Action Summary – 14 July 2023

Analyst Theodore R. O'Neill **is initiating coverage of LZG International, Inc.**

- **We are initiating coverage of LZG International, Inc. with a Buy rating and a $5.00 price target.** Under its FatBrain AI and other brands, it offers a comprehensive suite of Artificial Intelligence (AI) solutions that work by plugging into existing software-as-a-service (SaaS) products like QuickBooks, Shopify, Salesforce, Slack and HubSpot, as well as hundreds of other applications.
- **The market is large and growing rapidly**. FatBrain is a pioneering AI Solutions company mainly focused on Small and Medium-sized Enterprises (SMEs). A recent report by PwC predicts that the widespread adoption of AI Solutions will propel the global GDP to 14% growth by 2030.
- **Near profitability**. The company has growing revenues and we expect it to reach profitability in fiscal 2024.
- **Initial growth through acquisitions**. The company has made several acquisitions in the past year. This expands FatBrain's capabilities and market reach, enabling the company to provide comprehensive AI solutions to a wide range of industries and SMEs.
- **Shares appear to be priced significantly below absolute and comparative metrics.** While our $5.00 price target is based on discounted future earnings, a comparable analysis looking at similar AI companies suggests the share price, using peer average metrics, would be higher than our current price target.

7/13 Closing price: $0.92	**Market cap: $154 million**	**Multiple of book: 8.2**	**EV/2024 Sales: 0.99**
Shares outstanding: 167 million	**Insider ownership: 72%**	**Avg. trading volume: <10,000**	**Dividend/Yield: NA/NA**

GAAP estimates (EPS in dollars – Revenue in USD millions)

Period	EPS	Revenue	Op Margin
1Q22A	($0.00)	$0.00	
2Q22A	$0.00	$0.04	
3Q22A	$0.03	$0.04	
4Q22A	($0.03)	$0.13	
FY22A	($0.06)	$0.21	NMF
1Q23A	($0.03)	$2.43	NMF
2Q23A	($0.02)	$6.94	NMF
3Q23A	($0.00)	$9.56	16.8%
4Q23E	($0.06)	$22.8	(45.6%)
FY23E	($0.11)	$41.7	(34.0%)
1Q24E	($0.02)	$16.0	(8.8%)
2Q24E	($0.00)	$23.0	3.0%
3Q24E	$0.02	$30.0	16.0%
4Q24E	$0.03	$35.0	20.0%
FY24E	$0.03	$104.0	10.7%

Note: Numbers may not add due to rounding or share count. See our full model at the back of this report.

Cash balance (in USD millions)

•	2021A	•	$0.01
•	2022A	•	$0.08
•	2023E	•	$3.57
•	2024E	•	$5.89

LT Debt (in USD millions)

•	2021A	•	$0.05
•	2022A	•	$0.00
•	2023E	•	$14.0
•	2024E	•	$5.00

Risks/Valuation

- Risks include acquisition integration, highly competitive business, commercial development, and marketing.
- Our $5.00 target is derived using a discounted future earnings model.

Company description: LZG International provides powerful and easy-to-use AI solutions under its FatBrain AI and other brand names to empower the enterprise stars of tomorrow to grow, innovate, and drive the majority of the global economy. FatBrain's AI 2.0 technologies and advanced data services transform continuous learning, narrative reasoning, large language models, cloud, blockchain and Web3 technologies into auditable, explainable and easy to integrate AI solutions. FatBrain's global delivery includes a 600-strong team across design, and development centers in the US, UK, India, and the Republic of Kazakhstan.
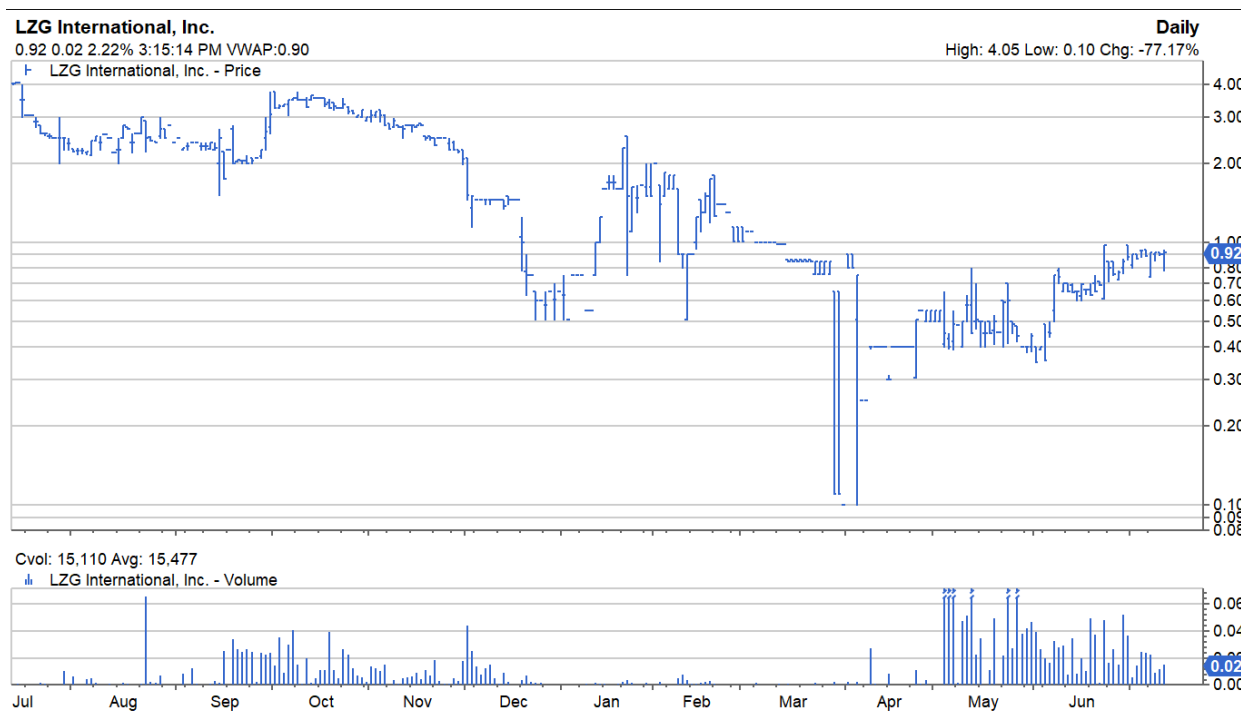
Source: FactSet

Investment Thesis

We are initiating coverage of LZG International, Inc. with a Buy rating and a $5.00 price target. Under its FatBrain AI and other brands, it offers a comprehensive suite of Artificial Intelligence (AI) solutions that work by plugging into existing software-as-a-service (SaaS) products like QuickBooks, Shopify, Salesforce, Slack and HubSpot, as well as hundreds of other applications.

The market is large and growing rapidly. FatBrain is a pioneering AI Solutions company mainly focused on Small and Medium-sized Enterprises (SMEs). A recent report by PwC predicts that the widespread adoption of AI Solutions will propel the global GDP to 14% growth by 2030.

Near profitability. The company has growing revenues and we expect it to reach profitability in fiscal 2024.

Initial growth through acquisitions. The company has made several acquisitions in the past year. This expands FatBrain's capabilities and market reach, enabling the company to provide comprehensive AI solutions to a wide range of industries and SMEs.

Shares appear to be priced significantly below absolute and comparative metrics. While our $5.00 price target is based on discounted future earnings, a comparable analysis looking at similar AI companies suggests the share price, using peer average metrics would be higher than our current price target.

Valuation Methodology

We believe LZGI is undervalued, and we support that belief with two valuation techniques: discounted future earnings and sales metrics relative to peers. To determine our price target, we use a discounted future earnings model. The following valuation techniques are being used:

1) The discounted value of all future earnings, used for our price target (see Figure 2)
2) Valuation based on peer sales metrics (see Figure 3)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of $5.00 is based on a discounted earnings model. Figure 2 shows the implied value of all future earnings discounted at 12% and implies a stock value of $4.82, which we round to $5.00.

Figure 2 – LZG International, Inc. – US$ Discounted Future Earnings

	Implied Value	$4.82
Years	**EPS**	**Discounted EPS**
FY24	$0.02	$0.02
1	$0.15	$0.13
2	$0.25	$0.20
3	$0.35	$0.25
4	$0.45	$0.29
5	$0.55	$0.31
	Terminal Value	$3.62

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 3 is a summary of our LZGI peer comparison. The shares are trading at a significant discount to peers. LZGI stock not only trades at a discount to peer averages, but it also trades near the bottom of all metrics despite having very high profit margins. If the stock were to trade at our price target, its Market Cap / Sales would still be below average. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.   A detailed list of peers can be found in Figure 7.

Figure 3 – LZG International, Inc. – Summary Comparison to Peers

2024 Metric	Market Cap/Sales	EV / Sales	Price / Book	EV / EBITDA	PE
Average	7.17	6.76	9.89	26.77	36.89
LZGI	0.92	0.99	8.19	6.72	9.0
Discount to peers	87%	85%	17%	75%	76%

Source: Litchfield Hills Research LLC and FactSet

Guidance and Financial Forecasts

The company reports on a May ending year but has provided calendar year annual guidance along with revenue guidance for F4Q23 of $22.88MM.   On May 31, it said the Company projects to beat its calendar revenue guidance of $72MM.

The company recently provided additional F4Q23 guidance that it would book a $21.5MM contract with the Kazakhstan Ministry of Digital Transformation with a 3.5% margin and that this would facilitate lowering engineering costs. We believe it will be profitable in fiscal 2024.

Our estimates for 2024 are consistent with its estimates for continued growth. Specifically, the company has provided guidance for the calendar, not fiscal 2023-2027 as shown in Figure 4.

Figure 4 – LZG International, Inc. – Company Supplied Guidance

Consolidated Pro-forma Income Statement
(US$ '000)

	2023P	2024	2025	2026	2027
Revenue					
Subscription	$ 64,291	$ 137,591	$ 294,562	$ 628,545	$ 984,520
Services	7,285	12,781	25,421	62,938	99,438
Total Revenue	71,576 *	150,372	319,983	691,483	1,083,958
		110%	113%	116%	57%
COGS-Subscription	8,429	18,591	38,042	72,946	113,946
COGS Services	3,906	6,882	11,540	18,652	21,652
Total COGS	12,335	25,473	49,582	91,598	135,598
Gross Margin	59,241 **	124,899	270,401	599,885	948,360
	82.8%	83.1%	84.5%	86.8%	87.5%
OPEX					
R&D	18,268	54,222	108,275	234,815	354,199
S&M	22,775	37,910	94,375	224,325	344,649
G&A	7,808	10,657	19,564	31,432	79,422
Total OPEX	48,851	102,789	222,214	490,572	778,270
EBITDA	$ 10,390	$ 22,110	$ 48,187	$ 109,313	$ 170,090
	14.5%	14.7%	15.1%	15.8%	15.7%
Clients	2,535	8,565	17,032	37,984	49,984
Revenue per client	$ 28	$ 18	$ 19	$ 18	$ 22
People	1,105	2,865	3,945	6,865	7,245
Revenue per employee	65	52	81	101	150

Source: Company presentation July 2023

** Does not reflect adjustment to extend the FatBrain Knowledge Cloud as part of the $21.5MM contract at 3.5% margins.

Company Overview

LZG International (LZGI) was a blank check company until acquired by the current management team in October 2021 and capitalized with software and related IT assets from FatBrain LLC. FatBrain is a fast-growing AI solution company providing businesses with the latest innovations in robotic process automation, business process management, system integration, data management, risk management, analysis, and forecasting.

Since then, it has added to its capabilities through a series of acquisitions of similar companies in the US, UK and the Republic of Kazakhstan, where there is already a base of established AI businesses and well-

regarded developers. Its growth strategy is to address the real needs of SMEs that do not have the AI capabilities or resources to maximize their potential.

Acquisitions

FatBrain made several acquisitions in 2022. The company acquired Prime Source, SOtechnology and Predictive Black along with assets from Zero2AI PTE LTD and Intellagents LLC during the year. These acquisitions expand FatBrain's capabilities and market reach, enabling the company to provide comprehensive AI solutions to a wide range of industries and SMEs. Information regarding these companies is provided below.

Prime Source KZ (acquired 28 June 2022)

Prime Source is a powerful center for software development, implementation of technological solutions, management, and IT consulting. By acquiring Prime Source, FatBrain will be able to able to cater to 213 million small businesses operating globally and allow to engage these businesses with powerful AI and peer intelligence solutions that have historically only been available to a few of the largest companies. The value of this acquisition was $18MM.

Intellagents LLC (acquired 23 February 2022)

Intellagents is the only no-code, hybrid cloud, independent insurance integration platform connecting agents, insurers, and new digital marketplaces and ecosystems with best-in-class insurtech, data, AI, core, and legacy solutions to power real change in the insurance industry. Therefore, by acquiring Intellagents, FatBrain will be able to empower businesses, brokers, and insurers to leverage Peer Intelligence technologies to optimize transactions, score risk, enhance productivity and simplify actionable insights for everyone across the insurance supply chain creating never-seen-before opportunities for growth.

SOtechnology Ltd (acquired 28 September 2022)

SOtechnology (SOtech), is an award-winning digital agency based in the UK. SOtech specializes in delivering design, development, and digital experiences to global clients. With this acquisition, FatBrain gained access to proven solutions in eCommerce, eLearning, client portal development, and app development. It strengthened FatBrain's position as a leader in providing powerful and user-friendly AI solutions for SMEs. The value of the acquisition was $2.7625MM.

Zero2AI Pte Ltd. (acquired 19 October 2022)

Zero2AI is the creator of the ZeroTrust Platform. This platform ensures secure and privacy-enabled data collaboration across various industries, including energy, mobile, logistics, healthcare, finance, insurance, pharma, food security, and supply chain. By utilizing Confidential Computing technologies, ZeroTrust simplifies data-led innovation, compliance, and data privacy. With this acquisition, FatBrain can provide SMEs with the same level of data privacy guarantees previously available only to enterprises with large tech teams.

Predictive Black Ltd. (acquired 15 November 2022)

Predictive Black Ltd. is a UK-based innovator in real-time cash management, financial insights, and business wellness for SMEs. Predictive Black's SaaS platform delivers personalized revenue, cost, and cash forecasts to SMEs. By securely aligning and continuously scoring financial signals from banking data and accounting software, Predictive Black offers valuable insights within specific sectors and market dynamics. Subscribers gain visibility into their cash, revenues, and forecasts through easy-to-use peer intelligence dashboards. The value of the acquisition was $3.3MM.

Strategy

Based around the theme of lowering the barriers to AI enablement, the unique value proposition of its products comprises Peer Intelligence, Hierarchical AI and Private Data Models. The peer intelligence stack includes dynamic scoring for an entity or asset, quantized by peer behaviour or peer expectations within the context of trades identified by SIC/NAICS/GICS codes, geography, time-series, and other data-guided insight. The hierarchical AI stack includes the learning of multilevel generative AI models and controls that align with the explicit, implicit or emergent hierarchies among the peers. The private data model stack includes augmented, personalized planning, problem-solving and decision-making given a multitude of peers using small, private data. Together, these technologies enable networks of its clients to make more effective and efficient decisions.

Through organic and inorganic growth, it aims to simplify decisions through a unified subscription model, foster an inclusive economy, achieve growth at a fraction of a full-time employee (FTE) cost, and ensure transparency in extended enterprise reach, supply chain management, cybersecurity, and hierarchical operations.

All businesses have similar needs that drive business forward. AI solutions excel at solving many of these common needs without having to add to headcount. These include, but are not limited to:

- Acquire customers.
- Get paid.
- Raise capital.
- Pay employees.
- Access advice
- Be compliant and organized.
- Get work done.
- Keep business up and running online.

FatBrain generates revenue by providing data analytics and AI solutions for greater efficiency and effectiveness across banking, insurance, finance, e-commerce and government institutions serving extended enterprise and SME needs. Its products reflect software licensed as part of customer solution implementation. The technology stack includes SaaS app connectors, open-source and proprietary code, open-source and private data models, and cloud orchestration – all licensed with a Software licensing agreement (SLA).

How does Peer Intelligence AI (Figure 5) work?

FatBrain's Peer Intelligence AI works by connecting into the client's existing SaaS products (e.g., Intuit's QuickBooks, Shopify, HubSpot, Salesforce, 1C, Xero, Slack, and more), where all their business data lives and aligning the data with millions of relevant market signals, including:

- Collation of clients' different business data sources
- Mapping against thousands of market data sources
- Industry-specific data and insights

Once the Outcomes™ engine has aligned all of the thousands of different signals (internal and external), it drives the FatBrain AI 2.0 Solutions marketplace where alongside FatBrain expert coaches it turns meaningless data into actionable insights:

- Turn data into insights.
- Industry-specific coaching
- All within FatBrain's engine

This helps small businesses to gain regular, valuable actions to improve their business decisions and save time and money, while also being able to benchmark themselves against their market peers and industry comparables, gaining –

- Leaderboard ranking
- Trajectory podiums across different areas
- Clear and visible tracking of business improvement

Figure 5 – LZG International, Inc. – FatBrain Schematic
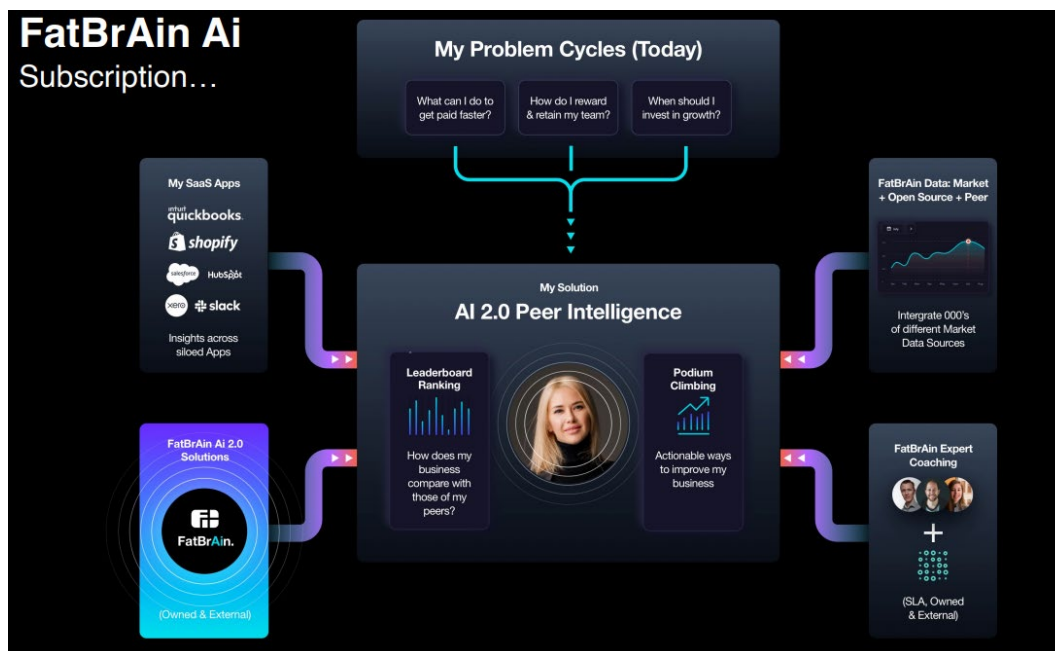
Source: Company Presentation

FatBrain AI Is Helping Protect Small Businesses from Ransomware Attacks

SMEs heavily rely on programs like QuickBooks and Salesforce, making them vulnerable to ransomware attacks. In the U.S., SMEs account for 44% of all U.S. economic activity and produce the bulk of GDP output. More than 50% of SMEs are expected to experience a ransomware attack. For small businesses, this would be devastating and costly. Thus, FatBrain has created RansomProof - AI software that can have a real impact on securing small business systems and data and ensure the safety of small businesses. RansomProof is free forever to SMEs because the company believes in leveling the playing field between big businesses and SMEs.

FatBrain's AI helps small businesses to make optimum use of their resources.

For every company, protecting and increasing cash flow is one of the main concerns. However, so many companies do not have the resources to properly evaluate where they have unnecessary losses and how to optimize systems to increase their cash flow. This is especially true for SMEs. This is when FatBrain's AI solutions come to the rescue. FatBrain believes that SMEs often do not have the manpower or capital to derive plausible solutions for their business because there is too much data and too many variables to

contend with. AI allows these businesses to make effective changes toward growth and efficiency without depleting their resources.

FatBrain AI helps enterprises expand reach with AI enablement solutions.

- Implementation Speed. Minimal implementation timeframes and maximum speed of changes in time-to-market. It utilizes open-source code, allowing customers to independently manage processes.
- Cost-Effective Servicing. Minimal costs for implementation and system development due to the availability of unique, complex, ready-made components that address business challenges.
- Flexibility of Configuration. The solution has no platform limitations, allowing for the customization of processes, forms, and algorithms to create non-typical, unique products and processes.
- Stability and Reliability. The solution reduces errors and maintains the integrity of business processes. The system ensures stable operation and fault tolerance of the entire component complex.
- Convenient Monitoring. The solution provides process transparency and easy monitoring through modern technologies and reliable system architecture.
- Tool Efficiency. The solution allows for maximizing the effective utilization of its own functionality, integration services, and all Bank components, eliminating redundant and unnecessary processes.

Execution

The company has executed well in its first quarters since the acquisition. The graph in Figure 6 shows its revenue growth and we expect rapid revenue growth in fiscal 2024.

*Figure 6 – LZG International, Inc. – Quarterly Revenue – Most Recent 4 Quarters (US$000)*
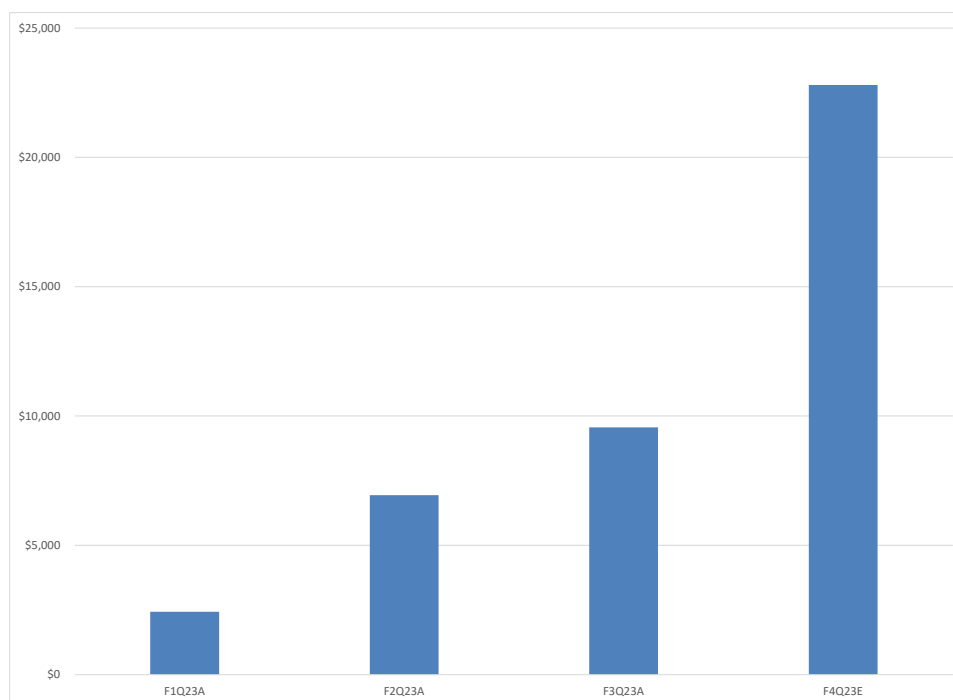
Source: Company filings and guidance

Competition

The company competes against more than a dozen well capitalized peers, many of which are listed in Figure 7, its table of peers. The company competes in quality, value, speed and accuracy. It also has a well-defined technology moat comprised of patents and trade secrets. It recently filed additional patent applications for Peer Intelligence, Hierarchical AI and Private Data Models. The Peer Intelligence patent family claims dynamic scoring for an entity or asset, quantized by peer behavior within the context of trade (SIC/NAICS/HS), geo, time-series, other data-guided insight. The Hierarchical AI patent family claims generative systems with emergent controls connecting at least *micro-*, *meso-* and *macro-* entities or assets with the dynamic score at each level. The Private Data Model patent family claims augmented, personalized decision-making for multiple peers using small, private data.

Management

Michael T. Moe (Executive Chair of the Board)
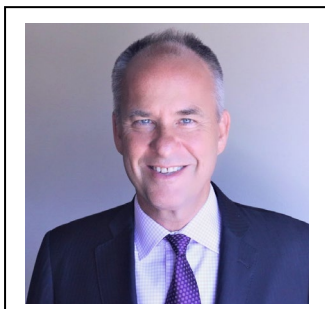
Michael T. Moe, Executive Chair of the Board, is 60 years old and has served since October 2021. Mr. Moe is the founder and CEO of GSV Holdings (GSV), a growth-focused investment platform based in Silicon Valley. GSV has invested in companies such as *Facebook, Twitter, Dropbox, Snap, Lyft, and Spotify*. Prior to GSV, he co-founded and was CEO of ThinkEquity Partners LLC, a growth-focused investment firm. He was voted to be on the Institutional All American Research Team and named "Best on the Street" by the Wall Street Journal while heading Global Growth research at Merrill Lynch. He is the co-founder of the ASU GSV Summit, a conference in the education sector that Forbes called the "Davos of Education". Michael is the founder of GSV University and GSV MBA, an accredited graduate program for entrepreneurs. He has authored three books: *Finding the Next Starbucks, The Global Silicon Valley Handbook* and *The Mission Corporation*.

Peter B. Ritz (Director, CEO, President, & Secretary)
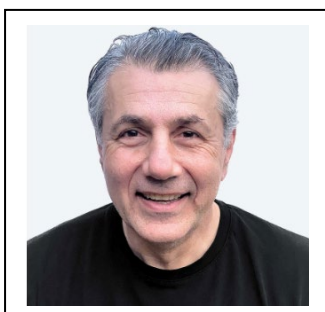
Peter B. Ritz, Chief Executive Officer, is 58 years old and has served as CEO and President of the Company since October 23, 2021. Mr. Ritz has served as Managing Director of FatBrain LLC from September 2015 to the present. Prior to FatBrain, Mr. Ritz served as Executive Chair and investor lead at Observable Networks, a cybersecurity SaaS business acquired by Cisco in 3Q17 as the core of its Secure platform. Earlier, Mr. Ritz drove as-a-Service business model while an active contributor to VMware's MSP Advisory Board, while co-founder and president at Xtium IaaS Cloud, acquired by EvolveIP 4Q16. He was also co-founder, Chair and CTO at AirClic, a mobile QR pioneer, funded by Goldman Sachs and McKinsey, acquired by Motorola, then Descartes 4Q14. Before AirClic, Mr. Ritz drove corporate development and legal operations at Alco Standard's (NYSE: ALCO) Icon Technology Services as it grew from zero to $450M in revenue through acquisitions and double-digit organic growth (acquired by Ricoh). Passionate about the industry's impact on society, Mr. Ritz has created over 500 high-tech jobs.

David B. Horne (Interim CFO)

David B. Horne was appointed Interim CFO in February 2023. He is 61 years old. He qualified in 1987 as a CPA, CA with PWC and his career includes being CFO of two companies listed on London's Alternative Investment Market. During his career he has raised more than $130 million in funding and bought or sold more than 25 companies. He is the author of Amazon #1 bestselling *Add Then Multiply – How small businesses can think like big businesses and achieve exponential growth*. It sets out David's proven FACE methodology - Fund, Acquire, Consolidate, Exit - which supports rapid growth. His book won the Business Self Development category at the Business Book Awards in 2020. David met CEO Peter Ritz when FatBrain acquired SO Technology in September 2022. David was the CFO of the group which sold SO Technology to FatBrain and soon after the deal was completed, he was approached by FatBrain to support their international expansion.

Rajarshi Das (Co-Founder & CSO)

Rajarshi Das is the Co-Founder and CSO of the company. He is 59 years old. He completed his Ph.D. from Colorado State University and a Bachelor of Science from IIT Kharagpur. Rajarshi has deep commercial, technical and research expertise in a wide range of areas in Artificial Intelligence (AI) and Machine Learning (ML) including Deep Learning, Reinforcement Learning, Autonomous multi-agent systems, Blockchain, Game theory, and E-commerce. He has designed, implemented, and demonstrated machine learning systems that automatically discover insights into complex systems from high-volume and high-dimensional data. He has also designed several self-learning autonomous systems that train themselves for intelligent decision-making in complex, dynamic real-world environments. Over the last 25+ years, Rajarshi has played a key role in leading ML research and its applications at FatBrain.ai, Persistent Systems, Verdande Finance, IBM Watson Research, Los Alamos National Laboratory, and Santa Fe Institute.

Figure 7 – LZG International, Inc. – Comp Table

FactSet Ticker	Company Name	Closing Price	Market Cap $MM	EV $MM	2024 Consensus Multiples (except price to book)				
					Market Cap / Sales	EV /Sales	Price to Book	EV / EBITDA	PE
SNOW-US	Snowflake, Inc.	$171.93	56,032	52,053	16.23	14.98	9.27	NA	NA
PLTR-US	Palantir Technologies Inc.	$16.59	33,408	34,210	13.75	12.88	5.25	48.25	67.24
DDOG-US	Datadog Inc.	$105.45	31,240	32,496	13.15	12.51	16.63	59.97	73.60
MDB-US	MongoDB, Inc.	$391.08	27,603	26,774	14.86	14.22	20.25	NA	NA
SPLK-US	Splunk Inc	$103.64	17,163	18,709	4.03	4.48		20.76	28.64
ESTC-US	Elastic NV	$70.77	6,892	6,451	4.67	4.37	13.97	32.84	49.32
CFLT-US	Confluent, Inc.	$35.82	6,726	9,721	11.13	9.96	8.36	NA	NA
TDC-US	Teradata Corp. (Wi)	$55.67	5,628	5,874	2.97	3.09	13.19	11.70	23.26
NEWR-US	New Relic, Inc.	$70.00	4,916	4,426	4.35	3.93	15.38	19.57	36.33
AI-US	C3.ai, Inc.	$40.22	4,509	3,687	12.40	9.58	2.18		NA
INFA-US	Informatica, Inc.	$18.34	4,442	6,331	3.72	3.83	2.25	13.41	20.62
AYX-US	Alteryx Inc	$43.29	2,708	3,599	2.66	3.11	20.28	22.04	38.83
SOW-DE	Software AG	$35.14	2,601	2,853	2.19	2.40	1.19	12.49	18.69
PRGS-US	Progress Software	$57.34	2,487	3,238	3.49	4.51	5.79	15.42	12.39
BASE-US	Couchbase, Inc.	$15.18	704	539	3.54	2.66	4.47		
DOMO-US	Domo Inc	$15.43	501	606	1.57	1.70		38.04	NA
	AVERAGE				7.17	6.76	9.89	26.77	36.89
LZGI-US	LZG International, Inc.	$0.90	138	149	0.92	0.99	8.19	6.72	9.00
	LZGI Discount to peers:				**-87%**	**-85%**	**-17%**	**-75%**	**-76%**

Source: Litchfield Hills Research LLC and FactSet

Figure 8 – LZG International, Inc. – Income Statement (US$000)

May ending year	2021A Year	Q1A	2022A Q2A	Q3A	Q4A	2022A Year	Q1A	2023E Q2A	Q3A	Q4E	2023E Year	Q1E	2024E Q2E	Q3E	Q4E	2024E Year
Total revenue	$0	$0	$43	$43	$129	$216	$2,433	$6,940	$9,563	$22,800	$41,735	$16,000	$23,000	$30,000	$35,000	$104,000
Growth							*NMF*	*15873%*	*21911%*	*17537%*	*19207%*	*558%*	*231%*	*214%*	*54%*	*149%*
Cost of Goods	0	0	8	8	26	43	314	1,436	1,803	21,008	24,561	3,200	4,600	6,000	7,000	20,800
Gross Profit	0	0	35	35	103	174	2,118	5,504	7,760	1,792	17,174	12,800	18,400	24,000	28,000	83,200
Gross Margin		81.1%	81.1%	79.8%	80.3%	87.1%	79.3%	81.1%	7.9%	41.1%	80.0%	80.0%	80.0%	80.0%	80.0%
Research and Development	0	0	0	0	0	0	1,137	5,411	1,980	4,000	12,528	5,000	7,500	8,000	8,500	29,000
Sales & marketing	$0	$0	$0	$0	$6	$6	$2,017	$1,272	$2,746	$6,000	$12,035	$7,000	$8,000	$9,000	$10,000	$34,000
% of total revenue			0.0%	0.0%	4.4%	2.7%	82.9%	18.3%	28.7%	26.3%	28.8%	43.8%	34.8%	30.0%	28.6%	32.7%
G&A	$14	$10	$23	$18	$1,019	$1,069	$2,438	$723	$1,424	$2,200	$6,784	$2,200	$2,200	$2,200	$2,500	$9,100
Total Operating Expenses	14	10	23	18	1,024	1,075	5,592	7,405	6,150	12,200	31,347	14,200	17,700	19,200	21,000	72,100
Operating Income	(14)	(10)	12	18	(921)	(901)	(3,473)	(1,901)	1,610	(10,408)	(14,173)	(1,400)	700	4,800	7,000	11,100
Operating Margin			28.3%	40.5%	-712.6%	-416.8%	-142.8%	-27.4%	16.8%	-45.6%	-34.0%	-8.8%	3.0%	16.0%	20.0%	10.7%
Total Other Items	(16)	(4)	(4)	(5)	(5)	(19)	(240)	(1,799)	(1,648)	(1,500)	(5,188)	(1,500)	(1,500)	(1,500)	(1,500)	(6,000)
Pre-Tax Income	(30)	(14)	8	13	(926)	(920)	(3,713)	(3,701)	(39)	(11,908)	(19,360)	(2,900)	(800)	3,300	5,500	5,100
Pre-Tax Margin			18.1%	29.4%	-716.7%	-425.5%	-152.6%	-53.3%	-0.4%	-52.2%	-46.4%	-18.1%	-3.5%	11.0%	15.7%	4.9%
Taxes (benefit)	0	0	0	0	0	0	0	21	14	(2,382)	(2,346)	(580)	(160)	660	1,100	1,020
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.6%	-37.3%	20.0%	12.1%	20.0%	20.0%	20.0%	20.0%	20.0%
Net Income (loss)	(30)	(14)	8	13	(926)	(920)	(3,713)	(3,721)	(53)	(9,526)	(17,014)	(2,320)	(640)	2,640	4,400	4,080
Net Margin			18.1%	29.4%	-716.7%	-425.5%	-152.6%	-53.6%	-0.6%	-41.8%	-40.8%	-14.5%	-2.8%	8.8%	12.6%	3.9%
EPS	($0.12)	($0.00)	$0.00	$0.00	($0.03)	($0.06)	($0.03)	($0.02)	($0.00)	($0.06)	($0.11)	($0.01)	($0.00)	$0.02	$0.03	$0.02
Shares	251	14,189	4,426	10,251	27,890	14,189	144,899	152,966	150,401	160,000	152,067	160,000	160,000	167,000	167,000	163,500

Source: Company reports and Litchfield Hills Research LLC

Figure 9 – LZG International, Inc. – Balance Sheet (US$000)

May ending year	2024E	2023E	2022A
Balance sheet			
Current Assets			
Cash and S.T.I.	$5,893	$3,573	$82
Accounts receivable	7,000	3,500	155
Inventories	0	0	0
Other assets	5,000	4,100	9,795
Total Current Assets	**17,893**	**11,173**	**10,031**
Net PP&E	1,200	100	0
Other non-current assets	35,000	36,000	11,465
Total Assets	**$54,093**	**$47,273**	**$21,496**
Current Liabilities			
Accounts payable	$5,000	$2,500	$2
Accrued expenses	8,000	10,400	3,050
Other current liabilities	12,000	12,000	98
Total current liabilities	**25,000**	**24,900**	**3,150**
Long-term debt	5,000	14,000	0
Other non-current	1,000	100	0
Total Liabilities	**31,000**	**39,000**	**3,150**
Stockholders' Equity			
Preferred stock			
Common stock	200	160	145
Additional paid-in-capital	30,000	30,000	22,474
Retained earnings	(6,107)	(21,287)	(4,273)
Cum. trans. adj. and treasury stock	(1,000)	(600)	0
Total stockholders' equity	23,093	8,273	18,346
Total Liabilities and equity	**$54,093**	**$47,273**	**$21,496**

Source: Company reports and Litchfield Hills Research LLC

Figure 10 – LZG International, Inc. – Cash Flow (US$000)

	2024E	2023E	2022A
Net Income	$15,180	($17,014)	($920)
Accounts receivable	(3,500)	(3,345)	(155)
Inventories	0	0	0
Other assets	(900)	5,695	(9,795)
PP&E	(1,100)	(100)	0
Other non-current	1,000	(24,535)	(11,465)
Accounts payable	2,500	2,498	(4)
Accrued expenses	2,600	350	50
Notes Payable	(5,000)	7,000	2,811
Other current liabilities	0	11,902	43
Long-term debt	(9,000)	14,000	(45)
Other non-current	900	100	0
Pfd. Stock	0	0	0
Common stock	40	15	145
Additional paid in capital	0	7,526	19,411
Accumulated other comp. loss	(400)	(600)	0
Dividend and tax adj.	0	0	0
Total Cash Flow	$2,320	$3,491	$77

Source: Litchfield Hills Research LLC

Disclosures:

Analyst Certification
We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

FINRA Compliant Research Report
We, the Litchfield Hills Research Department, hereby certify that this report is compliant with FINRA research rules 2241, 3110, the analyst is registered with FINRA, and the report has been reviewed by a Supervisory Analyst.

MiFID II Compliant Research Report
Our research is classified as minor non-monetary benefit under MiFID II. This applies to all forms of transmission, including email, website and financial platforms such as Bloomberg, FactSet, S&P Global, Refinitiv and 11 others. We do not seek payment from the asset management community and do not have any execution function. Investors can continue to receive our research under the MiFID II regime without the need for a contract for services to be put in place. This applies to all forms of transmission, including email, website and financial platforms.

Litchfield Hills Research LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.
HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.
SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.
Total return is defined as price appreciation plus dividend yield.

Other Disclosures
Litchfield Hills Research, LLC ("LHR") is not a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission nor a member of Financial Industry Regulatory Authority. The principal of LHR and publisher of this report, Theodore R. O'Neill, is a registered representative of Ascendiant Capital Markets, LLC ("Ascendiant"), a registered broker-dealer and FINRA member firm. Ascendiant considers Mr. O'Neill's association with LHR to be an "outside business activity" and is disclosed as such with FINRA. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LHR or any divisions, subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction.

Ownership and Material Conflicts of Interest
The analyst owns no shares of the subject company. The analyst and his family have no known material conflicts of interest in authoring this report. No employees of Ascendiant Capital Markets, LLC own any material amount of LZGI stock or have any influence on the LZGI Board of Directors.

Investment Banking and Fees for Services
Litchfield Hills Research has not received compensation for advisory or investment banking services from the Company in the past 12 months. Ascendiant Capital Markets, LLC has not received compensation for advisory or investment banking services from the Company in the past 12 months. Litchfield Hills Research LLC has received compensation for distribution and investor targeting services. Ascendiant Capital Markets, LLC has not received compensation for non-investment banking services from the Company in the past 12 months.

Market Making
Neither Litchfield Hills Research, LLC nor Ascendiant Capital Markets, LLC makes a market in the subject company's securities.

Additional information is available upon request. LHR accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to LHR. This report is not to be relied upon in substitution for the exercise of independent judgment.