

**Stock Data**

Share Price:	14.25p
Market Cap:	£26.86m
Shares in issue:	188.5m
52 week high/low:	26.22p/7.03p

**Company Profile**

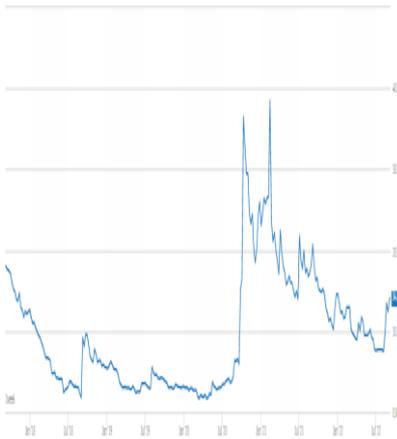
Sector:	Gold Mining
Ticker:	OMI
Exchange:	AIM, TSX-V

**Activities**

Orosur Mining Inc. ('Orosur', 'the Company', 'OMI') is a South American-focused gold developer and explorer.

Company website: [www.orosur.ca/](http://www.orosur.ca/)

**5-year share price performance**



Source: [LSE](https://www.lse.com)

Past performance is not an indication of future performance.

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## Orosur Mining Inc.

Orosur has released assay results from the first three diamond drill holes at Pepas, a new prospect which is located in the north of its Colombian Anzá Project (Anzá or 'the Project'). Significantly, these include a very substantial, high-grade gold intersection from surface of 150.90m @ 3.00g/t Au (including 102.40m @ 3.73g/t). Additional holes are currently underway across both the Pepas and Pupino prospects. Meanwhile, Orosur's JV partner, Minera Monte Águila ('MMA'), has informed the Company that it has met its expenditure commitment of US\$4million for the current JV year, completing its minimum Phase 1 Earn-In Work Requirement. MMA may now elect (effective date, 7 September 2022) to enter into Phase 2 of the Agreement, which would require it to invest a further US\$20m in qualifying exploration expenditure in the Project over a maximum of 4 years. If completed, such expenditure would see MMA earning an additional 14% equity in the Anzá Project for a total of 65%. Indeed, with today's results suggesting potential for what could be a 'game changer' in terms of the Project's grading and scale, it would now be something of a surprise if Orosur does not imminently find itself diluted down to 35%. This of course would not only trigger a milestone payment of US\$2m, but also significantly raise confidence in respect to the Project's future route to commercialisation.

### Pepas assay results – Potentially something of a game changer

Assay results for the first three diamond drill holes (PEP001, 002, 003) at the new Pepas prospect have been received. The Pepas prospect is the most northern prospect of the Project, approximately 12 kilometres north northeast of the central APTA prospect, where most drilling has been historically focussed to date. Key intersections are noted below:

#### Intercepts form Drill Holes (PEP001, 002, 003)

Hole Number	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Zn (%)
PEP001	0	150.90	150.90	3.00	3.16	0.15
including	34.45	136.85	102.40	3.73	2.27	0.15
PEP002	0	37.25	37.25	0.54	0.55	0.06
PEP003	23.40	55.95	32.55	0.61	1.2	0.01
PEP003	82.85	89.40	6.55	0.65	3.92	0.01
PEP003	91.80	96.00	4.20	1.30	1.23	-
PEP003	120.50	123.40	2.90	0.89	4.66	0.08
PEP003	252.05	261.25	9.20	0.74	0.64	0.05

Source: Orosur, [RNS of 6 September 2022](https://www.rns.com)

Interestingly, although the hole was started in April 2022, drill results from PEP001 were considered to be so significant that the JV partners chose to re-assay a large number of samples to resolve over limit issues and to confirm QAQC standards were met. The hole was originally trying to intersect the depth extension of a high-grade surface sample of 8m @ 20g/t Au; hitting such an extended intersection from surface was therefore far from expected.

### Pepas' geology presently remains a matter of debate

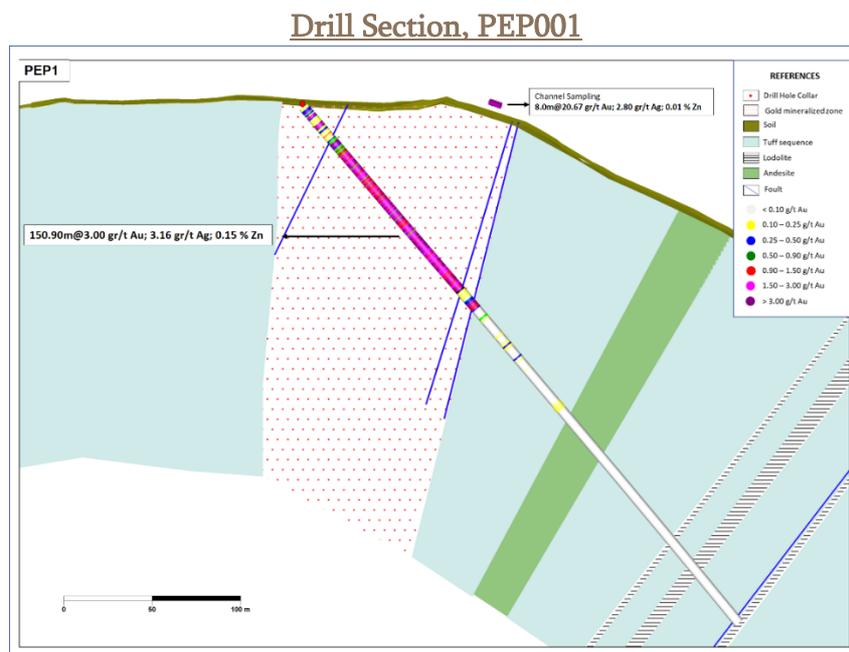
With only one-hole, geological information is limited and so the geological context of this intersection remains to be resolved. The mineralised bodies would seem to be a

substantial hydrothermal breccia, but its shape, size and how it relates to its underlying porphyry will presumably be the subject of substantial work going forward. Other notable gold deposits in this region have been either porphyries or epithermal systems above the porphyries. The porphyries tend to be large, but low grade, with the epithermal systems being smaller but high grade – this intersection would seem to be the latter.

Numerous other large gold systems are currently being explored in the mid-Cauca belt by other companies, in some cases where porphyry systems have come to surface, and so have provided very long mineralised intersections. One example is Los Cerros Limited's (ASX: LCL) JORC compliant Reserves of 0.46Moz within a JORC compliant gold Resources of 0.84Moz at Miraflores, 1.3Moz at Tesorito and 0.46Moz Inferred Resource at Dosquebradas for a total Quinchia Gold Project Resource of 2.6Moz; Royal Road Minerals (TSXv: RYR), another nearby Latam explorer whose Güintar-Niverengo-Margaritas ('GNM') project abuts Anzá, has also recently returned significant low-grade intersections from surface. In contrast, however, the grade of mineralisation intersected in PEP001 is several times higher than these porphyry systems which, of course, would make a major impact on project economics if tonnages can be developed.

So far, nine holes have been completed, attempted or are underway at Pepas, across approximately 1 kilometre of strike of the main structural corridor defined by the Aragon and Tonusco faults, targeting a range of lithologies and geological features. Three of these holes encountered difficult drilling conditions from broken ground related to major structures, however, which resulted in them being terminated at shallow depths. This is not particularly unusual and potentially indicates that work is being carried out on geological major structures.

Current drilling is now being focussed on the mineralisation intersected in PEP001, with some modifications being required to drill pad locations to provide better drilling angles. The original hole was drilled to test highly anomalous rock chip samples that had been identified from previous mapping programs, and publicly announced on March 8th, 2022. It intersected a quartz vein stockwork and breccia zone from surface, demonstrating pervasive stockwork veining related to extensive gold mineralisation. PEP001 was drilled oblique to the zone of vein-development but with just a single hole, the geometry and dimensions of the zone have yet to be fully resolved. Having established that it is sitting on atop mineralisation in such a complex terrain, new drill pads will be required. This is likely to be slow and laborious given that they must first be permitted, followed by their manual construction with the rigs themselves needing to be broken down and moved by hand.



Source: Orosur, [RNS of 6 September 2022](#)

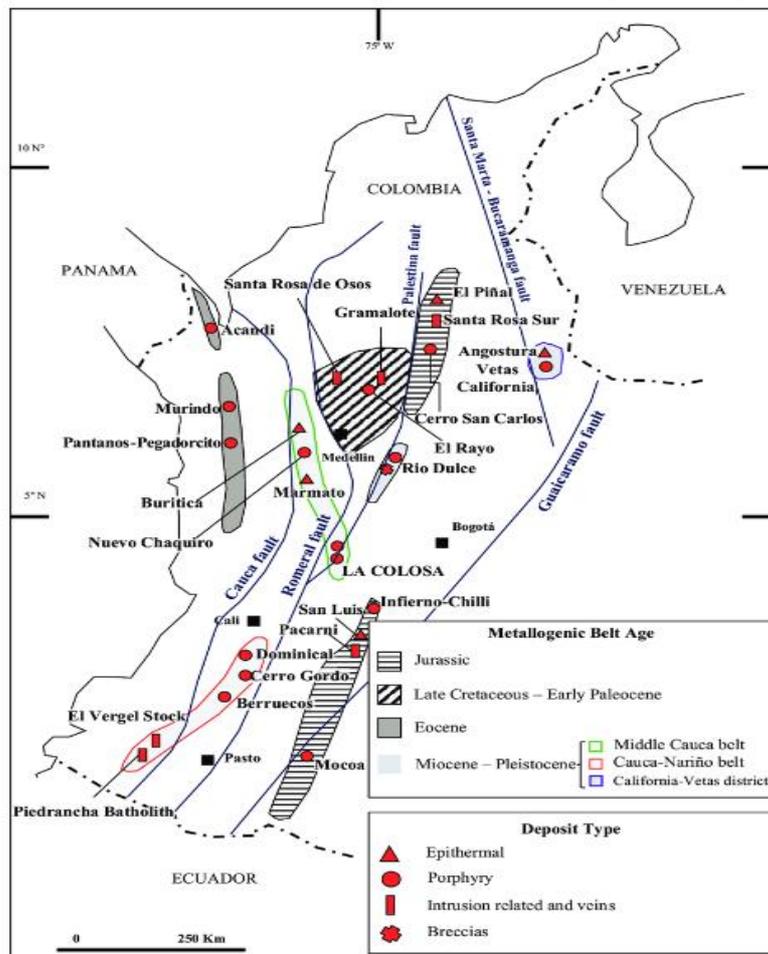
Hole PEP002 was drilled from the same pad as PEP001, but in a westerly direction to better understand the geometry of mineralisation and the controlling structures. This hole intersected only a short interval of the breccia zone, before entering the local host rocks and then being terminated at shallow depth due to difficult drilling conditions. Hole PEP003 was collared some 150NW of PEP001 in different lithologies, to test the presumed NE extension of the primary structures identified in PEP001.

Although some mineralised structures were intersected, it is likely that the primary structures trend more NW, and this will be assessed with later holes. Other early holes at Pepas were drilled some considerable distance from PEP001, in order to test a wide variety of other geochemical and geophysical anomalies or more conceptual targets. This was an intentional strategy to assess a number of targets in the first drilling pass, with a view to prioritising future drilling to the most attractive targets once results are received and assessed.

**Imminent triggering of Minera Monte Aguila 's Phase 2 Earn-in Right now anticipated**

Orosur's flagship Anzá Project will undoubtedly continue to dominate share price sentiment at this time. Today's assay exploration results from Pepas provide further support to the argument that it remains a highly prospective, potentially enormous target. It is complex, however, having already recorded multiple thick and high-grade intersections with substantial mineralisation that includes both high-grade gold and base metal at depth extending beyond the testing capacity of the current drill rig fleet. Such data increasingly points to the theory that the primary mineralisation may be contained within an intermediate-sulfidation epithermal system. The image below identifies two different types of ore deposits, epithermal Au-Ag and porphyry Cu-(Au-Mo), that are located in the Colombian Andes along six major magmatic belts. These range in ages from Triassic to Neogene.

**Magmatic and mineralized belts of Colombia, showing known gold deposits**



Source: Modified [Sillitoe \(2008\)](#) and [LealMejia \(2011\)](#)

Orosur's Board had repeatedly noted that majors like Newmont and Agnico need big projects (i.e., a +5 million oz. Au field) and would therefore hold off any decision to assume control of the Project until gaining sufficient comfort that such potential exists. Today's near-surface discovery follows identification of high-grade structure at depth (MAP- 098, was as detailed on 8 March 2022); both are highly significant albeit, necessitating a large amount of infill drilling to establish the extent of the mineralisation, while also testing the fold hypothesis to potentially open up the western hinge. Ongoing work that is presently targeting Pepas and Pupino, possibly followed by Guaimarala in the far south, may reinforce confidence that such ambitions can be realised.

Indeed, Newmont and Agnico's decision to work in this region of Colombia is likely to have been influenced by Los Cerros' successful Quinchia Gold Project, after its Tesorito South porphyry target returned some exceptional intercepts, including 102m @ 2.11 g/t Au from 28m.

Having already seen drilling demonstrate a substantial body of gold mineralisation at APTA, with subsequent regional mapping suggesting possibility for multiple repetitions along strike, the arrival of four rigs in the northern prospects had already suggested development was moving into a higher gear. Given that Orosur is no longer overseeing the onsite work, investors understand they will receive less regular drilling updates going forward. But knowing that the Group still controls 100% of the licences, the agreement does recognise Orosur's obligations with regard to 43-101 etc. disclosures and thus management expects all relevant data to be made public in a timely fashion, including any formal decision to accelerate the development phases.

Today, September 6<sup>th</sup>, is the anniversary date for the current Year 4 of the project (highlighted in yellow below) with qualifying expenditure of US\$4m having been confirmed. News from PEP001 is likely to reinforce the expectation that Newmont and Agnico will wish to further accelerate the Project's development, making the imminent triggering of their Phase 2 Earn-in Right seem highly likely. Entering Phase 2 would trigger a US\$2m payment to Orosur within 30 days of MMA electing (or being deemed to have elected) which, together with further qualifying expenditure of US\$20m would earn them an additional 14%. This implies a base valuation for the 35% of the Project that Orosur would retain at this stage. Considering also that it would then be left with a relatively strong cash position, and the fact that the two recently acquired early-stage South American projects incurred very low entry costs with only limited burn anticipated for the first two or three years of operation, the Board is likely to be comfortable with their balance sheet at this time.

### Three phase JV with Minera Monte Aguila ('MMA') over 12 years to reach 75%

Phase	Year	Qualifying Expenditure	Payment to OMI	MMA equity at end of Phase
1	1	US\$1m	US\$1m	51%
	2	US\$1m	US\$1m	
	3	US\$4m		
	4	US\$4m		
2	5	US\$4m	US\$2m	65%
	6	US\$4m		
	7	US\$4m		
	8	US\$4m		
	**	US\$4m		
3	9	43-101 Feasibility Study		75%
	10			
	11			
	12			

*\*\* Phase 2 requires US\$4m per year for 4 years, plus an additional US\$4m to be spent over the 4-year period at Newmont's discretion*

*Source: Orosur, [Turner Pope Webinar Presentation, 14 July 2021](#)*

Given the resounding verification delivered by recent Anzá drilling, together with the Board's expectation that yet further assays (lab turnaround times having largely returned to normal) may produce similar polymetallic grades and widths, the Project appears capable of driving strong mining economics. Assuming Phase 1 rolls over into Phase 2, this will require a major new agreement between all parties, including the formation of a new company (49%-owned by Orosur) into which all assets will be injected. This will likely take several months to negotiate, during which Newmont and Agnico are likely to seek a high level of certainty from Orosur regarding the Project's eventual passage to commercialisation, subject to which they would irrevocably commit to US\$20m spend for Phase 2 over the following 4 years. During this period, however, given that COVID restrictions have now largely been lifted, the Project's exploration work may continue uninterrupted at the Company's discretion.

Anticipating continuing good news on this front, shareholders will be also hoping that the management's intuition in selecting both the Ariqueles and El Pantano projects will produce similarly positive outcomes in due course. Indeed, with its strong balance sheet already providing a forward runway of perhaps 24 months, the Board appears set to demonstrate its credentials through the creation of a truly balanced portfolio of LATAM mining assets that stretch from advanced resource drilling (Anzá in Colombia), through brownfields with production options (Ariqueles in Brazil), greenfields (El Pantano in Argentina) and possibly further new 'walk-up' drill target projects yet to be identified.

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