

Klondike Gold Corp.

Canada / Mining
 Primary: Toronto
 Secondary: Frankfurt Stock Exchange
 Bloomberg: KG CN
 ISIN: CA4989033010

Exploration
 Update

RATING
PRICE TARGET
BUY
C\$ 0.75

Return Potential 650.0%
 Risk Rating High

EARLY 2023 FIELDWORK YIELDS PROMISING TARGETS

Klondike Gold published further assays from 2022 drilling in the Stander Zone of its Klondike District Property as well as highlights from 2023 exploration activity. The company made several new discoveries in the Gold Run, Gay Gulch, and Dominion targets this summer. These will provide plenty of promising targets for upcoming drilling with the chance to find higher grade Au deposits to boost the mean grade of the mineral resource estimate (RE). Meanwhile, 2022 Stander results show potential to add ounces to the RE and graded mean Au of 0.85 g/t. This was higher than the average RE grade (0.65 g/t) but below the mean Stander grade of 1.03 g/t included in the RE. That said, the company remains confident that there is good resource growth potential in terms of ounces and average grade with further drilling at Stander. We remain Buy-rated on Klondike with a C\$0.75 target price (old: C\$0.82) after recalculating our pro-forma share count to reflect future financing needs.

Several new discoveries to focus 2023 drilling The company recently shared insights from its initial fieldwork this summer yielding promising targets for drilling set to commence 1 August. Highlight discoveries include: (1) visible gold (VG) in outcrops within Gold Run; (2) VG some 150 metres beyond the drilled mineral resource estimate in the Stander Zone; (3) potential Au-mineralised outcropping quartz veins in the Dominion target area; and (4) a 'bonanza gold' vein within an outcropping quartz vein in Gay Gulch close to the previously assayed 4,064 g/t Au sample in February 2023. All sample assays are pending. Meanwhile, major faults coincident with Au-mineralized areas and other untested targets were also mapped.

Stander Zone 2022 drilling takeaways KG also reported the final batch of results (overleaf) from the 2022 exploration campaign. Diamond drilling in the Stander Zone covered 24 holes and assayed mean Au of 0.85 g/t and an average interval of 9.9 metres. Highlight intercepts included: (1) 2.20 g/t Au over 6.0 meters from 7.0m to 13.0m in EC22-455; (2) 4.52 g/t Au over. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24E | 2024/25E |
|----------------------|---------|---------|---------|---------|----------|----------|
| Revenue (C\$m) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Y-o-y growth | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| EBIT (C\$m) | -2.08 | -1.38 | -0.91 | -1.26 | -1.21 | -1.30 |
| EBIT margin | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Net income (C\$m) | -1.17 | -1.32 | -0.63 | -1.03 | -1.21 | -1.30 |
| EPS (diluted) (C\$) | -0.01 | -0.01 | 0.00 | -0.01 | -0.01 | -0.01 |
| DPS (C\$) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| FCF (C\$m) | -4.99 | -1.81 | -3.36 | -2.75 | -3.83 | -3.81 |
| Net gearing | 1.0% | -9.6% | -8.6% | -0.1% | -1.7% | -3.6% |
| Liquid assets (C\$m) | 0.13 | 2.85 | 2.67 | 0.12 | 0.66 | 1.37 |

RISKS

The main risks are failure to identify enough gold for economic extraction and potential friction with the First Nations.

COMPANY PROFILE

Klondike Gold Corp. is a Canadian gold exploration company with offices in Vancouver, British Columbia, and Dawson City, Yukon Territory. The company's 586km² Klondike District Project encompasses the legendary 1896 gold rush discoveries at Bonanza and Eldorado Creeks.

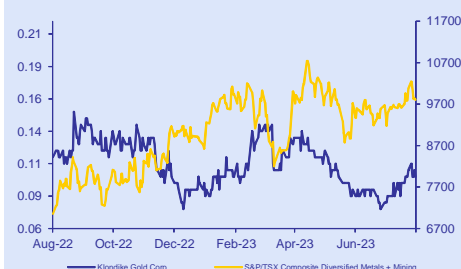
MARKET DATA

As of 04 Aug 2023

| | |
|-------------------------|-----------------|
| Closing Price | C\$ 0.10 |
| Shares outstanding | 180.10m |
| Market Capitalisation | C\$ 18.01m |
| 52-week Range | C\$ 0.08 / 0.15 |
| Avg. Volume (12 Months) | 126,001 |

| Multiples | 2022/23 | 2023/24E | 2024/25E |
|------------|---------|----------|----------|
| P/E | n.a. | n.a. | n.a. |
| EV/Sales | n.a. | n.a. | n.a. |
| EV/EBIT | n.a. | n.a. | n.a. |
| Div. Yield | 0.0% | 0.0% | 0.0% |

STOCK OVERVIEW



COMPANY DATA

As of 31 May 2023

| | |
|----------------------|------------|
| Liquid Assets | C\$ 1.99m |
| Current Assets | C\$ 2.16m |
| Intangible Assets | C\$ 28.74m |
| Total Assets | C\$ 31.45m |
| Current Liabilities | C\$ 0.49m |
| Shareholders' Equity | C\$ 30.86m |

SHAREHOLDERS

| | |
|------------|-------|
| F. Giustra | 14.0% |
| E. Sprott | 10.0% |
| Insiders | 6.0% |
| Management | 5.0% |
| Free Float | 65.0% |



. . . 9.2 meters from 47.9m to 57.0m and 0.95 g/t Au over 19.5 meters from 8.0m to 27.4m in EC22-481; plus (3) 1.27 g/t Au over 15.2 meters from 7.6m to 22.8m in EC22-482. Last November, Klondike published its maiden resource estimate comprising 0.47 Moz Au indicated at 0.68 g/t and 0.11 Moz inferred at 0.54 g/t. In our view, the latest Stander results are consistent with previous assays and harbour good potential to boost the number of ounces for the RE. However, the average grade may be insufficient to significantly move the overall g/t needle until more drilling is done.

Table 1: Stander Zone results from 2022 exploration program

| Hole ID | From (m) | To (m) | Au g/t | Interval (m) |
|------------|--------------|--------------|-------------|--------------|
| EC22-447 | 34.3 | 40.3 | 0.79 | 6.0 |
| EC22-448 | 15.5 | 18.0 | 1.12 | 2.5 |
| EC22-449 | 177.1 | 223.0 | 0.27 | 45.9 |
| EC22-450 | 23.9 | 28.9 | 0.48 | 5.0 |
| EC22-451 | 17.8 | 19.8 | 1.07 | 2.0 |
| EC22-452 | 58.5 | 63.5 | 0.51 | 5.0 |
| EC22-453 | 17.8 | 42.7 | 0.42 | 24.9 |
| EC22-454 | 19.0 | 23.0 | 0.60 | 4.0 |
| EC22-455 | 7.0 | 13.0 | 2.20 | 6.0 |
| EC22-456 | 59.0 | 72.0 | 0.41 | 13.0 |
| EC22-457 | 104.7 | 116.7 | 0.22 | 12.1 |
| and | 138.5 | 148.7 | 0.38 | 10.2 |
| EC22-458 | 87.5 | 92.5 | 0.80 | 5.0 |
| EC22-459 | 48.0 | 68.0 | 1.02 | 20.0 |
| and | 97.9 | 109.1 | 0.75 | 11.2 |
| EC22-460 | 108.9 | 113.4 | 0.53 | 4.5 |
| and | 117.5 | 120.9 | 0.61 | 3.4 |
| EC22-461 | 56.0 | 62.5 | 0.46 | 6.5 |
| and | 76.7 | 78.2 | 1.16 | 1.5 |
| EC22-462 | 67.7 | 71.8 | 0.44 | 4.1 |
| EC22-463 | | | NSV | |
| EC22-464 | 72.4 | 84.2 | 0.47 | 11.8 |
| EC22-480 | 28.4 | 33.3 | 0.47 | 4.9 |
| EC22-481 | 8.0 | 27.4 | 0.95 | 19.5 |
| and | 47.9 | 57.0 | 4.52 | 9.2 |
| EC22-482 | 7.6 | 22.8 | 1.27 | 15.2 |
| EC22-483 | 41.9 | 45.7 | 0.27 | 3.8 |
| EC22-484 | | | NSV | |
| EC22-485 | | | NSV | |

Source: First Berlin Equity Research; Klondike Gold Corp.

Figure 1: Dr Goldfarb (red vest) and Dr Frieman (orange vest) touring the property with KG boss Peter Tallman (centre)



Source: First Berlin Equity Research; Klondike Gold Corp.

Experts weigh in on the Klondike District Property. The Klondike camp also recently hosted two leading orogenic gold experts, Dr Rich Goldfarb and his colleague Dr Ben Frieman, for a four day geo-science tour of the property and discussion of the team's work to date. Their feedback was highly supportive of Mr Tallman's positive views on the property's geology, mineralisation, and tectonic setting, and ideas were exchanged on how to best move forward. Importantly, there was consensus that the Klondike District shows features consistent with other globally recognised orogenic gold districts.

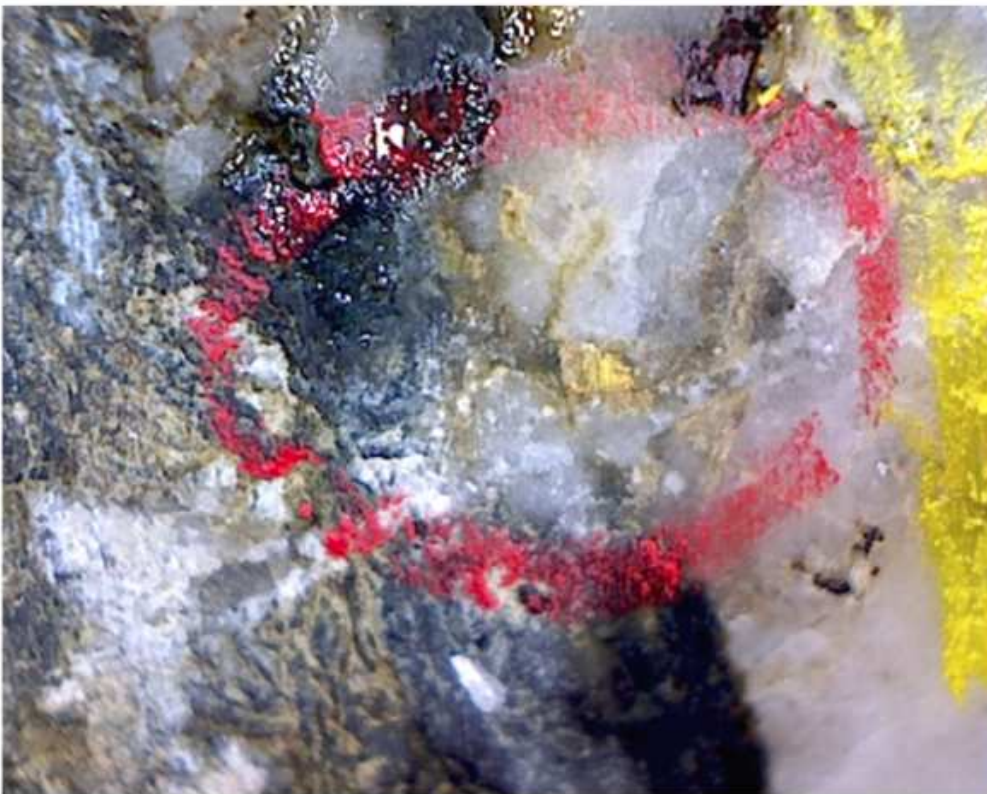
Dr Goldfarb has over 40 years' experience as an exploration geologist and is particularly renowned for his geology expertise on orogenic gold. He is also regarded as the father of the orogenic model that is now indispensable to gold geologists / explorers. His affirmations should cheer KG investors banking on the Klondike team to expand the initial resource and turn the project into a world-class gold discovery.

Figure 2: VG from EC22-459 graded 12.5 g/t Au over 0.5m



Source: First Berlin Equity Research; Klondike Gold Corp.

Figure 3: VG from EC22-460 graded 0.2 g/t Au over 0.5m



Source: First Berlin Equity Research; Klondike Gold Corp.



VALUATION MODEL

Sticking to Buy rating After securing C\$2.6m from a recent private placement (see note of 5 May 2023), the company is well funded for this season's exploration program and has ample targets to keep the recently deployed drill busy this summer. We continue to base our takeout model on a 2 Moz resource. However, the buzz coming out of the Klondike camp the past months suggests the team is aiming for an even bigger discovery. We think the recent news flow should only ratchet up this optimism. Our target price moves to C\$0.75 (old: C\$0.82) after factoring a higher number of pro-forma shares into our model to reflect the latest financing round and future financing needs.

Table 2: Takeout scenario

| | | | C\$ per ounce | | | | | |
|----------------------------------|-------------|-------------|---------------|-----|-----|-----|-----|-----|
| | | | Moz Au | | | | | |
| | | | 90 | 100 | 110 | 120 | 130 | |
| Takeover value | 220 | C\$m | | | | | | |
| Discount rate | 15 | % | | | | | | |
| Discounted takeover value | 164 | C\$m | | | | | | |
| Net cash (pro-forma) | 10 | C\$m | 1.0 | 90 | 100 | 110 | 120 | 130 |
| Costs through 2025 | -10 | C\$m | 2.0 | 180 | 200 | 220 | 240 | 260 |
| Fair value | 164 | C\$m | 3.0 | 270 | 300 | 330 | 360 | 390 |
| SO (pro-forma) | 218 | m | 4.0 | 360 | 400 | 440 | 480 | 520 |
| Price target | 0.75 | C\$ | 5.0 | 450 | 500 | 550 | 600 | 650 |

Source: First Berlin Equity Research estimates



INCOME STATEMENT

| All figures in C\$ '000 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24E | 2024/25E |
|--|---------------|---------------|-------------|---------------|---------------|---------------|
| Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| Consulting | -328 | -221 | -252 | -217 | -239 | -263 |
| Management & personnel expense | -506 | -419 | -230 | -363 | -381 | -400 |
| Other OpEx | -764 | -145 | -219 | -232 | -255 | -281 |
| Regulatory & transfer agent | -34 | -41 | -67 | -57 | -63 | -69 |
| Share based compensation | -285 | -407 | 0 | -248 | -260 | -273 |
| EBITDA | -1,917 | -1,233 | -768 | -1,117 | -1,198 | -1,286 |
| Depreciation & amortisation | -160 | -147 | -143 | -142 | -15 | -15 |
| EBIT | -2,077 | -1,380 | -911 | -1,259 | -1,213 | -1,301 |
| Interest expense | -46 | -40 | -32 | -24 | 0 | 0 |
| Interest income | 33 | 9 | 12 | 23 | 0 | 0 |
| Gain on sale of investments | 0 | 24 | -37 | 0 | 0 | 0 |
| Gain on sale of equipment | 0 | 0 | 0 | 0 | 0 | 0 |
| Gain on sale of exploration assets | 0 | 0 | 0 | -1 | 0 | 0 |
| Miscellaneous income | 722 | 0 | 0 | 0 | 0 | 0 |
| Other flow through income | 194 | 160 | 407 | 232 | 0 | 0 |
| Unrealised gain on warrants | 0 | -89 | -67 | 0 | 0 | 0 |
| Pre-tax income (EBT) | -1,174 | -1,316 | -628 | -1,029 | -1,213 | -1,301 |
| Unrealised income/loss on for-sale-investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassification on sale of for-sale-investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Net income / loss | -1,174 | -1,316 | -628 | -1,029 | -1,213 | -1,301 |
| Diluted EPS (in C\$) | -0.01 | -0.01 | 0.00 | -0.01 | -0.01 | -0.01 |
| Weighted avg. SO (pro-forma '000) | 110,317 | 124,463 | 139,713 | 152,613 | 164,626 | 199,742 |
| Ratios | | | | | | |
| EBITDA margin on revenues | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| EBIT margin on revenues | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Net margin on revenues | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Tax rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Expenses as % of revenues | | | | | | |
| Other OpEx | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Regulatory & transfer agent | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Y-Y Growth | | | | | | |
| Revenues | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Operating income | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Net income/ loss | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |



BALANCE SHEET

| All figures in C\$ '000 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24E | 2024/25E |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Assets | | | | | | |
| Current assets, total | 398 | 3,240 | 3,099 | 352 | 894 | 1,609 |
| Cash and cash equivalents | 133 | 2,853 | 2,670 | 116 | 656 | 1,369 |
| Restricted cash | 166 | 166 | 166 | 69 | 69 | 70 |
| Trade receivables | 43 | 97 | 146 | 151 | 153 | 154 |
| Other prepaid expenses | 56 | 124 | 117 | 16 | 16 | 17 |
| Non-current assets, total | 23,976 | 24,583 | 26,889 | 29,070 | 31,883 | 34,673 |
| Property, plant and equipment | 869 | 722 | 579 | 437 | 422 | 407 |
| Investments | 0 | 164 | 6 | 5 | 0 | 0 |
| Reclamation bond | 4 | 4 | 4 | 4 | 4 | 4 |
| Exploration & evaluation assets | 23,104 | 23,694 | 26,301 | 28,625 | 31,457 | 34,262 |
| Total assets | 24,374 | 27,823 | 29,988 | 29,422 | 32,777 | 36,282 |
| Shareholders' equity & debt | | | | | | |
| Current liabilities, total | 263 | 542 | 437 | 354 | 292 | 307 |
| Trade payables | 147 | 97 | 64 | 206 | 144 | 159 |
| Flow through premium | 0 | 331 | 224 | 0 | 0 | 0 |
| Other current liabilities | 116 | 114 | 149 | 148 | 148 | 148 |
| Long-term liabilities, total | 546 | 432 | 310 | 161 | 161 | 161 |
| Leases | 546 | 432 | 310 | 161 | 161 | 161 |
| Long-term debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | 23,565 | 26,849 | 29,241 | 28,908 | 32,324 | 35,814 |
| Total consolidated equity and debt | 24,374 | 27,823 | 29,988 | 29,422 | 32,777 | 36,282 |
| Ratios | | | | | | |
| Current ratio (x) | 1.5 | 6.0 | 7.1 | 1.0 | 3.1 | 5.2 |
| Quick ratio (x) | 1.3 | 5.7 | 6.8 | 0.9 | 3.0 | 5.2 |
| Net debt | 247 | -2,587 | -2,526 | -25 | -565 | -1,277 |
| Net gearing | 1% | -10% | -9% | 0% | -2% | -4% |
| Return on equity (ROE) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Capital employed (CE) | 23,973 | 24,416 | 26,880 | 29,062 | 31,879 | 34,669 |
| Return on capital employed (ROCE) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |



CASH FLOW STATEMENT

| All figures in C\$ '000 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24E | 2024/25E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Net income | -1,174 | -1,316 | -628 | -1,029 | -1,213 | -1,301 |
| Stock based compensation | 285 | 407 | 0 | 248 | 260 | 273 |
| Depreciation & amortisation | 160 | 147 | 143 | 142 | 15 | 15 |
| Gain on sale of equipment | 0 | 0 | 0 | 0 | 0 | 0 |
| Gain on sale of exploration assets | 0 | 0 | 0 | 1 | 0 | 0 |
| Gain on sale of investments | 0 | -24 | 37 | 0 | 0 | 0 |
| Other flow through income | -194 | -160 | -407 | -232 | 0 | 0 |
| Unrealised gain on warrants | 0 | 89 | 67 | 0 | 0 | 0 |
| Reversal of impairment on exploration assets | -666 | 0 | 0 | 0 | 0 | 0 |
| Gain on elimination of Klondike Star liability | -56 | 0 | 0 | 0 | 0 | 0 |
| Change in receivables | 9 | 25 | -26 | 24 | -2 | -2 |
| Change in prepaid expenses | -1 | -68 | 7 | 100 | 0 | 0 |
| Change in third party payables | 0 | 0 | 27 | -25 | 0 | 0 |
| Change in payables | 1 | -78 | -33 | 86 | -62 | 14 |
| Finance expense | 46 | 40 | 32 | 24 | 0 | 0 |
| Operating cash flow | -1,590 | -938 | -781 | -661 | -1,001 | -999 |
| PP&E | 0 | 0 | 0 | 0 | 0 | 0 |
| Exploration & evaluation asset expenditures | -3,396 | -1,307 | -2,630 | -2,188 | -2,833 | -2,805 |
| Proceeds on gold sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Sale of exploration & evaluation assets | 0 | 100 | 0 | 0 | 0 | 0 |
| Sale of investments held for sale | 0 | 337 | 54 | 1 | 5 | 0 |
| Restricted cash | 0 | 0 | 0 | 97 | 0 | 0 |
| Cash flow from investing | -3,396 | -870 | -2,576 | -2,090 | -2,828 | -2,806 |
| Free cash flow (FCF) | -4,986 | -1,808 | -3,357 | -2,751 | -3,829 | -3,805 |
| Debt inflow, net | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity inflow, net | 2,943 | 4,664 | 3,320 | 345 | 4,369 | 3,880 |
| Proceeds from exercised options | 171 | 20 | 0 | 0 | 0 | 149 |
| Proceeds from exercised warrants | 860 | 0 | 0 | 0 | 0 | 488 |
| Other | -122 | -156 | -146 | -148 | 0 | 0 |
| Cash flow from financing | 3,852 | 4,528 | 3,174 | 197 | 4,369 | 4,518 |
| Net cash flows | -1,134 | 2,720 | -183 | -2,554 | 540 | 712 |
| Cash, start of the year | 1,267 | 133 | 2,853 | 2,670 | 116 | 656 |
| Cash, end of the year | 133 | 2,853 | 2,670 | 116 | 656 | 1,369 |

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

| Category | | 1 | 2 |
|--------------------------------------|--|---------------|-------------|
| Current market capitalisation (in €) | | 0 - 2 billion | > 2 billion |
| Strong Buy ¹ | An expected favourable price trend of: | > 50% | > 30% |
| Buy | An expected favourable price trend of: | > 25% | > 15% |
| Add | An expected favourable price trend of: | 0% to 25% | 0% to 15% |
| Reduce | An expected negative price trend of: | 0% to -15% | 0% to -10% |
| Sell | An expected negative price trend of: | < -15% | < -10% |

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

| Report No.: | Date of publication | Previous day closing price | Recommendation | Price target |
|----------------|---------------------|----------------------------|----------------|--------------|
| Initial Report | 2 October 2018 | C\$0.20 | Buy | C\$0.70 |
| 2...12 | ↓ | ↓ | ↓ | ↓ |
| 13 | 12 October 2021 | C\$0.18 | Buy | C\$0.85 |
| 14 | 9 March 2022 | C\$0.19 | Buy | C\$0.85 |
| 15 | 25 March 2022 | C\$0.20 | Buy | C\$0.85 |
| 16 | 27 April 2022 | C\$0.17 | Buy | C\$0.85 |
| 17 | 4 November 2022 | C\$0.13 | Buy | C\$0.85 |
| 18 | 14 November 2022 | C\$0.13 | Buy | C\$0.85 |
| 19 | 1 February 2023 | C\$0.11 | Buy | C\$0.85 |
| 20 | 5 May 2023 | C\$0.12 | Buy | C\$0.82 |
| 21 | Today | C\$0.10 | Buy | C\$0.75 |

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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