

Klondike Gold Corp.

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

End of season
 update

RATING
BUY

PRICE TARGET
C\$ 0.75

Return Potential 900.0%
 Risk Rating High

GAY GULCH SHOWINGS HIGHLIGHT NEWSFLOW

News flow has picked up of late highlighted by Gay Gulch results from the 2023 exploration campaign. Seven drill holes testing the target assayed mean Au of 2.26 g/t and an average interval of 12.4 metres. The mean g/t metric compares favourably to the maiden resource estimate published last November comprising 0.47 Moz Au indicated at 0.68 g/t and 0.11 Moz Au inferred at 0.54 g/t. Moreover, these are the first results stemming from work that benefitted from the expertise shared by Messieurs Goldfarb and Frieman. The two renowned gold authorities joined the KG team this summer for portions of the exploration work. The gold explorer also announced plans to raise up to C\$750k via its well-established financing instrument that blends flow-through and non-flow through shares in a private placement. We are Buy-rated on Klondike Gold with a C\$0.75 TP.

Gay Gulch 2023 drilling takeaways This year KG completed 25 diamond drill holes covering some 2,340 meters targeting Gold Run, the Stander Zone mineral resource area, and Gay Gulch. Seven drill holes tallying ~637 meters tested Gay Gulch and assayed mean Au of 2.26 g/t and an average interval of 12.4 metres. Highlight intercepts included: (1) 4.39 g/t Au over 6.95 meters from 19.6m to 26.5m in EC23-501; and (2) 14.08 g/t Au over 1.1 meters from 17.1m to 20.6m in EC23-502; plus (3) high-grade rock grab samples of 108.1 g/t Au and 4,064 g/t Au (reported February 2023) from an interpreted shear vein array.

Signs of a major gold camp? The work showed that gold is present in shear veins and sheeted quartz developed preferentially along the granite margins. This association is common to the gold deposit-scale of important orogenic gold districts worldwide. Klondike also said it has found gold in shear zones with sub-horizontal geometry over a vertical distance of 600 meters. The gold explorer points to the summer's collaboration with Messieurs Goldfarb and Frieman for consequential insights into the geology and structural controls impacting gold mineralisation at the Klondike District and regards the work as a "gigantic step forward." (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 11 Dec 2023

Closing Price C\$ 0.08
 Shares outstanding 180.10m
 Market Capitalisation C\$ 13.51m
 52-week Range C\$ 0.07 / 0.14
 Avg. Volume (12 Months) 116,738

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 Aug 2023

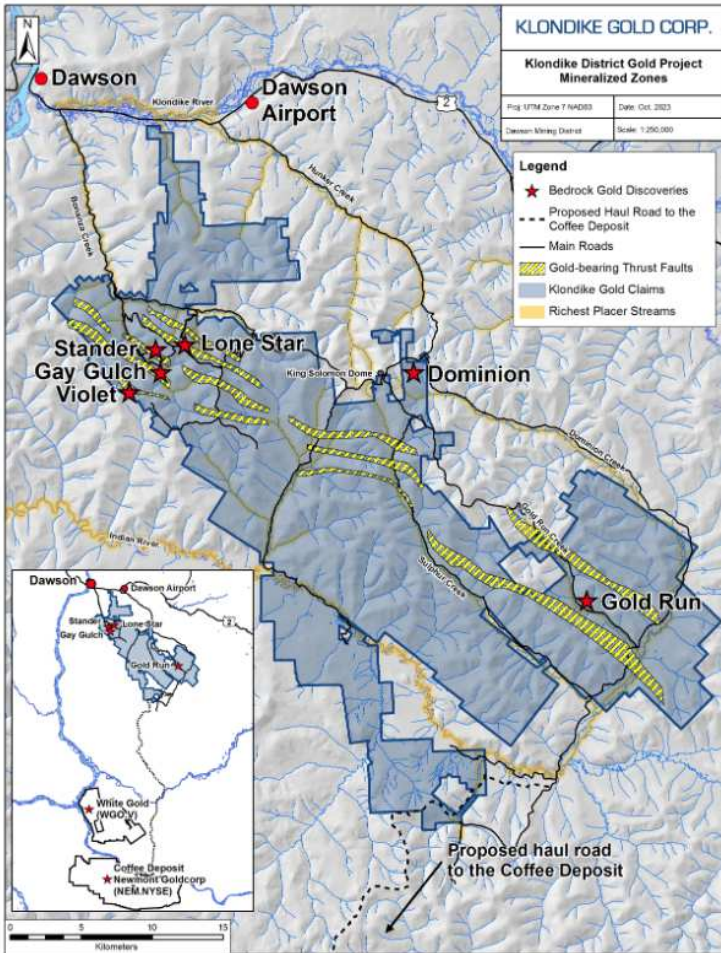
Liquid Assets C\$ 1.11m
 Current Assets C\$ 1.32m
 Intangible Assets C\$ 29.76m
 Total Assets C\$ 31.59m
 Current Liabilities C\$ 0.74m
 Shareholders' Equity C\$ 30.77m

SHAREHOLDERS

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

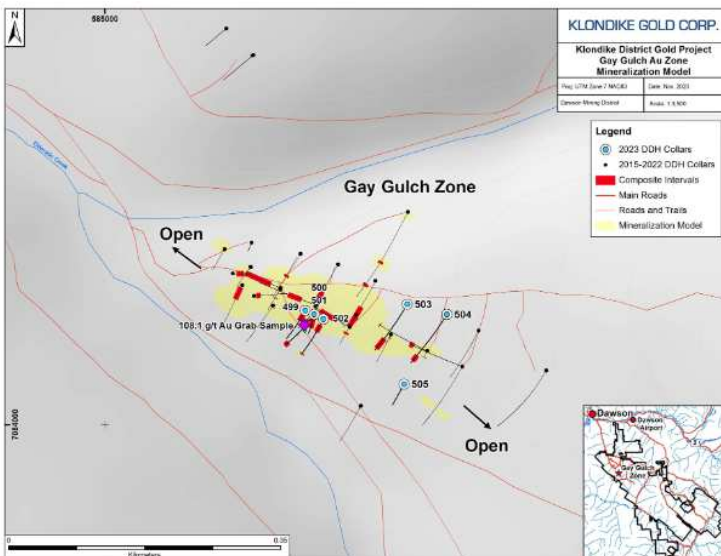


Figure 1: Overview of 2023 mapping areas within the property



Source: First Berlin Equity Research; Klondike Gold Corp.

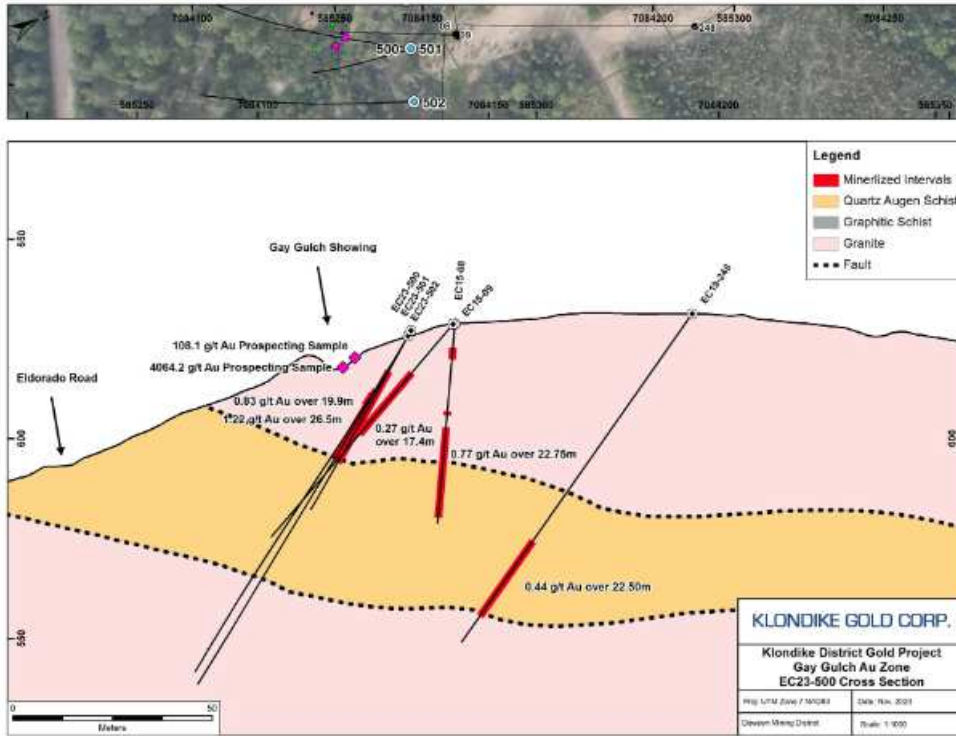
Figure 2: 2023 & prior Gay Gulch Zone drill holes with drilled extents of Au mineralization in yellow



Source: First Berlin Equity Research; Klondike Gold Corp.



Figure 3: Geology cross-section with mineralized intervals at the Gay Gulch Zone



Source: First Berlin Equity Research; Klondike Gold Corp.

Table 1: Au showing from Gay Gulch & Upper Gay Gulch

Hole ID	From (m)	To (m)	Au g/t	Interval (m)
EC23-499	10.5	30.0	0.18	19.5
EC23-500	17.1	20.6	0.37	3.5
EC23-501	10.1	36.6	1.22	26.5
<i>incl</i>	19.6	26.5	4.39	7.0
EC23-502	17.1	37.0	0.83	19.9
<i>incl</i>	17.1	18.2	14.08	1.1
<i>and</i>	100.0	103.1	0.36	3.1
EC23-503	89.2	117.0	0.60	27.9
<i>and</i>	112.0	112.2	2.20	0.2
EC23-504	106.0	121.5	0.41	15.5
EC23-505			0.22	NSV ¹
EC23-506	45.6	46.1	0.41	0.5
EC23-507	37.6	49.5	0.22	11.9

¹EC23-506 & EC23-507 Upper Gay Gulch; ¹no significant value

Source: First Berlin Equity Research; Klondike Gold Corp.



Early work done at the Gold Run target Klondike also reported results from the Gold Run target. Ten rock grab samples assayed up to 74.6 g/t Au (2.40 opt Au). Five diamond drill holes covering a 524 meter strike length all intersected gold-bearing sheeted veins, but Au grades of individual sheeted veins were low with no noted visible gold, while the frequency of veining intersected was also low.

Klondike Boss, Peter Tallman, said that the limited work done to date at the Gold Run target shows that the geology, geochemistry, and structural controls are quite different from those found in the Lone Star / Stander / and Gay Gulch areas and that the work here is still very early stage.

Table 2: Gold Run drill results

Hole ID	From (m)	To (m)	Au g/t	Interval (m)
GR23-494	43.9	44.4	1.21	0.5
GR23-495	75.8	76.4	5.05	0.6
GR23-495	81.3	81.9	1.11	0.6
GR23-495	75.8	89.1	0.35	13.3
GR23-496	17.1	18.2	0.36	1.1
GR23-496	46.8	47.9	1.99	1.0
GR23-497	25.0	26.0	0.57	1.0
GR23-497	54.8	55.3	2.54	0.5
GR23-498	38.1	38.6	2.96	0.5

Source: First Berlin Equity Research; Klondike Gold Corp.

Topping up the financial coffers The gold explorer unveiled plans to raise up to C\$750k in aggregate flow-through (FT) funds and non-flow-through (NTF) funds by way of a non-brokered private placement.

The FT component will consist of units priced at C\$0.09 per unit containing one common share, which is a flow-through for Canadian tax purposes, and one warrant. The NTF units are to be priced at C\$ 0.08 per unit and will also entail one common share and one warrant. Each warrant holder will have the right to purchase an additional common share at C\$0.18 for a 24 month period.

A finder's fee on the gross proceeds is possible, and the financing may be closed in tranches. Given the encouraging news flow this year, KG should have little difficulty in closing the round, and the deal fits with our running financing assumptions.



VALUATION MODEL

Sticking to Buy rating with C\$0.75 TP The Gold Run Zone work is encouraging, and we expect the Klondike team will be chomping at the bit to resume field work after the winter shut down. Shareholders should be pleased with the 2023 developments, based on the results and the ringing “independent” public endorsement of two highly respected orogenic gold experts. For our takeout scenario, we continue to assume a mining major will need to see potential for 2 Moz in order to justify investment in a mine.

Table 3: Takeout scenario

			C\$ per ounce				
			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					
Costs through 2025	-10	C\$m					
Fair value	164	C\$m					
SO (pro-forma)	219	m					
Price target	0.75	C\$					

Moz Au	C\$ per ounce				
	90	100	110	120	130
0.5	45	50	55	60	65
1.0	90	100	110	120	130
2.0	180	200	220	240	260
3.0	270	300	330	360	390
4.0	360	400	440	480	520

Source: First Berlin Equity Research; Klondike Gold Corp.



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 w 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 w 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.

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The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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...14	↓	↓	↓	↓
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	8 August 2023	C\$0.10	Buy	C\$0.75
22	18 October 2023	C\$0.07	Buy	C\$0.75
23	Today	C\$0.08	Buy	C\$0.75

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

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