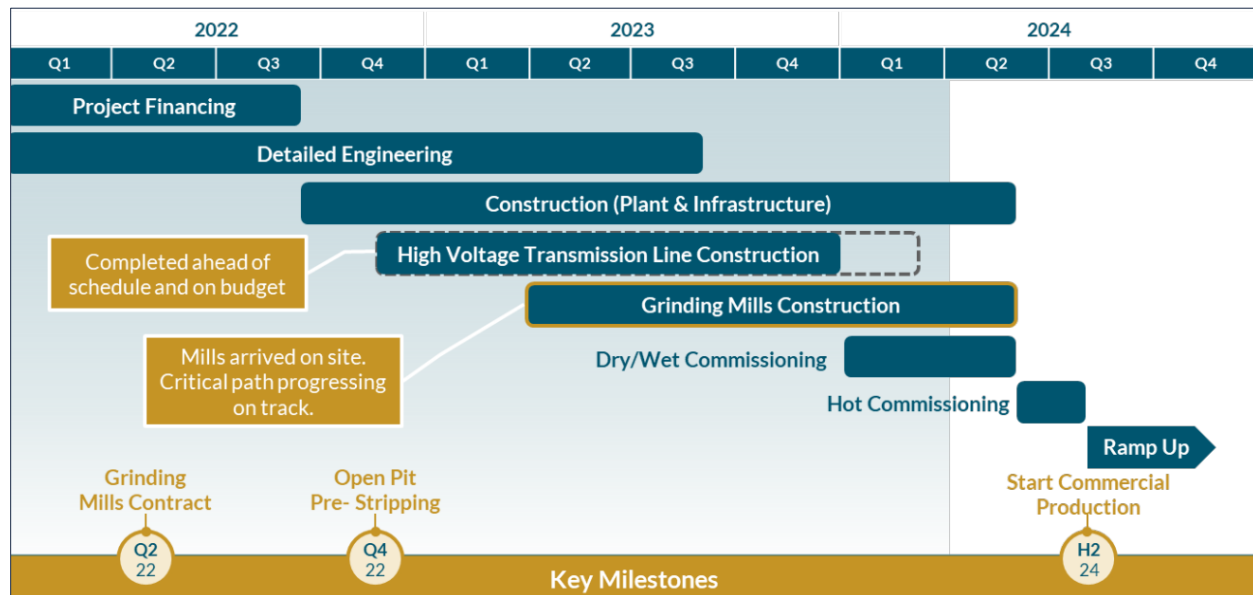


**Ticker:** GMIN CN      **4Q23 net cash:** US\$20m      **Project:** Tocantinzinho  
**Market cap:** C\$976m      **Price:** C\$2.18/sh      **Country:** Brazil  
**REC. (unc):** BUY      **TARGET (+80c):** C\$2.80/sh      **RISK RATING (unc):** HIGH

With the construction now significantly advanced at 89% (vs. 58% in October when we were on site), the majority (98%) of the build capex committed, and most big construction tickets complete or in final commissioning (i.e. powerline, primary crusher, CIL circuit / TSF), the team's 'on time and on budget' mantra remains intact. While the 80:20 rule suggests that final bits of project timelines may be most resource intensive to 'get it over the line', with (i) powerline already commissioned, (ii) pre-production mining advanced with 1Mt of ore stockpile in place ahead of the plant's commissioning (positive reconciliation of 'waste' to 'not waste' implies a lower strip), and (iii) final touches on piping and prep-work for commissioning activities, we see a de-risked critical path and expect a smooth transition from construction to operation in the coming months. On funding, GMIN has ~US\$32m available to draw down (Franco) vs. US\$9m of capex spend remaining, implying a healthy buffer to cover working capital to free cash flow—before considering any cash injection from the ITM warrants (up to ~US\$70m). Today, we update for financials and lift our 0.6xNAV multiple to 0.8x on further de-risked project construction ahead of commercial production. As such, **we maintain our BUY rating and lift our C\$2.00/sh Price Target to C\$2.80/sh** based on 0.8xNAV<sub>5%-1.850</sub>. Looking forward, declaring commercial production, perfectly timed with gold recently achieving all time highs, remains the main catalyst. In our view, the plant commissioning (electrical, piping, and instrumentation) progress is a key metric for investors to watch ahead of this.

Valuation / re-rate potential: While the stock is up +66% YTD, we note that at spot US\$2,350/oz gold price, our \$1bn FF FD 1xNAV<sub>5%-1.850</sub> lifts towards C\$1.5bn or ~C\$4.90/sh NAV, putting the stock at 0.5xNAV vs. producers trading at 1.2xNAV. In our view, Tocantinzinho is just the beginning for this multi-asset gold producer in the making, led by a seasoned team with an incredible track record. We think long-term investors have the potential to generate strong returns holding GMIN shares from (i) the imminent re-rate as it pivots from producer to developer (and high gold prices) and (ii) from value accretive M&A to build its second mine.

**Figure 1. Project timelines to 2H24 commercial production**



Source: G Mining

### Top mine builder on track to do it again; strong re-rate momentum: PT lifted +80c to \$2.80/sh

Tocantinzinho (TZ) is now 87% completed (incl. physical construction at 89%) and remains on track to achieve commercial production in 2H24. Detailed engineering, procurement and powerline are complete.

To date, US\$449m have been committed (US\$443m spend + US\$16m open commitments) representing 98% of the project's total capex (US\$458m), and trending in line with the FS schedule. With physical construction at 89%, primary crusher, ore reclaim tunnel construction, and CIL circuit are complete with commissioning activities planned in April, while gravity and flotation circuits and SAG and Ball Mill installation are in advanced stages with commissioning planned for May. Flotation TSF is 100% complete, with CIL TSF well progressed with revegetation of the external slopes ongoing. Powerline construction and TZ substations are complete and commissioned with energization to follow imminently. Pre-production mining activities are on-going with 11.4Mt of material (incl. 1Mt of ore in stockpiles) excavated from the starter pit since September 2022. Notably, the reserve model reconciles positively due to ore identified outside of the FS reserve model, with ~5koz @ 1.12g/t in the high-grade stockpile and ~21.8koz @ 0.77g/t in the low-grade stockpile. On staffing, 1,680 employees and contractors are on site, with 95% of the total workforce from Brazil and most of the senior management and senior staff positions filled during the construction period. Next catalysts: (i) process plant commissioning in 2Q24 and (ii) commercial production in 2H24.

**Figure 2. (A) Grinding mills assembly and (B) CIL circuit**



Source: G Mining

**Figure 3. (A) Water services and (B) CIL electrical room**



Source: G Mining

Figure 4. Mine infrastructure and process plant area



Source: G Mining

### Why we like G Mining

1. Vanilla open pit gold mine with scarcity value given 150-190koz pa production
2. Chance to buy into well-supported first-ever build-team going owner with G Mining
3. ~US\$1bn NAV5%-1850 or ~C\$3.50/sh once in production
4. Construction experience in S America, and in high-rainfall locations
5. Well-funded with US\$138m pro-forma cash and US\$115m undrawn debt/finance

### Catalysts

- 1Q24: First pour
- 2H24: First production

### Research

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Ticker: GMIN CN	Price/ MC: C\$2.18/sh, C\$976m	Project PNAV today: 0.77x	Asset: TZ
Author: B Gaspar	Rec / 0.8xNAV PT: BUY, C\$2.8/sh	1xNAV4 <sub>Q24</sub> FF FD: C\$3.80/sh	Country: Brazil

Commodity price	CY22A	CY23A	CY24E	CY25E	CY25E
Gold price	1,767	1,950	2,256	2,006	1,850

Resource / reserve (1Q22)	Tonnes	Grade	Ounces
Resource	50Mt	1.35g/t	2152koz
Reserve	49Mt	1.30g/t	2042koz

SOTP project valuation*					
	US\$m	O/ship	NAVx	C\$/sh	
Asset NPV@ 4Q23 build	1,302	100%	1.00x	3.37	
Cash 4Q23	52	100%	1.00x	0.14	
Debt (4Q23)	(32)	100%	1.00x	(0.08)	
Cash from options	83	100%	1.00x	0.21	
Resources ex inventory @ US\$50/oz	6	100%	1.00x	0.01	
G&A / fin / stream costs	(316)	100%	1.00x	(0.82)	
Asset NAV5% US\$1850/oz	<b>1,094</b>			<b>2.83</b>	

Project: USES as of 4Q23	Funding: SOURCES as of 4Q23
Residual capex: US\$52m	Cash + pre-1st Au options: US\$123m
Fin. cost, G&A, expl'n, wc: US\$16m	Undrawn stream: US\$0m
Taxes recoverable post Au: US\$31m	Undrawn senior Debt: US\$75m
<b>TOTAL USES: US\$99m</b>	Undrawn equipment fin.: US\$0m
Buffer pre tax recov.: US\$99m	<b>TOTAL SOURCES: US\$198m</b>
Buffer post tax recov.: US\$68m	

Company NAV: (US\$m, ungeared)*					
Company NAV (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$2050oz	\$2350oz
Discount rate: 9%	737	820	903	1,068	1,317
Discount rate: 7%	810	901	991	1,172	1,443
Discount rate: 5%	896	995	<b>1,094</b>	1,293	1,591
Ungeared project IRR:	26%	29%	31%	35%	41%

Capital structure	Basic	FD for Options	FD for build
Pro Forma Shares (m)	447.6	508.4	508

Ratio analysis (CY to Dec 31)	CY22A	CY23A	CY24E	CY25E	CY26E
Average shares out (m)	336.1	447.5	447.6	447.6	447.6
EPS (US\$/sh)	-	-	0.10	0.17	0.16
CFPS (US\$/sh)	-	-	-	0.09	0.30
EV (US\$m)	651.2	955.5	981.8	939.6	805.7
FCF yield (%)	-	-	-	4%	14%
PER (x)	-	-	22.2x	12.7x	13.3x
EV/EBITDA (x)	-	-	12.2x	6.0x	4.8x

Company NAV (C\$/sh)					
	\$1650oz	\$1750oz	\$1850oz	\$2050oz	\$2350oz
Discount rate: 9%	1.91	2.12	2.34	2.77	3.41
Discount rate: 7%	2.10	2.33	2.57	3.03	3.74
Discount rate: 5%	2.32	2.58	<b>2.83</b>	3.35	4.12

Income statement	CY22A	CY23A	CY24E	CY25E	CY26E
Net revenue (US\$m)	-	-	101.5	292.9	336.8
COGS (US\$m)	-	-	3.0	101.2	130.7
<b>Gross profit (US\$m)</b>	-	-	98.5	191.7	206.1
D&A, attrib (US\$m)	0.1	0.1	17.1	48.0	62.3
G&A + sh based costs (US\$m)	5.0	7.5	7.7	5.7	5.7
Expln + fin. cost (US\$m)	(3.2)	(0.4)	16.5	38.8	42.3
Taxes (US\$m)	-	-	13.3	22.7	22.5
Net income (US\$m)	(1.9)	(7.2)	43.9	76.6	73.3
EBITDA (US\$m)	(1.8)	(7.1)	80.4	156.1	166.8

Group NAV over time*					
	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28
TZ NPV net aq'n pmt (US\$m)	1,466.6	1,454.7	1,401.1	1,294.0	1,150.8
G&A and fin. costs (US\$m)	(323.6)	(308.8)	(273.0)	(239.1)	(199.4)
Net cash prior qtr (US\$m)	(41.7)	8.1	75.8	195.4	338.9
Cash from options (US\$m)	82.5	82.5	82.5	82.5	82.5
Resource ex rsrv (US\$m)	5.5	5.5	5.5	5.5	5.5
NAV FF FD (US\$m)	1,189	1,242	1,292	1,338	1,378
Shares in issue (m)	448	448	448	448	448
1xNAV5%/sh FF FD (C\$/sh)*	3.50	3.65	3.80	3.93	4.05

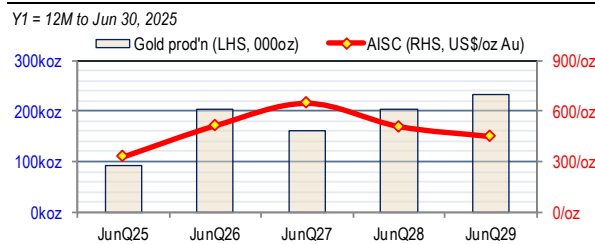
Cash flow, attrib.	CY22A	CY23A	CY24E	CY25E	CY26E
Add D&A / share bsd (US\$m)	1.4	1.8	18.8	49.7	64.0
Adjust fin. cost (US\$m)	-	-	-	-	-
Change in wkg cap (US\$m)	0.9	9.3	27.8	18.1	(4.7)
Other non-cash (US\$m)	(3.7)	235.0	(55.5)	(36.2)	9.4
<b>Cash flow ops (US\$m)</b>	<b>(3.3)</b>	<b>239.0</b>	<b>34.9</b>	<b>108.2</b>	<b>142.0</b>
PP&E - build + sust (US\$m)	66.2	300.5	62.2	66.0	8.1
PP&E - expl'n (US\$m)	13.7	4.1	-	-	-
<b>Cash flow inv. (US\$m)</b>	<b>(79.9)</b>	<b>(304.6)</b>	<b>(62.2)</b>	<b>(66.0)</b>	<b>(8.1)</b>
Share issue (US\$m)	128.5	0.0	-	-	-
Debt draw (repay) (US\$m)	(1.1)	31.3	73.5	(0.6)	(2.2)
<b>Cash flow fin. (US\$m)</b>	<b>127.4</b>	<b>31.3</b>	<b>73.5</b>	<b>(0.6)</b>	<b>(2.2)</b>
Net change in cash (US\$m)	44.1	(34.3)	46.3	41.6	131.7

Geared NAV and PT, diluted for build, net G&A and fin. costs*					
NAV at first gold (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$2050oz	\$2350oz
Discount rate: 9%	1,082	1,181	1,279	1,475	1,770
Discount rate: 7%	1,163	1,269	1,374	1,585	1,902
Discount rate: 5%	1,256	1,370	<b>1,483</b>	1,711	2,053
Geared project IRR:	26%	28%	31%	35%	40%

Balance sheet	CY22A	CY23A	CY24E	CY25E	CY26E
Cash (US\$m)	81.9	52.4	98.7	140.3	272.0
Acc rec., inv, prepaid (US\$m)	1.3	9.8	11.0	39.4	34.5
PP&E + other (US\$m)	173.4	525.6	555.0	573.0	518.8
<b>Total assets (US\$m)</b>	<b>257</b>	<b>588</b>	<b>665</b>	<b>753</b>	<b>825</b>
Debt (US\$m)	0.4	32.3	104.8	104.2	102.0
Accounts payable (US\$m)	12.2	27.0	0.5	10.9	10.6
Stream liab / oth (US\$m)	2.7	265.3	250.7	250.7	250.7
<b>Total liabilities (US\$m)</b>	<b>15.3</b>	<b>324.7</b>	<b>356.0</b>	<b>365.8</b>	<b>363.4</b>
Issued capital (US\$m)	250.1	239.0	240.6	242.3	244.0
Retained earnings (US\$m)	(8.8)	24.1	68.0	144.6	217.9
<b>Liabilities + equity (US\$m)</b>	<b>257</b>	<b>588</b>	<b>665</b>	<b>753</b>	<b>825</b>

Price target (C\$/sh)*					
	\$1650oz	\$1750oz	\$1850oz	\$2050oz	\$2350oz
Discount rate: 9%	2.10	2.35	2.55	3.00	3.65
Discount rate: 7%	2.25	2.50	2.75	3.20	3.90
Discount rate: 5%	2.40	2.65	<b>2.90</b>	3.40	4.15

Production					
	JunQ25	JunQ26	JunQ27	JunQ28	JunQ29
Gold production (000oz)	93	203	161	205	232
AISC cost (US\$/oz)	331	515	648	510	451



Source: SCP estimates

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

**SELL:** The stocks total returns are expected to be materially lower than the overall market

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

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HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	2
NOT RATED:	0
TOTAL	58

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