

OreCorp Limited

(ORR \$0.81) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Michael Scantlebury	24 th March 2022	\$1.90/sh

Nyanzaga DFS preview – updated model

Event

We have updated our model in preparation for the Company's upcoming DFS release which is due to be delivered in the JunQ CY22.

- Most notably we have increased our (EH) capex assumption by US\$70m to ~US\$400m from US\$330m (2017 PFS capex US\$287m).
- Increased capex due to a combination of:
 - Our assumption that underground development will be brought forward and included in up-front capex (US\$20m).
 - US\$50m for general inflation (steel prices, oil, labour etc.)
- BHP's recent investment into Tanzania, via Kabanga Nickel supports our view that Tanzania is becoming a more appealing jurisdiction for mining investment.

Impact

Bringing forward underground development has increased the early production profile due to the inclusion of higher grade U/G ore (~3.7g/t), late in the first year of production 12 months earlier than the PFS.

- We now assume average production of 222koz pa (100% basis) over 12 years at an AISC of US\$1,080/oz (A\$1460/oz), with peak production of +260koz in years 2 and 3, assisting quick capital payback.
 - Equates to average LOM after tax cashflow of ~US\$107m pa (~A\$145m pa) at our assumed gold price of US\$1700/oz.
 - Utilising a gold price of US\$1900/oz generates average LOM after tax cashflow increases to US\$140m pa (A\$189m pa).

Action

Conservative model update for the Nyanzaga gold mine, we remain of the opinion that it remains one of the most attractive undeveloped gold mines globally.

We Maintain our Speculative buy recommendation. With an updated Valuation of A\$1.29/sh (A\$513m) which uses LT US\$1,700/oz.

Our Price Target is Maintained at \$1.90/sh (A\$755m) assumes a gold price of US\$1900/oz.

Company remains well funded with A\$50m at the end of the DecQ.

Key Catalyst

- DFS due JunQ CY22.
- Updated Kilimani Resource JunQ CY22.
- Project financing discussions / FID.
- Potential M&A activity.
- Demerger of its WA assets into Solstice Minerals, ASX listing expected in May
 - 1 Solstice Mineral share for every 9.94 ORR shares + Pro Rata Priority offer raising up to A\$12m.

OreCorp Limited	Year End 30 June	
Share Price	0.81	A\$/sh
Price Target	1.90	A\$/sh
Valuation	1.29	A\$/sh (npv 10%)

Shares on issue	398	m, diluted *
Market Capitalisation	329	A\$m
Enterprise Value	279	A\$m
Debt	0	A\$m
Cash	50	A\$m
Largest Shareholder		Westoz 11%

Production F/Cast	2024F	2025F	2026F
Attrib. Prod'n (koz)	0	199	262
Cash Cost (US\$/oz)	0	935	893
AISC (US\$/oz)	0	1136	969

Assumptions	2024F	2025F	2026F
Gold price US\$/oz	1750	1700	1700
AUD/USD	0.74	0.74	0.74

Key Financials	2024F	2025F	2026F
Revenue (A\$m)	0	458	603
EBITDA (A\$m)	-9	197	278
NPAT (A\$m)	-6	84	119
Cashflow (A\$m)	319	-183	153

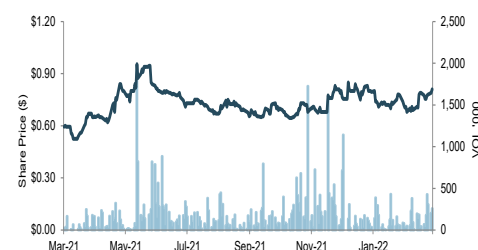
CFPS (Ac)	-33	-26	23
EPS (Ac)	-1	16	23
EPS growth (%)	na	na	0
PER (x)	na	5	3

EV:EBITDA (x)	na	2.7	1.5
EV:EBIT (x)	na	3.5	1.9

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

ND:Net Debt+Equity (%)	na	23%	0%
Interest Cover (x)	na	na	719%

Share Price Chart



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Analysis

Notable changes in our model include:

- Increased in our capex assumption by US\$70m to -US\$400m (2017 PFS capex US\$287m). Due to:
 - Steel prices, oil prices, consumables, general inflation bringing forward underground ore.
- We have increased our LOM average AISC assumption to ~US\$1,080/oz which is 29% higher compared to Company's 2017 PFS US\$838/oz.
- We now assume a 13 year mine life (previously 12), to take into account the addition of Kilimani (220koz at 1.21g/t) but also the fact that Nyanzaga mineralisation is open at depth and likely to extend.
- Throughput has been maintained at 4.0mtpa, which is in line with Company quarterly updates.
- We will look to update our numbers to be in line with the Company's DFS.
- We continue assume royalties of 7.3% are payable to the Tanzanian Government.

African Gold Developer comparison table

		West African Resources	Perseus Mining	Cardinal Resources	Tietto Minerals	OreCorp	OreCorp New EH Assumptions
ASX Code		WAF	PRU	CDV	TIE	ORR	ORR
Price	\$/sh	1.3275	1.91	1.075	0.595	0.81	
Enterprise Value	\$m	1175	2168	631	365	279	
Project		Sanbrado Updated LOM	Yaouré DFS	Namdini DFS	Abujar DFS	Nyanzaga PFS - update	Nyanzaga PFS - update
Date		March'21	Nov'17	Oct'19	Oct'21	Sep'17	Mar'CY22
Location		Burkina Faso	Côte d'Ivoire	Ghana	Côte d'Ivoire	Tanzania	Tanzania
% Ownership		90%	90%	90%	88%	84%	84%
Current Total Resource		4.9Moz @ 1.8g/t Au	3.94Moz @ 1.2g/t Au	7.0Moz @ 1.12g/t Au	3.35Moz @ 1.2g/t Au	3.07Moz @ 4.03g/t Au	3.07Moz @ 4.03g/t Au
Current Reserve		1.7Moz @ 2.0g/t Au	1.63Moz @ 1.71g/t Au	5.1Moz @ 1.13g/t Au	1.45Moz @ 1.76g/t Au	NA	NA
Mining method		Open Pit/ Underground	Open Pit	Open Pit	Open Pit	Open Pit/ Underground	Open Pit/ Underground
Capex	US\$m	186	263	390	200	287	400*
Strip Ratio	W:O	4.1:1	5.1:1	1.9:1	6.1:1	3.7:1	3.7:1*
Throughput	Mtpa	2.5	3.3	9.5	4.0	4.0	4.0*
Av. Head Grade	g/t	2.7	1.8	1.1	1.3	2.0	2.0*
Recoveries	%	94	90	83	96	88	88*
Av LOM Production pa	koz	197	161	287	155	213	222*
Mine life	Yrs	13	8.5	15	11	12	13*
AISC	US\$/oz	766	759	895	832	838	1080*
Financed		Yes	Yes	Yes	Yes?	No	No
Permitted		Yes	Yes	Yes	Yes	Yes	Yes
Forecast Construction		Completed	Completed	N/A	Underway	Study work	Study work
1st Gold pour		Q1CY20	Q4CY20	N/A	Target Q4CY22	Target CY24	Target CY24

* These are Euroz Hartleys estimates and remain subject to change pending Company updates.

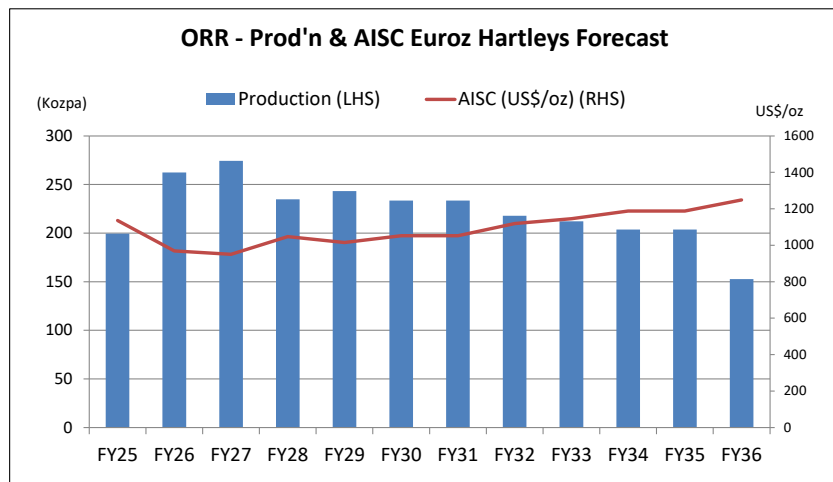
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Worth noting that Cardinal Resources project which we see as a similar comparison with its 7.0Moz at 1.12g/t Resource was bought out for A\$610m by Shandong gold in January 2021. We believe that ORR will become (if not already) an attractive takeover target for many cashed up African gold producers looking to add to their growth profile.



Valuation and Price Target:

We believe that investors are not often able to purchase quality undeveloped assets like Nyanzaga at cheap valuations very often, with the DFS due to mid CY22 to be a catalyst to close to gap between our the share price and our Price Target.

Our updated Valuation of A\$1.29/sh (A\$513m) assumes a gold price of US\$1,700/oz.

Our Price Target of \$1.90/sh (A\$755m) assumes a gold price of US\$1900/oz/

Key risks with our Valuation and Price Target, remain around the gold price and exchange rate. As with every development project the ability of the Company to fund the project remains a risk, although we believe that projects of this quality usually have numerous funding options available to them. Which is why we maintain our Speculative Buy recommendation.

ASSET VALUATION	A\$m	A\$/sh
Nyangaza (84% owned) NPV10 risked 85%	476	1.20
Corporate	(32)	(0.08)
Hedging	-	-
WA assets (Solstice Minerals)	20	0.05
Debt	-	-
Cash	50	0.13
Total Valuation (US\$1,700/oz)	513	1.29

PRICE TARGET	A\$m	A\$/sh
Nyangaza (84% owned) NPV10 risked 85%	717	1.80
Corporate	(32)	(0.08)
Hedging	-	-
WA assets (Solstice Minerals)	20	0.05
Debt	-	-
Cash	50	0.13
Total Valuation (US\$1,900/oz)	755	1.90

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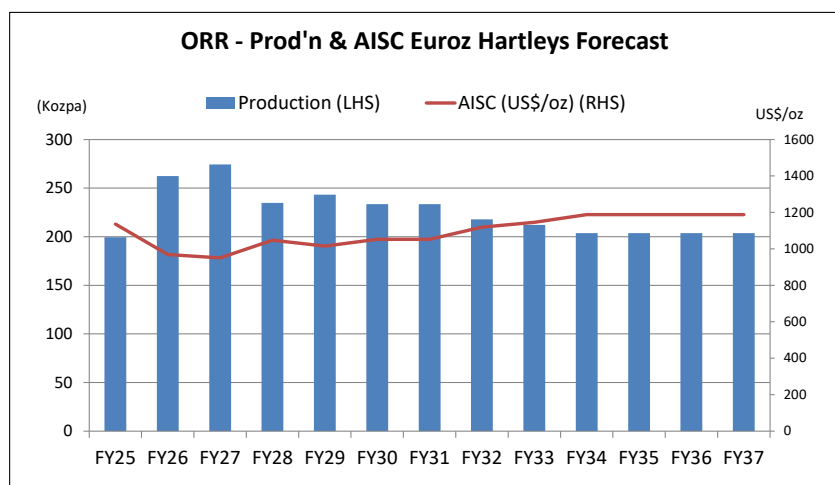
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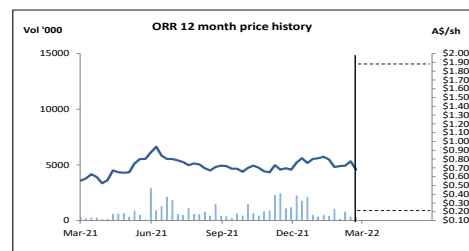
Key Variables

Val/ Sh	Gold \$								
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD									
\$1.29									
15%	\$0.24	\$0.46	\$0.69	\$0.91	\$1.13	\$1.36	\$1.58	\$1.81	\$2.03
10%	\$0.24	\$0.48	\$0.71	\$0.95	\$1.18	\$1.42	\$1.65	\$1.89	\$2.12
5%	\$0.25	\$0.50	\$0.74	\$0.99	\$1.23	\$1.48	\$1.73	\$1.97	\$2.22
0%	\$0.26	\$0.52	\$0.77	\$1.03	\$1.29	\$1.55	\$1.81	\$2.07	\$2.32
-5%	\$0.27	\$0.54	\$0.81	\$1.08	\$1.35	\$1.63	\$1.90	\$2.17	\$2.44
-10%	\$0.28	\$0.56	\$0.85	\$1.14	\$1.42	\$1.71	\$2.00	\$2.28	\$2.57
-15%	\$0.29	\$0.59	\$0.89	\$1.20	\$1.50	\$1.81	\$2.11	\$2.41	\$2.72

EH Forecast	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24
Gold (USD)	\$1,800	\$1,750	\$1,700	\$1,700	\$1,700	\$1,700
AUDUSD	\$0.73	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Price Target: \$1.90/sh

Valuation: \$1.29/sh

Bull Scenario \$2.45/sh

The Nyazanga project is developed into a >200koz long life gold producer with Gold price increases above our long term price assumption.

Base Scenario \$1.90/sh

The optimised DFS comes in line with our expectations, capex of ~US\$400m with LOM average production of 222koz pa at an AISC of US\$1,080/oz. Gold price averages US\$1900 over the LOM.

Bear Scenario \$0.40/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. Now that the Company has been granted its Special Mining Licence, the Company is progressing with an optimised 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	0.81 A\$/sh	Directors						
Issued Capital		C.Williams	NE Chair					
FP Ord	397.8 m	M.Yeates	CEO & MD					
Options	8.4 m	M.Klessens	NE					
		A.Morrison	NE					
		R.Rigo	NE					
Total Dil. FPOrd	406.2 m							
Market Capitalisation	\$329 m	Shareholders						
Enterprise Value	\$279 m	Westoz				11%		
Debt	\$-	m Dir & Assoc				11%		
Cash	\$50 m	Federation Mining				13%		
Hedging	Nil	Rollason				10%		
Asset Valuation				A\$m	A\$/sh			
Nyangaza (84% owned) NPV10 risked 85%			476	1.20				
Corporate			(32)	(0.08)				
Hedging			-	-				
WA assets (Solstice Minerals)			20	0.05				
Debt			-	-				
Cash			50	0.13				
Total Valuation (US\$1,700/oz)			513	1.29				
F/Cast Production (A\$m) 2023F 2024F 2025F 2026F 2027F								
Throughput (Mtpa)			3.5	4.0	4.0			
Milled grade (g/t)			2.0	2.3	2.4			
Nyanzaga (Koz)			199	262	274			
Avg Cash Cost (US\$/oz)			935	893	878			
AISC (US\$/oz)			1,136	969	950			
Avg Spot Price (US\$/oz)	1,800	1,750	1,700	1,700	1,700			
Avg Price Rec'd (US\$/oz)	1,800	1,750	1,700	1,700	1,700			
Ratio Analysis (A\$m) 2023F 2024F 2025F 2026F 2027F								
CF (A\$m)	(35)	(315)	(245)	212	231			
CF / Sh (Ac/sh)	(13)	(33)	(26)	23	25			
CF Ratio (x)	na	na	na	3.6	3.3			
Earnings (A\$m)	(8)	(8)	113	161	175			
EPS (Ac/sh)	(4)	(1)	16	23	25			
EPS Growth (%)	na	na	na	42%	9%			
Earnings Ratio (x)	na	na	5	3	3			
E'prise Val. (A\$m)	30	146	717	563	396			
EV : EBITDA (x)	na	na	2.7	1.5	1.0			
EV : EBIT (x)	na	na	3.5	1.9	1.2			
Net Debt / ND+Eq (%)	na	na	23%	0%	na			
Interest Cover (x)	na	na	na	7	8			
EBIT Margin (%)	na	na	34%	37%	38%			
ROE (%)	-4%	-2%	16%	14%	13%			
ROA (%)	-6%	-1%	19%	19%	20%			
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	458	603	630			
Hedging Revenue	-	-	-	-	-			
Interest Revenue	-	-	-	-	-			
Other Revenue	-	-	-	-	-			
TOTAL REVENUE	0	0	458	603	630			
Operating Costs	0	0	252	317	325			
Dep/Amort	-	-	44	53	55			
Writeoffs (explor)	-	-	-	-	-			
Provisions	-	-	-	-	-			
Corp O/H	9	9	9	9	9			
EBITDA	(9)	(9)	197	278	296			
EBIT	(9)	(9)	154	225	241			
Interest Expense	-	-	11	22	20			
NPBT	(9)	(9)	143	203	221			
Tax	(3)	(3)	43	61	66			
Minorities	-	-	16	23	25			
NET PROFIT	(6)	(6)	84	119	130			
Net Abnormal Gain/(Loss)	-	-	-	-	-			
NET PROFIT After Abn'l	(6)	(6)	84	119	130			
Cash Flow (A\$m) 2023F 2024F 2025F 2026F 2027F								
Net Profit	(6)	(6)	84	119	130			
+ Working Capital Adj.	-	-	-	-	-			
+ Dep/Amort	-	-	44	53	55			
+ Provisions	-	-	-	-	-			
+ Tax Expense	(3)	(3)	43	61	66			
- Tax Paid	(2)	(2)	34	49	53			
- Deferred Revenue	-	-	-	-	-			
Operating Cashflow	(7)	(7)	136	184	198			
-Capex + Development	21	223	318	27	27			
-Exploration	2	2	2	4	4			
-Assets Purchased	-	-	-	-	-			
+Asset Sales	-	-	-	-	-			
+ Other	-	-	-	-	-			
Investing Cashflow	(23)	(225)	(320)	(31)	(31)			
+Equity Issues	-	240	-	-	-			
+Loan D'down/Receivable	-	311	-	-	-			
-Other (share buy back)	-	-	-	-	-			
-Loan Repayment	-	-	-	-	81			
-Dividends	-	-	-	-	-			
Financing Cashflow	-	551	-	-	(81)			
Period Sur (Def)	(29)	319	(183)	153	86			
Cash Balance	21	340	156	310	396			
Balance Sheet (A\$m) 2023F 2024F 2025F 2026F 2027F								
Assets								
Cash	21	340	156	310	396			
Current Receivables	0	0	0	0	0			
Other Current Assets	0	0	0	0	0			
Non-Current Assets	140	470	875	838	796			
Total Assets	146	645	829	1,166	1,213			
Liabilities								
Borrowings	-	311	311	311	230			
Current Accounts Payable	6	6	6	6	6			
Other Liabilities	2	2	2	2	2			
Total Liabilities	7	318	318	318	237			
Net Assets	139	327	512	849	976			
Reserves and Resources								
	Reserves			Resources				
	mt	g/t	koz	mt	g/t	koz		
Nyanganza				23.7	4.03	3,072		
Total (koz)			0			3072		
EV per oz			n/a			91		

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