

July 5, 2022

OSINO RESOURCES CORP. (OSI – TSXV, \$1.09)

THEISIS REHASH – PROGRESSING TOWARDS A MAJOR CATALYST

Rating: BUY
New Target Price: \$3.40
Old Target Price: \$3.10

Osino Resources Corp.		OSI
<i>(Currency is C\$ unless noted otherwise)</i>		
	CURRENT	12 MO TARGET
Net Asset Value Per Share		\$3.75
52 Week Low / High	\$0.98 / \$1.40	
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	104.7	136.6
Market Capitalization (M)	\$114.1	\$148.9
Enterprise Value (M)	\$103.0	
Estimated Cash Balance (M)	\$11.0	
Estimated Debt (M)	\$0.0	
FYE: DEC 31	2025E	2026E
Gold Price (US\$/oz)	\$1,800	\$1,800
Gold Produced (Koz)	176	176
Cash Costs (US\$ per oz)	\$686	\$686
AISC (US\$ per oz)	\$763	\$763
Operating CFPS (US\$)	\$2.13	\$2.13
DISCLOSURE CODE:	2,6	
<i>(Please refer to the applicable disclosures listed on the back page)</i>		

Source: M Partners, CapIQ, Company Information



Resources Corp. is led by a proven team of top tier managers with a record of success in discovery, project development, financing and M&A and has assembled a land package of 7,000 km² in 3 project areas with 26 exploration targets that are at different stages of advancement within a historic orogenic gold mining district in Namibia which hosts the producing Navachab and Otjikoto Gold Mines.

We met with OSI management during PDAC and want to reiterate our conviction in the Osino story ahead of upcoming catalysts. The Twin Hills Gold Project in Namibia is progressing at a rapid rate towards a construction decision by Q1/23. With a Pre-Feasibility Study (PFS) expected in the next two to three months, we want to get ahead of the potential value this study will outline and have made some positive alterations to our model in anticipation. **With that said, we are maintaining our BUY rating and increasing our 12-month target price to \$3.40/share for OSI (previously \$3.10/share).**

Upcoming Pre-Feasibility Study:

The previously reported Preliminary Economic Assessment (PEA) outlined an NPV_{5%} of US\$377M based on an annual throughput of 99 Koz/yr for a 15-year mine life. With the updated resource we believe the PFS could outline an annual throughput of between 150 Koz/yr and 200 Koz/yr for a 12–15-year mine life. Additionally, OSI now has a better understanding of the mineralization, metallurgy, and geotechnical factors of the project. All that considered, we believe the economics outlined in the upcoming PFS will be substantially improved from that of the PEA. These improvements could include annual throughput & production, grade, metallurgy/recovery, and strip ratio.

Valuation Leaping Forward:

In anticipation of a larger PFS our model previously estimated an average annual production of 131Koz/yr. Building on this, we now model the lower end of our estimate for the annual production that will be depicted in the PFS of 150 Koz/yr. We also increased our CAPEX accordingly, accommodating the larger annual throughput as well as inflationary pressures, to \$325M. From this, we derive a new project valuation of \$484M_{8%}. Additionally, there exists further upside which we expect to see in the upcoming study with the grade and recovery increasing by as much as 10% while the strip ratio could decrease slightly.

Why We Like OSI:

- Fast track to production – On pace to be the fastest company in the world to move from discovery all the way to a permitting decision
- Management has done this before – CEO (Heye Daun) developed the Otjikoto Mine (Namibia) which was later sold to B2Gold
- Clear acquisition target for B2Gold – BTO is operating the Otjikoto Mine in Namibia and has a cash position of ~US\$650M
- Many upcoming catalysts – OSI will have a news heavy H2/22

Catalysts Ahead:

- Ondundu Acquisition Closing – Early Q3/22
- Twin Hills Resource Update – Q3/22
- Twin Hills Pre-Feasibility Study – Q3/22
- Ondundu Maiden Resource – Late Q3/22 – Early Q4/22
- Twin Hills Feasibility Study – Q1/23
- Twin Hills Project Financing & Permitting – Q4/22 & Q1/23
- Ondundu Preliminary Economic Assessment – Q1/23
- Twin Hills Drill Results – Ongoing

Catalyst Breakdown:

- **Ondundu Acquisition Closing – Early Q3/22.** We expect the acquisition of the Ondundu Gold Project to close within the next month. As a reminder, OSI agreed to acquire the Ondundu gold project in Namibia from B2Gold Corp for an aggregate purchase price of US\$15.2M (acquisition terms below). The project is located ~130km NW of Osino's Twin Hills Gold Project and has a historical resource (2010) on the Project of ~500 Koz at 3.4 g/t Au. B2Gold has since spent US\$10M on exploration totalling 48,765m of drilling.

Acquisition Terms:

- 5,059,652 common shares of OSI issued to BTO on closing, valued at US\$3.85M (which is currently being held in escrow until closing is complete)
 - 6,570,976 common shares of OSI issued to BTO on closing, valued at US\$5.0M
 - US\$3.85M paid to BTO on the six-month anniversary of the closing date, at the option of B2Gold, in either cash or common shares of OSI
 - US\$2.5M payable at OSI's option in cash or common shares on the earlier of completion of a feasibility study and first production or sale of ores and mineral products
 - The share issuances are restricted so that B2Gold will continue to hold less than 10% of the issued and outstanding common shares of OSI
- **Twin Hills Resource Update – Q3/22.** On April 13th, 2022, OSI announced a resource update of 2.73 Moz Au at 1.0 g/t growing from 2.0 Moz previously (See Figure 2 below). Following the resource update OSI states that it was pushing the completion date for the PEA back ~3 months in order to further infill the remaining inferred resource. This is important as both the PFS and FS require that the resource be in the indicated categories, otherwise it cannot be considered in the economic study. We expected OSI to convert the majority of the 600 Koz inferred resource to the indicated category by the Q3 resource update (based on the 90-95% resource conversion rate that we have seen in the past).
 - **Twin Hills Pre-Feasibility Study – Q3/22.** See breakdown on page 1.
 - **Ondundu Maiden Resource – Late Q3/22 – Early Q4/22.** With ~50,000m of drilling performed by B2Gold since the historical resource was announced, we believe the resource is well over 500 Koz and estimate that it will be close to 1 Moz. The Company will be able to build a NI43-101 compliant inferred maiden resource shortly after the closing of this acquisition.
 - **Twin Hills Feasibility Study – Q1/22.** The feasibility study (FS) for the Twin Hills project will be similar to that of the Pre-Feasibility Study (PFS) with only some minor changes based on any new information from the time the PFS was released.
 - **Twin Hills Project Financing & Permitting – Q4/22 & Q1/23.** Upon the receipt of the pre-feasibility study, OSI will begin the process of securing project financing for the Twin Hills Project. We note that any term-sheets or financing package will be subject to the receipt of both the feasibility study and the securing of all necessary permits. We expect to have news on the financing side as early as Q4 of this year. On the permitting front, the team has already been working for several months on the permits necessary to get the project up and running. The Environmental Clearance Certificate which is the final environmental approval (similar to that of the Environmental Impact Assessment), is expected to be secured by the end of this year or early Q1/23.
 - **Ondundu Preliminary Economic Assessment – Q1/23.** Upon completion of the Ondundu maiden resource, OSI will begin work on running the feasibility of shipping a high-grade concentrate down to the Twin Hills mill. There is a possibility to truck ~30-50 Koz of gold down to the Twin Hills project whereby the economics of the overall Company will be boosted further than the Twin Hills PFS reveals this quarter. Preliminary metallurgical test work indicates that the project is highly amendable to gravity recovery methods which supports the idea that ore could be preliminarily processed at the Ondundu property for a relatively low capital expenditure and then be trucked to the Twin Hills mill. We view this as an important step for OSI to show investors that the story doesn't end with Twin Hills and that there exist further near-term growth initiatives in the works.

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- **Twin Hills Drill Results – Ongoing.** OSI has 9 drills currently turning and throughout the remainder of 2022 the Company is going to focus on resource conversion with the goal of including more of the inferred resource in the indicated category. There is also further resource growth potential as can be seen in the recent drill results on May 2nd and June 10th where we see new high-grade zones as well as the Company narrowing in on the feeder zones of this deposit at depth.

Valuation: We are maintaining our BUY rating and increasing our 12-month target price to **\$3.40/share for OSI (previously \$3.10/share)**. Our model values Twin Hills at C\$484M using an 8% discount rate, modelling mining of indicated resources at resource grades for a 15-year mine life and recoveries of 90.9%, in line with the PEA. Our valuation assumes 0.70x project NAV plus corporate adjustments. OSI currently trades at P/NAV of 0.23x compared to peers at 0.60x.

Net Asset Valuation	Discount	\$ Million	\$/Share	Target Derivation	\$/Share
Twin Hill Central (93.05%)	8.0%	\$484	\$3.58	Project NAV	\$3.58
				Multiple	0.7x
Project NAV		\$484	\$3.58	Adjustments	\$0.17
Exploration Credit		\$40	\$0.30		
Corporate Expenses	5.0%	(\$31)	(\$0.23)		
Cash		\$11	\$0.08		
ITM Dilutives		\$2	\$0.02	Target (US\$/shr)	\$2.67
Adjusted NAV		\$507	\$3.75	USD:CAD	1.26
Source: M Partners		P/NAV	0.23x	12-Month Target	C\$3.40
				<i>Implied Return</i>	<i>212%</i>

Figure 1: Valuation Summary

Cutt-Off Grade (g/t)	Indicated			Inferred		
	Tonnes (M)	Grade Above Cut-Off	Troy Ounces (M)	Tonnes (M)	Grade Above Cut-Off	Troy Ounces (M)
0.4	66.2	0.99	2.11	21.3	0.92	0.63
0.5	65.0	1.00	2.10	20.7	0.93	0.62
0.6	60.5	1.04	2.01	18.5	0.97	0.58
0.9	32.9	1.27	1.35	8.4	1.25	0.34
1.0	25.2	1.37	1.11	6.3	1.35	0.27

Figure 2: Mineral resource within conceptual pit shell at various cut-off grades

Domain	Indicated			Inferred		
	Tonnes (M)	Grade Above Cut-Off	Troy Ounces (M)	Tonnes (M)	Grade Above Cut-Off	Troy Ounces (M)
Bulge	34.5	0.91	1.01	6.2	0.90	0.18
Twin Hills Central	23.0	1.08	0.80	4.2	0.87	0.12
Clouds	7.5	1.18	0.28	1.8	1.25	0.07
Twin Hills North				0.1	1.00	0.003
Clouds West				0.5	1.04	0.02
Kudu				0.9	0.66	0.02
Oryx				7.1	0.93	0.21
Total	65.0	1.00	2.10	20.7	0.93	0.62

Figure 3: Mineral resource at a 0.5 g/t Au cut-off by target/domain

Disclosure Code: 2, 6

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Rating System	
Buy:	Price expected to rise
Speculative Buy:	Buy rating with increased risk
Hold:	Properly priced
Sell:	Price is inflated and expected to decrease
Under Review (U/R):	Under review
Not Rated (N/R):	Not currently rated

Summary of Recommendations	
Buy	17
Speculative Buy	1
Hold	0
Sell	0
U/R	1
Total	19