

# Klondike Gold Corp.

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

Update

<b>RATING</b>	<b>BUY</b>
<b>PRICE TARGET</b>	<b>C\$ 0.75</b>
Return Potential	689.5%
Risk Rating	High

## WILL 2024 BE A BREAKTHROUGH YEAR?

Klondike Gold made a number of headline grabbing gold discoveries in 2023 including four intercepts in the Stander Zone that assayed over 30 g/t Au. The shear gold intercepts logged last year may mean the gold explorer is zeroing in on significant discoveries. Initial 2024 fieldwork will focus on infill drilling within the 500 meters outlined in last year's Stander Zone Au showings. We also expect KG's mineral resource estimate (now: 0.6 Moz) to be updated by YE24 and to include this year's findings as well as assays from 2023. Our valuation model is based on a 2 Moz resource, which appears to be well within reach. We reckon hitting this milestone would go a long way towards ending investor ennui that has persisted for nearly two years now. We are Buy-rated on Klondike Gold with an unchanged C\$0.75 TP.

**Will 2024 be a breakthrough year?** Management believe last year's high grade Au shear veining discoveries at the Stander Zone could potentially be a bedrock source of the fabled 2 Moz of placer gold at Eldorado Creek. The initial stages of the 2024 drill campaign will follow up on the 2023 intercepts with the objective of converting these into significant resources that could help transform the Klondike District Property into a world-class goldfield. The maiden mineral resource estimate (RE) was published in November 2022 and comprises 0.47 Moz Au indicated at 0.68 g/t and 0.11 Moz Au inferred at 0.54 g/t. KG wants to update the RE by YE24 to include drilling results from 2022 through 2024, including the already identified 0.2 Moz just outside the Stander Zone open pit mineral resource. We expect the upcoming work to unlock significant upside considering last year's high grade shear vein discoveries that will be the focal point this season. We also note that assay turnaround time should greatly accelerate thanks to a new photon-based methodology, meaning fieldwork conducted this year could be included in an updated RE. The upshot is we see a firm path for KG to delineate a 2 Moz resource and probably sooner than the markets are currently banking on judging by the stagnating share price. (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%	-2.6%
Liquid assets (C\$m)	0.13	2.85	2.67	0.12	0.66	1.01

### 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 727km<sup>2</sup> Klondike District Project encompasses the legendary 1896 gold rush discoveries at Bonanza and Eldorado Creeks.

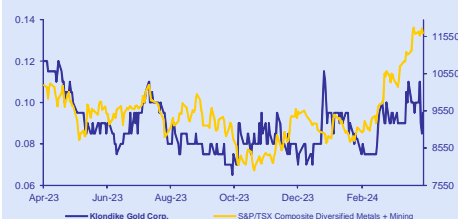
### MARKET DATA

As of 24 Apr 2024

Closing Price	C\$ 0.10
Shares outstanding	180.10m
Market Capitalisation	C\$ 17.11m
52-week Range	C\$ 0.07 / 0.12
Avg. Volume (12 Months)	121,341

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 30 Nov 2023

Liquid Assets	C\$ 0.41m
Current Assets	C\$ 0.54m
Exploration Assets	C\$ 30.09m
Total Assets	C\$ 30.97m
Current Liabilities	C\$ 0.36m
Shareholders' Equity	C\$ 30.57m

### SHAREHOLDERS

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



**Looking to exploit last year's discoveries** Last year, high grade (visible) gold prospects were identified adjacent to and outside the current Mineral Resource areas. Six drill holes at Stander Zone, including two from 2021 fieldwork, (table 1) are now thought to have intersected the gold shear indicating a 350 meter strike length and 200 meter dip length with intercepts grading between 20.3 to 90.6 g/t Au over 0.5m to 1.5m in length. And all holes have material halos of "extensional sheeted veins" containing low grade gold. The KG team believes these highlight showings are linked to historically unrecognised shear veins, which are distinguishable from sheeted extension veins, and support KG's contention that its District Property potentially hosts *multiple* and *sizable* Au deposits.

**Table 1: Compilation of Stander Zone drilling intercepts of Shear Vein to date**

Hole ID	From (m)	To (m)	Au g/t	Interval (m)	Section (m)
EC23-508	21.1	21.6	90.6	0.6	585780E
EC21-424	42.7	44.2	36.6	1.5	585780E
EC21-425	21.1	21.6	90.6	0.6	585780E
EC23-510	92.7	93.2	38.2	0.5	586120E
EC23-511	49.8	50.3	39.6	0.5	586120E
EC23-514	99.8	100.3	30.3	0.5	586275E

Source: First Berlin Equity Research; Klondike Gold Corp.

**Time to prove it to the market** Klondike shares have been languishing for nearly two years now. In our view, the share price does not reflect of the evolution of exploration model during this period, which is now underpinned by the high grade discoveries from last year. But promising assays are no longer enough to end investor ennui, and we think KG will have to prove the value of its property with a resource that tops 2 Moz which also features more of the high grade discoveries delineated last year.

Meanwhile, spot gold is up 13% YTD after a record-setting rally. The price of bullion shot up north of \$2,400 per ounce in April with interest rate cut hopes at a fever pitch. The bullion price has since retreated from this vertiginous peak to around \$2,300 per ounce, but we expect safe-haven demand for the yellow metal to persist with ongoing Middle East tensions outweighing tempered rate cut expectations. With spot gold trading at unprecedented levels, now would be a good time for Klondike Gold to showcase the value of its District Property with additional high grade discoveries and provide further evidence that helps explain where the legendary placer gold comes from.

Based on transactions vended at C\$100 per ounce Au in the Tintina Belt, where the Klondike District Property sits, KG shares are heavily undervalued. A similar valuation implies a KG share price of C\$0.31 for the existing 0.6 Moz resource, whereby an upgraded RE propels the valuation towards the C\$0.75 TP derived in our model (overleaf).

It should also be noted that spot gold price ranged between \$1,100 and \$1,400 per ounce when these transactions occurred. It is not hard to imagine a deal for KG fetching a much higher Au multiple from a mining major looking at today's price for the yellow metal.



## VALUATION MODEL

**Table 2: Discounted takeout scenario**

Takeover value	220	C\$m					
Discount rate	17	%					
<b>Discounted takeover value</b>	<b>174</b>	<b>C\$m</b>					
Net cash (pro-forma)	7	C\$m					
Costs through 2025	-6	C\$m					
<b>Fair value</b>	<b>174</b>	<b>C\$m</b>					
SO (pro-forma)	230	m					
<b>Price target</b>	<b>0.75</b>	<b>C\$</b>					

		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
<b>Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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
<b>EBITDA</b>	<b>-1,917</b>	<b>-1,233</b>	<b>-768</b>	<b>-1,117</b>	<b>-1,198</b>	<b>-1,286</b>
Depreciation & amortisation	-160	-147	-143	-142	-15	-15
<b>EBIT</b>	<b>-2,077</b>	<b>-1,380</b>	<b>-911</b>	<b>-1,259</b>	<b>-1,213</b>	<b>-1,301</b>
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
<b>Pre-tax income (EBT)</b>	<b>-1,174</b>	<b>-1,316</b>	<b>-628</b>	<b>-1,029</b>	<b>-1,213</b>	<b>-1,301</b>
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
<b>Net income / loss</b>	<b>-1,174</b>	<b>-1,316</b>	<b>-628</b>	<b>-1,029</b>	<b>-1,213</b>	<b>-1,301</b>
<b>Diluted EPS (in C\$)</b>	<b>-0.01</b>	<b>-0.01</b>	<b>0.00</b>	<b>-0.01</b>	<b>-0.01</b>	<b>-0.01</b>
Weighted avg. SO (pro-forma '000)	110,317	124,463	139,713	152,613	164,626	200,162
<b>Ratios</b>						
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%
<b>Expenses as % of revenues</b>						
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.
<b>Y-Y Growth</b>						
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
<b>Assets</b>						
<b>Current assets, total</b>	<b>398</b>	<b>3,240</b>	<b>3,099</b>	<b>352</b>	<b>894</b>	<b>1,249</b>
Cash and cash equivalents	133	2,853	2,670	116	656	1,009
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
<b>Non-current assets, total</b>	<b>23,976</b>	<b>24,583</b>	<b>26,889</b>	<b>29,070</b>	<b>31,883</b>	<b>34,673</b>
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
<b>Total assets</b>	<b>24,374</b>	<b>27,823</b>	<b>29,988</b>	<b>29,422</b>	<b>32,777</b>	<b>35,922</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>263</b>	<b>542</b>	<b>437</b>	<b>354</b>	<b>292</b>	<b>307</b>
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
<b>Long-term liabilities, total</b>	<b>546</b>	<b>432</b>	<b>310</b>	<b>161</b>	<b>161</b>	<b>161</b>
Leases	546	432	310	161	161	161
Long-term debt	0	0	0	0	0	0
<b>Shareholders' equity</b>	<b>23,565</b>	<b>26,849</b>	<b>29,241</b>	<b>28,908</b>	<b>32,324</b>	<b>35,454</b>
<b>Total consolidated equity and debt</b>	<b>24,374</b>	<b>27,823</b>	<b>29,988</b>	<b>29,422</b>	<b>32,777</b>	<b>35,922</b>
<b>Ratios</b>						
Current ratio (x)	1.5	6.0	7.1	1.0	3.1	4.1
Quick ratio (x)	1.3	5.7	6.8	0.9	3.0	4.0
Net debt	247	-2,587	-2,526	-25	-565	-917
Net gearing	1%	-10%	-9%	0%	-2%	-3%
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
<b>Net income</b>	<b>-1,174</b>	<b>-1,316</b>	<b>-628</b>	<b>-1,029</b>	<b>-1,213</b>	<b>-1,301</b>
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
<b>Operating cash flow</b>	<b>-1,590</b>	<b>-938</b>	<b>-781</b>	<b>-661</b>	<b>-1,001</b>	<b>-999</b>
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
<b>Cash flow from investing</b>	<b>-3,396</b>	<b>-870</b>	<b>-2,576</b>	<b>-2,090</b>	<b>-2,828</b>	<b>-2,806</b>
<b>Free cash flow (FCF)</b>	<b>-4,986</b>	<b>-1,808</b>	<b>-3,357</b>	<b>-2,751</b>	<b>-3,829</b>	<b>-3,805</b>
Debt inflow , net	0	0	0	0	0	0
Equity inflow , net	2,943	4,664	3,320	345	4,369	3,520
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
<b>Cash flow from financing</b>	<b>3,852</b>	<b>4,528</b>	<b>3,174</b>	<b>197</b>	<b>4,369</b>	<b>4,158</b>
<b>Net cash flows</b>	<b>-1,134</b>	<b>2,720</b>	<b>-183</b>	<b>-2,554</b>	<b>540</b>	<b>352</b>
Cash, start of the year	1,267	133	2,853	2,670	116	656
<b>Cash, end of the year</b>	<b>133</b>	<b>2,853</b>	<b>2,670</b>	<b>116</b>	<b>656</b>	<b>1,009</b>

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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 <sup>1</sup>	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%

<sup>1</sup> 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...16	↓	↓	↓	↓
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	23 January 2024	C\$0.10	Buy	C\$0.75
25	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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