SCP EQUITY RESEARCH

Ticker: RGD CN	**3Q23 cash:** C$52m	**Project**: Oko West
Market cap: C$738m	**Price:** C$0.60/sh	**Country:** Guyana
REC. (unc): TENDER	*TARGET (-35c): C$0.65/sh*	*RISK RATING (unc): HIGH*

- *Good deal for RGD holders, with upside left on the table by ability to ride the upside with GMIN*
- *Technical de-risking, funding capacity and ability to expand faster under GMIN offers better NAVPS*
- *GMIN re-rate to intermediate producer on Tier-1 asset, lean us to* ***move our rating to TENDER***

At face value, yesterday's bid price implies 0.2xNAV at spot for the asset, lifting to ~0.4xNAV net of build capex by our math. On one hand, one could argue some upside being left on the table, not just simple upside to production metrics, but upside to probably 400-500koz pa potential 'when all done and dusted' which should command a premium on further de-risking to DFS/final permits. On the other hand, we see a whole lot of risk (technical risk leading to equity dilution) being removed given GMIN has potential to self-fund the development of Oko West with cash flows from it's TZ asset in Brazil (commercial production in 2H24). The swing vote that tips up in favor of tendering to the bid is the reputation of GMIN as a 'best in class' mine builder and operator having the 'know how' in Guyana—combined with Oko West's Tier-1 potential means this all-paper bid offers investors the ability to continue to ride that future re-rate opportunity to intermediate producer in <4 years (combined SCPe ~545koz pa production LOM profile). Quantifying this, at ~US$485m/100koz pa average where peer LatAM producers trade, the new co's combined production profile would drive a peer-based value of C$3.2bn net SCPe build capex of Oko West, talks to a further +150% potential upside from today's PF share price for new GMIN holders. As such, ***we revise our price target from C$1.00/sh to C$0.65/sh to reflect the bid and revise our recommendation to TENDER from BUY.***

G Mining C$875m share bid at SCPe ~0.2xNAV$_{5\%\text{-spot}}$; recommendation lifted to TENDER

Yesterday, Reunion Gold has entered into a definitive agreement with G Mining Ventures Corp (GMIN-CN) whereby GMIN will acquire RGD's Oko West Project (Guyana) for **C$875m 'all share deal'** for C$0.65/sh value or a +29% premium to the 10-day VWAP as of April 19, 2024 **(~C$150/oz total M&I&I resources)**.

- **Transaction:** both companies will receive common shares of a "**New GMIN**" equivalent to RGD shareholders being issued 0.285 GMIN common shares for each RGD share. Additionally, RGD shareholder will receive common shares in a newly created gold explorer "**SpinCo**" that will hold all RGD's assets other than Oko West with GMIN providing C$15m of funding. Upon completion, existing GMIN and RGD shareholders will own 57% and 43% on a fully diluted basis prior to concurrent US$50m equity financing, and the New GMIN and RGD shareholders will own 19.9% and 80.1% respectively of outstanding common shares of SpinCo.
- **Equity:** **La Mancha** will invest US$25m (anti-dilution right) up to possibly US$35m and intends to purchase up to US$10m of GMIN shares in the open market. **Franco-Nevada** will subscribe for US$25m of common shares of GMIN on same terms as La Mancha.
- **Share Consolidation:** Common shares issued by New GMIN to GMIN and RGD shareholders will be equivalent to the combined company undergoing a 4-to-1 share consolidation upon closing (0.25 New GMIN common shares will be issued for each GMIN common share and 0.07125 New GMIN common shares will be issued for each RGD common share).
- **Corporate structure:** RGD will be entitled to nominate two members to the BoD (9 members total – 5 GMIN, 3 RGD, 1 La Mancha nominees) of New GMIN, in addition to the appointment of common director, David Fennell as Vice Chairman, Louis Gignac as Chairman, and Louis-Pierre Gignac as director, president and CEO.
- **The transaction is expected to be completed by 3Q24** and includes a C$31.2m termination fee payable under certain conditions.

Why we like Reunion Gold

1. Oko West: significant resource base: 4.73Moz @ 2.0g/t (90% M&I) OP and 1.15Moz @ 3.1g/t UG
2. Scarcity value on SCPe >350koz pa and low US$790/oz AISC assets globally
3. New southern zone emerging at Block 6 to the south
4. Granitoid potential following 3m @ 61g/t and 10m @ 17g/t maiden in-granitoid drilling
5. Guyana 'guru' management team, asset outside Barrick JV alliance for 100% ownership
6. Guyana: best LatAm Archean with, M&A / investments, oil boom and multiple discoveries

Catalysts

- 2024: regional exploration (incl. western Bryan zone)
- 2H24: maiden PEA
- 4Q24: Permitting updates
- 2H25: Construction decision
- 3Q24: Closing of GMIN transaction

Research

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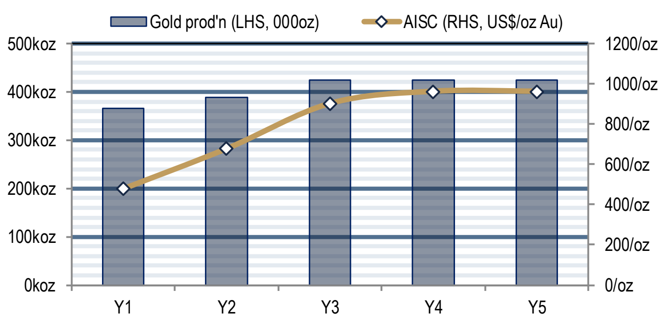
Ticker:	RGD CN	**Price / mkt cap:**	C$0.6/sh, C$738m	**Project PNAV today:**	0.18x	**Asset:**	Oko West
Author:	B Gaspar	**Rec / 0.4xNAV PT:**	TENDER, C$0.65/sh	**1xNAV$_{1Q27}$ FF FD:**	C$3.30/sh	**Country:**	Guyana

Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E
Gold price	1,895	1,980	2,343	2,343	2,343
Bid Valuation					**C$/sh**
G Mining's implied offer value		875			0.65
SCPe revised price target (C$/sh)				PT:	**0.65**
SOTP *project* valuation*					
		C$m	**O/ship**	**NAVx**	**C$/sh**
Ungeared @ build start (1Q25)		**4,319**	100%	1.0x	3.19
3Q23 Cash		52	100%	1.0x	0.04
Cash from options + warrants		42	100%	1.0x	0.03
Nominal upside (500koz @ US$75/oz)		51	100%	1.0x	0.04
Asset NAV5% US$2343/oz		**4,465**			**3.30**
**Shares diluted for options, excludes mine build*		**3.30**	Market P/NAV$_{5\%}$ (today)		0.18x
1xNAV group @ build start (C$m, ungeared)*					
Project NPV (C$m)	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
Discount rate: 9%	1,913	2,166	2,419	2,672	2,926
Discount rate: 7%	2,119	2,395	2,672	2,949	3,226
Discount rate: 5%	2,357	2,662	**2,966**	3,270	3,574
Ungeared project IRR:	50%	55%	60%	65%	69%
Project NPV (C$/sh)	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
Discount rate: 9%	1.41	1.60	1.79	1.98	2.16
Discount rate: 7%	1.57	1.77	1.98	2.18	2.38
Discount rate: 5%	1.74	1.97	**2.19**	2.42	2.64
**Project NPV, ex fin. costs and cent G&A, discounted to build start*					
Geared *group* NAV over time^	**Jun-24**	**Jun-25**	**Jun-26**	**Jun-27**	**Jun-28**
Oko West NPV (C$m)	4,148.9	4,479.9	5,190.7	4,825.5	4,180.2
G&A and fin. costs (C$m)	(192.6)	(173.3)	(142.4)	(102.5)	(67.8)
Net cash prior qtr (C$m)	59.0	(23.8)	(404.8)	420.6	1,133.2
Cash from options (C$m)	42.3	42.3	42.3	42.3	42.3
NAV FF FD (C$m)	4,058	4,325	4,686	**5,186**	5,288
FD shares in issue (m)	*1,353*	*1,574*	*1,574*	*1,574*	*1,574*
1xNAV5%/sh FF FD (C$/sh)*	**3.00**	**2.75**	**2.98**	**3.30**	**3.36**
Geared *group* NAV at first pour, diluted for build, net G&A and fin. costs^					
NAV at first gold (C$m)	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
Discount rate: 9%	2,486	2,798	3,110	3,422	3,734
Discount rate: 7%	2,624	2,952	3,281	3,609	3,938
Discount rate: 5%	2,780	3,127	**3,474**	3,821	4,169
Geared project IRR:	50%	55%	60%	65%	70%
NAV at first gold (C$/sh)*	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
Discount rate: 9%	1.36	1.57	1.79	2.01	2.23
Discount rate: 7%	1.47	1.70	1.93	2.16	2.39
Discount rate: 5%	1.59	1.83	**2.08**	2.32	2.57
*^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for build equity*					
Production	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**
Gold production (000oz)	367	389	424	424	424
AISC cost (US$/oz)	479	678	902	962	962

AISC = C1 + ug sustaining capex, Y1 = CY26



Source: SCP estimates

Resource / Reserve	Tonnes	Grade	Ounces
1Q24 OP MRE	84Mt	2.18g/t	5869koz
SCP pit inventory	66Mt	1.80g/t	3800koz
SCP UG inventory	6Mt	4.00g/t	750koz

Share data	Basic	FD with options	FD for build
Basic shares (m)	1,231	1,353	1,574

Project: USES		Funding: SOURCES	
Pre-DFS exploration / G&A:	C$47m	Cash + options pre-Au	C$95m
Build capex:	C$640m	Post PEA equity, 25% prem.:	C$20m
Fin. cost + WC over DFS	C$73m	Build equity @ 0.4xNAV:	C$256m
TOTAL USES:	C$760m	65% geared debt @ 10%:	C$384m
Buffer / drill budget:	*-C$5m*	TOTAL SOURCES:	C$755m

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	507.2	614.9	875.2	1,088.7	1,229.1
EPS (C$/sh)	-	-	-	-	-
CFPS (C$/sh)	-	-	-	-	0.23
EV (C$m)	301.3	355.4	481.5	612.9	761.3
FCF yield (%)	-	-	-	-	39%
PER (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-
Income statement	**CY20A**	**CY21A**	**CY22E**	**CY23E**	**CY24E**
Net revenue (C$m)	-	-	-	-	-
COGS (C$m)	-	-	-	-	-
Gross profit (C$m)	-	-	-	-	-
D&A, attrib (C$m)	0.7	0.3	0.4	0.4	-
G&A + sh based costs (C$m)	2.1	1.6	6.5	10.5	9.6
Finance cost (C$m)	6.3	7.1	20.4	45.6	14.9
Taxes (C$m)	-	-	-	-	-
Net income (C$m)	(8.3)	(8.7)	(26.9)	(56.1)	(24.5)
Cash flow, attrib.	**CY20A**	**CY21A**	**CY22E**	**CY23E**	**CY24E**
EBIT (C$m)	(2.1)	(1.6)	(6.5)	(10.5)	(9.6)
Add back D&A (C$m)	0.7	0.3	0.4	0.4	-
Less tax + net interest (C$m)	6.3	7.1	20.4	45.6	14.9
Net change in wkg cap (C$m)	(1.1)	0.9	1.5	1.0	-
Other non-cash (C$m)	(10.7)	(13.2)	(36.6)	(85.7)	(18.5)
Cash flow ops (C$m)	**(6.9)**	**(6.4)**	**(20.7)**	**(49.2)**	**(13.2)**
PP&E - build + sust. (C$m)	(0.0)	(0.1)	(0.6)	(0.5)	(300.0)
PP&E - expl'n (C$m)	(0.5)	(0.2)	(0.4)	(0.0)	-
Cash flow inv. (C$m)	**0.5**	**0.3**	**1.0**	**0.5**	**300.0**
Share issue (C$m)	7.3	17.9	51.5	76.4	256.0
Debt draw (repay) (C$m)	(0.3)	(0.1)	(0.1)	(0.2)	250.0
Cash flow fin. (C$m)	**7.0**	**17.8**	**51.4**	**76.2**	**506.0**
Net change in cash (C$m)	0.6	11.7	31.7	27.5	792.8
EBITDA (C$m)	(7.6)	(8.4)	(26.5)	(55.7)	(17.6)
Balance sheet	**CY20A**	**CY21A**	**CY22E**	**CY23E**	**CY24E**
Cash (C$m)	3.1	13.6	43.8	40.3	226.2
Acc rec., inv, prepaid (C$m)	0.1	0.1	0.0	-	-
PP&E + other (C$m)	3.4	3.1	3.0	33.4	333.4
Total assets (C$m)	**7**	**17**	**47**	**74**	**560**
Debt (C$m)	0.1	0.1	0.2	-	250.0
Accounts payable (C$m)	1.3	2.2	3.8	5.2	5.2
Others (C$m)	0.2	0.1	0.7	0.6	0.6
Total liabilities (C$m)	1.6	2.4	4.7	5.8	255.8
Issued capital (C$m)	162.5	181.5	240.4	295.0	555.4
Retained earnings (C$m)	(157.5)	(167.1)	(198.3)	(227.2)	(251.7)
Liabilities + equity (C$m)	**7**	**17**	**47**	**74**	**560**

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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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NOT RATED ((N/R): The stock is not currently rated

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SCP Resource Finance Equity Research Ratings:

Summary of Recommendations as of April 2024	
BUY:	56
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	2
NOT RATED:	0
TOTAL	58

[1] As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month