6 | \$0.0 | -\$32.0 | \$0.0 | \$0.0 |
| Investing CF | -\$47.2 | -\$61.7 | -\$92.0 | -\$78.0 | -\$82.0 | -\$68.0 |
| Change in Cash | \$33.3 | \$45.0 | \$11.3 | -\$1.3 | \$61.6 | \$95.1 |

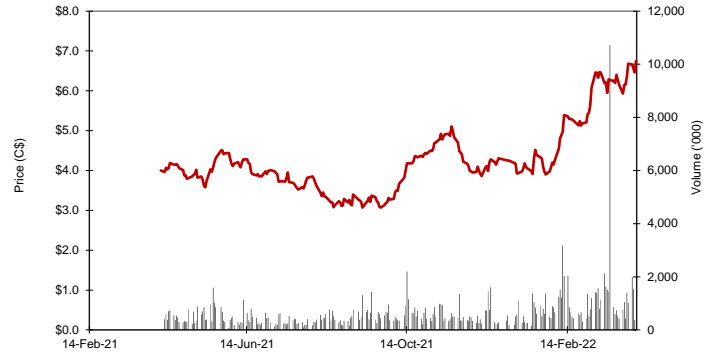
PRODUCTION PROFILE



Priced as of market close on April 7, 2022.

Source: RCS Estimates, Company Reports, Capital IQ, S&P Global Market Intelligence

STOCK CHART



TECHNICAL ASSUMPTIONS

| | 2019A | 2020A | 2021E | 2022E | 2023E | 2024E |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| Gold Price (US\$/oz) | \$1,396 | \$1,779 | \$1,800 | \$1,800 | \$1,900 | \$1,900 |
| Silver Price (US\$/oz) | \$16.21 | \$19.60 | \$25.84 | \$26.00 | \$28.00 | \$28.00 |
| Canadian : US\$ exchange rate | \$0.75 | \$0.75 | \$0.79 | \$0.75 | \$0.75 | \$0.75 |

| RESOURCE EST. (M&I+) | Tonnes (Mt) | AuEq (g/t) | AuEq (koz) |
|----------------------|-------------|------------|------------|
| Beta Hunt | 22.6 | 2.6 | 1,910 |
| Higginsville | 38.1 | 1.7 | 2,015 |
| Global Resource | 60.7 | 2.0 | 3,925 |

| RESERVE ESTIMATE | Tonnes (Mt) | AuEq (g/t) | AuEq (koz) |
|------------------|-------------|------------|------------|
| Beta Hunt | 3.4 | 2.8 | 306 |
| Higginsville | 5.9 | 1.9 | 367 |
| Global Reserves | 9.3 | 2.2 | 673 |

| | | | |
|---------------------------------|-------------|------------|--------------|
| Beta Hunt (RCS Model) | 10.3 | 2.8 | 910 |
| Higginsville (RCS Model) | 20.3 | 1.8 | 1,155 |

EV/EBITDA VALUATION

| Year | EBITDA (C\$M) | Multiple | Valuation (C\$/sh) |
|------------------------------|----------------|-------------|--------------------|
| 2019 EV/EBITDA | \$24.6 | 6.0x | \$1.44 |
| 2020 EV/EBITDA | \$97.4 | 6.0x | \$4.37 |
| 1yr FWD NTM EV/EBITDA | \$192.1 | 6.0x | \$8.19 |
| 2021 EV/EBITDA | \$104.3 | 6.0x | \$4.65 |
| 2022 EV/EBITDA | \$148.4 | 6.0x | \$6.20 |

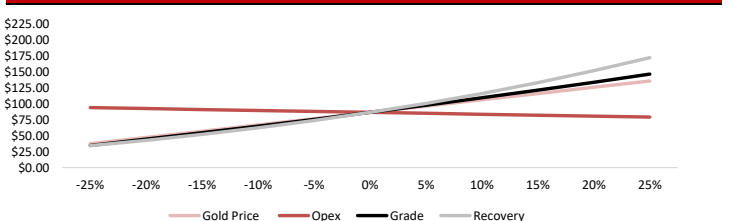
NET ASSET VALUE

| | Discount Rate | (C\$M) | (C\$/Sh) |
|-------------------------------------|---------------|-----------------|----------------|
| Beta Hunt - Au (100%), Australia | 5% | \$ 784 | \$ 5.26 |
| Higginsville - Au (100%), Australia | 5% | \$ 800 | \$ 5.37 |
| Taxes | 5% | \$ (464) | \$ (3.11) |
| Other Assets | in-situ | \$ - | \$ - |
| Corporate Adjustments | 5% | \$ (96) | \$ (0.65) |
| Total NAV | | \$ 1,024 | \$ 6.87 |

COMPARABLES

| Company | Ticker | Price C\$ | EV/EBITDA FY2021E | EV/EBITDA FY2022E | P/NAV |
|-------------------------------|----------------|---------------|-------------------|-------------------|--------------|
| Superior Gold Inc. | TSXV:SGL | \$1.02 | 3.6x | 3.0x | 0.56x |
| Dacian Gold Limited | ASX:DCN | \$0.25 | 3.2x | 5.6x | NA |
| Resolute Mining Limited | ASX:RSG | \$0.30 | 3.3x | 2.4x | 0.34x |
| Wesdome Gold Mines Ltd. | TSX:WDO | \$14.64 | 15.3x | 8.6x | 1.33x |
| Silver Lake Resources Limited | ASX:SLR | \$1.92 | 6.0x | 5.7x | 1.10x |
| Ramelius Resources Limited | ASX:RMS | \$1.30 | 3.3x | 3.6x | 0.83x |
| Mandalay Resources Corpora | TSX:MND | \$3.54 | 2.3x | 0.0x | 0.80x |
| Gold Road Resources Limited | ASX:GOR | \$1.47 | 11.1x | 6.8x | 0.88x |
| Average | | | 6.0x | 4.5x | 0.83x |
| Karora Resources Inc. | TSX:KRR | \$6.75 | 8.9x | 6.2x | 0.98x |

EBITDA (2020E) SENSITIVITIES





David A. Talbot | MD, Mining Analyst
Alina Islam | Senior Research Associate
Daniel Kozielowicz | Research Associate
Shikhar Sarpal | Research Associate

Red Cloud Securities Inc.
120 Adelaide Street West, Suite 1400
Toronto ON, M5H 1P9
research@redcloudsecurities.com
www.redcloudfs.com/research-home/

Disclosure Statement
Updated April 7, 2022

| Recommendation / Target Change | | | Red Cloud Securities has this percentage of its universe assigned as the following: | |
|--------------------------------|--------|--------|-------------------------------------------------------------------------------------|-----|
| Date | Rating | Target | Status | % |
| 2021-01-20 | BUY | 8.50 | BUY | 74% |
| 2021-02-09 | BUY | 8.50 | BUY (S) | 22% |
| 2021-03-02 | BUY | 8.50 | HOLD | 0% |
| 2021-03-08 | BUY | 8.50 | SELL / Tender | 0% |
| 2021-03-22 | BUY | 9.00 | NA | 2% |
| 2021-04-07 | BUY | 9.00 | Under Review | 1% |
| 2021-05-10 | BUY | 9.00 | | |
| 2021-06-29 | BUY | 9.00 | | |
| 2021-08-10 | BUY | 9.00 | | |
| 2021-10-12 | BUY | 9.00 | | |
| 2021-10-13 | BUY | 7.70 | | |
| 2021-10-20 | BUY | 7.70 | | |
| 2021-11-09 | BUY | 7.25 | | |
| 2022-02-15 | BUY | 6.60 | | |
| 2022-02-24 | BUY | 6.60 | | |
| 2022-03-04 | BUY | 6.60 | | |

Disclosure Requirement

Red Cloud Securities Inc. is registered as an Investment Dealer in all Canadian provinces and territories, and is a member of the Investment Industry Organization of Canada (IIROC). Part of Red Cloud Securities Inc.'s business is to connect mining companies with suitable investors. Red Cloud Securities Inc., its affiliates and their respective officers, directors, representatives, researchers and members of their families may hold positions in the companies mentioned in this document and may buy and/or sell their securities. Additionally, Red Cloud Securities Inc. may have provided in the past, and may provide in the future, certain advisory or corporate finance services and receive financial and other incentives from issuers as consideration for the provision of such services.

Red Cloud Securities Inc. has prepared this document for general information purposes only. This document should not be considered a solicitation to purchase or sell securities or a recommendation to buy or sell securities. The information provided has been derived from sources believed to be accurate but cannot be guaranteed. This document does not take into account the particular investment objectives, financial situations, or needs of individual recipients and other issues (e.g. prohibitions to investments due to law, jurisdiction issues, etc.) which may exist for certain persons. Recipients should rely on their own investigations and take their own professional advice before investment. Red Cloud Securities Inc. will not treat recipients of this document as clients by virtue of having viewed this document.

Red Cloud Securities Inc. takes no responsibility for any errors or omissions contained herein, and accepts no legal responsibility for any errors or omissions contained herein, and accepts no legal responsibility from any losses resulting from investment decisions based on the content of this report.

Company Specific Disclosure Details

| Company Name | Ticker Symbol | Disclosures |
|-----------------------|---------------|-------------|
| Karora Resources Inc. | TSX:KRR | 3,4,8 |

1. The analyst has visited the head office of the issuer or has viewed its material operations.
2. The issuer paid for or reimbursed the analyst for a portion or all of the travel expense associated with a visit.
3. In the last 12 months preceding the date of issuance of the research report or recommendation, Red Cloud Securities Inc. has performed investment banking services or has been retained under a service or advisory agreement by the issuer.
4. In the last 12 months, a partner, director or officer of Red Cloud Securities Inc., or the analyst involved in the preparation of the research report has received compensation for investment banking services from the issuer.
5. The analyst who prepared this research report has a long position, in the issuer's securities.
6. The analyst who prepared this research report has a short position, in the issuer's securities.
7. Red Cloud Securities Inc. and its affiliates collectively beneficially owned 1% or more of any class of issuer's equity securities as of the end of the month preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month.
8. A partner, director or officer of Red Cloud Securities Inc. serves as a Director or Officer or Advisory Board Member of the issuer.
9. A partner, director or officer of Red Cloud Securities Inc. or any analyst involved in the preparation of a report has, during the 12 preceding months, provided services to the issuer for remuneration other than normal course investment advisory or trade execution services.
10. The analyst who prepared this research report was compensated from revenues generated solely by the Red Cloud Securities Inc.'s Investment Banking Department.
11. Red Cloud Securities Inc. is a market maker in the equity of the issuer.
12. There are material conflicts of interest with Red Cloud Securities Inc. or the analyst who prepared the report and the issuer.

Recommendation Terminology

Red Cloud Securities Inc. recommendation terminology is as follows:

- BUY – expected to outperform its peer group
- HOLD – expected to perform with its peer group
- SELL – expected to underperform its peer group
- Tender – clients are advised to tender their shares to a takeover bid
- Not Rated or NA – currently restricted from publishing, or we do not yet have a rating
- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded.

Companies with BUY, HOLD or SELL recommendations may not have target prices associated with a recommendation. Recommendations without a target price are more speculative in nature and may be followed by "(S)" or "(Speculative)" to reflect the higher degree of risk associated with the company. Additionally, our target prices are set based on a 12-month investment horizon.

Dissemination

Red Cloud Securities Inc. distributes its research products simultaneously, via email, to its authorized client base. All research is then available on www.redcloudsecurities.com via login and password.

Analyst Certification

Any Red Cloud Securities Inc. research analyst named on this report hereby certifies that the recommendations and/or opinions expressed herein accurately reflect such research analyst's personal views about the companies and securities that are the subject of this report. In addition, no part of any research analyst's compensation is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.