



TB AMATI STRATEGIC METALS FUND

# Amati Site Visit Series



By Georges Lequime, Fund Manager



## Tocantinzinho Gold Project, Para State, Brazil

**A**mati fund manager Georges Lequime, visited the gold development project, Tocantinzinho, south of the Amazon river. A group of investors were invited to visit the project-build after the BMO Mining Conference in Miami. Direct flight from Miami to Manaus, a city of 2 million inhabitants on the Amazon river (overnight - 5.5 hours), followed by a 2 hour charter flight to the project, south-east of Manaus. G Mining Ventures is a core holding of the TB Amati Strategic Metals Fund (2.3%), the size of the holding only limited by the current single asset, single country risk profile of the company, as well as the development risk of the project. We expect the company to successfully bring the project to fruition in late 2024 and add further projects to their portfolio in the coming years to ultimately create a leading low-cost mid-sized gold producer.

→ **Figure 1: Project Location, Planes, Planes and Automobiles**



Source: G Mining Ventures

G Mining Ventures was established in 2020 to capitalize on the lost art of mine building, and create value through project development and execution. The corporation was founded by the extremely well-regarded Quebec-based Gignac Family, who are also the principals of G Mining Services Inc. The company's stated objective is to leverage their proven method of building mines on time and under budget into creating the next mid-tier producer.

The G Mining executive team are behind the construction of four of the most successful mines in South America, which were all constructed on time and under budget (very rare for the mining industry). Following the construction of the Fruta del Norte mine in Ecuador (I visited the construction site in 2019), the company decided to seek good projects in challenging parts of South America to acquire cheaply, to successfully build, and then to continue to operate while transferring the build team to new projects. The purpose of the site visit was to gain an appreciation for the regional challenges from an establishment of infrastructure point of view, as well as to conduct due diligence with regards to the progress of the project-build and the quality of the people on the ground who are entrusted to deliver the project.

→ Figure 2: Past mine build experience is key to the investment decision

## Building Brazil's 3<sup>rd</sup> Largest Primary Gold Mine

Leadership team successfully led the construction of four mines in South America:

- Fruta del Norte - Lundin Gold Corporation (Ecuador);
- Merian - Newmont Corporation (Suriname);
- Rosebel - Cambior Inc. (Suriname); and
- Omai - Cambior Inc. / Golden Star Resources Ltd. (Guyana).



What we like.	Why we like it.
<b>Supportive Government Policies</b>	<ul style="list-style-type: none"> <li>✓ Fully permitted via 6 Installation Licenses</li> <li>✓ Project qualifies for tax incentive that provides a 75% reduction to corporate income taxes</li> <li>✓ 1.5% government royalty on gold production</li> <li>✓ Stable and transparent framework to govern permit amendments</li> </ul>
<b>Environmentally Friendly</b>	<ul style="list-style-type: none"> <li>✓ Project will connect to Brazilian power grid, which is &gt;80% powered by renewable energy</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>✓ Direct access via 108 km of all-weather roads starting from paved national highway</li> <li>✓ No relocation or resettlement required on site</li> <li>✓ No indigenous communities nearby that may be impacted by mining activity</li> </ul>
<b>Favourable Macro Climate</b>	<ul style="list-style-type: none"> <li>✓ BRL has devalued significantly against USD, positively impacting operating costs (55% in BRL) and development capital (59% in BRL)</li> </ul>

Source: G Mining Ventures

Louis-Pierre Gignac, the President and CEO of G Mining Ventures, accompanied us from Miami to the project site and back to Manaus. His brother, Matthew Gignac, CEO of G Mining Services (the project team), is based permanently on site during the project build and he ran the site visit for us.

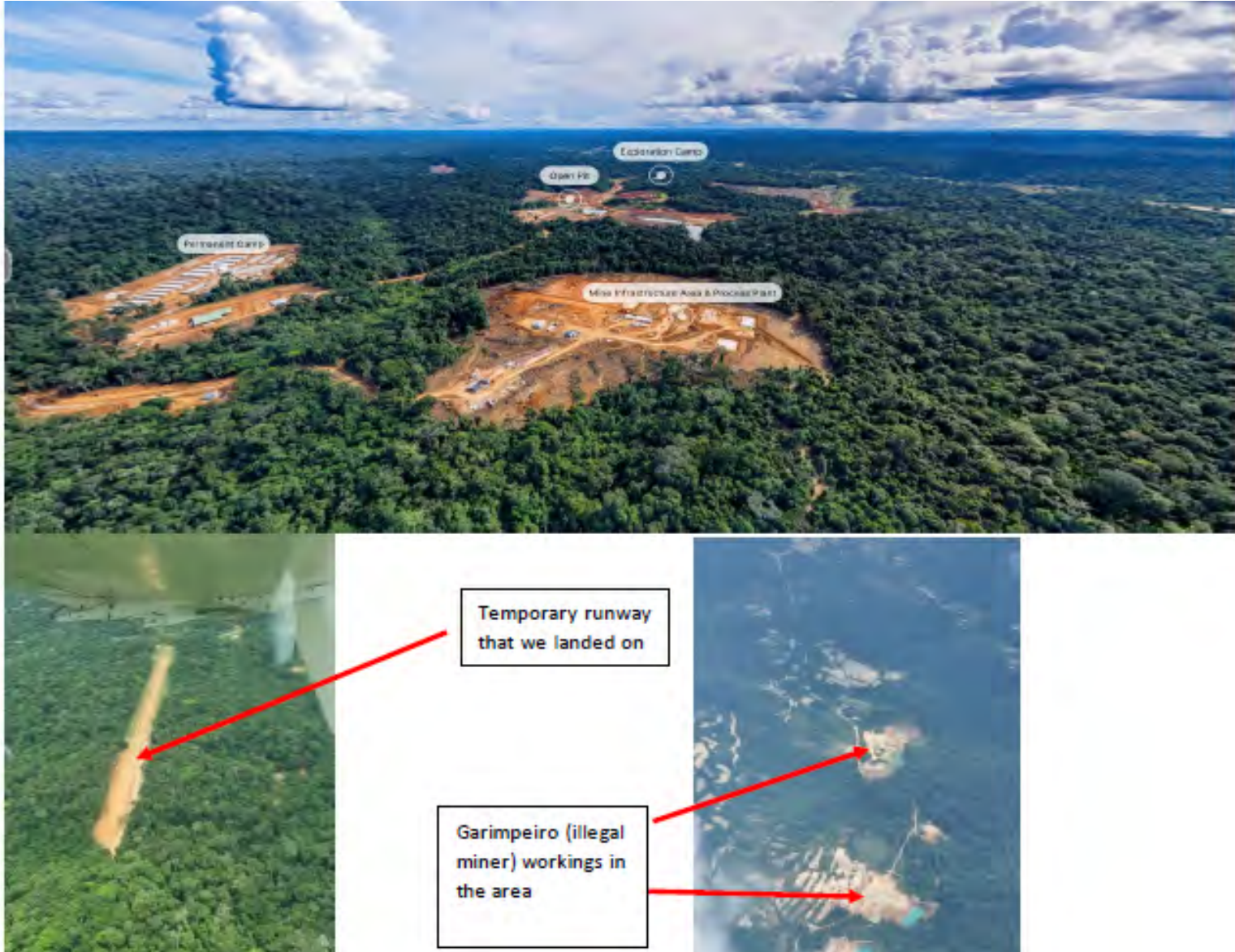
The blueprint for the construction of Tocantinzinho Mine are the mine builds at Merian and Fruta del Norte. Matthew has assembled the same team that started constructing mines together in 1993. Although Brazil is a new region for them, this is nothing new, given they recently built a very successful gold mine deep in the jungle in Ecuador. Key is knowledge of international suppliers (also gives them purchasing leverage) and logistics. They project build is almost 100% owner-operated, which saves them on contractor margins and gives them enormous flexibility and pre-training of the operational team. In areas like the construction of the accommodation units, they picked two separate contractors to compete against each other in the build of the units. By controlling the project build, they are also able to bring forward the purchase of the mining equipment, like the 100-ton caterpillar 777 trucks, and dozers to help with the site preparation and preparation work for the openpit. What was appreciated most was the clean layout of the construction site (tier 1 quality) and the progress made since construction started less than a year ago. It was actually the worst time for them to host a site visit with peak construction activity on the go in the height of the rainy season, which can be very challenging (200 centimetres of rain per month on average and February was a particularly wet month). Indeed, we had a heavy downpour while on site.

Any site visit is a key part of our investment process as it can highlight any fatal flaws not appreciated in the desk top review, but also allows Amati to look for opportunities not recognised by the wider market.



TB AMATI STRATEGIC METALS FUND

→ Figure 3: Site infrastructure, access and setting - March 2023



Source: G Mining Ventures

To date, 60% of the construction work is complete. The critical path to commence operations is the construction of the 220 kilometre power transmission line. Construction is ahead of schedule with 191 kilometres to go and scheduled to be complete by April 2024. G Mining are constructing and funding the power line but it will be owned and operated by the State once complete. The power cost contract is for 8 c/Kwh (hydro power) and the company is currently negotiating a lower rate for the next two and a half years given the high water levels currently in the dams feeding the power plant.

The plant design is simple with 25% of the gold recovered from a gravity circuit at the front end. After a conventional flotation circuit, only 5% of the original mass pull is passed through the carbon-in-leach (CIL) circuit – this reduces the size of the storage ponds. We were conservatively carrying gold recovery levels of 88% in the model. However, they are comfortable in achieving 92% recoveries with an option to retreat the flotation tailings to extract another 2%. They believe that they can add this extra part to the circuit without having to readjust the capital costs any higher.

One slide that was particularly interesting was the detail on the steel supply costs, which are running 28% below budget due to lower international steel prices. Other procurement items are also coming in meaningfully below budget. The project was costed at the height of the inflation cycle so this could be somewhat expected. However, it gives us added confidence that the project will be built under budget.

TB AMATI STRATEGIC METALS FUND

→ Figure 4: Orecorp providing technical plans (orientation) and showing underground development



Source: Amati

ESG

The project area is in the middle of the jungle where there are no nearby communities – apart from very informal “garimpeiro” settlements. Great care is taken during the deforestation phase to move animals and plant seeds for the reforestation of the area after the pit will be exhausted (in 11-12 years time). The company have large greenhouses on the property as well as an animal sanctuary where animals and birds are kept temporarily to do a medical check before reintroduction into the wild. The sloth below (figure 5), for example, will only be kept in captivity for a maximum of three days before being released in a safe area away from proposed mining activity.

→ Figure 5: Reforestation and animal sanctuary



Source: Amati


 TB AMATI STRATEGIC METALS FUND

The site visit gave us an invaluable insight into the risks of management achieving the financial projections for the company. There seems to be able room for the project to come in slightly under budget and achieve greater recoveries than projected – these are not built into our financial models as yet. As the projects nears completion in Q4 2024, the current 50% discount to fair value (1x NAV) is expected to be unlocked.

Key for our investment case is the upside potential beyond the discount to fair value. What was very apparent from the air as we flew into the mining camp was the vast network of garimpeiro, or illegal miner, workings for miles around the project. The area surrounding the current mine site is totally unexplored due to its challenging vegetation and remoteness. We would expect significant ounces to be added to the resource base over the coming years thereby vastly enhancing the current value that we ascribe to the mine. One could justify a premium rating for the company simply due to G Mining Ventures' growth potential by transferring management's mine-building skills to other projects across South America. Tocantinzinho was acquired from Eldorado in 2021 for US\$110m at a time when Eldorado needed to improve its balance sheet. Today we value the project at ~US\$500m assuming spot metal prices. Although the shares have performed well in recent months, the Enterprise Value of G Mining Ventures is currently only US\$129m, a reflection of the junior gold mining sector being the most out of favour that it has ever been right now.

## Sales Team Contacts

### Rachel Le Derf

Head of Sales & Marketing  
rachel.lederf@amatiglobal.com  
07979601223

### Colin Thomson

Head of Intermediary Distribution  
Northern England, Scotland & NI  
colin.thomson@amatiglobal.com  
07884026517

### Jonathan Woolley

Sales Director  
London, Midlands, SW England & Wales  
jonathan.woolley@amatiglobal.com  
07818203013

### Thomas Whitfield

Sales Director  
London & SE England  
thomas.whitfield@amatiglobal.com  
01315039120

### Samantha Dalby

Sales and Insights Manager  
samantha.dalby@amatiglobal.com  
+44 (0) 131 503 9116

### Olivia Pattison

Senior Sales Support Executive  
olivia.pattison@amatiglobal.com  
+44 (0) 131 503 9126

### Milly Stevenson

Sales Support Executive  
milly.stevenson@amatiglobal.com  
+44 (0) 131 503 9125

## Risk Warning

This article is a financial promotion issued by Amati Global Investors Limited, which is authorised and regulated by the Financial Conduct Authority. It is provided for informational purposes only and does not represent an offer or solicitation to buy or sell any securities; nor does it provide all the facts needed to make an informed decision about investing in the Fund. Please refer to the Key Investor Information Document and the Prospectus, which are available at [www.amatiglobal.com](http://www.amatiglobal.com).

**The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Past performance is not a reliable guide to future performance.**

The investments associated with this fund are concentrated in natural resources companies, which are subject to greater risk and volatility than companies held in other funds with investments across a range of industries and sectors. The return on investments in overseas markets may increase or decrease as a result of exchange rate movements. There may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price. In extreme circumstances this may affect the ability of the Fund to meet redemption requests upon demand.