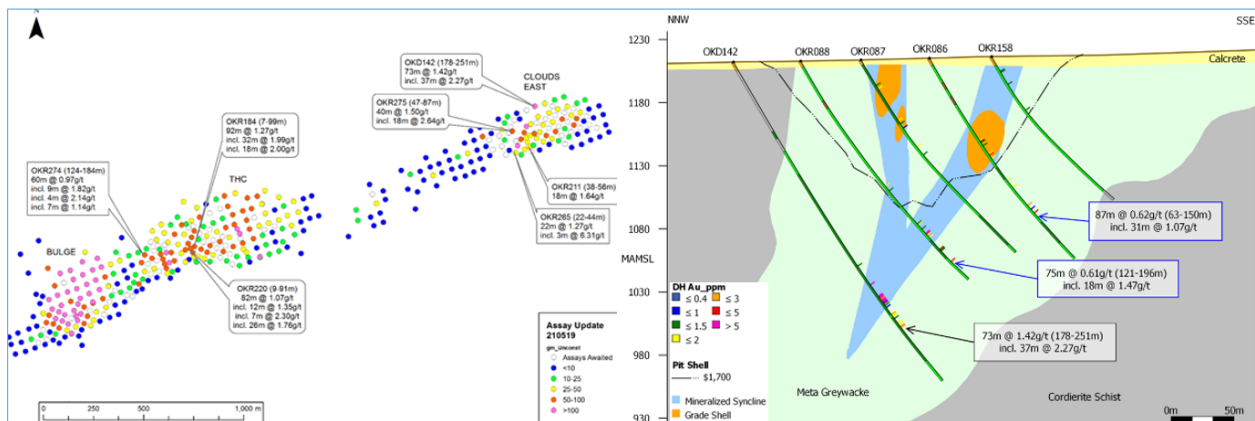


Ticker: OSI CN **4Q20 Cash:** C\$20m **Project:** Twin Hills
Market cap: C\$158m **Price:** C\$1.52/sh **Country:** Namibia
RECOMMEND. (unc): BUY **TARGET** (unc): C\$2.55/sh **RISK RATING:** HIGH

The consistent wide >1g/t shallow intercepts up to 60-90m, and intersecting mineralization in interpreted waste areas, very simply bodes well for a lift in ounces in the next MRE update. All signs continue to point to good conversion to M&I. The same goes for infill drilling at Clouds, hitting higher grades over broad widths **40m @ 1.5g/t** within the pit shell. In our view, Clouds is shaping up to be a potential higher-grade contributor to the main THC pit in the earlier years to accelerate payback. Even better is the deeper holes drilled to test dip and strike extensions at Clouds, hitting **73m @ 1.4g/t** from 178-251m—confirming strong roots at depth and potentially wider too. What we are watching next is the results from the ongoing deeper drilling at THC / Bulge, testing roots up to 450m+ depth to potentially pull a deeper pit. Looking ahead, this is a heavy news flow name, with approximately >55,000m drilled of the planned 67,000m (infill + expansion) and ongoing deeper infill holes at THC underway. As such we maintain our **BUY rating and 0.6xNAV_{5%-1850} C\$2.55/sh PT**. The total 75km of drilling has real step-change discovery potential, with a PEA mid-year also a key catalyst. From our coverage universe, Osino, along with Predictive (PDI AU) and Firefinch (FFX AU) stand out as the best three 1-2g/t CIL development projects in Africa now. West African (WAF AU) was not a darling of the market when it was at this stage, but it's ~A\$1bn valuation now is a great example of the upside these names can offer.

Figure 1. (A) Twin Hill's resource drilling plan map and (B) Cloud East x-section with today's results



Source: Osino Resources

Clouds roots are growing with 73m @ 1.4g/t and more shoots emerging at Twin Hills

Clouds East drilling hit **73m @ 1.4g/t** including **37m @ 2.3g/t** below the US\$1,700/oz pit shell, partially outside the resource envelope starting from 178m downhole. Clouds shallow infill drilling returned **40m @ 1.5g/t** on the western margin and **124m @ 0.73g/t** starting from surface in the northern portion of the deposit. At Twin Hills, the infill drilling continues to hit consistent broad, high-grade intervals with highlights of **92m @ 1.3g/t**, **82m @ 1.1g/t**, and **60m @ 0.97g/t**, including higher grade intersections of **32m @ 2.0g/t**, **12m @ 1.4g/t** and **9m @ 1.8g/t** respectively. The gap between Bulge and THC (Figure 1A) is closing and now <200m long. **Deeper infill holes** >450m is ongoing at Bulge / THC and expected to be completed in July 2021. Drilling is ongoing with 9 rigs, with >55km completed of the planned 67km infill and expansion programs.

Why we like Osino Resources

- Vanilla pitable gold with >150koz pa potential with team that has done it before
- Osino's 7,160km² holdings offer near-resource and regional upside
- Namibia's ease of access for drilling, large holding, and rapid permitting

Catalysts

- 3Q21: PEA – SCP estimate of 1Q delay to give time to add recent Clouds success
- CY21: 75,000m of drilling split between infill, satellites and some regional
- SCPe CY22/23: DFS & build start
- SCPe CY25: First production

Research

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Ticker: OSI CN	Price / mkt cap: C\$1.52/sh, C\$158m	Project PNAV today: 0.18x	Asset: Twin Hills
Author: Brock Salier	Rec / 0.6xNAV P* BUY, C\$2.55/sh	1xNAV_{3Q24} FF FD: C\$3.62/sh	Country: Namibia

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 (3Q23)	451	100%	1.00x	3.39
Cash 4Q20	19.7	100%	1.00x	0.15
Cash from options	28.3	100%	1.00x	0.21
Resources ex inventory @ \$50/oz	30.4	100%	1.00x	0.23
Explor'n (SCPe 500koz @ \$50/oz)	31.3	100%	1.00x	0.23
Asset NAV5% US\$1850/oz	561			4.21

*Shares diluted for options mine build Market P/NAV5%_{4Q20} 0.18x

Asset value: 1xNPV project @ build start (C\$M, ungeared)*

Project NPV (C\$M)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	328	386	444	502	561
Discount rate: 7%	373	436	499	562	625
Discount rate: 5%	425	493	561	630	698
Ungeared project IRR:	21%	24%	27%	30%	33%

Project NPV (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	2.46	2.89	3.33	3.77	4.21
Discount rate: 7%	2.80	3.27	3.74	4.22	4.69
Discount rate: 5%	3.19	3.70	4.21	4.72	5.24

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

Group NAV over time^ 1Q21 1Q22 1Q23 1Q24 1Q25

Twin Hills NPV (C\$M)	394.1	413.8	435.9	549.8	884.1
G&A and finance costs (C\$ (99.7)	(91.3)	(82.7)	(78.0)	(69.0)	
Net cash prior qtr (C\$M)	22.8	30.4	18.1	66.2	(240.4)
Cash from options (C\$M)	28.3	28.3	28.3	28.3	28.3
Resource / exlo nom. (C\$N)	61.6	61.6	61.6	61.6	61.6
NAV FF FD (C\$M)	407	443	461	628	665
Shares in issue (m)	133	147	147	174	174
1xNAV5%/sh FF FD (C\$/sh)	3.06	3.02	3.14	3.62	3.83

Geared NAV at first pour, diluted for build, net G&A and fin. costs*

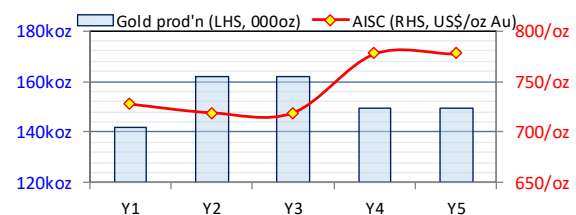
NAV at first gold (C\$M)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	450	516	583	649	716
Discount rate: 7%	481	551	621	692	762
Discount rate: 5%	517	590	665	739	813
Geared project IRR:	18%	22%	25%	27%	30%

NAV at first gold (C\$/sh)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	2.49	2.89	3.30	3.71	4.13
Discount rate: 7%	2.69	3.11	3.55	3.99	4.43
Discount rate: 5%	2.91	3.37	3.83	4.30	4.77

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

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	142	162	162	149	149
C1 cost (US\$/oz)	644	644	644	699	699
AISC cost (US\$/oz)	727	719	719	777	777

AISC = C1 + ug sustaining capex, Y1 = CY25



Source: SCP estimates

Resource / Reserve	Tonnes	Grade	Ounces
Resource	56Mt	1.06g/t	1913koz
SCP mining inventory	37Mt	1.20g/t	1427koz

Project: USES	Funding: SOURCES	
Pre-DFS exploration / G&A:	C\$21m	Cash + pre first AU op.: C\$47m
Build capex:	C\$375m	Pre-build equity: C\$20m
Fin. cost + WC over DFS:	C\$20m	Build equity @ 0.6xNAV: C\$135m
TOTAL USES:	C\$416m	65% geared debt @ 8%: C\$244m
Buffer / drill budget:	C\$31m	TOTAL SOURCES: C\$447m

Share data	Basic	FD with options	FD for build
Basic shares (m)	103.8	133.3	174

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	146.7	170.2	173.6	173.6	173.6
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	0.01	-	-	-	-
EV (C\$M)	200.2	228.3	245.7	197.6	504.2
FCF yield (%)	1%	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	121.0x	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Net revenue (C\$M)	-	-	-	-	-
COGS (C\$M)	-	-	-	-	-

Gross profit (C\$M)	CY20E	CY21E	CY22E	CY23E	CY24E
D&A, attrib (C\$M)	0.0	-	-	-	-
G&A + sh based costs (C\$M)	4.3	4.4	4.4	4.8	5.2
Finance cost (C\$M)	2.4	9.1	9.1	4.5	7.6
Taxes (C\$M)	-	-	-	-	-

Net income (C\$M)	CY20E	CY21E	CY22E	CY23E	CY24E
	(6.7)	(13.5)	(13.5)	(9.3)	(12.8)

Cash flow, attrib. CY20E CY21E CY22E CY23E CY24E

EBIT (C\$M)	(4.3)	(4.4)	(4.4)	(4.8)	(5.2)
Add back D&A (C\$M)	0.0	-	-	-	-
Less tax + net interest (C\$M)	2.4	9.1	9.1	4.5	7.6
Net change in wkg cap (C\$M)	0.0	-	-	(1.2)	-
Other non-cash (C\$M)	(7.2)	(17.1)	(17.1)	(5.3)	(14.0)
Cash flow ops (C\$M)	(9.1)	(12.3)	(12.3)	(6.9)	(11.6)
PP&E - build + sust. (C\$M)	(11.0)	-	-	80.0	295.0
PP&E - expl'n (C\$M)	-	-	-	-	-

Cash flow inv. (C\$M)	CY20E	CY21E	CY22E	CY23E	CY24E
	11.0	-	-	(80.0)	(295.0)

Cash flow fin. (C\$M)	CY20E	CY21E	CY22E	CY23E	CY24E
	13.6	20.0	-	135.0	243.8

Net change in cash (C\$M)	15.5	7.7	(12.3)	48.1	(62.9)
EBITDA (C\$M)	(6.7)	(13.5)	(13.5)	(9.3)	(5.2)

Balance sheet CY20E CY21E CY22E CY23E CY24E

Cash (C\$M)	22.8	30.4	18.1	66.2	3.4
Acc rec., inv, prepaid (C\$M)	1.2	1.2	1.2	-	-
PP&E + other (C\$M)	0.4	0.4	0.4	80.4	375.4
Total assets (C\$M)	24	32	20	147	379
Debt (C\$M)	-	-	-	-	243.8
Accounts payable (C\$M)	1.2	1.2	1.2	1.2	1.2
Others (C\$M)	0.1	0.1	0.1	0.1	0.1
Total liabilities (C\$M)	1.3	1.3	1.3	1.3	245.0
Issued capital (C\$M)	52.5	73.7	74.9	211.1	212.3
Retained earnings (C\$M)	(28.9)	(42.4)	(56.0)	(65.3)	(78.1)
Liabilities + equity (C\$M)	25	33	20	147	379

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SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	41

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