


KL

KIRKLAND LAKE GOLD

Kirkland Lake Gold (TSX: KL); Target Price C\$74.25

October 6th, 2020

Head Analyst: Enoch Lee
Analyst: Alexander Kealey
Analyst: Abed Alatassi

Ryerson
University

TED
ROGERS
SCHOOL
OF MANAGEMENT

Table of Contents

1. Recommendation.....	Slide 3
2. Company Overview.....	Slides 4 - 9
3. Competitive Position.....	Slides 10 - 11
4. Industry Overview.....	Slides 12 - 13
5. Macroeconomic Outlook.....	Slides 14 - 15
6. Investment Thesis.....	Slides 16 - 21
7. Risks, Mitigants, Catalysts.....	Slides 22 - 24
8. Valuation.....	Slides 25 - 29
9. Appendix.....	Slides 30 - 35

Recommendation

Buy Kirkland Lake Gold at a target price of C\$74.25, representing a 14.2% upside

Investment Theses:

- I. Quality Assets with reserve growth
- II. Strong Financials powered by its low operating costs and clean balance sheet
- III. Hedging Strategy that takes advantage of rising gold prices and currency fluctuations

NAV Fair Value Per Share	
Present Value Cash Flows to Firm (FCFF)	\$M 19,586
Enterprise Value	
- Debt	\$M 28.5
+Cash	\$M 537
Net Debt	\$M (509)
Equity Value of Firm	\$M 20,075
Diluted Shares Outstanding	M shares 277
Implied price per share	72.40
Exchange Rate	1
Implied Price per Share (\$CAD)	72.40
Exit Multiple (EBITDA) Fair Value Per Share	
Present Value Cash Flows to Firm (FCFF)	\$M 20,589
Enterprise Value	
- Debt	\$M 28.5
+Cash	\$M 537
Net Debt	\$M (509)
Equity Value of Firm	\$M 21,098
Diluted Shares Outstanding	M shares 277
Implied price per share	76.09
Exchange Rate	1
Implied Price per Share (\$CAD)	76.09



Company Overview

Industry Overview

Competitive Position

Macroeconomic Outlook

Investment Thesis

Risks & Mitigants

Valuation

Appendix



Company Overview

Kirkland Lake Gold Inc. Overview

Company/Investment Highlights

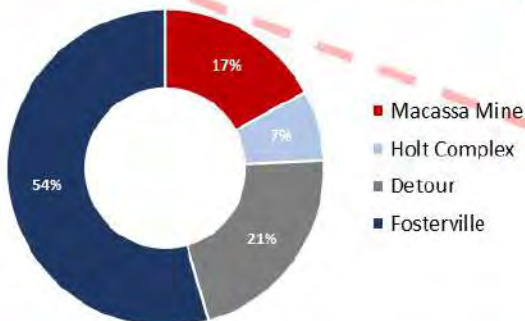
History: Founded in 1988 under the name Goldpac Investments, renamed several times; acquired mines from Kinross then renamed Kirkland Lake Gold

Strategy: Maintain its position as sustainable, low-cost gold producer

Revenue Model: Gold; Exploration and Expand

Major Investors: Van Eck Associates Corp (7.01%), T. Rowe Price Group (4.64%), Resolute Funds (3.76%), RBC Global Asset Management (2.99%), The Vanguard Group (2.93%)

Revenue by Asset



Revenue by Country



Kirkland Lake Gold Inc. Overview

Kirkland Gold has consistently outperformed both the Gold Spot price and TSX Composite Index over the past several years. KL returns value to shareholders through a well positioned balance sheet consistently carrying little to no debt, low cost assets in geopolitically sound countries and an aggressive exploration strategy. Despite recent appreciation in gold prices, KL has continued to outpace the yellow metal significantly.

Key Statistics

Current Price:	\$65.00	EV/EBITDA:	9.4x
XAUCAD Price:	\$2,525	Total Debt:	\$38.2M
TSX Price:	\$16,121	Total Cash:	\$537.4M
Enterprise Value:	\$17.1B	Prod. Costs:	\$498.6M
Market Cap:	\$17.9B		

Kirkland Lake Gold vs Gold Spot Price



TSX Composite Index vs Kirkland Lake Gold



Company Overview

Industry Overview

Competitive Position

Macroeconomic Outlook

Investment Thesis

Risks & Mitigants

Valuation

Appendix

Mine Portfolio

Kirkland Lake Mine Portfolio

- Macassa**
 - High grade underground mine located in Northern Ontario
 - New shaft in progress for de-risking and more expansive exploration
 - Underground exploitation in progress- over 67,000 meters of drilling in 2019
 - 2,200 tpd → 4,000 tpd as part of shaft #4
 - First mine in the world to use lithium ion battery operated trucks
- Fosterville**
 - High grade, low cost underground mine in Australia- State of Victoria
 - 2,275 tpd, 98.8% recovery rate
 - 1,400 km exploration land package
 - Increased grade profiles with depth
- Detour Lake**
 - Open pit mine in Northern Ontario, commenced operations in 2020. Mine in operation since 1983 (Place Dome / Detour Gold)
 - Second largest gold producing mine in Canada, largest reserves and substantial growth potential
 - Active drilling to extend reserves- open at depth.
 - Estimated recovery rate of 97.5%
 - Mill operating at 60,000 tpd

Location of Mines



Cost and Grade by Asset



Production & Reserves



Company Overview

Industry Overview

Competitive Position

Macroeconomic Outlook

Investment Thesis

Risks & Mitigants

Valuation

Appendix

Executive Management Overview



Anthony Makuch
President & CEO

- Appointed in November 2016
- More than 35 years of experience in the industry
- Worked onsite at Macassa Mine as General Manager Previously, President and CEO of Lake Shore Gold Inc. until acquisition by Tahoe Resources
 - Lake Shore Gold performed well under guidance from Anthony;
- Led the Detour Mine acquisition



David Soares
CFO

- Appointed in November 2018
- Over 15 years of experience of management in the industry
- Previously, CFO of Baffinland Iron Ore Mines Corporation
 - Performed well under management that included David Soares, with it peaking in 2011 like Lake Shore Gold
- Held progressive senior leadership roles with many mining companies including Xstrata, Glencore, and Barrick



Alasdair Federico
Executive VP, Corp. Affairs & CSR

- Appointed in October 2016
- Over 10 years of experience in corporate strategy and governance
- Previously, Vice-President, General Counsel, and Corporate Secretary at Lake Shore Gold Inc. until acquisition by Tahoe Resources
 - Performed well when working together with Anthony Makuch and other Lake Shore Gold members that work at Kirkland Lake Gold now

Response to Covid-19

March 23, 2020

- Kirkland Lake Gold introduced several measures to protect employees, their families and the companies' communities.
- All non-essential activities were suspended including exploration drilling, Macassa #4 shaft project

April 1, 2020

- The company withdrew its 2020 guidance which was released on December 18, 2019 and updated on February 19, 2020 after the acquisition on Detour Gold.
- Operations at the Holt Complex were suspended until further notice.

May 06, 2020

- The company began calling back employees who were off work due to Covid-19 protocols.
- Macassa was operating with 65% of its normal workforce.
- Detour Lake was operating with 30% of its normal workforce.

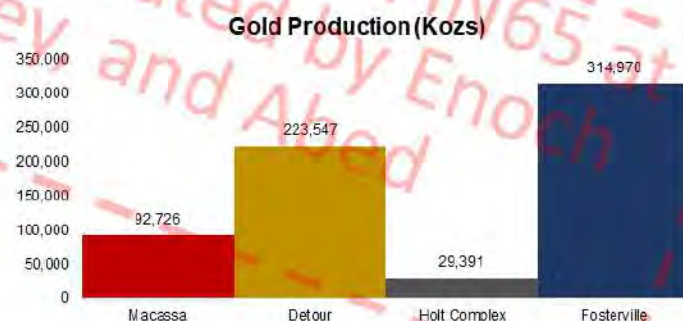
June 30, 2020

- The company operations returned to pre-Covid levels, with the company health and safety protocols in place.
- Non-essential activities resumed including exploration drilling and Macassa #4 shaft project.
- Holt Complex remains suspended.

RE-ISSUED FY 2020 GUIDANCE – JUNE 30, 2020

\$ million unless otherwise states	Macassa	Detour (11 months)	Holt Complex	Fosterville	2020 Guidance (June 30/20)	2020 Guidance (Feb 21/20)
Gold Production (kcozs)	210 – 220	520 – 540	29	590 – 610	1,350 – 1,400	1,470 – 1,540
Op. cash costs (\$/oz) ^{1,2}	490 – 510	610 – 630	955	130 – 150	410 – 430	450 – 470
AISC (\$/oz) ^{1,2}					790 – 810	820 – 840
Operating cash costs ^{1,2}					560 – 580	700 – 720
Royalty expense					80 – 85	85 – 90
Sustaining capital ²					390 – 400	420 – 430
Growth capital ²					95 – 105	70 – 80
Exploration ^{1,4}					130 – 150	150 – 170
Corporate G & A ¹					50 – 55	50 – 55

YTD 2020 RESULTS – JUNE 30, 2020



Company Overview

Industry Overview

Competitive Position

Macroeconomic Outlook

Investment Thesis

Risks & Mitigants

Valuation

Appendix

0



Competitive Position

Competitive Position



- 48.8% of industry is occupied by major players.
- The rest of the industry are smaller players (including Kirkland Lake Gold).
- Kirkland Lake Gold focuses on maintaining a position within the mining industry as a sustainable, growing low-cost gold producer.
- Trading at a discount relative to its peers due to acquisition of Detour Lake Mine.
- Market Capitalization significantly lower than bigger players such as Kinross Gold.
- High Grade mines relative to peers (as seen in previous slide)

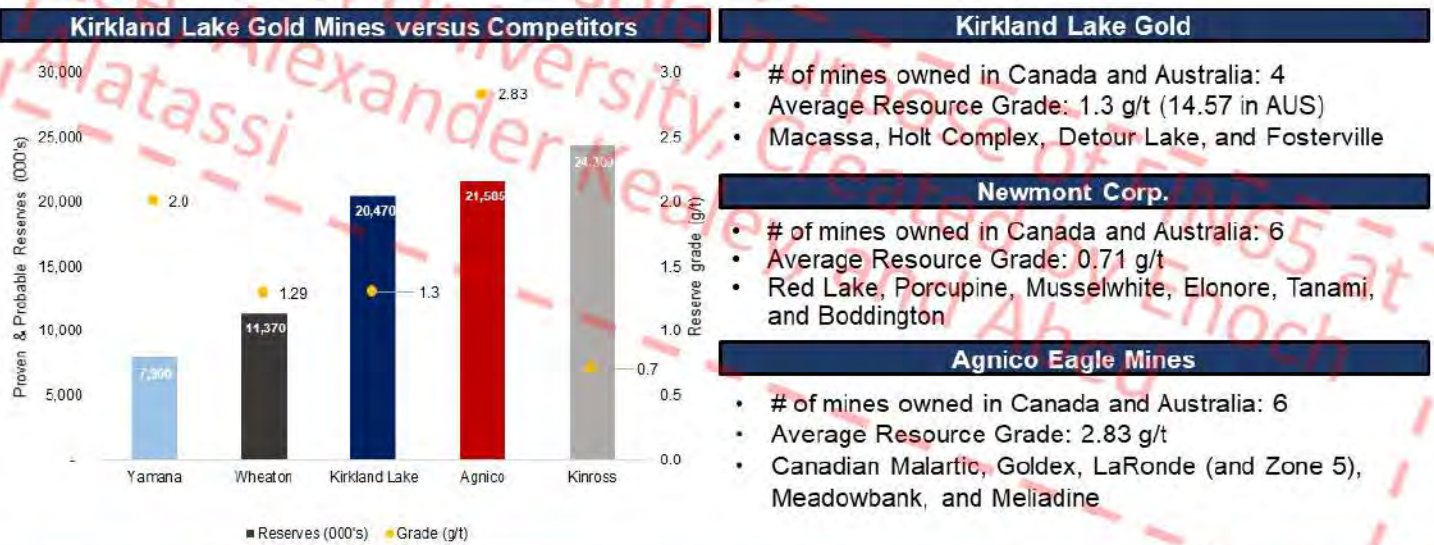
The mining industry is highly competitive with many players; however as Kirkland Lake Gold has outperformed peers over the last 2 years and has a strong management team, we feel comfortable holding Kirkland Lake Gold as it possesses a solid balance sheet and has acquired a long-life Canadian producing asset in Detour Lake.



Industry Overview

Industry Overview

Using comparable mines versus the industry, we see that Kirkland Lake Gold has the highest grade mines available in Canada and Australia (with Fosterville having 31.0 g/t which is one of the highest in the world); giving a significant competitive advantage over industry peers.



Kirkland Lake Gold

- # of mines owned in Canada and Australia: 4
- Average Resource Grade: 1.3 g/t (14.57 in AUS)
- Macassa, Holt Complex, Detour Lake, and Fosterville

Newmont Corp.

- # of mines owned in Canada and Australia: 6
- Average Resource Grade: 0.71 g/t
- Red Lake, Porcupine, Musselwhite, Elonore, Tanami, and Boddington

Agnico Eagle Mines

- # of mines owned in Canada and Australia: 6
- Average Resource Grade: 2.83 g/t
- Canadian Malartic, Goldex, LaRonde (and Zone 5), Meadowbank, and Meliadine



Macroeconomic Outlook

Macro Economic Outlook



	Q2-2019A	2020F	2021F
AUD/USD	0.70	0.70	0.69
USD/CAD	1.36	1.29	1.30
WTI/Brent	40.6 / 42.5	31.0 / 35.0	44.0 / 46.0

The spread between gold and copper can be used as a gauge of where the economy is headed

- Gold beings to rise as economic uncertainty increases
- Copper beings to fall as demand for construction material fall

The rising USD against the CAD and AUD represent lower operating costs for KL

The depreciating USD against other major currencies shows a positive sign for gold prices as it becomes cheaper internationally to buy gold

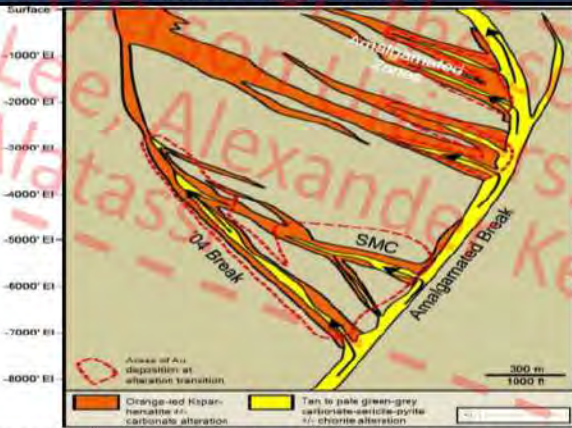


Used for the sole purpose of FINO5 at Ryerson University
Lee, Alexander
Alatassi

Investment Theses

Investment Thesis I – Quality Assets with Reserve Growth

Macassa Mine - Canada



- Exploration is looking to provide upside by replacing and expanding reserves in areas around the South Mine Complex (SMC) and the Amalgamated Break that has potential to keep Macassa's status as a high-grade mine (31.0 g/t)
- 2019 drilling results along the Amalgamated Break have been positive with many core samples showing above ~20.0 g/t

Fosterville Mine - Australia

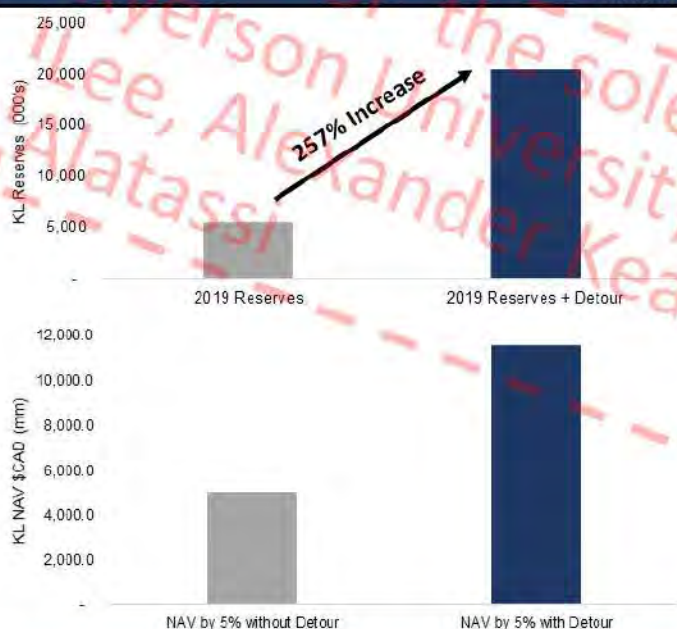


- The Swan Zone has provided KL with a record year due to exceptionally high gold grades (38.6 g/t) but only 3.5 years left of reserves
 - Drill results further out at Swan South averaged a much more modest ~13 g/t
- Drilling continues to intersect high-grade gold results in multiple zones and reaffirm increasing grade profiles with depth

Both Macassa and Fosterville are of the highest gold grade mines in the world in countries of very low geopolitical risk where nationalization is not a threat

Investment Thesis I – Quality Assets with Reserve Growth

Detour Lake Mine



Although a change from KL's previous focus of high-grade, low cost, and underground operations, Detour Lake will help mitigate the short mine life at Macassa and Fosterville (Swan Zone) and provide significant free cash flows.

- Management sees potential for an underground mining.

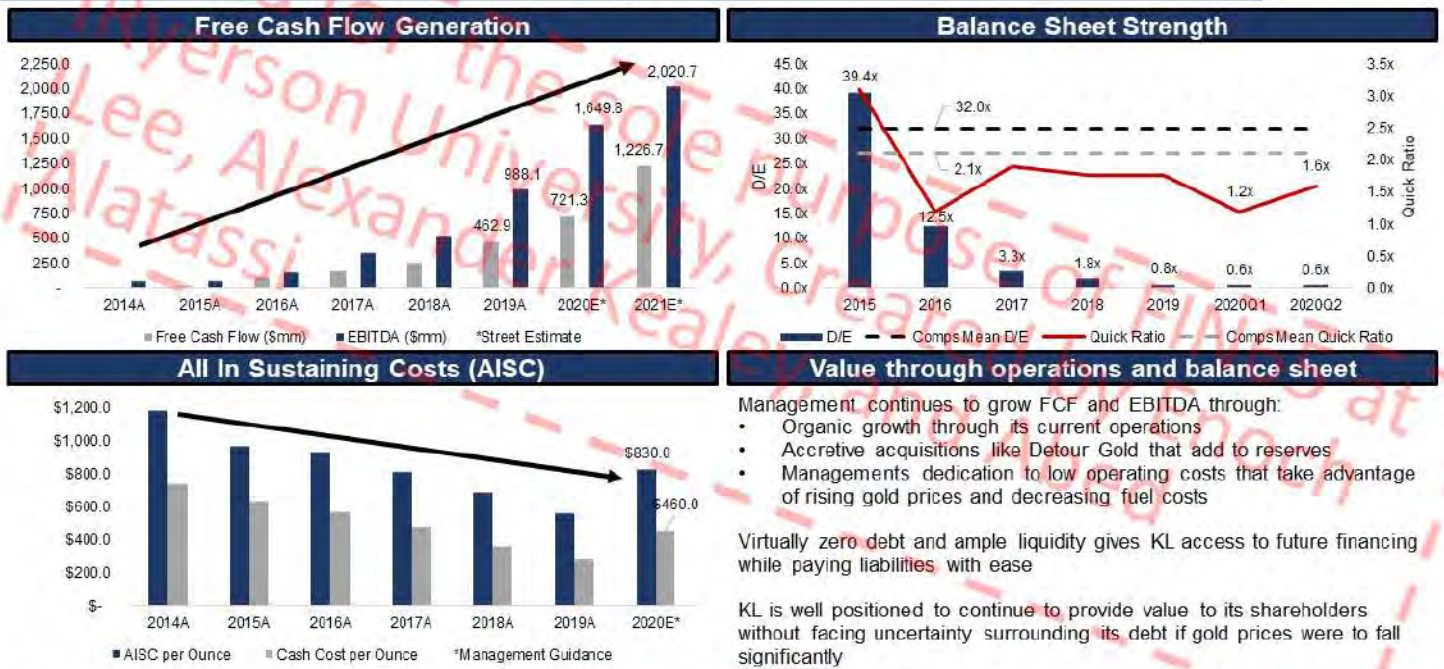
Management is confident that it can reduce Detour Lake's AISC and is projecting that Detour can provide as much FCF as its other 3 mines.

Detour Lake in Canada provides KL with a long lasting mine with ample reserves where geopolitical risk is insignificant.

- Detour increases mineral reserves by ~257%

Note: Detour Lake's performance was not included in KL's FY 2019 results

Investment Thesis II – Strong Financials



Investment Thesis II – Strong Financials

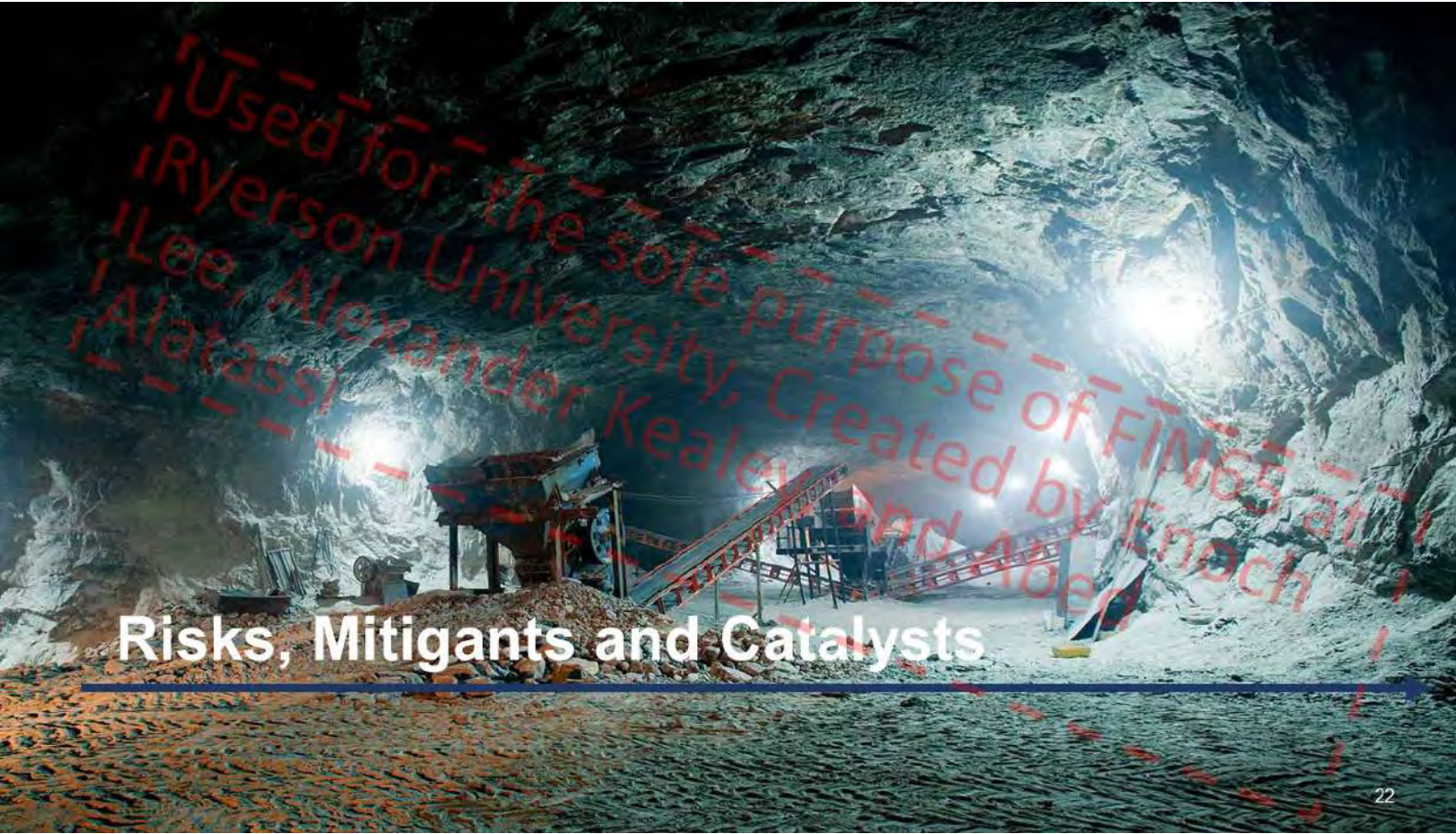


Investment Thesis III – Hedging Practices



Impact on KL and its Hedging Strategy

- Gold is expected to continue its price appreciation throughout 2020 with the futures curve pointing to ~US\$1939.2 and banks forecasting a price of ~US\$1,793.
- In 2018, KL had an average realized gold price of US\$1,263 and in 2019 had a realized gold price of US\$1,405, attributing to an additional \$139mm in revenues.
- KL does not have hedging program in place for gold or FX which allows it to take full advantage of appreciating gold and US prices.
 - With the acquisition of Detour Gold, KL will unwind Detour's precious metal hedging program by Q1 2020
 - As gold prices continue to point upward, KL is expected to see even higher revenue
 - As the USD appreciates against the CAD and AUS, cost of operations will continue to decline that will help to lower AISC at all of its mines



Risks, Mitigants and Catalysts

Risk & Mitigants

Risks	Mitigants
<ul style="list-style-type: none"> • Commodity Price Risk: Market price fluctuations of gold could adversely affect the profitability of the KL's operations. • Foreign Exchange Risk: KL is exposed to Canadian dollar and Australian dollar movements against a product that is sold in U.S dollars, which could adversely affect KL's price target. • Regulatory and Political Risk: Canada set a target of "net-zero" carbon pollution by 2050. • M&A Integration Risk at Detour Lake: KL might have difficulty integrating and assimilating operations, realizing anticipated synergies and maximizing the financial and strategic positioning of the combined company. • Operational Risk due to COVID-19: Detour Lake operations might decrease to reduce employee risks associated with COVID-19. 	<ul style="list-style-type: none"> • Precious Metal Hedging Program: KL is well positioned to benefit from potential decreases in the price of gold with a continuing focus on cost management, mine efficiencies and low-cost gold production from its existing mines • Initiative on reducing Carbon Footprint: KL started to increasing the use of electric battery powered mining equipment. 80% of underground mine production is powered by electricity vehicles and 20% powered by biodiesel at KL's Macassa Mine. • KL's FY2020 Guidance: KL is highly confident on the integration with Detour Lake and expects additional 520,000 - 540,000 ounces from Detour Lake. Detour Lake has significant exploration potential.

Catalysts

- Significantly Higher Gold Price
- Shaft #4 at Macassa Mine
- Exploration at Macassa and Fosterville that show very high grades, >20g/t
- Significantly lowering AISC at Detour Lake mine
- More updates on the company's plans at Detour, including a potential resource update and a revised LOM plan that could showcase longer-term upside



Used for the sole purpose of FIN65 at
Ryerson University, Created by Enoch
Lee, Alexander Kealey, and Abed
Alatassi

Valuation

Comparables Analysis – Canaccord Genuity 2019FY

Name	Stock Price	Market Cap	Enterprise Value	P/NAV	EV/ EBITDA	Net Debt	EBITDA	Price / Book	Price / Cash	FCF Yield	AISC	Cash Cost
BARRICK GOLD CORP	25.22	44,839	44,038	0.95x	5.00x	2,221	8,802	1.6x	11.7x	3.42%	894	671
NEW MONT CORP	44.16	35,679	41,105	0.94x	7.28x	4,429	5,649	1.7x	11.3x	4.37%	966	721
AGNICO EAGLE MINES LTD	63.29	15,192	12,750	1.26x	9.33x	1,427	1,367	2.2x	12.7x	0.03%	737	673
KIRKLAND LAKE GOLD LTD	42.27	12,125	8,346	1.29x	8.51x	692	981	3.6x	7.2x	6.96%	564	284
KINROSS GOLD CORP	6.64	8,326	7,529	0.66x	4.37x	1,309	1,722	1.2x	5.3x	1.03%	974	691
YAMANA GOLD INC	5.11	4,857	4,488	0.91x	4.75x	833	946	0.9x	6.9x	5.25%	978	1,423
Mean		20,170	19,709	1.00x	6.54x	1,818	3,245	1.9x	9.2x	3.51%	852	744
Median		13,658	10,548	0.95x	6.14x	1,368	1,545	1.6x	9.3x	3.90%	930	682
Min		4,857	4,488	0.66x	4.37x	692	946	0.9x	5.3x	0.03%	564	284
Average		20,170	19,709	1.00x	6.54x	1,818	3,245	1.9x	9.2x	3.51%	852	744
Max		44,839	44,038	1.29x	9.33x	4,429	8,802	3.6x	12.7x	6.96%	978	1,423

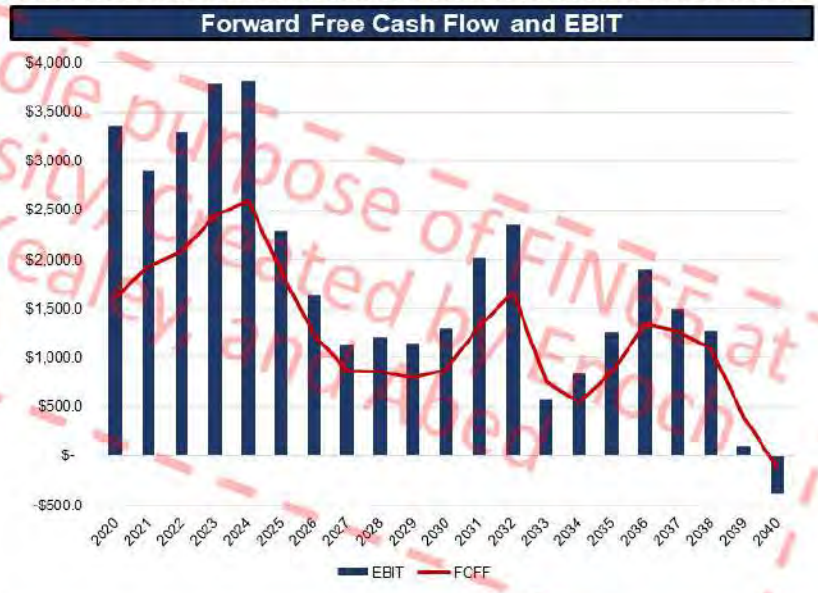
KL is slightly over valued compared to its competitors. However, we believe that this is warranted due to their management team's ability to constantly create low AISC, and because of their high-grade assets

Note: due to COVID-19, comparables have a 0% weighting in the valuation. Once normalcy is achieved, a comparables analysis will be incorporated

Valuation – DCF Analysis

Using each mine's Technical Report to estimate the future production, adjusted by management 3-year production guidance.

Net Asset Valuation – NAV			
NAV Fair Value Per Share			
Present Value Cash Flows to Firm (FCFF)	\$M		19,568
Enterprise Value			
- Debt	\$M	28.5	
+Cash	\$M	537	
Net Debt	\$M	(509)	
Equity Value of Firm	\$M		20,075
	M		
Diluted Shares Outstanding	shares		277
Implied price per share			72.40
Exchange Rate			1
Implied Price per Share (\$CAD)			72.40
Net Asset Valuation – EV/EBITDA Multiple			
Exit Multiple (EBITDA) Fair Value Per Share			
Present Value Cash Flows to Firm (FCFF)	\$M		20,589
Enterprise Value			
- Debt	\$M	28.5	
+Cash	\$M	537	
Net Debt	\$M	(509)	
Equity Value of Firm	\$M		21,098
	M		
Diluted Shares Outstanding	shares		277
Implied price per share			76.09
Exchange Rate			1
Implied Price per Share (\$CAD)			76.09



Valuation Overview

We are initiating coverage on Kirkland Lake Gold Inc. with a BUY recommendation and a price target of C\$74.25.

Sensitivity Table for Discount Rate and Gold Price Change

Discount Rate	Gold Price												
	\$ 1,400	\$ 1,450	\$ 1,500	\$ 1,550	\$ 1,600	\$ 1,650	\$ 1,700	\$ 1,750	\$ 1,800	\$ 1,850	\$ 1,900	\$ 1,950	\$ 2,000
1%	71.55	75.40	79.25	83.10	86.95	90.80	94.65	98.50	102.35	106.20	110.05	113.90	117.75
2%	66.96	70.56	74.17	77.78	81.38	84.99	88.60	92.20	95.81	99.42	103.02	106.63	110.24
3%	62.89	66.28	69.67	73.07	76.46	79.85	83.24	86.64	90.03	93.42	96.81	100.21	103.60
4%	59.28	62.48	65.68	68.88	72.08	75.29	78.49	81.69	84.89	88.09	91.30	94.50	97.70
5%	56.05	59.09	62.12	65.15	68.18	71.22	74.25	77.29	80.31	83.35	86.38	89.41	92.45
6%	53.17	56.05	58.93	61.81	64.69	67.58	70.46	73.34	76.22	79.10	81.98	84.86	87.74
7%	50.58	53.33	56.07	58.82	61.56	64.31	67.05	69.80	72.54	75.29	78.04	80.78	83.53
8%	48.25	50.87	53.49	56.12	58.74	61.36	63.99	66.61	69.23	71.86	74.48	77.10	79.73
9%	46.14	48.65	51.16	53.68	56.19	58.70	61.21	63.73	66.24	68.75	71.27	73.78	76.29

Valuation Overview

We are initiating coverage on Kirkland Lake Gold Inc. with a BUY recommendation and a price target of C\$74.25.

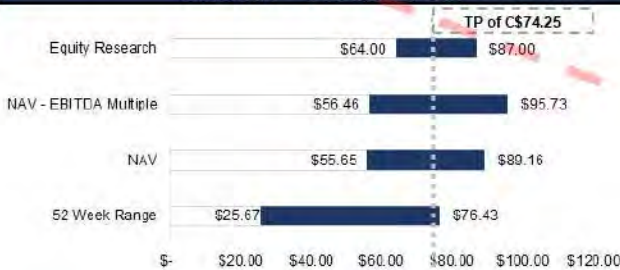
Valuation Summary

Analyst Estimates (ER): With the acquisition of Detour, KL adds a long-life, cornerstone asset. On average KL's stock has positive ratings with an average price of \$80.40. Moreover, many analysts have issued a "BUY" on KL.

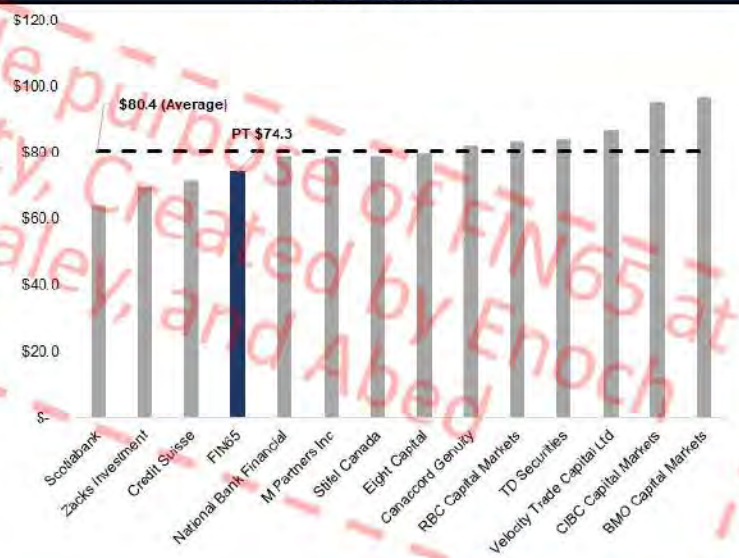
Comparables: Based on KL's peers group selected, the P/NAV multiple at the peer group average is 1.01x; the implied price per share shows that KL is slightly over valued. 0% weight allocated

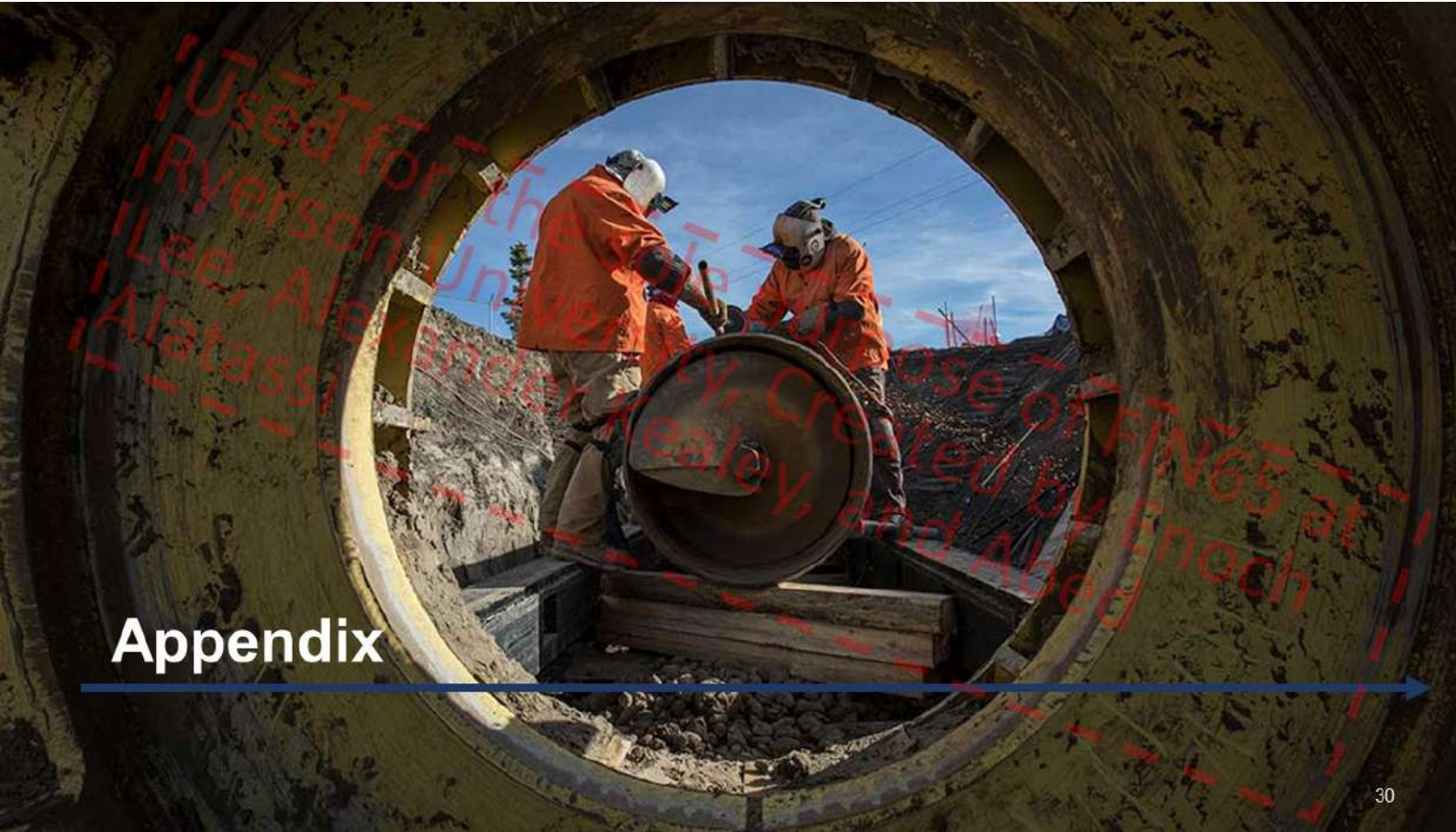
DCF - NAV: The model reflects KL's further production, gold price change, management guidance, and internal assumptions. Based on the NAV valuation, KL is undervalued at current trading price.

Valuation - Football Field



Analyst Estimates





Appendix

DCF – Base, Gold = 1700

NAV Fair Value Per Share		
Present Value Cash Flows to Firm (FCFF)	\$M	19,566
Enterprise Value		
- Debt	\$M	28.5
+Cash	\$M	537
Net Debt	\$M	(509)
Equity Value of Firm	\$M	20,075
Diluted Shares Outstanding	M shares	277
Implied price per share		72.40
Exchange Rate		1
Implied Price per Share (\$CAD)		72.40

Price Target	
Weight	
NAV%	50%
EBITDA Exit %	50%
Price Per Share	
NAV	72.40
EBITDA Exit	76.09
Price Target	\$ 74.25

Exit Multiple (EBITDA) Fair Value Per Share		
Present Value Cash Flows to Firm (FCFF)	\$M	20,589
Enterprise Value		
- Debt	\$M	28.5
+Cash	\$M	537
Net Debt	\$M	(509)
Equity Value of Firm	\$M	21,098
Diluted Shares Outstanding	M shares	277
Implied price per share		76.09
Exchange Rate		1
Implied Price per Share (\$CAD)		76.09

DCF – Bull, Gold = 2000

NAV Fair Value Per Share		
Present Value Cash Flows to Firm (FCFF)	\$M	24,213
Enterprise Value		
- Debt	\$M	28.5
+Cash	\$M	537
Net Debt	\$M	(509)
Equity Value of Firm	\$M	24,722
Diluted Shares Outstanding	M shares	277
Implied price per share		89.16
Exchange Rate		1
Implied Price per Share (\$CAD)		89.16

Price Target	
Weight	
NAV%	50%
EBITDA Exit %	50%
Price Per Share	
NAV	89.16
EBITDA Exit	95.73
Price Target	\$ 92.45

Exit Multiple (EBITDA) Fair Value Per Share		
Present Value Cash Flows to Firm (FCFF)	\$M	26,033
Enterprise Value		
- Debt	\$M	28.5
+Cash	\$M	537
Net Debt	\$M	(509)
Equity Value of Firm	\$M	26,542
Diluted Shares Outstanding	M shares	277
Implied price per share		95.73
Exchange Rate		1
Implied Price per Share (\$CAD)		95.73

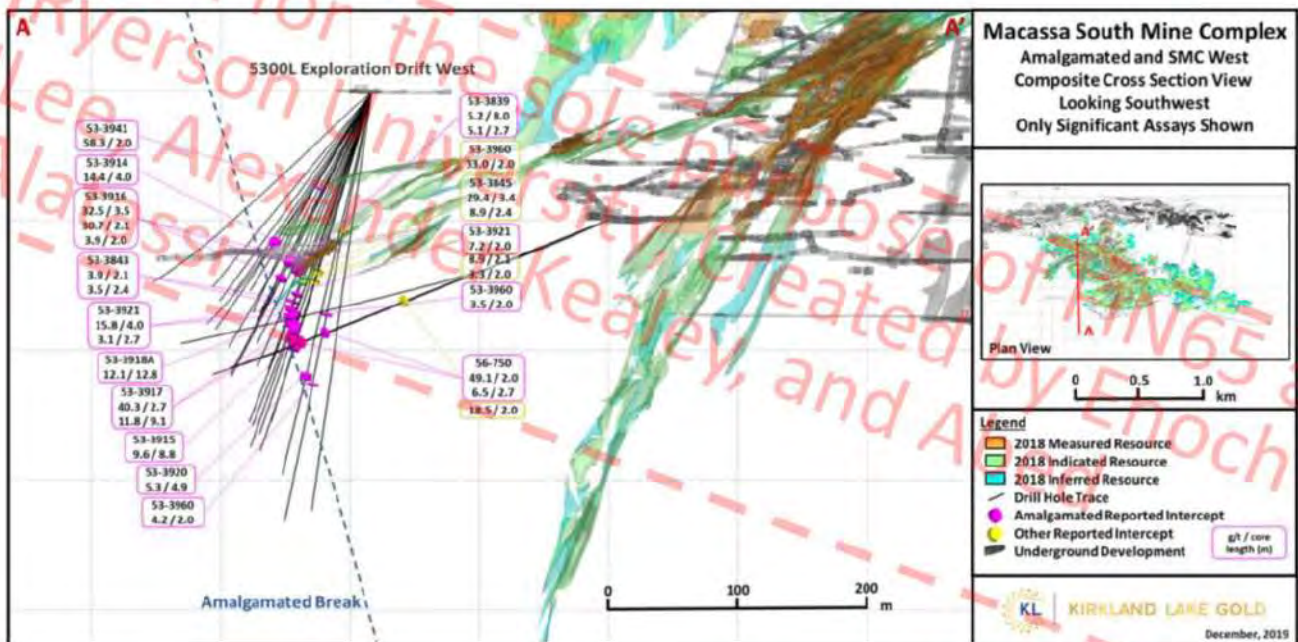
DCF – Bear, Gold = 1400

NAV Fair Value Per Share		
Present Value Cash Flows to Firm (FCFF)	\$M	14,920
Enterprise Value		
- Debt	\$M	28.5
+Cash	\$M	537
Net Debt	\$M	(509)
Equity Value of Firm	\$M	15,429
Diluted Shares Outstanding	M shares	277
Implied price per share		55.65
Exchange Rate		1
Implied Price per Share (\$CAD)		55.65

Price Target	
Weight	
NAV%	50%
EBITDA Exit %	50%
Price Per Share	
NAV	55.65
EBITDA Exit	56.46
Price Target	\$ 56.05

Exit Multiple (EBITDA) Fair Value Per Share		
Present Value Cash Flows to Firm (FCFF)	\$M	15,146
Enterprise Value		
- Debt	\$M	28.5
+Cash	\$M	537
Net Debt	\$M	(509)
Equity Value of Firm	\$M	15,655
Diluted Shares Outstanding	M shares	277
Implied price per share		56.46
Exchange Rate		1
Implied Price per Share (\$CAD)		56.46

Dec. 2019 Drill Results (Amalgamated Break)



Dec. 2019 Drill Results (Fosterville)

