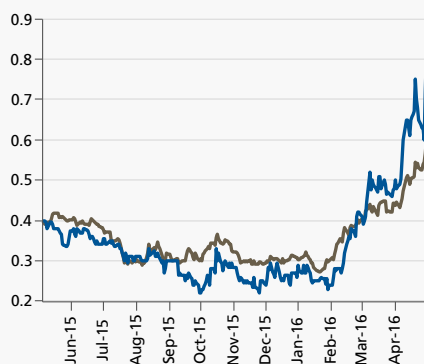


[Back to index](#)**Canadian Equity Research**
2 May 2016**SPECULATIVE BUY***unchanged*

PRICE TARGET	C\$0.90↑
<i>from C\$0.60</i>	
Price (2-May)	C\$0.79
Ticker	ORE-TSX; ORZCF-OTC

52-Week Range (C\$):	0.22 - 0.83
Avg Daily Vol (000s) :	69.4
Avg Daily Vol (M) :	151.8
Market Cap (C\$M):	101
Shares Out. (M) :	127.4
EV /oz (US\$):	31.49
Implied Return to Target (%) :	25.0
Enterprise Value (C\$M):	100
Cash (US\$M):	3.84
Long-Term Debt (US\$M):	3.3
NAV /Shr (US\$):	0.90
NAV /Shr (5%) (C\$):	2.31
P/NAV (x) :	0.88
Working Capital (US\$M):	4.1
Website:	orezone.com



— ORE
— Junior Gold Miners Index (rebased)

Source: FactSet

Eric Zauscherb, CFA | Analyst | Canaccord Genuity Corp. (Canada) | ezaunscherb@canaccordgenuity.com | 1.416.869.7299

Rick Breger, MBA, PGeo | Associate | Canaccord Genuity Corp. (Canada) | rbreger@canaccordgenuity.com | 1.416.687.6362

Raising Target Price Anticipation

Investment Thesis

We have increased our target price on Orezone Gold to C\$0.90 from C\$0.60 and maintain our Speculative Buy rating. Orezone's experienced management team and Board of Directors are advancing the Bomboré gold project in Burkina Faso.

Investment Highlights

The company's share price has appreciated 216% since late January as compared to the benchmark GDXJ, which is up 121% over the same time period. Similarly, the price of gold has appreciated 19%. Our fully funded valuation method is also impacted by the equity dilution component of project funding and benefits from the significant share price move. Projected fully funded shares outstanding falls to 568M from 680M shares.

April 2015 2P reserves at Bomboré amount to 59.8Mt oxidized ore averaging 0.76g/t Au for 1.47Moz gold contained. Although grade is relatively low, so too is the project strip ratio (1:1) with good metallurgical characteristics (87% average gold recovery, no agglomeration and low cyanide consumption of 0.20kg/t). The Phase 1 Heap Leach/CIL project (~50/50) is expected to produce 135,000 oz/a over 8 years at US\$678/oz AISC. Initial capex is estimated at US\$250M. At US\$1,100/oz Au the feasibility project generates an after-tax NPV(5%) of US\$196M and 24% IRR.

We may see two potentially catalytic events in Q2. These include the publication of a resource update and the hoped-for receipt of Environmental Approval followed by Cabinet approval of the project's mining permit. With regard to the resource update, the resource increment from drilling may not be material, negating the need for a release. President Koboré's Cabinet was recently sworn in in capital city Ouagadougou. New ministers Dissa (Mining) and Bassiere (Environment) are relatively unknown quantities to the rapidly growing Burkinabe gold mining industry. On a local level, however, all villagers and artisanal miners have signed off to protocols under International Finance Corporation guidelines with regard to planned settlement relocations.

Management believes the Bondi gold project has excellent exploration potential and intends to conduct a small exploration program to test some clear targets; considerable artisanal mining activity is ongoing. Given the company's stated intent to husband its capital carefully, it would not be surprising to see Orezone partner Bondi.

Valuation

On our forward curve driven pricing deck our model currently generates a fully funded after-tax NAV(10%) of \$179M, or \$0.3/sh, and 29% IRR. Net corporate adjustments amount to \$0.59/sh, which includes \$327M in equity raised at a discount to current market. Our valuation is entirely based on fundamental value without a nod toward potential future acquisition. We apply a 1.0x multiple to generate a fully funded target NAVPS of \$0.90, supporting a rounded target price of C\$0.90, increased from C\$0.60. The 14% projected return supports a Speculative Buy rating.