Sprott | Equity Research

Reunion Gold (RGD CN)

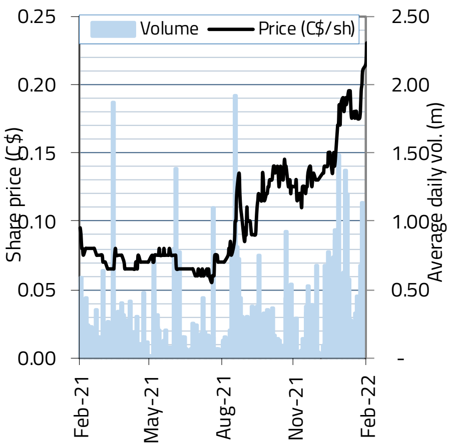
Initiation and site visit: Discovery of the year with >3Moz potential in Guyana

RECOMMENDATION: **BUY** *PRICE TARGET*: **C$0.50/sh** *RISK RATING*: **SPECULATIVE**

SHARE DATA	
Shares (basic, FD, FF FD)	793 / 912 / 1321
Share price (C$/sh)	C$0.24/sh
52-week high/low	C$0.23 / C$0.06
Market cap (C$m)	190
3Q21 cash + raise (C$m)	26.3
1.0xNAV5% @ US$1850/oz (C$m)*	1,401
1.0xNAV5% FD today (C$/sh)*	1.54
1.0xNAV5% FF FD 1st Au (C$/sh)^	1.18
Project P/NAV today (x, FD)	0.16x
Average daily value (C$000, 3M)	65

FINANCIALS	**CY26E**	**CY27E**	**CY28E**
Gold sold (000oz)	231	244	238
Revenue (C$m)	547	580	564
AISC (US$/oz)	344	344	344
Income (C$m)	327	271	204
EPS (C$)	25	21	15
PER (x)	1.0x	1.2x	1.6x
CFPS (C$)	26	25	19
FCF yield (%)	107%	103%	81%
EBITDA (C$m)	406	404	375
EV/EBITDA (x)	1.4x	1.3x	1.2x

TIME VALUE: 1850/oz	**Mar-23**	**Mar-24**	**Mar-25**
1xNAV5% FF FD (C$m)	1,180	1,240	1,484
1xNAV5% FF FD (C$/sh^)	1.13	1.19	1.12



*Source: Factset, *diluted for options only ^plus mine*

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Guyana gurus do it again with world-class discovery in Guyana

Reunion Gold is a seasoned Guiana Shield explorer whose CY21 Oko West discovery in Guyana saw **71m @ 8g/t** in 3Q21. Discovered <12M ago, today's composite **106m @ 2.3g/t** to ~275m below surface shows emerging roots. The most serendipitous part of the discovery is that, pre-drilling, Barrick chose not to roll this into their 50/50 alliance. The team, led by Golden Star veteran David Fennel, were associated with Omai (Guyana) and Rosebel (Suriname) in prior roles. The potential we see is for an asset like Great Bear's Dixie Lake (sold for C$1.8bn) or Rupert's Ikkari (4Moz @ 2.5g/t, C$950m mc).

Oko West: SCPe ~1.5Moz mid year MRE, 3-5Moz LT potential

Most drilling has been <200m deep, seeing near-surface enrichment in a thick ~100m deep oxide blanket, leading us to expect at or over 1.5Moz in a mid-year maiden MRE. However, January's composite 93m @ 2.8g/t to ~220m below surface, and today's hits to 300m, should lift this next year. At 50-70m wide and >200m deep, a simplistic 1.2km over 80m width to 225m deep, even at a 1.7 SG, would take this to 2.3Moz (or 2.7Moz at 50m width of 2.5km). Adding undrilled strike extensions, in the long-term we see 3-5Moz potential here.

The discovery the market missed: now a clear buying opportunity

Reunion's lack of success after C$31m exploration spend over the last 5Y may legitimately have put off new investors, not the least given ABX's right earn-in 70% on discoveries. However, Oko West is not only a new discovery but isn't in the JV with Barrick, resulting in a 'missed value' that we think should trade far higher. As this name comes back onto watch lists, we expect it to do just that.

Guyana heats up with discoveries and M&A

We think Guyana's permitting regime makes it the leading country to explore, permit and mine in the shield. Guyana stands out against fiscal, permitting and access difficulties in Venezuela, French Guiana and Suriname, respectively. Recent investors include Barrick's (Troy, RGD), Gran Columbia (GoldX, $252m) and Zijin (Guyana Goldfields, $323M). Other recent exploration successes come at G2 along strike (9m @ 33g/t) and Goldsource (1.7Moz defined to date).

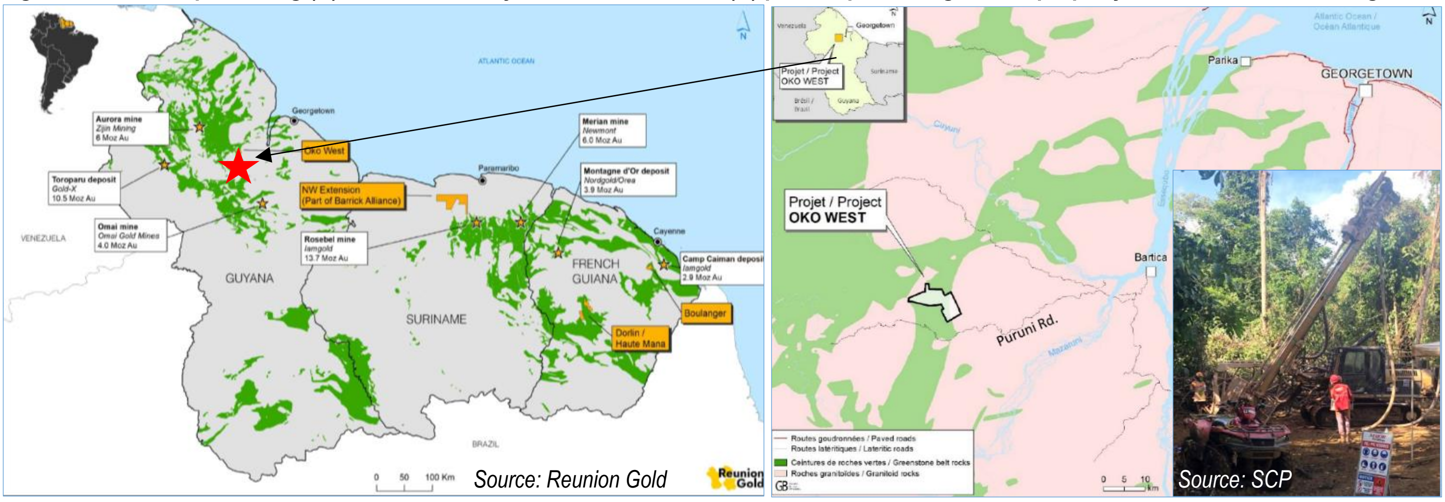
Initiate coverage with a BUY rating and 0.3x$NAV_{5\%\text{-}1850}$ C$0.50/sh PT

Our C$1.3bn $NPV_{5\%\text{-}1850}$ puts RGD on just 0.16xNAV, diluted for options but not future equity. Applying a 0.3xNAV multiple to this, we initiate with a BUY rating and C$0.50/sh PT. The single largest sensitivity to our exit valuation is the price as which DFS equity, then mine build, is raised. Doing this at a 25% premium (post MRE) and 0.4xNAV, respectively, gives a fully-funded fully-diluted (FF FD) valuation around C$1.20/sh. Discounting for delays, dilution and disasters, we see perhaps 70-80c as achievable, offering >3x upside from here. Should this lift to a 3Moz reserve, add 50% and the return potential looks even better.

Summary

TSX junior Reunion Gold has a long history in the Guyana Shield with team members, in prior roles, working up Omai and Rosebel in the 2000s. After a 2010 manganese sojourn, exploration restarted in 2017 by vending assets into a Barrick 50/50 JV. French Guiana didn't translate into share price appreciation, driving a refocus on Guyana, and quickly seeing a double win of Barrick electing not to participate in Oko West pre-drilling, and a major discovery there with composite 71m @ 8g/t Au. The property lies a day's drive from the capital Georgetown, with a 70km public road running within 5km, enabling cheap drilling (US$30-90/m RC/DD). Oxides extend to ~100m with +100m of transition. We saw perhaps 1-2Moz YE 2021, with some high-grade oxide starter material but no demonstrated roots. That all changed with a composite **93m @ 2.8g/t** and **87m @ 3.1g/t** to ~218m and ~101m below surface, respectively, released last month. Fear (of emerging market jungle gold) should rightfully turn to greed now as, in our view, this asset 'will be a mine', not the least because the managements blue-ribbon history in Guyana.

Figure 1. Asset map showing (A) locations in Guyana / Suriname, and (B) plan map showing Oko W property outline and diamond rig



Corporate history: a long road rewards perseverance and leads to 'market miss fatigue'

Reunion's Guiana Shield history started in the 1990s with Omai and Rosebel through the 2000s, winding down in the early 2010s before the 2016 sale of manganese assets. In 2016/17 RGD optioned French Guyana (Dorlin, Boulanger, Haute Mana) and Guyana (Waiamu, Arawini, Aremu), vending the Guyana properties into a 50/50 JV with Barrick (up to 70% on FS) for a board seat, pro-rata share rights and equity to take ABX to 15% in 4Q17. Work was tough as 1.5Moz @ 1.1g/t at Dorlin in 2019 matched the 1998 resource rather than a hoped for double, while early chips at Boulanger were not validated with drilling. This manifested as a C$2m equity raise in 1Q20, down from targeted C$10m, and removal of five NEDs as covid took hold, leaving a 3Y run that saw the share count lift from <200m to >500m by mid-2020. However, **Oko West** was optioned in 3Q18; after CY19 airborne geophysics targets returned a 6km soil anomaly in 1Q20, ABX elected not to roll it into the alliance. A composite trench of **102m @ 2.0g/t Au** in 4Q19 was followed with hole one hitting 20m @ 1.5g/t: **the discovery was made**. From there the drilling came thick and fast, with highlights in 3Q21 of a composite 71m @ 8g/t in a single hole, but still generally <200m deep. The 'ah hah' moment came on January 17 this year as the deepest two hits to date hit 64m @ 3.0g/t from 139m and 59m @ 2.7g/t from 193m, improving today with 65m @ 2.5g/t to 275m below surface.

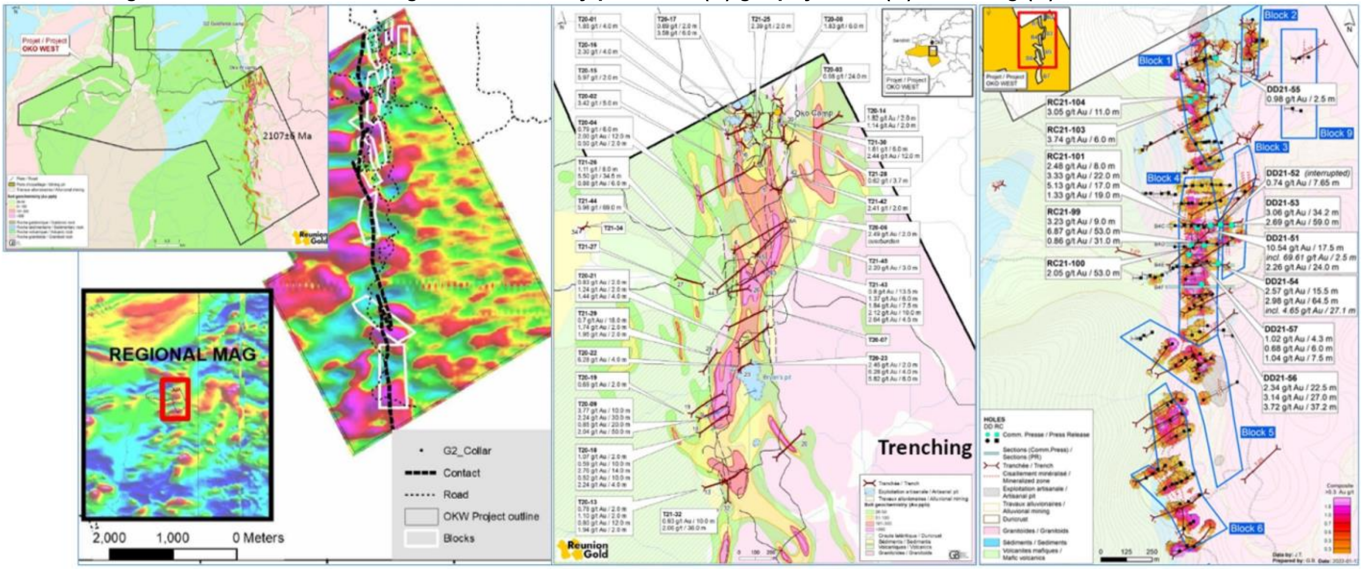
Figure 2. Reunion Gold's share price and market cap history with key events

*Source: Bloomberg, Reunion, SCP; *composite downhole*

First comes strike: 2020-2021 sees 2.5km core emerge from 6km anomaly, cornerstoned by Block 4

In hindsight, the discovery was 'simple', but overnight successes typically take decades, and in this case, systematic exploration paid off. The company started with a strong local network that enabled the option in the first place. Even before CY19 aeromagnetics (Figure 3A), critical for mapping rather than discovery, the company benefited from the well-supported academic programme SAXI (S. American Exploration Initiative; LatAm WAXI). Just like peer Predictive in Guinea, this asset sits on the craton margin (but inboard, not on actual edge as initially thought, which would see less useful gneiss basement), a favourable tectonic location. Regionally, the classic Archean orogenic deposit lies on a regional trans-crustal lineament tapping deep fluids, locally lying on the edge of a granitoid for a favourable physical (pressure shadow) and geochemical (volcaniclastic) host. Rather than 'just drill', trenches from 4Q20 to 2Q21 defined gold over 2.5km strike (Figure 3B). The work was good, with the discovery made on the first drill hole in 2021, quickly moving to 102 holes / ~9,000m of drilling over the year.

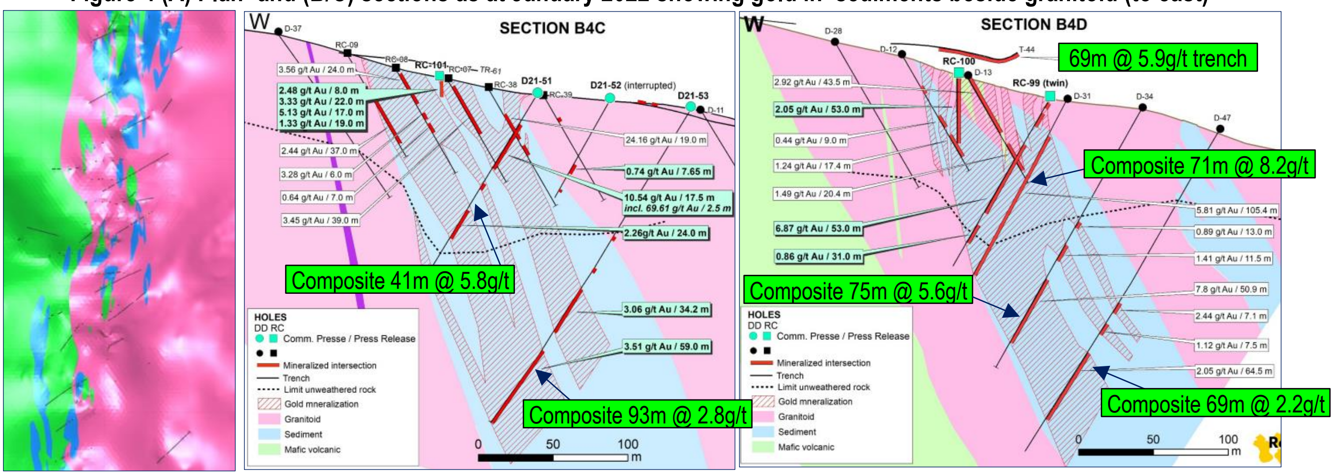
Figure 3. Oko West 6.5km target and discovery plan view (A) geophysics > (B) trenching (C) RC + DDH in CY21



Then comes 'some' depth: SCPe ~1.5Moz maiden resource mid year on mainly <200m deep drilling

Oko West is a classic Archean orogenic deposit with shear-controlled gold on the edge of a granitoid. Gold is flanked by 10s of meters of silica-sericite-albite-carbonate alteration typical to these systems. The beauty of such a wide system is it is relatively easy to drill down-dip, with excellent continuity. We had early concerns that the sedimentary horizon hosting gold (Figure 4, light blue) could be a 'roof pendant', a slab of sediments that may pinch out at depth. Rather, the sediments are in fact thickening at depth. We do think they may be mapped as peripheral (rather than inside) the granitoid once all done and dusted. Again, identically to peer Predictive (PDI AU, Guinea), the best gold is where the regional shear sits on the granitoid margin. The mid-year maiden MRE will focus on only 150-200m depth, hence our expectations are for a **maiden ~1.5Moz** given less deep drilling to date.

Figure 4 (A) Plan- and (B/C) sections as at January 2022 showing gold in sediments beside granitoid (to east)

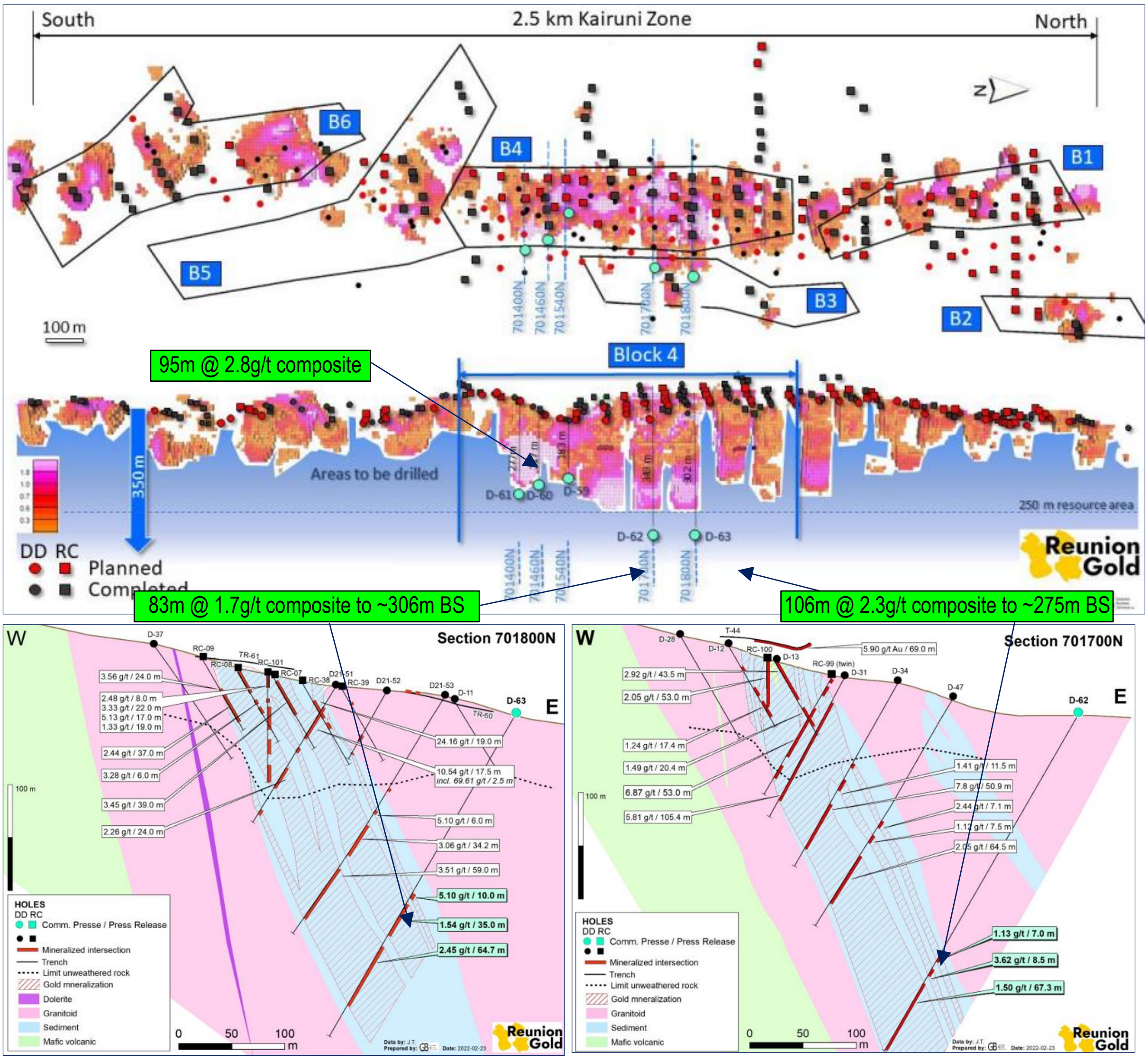


Source: Reunion

And today we have roots: SCPe 3-5Moz potential in medium term

Today's drilling bulked out the high-grade shallow material to the north of Block 63m @ 3.4g/t (composite 95m @ 2.8g/t to ~163m below surface). What we can see here is good oxide enrichment near surface. More importantly, today sees the first two holes to extend to the next-level down with 83m @ 1.7g/t extending to ~306m below surface, and 106m @ 2.3g/t extending to ~275m below surface. While not the 3g/t seen at surface, the ~2g/t over such large widths should pull a pit extremely deep. A simplistic 1.2km over 80m width to 225m deep, even using a 1.7 SG, would take this to 2.3Moz (or drop it to 50m width over 2.5km for 2.7Moz). As such, right now we see very good potential for 3-5Moz, but this will need substantial CY22 drilling for perhaps 1H23 MRE update. Beyond that, once infill completes, or even over the bulk widths, we see potential for substantial bulk UG reserves. If defined, and pro-rated to 1km deep, we could be talking 5-10Moz potential although this is purely speculation at this stage.

Figure 5. (A) Plan and long-section and (B) cross-sections of deep drilling released today

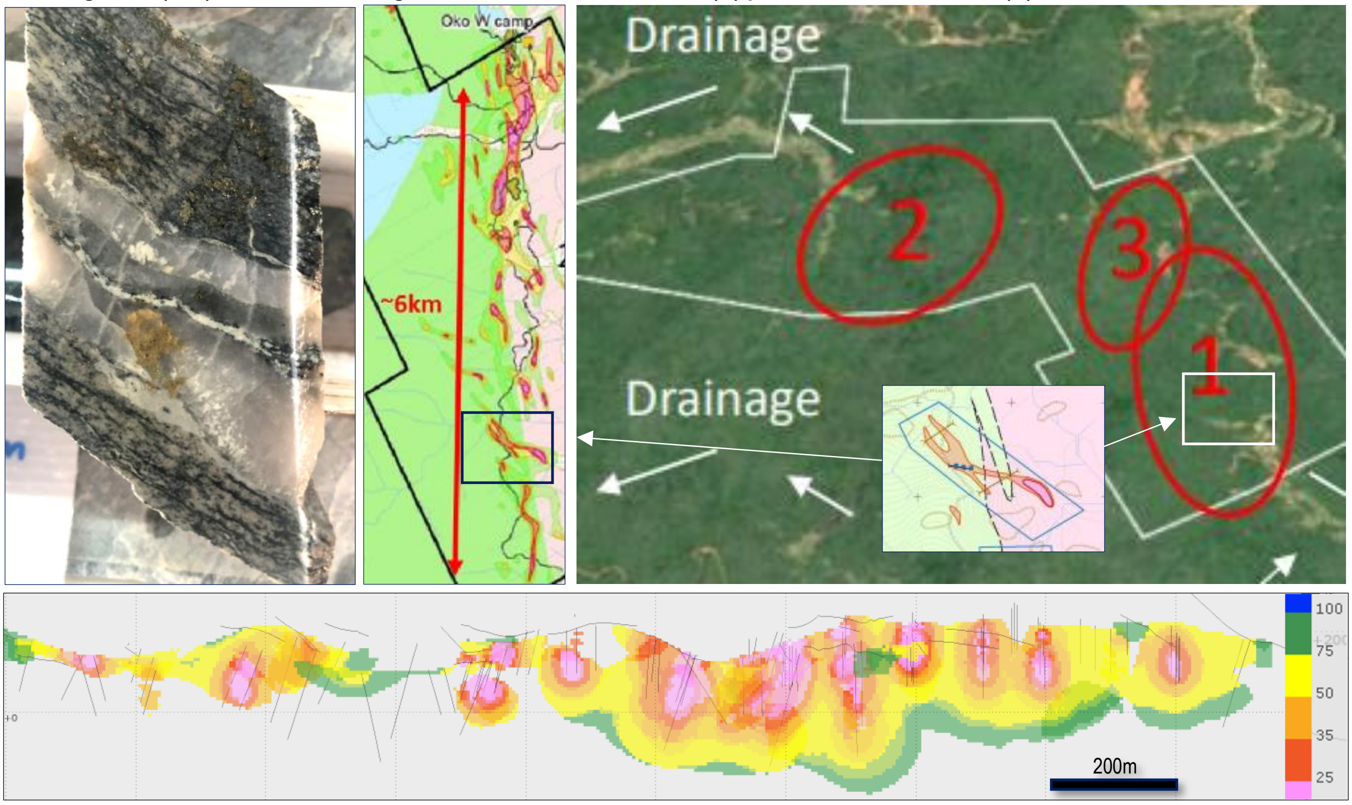


Source: Reunion

Is that it? Untested 3km southern strike, and NE flexures for more blue sky still

The key differentiator to peers at Reunion is strike, which is very long. This enables the deposit to stand out from 'point source' or cross-structure-focussed assets such as Predictive / Bankan NE or Azimut / Pawton. Beyond the drilled 2.5km, the system is undrilled to the south, and north of the property we see ~500koz-1Moz @ 5-10g/t on G2 gold's Oko project (higher grade, smaller tonnes on Z folds). In fact, Figure 6 '1' shows substantial alluvial accumulations both south along strike as discussed above but also bending around to the NW ('2'), opening the door to multiple cross structures given G2 gold appears to lie on a similar flexure where the main N-S break bends around to a NW-SE to E-W strike

Figure 6. (A/B) drill core showing weathered ore from surface, (C) potential 6km strike and (D) 2km drilled strike to date



Source: SCP, Reunion

SCPe production potential >200koz pa

With 2-3Moz potential maiden MRE, the ultimate MRE could be far larger. Put simply, this bodes well for 2-3Moz of reserves, which very simply pro-rates to 200-300koz pa. Peers at this level, with a DFS, trade at anywhere from C$500-1bn, yet so few have simple geometry, simple mineralisation not needing 10-20m reserve drilling, open pit only with good infrastructure, and likely simple metallurgy. What Reunion doesn't have is savannah or a Tier 1 Canadian / Australian jurisdiction, with the flip side being that, especially for USA / Canada assets, it doesn't have 3-5Y permitting ahead. Within any mine plan we always focus on the three S's: strip, scheduling (high-grade starter pits) and stockpiling (for even more accelerated FCF).

- Strip: the sheer width of mineralisation bodes well for a <3:1 strip over the first 200m. Where this gets fun is doing a back-of-the-envelope on potential pit depth. At 2g/t and 90% recovery, a 50% gross margin could be maintained up to 15:1 strip. Assuming a 50m width, the strip to 200m deep would stand at only 3:1 on 45˚ pit slopes. However, at 15:1, a 50m zone could pull a pit to an astonishing 800m. While we don't expect that, our ~1-2Moz to ~200m could very simply pro-rate to 2.5x this for 2.5-5Moz, and that is where we expect this to fall.
- Starter pit (and soft, and staged): with trenches of 69m @ 5.9g/t on surface, weathering has clearly been favourable to the deportment of gold (or more specifically, everything but gold). This is a common feature to Guyana, meaning Reunion should be able to schedule >3g/t free-dig early years oxide for a quick payback and high IRR. The free-dig should transition into soft ore, and we expect that like peer West African in Burkina, any mill should run at +50-100% of nameplate in early years, with diminished, if any, metallurgical risk. Thereafter, the company can stage into 'hot spots' given the long strike, for a DCF that should be far from flat-forward, with potential for IRRs to exceed 50% (we estimate 63%).
- Stockpile: the relatively soft ore (low mining cost) and high grade means 0.3-0.5g/t material would logically be 'saved up' and stockpiled. The longer haul given strike of >2km takes some of the shine off this, but we fully expect an already front-loaded mine plan to benefit from stockpiling also.

Overall, we see 200koz pa production as not only achievable but very much beatable, either in the short-term with higher grades supporting >300koz pa in early years or over LOM if e.g. 4-5Moz of resources can be defined for a >3Moz reserve. This is based on 90% recovery – while we expect more than that in oxides, preliminary metallurgical results showed 78-97% in oxides to fresh rock, although this is <12 hours of residence time with no grind-size optimisation, leaving us confident that >80% fresh-rock recovery can be achieved in the LT, with potential to 'crack the nut' for ~90%.

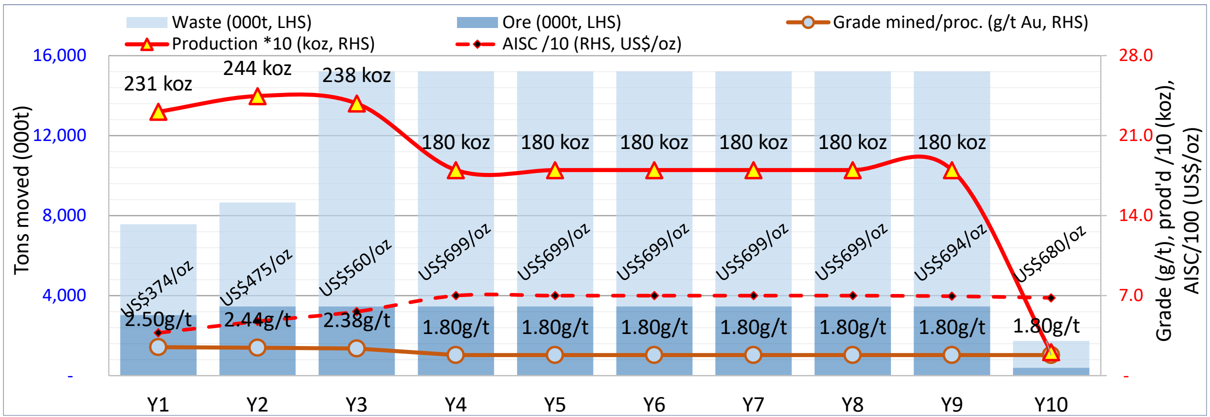
SCP Production Scenario

Mining & inventory: we model a 2Moz @ 2g/t mining inventory based on the simple metrics above. As a 'smaller' (ie only to 200-250m) early-defined MRE, we anticipate these ounces should come at 3:1 strip. For Y1-3 we model 2.5g/t receding to LT 1.8g/t from Y4, reflecting starter pits, near-surface enrichment and stockpiling discussed above, but take a flat forward grade after that. Similarly, we model a 1.5:1 strip in early years, lifting to 3.4:1 from Y3 onward. We conservatively model US$2/t mining costs in Y1 (should be beaten with free-dig material), and lift this to US$2.70/t from Y2 onward, a beatable figure in our view.

Processing: Given our 31Mt inventory, we model a mill running at 3.5Mtpa flat-forward. The conservatism here is perhaps too much given our notes above that, like West African (WAF AU), the nameplate on even blended oxides should hit +50% minimum in early years. Also our modelled grades are probably 'too high', as fringe material will be perfectly profitable, lifting ounces and dropping grade which sensibly suits a larger mill. Similarly, our flat forward 90% recovery may be optimistic in the long term ahead of final metallurgical work, but should be conservative for the early years. In fact, given our inventory likely comes from the top 200-250m, with fresh-rock not starting until 100-200m deep, we do think 90% will be beaten over the first 2Moz. Overall, we are trying to stress that we think our inputs should be considered a robust base case. We model US$8/t processing Y1-3 before lifting to US$12/t, slightly above West African peers with larger mill given the infrastructure, and despite likely softer rock. We add US$4.50/t G&A to reflect the remote location, and US$3.50/oz refining charge.

Production: the above mine plan, including early-years high grade but not increase in throughput from oxides, support production of 200-250koz pa in early years at AISC under US$500/oz, falling to steady-state ~180koz pa.

Figure 7. SCP production schedule modelled for Oko West



Source: SCP estimates

Fiscal terms: the tax code sees 30% corporate tax with tax-holiday to be negotiated on a project by project basis – we model an 18M tax holiday. State royalties of 5% are included with no disclosed private royalty on the property.

Economics: with opex documented above, producing LatAm mines in our comparison table (Figure 8) average a capital intensity of just US$52/t pa (ie 1Mtpa for US$52m), but this is low given a variety of restart savings. Across Brazil and other LatAm projects, this average stands a little higher at US$57/t pa, but ranges from ~US$50-100/t pa. A detail review of West African projects, which typically have similarly poor infrastructure but easier access (less rainfall / jungle) gives capex of US$50m (fixed) plus US$73/t. As such, and in light of aggressive capex inflation impacting the sector as a whole, we model US$50m fixed investment plus US$80/t pa, for US$330m capex (C$423m). If equity dilution is an issue, a smart sole-operator would start small and stage up. If a major owns this, we'd expect at least 5Mtpa and a much lower grade hence this is a starting point only to aggressively risk (only our 0.3x multiple) given the preliminary nature of our DCF.

Figure 8 Peer South American production and development asset metrics, with SCP estimates for Goldsource

		PRODUCING MINES				GUYANA	BRAZILIAN DEVELOPMENT PROJECTS							OTHER DEV PROJECTS		
Parameter	**(Units)**	Tucano	Paracatu	RDM	Aurizona	Oko W	CentroGld	Posse	Borborema	olta Grand	Castel. dS.	TZ	Sao Jorge	Cangrejos	Fenix	Santa Ros
Development Stage	-	Prod'n	Prod'n	Prod'n	Prod'n	Pre-res.	FS	FS	FS	FS	PEA	FS	PEA	PEA	PFS	PFS
Owner	-	. Panthe	Kinross	Equinox	Equinox	Reunion	Z Mineral	Amarillo	Big River	Belo Sun	TriStar	G Mining	oldMinin	Lumina	Rio2	VeraGold
Country	-	Brazil	Brazil	Brazil	Brazil	Guyana	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Ecuador	Chile	Panama
2P (Moz)	Moz					--		0.9	1.6	3.8	--	1.8		--	1.8	0.9
M&I (Moz)	Moz					--		1.20	1.86	5.21	0.70	0.85		13.36	5.03	0.98
Total (Moz)	Moz					2.00		1.20	2.43	6.75	2.00	2.12		21.77	6.42	0.99
EV	US$m	$132	$9,055	$2,458	$2,458	$120		$44	$26	$222	$37	$134	$225	$171	$122	$120
EV/2P	US$/oz	--	--	--	--	--	--	$49	$16	$59	$0	--	--	$0	$67	$135
EV/M&I	US$/oz	--	--	--	--	--	--	$37	$14	$43	$53	$158	--	$13	$24	$123
EV/M&I+I	US$/oz	--	--	--	--	$60	--	$37	$11	$33	$19	$64	--	$8	$19	$121
P/NAV	**(x)**	**--**	**--**	**--**	**--**	**0.13x**	**--**	**0.20x**	**0.15x**	**0.44x**	**0.21x**	**0.21x**	**--**	**0.1x**	**0.3x**	**--**
DFS Mining Cost	US$/t	--	--	--	--	--	$3.12	$1.64	$1.58	$2.05	$2.17	$2.44	$3.11	$1.87	$2.42	$1.98
DFS Processing Cost	US$/t	--	--	--	--	--	$7.80	$10.95	$5.97	$7.68	$9.99	$9.02	$7.03	$6.31	$4.06	$11.50
DFS G&A Cost	US$/t	--	--	--	--	--	$2.40	$1.29	$4.40	$0.93	$0.69	$2.96	$0.89	$0.78	$1.99	$1.06
DFS Royalty	US$/t	--	--	--	--	--	$2.91	$2.46	$0.84	$0.47	$1.10	$1.45	$1.01	$0.78	$0.33	$1.50
DFS C1 cost	**(US$/oz)**	**--**	**--**	**--**	**--**	**--**	**$604**	**$686**	**$536**	**$722**	**$711**	**$616**	**$606**	**$635**	**$911**	**$690**
'Real World' mining cos	US$/t	$3.30	$1.76	$1.85	$2.30	$2.70	$2.70	$2.70	$2.70	$2.25	$2.70	$2.70	$2.70	$2.25	$2.00	$2.50
'Real World' proc. cost	US$/t	$17.05	$5.57	$9.54	$10.39	$12.00	$8.50	$8.50	$8.50	$8.00	$8.50	$8.50	$8.50	$8.00	$5.00	$10.00
Real World' G&A cost	US$/t	$6.15	$0.81	$2.35	$4.89	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$1.50	$3.00
Royalty	US$/t	$2.10	$0.27	$1.38	$3.15	$4.82	$2.91	$2.46	$0.84	$0.47	$1.10	$1.45	$1.01	$0.78	$0.33	$1.50
Nominal C1 Cost	**(US$/oz)**	**$1,162**	**$871**	**$1,014**	**$738**	**$552**	**$620**	**$873**	**$769**	**$891**	**$872**	**$671**	**$665**	**$968**	**$884**	**$758**
Total Capex	US$m	£135	$605	$215	$196	$330	$155	$145	$91	$361	$184	$442	$126	$1,000	$111	$113
Capital intensity	(US$/t pa)	£45	$12	$84	$67	$95	$62	$58	$45	$52	$61	$103	$50	$69	$15	$52

*Source: Company data; SCP calculations; *Reunion metrics based on SCPe estimates*

Valuation

Below we show a summary of our inputs, alongside NPV and sensitivities. We estimate a project $NPV_{5\%\text{-}1850}$ of C$1.3bn, with an IRR of 63%. In reality, it doesn't make sense to mine this *high* a grade, as economic material should be added until margins are closer to 50%, ie a major would likely build a much larger lower-grade mine.

Table 1. (A) group NAV and sensitivity to discount and gold price, and (B) cost and input assumptions

SOTP *project* valuation*				
	C$m	**O/ship**	**NAVx**	**C$/sh**
Ungeared @ build start (3Q24)	**1,326**	100%	0.30x	0.44
3Q21 cash + raise (C$m)	26.3	100%	1.00x	0.03
Cash from options + warrants	18.0	100%	1.00x	0.02
Exploration / portfolio (C$m)	30.0	100%	1.00x	0.03
Asset NAV5% US$1850/oz	**1,401**		PT:	**0.52**
**Shares diluted for options mine build*		Market $P/NAV_{5\%}$		0.16x

Asset value: 1xNPV project @ build start (C$m, ungeared)*					
Project NPV (C$m)	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
Discount rate: 9%	957	1,062	1,168	1,273	1,379
Discount rate: 7%	1,050	1,164	1,277	1,390	1,504
Discount rate: 5%	1,156	1,278	**1,401**	1,523	1,645
Ungeared project IRR:	54%	58%	63%	67%	72%

Oko West (100%)	**SCPe**
Inventory (Mt)	31.1
ROM grade (g/t)	2.00
Inventory (000oz Au)	2,000
LOM recovery (%)	90%
LOM mill (Mtpa)	3,400
LOM prod'n (000oz pa)	**196**
ROM grade Y1-3 (g/t)	2.45
Y1-3 prod'n (000oz pa)	**238**
Mining cost (US$/t)	2.68
Proc. cost (US$/t)	11.61
G&A (US$/t)	4.50

Source: SCP estimates

	SCPe
Strip ratio (x)	3.0
LOM AISC (US$/oz Au)	**451**
Build capex (C$m)	423
LOM sust. capex (C$m)	56
Gold price (US$/oz)	1,850
USD / CAD	0.78
Discount (%)	5.0%
NPV post-tax (C$m)	**1326**
IRR post-tax (%)	63%
Payback (years)	2.00
Mine life (years)	9.25

Recommendation: Initiate coverage with BUY rating and C$0.50/sh PT

Given that we estimated the resource and economics making an accurate forecast of equity and price issued is simply too early. In fact, the price at which equity is raised to fund the DFS is arguably the single greatest sensitivity, potentially trumping the value of the asset itself. As such, **we initiate with a BUY rating and C$0.50/sh PT** based on a simple $0.3xNAV_{5\%\text{-}1850}$. However, we do attempt to show an ultimate, fully-funded, fully-diluted, geared valuation over time to ballpark potential exit valuations. Raising C$40m to fund the DFS at a 25% premium to today, gearing at 60% with 10% lender-IRR debt, and raising mine-build equity at 0.4xNAV drives our 1.4bn FF FD share count. Rolling the model forward to first production in 2026 drives a C$1.15/sh 'exit valuation'. Of course, things never go according to plan, but drop this to even 80c and investors could be looking at 4x uplift over 4-5 years, an admirable return, if somewhat hypothetical at this juncture.

Table 2. (A) sources and uses and (B) NAV over time, and fully-funded fully-diluted NAV /share

Share data	Basic	FD with options	FD for build
Basic shares (m)	792.88	911.9	1,321

Project: USES		Funding: SOURCES	
re-DFS exploration / G&A:	C$27m	3Q21 cash + raise (C$m)	C$26m
Build capex:	C$423m	Post PEA equity, 25% prem.:	C$40m
Fin. cost + WC over DFS	C$27m	Build equity @ 0.4xNAV:	C$169m
TOTAL USES:	C$478m	65% geared debt @ 10%:	C$254m
Buffer / drill budget:	*C$12m*	TOTAL SOURCES:	C$489m

Group NAV over time^	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26
Oko West NPV (C$m)	1,166.2	1,224.7	1,288.7	1,518.0	1,870.8
G&A and fin. costs (C$m)	(113.1)	(107.7)	(99.7)	(97.5)	(87.2)
Net cash prior qtr (C$m)	5.7	45.5	33.0	45.7	(240.9)
Cash from options (C$m)	18.0	18.0	18.0	18.0	18.0
NAV FF FD (C$m)	1,077	1,180	1,240	1,484	**1,561**
FD shares in issue (m)	*912*	*1,045*	*1,045*	*1,321*	*1,321*
1xNAV5% /sh FF FD (C$/sh)*	**1.18**	**1.13**	**1.19**	**1.12**	**1.18**

Source: SCP estimates

M&A is an alternative exit of course. While the NAV itself is speculative, the NAV multiple paid would reflect both underlying fundamentals but also permitting and feasibility stage. A recent and straightforward comparison comes from the 2021 take over of Amarillo by Hochschild for 0.6xNAV or C$164m, well over our own multiples. Ironically, that 1Moz / 100koz pa asset did have a full DFS, but we expect Reunion to have a far larger NAV once drilled out. We like the name so much because peers such as Osisko, Rupert, De Grey, Greatland and Adriatic all approached (or exceeded) practical NAVs very early on, ultimately leading the issuer into build over sale. More simply, despite a DFS (the usual keys to unlock M&A) being some way off, simple low valuation leads us to see M&A as a very real exit in the short term, and/or until the valuation climbs materially. Sadly, as often seems to be the case, M&A buyers typically hide behind 'too early', overpaying for more advanced marginal assets and leaving quality like Oko West behind – as Barrick already did.

Risks

- Resource risk is high, as Oko West is pre-resource, but well advanced with >100 holes drilled to date despite discovery only in March 2021, with drilling ongoing ahead of the maiden 2Q22 MRE.
- Permitting: Guyana is politically and socially stable, governed by British Common Law and well-established rules and regulations under its Mining Act (1989). The government has been highly supportive of mining operations since opening its doors to foreign investment in 2004, thus in our view permitting risk is low to moderate.
- Infrastructure risk is moderate, 'only' 70km of road upgrade is required, and this is already accessible, but certainly needs improvement ahead of production
- Metallurgy risk is mitigated by thick oxides and useful preliminary results, albeit with lower recovery in sulphides. As such, fresh-rock metallurgy is a key risk / modifier to our valuation.
- Dilution / financing is always a risk for junior exploration / development as drilling and mine build funding is capital market dependent. We don't see access to capital as the risk here, but simply equity dilution, as evidence by the near tripling of share count in the last four years.

Catalysts

- 1Q22: Oko West drilling (11,000m ongoing programme)
- 2Q22: Maiden Oko West MRE: *SCPe at or over 1.5Moz*
- CY23: SCPe resource update: *SCPe 2-3Moz potential*

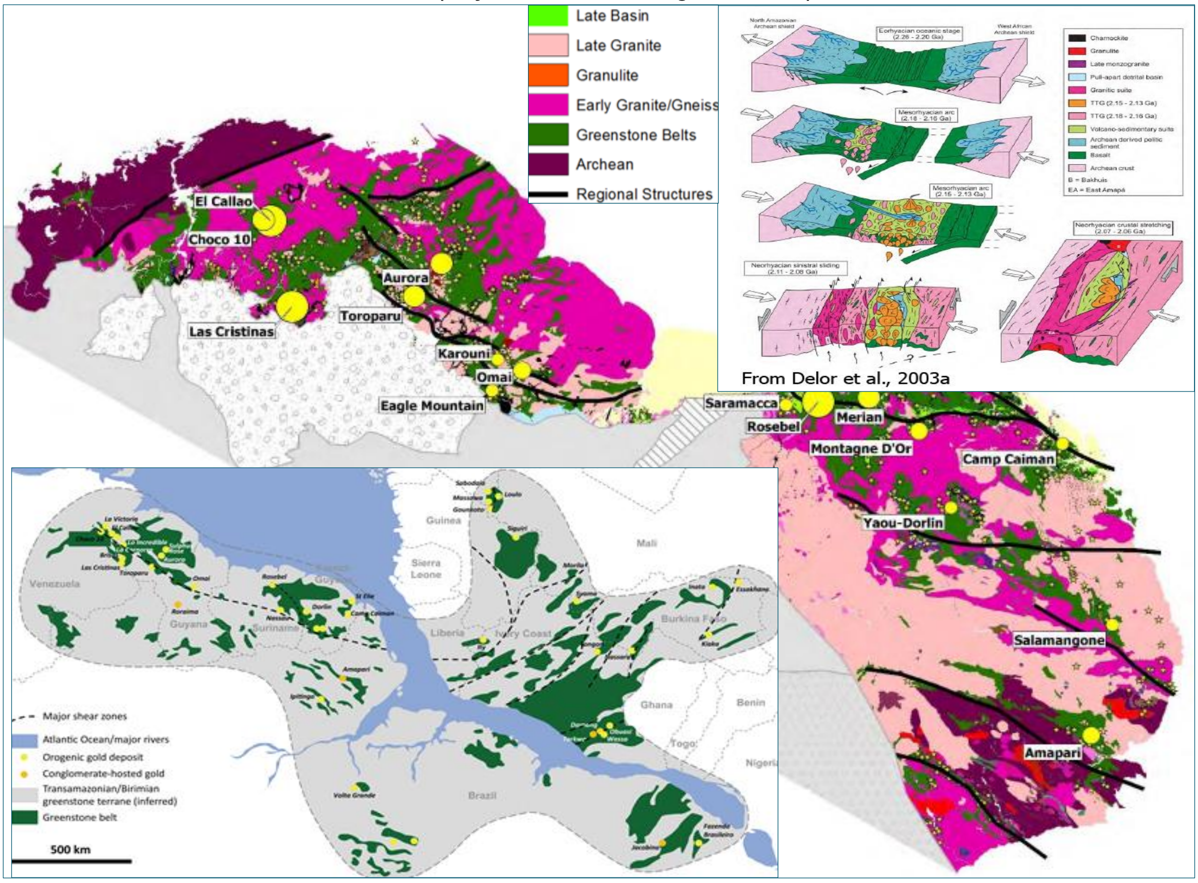
APPENDIX I: GEOLOGY

Oko West lies in the northern part of the Guiana Shield, in the Paleoproterozoic Trans-Amazonian greenstone belt, with known common origin and age as the prolific gold provinces of West Africa, host to several >2Moz gold deposits across Senegal, Mali, Guinea, Ivory Coast, Ghana, and Burkina Faso. Gold originally formed in a single craton from 2.26-2.09Ga, with Oko estimated at 2.1Ga, ahead of the Amazonian-West Africa Pan African divide more recently. Unlike West Africa, the Guiana Shield is still one of the least known Precambrian terrains in the world due to deep rainforest, limited outcrop (heavily weathered rocks), up to 50m of sand cover, up to 80m of saprolite, and limited access. From a ranking perspective, we see it as number one – Venezuela is inoperable, French Guyana is subject to French and EU and French Guiana mining rules, while Suriname hasn't had the same success to date, potentially by virtue of access, cover or licencing.

Guyana's stable mining regime (Mining Act 1989) have driven gold to account for ~35% of exports. Corporately, recent activity includes Zijin's acquisition of Guyana Goldfields ($323M), Gran Colombia's acquisition of GoldX ($252M) 10.5Moz, and Barrick's $1.2M investment for 4.9% stake in Troy Resources, all prime candidates for M&A in our view.

Regional prospectivity is beyond doubt with examples of Las Cristinas (52Moz), El Callo (24Moz), and Rosebel (20Moz) spatially associated with a series of major northwest-southeast striking, sinistral shear zones within a 75–100 km wide belt developed during the Trans-Amazonian Orogeny (Figure 9) and host to most of the gold discoveries in the Guiana Shield (~150Moz), while a smaller portion is hosted in alluvial settings. Key here is the structural setting i.e. relation to major shear zones, within small granitoids / margins of larger ones, fold axes / hinges and late basin margins as lithology is less important (Au in a variety of host rocks).

Figure 9. (A) Geology of the Guiana Shield & distribution of orogenic gold deposits within the (B) Trans-Amazonian Belt (Guyana > West Africa greenstones)



Source: Goldfarb et al. 2017, Goldsource

Ticker: RGD CN	**Price / mkt cap:** C$0.24/sh, C$190m	**Project PNAV today:**	0.16x	**Asset:**	Oko West
Author: B. Salier / B.Gaspar	**Rec / 0.3xNAV PT:** BUY, C$0.5/sh	**1xNAV$_{3Q24}$ FF FD:**	C$1.12/sh	**Country:**	Guyana / Suriname

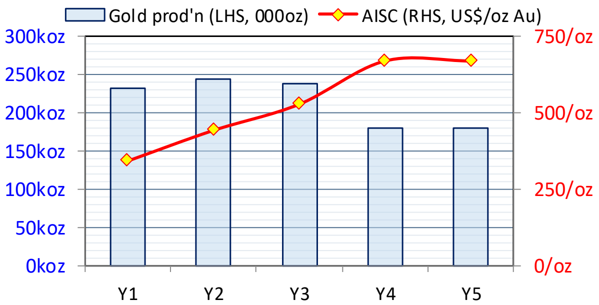
Commodity price	**CY21E**	**CY22E**	**CY23E**	**CY24E**	**CY25E**
Gold price	1,850	1,850	1,850	1,850	1,850
SOTP *project* valuation*					
	C$m	**O/ship**	**NAVx**	**C$/sh**	
Ungeared @ build start (3Q24)	**1,326**	100%	0.30x	0.44	
3Q21 cash + raise (C$m)	26.3	100%	1.00x	0.03	
Cash from options + warrants	18.0	100%	1.00x	0.02	
Exploration / portfolio (C$m)	30.0	100%	1.00x	0.03	
Asset NAV5% US$1850/oz	**1,401**		PT:	**0.52**	
**Shares diluted for options mine build*			Market P/NAV$_{5\%}$	0.16x	

Asset value: 1xNPV project @ build start (C$m, ungeared)*					
Project NPV (C$m)	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
Discount rate: 9%	957	1,062	1,168	1,273	1,379
Discount rate: 7%	1,050	1,164	1,277	1,390	1,504
Discount rate: 5%	1,156	1,278	**1,401**	1,523	1,645
Ungeared project IRR:	54%	58%	63%	67%	72%
Project NPV (C$/sh)	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
Discount rate: 9%	0.37	0.41	0.44	0.48	0.51
Discount rate: 7%	0.40	0.44	0.48	0.51	0.55
Discount rate: 5%	0.44	0.48	**0.52**	0.56	0.60
**Project NPV, ex fin. costs and cent G&A, discounted to build start*					

***Group* NAV over time^**	**Mar-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Oko West NPV (C$m)	1,166.2	1,224.7	1,288.7	1,518.0	1,870.8
G&A and fin. costs (C$m)	(113.1)	(107.7)	(99.7)	(97.5)	(87.2)
Net cash prior qtr (C$m)	5.7	45.5	33.0	45.7	(240.9)
Cash from options (C$m)	18.0	18.0	18.0	18.0	18.0
NAV FF FD (C$m)	1,077	1,180	1,240	1,484	**1,561**
FD shares in issue (m)	*912*	*1,045*	*1,045*	*1,321*	*1,321*
1xNAV5% /sh FF FD (C$/sh)*	**1.18**	**1.13**	**1.19**	**1.12**	**1.18**

Geared NAV at first pour, diluted for build, net G&A and fin. costs^					
NAV at first gold (C$m)	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
Discount rate: 9%	1,162	1,281	1,399	1,518	1,637
Discount rate: 7%	1,226	1,351	1,475	1,600	1,725
Discount rate: 5%	1,299	1,430	**1,561**	1,691	1,822
Geared project IRR:	49%	54%	58%	63%	67%
NAV at first gold (C$/sh)*	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
Discount rate: 9%	0.78	0.88	0.99	1.09	1.20
Discount rate: 7%	0.84	0.95	1.06	1.17	1.29
Discount rate: 5%	0.92	1.03	**1.15**	1.26	1.38
*^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for build equity*					

Production	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**
Gold production (000oz)	231	244	238	180	180
AISC cost (US$/oz)	344	444	529	670	670
AISC = C1 + ug sustaining capex, Y1 = CY26					



Source: SCP estimates

Resource / Reserve	**Tonnes**	**Grade**	**Ounces**
SCP mining inventory	31Mt	2.00g/t	2000koz

Share data	**Basic**	**FD with options**	**FD for build**
Basic shares (m)	792.88	911.9	1,321

Project: USES		**Funding: SOURCES**	
Pre-DFS exploration / G&A:	C$27m	3Q21 cash + raise (C$m)	C$26m
Build capex:	C$423m	Post PEA equity, 25% prem.:	C$40m
Fin. cost + WC over DFS	C$27m	Build equity @ 0.4xNAV:	C$169m
TOTAL USES:	C$478m	65% geared debt @ 10%:	C$254m
Buffer / drill budget:	*C$12m*	TOTAL SOURCES:	C$489m

Ratio analysis	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Average shares out (m)	507.2	614.9	785.9	990.8	1,320.7
EPS (C$/sh)	-	-	-	-	-
CFPS (C$/sh)	-	-	-	-	0.11
EV (C$m)	118.8	141.9	143.1	204.8	271.2
FCF yield (%)	-	-	-	-	45%
PER (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Net revenue (C$m)	-	-	-	-	-
COGS (C$m)	-	-	-	-	-
Gross profit (C$m)	-	-	-	-	-
D&A, attrib (C$m)	0.7	0.2	-	-	-
G&A + sh based costs (C$m	2.1	1.7	1.9	3.3	4.8
Finance cost (C$m)	6.3	6.8	9.1	10.0	2.5
Taxes (C$m)	-	-	-	-	-
Net income (C$m)	(8.3)	(8.5)	(11.0)	(13.3)	(7.3)

Cash flow, attrib.	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
EBIT (C$m)	(2.1)	(1.7)	(1.9)	(3.3)	(4.8)
Add back D&A (C$m)	0.7	0.2	-	-	-
Less tax + net interest (C$r	6.3	6.8	9.1	10.0	2.5
Net change in wkg cap (C$m	(1.1)	0.8	-	0.0	-
Other non-cash (C$m)	(10.7)	(13.1)	(17.4)	(19.2)	(4.2)
Cash flow ops (C$m)	**(6.9)**	**(7.0)**	**(10.2)**	**(12.5)**	**(6.5)**
PP&E - build + sust. (C$m)	(0.0)	(0.0)	-	-	(150.0)
PP&E - expl'n (C$m)	(0.5)	(0.2)	-	-	-
Cash flow inv. (C$m)	**0.5**	**0.2**	**-**	**-**	**150.0**
Share issue (C$m)	7.3	9.8	50.0	-	169.2
Debt draw (repay) (C$m)	(0.3)	(0.1)	-	-	-
Cash flow fin. (C$m)	**7.0**	**9.7**	**50.0**	**-**	**169.2**
Net change in cash (C$m)	0.6	2.9	39.8	(12.5)	312.7
EBITDA (C$m)	(7.6)	(8.2)	(11.0)	(13.3)	(7.3)

Balance sheet	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Cash (C$m)	3.1	5.7	45.5	33.0	45.7
Acc rec., inv, prepaid (C$m)	0.1	0.0	0.0	-	-
PP&E + other (C$m)	3.4	3.3	3.3	3.3	153.3
Total assets (C$m)	**6.6**	**9.0**	**48.8**	**36.3**	**199.0**
Debt (C$m)	0.1	-	-	-	-
Accounts payable (C$m)	1.3	1.8	1.8	1.8	1.8
Others (C$m)	0.2	0.4	0.4	0.4	0.4
Total liabilities (C$m)	1.6	2.2	2.2	2.2	2.2
Issued capital (C$m)	162.5	173.6	224.4	225.2	395.2
Retained earnings (C$m)	(157.5)	(166.8)	(177.8)	(191.1)	(198.4)
Liabilities + equity (C$m)	**6.6**	**9.0**	**48.8**	**36.3**	**199.0**

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SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	54

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