

Weekly Informer

16th June 2022

EUROZ HARTLEYS

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The Weekly Informer is Euroz Hartleys' weekly research clearing document. It includes research notes on stocks within the coverage universe published during the preceding week. The Weekly Informer is published mid-week

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OreCorp Limited

(ORR \$0.54) Speculative Buy

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Analyst	Date	Price Target
Michael Scantlebury	14 th June 2022	\$1.60/sh ▼ from \$1.90/sh

Site visit notes – Model update

Event

We recently visited the Nyanzaga gold project in Tanzania.

We were impressed by the in-country support towards re-opening to foreign investment, and accommodating new president. Another key takeaway were the work programs already underway, including the relocation action plan (RAP) which appears to have local support.

Industry wide cost inflation continues to be a key risk for the project development. Although we believe that the quality of the Nyanzaga gold project should somewhat insulate ORR.

Solstice Minerals Limited (SLS) listed on the ASX in early May, after being demerged from ORR.

Impact

Due to continued cost inflation we have conservatively increased our capex assumption by US\$50m to ~US\$450m (2017 PFS US\$287m). Our LOM average AISC assumption has increased to ~US\$1,136/ oz, previously US\$1,080/oz (2017 PFS US\$838/ oz). We continue to assume average production of 222koz pa (100% basis) over 12 Years.

We will look to adjust our numbers off the back of the updated DFS due SepQ.

We have removed the SLS assets from our model, which we previously valued them at A\$20m.

Action

Our model changes along with the decrease in the gold price since our last research note have resulted in our Valuation and Price Target moving to A\$0.95/sh and A\$1.60/sh (A\$638m) respectively (previously A\$1.29/sh and A\$1.90/sh).

We remain of the opinion that Nyanzaga remains one of the most attractive undeveloped gold projects on the ASX, and as such highly feasible and readily fundable.

We maintain our Speculative Buy recommendation.

Key Catalysts

- DFS due SepQ CY22.
- Regional exploration drilling.
- Project financing discussions / FID.
- Potential M&A activity.
- Gold price.

OreCorp Limited	Year End 30 June	
Share Price	0.54	A\$/sh
Price Target	1.60	A\$/sh
Valuation	0.95	A\$/sh (npv 10%)

Shares on issue	399	m, diluted *
Market Capitalisation	219	A\$m
Enterprise Value	177	A\$m
Debt	0	A\$m
Cash	42	A\$m
Largest Shareholder	WAM	11%

Production F/Cast	2024F	2025F	2026F
Attrib. Prod'n (koz)	0	199	262
Cash Cost (US\$/oz)	0	980	934
AISC (US\$/oz)	0	1181	1010

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	185	263
NPAT (A\$m)	-6	73	106
Cashflow (A\$m)	378	-258	144

CFPS (Ac)	-26	-29	17
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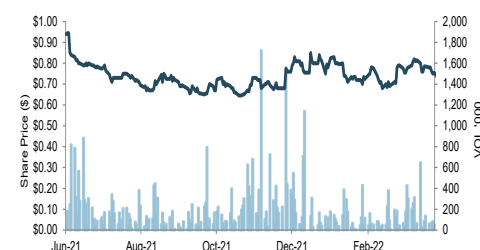
EPS (Ac)	-1	11	16
EPS growth (%)	na	na	0
PER (x)	na	5	3

EV:EBITDA (x)	na	2.7	1.5
EV:EBIT (x)	na	3.7	2.0

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

ND:Net Debt+Equity (%)	na	29%	6%
Interest Cover (x)	na	na	612%

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 ORR during the last year. Euroz Hartleys has received a fee for these services.

This analyst declares that he has a beneficial interest in ORR.

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OreCorp Limited

(ORR \$0.54) Speculative Buy

Analysis

Our capex assumption has increased by US\$50m to -US\$450m (2017 PFS US\$287m) and accounts for inflation along with the inclusion of underground development upfront, allowing higher production at the front end (peak +260koz years 2 and 3).

Numerous work programs are underway include, relocation action plan (RAP) within the SML which appears to be tracking to plan, with many project effected already signing on.

In country mood under the new President appears strongly supportive of encouraging foreign investment, particularly mining. BHPs investment into Kabanga Nickel adds weight to this.

We are of the opinion that this project could be appealing to many well capitalised gold miners, given the optionality to upscale the size of the project to produce above +250kozpa, as capital constraints would be less likely to impact the project scale.

Regional exploration results are pending with the company planning to follow up with rigs in the coming months. Company is largely targeting regional Nyanzaga lookalikes which have had little to no drilling.

Solstice Minerals Limited (SLS) listed on the 2nd of May, after being spun out from ORR. The Company raised A\$12m before costs and will focus on exploring Yarri, Kalgoorlie, Yundamindra and Ponton projects, for orogenic gold and komatiite nickel mineralisation all located within 250km of Kalgoorlie. We previously valued the WA assets within the ORR model at A\$20m, which we have subsequently removed.

Green credentials are also encouraging with +70% of the grid power coming from low cost hydro (<US10c/kWh), this could become appealing to debt providers. Project is located 40km from the regional grid power, with a transmission line needing to be constructed. The Company plans on drawing water from the Lake Victoria (7Km). Regional infrastructure on the improve, with a large bridge (~3KM) under-construction between Kigongo-Busisi, also referred to as the Mwanza Gulf Bridge. The bridge is part of a larger regional transport infrastructure project and will cut travel times from the regional hub city of Mwanza and site.

Mwanza Gulf Bridge – Under construction.



Source: EH Research

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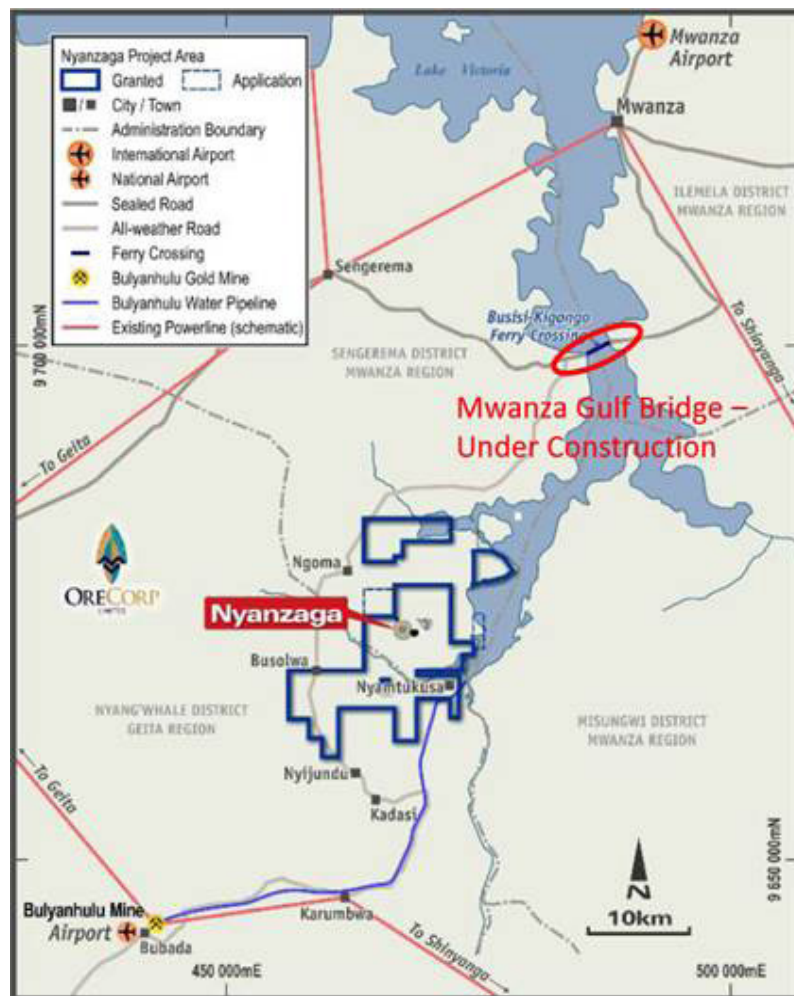
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Regional infrastructure



Source: ORR

Nyanzaga hill



Source: EH Research

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Site visit attendees with Chief Geologist Jim Brigden



Source: EH Research

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(ORR \$0.54) Speculative Buy

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African Gold Developer comparison table

		West African Resources	Perseus Mining	Cardinal Resources	Tietto Minerals	OreCorp	New EH Assumptions OreCorp
ASX Code		WAF	PRU	CDV	TIE	ORR	ORR
Price	\$/sh	1.3	1.85	1.075	0.38	0.54	
Enterprise Value	\$m	1146	2096	631	202	169	
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%
Curent 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	450*
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	1136*
Financed	Yes	Yes	Yes	Yes	Yes?	No	No
Permitted	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Forecast Construction	Completed	Completed	N/A	Underway	Study work	Study work	Study work
1st Gold pour	Q1CY20	Q4CY20	N/A	Target Q4CY22	Target CY25	Target CY25	Target CY25

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

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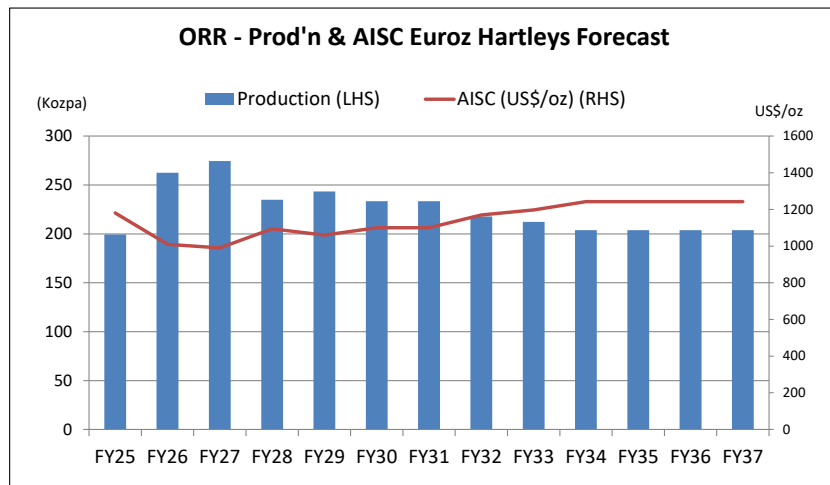
(ORR \$0.54) Speculative Buy

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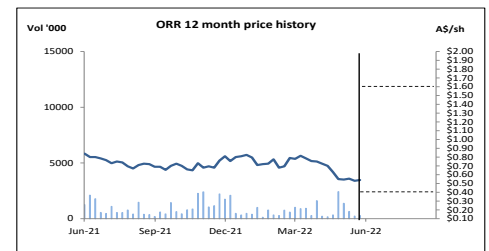
Key Variables

Val/Sh		Gold \$								
\$0.95		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	-\$0.07	\$0.16	\$0.38	\$0.60	\$0.83	\$1.05	\$1.28	\$1.50	\$1.72
	10%	-\$0.07	\$0.16	\$0.40	\$0.63	\$0.86	\$1.10	\$1.33	\$1.57	\$1.80
	5%	-\$0.08	\$0.17	\$0.41	\$0.66	\$0.90	\$1.15	\$1.39	\$1.64	\$1.88
	0%	-\$0.08	\$0.18	\$0.43	\$0.69	\$0.95	\$1.21	\$1.46	\$1.72	\$1.98
	-5%	-\$0.09	\$0.18	\$0.46	\$0.73	\$1.00	\$1.27	\$1.54	\$1.81	\$2.08
	-10%	-\$0.09	\$0.19	\$0.48	\$0.77	\$1.05	\$1.34	\$1.62	\$1.91	\$2.19
	-15%	-\$0.10	\$0.20	\$0.51	\$0.81	\$1.11	\$1.41	\$1.72	\$2.02	\$2.32

Euroz 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: \$1.60/sh

Valuation: \$0.95/sh

Bull Scenario \$2.10/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 \$1.60/sh

The optimised DFS comes in line with our expectations, capex of ~US\$450m with LOM average production of 222koz pa at an AISC of US\$1,136/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 an 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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OreCorp Limited

(ORR \$0.54) Speculative Buy

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Market Statistics				Year End 30 June		Profit and Loss (A\$m)						2024F	2025F	2026F	2027F	2028F
Share Price	0.54	A\$/sh	Directors			Gold Revenue	0	0	458	603	630					
Issued Capital			C.Williams	NE Chair		Hedging Revenue	-	-	-	-	-					
FP Ord	399.0	m	M.Yates	CEO & MD		Interest Revenue	-	-	-	-	-					
Options	7.1	m	M.Klessens	NE		Other Revenue	-	-	-	-	-					
			A.Morrison	NE		TOTAL REVENUE	0	0	458	603	630					
			R.Rigo	NE												
Total Dil. FPOrd	406.0	m				Operating Costs	0	0	264	331	340					
Market Capitalisation	\$219	m	Shareholders			Dep/Amort	-	-	49	58	61					
Enterprise Value	\$177	m	WAM	11%		Writeoffs (explor)	-	-	-	-	-					
Debt	\$-	m	Dir & Assoc	11%		Provisions	-	-	-	-	-					
Cash	\$42	m	Federation Mining	13%		Corp O/H	9	9	9	9	9					
Hedging	Nil		Rollason	10%		EBITDA	(9)	(9)	185	263	281					
						EBIT	(9)	(9)	137	205	220					
						Interest Expense	-	-	12	24	23					
						NPBT	(9)	(9)	124	180	198					
						Tax	(3)	(3)	37	54	59					
						Minorities	-	-	14	20	22					
						NET PROFIT	(6)	(6)	73	106	116					
						Net Abnormal Gain/(Loss)	-	-	-	-	-					
						NET PROFIT After Abn'l	(6)	(6)	73	106	116					
Asset Valuation						A\$m	A\$/sh									
Nyangaza (84% owned) NPV10 risked 85%						369	0.92									
Corporate						(32)	(0.08)									
Hedging						-	-									
Debt						-	-									
Cash						42	0.11									
Total Valuation (US\$1,700/oz)						378	0.95									
F/Cast Production						2024F	2025F	2026F	2027F	2028F						
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)						980	934	917								
AISC (US\$/oz)						1,181	1,010	990								
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)						2024F	2025F	2026F	2027F	2028F						
CF (A\$m)						(35)	(315)	(346)	200	219						
CF / Sh (Ac/sh)						(13)	(26)	(29)	17	18						
CF Ratio (x)						na	na	na	3.2	3.0						
Earnings (A\$m)						(8)	(8)	99	143	157						
EPS (Ac/sh)						(4)	(1)	11	16	18						
EPS Growth (%)						na	na	na	45%	10%						
Earnings Ratio (x)						na	na	5	3	3						
E'prise Val. (A\$m)						30	63	684	540	382						
EV : EBITDA (x)						na	na	2.7	1.5	1.0						
EV : EBIT (x)						na	na	3.7	2.0	1.3						
Net Debt / ND+Eq (%)						na	na	29%	6%	na						
Interest Cover (x)						na	na	na	6	7						
EBIT Margin (%)						na	na	30%	34%	35%						
ROE (%)						-4%	-2%	14%	12%	12%						
ROA (%)						-6%	-1%	16%	17%	18%						
Div. (Ac/sh)						-	-	-	-	-						
Div. payout ratio (x)						-	-	-	-	-						
Div. Yield (%)						0%	0%	0%	0%	0%						
Div. Franking (%)						0%	0%	0%	0%	0%						

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