

# Kingsgate Consolidated Limited

## Precious Metals - Producer

Rating <b>SPECULATIVE BUY</b>	Price Target <b>A\$3.00</b>
KCN-ASX	Price <b>A\$1.57</b>

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## More positive regional exploration results at Chatree

### More positive exploration results at its high priority targets at Chatree

KCN has released more positive gold exploration results at its high priority targets at Jorakae and Kumpee within 2-7km of the Chatree gold processing complex in Thailand. Significant intercepts include 19m at 1.18g/t Au from 20m at Jorakae and 37m at 1.37g/t Au from 21m at Kumpee, with the mineralisation seen to be analogous to that of Chatree.

### Significant exploration upside in an underexplored region

We see significant exploration and Resource growth potential at Chatree. As we mentioned in our initiation (see [here](#)), recent assays from various prospects within 1-30km of the mills have returned thick (near surface, ranging from 10-50m) >1g/t gold intercepts (suggests tonnage and grade (at ~0.7g/t) could increase), pointing to LOM extension potential (update likely in 2H24). Our NAV is highly sensitive to changes in grade, with a +10% change leading to a +24% change in NAV.

### Full-scale mining set to commence at Chatree within weeks

KCN has completed its refurb of mill 1 (noting mill 2 is operational processing tailings) which will take its combined processing capacity to >5Mtpa, which will coincide with the restart of full scale mining operations in coming weeks. We note, the first tranche of its new mining fleet has arrived at site (incl. trucks, dozers and excavator). We expect mining operations (OP, grade ~0.7g/t) to restart within weeks and expect it to ramp-up its two plants (>5Mtpa) to produce 91koz at US\$1,739/oz in FY25E and LOM average 102kozpa at AISC US\$1,354/oz over nine-year LOM.

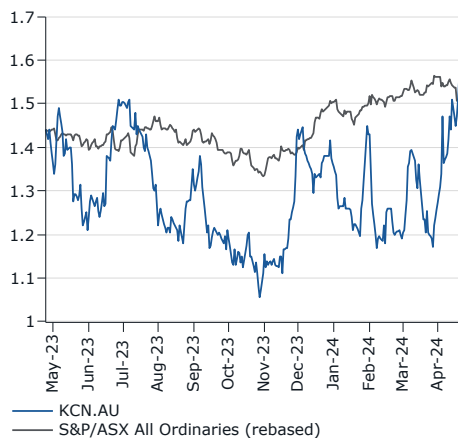
### Valuation and recommendation

Our price target of \$3.00 (risked, 1.0x forward curve NPV5%) remains unchanged.

While we note its near-term balance sheet risks, we continue to see significant valuation upside in KCN shares (P/NAV ~0.5x; vs mid-tier producer avg ~0.8x) noting its recent permitting issues are now resolved, near-term organic production growth, major sunk capex infrastructure, generous tax breaks and exploration upside. Maintain SPECULATIVE BUY rating.

#### Market Data

52-Week Range (A\$) :	1.05 - 1.63
Avg Daily Vol (000s) :	707.37
Shares Out. (M) :	257.8
Market Cap (A\$M) :	406.0
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



Priced as of close of business 22 April 2024

Kingsgate Consolidated an emerging mid-tier gold producer which owns 100% of the Chatree Gold Mine in Thailand and the Nueva Esperanza Gold-Silver Project in Chile.

# Appendix: Important Disclosures

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## Investment Recommendation

Date and time of first dissemination: April 22, 2024, 21:17 ET

Date and time of production: April 22, 2024, 21:17 ET

## Target Price / Valuation Methodology:

Kingsgate Consolidated Limited - KCN

Our price target for KCN is based on a risked NPV5% for Chatree. Our assumed production scenario is largely based on the company's existing LOMP and discussions with management, overlaid with our pricing and discount rates.

## Risks to achieving Target Price / Valuation:

Kingsgate Consolidated Limited - KCN

### Geopolitical risks

Chatree is located in Thailand which is considered an emerging market. As such, KCN, through the Chatree Gold Mine, carries a higher degree of economic, political, social, legal and legislative risk. We saw this risk play out in practice when the Thai government revoked KCN's licence to operate Chatree in 2016. There is a risk this happens again, albeit we think this is unlikely given the actions by the new Thai government and KCN to remedy the situation.

### Financing risks

As KCN continues to ramp up operations at Chatree, there is a risk that additional external funding may be required (via equity or debt markets) to assist with its working capital requirements.

### Exploration risks

Exploration is subject to several risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral Resources nor that the company will be able to convert the current mineral resource into minable Reserves, noting our base case mineable inventory is underpinned by Reserves only.

### Operating risks

Companies in production will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from its operating asset considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

### Commodity price and currency fluctuations

The company as a gold producer is exposed to commodity price and currency fluctuations, often driven by macro-economic forces including inflationary pressure, interest rates and supply and demand of commodities. These factors are external and could reduce the profitability, costing and prospective outlook for the business.

**Distribution of Ratings:**

**Global Stock Ratings (as of 04/22/24)**

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	612	65.95%	22.71%
Hold	139	14.98%	10.07%
Sell	12	1.29%	8.33%
Speculative Buy	157	16.92%	46.50%
	928*	100.0%	

\*Total includes stocks that are Under Review

**Canaccord Genuity Ratings System**

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\*As of January 1, 2024, the Ratings History Chart will reflect the new Canaccord Genuity Ratings System as defined above.

**Risk Qualifier**

**SPECULATIVE:** The stock bears significantly above-average risk and volatility. Investments in the stock may result in material loss.

**12-Month Recommendation History (as of date same as the Global Stock Ratings table)**

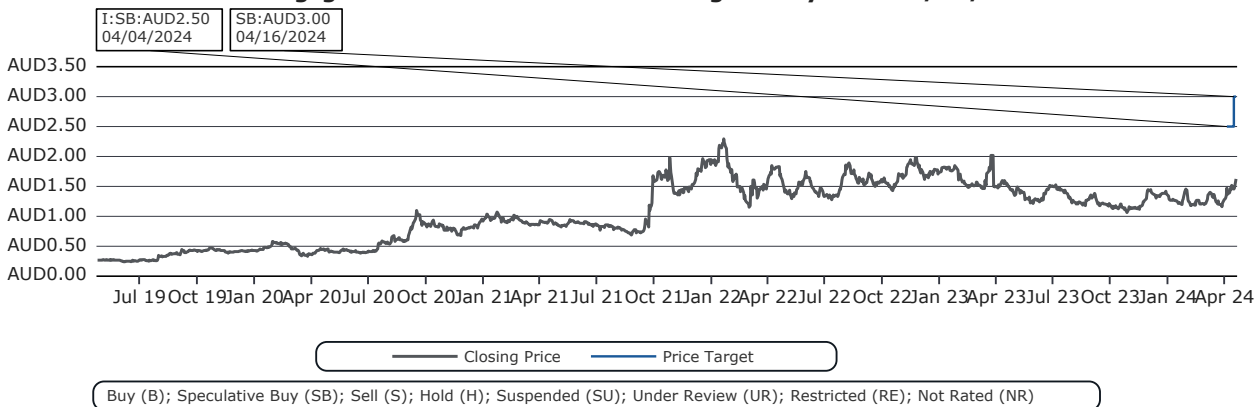
A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx>

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**Kingsgate Consolidated Limited Rating History as of 04/19/2024**



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