

# Kingsgate Consolidated Limited

## Precious Metals - Producer

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Rating  
**SPECULATIVE BUY**  
unchanged

Price Target  
**A\$3.40**  
unchanged

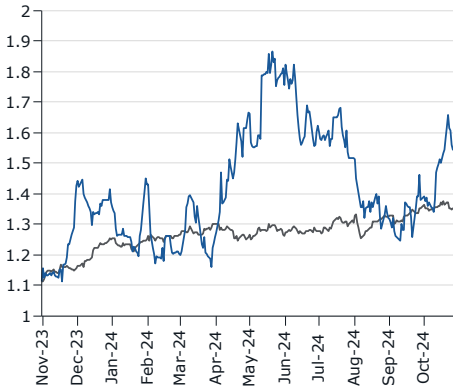
KCN-ASX

Price  
**A\$1.60**

### Market Data

52-Week Range (A\$) :	1.05 - 1.89
Avg Daily Vol (000s) :	517
Market Cap (A\$M) :	413.7
Shares Out. (M) :	257.8
Enterprise Value (A\$M) :	432.7
NAV /Shr (A\$) :	3.41

FYE Jun	2024A	2025E	2026E	2027E
EBITDA (A\$M)	(20.5)	100.0↓	163.2↓	206.4↓
Previous	-	105.0	163.7	206.7
Net Income (A\$M)	197.6	54.1↓	97.3↓	132.0
Previous	-	55.7	97.5	-
Free Cash Flow (A\$M)	(16.2)	64.0	118.0	170.5



— KCN.AU  
 — S&P/ASX All Ordinaries (rebased)

Source: FactSet

Priced as of close of business 29 October 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.

## SepQ'24 report

### SepQ production in line but minor AISC miss

Group gold production of 16koz at AISC US\$2,065/oz (gold sales 14koz) versus CGe at 16koz at US\$1,876/oz. The minor AISC miss was due to greater reliance on low grade stockpiles as mining operations ramp up. AISC is expected to fall over the remainder of FY25 (CGe 21koz at US\$1,984/oz in DecQ) due to increased efficiency from its new fleet (incl. trucks, dozers and excavator), less reliance on stockpile ore (lower non-cash inventory charge and higher milled grade) and higher production.

### Production and AISC outlook unchanged

As expected, KCN's production and AISC outlook remained unchanged. KCN expects FY25 Group gold production to be 80-90koz at AISC of US\$1,650-1,800/ oz (CGe 85koz at US\$1,782/oz), which reflects ramp up to >5Mtpa. Over FY26-28, production guidance increases to 95-120kozpa at AISC of US\$1,400-1,600/oz (CGe avg. 105kozpa at US \$1,518/oz). We model LOM average 105kozpa at AISC US\$1,446/oz over a nine-year LOM but exploration prospectivity sees LOM extension potential, in our view.

### Balance sheet remains in a net debt position...

During the quarter, KCN refinanced with a US\$35m (A\$52m) senior secured debt facility from Nebari to repay the existing Nebari bridge loan of A\$15m and preference shares of A\$12m. After the debt movement in the quarter, KCN has drawn facilities of A\$63m comprising A\$52m Nebari senior secured facility and A\$11m preference shares (treated as debt in Australia, repayment at the earliest in July 2026) and cash + bullion/dore of A\$44m.

### ...but we forecast it to move to net cash by JunQ'25

We forecast the balance sheet to de-gear reasonably quickly (net cash by JunQ'25) driven by increasing production (and falling AISC) and prevailing gold price tailwinds (noting its unhedged production profile). We do note however the additional funding/technical risk associated with ramp-up of any mining operation (albeit lower risk as brownfield). Our FCF metrics look appealing over FY25E-27E at 15%/28%/41% (vs peer avg. ~10%), with any residual cash providing capital management optionality.

### Model revisions

We make minimal model revisions including lowering production by -1% and increasing AISC by +3% in FY25 which sees our EBITDA cut -5%.

### Valuation and recommendation

Our price target to \$3.40 remains unchanged (risked, 1.0x forward curve NPV5%).

If KCN can navigate a successful ramp-up (on track to date) and demonstrate operational consistency over the remainder of FY25, we think KCN shares will continue to re-rate accordingly. KCN remains amongst the most undervalued gold companies in our ASX gold producer coverage P/NAV 0.47x; vs mid-tier producer avg. 0.75x). Maintain SPECULATIVE BUY rating.

**Figure 1: KCN financial summary**

**FINANCIAL SUMMARY**

Kingsgate Consolidated (KCN:ASX)

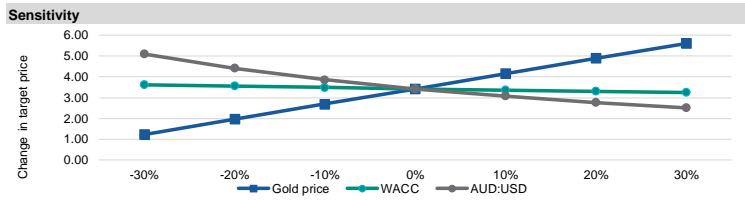
Analyst : Tom Prendiville  
Date: 30/10/2024  
Year End: Jun

Rating: **SPEC BUY**  
Target Price: **A\$3.40**

Market Information			
Share Price	A\$	1.61	
Market Capitalisation	A\$m	414	
12 Month Hi	A\$	1.89	
12 Month Lo	A\$	1.05	
Issued Capital	m	258	
ITM Options	m		
Fully Diluted	m	258	

Valuation			
Chatree	NPV @5%	983	3.81
Exploration, Projects & Other		20	0.08
Investments		-	-
Gold Forwards		-	-
Corporate		(105)	(0.41)
(Net debt)/cash		(19)	(0.07)
<b>Total</b>		<b>879</b>	<b>3.41</b>
Price/NAV			0.47x
NAV @ Spot			
<b>Target Price (1.00 x NAV)</b>			<b>3.40</b>
Price/TP			0.47x

Assumptions				
	2024a	2025e	2026e	2027e
Gold Price (US\$/oz)	2,076	2,641	2,785	2,893
Silver Price (US\$/oz)	25	32	34	35
Copper (US\$/lb)	3.95	4.73	5.00	5.00
AUD:USD	0.66	0.68	0.68	0.69



Production (kt) - by asset				
	2024a	2025e	2026e	2027e
<b>Chatree</b>				
Gold Production (koz)	47	85	99	108
AISC (US\$/oz)	-	1,782	1,614	1,510
<b>Neuva Esperanza</b>				
Gold Production (koz)	-	-	-	-
AISC (US\$/oz)	-	-	-	-
<b>Group</b>				
Gold Production (koz)	47	85	99	108
AISC (US\$/oz)	-	1,782	1,614	1,510

Reserves & Resources			
		Mt	Moz
<b>Reserves</b>			
Gold	68	0.71	1.6
Copper	-	0.00%	0kt
<b>Resources</b>			
Gold	203	0.60	3.9
Copper	-	0.00%	0kt

Directors & Management		
<b>Name</b>		<b>Position</b>
Ross Smyth-Kirk		Exec Chairman
Jamie Gibson		Managing Director
Nucharee Sailasuta		NE Director
Peter Warren		NE Director
Daniel O'Connell		CFO

**Company Description**  
Kingsgate Consolidated (KCN:ASX) owns and operates the Chatree Gold Mine in Thailand. The gold mine restarted processing tailings in 2023 after a period of closure.

Profit and Loss A\$m				
	2024a	2025e	2026e	2027e
Revenue	133.1	356.8	440.2	487.9
Operating Costs	-126.4	-234.9	-255.0	-259.5
SG&A	-27.2	-22.0	-22.0	-22.0
<b>EBITDA</b>	<b>-20.5</b>	<b>100.0</b>	<b>163.2</b>	<b>206.4</b>
Impairment/other non cash adjustments	228.7	0.0	0.0	0.0
D&A	-0.6	-16.8	-22.6	-22.2
Net Interest	-7.2	-6.0	-1.6	4.4
Tax	-2.8	-23.2	-41.7	-56.6
NPAT (reported)	197.6	54.1	97.3	132.0
<b>NPAT</b>	<b>197.6</b>	<b>54.1</b>	<b>97.3</b>	<b>132.0</b>
<b>EBITDA Margin</b>	<b>-15%</b>	<b>28%</b>	<b>37%</b>	<b>42%</b>
<b>EV/EBITDA</b>	<b>-19.3x</b>	<b>3.9x</b>	<b>2.4x</b>	<b>1.9x</b>
EPS	0.77	0.21	0.38	0.51
EPS Growth		-73%	80%	36%
PER	2.1x	7.7x	4.3x	3.1x
Dividend Per Share	-	-	-	-
<b>Dividend Yield</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

Cash Flow A\$m				
	2024a	2025e	2026e	2027e
Cash Receipts	134.9	356.8	440.2	487.9
Cash paid to suppliers & employees	-123.2	-256.9	-277.0	-281.5
Tax Paid	0.0	0.0	0.0	0.0
Net Interest	-4.2	-6.0	-1.6	4.4
Other	0.0	2.0	0.0	0.0
<b>Operating Cash Flow</b>	<b>7.5</b>	<b>96.0</b>	<b>161.6</b>	<b>210.9</b>
Proceeds/payments from sale/purchases	0.0	0.0	0.0	0.0
Capex	-17.8	-32.0	-43.6	-40.4
Other	-5.9	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>-23.7</b>	<b>-32.0</b>	<b>-43.6</b>	<b>-40.4</b>
Debt Drawdown (repayment)	14.6	16.7	-10.6	-8.6
Share capital	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Financing Expenses	-1.9	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>12.6</b>	<b>16.7</b>	<b>-10.6</b>	<b>-8.6</b>
Opening Cash	9.6	7.0	87.6	195.0
Increase / (Decrease) in cash	-3.6	80.7	107.4	161.8
FX Impact	0.6	0.0	0.0	0.0
<b>Closing Cash</b>	<b>6.6</b>	<b>87.6</b>	<b>195.0</b>	<b>356.8</b>

Op. Cashflow/Share	\$0.03	\$0.37	\$0.63	\$0.82
P/CF	55.3x	4.3x	2.6x	2.0x
<b>FCF</b>	<b>-16.2</b>	<b>64.0</b>	<b>118.0</b>	<b>170.5</b>
FCF Yield	-3.9%	15.5%	28.5%	41.2%

Balance Sheet A\$m				
	2024a	2025e	2026e	2027e
Cash + S/Term Deposits	7.0	87.6	195.0	356.8
Receivables	9.8	9.8	9.8	9.8
Other current assets	34.0	34.0	34.0	34.0
<b>Current Assets</b>	<b>50.8</b>	<b>131.4</b>	<b>238.8</b>	<b>400.6</b>
Property, Plant & Equip.	96.8	112.1	133.1	151.2
Investments	0.0	0.0	0.0	0.0
Other Non-current Assets	241.4	218.2	176.5	119.9
Payables	34.4	36.4	36.4	36.4
Short Term Debt	29.7	0.0	0.0	0.0
Long Term Debt	10.8	57.2	46.6	38.0
Other Liabilities	66.4	66.4	66.4	66.4
<b>Net Assets</b>	<b>247.7</b>	<b>301.7</b>	<b>399.0</b>	<b>531.1</b>
Shareholders Funds	727.3	727.3	727.3	727.3
Reserves	58.3	58.3	58.3	58.3
Retained Earnings	-537.9	-483.9	-386.6	-254.5
<b>Total Equity</b>	<b>247.7</b>	<b>301.7</b>	<b>399.0</b>	<b>531.1</b>

Debt/Equity	16%	19%	12%	7%
Net debt/(cash)	33.5	-30.4	-148.4	-318.9
Net gearing (book)	14%	-10%	-37%	-60%
Net gearing (market)	8%	-7%	-36%	-77%

Source: Company reports, Canaccord Genuity estimates

# Appendix: Important Disclosures

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## Investment Recommendation

Date and time of first dissemination: October 29, 2024, 22:01 ET

Date and time of production: October 29, 2024, 22:01 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 10/29/24)**

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	613	66.56%	24.63%
Hold	134	14.55%	8.96%
Sell	14	1.52%	7.14%
Speculative Buy	150	16.29%	52.67%
	921*	100.0%	

\*Total includes stocks that are Under Review

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**BUY:** The stock is expected to generate returns greater than 10% during the next 12 months.

**HOLD:** The stock is expected to generate returns from -10% to 10% during the next 12 months.

**SELL:** The stock is expected to generate returns less than -10% during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

Given the inherent volatility of some stocks under coverage, price targets for some stocks may imply target returns that vary temporarily from the ratings criteria above.

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

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**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)**

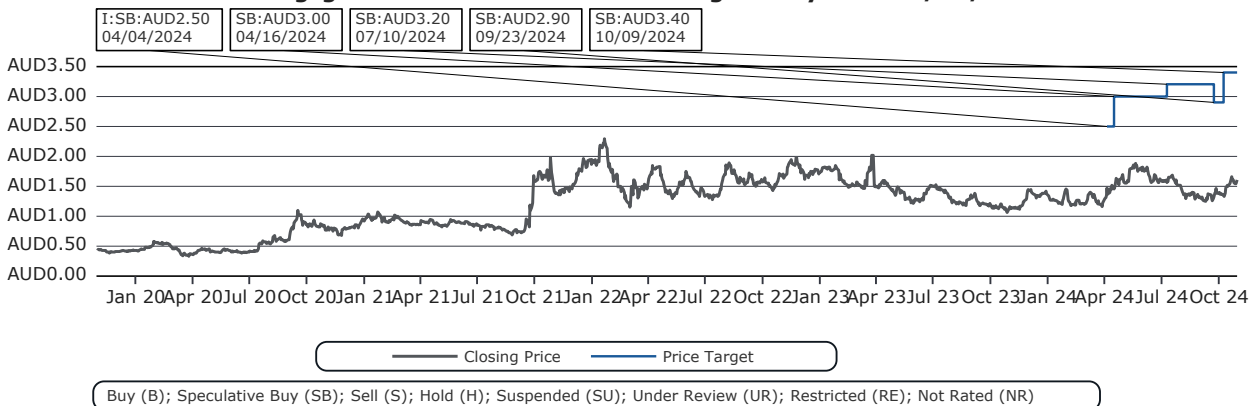
A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx>

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**Kingsgate Consolidated Limited Rating History as of 10/29/2024**



**Past performance**

In line with Article 44(4)(b), MiFID II Delegated Regulation, we disclose price performance for the preceding five years or the whole period for which the financial instrument has been offered or investment service provided where less than five years. Please

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