

OceanaGold Corporation

First Look--Q1/2020 Financial Results In Line; 2020 Guidance Reiterated

OUR TAKE: Mild Positive. OceanaGold reported Q1/2020 financial results with adjusted EPS of $-\$0.02$ (in line with cons -0.02). Production of 80.7koz Au had been pre-reported with AISC of $\$1218/\text{oz}$. With the Q1 results, **OGC reiterated 2020 guidance in a back-half weighted year with production of 360k to 380koz Au with AISC of $\$1075-\$1125/\text{oz}$ although noted potential risks to the outlook due to ongoing concerns from COVID-19.** Haile operations have continued uninterrupted while New Zealand operations are ramping back to full operations following a temporary shutdown for COVID-19. Development of the Martha underground at Wahi has also resumed.

OGC ended Q1 with $\$177\text{M}$ in cash on hand following a draw down on the company's credit facility (now fully drawn at $\$200\text{M}$). OGC shares are rated SO with a C $\$5.00$ price target.

Q1/2020 detail - In Q1/2020, Haile produced 29.4koz Au, Waihi produced 12.2koz Au, and Macraes produced 39.2koz Au. Didipio also recorded sales of 6.8koz Au.

Didipio - OGC noted that Didipio remains in a state of operational readiness as the company continues to work on restart there through lifting of restrictions or renewal of the FTAA.

Valuation - OGC shares are trading at a spot P/NAV of 0.65x and 4.9x 2020 P/CF vs peers trading at 0.9x and 6.2x.

Upcoming catalysts - (1) Waihi district level PEA study (Q2/Q3/2020); Golden Point underground study (2H/2020).

OceanaGold will host a conference call on May 14 at 5:30pm ET, dial-in (888) 390-0546 or (416) 764-8688.

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PERTINENT DATA

Rating	Sector Outperform
1-Yr. Target	C$\\$5.00$
OGC-T	C $\$2.51$
OGC-AU	A $\$2.76$
1-Yr. Return	100.9%
Div. (NTM)	$\$0.03$
Div. (Curr.)	$\$0.02$
Yield (Curr.)	1.1%
NAVPS	C $\$3.13$
P/NAV	0.80x

Valuation: 50% 1.20x NAV and 50% 7.0x 2021E CFPS

Key Risks: Multiple contraction, commodity prices, technical and operational risks, and geopolitical risks

CAPITALIZATION

Market Cap. (M)	C $\$1,593$
Net Debt + Pref. (M)	C $\$75$
Enterprise Value (M)	C $\$1,668$
Shares O/S (M)	635
Float O/S (M)	620



Source: FactSet.

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Exhibit 1: Summary Quarterly Results

	OGC Q1/20A	Scotia Q1/20E	% diff
Consolidated			
Gold production	80,707	80,707	-
Gold sales (incl. Didipio)	91,388	91,388	-
Cash Costs (byproduct) (Ex Didipio Sales)	\$802	\$802	-
AISC (Ex Didipio Sales)	\$1,218	\$1,218	0%
Total revenue	\$138.2	\$144.5	-4%
Net income	-\$26.0	-\$2.8	<i>nm</i>
EPS - reported	-\$0.04	\$0.00	<i>nm</i>
Adjusted net income	-\$10.7	-\$2.8	<i>nm</i>
EPS - adj	-\$0.02	\$0.00	<i>nm</i>
Cash flow from ops (pre W/C)	\$121.2	\$126.3	-4%
CFPS (pre W/C chgs)¹	\$0.19	\$0.20	-5%
Cash balance (after debt repayment)	\$177.4	\$176.8	0%
Total Debt Outstanding (including Leases)	\$200.0	\$248.7	-20%
Macraes			
Gold production	39,200	39,163	0%
AISC	\$1,218	\$1,218	-0%
Waihi			
Gold production	12,200	12,171	0%
AISC	\$376	\$376	-
Haile			
Gold production	29,373	29,373	-
AISC	\$1,551	\$1,551	-0%

¹Includes Gold presale

Source: Company reports; Scotiabank GBM estimates.

Appendix A: Important Disclosures

Company	Disclosures (see legend below)*
OceanaGold Corporation	VS0309, VS0453, VS0556, VS0577, VS0641

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*Legend

- VS0309** Research Analyst Ovais Habib visited the Didipio mine, an operating mine, on March 18, 2015. The issuer paid for a portion of the travel-related expenses incurred by the Research Analyst to visit the site.
- VS0453** Research Analyst Ovais Habib visited the Haile mine, an operating mine, on March 3, 2017. The issuer paid for a portion of the travel-related expenses incurred by the Research Analyst to visit the site.
- VS0556** Research Associate Eric Winmill visited OceanaGold Corp.'s Haile mine, an operating gold mine in South Carolina, USA on August 29, 2018. The issuer paid for a portion of the travel-related expenses incurred by the Research Associate to visit the site.
- VS0577** Research Analyst Ovais Habib visited the Macraes, Waihi site, a gold mine in New Zealand, on November 1-2, 2018. The issuer paid for a portion of the travel-related expenses incurred by the Research Analyst to visit the site.
- VS0641** Research Analyst Ovais Habib visited OceanaGold Corporation's Haile mine, an operating gold mine in South Carolina, on September 14, 2019. The issuer paid for a portion of the travel-related expenses incurred by the Research Analyst to visit the site.

Rating and Price Target History

OceanaGold Corporation (OGC-T) as of May 13, 2020 (in CAD)



*Represents the value(s) that changed.

Ratings Legend: FS=Focus Stock; SO=Sector Outperform; SP=Sector Perform; SU=Sector Underperform; T=Tender; UR=Under Review; CS=Coverage Suspended; DC=Discontinued Coverage

Source: Scotiabank GBM estimates; FactSet.

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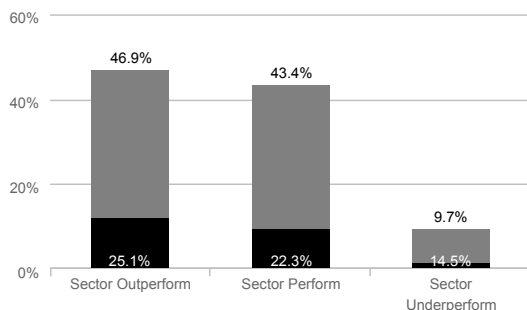
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* As of April 30, 2020.

Source: Scotiabank GBM.

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