

Ticker: OSI CN
Market cap: C\$111m

1Q21 Cash: C\$16m
Price: C\$1.06/sh

Project: Twin Hills
Country: Namibia

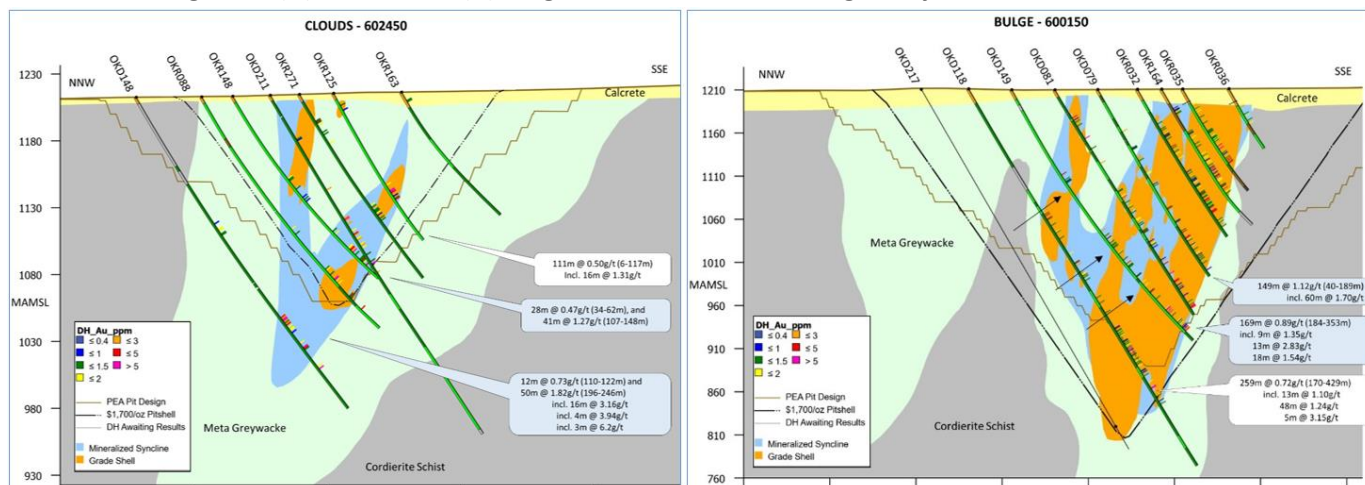
RECOMMEND. (unc): BUY

TARGET (unc): C\$2.75/sh

RISK RATING: HIGH

Today's 30 holes are impressive, with 10 standout highlights, especially the **50m @ 1.8g/t** from Clouds East, drilled below the proposed pit shell / existing resource, with better grades and widths than shallower holes above likely to pull the pit deeper. Similarly, at Bulge, monster intercepts of **124m @ 1.0g/t and 169m @ 0.9g/t** with higher grade intervals **13m @ 2.8g/t, 18m @ 1.5g/t, and 9m @ 1.4g/t** at the bottom of the PEA pit shell pointing to potential expansions at depth. Lastly at THC, today's bulk hits of 51-83m @ 1.1-1.4g/t are shallow (<150m depth), albeit this is all infill, so very useful delineation ahead of the 1H22 MRE update. Stepping back, we see more useful additions to come as drilling continues at depth (>400m) with another 45,000m to come and another 50 holes pending assay. As such, **we maintain our BUY rating and 0.6xNAV_{5%-1850} C\$2.75/sh PT**. The nature of the ore body, being higher-grade shoots on plunging folds within a lower-grade cloud, leads us to expect grade improvements on infill as shoots are better defined. Combined with only satellite drilling, and we fully expect the 2021 PFS to show an increase in endowment, and thus improved economics. With the team that has 'done it before' selling nearby Otjikoto to B2, Osino's rare combination of size, simplicity and growth plus belt control makes the stock a conviction name for us.

Figure 1. (A) Clouds and (B) Bulge cross-sections showing today's drill results



Source: Osino Resources

Clouds East is growing; deep drilling shows wider and higher grade intercepts below pit shell

Osino reported the results from 30 holes drilled at Clouds and Bulge with bulk highlights of **41m @ 1.3g/t, 43m @ 1.5g/t, and 42m @ 1.1g/t** <200m below surface at Clouds East, with the deepest hole hitting **50m @ 1.8g/t** including higher grade intersections of **16m @ 3.2g/t, 4m @ 3.94g/t, and 3m @ 6.2g/t**. At Bulge, drilling hit bulk intercepts of **124m @ 1.0g/t and 169m @ 0.9g/t** including **13m @ 2.8g/t, 18m @ 1.5g/t, and 9m @ 1.4g/t** down to 400m below surface and remains open. Osino has completed >70,000m of the 115,000m planned this year and 10 rigs are now active. Assays are pending.

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

- CY21: 75,000m of drilling split between infill, satellites and some regional
- 1H22: MRE update
- SCPe CY22/23: DFS & build start

- SCPe CY25: First production

Research

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Ticker: OSI CN	Price / mkt cap: C\$1.06/sh, C\$111m	Project PNAV today: 0.11x	Asset: Twin Hills
Author: Brock Salier	Rec / 0.6xNAV PT: BUY, C\$2.75/sh	1xNAV_{3Q24} FF FD: C\$3.79/sh	Country: Namibia

Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E	Resource / Reserve	Tonnes	Grade	Ounces
Gold price	1,850	1,850	1,850	1,850	1,850	Resource	60Mt	1.01g/t	1956koz
SOTP project valuation*						PEA mining inventory	49Mt	0.98g/t	1535koz

	C\$m	O/ship	NAVx	C\$/sh
Ungeared (@ build start (3Q23))	540	100.0%	1.00x	3.99
Cash (1Q21)	15.9	100%	1.00x	0.12
Cash from options	30.4	100%	1.00x	0.22
Resources ex inventory @ \$50/oz	26.3	100%	1.00x	0.19
Explor'n (SCPe 200koz @ \$50/oz)	12.5	100%	1.00x	0.09
Asset NAV5% US\$1850/oz	625			4.62

*Shares diluted for options mine build Market P/NAV5% Q20 0.11x

Company NAV: (C\$m, ungeared)*					
Company NAV (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	339	407	474	544	610
Discount rate: 7%	394	469	543	620	694
Discount rate: 5%	459	542	625	710	793
Ungeared project IRR:	26%	30%	34%	38%	41%

Company NAV (C\$/sh)					
	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	2.51	3.01	3.51	4.02	4.51
Discount rate: 7%	2.91	3.47	4.02	4.58	5.13
Discount rate: 5%	3.39	4.01	4.62	5.25	5.86

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

Group NAV over time^					
	2Q21	2Q22	2Q23	2Q24	2Q25
Twin Hills NPV (C\$m)	481.6	505.7	532.3	628.0	866.2
G&A and fin. costs (C\$m)	(93.3)	(83.9)	(74.2)	(71.0)	(59.3)
Net cash prior qtr (C\$m)	15.9	17.9	4.9	24.0	(189.2)
Cash from options (C\$m)	30.4	30.4	30.4	30.4	30.4
Nominal explo (C\$m)	38.8	38.8	38.8	38.8	38.8
NAV FF FD (C\$m)	473	509	532	650	687
Shares in issue (m)	135	149	149	172	172
1xNAV5%/sh FF FD (C\$/sh)*	3.50	3.41	3.56	3.79	4.00

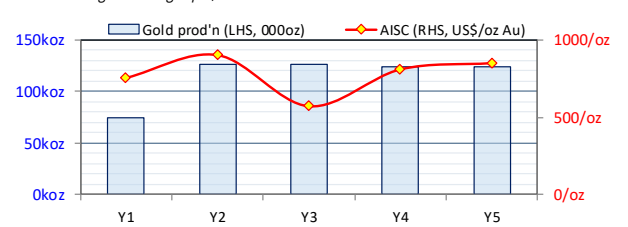
Geared NAV at first pour, diluted for build, net G&A and fin. costs^					
NAV at first gold (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	413	493	572	653	731
Discount rate: 7%	455	540	625	712	796
Discount rate: 5%	503	595	687	781	872
Geared project IRR:	23%	27%	31%	35%	38%

NAV at first gold (C\$/sh)*					
	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	2.32	2.80	3.28	3.77	4.25
Discount rate: 7%	2.58	3.09	3.61	4.14	4.67
Discount rate: 5%	2.87	3.44	4.00	4.59	5.15

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

Production					
	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	75	126	126	124	124
C1 cost (US\$/oz)	755	897	577	808	847
AISC cost (US\$/oz)	754	899	572	808	848

AISC = C1 + ug sustaining capex, Y1 = CY25



Source: SCP estimates

Resource / Reserve	Tonnes	Grade	Ounces
Resource	60Mt	1.01g/t	1956koz
PEA mining inventory	49Mt	0.98g/t	1535koz
Project: USES			
Pre-DFS expl'n / G&A:	C\$35m	Cash + pre first Au op.: C\$43m	
Build capex:	C\$253m	Pre-build equity: C\$15m	
Fin. cost + WC over DFS:	C\$18m	Equity @ 0.4xNAV: C\$85m	
TOTAL USES:	C\$306m	65% debt @ 8%: C\$164m	
Buffer / drill budget:	C\$2m	TOTAL SOURCES: C\$307m	

Share data	Basic	FD with options	FD for build
Basic shares (m)	104.6	135.3	172

Ratio analysis	CY20A	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	149.4	168.9	171.6	171.6	171.6
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	148.9	157.9	173.8	127.0	360.2
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement					
	CY20A	CY21E	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	-
Gross profit (C\$m)	-	-	-	-	-
D&A, attrib (C\$m)	0.1	0.1	-	-	-
G&A + sh based costs (C\$m)	6.5	6.7	6.4	5.9	5.4
Finance cost (C\$m)	7.3	10.0	8.0	3.9	6.7
Taxes (C\$m)	-	-	-	-	-
Net income (C\$m)	(13.8)	(16.7)	(14.4)	(9.8)	(12.0)

Cash flow, attrib.					
	CY20A	CY21E	CY22E	CY23E	CY24E
EBIT (C\$m)	(6.5)	(6.7)	(6.4)	(5.9)	(5.4)
Add back D&A (C\$m)	0.1	0.1	-	-	-
Less tax + net interest (C\$m)	7.3	10.0	8.0	3.9	6.7
Net change in wkg cap (C\$m)	(0.4)	0.2	-	(0.3)	-
Other non-cash (C\$m)	(10.8)	(18.2)	(14.6)	(5.9)	(12.0)
Cash flow ops (C\$m)	(10.3)	(14.6)	(13.0)	(8.2)	(10.7)

PP&E - build + sust. (C\$m)	0.8	0.2	-	30.0	222.5
PP&E - expl'n (C\$m)	-	-	-	-	-
Cash flow inv. (C\$m)	(0.8)	(0.2)	-	(30.0)	(222.5)
Share issue (C\$m)	31.0	15.3	-	85.0	-
Debt draw (repay) (C\$m)	0.0	0.2	-	-	164.1
Cash flow fin. (C\$m)	31.0	15.5	-	85.0	164.1

Net change in cash (C\$m)	19.9	0.7	(13.0)	46.8	(69.1)
EBITDA (C\$m)	(13.7)	(16.7)	(14.4)	(9.8)	(5.2)

Balance sheet					
	CY20A	CY21E	CY22E	CY23E	CY24E
Cash (C\$m)	9.5	21.2	8.1	54.9	(14.1)
Acc rec, inv, prepaid (C\$m)	0.3	0.3	0.3	-	-
PP&E + other (C\$m)	13.6	3.1	3.1	33.1	255.6
Total assets (C\$m)	23	25	12	88	242
Debt (C\$m)	-	-	-	-	164.1
Accounts payable (C\$m)	1.4	2.2	2.2	2.2	2.2
Others (C\$m)	0.2	0.3	0.3	0.3	0.3
Total liabilities (C\$m)	1.6	2.5	2.5	2.5	166.6
Issued capital (C\$m)	54.3	71.3	72.6	159.0	160.3
Retained earnings (C\$m)	(31.8)	(48.2)	(62.6)	(72.4)	(84.5)
Liabilities + equity (C\$m)	23	25	12	88	242

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Summary of Recommendations as of August 2021	
BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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