

Ticker: LGD CN
Market cap: C\$316m

Cash @ 2Q21: US\$15m (+divestments)
Price: C\$1.19/sh

Project: Goldstrike / Blackpine
Country: USA: ID, UT

RECOMMENDATION (unc): BUY

TARGET (unc): C\$4.35/sh

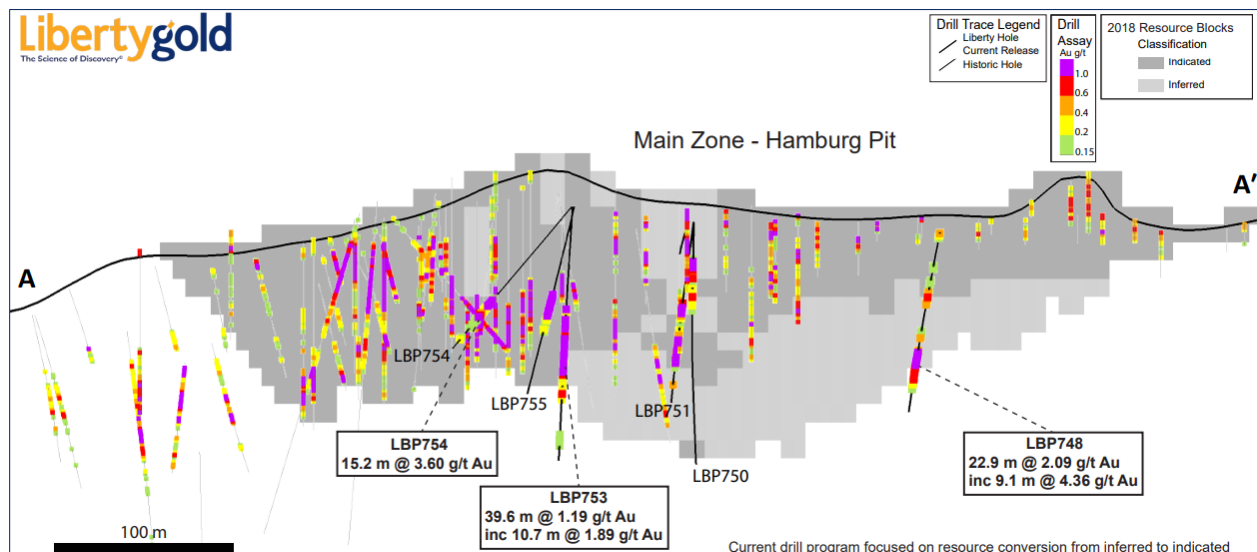
RISK RATING: HIGH

Blackpine is capturing most investor attention for the simple reason it can, in our view, surpass the magic 2Moz mark that gets mid- and large-cap buyers out of bed. Goldstrike, the 1Moz PEA smaller-cousin, is nonetheless an outstanding asset in its own right. Despite PEA grades of 0.48g/t, the low 1.2:1 strip, low 2.5% royalty compared to 5-10% in Nevada, high 78% recovery, and no-crush as a dump leach, make it one of the highest 'margin grade' assets in the Great Basin. Today's drilling should serve as a reminder of that, and the company's intention to surface value here, a worthwhile endeavor given the SCPe NPV5%-1850 of US\$469m on a PEA-based model on ~100koz pa. Most results are well inside pit shells, such as 40m @ 1.2g/t at Main Zone and 33.5m @ 0.8g/t at Beavertail satellite pit appear in less well drilled areas, while 23m @ 2.1g/t falls at the very edge of the resource. As such, **we maintain our BUY and 0.6xNAV_{5%-1850} C\$4.35/sh PT** based on SCPe 2.4Moz mine plan at Blackpine given our confidence in resource growth. With ~3.3Moz of undeveloped high-margin oxide gold between Blackpine and Goldstrike, all outside the expensive and well contested Nevada gold belts, we continue to see Liberty as both undervalued, and the preeminent Great Basin developer to own given growing oxide ounces.

Goldstrike's back with 15m @ 3.6g/t and 40m @ 1.2g/t in from fresh 15,000m drill programme

Drill highlights from 17 holes / 2.2km at Goldstrike including infill highlights from the Main Zone of **23m @ 2.1g/t** from 75m, **15.2m @ 3.6g/t** from 78m, and **40m @ 1.2g/t** from 56m. The Beavertail area returned **12.2m @ 1.0g/t** from 79m. The company will now carry out trenching, metallurgical drilling, and baseline studies to advance the project. Infill, especially on the Main Zone, will be the focus, but one new target is to be tested to the north.

Figure Section through Main Zone at Goldstrike showing today's drilling



Source: Liberty Gold

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
4. 2H21: Residual 13km drilling, metallurgical hole and some exploration at Goldstrike

Research

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Ticker: LGD CN	Price / mkt cap: C122c/sh, C\$327m	Market P/NAV today: 0.28x	Assets: Goldstrike, Black Pine
Author: B Salier	Rec/O.5xNAV PT: BUY, C\$4.35/sh	1xNAV_{Y1} FF FD: A\$5.68/sh	Country: 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
Halilga: 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
	1,451		PT:	4.33

*Diluted for options but not mine build equity Market P/NAV5% 0.25x

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)	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
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

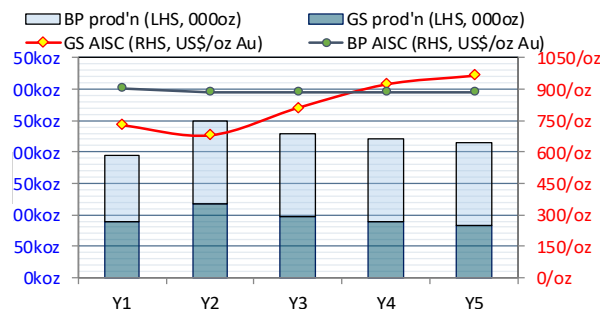
Goldstrike value over time^	Y-2	Y-1	Y1	Y2	Y3
Goldstrike - group level (US\$m)	418	510	604	570	492
Black Pine - group level US\$m)	812	913	1,020	1,005	958
Net cash (US\$m)	57.7	(75.3)	(163.6)	(19.2)	170.9
Cash from options (US\$m)	14.7	14.7	14.7	14.7	14.7
Black Pine + divestments (US\$m)	58.5	58.5	58.5	58.5	58.5
Liberty NAV (US\$m)	1,360	1,421	1,534	1,630	1,695
1xNAV5%/sh FF FD (C\$/sh)	3.68	3.85	4.15	4.41	4.59
ROI (% pa)	74%	215%	84%	53%	39%

Liberty: 1xNAV/sh @ first prod'n (US\$m, geared)^					
1xNAV mine start (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	2.63	3.00	3.37	3.74	4.10
7% discount	2.91	3.31	3.72	4.12	4.52
5% discount	3.25	3.69	4.13	4.58	5.02
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	369.5		

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\$1.22
Total build finance (US\$m)	US\$143m	20% prem. raise price (C\$/sh)	C\$1.46
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\$1.22
Total build finance (US\$m)	US\$184m	20% prem. raise price (C\$/sh)	C\$1.46
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)	508.2	644.7	528.2	340.2	164.6
FCF margin (%)	-	-	29%	41%	37%
PER (x)	-	-	3.2x	2.5x	2.8x
P/CF (x)	-	-	3.4x	2.4x	2.7x
EV/EBITDA (x)	-	-	2.6x	1.2x	0.7x

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)	130.0	-	-	(65.0)	(65.0)
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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BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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