

# LIBERTY GOLD CORP.

## Emerging Gold Leader Primed to Shine

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### LIBERTY GOLD CORP. (OTC:BB - LBGO - \$0.75)

Price Target: \$3.00

Rating: Speculative Buy

#### COMPANY SNAPSHOT

Liberty Gold Corp. is an emerging gold and precious metals exploration company leader with a significant asset portfolio. The Company's project portfolio includes the Domestic Portfolio in Arizona and the Moneyrock Property in Alaska. The Company's stable of major gold and silver projects is well established, and management maintains an active approach to property acquisitions. The Domestic Portfolio alone has an estimated valuation of \$16.7 billion. In addition, the initiation of a new exploration program in Alaska has a potential net present value (NPV) target of \$1 billion - \$3 billion.

#### KEY STATISTICS

Price as of 8/17/12	\$0.75
52 Wk High – Low	\$1.15 – 0.20
Est. Shares Outstanding	88.3M
Market Capitalization	\$66.2M
3 Mo Avg Vol	43,500
Exchange	OTC:BB

#### COMPANY INFORMATION

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#### INVESTMENT HIGHLIGHTS

**Liberty Gold Corp. is poised to emerge as the next major gold and precious metals stock.** The acquisition-hungry Company owns significant assets in Arizona and Alaska. The Domestic Portfolio in Arizona alone has an estimated valuation of \$16.7 billion. This value should dramatically increase as the price of gold rose 7% in 2Q12, from 1Q11, despite a weak and choppy market.

**The World Gold Council just announced that total central bank gold purchases in the second quarter were more than double the level reported in the second quarter of 2011.** This is significant and bodes well for the future price of gold as central banks and related institutions are major, long term holders of the metal.

**A number of milestones in the near term should drive the stock substantially higher.** These include continued acquisitions, such as the doubling of its Alaska portfolio and the initiation of a new exploration program that has a potential net present value (NPV) target of \$1 billion - \$3 billion. Plus, increased demand for gold by European central banks and consumer demand in China, India, and Russia are also key drivers in the coming quarters.

**Given the estimated value of its Domestic Portfolio, management's history of success, and additional milestone exploration events on the horizon, we believe that LBGO is a must own stock in the gold and precious metals space.** As near term milestones occur we believe that the stock could see positive upside and reach the \$3.00 level in the near term and could ultimately approach the \$8.00 – \$10.00 range. We rate LBGO Speculative Buy.

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## COMPANY OVERVIEW

Founded in 2006, Phoenix-based Liberty Gold Corp. engages in precious metal exploration, with an emphasis on gold and silver. The Company is focused on becoming a leader in this growing industry through strategic property acquisition and environmentally friendly exploration and production in the U.S. and other countries with favorable relations with the U.S. Liberty Gold currently has a significant project portfolio of two sites located in North America. The primary project, known as the Domestic Portfolio, is 100% owned by Liberty Gold and sits on 794 acres in the Wallapai Mining district in Arizona. The Company also owns a 60% interest in the McCord Creek property covering approximately 4,620 acres near Fairbanks, Alaska located in the Tolovana Mining District within the Tintina Gold Belt. These two properties are indicative of Liberty Gold's strategy to only target regions with proven gold and silver production, in combination with industrial friendly regulatory environments. Both properties have the outstanding quality of proven production and great potential.

### Domestic Portfolio

Arizona has a rich tradition in gold production going back hundreds of years and it remains a very fertile opportunity for mining companies. In addition to Liberty Gold, industry giants BHP Billiton (NYSE – BHP), Rio Tinto (NYSE – RIO), and Newmont Mining (NYSE – NEM) all have ongoing operations in the area. Liberty Gold's 794-acre Domestic Portfolio mining operations claim block is located in perhaps the most mineralized area of Arizona. Situated in the Cerbat Mountain range on Stockton Hill, the holdings are roughly 75 miles southeast of Las Vegas and 15 miles northwest of Kingman in northwestern Arizona's Wallapai Mining District in Mojave County. The Company has a 100% interest in the Domestic Portfolio, which consists of 40 individual projects ranging in size from 16 to 20 acres each: 4 patented mining claims, 11 Federal mining claims (unpatented), and 25 pure exploration prospects.



Image I. Visible Gold Sampling Results

Source: Liberty Gold Corp. Website

According to a 2010 report on eight of the Domestic Portfolio's mining claims alone, of which four were previously producing mines, the estimated resources total ~2.48 million gold equivalent ounces. Based on a subsequent report's estimate of total resources for blocked out, assayed and geologically inferred ore (including the discovery of indium, gallium and rare earth metals), and preliminary minimum resource estimates for 25 of the Domestic Portfolio's other claims, the potential market valuation of the 33 claims is roughly \$16.7 billion. Of the 7 remaining claims (2 patented & 5 Federal), preliminary exploration related to the 5 Federal claims has shown encouraging results ranging up to 0.71 opt gold, 19.98 opt silver and 2.92% copper.

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## Company Report

Notable past production resulted from three of the claims being mined until 1952 while the Bluebell Adit was commercially mined up to 1977 with outstanding success. Between 2008 and 2010, the privately held mining company Applied Resource Science conducted a 24-month Phase One private geological survey and report on right of the mining claims. The report took into consideration records received from the Arizona Department of Mines, the US Geological Survey (USGS) report by Schrader on The Mines of Mohave County, a production report from the US Department of the Mint, and past production reports from previous owners of the properties.

The private geological survey obtained roughly 150 assay samples from continuous chip samples taken across the entire mineralized vein widths along the course of 7 miles of veins. The highly mineralized portions of veins occur on the vein footwall, ranging from 1.5 to 4 feet in width while the total vein widths often exceed 40 feet.

Management plans to drill 3 to 4 exploration holes to confirm the reserve estimates.

### McCord Creek Property

As of 3Q12, Liberty Gold has a 60% interest in the 4,620-acre McCord Creek Property gold project in central Alaska's Tolovana Mining District. The project is comprised of 33 State mining claims and holds potential for the discovery of significant gold mineralization. Liberty Gold will be the project's operator. The property is located 70 miles northwest of Fairbanks in the Tintina Gold Belt, which has produced nearly 30 million ounces (Moz) of gold to date, and has experienced accelerated gold exploration, development, and mining activity over the years.



Image II. Tolovana Mining District  
Source: Alaska Mining

We should also note that this property is also located within the eastern extension of the Livengood gold district, and immediately adjoins the eastern side of international Tower Hill Mines' (iTH) Livengood Property. This is critical as the Money Knob deposit on iTH's Livengood Property represents a resource estimate of 20.6 Moz gold (16.5 Moz Measured & indicated; 4.1 Moz inferred), making it one of the largest gold deposits discovered in 20 years.

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As is the case with the Arizona property, major players are operating and producing gold in adjacent properties. These include Kinross Gold's (NYSE – KGC) which produces over \$1 million of gold equivalent per day. Plus, to the southeast of the property is the Pogo mine, which produced 324,722 troy ounces of gold in 2011. As of Q1 2012, Pogo represented total gold deposits of 5.0 Moz with an average grading of 0.402 ounces/ton.

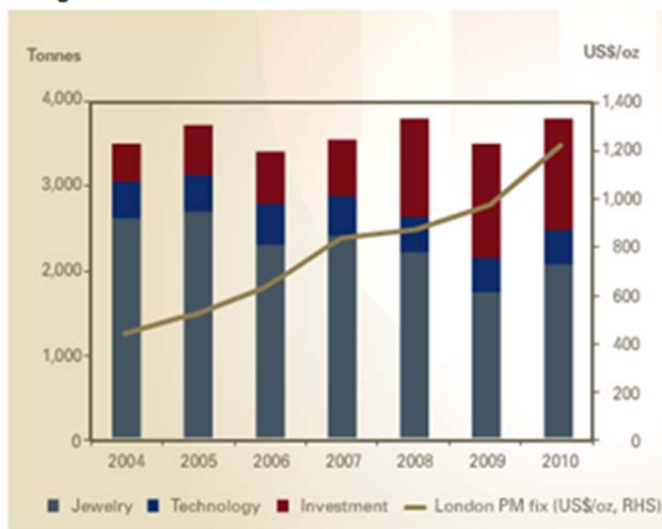
Also in 2011, a program of grid-based, power auger assisted soil sampling and rock sampling was completed on Liberty Gold's McCord Creek property. The work program resulted in the discovery of 5 gold-in-soil anomalous zones with the maximum soil value exceeding 100 ppb gold. As a result, in 3Q12 the Company commenced an exploration program to evaluate the prospect's mineral potential and define drill targets for the 2013 field season.

A minimum target size for gold would be 3 to 5 Moz contained in a bulk tonnage grading in the order of 1 gram per tonne (gpt). The potential net present value (NPV) for geological exploration targets of this magnitude is in the order of \$1 billion - \$3 billion.

## INDUSTRY OVERVIEW

The rising price of gold due to economic uncertainty has spawned a gold boom in recent years. Figure 1 shows the rise of demand in gold by industry (bar-columns) and price (line) from 2004 through 2010. The three main uses of gold, which is in jewelry, technology, and investment, averaged a combined 17% growth rate over this period. Figure 2 illustrates a gold price forecast from Credit Suisse in 2010. Since the end of 2011 there has been some price reduction followed by stabilization, but with worldwide unstable economic conditions and a temporary blip in consumer demand of late from Asia, most analysts agree demand will increase later in the year.

Figure 1: Worldwide Demand and Price for Gold



(Source: World Gold Council's World Demand Feb 2011)

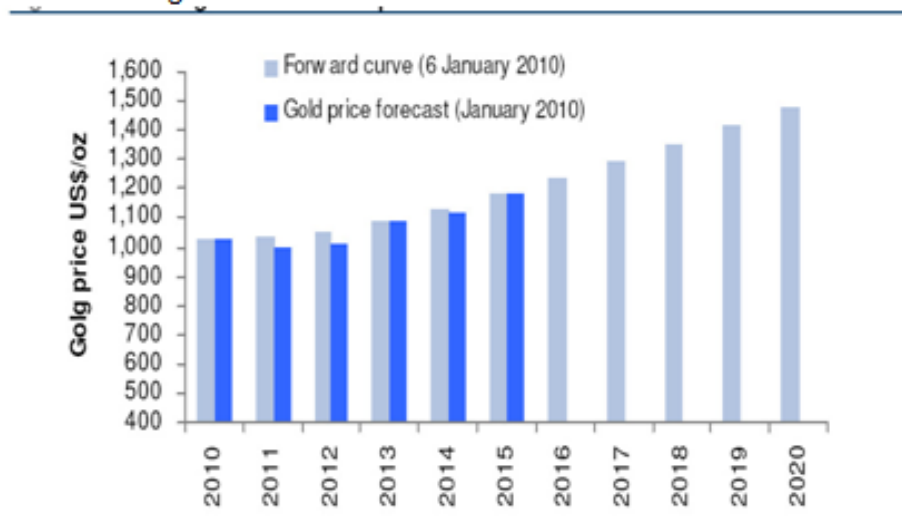


## Company Report

Another positive indicator comes via a recently released report issued by The World Gold Council. The Council announced that total central bank gold purchases in the second quarter were more than double the level reported in the second quarter of 2011. This is significant and bodes well for the future price of gold as central banks and related institutions are major, long term holders of the metal.

Although many gold forecasts now hover around the \$1,700 mark (versus the recent \$1,618 price), a wild card that could increase the price even further could be sparked if the U.S. Federal Reserve implements a further round of quantitative easing. In any event, whether it is driven by consumer demand in Asia, central bank purchases, or a troubled currency market, gold is likely to be driven higher and could even reach the magic \$2,000 mark in the next 2-3 years.

Figure 2: 2010 Gold Price Forecast Credit Suisse



Source: Standard Bank, Credit Suisse Standard Securities estimates

## THE LIBERTY GOLD TEAM

### **Bruce Walsham – Chairman and Director**

Bruce represents over 50 years of highly varied international experience in more than 100 countries evaluating over 50 commodities, ranging from geological work in underground and open pit mines to exploration management positions and executive and Chief Executive positions concerned with all aspects of mining company business, from the flotation of a company as a publicly listed vehicle to advising governments and boards on mineral and exploration matters. Earlier in his career, Bruce gained invaluable experience in exploration as a member of teams that discovered various gold, copper, silver-lead-zinc, chrome and tin mines in Africa, Europe, Australia and the Americas. Moving up to management positions, Bruce was President of Freeport McMoran Australia Inc. from 1979 through its flotation on the ASX in 1987, with a market cap of >AUD350M until its merger in 1989 after building the Karonie gold and Bow River diamond mines in Western Australia. Subsequently, as executive Chairman and CEO of Panorama resources N.L. Perth from 1993-1998, he was responsible for raising (AUD) \$30M for international projects while acquiring large goldfield titles and multi-metal mineral concessions in various countries.

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Bruce is currently the Chairman, President and CEO of Kansai Mining Corporation. He has also held Directorship positions on several public company boards, including the major Australian gold company Aurora Gold Ltd. (1994-1999), as Chairman of Border Gold N.L (1995-1996), and Tanganyika Gold N.L (1997-1999). Bruce earned a BSc. (Hons) Geology from University of Birmingham, and has had various papers and technical notes published. Bruce was the keynote speaker at the SMI Mining Conferences 1998 to 1999 London, and has acted as lecturer on Mining Law, economic Mineral Analysis, exploration modeling, and Foreign Mineral enterprises.

## **Lynn Harrison – President, Chief Executive Officer**

Lynn Harrison's career spans over 30 years and represents comprehensive experience across senior roles and industries while working with numerous international blue-chip companies, such as Rolls Royce, Tata Steel Group, and Siemens Technologies. Her activities in Business Consultancy, Management Consultancy and Financial Services have more recently led to her involvement in the Advanced Engineering & Metals sectors.

Lynn formerly ran a successful consultancy, which provided director level assistance to mid- and large-scale business communities, empowering them to achieve their maximum potential. Her previous experience also included projects that attracted millions of dollars' worth of funding for Local Authorities.

Recently, Lynn was recruited to manage and develop the networks of special metals groups –manufacturers and engineers – for the UK National Metals Technology Centre (NAMTEC), where her finance and business development background has been essential in supporting this world-acclaimed industry sector. The role calls for the management of relationships and collaboration between noted metallurgists, businesses, funders and academics.

Lynn's earlier career experience included working in a senior staff capacity with major international organization Aviva, the UK's largest insurance company with divisions across all continents. She also served as Business Development Manager at Prudential Assurance. Prudential is one of the UK's largest life insurers, and has operations around the world, including in the UK, US and Asia. Lynn achieved all three levels of Financial Consultancy certificates from the Chartered insurance institute in the mid-nineties, and has also acted as a consultant on the training programs of several multi-million dollar organizations.

## **John Cost – Lower 448 Exploration Advisor**

John represents 30 years of experience in Mechanical Engineering and Metallurgy while also being a proven entrepreneur, U.S. patent recipient, pilot, and the founder/operator of a privately owned mining and exploration company. His degrees in Metallurgy prepared John for the wide range of industrial and refining applications he would be involved with over the course of his career. Starting with the Valenite Division of the Valeron Corporation, John was involved in the development of synthetic diamond cutting tools from carbon and cobalt.

John went on to design, build and manage a state of the art precious metal refinery for secondary brass and bronze ingot produce R. Lavin and Sons, and manage the Precious Metals Division of Sipi Metals Corporation, during which time the company became one of America's largest privately owned secondary refiners.

In 2007, John started his privately owned mining and exploration business, Applied Resource Science (ARS), in response to escalating metal prices and the growing demand for precious metals and mineral rights. Drawing on his many years of experience in the refining business, John continues to leverage his technical edge in sampling and processing techniques.

## **RISK FACTORS**

In our view, LBGO's biggest risk factors are a not achieving success in "striking gold" in one or more of properties. Considering the large properties, numerous claims, and significant exploration and production success in and around these properties, we deem it unlikely that LBGO will not execute. A near term risk is access to capital. In order to fund continued exploration and then production, LBGO management must maintain access to capital. Moreover, this access to capital must be the raising of funds through debt and/or equity that will be favorable to investors. With a strong management team that has built and operated substantial, publicly-traded mining companies, we are confident that LBGO will be in solid financial shape.

## **CONCLUSION**

There is a lot to like about Liberty Gold Corp. Management has a long history of success in building and operating major mining operations and the Company's strategy of targeting regions with proven gold and silver production, in combination with industrial friendly regulatory environments. Plus, both properties have the added bonus of being virtually surrounded by major industry players with proven, substantial production success in their respective regions. Clearly, the stock is undervalued at current levels.

Given the estimated value of its Domestic Portfolio, the estimated NPV of the Alaska property, and additional milestone exploration and acquisition events on the horizon, we believe that LBGO is a must own stock in the gold and precious metals space. As near term milestones and higher gold prices occur, we believe that the stock could see positive upside and reach the \$3.00 level in the near term. Moreover, depending upon the level of success, LBGO could ultimately approach the \$8.00 – \$10.00 range. Thus, we rate LBGO Speculative Buy.

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## Recent Trading History For LBGO

(Source: barchart.com)

LBGO - Liberty Gold - Daily OHLC Chart





## Company Report

**Analyst: Robert Goldman**

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

**Analyst Certification**

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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