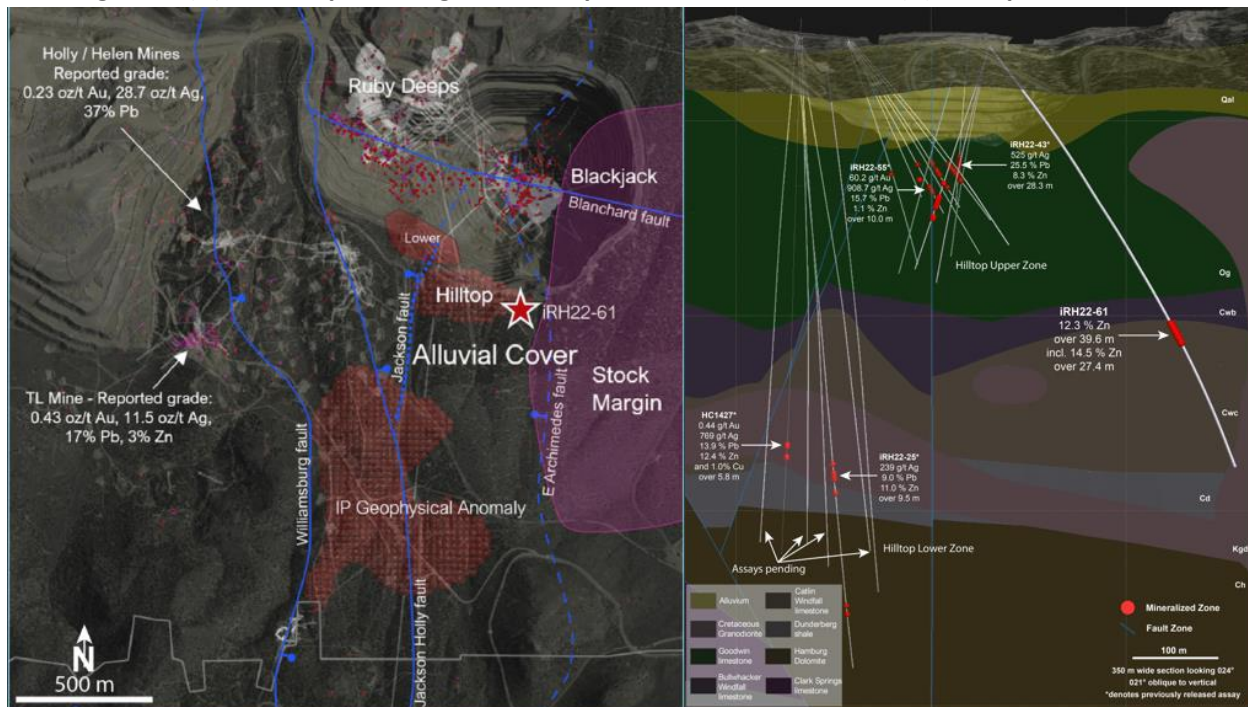


Ticker: IAU CN	Net cash: US\$109m	Project: Ruby Hill
Market cap: C\$909m	Price: C\$3.78/sh	Country: Nevada, USA
REC. (unc): BUY	TARGET (unc): C\$4.75/sh	RISK RATING (unc): HIGH

Today's commencement of 2023 Ruby Hill drilling announcement should put the market on alert for step change results, given six rigs active on site, and game changing Hilltop CRD results that I-80 achieved in 2022 (incl average pierce point **9.6m at 30.1g/t AuEq** on 15 Nov PR). The highlight of today's announcement was the six rigs figure, which enables I-80 to simultaneously advance i) Hilltop CRD-style high grade, ii) drill out the high grade Au at Ruby Deeps (SCPe 8-10g/t Au), and define new zones which are proximate to likely mine development including the polymetallic Blackjack, 426 zone (Au oxide and sulphide) and 007 (Au oxide and sulphide). The subtle reminder of the Ruby Hill CIL restart should also be noted: There is ability for low capex production growth here in addition to I-80's main strategy of high grade gold sulphides, likely starting with gold oxides for 1-2 years (US\$8.9m capex per the study for 270ktpa of high grade and 870ktpa of low grade) and then transition to base metals processing (US\$66m for conversion to flotation at 240ktpa). **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 (note at spot our PT would lift to C\$6.25/sh on unchanged multiples).** I-80 has been one of North America's top performing gold stocks for a reason – it added genuine world-class discoveries at Ruby Hill (Hilltop) and Granite Creek (South Pacific Zone) to the USA's only domestic mid-tier 500kozpa growth pipeline. We think Ruby Hill and Granite Creek will continue to deliver multi-million-ounce growth at world class grades this year, reaching cash flow positive at Granite Creek in H2, proving plenty of momentum for the stock.

Figure 1. (A) Plan map showing new Hilltop Corridor anomalies and (B) Hilltop cross-section



Source: I-80 Gold

Ruby Hill 2023 drilling commences with six rigs, new Hilltop geophysical targets identified

I-80 announced commencement of its 2023 drilling program at Ruby Hill with a total of six core and RC rigs. The primary targets of the first program are CRD mineralization at Upper Hilltop Zone, skarn mineralization at Blackjack and Hilltop corridor targets, and new geophysical anomalies identified in the Hilltop corridor. The company also made note of last year's scoping study on restart of the Ruby Hill Mill,

which identified potential to restart at 1.1Mtpa of oxide Au processing capacity (26% high grade / 74% low grade blend) and later conversion to base metal flotation (US\$65.7m capex for 240ktpa).

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

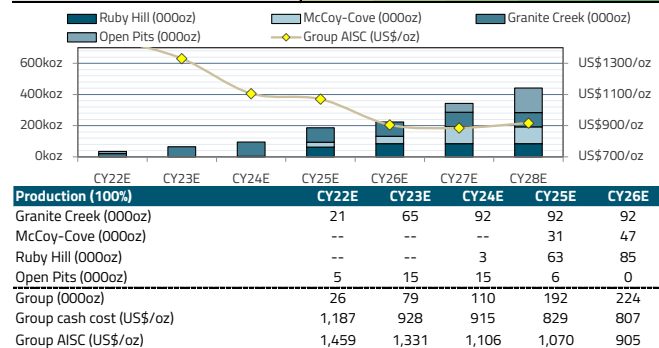
- 1H23: Updated Granite Creek MRE, Lone Tree restart study
- 1H23: Updated Ruby Hill MRE including maiden resource for Blackjack
- 2H23: Cash flow positive inflection at Granite Creek, Ruby Hill FS

Research

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Ticker:	IAU CN	Price / mkt cap: C\$3.78/sh, C\$909m				Market P/NAV:		0.44x	Assets:		Nevada Au portfolio		
Authors:	J Chan / E Magdzinski	Rec / 1x NAV:				BUY / C\$4.75		1xNAVF/D:		C\$8.54/sh	Country: Nevada, USA		
Group-level SOTP valuation		3Q22	4Q22	FD		Resource / Reserve		Mt	Moz	EV/oz			
			US\$m	O/ship	NAVx	C\$/sh	Measured, ind. & inf.		483.43	14.73	49		
Granite Creek NPV 4Q22			638	100%	1.00x	3.07	Mine inventory (SCPe)		335.24	5.55	131		
McCoy-Cove NPV 4Q22			273	100%	1.00x	1.32	Share data						
Ruby Hill NPV 4Q22			468	100%	1.00x	2.26	Basic shares (m): 240.4		FD shares (m): 276.7		FD + FF 309.5		
Brooks / Buffalo Mountain / Lone Tree OP			12	100%	1.00x	0.06	Commodity price		CY22E	CY23E	CY24E	CY25E	CY26E
Central SG&A & fin costs 4Q22			(136)	-	1.00x	(0.66)	Gold price (US\$/oz)		1,891	1,774	1,700	1,700	1,700
Resources outside SCPe mine plans (\$50/oz)			459	100%	1.00x	2.21	Ratio analysis		CY22E	CY23E	CY24E	CY25E	CY26E
Cash and restr. cash + ITM options			122	-	1.00x	0.59	FD shares out (m)		237.7	276.7	276.7	276.7	276.7
Debt, offtake and stream			(68)	-	1.00x	(0.33)	EPS (US\$/sh)		0.066	0.090	0.157	0.310	0.372
1xNAV5% US\$1700/oz - FD pre build			1,768		1.00x	8.50	CFPS before w/c (US\$/sh)		(0.20)	0.05	0.13	0.28	0.44
Assumed build equity issuance			100		1.00x	0.32	FCFPS pre growth (US\$/sh)		(0.26)	(0.51)	(0.44)	(0.09)	0.40
0.6xNAV Valuation5% US\$1700/oz - fully funded			1,868		0.60x	4.75	FCF/sh (US\$/sh)		(0.32)	(0.62)	(0.69)	(0.25)	0.07
1xNAV sensitivity to gold price and discount / NAV multiple							FCF pre growth per oz (US\$/sh)		(260)	(1,771)	(1,094)	(126)	490
1xNAV asset (US\$m)		\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	FCF yield - pre growth (%)		(9%)	(18%)	(15%)	(3%)	14%
8% discount		1,157	1,368	1,580	1,792	2,003	FCF yield (%)		(11%)	(22%)	(24%)	(9%)	3%
7% discount		1,198	1,418	1,637	1,857	2,076	EBITDA margin (%)		(58%)	34%	43%	49%	51%
6% discount		1,243	1,472	1,700	1,928	2,156	FCF margin (%)		(144%)	(122%)	(102%)	(21%)	5%
5% discount		1,293	1,531	1,768	2,006	2,244	ROA (%)		(2%)	1%	3%	6%	8%
4% discount		1,348	1,596	1,844	2,092	2,340	ROE (%)		(4%)	3%	5%	11%	13%
Valuation (C\$/sh)		\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	ROCE (%)		(0%)	7%	9%	13%	14%
0.40xNAV		2.25	2.75	3.25	3.75	4.00	EV (US\$m)		837	1,038	1,232	1,396	1,382
0.60xNAV		3.50	4.25	4.75	5.50	6.25	PER (x)		57.0x	36.6x	23.0x	12.5x	10.5x
0.80xNAV		4.75	5.50	6.50	7.25	8.25	P/CF (x)		(22.7)	117.7x	39.1x	12.3x	8.5x
Valuation over time		Today	1Q23E	1Q24E	1Q25E	1Q26E	EV/EBITDA (x)		(27.0x)	21.8x	15.3x	8.7x	7.1x
Mines NPV (US\$m)		1,850	1,536	1,789	1,934	1,963	Income statement		CY22E	CY23E	CY24E	CY25E	CY26E
Cntrl G&A & fin costs (US\$m)		(136)	(137)	(121)	(111)	(67)	Revenue (US\$m)		53	140	186	325	380
Net cash at 1Q (US\$m)		55	(129)	(233)	(319)	(304)	COGS (US\$m)		(31)	(74)	(101)	(159)	(181)
1xNAV (US\$m)		1,768	1,270	1,435	1,504	1,592	Gross profit (US\$m)		22	66	86	166	199
1xNAV share px FD + FF (C\$/sh)		8.50	6.97	6.71	7.03	7.44	G&A & central		(19)	(19)	(5)	(5)	(5)
P/NAV (x):		0.44x	0.54x	0.56x	0.54x	0.51x	Depreciation		(4)	(8)	(11)	(22)	(26)
ROI to equity holder (% pa)		125%	84%	33%	23%	18%	Impairment & other (US\$m)		32	13	15	10	1
1.2xNAV share px FD (C\$/sh)		10.20	8.36	8.05	8.44	8.93	Net finance costs (US\$m)		(20)	(27)	(39)	(43)	(31)
ROI to equity holder (% pa)		170%	121%	46%	31%	24%	Tax (US\$m)		6	(13)	(16)	(30)	(36)
Geared company C\$ 1xNAVPS diluted for mine build, net G&A and interest							Minority interest (US\$m)		--	--	--	--	--
2Q22 1xNAV FF FD (C\$/sh)^		\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	Net income attr. (US\$m)		18	12	29	76	102
9.0% discount		5.00	5.83	6.67	7.92	8.75	EBITDA		(31)	48	81	161	194
7.0% discount		5.42	6.25	7.50	8.33	9.58	Cash flow		CY22E	CY23E	CY24E	CY25E	CY26E
5.0% discount		5.83	7.08	7.92	9.17	10.42	Profit/(loss) after tax (US\$m)		(16)	12	29	76	102
2Q22 1xNAV FF FD (C\$/sh)^		\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	Add non-cash items (US\$m)		(23)	(4)	(3)	12	25
20.0% increase in cost per tonne		3.75	5.00	6.25	7.08	8.33	Less wkg cap / other (US\$m)		(8)	6	10	(10)	(4)
10.0% increase in cost per tonne		5.00	5.83	7.08	8.33	9.17	Cash flow ops (US\$m)		(47)	14	36	78	123
0.0% increase in cost per tonne		5.83	7.08	7.92	9.17	10.42	PP&E (US\$m)		(37)	(178)	(216)	(156)	(107)
-10.0% increase in cost per tonne		6.67	7.92	9.17	10.00	11.25	Other (US\$m)		(2)	(32)	(35)	--	--
2Q22 1xNAV FF FD (C\$/sh)^		\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz	Cash flow inv. (US\$m)		(44)	(220)	(258)	(163)	(109)
20.0% change in capex		5.00	6.25	7.08	8.33	9.58	Debt draw (repayment) (US\$m)		--	150	150	50	--
10.0% change in capex		5.42	6.67	7.50	8.75	10.00	Equity issuance (US\$m)		3	16	118	--	--
0.0% change in capex		5.83	7.08	7.92	9.17	10.42	Other (US\$m)		62	--	--	--	--
-10.0% change in capex		6.25	7.50	8.33	9.58	10.83	Cash flow fin. (US\$m)		65	166	268	50	--
							Net change post forex (US\$m)		(27)	(40)	46	(35)	14
							FCF (US\$m)		(85)	(164)	(180)	(79)	16
							Balance sheet		CY22E	CY23E	CY24E	CY25E	CY26E
							Cash (US\$m)		62	21	67	32	46
							Accounts receivable (US\$m)		6	7	9	16	19
							Inventories (US\$m)		29	29	20	32	36
							PPE & exploration (US\$m)		528	708	920	1,060	1,142
							Other (US\$m)		53	53	53	53	53
							Total assets (US\$m)		677	818	1,068	1,193	1,297
							Debt (US\$m)		0	150	300	350	350
							Other liabilities (US\$m)		281	244	198	137	139
							Shareholders equity (US\$m)		354	370	487	547	547
							Retained earnings (US\$m)		41	54	83	158	260
							Minority int. & other (US\$m)		--	--	--	--	--
							Liabilities+equity (US\$m)		677	818	1,068	1,193	1,297
							Net Cash		61	(129)	(233)	(319)	(304)
							Net Debt to NTM EBITDA (x)		(1.3x)	1.6x	1.5x	1.6x	1.0x
Production (100%)		CY22E	CY23E	CY24E	CY25E	CY26E							
Granite Creek (000oz)		21	65	92	92	92							
McCoy-Cove (000oz)		--	--	--	31	47							
Ruby Hill (000oz)		--	--	3	63	85							
Open Pits (000oz)		5	15	15	6	0							
Group (000oz)		26	79	110	192	224							
Group cash cost (US\$/oz)		1,187	928	915	829	807							
Group AISC (US\$/oz)		1,459	1,331	1,106	1,070	905							

Source: SCP estimates



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NEUTRAL: The stock's total returns are expected to be in line with the overall market

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TENDER: The analyst recommends tendering shares to a formal tender offering

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NOT RATED ((N/R): The stock is not currently rated

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Summary of Recommendations as of January 2023	
BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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