



Leagold Mining Corp.⁶

BUY

LMC-TSX

March 13, 2019

Last: **C\$1.94**
Target: **C\$3.00**

FLASH: Finalized study for Los Filos complex expansion shows improved economics

- Last night, Leagold released the full technical study for their combined Los Filos/Bermejil operation in Mexico. The study shows improved economics over the preliminary, summary results released mid-January (see our January 17 FLASH for more details).
- The updated results show a project NPV5%/\$1,250 of \$679m – a 20% increase to the \$565m announced earlier this year. The primary drivers of the increase are:
 - Lower heap leach unit processing costs (\$4.40/t vs \$5.50/t) due to optimized heap leach chemistry and operation
 - Optimized open pit design to optimize grade and reduce low grade tonnes resulting in a 10% increase in grade (0.89 g/t vs 0.81 g/t previously) and 9% fewer tonnes with only a 1% reduction in LOM gold production
 - Less capitalized stripping (\$37m vs \$50m)
- These improvements led to a \$55/oz reduction in expected life-of-mine AISC to \$740/oz (post-expansion AISC of \$694/oz). The optimized pit design and schedule also increase gold production in the early years of the operation. Average annual gold production from 2021 to 2024 is now expected to be 420koz/yr (up from 400koz/yr previously).
- The positive impact of the expected, improved profitability of the expanded operation is somewhat offset by a \$94m (undiscounted) increase in tax expenses over the life of the mine. Surface infrastructure initial costs of \$180m are unchanged from January announcement. Figure 1 shows a waterfall graph displaying the changes from the results from the January news release (undiscounted cash flows).

Impact: Positive

- The final feasibility study for the Los Filos mine expansion shows further improved economics over the initial (already strong) results. Increased understanding and optimization of the heap leach chemistry and required operating parameters contributed the majority of the increased NPV. The mine production profile will increase from ~210 koz/yr in 2019 to a peak in excess of 440 koz 2023. At spot gold, LMC trades at a P/NAV multiple of 0.48x, below the peer average of 0.53x and our target multiple of 0.70x. With the Los Filos expansion, Leagold has one of the highest near-term production growth profiles in our coverage universe.

Recommendation: Maintain BUY rating and \$3.00 target

Share Statistics

Shares o/s (mm, basic/f.d.)	284/296
52-week high/low	\$3.17/\$1.28
Market capitalization (mm)	\$551
Projected return	55%

All figures in Canadian dollars, unless otherwise stated.

[Current Chart](#)

[Previous Research](#)

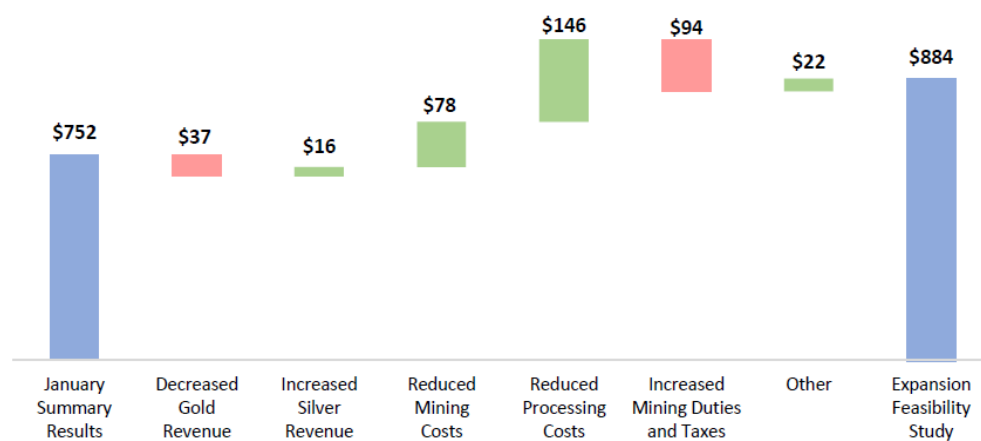
Steven Butler
sbutler@gmpsecurities.com

(416) 943-6651

Stephen Soock, P.Eng.
ssoock@gmpsecurities.com

(416) 941-0186

Figure 1. Changes in undiscounted cash flow from January results at \$1,250/oz gold



Source: LMC news release

Disclosures

GMP FirstEnergy is a trade name and division of GMP Securities L.P. ("GMP"), and a trade name of FirstEnergy Capital LLP (together with GMP referred to as "GMP/FirstEnergy"). The information contained in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does GMP/FirstEnergy assume any responsibility or liability whatsoever. Information on which this report is based is available upon request. This report is not to be construed as a solicitation of an offer to buy or sell any securities. GMP/FirstEnergy and/or affiliated companies or persons may as principal or agent, buy and sell securities mentioned herein, including options, futures or other derivative instruments thereon. Griffiths McBurney Corp. ("GM Corp."), an affiliate of GMP accepts responsibility for the contents of this research report subject to the foregoing. U.S. clients wishing to effect transactions in any security referred to herein should do so through GM Corp. GMP Securities L.P. will provide upon request a statement of its financial condition and a list of the names of its Directors and senior officers.

The superscript(s) following the issuer name(s) mentioned in this report refers to the company-specific disclosures below. If there is no such superscript, then none of the disclosures are applicable and/or required.

Company-Specific Disclosures:

- 1 GMP/FirstEnergy has, within the previous 12 months, provided paid investment banking services or acted as underwriter to the issuer.
- 2 RESERVED
- 3 GMP/FirstEnergy owns 1% or more of this issuer's securities.
- 4 RESERVED
- 5 The analyst is related to an officer, director or advisory board member of this issuer, but that related individual has no influence in the preparation of this report.
- 6 The analyst has viewed the operations of this issuer and the issuer paid all or a portion of the travel expenses associated with the analyst's site visit to its operations.
- 7 The analyst has viewed the operations of this issuer.
- 8 The analyst and/or a member of their household has a position in this issuer's securities.
- 9 A member of the Board of Directors of this issuer is also a member of the Board of Directors of GMP Capital Inc., but that individual had no influence in the preparation of this report.
- 10 The analyst owns this issuer's securities in a managed account but has no involvement in the investment decisions for that managed account.

Each research analyst and associate research analyst who authored this document and whose name appears herein certifies that:

(1) the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed herein that are within their coverage universe; and (2) no part of their compensation was, is or will be, directly or indirectly, related to the provision of specific recommendations or views expressed herein.

GMP/FirstEnergy Analysts are not registered and/or qualified as research analysts with FINRA and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account as defined by FINRA but are subject to the applicable regulatory rules as mentioned in the next paragraph.

All relevant disclosures required by regulatory rules (including The Investment Industry Regulatory Organization of Canada, and Financial Conduct Authority), GMP/FirstEnergy's recommendation statistics and research dissemination policies can be obtained at www.gmpsecurities.com or by calling GMP's Compliance Department at 416-367-8600 or toll free at 888-301-3244.

GMP/FirstEnergy Analysts are compensated competitively based on several criteria. The Analyst compensation pool is comprised of several revenue sources, including secondary trading commissions, new issue commissions, investment banking fees, and directed payments from institutional clients.

The GMP/FirstEnergy research recommendation structure consists of the following ratings:

Buy: A Buy rating reflects 1) bullish conviction on the part of the analyst; and 2) typically a 15% or greater return to target.

Speculative Buy: A Speculative Buy rating reflects 1) bullish conviction on the part of the analyst accompanied by a substantially higher than normal risk, including the possibility of a binary outcome; and 2) typically a 30% or greater return to target.

Hold: A Hold rating reflects 1) a lack of bullish or bearish conviction on the part of the analyst; and 2) typically a return of 0 to 20%.

Reduce: A Reduce rating reflects 1) bearish conviction on the part of the analyst; and 2) typically a 5% or lower return to target.

Tender: Clients are advised to tender their shares to a takeover bid or similar offer.

Country Specific Disclaimers:

Canada: GMP is a member of IIROC and a participant of the TSX, TSX Venture and the Montreal Exchange. 145 King Street West, Suite 300 Toronto, Ontario M5H 1J8 Tel: (416) 367-8600.

UK and Europe: This material is distributed by FirstEnergy Capital LLP to persons who are eligible counterparties or professional clients. FirstEnergy Capital LLP is authorised and regulated by the Financial Conduct Authority. 85 London Wall, London, EC2M 7AD Tel: +44 (0)20 7448 0200

Other countries: circulation of this report may be restricted by laws and regulations in other countries and persons in receipt of this document must satisfy any relevant legal requirements in that country.

© GMP. All rights reserved. Reproduction in whole or in part without permission is prohibited.