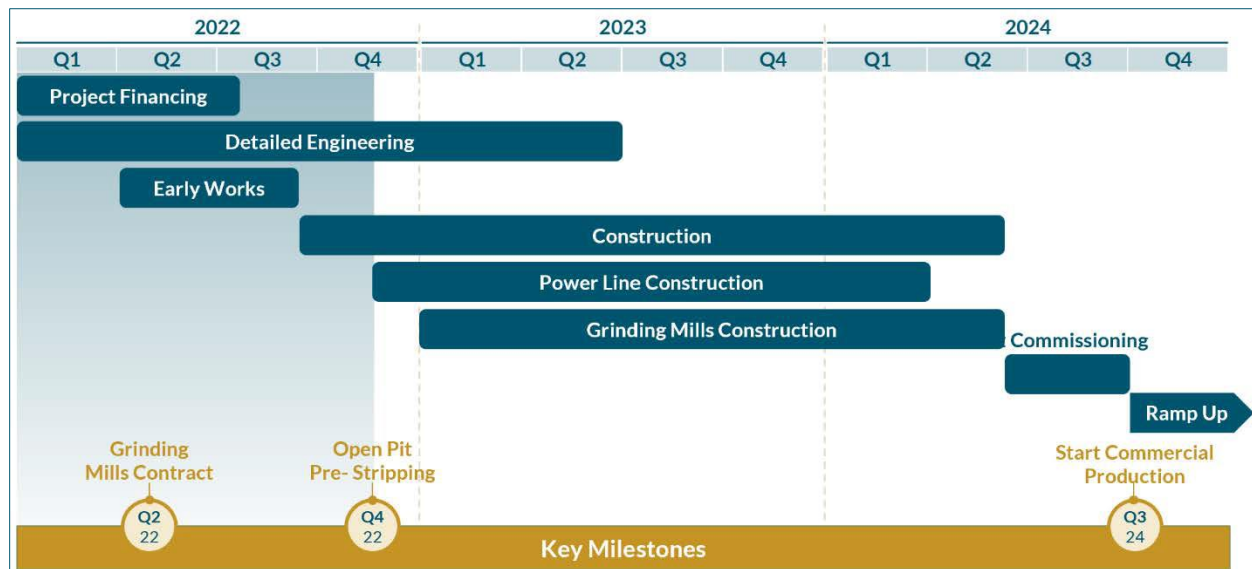


**Ticker:** GMIN CN      **PF cash:** US\$420m      **Project:** Tocantinzinho  
**PF Mkt Cap:** C\$304m      **Price:** C\$0.68/sh      **Country:** Brazil  
**REC. (unc):** BUY      **TARGET (unc):** C\$1.80/sh      **RISK RATING (unc):** HIGH

Today's project update is ostensibly a banal release, and so 'early' in development one could argue it's too early to call impact to final budgets. However, this team is up there with the best in the world at hitting timetables and budgets, and frankly during builds, 'no news is good news' in our view. A risk / opportunity is the low daily liquidity as a concentrated group of funders on IPO and concentrated project funding means many investors haven't heard of G before; over time this value gap should close. We retain our view that among developer peers G is the only one with a build team that has been together for multiple Latam builds, with a hunger to 'empire build' through new acquisitions (and backers to support that), and fully permitted. Releases like today may well be seen as 'boring' but that is what we like vs. peers still waiting for permits, funding, build team and equity. We see US\$452m uses vs. US\$535m sources as at June 30, leaving a US\$53m buffer (US\$84m net of refundable taxes), and with early procurement nearing completion by YE and a clear plan in place, things are off to a great start. Also, nice to see the team continue to exercise their social licence to operate, employing 94% Brazilians and supporting local talent while pre-production mining activities begin to ramp up. As such, **we maintain our BUY rating and C\$1.80/sh PT** based on one-year forward  $0.6 \times \text{NAV}_{5\%-1700}$ . Cheap valuation / skilled / funded / manager-owned and a desire to build a multi-mine group is reason enough for us. As construction activities continue to ramp up, we look forward to YE22 results from ongoing drill 10km program as detailed engineering and site construction progresses.

**Figure 1: Gantt chart of project timelines to 2H24 commercial production**



Source: G Mining Ventures

### Tocantinzinho on track for 2H24 commercial production; \$160m / 34% committed to date

Today's Tocantinzinho project update reconfirmed 2H24 commercial production. As of today, **procurement** for all major equipment for the process plant and process plant design has been completed, with overall project commitment at 73% (US\$160m – 34% of total), in line with the feasibility study and progressing to 100% by year end with **detailed engineering** now at 43% and on track for a 1H23 completion. **Civil works** have progressed to 83%, including completion of both the exploration camp expansion and mine waste dump haul roads. Much of the **mining equipment** fleet, including haul trucks, hydraulic excavator and a drill rig, have also been delivered to site. **Open-pit mining** of the pre-production starter pit has been initiated, with waste material being used for tailings dam construction and other generic construction purposes. During this pre-production phase, 2.4Mt of ore will be stockpiled to

provide a 6-month ore feed to the mill. **Power line construction** will commence before year end with environmental permit in hand. On the **human resources** front, G Mining currently has 582 employees at the project with 94% of Brazilian origin. Lastly, results from the remaining **infill and expansion** drill program are expected by YE22.

**Figure 2: Tocantinzinho (A) personnel, (B) starter-pit mining, (C) concrete batch plant, and (B) camp**



Source: G Mining Ventures

## Why we like G Mining

- Vanilla open pit gold mine with scarcity value given 150-190koz pa production
- Chance to buy into well-supported first-ever build-team going owner with G Mining
- ~US\$1bn NAV5%-1850 or ~C\$3.50/sh once in production
- Construction experience in S America, and in high-rainfall locations
- Well-funded with US\$420m pro-forma cash and US\$115m undrawn debt/finance

## Catalysts

- 4Q22: Results from 10km infill (for mine plan) and step-down drilling at TZ
- 1H23: Completion detailed engineering
- 2H24: First production

## Research

**Brock Salier** (London) M: +44 7400 666 913 [bsalier@sprott.com](mailto:bsalier@sprott.com)

**Eleanor Magdzinski** (Toronto) M: +1 705 669 7456 [emagdzinski@sprott.com](mailto:emagdzinski@sprott.com)

**Konstantinos Kormpis** (Toronto) M: +1 778-957-3623 [kkormpis@sprott.com](mailto:kkormpis@sprott.com)

<b>Ticker:</b> GMIN CN	<b>Price/ MC:</b> C\$0.68/sh, C\$304m	<b>Project PNAV today:</b> 0.27x	<b>Asset:</b> TZ
<b>Author:</b> B Salier & E. Magdz Rec / 0.6xNAV	<b>PT:</b> BUY, C\$1.8/sh	<b>1xNAV<sub>3Q24</sub> FF FD:</b> C\$2.85/sh	<b>Country:</b> Brazil

Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E	Resource / reserve (1Q22)	Tonnes	Grade	Ounces
Gold price	1,700	1,700	1,700	1,700	1,700	Resource	50Mt	1.35g/t	2152koz
						Reserve	49Mt	1.30g/t	2042koz

SOTP project valuation*					Project: USES		Funding: SOURCES	
	US\$m	O/ship	NAVx	C\$/sh				
Asset @ 2Q22 build, net \$60m pmt	766	100%	1.00x	2.13	Royalty buyback:	US\$5m	Cash	US\$54m
Cash (2Q22 + pro forma)	420	100%	1.00x	1.17	Early works capex:	US\$21m	Stream:	US\$250m
Debt (2Q22E)	-	100%	1.00x	-	Capex net tax & early wk	US\$406m	Build equity:	US\$116m
Cash from options	5	100%	1.00x	0.01	Fin. cost, G&A, expl'n, wc:	US\$20m	Senior Debt:	US\$75m
Resources ex inventory @ US\$50/oz	6	100%	1.00x	0.02	<b>TOTAL USES: US\$452m</b>	post taxes	Equipment fin.:	US\$40m
G&A / fin / stream costs	(283)	100%	1.00x	(0.79)	Buffer before tax recov.:	US\$84m	US\$53m	<b>TOTAL SOURCES: US\$535m</b>

Capital structure	Basic	FD for Options	FD for build
Pro Forma Shares (m)	447.5	454.1	454

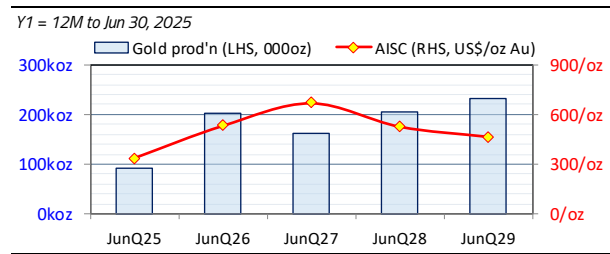
Company NAV: (US\$m, ungeared)*	Ratio analysis (CY to Dec)	CY21A	CY22	CY23	CY24	CY25
Company NAV (C\$m)	Average shares out (m)	174.8	336.1	447.5	447.5	447.5
Discount rate: 9%	EPS (US\$/sh)	-	-	-	0.07	0.13
Discount rate: 7%	CFPS (US\$/sh)	-	-	-	-	0.03
Discount rate: 5%	EV (US\$m)	61.4	(113.8)	178.5	261.0	247.9
Ungeared project IRR:	FCF yield (%)	-	-	-	-	4%
Company NAV (C\$/sh)	PER (x)	-	-	-	9.1x	5.4x
Discount rate: 9%	EV/EBITDA (x)	-	-	-	4.1x	2.0x
Discount rate: 7%						
Discount rate: 5%						

Income statement (CY to Dec)	CY21A	CY22	CY23	CY24	CY25
Net revenue (US\$m)	-	-	-	78.7	251.1
COGS (US\$m)	-	-	-	2.4	99.9
<b>Gross profit (US\$m)</b>	-	-	-	76.3	151.2
D&A, attrib (US\$m)	0.0	0.1	0.1	12.7	39.5
G&A + sh based costs (US\$m)	3.5	4.6	4.2	4.4	5.2
Expln + fin. cost (US\$m)	(1.6)	0.8	3.6	15.7	32.7
Taxes (US\$m)	-	-	-	10.3	17.3
Net income (US\$m)	(1.9)	(5.4)	(7.8)	33.3	56.5
EBITDA (US\$m)	(1.9)	(4.6)	(4.6)	64.3	121.2

Cash flow, attrib.	CY21A	CY22	CY23	CY24	CY25
Add D&A / share bsd (US\$m)	0.9	1.4	1.2	13.9	40.7
Adjust fin. cost (US\$m)	-	-	-	-	-
Change in wkg cap (US\$m)	2.3	(3.3)	-	15.7	18.1
Other non-cash (US\$m)	(5.9)	6.1	-	(31.5)	(36.1)
<b>Cash flow ops (US\$m)</b>	<b>(4.5)</b>	<b>(1.3)</b>	<b>(6.6)</b>	<b>31.4</b>	<b>79.1</b>
PP&E - build + sust. (US\$m)	0.1	84.5	210.0	113.9	66.0
PP&E - expl'n (US\$m)	3.3	11.2	-	-	-
<b>Cash flow inv. (US\$m)</b>	<b>(3.4)</b>	<b>(95.7)</b>	<b>(210.0)</b>	<b>(113.9)</b>	<b>(66.0)</b>
Share issue (US\$m)	84.5	130.6	-	-	-
Debt draw (repay) (US\$m)	(0.0)	32.0	50.0	23.5	(0.6)
<b>Cash flow fin. (US\$m)</b>	<b>84.5</b>	<b>162.6</b>	<b>50.0</b>	<b>23.5</b>	<b>(0.6)</b>
Net change in cash (US\$m)	76.6	65.6	(166.6)	(59.0)	12.6

Balance sheet	CY21A	CY22	CY23	CY24	CY25
Cash (US\$m)	57.5	374.4	207.8	148.8	161.4
Acc rec., inv, prepaid (US\$m)	0.4	2.8	2.8	8.6	37.1
PP&E + other (US\$m)	62.4	161.8	371.7	472.9	499.4
<b>Total assets (US\$m)</b>	<b>120</b>	<b>539</b>	<b>582</b>	<b>630</b>	<b>698</b>
Debt (US\$m)	-	32.0	82.0	105.5	104.9
Accounts payable (US\$m)	2.6	10.3	10.3	0.4	10.8
Stream liab / oth (US\$m)	0.1	250.0	250.0	250.0	250.0
Total liabilities (US\$m)	2.6	292.4	342.4	355.9	365.8
Issued capital (US\$m)	120.2	256.0	257.2	258.4	259.5
Retained earnings (US\$m)	(2.6)	(9.4)	(17.2)	16.1	72.5
<b>Liabilities + equity (US\$m)</b>	<b>120</b>	<b>539</b>	<b>582</b>	<b>630</b>	<b>698</b>

Production	JunQ25	JunQ26	JunQ27	JunQ28	JunQ29
Gold production (000oz)	93	203	161	205	232
AISC cost (US\$/oz)	336	532	669	527	465



Source: SCP estimates

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BUY:	51
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	53

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