

OreCorp Limited

Precious Metals - Developer/Explorer

Rating
SPECULATIVE BUY
unchanged

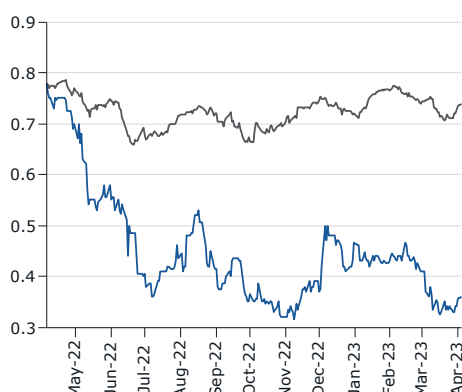
Price Target
A\$1.05
unchanged

ORR-ASX

Price
A\$0.37

Market Data

| | |
|---------------------------|-------------|
| 52-Week Range (A\$) : | 0.49 - 1.05 |
| Avg Daily Vol (M) : | 4.3 |
| Market Cap (A\$M) : | 146.0 |
| Shares Out. (M) : | 406.3 |
| Enterprise Value (A\$M) : | 126 |
| P/NAV (x) (A\$) : | 0.56 |



— ORR.AU
— S&P/ASX All Ordinaries (rebased)

Source: FactSet

Priced as of close of business 4 April 2023

OreCorp is a mineral exploration and development company, whose main asset is the 3Moz Nyanzaga gold project located in Tanzania.

Reg Spencer | Analyst | Canaccord Genuity (Australia) Ltd. | rspencer@cgf.com | +61.2.9263.2701
William Jones | Associate Analyst | Canaccord Genuity (Australia) Ltd. | WJones@cgf.com | 61.2.9263.2798

Could WAF be a precedent for ORR?

A West African precedent? West African Resources' (WAF:ASX | not rated) Sanbrado project in Burkina Faso is the among the most recent examples of a greenfield gold project in Africa developed by a single asset, ASX-listed company. The project was commissioned in early 2020 (capex ~US\$200m), and has since produced ~650koz at an average annual production rate of 218kozpa at US\$1,028/oz AISC. Its 2019 DFS outlined a 10-year OP+UG project with average LOM production of 153kozpa (yrs 1-5 of 217koz) and US\$633/oz average AISC. At the time of the Sanbrado DFS, WAF had a market cap of ~A\$220m.

With ORR in the process of finalising project finance for its Nyanzaga project in Tanzania (>11 years, 242kozpa OP+UG project, capex US\$474m, <US\$1,000/oz AISC), we have undertaken a quick comparison with Sanbrado as a possible precedent of a valuation re-rate for ORR on financing and successful delivery of the project.

ORR's Nyanzaga vs WAF's Sanbrado: ORR's Nyanzaga is similar to WAF's preproduction Sanbrado (see figure 1) and *could* illustrate a precedent for ORR's operation post financing and, therefore, equity performance (in the absence of material gold pricing moves), in our view.

Both projects are OP/UG projects, in "similar" operating jurisdictions (Nyanzaga in Tanzania/Sanbrado in Bukina Faso) with arguably similar risks (i.e Labour constraints/ access to infrastructure/ access to equipment). Additionally, feasibility study metrics are comparable in terms of Resource (ORR 3.2Moz vs WAF 2.41Moz), grade (2.1g/t vs 1.9g/t), operating life (11yrs vs 10yrs) and processing (both standard CIL/recoveries of ~90%) with the exception of scale (4Mtpa vs 2Mtpa). On costs, capital intensity is broadly in line in real terms (US\$119m/Mt vs WAFs US\$103m/Mt), while Nyanzaga would achieve higher AISC margins compared to Sanbrado at the time of its financing.

Providing a precedent for financing potential... Given project similarities, the financing structure of Sanbrado provides some visibility on Nyanzaga's gearing potential, in our view. While the US\$ gold price at the time of WAF's DFS was ~US \$1,300/oz (vs spot US\$1,969/oz), WAF was approved for US\$200m in debt with fixed interest of 7.75% and no mandatory gold hedging requirement, representing a D:E ratio of approx 80%.

As a reminder, ORR has received non-binding expressions of interest for metal streaming/royalty financing and up to US\$400m in debt funding (vs our modelled US \$490m capital cost). While capital cost creep does remain a risk, we assume gearing of 75% (i.e. a less levered balance sheet compared to WAF in 2019).

....and equity performance? From FID to ramped up production WAF's market cap increased by ~300% to ~A\$800m, compared to a 39% increase in the gold price to US \$1,715/oz over the same period.

For context, under an illustrative fully financed modelled scenario (assuming LT gold US \$2,042/oz, US\$400m in debt, A\$200m in equity, de-risked production and rolled forward valuation) we estimate an unrisks NAV of A\$972m (A\$2.10/share), representing a potential 483% increase from the current share price. Overall we see completion of financing and project delivery as a significant re-rating opportunity for ORR.

Model revisions: We make no estimate revisions

Valuation & Recommendation

Our target price (risked, NPV10%) is unchanged at A\$1.05. We reiterate our SPEC BUY rating.

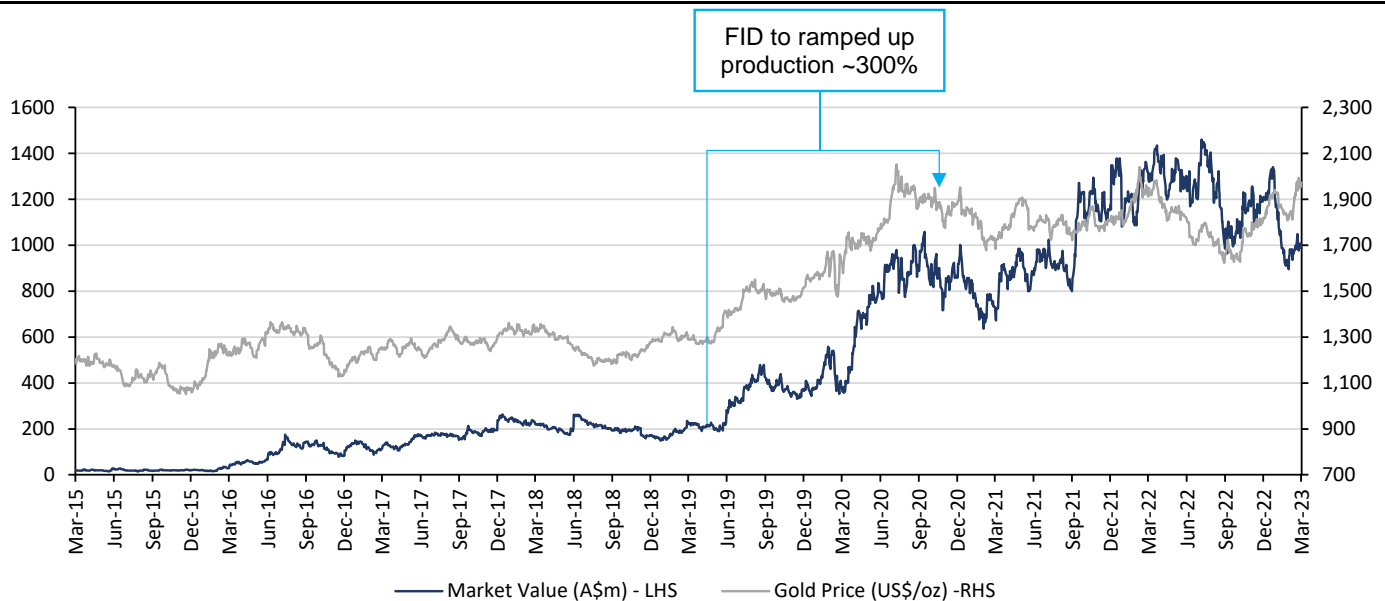
Is WAF a precedent for ORR?

Figure 1: ORR Nyanzaga DFS and Sanbrado DFS

| | | Sanbrado optimised study | Nyanzaga DFS | Nyanzaga CGe |
|--------------------------------------|-------------|--------------------------|--------------|--------------|
| Metric | unit | | | |
| Project Location | Country | Burkina-Faso | Tanzania | Tanzania |
| Study date | yr | 2019 | 2022 | 2022 |
| Mine Method | OP/UG | OP/UG | OP/UG | OP/UG |
| Study mine life | yrs | 10 | 11 | 11 |
| Throughput | Mtpa | 2.2 | 4 | 4 |
| Production LOM | koz | 153 | 242 | 216 |
| AISC LOM | US\$/oz | 633 | 954 | 1013 |
| Development capex | US\$m | 186 | 474 | 490 |
| Capital Intensity (capex/throughput) | US\$m/Mt | 85 | 119 | 123 |
| MRE contained gold | Moz | 2.41 | 3.2 | 3.2 |
| MRE grade | g/t | 1.9 | 2.1 | 2.1 |
| LOM recoveries | % | 93% | 88% | 88% |
| 1st production | date | Q1'2020 | 1H CY2025 | 1Q 2026 |
| Financing | | | | |
| Debt | A\$m | 278 | In progress | 570 |
| Equity | A\$m | 80 | In progress | 200 |
| D:E split | % | 78% | In progress | 74% |

Source: Company Reports, Canaccord Genuity estimates, WAF financing based on the Dec'18 capital raising presentations use of funds.

Figure 2: WAF market value growth through development and financing into production & US\$ Gold



Source: Company Reports, Canaccord Genuity estimates

Figure 3: ORR Financial Summary

OreCorp Ltd (ASX:ORR)

Analyst : Reg Spencer
Date: 5/04/2023
Year End: June

Rating:
Target Price:

SPEC BUY
A\$1.05

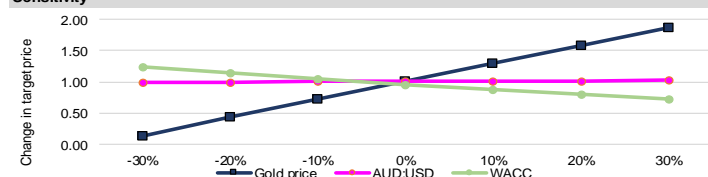
Market Information

| | | |
|-----------------------|------|------|
| Share Price | A\$ | 0.37 |
| Market Capitalisation | A\$m | 146 |
| 12 Month Hi | A\$ | 0.78 |
| 12 Month Lo | A\$ | 0.31 |
| Issued Capital | m | 399 |
| ITM Options | m | 7 |
| Fully Diluted | m | 406 |

| Valuation | | A\$m | A\$/share |
|----------------------------------|------------------|------------|-------------|
| Nyanzaga | risked NPV @ 10% | 337 | 0.83 |
| Corporate | | (30) | (0.07) |
| Cash | | 19 | 0.05 |
| Total | | 411 | 1.01 |
| Price/NAV | | | 0.4 |
| NAV @ Spot | | | |
| Target Price (1.00 x NAV) | | | 1.05 |
| Price/TP | | | 0.3 |

| Assumptions | 2022a | 2023e | 2024e | 2025e |
|------------------------|-------|-------|-------|-------|
| Gold Price (US\$/oz) | 1,830 | 1,783 | 1,909 | 1,993 |
| Silver Price (US\$/oz) | 24 | 22 | 25 | 26 |
| Copper (US\$/lb) | 4.38 | 3.73 | 4.13 | 4.38 |
| AUD:USD | 0.73 | 0.68 | 0.69 | 0.68 |

Sensitivity



Production - by asset

| | 2022a | 2023e | 2024e | 2025e |
|-----------------------|-------|-------|-------|-------|
| Nyanzaga | | | | |
| Gold Production (koz) | - | - | - | - |
| AISC (US\$/oz) | - | - | - | - |

Reserves & Resources

| | | Mt | Grade | Moz |
|------------------|------|----|-------|-----|
| Reserves | Gold | 40 | 2.02 | 2.6 |
| Resources | Gold | 29 | 3.49 | 3.3 |

Directors & Management

| Name | Position |
|------------|-------------------------|
| C Williams | Chairman |
| M Yates | CEO & Managing Director |
| A Morrison | NED |
| M Klessens | NED |
| R Rigo | NED |

Company Description

OreCorp (ORR:ASX) is an Australian based mineral exploration and development company. Its primary assets are the Nyanzaga gold project in Tanzania, and the Akjoujt Cu-Ni exploration project in Mauritania.

| Profit and Loss A\$m | 2022a | 2023e | 2024e | 2025e |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Revenue | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating Costs | -2.0 | 0.0 | 0.0 | 0.0 |
| EBITDA | -2.0 | 0.0 | 0.0 | 0.0 |
| SG&A | -19.0 | -7.6 | -7.8 | -7.8 |
| Impairment/other non cash adjustments | -5.0 | 0.0 | 0.0 | 0.0 |
| D&A | -0.2 | 0.0 | 0.0 | 0.0 |
| Net Interest | 0.5 | -2.6 | -16.2 | -20.5 |
| Tax | 0.0 | 0.0 | 0.0 | 0.0 |
| NPAT (reported) | -25.6 | -10.2 | -24.0 | -28.3 |
| NPAT | -25.6 | -10.2 | -24.0 | -28.3 |

| | | | | |
|-----------------------|----------------|-------------|-------------|-------------|
| EBITDA Margin | nm | nm | nm | nm |
| EV/EBITDA | -205.6x | nm | nm | nm |
| EPS | (0.06) | (0.02) | (0.03) | (0.03) |
| EPS Growth | | -75% | 59% | 18% |
| PER | -5.7x | -22.8x | -14.4x | -12.2x |
| Dividend Per Share | - | - | - | - |
| Dividend Yield | 0.0% | 0.0% | 0.0% | 0.0% |

| Cash Flow A\$m | 2022a | 2023e | 2024e | 2025e |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Cash Receipts | -23.0 | 0.0 | 0.0 | 0.0 |
| Cash paid to suppliers & employees | 0.0 | -7.6 | -7.8 | -7.8 |
| Tax Paid | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Interest | 0.0 | -2.6 | -16.2 | -20.5 |
| Other | 0.0 | 1.6 | 0.0 | 0.0 |
| Operating Cash Flow | -23.0 | -8.6 | -24.0 | -28.3 |
| Proceeds/payments from sale/purchases | 0.0 | 0.0 | 0.0 | 0.0 |
| Capex | -16.9 | -9.1 | 0.0 | 0.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 |
| Investing Cash Flow | -16.9 | -9.1 | 0.0 | 0.0 |
| Debt Drawdown (repayment) | 0.0 | 570.0 | 0.0 | 0.0 |
| Share capital | 5.2 | 200.0 | 0.0 | 0.0 |
| Dividends | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing Expenses | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends to Non-Controlling Interest | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing Cash Flow | 5.2 | 770.0 | 0.0 | 0.0 |
| Opening Cash | 66.3 | 31.9 | 784.2 | 760.2 |
| Increase / (Decrease) in cash | -34.7 | 752.2 | -24.0 | -28.3 |
| FX Impact | 0.3 | 0.0 | 0.0 | 0.0 |
| Closing Cash | 31.9 | 784.2 | 760.2 | 731.9 |
| Op. Cashflow/Share | -\$0.06 | -\$0.02 | -\$0.06 | -\$0.07 |
| P/C/F | -6.3x | -16.9x | -6.1x | -5.1x |
| FCF | -39.9 | -17.7 | -24.0 | -28.3 |
| FCF Yield | -27.4% | -12.2% | -16.5% | -19.5% |

| Balance Sheet A\$m | 2022a | 2023e | 2024e | 2025e |
|--------------------------|-------------|--------------|--------------|--------------|
| Cash + S/Term Deposits | 31.9 | 784.1 | 760.1 | 731.8 |
| Receivables | 0.2 | 0.2 | 0.2 | 0.2 |
| Other current assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Assets | 32.1 | 784.4 | 760.4 | 732.0 |
| Property, Plant & Equip. | 0.6 | 9.7 | 9.7 | 9.7 |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Non-current Assets | 18.3 | 18.3 | 18.3 | 18.3 |
| Payables | 1.8 | 3.4 | 3.4 | 3.4 |
| Short Term Debt | 0.1 | 0.0 | 0.0 | 0.0 |
| Long Term Debt | 0.0 | 570.1 | 570.1 | 570.1 |
| Other Liabilities | 0.4 | 0.0 | 0.0 | 0.0 |
| Net Assets | 48.7 | 238.9 | 214.9 | 186.6 |
| Shareholders Funds | 136.7 | 336.7 | 336.7 | 336.7 |
| Reserves | 1.7 | 1.7 | 1.7 | 1.7 |
| Retained Earnings | -89.7 | -99.9 | -123.9 | -152.2 |
| Total Equity | 48.7 | 238.5 | 214.5 | 186.2 |

| | | | | |
|----------------------|-------|--------|--------|--------|
| Debt/Equity | 0% | 239% | 266% | 306% |
| Net debt/(cash) | -31.7 | -214.0 | -190.0 | -161.7 |
| Net gearing (book) | -65% | -90% | -89% | -87% |
| Net gearing (market) | -22% | -62% | -55% | -47% |

Source: Company Reports, Canaccord Genuity estimates

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: April 04, 2023, 19:03 ET

Date and time of production: April 04, 2023, 19:03 ET

Target Price / Valuation Methodology:

OreCorp Limited - ORR

Our valuation and target price is based on DCF (NPV_{10%}, risked to 60%) analysis for the Nyanzaga gold project.

Risks to achieving Target Price / Valuation:

OreCorp Limited - ORR

Geopolitical risks

ORR's key asset is located in Tanzania, which is considered an emerging market. As such, ORR, through the Nyanzaga project, carries a higher degree of economic, political, social, legal and legislative risk. While Tanzania has a history of gold mining, we note recent changes to the mining legislation and regulations, which have resulted in changes to state ownership and/or fiscal frameworks.

Further progression and development of the Nyanzaga project remains subject to the awarding of a Special Mining Licence. The Tanzania Mining Commission has recommended the granting of the SML, but no guarantee can be made that this will occur on the same timelines as we have assumed in this report.

Financing risks

As a pre-production company with no material income, ORR is reliant on equity and debt markets to fund development of its assets and progressing its regional exploration pipeline. Total development and working capital requirements are subject to completion of feasibility studies. There are no guarantees that studies will result in a positive investment decision for the Nyanzaga Gold project. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral resources nor that the company will be able to convert the current mineral resource into minable reserves.

Operating risks

If and when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations, which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any mining company, ORR is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces, including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

Distribution of Ratings:

Global Stock Ratings (as of 04/04/23)

| Rating | Coverage Universe | | IB Clients |
|-----------------|-------------------|--------|------------|
| | # | % | % |
| Buy | 608 | 64.14% | 22.53% |
| Hold | 154 | 16.24% | 9.74% |
| Sell | 16 | 1.69% | 0.00% |
| Speculative Buy | 156 | 16.46% | 43.59% |
| | 948* | 100.0% | |

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

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SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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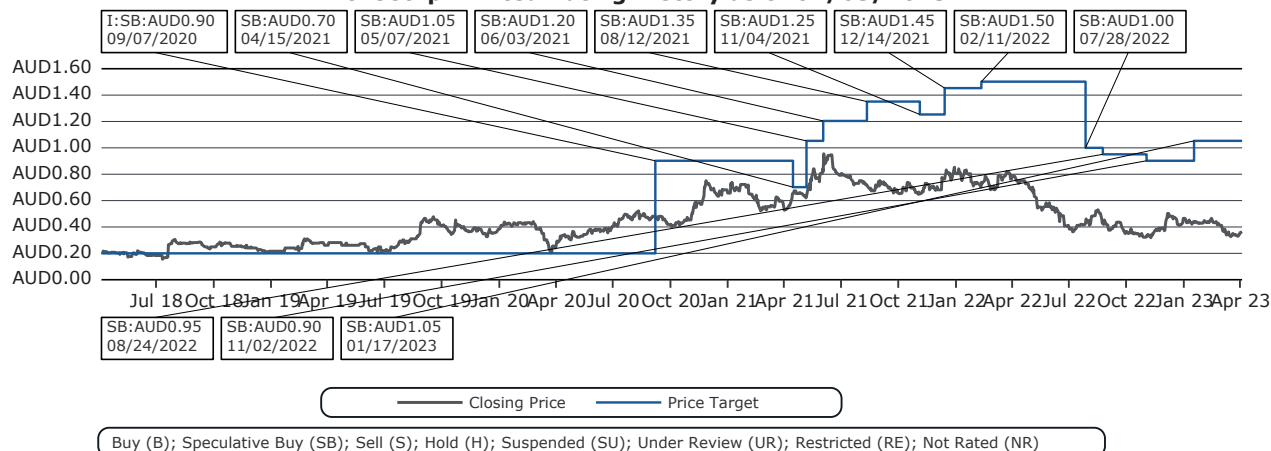
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An analyst has visited the material operations of OreCorp Limited. No payment was received for the related travel costs.

An analyst has visited the material operations of OreCorp Limited. Partial payment was received for the related travel costs.

OreCorp Limited Rating History as of 04/03/2023



Required Company-Specific Disclosures (as of date of this publication)

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