

**Ticker:** GTWO CN

**Cash:** ~C\$8m

**Project:** Oko Main / Aremu

**Market cap:** C\$132m

**Price:** C\$0.8/sh

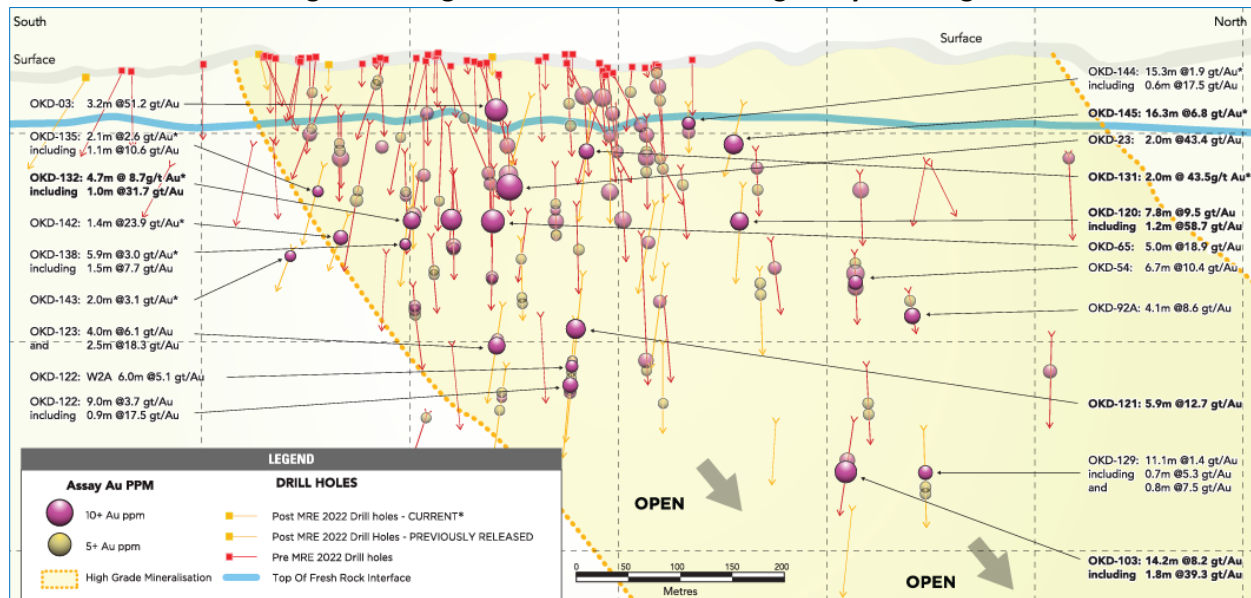
**Country:** Guyana

**REC. (unc):** BUY

**TARGET (unc):** C\$1.20/sh

**RISK RATING (unc):** SPECULATIVE

Prior drilling reported from Oko Main was focused on down dip resource extensions, while today's final batch was notably focused on lateral extensions. Put simply, results today saw a mix of high-grade 'sweet spots' and 'lighter' grades along the fringes of the resource over mineable widths—pointing to useful additions. Digging in, on a >20gxm cut-off, the average of 14 pierce points is an impressive **5.3m @ 9.1g/t**, in line with the MRE, albeit more relevant is looking at each individual zone: (i) Shear 3 averaged 8.1m @ 6.6g/t (vs 7.9g/t MRE) with hits along strike of 16m @ 6.8g/t broader than previous 7.8m @ 9.5g/t and with a higher gxm interval, (ii) Shear 5 averaged 4.1m @ 7.0g/t (vs ~11.5g/t MRE), notably outside the HG trend drilled previously to depth. Most impressive here is (iii) Shear 4 averaging **4.8m @ 13.0g/t** well above the resource grade (vs ~8g/t MRE) for more accretive additions. Stepping back, our original thesis remains intact: i.e high-grade depth extensions to 700m for SCPe 2Moz MRE YE23, albeit deeper drilling can be costly, which makes the recent near surface discovery at Ghanie (i.e **27m @ 5.1g/t**) all the more exciting in our view. For now, **we maintain our BUY rating and C\$1.20/sh PT** based on a simple 0.30xNAV<sub>5%-1850</sub> for nominal production of 100kozpa from SCPe 1Moz @ 7g/t inventory giving ~C\$540m NPV<sub>5%-1850</sub> plus ~C\$19m on ounces outside inventory and add nominal 250koz @ US\$70/oz for pitable upside. With ramp up to 3-4 rigs underway, assays pending (drilling + trench samples) and focus on potential step change near-surface targets, the coming months should be news heavy for G2.

**Figure 1. Long section of Shear 3 showing today's drilling**


Source: G2 Goldfields

## High-grade at Oko Main Zone with 3.7m @ 45.4g/t in S4; Resource strike extensions

G2 Goldfields reported results from 14 holes drilled at Oko Main Zone, with highlights from **Shear 3: 4.7m @ 8.7g/t Au, 16.3m @ 6.8g/t** (inc. 3.9m @ 18.8g/t) and **1.4m @ 9.9g/t**; **Shear 4: 3.7m @ 45.4g/t, 2.2m @ 15g/t**; **Shear 5: 7.1m @ 5.1g/t, 4.7m @ 7.5g/t and 2.2m @ 10.8g/t**. The company has drilled additional 36 diamond holes (totalling 13,279m) since the last published MRE update in April 2022, with drilling focused on expanding the strike of mineralization and down-plunge extensions in Shears 3, 4 and 5, and near-surface mineralization above 100m vertical (excluded in the prior MRE).

## Why we like G2

- Oko Main existing 1.2Moz @ 9.1g/t UG
- Rich roots with SCPe 2Moz ounce growth at Oko Main
- Aggressive regional program underway focused on new near-surface discoveries
- 19,200 ac holdings along 20km gold belt with district scale potential and two major discoveries
- Guyana: best LatAm Archean with, M&A / investments, oil boom and multiple discoveries

## Catalysts

- 1H23: Complete metallurgical test program
- 2023: Near-surface regional exploration (Ghanie, Sands, Bird Cage, Oko NW)
- 1H23/2H23: MRE update(s) SCPe 1.5-2Moz
- 2H23: PEA

## Research

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<b>Ticker:</b> GTWO CN	<b>Price / mkt cap:</b> C\$0.8/sh, C\$132m	<b>Project PNAV today:</b> 0.24x	<b>Asset:</b> Oko Main / Aremu
<b>Author:</b> B Gaspar	<b>Rec / 0.3xNAV PT:</b> BUY, C\$1.2/sh	<b>1xNAV<sub>3Q24</sub> FF FD:</b> C\$2.43/sh	<b>Country:</b> Guyana

Commodity price	CY22E	CY23E	CY24E	CY25E	CY26E
Gold price	1,760	1,911	1,873	1,850	1,850

Resource / Reserve	Tonnes	Grade	Ounces
Oko Main 2Q22 MRE	4.1Mt	9.13g/t	1194koz
SCP inventory inc. dilution	4.4Mt	7.00g/t	1000koz

SOTP project valuation*	C\$m	O/ship	NAVx	C\$/sh
Ungeared @ build start (2H25)	543	100%	0.30x	0.92
Cash @ Nov 30 2022	8.4	100%	1.00x	0.05
Cash from options + warrants	8.1	100%	1.00x	0.05
UG ounces outside inventory @ US\$50/oz	13	100%	1.00x	0.07
Nominal 250koz pittance @ US\$70/oz	23	100%	1.00x	0.13
Asset NAV5% US\$1850/oz	596		PT:	1.22

Asset value: 1xNPV project @ build start (C\$m, ungeared)*					
Project NPV (C\$m)	\$1750oz	\$1800oz	\$1850oz	\$1900oz	\$1950oz
Discount rate: 9%	434	463	492	521	549
Discount rate: 7%	478	509	540	571	602
Discount rate: 5%	528	562	596	629	663
Ungeared project IRR:	56%	59%	62%	66%	69%

Project NPV (C\$/sh)	\$1750oz	\$1800oz	\$1850oz	\$1900oz	\$1950oz
Discount rate: 9%	0.95	0.99	1.04	1.09	1.14
Discount rate: 7%	1.02	1.07	1.12	1.18	1.23
Discount rate: 5%	1.10	1.16	1.22	1.28	1.33

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

Group NAV over time^	Feb-23	Feb-24	Feb-25	Feb-26	Feb-27
Oko NPV (C\$m)	478	502	528	595	742
G&A and fin. costs (C\$m)	(71)	(68)	(59)	(53)	(49)
Net cash prior qtr (C\$m)	8.4	1.7	35.1	50.6	(70.0)
Nominal 250koz pittance @ US\$70	23.4	23.4	23.4	23.4	23.4
Cash from options (C\$m)	8.1	8.1	8.1	8.1	8.1
NAV FF FD (C\$m)	447	468	536	623	654
FD shares in issue (m)	177	222	222	256	256
1xNAV5%/sh FF FD (C\$/sh)*	2.52	2.11	2.42	2.43	2.55

Geared exit NAV at 1st Au, diluted for build, net G&A and fin. costs^					
NAV at first gold (C\$m)	\$1750oz	\$1800oz	\$1850oz	\$1900oz	\$1950oz
Discount rate: 9%	514	547	579	611	644
Discount rate: 7%	546	580	614	648	682
Discount rate: 5%	582	618	654	690	726
Geared project IRR:	51%	54%	57%	61%	64%

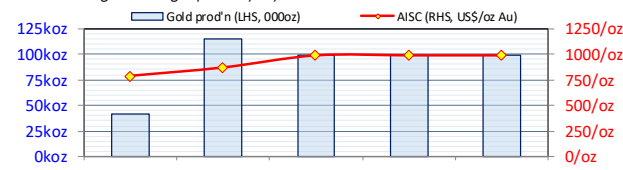
  

NAV at first gold (C\$/sh)*	\$1750oz	\$1800oz	\$1850oz	\$1900oz	\$1950oz
Discount rate: 9%	1.92	2.07	2.22	2.36	2.51
Discount rate: 7%	2.08	2.23	2.39	2.54	2.70
Discount rate: 5%	2.25	2.42	2.58	2.74	2.90

^Project NPV incl grp SG&A & fin. cost, +net cash; diluted PFS/DFS/build equity

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	42	115	99	99	99
AISC cost (US\$/oz)	786	867	984	984	984

AISC = C1 + ug sustaining capex + royalty, Y1 = FY27



Source: SCP estimates

Share data	Basic	FD with options	FD for build
Basic shares (m)	164.7	176.9	256

C\$30m @ 50% prem for DFS, C\$58m @ 0.5xNAV for build

Project: USES	Funding: SOURCES
Pre-DFS exploration / G&A: C\$31m	Cash + pre-first Au C\$16m
Capex + rty buyb'k: C\$153m	Pre-DFS equity, 25% prem.: C\$45m
Fin. cost + WC over DFS C\$23m	Build equity @ 0.4xNAV: C\$58m
TOTAL USES: C\$206m	65% geared debt @ 12%: C\$92m
Buffer / greenfield budget: C\$5m	TOTAL SOURCES: C\$211m

Ratio analysis (YE May)	FY22E	FY23E	FY24E	FY25E	FY26E
Average shares out (m)	146.4	164.5	164.7	164.7	195.8
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	115.8	124.6	90.3	103.1	157.6
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement (YE May)	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue (C\$m)	0.2	0.3	0.4	0.3	-
COGS (C\$m)	-	-	-	-	-
Gross profit (C\$m)	0.2	0.3	0.4	0.3	-
D&A, attrib (C\$m)	0.0	0.0	-	-	-
G&A + sh based costs (C\$m)	1.1	4.5	5.1	5.1	5.1
Finance cost (C\$m)	1.2	(0.1)	7.6	9.7	0.2
Taxes (C\$m)	-	-	-	-	-
Net income (C\$m)	(2.3)	(4.4)	(12.7)	(14.8)	(5.2)

Cash flow, attrib. (YE May)	FY22E	FY23E	FY24E	FY25E	FY26E
EBIT (C\$m)	(1.1)	(4.5)	(5.1)	(5.1)	(5.1)
Add back D&A (C\$m)	0.0	0.0	-	-	-
Less tax + net interest (C\$m)	1.2	(0.1)	7.6	9.7	0.2
Net change in wkg cap (C\$m)	0.0	1.0	-	-	-
Other non-cash (C\$m)	(2.1)	2.0	(13.2)	(17.4)	1.9
Cash flow ops (C\$m)	(2.0)	(1.6)	(10.6)	(12.7)	(3.0)
PP&E + build + sust. (C\$m)	-	(0.3)	-	-	(85.0)
Other (C\$m)	(15.0)	(0.0)	-	-	(0.2)
PP&E - expl'n (C\$m)	15.1	(4.7)	-	-	-
Cash flow inv. (C\$m)	0.1	(5.0)	-	-	(85.2)
Share issue (C\$m)	0.5	12.7	45.0	-	58.4
Debt draw (repay) (C\$m)	-	-	-	-	10.0
Cash flow fin. (C\$m)	0.5	12.7	45.0	-	68.4
Net change in cash (C\$m)	(1.3)	6.2	34.4	(12.7)	(19.7)
EBITDA (C\$m)	(2.2)	(4.4)	(12.7)	(14.8)	(5.1)

Balance sheet (YE May)	FY22E	FY23E	FY24E	FY25E	FY26E
Cash (C\$m)	1.3	7.1	41.4	28.7	9.0
Acc rec., inv, prepaid (C\$m)	0.1	0.1	0.1	0.1	0.1
PP&E + other (C\$m)	15.4	22.6	22.6	22.6	107.6
Total assets (C\$m)	16.7	29.7	64.1	51.4	116.7
Debt (C\$m)	-	-	-	-	10.0
Accounts payable (C\$m)	0.9	2.0	2.0	2.0	2.0
Others (C\$m)	0.1	0.1	0.1	0.1	0.1
Total liabilities (C\$m)	1.0	2.1	2.1	2.1	12.1
Issued capital (C\$m)	67.8	82.4	129.4	131.5	192.0
Retained earnings (C\$m)	(51.0)	(54.2)	(66.9)	(81.7)	(86.9)
Other (C\$m)	(1.1)	(0.5)	(0.5)	(0.5)	(0.5)
Liabilities + equity (C\$m)	16.7	29.7	64.1	51.4	116.7

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UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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