

# Ora Banda Mining Ltd

## (OBM \$0.23) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Mike Millikan	4 <sup>th</sup> May 2021	\$0.50/sh

### MarQ: Davyhurst commercial production declared

#### Investment case

Ora Banda Mining (OBM) is a new gold producer, having commenced gold production at Davyhurst in early Feb'21. The recent MarQ was the commissioning quarter, with commercial production now declared for full cost reporting in the JunQ. The operations are still ramping-up, with Riverina open pit and Golden Eagle underground mines fully operational, and open pit mining soon to commence at Missouri. The production levels in the MarQ were slightly behind the DFS schedule and our forecast. However, ore mined remains on track for ~35koz gold contained in FY21, as per the schedule, but the slower commissioning has delayed some processed tonnes (adverse weather, some plant commissioning issues now rectified). We have lowered our FY21 forecast from ~30koz to ~23koz, due largely to the quarterly actual and slower ramp-up, but our FY22 forecast remains unchanged. The Davyhurst plant availability has been good at +90%, and OBM is fine-tuning the optimal ore blends to enhance recoveries (already +90%). Exploration also remains a key value driver with the "district-scale land holding" now starting to receive the drill-attention it deserves. We continue to see good potential to extend mine life and sustain higher production levels. The balance sheet remains in good shape, cash and bullion ~\$21m, debt free with a working cap facility (\$10m) in place, but undrawn. Gold hedging remains discretionary but offers some floor price protection. Buy retained. Price Target of A\$0.50/sh (strong upside).

#### Key points

- Ora Banda Mining (OBM) achieved first gold production from Davyhurst in the MarQ, and has now declared commercial production (on 31 March'21) for full cost reporting in the JunQ.
- The total pre-production capex for the project was A\$45.1m (delivered on budget), with cash (A\$18.5m) and bullion on hand (~A\$2.6m) of ~A\$21m MarQ end, and OBM remains debt free (undrawn A\$10m working capital facility).
- MarQ plant commissioning commenced in Feb'21 with ore supplied from the Riverina open pit and Golden Eagle underground. Open pit mining site preparation commenced at Missouri mid-April.
- Ore processed 128kt @ 1.5g/t Au @ 90.8% recoveries for 5.7koz production and 3.2koz gold sold during the quarter (revenue ~A\$7m at average gold price A\$2,235/oz, capitalised).
  - Our MarQ forecast was largely aligned to the DFS schedule and as such had just over 10koz modelled, and is now adjusted to the quarterly actual.
  - Slower than anticipated ramp-up due to some adverse weather events (high rainfall impacting oxide feed), issue with a primary mill motor (spare fitted) and a new drive shaft required for the primary crusher feeder (fabricated and fitted).
  - The predominant oxide feed also caused some throughput issues (regarding slurry viscosity) which has now been rectified by better blending with fresh/transitional ores.

Ora Banda Mining Ltd	Year End 30 June	
Share Price	0.230	A\$/sh
Price Target	0.50	A\$/sh
Valuation	0.49	A\$/sh
		(npv 10%)

Shares on issue	867	m, diluted *
Market Capitalisation	203	A\$m
Enterprise Value	182	A\$m
Debt	0	A\$m
Cash and Bullion	21	A\$m
Largest Shareholder	Hawke's Point	46%

Production F/Cast	2020A	2021F	2022F
Gold Prod (koz)	0	23	89
AISC (A\$/oz)	-	1973	1569

Assumptions	2020A	2021F	2022F
AUDUSD	0.67	0.75	0.75
Au Price US\$/oz	1587	1873	1900

Key Financials	2020A	2021F	2022F
Revenue (A\$m)	0	49	227
EBITDA (A\$m)	-9	-10	102
NPAT (A\$m)	-11	-21	66
Cashflow (A\$m)	-11	-10	93

CFPS (Ac)	-2	-1	11
P/CFPS (x)	-11.8	-17.0	2.1

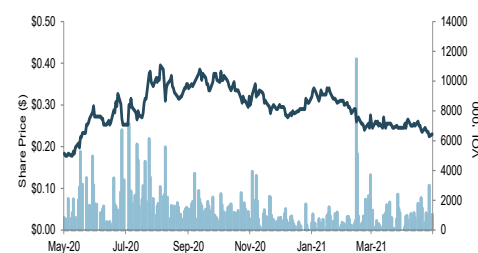
EPS (Ac)	-2	-3	8
EPS growth (%)	na	0.43	-370%
PER (x)	-11.4	-7.9	2.9

EV:EBITDA (x)	-15.4	-18.8	1.1
EV:EBIT (x)	-12.9	-8.7	1.7

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

ND:Net Debt+Equity (%)	na	na	na
Interest Cover (x)	0.0	0.9	1.9

#### Share Price Chart



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This analyst declares that he has a beneficial interest in Ora Banda Mining Ltd.

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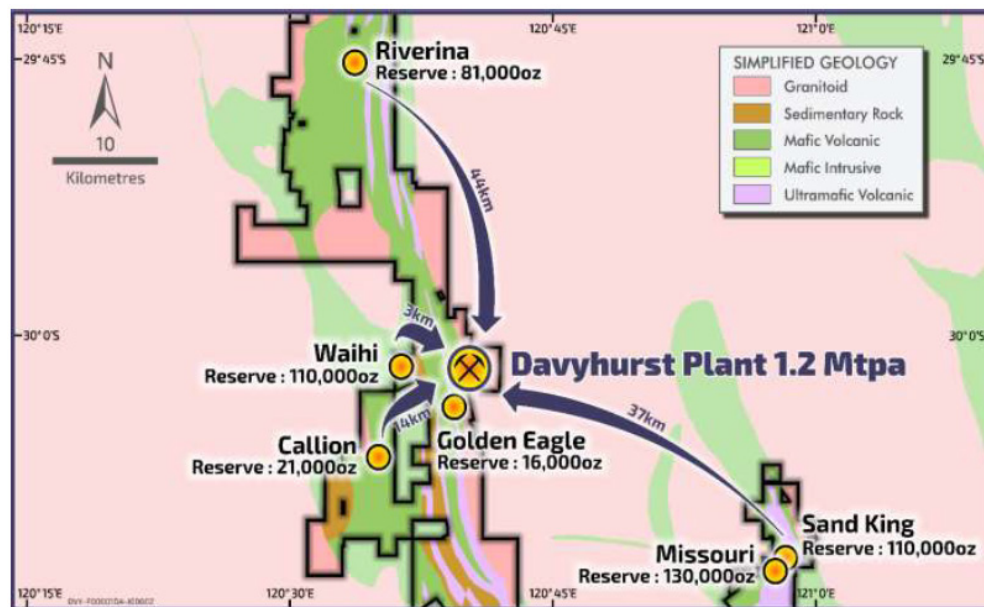
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# Ora Banda Mining Ltd

**(OBM \$0.23) Buy**

- Bullion on hand of 1,166oz (~A\$2.6m), 1,354oz gold in circuit (GIC), and ore stocks on the ROM pad of ~6,593oz at MarQ end.
- Outlook for the JunQ: OBM expects to mine +23koz for +12-17koz processed in the JunQ, which is lower than the DFS estimates due largely to slower commissioning than planned.
  - Our most recent forecast for FY21 was ~30koz @ AISC A\$1,721/oz, which was on the high side and now adjusted to ~23koz @ A\$1,992/oz.
  - FY22 will be the first full year of production and we see potential for ~90koz @ ASIC ~A\$1,570/oz, growing to +100koz @ ~A\$1,580/oz FY23.
- Exploration spend of ~\$1.3m MarQ for FY21ytd of ~\$3.9m. OBM has a \$10m budget for CY21, which aims to increase resource confidence to ultimately grow reserves for longer mine life and sustain higher production levels, drilling continues to be accelerated (2H weighted).
- With a market capitalisation of ~A\$200m and EV of ~A\$180m, OBM represents an attractive Buy for a growing AUD gold producer.
- We maintain our Buy, and \$0.50/sh price target.

Fig.1 Davyhurst Mining Hub



Source: Ora Banda Mining

# Ora Banda Mining Ltd

(OBM \$0.23) Buy

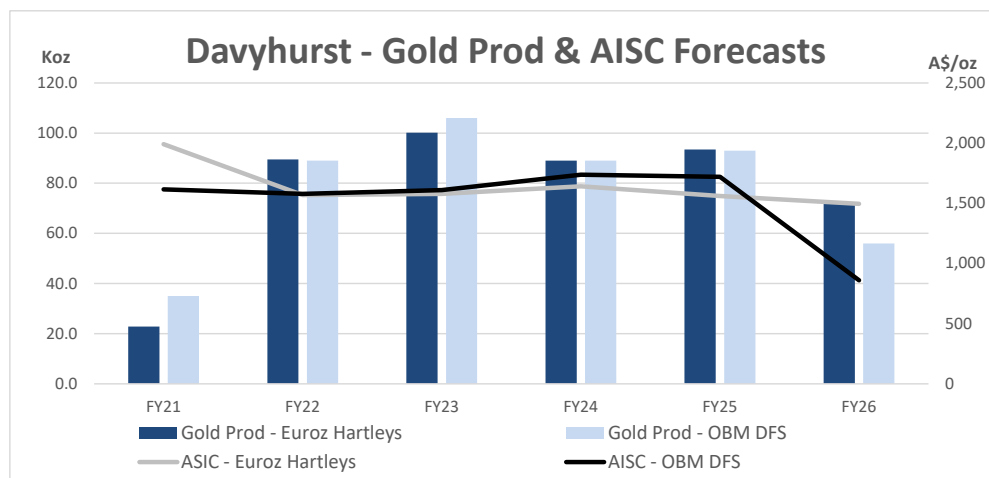
## Analysis

ASSET VALUATION	A\$m	A\$/sh
100% Davyhurst	404	0.47
Mt Ida and other exploration	25	0.03
Forwards	-	0.00
Corporate Overheads	(27)	-0.03
Net Cash (Debt)	21	0.02
Tax (NPV future liability)	-	0.00
Options, Other Equity & Listed Investments	-	0.00
Hedging	-	0.00
<b>Total @ 10%</b>	<b>423</b>	<b>0.49</b>
Valuation at Spot	395	0.46

Spot USD/AUD 0.78, Gold US\$1791/oz.

- Our OBM NAV has been adjusted by the MarQ actuals and is now 49cps (down slightly from 50cps). Price Target unchanged 50cps.
- Information provided in the Davyhurst DFS has been used in our modelling. We assume gold production ramps-up during late CY21 to achieve nameplate throughput rate of ~1.2Mtpa. We use a LOM average head grade of ~2.4g/t Au, which we expect will improve over time as more underground ore sources are added into the processing mix.
- We model a nominal A\$25m (~3cps) value for Mt Ida and other exploration (upside potential). We believe OBM is well positioned for brownfield exploration success at both project areas through extension of the current known orebodies and new discoveries. We use a 10% discount rate.
- Current key risks appear development and production related, we assume the existing milling infrastructure and mining runs to plan. We also assume current cash reserves will fully fund the restart and provide some working capital for the ramp-up of operations (80-100kozpa @ ~A\$1560/oz AISC).
- Ongoing exploration continues to extend and add confidence to the mine plan.

Fig.2 Davyhurst Gold Production and Cost Forecasts



Source: Euroz Hartleys, OBM

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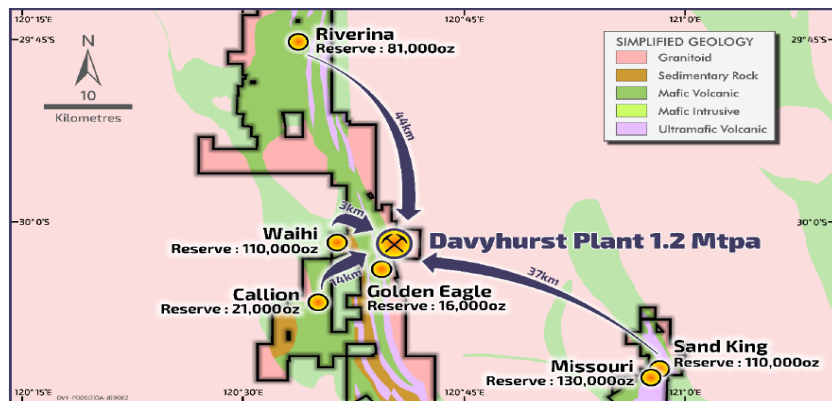
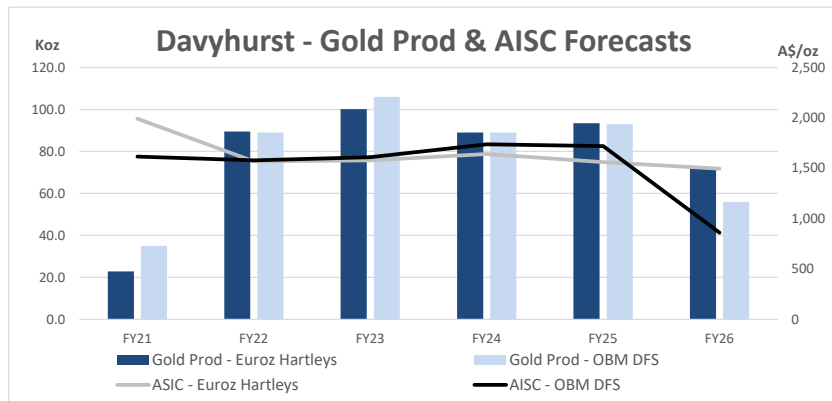
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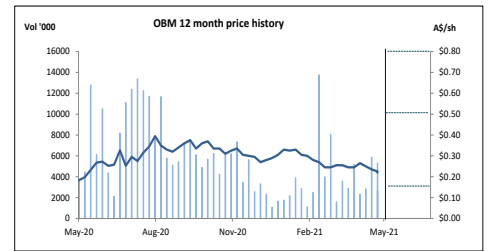
## Key Variables

Val/ Sh	Gold \$									
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	
AUDUSD	\$0.49	\$0.49	\$0.56	\$0.64	\$0.72	\$0.79	\$0.87	\$0.94	\$1.02	
15%	\$0.09	\$0.15	\$0.21	\$0.26	\$0.32	\$0.38	\$0.43	\$0.49	\$0.54	
10%	\$0.14	\$0.19	\$0.25	\$0.31	\$0.37	\$0.43	\$0.49	\$0.55	\$0.61	
5%	\$0.18	\$0.24	\$0.30	\$0.37	\$0.43	\$0.49	\$0.55	\$0.61	\$0.67	
0%	\$0.23	\$0.29	\$0.36	\$0.42	\$0.49	\$0.55	\$0.62	\$0.68	\$0.75	
-5%	\$0.28	\$0.35	\$0.42	\$0.49	\$0.56	\$0.62	\$0.69	\$0.76	\$0.83	
-10%	\$0.34	\$0.42	\$0.49	\$0.56	\$0.63	\$0.70	\$0.78	\$0.85	\$0.92	
-15%	\$0.41	\$0.49	\$0.56	\$0.64	\$0.72	\$0.79	\$0.87	\$0.94	\$1.02	

Euroz Forecast	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25
Gold (USD)	\$1,563	\$1,950	\$1,850	\$1,750	\$1,700	\$1,700
Gold (AUD)	\$2,328	\$2,671	\$2,534	\$2,397	\$2,297	\$2,297
AUDUSD	\$0.67	\$0.73	\$0.73	\$0.73	\$0.74	\$0.74



## Our Share Price Sensitivity



## Our Market Sensitivity

Valuation - \$0.49/sh

Target Price - \$0.50/sh

Bull Scenario - \$0.80/sh

Current spot commodity prices applied to a DCF 12-month roll forward. A\$ gold price remains strong, and ongoing exploration extends mine life at Davyhurst.

Base Scenario - \$0.50/sh

First gold was poured at Davyhurst in early CY21. We model in-line with the DFS release and assume ramp-up during CY21 to achieve nameplate throughput rate of -1.2Mtpa. We use a LOM average head grade of -2.4g/t Au, which we expect will improve over time as more underground ore sources are added into the processing mix. Average LOM 80-100kozpa. Mine life of +5.5 years.

Bear Scenario - \$0.15/sh

Commodity prices (A\$ gold) fall 20%. The Company remains sensitive to changes in commodity prices (gold), but also exchange rates (AUD:US) and market sentiment. Lower than forecast production and higher costs could also impact valuation. Current cash backing is 4cps.

## Company Summary

Ora Banda Mining Ltd (OBM) restarted gold production at the Davyhurst gold mine near Kalgoorlie in early CY21. The existing processing infrastructure required only modest remedial works, and first gold pour was achieved in early CY21. The initial mine plan is underpinned by a 5 year reserve position (460koz) which is expected to grow over time via resource conversion (2Moz). Targeted production around 80-100kozpa @ A\$1,560/oz AISC, should improve. Substantial exploration upside to extend mine life and sustain higher production levels.

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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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# Ora Banda Mining Ltd

(OBM \$0.23) Buy

## Market Statistics

		Year End 30 June	
<b>Share Price</b>	<b>\$0.230 A\$/sh</b>	<b>Directors</b>	
Issued Capital		Peter Mansell	NE Chair
Fully paid Ord Shares 842.2	m	David Quinlivan	MD
Opts + Rights (itm)	24.3 m	Keith Jones	Exec Dir
All Opts + Perf Rights	39.3 m	Mark Wheatley	NE Dir
<b>Total Dil (itm)</b>	<b>866.5 m</b>	Susan Hunter Co Comp Sec	
		Tony Brazier CFO, Comp Sec	
<b>Mkt Capital'n</b>	<b>\$203 m</b>	Peter Nicholson	CEO
Enterprise Value	\$182 m	<b>Shareholders</b>	
Debt est	\$- m	Hawke's Point	46.4%
Cash est	\$21 m		

## Asset Valuation

	A\$m	A\$/sh
100% Davyhurst	404	0.47
Mt Ida and other exploration	25	0.03
Forwards	-	0.00
Corporate Overheads	(27)	-0.03
Net Cash (Debt)	21	0.02
Tax (NPV future liability)	-	0.00
Options, Other Equity & Listed Investments	-	0.00
Hedging	-	0.00
<b>Total @ 10%</b>	<b>423</b>	<b>0.49</b>
Valuation at Spot	395	0.46
Spot USD/AUD 0.78, Gold US\$1791/oz.		

## F/Cast Production (A\$m)

	2020A	2021F	2022F	2023F
<b>Davyhurst</b>				
Mill Throughput	Mt 0.00	0.56	1.20	1.25
Mined grade	g/t 0.0	1.5	2.5	2.7
Recoveries	% 0.0	90%	92%	92%
<b>Gold Production</b>	<b>koz 0.0</b>	<b>22.9</b>	<b>89.5</b>	<b>100.2</b>
<b>AISC</b>	<b>A\$/oz -</b>	<b>1973</b>	<b>1569</b>	<b>1580</b>
AUDUSD	A\$/US\$ 0.67	0.75	0.75	0.74
Gold Price USD	US\$/oz 1587	1873	1900	1800
Gold Price A\$	A\$/oz 2367	2512	2533	2432

## Ratio Analysis (A\$m)

	2020A	2021F	2022F	2023F
CF (A\$m)	-11	-10	93	109
CF / Sh (Ac/sh)	-1.9	-1.4	11.0	12.7
CF Ratio (x)	-11.8	-17.0	2.1	1.8
Earnings (A\$m)	-11	-21	66	74
EPS (Ac/sh)	-2.0	-2.9	7.8	8.6
EPS Growth (%)	na	0.43	-370%	0.10
Earnings Ratio (x)	-11.4	-7.9	2.9	2.7
E'prise Val. (A\$m)	142	181	113	25
EV : EBITDA (x)	-15.4	-18.8	1.1	0.2
EV : EBIT (x)	-12.9	-8.7	1.7	0.3
Net Debt / ND+Eq (%)	na	na	na	na
Interest Cover (x)	0.0	0.9	1.9	1.9
EBIT Margin (%)	na	-42%	29%	30%
ROE (%)	na	-28%	47%	34%
ROA (%)	na	-22%	40%	30%
Div. (Ac/sh)	0.0	0.0	0.0	0.0
Div. payout ratio (x)	0.0	0.0	0.0	0.0
Div. Yield (%)	0.0%	0.0%	0.0%	0.0%
Div. Franking (%)	0	0	0	0

## Profit and Loss (A\$m)

	2020A	2021F	2022F	2023F
Gold Revenue	-	49	227	244
Hedging Revenue	-	-	-	-
Interest Revenue	0	0	0	0
Other Revenue	-	-	-	-
<b>TOTAL REVENUE</b>	<b>0</b>	<b>49</b>	<b>227</b>	<b>244</b>
Operating Costs	8	54	120	129
Dep/Amort	2	11	36	36
Writeoffs (explor)	-	-	-	-
Provisions	-	-	-	-
Corp O/H	2	4	5	5
<b>EBITDA</b>	<b>(9)</b>	<b>(10)</b>	<b>102</b>	<b>109</b>
<b>EBIT</b>	<b>(11)</b>	<b>(21)</b>	<b>66</b>	<b>74</b>
Interest Expense	-	-	-	-
NPBT	(11)	(21)	66	74
Tax	-	-	-	-
Minorities	-	-	-	-
<b>NET PROFIT</b>	<b>(11)</b>	<b>(21)</b>	<b>66</b>	<b>74</b>
Net Abnormal Gain/(Loss)	-	-	-	-
<b>NET PROFIT After Abn'l</b>	<b>(11)</b>	<b>(21)</b>	<b>66</b>	<b>74</b>

## Cash Flow (A\$m)

	2020A	2021F	2022F	2023F
<b>Net Profit</b>	<b>(11)</b>	<b>(21)</b>	<b>66</b>	<b>74</b>
+ Working Capital Adj.	(1)	(0)	(9)	(1)
+ Dep/Amort	2	11	36	36
+ Provisions	-	-	-	-
+ Tax Expense	-	-	-	-
- Tax Paid	-	-	-	-
- Deferred Revenue	-	-	-	-
<b>Operating Cashflow</b>	<b>(11)</b>	<b>(10)</b>	<b>93</b>	<b>109</b>
-Capex + Development	1	36	11	12
-Exploration	10	7	10	10
-Assets Purchased	-	-	-	-
+Asset Sales	-	-	-	-
+ Other	-	-	-	-
<b>Investing Cashflow</b>	<b>11</b>	<b>43</b>	<b>21</b>	<b>22</b>
+Equity Issues	19	55	-	-
+Loan D'down/Receivable	-	-	-	-
-Other	-	-	-	-
-Loan Repayment	-	-	-	-
-Dividends	-	-	-	-
<b>Financing Cashflow</b>	<b>17</b>	<b>55</b>	<b>-</b>	<b>-</b>
<b>Period Sur (Def)</b>	<b>(39)</b>	<b>2</b>	<b>72</b>	<b>87</b>
<b>Cash Balance</b>	<b>11</b>	<b>12</b>	<b>84</b>	<b>172</b>

## Balance Sheet (A\$m)

	2020A	2021F	2022F	2023F
<b>Assets</b>				
Cash	11	12	84	172
Current Receivables	-	4	19	20
Other Current Assets	0	0	0	0
Non-Current Assets	47	79	65	50
<b>Total Assets</b>	<b>58</b>	<b>96</b>	<b>168</b>	<b>243</b>
<b>Liabilities</b>				
Borrowings	-	-	-	-
Current Accounts Payable	1	5	10	11
Other Liabilities	17	17	17	17
<b>Total Liabilities</b>	<b>18</b>	<b>22</b>	<b>27</b>	<b>28</b>
<b>Net Assets</b>	<b>40</b>	<b>74</b>	<b>141</b>	<b>215</b>

## Reserves and Resources

	Reserves		Resources			
	Mt	g/t Au	Koz	Mt	g/t Au	Koz
Golden Eagle - UG	0.1	3.8	16	0.4	3.9	49
Riverina Area - OP	1.4	1.8	81	3.7	2.7	322
Sand King - OP	1.3	2.6	110	2.5	3.5	286
Missouri - OP	1.6	2.6	130	2.1	3.4	227
Waihi - OP	1.5	2.3	110	2.5	2.6	206
Callion - OP	0.2	2.6	21	0.7	4.9	107
All others	-	-	-	12.1	2.1	833
<b>Davyhurst Total</b>	<b>6.1</b>	<b>2.4</b>	<b>460</b>	<b>24.0</b>	<b>2.6</b>	<b>2,030</b>
<b>Mt Ida Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>13.8</b>	<b>140</b>
<b>Group Totals</b>	<b>6.1</b>	<b>2.4</b>	<b>460</b>	<b>24.3</b>	<b>2.8</b>	<b>2,170</b>
<b>EV per oz</b>			<b>395</b>			<b>84</b>

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## Contact Details

**Euroz Hartleys Limited** +61 8 9488 1400

### Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Mike Millikan - Resources Analyst	+61 8 9268 2805
Michael Scantlebury - Resources Analyst	+61 8 9268 2837
Steven Clark - Resources Analyst	+61 8 9488 1430
Trent Barnett - Senior Analyst	+61 8 9268 3052
Gavin Allen - Senior Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Associate Research Analyst	+61 8 9488 1414

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