

Ticker: RGD CN	Est. cash: C\$49m	Project: Oko West
Market cap: C\$329m	Price: C\$0.33/sh	Country: Guyana
<i>REC. (unc): BUY</i>	<i>TARGET (unc): C\$0.75/sh</i>	<i>RISK RATING (unc): SPECULATIVE</i>

G Mining Services selected to lead the Oko West PEA on the back of the maiden resource (also G Mining) is very positive in our view, as G Mining Services is a tier one EPC firm, with relevant experience on the likes of Fruta del Norte in Ecuador (Lundin Gold, re-engineering and construction) and Essakane in Burkina Faso (Iamgold, DFS and construction). More importantly, they have a successful track record in the Guiana Shield designing, building and/or operating such mines as the Omai Gold Mine and Omai Bauxite in Guyana, and Merian in Suriname (Newmont, DFS, optimization and construction)—complimenting the already strong ‘in country’ knowledge of RGD management. As such, **we maintain our BUY rating and our C\$0.75/sh PT** based on $0.4 \times \text{NAV}_{5\%-1850}$ for a 2Moz @ 2g/t inventory and >200koz pa, plus a nominal 2.5Moz outside inventory @ US\$70/oz.

Whilst the lawsuit filed by Barrick ‘muddies’ the waters in the near term, it has no material impact on the Oko West in our view as this was excluded from the 50-50 JV pre-discovery and only applies to new licenses. Our high-level read through is simple: ‘Barrick has continued interest in Reunion’. Stepping back, the recent pullback on share price should be viewed as a buying opportunity, not dissimilar to the many pullbacks seen by Great Bear from ‘discovery to take out’. With ~C\$49m cash at Nov 2022, and a world-class discovery, Reunion remains in one of our highest-conviction discovery names right now ahead of maiden MRE (mid-2023) and maiden scout drilling on new targets along strike (south) and to the west.

‘Best in class’ engineering firm retained to lead engineering; mid-2023 maiden Oko West MRE

Reunion Gold announced G Mining Services has been chosen to provide full engineering (PEA) and project development services for its Oko West in addition to the already ongoing maiden resource estimate work scheduled for mid-2023 publish. Ahead of this, Phase 1 step-out and infill drilling is planned on the Kairuni zone to outline the full extent of pit-table resource envelope, while concurrently testing three priority exploration targets at Oko West including Takattu to the south.

Separately on February 13th, Reunion reported a Statement of Claim issued by Barrick in the Ontario Superior Court of Justice on February 10, 2023 relating to the Company’s termination of its Strategic Alliance Agreement with Barrick dated February 3, 2019. Barrick alleges that the Strategic Alliance should continue in perpetuity and that Reunion’s termination of the agreement is invalid. Reunion believes that the claim is without merit and intends to vigorously defend against it.

Why we like Reunion

- Oko West: SCPe 2-3Moz drilled, 3-5Moz potential for CY23 maiden MRE
- New southern zone emerging at Block 6 to the south
- Granitoid potential following 3m @ 61g/t and 10m @ 17g/t maiden in-granitoid drilling
- Guyana ‘guru’ management team, asset outside Barrick JV alliance for 100% ownership
- Guyana: best LatAm Archean with, M&A / investments, oil boom and multiple discoveries

Catalysts

- 1H23: Kairuni Zone expansion drilling along strike and <575m vertical depth
- 2H23: Follow up exploration at Takutu, Carole, and 8,000m RC scout drilling at Bryan Zone
- Mid-23: Maiden Oko West MRE: SCPe 3-5Moz

Research

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Ticker: RGD CN	Price / mkt cap: C\$0.33/sh, C\$329m	Project PNAV today: 0.20x	Asset: Oko West
Author: B Gaspar	Rec / 0.35xNAV PT: BUY, C\$0.75/sh	1xNAV_{3Q24} FF FD: C\$1.29/sh	Country: Guyana / Suriname

Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E
Gold price	1,892	1,857	1,850	1,850	1,850

SOTP project valuation*	C\$m	O/ship	NAVx	C\$/sh
Ungeared @ build start (3Q24)	1,581	100%	0.35x	0.47
Cash at Nov 2022	49	100%	1.0x	0.04
Cash from options + warrants	49	100%	1.0x	0.04
Oz upside (+2.5Moz @ US\$70/oz)	234	100%	1.0x	0.20
Asset NAV5% US\$1850/oz	1,913		PT:	0.75
*Shares diluted for options mine build		Market P/NAV _{5%} 0.20x		

Asset value: 1xNPV project @ build start (C\$m, ungeared)*	CY20A	CY21A	CY22E	CY23E	CY24E
Project NPV (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	1,400	1,522	1,644	1,766	1,888
Discount rate: 7%	1,508	1,639	1,770	1,901	2,032
Discount rate: 5%	1,630	1,771	1,913	2,055	2,196
Ungeared project IRR:	54%	59%	63%	68%	72%
Project NPV (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	0.60	0.64	0.67	0.71	0.74
Discount rate: 7%	0.63	0.67	0.71	0.75	0.79
Discount rate: 5%	0.67	0.71	0.75	0.79	0.84

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

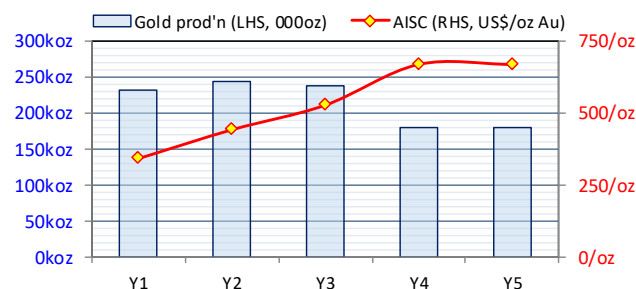
Group NAV over time^	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
Oko West NPV (C\$m)	1,461.7	1,537.6	1,779.5	2,162.3	1,811.7
G&A and fin. costs (C\$m)	(111.0)	(102.0)	(99.9)	(89.5)	(61.6)
Net cash prior qtr (C\$m)	48.6	34.9	54.6	(249.7)	144.5
Cash from options (C\$m)	48.9	48.9	48.9	48.9	48.9
NAV FF FD (C\$m)	1,448	1,519	1,783	1,872	1,944
FD shares in issue (m)	1,178	1,178	1,178	1,449	1,449
1xNAV5%/sh FF FD (C\$/sh)*	1.23	1.29	1.51	1.29	1.34

Geared NAV at first pour, diluted for build, net G&A and fin. costs^	CY20A	CY21A	CY22E	CY23E	CY24E
NAV at first gold (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	1,506	1,652	1,797	1,943	2,089
Discount rate: 7%	1,565	1,716	1,867	2,018	2,169
Discount rate: 5%	1,630	1,787	1,944	2,101	2,258
Geared project IRR:	56%	61%	66%	71%	76%
NAV at first gold (C\$/sh)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	0.97	1.09	1.20	1.32	1.44
Discount rate: 7%	1.03	1.15	1.27	1.39	1.51
Discount rate: 5%	1.09	1.22	1.34	1.47	1.60

^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)	997.5	1,177.8	1,449

Project: USES	Funding: SOURCES
Pre-DFS exploration / G&A:	Cash at Nov 2022 C\$49m
Build capex:	Post PEA equity, 25% prem.: C\$0m
Fin. cost + WC over DFS	Build equity @ 0.4xNAV: C\$176m
TOTAL USES:	65% geared debt @ 10%: C\$264m
Buffer / drill budget:	TOTAL SOURCES: C\$490m

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	507.2	614.9	969.9	1,171.9	1,449.1
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	0.10
EV (C\$m)	164.4	189.4	271.5	351.9	423.6
FCF yield (%)	-	-	-	-	30%
PER (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	-

Gross profit (C\$m)	CY20A	CY21A	CY22E	CY23E	CY24E
D&A, attrib (C\$m)	0.7	0.3	0.2	-	-
G&A + sh based costs (C\$m)	2.1	1.6	6.0	6.4	6.7
Finance cost (C\$m)	6.3	7.1	12.9	10.0	2.5
Taxes (C\$m)	-	-	-	-	-

Net income (C\$m)	(8.3)	(8.7)	(18.9)	(16.4)	(9.2)
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Cash flow, attrib.	CY20A	CY21A	CY22E	CY23E	CY24E
EBIT (C\$m)	(2.1)	(1.6)	(6.0)	(6.4)	(6.7)
Add back D&A (C\$m)	0.7	0.3	0.2	-	-
Less tax + net interest (C\$)	6.3	7.1	12.9	10.0	2.5
Net change in wkg cap (C\$)	(1.1)	0.9	1.1	0.0	-
Other non-cash (C\$m)	(10.7)	(13.2)	(23.0)	(17.3)	(2.3)

Cash flow ops (C\$m)	(6.9)	(6.4)	(14.9)	(13.7)	(6.5)
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PP&E - build + sust. (C\$m)	(0.0)	(0.1)	(0.3)	-	(150.0)
PP&E - expl'n (C\$m)	(0.5)	(0.2)	(0.4)	-	-

Cash flow inv. (C\$m)	0.5	0.3	0.7	-	150.0
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Share issue (C\$m)	7.3	17.9	50.3	-	176.2
Debt draw (repay) (C\$m)	(0.3)	(0.1)	(0.1)	-	-

Cash flow fin. (C\$m)	7.0	17.8	50.2	-	176.2
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Net change in cash (C\$m)	0.6	11.7	36.0	(13.7)	319.7
EBITDA (C\$m)	(7.6)	(8.4)	(18.7)	(16.4)	(9.2)

Balance sheet	CY20A	CY21A	CY22E	CY23E	CY24E
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Cash (C\$m)	3.1	13.6	48.6	34.9	54.6
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Acc rec., inv, prepaid (C\$m)	0.1	0.1	0.0	-	-
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PP&E + other (C\$m)	3.4	3.1	3.9	3.9	153.9
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Total assets (C\$m)	6.6	17	52	39	208
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Debt (C\$m)	0.1	0.1	-	-	-
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Accounts payable (C\$m)	1.3	2.2	3.5	3.5	3.5
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Others (C\$m)	0.2	0.1	0.2	0.2	0.2
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Total liabilities (C\$m)	1.6	2.4	3.7	3.7	3.7
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Issued capital (C\$m)	162.5	181.5	239.1	241.8	420.8
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Retained earnings (C\$m)	(157.5)	(167.1)	(190.4)	(206.8)	(216.0)
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Liabilities + equity (C\$m)	6.6	17	52	39	208
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BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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