

# Loncor Resources

## Barrick Starts Quest for Kibali-2

### Loncor Resources Inc.

Ticker: LN: TSX; OTCQB: LONCF

Share price: C\$0.60

Market cap: C\$61.4m

Shares Out: 102.2m

Options: 5.1m

Shares (Fully Diluted): 107.0m

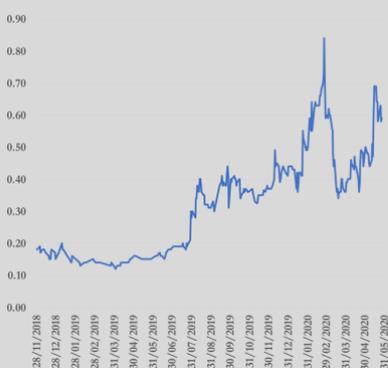
CEO: Arnold T. Kondrat

President: Peter N. Cowley

Major Shareholders:

Arnold T. Kondrat: 29%

Resolute Mining: 27%



Prices as of the close: 28 May 2020

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Drill rigs have made it through customs and are at the Kibali mine in the DRC, according to Loncor's recent exploration update. Referencing news from joint venture partner Barrick, these rigs will start drilling priority targets in the Ngayu Greenstone Belt this quarter. **Barrick's quest to find another Kibali gold mine has started!**

Loncor also commented in the report that, 'At the time of reporting, of the eleven Areas of Interest identified during the last quarter, eight had been evaluated for potential of hosting Tier 1 deposits. Two of the eight assessed did not pass the preliminary indicators to host tier 1 deposits.' – **Implying that six targets did pass the preliminary indicators to host tier 1 deposits!**

The first target to be drilled is expected to be **Anguluku**, where six holes are planned. Depending on results, additional holes will be drilled at Anguluku or the drills will be moved to Salisa/Lybie where an initial twelve holes are planned.

It's testament to Loncor's management and to the prospectivity of their concessions that Loncor has an exploration joint venture with Barrick. After all, Barrick has a market capitalisation of C\$60.5 billion and Loncor has a market capitalisation of C\$61.4 million. But despite the difference in size, **the rewards for both companies are potentially enormous.**

### To understand why, it's important to understand the geology.

Banded Iron Formation (BIF)-hosted gold deposits are prized exploration targets because of their **scalability**, and potential to become giant mines. One of the best examples is the Homestake Mine in South Dakota. Discovered in 1874, it produced over **40 million ounces of gold** until it closed in 2002. A period of 128 years. Other examples include Geita, Cuiabá, Musselwhite, Lupin and of course Kibali. BIF-hosted gold deposits are associated with greenstone belts where host strata (ie the banded iron formation) has generally been **folded** and **deformed**. From an exploration perspective, the cracks and voids created around structural folds are where the gold is often found. To recap, the common characteristics of these deposits are **banded iron formations** within **greenstone belts** with **structural folds**. The Ngayu greenstone belt has extensive banded iron formations with significant deformation. In fact, a huge 30km-long structure, known as the Imva fold, is found within Loncor's extensive exploration concessions.

Ngayu is already known to contain gold and is significantly bigger in scale than the Geita Greenstone Belt. **All the key exploration ingredients are here. This is why Loncor and Barrick are exploring the Ngayu project. They're looking for giant, Tier-1 gold deposits.**

Loncor have the best of both worlds: An ideal joint venture partner in Barrick. And an ability to control their own destiny by exploring their own highly prospective deposits.

Loncor has a simple three-prong strategy;

- ***The Barrick Joint Venture (JV)*** - Drilling imminent.
- ***Extend Loncor's own deposits*** - The Adumbi deposit within Imbo has just surged to 2.19M ozs. of Inferred Resource – 12 further planned holes should really put it on the radar screen for many.
- ***Brownfield exploration*** - The extra geological spice within Imbo and other areas, guided by prolific artisanal workings and subsequent fieldwork.

In this note we focus on the Barrick JV and Loncor's own deposit, Adumbi, which both have important upcoming catalysts.

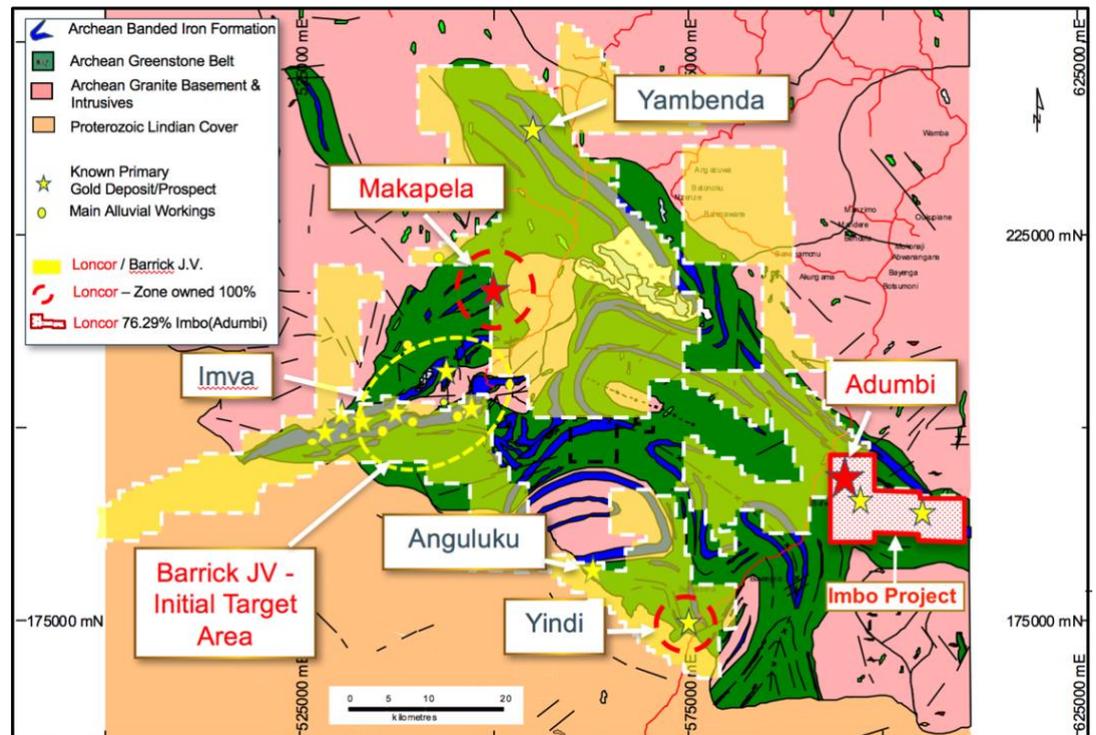
**The Barrick JV:** The JV agreement, signed in 2016 with Barrick (formerly Randgold) covers much of Loncor's Ngayu greenstone belt acreage (1,894km<sup>2</sup>) but excludes the recently acquired Imbo license, and certain parcels of land surrounding and including the Makapela and Yindi prospects - see figure 1 on the following page. Barrick operate the highly successful Kibali Gold Mine 200km away and are clearly looking for other DRC successes in similar geological settings.

This is where things get exciting! **Following a lengthy period since the JV was signed, Barrick (operator of the JV) now has drill pads in place, rigs are in transit and drilling imminent!**

Recent Barrick presentations (i.e. Kibali Media Day – 27 January 2020) have mentioned Ngayu exploration, highlighting 'infrastructure and drill targets for 2020.' – figure 2 defines the six initial targets that the two drills will focus on.

The appeal for Loncor investors is that Barrick **fund all exploration of the permit areas** until the completion of a pre-feasibility study on any gold discovery meeting Barrick's investment criteria. Each gold discovery meeting these criteria will then be split 65% Barrick / 35% Loncor.

**Figure 1: Loncor's Dominant Footprint on The Ngayu Greenstone Belt.**



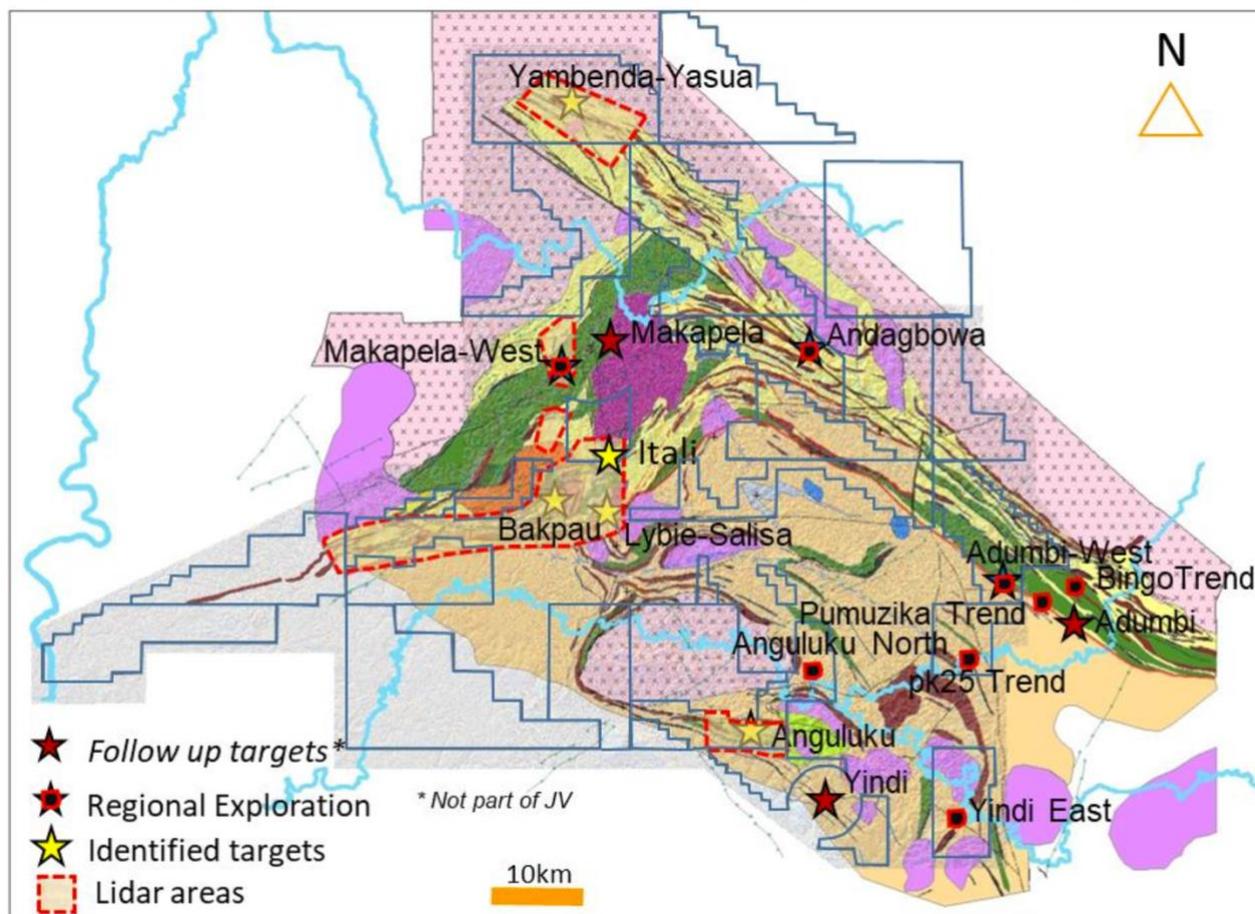
Source: Loncor Resources.

Loncor's map above (figure 1) and Barrick's map on the following page (figure 2), both show the **Anguluku** target where Barrick plan to drill the first 6 holes.

Barrick's exact thinking for drilling Anguluku first is not known but we do know that Banded Iron Formations form a significant part of the local stratigraphy at Anguluku and this can act as both physical and chemical traps for hydrothermal fluids, leading to the deposition of gold.

We also know that it has well-defined IP chargeability anomalies associated with E-W structures. And that disseminated mineralisation has been sampled within schists including trench sampling of 5 m at 5.5 g/t Au. (Note: schist is a medium grade metamorphic rock formed from mudstone or shale). Strong stream sediment anomalies have also been identified and are associated with a NW structure.

Figure 2: Ngayu Belt. Developing Prospectivity, Work Programs and Drill Targets for 2020.



(From Barrick Q1 2020 joint venture report)

### Loncor's Own Deposits:

**Adumbi** and neighbouring deposits show all the early signs of a **company-maker** with over 2.5M oz of resources at open pit grades similar to the record-breaking Kibali Mine, 200kms away.

The Imbo Project area (76.29% Loncor) hosts 2.5 million ounces of inferred resource. With the significant recent growth of the Adumbi deposit, the higher grade Kitenge and Manzako deposits, and numerous brownfield targets, Imbo is the likely area that investors and corporates alike will show growing interest in.

In addition to the Barrick JV, it's important to understand the value and potential within projects controlled and operated by Loncor. With a team that has already discovered close to 13 million ounces of resources in the DRC, Loncor knows the pertinent geological settings that translate into significant deposits.

Our attention is firmly on **Adumbi** within Imbo – see red outline in figure 1. Loncor picked up the project in September 2019 when the Company acquired further concessions in the Ngayu greenstone belt from Kilo Goldmines.

Loncor recently issued a revised resource statement (see figure 3) for the Imbo Project which increased inferred resources by 49% to 2.5 million

ounces of gold. **Adumbi alone now has 2.19 million ounces of gold in inferred resources**, up from approximately 1.36 million ounces previously.

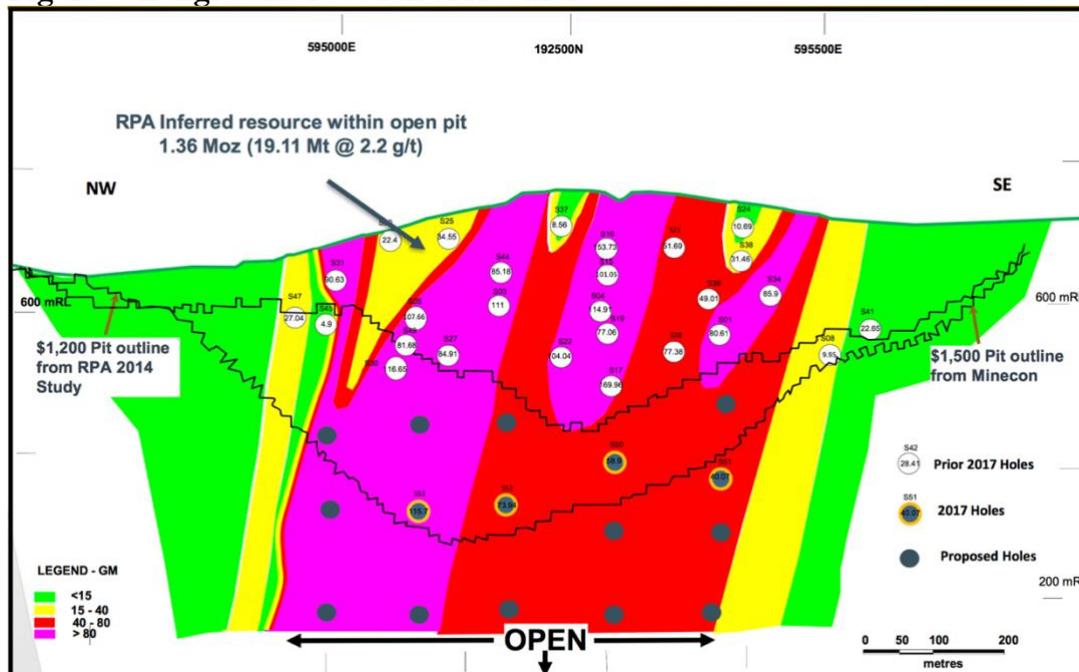
**Figure 3: Imbo Project: Inferred Mineral Resource, 17 April 2020.**

Deposit	Tonnage (Tonnes)	Grade (g/t Au)	Contained Gold Ounces
Adumbi	28,970,000	2.4	2,190,000
Kitenge	910,000	6.6	191,000
Manzako	770,000	5.0	122,000
<b>Total</b>	<b>30,650,000</b>	<b>2.5</b>	<b>2,503,000</b>

Source: Loncor Resources, TSX release 17 April 2020.

The resource statement, revised by Minecon, used a \$1,500 pit outline as shown in figure 4 and considered four holes drilled in 2017, three of which made it inside the \$1,500 pit shell.

**Figure 4: Longitudinal Section of Adumbi.**



Source: Loncor Resources, TSX release 17 April 2020.

Hot on the heels of the Adumbi resource upgrade from re-assessing existing results plus incorporating the four 2017 drill holes, **Loncor want to drill another 12 holes**. Proposed holes are indicated in figure 4 above and we believe they will be low-risk, high impact drill holes, likely to significantly increase the resource again.

Loncor’s President Peter Cowley commented on Adumbi as follows;

“We are very encouraged by the significant increase in mineral resources at the Adumbi deposit, which was developed from exploration conducted during the period 2014-17, following on

from the recommendations from the independent RPA study in 2014. We now have a clear strategy going forward to increase the mineral resources on the Imbo Project by undertaking additional drilling and advancing the project up the value curve by initiating a Preliminary Economic Assessment on the Adumbi deposit. **Significant potential still exists at Adumbi to increase and upgrade mineral resources within the open pit as well as underground potential since the mineralization remains open at depth.”**

In our opinion, growing the inferred resources at Adumbi will attract attention.

Interestingly, a presentation from Barrick on 1 March 2020 highlighted their investment criteria for new projects. Amongst the criteria mentioned;

‘It is located in a world class geological gold district.’

‘Tier 1: A reserve potential greater than 5 million ounces of gold and at least a +15% IRR at the long-term gold price.’

‘Tier 2: A reserve potential greater than 3 million ounces of gold and at least a +20% IRR at the long-term gold price.’

If we compare, Adumbi’s shallow and potentially open pit 2.2 million ounces of inferred resources (28.9 million tonnes at 2.4 g/t Au) to Kibali’s open pit resource, Adumbi seems to be shaping up well!

Figure 5: Summary of Kibali Gold Mine's Resources, dated end December 2019

Type	Category	Tonnes (Mt)	Grade (Au g/t)	Gold (Moz)	100% cont.
Open pits	Measured	11.8	2.43		0.9
	Indicated	33.3	2.63		2.9
	Inferred	11.1	2.00		0.7
U/G	Measured	20.4	4.94		3.3
	Indicated	62.2	3.66		7.3
	Inferred	15.5	4.10		2.1

Source: Barrick Gold Public Data

Kibali’s resource grade increases in the underground resources. Intriguingly, at Adumbi, the four deeper drill holes in 2017 (see figure 6) showed increasing grade from the shallower resource, which bodes well for the underground potential.

Figure 6: Adumbi's 4 Deeper Drill Holes Drilled in 2017

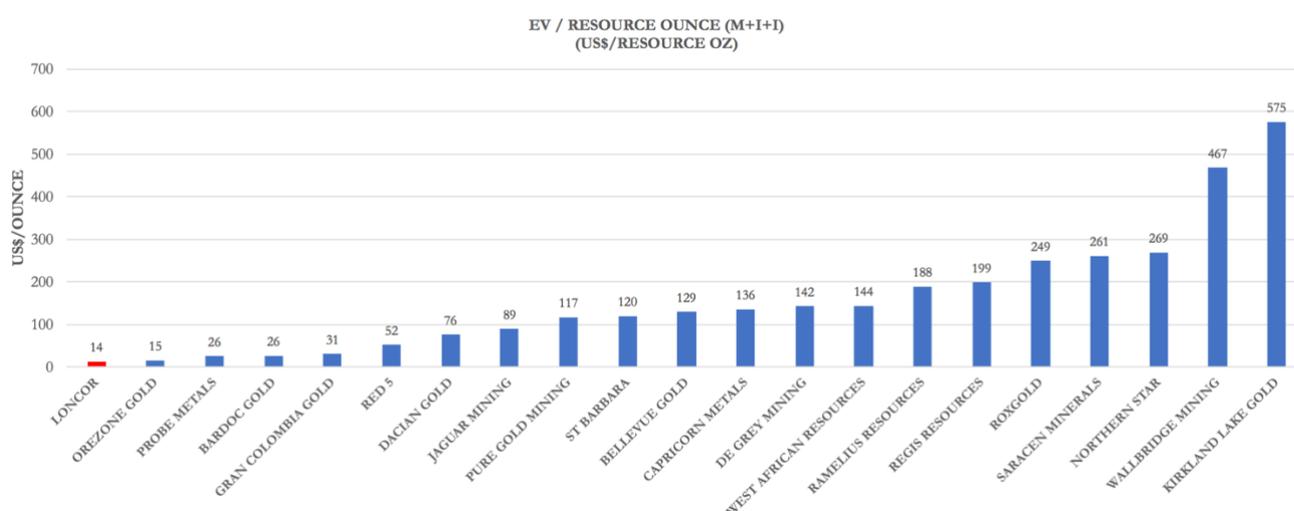
Borehole	From (m)	To (m)	Intercept Width (m)	True Width (m)	Grade (g/t) Au
SADD 50	434.7	447.4	12.7	10.7	5.5
SADD 51	393.4	402.7	9.3	6.5	4.1
SADD 52	389.7	401.8	12.2	7.0	3.2
	419.1	428.8	9.6	5.5	5.0
SADD 53	346.4	355.6	9.3	5.7	3.7
	391.7	415.2	23.5	14.4	6.1

Source: Loncor Resources, TSX release 17 April 2020.

Loncor's own deposits are not limited to Adumbi or the Imbo Project license. **Makapela** and **Yindi** are both 100% owned by Loncor and are shown in figure 1. These projects are carved out of the concession area agreement with Barrick. At the Makapela deposit, the Company has already drilled out a high-grade vein system and delineated **Indicated Mineral Resources of 614,200 ounces of gold** (2.2 million tonnes grading 8.7 g/t Au) and **Inferred Mineral Resources of 549,600 ounces of gold** (3.22 million tonnes grading 5.3 g/t Au). The deposit is still open at depth and further exploration is warranted to outline additional resources. The significance of these projects cannot be understated. Adumbi, Makapela and Yindi all have fabulous potential and allow Loncor to control their own destiny regarding exploration.

#### Enterprise Value per Resource Ounce (Au):

In addition to the Barrick JV, Loncor already has over 3 million ounces of Resources in total. Despite this, the market is vastly undervaluing the Company, assigning an Enterprise Value (EV) per Resource ounce of only US\$14.



**Conclusion:**

Loncor operates in a world class geological gold district. Hence why they've attracted Barrick as a joint venture partner. Drilling is imminent on the Barrick JV ground, funded and operated by Barrick. We hope to see assay results in H2 2020.

At the same time, Loncor can control their destiny by drilling their own projects in the Ngayu greenstone belt. Adumbi and neighbouring deposits already hold 2.5 million ounces of inferred resources. Looking at Adumbi in isolation, the recent resource re-assessment that included 4 more drill holes, increased inferred resources by 0.8 million ounces, bringing the deposit total to 2.19 million ounces in inferred. With Loncor proposing a 12-hole program to extend the resource further, we await the results with interest. This project is showing signs of becoming a company-maker. Something that will not be lost on major gold miners looking to boost their portfolio.

Loncor is emerging from hibernation and things are about to get interesting!

## APPENDIX

### Banded Iron Formation(BIF)-Hosted Gold Mines.

#### Homestake:

Discovered in 1874, the Homestake mine in South Dakota produced over 40.0 million ounces before it was shut down in 2002.

According to Mindat, 'local rocks include sedimentary iron formations' and 'the rocks are in a set of large isoclinal folds that have been refolded by two sets of smaller folds, which result in extremely complex configurations.'

At the Homestake Mine, the orebodies were a group of 'pencil like' ore shoots parallel to the plunging fold axes to which they are confined. The orebodies outcrop sporadically within an area of 4 square kms, and by 1991 had been followed some 7 km down plunge to a depth of 2440 m below the surface (Caddy, et al., 1991).

#### Kibali:

The Kibali mine (45% Barrick, 45% AngloGold Ashanti and 10% SOKIMO) remains one of the largest gold mines in Africa. In 2019, it produced 814,027 ounces of gold at AISC of US\$693 per ounce.

First gold was poured in 2013 and at 31 December 2019, the Kibali Mine on a 100% basis still had 9.2 million ounces of gold in Reserves at a grade of 4.2 g/t Au.

According to AngloGold Ashanti, gold deposits of the Kibali district are classified as Archaean orogenic gold deposits. At Kibali, the gold deposits are largely hosted in siliciclastic rocks, BIF and chert that were metamorphosed under greenschist facies conditions. The location of the individual lodes within the KCD deposit are intimately controlled by the position, shape, and orientation of a series of gently northeast-plunging tight to isoclinal folds. ACSA-B alteration is also commonly focused along the margins of more extensive BIFs, indicating a stratigraphic as well as structural control to the distribution of ore, both within KCD, and the wider KZ Trend.

According to Barrick, the KCD zone host rock consists of an interlayered sedimentary package consisting of banded Iron Formation (BIF).

#### Geita:

In 1936, the first Geita deposits were discovered and by 1966, three mines had produced almost 1 million ounces of gold. After a period of closure, the mine was brought back into production in 2003 and by 2015 Geita had produced over 7 million ounces of gold. (AngloGold Ashanti).

In 2019, it produced 604,000 ounces of gold at AISC of US\$894. The average recovered grade was 3.6 g/t Au. Mineral Resources (M+I+I) at 31 December 2019 were 6.6 million ounces (61.6 million Tonnes at 3.4 g/t Au).

Geita's gold mineralisation is preferentially hosted in BIF, cherts and ironstones that have been affected by both ductile and dominant brittle deformation associated with shear zones. The

shears preferentially exploit fold axial planes as well as the contacts between the supracrustal and intrusive rocks (AngloGold Ashanti).

**Musselwhite:**

The Musselwhite Mine, located in Ontario, Canada, has produced over 3.0 million ounces of gold since 1997. It currently has 2.1 million ounces of gold in Reserves at an average grade of 6.5 g/t Au. Geologically, Musselwhite's gold-bearing zones lie within the Weagamow-North Caribou greenstone belt of the Sachigo sub-province. The supracrustal rocks have been folded and gold mineralisation is generally found within iron formation horizons characterised by oxide-silicate facies.

Production had a set-back in 2019 following an underground fire but in 2018 the mine produced 205,000 ounces of gold at AISC of US\$909 per ounce.

**Cuiabá:**

Cuiabá is a gold-only Archaean BIF-hosted gold deposit located in the Iron Quadrangle in Brazil. The deposit consists of an intermediate meta-mafic sequence of the Archaean greenstone belt type. It is characterised by hydrothermal alteration of the rocks, with the mineralisation occurring mainly in BIF layers, subordinate quartz veins or in schists. The host to the gold mineralisation is the volcano-sedimentary Nova Lima Group that occurs at the base of the Rio das Velhas Supergroup.

Cuiabá Mine has gold mineralisation associated with sulphides and quartz veins in BIF and volcanic sequences. Structural control and fluid flow are the most important factors for gold mineralisation with a common association between large-scale shear zones and their associated structures. Where BIF is mineralised, the ore appears strongly stratiform due to the selective sulphidation of the iron rich layers. Steeply plunging shear zones tend to control the ore shoots, which commonly plunge parallel to intersections between the shears and other structures. (AngloGold Ashanti).

The mine, owned by AngloGold Ashanti, has produced over 6 million ounces of gold to date and at 31 December 2019 had 5.3 million ounces in Resource. (21.9 million tonnes at 7.5 g/t Au).

**Lupin:**

The Lupin deposit is a banded iron formation located 80km south of the Arctic Circle, in Nunavut, Canada. It was discovered in 1960 and produced over 3 million ounces of gold during operation from 1982 until 2005. (Kinross).

According to WPC Resources, in 2011, Elgin Mining Inc. re-evaluated the Lupin database to prepare an updated Lupin resource estimate. Using 5 grams gold per tonne (g/t) over a minimum horizontal width of 2.5 metres as a lower cut-off, an inferred resource was estimated to contain 1,110,000 tonnes grading 11.3 g/t, containing 403,000 ounces of gold.

REPORT END

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