

# OROCO RESOURCE CORP.

## Attractive Copper Project in Mexico – Well Aligned with Critical Metals Strategy

### INVESTMENT THESIS

We are initiating coverage of Oroco Resource Corp. with a BUY rating and \$1.50/shr target price. Oroco is a mineral exploration company with an experienced team advancing its Santo Tomás Copper Project in Mexico. The current resource estimate, released in May 2023, showed a total of 8.6 Blb of copper equivalent (CuEq) in the Indicated & Inferred categories with an average grade of 0.36% CuEq and the deposit remains open with significant expansion potential. An upcoming preliminary economic assessment (PEA) is expected to yield attractive economics benefitting from the deposit's favourable geometry and location in a supportive jurisdiction with good infrastructure. The stock is attractive trading at just over US\$0.01/lb vs peers at US\$0.03/lb with key catalysts ahead.

### VALUATION

Our \$1.50/shr target price is based on EV/Resource multiples of US\$0.03/lb CuEq based on the current resource estimate of 8.6 Blb of CuEq in all categories.

### INVESTMENT HIGHLIGHTS

**Large Copper Resource:** The Santo Tomás Copper Project is one of the largest undeveloped copper projects in North America with an open pit resource estimate outlining 8.6 Blb copper equivalent.

**Exploration Upside:** Mineralization remains open to the north and south, with clear potential for further expansion of the resource outside the current economic pit shell.

**PEA Underway:** A preliminary economic assessment (PEA) is underway and on track for completion in H2/23. We see potential for an NPV<sub>8%</sub> in the US\$1.7 B range.

**Good Jurisdiction:** Santo Tomás is located in northern Sinaloa state, Mexico with excellent local infrastructure and a strong local mining culture and falls within the US-Mexico-Canada free trade agreement.

**Copper Tailwinds:** Copper is a critical metal for the Energy Transition and there is a dearth of new projects, particularly in North America which is looking to shorten supply chains and maintain security of supply of the critical metal.

<b>Recommendation:</b>	<b>BUY</b>
Symbol/Exchange:	OCO-TSXv
Sector:	Metals & Mining
<i>All dollar values in CAD unless otherwise noted.</i>	
Current price:	\$0.68
One-year target:	\$1.50
Target return:	121%
52-week Trading Range	\$0.61 - \$1.30

#### Financial Summary

Market Cap (\$MM)	145.1
Cash on hand (\$MM)	4.5
Debt (\$MM)	0.0
Basic Shares O/S (MM)	213.4
Fully Diluted Shares O/S (MM)	238.8
Avg. Weekly Volume (000)	12.9

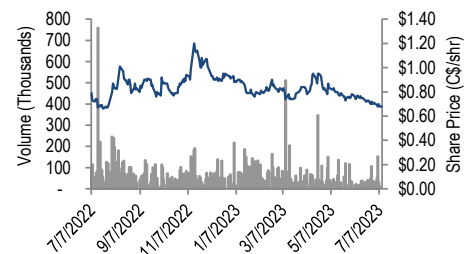
#### Mineral Resource (Santo Tomas)

	MMt	Cu (%)	Au g/t	CuEq (%)
M&I	487	0.32	0.03	0.36
Inferred	600	0.32	0.03	0.36
<b>Total</b>	<b>1,087</b>	<b>0.32</b>	<b>0.03</b>	<b>0.36</b>

	Cu (MMlb)	Mo (MMlb)	Au (koz)	CuEq (MMlb)
M&I	3,400	91.9	392.8	3,864
Inferred	4,172	95.6	500.6	4,171
<b>Total</b>	<b>7,572</b>	<b>187.5</b>	<b>893.4</b>	<b>8,561</b>

EV/Resource (US\$/lb CuEq) 0.012



**Company Profile:** Oroco Resources Corp. is a mineral exploration company focused on expanding and advancing its 8.6 Blb CuEq Santo Tomás copper project in Sinaloa, Mexico.

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See disclosure and a description of our recommendation structure at the end of this report.

## OVERVIEW & INVESTMENT HIGHLIGHTS

Oroco Resource Corp. is a mineral exploration company focused on advancing its Santo Tomás Copper Project in Mexico. Oroco currently has 213.4 MM shares outstanding and 239.0 MM on a fully diluted basis with management, directors, and insiders holding ~37 MM shares (15.5% fully diluted). The stock's principal listing is on the TSXv under the ticker "OCO". It also trades in the United States OTC under "ORRCF" and the Frankfurt Stock Exchange under "OR6".

**Large Copper Resource:** A maiden resource estimate for the Santo Tomás copper-gold porphyry deposit released in May 2023 comprised of an Indicated resource of 3.9 Blb CuEq (487.3 MMt @ 0.36% CuEq) and Inferred resources of 4.7 Blb CuEq (599.9 MMt Cu @ 0.36% CuEq) for a total of 8.6 Blb of copper equivalent contained (including recovery considerations). Oroco currently owns an 85.5% interest in the "Core Concessions", which host the resource, and an 80% interest in the surrounding "Peripheral Concessions".

**Significant Exploration Upside:** Mineralization remains open to the north and south, with clear potential for further expansion of the resource outside the current economic pit shell. The Company is planning further drilling.

**Preliminary Economic Assessment Under Way:** Oroco has engaged mining engineering firms Ausenco, SRK and Mining Plus to complete a PEA, which is on track for H2/23. Santo Tomás is located close to necessary infrastructure including roads, rail, power and water and the resource estimate suggests a low strip ratio all of which should drive modest capital and operating costs. Our conceptual model shows potential for a US\$1.7 B NPV<sub>8%</sub>.

**Experienced Team:** Oroco is led by Executive Chairman Mr. Craig J. Dalziel, CEO Mr. Richard P. Lock, and President Mr. Ian Graham. Its strong technical advisory team led by Senior Technical Director Mr. Ken R. Thorsen, who has extensive involvement in the mining industry beginning in 1970 including as President of Teck Exploration Ltd.; Senior Consulting Geologist Mr. Andrew Ware, with 35 years in the industry, the last 20 focused on transitioning advanced projects into mines.

**Good Jurisdiction:** Santo Tomás is located in northern Sinaloa state with strong local infrastructure and a strong local mining culture. Mexico remains a Tier One mining jurisdiction with mining rights safeguarded by legislation, national Constitution and USMCA (NAFTA) trade.

**Copper is a Critical Metal for the Energy Transition:** North American copper projects are becoming more attractive as U.S. manufacturing seeks to shorten supply chains and maintain security of supply. The U.S. Inflation Reduction Act (IRA) provides tax breaks to include EVs and batteries produced in North America (that includes Mexico) and for EVs with batteries utilizing critical minerals extracted or processed in countries with which the U.S. has a free trade agreement (FTA) such as Mexico.

**Target and Rating:** We are initiating coverage on Oroco Resource Corp. with a BUY rating and \$1.50/shr target price based on an EV/Resource multiple of US\$0.03/lb CuEq applied against Oroco's 85.5% interest in the Santo Tomás resource of 8.6 Blb CuEq.

## SANTO TOMÁS PROJECT OVERVIEW

**Introduction:** Oroco’s main asset is its interest in the Santo Tomás Copper Project located in Sinaloa, Mexico. The Santo Tomás project area spans a total of 23,048 acres centered on an open pitable primarily copper resource hosting of 8.6 Blb of copper equivalent (CuEq) in the Indicated and Inferred categories that remains open in several directions. The project is accessible via a 160km long paved highway that connects it to the cities of Los Mochis and Choix (Exhibit 1).

### Exhibit 1. Location Map

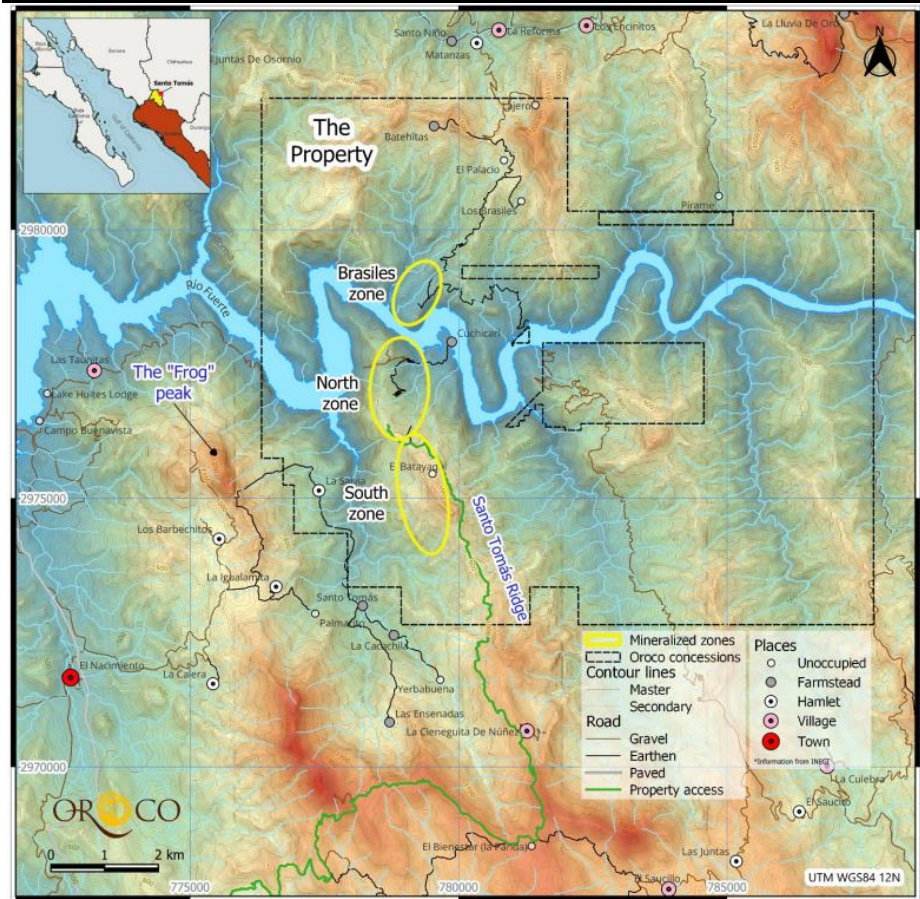


Source: Oroco Resource Corp.

We visited the Santo Tomás property in April 2023 and came away impressed with the project, people, and exploration potential. Access to all the required infrastructure to service the mine including roads, ports, water and labor appeared far better and without the logistical and environmental challenges associated with high elevations common to Chilean (Andean) deposits that we have visited. We expect that this location advantage will drive lower capital and operating costs offsetting the lower relative grade.



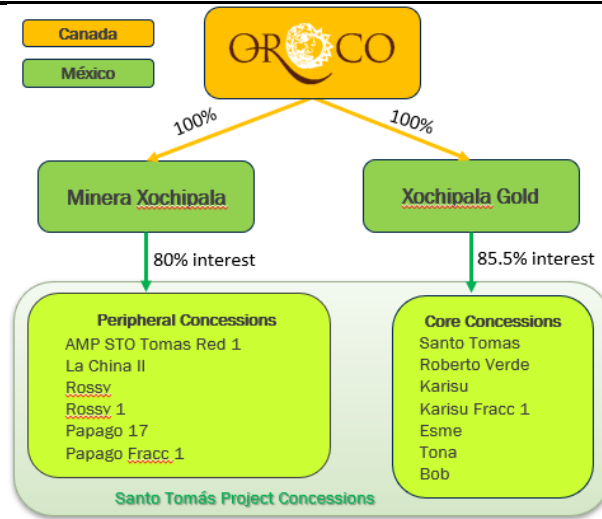
**Exhibit 2. Santo Tomás Resource Project Area and Mineralized Zones**



Source: Oroco Resource Corp.

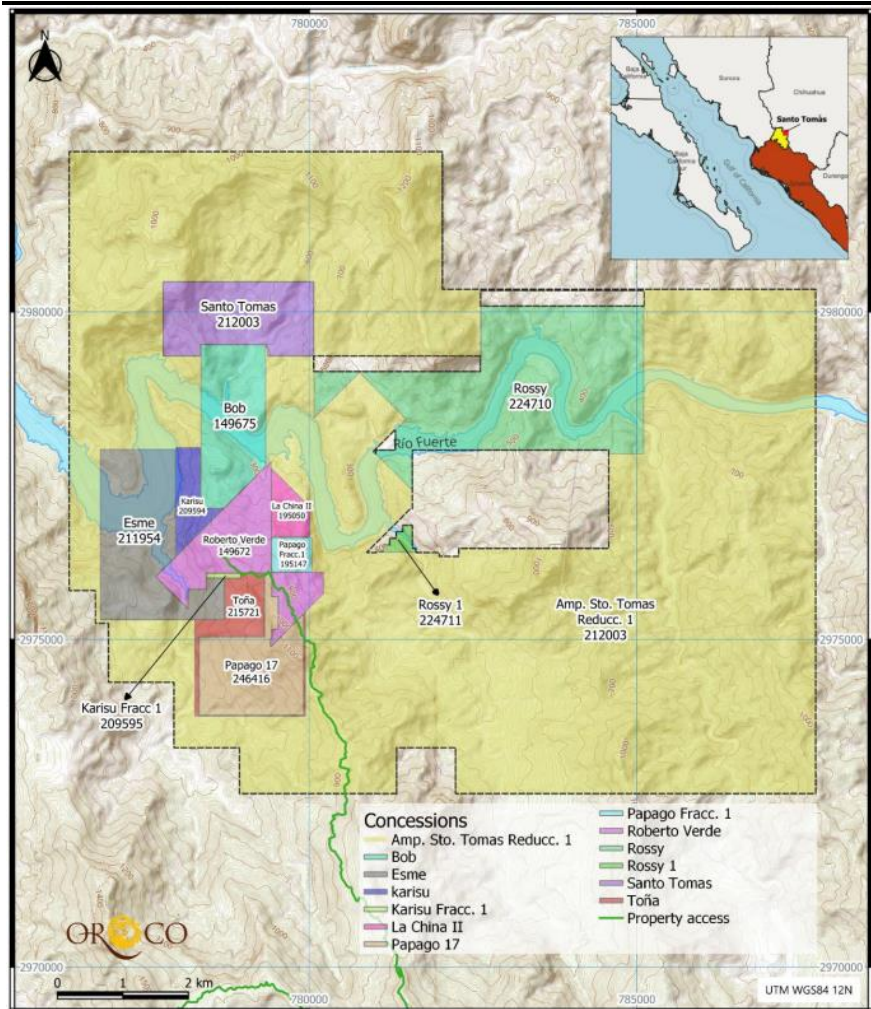
**Property History and Ownership Interest:** Exploration of the property began in 1968 and was conducted by various companies intermittently through to the 2000s. In 2010, the Company’s current Executive Chairman formed a private group (the “Private Group”) to assist Mr. Ruben Rodriguez Villegas in recovering ownership of the Santo Tomás Core Concessions. Oroco began participating in the project in mid-2015, after the Private Group had recovered legal title to the Core Concessions. By March 2020, after certain legal challenges to the ownership of the Core Concessions had been successfully resolved, Oroco acquired the Private Group’s interest in those concessions (56.7% interest at that time), thereby gaining outright control of the Santo Tomás project. Through subsequent deals and the funding of \$30 MM of expenditures, Oroco increased its interest in the Core Concessions to its current net 85.5%. In addition, through agreements with third party partners, Oroco acquired an 80% interest in the surrounding Peripheral Concessions.

**Exhibit 3. Ownership Structure**



Source: Oroco Resource Corp.

**Exhibit 4. Concession Map**



Source: Oroco Resource Corp.

## SANTO TOMÁS RESOURCE

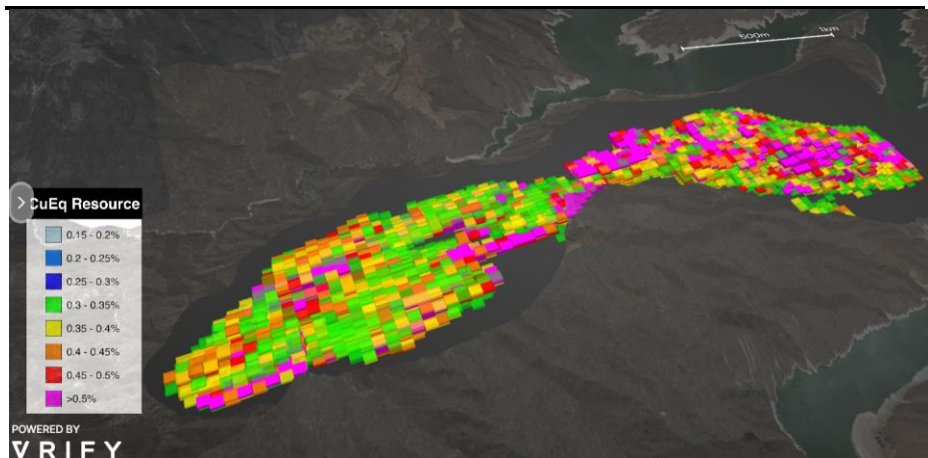
On May 3, 2023, Oroco released its initial NI 43-101 compliant resource estimate for Santo Tomás of 1.087 BBt in the Indicated and Inferred categories with an average grade of 0.36% CuEq for 8.6 Blb of copper equivalent. It is divided into a North Zone and a South Zone with a greater density of drilling in the North Zone. The Indicated Resource (currently confined to the North Zone), comprises 487.3 MMt grading 0.36% CuEq for 3.86 Blb CuEq (including 3.4 Blb Cu, 91.9 MMLb Mo, 392.8 Koz Au and 32.7 MMoz Ag). The Inferred Resource, which is about 1/3 North Zone and 2/3 South Zone, comprises 599.9 MMt grading 0.36% CuEq for 4.70 Blb CuEq comprised of 4.17 Blb Cu, 95.6 MMLb Mo, 500.6 Koz Au, and 38.5 MMoz Ag. The resource estimate was completed at a cut-off grade of 0.15% CuEq. The copper equivalent calculation was completed using a copper price of \$3.80/lb, a molybdenum price of \$12.00/lb, a gold price of \$1,650/oz, and a silver price of \$22.00/oz and on metal recoveries at 84.3% Cu, 66% Mo, 57% Au, and 54% Ag. The resource was based on 62,678m of drilling completed across 156 historical holes and current holes drilled by Oroco between 2021 and 2023.

### Exhibit 5. Santo Tomás Resource Estimate (2023)

Cutoff (CuEq%)	Category	Zone	Tonnage (MMt)	Grade					Contained Metal				
				CuEq (%)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	CuEq* (MMlbs)	Cu (MMlbs)	Mo (MMlbs)	Au (koz)	Ag (koz)
0.15	Indicated	North Zone	487.3	0.36	0.32	0.009	0.03	2.1	3,864	3,400	91.9	392.8	32,719
		<b>Total Ind</b>	<b>487.3</b>	<b>0.36</b>	<b>0.32</b>	<b>0.009</b>	<b>0.03</b>	<b>2.1</b>	<b>3,864</b>	<b>3,400</b>	<b>91.9</b>	<b>392.8</b>	<b>32,719</b>
0.15	Inferred	North Zone	197.1	0.36	0.32	0.005	0.03	2.1	1,570	1,400	23.6	214.4	13,375
		South zone	402.8	0.35	0.31	0.008	0.02	1.9	3,127	2,772	72.0	286.2	25,083
		<b>Total Inf</b>	<b>599.9</b>	<b>0.36</b>	<b>0.32</b>	<b>0.007</b>	<b>0.03</b>	<b>2.0</b>	<b>4,697</b>	<b>4,171</b>	<b>95.6</b>	<b>500.6</b>	<b>38,458</b>
0.15	<b>Total All Categories</b>		<b>1,087</b>	<b>0.36</b>	<b>0.32</b>	<b>0.008</b>	<b>0.03</b>	<b>2.0</b>	<b>8,561</b>	<b>7,571</b>	<b>188</b>	<b>893.4</b>	<b>71,177</b>

Source: Oroco Resource Corp.

### Exhibit 6. Santo Tomás 3-D Resource Model



Source: Oroco Resource Corp., VRIFY

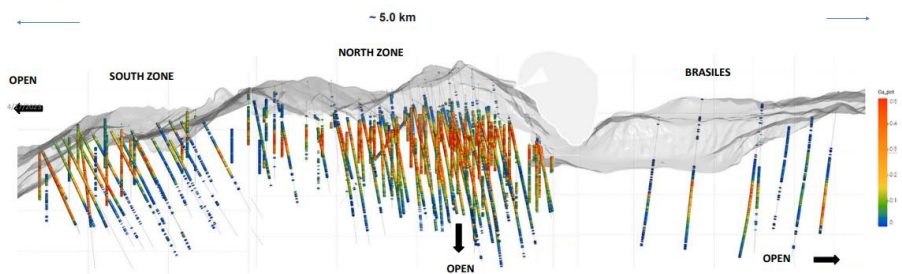
**The Reservoir:** The northern end of the North Zone resource continues into the Huites Reservoir. The large Huites Dam or Luis Donaldo Colosio Dam as it is officially known, is located on the Rio Fuerte ~15 km downstream from the Property. It was completed in 1995 to provide for irrigation and power generation (440 megawatt capacity) for the agricultural region to the south and west. The dam produces an average of 875 MM kWh annually and is connected to the main power transmission grid of northwestern Mexico, via a 230kV power line. This could be tapped into for development at Santo Tomás providing a source of green, hydroelectricity for mill +/- mining fleet operations. The reservoir level



fluctuates from near full, ~270m ASL to near dry before the September to November rainy season. In a development scenario, Oroco has noted it would not divert or impact the reservoir by instead sacrificing a portion of the resource. The impact is estimated to be less than 10% of the resource. With this in mind, and the fact that the reservoir is person-made and goes nearly dry for part of the year, we do not see the reservoir as an impediment to development.

**Geology & Exploration Upside:** The mineralization at Santo Tomás is thus far separated into three main areas; South Zone, North Zone and Brasiles along a NNE structural trend. The North and South Zones have seen the bulk of drilling based on the near-surface mineralization and easier access with Brasiles seeing less drilling due its deeper mineralization.

#### **Exhibit 7. Cross Section - Santo Tomás Resource Project Area Drilling**

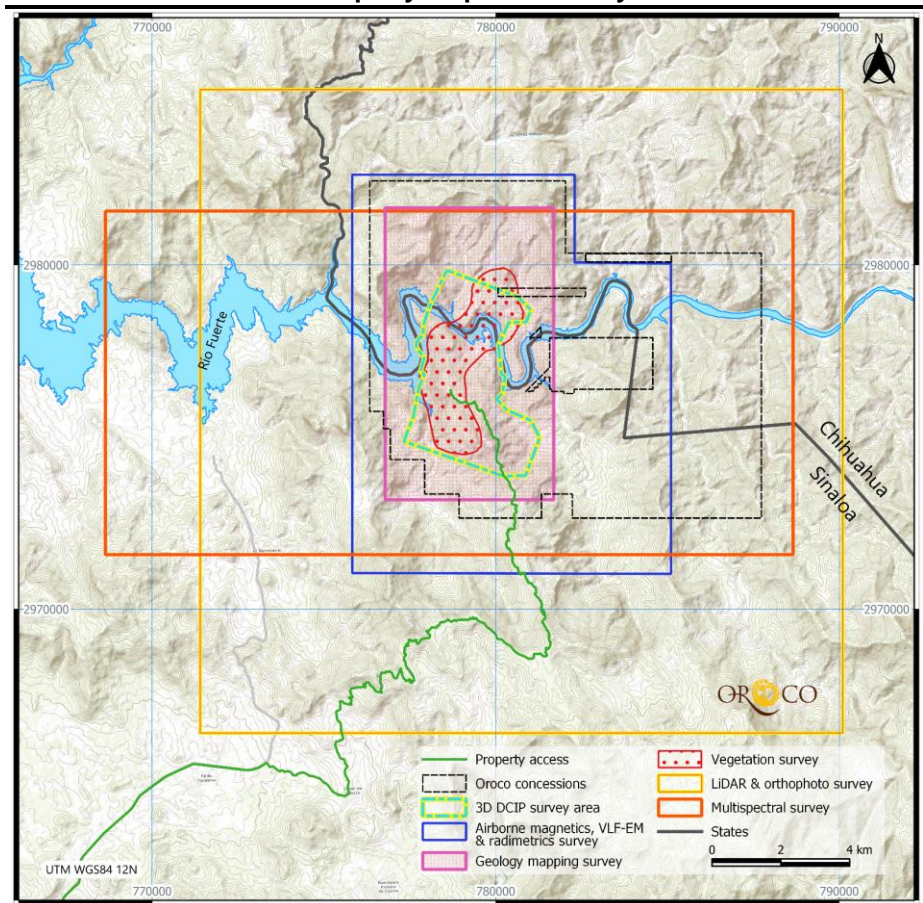


Source: Oroco Resource Corp.

**Geology & Mineralization:** The Santo Tomás Cu (-Mo-Au-Ag) porphyry deposit is associated with an NNE-trending zone of quartz monzonite porphyry stocks and dikes hosted in strongly faulted and fractured metamorphosed andesite and limestone of Cretaceous age. Mineralization is mostly comprised of chalcopyrite, pyrite, and molybdenite sulphides with minor bornite, covellite, and chalcocite, which occur as fracture fillings, veinlets, and fine disseminations together with potassium feldspar, quartz, calcite, chlorite, and locally, tourmaline. Minor copper oxides occur near the surface but the deposit is predominantly sulphide. The Santo Tomás-Brasiles porphyry copper system is atypical of porphyry deposits in that it consists of a 300-400 m wide dike or dike complex with a strike extent of at least 5 km rather than the more typical spherical intrusive shape, suggesting strong structural controls. As a result, the geometry of the deposit is elongate and starts right at surface on a topographical high which should contribute to a low strip-ratio and lower mining costs. Much of the country rock intruded by the porphyry is capped by limestone so most of the strip and waste rock should be non-acid generating. If net-acid generating footwall rock is encountered or mined, the early-strip limestone would be available for lining material beneath those waste stockpiles and tails or could be blended to encapsulate potential acid-generating materials.

**Exploration Upside:** The Company holds a net 85.5% interest in the collective 1,172.9 ha Core Concessions, which hosts virtually all of the Santo Tomás Resource, as well as an 80% interest in 8,154.3 ha of mineral concessions surrounding and adjacent to the Core Concessions (for a total project area of 23,048 acres).

**Exhibit 8. Santo Tomás Property Map and Survey Boundaries**

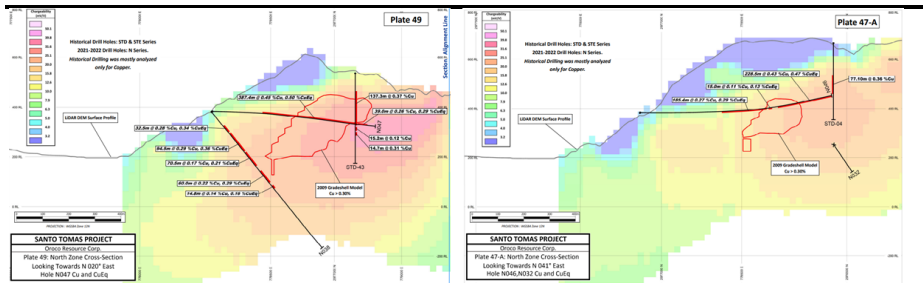


Source: Oroco Resource Corp.

The North Zone remains open at depth and to the south as evidenced by recent drilling in holes N046 which returned 228.5 m of 0.465% CuEq and hole N047 which returned 387.4 m of 0.498% CuEq. These recent holes (not included in the 2023 Mineral Resource Estimate) were drilled sub-horizontally in the southern portion of the North Zone where mineralization is blind to the surface and lies beneath a blanket of post-mineralization volcanic rock. These shallow-dipping holes allowed testing of the southern 400 m of the North Zone at depths 300 to 500 m below the surface demonstrating the southward and down dip continuity of the North Zone. These results also indicate the southern segment is the highest grade and widest portion of the North Zone deposit. Additional drilling will be required to fully define this area of the North Zone.



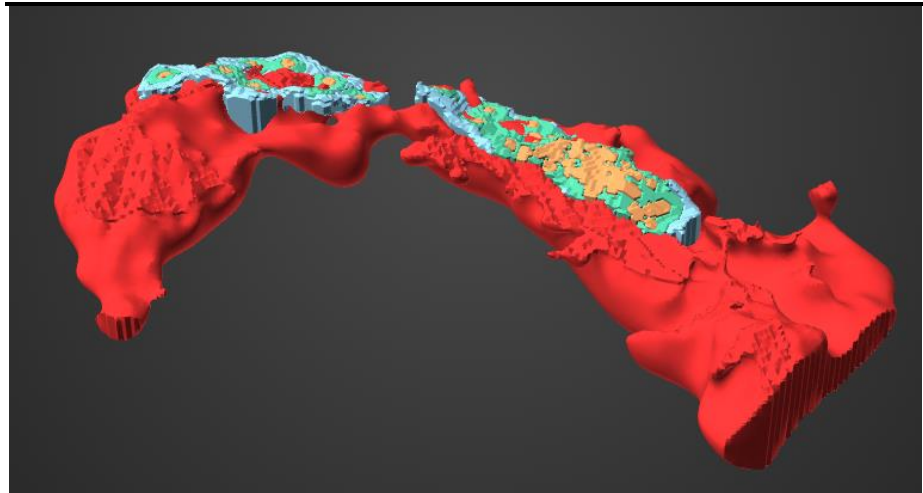
**Exhibit 9. Drill Hole Cross Sections in Southern Part of North Zone**



Source: Oroco Resource Corp.

Based on geophysical work, significant expansion potential also exists in the South Zone and potentially across the reservoir at Brasiles. While no exploration budget is currently set forth, expansion of the current resource, especially in the south Zone is expected to take priority. A longer-term regional exploration would likely focus on the northern extension even beyond Brasiles. However, we see the best potential in the southern extension from the South Zone.

**Exhibit 10. Santo Tomás Chargeability Anomaly (N to Right)**



Source: Oroco Resource Corp, VRIFY

**CONCEPTUAL MODEL - UPSIDE POTENTIAL FROM PEA**

With a PEA expected in H2/23, we have built our own conceptual model for Santo Tomás where we assume an operation starting at 60,000 tonnes per annum (tpa) ramping up to 120,000 tpa for a 20-year mine life. Based on an upfront capex assumption of US\$1.5 B and average C1 cash costs of US\$1.23/lb Cu (net) drives an NPV<sub>8%</sub> of US\$1.7 B and an IRR of 20%. Our capex and opex assumptions are based on recent comparable economic studies such as Filo Mining’s (FILO-TSX, Not Covered) Filo del Sol project in Argentina, Western Copper’s (WRN-TSX, Not Covered) Casino Project in British Columbia, and Faraday Copper’s (FDY-TSX, Not Covered) Copper Creek Project. Were we to value OCO on our conceptual model we would use the more heavily discounted NPV<sub>10%</sub> figure to value Santo Tomás and apply a 0.4x multiple to our resultant sum-of-parts NAV for a target price of ~\$2.00/shr. As the project is further de-risked as it progresses through a pre-feasibility study and the permitting process, we would expect the stock to rise on both multiple expansion and a lower discount towards \$4.00/shr (DCF<sub>8%</sub> for Santo Tomás, and 0.6x NAV, \$30 MM

spend). As such we see considerable upside potential from the current share price.

**Exhibit 11. Conceptual Model – Santo Tomás (100% basis)**

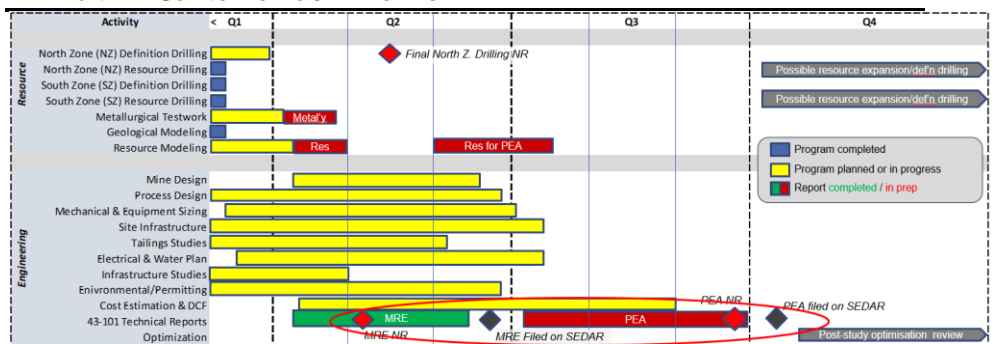
Production		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 20
Throughput	(tpd)	60,000	60,000	60,000	60,000	120,000	120,000
Copper Head Grade	(Cu %)	0.35%	0.35%	0.35%	0.35%	0.30%	0.30%
Molybdenum Head Grade	(Mo %)	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Gold Head Grade	(Au g/t)	0.03	0.03	0.03	0.03	0.03	0.03
Silver Head Grade	(Ag g/t)	2.09	2.09	2.09	2.09	2.09	2.09
Copper Produced	(kt)	76,650	76,650	76,650	76,650	153,300	131,400
Copper Produced	(MM lbs)	144	144	144	144	246	246
Molybdenum Produced	(MM lbs)	2.7	2.7	2.7	2.7	5.4	5.4
Gold Produced	(koz)	10.1	10.1	10.1	10.1	20.1	20.1
Silver Produced	(koz)	794	794	794	794	1,588	1,588
CuEq Produced	(MM lbs)	160	160	160	160	281	281
C1 Costs	(US\$/t C1 \$/lb, net)	\$1.34	\$1.19	\$1.12	\$1.12	\$1.24	\$1.24
Mine Life		20 years					
Upfront Capex		1,500 \$MM USD					
LOM Capex		2,400 \$MM USD					
NPV12%		857.2 \$MM USD					
NPV10%		1,237.9 \$MM USD					
NPV8%		1,737.6 \$MM USD					
IRR		20%					

Source: Cantor Fitzgerald

**NEXT STEPS**

With Oroco having completed its initial resource estimate for Santo Tomás, work will now turn to determining economics through the completion of a PEA and, where budget warrants, additional exploration. The PEA is targeted for completion in H2/2023 and we have outlined what it might look like above. This will be a key catalyst and re-rating opportunity that should demonstrate the benefit of the location and geometry of the deposit returning an after-tax NPV<sub>8%</sub> in the US\$1.7B range (Cantor estimate).

**Exhibit 12. Santo Tomás Timeline**



**Exhibit 13. Santo Tomás PEA Work Plan**

Study Deliverables	Consultant	Location	Scope
PEA Co-ordination & PEA Report	Ausenco	Tucson	PEA Technical Report co-ordination, ensure comprehensive qualified person ("QP") signoffs as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") – for each study discipline
Geological Model	SRK	Vancouver, New York	Delivery & updates curation of Leapfrog Geo™ & GIS-based map and 3D geological model, Santo Tomás
Metallurgical Characterization	Ausenco	Tucson / Kamloops	Technical Lead for the delivery of a metallurgical review (North Zone); QP signoff, metallurgy
Mineral Resource Estimate	ALS Met	Kamloops	Bench scale metallurgical tests, product characterization
Mine Geotechnical Characterization	SRK	Denver	Technical Lead for delivery of mineral resource estimate and resource block model; QP signoff, resource estimate & block model
Mine-site, Mill, Tailings and Logistics	SRK	Vancouver	Technical Lead for delivery of geotechnical analysis and design parameters for open pit mining; in place in this role since July, 2021
Mine Environment Geochemistry	Ausenco	Tucson	Technical Lead for the optimization of processing plant, impoundment facilities and associated infrastructure design, including economic modeling
Mine OP design and Mine Sequencing	Michael R. Smith	Phoenix	Technical Lead for the characterization of waste, tailings and stockpile geochemistry; focus on net neutralization potential of meta-limestone contribution to mine design and site layout / design
	Mining Plus	Vancouver	Technical Lead for the design of the Open Pit Mine and preliminary (PEA) mine schedule

Source: Oroco Resource Corp.

No exploration is currently planned until after the PEA is completed but as outlined above, there is significant exploration potential to extend the current resource and for new discoveries more regionally. After the PEA is completed, we expect a drilling program to be outlined with a focus on further defining Santo Tomás' mineral resources, geotechnical parameters, and metallurgical recoveries as well as to test step-out and more regional targets as well.

**Project Partnership / Financing:** With ~\$4.5 MM in the treasury as at the end of FY Q3/23, we expect Oroco will need additional financing post- PEA. This may come in the form of a strategic investment from a copper miner or smelter group, private equity or a public equity issue. To move through a Pre-Feasibility study and fund additional exploration and G&A we would expect OCO to raise \$10 - 20 MM.

## OTHER PROJECTS

**Xochipala Project:** Oroco holds a 100% interest in two contiguous mineral concessions in Guerrero, Mexico; Celia Generosa and Celia Gene, totaling 193 hectares and together called the Xochipala Project. The Xochipala Project is located in the southeast extreme of the original Morelos National Mining Reserve, a 47,600 ha federal mineral reserve which encompasses a northwest trend of intrusions with associated gold bearing iron skarn deposits and is part of a wider area which has come to be known as the Guerrero Gold Belt (the "GGB"). The GGB is currently the focus of aggressive exploration, delineation, development, and mining by a number of mining companies. Leagold, Torex Gold Resources (TXG-TSX, Not Covered), Agnico Eagle Mines (AEM-NYSE/TSX, Not Covered), and Alio Gold (AR-TSX, Not Covered) that, to date, have discovered in excess of 16 MMoz of gold. Oroco's Celia Generosa and Celia Gene concessions contain mineralization in very well-defined structures that outcrop for over one kilometre and were the site of some of the earliest gold mining in the region from a number of small underground workings. Past work, including exploration and artisanal mining, has focused on the high-grade showings on the properties. Future exploration at Xochipala will focus on the high-grade showings on the properties and potential for medium to lower grade deposits amenable to open pit mining. The project area is well served by a network of local roads and the principal centers of population are Xochipala just one kilometre from the property boundary, and the State capital of Chilpancingo approximately 30 km



by good paved road. With its sole focus on Santo Tomás, this project is currently inactive and Oroco may choose to sell or option the property to another group.

## FINANCIALS

The Company ended FY Q3/23 with \$4.5 MM in cash and no debt. Our valuation includes the assumption that Oroco will raise \$15 MM over the next 12-months to continue to move the project forward towards a PFS, continue environmental baseline studies and additional exploration drilling. The Company has a good track record of raising funds privately and we expect, with the resource completed, it can attract a wider shareholder base going forward. We assume a \$15 MM raise at \$0.70/share, in-line with the current stock price.

### Exhibit 14. Oroco Financing History (Private Placements)

Date Closed	Amount (C\$)	Number of Units Issued	Unit Price (C\$)	Warrant Exercise Price (C\$)	Unit Composition	Period Warrant Exercisable For (Months)
4/26/2018	\$900,000	9,000,000	\$0.10	\$0.16	1 share + half of a warrant	18
11/2/2018	\$750,000	3,750,000	\$0.20	\$0.32	1 share + half of a warrant	18
4/17/2019	\$800,000	3,200,000	\$0.25	\$0.40	1 share + half of a warrant	18
9/19/2019	\$1,350,000	3,000,000	\$0.45	\$0.70	1 share + half of a warrant	24
3/11/2020	\$750,000	2,500,000	\$0.30	\$0.42	1 share + half of a warrant	24
6/30/2020	\$1,650,000	5,500,000	\$0.30	\$0.42	1 share + half of a warrant	24
9/15/2020	\$7,260,000	12,100,000	\$0.60	\$0.90	1 share + half of a warrant	24
12/9/2020	\$15,480,000	12,900,000	\$1.20	\$1.60	1 share + half of a warrant	24
3/25/2022	\$4,511,479	2,653,811	\$1.70	\$2.40	1 share + 1 warrant	24
3/17/2023	\$4,758,728	6,344,970	\$0.75	\$1.05	1 share + half of a warrant	24

Source: Cantor Fitzgerald

## VALUATION AND PRICE TARGET

We value Oroco based on a sum-of-parts NAV basis. This includes US\$220 MM for its 85.5% interest in the Santo Tomás resource valued at US\$0.03/lb CuEq (attributable). We also assume additional infill and exploration drilling will increase the resource by at least 20% and apply this to exploration upside. For its financial assets we assume the Company raises \$15 MM over the next 12-mo at \$0.70/shr against a similar spend to continue to move the project forward towards a PFS, continue environmental baseline studies and additional exploration drilling. This drives our base case NAV and target of \$1.50/shr.

**Exhibit 15: NAV Summary for Oroco Resource Corp.**

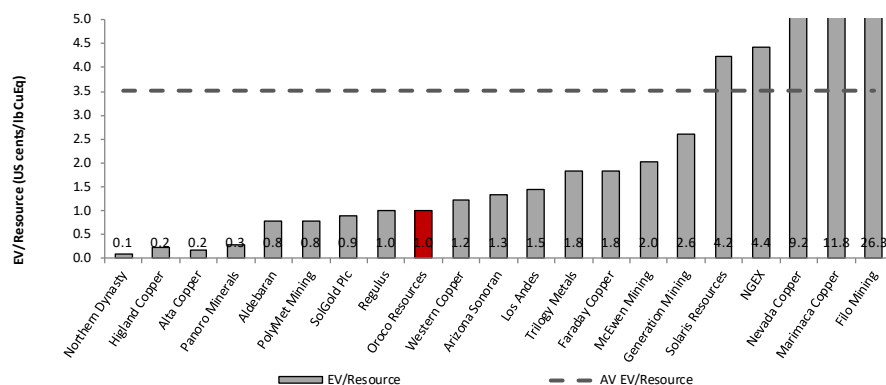
<b>(CAD MM unless otherwise indicated)</b>				
<b>Mining Assets</b>	<b>Valuation</b>	<b>US\$MM</b>	<b>\$ MM</b>	<b>C\$/shr</b>
Santo Tomas (85.5%)	\$0.03/lb CuEq	219.6	293.1	1.21
Exploration Upside	nominal	43.9	58.6	0.24
<b>Total Mining Assets</b>		<b>263.5</b>	<b>351.7</b>	<b>1.45</b>
Pro-forma Working Capital*		8.5	4.5	0.02
Long-Term Debt		-	-	-
<b>Net Financial Assets</b>		<b>8.5</b>	<b>4.5</b>	<b>0.02</b>
<b>Net Asset Value</b>		<b>272.0</b>	<b>356.2</b>	<b>1.47</b>
Target Multiple	<b>1.00x</b>			
Target Price (rounded)			\$356.2	<b>C\$1.50</b>
Basic Shares Outstanding (MM)	213.4			
<b>Diluted Shares Outstanding (MM)*</b>	<b>242.0</b>			
Fully Diluted Shares Outstanding (MM)*	238.8			

\*Based on cash + ITM options and warrants, completed merger, anticipated equity issue and near-term spending.  
Source: FactSet, Company Reports

**COMPARABLES**

Copper developer-explorers trade on an EV/Resource basis averaging ~US\$0.03/lb. Outliers on the upside have a strong precious metals endowment such as Filo Mining, exceptionally high grades such as Marimaca Copper (MARI-TSX, Not Covered) or are nearing production such as Nevada Copper (NCU-TSX, Not Covered). Outliers on the downside are challenged due to permitting issues such as Northern Dynasty (NDM-NYSE, Not Covered) or otherwise stalled. Oroco currently trades at just over US\$0.01/lb as an average and relatively unknown copper project. However, as the project moves through PEA and attracts additional investment, we would expect the stock to re-rate higher towards the peer average of US\$0.03/lb.

**Exhibit 16: EV/Resource**



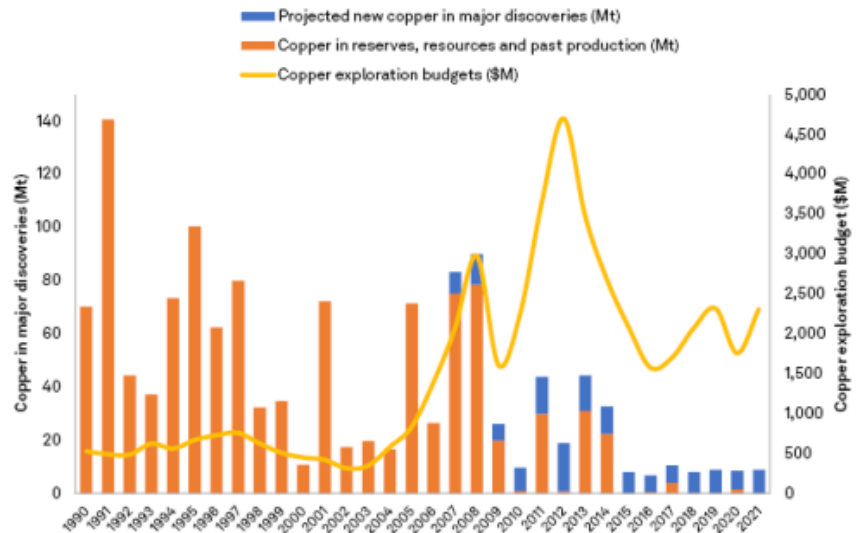
Source: FactSet, Company Reports

### COPPER - CRITICAL FOR THE ENERGY TRANSITION

We continue to have a positive outlook on the copper market as the world transitions to renewable energy and electric vehicles.

**Lack of New Discoveries:** Major copper discoveries are occurring at a declining rate and projections are for a scarce project pipeline beyond 2025 with possible structural shortfalls. This should support current prices for longer and drive investor interest in copper developers as well as M&A activity by major mining companies.

#### Exhibit 17: Copper Discovery Rate and Supply-Demand Projections



Data as of May 10, 2022.  
 \* Annual average London Metal Exchange Copper Grade A cash price.

Source: S&P Global Market Intelligence, Oroco Resource Corp.

**Demand Driven by Energy Transition:** Wood MacKenzie sees copper demand increasing to over 55 MMt annually from 28.8 MMt in 2020 at a 3.3% CAGR through 2040 with the bulk of growth coming from EV and energy transition demands.

#### Exhibit 18: Copper Supply Growth



Source: Wood MacKenzie



**North American Copper Advantage:** North American copper projects are becoming more attractive as U.S. manufacturing seeks to shorten supply chains and maintain security of supply. The U.S. Inflation Reduction Act (IRA) provides tax breaks that include EVs and batteries produced in North America (that includes Mexico) and for EVs with batteries utilizing critical minerals extracted or processed in countries with which the U.S. has a free trade agreement (FTA) such as Mexico. The Inflation Reduction Act offers a US\$7,500 tax credit to electric-vehicle buyers if the car's battery meets a threshold for sourcing parts from the U.S. or other free trade partners, such as Mexico. Sourcing copper from a project like Oroco would be a competitive advantage for US automakers. Even without such an incentive, locking in copper supply is a priority for automakers. In 2023 Stellantis (STLA-NYSE, Not Covered) invested US\$155 MM for a 14.2% equity stake in McEwen Copper (subsidiary of McEwen Mining (MUX-NYSE/TSX, Spec Buy - \$14.00/US\$11.00 target)) for its Los Azules copper project in Argentina which does not yet have a free trade agreement with the United States.

## KEY RISKS

**Political Risk:** Oroco's Santo Tomás Project is located in Sinaloa State, Mexico. Over the last five years, Mexico has consistently ranked towards the mid-point of attractive mining jurisdictions by the Fraser Institute, ranking 37th overall (out of 62) in the last published report (2022). Recently, the Country approved mining reforms that have potential to adversely affect Oroco, including the shortening of concession renewals from 50 to 25 years, stricter water permitting rules, and a reluctance to permit new open-pit mines. The country has also nationalized all lithium development. However, Mexico is part of the US-Mexico-Canada free trade agreement and copper produced in the country meets sourcing requirements for critical metals as outlined in the USA's 2023 Inflation Reduction Act (IRA) which could make it a preferred source for domestic (US) auto production and electrification. Overall, we see jurisdictional risk as moderate.

**Commodity Price Risk:** Oroco has exposure to copper prices through its Santo Tomás project in Mexico. There is a risk that copper prices could decline in the interim as a result of international economic and political conditions, weak demand, expectations, currency exchange rates, increased production due to new mine developments and improved mining methods etc. However, the global move to electrification as part of the global energy transition will require more copper. Supply is also questionable due to underfunded exploration of the last decade and a stricter and longer permitting process in most jurisdictions. As such we remain bullish copper over the longer term. We view commodity risk as moderate.

**Technical & Geologic Risk:** While Oroco has outlined a NI 43-101 resource, results of further exploration drilling at Santo Tomás could prove to be disappointing and thus negatively affect the upside of the project. An economic study is yet to be completed on Santo Tomás and there is potential that costs or return may not meet thresholds to move forward. However, based on our analysis we see good potential for Santo Tomás to deliver a robust PEA.

**Foreign Exchange Risk:** The Company is exposed to foreign exchange risk and currency fluctuations through its Mexican properties. The Company has hedged Mexican Pesos in the past to partially mitigate this risk.

**Financing Risk:** At the end of fiscal Q3/23, Oroco had ~\$4.5 MM in cash and no debt. We believe the Company will need to raise ~\$10-\$20 MM over the next 12-months to move the project through the PFS stage and for continued exploration. Markets continue to be uncertain with recessionary fears that may reduce the availability of risk capital but with Oroco's strong and supportive shareholder base and quality copper project in an attractive location, we view financing risk as moderate.

## CONCLUSION

We are initiating coverage on Oroco Resource Corp. with a Buy rating and \$1.50/shr target price based on an EV/Resource multiple of US\$0.03/lb CuEq for the current 8.6 Blb resource.

## **KEY MANAGEMENT AND BOARD**

### **Management**

**Richard P. Lock, CEO, Director:** Mr. Lock is the previous senior vice-president of PolyMet Mining (POM-TSX, Not Covered) and the Project Director of its NorthMet Project. He has led the construction and development of numerous mining projects globally. Mr. Lock also served in executive and project director roles at Arizona Mining Inc.'s (Private, Not Covered) Hermosa project.

**Ian Graham, President, Director:** Mr. Graham has more than 20 years of experience relating to the development and exploration of mineral deposits, and gained expertise working at Rio Tinto (RIO-NYSE, Not Covered) and Anglo American (AAL-LON, Not Covered). He has contributed to the evaluation and pre-development aspects of multiple projects both in Canada and globally.

**Steven E. Vanry, CFO:** Mr. Vanry has more than 25 years of experience with public and private natural resource companies at both the management and board levels, and has historically focused on fundraising, mergers and acquisitions, regulatory compliance, and financial reporting. He is currently a principal in Vanry Capital Partners (Private, Not Covered).

**David W. Rose, Corporate Secretary:** Mr. Rose has provided legal and management consulting services to resource companies and venture start-ups for more than 20 years. He has practiced law since 1990 and previously worked as an agent prosecutor for the Department of Justice and held the role of Crown Counsel for the Attorney General of BC.

### **Board of Directors**

**Craig J. Dalziel, Executive Chairman:** Mr. Dalziel has 35 years of experience in the financial, investment and corporate governance areas and recently served as the President and a Director of ATM Mining Corp. His other previous roles include forerunner of Southern Arc Minerals Inc. (SA.H-TSX, Not Covered).

**Richard P. Lock, CEO, Director:** See Management section above.

**Ian Graham, President, Director:** See Management section above.

**Stephen M. Leahy, Director:** Mr. Leahy is the current Executive Chairman of Auracle Remote Sensing (Private, Not Covered), and was previously the Chairman and CEO of American Tungsten Ltd (Private, Not Covered).

**Robert G. Friesen, Director:** Mr. Friesen has significant experience working in underground and open pit mining operations and completing mine area exploration and the development of mining projects. He previously worked at Teck Exploration Ltd. (TECK-US, Not Covered) and spent 17 years with the Noranda group (GLEN-LSE, Not Covered).

**Ian W. Rice, Director:** Mr. Rice has significant knowledge of capital markets and has contributed to the success of multiple early-stage companies, both public and private. His career has focused on the mining and renewable energy sectors.



**Oroco Resource Corp - Summary Sheet**

Rating	BUY	Basic Shares (MM)	213	Cantor Fitzgerald
Target Price	\$1.50	Diluted Shares (ITM / FD) (MM)	239	Matthew O'Keefe
Share Price	\$0.68	Basic Mkt Cap (CSMM)	145.1	416-849-5004
Potential Return	121%	Enterprise Value (CSMM)	140.6	matthew.o'keefe@cantor.com

BALANCE SHEET					
CSMM, May31.YE	2022A	2023E	2024E	2025E	2026E
<b>Assets</b>					
Cash	23.0	3.9	11.4	9.0	(924.4)
Other Current Assets	1.4	2.4	2.4	2.4	2.4
Total Current Assets	24.5	6.3	13.9	11.4	(922.0)
Non-current Assets	53.1	72.6	82.6	82.6	1,013.6
Total Assets	77.6	78.9	96.5	94.1	91.6
<b>Liabilities</b>					
Current Liabilities	4.1	3.1	3.1	3.1	3.1
Other Liabilities	0.0	0.0	0.0	0.0	0.0
Total Liabilities	4.1	3.1	3.1	3.1	3.1
Shareholder Equity	73.5	75.8	93.3	90.9	88.5

INCOME STATEMENT					
CSMM, May31.YE	2022A	2023E	2024E	2025E	2026E
Revenue	-	-	-	-	-
Operating Expenses	8.8	6.1	6.1	6.1	6.1
<b>EBIT</b>	<b>(8.8)</b>	<b>(6.1)</b>	<b>(6.1)</b>	<b>(6.1)</b>	<b>(6.1)</b>
Depreciation	0.0	-	-	-	-
Other Income (Costs)	1.3	-	-	-	-
<b>EBT</b>	<b>(7.6)</b>	<b>(6.1)</b>	<b>(6.1)</b>	<b>(6.1)</b>	<b>(6.1)</b>
Tax (expense) benefit	-	-	-	-	-
<b>Net Income (loss)</b>	<b>(7.6)</b>	<b>(6.1)</b>	<b>(6.1)</b>	<b>(6.1)</b>	<b>(6.1)</b>
EPS (\$/sh)	-\$0.04	-\$0.03	-\$0.03	-\$0.03	-\$0.03
<b>EBITDA</b>	<b>(8.8)</b>	<b>(6.1)</b>	<b>(6.1)</b>	<b>(6.1)</b>	<b>(6.1)</b>
Free Cash Flow	(18.3)	(23.1)	(12.4)	(2.4)	(933.4)
Average shares (MM)	194.2	194.2	194.2	194.2	194.2

CASH FLOW STATEMENT					
CSMM, May31.YE	2022A	2023E	2024E	2025E	2026E
<b>Cash Flow from Operations</b>					
Net Income	(7.6)	(6.1)	(6.1)	(6.1)	(6.1)
Depreciation	0.3	0.3	-	-	-
Other	5.0	3.7	3.7	3.7	3.7
<b>Total CF Operations</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>(2.4)</b>
CF Operations(\$/sh)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
<b>Cash Flow from Investing</b>					
Capital Expenditures	(3.0)	-	-	-	(931.0)
Mineral Properties	(14.5)	(21.0)	(10.0)	-	-
<b>Total CF Investing</b>	<b>(16.2)</b>	<b>(21.0)</b>	<b>(10.0)</b>	-	<b>(931.0)</b>
<b>Cash Flow from Financing</b>					
Equity Financing	17.6	-	20.0	-	-
Other	3.5	3.9	-	-	-
<b>Total CF Financing</b>	<b>21.1</b>	<b>3.9</b>	<b>20.0</b>	-	-
Change In Cash	2.8	(19.2)	7.6	(2.4)	(933.4)

VALUATION DATA					
	2022A	2023E	2024E	2025E	2026E
P/E	NM	NM	NM	NM	NM
P/CF	NM	NM	NM	NM	NM
EV/EBITDA	NM	NM	NM	NM	NM
P/NAV		0.5x			
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

INPUT PRICES					
	2023E	2024E	2025E	2026E	2027E
Copper (US\$/lb)	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
Molybdenum (US\$/lb)	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00
Gold (US\$/oz)	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Silver (US\$/oz)	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00
<b>Key Currencies</b>					
USD:CDN	1.33	1.33	1.33	1.33	1.33

SANTO TOMAS RESOURCE SUMMARY - 2023						
	MMt	CuEq (%)	Cu (%)	Mo (%)	Au g/t	Ag g/t
M&I	487.3	0.36	0.32	0.009	0.03	2.10
Inferred	599.9	0.36	0.32	0.007	0.03	1.99
Total	1,087	0.36	0.32	0.008	0.03	2.04
	MMt	CuEq (MMlb)	Cu (MMlb)	Mo (MMlb)	Au (koz)	Ag (koz)
M&I	487.3	3,864	3,400	92	393	32,719
Inferred	599.9	4,697	4,171	96	501	38,458
Total	1,087	8,561	7,571	188	893	71,177

SANTO TOMAS - Cantor Conceptual Model (100% basis)							
Production		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 20
Throughput	(tpd)	60,000	60,000	60,000	60,000	120,000	120,000
Copper Head Grade	(Cu %)	0.35%	0.35%	0.35%	0.35%	0.30%	0.30%
Molybdenum Head Grade	(Mo %)	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Gold Head Grade	(Au g/t)	0.03	0.03	0.03	0.03	0.03	0.03
Silver Head Grade	(Ag g/t)	2.09	2.09	2.09	2.09	2.09	2.09
Copper Produced	(kt)	76,650	76,650	76,650	76,650	153,300	131,400
Copper Produced	(MM lbs)	144	144	144	144	246	246
Molybdenum Produced	(MM lbs)	2.7	2.7	2.7	2.7	5.4	5.4
Gold Produced	(koz)	10.1	10.1	10.1	10.1	20.1	20.1
Silver Produced	(koz)	794	794	794	794	1,588	1,588
CuEq Produced	(MM lbs)	160	160	160	160	281	281
C1 Costs	(US\$/t C1 \$/lb, net)	\$1.34	\$1.19	\$1.12	\$1.12	\$1.24	\$1.24
Mine Life		20 years					
Upfront Capex		1,500 \$MM USD					
LOM Capex		2,400 \$MM USD					
NPV12%		857.2 \$MM USD					
NPV10%		1,237.9 \$MM USD					
NPV8%		1,737.6 \$MM USD					
IRR		20%					

Santo Tomas - Overview



NET ASSET VALUE				Target Price Breakdown	
Asset	Valuation	NAV (C\$M)	C\$/Share	NAV Valuation	
Santo Tomas (85.5%)	\$0.03/lb CuEq	\$292.0	C\$1.21	Mining Assets	C\$1.45
Exploration Upside	nominal	\$58.4	C\$0.24	Financial Assets	C\$0.02
<b>Total Mining Assets</b>		<b>\$350.4</b>	<b>C\$1.45</b>	<b>Net Asset Value</b>	<b>C\$1.47</b>
Pro-forma Working Capital*		\$4.5	C\$0.02	Target Multiple	1.00x
Long-Term Debt		\$0.0	C\$0.00		
<b>Net Financial Assets</b>		<b>\$4.5</b>	<b>C\$0.02</b>		
<b>Total</b>		<b>\$354.9</b>	<b>C\$1.47</b>	<b>TARGET PRICE (C\$/shr)</b>	<b>C\$1.50</b>

Source: Consensus data - Factset, Historical Data - Company Filings, Forecasts/estimates - Cantor Fitzgerald Canada

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The analysts responsible for this research report *do not have*, either directly or indirectly, a long or short position in the shares or options of Oroco Resource Corp.

The analyst responsible for this report *has* visited the material operations of Oroco Resource Corp. No payment or reimbursement was received for related travel costs.

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**BUY:** The stock is attractively priced relative to the company’s fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

**BUY (Speculative):** The stock is attractively priced relative to the company’s fundamentals, however investment in the security carries a higher degree of risk.

**HOLD:** The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

**SELL:** The stock is overpriced relative to the company’s fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

**TENDER:** We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

**UNDER REVIEW:** We are temporarily placing our recommendation under review until further information is disclosed.

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