

ORA BANDA MINING LTD (OBM)

Near-term gold producer with first gold in Q1 CY21

Ora Banda Mining Ltd (OBM) remains on track for first gold production from its 100%-owned Davyhurst Gold Project in early Q1 CY21. The development project is located ~120km north-west of Kalgoorlie, WA.

The restart of operations at Davyhurst utilises existing processing infrastructure (1.2Mtpa), which requires only modest remedial work, with ore initially to be sourced from 5 open pits and 1 underground mine. Davyhurst reserves are now **6.1Mt grading 2.4g/t Au for 460koz**, up ~39% from 4.4Mt grading 2.4g/t Au for 330koz gold (May'20), and includes maiden reserves for the Waihi (108koz) and Callion (21koz) open pits. The delivered reserve position is within expectations (450-500koz), and mine life extensions beyond the initial 5 years is anticipated, especially at depth. OBM is flagging a potential inventory addition of 3.7Mt grading 4.4g/t Au for 500koz, which could convert over time through targeted exploration. The Riverina underground reserve was not included in the study, and we would expect Callion to provide additional high-grade underground ores in future.

As per the Definitive Feasibility Study (DFS) released at the end of June'20, **pre-production capital costs are estimated to be A\$45m**, which was in-line of our expectations. Mining costs of ~A\$19m make-up ~43% of the total pre-production capex, with the proposed open pit and underground operations to use contractor miners. On the current timeframes, OBM plans to commence mining in Q4 CY20, and expects that the works on the processing plant will be completed before CY20 end. To fund the final phase of development activities for the restart and to provide some additional working capital, OBM raised A\$55m in new equity (~240m shares at 23cps), and retains a strong current cash position of ~A\$66m, while being debt free.

At the DFS used gold price of A\$2,100/oz a 14-month payback is anticipated, and <7 months at current spot gold prices. It is also worth noting that the Company has tax losses in excess of A\$258m to utilise, which will increase free cash flow, especially in the early years of the operation.

Lower production at higher cost, but upside still exists

Latest reserves deliver life of mine (LOM) production of 418koz (recovered), **averaging ~81kozpa** with peak production of +100kozpa forecast in FY23. The average LOM production is lower than we had expected, having modelled an average ~91kozpa (90-100kozpa), though we had assumed some higher-grade underground mines (ie. Callion, Riverina) yet to come. LOM C1 costs are estimated to be A\$1,427/oz for **AISC of A\$1,566/oz**. We had previously forecast an AISC of ~A\$1,350/oz, with costs largely in-line on a per tonne basis but slightly lower head grades for a lower denominator (/oz).

Improved confidence; Upgrade to Buy with 50cps Price Target

The recent DFS release has improved the confidence in our modelling, with mine plans updated, production and cost forecasts adjusted. We continue to use a discount rate of 12%, which will be lowered upon reaching first production and successful ramp-up. Our latest OBM NAV is 43cps (up from 38cps) and spot NAV is 58cps. OBM has one of the lowest capital hurdles, shortest time frame to production (early CY21) and also provides substantial exploration upside. We upgrade to a **Buy** recommendation (from Speculative Buy), with an improved price target of **50cps** (up from 40cps).

Share Price	\$0.360
Valuation	\$0.43
Price Target (12 month)	\$0.50

Brief Business Description:
Gold explorer and developer

Hartleys Brief Investment Conclusion

First gold pour at Davyhurst targeted for early (Jan) CY21. Fully funded and debt free. DFS highlighted average annual gold production of +80kozpa over an initial +5 year mine life, underpinned by reserves. Substantial exploration upside to extend mine life and sustain higher production levels.

Chairman & CEO

Peter Mansell (Non-Exec Chairman)
David Quinlivan (Managing Director)

Top Shareholders (est)

Hawke's Point	46.6%
NPS Mining Alliance	4.6%
Directors	1.3%

Company Address

Level 1, 2 Kings Park Road
West Perth WA 6005

Issued Capital

838.4m

- fully diluted 870.2m

Market Cap

A\$301.8m

- fully diluted A\$313.3m

Cash (est) A\$65.9m

Debt (est) A\$0.0m

EV A\$235.9m

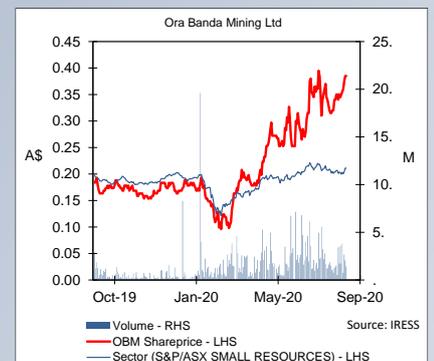
EV/Resource oz A\$111/oz

EV/Reserve oz A\$513/oz

Prelim. (A\$m)	FY20e	FY21e	FY22e
Prod (koz Au)	0	37	85
Op Cash Flw	-10	38	103
Norm NPAT	-8	21	49
CF/Share (cps)	-1.9	5.4	12.2
EPS (cps)	4.3	8.3	6.4
P/E	-17.8	8.4	4.3

Resources (Koz) 2,130

Reserves (Koz) 460



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Hartleys has completed capital raisings in the past 12 months for Ora Banda Mining Limited ("OBM"), for which it has earned gross fees. Hartleys has also provided corporate advice to OBM for which it has earned fees. The analyst has a beneficial interest in OBM shares.

Ora Banda Mining Ltd OBM		Share Price \$0.360				
Key Market Information						
Share Price		\$0.360				
Market Capitalisation - ordinary		A\$302m				
Net Debt (cash)		-\$65.9m				
Market Capitalisation - fully diluted		A\$302m				
EV		A\$236m				
Issued Capital		838.4m				
Options (ITM)		16.2m				
All Options and Performance Rights		31.8m				
Issued Capital (fully diluted inc. ITM options)		854.6m				
Issued Capital (fully diluted inc. all options)		870.2m				
Issued Capital (fully diluted inc. ITM options, new equity)		854.6m				
Valuation		\$0.43				
12month price target		\$0.50				
P&L						
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Net Revenue	A\$m	6.4	0.0	105.3	230.1	225.2
Total Costs	A\$m	-24.7	-9.2	-62.7	-121.3	-131.6
EBITDA	A\$m	-18.3	-9.2	42.6	108.8	93.6
- margin		-285%	-	40%	47%	42%
Depreciation/Amort	A\$m	-1.0	-1.8	-12.2	-38.5	-39.4
EBIT	A\$m	-19.3	-11.0	30.4	70.3	54.2
Net Interest	A\$m	-4.6	0.2	0.1	0.1	0.1
Norm. Pre-Tax Profit	A\$m	-23.9	-10.8	30.5	70.4	54.3
Reported Tax Expense	A\$m	-0.2	0.0	0.0	0.0	0.0
Normalised NPAT	A\$m	-23.9	-7.6	21.4	49.3	38.0
Abnormal Items	A\$m	32.0	-3.3	9.2	21.1	16.3
Reported Profit	A\$m	8.1	-10.8	30.5	70.4	54.3
Minority	A\$m	0.0	0.0	0.0	0.0	0.0
Profit Attrib	A\$m	8.1	-10.8	30.5	70.4	54.3
Balance Sheet						
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Cash	A\$m	14.1	10.6	49.2	139.3	218.4
Other Current Assets	A\$m	0.6	0.0	8.8	19.2	18.9
Total Current Assets	A\$m	14.7	10.6	58.0	158.6	237.3
Property, Plant & Equip.	A\$m	38.3	37.2	71.1	35.9	2.3
Exploration	A\$m	0.0	9.9	18.4	28.4	38.4
Investments/other	A\$m	0.0	0.0	0.0	0.0	0.0
Tot Non-Curr. Assets	A\$m	38.3	47.1	89.6	64.3	40.8
Total Assets	A\$m	53.0	57.7	147.6	222.9	278.1
Short Term Borrowings	A\$m	-	-	-	-	-
Other	A\$m	1.0	0.9	5.3	10.1	11.0
Total Curr. Liabilities	A\$m	1.0	0.9	5.3	10.1	11.0
Long Term Borrowings	A\$m	-	-	-	-	-
Other	A\$m	16.6	16.6	16.6	16.6	16.6
Total Non-Curr. Liabil.	A\$m	16.6	16.6	16.6	16.6	16.6
Total Liabilities	A\$m	17.7	17.6	22.0	26.8	27.6
Net Assets	A\$m	35.4	40.1	125.7	196.1	250.4
Net Debt	A\$m	-14.1	-10.6	-49.2	-139.3	-218.4
Cashflow						
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Operating Cashflow	A\$m	-82.2	-10.6	38.2	103.2	94.9
Income Tax Paid	A\$m	0.0	0.0	0.0	0.0	0.0
Interest & Other	A\$m	-0.2	0.2	0.1	0.1	0.1
Operating Activities	A\$m	-82.4	-10.4	38.3	103.3	95.0
Property, Plant & Equip.	A\$m	-1.6	-0.7	-46.2	-3.2	-5.8
Exploration and Devel.	A\$m	0.0	-9.9	-8.5	-10.0	-10.0
Other	A\$m	3.2	0.0	0.0	0.0	0.0
Investment Activities	A\$m	1.7	-10.6	-54.7	-13.2	-15.8
Net Borrowings	A\$m	31.1	0.0	0.0	0.0	0.0
Equity or "tbc capital"	A\$m	63.7	18.5	55.0	0.0	0.0
Dividends Paid	A\$m	0.0	0.0	0.0	0.0	0.0
Financing Activities	A\$m	94.9	17.4	55.0	0.0	0.0
Net Cashflow	A\$m	14.1	-3.6	38.6	90.1	79.1
Shares						
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Ordinary Shares - End	m	485.7	587.3	838.4	854.6	854.6
Ordinary Shares - Weighted m		623.8	536.5	712.9	846.5	854.6
Diluted Shares - Weighted m		640.0	552.7	729.1	854.6	854.6
* Adjusted for consolidation						
Ratio Analysis						
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Cashflow Per Share	A\$ cps	-13.2	-1.9	5.4	12.2	11.1
Cashflow Multiple	x	-2.7	-18.5	6.7	2.9	3.2
Earnings Per Share	A\$ cps	1.3	-2.0	4.3	8.3	6.4
Price to Earnings Ratio	x	27.8	-17.8	8.4	4.3	5.7
Dividends Per Share	AUD	-	-	-	-	-
Dividend Yield	%	0%	0%	0%	0%	0%
Net Debt / Net Debt + Equity	%	-67%	-36%	-64%	-245%	-682%
Interest Cover	X	na	56.6	na	na	na
Return on Equity	%	na	na	0.2	0.3	0.2
Directors						
Company Information						
Peter Mansell (Non-Exec Chairman)	Level 1, 2 Kings Park Road					
David Quinlivan (Managing Director)	West Perth WA 6005					
Keith Jones (Non-Exec Director)	T: +61 8 6365 4548					
Mark Wheatley (Non-Exec Director)	Toll Free: 1300 035 592					
Susan Hunter (Co-Company Secretary)						
Tony Brazier (CFO & Co-Company Secretary)	www.orabandamining.com.au					
Andrew Czerw (GM Resource Dev)						
Brendan Fyfe (General Counsel)						
Top Shareholders (est)						
		m shares	%			
Hawke's Point		391.1	46.6%			
NPS Mining Alliance		38.6	4.6%			
Directors		10.9	1.3%			
Reserves & Resources						
		Mt	g/t Au	Koz Au		
Resources						
Measured		0.3	2.7	26		
Indicated		15.9	2.6	1,329		
Inferred		7.5	2.9	699		
Resources - Total		23.7	2.8	2,130		
Davyhurst- subtotal		23.4	2.6	1,990		
Mt Ida- subtotal		0.3	13.8	140		
Reserves						
Golden Eagle - UG		0.1	3.8	16		
Riverina Area - OP		1.4	1.8	81		
Sand King - OP		1.3	2.6	110		
Missouri - OP		1.6	2.6	130		
Waihi - OP		1.5	2.3	110		
Callion - OP		0.2	2.6	21		
Reserves - Davyhurst		6.1	2.4	460		
Production Summary						
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Mill Throughput	Mt	0.0	0.0	0.6	1.2	1.2
Mined grade	g/t	0.0	0.0	2.2	2.5	2.7
Combined Recovery & Payability	%	0%	0.0%	90%	92%	92%
Gold Prod	Koz	0.0	0.0	37.0	85.4	98.0
Gold Sold	Koz	0.0	0.0	37.0	85.4	98.0
M&I Resource Conversion	%	0%	31%	30%	26%	20%
Mine Life	yr	6.0	6.0	5.8	4.8	3.8
Costs						
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Cost per milled tonne	\$/t	-	-	95.8	96.3	98.5
EBITDA / tonne milled ore	\$/t	-	-	73.1	94.5	76.3
C1: Operating Cash Cost = (a)	\$/oz	-	-	1,509	1,298	1,233
(a) + Royalty = (b)	\$/oz	-	-	1,581	1,365	1,291
C2: (a) + depreciation & amortisation = (c)	\$/oz	-	-	1,839	1,748	1,636
(a) + actual cash for development = (d)	\$/oz	-	-	2,986	1,452	1,395
C3: (c) + Royalty	\$/oz	-	-	1,910	1,815	1,693
(d) + Royalty	\$/oz	-	-	3,057	1,520	1,452
All In Sustaining Cost (AISC)	\$/oz	-	-	2,178	1,631	1,523
Price Assumptions						
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
AUDUSD	A\$/US\$	0.71	0.67	0.72	0.73	0.74
Gold	US\$/oz	1294	1587	2013	1975	1690
Gold	A\$/oz	1823	2367	2795	2705	2299
Hedging						
		Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Hedges maturing?		No	No	No	No	No
Sensitivity Analysis						
	Valuation	FY21 NPAT				
Base Case	0.43	30.5				
Spot Prices	0.58 (35.0%)	24.1 (-21.2%)				
Spot USD/AUD 0.73, Gold US\$1939/oz.						
AUDUSD +/-10%	0.33 / 0.55 (-23.0% / 28.1%)	21.2 / 41.9 (-30.6% / 37.4%)				
Gold +/-10%	0.54 / 0.32 (25.3% / -25.3%)	40.8 / 20.3 (33.6% / -33.6%)				
Production +/-10%	0.43 / 0.43 (0.0% / 0.0%)	30.5 / 30.5 (0.0% / 0.0%)				
Operating Costs +/-10%	0.37 / 0.49 (-13.6% / 13.6%)	25.3 / 35.7 (-17.0% / 17.0%)				
Unpaid Capital - ALL						
		No. (m)	\$m	Ave price	% ord	
30-Jun-21		16.8	2.0	0.12	2%	
30-Jun-22		0.0	0.0	0.00	0%	
30-Jun-23		15.0	41.2	2.75	2%	
30-Jun-24		0.0	0.0	0.00	0%	
TOTAL		31.8	43.2	1.360	4%	
Share Price Valuation (NAV)						
		Risked Est. A\$m	Est. A\$/share			
100% Davyhurst (pre-tax NAV at disc. rate of 12%)		301.2	0.35			
Mt Ida and other exploration		25.0	0.03			
Forwards		0.0	0.00			
Corporate Overheads		-25.6	-0.03			
Net Cash (Debt)		65.9	0.08			
Tax (NPV future liability)		0.0	0.00			
Options, Other Equity & Listed Investments		0.0	0.00			
Hedging		0.0	0.00			
Total		366.5	0.43			
Analyst: Mike Millikan +61 8 9268 2805 "tbc capital" could be equity or debt. Our valuation is risk-adjusted for how this may be obtained. Sources: IRESS, Company Information, Hartleys Research						
Last Updated: 17/09/2020						

DAVYHURST PROJECT – PRODUCTION Q1 CY21

Large tenement holding over highly prospective Eastern Goldfields greenstones with major structures (Zuleika and Mt Ida Shear Zones)

The Davyhurst project is located ~120km north-west of Kalgoorlie, WA. Access to the project is via the sealed Kalgoorlie-Menzies highway, and gravel roads. The project contains multiple gold deposits (+24), for both open pit and underground mining opportunities. The project is well located within highly prospective greenstones over the Zuleika and Mt Ida Shear Zones.

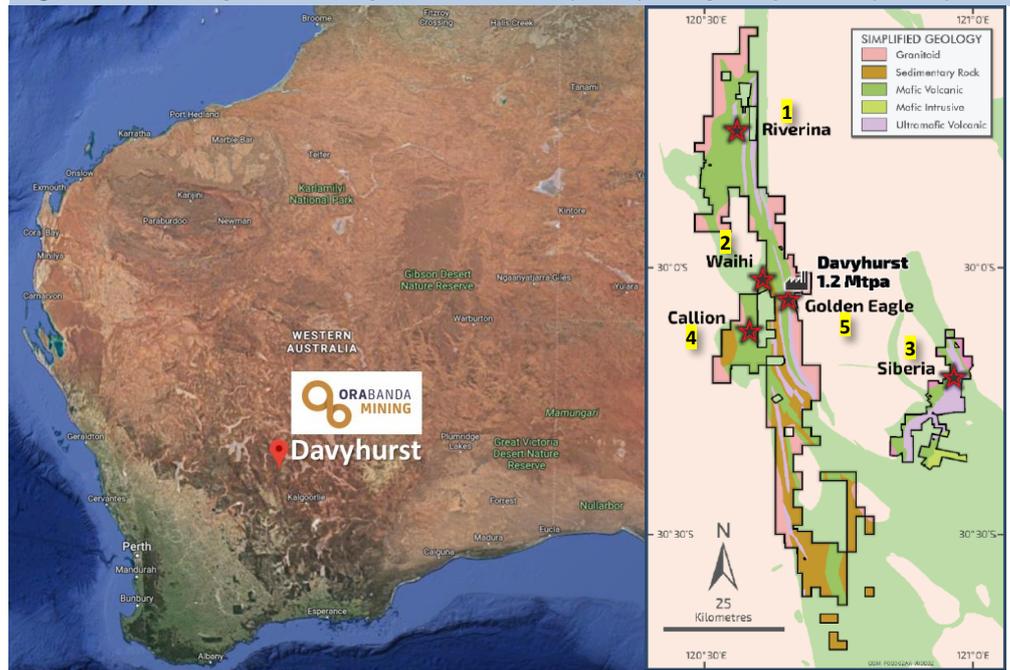
The consolidated project area comprises of the Riverina, Mulline, Davyhurst, Siberia, Lady Ida and Mt Ida project areas, which have historically produced more than 1.5Moz of gold since 1897. OBM’s current activities are focused on 5 advanced deposits (**Riverina, Waihi, Callion, Siberia and Golden Eagle**).

Located ~120km NW of Kalgoorlie

Gold first mined at Davyhurst in 1897

The project contains multiple gold deposits which could translate to both open pit and underground mining opportunities

Fig. 1: Davyhurst Project Location (LHS); Key Deposits (RHS)



Source: Ora Banda Mining Ltd

The Davyhurst project is located within the largely north striking Davyhurst-Mt Ida Greenstone Belt, a western branch of the Norseman-Wiluna Belt.

Davyhurst project is located within the largely north striking Davyhurst-Mt Ida Greenstone Belt, a western branch of the Norseman-Wiluna Belt

The project is situated on the boundary between the Eastern Goldfields Province and Southern Cross Province and includes two major structures, the Mt Ida Shear and Zuleika Shear. The Mt Ida Shear Zone marks the boundary between the Barlee Terrane of the Southern Cross Province and the Kalgoorlie Terrane of the Eastern Goldfields Province. The Zuleika Shear separates the Coolgardie and Ora Banda Domains of the Kalgoorlie Terrane.

Gold mineralisation at Davyhurst is typical of Late Archaean greenstone hosted mesothermal gold deposits with subtle variations in the deposits throughout the area. The project spans the historical and recent gold mining centres of Mulline, Davyhurst, Round Dam, Callion, Siberia, Lady Ida, Riverina, Sand King and Missouri mines.

Gold recoveries have been historically high, above 92%

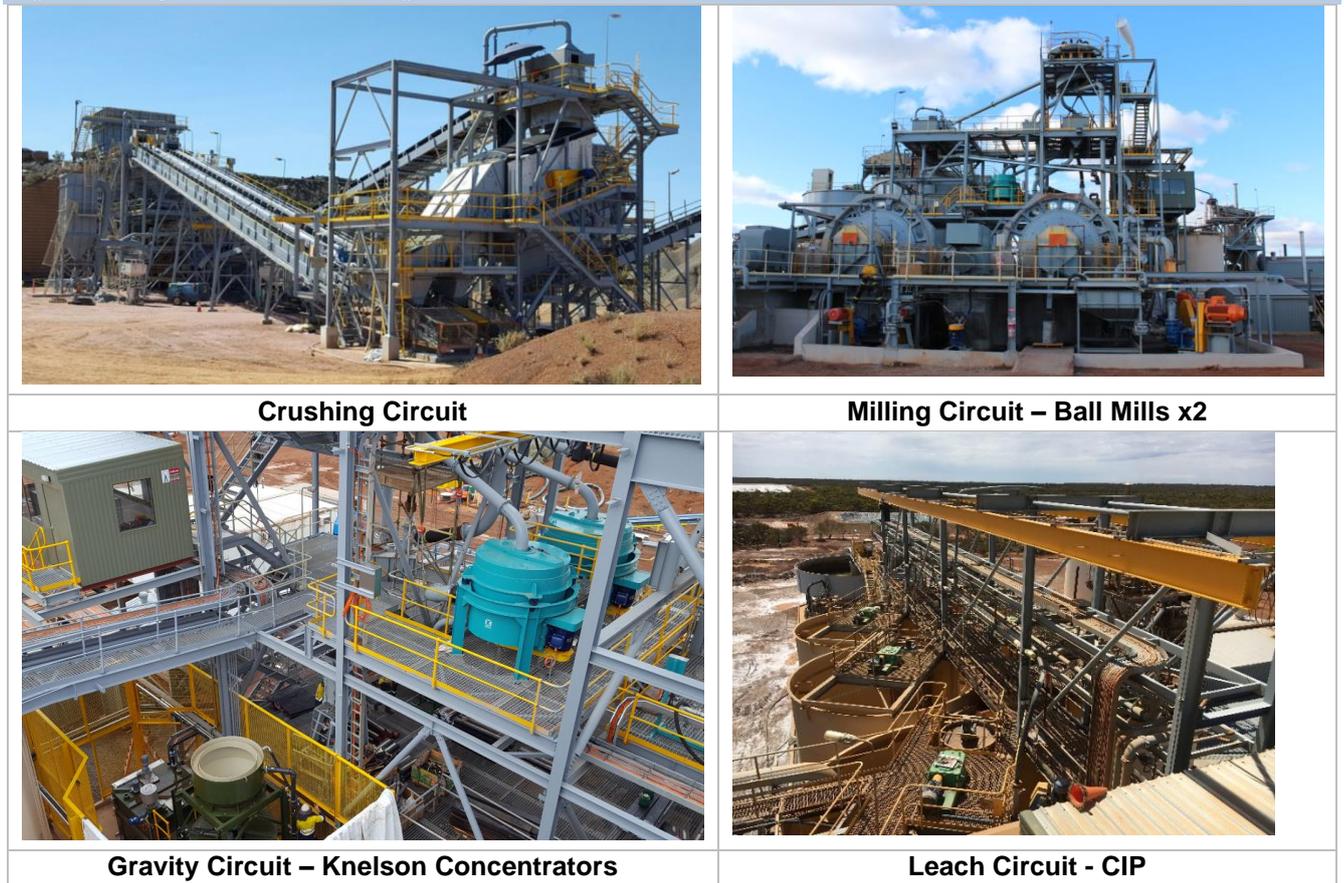
GR Engineering's detailed review to repair the plant has been estimated at \$8.7M in direct costs

The Davyhurst project contains key infrastructure including a conventional **1.2Mtpa** CIP gold processing plant, well established administration and maintenance buildings, extensive spares inventory, an established bore field, haul roads, licensed tailings storage facility (TSF) and a ~200-person accommodation camp.

The plant comprises a three-stage crushing plant, a two-stage milling circuit, gravity circuit and a conventional leach circuit. OBM's predecessor, Eastern Goldfields spent an estimated A\$28M on the refurbishment of the Davyhurst Plant. Unfortunately, the refurbishment was not fully completed, with limited production reported during the commissioning period. OBM engaged GR Engineering (GNG.asx) to complete a detailed review of the Company's Davyhurst Processing Facility and the plant's associated infrastructure. The estimated capital cost to complete the remedial works and recommission the plant on an EPCM basis is ~A\$8.7M direct costs with an additional ~A\$2.6m indirect costs (upgrade of the bore field, and the reconnection of power for the processing plant).

The plant was last operated in 2018. Gold recoveries once recommissioned are expected to be +90% (92-93% historically reported). The tailings storage facility (TSF) paddock needs a lift but appears serviceable for over 12 months.

Fig. 2: Davyhurst Processing Infrastructure



Source: Hartleys Research; Ora Banda Mining Ltd

Current reserves are now 460koz grading 2.4g/t Au

Total resources are 23.7Mt at 2.8g/t Au for ~2.13Moz

OBM has a very large landholding covering 1,336sqkm, with multiple priority targets still to be tested

RESERVES AND RESOURCES

Ore reserves have been updated for the Davyhurst DFS, and now consist **6.1Mt grading 2.4g/t Au for 460koz**, up ~39% from 330koz gold (May'20). The latest reserves are considered interim, with reserve growth anticipated over time.

Fig. 3: Current Reserve Estimate – 30 June '20

Project	Type	Probable			Total		
		Kt	g/t Au	Koz	Kt	g/t Au	Koz
Sand King	Open Pit	1,300	2.6	110	1,300	2.6	110
Missouri	Open Pit	1,600	2.6	130	1,600	2.6	130
Riverina	Open Pit	1,400	1.8	81	1,400	1.8	81
Waihi	Open Pit	1,500	2.3	110	1,500	2.3	110
Callion	Open Pit	240	2.6	21	240	2.6	21
Golden Eagle	Underground	130	3.8	16	130	3.8	16
Total		6,100	2.4	460	6,100	2.4	460

Source: Ora Banda Mining Ltd

Latest resources are detailed below.

Fig. 4: Current Resource Estimate – 30 June '20

PROJECT	Measured			Indicated			Inferred			Total		
	Kt	g/t Au	Koz	Kt	g/t Au	Koz	Kt	g/t Au	Koz	Kt	g/t Au	Koz
GOLDEN EAGLE	0	0.0	0	247	4.1	33	146	3.4	16	393	3.9	49
LIGHTS OF ISRAEL UNDERGROUND	0	0.0	0	74	4.3	10	180	4.2	24	254	4.2	34
MAKAI SHOOT	0	0.0	0	1,985	2	128	153	1.7	8	2,138	2	137
WAIHI	0	0.0	0	2136	2.5	172	326	3.5	37	2462	2.6	206
Central Davyhurst Subtotal	0	0.0	0	4,442	2.4	343	805	3.3	85	5,247	2.5	427
LADY GLADYS	0	0.0	0	1,858	1.9	113	190	2.4	15	2,048	1.9	128
RIVERINA AREA	116	1.8	7	2843	1.8	165	763	3.8	93	3,721	2.7	322
FOREHAND	0	0.0	0	386	1.7	21	436	1.9	27	822	1.8	48
SILVER TONGUE	0	0.0	0	155	2.7	13	19	1.3	1	174	2.5	14
SUNRAYSIA	0	0.0	0	175	2.1	12	318	2	20	493	2	32
Mulline Subtotal	136	1.7	7	5,494	1.9	336	1,648	2.9	154	7,258	2.3	540
SAND KING	0	0.0	0	1,690	3.5	190	826	3.7	98	2,516	3.5	286
MISSOURI	0	0.0	0	1,824	3.4	199	275	3.4	30	2,099	3.4	227
PALMERSTON / CAMPERDOWN	0	0.0	0	118	2.3	9	174	2.4	13	292	2.4	23
BERWICK MOREING	0	0.0	0	0	0	0	50	2.3	4	50	2.3	4
BLACK RABBIT	0	0.0	0	0	0	0	434	3.5	49	434	3.5	49
THIEL WELL	0	0.0	0	0	0	0	18	6	3	18	6	3
Siberia Subtotal	0	0.0	0	3,632	3.4	397	1,777	3.5	200	5,409	3.4	592
CALLION	0	0.0	0	496	4.9	78	184	4.9	29	680	4.9	107
Callion Subtotal	0	0.0	0	496	4.9	78	184	4.9	29	680	4.9	107
FEDERAL FLAG	32	2.0	2	112	1.8	6	238	2.5	19	382	2.3	28
SALMON GUMS	0	0.0	0	199	2.8	18	108	2.9	10	307	2.8	28
WALHALLA	0	0.0	0	448	1.8	26	216	1.4	10	664	1.7	36
WALHALLA NORTH	0	0.0	0	94	2.4	7	13	3	1	107	2.5	9
MT BANJO	0	0.0	0	109	2.3	8	126	1.4	6	235	1.8	14
MACEDON	0	0.0	0	0	0	0	186	1.8	11	186	1.8	11
Walhalla Subtotal	32	2.0	2	962	2.1	65	887	2	57	1,881	2.1	125
IGUANA	0	0.0	0	690	2.1	47	2,032	2	131	2,722	2	175
LIZARD	106	4.0	14	75	3.7	9	13	2.8	1	194	3.8	24
Lady Ida Subtotal	106	4.0	14	765	2.3	57	2,045	2	131	2,916	2.1	199
Davyhurst Total	300	2.7	26	15,800	2.5	1270	7,300	2.8	657	23,400	2.6	1,990
Mount Ida Subtotal	0	0	0	140	18.6	84	180	10.2	59	320	13.8	140
Combined Total	300	2.7	26	15,900	2.6	1329	7,500	2.9	699	23,700	2.8	2,130

Source: Ora Banda Mining Ltd

HARTLEYS ESTIMATES

MINE PLAN – SIX KEY DEPOSITS

Priority deposit areas include: **Riverina, Waihi, Sand King, Missouri, Callion** and **Golden Eagle**.

Building a strong reserve position for processing through the Davyhurst plant was a key objective for the DFS

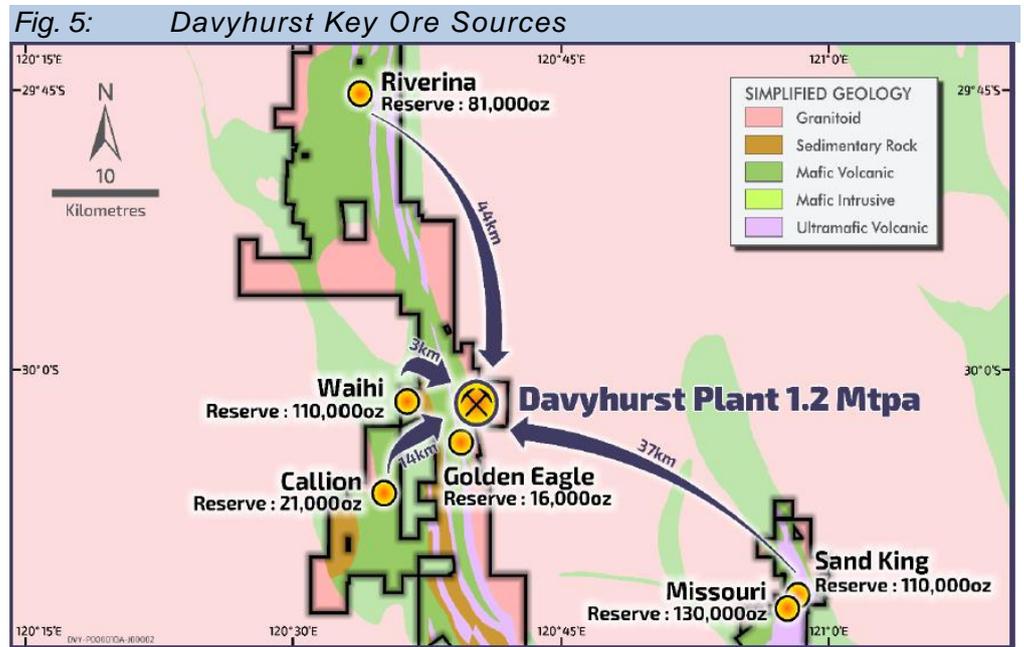
Remedial works for the plant are not expected to be too onerous

We model pre-production capex of ~A\$45m, with an additional ~A\$10m for working capital.

Upside in our modelling comes from converting more resources to reserves for increased mine life, and sustaining higher production levels through improved head grades

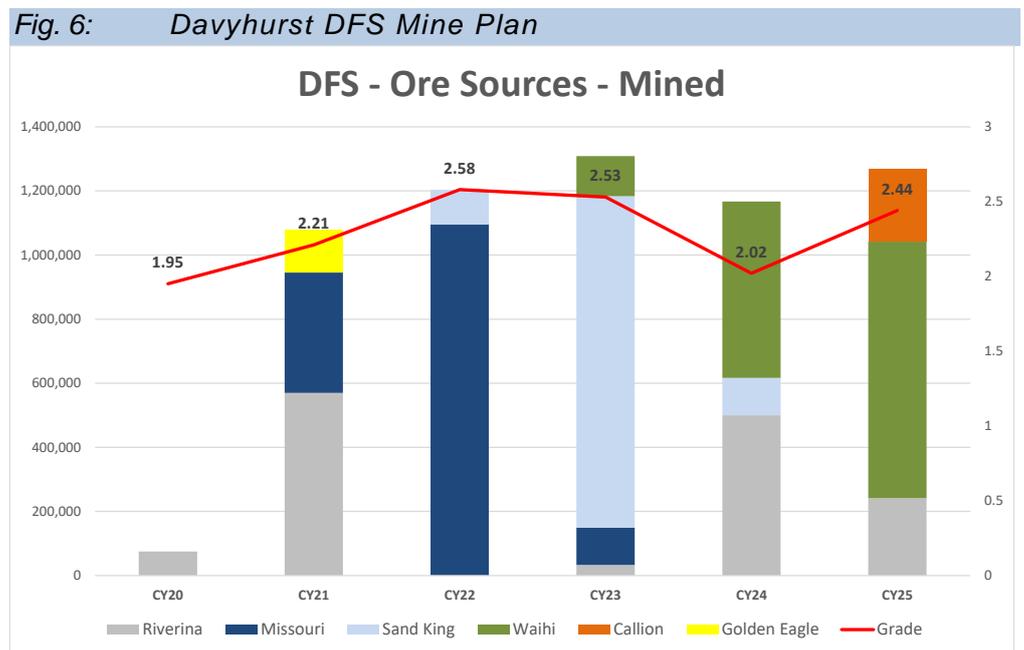
We expect once in production, a mine life of +8 years will be targeted

At this stage our modelling excludes any future potential production from Mt Ida



Source: Ora Banda Mining Ltd

Reserves have now been updated for the DFS, delivering the key outcome of an initial 5-year mining proposition. GR Engineering (GRES, GNG.asx) has been engaged to complete the remedial works for the 1.2Mtpa Davyhurst processing plant. As per the current schedule five deposits will initially be mined via open pit with Golden Eagle to be mined via underground mining methods. Resource definition drilling is expected to be ongoing to upgrade resources to grow reserves (and mine life). The DFS mine plan is summarised below.



Source: Ora Banda Mining Ltd

UPDATED VALUATION

The latest information provided in the Davyhurst DFS has been used to update our modelling. We assume a restart to gold production at Davyhurst in early Q1 CY21, ramping-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 use a discount rate of 12%

We use just above a 5-year mine life

We assume a nominal A\$25m value for Mt Ida and exploration upside

Hartleys sum of parts valuation for OBM is 43cps (up from 38cps)

Accumulated tax losses off-sets some payable tax over a current implied mine life (which remains subject to change)

OBM's tax loss position at 30 June 2019 was ~A\$257.7m

Fig. 7: Davyhurst Model Assumptions

Base Case	Units	Davyhurst
Plant nameplate capacity	Mtpa	1.2
Average throughput	Mtpa	1.1
LOM head grade (ave)	g/t Au	2.4
Recoveries	%	90-92
Total gold recovered	koz	438
Gold sold (ave)	kozpa	+80
Initial Mine Life	yrs	+5.5
AISC (ave)	A\$/oz	1,587
Base Case post-tax NPV@12%	A\$M	301
Spot post-tax NPV@12%	A\$M	432

Source: Hartleys Estimates

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 continue to use a 12% discount rate, and we will adjust our hurdle rate once the production milestone has been reached. Our latest OBM NAV has been improved by the DCF roll forward and recent changes to our gold price assumptions (upgraded for FY20, 21, 22, 23 and 24, while our long-run price assumption is unchanged).

Fig. 8: Hartleys Sum of Parts Valuation for OBM

Share Price Valuation (NAV)	Risked Est. A\$m	Est. A\$/share
100% Davyhurst (pre-tax NAV at disc. rate of 12%)	301.2	0.35
Mt Ida and other exploration	25.0	0.03
Forwards	0.0	0.00
Corporate Overheads	-25.6	-0.03
Net Cash (Debt)	65.9	0.08
Tax (NPV future liability)	0.0	0.00
Options & Other Equity	0.0	0.00
Hedging	0.0	0.00
Total	366.5	0.43

Source: Hartleys Estimates

PRELIMINARY PRICE TARGET

Our price target is based on our Base Case preliminary valuation at 12% and 8% discount rates, which have been weighted for Consensus and Spot pricing and weighting for the current net cash backing.

Hartleys' 12-month price target is 50cps (up from 40cps)

We upgrade to a Buy recommendation (from Speculative Buy)

Fig. 9: OBM Price Target Methodology

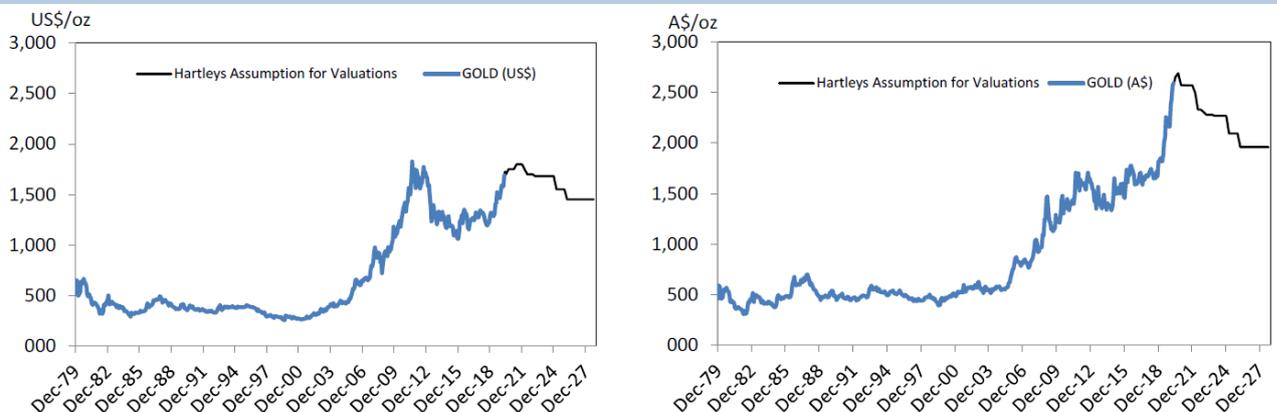
Price Target Methodology	Weighting	Spot	12 mth out
Davyhurst NPV @ 12% - Base Case	40%	\$0.43	\$0.51
Davyhurst NPV @ 12% - Spot	20%	\$0.58	\$0.68
Davyhurst NPV @ 8% - Base Case	16%	\$0.45	\$0.44
Davyhurst NPV @ 8% - Spot	10%	\$0.64	\$0.65
Exploration value only	5%	\$0.11	\$0.12
Net Cash Backing	9%	\$0.08	\$0.16
Risk weighted composite		\$0.43	
12 Months Price Target		\$0.50	
Shareprice - Last		\$0.360	
12 mth total return (% to 12mth target)		38%	

Source: Hartleys Estimates

Commodity price exposure

OBM is exposed to the gold price.

Fig. 10: Gold Price Assumptions



Source: Hartleys Research Estimates, IRESS

RISKS

Key risks for OBM include reserve definition (geological risk), bringing Davyhurst back into production (development risk), and commodity price (gold) volatility. While the Company does not at this stage have any debt, potential future facilities could add financial risk.

Fig. 11: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Davyhurst gets into production	Moderate	Extreme	OBM is largely leveraged to the success of the Davyhurst project recommencing operations. We assume the existing milling infrastructure can be brought back into operation and the development can be funded through existing cash (recent equity raise). We model Davyhurst ramping up to 1.2Mtpa for +5 years and achieving ~80-100kozpa @ AISC of ~A\$1,580/oz
Model parameters	Moderate	Meaningful	We have made a number of large assumptions in our valuation of OBM, changes in these assumptions can change our valuation to both the upside and downside
Exploration upside potential	Moderate	Meaningful	We assume exploration upside. Some downside risk to our valuation exists if OBM has no further exploration success
Geological Risk	Moderate	High	The current resource base needs to be updated to JORC 2012 standards and drilling needs to define reserves, if the updated resources change considerably our valuation will be at high risk to the downside
Favourable commodity prices	Moderate	Meaningful	OBM remains sensitive to changes in commodity prices, exchange rates and market sentiment. Though with no current operations, direct impact from commodity prices is limited.

Conclusion

We have made significant assumptions but believe these are achievable.

Source: Hartleys Research

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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Hartleys has completed capital raisings in the past 12 months for Ora Banda Mining Limited ("OBM"), for which it has earned gross fees. Hartleys has also provided corporate advice to OBM for which it has earned fees.

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