

Stock Data

Share Price:	2.60p
Market Cap:	£5.34m
Shares in issue:	205.51m
52 week high/low:	8.80p/1.90p

Company Profile

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

Activities

Orosur Mining Inc. ('Orosur', 'the Group', 'OMI') is an international explorer and developer of high-quality mineral assets in key jurisdictions.

Company website: 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 taken an important first step toward resuming 100% ownership of the Anzá Project ('Anzá' or 'the Project'), targeting completion of a transaction ('the Transaction') by the end of April 2024. The proposed consideration, as set out in the letter of intent ('LOI') entered with Minera Monte Águila SAS ('MMA'), includes a net smelter return ('NSR') royalty of 1.5% plus cash payments of up to US\$15 million payable upon meeting certain agreed (but as yet undisclosed) production thresholds. Recognising the development steps that need to be taken to reach such a stage (including production of a bankable feasibility study ('BFS'), permitting, construction, etc.) still remain, perhaps, 7 to 10 years away, such deferral considerably derisks the Project for shareholders. Orosur, in exchange, will regain complete control of a now data-rich, potentially world-class opportunity that is clearly much more valuable than what was handed to the JV some years back. In anticipation, the Board is already planning for re-assumption of ownership and operatorship, which appears particularly timely against a background of record gold prices and a greater willingness amongst the international mining community to invest in Colombia once again. With a number of 'walk up' drill-ready targets already presented, on-site operations could even re-start before the end of Q2 2024, possibly in tandem with initial discussions with potential development partners. Retaining a forward cash runway sufficient to immediately prioritise such work, the first results could arrive quite rapidly.

Anzá Project – Advanced negotiations to regain 100% control

The Anzá Project is subject to an Exploration Agreement with Venture Option ('the JV'), as announced on 10 September 2018, between Orosur's 100%-owned subsidiary Minera Anzá S.A ('Minera Anzá') and Minera Monte Águila SAS ('MMA'), a 50/50 joint venture between Newmont Corporation ('Newmont') (NYSE: NEM, TSX: NGT), and Agnico Eagle Mines Limited ('Agnico') (NYSE: AEM, TSX: AEM).

With the majors now seemingly willing to move at a surprisingly rapid pace in current negotiations, the Group has entered into a non-binding letter of intent with MMA, that provides for a transaction pursuant which Orosur would repurchase, directly or indirectly, MMA's interest in the Project, resulting in it securing a 100% ownership of the Project.

The proposed consideration set out in the LOI is a NSR royalty of 1.5% and cash payments of up to US\$15 million payable upon meeting certain agreed production thresholds. Presently remaining commercially confidential, detailed disclosure of the Transaction will be provided if and when completed.

Significant past expenditure and Project advancement

The first phase (of three) of the JV was completed in September 2022, with MMA spending over US\$10m on the Project and thereby earning an equity interest of 51% in the JV. Positive development results prompted MMA to elect to move to Phase 2 of the JV, that would require it to spend US\$20m on the Project over a maximum of four years to earn an additional 14% equity, taking its total ownership position to 65%. As part of the move from Phase 1 to Phase 2, a US\$2m option payment became payable to Orosur (received in February

2023) at which time formation of a new mining company was required to crystallise the various ownership stakes.

On 4 May 2023, however, MMA surprised by advising Orosur's Board that a decision had been taken to reduce exploration expenditures on the Project and effectively place it in care and maintenance at that time. Subsequent to this, on 23 January 2024, Orosur confirmed that ongoing negotiations with all parties regarding its prospective purchase of MMA's 51% interest in the Project had reached an advanced stage.

Multiple reasons for the JV agreement to have cooled

One was Newmont's US\$16.8bn takeover of Newcrest Mining, which resulted in formation of the world's leading gold miner. Finding itself somewhat overwhelmed by the number of projects inherited at various stages of development across a huge portfolio, its board chose to initially focus on the more advanced ones located in stable politically jurisdictions only. Another was Agnico's apparent discomfort with the underlying terms within the JV agreement itself as it came into the deal late and was unable to take advantage of the cheaper early years.

So, what next for Anzá?

Legally disentangling itself from such a complicated agreement is of course not a simple process and Orosur has taken some weeks to reach the current stage. Now, subject to several conditions, including but not limited to, the negotiation of definitive documentation and the completion of due diligence, the Group expects to repurchase, directly or indirectly, MMA's interest in the Project, with targeted completion by the end of April 2024. Within this, the Group will be seeking to ensure it and its shareholders do not incur any major tax/work/ownership obligations through extensive due diligence. Details of the Transaction remain commercially confidential at this time, but will be disclosed if and when it is completed.

Regaining complete control of such a significant asset presents exciting opportunities

Orosur appears to be about to land the deal it has been seeking. The Group was always clear that it was prepared to pay for this, but only in the form of a share of the positive cashflow generated from the mine once it has been built and producing. Used to working on extended schedules, the proposed consideration appears to reflect Newmont and Agnico's confidence that Anzá is a prospective world class asset and that it will eventually give them more than their money back, even if (under the terms of the original JV at least) they are not prepared to share its risk of development (which for a pre-resource asset requiring continuing exploration success, permitting and mine construction etc., clearly remains high).

Clearly, even if Orosur had been able to independently invest in the Project sufficient to regain 51% of the JV, no other party would consider entering the fray while Newmont and Agnico retain a seat at the table. This would be in no party's interest, so it is perhaps understandable that they are now willing to hand it back in its entirety. More excitingly for Orosur, this now opens a number of viable options through which the Project may be developed, including to: (i) Go it alone; (ii) Sell it outright; or (iii) Bring in a new partner. All of these, of course, must ultimately hinge on the wider market appetite.

Importantly for investors, being freed of the strict disclosure constraints/editorial oversight imposed by Newmont and Agnico, once it has got its 'feet back on Colombian ground' Orosur is likely to be far more transparent and communicative regarding its own development plans. This could include more detail about the extensive work already undertaken by MMA, their extensive results and a view regarding overall prospectivity. Given its scale and global position, Newmont considers it important to retain, to the extent it can, 'a finger in the pie' of all and any potential world-class gold prospects.

Even if it will now not be directly involved in the Project's future development, Newmont nevertheless still retains an indirect participation through its c.14.21% ordinary shareholding in Orosur (which originally came from its

US\$2m investment back in 2018, then giving it a 19.9% shareholding which has subsequently been diluted through follow-on fundraisings, etc.) Effectively this provides Newmont with a first option on all of Orosur's developments and, as such, the Board does not expect this holding to be disposed of, even if it chose not to participate in the recent Placing and appears unlikely to become involved in any such future offerings. Contrasting this, however, Orosur may well be open to discussions with Agnico regarding the possibility of it entering an amended/updated joint venture agreement for co-development of the Project.

Colombian politics – Now feeling a lot more comfortable for international mining groups

One of leftist President Gustavo Petro's campaign pledges at the time of his election in August 2022 was to wean the South American nation off its dependence on oil and coal exports, which he decried as 'poisons' while also pledging to block open pit mining where communities do not want it. Not surprisingly, this resulted in the international mining community rapidly putting investment plans in the country on hold. Petro's populist headlines, of course, ignored the fact that mining companies were expected to contribute some 15.9 trillion pesos (US\$4 billion) in taxes and royalties to Colombia's national purse, the sustaining of which could directly help fund his policies of improving access to healthcare and reducing widespread inequalities across the country.

Having been one of Latin America's top performers, Colombia experienced a major slowdown last year with its GDP growth tumbling from 7.3% in 2022 to 1.2%, according to the World Bank. Not surprisingly, the apparent euphoria that surrounded the new President at the time of his election has rapidly evaporated. Along with the economic malaise created, his left-wing administration has continued to confront mounting political setbacks, unforced errors amid extensive reports of corruption within the President's family, during which time both domestic and international investment inevitably turned tail.

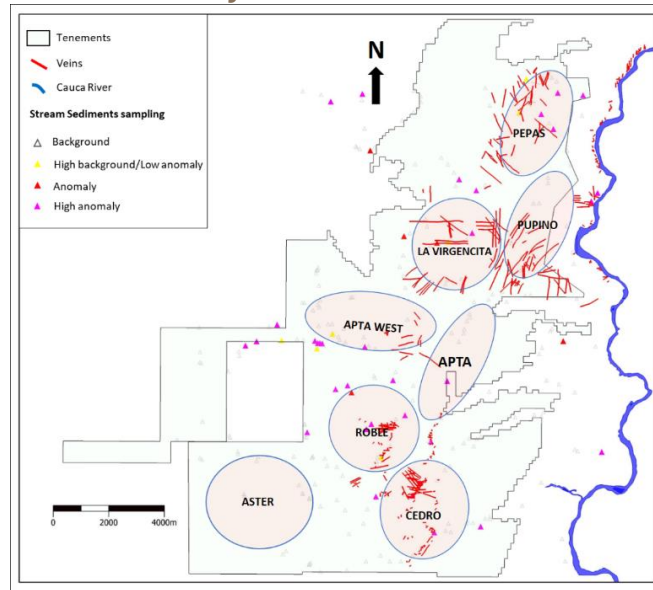
According to pollster Invamer, Petro's approval rating was a mere 26% last December, a loss of 22 percentage points in 12 months. Conversely, his disapproval increased to 66%, a 22-point increase in the same period. Things first started to get serious in February 2023 when tensions between moderates and radicals inside the Cabinet surfaced. At the end of October 2023, another sign of weakness emerged through the municipal and regional elections; the candidates supported by Petro's Pacto Histórico coalition were defeated in all the major cities and most governorships. In Bogotá, Petro's longtime ally Gustavo Bolívar, who had resigned from the Senate to run for mayor, came in third.

Having already seen parties to his centre and the right gradually abandon the coalition, this August's second election anniversary leaves Petro is facing growing doubts about his ability to fulfil his promises in the remainder of his four-year term (after which he cannot stand for re-election). The possibility of both a softening of his coalition's anti-mining stance and prospective appointment of a more centralist government in 2026 appears to have already attracted interest from international funders supporting operations run by Glencore, Fura Gems, Collective Mining etc. In the same respect, it is also worth noting that the Colombian Constitutional court overturned Petro's legal proposal to make mining royalties non-tax deductible, which is a further incentive for exploration investment. Altogether, this suggests the anticipated timing of Orosur regaining full control of the Anzá Project could be very good indeed.

The Anzá Project - More than 20 km strike of both Tonusco and Aragon faults

The Anzá Project ('the Project') consists of seven potentially world-class licences (three granted and four applications) totalling approximately 207km². Following creation of the JV, the Project advanced significantly with spending of the order of US\$16m, wherein ongoing drilling programs consistently produced very thick, high grade gold intersections. Having over 20km strike of both Tonusco and Aragon faults, >40,000m have been drilled (mostly on APTA). Mapping indicates a major porphyry system at El Roble and El Cedro, while first drilling on Pepas (mid-2022) produced 150m @ 3g/t Au from surface. Orosur's Board consider the prospect's various walk-up targets to be ready for drilling, which could potentially lead to an early first resource.

Anz  Project - Mineralized trend



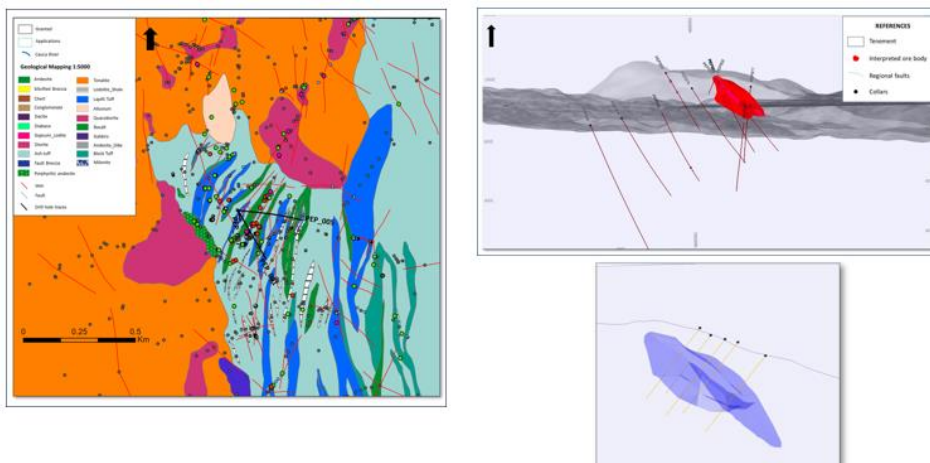
Source: Orosur, Investor Presentation, February 2024

Multiple drilling opportunities, including at the Pepas, El Roble and El Cedro prospects

The Pepas prospect is the most northern of the Project, approximately 12 kilometres northeast of the central APTA prospect, where most drilling has been historically focussed to date. Assay results from hole PEP001 in September 2022 returned a substantial, high-grade gold intersection of 150.90m @ 3.00g/t Au (from surface). This demonstrated the opportunity’s exceptional potential. Subject to Board approval, preparations for further drilling at Pepas, this time from an easterly direction, could now be considered to confirm previous results and open the potential of moving into a resource drilling phase.

Epithermal gold systems by their nature are complex and several phases of drilling are often required to properly define the geometry before more substantial drilling can then be undertaken. Its geophysical anomalism, window of attractive host rocks along with high-grade rock chips over several hundred metres of strike, however, provided a high level of confidence. Hence the surprise subsequently expressed when decidedly unexciting results from drilling PUP002, PEP006, 008 and 009 were released on 2 December 2022. The on-site team rapidly concluded that this later drilling had simply been ‘in the wrong direction,’ as a result of which the Board is now preparing a return to the same location with a view to instead enter from the east.

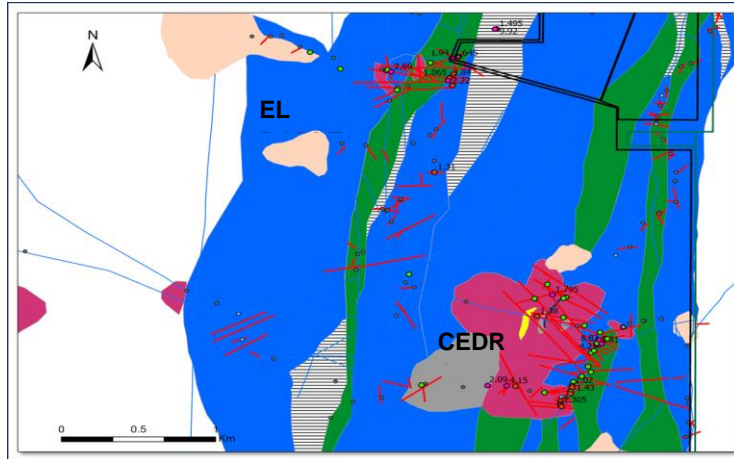
PEPAS – High Grade, at Surface



Source: Orosur, Investor Presentation, February 2024

To the south of the Project, the El Roble and El Cedro prospects appear to be different parts of a single porphyry system. The prospects display widespread, high-grade anomalism/high-grade rock chips amid large areas of silicification, veining and alteration, all of which is consistent with a large porphyry. Having only been explored to a low level and never drilled, numerous key hosts already identified (silicified breccias) will help with targeting. Orosur's Board may be able to advance these prospects during 2024 with a view to identify suitable drill targets.

El Roble and El Cedro – Porphyry System



Source: Orosur, Investor Presentation, February 2024

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