

Ticker: IAU CN **Net cash:** US\$75m **Project:** Granite Creek
Market cap: C\$479m **Price:** C\$2.51/sh **Country:** Nevada, USA
RECOMMEND. (unc): BUY **TARGET (unc):** C\$6.00/sh **RISK RATING:** HIGH

Today's Q2 release was in line, with production in Q2 at the top end of the 15-20koz 2021 guidance run rate at 4.97koz. AISC were above the annual guidance range of \$1100-1200/oz in Q2 at US\$1,337/oz but in line for the half at US\$1,104/oz after a very strong Q1. Stepping back, the key drivers for I-80 are exploration and progression of the Granite Creek and McCoy Cove projects, while operator Barrick drives further value at South Arturo. In that regard some key colour was given on the call. I-80 noted that the UG at Granite Creek is in good condition and conducive to underground exploration. The PEA is on track for late Q3 and we expect this to be a key catalyst for the company, as it puts public economics on the project for the first time. Updating our numbers for the quarter, our estimates are little changed and **we reiterate our BUY rating and C\$6.00/sh price target based on our SOTP NAV_{5%-1850} valuation.**

Q2 in line as PEA on Granite Creek progresses for Q3 announcement

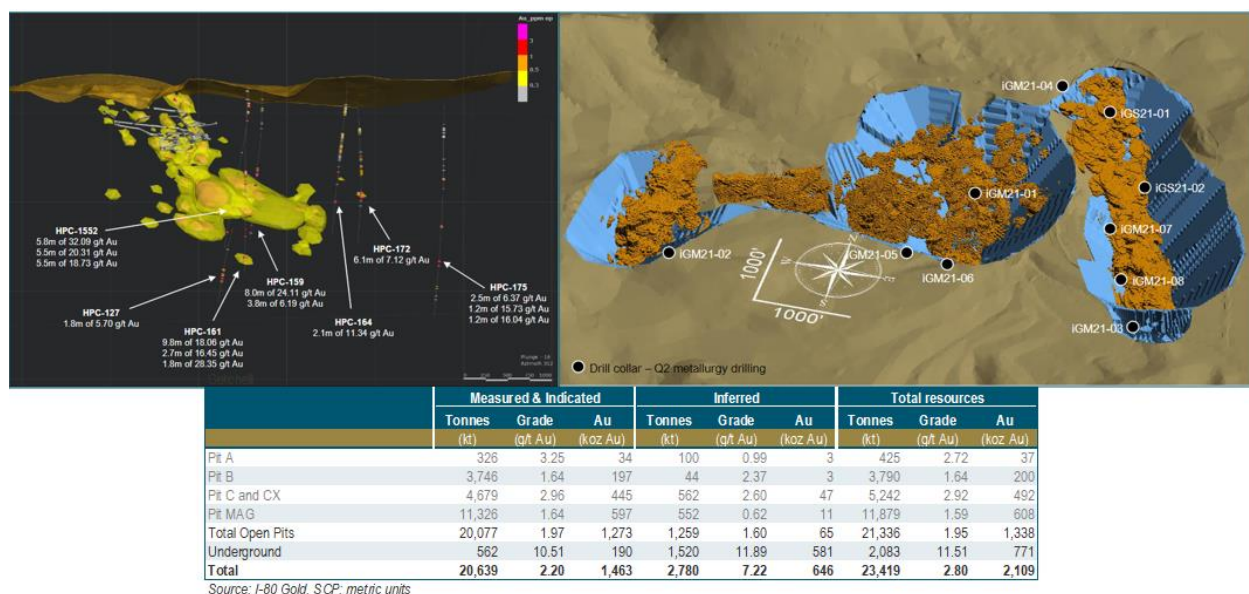
I-80 announced financial and operating results for Q2.

Operations: Attributable production at South Arturo (40% IAU) was 4,972oz Au at AISC of US\$1337/oz for 2Q21 and 11,075oz at US\$1,104/oz for 1H21. Full year guidance is 15-20koz at US\$1,100-1,200/oz. Compared to budget, tonnes were significantly higher at 67kt (budget 47kt) at a grade of 7.1g/t (budget 7.9g/t) and attributable 4.97koz produced (budget 3.83koz).

Financials: Operating income was US\$3.4m for 2Q21 and US\$9.6m for 1H21. Net income was –US\$7m for the quarter with US\$4.4m of restructuring costs related to I-80's spin out and listing. Operating cash flow was positive US\$4.4m for Q2. I-80 ended the quarter with US\$75m of net cash.

Development update: The PEA for Granite Creek remains guided for 3Q21. 22,000m of drilling is budgeted for Granite Creek with two UG and two surface rigs active. Metallurgical drilling at Granite Creek is underway to confirm the depth of oxidation to determine volumes for heap leach vs sulphide ore processing. Barrick is currently completing an open pit vs underground mining trade off study for the Phase 3 orebody at South Arturo.

Figure 1: Granite Creek (A) underground drilling results, (B) open pit metallurgical drilling collars, (C) mineral resource estimate



Source: I-80 Gold Corp

Why we like I-80

- Among highest grade open pit and underground development assets in US
- World class exploration potential at depth
- Current production with 5Moz development pipeline
- Opportunity to consolidate Nevada and western US gold projects

Catalysts

- 3Q21: Granite Creek (formerly Getchell) PEA
- 2021: South Arturo updated R&R on El Nino UG, 8,000m exploration programme for 2021
- 2021/22: South Arturo leach and Phase 3 pit PFS
- 2023: McCoy Cove UG PFS

Research

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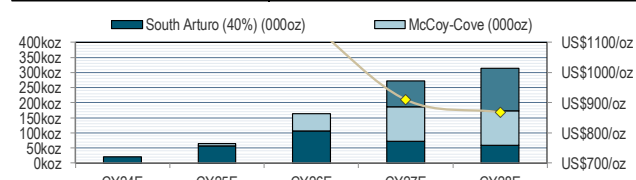
Ticker: 180 CN	Price / mkt cap: C\$2.51/sh, C\$479m	Market P/NAV: 0.32x	Assets: Nevada Au portfolio
Author: J Chan / B Gaspar	Rec / 1x SOTP PT: BUY / C\$6.00	1xNAV₂₀₂₀ FD: C\$7.82/sh	Country: Nevada, USA

Group-level SOTP valuation	1Q21	2Q21	FD		
	US\$m	O/ship	NAVx	C\$/sh	
South Arturo NPV 2Q21	392	100%	1.0x	2.55	
McCoy-Cove NPV 2Q21	315	100%	0.7x	1.43	
Getchell NPV 2Q21	333	100%	0.5x	1.08	
Central SG&A & fin costs 2Q21	(75)	-	1.0x	(0.49)	
Exploration (\$50/oz)	156	100%	1.0x	1.02	
Cash and restr. cash + ITM option cash	76	-	1.0x	0.50	
Debt	1	-	1.0x	0.01	
1xNAV5% US\$1850/oz - FD pre build	1,198		0.8x	6.10	
Assumed build equity issuance	50	-	1.0x	0.24	
1xNAV5% US\$1850/oz - fully funded	1,248		0.8x	6.00	

1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV asset (US\$m)	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
8% discount	580	788	945	1,005	1,213
7% discount	529	754	923	1,092	1,317
6% discount	581	824	1,007	1,190	1,434
5% discount	639	903	1,101	1,299	1,563
4% discount	705	992	1,207	1,422	1,708
Valuation (C\$/sh)	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
0.75xNAV	3.25	4.25	5.25	6.00	7.25
1.00xNAV	3.75	5.00	6.00	7.00	8.25
1.25xNAV	4.25	5.75	6.75	8.00	9.25

Valuation over time	1Q21E	1Q22E	1Q23E	1Q24E	1Q25E
Mines NPV (US\$m)	963	992	1,026	1,049	1,127
Cntrl G&A & fin costs (US\$m)	(71)	(78)	(67)	(63)	(57)
Net cash at 1Q (US\$m)	73	54	45	22	(40)
1xNAV (US\$m)	965	968	1,004	1,008	1,030
1xNAV share px FD + FF (C\$/sh)	5.87	5.89	6.11	6.14	6.27
P/NAV (x):	0.43x	0.43x	0.41x	0.41x	0.40x
ROI to equity holder (% pa)	134%	53%	35%	25%	20%
1.2xNAV share px FD (C\$/sh)	7.04	7.07	7.33	7.36	7.52
ROI to equity holder (% pa)	181%	68%	43%	31%	25%

Geared company C\$ 1xNAVPS diluted for mine build, net G&A and finance costs					
2Q22 1xNAV FF FD (C\$/sh)^	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
9.0% discount	3.20	4.53	5.51	6.47	7.75
7.0% discount	3.79	5.32	6.44	7.56	9.05
5.0% discount	4.54	6.30	7.61	8.92	10.66
2Q22 1xNAV FF FD (C\$/sh)^	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
20.0% increase in cost per tonne	2.99	4.80	6.12	7.43	9.17
10.0% increase in cost per tonne	3.77	5.55	6.87	8.18	9.91
0.0% increase in cost per tonne	4.54	6.30	7.61	8.92	10.66
-10.0% increase in cost per tonne	5.29	7.05	8.36	9.66	11.40
2Q22 1xNAV FF FD (C\$/sh)^	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
20.0% change in capex	3.98	5.75	7.07	8.37	10.11
10.0% change in capex	4.26	6.03	7.34	8.65	10.38
0.0% change in capex	4.54	6.30	7.61	8.92	10.66
-10.0% change in capex	4.81	6.58	7.89	9.19	10.93



Production (100%)	CY24E	CY25E	CY26E	CY27E	CY28E
South Arturo (40%) (000oz)	21	56	106	73	60
McCoy-Cove (000oz)	--	8	58	114	113
Getchell (000oz)	--	--	--	86	143
Group (000oz)	21	65	164	273	316
Group cash cost (US\$/oz)	1,038	1,131	974	870	826
Group AISC (US\$/oz)	1,882	1,408	1,161	911	869
Asset level AISC (US\$/oz)	1,646	1,330	1,130	892	853

Source: SCPe

Resource / Reserve	Mt	Moz	EV/oz
Measured, ind. & inf.	62.59	5.28	63
Mine inventory (SCPe)	30.76	3.15	105

Share data					
Basic shares (m): 190.8	FD shares (m):	192.0	FD + FF	205.4	

Commodity price	CY24E	CY25E	CY26E	CY27E	CY28E
Gold price (US\$/oz)	1,850	1,850	1,850	1,850	1,850

Ratio analysis	CY24E	CY25E	CY26E	CY27E	CY28E
FD shares out (m)	192.0	192.0	192.0	192.0	192.0
EPS (US\$/sh)	0.036	0.104	0.422	0.883	1.090
CFPS before w/c (US\$/sh)	0.05	0.11	0.46	1.00	1.28
CFPS pre growth (C\$/sh)	(0.02)	0.07	0.40	1.04	1.26
FCF/sh (C\$/sh)	(0.35)	(0.28)	(0.12)	0.52	1.26
FCF yield - pre growth (%)	(1%)	4%	20%	52%	63%
FCF yield (%)	(18%)	(14%)	(6%)	26%	63%
EBITDA margin (%)	31%	35%	46%	52%	54%
FCF margin (%)	(173%)	(46%)	(8%)	20%	41%
ROA (%)	2%	4%	15%	23%	25%
ROE (%)	2%	6%	21%	30%	27%
ROCE (%)	3%	8%	22%	40%	36%
EV (US\$m)	477	555	592	511	275
PER (x)	72.5x	25.9x	6.4x	3.0x	2.5x
P/CF (x)	55.1x	19.0x	5.0x	2.5x	2.1x
EV/EBITDA (x)	39.0x	13.4x	4.3x	1.9x	0.9x

Income statement	CY24E	CY25E	CY26E	CY27E	CY28E
Revenue (US\$m)	39	120	303	505	583
COGS (US\$m)	(22)	(73)	(160)	(238)	(261)
Gross profit (US\$m)	17	46	143	268	323
G&A & central	(5)	(5)	(5)	(5)	(5)
Depreciation	(2)	(7)	(21)	(36)	(41)
Impairment & other (US\$m)	--	--	--	--	--
Net finance costs (US\$m)	0	(6)	(12)	(12)	(12)
Tax (US\$m)	(3)	(8)	(24)	(44)	(56)
Minority interest (US\$m)	--	--	--	--	--
Net income attr. (US\$m)	7	20	81	169	209

EBITDA					
Cash flow	CY24E	CY25E	CY26E	CY27E	CY28E
Profit/(loss) after tax (US\$m)	7	20	81	169	209
Add non-cash items (US\$m)	2	7	21	36	41
Less wkg cap / other (US\$m)	--	(7)	(14)	(14)	(5)
Cash flow ops (US\$m)	9	21	89	192	245
PP&E (US\$m)	(77)	(82)	(126)	(106)	(9)
Other (US\$m)	(5)	--	--	(5)	--
Cash flow inv. (US\$m)	(82)	(82)	(126)	(111)	(9)
Debt draw (repayment) (US\$m)	63	63	--	--	(126)
Equity issuance (US\$m)	50	--	--	--	--
Other (US\$m)	--	--	--	--	--
Cash flow fin. (US\$m)	113	63	--	--	(126)
Net change post forex (US\$m)	39	1	(37)	81	110
FCF (US\$m)	(68)	(61)	(37)	86	236

Balance sheet	CY24E	CY25E	CY26E	CY27E	CY28E
Cash (US\$m)	85	86	49	130	240
Accounts receivable (US\$m)	2	6	15	25	29
Inventories (US\$m)	4	15	32	48	52
PPE & exploration (US\$m)	276	350	455	525	493
Other (US\$m)	7	7	7	7	7
Total assets (US\$m)	374	464	558	734	821
Debt (US\$m)	63	126	126	126	--
Other liabilities (US\$m)	19	27	40	46	50
Shareholders equity (US\$m)	300	300	300	300	300
Retained earnings (US\$m)	(8)	12	93	262	471
Minority int. & other (US\$m)	--	--	--	--	--
Liabilities+equity (US\$m)	374	464	558	734	821
Net Cash	22	(40)	(77)	4	240
Net Debt to NTM EBITDA (x)	(0.5x)	0.3x	0.3x	(0.0x)	(0.8x)

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Summary of Recommendations as of August 2021	
BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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