

<b>Ticker:</b> OSI CN	<b>Pro-forma cash:</b> C\$18.5m	<b>Project:</b> Twin Hills
<b>Market cap:</b> C\$147m	<b>Price:</b> C\$0.95/sh	<b>Country:</b> Namibia
<i>REC. (unc): BUY</i>	<i>TARGET (unc): C\$2.05/sh</i>	<i>RISK RATING (unc): HIGH</i>

Today's receipt of the Environmental Clearance Certificate is an important milestone for Osino and provides greater certainty on the timeline towards the full mine permit which requires (i) a mining license (received last year), (ii) environmental clearance certificate (received today) and (iii) secondary site-specific licenses – applications for them have already commenced. The speed of the permitting process reaffirms our view that Namibia is a top mining jurisdiction where you can permit a mine in less than 3 years, something that very few peers can claim. Importantly, we think the pace of permitting is also a clear reflection of management's proactive and robust approach in stakeholder engagement and community consultation, all the while maintaining a laser focus on advancing the engineering studies for Twin Hills + regional exploration. As such, **we maintain our BUY rating and C\$2.05/sh price target**, based on  $0.5 \times \text{NAV}_{5\%-1700}$ , including a 600koz high-grade Ondundu core at US\$50/oz. Looking ahead, the results that the OSI team have delivered on the project financing, exploration, and engineering side for Twin Hills makes it one of our favourite bargain-picks as it is one of the few deliverable (reasonable capex, good permitting, easy infrastructure) 'will be a mine' names trading cheaply at just  $0.23 \times \text{NAV}$ .

### Permitting progress: Osino receives Environmental Clearance Certificate; 2H23 early works

Osino announced the receipt of the **Environmental Clearance Certificate (ECC)** from Namibia's Ministry of the Environment, Forestry and Tourism (MEFT) for the Twin Hills project, subject to the relocation of historical graves located within the project area. The other two conditions required to obtain a full mining license for the Twin Hills project are (i) sale of a 5% carried interest by certain disadvantaged and local shareholder Namibian groups and (ii) the submission of a strategy for poverty alleviation and socio-economic upliftment for disadvantaged groups to the Namibian government. **Secondary License Approvals (site specific):** Applications for the necessary secondary site-specific permits have commenced already with the aim of concluding all permitting, initiating early works and commencing with construction during 2H23.

### Why we like Osino Resources

- Vanilla pittable gold with 200koz pa Y1-4 and team that has done it before
- Osino's 9,840km<sup>2</sup> holdings offer near-resource and regional upside
- Namibia's ease of access for drilling, large holding, and rapid permitting
- Catalyst heavy with permits, DFS, debt and FID in coming 12M, market dependent

### Catalysts

- 1Q23: SCPe land acquisitions
- 2H23: Permitting, regional exploration
- 2Q23: DFS / project funding / FID
- 2025: First production

### Research

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<b>Ticker:</b> OSI CN	<b>Price / mkt cap:</b> C\$0.95/sh, C\$147m	<b>Project PNAV today:</b> 0.23x	<b>Asset:</b> Twin Hills
<b>Author:</b> B Salier	<b>Rec / 0.5xNAV PT:</b> BUY, C\$2.05/sh	<b>1xNAV<sub>3Q24</sub> FF FD:</b> C\$3.14/sh	<b>Country:</b> Namibia

Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E
Gold price	1,700	1,700	1,700	1,700	1,700

### SOTP project valuation\*

	C\$m	O/ship	NAVx	C\$/sh
Ungeared @ build start (3Q23)	606	100.0%	1.00x	3.49
4Q22 SCPe Pro forma cash	18.5	100%	1.00x	0.11
Cash from options	14.7	100%	1.00x	0.08
Ondundu (600koz @ \$50/oz less pmnts)	32.4	100%	1.00x	0.19
Resources ex inventory @ \$40/oz	50.4	100%	1.00x	0.29
Pro-forma debt	(6.8)	100%	1.00x	(0.04)
Asset NAV5% US\$1700/oz	715			4.12

\*Shares diluted for options mine build Market P/NAV<sub>5%</sub> 4Q22 0.23x

### Company NAV: (C\$m, ungeared)\*

Company NAV (C\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
Discount rate: 9%	324	428	528	627	729
Discount rate: 7%	391	505	614	723	834
Discount rate: 5%	470	595	715	835	958
Ungeared project IRR:	17%	20%	24%	28%	31%

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

### Group NAV over time^

Group NAV over time^	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
Twin Hills NPV (C\$m)	587.4	701.3	1,254.3	1,099.1	936.1
G&A and fin. costs (C\$m)	(114.2)	(101.3)	(91.7)	(61.8)	(38.0)
Net cash prior qtr (C\$m)	7.0	106.1	(332.4)	(133.4)	44.0
Cash from options (C\$m)	14.7	14.7	14.7	14.7	14.7
Expl. + Ondundu (C\$m)	82.8	82.8	82.8	82.8	82.8
NAV FF FD (C\$m)	578	804	928	1,002	1,040
FD shares in issue (m)	173	173	319	319	319
1xNAV5%/sh FF FD (C\$/sh)	3.33	4.63	2.91	3.14	3.26

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

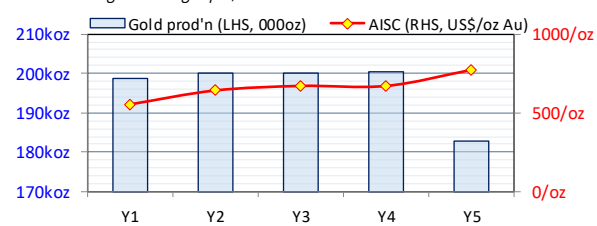
NAV at first gold (C\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
Discount rate: 9%	463	636	804	971	1,141
Discount rate: 7%	533	717	895	1,073	1,254
Discount rate: 5%	614	811	1,002	1,191	1,385
Geared project IRR:	14%	18%	22%	25%	29%

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

### Production

	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	199	200	200	200	183
C1 cost (US\$/oz)	493	582	611	611	664
AISC cost (US\$/oz)	550	640	669	669	773

AISC = C1 + ug sustaining capex, Y1 = CY25



Source: SCP estimates

Resource / Reserve	Tonnes	Grade	Ounces
Resource	89Mt	1.08g/t	3070koz
PFS mining inventory	64Mt	1.04g/t	2150koz

### Project: USES

Project: USES	Funding: SOURCES
Pre-DFS expl'n / G&A: C\$21m	Cash + pre first Au op.: C\$29m
Build capex: C\$527m	Pre-build equity: C\$0m
Fin. cost + WC over DFS C\$43m	Equity @ 0.4xNAV: C\$242m
TOTAL USES: C\$591m	65% debt @ 8%: C\$350m
Buffer / drill budget: C\$29m	TOTAL SOURCES: C\$621m

### Share data

	Basic	FD with options	FD for build
Basic shares (m)	154.9	173.5	319

### Ratio analysis

	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	147.8	298.6	319.1	319.1	319.1
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	130.9	270.9	291.5	136.0	647.4
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

### Income statement

	CY20A	CY21A	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	41.0

### Gross profit (C\$m)

D&A, attrib (C\$m)	0.1	0.2	0.2	-	-
G&A + sh based costs (C\$m)	6.5	6.8	7.3	5.8	4.9
Finance cost (C\$m)	7.3	19.8	26.3	12.4	50.1
Taxes (C\$m)	-	-	-	-	-
<b>Net income (C\$m)</b>	<b>(13.8)</b>	<b>(26.5)</b>	<b>(33.6)</b>	<b>(18.3)</b>	<b>(54.9)</b>

### Cash flow, attrib.

	CY20A	CY21A	CY22E	CY23E	CY24E
EBIT (C\$m)	(6.5)	(6.8)	(7.3)	(5.8)	(4.9)
Add back D&A (C\$m)	0.1	0.2	0.2	-	-
Less tax + net interest (C\$m)	7.3	19.8	26.3	12.4	50.1
Net change in wkg cap (C\$m)	(0.4)	0.0	(3.2)	(0.5)	-
Other non-cash (C\$m)	(10.8)	(34.9)	(36.0)	(23.1)	(99.2)
<b>Cash flow ops (C\$m)</b>	<b>(10.3)</b>	<b>(21.7)</b>	<b>(20.0)</b>	<b>(16.9)</b>	<b>(54.1)</b>
PP&E - build + sust. (C\$m)	0.8	0.4	0.1	70.0	457.4
PP&E - expl'n (C\$m)	-	-	-	-	-

### Cash flow inv. (C\$m)

Share issue (C\$m)	31.0	14.3	19.1	242.5	-
Debt draw (repay) (C\$m)	0.0	0.0	6.8	-	349.6
<b>Cash flow fin. (C\$m)</b>	<b>31.0</b>	<b>14.3</b>	<b>25.9</b>	<b>242.5</b>	<b>349.6</b>
Net change in cash (C\$m)	19.9	(7.8)	5.8	155.5	(161.8)
EBITDA (C\$m)	(13.7)	(26.3)	(33.3)	(17.7)	(45.6)

### Balance sheet

	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (C\$m)	9.5	12.7	18.5	174.0	12.2
Acc rec., inv, prepaid (C\$m)	0.3	0.2	0.5	-	-
PP&E + other (C\$m)	13.6	1.2	1.9	71.9	529.3
<b>Total assets (C\$m)</b>	<b>23</b>	<b>14</b>	<b>21</b>	<b>246</b>	<b>541</b>
Debt (C\$m)	-	-	6.8	6.8	356.5
Accounts payable (C\$m)	1.4	3.1	6.9	6.9	6.9
Others (C\$m)	0.2	0.4	0.3	0.3	0.3
Total liabilities (C\$m)	1.6	3.5	14.0	14.0	363.6
Issued capital (C\$m)	54.3	70.1	100.7	344.1	345.0
Retained earnings (C\$m)	(31.8)	(58.4)	(92.5)	(110.8)	(165.7)
<b>Liabilities + equity (C\$m)</b>	<b>23</b>	<b>14</b>	<b>21</b>	<b>246</b>	<b>541</b>

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Summary of Recommendations as of January 2023	
BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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