

OreCorp Limited

(ORR \$0.955) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Michael Scantlebury	4 th June 2021	\$1.90/sh ▲ from \$1.14/sh

Special Mining License approved

Event

ORR has been granted its long awaited Special Mining Licence (SML) for its 100% owned Nyanzaga gold project, located in Tanzania.

Impact

- We see this as a major de-risking event for ORR and a positive catalyst for the stock to trade significantly higher from its current levels.
- Now that the SML has been approved by the Tanzanian Cabinet, we assume that the Government of Tanzania (GoT) obtains a 16% free carried interest in the project.
- We also assume that a final US\$8.05m is payable to Barrick (ORR finished the MarQ with A\$18.5m).
- We are encouraged by the actions of the new administration in Tanzania and we look forward to ORR progressing the Nyanzaga gold project for the benefit of all stakeholders.
- The approval of the SML is major milestone, not only for ORR but also for the country of Tanzania and should go some way to encourage further foreign investment, creating local job opportunities.
- We have reduced the risk weighting in our model and included an M&A premium.

Action

Our price target has increased to A\$1.90/sh (~A\$630m) from A\$1.24/sh, which would put it in line with recent transaction values in Africa.

Key Catalysts

Key potential catalysts now that the SML has been granted include:

- Commencement of an optimised DFS.
- Project financing discussions.
- Potential M&A activity.
- Exploration results (WA).

OreCorp Limited	Year End 30 June	
Share Price	0.96	A\$/sh
Price Target	1.90	A\$/sh
Valuation	1.90	A\$/sh (npv 10%)

Shares on issue	320	m, diluted *
Market Capitalisation	306	A\$m
Enterprise Value	288	A\$m
Debt	0	A\$m
Cash	18	A\$m
Largest Shareholder		Westoz 11%

Production F/Cast	2024F	2025F	2026F
Cash Cost (US\$/oz)	0	105	201
Cash Cost (US\$/oz)	0	801	844
AISC (US\$/oz)	0	1469	968

Assumptions	2024F	2025F	2026F
Gold price US\$/oz	1700	1700	1700
AUD/USD	0.74	0.74	0.74

Key Financials	2024F	2025F	2026F
Revenue (A\$m)	1	246	470
EBITDA (A\$m)	-9	118	224
NPAT (A\$m)	-6	39	97
Cashflow (A\$m)	69	-107	118

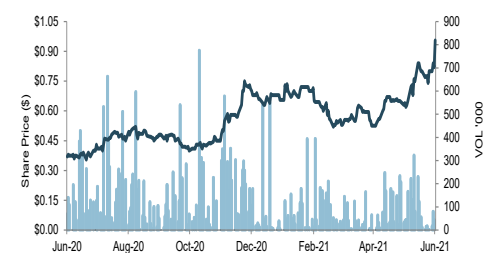
CFPS (Ac)	-100	-31	36
EPS (Ac)	-2	16	39
EPS growth (%)	na	na	2
PER (x)	na	6	2

EV:EBITDA (x)	na	3.2	1.3
EV:EBIT (x)	na	5.4	1.7

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

ND:Net Debt+Equity (%)	na	37%	13%
Interest Cover (x)	na	na	1193%

Share Price Chart



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Analysis

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).

- There remains upside beyond our price target, which we believe will become apparent in the optimised DFS that will highlight the optionality of the Nyanzaga gold project.
- We also note the potential for M&A activity given the production scale and quality of the project.
- 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 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.

		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	1.065	1.095	1.425	1.075	0.35	0.96
Mkt Cap	\$m	549	967	1748	608	159	306
Enterprise Value	\$m	554	1099	1764	631	104	285
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
CI 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

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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%
Gold Price (US\$/oz)	1,250

Source: ORR

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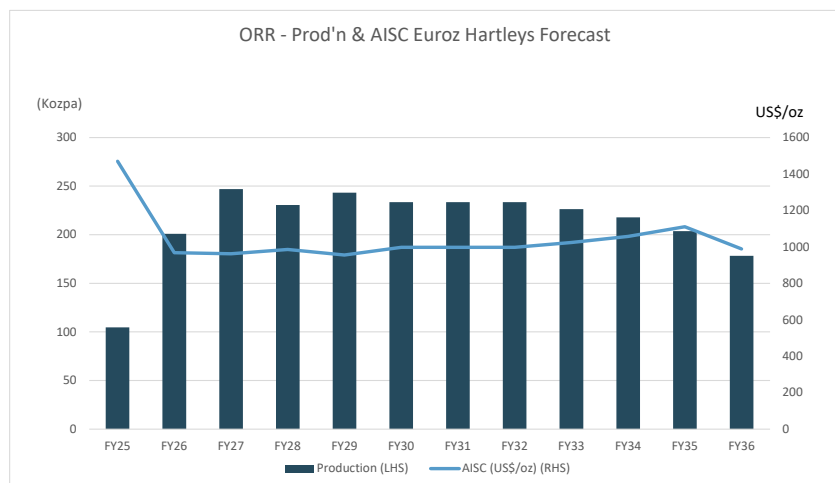
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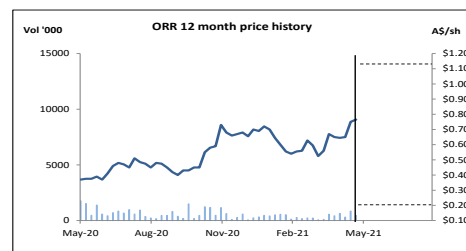
Key Variables

Val/ Sh	Gold \$									
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	
AUDUSD	15%	\$0.37	\$0.52	\$0.66	\$0.81	\$0.95	\$1.10	\$1.25	\$1.39	\$1.54
	10%	\$0.39	\$0.54	\$0.69	\$0.84	\$1.00	\$1.15	\$1.30	\$1.45	\$1.61
	5%	\$0.40	\$0.56	\$0.72	\$0.88	\$1.04	\$1.20	\$1.36	\$1.52	\$1.68
	0%	\$0.42	\$0.59	\$0.76	\$0.93	\$1.09	\$1.26	\$1.43	\$1.60	\$1.76
	-5%	\$0.45	\$0.62	\$0.80	\$0.97	\$1.15	\$1.33	\$1.50	\$1.68	\$1.86
	-10%	\$0.47	\$0.66	\$0.84	\$1.03	\$1.21	\$1.40	\$1.59	\$1.77	\$1.96
	-15%	\$0.50	\$0.69	\$0.89	\$1.09	\$1.28	\$1.48	\$1.68	\$1.88	\$2.07

Euroz Forecast	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24
Gold (USD)	\$1,800	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700
AUDUSD	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Price Target: \$1.90/sh

Valuation: \$1.90/sh

Bull Scenario \$2.45/sh

The Nyazanga project 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. The Company is taken over for a premium.

Base Scenario \$1.90/sh

The optimised DFS comes in line with our expectations, with capex and opex slightly higher than the company's PFS numbers.

Bear Scenario \$0.20/sh

There are permitting issues and the project stalls. The gold price falls significantly.

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 and 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.

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Market Statistics		Year End 30 June				
Share Price	0.96 A\$/sh	Directors				
Issued Capital		C.Williams	NE Chair			
FP Ord	320.4 m	M.Yeates	CEO & MD			
Options	11.7 m	M.Klessens	NE			
		A.Morrison	NE			
		R.Rigo	NE			
Total Dil. FPOrd	332.1 m					
Market Capitalisation \$306 m		Shareholders				
Enterprise Value	\$288 m	Westoz	11%			
Debt	\$- m	Dir & Assoc	11%			
Cash	\$18 m	Federation Mining	13%			
Hedging	Nil	Rollason	9%			
Asset Valuation		A\$m	A\$/sh			
Nyangaza risk adj 85%		628	1.88			
Corporate		(32)	(0.10)			
Hedging		-	-			
Other projects		20	0.06			
Debt		-	-			
Cash		18	0.06			
Total		634	1.90			
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)	(310)	(142)	164	193	
CF / Sh (Ac/sh)	(3)	(100)	(31)	36	43	
CF Ratio (x)	na	na	na	3	2	
Earnings (A\$m)	(8)	(8)	52	131	182	
EPS (Ac/sh)	(4)	(2)	16	39	54	
EPS Growth (%)	na	na	na	151%	39%	
Earnings Ratio (x)	na	na	6	2	2	
E'prise Val. (A\$m)	(56)	32	509	391	252	
EV : EBITDA (x)	na	na	3	1	1	
EV : EBIT (x)	na	na	5	2	1	
Net Debt / ND+Eq (%)	na	na	37%	13%	na	
Interest Cover (x)	na	na	na	12	10	
EBIT Margin (%)	na	na	29%	38%	43%	
ROE (%)	-3%	-1%	11%	17%	20%	
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	9	3	
Other Revenue	-	-	-	-	-	
TOTAL REVENUE	0	1	246	470	571	
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	165	229	
Tax	(3)	(2)	20	49	69	
Minorities	-	-	7	18	26	
NET PROFIT	(6)	(6)	39	97	134	
Net Abnormal Gain/(Loss)	-	-	-	-	-	
NET PROFIT After Abn'l	(6)	(6)	39	97	134	
Cash Flow (A\$m) 2023F 2024F 2025F 2026F 2027F						
Net Profit	(6)	(6)	39	97	134	
+ Working Capital Adj.	-	-	-	-	-	
+ Dep/Amort	-	-	49	49	49	
+ Provisions	-	-	-	-	-	
+ Tax Expense	(3)	(2)	20	49	69	
- Tax Paid	(2)	(2)	16	40	55	
- Deferred Revenue	-	-	-	-	-	
Operating Cashflow	(7)	(6)	91	155	197	
-Capex + Development	-	223	196	34	54	
-Exploration	2	2	2	4	4	
-Assets Purchased	-	-	-	-	-	
+Asset Sales	-	-	-	-	-	
+ Other	-	-	-	-	-	
Investing Cashflow	(2)	(225)	(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	69	(107)	118	58	
Cash Balance	107	176	69	187	245	
Balance Sheet (A\$m) 2023F 2024F 2025F 2026F 2027F						
Assets						
Cash	107	176	69	187	245	
Current Receivables	0	0	0	0	0	
Other Current Assets	0	0	0	0	0	
Non-Current Assets	110	440	658	636	644	
Total Assets	218	451	619	834	885	
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	444	341	557	689	
Reserves and Resources						
	Reserves		Resources			
	mt	g/t	koz	mt	g/t	koz
Nyanganza				23.7	4.0	3,072
Total (koz)			0			3072
EV per oz			n/a			94

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