

Ticker: OSI CN	2Q21 Cash: C\$11m	Project: Twin Hills
Market cap: C\$120m	Price: C\$1.13/sh	Country: Namibia
<i>RECOMMEND. (unc): BUY</i>	<i>TARGET (unc): C\$2.75/sh</i>	<i>RISK RATING: HIGH</i>

Investors in North American assets like to gloss over the ~5Y permitting time frame. In Africa, this doesn't happen. Namibia is particularly well placed given increased stability of government compared to West Africa, less nationalistic than central African countries like Tanzania, Zambia and DRC, and less South African than South Africa. Better still, there is a long list of positive precedents including Otjikoto / B2 coming 15M after application in 2012. With that one behind the country, we'd expect CY22 granting. It doesn't stop there though – the company's revised schedule should see an upside PEA by early next year (which we think will show production lift from ~100koz pa toward 150koz pa through a larger mill, compressed mine plan and higher recoveries). Thereafter, the company is chasing the ambitious target of DFS and funding in CY22 also, so the current share price really doesn't reflect the hive of activity. **We maintain our BUY rating and 0.6xNAV_{5%-1850} C\$2.75/sh PT.** The second advantage to N America is that unlike those peers, Osino should be able to upsize the project without starting the 5Y permitting gun again, to reflect likely higher ounces coming from drilling underway now, feeding into the PFS. With 110km of drilling this year we're looking for a nice MRE bump next year, feeding into an upsized PFS.

Mining licence application submitted: the African advantage as push to DFS next year is on

Osino has submitted their Mining Licence application, and is fast-tracking required specialist studies as the environmental baseline nears completion, and with a public consultation underway. We met with management at Beaver Creek today, with a revised forward looking schedule discussed above and noted in catalysts below.

Why we like Osino Resources

- Vanilla pitiable 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: 110,000m of drilling (infill, satellites and 24,00m regional)
- 1Q22: MRE and revised PEA (*larger resource / less stripping / shorter mine / larger plant*)
- Mid 2022: DFS (*adding variability / trade off*)
- SCPe CY22/23: DFS & build start
- SCPe CY25: First production

Research

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Ticker: OSI CN	Price / mkt cap: C\$1.13/sh, C\$120m	Project PNAV today: 0.12x	Asset: Twin Hills
Author: Brock Salier	Rec/ 0.6xNAV PT: BUY, C\$2.75/sh	1xNAV _{3Q24} FF FD: C\$3.82/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)	533	100.0%	1.00x	4.00
Cash 2Q21	11.0	100%	1.00x	0.08
Cash from options	27.3	100%	1.00x	0.20
Resources ex inventory @ \$50/oz	26.0	100%	1.00x	0.19
Explor'n (SCOpe 200koz @ \$50/oz)	12.3	100%	1.00x	0.09
Asset NAV5%US\$1850/oz	610			4.57

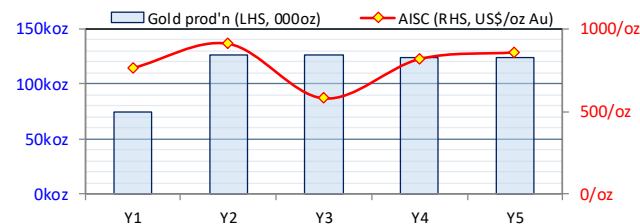
Company NAV: (C\$m, ungeared)*					
	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	327	394	461	529	595
Discount rate: 7%	381	455	529	604	677
Discount rate: 5%	445	528	610	694	775
Ungeared project IRR:	26%	30%	34%	38%	41%

Geared NAV at first pour, diluted for build, net G&A and fin. costs^					
	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	430	510	590	671	750
Discount rate: 7%	469	555	640	727	811
Discount rate: 5%	515	607	699	792	883
Geared project IRR:	23%	27%	31%	35%	38%

Group NAV over time^					
	3Q21	3Q22	3Q23	3Q24	3Q25
Twin Hills NPV (C\$m)	481.0	505.1	532.9	670.4	854.1
G&A and fin. costs (C\$m)	-	(81.6)	(71.1)	(69.3)	(55.0)
Net cash prior qtr (C\$m)	11.0	12.3	(1.5)	(3.9)	(166.2)
Cash from options (C\$m)	27.3	27.3	27.3	27.3	27.3
Nominal expl'o (C\$m)	38.3	38.3	38.3	38.3	38.3
NAV FF FD (C\$m)	558	501	526	663	699
Shares in issue (m)	133	147	147	173	173
1xNAV5%sh FF FD (C\$/sh)*	4.18	3.42	3.59	3.82	4.03

Production					
	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	75	126	126	124	124
C1 cost (US\$/oz)	764	909	584	818	858
AISC cost (US\$/oz)	763	911	580	818	859

AISC = C1 + ug sustaining capex, Y1 = CY25



Source: SOP estimates

Resource / Reserve	Tonnes	Grade	Ounces
Resource	60Mt	1.01g/t	1956koz
PEA mining inventory	49Mt	0.98g/t	1535koz

Project: USES		Funding: SOURCES	
Pre-DFS expl'n / G&A:	C\$39m	Cash + pre first Au op.:	C\$35m
Build capex:	C\$249m	Pre-build equity:	C\$15m
Fin. cost + WCover DFS:	C\$18m	Equity @ 0.4xNAV:	C\$102m
TOTAL USES:	C\$306m	65%debt @ 8%:	C\$162m
Buffer / drill budget:	C\$8m	TOTAL SOURCES:	C\$314m

Share data	Basic	FD with options	FD for build
Basic shares (m)	106.1	133.4	173

Ratio analysis	CY20A	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	146.6	170.1	173.5	173.5	173.5
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	156.2	173.1	190.6	127.2	357.2
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	5.6	4.9	5.0	5.1
Finance cost (C\$m)	7.3	13.4	10.0	4.9	6.6
Taxes (C\$m)	-	-	-	-	-
Net income (C\$m)	(13.8)	(18.9)	(14.9)	(9.9)	(11.7)

Cash flow, attrib.	CY20A	CY21E	CY22E	CY23E	CY24E
EBIT (C\$m)	(6.5)	(5.6)	(4.9)	(5.0)	(5.1)
Add back D&A (C\$m)	0.1	0.1	-	-	-
Less tax + net interest (C\$m)	7.3	13.4	10.0	4.9	6.6
Net change in wkg cap (C\$m)	(0.4)	(0.6)	-	(0.3)	-
Other non-cash (C\$m)	(10.8)	(25.0)	(18.8)	(8.3)	(12.1)
Cash flow ops (C\$m)	(10.3)	(17.8)	(13.7)	(8.6)	(10.6)
PP&E - build + sust. (C\$m)	0.8	0.3	-	30.0	219.4
PP&E - expl'n (C\$m)	-	-	-	-	-
Cash flow inv. (C\$m)	(0.8)	(0.3)	-	(30.0)	(219.4)
Share issue (C\$m)	31.0	16.6	-	102.0	-
Debt draw (repay) (C\$m)	0.0	0.1	-	-	162.1
Cash flow fin. (C\$m)	31.0	16.7	-	102.0	162.1
Net change in cash (C\$m)	19.9	(1.3)	(13.7)	63.4	(67.9)
EBITDA (C\$m)	(13.7)	(18.8)	(14.9)	(9.9)	(4.9)

Balance sheet	CY20A	CY21E	CY22E	CY23E	CY24E
Cash (C\$m)	9.5	19.1	5.4	68.8	0.9
Acc rec., inv, prepaid (C\$m)	0.3	0.3	0.3	-	-
PP&E + other (C\$m)	13.6	4.0	4.0	34.0	253.4
Total assets (C\$m)	23	23	10	103	254
Debt (C\$m)	-	-	-	-	162.1
Accounts payable (C\$m)	1.4	1.9	1.9	1.9	1.9
Others (C\$m)	0.2	0.5	0.5	0.5	0.5
Total liabilities (C\$m)	1.6	2.3	2.3	2.3	164.4
Issued capital (C\$m)	54.3	72.5	73.6	176.7	177.9
Retained earnings (C\$m)	(31.8)	(50.3)	(65.1)	(75.1)	(86.8)
Liabilities + equity (C\$m)	23	23	10	103	254

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BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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