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BUY

C\$3.04

9 June 2021

Key statistics

Ticker	TSX.V:OCO
Market cap	C\$575m/US\$478m
Shares in issue	
Basic (m)	189.3
Fully diluted (m)	213.6
52-week	
High (A\$)	3.65
Low (A\$)	0.32
3m-avg daily vol (shares)	264,000
3m-avg daily value (C\$)	502,468

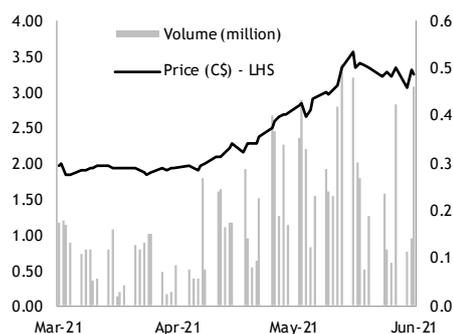
Top shareholders (%)

Craig Dalziel	8.86%
David Rose	5.05%
Adam Smith	4.00%
Stephen Leahy	0.77%
Total	18.9%

Management

Stephen Leahy	Chairman
Craig Dalziel	CEO
Ian Graham	President
Steven Vanry	Chief Financial Officer

Share Price Performance (C\$)



Source: Bloomberg

RFC Ambrian acts as Broker to Oroco Resource Corp.

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Oroco Resource Corp.

A Significant Copper Resource is Emerging

Oroco Resource Corp. is a Canadian junior exploration company with an exciting copper project in Mexico. The Santo Tomás project currently has an historic resource of 2.65Mt of contained copper which is open in all directions. The use of modern exploration techniques may validate historical projections of 7.0Mt copper. Indications of this potential are already clear in the recently completed 3D IP survey.

A Significant Copper Asset: Oroco currently holds a 73.2% interest in the Santo Tomás copper project in Mexico, which can be increased to 85.5% with additional project investment. Extensive historical work has defined a very large outcropping porphyry copper deposit and demonstrated the project's viability through completion of an historical PFS.

Good Infrastructure and Location: The project is located in Mexico, a top tier mining jurisdiction with outstanding local infrastructure available to support large-scale mining activities, strong local mining culture and highly supportive community. The project benefits from significant potential capex and operating cost advantages due to its favourable location.

Large Copper Resource: A total Measured and Indicated historical resource of 822Mt grading 0.322% copper was outlined, containing 2.65Mt (5.84bn pounds) of copper, within which exists a higher-grade core of 333Mt grading 0.437% copper. By-product gold, silver and molybdenum are also present but were not historically assayed for and are as yet unquantified.

A Focus on Expanding the Resource: Oroco has a highly experienced board and management team which has been assembled to direct the project's exploration and development. Management's strategy and focus is on the confirmation and expansion of the historical resource and ultimately an exit through divestment of the project.

Extensive Exploration Upside: The aim of the current exploration campaign is to verify and build upon the historical work. Significant resource upside is anticipated through the use of modern exploration techniques and already this potential has been indicated from the successful results of a 3D IP survey just released. A major drill program is now being planned for later this year.

M&A Potential Supports a Strong Valuation: We have tried to consider what Oroco could be priced at in an M&A situation as we believe it has an asset that may be attractive to a top tier copper producer. Based on previous work, we have applied a takeover value US\$193/t resource for a feasibility stage project on a resource of at least 3-4x the historical resource calculation. This gives a takeover target share price for Oroco of C\$8.66-11.55/share. Assuming share price represents a takeover price including a 30% premium, **we place an 18 to 24-month trading price range of C\$6.66-8.88/share on Oroco, a significant premium to the current share price.**

1.0 Overview of Oroco Resource Corp.

Oroco Resource Corp. is a Canadian-listed mining company that was established in 2006 to develop resource opportunities in Mexico. The main focus is currently on the Santo Tomás project in northwest Mexico.

The company is listed on the TSX Venture Exchange under the symbol OCO, and it also trades on the Frankfurt Stock Exchange Open Market under the trading symbol OR6 and the US OTC exchange under the trading symbol ORRCF.PK.

In March 2020, pursuant to an option agreement, Oroco acquired 100% ownership of Altamura Copper Corp. Altamura currently holds a 73.2% interest in Xochipala Gold, which holds the registered title to the seven mineral concessions which cover the known core of the Santo Tomás project. A highly experienced board and management team has been assembled to direct the development of the project.

During 2020, Oroco raised some C\$25.1m in four private placements, essentially to finance further exploration of the Santo Tomás project. This included C\$0.75m in March 2020, C\$1.7m in June 2020, a further C\$7.3m in September 2020, and then C\$15.5m in December (see Recent Financings, page 21). As at the end of February 2021, the company had net cash and marketable securities of C\$22.0m.

Figure 1: Santo Tomás Location



Source: RFC Ambrian

Santo Tomás Exploration Project

The company holds a net 73.2% interest in the core concessions of the Santo Tomás project in Mexico and may increase that majority interest to an 85.5% interest with a project investment of up to C\$30m. It also holds a 77.5% interest in significant mineral concessions surrounding and adjacent to the core concessions. The project is located within 160km of the Pacific deep-water port at Topolobampo and serviced via a highway and proximal rail which has parallel corridors of trunk grid power lines and natural gas.

The concession area hosts a significant copper porphyry deposit defined by prior exploration spanning the period from 1968 to 1994. During that time, the property was tested by over 100 diamond drill and reverse circulation drill holes, totalling approximately 30,000m. Three zones of copper mineralisation were identified called the North Zone, the South Zone and Brasiles Zone.

Based on data generated by these drill programmes, a resource estimate for the project was calculated and metallurgical test work was conducted, which resulted in the completion of Prefeasibility Study in 1994.

A total Measured and Indicated historical resource of 822Mt grading 0.322% copper was outlined, containing 2.65Mt (5.84bn pounds) of copper. By-product gold, silver and molybdenum are also present but were not historically assayed for and are as yet unquantified. Within this sizeable historical mineral resource, there exists a higher-grade core comprising 333Mt at an average grade of 0.437% copper.

Studies have shown potential for a project-wide endowment of greater than 7Mt of contained copper. Oroco published a Revised Technical Report on Santo Tomás and the historical resource in April 2020.

New Exploration

The main exploration work by Oroco commenced in September 2020 with the preparation for an exploration drill programme, acquisition of surface rights and permits, and a 3D IP geophysical survey. This is the first modern ground geophysical survey conducted at Santo Tomás. The aim of the current exploration campaign is to verify and build upon an updated geological model and a substantial body of historical drilling, mineral resource estimates, and the Prefeasibility studies.

Results of the 3D IP survey were released in June 2021 and initial interpretation by geophysical contractors and Oroco management point to very significant implications for future exploration success at the project.

It indicates a substantial continuation of Santo Tomás chargeability along strike and to depth, inferring that the mineralised system is much more extensive than was defined historically. In addition to the strike continuity, chargeability features at South Zone and Brasiles protrude east of their anticipated distribution, and a distinct feature of intermediate chargeability is developed westward below a mapped limestone bluff at Brasiles.

The 3D IP results will be used to guide the targeting of future drilling at the Santo Tomás South, North and Brasiles Zones. A 70,000m drilling campaign is planned for later this year.

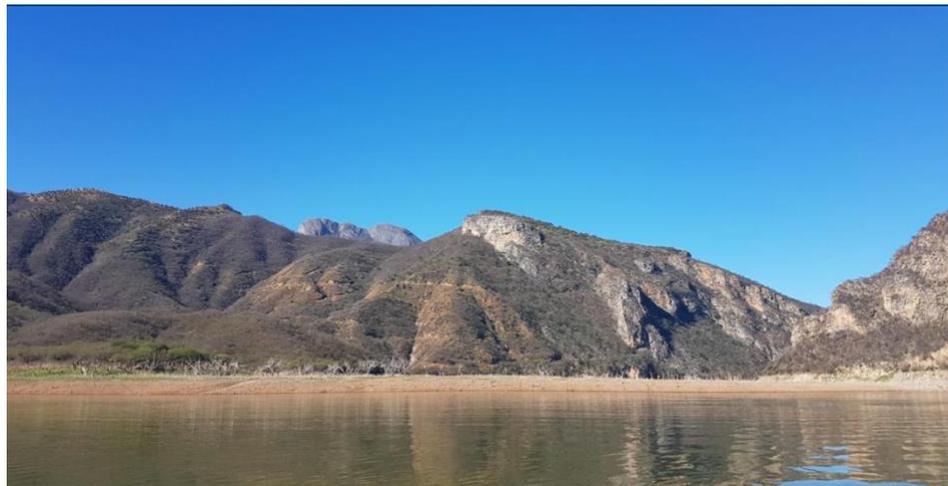
Mine Development and M&A Potential

Oroco is now developing a very promising copper deposit that with further successful exploration and permitting has the potential to be progressed through to an operating copper mine. In the meantime, we believe that there are only eight copper projects globally, not already owned by the major mining companies or top tier copper producers, that could be considered as potential takeover candidates under our criteria, and the Santo Tomás project is one of them. This clearly places Oroco as a potential M&A candidate as the project develops.

2.0 The Santo Tomás Project

The focus of Oroco Resource Corp. is the Santo Tomás project which hosts a significant copper porphyry deposit defined by prior exploration. It is currently one of the largest undeveloped copper projects, not owned by a major mining company but with a high probability of development¹. It currently contains an historical resource of about 2.7Mt contained copper.

Figure 2: The Santo Tomás Project



Source: Oroco Resource Corp.

Oroco holds a net 73.2% interest in the collective 1,173 ha core concessions of the project and may increase that majority interest up to an 85.5% interest with a project investment of up to C\$30m. Oroco also holds a 77.5% interest in 7,808 ha of mineral concessions surrounding and adjacent to the core concessions (for a total project area of 22,192 acres).

The project has good infrastructure, a potentially low strip ratio, and appears to have no environmental issues. Furthermore, it is fully statutorily compliant, with existing mining concessions. In Mexico, the term “concession” refers to mining lots, that are valid for fifty years and renewable for one additional 50-year period.

Location

The Santo Tomás project is located in the municipality of Choix, in northern Sinaloa State, México, some 160km from the Pacific deep-water port of Topolobampo. The project is serviced via highway and proximal rail through the city of Los Mochis to the northern city of Choix. The property is reached by a 32 km access road originally built to service Goldcorp’s El Sauzal mine in Chihuahua State.

The project has good infrastructure with parallel corridors of trunk grid power lines linked to the hydropower at the nearby Huites Dam and a new natural gas pipeline lies within 20 km of Santo Tomás. There is also an international airport at Los Mochis some 160km to the southwest.

¹ Copper Projects Review January 2020 – RFC Ambrian

The Property area is mountainous and is part of the southwestern Sierra Madre Occidental mountain range. The topography of the area is deeply incised with steep-walled valleys. There are a number of regional population and commercial centres and the area is reported to have a strong local mining culture and highly supportive community.

Figure 3: Santo Tomás Location and Infrastructure



Source: Oroco Resource Corp.

Geology

The Santo Tomás properties lie within the Laramide porphyry copper province of southwestern US and northern Mexico, which is one of the world's great concentrations of porphyry deposits, rivalling the Tertiary age deposits in the southern Andes or the Philippine Islands.

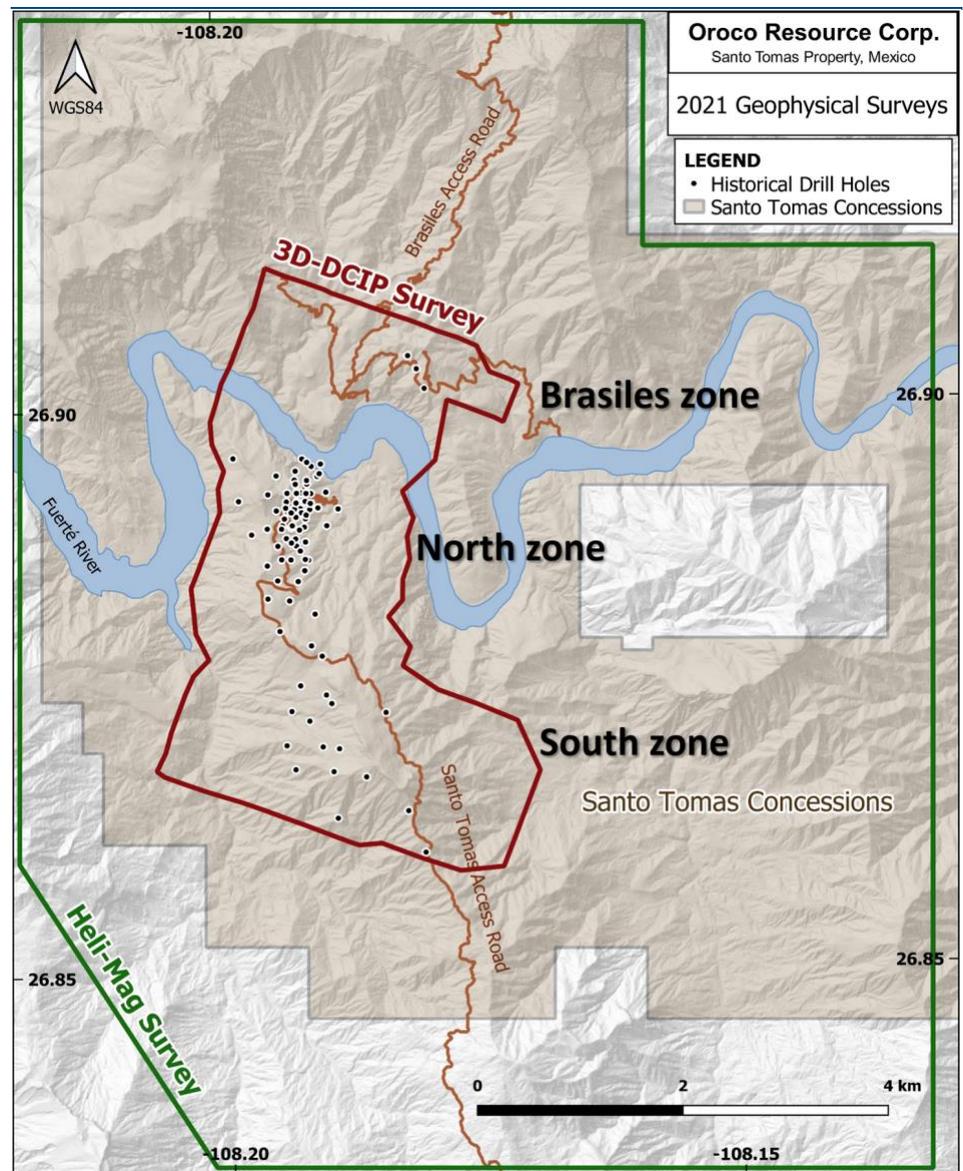
Most of the known porphyry copper deposits in Mexico lie along a 1,500 km-long, NW trending belt subparallel to the western coast of Mexico. This belt extends from the U.S. border through the states of Sonora (the Cananea and La Caridad deposits), western Chihuahua, Sinaloa, Michoacán (the Inguarán deposit), and Guerrero. The

deposit at Cananea (>20 Mt contained copper) in Sonora is among the 15 largest porphyry copper deposits in the world.

The Santo Tomás deposit lies within the Sierra Madre Occidental belt of Mexico. This region is underlain by the Guerrero terrane characterised by volcanic and volcanoclastic sequences associated with island arcs of Middle Jurassic and Early Cretaceous age. The bedrock in the Santo Tomás region is predominantly comprised of older, Mesozoic-aged, bedded, carbonate-rich sediments including limestone, marble bodies, sandstones, and large volumes of andesitic volcanic rocks.

The Santo Tomás mineral camp is characterised by copper porphyry and skarn replacement style mineralisation. The main portion of the deposit consists of a zone of disseminated copper along the axis of multiple quartz monzonite porphyry dykes.

Figure 4: Santo Tomás Copper Mineralised Zones



Source: Oroco Resource Corp.

Mineralisation at Santo Tomás 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 are not significant. The porphyry copper mineralisation is sulphide-dominant with chalcopyrite being the main copper-bearing sulphide mineral.

Historical Exploration

The Santo Tomás deposit is exposed in outcrop pattern along a 5 km strike length. South of Rio Fuerte, mineralisation on the eastern and western flanks of the N-S Santo Tomás ridge are called the North Zone and South Zones, respectively. A mineralised zone lying north of the Rio Fuerte river is termed the Brasiles Zone.

- The South Zone is the mineralised zone that previously was studied by Bateman (1994) and was the subject of a pit design. It lies on the crest and west slope of the Santo Tomás Ridge. On the South Zone, extensions onto the Peripheral Concessions are evidenced by historical drilling data.
- The North Zone is the main mineralised zone on the property that previously was studied by Bateman (1994) and the subject of a pit design. The zone lies on the eastern flank of the Santo Tomás Ridge, south of the Rio Fuerte river.
- Brasiles Zone is the NNE strike projection of the North Zone across the Rio Fuerte river and lies on the north bank of Rio Fuerte. Historical information and recent geological mapping demonstrated that the Brasiles Zone extends from the Core Concessions to the northeast onto the Peripheral Concessions.

Before formal exploration of the Santo Tomás deposit, informal miners had been working the site sporadically since the early 1900s. The development consists of several small excavations and two small adits in the North and South Zones.

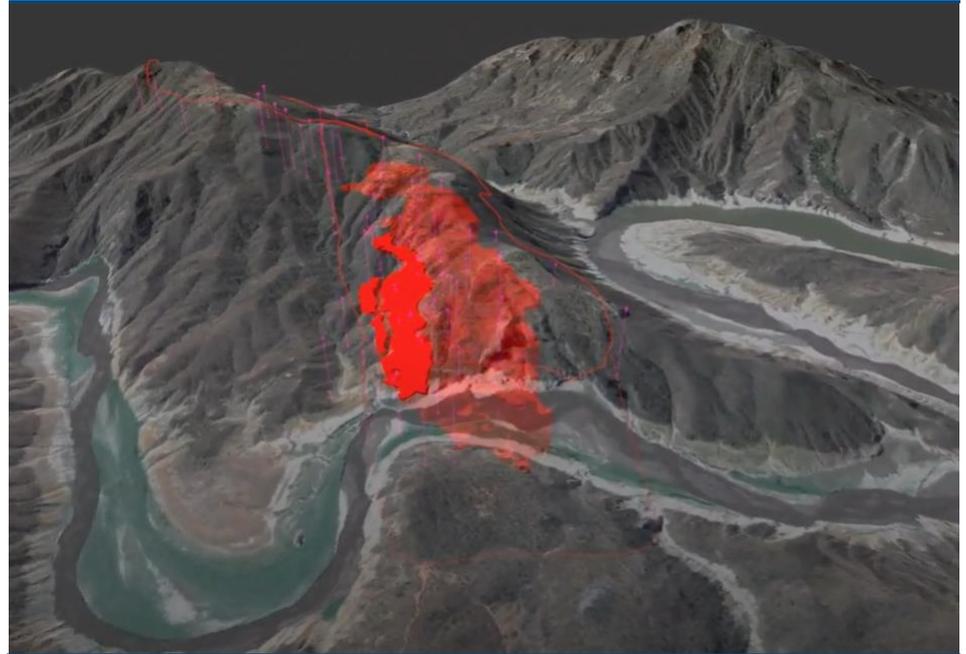
The Santo Tomás copper porphyry deposit has been defined by prior exploration spanning the period from 1968 to 1994. During that time, the property was tested by over 100 diamond and reverse circulation drill holes, totalling approximately 30,000m. The main mineralised zone varies between approximately 100 to 600m in true thickness and dips moderately to the WNW at 50° in the North Zone. Similar moderate angle dips are apparent in the South Zone and Brasiles.

Based on data generated by these drill programmes, an historical Prefeasibility Study (PFS) was completed by Bateman Engineering in 1994. Updates of the study were made in 2003 and 2011. A technical report was published in August 2019.

A total Measured and Indicated historical resource of 821.7Mt grading 0.322% copper was outlined, containing 2.65Mt (5.84bn pounds) of copper. By-product gold, silver and molybdenum are also present at low levels, but previous work has not included these metals as the historical sampling is not as complete as it is for copper.

Within this sizeable historical mineral resource, there exists a higher-grade central area in the North Pit area, that outcrops at the surface and dips to the west, within a broad structural/intrusive zone. At a 0.35% copper cut-off grade, the results show a higher-grade component of mineralisation in the historical Measured and Indicated mineral resource estimate that consists of 333Mt at an average grade of 0.437% copper, for a total of 3.20bn pounds of copper.

Figure 5: 3D Model of Historical Copper Mineralisation

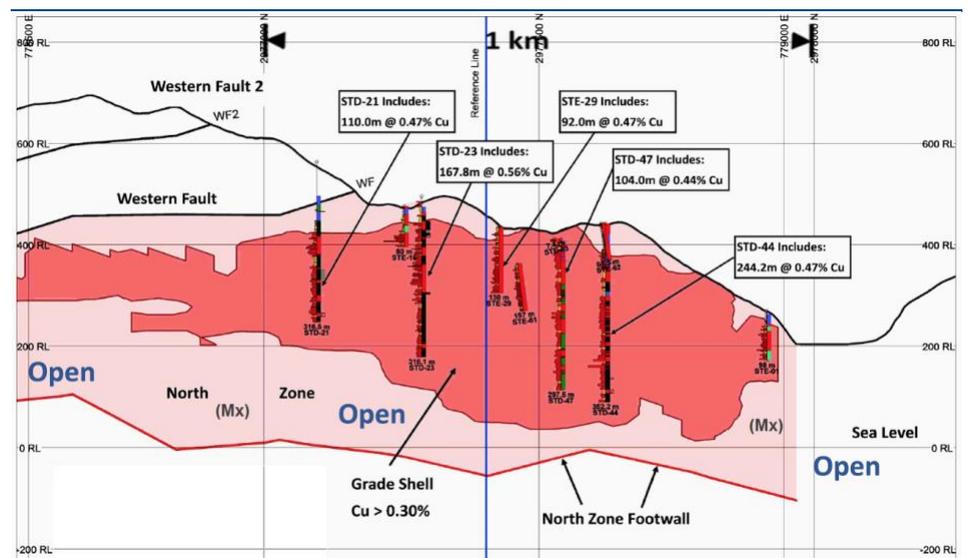


Source: Oroco Resource Corp.

Figure 5 shows a 3D interpretation of the historical copper mineralisation with the dark red showing the surface outcropping section.

Figure 6 is a longitude section P-20 in the central area of North Zone. Higher-grade mineralisation (red) is enclosed in a broad envelope of intrusion and sulphide mineralisation (pink). Higher grade mineralisation extends from 400m to near sea-level as defined by historical drilling. Most holes intersect long intervals of Cu > 0.40%. All holes in this section terminate before passing out of the higher-grade mineralisation. The deposit is open for extension along strike and to depth.

Figure 6: Longitude Section P-20 in the Central Area of North Zone



Source: Oroco Resource Corp.

The most recent technical report (August 2019) highlights that all historical drilling information was biased towards relatively shallow, vertical holes to a maximum depth of 300m that did not fully test the depth, strike or dip extents of the moderately west-dipping Santo Tomás main mineralised zone. Many of the holes ended in high grade copper mineralisation.

Consequently, the PFS was developed on an information base that lacked an optimal spatial distribution of drilling for hypogene mineralisation. The technical report further concludes that revised geological interpretation means that an updated 3D geological model is required for exploration planning and layout of confirmation drilling.

Resource Estimate

The 2011 resource estimate prepared by consultant John Thornton is an historical estimate as defined in NI 43-101 of the Canadian Securities Administration. While this is considered reliable and relevant because Thornton employed reliable estimate practice and utilised all available drilling information in the preparation in 2011, a qualified person has not done sufficient work to classify it as current mineral resources or mineral reserves and the company is not treating it as current mineral resources or mineral reserves.

For the historical estimate to be reported as a current resource estimate, resampling and assay of historical drill samples, twinning of historical drill holes, and a new programme of regularly spaced drilling are required.

Table 1: Santo Tomás Historical Resource Estimate

Area	Measured Mt	Indicated Mt	Total Resource Mt	% Cu
Lower Grade (0.15-0.35%)	103.4	385.5	488.9	0.245
Higher Grade (>=0.35%)	107.8	225.1	332.9	0.426
Total	211.2	610.6	821.7	0.322

Source: Oroco Resource Corp.

A high-grade core of the orebody (281Mt grading 0.437% copper) is outcropping and the proposed open pit mine would have a low strip ratio of 1.5:1. The deposit remains open along strike and down dip. Also, historical drilling was not systematically assayed for molybdenum or precious metals and there is potential for by-product credits.

The 2019 Offering Memorandum states that studies have shown potential for a project-wide endowment of greater than 7Mt of contained copper and that modern targeted drilling and exploration work has the potential to significantly increase grade and tonnage.

With regards to metallurgical testing, the 1994 Bateman report states that the Santo Tomás sulphide mineralisation did not respond well to direct leaching because of the high sulphide and low oxide content. However, the Santo Tomás ore did respond favourably to flotation using common reagents, although a relatively fine grind at 200 mesh is required. The test results, although limited in nature, indicate that the Santo Tomás ore would be amenable to beneficiation in a conventional concentrator to produce copper concentrate for smelter treatment.

Oroco's Exploration Work Programme

Oroco first acquired an interest in the project in 2017. Exploration by Oroco has consisted of access road rebuilding, surveying, geological field mapping, and Synthetic Aperture Radar (SAR) remote sensing. Additional 3D modelling of the SAR data, historical drilling, and the additional structural data significantly advanced the understanding of the genesis and later structural modification of the Santo Tomás deposit.

In late 2019 the company commenced a phased programme of surface work and began planning for confirmation diamond drilling. Layouts of the drilling are based on the updated 3D geological model and the latest structural data.

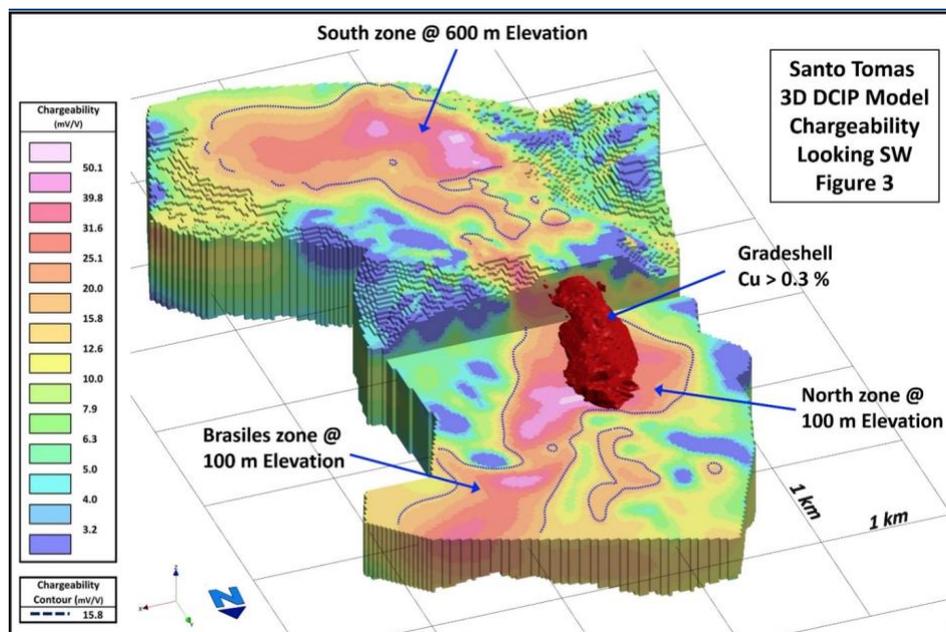
A 2.5 by 5.5km grid was laid out for 3D Induced Polarization geophysical surveys which commenced in September 2020 and finished in May 2021. The company has retained an environmental consultant and permitting applications are underway.

To date, the company has completed a new 22-person exploration camp on the south shore of the Huites Reservoir. The North and Brasiles zone are now accessed by a 15-minute commute by watercraft on the reservoir and El Fuerte river. Community outreach and social programmes have also been an integral part of the company's local activities since 2017.

3D-IP Geophysical Survey Results

In June 2021, Oroco released the results of the state-of-the-art 3D IP survey, the first ever ground geophysical survey conducted at Santo Tomás.

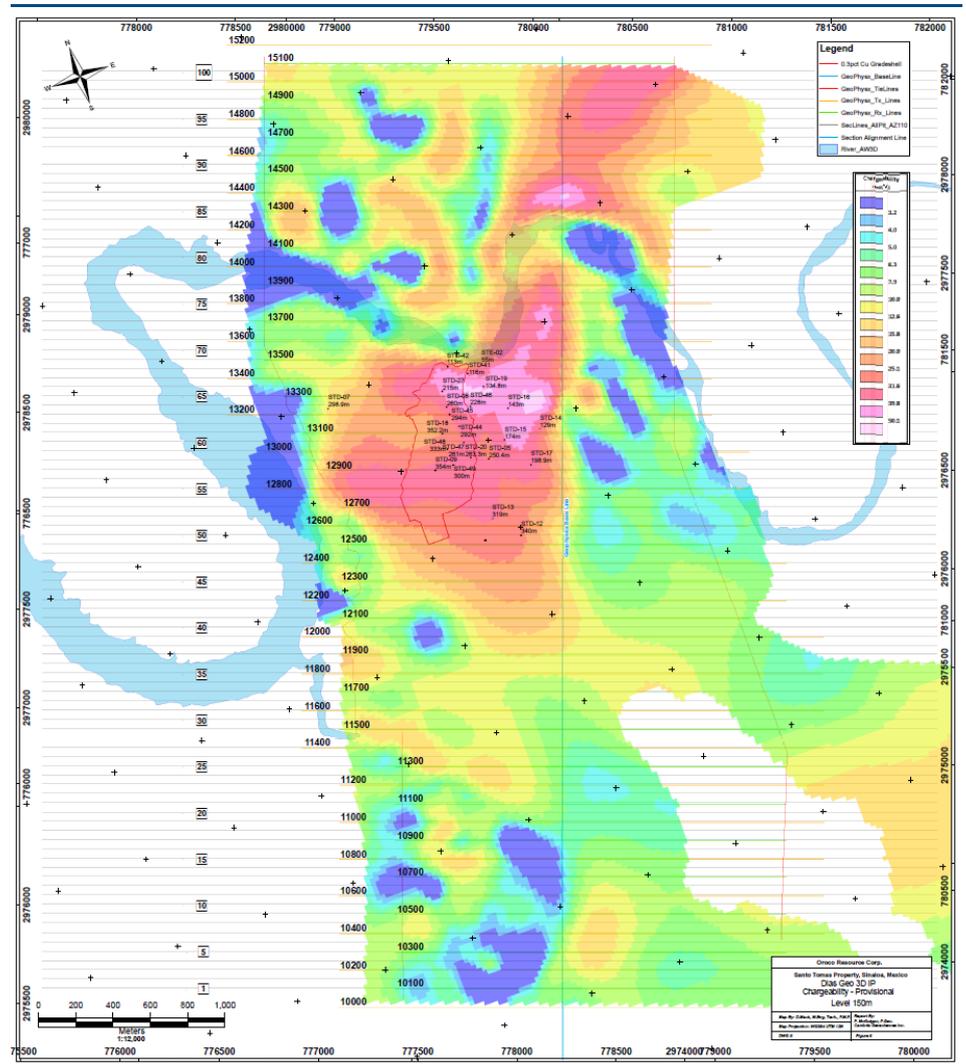
Figure 7: Stepped Plan View of the 3D IP Chargeability Model



Source: Oroco Resource Corp.

Initial interpretation of the results by geophysical contractors and Oroco management point to very significant implications for future exploration success at the project.

Figure 8: Elevation Slice of Chargeability Anomalies in the North and Brasiles Zones at 150m above RL



Source: Oroco Resource Corp.

Highlights of the 3D IP Survey results

- Significant chargeability anomalies over its entire extent, a length of over 4.0km, at depths extending to approximately 600m below surface.
- An extensive area of strong chargeability response which encloses the known North Zone deposit and extends the modelled high-grade core of the deposit **over 400m westwards and to significant depth.**
- Strong chargeability responses enclosing the historical South Zone drilling and **extending over 1.0km eastwards** from the known mineralisation.
- Significantly, the modelling of the Brasiles zone shows that the North Zone and Brasiles Zones are a contiguous exploration target spanning an average of 1.0km in width and a minimum of 2.0km along strike. **This chargeability anomaly extends north past the northern limits of the survey extent.**
- **A near-perfect correlation** between very high chargeability anomaly and the gossanous outcrop in the Brasiles zone; and

- A **previously unknown chargeability anomaly** 'spur' which sits below limestone cover to the north of the North Zone mineralisation, and which could be linked to historical mentions of skarn occurrences in the area.

Further Detail and Exploration Implications

The preliminary survey data support the following observations:

Chargeability: The preliminary inversion model clearly identifies the known sulphide mineralisation in the central axis areas of the South and North Zone deposits and appears to map this parameter to a depth of up to approximately 600m.

North Zone: A 1,000m wide, strong chargeability-high response is broader than indicated from historical drilling. Notably, the chargeability-high response extends westward of the company's 3D geological model of the mineral deposit (the 2009 gradeshell of Cu > 0.30%), under the concealing limestone cap of the Santo Tomás ridge. Responses extend to the 600m depth-limit of the 3D IP survey, which is often significantly deeper than the historical drilling. Results also indicate drill targets that lie at a shallower depth below the Santo Tomás ridge than previously estimated.

North Zone to Brasiles Zone: 3D IP preliminary inversion modelling delineates an NNE striking, west-dipping, chargeability-high response extending from the North Zone to the prominent gossan of the Brasiles Zone. These results demonstrate a shallow-seated, chargeability-high response beneath the Brasiles limestone horizon, similar to the North Zone (see Figure 4).

Figure 9: Aerial View of Gossanous Outcrop at Brasiles Zone corresponding to Chargeability High in Figure 8



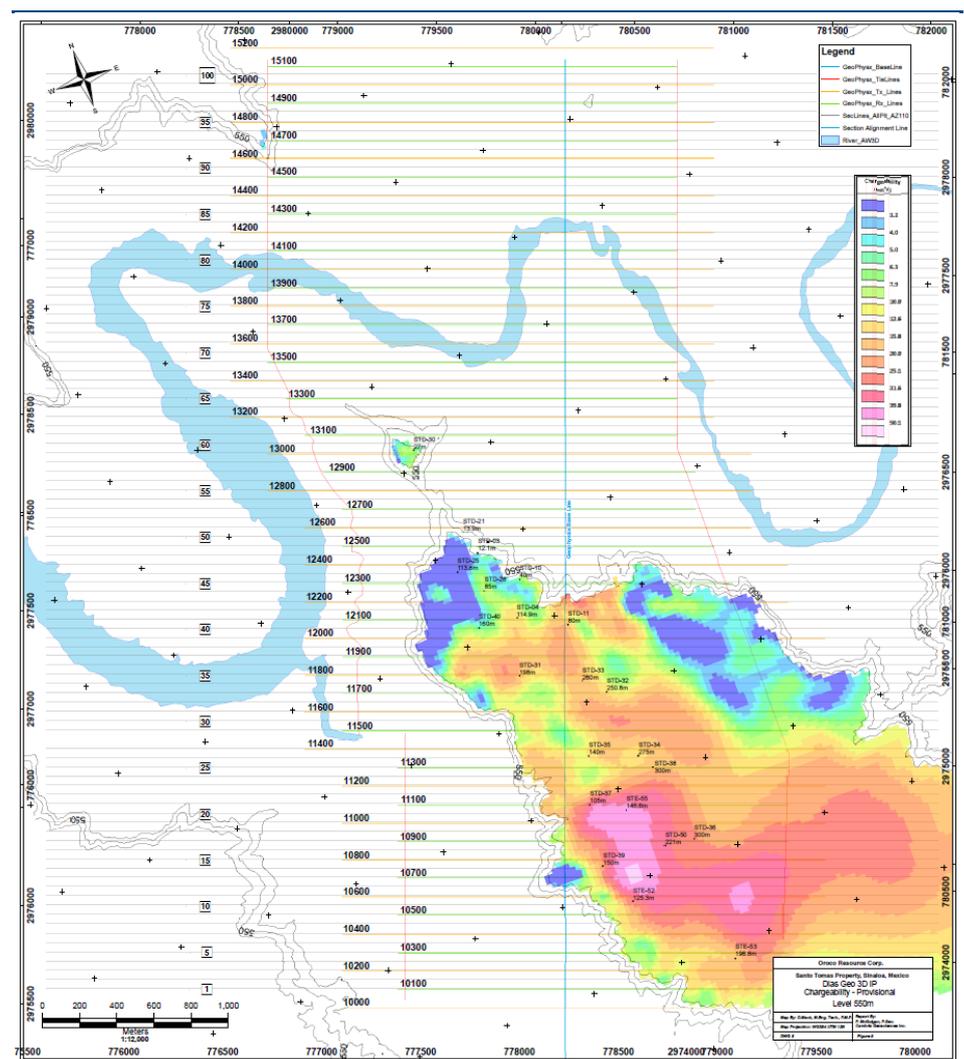
Source: Google Earth

The historical drilling at Santo Tomás was sub-optimal, consisting of wide spaced, vertical drill holes, (many of which ended in high grade copper mineralisation), to a maximum depth of 300m. The preliminary results from the 3D IP survey doubles the depth of the potential mineralisation footprint to 600m, while also highlighting potential high-grade drilling targets closer to surface within the North Zone, and beneath the limestone cap and gossanous material further north at the Brasiles Zone.

South Zone: Results show a chargeability-high and resistivity-low response spanning 1,000m wide by 1,200m long in horizontal plan view that correlates well with the 10 widely spaced historical drill holes. The response is located below capping volcanic and limestone units and above the contact with an inferred Laramide batholith exposed to the south and west of the South Zone. The responses define a wedge 200 to 400m thick at the western limit, increasing to 600m on the surveyed area's eastern fringe.

The results also show a high chargeability response over an area approximately 500m wide extending over 1.0km to the east, in an area which has never been previously drilled.

Figure 10: Elevation Slice of Chargeability Anomalies in the South Zone at 550m above RL showing Large Chargeability Extent to the East



Source: Oroco Resource Corp.

The 3D IP survey clearly illustrates the opportunity to target very significant additional tonnage among certain lateral chargeability extensions (South and Brasiles Zones) and where the strong North Zone anomaly extends to depth below the 700m depth limit of investigation of the IP survey.

Ongoing Survey Work

Oroco now plans to integrate the 3D IP data with data from the pending delivery of a helicopter magnetics survey, gamma-ray spectrometer and VLF EM survey carried out by Terraquest. Results from the ongoing geological structural mapping will be integrated in the near future.

Meanwhile, the company has received the results of an airborne LiDAR survey flown by Eagle Mapping. The survey covered some 450 km² and was timed to coincide with the low level of the Huites reservoir which has exposed most of the area normally submerged beneath the water retained by the Huites dam.

The survey was flown to recover data with sub-30 cm vertical and horizontal precision and forms the basis for updated digital elevation models and derived map products (contour lines). The survey has also provided updated orthorectified aerial photography of the project site. The photography is instructive as the current drought has maximised surface feature visibility.

Upcoming Drill Program

Oroco is awaiting approvals of permit applications lodged with the authorities in Chihuahua and Sinaloa. The Company will commence drilling upon the receipt of permissions to proceed, anticipated in the third quarter of 2021. Certain permits will allow for the opening of drill track and the construction of further camp and water storage facilities proximal to the prospects targeted for drilling.

Drilling is expected to be targeted to confirm certain historical geological, assay and resource records, as well as to target the IP-indicated extensions to the historical mineralization and chargeability features newly defined by the 3D IP survey work.

The 3D IP results will be used to guide the targeting of future drilling at the Santo Tomás South, North and Brasiles Zones.

3.0 ESG Matters

Oroco's environmental, social and governance (ESG) plans are being constructed for the development of the Santo Tomás project from exploration through to development. The company is already investing in community initiatives and infrastructure, hiring local workers, respecting local values and culture, and maintaining responsible stewardship of the land where it operates. The company has retained an environmental consultant and environmental baseline studies and permitting are underway.

A preliminary integrated study is in progress, comprising a MEA (Environmental Impact Assessment and Forest Land Change of Use considerations) for an area within the project bounds.

The company currently operates community-based social and environmental programmes in the area of the Santo Tomás properties from its logistics and administrative base in the nearby community of Choix. Oroco has supported modest public works such as water distribution, community road and infrastructure projects, and other social programmes, as part of its commitment to the communities proximal to the company's operations.

The company's risk management advisors maintain an advisory and real-time risk monitoring function at the project and in the region.

The Huites Reservoir

One potential issue raised by investors is the proximity of the Huites reservoir and and El Fuerte river which runs through the property. This is not viewed as a major issue and Oroco has engaged consultants Grupo Gap in the permitting process of Santo Tomás which is looking at addressing questions raised by the proximity of the El Fuerte river and mapping a critical path towards permitting an engineering solution.

The Huites Reservoir functions primarily as a surge control dam to allow the flood surge management of the downstream Miguel Hidalgo reservoir. The dam was completed in 1995 and was designed to control floods by storing up water to protect 50,000ha of cropland, provide irrigation water to 70,000ha, and generate electricity at a rate of 875 kWh/year, with a minimum capacity of 400MW. This project harnesses 95% of the runoff from the watershed and provides virtually complete control of flooding.

The Santo Tomás project occurs in the uppermost reaches of the Huites Reservoir surge basin: the region underlain by the Santo Tomás - Brasiles zones comprises a very minor part of the reservoir volume (less than 2%). Furthermore, Oroco views the proximal availability of water as a significant positive for the Santo Tomás project and it is likely that the river and reservoir will play a role in the provision of process and makeup water for the project.

In terms of the river's impact on future mining operations, it is likely that some river diversion engineering will be required for the full development of the project. There are ready engineering solutions that would allow for development of a mining

operation that would not impact on routine operation of the flood control, power generation and irrigation functions of the dam.

Oroco believes that a navigable path to development can be provided through the understanding of the permitting, political and water-use client environment within the Huites basin. Given the high elevation of most of the surrounding terrain the most likely option would utilise dams and a diversion tunnel, to allow mining of the orebody beneath the river.

Figure 11: The Asana River Diversion System in Peru



Source: Anglo American

An Example of a River Diversion for a Mining Project

A recent example of river diversion is at the Quellaveco project in Peru, where Anglo American has diverted the Asana River in preparation for the construction of the large copper mine. Fluor is leading the construction management for early site works at Quellaveco which included a 7.6km diversion tunnel for the Asana River, one of four tunnels totalling 13km (8 miles) in length, and three significant dams in height from 40m to 85m (131 to 279 feet) at high altitude. The cost of the Asana River diversion was reported as US\$100m and it was required ahead of initial construction.

At Santo Tomás a river diversion tunnel of just 2 to 3kms would appear to offer a solution to water management and may not be required until well after start-up.

4.0 Company Valuation

Ideally, a mining project should be valued using discounted cash flow. However, exploration projects tend to have a lack of sufficient tangible data on which to base any calculation, which means that the valuation of exploration companies is never straightforward.

Furthermore, share prices and valuations of junior exploration companies can be volatile and often reflect excitement or disappointment about recent drilling results, the underlying commodity price, or other specific exploration or geopolitical events, rather than a reflection of the current value of the underlying resources.

Given the relatively early stage of development of the Santo Tomás project, in order to arrive a valuation for Oroco we have built on previous work carried out on the copper sector and tried to consider what Oroco could be priced at in an M&A situation to use as a benchmark.

The Copper M&A Landscape

In November 2018, we published a major copper report entitled 'Copper M&A – The Cupboard is Nearly Bare', and in early 2019 we reviewed the copper M&A activity and updated the exploration projects section of the report.

The conclusion of both reports was that there are a limited number of late-stage development copper projects, of a meaningful size, that are potentially available for acquisition. The copper project database identified 64 development and exploration projects with resources of more than 2.5Mt contained copper. Of these we identified only 19 with the potential to involve third party M&A activity and we concluded that there were just five projects with a 'High' possibility of a third-party involvement, one of which was Oroco's Santo Tomás project.

This situation has not significantly changed through 2020 and 2021 and the amount of copper M&A activity in the market in the past two years has been very low. The more recent pick up in the copper price and other commodity prices has however meant that the raising of finance for juniors has improve somewhat and allowed capital to be raised for continued or renewed exploration for some companies.

In trying to identify projects that have the potential to involve a third party in M&A activity, we only consider projects operated by a junior company or non-copper focused company and exclude those projects already owned by multi-commodity copper producers, an existing primary copper producer, or state-owned projects.

We select 2.5Mt of contained copper as a cut-off resource size that might have the potential to expand its resource to >3.0Mt and allow the construction of an 80-100kt/y operation for a 20-year mine life, depending on a number of geologic and economic factors. We believe that this is the smallest size of mine that may interest Tier 1 or Tier 2 copper producers to acquire or construct.

Updated Project Database

An update of the database now suggests that there are 20 such projects with the potential to involve third party M&A activity, however we believe that the progress and outlook of many of the projects in the group has generally declined. Of these 20 projects the official number of projects on hold has now doubled to six, four further projects showed very little or no reported activity over the past year and a further two projects are being held up with reported environmental challenges.

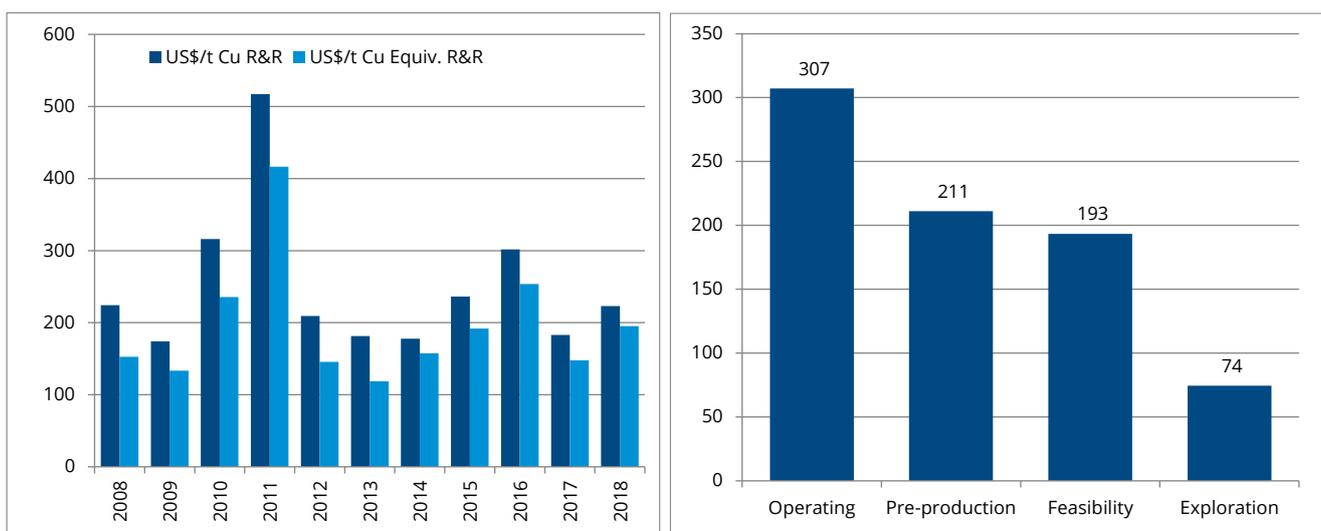
The most prominent project hit by environmental issues is Pebble, owned by Northern Dynasty, the number one ranked project in terms of size of copper resource. The project has had permitting problems previously and had received fierce opposition from environmental campaigners and native communities. Northern Dynasty decided to redesign the project and resubmit permitting, but in November 2020 it received formal notification from the US Army Corps of Engineers that its application for permits under the Clean Water Act and other federal statutes had been denied. The company is now appealing the decision.

This effectively leaves just eight projects for consideration as potential takeover candidates under our criteria, including Oroco's Santo Tomás project.

Historical Prices Paid for Copper Assets

In our previous report, we looked at prices paid per tonne of copper resource in past M&A deals for 2008-2018. For direct asset purchases this is straightforward, while for share purchases and takeovers we calculated the resource base of the underlying assets. We used resources because there are far more deals where a resource is available; reported reserves are less common. The resources include reserves where available. We also did not adjust for inflation.

Figure 12: Prices Paid for Copper M&A Over Time and Type Average (US\$/t of Cu Equivalent Resource) 2008-2018



Source: SNL, company data, RFC Ambrian

The overall deal values are shown in Figure 11 and reflect the average price paid for the acquisition of company shares, and the acquisition of assets. The first chart shows these values over time and for copper equivalent resources the price paid has varied between US\$119-254/t (US¢5-11/lb) since 2012.

The data is further sub-divided into four categories related to the stage of development of the underlying assets: Operating, Pre-production, Feasibility and Exploration. The overall average for the period 2008-2018 was US\$196/t (US¢9/lb) of in situ copper equivalent resource. Figure 11 shows that the price paid for operating assets has been US\$307/t (US¢14/lb), pre-production US\$211/t (US¢10/lb), feasibility US\$193/t (US¢9/lb) and exploration US\$74/t (US¢3 /lb).

Indicative Valuation of Oroco

To calculate a takeover value of Oroco we have made a number of assumptions. We assume in the next 18-24 months the company will have completed the planned exploration drilling programme and an initial feasibility study. We also assume continued project advancement through exploration success and that on-going expenditure will eventually result in an 85.5% interest in Santo Tomás.

We have applied these assumptions to a takeover value US\$193/t resource for a feasibility stage project and are based on US\$1.25/C\$ and 189.3m shares in issue. The takeover target share price in Canadian dollars is shown in the table below for varying ultimate sizes of orebody. We have also shown the potential takeover value for an exploration project (US\$74/t) and an operating asset (US\$307/t).

What is the Potential Size of Santo Tomás

The size of the orebody based on the historical resource is 2.65Mt of contained copper. Previous studies have shown the potential for a project-wide endowment of greater than 7.0Mt of contained copper and indications are that modern targeted drilling and exploration work has the potential to significantly increase the grade and tonnage.

This potential is indicated in the recent 3D-IP Geophysical Survey results, where the final dataset suggests a substantial continuation of Santo Tomás chargeability along strike and to depth, inferring that the mineralized system is much more extensive than was defined historically.

In addition to the strike continuity, chargeability features at South Zone and Brasiles protrude east of their anticipated distribution, and a distinct feature of intermediate chargeability is developed westward below a mapped limestone bluff at Brasiles. This clearly illustrates the opportunity to target very significant additional tonnage.

As a reference for the newly identified volume of mineralization, the historical resource outlined in the North Zone is shown in red in Figure 7 and is positioned against the latest 3D IP outline.

The 3D IP data suggests that the area of mineralization is firstly at least as deep again as the historical resource (x2) and secondly covers an area at least 2-3 times the historical resource. Obviously, this takes no account for the grade of the mineralization, but it is worth noting that there is a strong correlation to the IP chargeability and the known historical resource.

As a result, we believe that **a resource of at least 3-4x the original historical resource**, equivalent to 7.95-10.60Mt of contained copper, could be outlined over the course of the next 18-24 months through continued exploration. We provide Table 2 for investors to make their own decision about the potential size of the orebody and to show the sensitivity.

Table 2: Implied M&A Takeover Value for Oroco Resource (C\$)

Resource Size	Resource	Exploration	Feasibility	Operating
Mt cont. Cu	multiple	US\$74/t	US\$193/t	US\$307/t
2.65	1.0	1.11	2.89	4.59
5.30	2.0	2.21	5.77	9.19
7.95	3.0	3.32	8.66	13.78
10.60	4.0	4.43	11.55	18.37
13.25	5.0	5.54	14.44	22.97
15.90	6.0	6.64	17.32	27.56

Source: RFC Ambrian

Based on a resource of this size, the table shows a takeover target share price for Oroco in the range of C\$8.66/share to C\$11.55/share.

On the basis that the takeover company pays a 30% premium to the trading price, we place an 18 to 24-month share price trading range of C\$6.66/share to C\$8.88/share on Oroco, an 119% to 192% premium to the current trading price of C\$3.04/share.

Appendix 1: Corporate Detail

Capital Structure

Oroco was founded in 2006. As of 2nd June 2021, Oroco had 189.3m shares as well as 9.87m options and 14.38m warrants. Management and insiders own about 25% of the shares.

As at the end of February 2020, Oroco had C\$22.0m in cash and marketable securities and no debt and had sufficient funds to finance the ongoing exploration work at Santo Tomás.

Table 3: Oroco Capital Structure

Class	Quantity
Ordinary shares	189,305,786
Options	9,870,000
Warrants	14,384,919
Fully diluted	213,560,705

Source: Oroco Resource Corp.

Recent Financings

Over the past year, Oroco has raised C\$25.1m in four private placements.

In January 2021, Oroco completed a private placement of 12.8m units at a price of C\$1.20 per unit for gross proceeds of C\$15.48m. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant will be exercisable into one additional common share for a period of 24 months from closing at a price of C\$1.60 per share.

In June 2020, Oroco completed a non-brokered private placement, issuing 5.5m units at a price of C\$0.30 per unit, for gross proceeds of C\$1.65m. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant will be exercisable into one additional common share for a period of 24 months from closing, subject to an acceleration provision, at a price of C\$0.42 per share.

In September 2020, Oroco completed a non-brokered private placement of 12.1m units at a price of C\$0.60 per unit, for gross proceeds of C\$7.26m. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant will be exercisable into one additional common share for a period of 24 months from closing at a price of C\$0.90 per share.

In March 2020, Oroco raised C\$0.75m through a non-brokered private placement of 2.5m units at a price of C\$0.30 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant will be exercisable into one additional common share for a period of 24 months from closing at a price of C\$0.42 per share.

Funds available to Oroco will be primarily directed to conduct a 70,000m plus drilling program at Santo Tomás to confirm and expand the historical resource, and further technical and pre-feasibility level studies. Furthermore, Oroco will undertake an

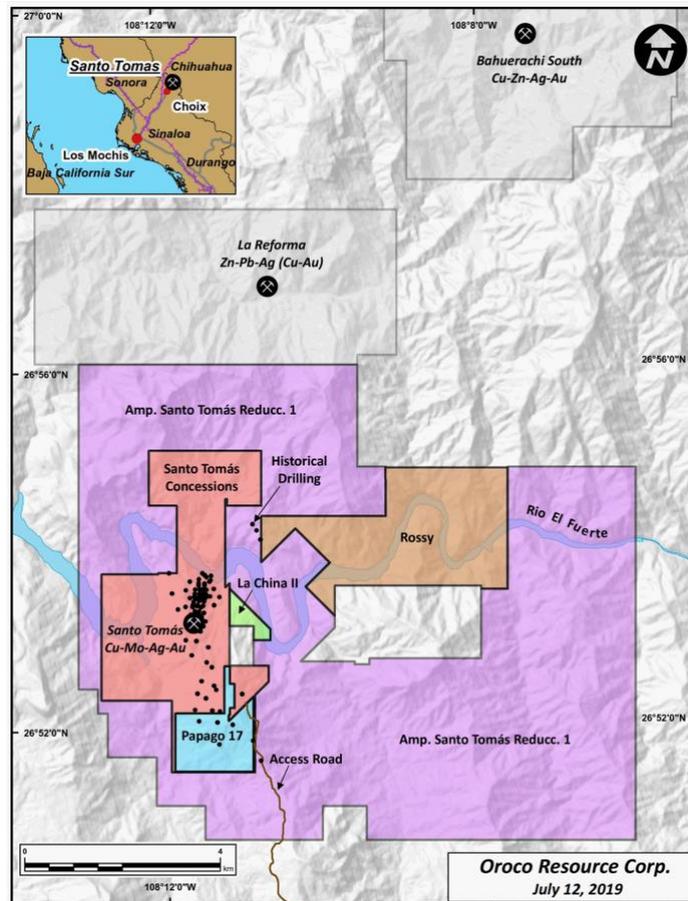
environmental baseline study, EIA, and the study of a water strategy and permitting studies as well as community engagement and ESG initiative expansion and a Preliminary Optimisation.

Mineral Property Interests

Oroco is focused on the exploration of the mineral concessions which encompass the Santo Tomás porphyry copper deposit. The company holds a net 73.2% interest in the core concessions through Altamura but may increase its net interest to 85.5% by the funding up to a cumulative C\$30m in property related expenditures, with no minimum obligations.

Oroco also holds a 77.5% interest in each of the peripheral concessions: Papago 17, La China II and AMP Santo Tomás Red 1 concessions and an 80% interest in the Rossy concession which are contiguous to the Core Concessions.

Figure 13: Oroco’s Lease Areas at Santo Tomás Project



Source: Oroco Resource Corp.

Appendix 2: Management & Directors

Oroco Resource Corp. is managed by industry veterans with experience in mineral deposit discovery, development, finance, and M&A

Craig Dalziel, CEO and Director:

Craig is the founder and initial financier of several public resource companies, including Oroco Resource Corp. in 2006. Over 35 years of financial, investment and corporate governance experience. Principal of Altamura Copper Corp.

Ian Graham, President and Director:

Ian spent a majority of his 20-year career with Anglo American and Rio Tinto's Project Generation Group as the Chief Geologist.

Stephen Leahy, Director:

Stephen has an accomplished business background including the position of Chairman and CEO of American Tungsten, which was the largest producer of tungsten concentrate outside of China.

Robert Friesen, Director:

As a Geologist who spent five years with Teck Exploration Ltd. and 17 years with the Noranda Group, Bob has a comprehensive understanding of open pit and underground mining, near-mine exploration and feasibility studies.

Steve Vanry, CFO:

Steve is a Chartered Financial Analyst with over 25 years of experience working with public and private natural resource companies. Steve has worked in management and board level capacities concentrating on fund raising and M&A.

Ian W. Rice, Director:

Based in London, England, Ian is a well-known international entrepreneur with a career focus on the mining and renewable energy sectors.

Adam Smith, Corporate Finance:

Adam heads Oroco's research team and works with Oroco's business and investment partners. Principal of Altamura Copper Corp.

Appendix 3: Mining in Mexico

Mexico is the second largest economy in Latin America with a population of almost 130 million, a rich cultural history and diversity, and abundant natural resources. The country is led by Andrés Manuel López Obrador who won an overwhelming victory in the July 2018 presidential election. He has established a political coalition, led by the left-wing party that he founded, and includes parties and politicians from across the political spectrum.

Overall, Mexico enjoys a high degree of political stability, with government transitions at federal, state and municipal levels taking place in a generally peaceful manner through the ballot box, according to country risk specialists Control Risks. Stability is not believed to be affected by recent economic sluggishness, political infighting, corruption scandals and social unrest.

Control Risks reports several concerns relating to Mexico's operating environment, including infrastructure limitations and the fact that the judicial system is not considered to be fair and independent of the government. Crime and violence, much of it fuelled by drug cartels, also affect many parts of the country. Federal police and armed forces have increased their enforcement activities, as have private citizen groups. While organised criminal networks are now on the defensive, the security situation in Mexico remains an issue.

The Mining Industry

Mexico has a mining history extending almost 500 years and is among the world's largest metal producers. Mexico is the largest producer of silver in the world and a top global producer of gold, copper, zinc, amongst other minerals. It is also a major oil exporter.

Mexico's total production of mining and mineral products accounted for US\$12.7bn in 2019. Precious and non-ferrous metals account for 86% of total production. For Mexico, the mining industry is an important revenue generator, contributing 8.3% to the industrial GDP and 2.5% to the national GDP. It is also a significant employment generator, supporting over 379,000 direct jobs and almost 2 million indirect jobs. Mexico is the world's fourth-largest recipient of foreign direct investment (FDI) for mining and the second largest destination of such FDI in Latin America.

With its long mining tradition, Mexico has a largely favourable environment for the industry. The geological potential remains strong. The country's terrain is one of the most tectonically active and complex in the world. Orogenesis has pushed up mountain chains all across Mexico, including the Sierra Madre Oriental, Sierra Madre Occidental and Sierra Madre del Sur. These three regions have formed some of the key metallogenic areas. Gold and silver mineralisation is commonly linked to the two belts of hydrothermal veins and gaps that stretch out underneath both sides of the Sierra Madre Occidental.

Grupo Mexico is the largest mining corporation in Mexico and the third largest copper producer in the world. The group is also a major producer of silver, gold, lead and molybdenum. The geological potential of Mexico has attracted more than 250 private exploration companies to Mexico. As mining is an important contributor to the

country's economy, the industry benefits from a well-structured and supportive regulatory framework.

The Concession System

Under the Mexican constitution, minerals are part of the national patrimony. Exploration, exploitation and beneficiation of minerals have preference over any other use of land. The law permits up to 100% private ownership in exploration, development and production of mineral substances.

Concessions are required to explore for and exploit mineral potential. Concession holders are required to negotiate with the surface landowner to access the land under which the concession is located.

Exploration concessions are granted for six years and are not renewable. There are no limits for mining concessions. Production concessions are awarded for 50 years and are renewable for a similar period. All concessions may specify required levels of capital expenditure and minimum environmental, health and safety standards.

Regulation for the mining sector is overseen by the Secretaria de Economia, while environmental permitting responsibility resides with the Secretaria de Medio Ambiente y Recursos Naturales (SEMARNAT).

Environmental Laws

Mexican environmental regulations have become increasingly stringent over the last decade as a result of international agreements that Mexico has ratified, including North American Agreement on Environmental Cooperation (parallel to NAFTA), the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity.

Mining companies must obtain environmental impact permits from SEMARNAT prior to any mining and exploration activities, and such activities are subsequently subject to several environmental permits from different offices with SEMARNAT, including water extraction, wastewater discharge and tailings disposal.

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