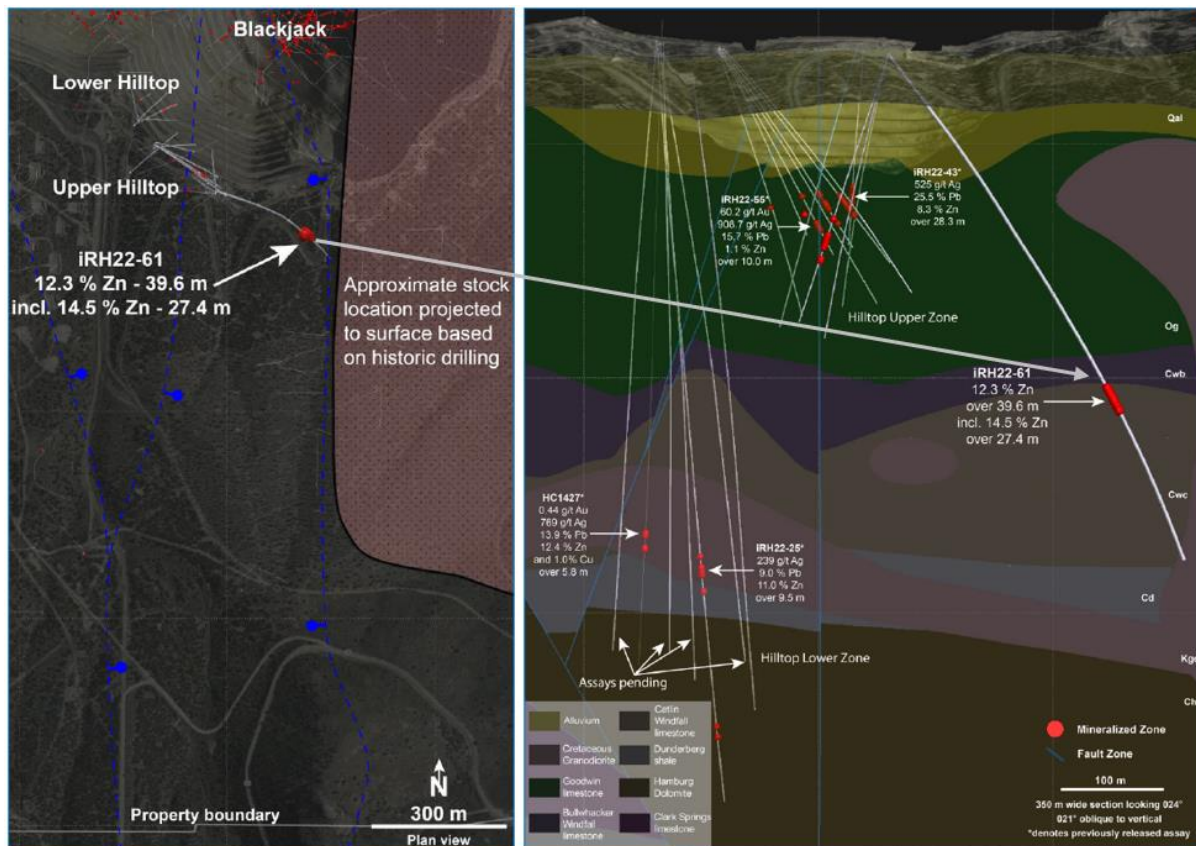


Ticker: IAU CN **Net cash:** US\$109m **Project:** Granite Creek
Market cap: C\$863m **Price:** C\$3.59/sh **Country:** Nevada, USA
REC. (unc): BUY **TARGET (unc):** C\$4.75/sh **RISK RATING (unc):** HIGH

Today's drilling from the 'Hilltop Corridor' targets a new area of mineralization 450m south along strike from Blackjack. Overall we continue to see nice broad intercepts incl (40m @ 12% Zn, compare to Teck's Red Dog which is ~7% Zn in Indicated) and despite seeing lower grades on an Eq basis to recent Upper Hilltop (e.g. 28.3m @ 45.5% ZnEq (incl. 515g/t Ag, 28.9% Pb, 10.5% Zn, and 0.9g/t Au)), we note this is expected given today's hits are in a skarn nearer to the source intrusion i.e. a different mineralization overall. Whether this represents a strike extension of Blackjack (from 150m to 600m) or a new skarn zone along a high-grade 'string of pearls', one thing is clear – Ruby Hill is a big/rich hydrothermal mineralized system that is adding world class base metals grades at Hilltop to existing world class Carlin-s Au style Ruby Deep's. Thus, as the team follows up on key high-grade target areas (Au and polymet) and continues on the hunt for a source porphyry (recall geophysics suggests potential heat source at depth), we see plenty of excitement ahead with development on the horizon and an exploration story that does not seem to end. We see similarities to Rio's Bingham Canyon (200ktpa Cu mine in Utah) that began as a high grade CRD/skarn and eventually traced to a source porphyry to be mined for Cu, we see big exploration upside here. As such, **we maintain our base case estimates, which assumes 8g/t head grade at Ruby Hill UG to generate our US\$459m SCPe NPV5%-1700, and reiterate our BUY rating and our C\$4.75/sh PT based on 0.60xNAV5%-1700.** Stepping back, I-80 is one of the best performing gold stocks year to date and is still catalyst rich with continued drilling at Ruby Hill (including Hilltop CRD) and upcoming MRE updates at Granite Creek and Ruby Hill follow this year's drilling.

Figure 1. 'Hilltop Corridor' (A) plan map and (B) cross-section showing today's results



Source: I-80 Gold

First hole at 'Hilltop Corridor' hits 39.6m @ 12.3% pure Zn, 450m south along strike of Blackjack

I-80 reported results from the first hole drilled within the Hilltop Corridor, which intersected **39.6m @ 12.3% Zn** (incl. **27.4m @ 14.5% Zn**) from 399.3m below surface, located 300m southeast of the Upper Hilltop zone and 450m along strike of Blackjack. As the target area remains open in all directions, the company plans to add one more core rig to accelerate the drilling on multiple targets within the Hilltop Corridor and test a new gold target, with additional assays still pending.

Why we like I-80

- Among highest grade open pit and underground development assets in US
- One of only three companies with refractory sulphide processing facilities in Nevada
- Ramping up underground methodically with US\$109m of cash to support
- Opportunity to consolidate Nevada and western US gold projects

Catalysts

- 2H22: Updated Granite Creek MRE, Lone Tree restart study
- 1H23: Updated Ruby Hill MRE including maiden resource for Blackjack
- 2023: Cash flow positive inflection at Granite Creek, Ruby Hill FS

Research

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Ticker:	IAU CN	Price / mkt cap:	C\$3.59/sh, C\$863m	Market P/NAV:	0.42x	Assets:	Nevada Au portfolio
Authors:	J Chan / E Magdzinski	Rec / 1x NAV:	BUY / C\$4.75	1xNAVFD:	C\$8.46/sh	Country:	Nevada, USA

Group-level SOTP valuation						Resource / Reserve			
	3Q22	4Q22			FD	Mt	Moz	EV/oz	
		US\$m	O/ship	NAVx	C\$/sh				
Granite Creek NPV 4Q22		631	100%	1.00x	3.03	Measured, ind. & inf.	483.43	14.73	47
McCoy-Cove NPV 4Q22		268	100%	1.00x	1.29	Mine inventory (SCPe)	335.24	5.55	124
Ruby Hill NPV 4Q22		460	100%	1.00x	2.21	Share data			
Brooks / Buffalo Mountain / Lone Tree OP		12	100%	1.00x	0.06	Basic shares (m): 240.4	FD shares (m):	277.3	FD + FF 310.2
Central SG&A & fin costs 4Q22		(138)	-	1.00x	(0.67)	Commodity price	CY22E	CY23E	CY24E
Resources outside SCPe mine plans (\$50/oz)		459	100%	1.00x	2.21	Gold price (US\$/oz)	1,733	1,713	1,700
Cash and restr. cash + ITM options		122	-	1.00x	0.59	Ratio analysis	CY22E	CY23E	CY24E
Debt, offtake and stream		(68)	-	1.00x	(0.32)	FD shares out (m)	237.7	277.3	277.3
1xNAV5% US\$1700/oz - FD pre build		1,746		1.00x	8.40	EPS (US\$/sh)	0.065	0.076	0.157
Assumed build equity issuance		100		1.00x	0.32	CFPS before w/c (US\$/sh)	(0.20)	0.04	0.13
0.6xNAV Valuation5% US\$1700/oz - fully funded		1,846		0.60x	4.75	FCFPS pre growth (US\$/sh)	(0.26)	(0.52)	(0.43)
1xNAV sensitivity to gold price and discount / NAV multiple						FCF/sh (US\$/sh)	(0.33)	(0.63)	(0.69)
1xNAV asset (US\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	FCF pre growth per oz (US\$/sh)	(265)	(1,809)	(1,094)
8% discount	1,136	1,346	1,556	1,767	1,978	FCF yield - pre growth (%)	(10%)	(19%)	(16%)
7% discount	1,177	1,395	1,614	1,832	2,051	FCF yield (%)	(12%)	(23%)	(26%)
6% discount	1,222	1,449	1,677	1,904	2,131	EBITDA margin (%)	(64%)	32%	43%
5% discount	1,272	1,509	1,746	1,982	2,219	FCF margin (%)	(151%)	(128%)	(102%)
4% discount	1,327	1,574	1,821	2,068	2,316	ROA (%)	(3%)	1%	3%
Valuation (C\$/sh)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	ROE (%)	(4%)	2%	5%
0.40xNAV	2.25	2.75	3.25	3.50	4.00	ROCE (%)	(1%)	6%	9%
0.60xNAV	3.50	4.00	4.75	5.50	6.00	EV (US\$m)	793	996	1,188
0.80xNAV	4.50	5.50	6.25	7.25	8.25	PER (x)	55.2x	41.2x	21.9x
Valuation over time	Today	1Q23E	1Q24E	1Q25E	1Q26E	P/CF (x)	(21.0)	183.4x	37.2x
Mines NPV (US\$m)	1,829	1,536	1,790	1,934	1,963	EV/EBITDA (x)	(24.2x)	23.1x	14.8x
Ctrl G&A & fin costs (US\$m)	(138)	(138)	(121)	(111)	(67)	Income statement	CY22E	CY23E	CY24E
Net cash at 1Q (US\$m)	55	(133)	(238)	(323)	(308)	Revenue (US\$m)	51	135	186
1xNAV (US\$m)	1,746	1,265	1,431	1,500	1,588	COGS (US\$m)	(31)	(73)	(101)
1xNAV share px FD + FF (C\$/sh)	8.40	6.94	6.66	6.99	7.39	Gross profit (US\$m)	21	62	86
P/NAV (x):	0.43x	0.52x	0.54x	0.51x	0.49x	G&A & central	(19)	(19)	(5)
ROI to equity holder (% pa)	134%	93%	36%	25%	20%	Depreciation	(4)	(8)	(11)
1.2xNAV share px FD (C\$/sh)	10.08	8.32	8.00	8.38	8.87	Impairment & other (US\$m)	33	12	15
ROI to equity holder (% pa)	181%	132%	49%	33%	25%	Net finance costs (US\$m)	(20)	(27)	(39)
Geared company C\$ 1xNAVPS diluted for mine build, net G&A and interest						Tax (US\$m)	6	(12)	(16)
2Q22 1xNAV FF FD (C\$/sh)^	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	Minority interest (US\$m)	--	--	--
9.0% discount	4.58	5.83	6.67	7.50	8.75	Net income attr. (US\$m)	18	9	29
7.0% discount	5.00	6.25	7.08	8.33	9.17	EBITDA	(33)	43	81
5.0% discount	5.83	6.67	7.92	9.17	10.00	Cash flow	CY22E	CY23E	CY24E
2Q22 1xNAV FF FD (C\$/sh)^	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	Profit/(loss) after tax (US\$m)	(17)	9	29
20.0% increase in cost per tonne	3.75	5.00	5.83	7.08	8.33	Add non-cash items (US\$m)	(24)	(4)	(3)
10.0% increase in cost per tonne	4.58	5.83	7.08	7.92	9.17	Less wkg cap / other (US\$m)	(7)	6	10
0.0% increase in cost per tonne	5.83	6.67	7.92	9.17	10.00	Cash flow ops (US\$m)	(48)	11	35
-10.0% increase in cost per tonne	6.67	7.92	8.75	10.00	11.25	PP&E (US\$m)	(37)	(178)	(216)
2Q22 1xNAV FF FD (C\$/sh)^	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	Other (US\$m)	(2)	(32)	(35)
20.0% change in capex	5.00	6.25	7.08	8.33	9.58	Cash flow inv. (US\$m)	(44)	(220)	(258)
10.0% change in capex	5.42	6.25	7.50	8.75	9.58	Debt draw (repayment) (US\$m)	--	150	150
0.0% change in capex	5.83	6.67	7.92	9.17	10.00	Equity issuance (US\$m)	3	16	118
-10.0% change in capex	6.25	7.08	8.33	9.58	10.42	Other (US\$m)	62	--	--
Cash flow fin. (US\$m)	65	166	268	50	--	Cash flow fin. (US\$m)	(27)	(44)	45
Net change post forex (US\$m)	(85)	(168)	(181)	(79)	16	FCF (US\$m)	(85)	(168)	(181)
Balance sheet	CY22E	CY23E	CY24E	CY25E	CY26E	Balance sheet	CY22E	CY23E	CY24E
Cash (US\$m)	61	17	63	28	42	Cash (US\$m)	61	17	63
Accounts receivable (US\$m)	5	7	9	16	19	Accounts receivable (US\$m)	5	7	9
Inventories (US\$m)	29	29	20	32	36	Inventories (US\$m)	29	29	20
PPE & exploration (US\$m)	528	708	920	1,060	1,142	PPE & exploration (US\$m)	528	708	920
Other (US\$m)	53	53	53	53	53	Other (US\$m)	53	53	53
Total assets (US\$m)	675	813	1,064	1,189	1,292	Total assets (US\$m)	675	813	1,064
Debt (US\$m)	0	150	300	350	350	Debt (US\$m)	0	150	300
Other liabilities (US\$m)	280	244	198	137	139	Other liabilities (US\$m)	280	244	198
Shareholders equity (US\$m)	354	370	487	547	547	Shareholders equity (US\$m)	354	370	487
Retained earnings (US\$m)	41	50	78	154	256	Retained earnings (US\$m)	41	50	78
Minority int. & other (US\$m)	--	--	--	--	--	Minority int. & other (US\$m)	--	--	--
Liabilities+equity (US\$m)	675	813	1,064	1,189	1,292	Liabilities+equity (US\$m)	675	813	1,064
Net Cash	61	(133)	(238)	(323)	(308)	Net Cash	61	(133)	(238)
Net Debt to NTM EBITDA (x)	(1.4x)	1.7x	1.5x	1.7x	1.0x	Net Debt to NTM EBITDA (x)	(1.4x)	1.7x	1.5x

Source: SCP estimates

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Summary of Recommendations as of December 2022	
BUY:	51
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	53

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