

OreCorp Limited

(ORR \$0.77) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Michael Scantlebury	26 th May 2021	\$1.14/sh ▲ from \$0.80/sh

Reminder of quality while we wait

Investment case

OreCorp Ltd (ORR) is still awaiting the granting of a Special Mining Licence (SML) for its 100% owned Nyanzaga gold project, located in Tanzania. We believe that Nyanzaga is one of the highest quality (if not the highest) gold projects on the ASX.

Capable of producing >200kozpa for 12-yrs from a single open pit and underground at low AISC of ~US\$838/oz. We have adjusted our model, which now envisages first production in late CY'24. Our valuation and price target has been lifted to \$1.14/sh (A\$365m) from \$0.80/sh, largely due to reduced risk adjustment of 65%. We continue to see upside from the current price on a successful granting of the SML and/or potential M&A activity. We maintain our Speculative Buy recommendation, with the largest risk being the granting of the SML.

Key points

Project recap

Nyanzaga is undoubtedly a high-quality asset capable of producing >200kozpa for 12yrs from a single open pit and underground at low AISC for a capex of US\$287m (which includes US\$33m contingency).

- Nyanzaga has a resource of 3.1moz @ 4.0 g/t Au at a 1.5g/t cut off, with 88% in the M&I category, implies a high potential for conversion to Ore Reserve.
- We note that once the SML is granted we expect ORR to commence work on an optimised DFS.
- Once the SML is granted, the Government of Tanzania (GoT) obtains a 16% free carried interest in the project.
- We note that once the SML is granted ORR is required to pay US\$8.05m.
- We believe that there are numerous opportunities for ORR to enhance the Nyanzaga gold project given the 2017 PFS was completed using an assumed gold price of US\$1,250/oz.
- Some of the key variables that could be considered in the optimised DFS include: Throughput increases (+4Mtpa), inclusion of satellite/oxide feed, cut off grades (<1.5g/t) and underground mining timing.
- Key potential catalysts post the granting of the SML include:
 - Commencement of an optimised DFS
 - Project financing discussions
 - Potential M&A activity
 - Exploration results (WA)

OreCorp Ltd	Year End 30 June	
Share Price	0.77	A\$/sh
Price Target	1.14	A\$/sh
Valuation	1.14	A\$/sh (npv 10%)

Shares on issue	320m, diluted *
Market Capitalisation	247 A\$m
Enterprise Value	228 A\$m
Debt	0 A\$m
Cash	18 A\$m
Largest Shareholder	Westoz 11%

Production F/Cast	2024F	2025F	2026F
Attrib. Prod'n (koz)	0	105	201
Cash Cost (US\$/oz)	0	801	844
AISC (US\$/oz)	0	1469	968

Assumptions	2024F	2025F	2026F
Gold US\$/oz	1700	1700	1700
AUDUSD	0.74	0.74	0.74

Key Financials	2024F	2025F	2026F
Revenue (A\$m)	1	246	469
EBITDA (A\$m)	-9	118	224
NPAT (A\$m)	-6	39	96
Cashflow (A\$m)	42	-107	117

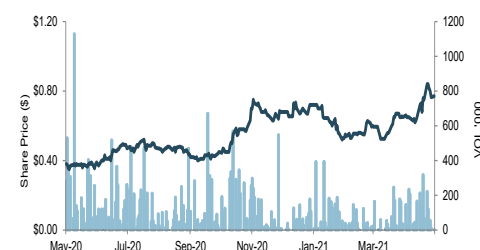
CFPS (Ac)	-119	-33	38
EPS (Ac)	-2	16	41
EPS growth (%)	na	na	1
PER (x)	na	5	2

EV:EBITDA (x)	na	3.0	1.2
EV:EBIT (x)	na	5.0	1.5

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	na	39%	16%
Interest Cover (x)	na	na	1046%

Share Price Chart



Disclaimer

Euroz Hartleys declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to OreCorp Ltd during the last year. Euroz Hartleys has received a fee for these services.

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

OreCorp Limited

(ORR \$0.77) Speculative Buy

Tanzania commentary

We note that Samia Suluhu Hassan was sworn in as President of Tanzania in March 2021, after the death of President John Magufuli. There has been encouraging signs that the country could be becoming more attractive to foreign investors. The largest in country catalyst in recent history was the resolution of the dispute between Acacia Mining (Barrick Gold) and the GoT in CY20. We note that more recently Peak Resources Limited (ASX: PEK, Tanzanian rare earths explorer) made an announcement regarding the potential granting of its SML, although it is yet to be granted. We prefer ORR's more measured approach of waiting for the granting of the SML before commenting publicly. We look forward to the granting of the SML in order for ORR to progress the project for the benefit of all stakeholders.

Analysis / Model changes

- We believe that ORR's Nyanzaga gold project is one of the highest quality (if not the highest) undeveloped gold projects on the ASX.
- It is important to remember that there are a few gold projects like Nyanzaga globally, which offer a meaningful scale of production from a single deposit.
- We also highlight its attractiveness as a potential take over target due to this, especially to many cashed up gold miners already operating in the African theatre.
- We view the granting of the SML as potentially a key de-risking event and could spark interest from large producers.
- The takeover of CDV by Shandong Gold for ~A\$600m in January 2021 reinforces the value of large scale gold projects (see table below). If ORR was to be taken over for ~A\$600m then this would attribute to ~A\$1.88/sh which is our bull case scenario.
- We have decreased our risk weighting to 65%, which we believe is still conservative given the quality of the project. The risk adjusted valuation attempts to take into account potential further equity dilution and the risk associated with the granting of the SML.
- Our model now envisages first production in late CY'24, assuming the SML is granted in the near term (mid CY21) and that DFS/financing/construction timelines are within industry standards.
- We have adjusted our capex and opex assumptions ~5% higher in our model in an attempt to be in line with recent gold project builds. We are aiming to be conservative in advance of the optimised DFS yet to be completed.
- We now assume capex of US\$330m and a LOM AISC average of ~US\$1060/oz, compared to the Company's March 2017 PFS capex of US\$287m and LOM average costs of US\$838/oz.
- The risk weighting, capex and opex adjustments have resulted in our Price Target and Valuation increasing to \$1.14/sh (A\$365m) from A\$0.80/sh.
- Our key assumption in our Valuation and Price Target remains the timely granting of the SML, in order for ORR to progress the project for the benefit of all stakeholders.

OreCorp Limited

(ORR \$0.77) Speculative Buy

African Gold Developer comparisons

		Emerald Resources	West African Resources	Perseus Mining	Cardinal Resources	Tietto Minerals	OreCorp
ASX Code		EMR	WAF	PRU	CDV	TIE	ORR
Share	m	515	883	1226	566	455	320
Price	\$/sh	0.935	1.085	1.375	1.075	0.345	0.78
Mkt Cap	\$m	482	958	1686	608	157	248
Enterprise Value	\$m	487	1090	1702	631	102	228
Project		Okvau DFS	Sanbrado Updated LOM	Yaouré DFS	Namdini DFS	Abujar PFS	Nyanzaga PFS - update
Date		May'17	March'21	Nov'17	Oct'19	Mar'21	Sep'17
Location		Cambodia	Burkina Faso	Côte d'Ivoire	Ghana	Côte d'Ivoire	Tanzania
% Ownership		100%	90%	90%	90%	88%	100% (84%*)
Total Resource		1.14Moz @ 2.01g/t Au	5.1Moz @ 2.0g/t Au	3.43Moz @ 1.20g/t Au	7.0Moz @ 1.12g/t Au	3.02Moz @ 1.2g/t Au	3.07Moz @ 4.03g/t Au
M+Ind Resource		1Moz @ 2.08g/t Au	2.37Moz @ 1.9g/t Au	1.93Moz @ 1.39g/t Au	6.5Moz @ 1.12g/t Au	1.24Moz @ 1.6g/t Au	2.72Moz @ 4.06g/t Au
Reserve		0.9Moz @ 2.0g/t Au	1.5Moz @ 2.3g/t Au	1.52Moz @ 1.76g/t Au	5.1Moz @ 1.13g/t Au	0.86Moz @ 1.5g/t Au	NA
Mining method		Single Open Pit	Open Pit/ Underground	Open Pit	Open Pit	Open Pit	Open Pit/ Underground
Capex	US\$m	98	186	263	390	230	287
Strip Ratio	W:O	5.8:1	4.1:1	5.1:1	1.9:1	8.2:1	3.7:1
Throughput	Mtpa	2.0	2.5	3.3	9.5	3.5	4.0
Grade	g/t	2.0	2.7	1.8	1.1	1.5	2.0
Recoveries	%	84	94	90.1	83	95.5	88
Av LOM Production pa	koz	106	197	161	287	164	213
Peak Production	koz	106	260	215	420	205	250
Mine life	Yrs	7.2	13	8.5	15	6.57	12
Spot	US\$/oz	1885	1885	1885	1885	1885	1885
C1 Cost	US\$/oz	650	650	690		824	774
AISC	US\$/oz	731	766	759	895	839	838
Op CF (notional)	US\$m	122	220	181	284	171	223
Financed		Yes	Yes	Yes	Yes	No	No
Permitted		Yes	Yes	Yes	Yes	No	No
Forecast Construction		Underway	Completed	Completed	Underway	Study work	Study work
1st Gold pour		Q2CY21	Q1CY20	Q4CY20	Target CY24	Target Q4CY22	Target CY24
1st Gold pour		Q2CY21	Q1CY20	Q4CY20	Target CY24	Target Q4CY22	Target CY24

Source: Euroz Hartleys, Company reports

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

OreCorp Limited

(ORR \$0.77) Speculative Buy

Pre-Feasibility Study Parameters

Parameter	Value
Development period (Months)	18
Mine life (Years)	12
Total Mill Throughput (Mt) LOM	45.3
Measured & Indicated Resources (% of Mineral Resource)	83%
Inferred Resources (% of Mineral Resource)	17%
Annual throughput (Mtpa)	4
Strip ratio (life of pit)	3.7:1
Steady state UG mining rate (Mtpa)	1.0
Average OP direct feed mineralised material grade mined (g/t gold)	1.5
Average UG mineralised diluted grade mined (g/t gold)	3.7
Average mill feed grade LOM (g/t gold)	2.0
Gold recovery	88%
Production (Average LOM gold koz pa)	213
OP mining costs (US\$/t total material moved)	3.66
UG mining costs (US\$/t mineralised material moved)	60.76
Processing cost (US\$/t milled)	11.53
General and administration (US\$/t milled)	3.72
Upfront Project capital (US\$M) (including contingency)	287
UG development capital (US\$M)	50
Sustaining capital – Above ground (US\$M pa)	3.77
Sustaining capital – UG (US\$M pa)	11
Corporate tax and royalty rates	30% and 4.3%
Average Cash Cost (US\$/oz gold)	775
AISC* LOM average (US\$/oz gold)	838
AIC** (All-in Cost) LOM average (US\$/oz gold)	858
Gold Price (US\$/oz)	1,250

* AISC as per World Gold Council definition.

** AIC does not include Initial Capital.

Source: OreCorp Ltd

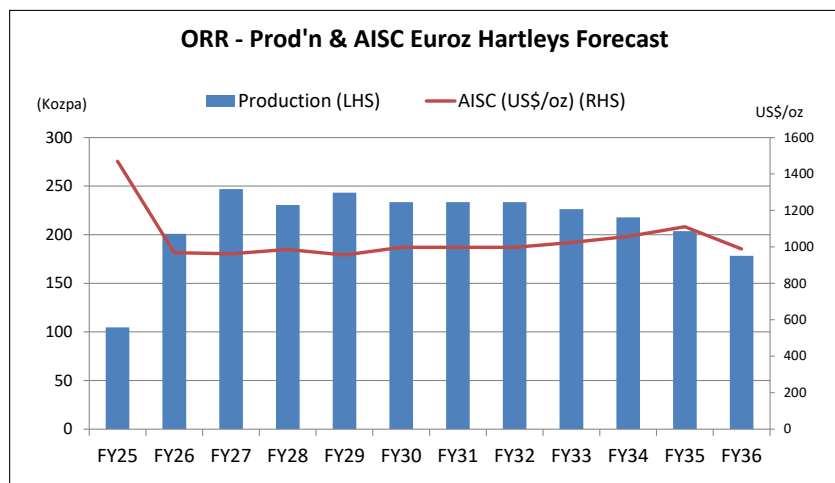
OreCorp Limited

(ORR \$0.77) Speculative Buy

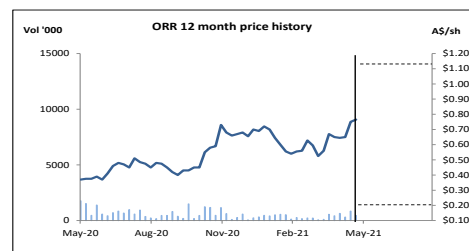
Key Variables

Val/ Sh		Gold \$								
AUDUSD		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
15%	\$1.14	\$0.39	\$0.54	\$0.69	\$0.84	\$1.00	\$1.15	\$1.30	\$1.45	\$1.60
10%	\$1.14	\$0.40	\$0.56	\$0.72	\$0.88	\$1.04	\$1.20	\$1.36	\$1.52	\$1.68
5%	\$1.14	\$0.42	\$0.59	\$0.76	\$0.92	\$1.09	\$1.25	\$1.42	\$1.59	\$1.75
0%	\$1.14	\$0.44	\$0.62	\$0.79	\$0.97	\$1.14	\$1.32	\$1.49	\$1.67	\$1.84
-5%	\$1.14	\$0.46	\$0.65	\$0.83	\$1.02	\$1.20	\$1.38	\$1.57	\$1.75	\$1.94
-10%	\$1.14	\$0.49	\$0.68	\$0.88	\$1.07	\$1.27	\$1.46	\$1.65	\$1.85	\$2.04
-15%	\$1.14	\$0.52	\$0.72	\$0.93	\$1.13	\$1.34	\$1.55	\$1.75	\$1.96	\$2.16

Euroz Forecast	FY'23	FY'24	LT
Gold (USD)	\$1,700	\$1,700	\$1,700
AUDUSD	\$0.74	\$0.74	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Price Target: \$1.14/sh

Valuation: \$1.14/sh

Bull Scenario \$1.88/sh

ORR is granted the SML for the Nyazanga project by the Tanzanian Government and is developed into a >200koz long life gold producer with an improved DFS compared to the 2017 PFS. Gold price increases above our long term price assumption.

Base Scenario \$1.14/sh

ORR is granted the SML for the Nyazanga project by the Tanzanian Government with the DFS coming in line with our expectations, with capex and opex slightly higher than the company's PFS numbers.

Bear Scenario \$0.20/sh

There are further delays with issuing the SML and project stalls

Company Summary

OreCorp Ltd (ORR) is a gold exploration company with assets in Tanzania and WA's Eastern Goldfield. ORR's primary asset is the Tanzanian Nyanzaga Gold Project. Total gold resources comprise an impressive 3.1moz @ 4.0 g/t Au. A 2017 PFS showed a project capable of producing 213koz for 12yrs. ORR is just waiting on the Special Mining Licence after which we assume they will progress with a DFS.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

OreCorp Limited

(ORR \$0.77) Speculative Buy

Market Statistics		Year End 30 June				
Share Price	0.78 A\$/sh	Directors				
Issued Capital		C.Williams	NE Chair			
FP Ord	320.1 m	M.Yeates	CEO & MD			
Options	11.7 m	M.Klessens	NE			
Total Dil. FPOrd	331.8 m	A.Morrison	NE			
		R.Rigo	NE			
Market Capitalisation	\$248 m	Shareholders				
Enterprise Value	\$230 m	Westoz	11%			
Debt	\$-	Dir & Assoc	11%			
Cash	\$18 m	Federation Mining	13%			
Hedging	Nil	Rollason	9%			
Asset Valuation		A\$m	A\$/sh			
Nyangaza risk adj 65%		359	1.12			
Corporate		(32)	(0.10)			
Hedging		-	-			
Other projects		20	0.06			
Debt		-	-			
Cash		18	0.06			
Total		365	1.14			
F/Cast Production (A\$m) 2023F 2024F 2025F 2026F 2027F						
Throughput (Mtpa)			2.0	4.0	4.0	
Milled grade (g/t)			1.9	1.8	2.2	
Nyanzaga (Koz)	0	0	105	201	247	
Avg Cash Cost (US\$/oz)	432	575	801	844	800	
AISC (US\$/oz)	-	-	1,469	968	962	
Avg Spot Price (US\$/oz)	1,800	1,700	1,700	1,700	1,700	
Avg Price Rec'd (US\$/oz)	1,800	1,700	1,700	1,700	1,700	
Ratio Analysis (A\$m) 2023F 2024F 2025F 2026F 2027F						
CF (A\$m)	(9)	(346)	(142)	163	192	
CF / Sh (Ac/sh)	(3)	(119)	(33)	38	44	
CF Ratio (x)	na	na	na	2	2	
Earnings (A\$m)	(8)	(8)	52	130	181	
EPS (Ac/sh)	(4)	(2)	16	41	56	
EPS Growth (%)	na	na	na	149%	39%	
Earnings Ratio (x)	na	na	5	2	1	
E'prise Val. (A\$m)	(56)	18	476	359	221	
EV : EBITDA (x)	na	na	3	1	1	
EV : EBIT (x)	na	na	5	2	1	
Net Debt / ND+Eq (%)	na	na	39%	16%	na	
Interest Cover (x)	na	na	na	10	9	
EBIT Margin (%)	na	na	29%	38%	43%	
ROE (%)	-3%	-1%	11%	17%	19%	
ROA (%)	-4%	-2%	11%	21%	27%	
Div. (Ac/sh)	-	-	-	-	-	
Div. payout ratio (x)	-	-	-	-	-	
Div. Yield (%)	0%	0%	0%	0%	0%	
Div. Franking (%)	0%	0%	0%	0%	0%	

Profit and Loss (A\$m)	2023F	2024F	2025F	2026F	2027F
Gold Revenue	0	0	240	461	567
Hedging Revenue	-	-	-	-	-
Interest Revenue	-	1	5	7	2
Other Revenue	-	-	-	-	-
TOTAL REVENUE	0	1	246	469	570
Operating Costs	0	0	113	229	267
Dep/Amort	-	-	49	49	49
Writeoffs (explor)	-	-	-	-	-
Provisions	-	-	-	-	-
Corp O/H	9	9	9	9	9
EBITDA	(9)	(9)	118	224	291
EBIT	(9)	(9)	70	175	243
Interest Expense	-	-	10	19	18
NPBT	(9)	(8)	66	163	227
Tax	(3)	(2)	20	49	68
Minorities	-	-	7	18	25
NET PROFIT	(6)	(6)	39	96	134
Net Abnormal Gain/(Loss)	-	-	-	-	-
NET PROFIT After Abn'l	(6)	(6)	39	96	134
Cash Flow (A\$m) 2023F 2024F 2025F 2026F 2027F					
Net Profit	(6)	(6)	39	96	134
+ Working Capital Adj.	-	-	-	-	-
+ Dep/Amort	-	-	49	49	49
+ Provisions	-	-	-	-	-
+ Tax Expense	(3)	(2)	20	49	68
- Tax Paid	(2)	(2)	16	39	55
- Deferred Revenue	-	-	-	-	-
Operating Cashflow	(7)	(6)	91	155	196
-Capex + Development	-	250	196	34	54
-Exploration	2	2	2	4	4
-Assets Purchased	-	-	-	-	-
+Asset Sales	-	-	-	-	-
+ Other	-	-	-	-	-
Investing Cashflow	(2)	(252)	(198)	(38)	(58)
+Equity Issues	100	-	-	-	-
+Loan D'down/Receivable	-	300	-	-	-
-Other (share buy back)	-	-	-	-	-
-Loan Repayment	-	-	-	-	81
-Dividends	-	-	-	-	-
Financing Cashflow	100	300	-	-	(81)
Period Sur (Def)	91	42	(107)	117	57
Cash Balance	107	149	42	159	216
Balance Sheet (A\$m) 2023F 2024F 2025F 2026F 2027F					
Assets					
Cash	107	149	42	159	216
Current Receivables	0	0	0	0	0
Other Current Assets	0	0	0	0	0
Non-Current Assets	110	480	698	676	684
Total Assets	218	444	632	846	896
Liabilities					
Borrowings	-	-	270	270	189
Current Accounts Payable	6	6	6	6	6
Other Liabilities	2	2	2	2	2
Total Liabilities	7	7	277	277	196
Net Assets	211	437	354	569	700
Reserves and Resources					
	Reserves		Resources		
	mt	g/t	koz	mt	g/t
Nyanganza				23.7	4.0
					3,072
Total (koz)			0		3072
EV per oz			n/a		75

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Hartleys Limited (ACN 104 195 057) only.

Euroz Hartleys Limited is the holder of an Australian Financial Services Licence (AFSL 230052) and is a participant of the Australian Securities Exchange Group.

The information contained herein is confidential. If you are not the intended recipient no confidentiality is lost by your receipt of it. Please delete and destroy all copies, and contact Euroz Hartleys Limited on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz Hartleys Limited.

Disclaimer & Disclosure

Euroz Hartleys Limited, and their associates declare that they deal in securities as part of their securities business and consequently may have an interest in the securities recommended herein (if any). This may include providing equity capital market services to the issuing company, hold a position in the securities, trading as principal or agent and as such may effect transactions not consistent with the recommendation (if any) in this report.

Euroz Hartleys Limited declares that they may have separately or jointly acted as an underwriter, arranger, co-arranger or adviser in equity capital raisings, and will have received a fee for its services, from or any company mentioned within this report during the last 12 months.

You should not act on any recommendation issued by Euroz Hartleys Limited without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your objectives, financial situation and needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz Hartleys Limited believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz Hartleys Limited accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.

The author of this publication, Euroz Hartleys Limited, its directors and their associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Euroz Hartleys Limited, and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of transactions arising from any advice mentioned in publications to clients.

Analyst Certification

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities, and we are not in possession of, nor does this Research contain any inside information.

No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in this research, nor has any attempt been made to influence this Research.

Contact Details

Euroz Hartleys Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Mike Millikan - Resources Analyst	+61 8 9268 2805
Kyle De Souza - Resources Analyst	+61 8 9488 1427
Michael Scantlebury - Resources Analyst	+61 8 9268 2837
Steven Clark - Resources Analyst	+61 8 9488 1430
Trent Barnett - Senior Analyst	+61 8 9268 3052
Gavin Allen - Senior Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Associate Research Analyst	+61 8 9488 1414

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.