

July 25, 2022

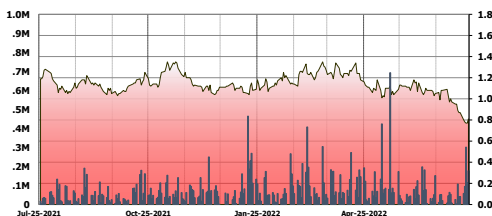
OSINO RESOURCES CORP. (OSI – TSXV, \$0.83)

Rating: **BUY**
Target Price: **\$3.40**

DRILL PROGRAM COMPLETE – RESOURCE UPDATE & PFS IN Q3

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		\$0.77 / \$1.40
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	104.7	136.6
Market Capitalization (M)	\$86.9	\$113.4
Enterprise Value (M)	\$75.8	
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



Osino 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.

This morning, OSI announced drill assays results and provided an update on the progress for the Pre-Feasibility Study (PFS) at the Twin Hills Project in Namibia. The resource conversion drill program is now complete, and the Company is working to compile a new Mineral Resource Estimate that will be used in the upcoming PFS. The results reported today exceeded expectations by significantly extending the mineralized envelopes, discovered new areas of mineralization and intercepted several new high-grade shoots. **We are maintaining our BUY rating and our 12-month target price to \$3.40/share for OSI.**

The Company drilled 34,000m of infill drilling and 6,900m of step-out drilling this year, roughly half of which has been drilled since the April MRE. The latest drilling has showed the Company is homing in on a few higher-grade zones at both Twin Hills Central and Clouds West. Highlights include:

- **6.87 g/t Au over 12m (68-80m) including 78.70 g/t Au over 1m (Twin Hills Central Step-out)**
- **4.50 g/t Au over 15m (16-24m) (Clouds West Infill)**
- **1.00 g/t Au over 72m (302-374m) including 1.59 g/t Au over 30m (Clouds Step-out)**
- **3.77 g/t Au over 8m (252-260m) (Twin Hills West Infill)**

We are pleased with the results and look forward to the MRE coming within the next month. The Company currently has a 2.73 Moz resource with 620 Koz in the inferred category. In the upcoming resource update, we expect the majority of the 620 Koz inferred resource to be upgraded into the indicated category while also adding an additional 100-200 Koz in the inferred category based on the successful expansion drilling campaign this year. Additionally, we see strong potential for the average grade to increase by 5-10%.

Pre-Feasibility Study Progress Update:

The Company provided an update on progress for the PFS and the major studies that will be included in the report. All studies are progressing well, and everything is on track to be completed by late August. The studies include:

- Geotechnical drilling – 13 bore holes across the three pits have been drilled and are being analyzed
- Pit optimization with new geotechnical understanding
- Metallurgical test work – 50 samples from different locations being analyzed
- Power Purchase Agreement (PPA) – Discussions are underway with Namibia’s power utility (Nampower Ltd.)
- Water supply and requirement studies and supply strategy options
- Stakeholder engagement

In our most recent research note (July 5th), we took a step ahead in estimating the value of Twin Hills that will be depicted in the upcoming PFS. As a result, our model now values Twin Hills C\$484M using an 8% discount rate. We see this valuation on the low end of what the PFS will report as we modelled 150 Koz/yr average annual production but can see the report producing closer to 200 Koz/yr. 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.

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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:

- Twin Hills Resource Update – August/22
- Twin Hills Pre-Feasibility Study – September/22
- Ondundu Maiden Resource – Late Q3/22 – Early Q4/22
- Twin Hills Feasibility Study – Q1/23
- Ondundu Preliminary Economic Assessment – Q1/23

Valuation: We are maintaining our BUY rating and our 12-month target price to \$3.40/share for OSI. 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				Target Derivation	
	Discount	\$ Million	\$/Share		\$/Share
Twin Hill Central (93.05%)	8.0%	\$484	\$3.58	Project NAV	\$3.58
				Multiple	0.7x
Project NAV		\$484	\$3.58	Adjustments	\$2.51
Exploration Credit		\$40	\$0.30		\$0.17
Corporate Expenses	5.0%	(\$31)	(\$0.23)		
Cash		\$11	\$0.08	Target (US\$/shr)	\$2.67
ITM Dilutives		\$2	\$0.02	USD:CAD	1.26
Adjusted NAV		\$507	\$3.75	12-Month Target	C\$3.40
Source: M Partners		P/NAV	0.18x	<i>Implied Return</i>	<i>310%</i>

Figure 1: Valuation Summary

Disclosure Code: 2, 6

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OSI	1	2	3	4	5	6	7
	NO	YES	NO	NO	NO	YES	NO

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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