

Ticker: GXS CN **Cash:** C\$3.5m **Project:** Eagle Mountain
Market cap: C\$23m **Price:** C\$0.44/sh **Country:** Guyana
REC. (unc): BUY **TARGET (unc):** C\$1.80/sh **RISK RATING (unc):** HIGH

Whilst today's PFS level met results are positive, we already knew cyanidation showed good recoveries with 94.8-97.7% (incl. ~24% from gravity). Thus, the key take home on detailed met is that saprolite (oxide) continues to maintain its mid to high-90's recoveries this time on a potentially simpler flow sheet with no gravity circuit required and with ~50% (<150µm) of those ounces never needing to see the inside of a ball mill, speaking to the high-margin potential here. This is particularly important when considering 32% (~556koz) of the current 1.8Moz resource are low strip, high throughput saprolite with lower mining and milling costs vs. fresh rock. The optionality here for a staged build is not dissimilar to Ore Zone's Bomboré Mine (C\$468m mc) 1.8Moz @ 0.8g/t reserves (incl. 1.2Moz @ 0.69g/t oxide) who similarly leveraged their rock properties for a higher NPV. This is something that should be relatively straight forward for Goldsource given existing infrastructure from their 2016 gravity-only saprolite mining. Whilst the PFS pushed out, most of this work is well behind and will advance concurrently with an interim PEA for a useful in-between catalyst, with quick turnaround to PFS shortly after. Ahead of this we leave our model unchanged: 76koz pa Y1-3, staged to 87koz pa thereafter for 1.0xNAV_{5%-1700} ~C\$400m. As such, **we maintain our BUY rating and C\$1.80/sh PT based on 0.2xNAV_{5%-1700}**. Goldsource trades at less than US\$10/oz EV insitu or simply <0.1xNAV—a steep discount to peers, hence we see great value here ahead of twinned tracked engineering and satellite exploration including follow up to 40m @ 5.2g/t in trench and 5m @ 8.2g/t at North Zion.

Figure 1. Summary of 2022 metallurgical testing results

| Weighted Avg by Contribution to MRE | Test Type | Grind Size P ₈₀ (µm) | Reagent Consumption (kg/t of CN Feed) | | Au Recovery (%) | | | | |
|-------------------------------------|----------------------|---------------------------------|---------------------------------------|------|-----------------|------|------|---------|-------------|
| | | | NaCN | CaO | CN Leach | | | Gravity | Total |
| | | | | | 24 h | 36 h | 48 h | | |
| Saprolite | Whole Ore Leach | 166 | 0.11 | 2.72 | 93.1 | 94.0 | 94.9 | | 94.9 |
| | | 116 | 0.20 | 2.61 | 91.1 | 95.1 | 97.9 | | 97.9 |
| Fresh Rock | Gravity Conc.+ Leach | ~80µm | 0.91 | 0.36 | 85.5 | 87.0 | 87.7 | 21.6 | 90.0 |

Source: Goldsource & SCP modified

95% sapro and 90% fresh rock recoveries and ongoing exploration/engineering support CY23 PEA

Reports on **2022 met testing program** with 26 samples (9 saprolite and 17 fresh rock) or 750kg of DDH core from Eagle Mountain, Salbora and Toucan. Results include 98% Au @ ~116µm and coarser 95% @ ~165µm saprolite recoveries on whole ore and 90% Au recoveries @ ~80µm on gravity-leach of fresh rock composites (92% Eagle Mountain Deposit and 84% Salbora Deposit and Toucan prospect). Approximately 50% (by mass) of saprolite is finer than 150µm after screening alone with up to 30% gravity recoveries achieved in fresh rock samples.

Additionally, the **2023 work program** will focus on exploration testing new targets within the Eagle Mountain Prospecting Licence area (incl. North Zion) and infill / expansion of current MRE area to support concurrent engineering studies focused on lower-capex, shallow, low strip, high-recovery pit mining. Trade-off studies evaluating development timeline, production scale and staging of fresh rock are ongoing ahead of upcoming 2023 PEA and subsequent PFS.

Why we like Goldsource

- Existing 1.8Moz @ 1.1g/t MRE
- Vanilla CIL with shovel-ready saprolite
- Underexplored/emerging Archean shield
- Favourable mining jurisdiction

Catalysts

- 2023: PEA
- SCPe 2023: PFS
- 2023: ongoing exploration results including North Zion discovery follow up

Research

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|--|--|---|------------------------------|
| Ticker: GXS CN | Price / mkt cap: C\$0.44/sh, C\$23m | Project PNAV today: 0.06x | Asset: Eagle Mountain |
| Author: B Gaspar / E Magdzinski | Rec / 0.2xNAV PT: BUY, C\$1.80/sh | 1xNAV_{3Q24} FF FD: C\$3.82/sh | Country: Guyana |

| Commodity price | CY21E | CY22E | CY23E | CY24E | CY25E |
|---|-------------|---------------|-------------|---------------|-------|
| Gold price | 1,827 | 1,721 | 1,700 | 1,700 | 1,700 |
| SOTP project valuation* | | | | | |
| | C\$m | O/ship | NAVx | C\$/sh | |
| Ungeared @ build start (3Q23) | 387 | 100% | 0.20x | 1.28 | |
| Cash at Nov 1 2022 (C\$m) | 3.5 | 100% | 1.00x | 0.06 | |
| Cash from options + warrants | 10.7 | 100% | 1.00x | 0.18 | |
| Resources ex inventory @ \$20/oz | 16.2 | 100% | 1.00x | 0.27 | |
| Asset NAV5% US\$1700/oz | 418 | | PT: | 1.78 | |
| *Shares diluted for options mine build Market P/NAV _{5%} 0.06x | | | | | |

| Asset value: 1xNPV project @ build start (C\$m, ungeared)* | | | | | |
|---|----------|----------|----------|----------|----------|
| Project NPV (C\$m) | \$1500oz | \$1600oz | \$1700oz | \$1800oz | \$1900oz |
| Discount rate: 9% | 200 | 255 | 310 | 366 | 421 |
| Discount rate: 7% | 236 | 297 | 359 | 421 | 483 |
| Discount rate: 5% | 279 | 348 | 418 | 487 | 557 |
| Ungeared project IRR: | 30% | 37% | 43% | 49% | 55% |
| Project NPV (C\$/sh) | \$1500oz | \$1600oz | \$1700oz | \$1800oz | \$1900oz |
| Discount rate: 9% | 1.06 | 1.24 | 1.42 | 1.61 | 1.79 |
| Discount rate: 7% | 1.18 | 1.38 | 1.58 | 1.79 | 1.99 |
| Discount rate: 5% | 1.32 | 1.55 | 1.78 | 2.01 | 2.23 |

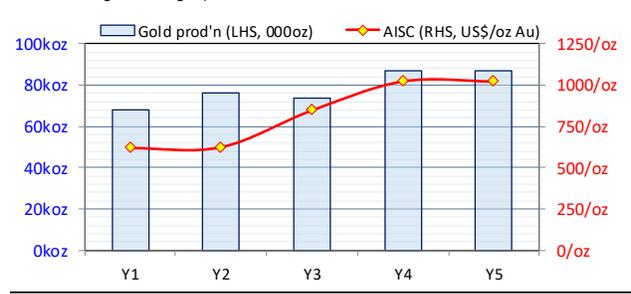
**Project NPV, ex fin. costs and cent G&A, discounted to build start*

| Group NAV over time^ | Mar-23 | Mar-24 | Mar-25 | Mar-26 | Mar-27 |
|----------------------------|---------|---------|--------|--------|--------|
| Eagle Mountain NPV (C\$m) | 376.7 | 424.5 | 548.6 | 485.9 | 415.8 |
| G&A and fin. costs (C\$m) | (106.5) | (101.6) | (95.1) | (83.2) | (73.0) |
| Net cash prior qtr (C\$m) | 8.7 | 15.0 | (75.1) | 16.8 | 82.0 |
| Cash from options (C\$m) | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 |
| NAV FF FD (C\$m) | 290 | 349 | 389 | 430 | 436 |
| FD shares in issue (m) | 61 | 79 | 113 | 113 | 113 |
| 1xNAV5%/sh FF FD (C\$/sh)* | 4.77 | 4.42 | 3.46 | 3.82 | 3.87 |

| Gearred NAV at first pour, diluted for build, net G&A and fin. costs^ | | | | | |
|--|----------|----------|----------|----------|----------|
| NAV at first gold (C\$m) | \$1500oz | \$1600oz | \$1700oz | \$1800oz | \$1900oz |
| Discount rate: 9% | 221 | 295 | 369 | 442 | 516 |
| Discount rate: 7% | 243 | 321 | 400 | 478 | 556 |
| Discount rate: 5% | 269 | 352 | 436 | 519 | 602 |
| Gearred project IRR: | 26% | 32% | 38% | 44% | 50% |
| NAV at first gold (C\$/sh)* | \$1500oz | \$1600oz | \$1700oz | \$1800oz | \$1900oz |
| Discount rate: 9% | 1.53 | 2.25 | 3.01 | 3.79 | 4.60 |
| Discount rate: 7% | 1.80 | 2.58 | 3.41 | 4.25 | 5.12 |
| Discount rate: 5% | 2.12 | 2.98 | 3.87 | 4.79 | 5.72 |

*^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for build equity*

| Production | Y1 | Y2 | Y3 | Y4 | Y5 |
|-------------------------|-----|-----|-----|-------|-------|
| Gold production (000oz) | 68 | 76 | 73 | 87 | 87 |
| AISC cost (US\$/oz) | 618 | 623 | 846 | 1,022 | 1,022 |



Source: SCP estimates

| Resource / Reserve | Tonnes | Grade | Ounces |
|----------------------------|---------|-----------------------------|---------|
| Resource | 50Mt | 1.11g/t | 1765koz |
| SCP mining inventory | 34Mt | 1.10g/t | 1188koz |
| Project: USES | | Funding: SOURCES | |
| Pre-DFS exploration / G&A: | C\$5m | Cash: | C\$4m |
| Stage 1 build capex: | C\$125m | Post PFS equity, 25% prem.: | C\$10m |
| Fin. cost + WC over DFS: | C\$14m | Build equity @ 0.3xNAV: | C\$60m |
| TOTAL USES: | C\$144m | 65% geared debt @ 10%: | C\$75m |
| Buffer / drill budget: | C\$5m | TOTAL SOURCES: | C\$149m |

| Share data | Basic | FD with options | FD for build | | |
|------------------------|-------|-----------------|--------------|-------|-------|
| Basic shares (m) | 52.3 | 60.7 | 113 | | |
| Ratio analysis | CY20E | CY21E | CY22E | CY23E | CY24E |
| Average shares out (m) | 52.3 | 105.0 | 112.5 | 112.5 | 112.5 |
| EPS (C\$/sh) | - | - | - | - | - |
| CFPS (C\$/sh) | - | - | - | 0.14 | 0.82 |
| EV (C\$m) | 19.0 | 37.8 | 48.1 | 12.6 | 123.2 |
| FCF yield (%) | - | - | - | 31% | 186% |
| PER (x) | - | - | - | - | - |
| EV/EBITDA (x) | - | - | - | - | - |

| Income statement | CY20E | CY21E | CY22E | CY23E | CY24E |
|-----------------------------|-------|-------|-------|-------|--------|
| Net revenue (C\$m) | - | - | - | - | - |
| COGS (C\$m) | - | - | - | - | - |
| Gross profit (C\$m) | - | - | - | - | - |
| D&A, attrib (C\$m) | 0.1 | 0.0 | 0.0 | - | - |
| G&A + sh based costs (C\$m) | 1.4 | 1.8 | 1.2 | 4.6 | 8.1 |
| Finance cost (C\$m) | 7.8 | 7.7 | 5.8 | 5.0 | 2.6 |
| Taxes (C\$m) | - | - | - | - | - |
| Net income (C\$m) | (9.1) | (9.5) | (7.1) | (9.5) | (10.7) |

| Cash flow, attrib. | CY20E | CY21E | CY22E | CY23E | CY24E |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| EBIT (C\$m) | (1.4) | (1.8) | (1.2) | (4.6) | (8.1) |
| Add back D&A (C\$m) | 0.1 | 0.0 | 0.0 | - | - |
| Less tax + net interest (C\$m) | 7.8 | 7.7 | 5.8 | 5.0 | 2.6 |
| Net change in wkg cap (C\$m) | (0.3) | 0.2 | (0.1) | 0.0 | - |
| Other non-cash (C\$m) | (12.7) | (14.4) | (11.5) | (9.9) | (2.6) |
| Cash flow ops (C\$m) | (6.5) | (8.4) | (6.9) | (9.5) | (8.0) |

| | | | | | |
|------------------------------|------------|-------------|--------------|-------------|--------------|
| PP&E - build + sust. (C\$m) | (0.2) | (0.4) | (0.0) | (25.0) | (100.0) |
| PP&E - expl'n (C\$m) | - | (0.0) | - | - | - |
| Cash flow inv. (C\$m) | 0.2 | 0.4 | 0.0 | 25.0 | 100.0 |
| Share issue (C\$m) | 7.5 | 13.2 | 0.0 | 70.0 | - |
| Debt draw (repay) (C\$m) | (0.1) | (0.1) | (0.0) | - | 75.0 |
| Cash flow fin. (C\$m) | 7.5 | 13.1 | (0.0) | 70.0 | 75.0 |
| Net change in cash (C\$m) | 1.2 | 5.2 | (6.9) | 85.5 | 167.0 |
| EBITDA (C\$m) | (9.1) | (9.5) | (7.0) | (9.5) | (8.0) |

| Balance sheet | CY20E | CY21E | CY22E | CY23E | CY24E |
|------------------------------------|-------------|-------------|------------|-------------|--------------|
| Cash (C\$m) | 4.1 | 8.4 | 1.4 | 37.0 | 1.3 |
| Acc rec., inv, prepaid (C\$m) | 0.0 | 0.0 | 0.0 | - | - |
| PP&E + other (C\$m) | 7.8 | 8.0 | 8.0 | 33.0 | 133.0 |
| Total assets (C\$m) | 11.9 | 16.4 | 9.4 | 70.0 | 134.3 |
| Debt (C\$m) | 0.0 | - | - | - | 75.0 |
| Accounts payable (C\$m) | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Others (C\$m) | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Total liabilities (C\$m) | 0.8 | 1.0 | 1.0 | 1.0 | 76.0 |
| Issued capital (C\$m) | 77.5 | 91.2 | 91.1 | 161.2 | 161.3 |
| Retained earnings (C\$m) | (66.4) | (75.8) | (82.7) | (92.2) | (102.9) |
| Liabilities + equity (C\$m) | 11.9 | 16.4 | 9.4 | 70.0 | 134.3 |

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|--|----|
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| TENDER: | 0 |
| NOT RATED: | 0 |
| TOTAL | 55 |

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