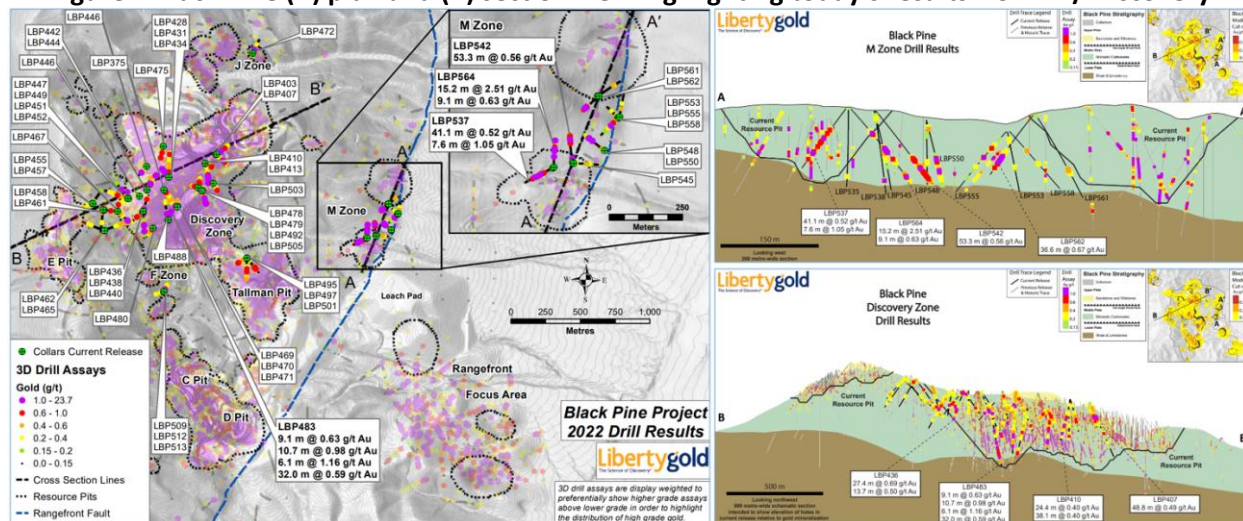


**Ticker:** LGD CN      **Cash:** US\$35m      **Project:** Goldstrike / Black Pine  
**Market cap:** C\$268m      **Price:** C\$0.85/sh      **Country:** USA: UT, ID

**RECOMMEND.:** (unc): BUY      **TARGET (dwn):** C\$1.95/sh      **RISK RATING:** HIGH

Today's results from Black Pine are a good follow on to last week's Rangefront drill results, both showing shallow expansions over bulk oxide zones. Today, the M zone specifically looks very good and quite shallow, with 40-50m thick zones from 50-100m below surface, and many hits between existing MRE shell, leading us to rethink our smaller higher-grade contribution as larger now at perhaps 0.5-0.7g/t. Ahead of the PEA, the Discovery Zone infill is useful but lower grade given today's hits of 22-50m @ 0.3-0.5g/t on the fringes. Overall last week's Range Front drilling seems most positive, with simple 'shape maths' of ~1.5Moz supporting our hope for >1Moz after this season's drilling, adding to the 1.5Moz higher-margin existing ounces (and +0.5Moz lower margin). However, despite near record gold prices, equity appetite for pre-DFS pre-permitted developers has waned as attention focuses on energy transition metals and DFS/permitted names for M&A. Similarly, more impatient investors are being wooed by EM plays with double-digit rig counts against smaller numbers for US explore cos with more rigorous permitting requirements. Reflecting this, we lower our 0.7x NAV multiple to 0.3x, in line with peers under coverage. As such, **we maintain our BUY rating and lower our C\$4.35/sh PT to C\$1.95/sh** based on 0.3xNAV<sub>5%-1850</sub> for SCPe 2.4Moz mine plan at Black Pine, plus Goldstrike at PEA metrics. This year's 87,000m RC program at BP (vs ~70,000m in 2021) should feed an updated MRE and PEA in 2H22, and 21,000m (exploration + engineering) at Goldstrike should support a PFS next year there too. This is well-funded with US\$35m cash after the recent financing, which should go a long way to the DFS/permits required for an improved NAV multiple, hence we remain positive on Liberty on simple combination of 0.20xNAV current spot valuation, and likely with more oxide ounces next year than this..

**Figure 1. Back Pine (A) plan and (B) section view highlighting today's results from M / Discovery**



Source: Liberty Gold

## Shallow resource expansions / upgrades ahead of 2H22 PEA; 49m @ 0.5g/t inc 35m @ 0.6g/t

Today's results highlight recent RC step out drilling at the **M zone** (east of Discovery) with **41.1m @ 0.5g/t**, **53.3m @ 0.6g/t**, **54.9m @ 0.4g/t** and **36.6m @ 0.7g/t** in the gap between the two resource pits. Infill drilling on the **Discovery Zone** highlighted **53.3m @ 0.4g/t** (inc. 35.1m @ 0.6g/t), **24.4m @ 0.4**, **38.1m @ 0.4g/t** (inc. 27.4m @ 0.5g/t) and **18.3m @ 0.7g/t**. Step-out drilling in areas surrounding the Discovery Zone returned 50.3m @ 0.3g/t, 7.6m @ 1.0g/t, 33.5m @ 0.4g/t and 22.9m @ 0.5g/t, potentially linking these zones to the main Discovery Zone pit. On March 1, two drills were moved to Goldstrike to commence engineering, resource upgrade and metallurgical drilling, while two drills remain at Black Pine to focus on step-out drilling and new target testing.

April 12: Results from 19 RC holes from the winter infill and expansion drilling at the Rangefront Focus Area (RFA) hit shallow oxide gold intercepts with highlights of **54.9m @ 1.5g/t** from 80m, extending core to the east, and **115.8m @ 0.3g/t** from 40m (incl. 65.5m @ 0.41g/t), expanding the core to the north. Additional hits extended mineralization NW with additional highlights of **18.3m @ 1.5g/t**. The RFA core now spans 500m x1,000m. 12,400m (42 holes) were drilled in 1Q22 at the RFA, with assays pending for 23 holes.

March 25 raise: Liberty closed a C\$30m raise (27.3m common share @ C\$1.10) to be used to advance exploration and development activities across their assets.

March 28 2021 financials: and exploration outlook showed **pro forma cash of US\$34.7**. At **Black Pine** \$19m budgeted for the following key activities: (i) 87km RC (>17.3km completed ytd) resource expansion and discovery drilling at Rangefront Focus area, M-Zone, Back-Range, E Zone, SW and additional greenfields targets. (ii) Advancing engineering and geological studies for updated MRE and PEA scheduled for 2H22, (iii) 1.3km core drilling for metallurgical studies and (iv) amending plan of operations for additional exploration and condemnation activities. At **Goldstrike:** \$9.5m budgeted for the following key activities: (i) 21km RC resource expansion (15km) and discovery drilling (3km new target, 3km condemnation, (ii) 4.4km core drilling program for metallurgical and geotechnical studies for 2023 PFS, (iii) process water sources and environmental baseline studies.

## Why we like Liberty Gold

1. Industry-leading metallurgical results on pure oxide asset: *no roasting, no transition*
2. Black Pine already has SCPe 1.7Moz drilled +500koz around old pits
3. Black Pine's Range Front CY21 discovery supports SCPe +1-1.5Moz in coming 12-18M
4. 1Moz high-margin Goldstrike project

## Catalysts

1. 2H22: MRE update / PEA for Black Pine
2. 2022: Drill results from Black Pine (87,000m)
3. 1H22: Residual drilling, metallurgical hole and some exploration at Goldstrike
4. 4Q22: PFS for Black Pine

## Research

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<b>Ticker:</b> LGD CN	<b>Price / mkt cap:</b> C85c/sh, C\$268m	<b>Market P/NAV today:</b> 0.43x	<b>Assets:</b> Goldstrike, Black Pine
<b>Author:</b> B. Salier / B. Gaspar	<b>Rec/0.5xNAV PT:</b> BUY, C\$1.95/sh	<b>1xNAV<sub>Y1</sub> FF FD:</b> C\$5.17/sh	<b>Country:</b> Utah, Idaho, USA

Group-level SOTP valuation				
	US\$m	O/ship	NAVx	C\$/sh*
Goldstrike (build start)	469	100%	0.3x	0.53
Black Pine 2.5Moz (build start)	877	100%	0.3x	1.00
Nominal exploration upside	15	100%	1.0x	0.06
Pro forma cash 1Q22	34.7	100%	1.0x	0.13
Hallilga: proceeds due Aug 2022	6.0	-	1.0x	0.02
Kinsley / Regent NPI: shares + future cash	0.5	-	1.0x	0.00
Turkey @ US\$10/oz AuEq	46.0	-	1.0x	0.17
Cash from ITM options	12.6	-	1.0x	0.05
	<b>1,461</b>			<b>PT: 1.96</b>

\*Diluted for options but not mine build equity Market P/NAV5% 0.27x

Asset value: 1xNPV project @ build start (US\$m, ungeared)*					
NPV Blackpine (US\$m)	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
9% discount	561	638	715	792	869
7% discount	658	746	834	921	1,009
5% discount	776	<b>877</b>	978	1,079	1,180
Ungeared project IRR:	0%	0%	0%	0%	0%
NPV Goldstrike (US\$m)	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
9% discount	327	369	412	454	497
7% discount	369	416	462	509	555
5% discount	418	<b>469</b>	520	571	623

\*Project level NPV, excl finance costs and central SG&A, discounted to build start

Goldstrike value over time^					
	Y-2	Y-1	Y1	Y2	Y3
Goldstrike - group level (US\$m)	418	510	604	570	492
Black Pine - group level US\$m	810	912	1,018	1,004	957
Net cash (US\$m)	66.0	(67.0)	(155.3)	(11.1)	178.8
Cash from options (US\$m)	12.6	12.6	12.6	12.6	12.6
Black Pine + divestments (US\$m)	52.5	52.5	52.5	52.5	52.5
Liberty NAV (US\$m)	1,359	1,420	<b>1,532</b>	1,628	1,693
1xNAV5%/sh FF FD (C\$/sh)	<b>3.16</b>	3.30	<b>3.56</b>	3.78	3.93
ROI (% pa)	93%	288%	105%	64%	47%

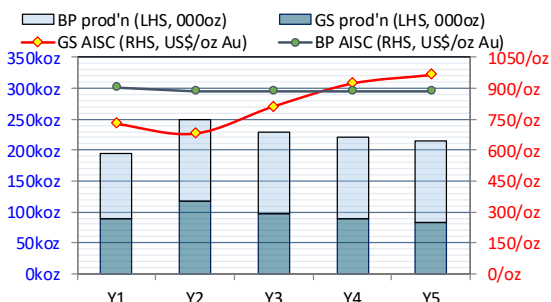
Liberty: 1xNAV/sh @ first prod'n (US\$m, geared)^

Liberty: 1xNAV/sh @ first prod'n (US\$m, geared)^					
1xNAV mine start (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	2.27	2.58	2.90	3.22	3.54
7% discount	2.51	2.85	3.20	3.55	3.90
5% discount	2.79	3.18	<b>3.56</b>	3.94	4.32
Geared project IRR:	36%	39%	43%	46%	49%
1xNAV mine start (US\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	975	1,112	1,249	1,386	1,522
7% discount	1,079	1,229	1,378	1,528	1,677
5% discount	1,203	1,368	<b>1,532</b>	1,697	1,861

^Project NPV less grp SG&A & fin. cost, +net cash, 50% equity at 25% prem

Goldstrike production					
	Y1	Y2	Y3	Y4	Y5
Goldstrike production (000oz)	89	117	98	89	82
Black Pine production (000oz)	105	132	132	132	132
GS C1 cost (US\$/oz)	621	599	714	817	850
GS AISC cost (US\$/oz)	727	680	811	923	965
BP C1 cost (US\$/oz)	814	814	814	814	814
BP AISC cost (US\$/oz)	904	886	886	886	886

AISC = C1 + sustaining capex, GS = Goldstrike, BP = Black Pine



Source: SCP estimates

Commodity price					
	Y-2	Y-1	Y1	Y2	Y3
Gold price	1,850	1,850	1,850	1,850	1,850
Resource					
	Au (koz)	Au (g/t)	SCPe:	Au (koz)	Au (g/t)
Goldstrike global resource	1,221koz	0.49g/t	Inventory:	916koz	0.48g/t
Blackpine global resource	2,085koz	0.48g/t	Inventory:	2,379koz	0.50g/t
Turkey M&I&Inf AuEq	4,600koz	0.61g/t			
Share data					
	Basic (m)	FD with op. (m)	FD with build (m)		
Basic shares (m)	315.2	338.8	430.6		

Goldstrike financing				Company financing			
Min capex (US\$m)	US\$113m	Mine equity (US\$m)	US\$70m				
G&A + finance in build (US\$m)	US\$25m	Spot share price (C\$/sh)	C\$0.85				
Total build finance (US\$m)	US\$138m	20% prem. raise price (C\$/sh)	C\$1.02				
Debt (US\$m)	US\$65m	Debt IRR (%)	8%				

Black Pine financing				Company financing			
Min capex (US\$m)	US\$173m	Mine equity (US\$m)	US\$50m				
G&A + finance in build (US\$m)	US\$8m	Spot share price (C\$/sh)	C\$0.85				
Total build finance (US\$m)	US\$180m	20% prem. raise price (C\$/sh)	C\$1.02				
Debt (US\$m)	US\$65m	Debt IRR (%)	8%				

Ratio analysis					
	Y-2	Y-1	Y1	Y2	Y3
FD shares out (m)	339	339	339	339	339
EPS (US\$/sh)	(0.03)	(0.17)	0.43	0.56	0.50
CFPS before w/c (US\$/sh)	(0.38)	(0.40)	0.40	0.57	0.51
EV (US\$m)	402.1	538.6	422.3	234.4	58.9
FCF margin (%)	-	-	37%	52%	47%
PER (x)	-	-	2.6x	1.9x	2.2x
P/CF (x)	-	-	2.7x	1.9x	2.1x
EV/EBITDA (x)	-	-	2.1x	0.9x	0.2x

Income statement					
	Y-2	Y-1	Y1	Y2	Y3
Revenue (US\$m)	-	-	359.8	461.2	424.3
COGS (US\$m)	-	-	136.1	171.0	171.2
<b>Gross profit (US\$m)</b>	<b>-</b>	<b>-</b>	<b>223.8</b>	<b>290.2</b>	<b>253.0</b>
Admin (US\$m)	2.5	2.5	2.5	2.5	2.5
Finance cost (US\$m)	6.5	10.4	10.4	7.8	2.6
Expln, royalty, min. (US\$m)	-	45.6	5.1	6.7	5.7
D&A (US\$m)	-	-	20.9	29.2	27.8
Tax (US\$m)	-	-	40.1	53.1	46.6
<b>Net income (US\$m)</b>	<b>(9.0)</b>	<b>(58.5)</b>	<b>144.8</b>	<b>190.9</b>	<b>167.8</b>

Cash flow statement					
	Y-2	Y-1	Y1	Y2	Y3
EBITDA (US\$m)	(9.0)	(12.9)	205.8	273.2	242.2
Less working capital (US\$m)	-	-	(20.0)	(5.5)	1.4
Less finance costs (US\$m)	(6.5)	(10.4)	(10.4)	(7.8)	(2.6)
Less tax paid (US\$m)	-	-	(40.1)	(53.1)	(46.6)
<b>Cash flow ops (US\$m)</b>	<b>(15.5)</b>	<b>(23.3)</b>	<b>135.3</b>	<b>206.8</b>	<b>194.4</b>
PP&E - build (US\$m)	(113.2)	(113.2)	(19.0)	(19.0)	(19.0)
Capitalised interest (US\$m)	-	-	-	-	-
<b>Cash flow inv. (US\$m)</b>	<b>(113.2)</b>	<b>(113.2)</b>	<b>(19.0)</b>	<b>(19.0)</b>	<b>(19.0)</b>
Share issue (US\$m)	-	-	-	-	-
Debt draw (repay) (US\$m)	130.0	-	-	(65.0)	(65.0)
<b>Cash flow fin. (US\$m)</b>	<b>130.0</b>	<b>-</b>	<b>-</b>	<b>(65.0)</b>	<b>(65.0)</b>
Net change in cash (US\$m)	1.3	(136.5)	116.3	122.9	110.5

Balance sheet					
	Y-2	Y-1	Y1	Y2	Y3
Cash (US\$m)	97.1	(39.4)	76.9	199.8	310.3
Short-term invest. (US\$m)	0.1	0.1	0.1	0.1	0.1
Inventories (US\$m)	-	-	16.8	21.1	21.1
PPE (US\$m)	139.8	253.0	251.1	240.9	232.0
Acc rec. (US\$m)	-	-	14.8	19.0	17.4
Other (US\$m)	4.6	4.6	4.6	4.6	4.6
<b>Total assets (US\$m)</b>	<b>242</b>	<b>218</b>	<b>364</b>	<b>485</b>	<b>586</b>
Debt (US\$m)	130.0	130.0	130.0	65.0	-
Other (US\$m)	7.6	7.6	7.6	7.6	7.6
Accnts payable (US\$m)	0.4	0.4	12.0	15.0	15.0
Total liabilities (US\$m)	138.1	138.1	149.7	87.7	22.6
Shareholders equity (US\$m)	317.8	317.8	317.8	317.8	317.8
Contributed surplus & other (US\$m)	28.6	28.6	28.6	28.6	28.6
Retained earnings (US\$m)	(242.9)	(266.2)	(131.8)	51.3	216.4
<b>Liabilities + equity (US\$m)</b>	<b>242</b>	<b>218</b>	<b>364</b>	<b>485</b>	<b>585</b>

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9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

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BUY:	54
HOLD:	1
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
<b>TOTAL</b>	<b>55</b>

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