

<b>Ticker:</b> LGD CN	<b>Cash @ 2Q21:</b> US\$15m (+divestments)	<b>Project:</b> Goldstrike / Blackpine
<b>Market cap:</b> C\$316m	<b>Price:</b> C\$1.19/sh	<b>Country:</b> USA: ID, UT
<b>RECOMMENDATION (unc):</b> BUY	<b>TARGET (unc):</b> C\$4.35/sh	<b>RISK RATING:</b> HIGH

We visited Black Pine last week, and our single most material take home is **ounce upside**; the 2.08Moz already delivered in the MRE and 70,000m of planned drilling solidifies our confidence that in the next 12M, Black Pine will be bigger. At the time the next most visible 'leg up' for ounce additions, in our view, was Rangefront and today's drilling has banked just that with, we think, a real 'step change' discovery. Rangefront (Figure 2B) only contributed 78koz @ 0.4g/t in the Upper Plate 'skin', while the main middle-plate remained untested at depth, extending >1.5km back to the D1-3 zones that underpin the maiden MRE. The potential 400m thick Middle Plate stratigraphy (the good stuff) is under thin cover, through which today's drilling pushed for the first time with stellar results. We are seeing the big three all hit again: thick, low strip, high grade, all very similar to D1-3. The other take-home from our trip was that the key reason the MRE came in at 0.66g/t was that ~1.5Moz from D1-3 was constrained at the time by only four rigs (now able to lift) and long lab turn arounds, meaning LGD needed ~500koz of lower grade 'scraps' to hit the 2Moz target. This underpins our thesis on LGD – this very profitable resource will, in our view, be bigger next year than this, and thus so should the share price. **Hence, Liberty is one of our 'summer doldrums' top picks, with share price weakness post MRE a buying opportunity.** As such, we maintain our **BUY and 0.6xNAV<sub>5%-1850</sub> C\$4.35/sh PT** based on SCPE 2.4Moz mine plan given our confidence in resource growth. Liberty is a great name to own in our view, given the 0.24xNAV at spot, a resource that will be bigger next year, and a scarcity / M&A premium deserved of the ~3.3Moz of undeveloped high-margin oxide gold between Blackpine and Goldstrike.

## Site visit plus new discovery at Rangefront with 87m @ 0.91g/t in composite 108m @ 1.13g/t

**Drilling:** from 35 holes drilled at Rangefront, Rangefront SW, and the intervening area, the thickest highest-grade results came from Rangefront, in newly coined Discovery 4 (D4), ~500m from prior drilling and the existing resource. Drilling went deeper than the shallow 'upper plate' that hosted a small 78koz @ 0.4g/t within the recent MRE. Drilling into the middle plate returned highlights of **87m @ 0.91g/t** and **21.3m @ 2.0g/t** from the same hole (for **composite 108m @ 1.1g/t** from 253m), and a composite **75m @ 1.3g/t** (from 262m).

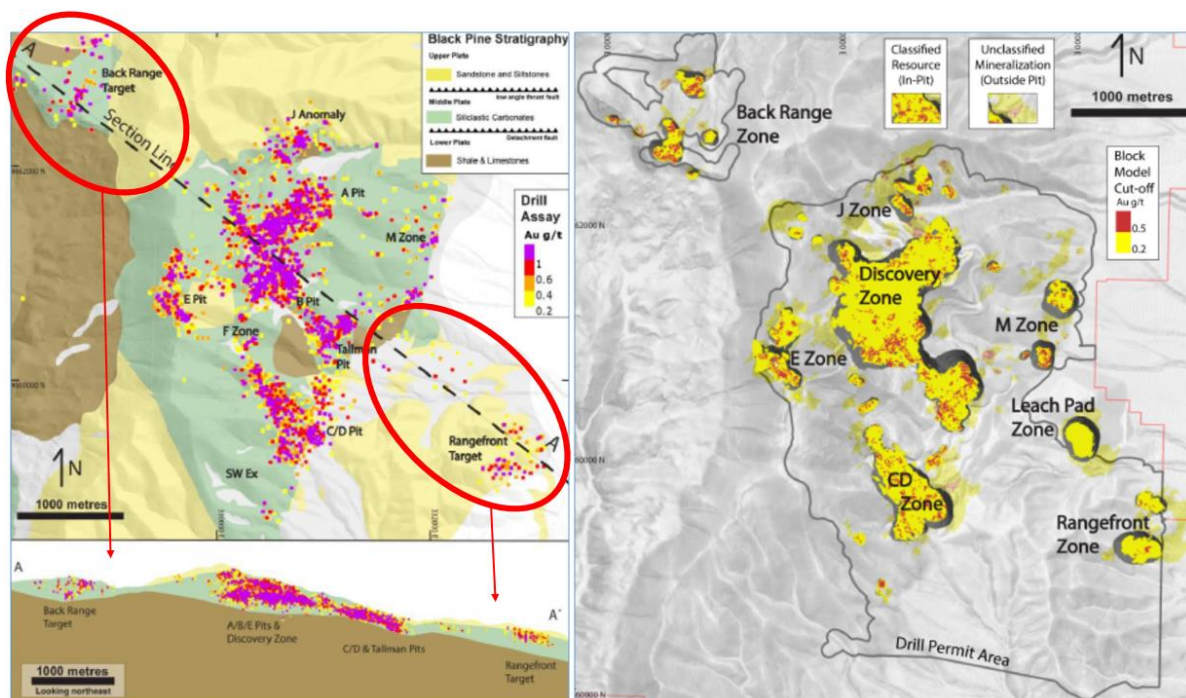
**Site visit:** Last month we visited Blackpine. Looking back, Liberty targeted 2Moz in maiden MRE at Black Pine and delivered that. We took two key take-aways from the trip; (i) **rig count**, and (ii) **ounce growth**. The 0.66g/t of the MRE was lower than the drill results of the high-grade D1/D2/D3. What we realised on site was that previously Liberty was only permitted to have four rigs (now able to lift that). Combined with long turn-arounds on assays, we think the core resource 'only' got to 1.5Moz, hence 2Moz was achieved by adding lower grade material and from historic drilling in depleted zones around old pits. So what? This means the resource potential and grade is big and high, respectively, it's just the rigs / assays that were the issue. In fact this can be quantified: ~74% of the ounces are within the Discovery Zone, while 26% is within seven additional satellite zones: historic leach pad, CD, E, J, M, Rangefront and J Zones.

Looking to **resource growth**, with 70,000m planned, two drills were active in August on the **Discovery Zone** focused on upgrading inferred to indicated resources and bulking out the 2.08Moz @ 0.48g/t MRE areas ahead of the 3Q PEA, useful, but not going to change the share price. From here, Liberty looks to bulk out the ounces from satellites by delineating mineralization into the 'gaps' (no previous drilling) between satellites as some areas have the potential to link together into larger pits or, in some instances, join the Discovery Zone (Figure 1B). A third drill was active at **Backrange**, testing new resource additions. Most interestingly, assays were pending at the time from **Rangefront**, a previously untested area spanning >1.5km long from the Discovery Zone (Figure 1A) of potentially 400m thick Middle Plate stratigraphy (Au host rock, in relatively flat stacked sheets) that, in our view, could provide proof of concept of the potential extensions of D1 and visibility on the scale of Rangefront. And today's drilling did just that.

**Drill Results Summary:**

Drill Hole	Depth (m)	Grade (g/t Au)
LBP350	12.2 m	@ 1.40 g/t Au
LBP337	13.7 m	@ 2.10 g/t Au
LBP277	3.0 m	@ 6.17 g/t Au
LBP290	24.4 m	@ 1.03 g/t Au
LBP356	86.9 m @ 0.91 g/t Au 21.3 m @ 2.03 g/t Au	
LBP358	24.4 m @ 1.23 g/t Au 50.3 m @ 1.37 g/t Au	

**Figure 2. Black Pine plan map showing (A) stratigraphy & drill assays and (B) maiden resource**



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## 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 D3, F Zone Range Front and new targets all support continued ounce growth
4. 1Moz high-margin Goldstrike project, plus >4.5Moz AuEq in Turkey, bulk value out
5. Cash from asset sales funds drilling on undiluted basis

## Catalysts

1. 3Q21: Phase three metallurgical results
2. 3Q21: PEA for Blackpine
3. 2H21: Results from three RC drill rigs (+1 diamond in 3Q) at Black Pine

## Research

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<b>Ticker:</b> LGD CN	<b>Price / mkt cap:</b> C106c/sh, C\$284m	<b>Market P/NAV today:</b> 0.24x	<b>Assets:</b> Goldstrike, Black Pine
<b>Author:</b> B Salier	<b>Rec/0.5xNAV PT:</b> BUY, C\$4.35/sh	<b>1xNAV<sub>Y1</sub> FF FD:</b> A\$5.68/sh	<b>Country:</b> Utah, Idaho, USA

Group-level SOTP valuation				
	US\$m	O/ship	NAVx	C\$/sh*
Goldstrike (build start)	469	100%	0.7x	1.36
Black Pine 2.5Moz (build start)	879	100%	0.7x	2.54
Nominal exploration upside	15	100%	1.0x	0.06
Cash @ 2Q21	15.3	100%	1.0x	0.06
Halliga: proceeds due Aug 2022	6.0	-	1.0x	0.02
Kinsley / Regent NPI: shares + future cash	6.6	-	1.0x	0.03
Turkey @ US\$10/oz AuEq	45.9	-	1.0x	0.19
Cash from ITM options	14.7	-	1.0x	0.06
	<b>1,451</b>		<b>PT:</b>	<b>4.33</b>

\*Diluted for options but not mine build equity Market P/NAV5% 0.22x

Asset value: 1xNPV project @ build start (US\$m, ungeared)*					
NPV Blackpine (US\$m)	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
9% discount	562	639	716	794	871
7% discount	659	747	835	923	1,011
5% discount	778	879	980	1,081	1,182
Ungeared project IRR:	0%	0%	0%	0%	0%
NPV Goldstrike (US\$m)					
9% discount	327	369	412	454	497
7% discount	369	416	462	509	555
5% discount	418	469	520	571	623

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

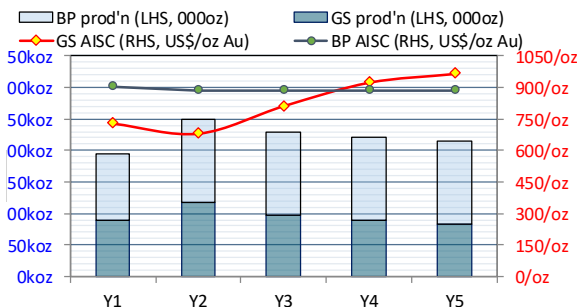
Goldstrike value over time^	Y-2	Y-1	Y1	Y2	Y3
Goldstrike - group level (US\$m)	418	510	604	570	492
Black Pine - group level (US\$m)	812	913	1,020	1,005	958
Net cash (US\$m)	57.7	(75.3)	(163.6)	(19.2)	170.9
Cash from options (US\$m)	14.7	14.7	14.7	14.7	14.7
Black Pine + divestments (US\$m)	58.5	58.5	58.5	58.5	58.5
Liberty NAV (US\$m)	1,360	1,421	1,534	1,630	1,695
1xNAV5%/sh FF FD (C\$/sh)	3.59	3.75	4.04	4.30	4.47
ROI (% pa)	84%	253%	95%	59%	43%

Liberty: 1xNAV/sh @ first prod'n (US\$m, geared)^					
1xNAV mine start (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	2.57	2.93	3.30	3.66	4.02
7% discount	2.85	3.24	3.64	4.03	4.43
5% discount	3.18	3.61	4.04	4.48	4.91
Geared project IRR:	36%	39%	43%	46%	49%
1xNAV mine start (US\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	977	1,113	1,250	1,387	1,523
7% discount	1,081	1,230	1,380	1,529	1,679
5% discount	1,205	1,369	1,534	1,698	1,863

^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	4,589koz	0.61g/t			
Share data	Basic (m)	FD with op. (m)	FD with build (m)		
Basic shares (m)	268.3	304.3	379.3		

Goldstrike financing		Company financing	
Min capex (US\$m)	US\$113m	Mine equity (US\$m)	US\$70m
G&A + finance in build (US\$m)	US\$30m	Spot share price (C\$/sh)	C\$1.06
Total build finance (US\$m)	US\$143m	20% prem. raise price (C\$/sh)	C\$1.27
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\$12m	Spot share price (C\$/sh)	C\$1.06
Total build finance (US\$m)	US\$184m	20% prem. raise price (C\$/sh)	C\$1.27
Debt (US\$m)	US\$65m	Debt IRR (%)	8%

Ratio analysis	Y-2	Y-1	Y1	Y2	Y3
FD shares out (m)	304	304	304	304	304
EPS (US\$/sh)	(0.03)	(0.17)	0.47	0.63	0.55
CFPS before w/c (US\$/sh)	(0.42)	(0.45)	0.45	0.64	0.57
EV (US\$m)	447.0	583.5	467.0	279.0	103.3
FCF margin (%)	-	-	34%	48%	43%
PER (x)	-	-	2.8x	2.1x	2.4x
P/CF (x)	-	-	3.0x	2.1x	2.3x
EV/EBITDA (x)	-	-	2.3x	1.0x	0.4x

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
Gross profit (US\$m)	-	-	223.8	290.2	253.0
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)	-	40.1	5.1	6.7	5.7
D&A (US\$m)	-	-	21.5	29.9	28.5
Tax (US\$m)	-	-	40.0	53.0	46.5
Net income (US\$m)	(9.0)	(53.0)	144.3	190.3	167.2

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)	-	-	(40.0)	(53.0)	(46.5)
Cash flow ops (US\$m)	(15.5)	(23.3)	135.4	207.0	194.6
PP&E - build (US\$m)	(113.2)	(113.2)	(19.0)	(19.0)	(19.0)
Capitalised interest (US\$m)	-	-	-	-	-
Cash flow inv. (US\$m)	(113.2)	(113.2)	(19.0)	(19.0)	(19.0)

Share issue (US\$m)	-	-	-	-	-
Debt draw (repay) (US\$m)	130.0	-	-	(65.0)	(65.0)

Cash flow fin. (US\$m)	Y-2	Y-1	Y1	Y2	Y3
Net change in cash (US\$m)	1.3	(136.5)	116.5	123.0	110.6

Balance sheet	Y-2	Y-1	Y1	Y2	Y3
Cash (US\$m)	88.8	(47.7)	68.8	191.8	302.4
Inventories (US\$m)	-	-	16.8	21.1	21.1
PPE (US\$m)	150.8	264.0	261.5	250.5	240.9
Acc rec. (US\$m)	-	-	14.8	19.0	17.4
Total assets (US\$m)	239.6	216.3	361.8	482.4	581.9
Debt (US\$m)	130.0	130.0	130.0	65.0	-
Other (US\$m)	5.1	5.1	5.1	5.1	5.1
Accnts payable (US\$m)	0.4	0.4	12.0	15.0	15.0
Total liabilities (US\$m)	135.5	135.5	147.1	85.1	20.1
Shareholders equity (US\$m)	308.2	308.2	308.2	308.2	308.2
Contributed surplus & other (US\$m)	30.1	30.1	30.1	30.1	30.1
Retained earnings (US\$m)	(234.2)	(257.5)	(123.5)	59.0	223.6
Liabilities + equity (US\$m)	239.6	216.3	361.8	482.4	581.9

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Summary of Recommendations as of September 2021	
BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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