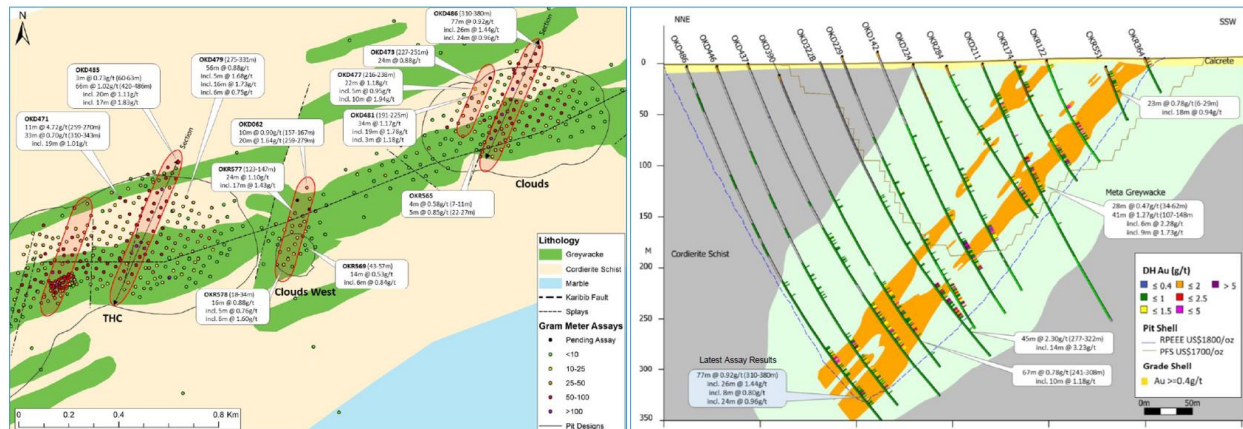


Ticker: OSI CN **Pro-forma cash:** C\$18m **Project:** Twin Hills
Market cap: C\$132m **Price:** C\$0.85/sh **Country:** Namibia
REC. (unc): BUY **TARGET (unc):** C\$2.35/sh **RISK RATING (unc):** HIGH

Today's drill results, specifically the 'small step outs', point to potential inventory growth into the upcoming DFS, from both iterative step outs and inferred conversion, the target of the drilling from the beginning. We model C\$717m NPV_{5%-1850} for Twin Hills at build start, or ~C\$36m NPV / +21c/sh increase for each 100koz added to the mine plan, all the more if >1.04g/t reserve grade can be scheduled up front. While difficult to forecast ounce-additions, drilling looks good for +50-150koz in our view, with Twin Hills West and Cloud West the engine room here. Digging in, (i) Twin Hills West is shaping up nicely as step-out drilling hit **74m @ 0.63g/t** (incl. 17m @ 1.05g/t) and infill of **24m @ 1.06g/t** and **12m @ 3.09g/t** are well over reserve grade, albeit this is give and take, while (ii) the exploration upside remains intact as step-out drilling at Clouds and Clouds West returned impressive **26m @ 1.44g/t** and **20m @ 1.64g/t**, albeit deeper hits so pending reserve conversion maths. Ultimately, mine plans can move the needle on valuations, hence the DFS inventory-growth could be a meaningful catalyst. For now, **we maintain our BUY rating and C\$2.35/sh, price target**, based on 0.5xNAV_{5%-1850} 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 0.18xNAV.

Figure 1. (A) Plan map of regional drilling and (B) cross section showing Clouds drilling today



Source: Osino

Step out drilling at Twin Hills hit 20m @ 1.6g/t; infill drilling for mid year DFS by mid-2023

Step-out drilling at Twin Hills Clouds West target hit **20m @ 1.64g/t** from 259m, a 200m step-out from the MRE envelope; Clouds hit **77m @ 0.92g/t** from 327m and **34m @ 1.17g/t** from 191m; Twin Hills West hit **74m @ 0.63g/t** from 183m and and Twin Hills Central hit **66m @ 1.02g/t** from 420m. Infill drilling hit **56m @ 0.88g/t** from 275m and **11m @ 4.72g/t** from 259m, and **24m @ 1.06g/t** from 217m and **12m @ 3.09g/t** from 105m at Twin Hills Central. A total of 14,428m of drilling (74 holes) have been drilled since the August 2022 MRE, 5,470m of assay results are still pending, with results to be incorporated into an updated MRE which will be the basis for the DFS which is expected to be delivered by mid-2023.

Why we like Osino Resources

- Vanilla pitable gold with 200koz pa Y1-4 and team that has done it before
- Osino's 9,840km² 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

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

Research

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Ticker: OSI CN	Price / mkt cap: C\$0.85/sh, C\$132m	Project PNAV today: 0.18x	Asset: Twin Hills
Author: B Salier	Rec / 0.5xNAV PT: BUY, C\$2.35/sh	1xNAV_{3Q24} FF FD: C\$3.60/sh	Country: Namibia

Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E
Gold price	1,892	1,857	1,850	1,850	1,850

SOTP project valuation*					
	C\$m	O/ship	NAVx	C\$/sh	
Ungeared @ build start (3Q23)	717	100.0%	1.00x	4.13	
4Q22 SCPE Pro forma cash	17.7	100%	1.00x	0.10	
Cash from options	14.7	100%	1.00x	0.08	
Ondundu (600koz @ \$50/oz less pmts)	28.8	100%	1.00x	0.17	
Resources ex inventory @ \$40/oz	44.9	100%	1.00x	0.26	
Pro-forma debt	(6.1)	100%	1.00x	(0.04)	
Asset NAV5% US\$1850/oz	817			4.71	

*Shares diluted for options mine build Market P/NAV5% 4Q22 0.18x

Company NAV: (C\$m, ungeared)*					
Company NAV (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	442	531	621	709	798
Discount rate: 7%	515	612	712	808	905
Discount rate: 5%	601	708	817	924	1,031
Ungeared project IRR:	23%	26%	30%	33%	36%
Company NAV (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	2.55	3.06	3.58	4.09	4.60
Discount rate: 7%	2.97	3.53	4.10	4.66	5.22
Discount rate: 5%	3.46	4.08	4.71	5.33	5.94

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

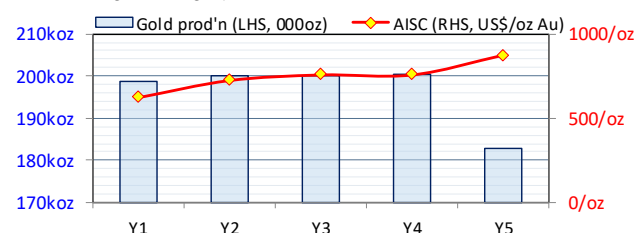
Group	NAV over time^	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
Twin Hills NPV (C\$m)		695.7	814.3	1,307.2	1,148.7	981.4
G&A and fin. costs (C\$m)		(104.0)	(90.8)	(81.3)	(54.4)	(32.9)
Net cash prior qtr (C\$m)		6.9	150.6	(220.9)	(14.8)	171.1
Cash from options (C\$m)		14.7	14.7	14.7	14.7	14.7
Expl. + Ondundu (C\$m)		73.7	73.7	73.7	73.7	73.7
NAV FF FD (C\$m)		687	963	1,093	1,168	1,208
FD shares in issue (m)		173	173	325	325	325
1xNAV5%/sh FF FD (C\$/sh)		3.96	5.55	3.37	3.60	3.72

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%	661	809	961	1,109	1,257
Discount rate: 7%	738	896	1,057	1,215	1,372
Discount rate: 5%	826	995	1,168	1,336	1,505
Geared project IRR:	21%	24%	27%	31%	34%
NAV at first gold (C\$/sh)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	2.16	2.59	3.03	3.45	3.88
Discount rate: 7%	2.37	2.82	3.29	3.74	4.20
Discount rate: 5%	2.61	3.10	3.60	4.08	4.57

^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)	554	654	686	687	746
AISC cost (US\$/oz)	622	723	756	756	873

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	Funding: SOURCES
Pre-DFS expl'n / G&A: C\$21m	Cash + pre first Au op.: C\$28m
Build capex: C\$470m	Pre-build equity: C\$0m
Fin. cost + WC over DFS: C\$40m	Equity @ 0.4xNAV: C\$287m
TOTAL USES: C\$530m	65% debt @ 8%: C\$312m
Buffer / drill budget: C\$96m	TOTAL SOURCES: C\$627m

Share data	Basic	FD with options	FD for build
Basic shares (m)	154.9	173.5	325

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	147.8	303.4	324.6	324.6	324.6
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	116.1	245.2	264.3	64.3	512.8
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	36.5
Gross profit (C\$m)	-	-	-	-	(36.5)

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	26.4	12.3	45.0
Taxes (C\$m)	-	-	-	-	-
Net income (C\$m)	(13.8)	(26.5)	(33.6)	(18.2)	(49.9)

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	26.4	12.3	45.0
Net change in wkg cap (C\$m)	(0.4)	0.0	(3.2)	(0.5)	-
Other non-cash (C\$m)	(10.8)	(34.9)	(36.1)	(22.9)	(89.1)
Cash flow ops (C\$m)	(10.3)	(21.7)	(20.1)	(16.8)	(49.0)

PP&E - build + sust. (C\$m)	0.8	0.4	0.1	70.0	399.5
PP&E - expl'n (C\$m)	-	-	-	-	-
Cash flow inv. (C\$m)	(0.8)	(0.4)	(0.1)	(70.0)	(399.5)
Share issue (C\$m)	31.0	14.3	19.1	286.9	-
Debt draw (repay) (C\$m)	0.0	0.0	6.0	-	312.0
Cash flow fin. (C\$m)	31.0	14.3	25.1	286.9	312.0
Net change in cash (C\$m)	19.9	(7.8)	4.9	200.1	(136.5)
EBITDA (C\$m)	(13.7)	(26.3)	(33.4)	(17.7)	(41.0)

Balance sheet	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (C\$m)	9.5	12.7	17.7	217.7	81.2
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	471.4
Total assets (C\$m)	23	14	20	290	553
Debt (C\$m)	-	-	6.1	6.1	318.1
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	13.3	13.3	325.3
Issued capital (C\$m)	54.3	70.1	100.7	388.5	389.4
Retained earnings (C\$m)	(31.8)	(58.4)	(92.6)	(110.8)	(160.7)
Liabilities + equity (C\$m)	23	14	20	290	553

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BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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