

OROCO RESOURCE CORP.

Revised and Improved PEA for Santo Tomás

EVENT

Oroco announced a revised Preliminary Economic Assessment (PEA) and updated Mineral Resource Estimate (MRE) for its Santo Tomás Porphyry Copper Project in Sinaloa State, Mexico.

IMPACT

Positive: The revised PEA is based on a largely unchanged resource and optimized mine plan that sees higher grades mined in the early years and a longer time-period between Phase I startup and the Phase II expansion. These changes, along with improved metal pricing drive improved project economics with the after-tax NPV8% increasing to US\$1.48 B from \$1.24 B and the after-tax IRR increasing significantly to 22.2% from 17.3%. Updating our model, which includes higher metal prices, drives a higher overall NPV8% of \$2.2 B but lower than our previous estimate. While our NPV has dropped, the revised PEA appears more robust and achievable than the 2023 PEA. We estimate the Company needs an additional ~\$20 MM to move through the PFS stage which we have now factored in. As a result, our price target drops to \$2.00/shr from \$2.50/shr previously.

FOCUS POINTS

- **Improved PEA:** The revised PEA returned an after-tax NPV_{8%} of US\$1.48 B (was \$1.24 B) and an IRR of 22.2% (was 17.3%). The operation will ramp up from 60ktpd to 120ktpd in year 8 and produce an average of 208 MM lbs of copper in concentrate annually with C1 costs of US\$1.54/lb Cu, net of by-product moly, gold and silver over a 22.6-year life of mine.
- **Move to PFS:** The next step for OCO is to de-risk the project further with a pre-feasibility study (PFS) which will require additional drilling to upgrade parts of the resource. We estimate OCO will need to raise ~\$20 MM to move past this milestone.
- **Valuation:** We value Oroco based on a sum-of-parts NAV basis and applying a 0.3x multiple to our NAV_{8%} estimate for a \$2.00/shr price target (was \$2.50/shr). On a P/NAV basis, OCO offers good value trading at 0.1x relative to its peer group of copper developers at 0.4x.

Recommendation:

BUY

Symbol/Exchange: OCO-TSXv

Sector: Metals & Mining

All dollar values in CAD unless otherwise noted.

Last close: \$0.38

One-year target: C\$2.00↓

Target return: 433%

52-week Trading Range \$0.32 - \$0.74

Financial Summary

Market Cap (\$MM)	91.2
Cash on hand (\$MM)	6.4
Debt (\$MM)	0.0
Basic Shares O/S (MM)	243.3
Fully Diluted Shares O/S (MM)	283.1
Avg. Weekly Volume (000)	221.9

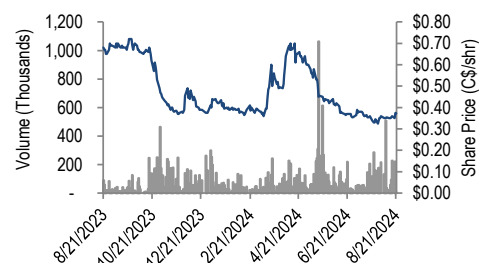
Mineral Resource (Santo Tomas)

	MMt	Cu (%)	Au g/t	CuEq (%)
M&I	540	0.33	0.03	0.37
Inferred	530	0.31	0.02	0.35
Total	1,070	0.32	0.03	0.36

	Cu (MMlb)	Mo (MMlb)	Au (koz)	CuEq MMlb)
M&I	3,976	95.4	483.4	4,465
Inferred	280	84.4	387.1	3,657
Total	4,256	179.8	870.5	8,523

EV/Resource (US\$/lb CuEq) 0.007

P/NAV 0.1x



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.

SANTO TOMÁS REVISED PEA

Oroco announced a revised Preliminary Economic Assessment (PEA) and updated Mineral Resource Estimate (MRE) for its Santo Tomás Porphyry Copper Project in Sinaloa State, Mexico. The PEA is based on a staged open pit mine and processing plant achieving 60,000 tonnes per day (tpd) production in year 1 and expanding to 120,000 tpd in year 8 over a 22.6-year Life of Mine (LOM). Production is preceded by two years of construction and one concurrent year of pre-stripping. The PEA has been prepared by reputable groups including Ausenco Engineering USA South Inc. for the overall study with the updated MRE and geologic model prepared by SRK Consulting in Denver, Colorado and Vancouver, BC. The revised PEA is based on a largely unchanged resource and an optimized mine plan that sees higher grades mined in the early years and a longer time-period between Phase I startup and the Phase II expansion. These changes, along with improved metal pricing drive much improved economics with the after-tax NPV8% increasing to US\$1.48 B from US\$1.24 B and the after-tax IRR increasing significantly to 22.2% from 17.3%. We see this as a positive update as the revised PEA appears more robust and achievable than the 2023 PEA.

Exhibit 1: Revised Santo Tomás PEA - Key Assumptions

Key Assumptions	Unit	LOM
Exchange Rate	MXN / US\$	19.76
Cu Price	US \$ / lb	4.00
Mo Price	US \$ / lb	15.00
Au Price	US \$ / t.oz	1,900
Ag Price	US \$ / t.oz	24
Production Profile	Unit	LOM
Total Open Pit Tonnage	Mt	1,964.9
Total Open Pit Mineralized Material Mined	Mt	825.5
Open Pit Strip Ratio	Waste : mill feed	1.38
Daily Throughput (Year 1 // Year 8 on)	kt/d	60 // 120
LOM (concentrate production)	Years	22.6
Copper in Mill Feed	M lb	5,916
Molybdenum in Mill Feed	M lb	138.7
Gold in Mill Feed	koz	753.4
Silver in Mill Feed	koz	55,200
LOM mill feed (Indicated // Inferred)	Mt	388 // 460
Average Cu payable / year – LOM	M lb	207.5
Average Cu payable / year – First 5 Years ⁽¹⁾	M lb	167.5
Payable ⁽²⁾ Copper LOM (in concentrate)	M lb	4,774
Payable Molybdenum LOM (in concentrate)	M lb	80.8
Payable Silver LOM (min 30 g/t payable in Cu Concentrate)	koz	26,673
Payable Gold LOM (min 1 g/t payable in Cu Concentrate)	koz	300.2
Operating Costs (US\$/lb.)	Unit	LOM
C1 Cash Costs Copper (By-Product Basis) ⁽³⁾	US\$/lb	1.54
C3 Cash Costs Copper (By-Product Basis) ⁽⁴⁾	US\$/lb	2.00
Capital Expenditures ⁽⁵⁾	Unit	LOM
Initial Capital ⁽⁶⁾	US\$M	1,103.5
Sustaining and Expansion Capital ^(6, 7)	US\$M	1,734.1
Closure Costs (5 years, year 22 - 27)	US\$M	209.2

Source: Oroco Resource Corp.

Exhibit 2: Revised Santo Tomás PEA – Economics and Costs Breakdown

Economics	Unit	LOM
NPV at 8% (pre-tax // post-tax)	US\$M	2,640.5 // 1,475.4
IRR (pre-tax // post-tax)	%	30.3 // 22.2
Payback (pre-tax // post-tax)	Years	2.9 // 3.8
Revenue over LOM	US\$M	21,517
Initial Capital		
Mining Pre-Stripping (Capitalized OPEX)	US\$M	75.5
Mining Capital Equipment ⁽¹⁾	US\$M	89.4
Total Mining ⁽¹⁾	US\$M	164.9
Processing	US\$M	938.7
Total Initial Capital ⁽¹⁾	US\$M	1,103.6
Sustaining Capital		
Mining Equipment	US\$M	952.4
Processing	US\$M	94.6
Total Sustaining Capital	US\$M	1,047.0
Expansion Capital – Processing (year 7)	US\$M	687.2
Average LOM Operating Costs		
Mining Cost per tonne mined ⁽²⁾	US\$ / t	2.04
Mining Cost per tonne milled ⁽²⁾	US\$ / t	4.78
Mining Equipment Leasing Cost per tonne milled	US\$ / t	0.06
Processing Cost per tonne milled	US\$ / t	4.04
G&A Cost per tonne milled	US\$ / t	0.65
Total Operating Cost per tonne milled ⁽²⁾	US\$ / t	9.53

Source: Oroco Resource Corp.

Updated Resource: The MRE is supported by 64,138 m of drilling in 158 holes with drilling data representing a combination of holes completed by Oroco from 2021 to 2023. The mineral resource estimate includes 540.6 Mt grading 0.37% CuEq in the Indicated category compared to 561 MMt at the same grade previously and 530.3 MMt grading 0.35% CuEq in the Inferred category compared to 599.9 MMt grading 0.34% CuEq previously. Overall, the resource did not change materially, dropping 8% in terms of tonnes but only 3% in terms of metal (CuEq). More importantly, the pit constrained resource (which avoids the river) was also largely unchanged at 825.5 MMt grading 0.365% CuEq compared to 847.7 MMt at the same grade previously.

Exhibit 3: Updated Santo Tomás Resource Statement (July 2024)

Category	Zone	Tonnes Mt	Average Grade					In-situ Metal ¹				
			CuEq ¹⁰	Cu	Mo	Au	Ag	CuEq ¹⁰	Cu ¹¹	Mo ¹¹	Au ¹¹	Ag ¹¹
			%	%	%	g/t	g/t	M lb	M lb	M lb	koz	koz
Indicated	North Zone pit - sulphide	540.6	0.37	0.33	0.008	0.028	2.1	4,465	3,976	95.4	483.4	36,524
	Total Indicated	540.6	0.37	0.33	0.008	0.028	2.1	4,465	3,976	95.4	483.4	36,524
Inferred	North Zone pit - sulphide	90.0	0.34	0.31	0.005	0.021	1.7	679	620	10.2	61.4	4,949
	North Zone pit - oxide	4.4	0.31	0.31	0.002	0.053	1.6	29	29	0.2	7.4	228
	South Zone pit - sulphide	399.2	0.36	0.32	0.008	0.023	2.0	3,132	2,789	71.2	294.4	26,200
	South Zone pit - oxide	36.7	0.27	0.27	0.004	0.020	1.6	218	218	2.8	23.8	1,851
	Total Inferred	530.3	0.35	0.31	0.007	0.023	1.9	4,058	3,657	84.4	387.1	33,229

Source: Oroco Resource Corp.

Exhibit 4: Updated Santo Tomás Pit Constrained Resource Statement (July 2024)

Mill Feed						Waste Material	Strip Ratio	Total Material
Tonnes (Mt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Tonnes (Mt)	Waste/Mill	Tonnes (Mt)
825.5	0.325	0.008	0.028	2.08	0.365	1,139.40	1.38	1,964.9

Source: Oroco Resource Corp.

We note that about half of the resource is in the Inferred category so additional drilling is needed to upgrade the bulk of the resource to the M&I category required for a pre-feasibility study, the next big de-risking milestone. This is the next major step and we estimate a budget of ~\$20 MM is required.

CANTOR MODEL - SANTO TOMÁS

We have updated our model for the updated PEA and applied our higher long-term metal price estimates of US\$4.50/lb Cu, US\$16.00/lb Mo, US\$2,200/oz Au and US\$25/oz Ag. This drives our after-tax project NPV_{8%} estimate of US\$2,116 MM and an after-tax IRR of 30.7% down from \$2.6 B and an IRR of 26.7% previously. While our NPV has dropped, the revised PEA appears more robust and achievable than the 2023 PEA, benefitting from a less aggressive ramp-up and capturing higher grades in the early years. We will revise our model further when the full report is released to better capture grade sequencing, stripping (costs) and capital spending.

Exhibit 5. Cantor Model – Santo Tomás (100% basis)

(\$US Unless otherwise noted)	2023 PEA	2024 Revised PEA	Cantor Model (Old)	Cantor Model (active)
Principal Assumptions				
Cu Price (\$/lb)	3.85	4.00	4.50	4.50
Mo Price (\$/lb)	13.50	15.00	16.00	16.00
Au Price (\$/oz)	1,700	1,900	2,200	2,200
Ag Price (\$/oz)	22.50	24.00	25.00	25.00
Mine Life (years)	20	23	21	23
Mineable Resource				
Category	M&I	M&I	M&I	M&I
Tonnes (MMt)	848	826	848	826
Cu Grade (%)	0.32%	0.32%	0.32%	0.32%
Mo Grade (%)	0.01%	0.01%	0.01%	0.01%
Au Grade (g/t)	0.03	0.02	0.02	0.02
Ag Grade (g/t)	2.1	2.1	2.1	2.1
Production				
Strip Ratio (LOM)	1.16	1.38	1.16	1.38
LOM Tonnes Milled (MMt)	907	826	848	825
Phase I Throughput (ktpd)	60,000	60,000	60,000	60,000
Phase II Throughput (ktpd)	120,000	120,000	120,000	120,000
Cu Recovery	83%	83%	83%	83%
Mo Recovery	59%	59%	59%	59%
Au Grade Recovery	53%	53%	54%	54%
Ag Grade Recovery	54%	54%	53%	53%
Payable Cu (Mlbs/yr)	236	208	237	206
Payable Mo (Mlbs/yr)	4.1	3.6	4.6	4.0
Payable Au (koz/yr)	16.6	13.3	16.5	13.1
Payable Ag (MMoz/yr)	1.3	1.2	1.4	1.2
C1 Cash Costs (US\$/lb Cu, net)	1.66	1.54	1.61	1.55
Capital Expenditures				
Upfront / 60ktpa (\$MM)	1,340	1,104	1,340	1,104
Sustaining & Expansion (\$MM)	943	1,734	1,134	1,734
Total (\$MM)	2,343	2,838	2,474	2,838
Economics				
NPV8% (\$MM -start of constr.)	1,240	1,480	2,575	2,116
NPV10% (\$MM - start of constr.)	n/a	n/a	1,956	1,609
IRR	17.3%	22.2%	26.7%	30.7%
Source: Cantor Fitzgerald				

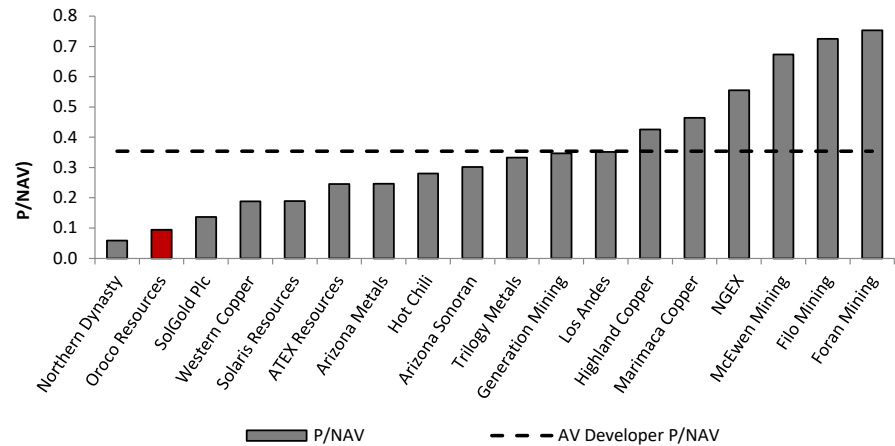
We continue to like the Santo Tomás project for its positive economics and favourable location in a supportive jurisdiction with good access and established infrastructure. We see the Santo Tomás Project as having robust potential for a large, low-cost open-pit, copper mining operation based on the revised 2024 PEA that contemplates a staged open pit mine and processing plant starting at 60,000 tonnes per day (tpd) expanding to 120,000 tpd in year 8 operating over a 23-year LOM. We see average annual production at 206 MMLb/yr with LOM C1 cash costs of US\$1.55/lb Cu, net of by-products.

UPDATED VALUATION AND TARGET PRICE

We continue to value Oroco based on a sum-of-parts basis including an NPV8% discounted to today for its 85.5% ownership in Santo Tomás. We also factor in the effects of share dilution assuming the Company issues ~\$20 MM in additional equity to fund work through to completion of a PFS. We apply a 0.3x multiple to NAV_{8%} (unchanged) which is a slight discount to peers given the financing overhang and current uncertainty around Mexico's

stance on open-pit mining. As a result, our target price drops to \$2.00/shr from \$2.50 previously. However, on a P/NAV basis, OCO continues to trade at 0.1x NAV, a significant discount to its peer group of copper developers that trade closer to 0.4x and established producers (larger and generally diversified) that trade at 0.6-1.5x NAV. Copper remains a critical metal for the Energy Transition and given the dearth of available copper projects, particularly in North America, we continue to see Oroco as an attractive opportunity for investors and for metals producers looking to expand their copper exposure. Our Buy rating is unchanged.

Exhibit 6: Comparable Copper Developer P/NAV



Source: FactSet, Company Reports. Cantor Fitzgerald

Oroco Resource Corp - Summary Sheet

Rating	BUY	Basic Shares (MM)	243.3	Cantor Fitzgerald
Target Price	C\$2.00↓	Diluted Shares (ITM / FD) (MM)	283.1	Matthew O'Keefe
Share Price	\$0.38	Basic Mkt Cap (C\$MM)	91.2	416-849-5004
Potential Return	433%	Enterprise Value (C\$MM)	84.8	matthew.o'keefe@cantor.com

BALANCE SHEET

C\$MM, May31.YE	2022A	2023A	2024E	2025E	2026E
Assets					
Cash	23.0	1.5	0.3	2.9	0.5
Other Current Assets	1.4	0.6	0.6	0.6	0.6
Total Current Assets	24.5	2.1	1.0	3.6	1.2
Non-current Assets	53.1	78.0	83.0	98.0	103.0
Total Assets	77.6	80.1	83.9	101.5	104.1
Liabilities					
Current Liabilities	4.1	2.9	2.9	2.9	2.9
Other Liabilities	0.0	0.0	0.0	0.0	0.0
Total Liabilities	4.1	2.9	2.9	2.9	2.9
Shareholder Equity	73.5	77.2	81.0	98.6	101.2

INCOME STATEMENT

C\$MM, May31.YE	2022A	2023A	2024E	2025E	2026E
Revenue	-	-	-	-	-
Operating Expenses	8.8	5.6	5.6	5.6	5.6
EBIT	(8.8)	(5.6)	(5.6)	(5.6)	(5.6)
Depreciation	0.0	-	-	-	-
Other Income (Costs)	1.3	0.3	-	-	-
EBT	(7.6)	(5.3)	(5.6)	(5.6)	(5.6)
Tax (expense) benefit	-	-	-	-	-
Net Income (loss)	(7.6)	(5.3)	(5.6)	(5.6)	(5.6)
EPS (\$/sh)	-\$0.04	-\$0.03	-\$0.02	-\$0.02	-\$0.02
EBITDA	(8.8)	(5.6)	(5.6)	(5.6)	(5.6)
Free Cash Flow	(18.3)	(27.3)	(7.4)	(17.4)	(7.4)
Average shares (MM)	194.2	208.0	243.3	296.6	309.9

CASH FLOW STATEMENT

C\$MM, May31.YE	2022A	2023A	2024E	2025E	2026E
Cash Flow from Operations					
Net Income	(7.6)	(5.3)	(5.6)	(5.6)	(5.6)
Depreciation	0.3	-	-	-	-
Other	5.0	2.8	3.2	3.2	3.2
Total CF Operations	(2.1)	(2.8)	(2.4)	(2.4)	(2.4)
CF Operations (\$/sh)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Cash Flow from Investing					
Capital Expenditures	(3.0)	(0.8)	-	-	-
Mineral Properties	(14.5)	(23.7)	(5.0)	(15.0)	(5.0)
Total CF Investing	(16.2)	(24.5)	(5.0)	(15.0)	(5.0)
Cash Flow from Financing					
Equity Financing	17.6	4.6	6.3	20.0	5.0
Other	3.5	1.0	-	-	-
Total CF Financing	21.1	5.6	6.3	20.0	5.0
Change In Cash	2.8	(21.6)	(1.1)	2.6	(2.4)

VALUATION DATA

	2022A	2023A	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		0.1x			
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

INPUT PRICES

	2022A	2023A	2024E	2025E	2026E
Copper (US\$/lb)	\$4.01	\$3.85	\$4.30	\$3.50	\$4.50
Molybdenum (US\$/lb)	\$17.79	\$25.59	\$19.50	\$18.00	\$16.00
Gold (US\$/oz)	\$1,801	\$1,943	\$2,350	\$2,400	\$2,200
Silver (US\$/oz)	\$21.78	\$23.38	\$28.00	\$29.00	\$25.00
Key Currencies					
USD:CDN	1.30	1.33	1.33	1.33	1.33

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

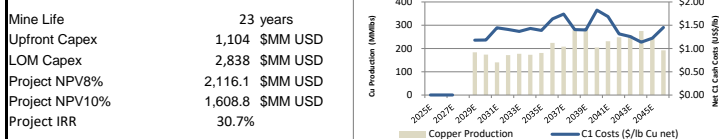
SANTO TOMÁS RESOURCE SUMMARY - Oct 2023

	MMt	CuEq (%)	Cu (%)	Mo (%)	Au g/t	Ag g/t
M&I	540.0	0.37	0.33	0.008	0.03	2.10
Inferred	530.3	0.35	0.31	0.007	0.02	1.95
Total	1,070	0.36	0.32	0.008	0.03	2.03

	MMt	CuEq MMlb	Cu (MMlb)	Mo (MMlb)	Au (koz)	Ag (koz)
M&I	540.0	4,465	3,976	95	483	36,524
Inferred	530.3	4,058	3,657	84	387	33,229
Total	1,070	8,523	7,633	180	871	69,753

SANTO TOMÁS - Cantor 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	60,000	120,000
Copper Head Grade	(Cu %)	0.45%	0.42%	0.34%	0.42%	0.44%	0.29%
Molybdenum Head Grade	(Mo %)	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Gold Head Grade	(Au g/t)	0.06	0.05	0.05	0.03	0.02	0.02
Silver Head Grade	(Ag g/t)	2.09	2.09	2.09	2.09	2.09	2.09
Copper Produced	(kt)	98.6	92.0	74.5	92.0	96.4	127.0
Copper Produced	(MM lbs)	184	174	140	172	177	234
Molybdenum Produced	(MM lbs)	2.4	2.4	2.4	2.4	2.4	4.9
Gold Produced	(koz)	26.2	23.7	23.7	12.6	8.8	17.7
Silver Produced	(koz)	782	782	782	782	782	1,564
CuEq Produced	(MM lbs)	200	189	157	183	186	257
C1 Costs	(US\$/lb, net)	\$1.18	\$1.18	\$1.44	\$1.41	\$1.37	\$1.23

**Santo Tomás - Overview****NET ASSET VALUE**

Asset	Valuation	NAV (C\$MM)	C\$/Share	NAV Valuation	
Santo Tomas (85.5%)	NPV8%	\$1,952.2	C\$6.66	Mining Assets	C\$6.66
				Financial Assets	C\$0.05
Total Mining Assets		\$1,952.2	C\$6.66	Net Asset Value	C\$6.70
Pro-forma Working Capital*		\$13.4	C\$0.05	Target Multiple	0.30x
Long-Term Debt		\$0.0	C\$0.00		
Net Financial Assets		\$13.4	C\$0.05		
Total		\$1,965.6	C\$6.70	TARGET PRICE (C\$/shr)	C\$2.00

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