

# Orosur Mining

Newmont farm-in

## A transformational deal with Newmont

Orosur (OMI) has secured US\$2m (at a 229% pre-deal premium to its share price) via a private placement with Newmont Mining (NEM) in relation to its Anzá project in Colombia. This alleviates OMI's near-term corporate cash requirements and provides it with a funded route for Anzá through to production. Considering the beleaguered state of OMI before this with production at its Uruguay assets on care and maintenance, this initial financing from one of the world's pre-eminent gold miners offers a realistic development route to realising Anzá's potential value.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
5/16	42.9	3.2	(1.2)	0.0	N/A	N/A
5/17	44.2	2.1	2.6	0.0	2.3	N/A
5/18	37.1	(2.4)	(26.4)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Exploration and option agreement

This agreement allows NEM to farm-in up to 75% of the Anzá project. This requires total staged expenditure of US\$30m, spread over three phases, and in addition also financing both a PFS and a bankable FS and paying US\$4m in cash to OMI. NEM purchased an initial 29.2m shares at C\$0.091 (£0.053) for gross proceeds of US\$2m, reflecting a pre-deal share price premium of 229%. Phase 1 will see NEM earn 51% by paying US\$10m in qualifying payments over four years and in addition US\$2m in cash to OMI in the first two years. Phase 2 allows NEM to earn another 14% by spending US\$20m, and financing a NI43-101 PFS and making a further US\$2m in cash payments. Phase 3, if reached by NEM, will see the mining major earn its final 10% in the Anzá project by financing and completing an NI43-101 bankable FS within four years (ie 2026 to 2030). OMI also has the option to obtain financing from NEM for its share of mine development costs if NEM decides to proceed to production, with NEM's share in the project increasing by 5% to 80%.

## Interest on the Pacific shoulder of South America

We understand from management this deal has followed a number of site visit trips by NEM's staff to Anzá. Highlighting NEM's early confidence in Anzá being able to yield a mineral resource of suitable size and grade for it to develop (ie in the order of 3–4Moz Au) with anything smaller likely returned to, and benefiting OMI considerably in the long term. The region is seen as opening up a continuation of the world-class copper and precious metal regions of southern Peru and Chile.

## Financials: FY18 results left OMI on a cliff edge

FY18 results were announced on 30 August 2018. OMI's production of 27,586oz was sold at an average gold price of US\$1,280/oz and incurred all-in sustaining costs of production of US\$1,453/oz. These higher costs reflected OMI's mining of lower than anticipated gold grades at San Gregorio and increased brown fields exploration. At 30 August 2018 the company had a small cash balance of US\$0.45m, debt of US\$1.9m and a net working capital deficiency of US\$10.9m.

### Metals & mining

11 September 2018

Price **4.65p**

Market cap **£6m**

US\$/£:1.31

Net debt (US\$m) at 31 May 2018 0.6

Shares in issue 146.8m

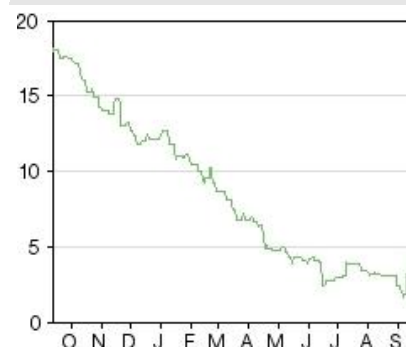
Free float 86%

Code OMI

Primary exchange TSX

Secondary exchange AIM

### Share price performance



% 1m 3m 12m

Abs 45.3 13.4 (74.5)

Rel (local) 52.1 19.4 (74.4)

52-week high/low 18.1p 1.6p

### Business description

Orosur Mining owns (100%) the San Gregorio gold mine in Uruguay (on care and maintenance) and controls the highly prospective, high-grade Anzá gold property in Colombia, which is now subject to an exploration and option agreement with Newmont Mining.

### Next events

Q1 results October 2018

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**Exhibit 1: Financial summary**

	US\$'000s	2014	2015	2016	2017	2018
31-May		IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>						
Revenue		80,370	65,868	42,866	44,226	37,100
Cost of Sales		(72,905)	(69,715)	(42,073)	(40,271)	(38,170)
Gross Profit		7,465	(3,847)	793	3,955	(1,070)
EBITDA		23,935	10,708	9,121	9,436	6,705
Operating Profit (before amort. and except.)		5,197	(5,861)	3,146	2,293	(2,196)
Intangible Amortisation		0	0	0	0	0
Exceptionals		(869)	(43,164)	(6,328)	(101)	(24,807)
Other		0	0	0	0	0
Operating Profit		4,328	(49,025)	(3,182)	2,192	(27,003)
Net Interest		(666)	(376)	24	(164)	(177)
Profit Before Tax (norm)		4,531	(6,237)	3,170	2,129	(2,373)
Profit Before Tax (FRS 3)		3,662	(49,401)	(3,158)	2,028	(27,180)
Tax		1,461	(4,975)	1,948	557	(3,143)
Profit After Tax (norm)		5,123	(54,376)	(1,210)	2,585	(30,323)
Profit After Tax (FRS 3)		5,123	(54,376)	(1,210)	2,585	(30,323)
Average Number of Shares Outstanding (m)		78.1	96.6	97.6	99.9	114.7
EPS - normalised (c)		6.6	(56.3)	(1.2)	2.6	(26.4)
EPS - normalised fully diluted (c)		6.6	(56.3)	(1.2)	2.6	(26.4)
EPS - (IFRS) (c)		6.6	(56.3)	(1.2)	2.6	(26.4)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		9.3	-5.8	1.8	8.9	-2.9
EBITDA Margin (%)		29.8	16.3	21.3	21.3	18.1
Operating Margin (before GW and except.) (%)		6.5	-8.9	7.3	5.2	-5.9
<b>BALANCE SHEET</b>						
Fixed Assets		79,278	34,992	30,661	37,731	16,607
Intangible Assets		41,955	18,330	20,555	21,571	10,029
Tangible Assets		37,323	16,662	10,106	16,160	6,578
Investments		0	0	0	0	0
Current Assets		28,410	20,925	18,159	18,033	9,040
Stocks		14,254	14,362	12,069	13,157	6,100
Debtors		3,338	1,775	1,770	1,519	1,550
Cash		10,818	4,788	4,320	3,357	1,390
Other		0	0	0	0	0
Current Liabilities		(17,919)	(15,073)	(11,199)	(14,963)	(19,782)
Creditors		(13,941)	(13,944)	(10,946)	(14,761)	(18,052)
Short term borrowings		(3,978)	(1,129)	(253)	(202)	(1,730)
Long Term Liabilities		(6,789)	(6,958)	(5,426)	(5,606)	(5,494)
Long term borrowings		(961)	(352)	(99)	(201)	(211)
Other long term liabilities		(5,828)	(6,606)	(5,327)	(5,405)	(5,283)
Net Assets		82,980	33,886	32,195	35,195	371
<b>CASH FLOW</b>						
Operating Cash Flow		22,767	11,753	6,539	12,349	8,013
Net Interest		(666)	(376)	24	(164)	(177)
Tax		0	0	0	0	0
Capex		(13,062)	(12,835)	(6,612)	(13,199)	(14,235)
Acquisitions/disposals		0	0	0	0	0
Financing		0	0	710	0	2,894
Dividends		0	0	0	0	0
Net Cash Flow		9,039	(1,458)	661	(1,014)	(3,505)
Opening net debt/(cash)		3,362	(5,879)	(3,307)	(3,968)	(2,954)
HP finance leases initiated		0	0	0	0	0
Other		202	(1,114)	0	0	0
Closing net debt/(cash)		(5,879)	(3,307)	(3,968)	(2,954)	551
Source: Orosur Mining						

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