

Klondike Gold Corp.

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

Drill results

RATING	BUY
PRICE TARGET	C\$ 0.75
Return Potential	689.5%
Risk Rating	High

STACKING HIGH GRADE GOLD DISCOVERIES

Klondike Gold published Standard Zone drilling results that extended the run of splashy high grade gold discoveries (Au grades >30 g/t), which headlined the prior three drilling updates. The company believes the gold found in this shear zone likely explains the 3 Moz of placer gold collected from gravel since 1896. Importantly, the gold explorer has now documented multiple, sub-horizontal, high grade Au shear veins over 600 meters and highlighted that these stacked structures all host >30 g/t Au grades. Gold intersections on each of the structures remain open and will be high priority targets in the 2024 drill season. The latest results continue to validate the explorer's views on the high Au potential of the property as well as last year's findings by external experts. We are Buy-rated on KG with a C\$0.75 TP.

Assay highlights Seven diamond drill holes (overleaf) explored extensions of fault-controlled Au mineralisation along strike beyond the east end of the Stander Zone Resource Estimate (RE) area. Seven holes tallying some 695 meters assayed mean Au of 2.01 g/t and an average interval of 16.7 meters. Highlight intercepts included: (1) 90.55 g/t Au over 0.55 meters from 21.1m to 21.6m in EC23-508; (2) 38.15 g/t Au over 0.50 meters from 92.7m to 93.2m in EC23-510; and (3) 5.49 g/t Au over 6.50 meters from 89.2m to 95.7m in EC23-510; plus (4) visible gold (VG) was found in fault-controlled quartz vein zones in four of seven drill holes with corresponding assay intersections of >30 g/t Au each.

Stacking high grade gold discoveries EC23-508 and EC23-509 tested the southern fault in the Stander Zone, while EC23-510 to EC23-514 probed the northern fault. Holes EC23-508, -510, -511, -514 all intersected high grade gold-bearing quartz shear that is common to adjacent sheeted extensional veins. The latest assays build upon the previous results. In December, Klondike reported showings of 4.39 g/t Au over 6.95 meters in EC23-501; and (2) 14.08 g/t Au over 1.1 meters in Gay Gulch, while November reporting. . . (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 22 Jan 2024

Closing Price	C\$ 0.10
Shares outstanding	180.10m
Market Capitalisation	C\$ 17.11m
52-week Range	C\$ 0.07 / 0.14
Avg. Volume (12 Months)	106,207

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%



. . . featured 10 rock grab samples from the Gold Run target that assayed up to 74.6 g/t Au including six samples containing visible gold. This was preceded by rock grab samples that assayed gold up to 60.7 g/t Au at the Dominion target reported in October.

Figure 1: Close-up of visible gold in EC23-508 drill core interval at 21.34m



Source: First Berlin Equity Research; Klondike Gold Corp.

KG's press release also emphasised that the discovery of gold traced to historically unrecognised shear veins, which are distinguishable from sheeted extension veins, supports its view that the property potentially hosts *multiple* and *sizable* Au deposits.

Table 1: Stander Zone result summary

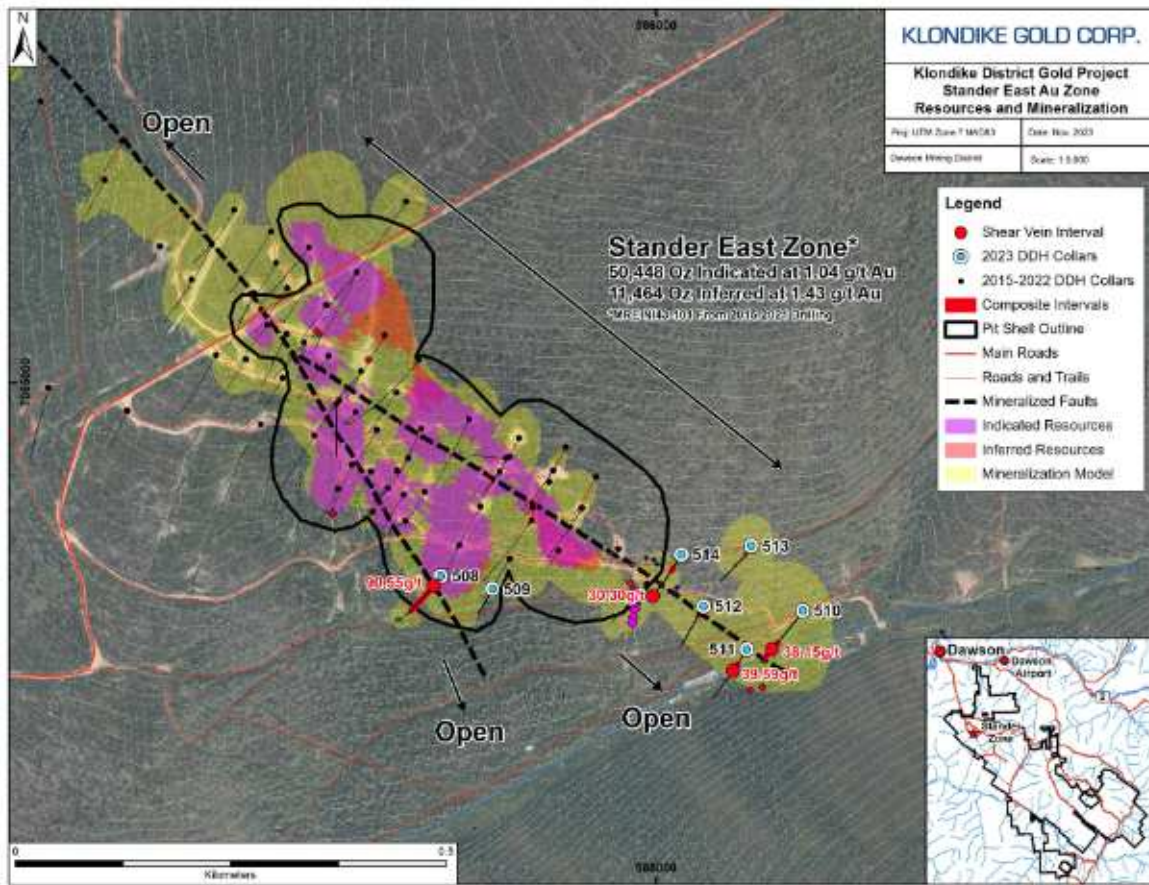
Hole ID	From (m)	To (m)	Au g/t	Interval (m)	VG*
EC23-508	21.1	57.7	1.65	36.7	-
<i>incl</i>	21.1	21.6	90.55	0.6	2
EC23-509	10.4	13.5	0.17	3.2	-
EC23-510	71.5	116.5	0.89	45.0	-
<i>incl</i>	89.2	95.7	5.49	6.5	-
<i>incl</i>	92.7	93.2	38.15	0.5	4
EC23-511	29.4	50.3	1.12	20.9	-
<i>incl</i>	42.9	50.3	3.09	7.4	-
<i>incl</i>	49.8	50.3	39.59	0.5	2
EC23-512	21.5	26.7	0.24	5.2	-
EC23-513	19.3	23.0	1.29	3.7	-
<i>and</i>	47.7	50.0	0.41	2.3	-
EC23-514	98.7	100.8	8.68	2.1	-
<i>incl</i>	99.8	100.3	30.30	0.5	1

*visible gold instances

Source: First Berlin Equity Research; Klondike Gold Corp.



Figure 2: Detailed map of 2023 and previous drill holes with significant Au intersections for EC23-508 to EC23-514 shown at the eastern Stander Zone.



Source: First Berlin Equity Research; Klondike Gold Corp.



VALUATION MODEL

Sticking to Buy rating with C\$0.75 TP Shareholders should be cheered by developments at KG in 2023, which included a string of high grade results and the ringing “independent” public endorsement of two highly respected orogenic gold experts.

The gold reported in KG's maiden mineral resource is well suited for building tonnage ideal for an open pit. But the recent shear vein discoveries containing high grade, clotty gold, point to much higher economic potential for the property. 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.

Figure 3: Takeout scenario

Takeover value	220	C\$m					
Discount rate	17	%					
Discounted takeover value	167	C\$m					
Net cash (pro-forma)	6	C\$m					
Costs through 2025	-6	C\$m					
Fair value	167	C\$m					
SO (pro-forma)	221	m					
Price target	0.75	C\$					

		C\$ per ounce				
		90	100	110	120	130
Moz Au	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 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 w 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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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.

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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...15	↓	↓	↓	↓
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	12 December 2023	C\$0.08	Buy	C\$0.75
24	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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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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