

Osino Resources^{1,11}

Speculative Buy

OSI-TSXV

August 25, 2020

Last: **C\$1.38**
▲ Target: **C\$2.60**

Drilling de-risks already simple thesis

- Osino reported assays for ten DD holes at Twin Hills Central (“THC”). The in-fill and expansion drilling confirms the lateral continuity (>1.3 km strike) and extends the deposit by 300m down-dip. Highlights include:
 - 268 m @ 0.60 g/t Au (OKD049: 77-345 m), incl. **22 m @ 1.40 g/t Au**
 - 203 m @ 0.74 g/t Au (OKD041: 25-228 m), incl. **92 m @ 1.00 g/t Au**
 - 98 m @ 0.97 g/t Au (OKD038: 85-183 m), incl. **29 m @ 1.44 g/t Au**
 - **57 m @ 1.06 g/t Au** (OKD036: 39-96 m)
 - **32 m @ 1.23 g/t Au** (OKD046: 20-52 m)
- We continue to see very wide and consistent mineralization with plenty of intercepts over >100m at ore grades; we also get the now expected semi-regular occurrence of >1.40 g/t Au over >20 m. This fits our view of the deposit, i.e. that the resource will have a very low strip ratio and allow for a “grade-binning” strategy (i.e. stockpile everything above 0.3 g/t Au but send >1.25 g/t Au to the mill in the first 5+ years).
- The deposit remains open at depth and as the density of data improves, Osino is getting a handle on the structural controls of the high grade shoot in the west. Figure 1 clearly shows how this zone is growing and it appears to be plunging to the northeast.
- OSI has expanded and accelerated its resource drill program to 31,000 m DD and 8,000 m of RC/Percussion for resource definition and exploration respectively, as compared to the earlier budget of 15,000m for resource definition and 5,000 m for exploration. The program is fully funded in 2021 and we expect a maiden resource in late 2020.

Valuation update: Drilling continues to show that our 1.5 MMoz “starter resource” is a lay-up (i.e. the size metrics we used have already been exceeded). Based on our starter model, OSI trades at 0.41x our funded and diluted spot NAV (\$1,927/oz Au). We believe the ultimate outcome for Osino is a takeout and that will be driven by: 1) favourable/safe Namibian location (i.e. “Africa for beginners”), 2) a simple, low-tech asset with little resource estimation risk, and 3) an NPV to capex ratio of >1.5:1 is the type of asset that gets acquired. We increase our NAV multiple to 0.9x (from 0.8x) on the drilling success and spot gold that is way above our \$1,750/oz.

Basic Stats			
Producer	No	Basic S/O	101.40 M
Share Price	C\$1.38	FD S/O	121.04 M
52-Week High	C\$1.64	Management	13.18 M
52-Week Low	C\$0.43		
NAV	C\$2.87	P/NAV	0.48x
Spot NAV	C\$3.39	Spot P/NAV	0.41x

Balance Sheet (MM)			
Cash	\$21.4	Mkt Cap	\$99.4
Debt	\$0.0	EV	\$77.9

Resource/Reserve			
Current Resource	N/A	Forecast	2.28 Moz
		Forecast EV/oz	\$34.1

* Stifel GMP deck is \$1,750/oz; spot gold is \$1,927/oz

All currency figures in US\$ unless otherwise noted

[Current Chart](#)

[Previous Research](#)

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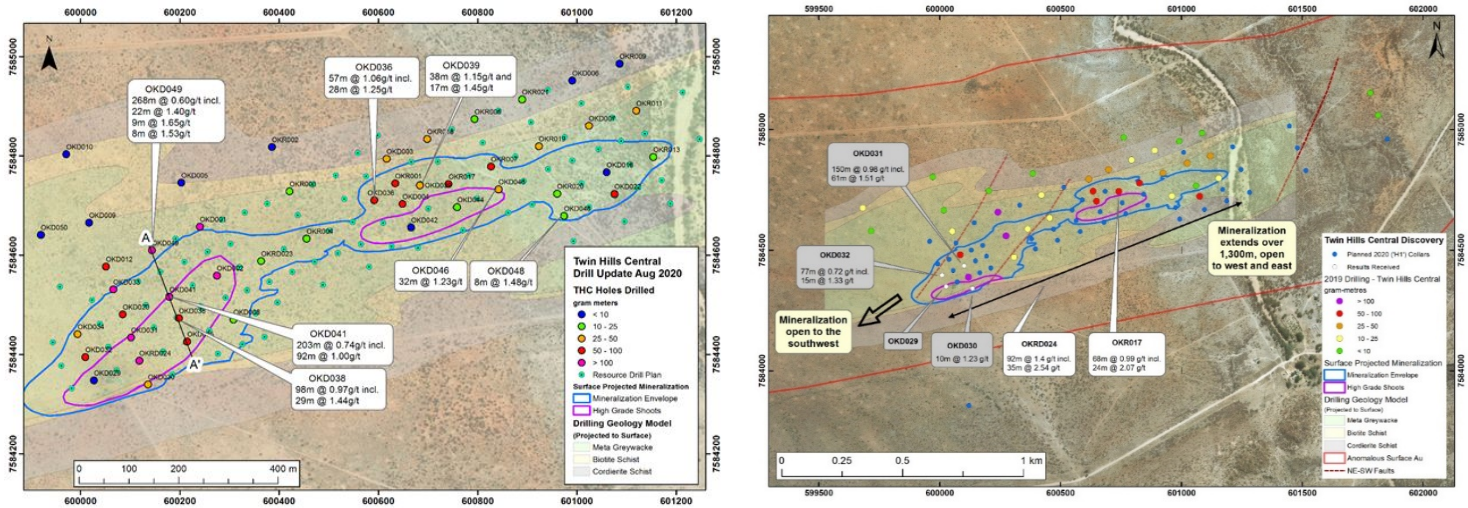
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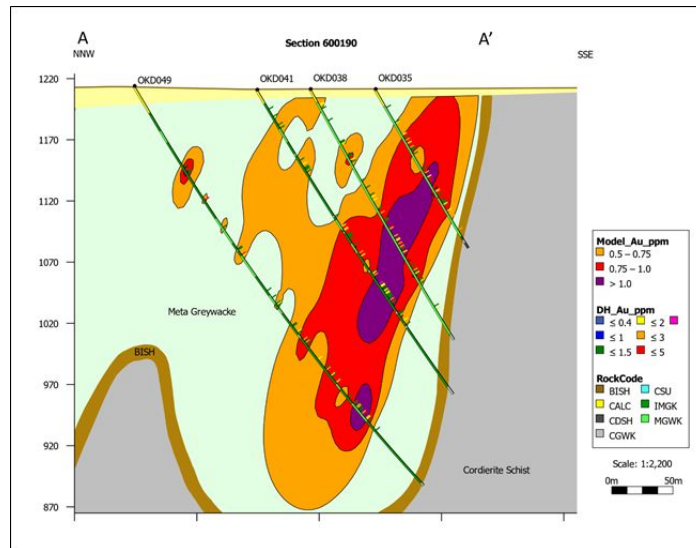
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Figure 1. Drill plan map: August (left) vs May (right)...note increase of high-grade pods



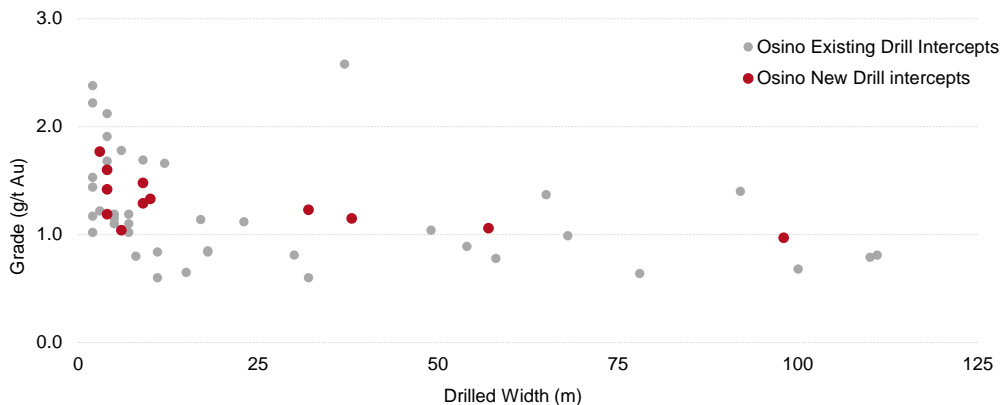
Source: Company reports

Figure 2. Cross section 600190



Source: Company reports

Figure 3. Grade vs width – No surprises (new holes in red)



Source: Company reports, Stifel GMP

Figure 4. NAV table at \$1,750/oz

	US\$MM	US\$ Per Share
Assets		
Twin Hills (100%) NPV _{5%}	296.5	1.38
Regional Exploration (nominal)	10.0	0.05
Corporate Adjustments		
Current Cash	21.4	0.10
Proceeds from Future Equity Financing	100.0	0.47
Cash from Warrants/Options ITM at Target	10.1	0.05
Debt	0.0	0.00
Total	\$438.1	\$2.04
Sum of the Parts NAV (C\$)	C\$617.0	C\$2.87
Basic Shares Out		101.4
ITM Options and Warrants Out at Target		19.6
New shares to fund capex at C\$1.50		93.9
Fully Financed & Diluted Shares Out		214.9
Current OSI CN Share Price		C\$1.38
Price/NAV		0.48x

Source: Stifel GMP

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