

## Flash Note

Equity Research

November 5, 2020

Gold and Precious Minerals - Mid-and Small-Cap Golds

## Kirkland Lake Gold Ltd.

(KL-T) C\$61.24

## First Look Q3: Solid Quarter - Overall Costs Below Estimates

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## Event

This morning, Kirkland Lake reported Q3/20 financials. Production results were previously released. **Conference call is today at 2:00 pm ET (833-968-2183 or +1 236-389-2444).**

## Impact: SLIGHTLY POSITIVE

- **Q3 Adj. EPS** of \$0.91 was effectively in-line with our estimate of \$0.89 and consensus of \$0.91. CFPS was \$1.46, vs. our estimate of \$1.49 and consensus of \$1.38. Q3 production of 340k oz was previously reported.
- **Total cash costs** (including royalties) for the quarter were \$471/oz, which was about 5% below our estimate of \$495/oz. Cash costs at Fosterville were \$231/oz vs. our estimate of \$254/oz (9% lower). Costs were slightly higher at Macassa this quarter (actual of \$712/oz vs. our estimate of \$677/oz). At Detour, total cash costs were reported at \$634/oz, approximately 11% below our estimate of \$710/oz.
- **Strong free cash flow:** KL generated \$246mm of free cash flow (before w/c changes) during Q3. This is up from Q2 free cash flow of \$92mm.
- **AISC for the quarter** was reported at \$886/oz.
- **Strategic exploration agreement with Newmont:** As a reminder, in Q3, the company entered into an agreement with Newmont with respect to exploration and development opportunities in Northern Ontario, near the company's Holt Complex and Newmont's properties in Timmins. Newmont paid KL \$75mm to acquire an option on mining and mineral rights on the company's Holt mine property. KL plans to invest the proceeds in exploration projects around the Holt Complex and other regional targets.
- **To date, KL has invested over half a billion dollars** in share repurchases this year. As at November 4, over 14mm shares have been repurchased for \$527mm (C\$709mm).
- **Balance sheet remains strong:** KL reported \$849mm of cash at the end of Q3, compared to \$537mm of cash as at June 30, 2020. This is an increase of \$311mm quarter over quarter. KL does not carry any debt.
- **On track to meet 2020 guidance:** KL is on track to meet the revised guidance which was released in early July. The updated guidance for gold production of 1.35-1.40mm oz has been maintained; year-to-date, the company has already produced over 1mm oz of gold.

<b>Recommendation:</b>	<b>BUY</b>
<b>Risk:</b>	<b>HIGH</b>
<b>12-Month Target Price:</b>	<b>C\$89.00</b>
<b>12-Month Dividend (Est.):</b>	<b>C\$1.00</b>
<b>12-Month Total Return:</b>	<b>47.0%</b>



## Company Profile

Kirkland Lake Gold is a gold producer based in Toronto, Canada. It owns and operates four underground gold mines—the Macassa, Holt, and Taylor mines in Canada and the Fosterville mine in Australia. It also recently acquired the open-pit Detour Lake mine in Canada. The company also owns exploration properties and non-operating mines in both countries.

All figures in US\$, unless otherwise specified

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## Exhibit 1. Q3 2020 Operating Summary

## Quarterly Production Summary

Production (oz)	Q3/19 Actual	Q4/19 Actual	Q1/20 Actual	Q2/20 Actual	Q3/20 Actual	Q3/20 TD Estimate	Diff.	QoQ Change	YoY Change
<b>Fosterville</b>									
Production (oz)	158,327	191,893	159,864	155,106	<b>161,489</b>	161,489	0%	4%	2%
Total Cash Costs (US\$/oz) <sup>1</sup>	145	134	208	204	<b>231</b>	254	-9%	13%	59%
<b>Macassa</b>									
Production (oz)	62,945	56,379	50,861	41,865	<b>38,028</b>	38,028	0%	-9%	-40%
Total Cash Costs (US\$/oz) <sup>1</sup>	476	533	580	603	<b>712</b>	677	5%	18%	49%
<b>Holt Complex</b>									
Production (oz)	27,128	31,469	28,584	807	<b>0</b>	0	n/m	-100%	-100%
Total Cash Costs (US\$/oz) <sup>1</sup>	1,118	858	1,069	1,488	<b>n/a</b>	n/a	n/a	n/a	n/a
<b>Detour Lake<sup>2</sup></b>									
Production (oz)	n/a	n/a	91,555	131,992	<b>140,067</b>	140,067	0%	6%	n/a
Total Cash Costs (US\$/oz) <sup>1</sup>	n/a	n/a	724	606	<b>634</b>	710	-11%	5%	n/a
<b>Total</b>									
Production (oz)	248,400	279,741	330,864	329,770	<b>339,584</b>	339,584	0%	3%	37%
Total Cash Costs (US\$/oz) <sup>1</sup>	328	295	501	430	<b>471</b>	495	-5%	9%	44%

<sup>1</sup> Total Cash Costs (US\$/oz) are not reported by the company, however it is calculated here based on Operating cash costs (US\$/oz) and Royalty costs, which are reported separately by the company.

<sup>2</sup> The Detour acquisition closed January 31, 2020.

Source: Company reports, TD Securities Inc. estimates



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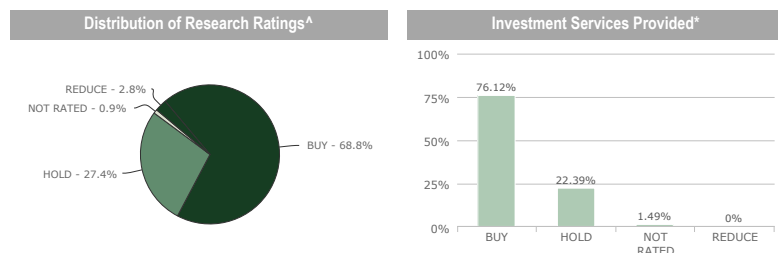
Company	Ticker	Disclosures
Kirkland Lake Gold Ltd.	KL-T	9

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Current as of: November 5, 2020

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