

# Ora Banda Mining Ltd

## (OBM \$0.26) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Mike Millikan	12 <sup>th</sup> April 2021	\$0.50/sh

### Site visit to the “new” Davyhurst Gold Mine

#### Investment case

Ora Banda Mining (OBM) is a new gold producer, having commenced gold production at Davyhurst in early Feb’21. The operation is currently in the ramp-up phase, with the nameplate run-rate of 1.2Mtpa achieved, and maintaining 1.0-1.1Mtpa. The Riverina open pit and Golden Eagle underground mines are fully operational, with planning well underway for mining to commence at the Missouri open pit. We recently visited site, and saw first-hand the good mining progress being made at Riverina open pit, and expansion opportunities at Golden Eagle underground. The Davyhurst plant availability has been good at +90%, and OBM is fine-tuning the optimal ore blends to enhance recoveries. Exploration remains a key value driver with the “district-scale land holding” now starting to received the drill-attention it deserves. OBM has a -A\$10m exploration budget for FY21, and assays pending for a number of high-priority prospects. We continue to see good potential to extend mine life and sustain higher production levels. We forecast 30.1koz @ AISC A\$1,721/oz FY21, increasing to 89.5koz @ ASIC A\$1,569/oz FY22 (EV/EBITDA 1.2x), and +100koz @ A\$1,80/oz FY23 (<1x). The balance sheet remains in good shape, we estimate cash +\$26m, 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 (48% upside).

#### Key points

- We visited Ora Banda Mining’s (OBM) Davyhurst Gold Mine, located ~120km north-west of Kalgoorlie, WA.
- The site tour involved visiting the current mining centres of **Golden Eagle underground and Riverina open pit; core library; Davyhurst Plant;** and some exploration prospects.
- **Open pit mining at Riverina appears to be going well**, current mining rates are on the DFS schedule and slightly under budget, and rates are now moving closer to the higher internal targets.
- Open pit grade reconciliation is underway, though with only a few weeks of full processing of Riverina ores data collection is still in its infancy. The reserve grade predicted is 1.8g/t Au, with some of the initial data reconciling within tolerance at 1.6-1.7g/t Au, and guiding improved mining practices to minimise some dilution (better digging and blast protocols).
- The **Golden Eagle underground** has had a slightly slower than anticipated ramp-up, with some initial manning issues with the underground mining contractor, now largely resolved with **stopped stocks building**, feeding higher grade ores (4-5g/t Au) into the processing mix.
- Davyhurst **plant availability has been very good +90%**, currently running just below the nameplate capacity of 1.2Mtpa (around 1-1.1Mtpa), and achieved nameplate rates. Running 100% oxide through the plant has caused some bottlenecks at the backend of the plant, with the optimal blend of fresh and oxide ore being fine-tuned. Recoveries are already +90% on oxide, and higher on a blended mix (oxide + fresh) low 90%, and we note plant recoveries average 92-93% historically.

Ora Banda Mining Ltd	Year End 30 June	
Share Price	0.260	A\$/sh
Price Target	0.50	A\$/sh
Valuation	0.50	A\$/sh
		(npv 10%)

Shares on issue	867m, diluted *
Market Capitalisation	229 A\$m
Enterprise Value	204 A\$m
Debt	0 A\$m
Cash	26 A\$m
Largest Shareholder	Hawke’s Point 46%

Production F/Cast	2020A	2021F	2022F
Gold Prod (koz)	0	30	89
AISC (A\$/oz)	-	1721	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	72	227
EBITDA (A\$m)	-9	14	102
NPAT (A\$m)	-11	3	63
Cashflow (A\$m)	-11	12	95

CFPS (Ac)	-2	2	11
P/CFPS (x)	-13.4	14.9	2.3

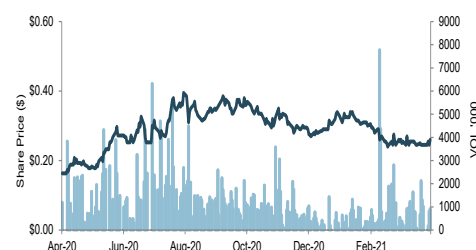
EPS (Ac)	-2	0	7
EPS growth (%)	na	na	1962%
PER (x)	-12.9	72.1	3.5

EV:EBITDA (x)	-15.4	13.4	1.2
EV:EBIT (x)	-12.9	78.3	2.0

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	1.3	1.9

#### Share Price Chart



#### Disclaimer

Euroz Hartleys Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to OBM during the last year. Euroz Hartleys Securities has received a fee for these services.

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

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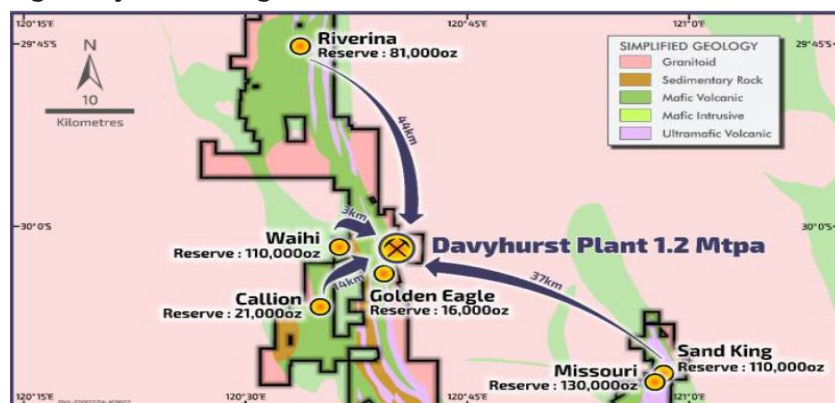
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- Exploration **budget of ~\$10m in FY21, has the aim to increase resource confidence** to ultimately grow reserves for longer mine life and sustain higher production levels. Drilling continues to be accelerated (2H weighted spend) with results pending from a number of completed/or near complete programs (ie Golden Eagle underground drilling, Riverina Deeps diamond drilling, Iguana RC drilling, Aircore drilling over a number of key prospects). Exploration news flow is expected to be strong, with resources to be updated mid-CY21.
- Cash at DecQ end was \$32.6m, and we forecast ~\$26m at MarQ end, OBM remains debt free, but retains a \$10m working cap facility, if required. We anticipate commercial production as at end of March'21 for full cost reporting in the JunQ.
- With a MC of ~\$219m and EV of ~\$193m, OBM represents an attractive **Buy**, and we maintain our **\$0.50/sh price target**.

Fig.1 Davyhurst Mining Hub



Source: Ora Banda Mining

### Golden Eagle Underground - drilling underway to add life

- Golden Eagle is a small underground mine that provides higher grade ores (sweeteners) for the plant, which is located only ~2kms away.
- The underground mine is currently developed to ~150m vertical depth (319m RL), and the deposit is hosted within a 10-20m wide, mineralised biotite schist, with the higher-grade quartz-feldspar lode (QFL) a key target zone, with increased sulphide content generally correlating well to higher gold grades.
- Golden Eagle has a current resource of 400kt @ 3.9g/t for 49koz and small reserve of 100kt @ 3.8g/t Au for 16koz, which is expected to grow as infill drilling is completed.
- First stope production from Golden Eagle started in mid-Feb'21, with some 1,000-2,000t of ore grading +5g/t on the ROM pad ready for collection for plant feed.
- The underground mine had an assumed ~18 months mine life in the DFS, but the mineralised system remains open down-plunge, with underground diamond drilling program (~4,500m, first phase) testing the next 100m vertical to extend mine life, with assays pending.
- The +200-300oz/vm system is improving at depth as the footwall lodes develop adding to the mineralisation in the hanging-wall position, providing potential to double the oz/vm over time.

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Fig.2 Golden Eagle Underground Portal



Source: Euroz Hartleys Research

Fig.3 Golden Eagle Underground - Development Drive



Source: Euroz Hartleys Research

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#### Riverina Open Pit – base plant feed, extending south

- Riverina is located ~48km from the Davyhurst plant, along a haulage road, and provides the current base feed for the milling infrastructure.
- The Riverina deposits host three significant lodes (Main Lode, Murchison Lode and Reggie Lode) which occur as a series of mineralised shears within a package of mafic and ultramafic volcanics and metasediments. The mineralisation spans ~1.2km and remains open along strike and at depth.
- Riverina has a current total resource 3.7Mt @ 2.7g/t Au for 322koz (open pit and underground) and open pit reserve of 1.4Mt @ 1.8gt Au for 81koz.
- Mineralisation along trends remains a focus for mine-life extensions with Riverina South (+43koz @ 2.1g/t Au), expected to be mined as part of the stage 2 pit cut-back.
- At this stage, the southern parts of the pit are largely free dig with the northern parts requiring some drill and blast. ROM stocks continue to grow, with over 1.6Mbcm mined since Oct'20, in-line of material movement rates in the DFS.
- Riverina is also expected to provide a future underground mine (resource currently 0.7Mt @ 5.9g/t Au for 139koz), with diamond drilling currently underway at Riverina Deeps, with some completed holes awaiting logging and assays.

**Fig.4 Riverina Open Pit – grade control, drill and blast**



Source: Euroz Hartleys Research

**Fig.5 Riverina Open Pit – mining activity – digging and haulage**



Source: Euroz Hartleys Research

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### Davyhurst Plant – good availability, throughputs lifting

- Davyhurst Plant is a conventional 1.2Mtpa CIP gold processing plant. The plant comprises three stage crushing, two stage milling, gravity circuit and a conventional leach circuit.
- The Davyhurst gold plant recommissioned with first gold poured early Feb'21. The plant commissioned on a blend of low-grade oxide, transitional and fresh ores for the fine tuning of recoveries.
- The plant is already running at a throughput rate of 1-1.0mtpa, and will now ramp-up in-line with the DFS schedule towards the nameplate capacity of 1.2Mtpa.
- Gold recoveries are expected to be +90% (92-93% historically reported), with the initial production target of 80-100kozpa, anticipated in FY22.
- We see opportunities for above nameplate throughputs especially on softer processing blends from open pit oxide ores from Riverina.

**Fig.6 Davyhurst Plant – 2-stage milling**



Source: Euroz Hartleys Research

# Ora Banda Mining Ltd

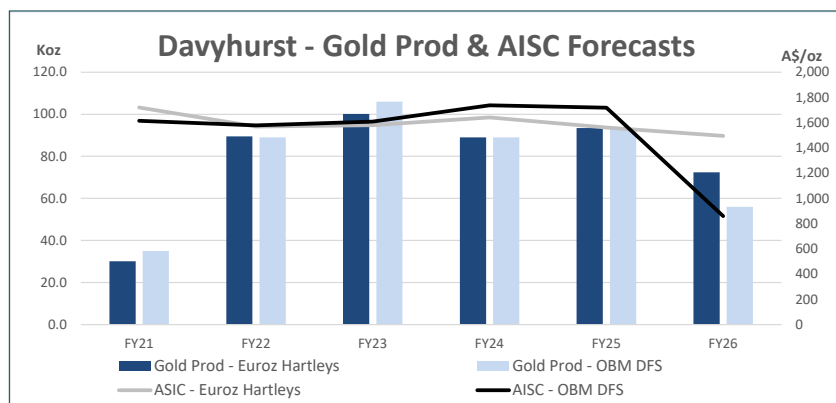
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### Analysis

ASSET VALUATION	A\$m	A\$/sh
100% Davyhurst	408	0.47
Mt Ida and other exploration	25	0.03
Forwards	-	0.00
Corporate Overheads	(27)	-0.03
Net Cash (Debt)	26	0.03
Tax (NPV future liability)	-	0.00
Options, Other Equity & Listed Investments	-	0.00
Hedging	-	0.00
<b>Total @ 10%</b>	<b>431</b>	<b>0.50</b>
<i>Valuation at Spot</i>	<i>399</i>	<i>0.46</i>
<i>Spot USD/AUD 0.76, Gold US\$1752/oz.</i>		

- Our OBM price target and NAV is largely unchanged at 50cps, after some minor model adjustments.
- Information provided in the Davyhurst DFS has been used in our modelling. We assume gold production ramps-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.
- 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).
- We maintain our Buy recommendation.

Fig.7 Davyhurst Gold Production and Cost Forecasts



Source: Euroz Hartleys, OBM

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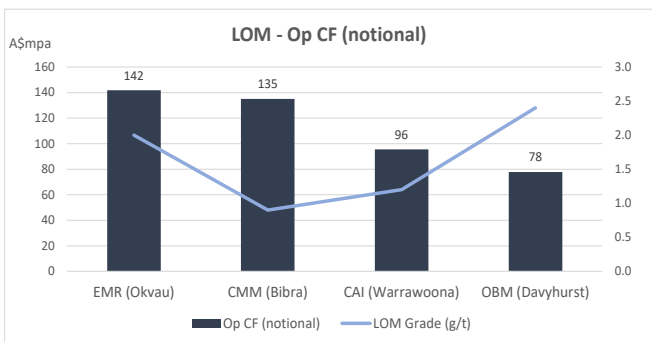
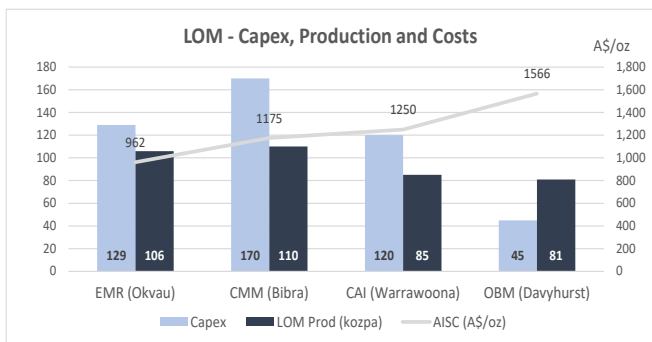
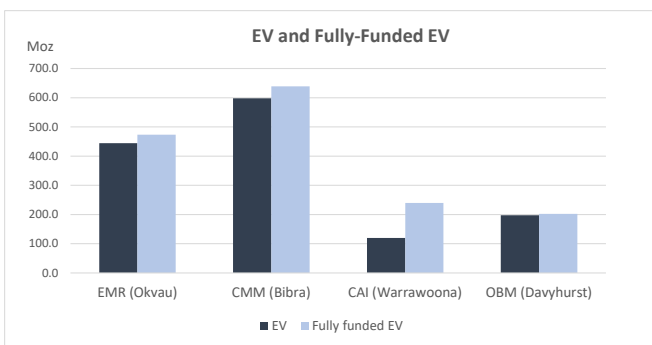
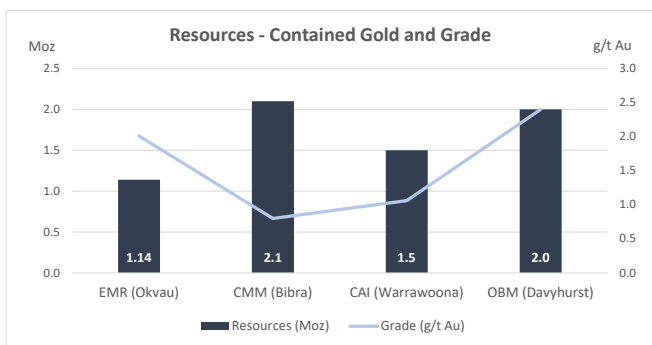
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## Peer Comparison



- OBM has poured first gold (Feb'21), and continues to ramp-up to targeted production levels.
- OBM retains healthy cash, and remains debt free (low risk balance sheet).
- Ongoing exploration continues to extend and add confidence to the mine plans. We like the 'district-scale' opportunities to increase mine life and sustain higher production levels.



# Ora Banda Mining Ltd

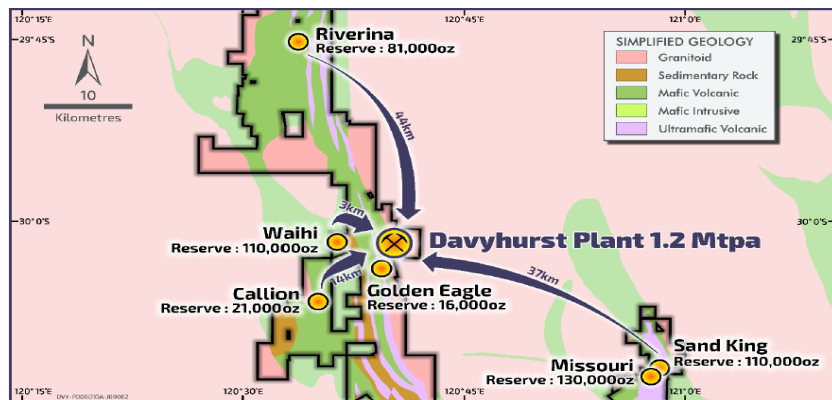
(OBM \$0.26) Buy



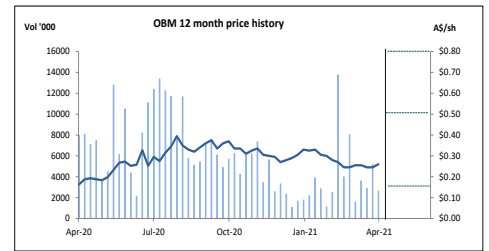
## Key Variables

Val/ Sh	Gold \$									
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	
AUDUSD	\$0.50	\$0.10	\$0.16	\$0.22	\$0.27	\$0.33	\$0.39	\$0.44	\$0.50	\$0.55
	15%	\$0.15	\$0.20	\$0.26	\$0.32	\$0.38	\$0.44	\$0.50	\$0.56	\$0.62
	10%	\$0.19	\$0.25	\$0.31	\$0.37	\$0.44	\$0.50	\$0.56	\$0.62	\$0.68
	5%	\$0.24	\$0.30	\$0.37	\$0.43	\$0.50	\$0.56	\$0.63	\$0.69	\$0.76
	0%	\$0.29	\$0.36	\$0.43	\$0.50	\$0.57	\$0.63	\$0.70	\$0.77	\$0.84
	-5%	\$0.35	\$0.43	\$0.50	\$0.57	\$0.64	\$0.71	\$0.78	\$0.86	\$0.93
	-10%	\$0.42	\$0.50	\$0.57	\$0.65	\$0.73	\$0.80	\$0.88	\$0.95	\$1.03
	-15%									

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 - \$0.50/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.

## 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.

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## Market Statistics

		Year End 30 June	
<b>Share Price</b>	<b>\$0.260</b>	<b>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</b>	<b>m</b>	Susan Hunter Co Comp Sec
			Tony Brazier CFO, Comp Sec
<b>Mkt Capital'n</b>	<b>\$229</b>	<b>m</b>	Peter Nicholson CEO
Enterprise Value	\$204	m	<b>Shareholders</b>
Debt est	\$-	m	Hawke's Point 46.4%
Cash est	\$26	m	

## Asset Valuation

	A\$m	A\$/sh
100% Davyhurst	408	0.47
Mt Ida and other exploration	25	0.03
Forwards	-	0.00
Corporate Overheads	(27)	-0.03
Net Cash (Debt)	26	0.03
Tax (NPV future liability)	-	0.00
Options, Other Equity & Listed Investments	-	0.00
Hedging	-	0.00
<b>Total @ 10%</b>	<b>431</b>	<b>0.50</b>
<i>Valuation at Spot</i>	<i>399</i>	<i>0.46</i>
<i>Spot USD/AUD 0.76, Gold US\$1752/oz.</i>		

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

	2020A	2021A	2022F	2023F
<b>Davyhurst</b>				
Mill Throughput	Mt 0.00	0.54	1.20	1.25
Mined grade	g/t 0.0	2.0	2.5	2.7
Recoveries	% 0.0	85%	92%	92%
<b>Gold Production</b>	<b>koz 0.0</b>	<b>30.1</b>	<b>89.5</b>	<b>100.2</b>
<b>AISC</b>	<b>A\$oz -</b>	<b>1721</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	2021A	2022F	2023F
CF (A\$m)	-11	12	95	109
CF / Sh (Ac/sh)	-1.9	1.7	11.2	12.7
CF Ratio (x)	-13.4	14.9	2.3	2.0
Earnings (A\$m)	-11	3	63	71
EPS (Ac/sh)	-2.0	0.4	7.4	8.3
EPS Growth (%)	na	na	1962%	0.11
Earnings Ratio (x)	-12.9	72.1	3.5	3.1
E'prise Val. (A\$m)	142	194	123	36
EV : EBITDA (x)	-15.4	13.4	1.2	0.3
EV : EBIT (x)	-12.9	78.3	2.0	0.5
Net Debt / ND+Eq (%)	na	na	na	na
Interest Cover (x)	0.0	1.3	1.9	1.9
EBIT Margin (%)	na	3%	28%	29%
ROE (%)	na	3%	39%	31%
ROA (%)	na	2%	34%	27%
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	2021A	2022F	2023F
Gold Revenue	-	72	227	244
Hedging Revenue	-	-	-	-
Interest Revenue	0	0	0	0
Other Revenue	-	-	-	-
<b>TOTAL REVENUE</b>	<b>0</b>	<b>72</b>	<b>227</b>	<b>244</b>
Operating Costs	8	54	120	129
Dep/Amort	2	12	39	39
Writeoffs (explor)	-	-	-	-
Provisions	-	-	-	-
Corp O/H	2	4	5	5
<b>EBITDA</b>	<b>(9)</b>	<b>14</b>	<b>102</b>	<b>109</b>
<b>EBIT</b>	<b>(11)</b>	<b>2</b>	<b>63</b>	<b>71</b>
Interest Expense	-	-	-	-
NPBT	(11)	3	63	71
Tax	-	-	-	-
Minorities	-	-	-	-
<b>NET PROFIT</b>	<b>(11)</b>	<b>3</b>	<b>63</b>	<b>71</b>
Net Abnormal Gain/(Loss)	-	-	-	-
<b>NET PROFIT After Abn'l</b>	<b>(11)</b>	<b>3</b>	<b>63</b>	<b>71</b>

## Cash Flow (A\$m)

	2020A	2021A	2022F	2023F
Net Profit	(11)	3	63	71
+ Working Capital Adj.	(1)	(2)	(7)	(1)
+ Dep/Amort	2	12	39	39
+ Provisions	-	-	-	-
+ Tax Expense	-	-	-	-
- Tax Paid	-	-	-	-
- Deferred Revenue	-	-	-	-
<b>Operating Cashflow</b>	<b>(11)</b>	<b>12</b>	<b>95</b>	<b>109</b>
-Capex + Development	1	42	11	12
-Exploration	10	10	10	10
-Assets Purchased	-	-	-	-
+Asset Sales	-	-	-	-
+ Other	-	-	-	-
<b>Investing Cashflow</b>	<b>11</b>	<b>53</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>15</b>	<b>74</b>	<b>87</b>
<b>Cash Balance</b>	<b>11</b>	<b>25</b>	<b>99</b>	<b>186</b>

## Balance Sheet (A\$m)

	2020A	2021A	2022F	2023F
<b>Assets</b>				
Cash	11	25	99	186
Current Receivables	-	6	19	20
Other Current Assets	0	0	0	0
Non-Current Assets	47	88	70	53
<b>Total Assets</b>	<b>58</b>	<b>119</b>	<b>188</b>	<b>260</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>98</b>	<b>161</b>	<b>232</b>

## Reserves and Resources

	Reserves		Resources	
	Koz	Mt	g/t Au	Koz
Golden Eagle - UG	16	0.4	3.9	49
Riverina Area - OP	81	3.7	2.7	322
Sand King - OP	110	2.5	3.5	286
Missouri - OP	130	2.1	3.4	227
Waihi - OP	110	2.5	2.6	206
Callion - OP	21	0.7	4.9	107
All others	-	12.1	2.1	833
Davyhurst Total	460	24.0	2.6	2,030
Mt Ida Total	-	0.3	13.8	140
<b>Group Totals</b>	<b>460</b>	<b>24.3</b>	<b>2.8</b>	<b>2,170</b>
<b>EV per oz</b>	<b>443</b>			<b>94</b>

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