<u>New OroPeru (ORO.V)</u>
(as of April 22, 2020)

Shares out: 22,774,985

Options: 3,600,000
1.1M @ 17c, Oct. 2020
2.5M @ 45c, Dec. 2022

Warrants: 4,018,000
2.168M July 2020 @ 20c
0.85M @ 50c, Aug 2022

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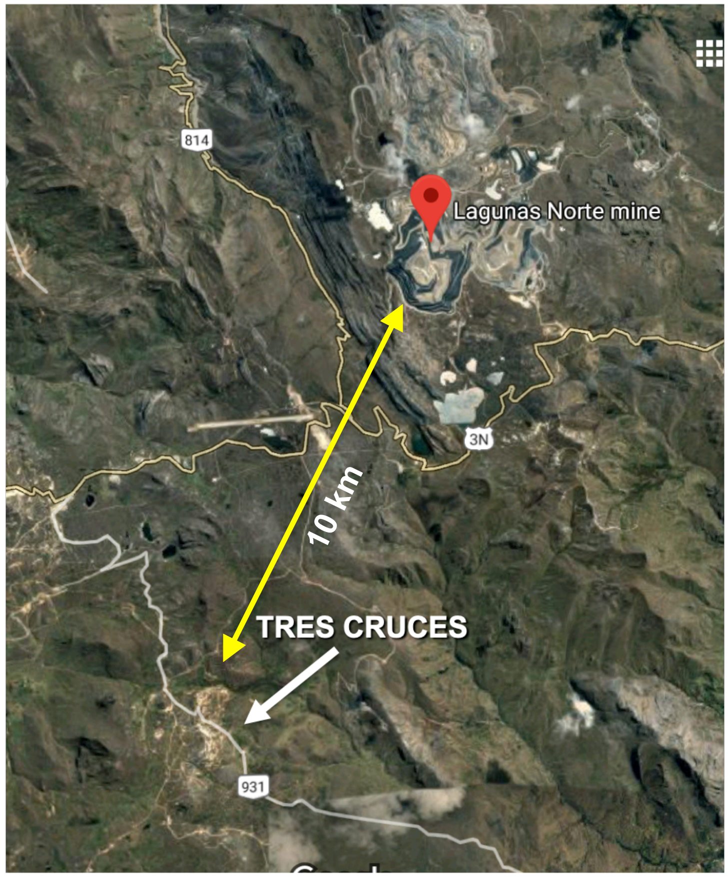
Fully diluted: 30,392,985

Market cap @ $0.95:
$22 million



This a long one, so I apologize in advance. I've been thinking about this idea for six or seven years with the hope of being able to coherently frame the New OroPeru story one day when the time was right, and this seems a good a day as any given that the company has recently given an update on its Tres Cruces gold project. With money being printed all over the world at unprecedented rates and the gold sector starting to get real institutional attention, OroPeru is entering the final months of a *17-year* option agreement. This is practically a story of market archeology. I think that my assumptions and conclusions that follow are pretty good ones, which is why I'm long stock, but this is what asset managers might call a "special sit" (situation) given its lack of both market visibility and liquidity. I've had huge wins and massive disappointments with exploration over the years, which is par for the course, but a development story like this, where all of the pieces are already in place for anyone who looks, is as much of a story of discovery as anything… and it's been a long time coming.

Before I get into details, I want to point out that this is a story about an asset play that has been more than *twenty years* in the making. Clearly, some things just take time. As a quick aside, back when I was a bright-eyed analyst meeting with funds to discuss any number of international energy stories, I was always amazed by how some of the more successful money managers clearly had followed certain companies, teams, and assets for very long time periods; in some cases for decades. Sometimes this was true for even the most obscure ventures. Fast forward a few years, and I found the same to be true (actually even more so) within mining circles, where everyone had their own mental Rolodex of yellowed cards of past deals and assets — assets and deals that can sometimes be "rediscovered" by the market, much like comets returning from the outer solar system after decades in the darkness. Eventually I realized that these mental libraries were not super-powers; they were simply the product of mixing experience, qualitative memory, and time. The assets and/or teams that were deemed worthy of remembering were remembered, while those that did not pique genuine interest faded into the Fog of Market Past. There is no way to short-circuit the process of building such a library in such a vast sea of information, projects, and people. Everyone who cares to explore the market gets their own boat, a paddle, and sets out on the Market Ocean… sorting through the flotsam and jetsam, and perhaps banding together with like-minded souls from time to time along the way; all the while building their own map of the market.

During the voyage, planning, skill, and luck all play a role, but any successful market explorer will chart the places they have been, along with a few notes, and consider which places they might want to 1) go back to at a later date, 2) never return to, or 3) linger on in the present. As time goes on, everyone builds their maps; with varying degrees of overlap and detail. Sometimes these maps are shared and compared by fellow explorers, but ultimately each is their own captain and charts their own course. This process defines the very nature of the treasure hunt that is the junior market. Sometimes remembering not only where, but when, to revisit an old story can make all the difference, especially these days, when attention spans tend to be short.

The New OroPeru story is a relic from the past, forgotten by all but the most elephant-minded investors. The initial discovery of the Tres Cruces deposit was made in the mid-late 1990's and its delineation moved forward at roughly the same time as Barrick's then-flagship Lagunas Norte project just ten kilometres away. Ownership of the discovery started as being divided, but eventually New OroPeru got 100% of the Tres Cruces project under its roof and attracted Barrick in 2003 for a 17-year, yes *seventeen year*, option agreement. Along the way, between 2000-2012, newsletter writers including Paul van Eeden, Brien Lundin, John Kaiser, and Doug Casey have covered/commented on the story. Every single one of them saw the obvious synergies of putting the Tres Cruces ore through the processing facility at Lagunas Norte. Doug Casey wins the prize though for calling it right back in 2004, when he foresaw a long wait for New OroPeru holders; a wait that has now been sixteen years since his (correct) call. As it turned out, Barrick simply executed its own mine plan for Lagunas Norte and counted Tres Cruces as "inventory" to be drawn on as Lagunas Norte ran out of ore. This did little for even the most patient New OroPeru investors though. Fast forward to 2018, and some internal debate surfaced as to whether Barrick would "stay or go" at Lagunas Norte as part of a broader asset portfolio evaluation with no clear conclusion yet. Today, with Lagunas Norte out of oxide ore and on care and maintenance, Barrick's option agreement on Tres Cruces is about to come to an end and clearly, "something's gotta give". Either Barrick sells Lagunas Norte or they get back to the business of upgrading their processing circuit to handle their sulphide ore. In either case, New OroPeru's Tres Cruces deposit appears to be the fastest, lowest cost way to reboot Lagunas Norte through development of shallow

Tres Cruces oxides (i.e., fast, cheap, early cash flow), while adding serious exploration upside at the same time.

It was roughly six or seven years ago when when I first took a hard look at New OroPeru. One day, I noticed the stock pop up on of the daily TSX Venture top movers. One click later, I was looking at the chart of a stock that barely traded, but it only took a couple more clicks to look back at news headlines over the past few years to see if there was anything of interest, because the stock chart did show a notable spike a couple of years prior. Lo and behold, there was a press release from 2012 with the title "*TRES CRUCES MINERAL RESOURCE ESTIMATE UPDATED: 2.6 MILLION OZ. OF GOLD, MEASURED AND INDICATED*". Further inspection showed that there was another 0.6 million ounces of inferred resource an that the whole system was open to depth, with many holes bottoming in mineralization, including high-grade breccias that are suggestive of undrilled feeder zones at depth. This was within a company that had a market cap of less than $10 million at the time, with no debt, and had Barrick earning in to a 70% interest in its Tres Cruces project in exchange for fully funding it through to production; presumably as a supplement to extend the mine life of the nearby Lagunas Norte mine. I spent some time reading through the 43-101 report on the project and reviewing the terms of Barrick's option agreement which I detail a little further below. Alas, for those who remember 2014, it was not a great time to be in gold stocks, so I marked New OroPeru as something to revisit at a later date and have tracked it ever since. Barrick has been making option payments to OroPeru on this property of US$250,000 per year, every year, since 2003.

Sometimes if you don't have patience, the market will teach you patience. In this case, no one who has liked New OroPeru was ever "wrong" about Tres Cruces, but their *timing* was off…

Well, now things have changed. With Barrick's Lagunas Norte operation out of oxide ore and their option agreement expiry on Tres Cruces looming, I think New OroPeru very clearly stands out as the key to unlocking a new 7-8+ million ounce (combined) asset package for the market to bid on, or for Barrick to develop… and projects of that scale don't grow on trees right now. Either way, and sorry to use the cliché, but New OroPeru's Tres Cruces is the sauce that makes the Lagunas Norte asset package sizzle. Tres Cruces adds 1) early, low-cost oxide ounces for minimal capex (an educated assumption on my part), 2) takes the total potential of the Lagunas Norte project from a little over 4 million ounces of gold to more than 7.5 million ounces, and 3) adds an exploration component that could perhaps push the combined asset towards 8-10 million ounces if the Tres Cruces high-grade feeder structures encountered thus far show continuity at depth, and/or if near surface zones are expanded.

I mentioned timing above. If you want to revisit the tropical island you charted years ago, it's best to go when the trade winds are favourable, the fruit in season, and the voyage well-charted. Well, when it comes to New OroPeru, Barrick's option agreement expires on December 31st of *this year* and I'm sensing some wind at my back with respect to gold. As it stands today, Barrick's Lagunas Norte operation (remember, it's only 10 km away) is now on care and maintenance, having run out of oxides after a long run as one of Barrick's flagship mines. Barrick has been in a state of flux in terms of what it wants to do with its Peruvian operations for at least two years now, which has left little OroPeru in a forgotten backwater behind a market behemoth. Right now, it's costing Barrick money to keep Lagunas Norte on care and maintenance, and OroPeru's Tres Cruces deposit fits like a lock and key with that operation. In a nutshell, Barrick still has more than 4 million ounces of gold reserves are Lagunas Norte, but processing those ounces would require upgrades to its milling and processing circuits to handle refractory sulphide ore, which Barrick costed out in 2018. If Barrick just wants to shut Lagunas Norte down, then they will have to spend big, big dollars to decommission and abandon the mine ($92 million cost as per Barrick's AIF), which, at about 20 years old, is still a baby in terms of its potential useful life. For Barrick though, it's not a flagship asset any more… but that doesn't mean that there aren't a large number of buyers that would be interested in taking Lagunas Norte off of Barrick's hands as part of a bigger "reboot" plan. To be clear, this kind of divest-then-invest concept is an integral part of the life cycle of the mining sector. Look no further than Teranga's recent Massawa transaction for a transaction involving plugging an undeveloped asset into an existing processing facility (in that case, Massawa is 25 km from Teranga's existing processing complex). This is in the Mining 101 playbook. The market loved the Teranga deal and I think this one is every bit as interesting.

It's critical to understand that there is a near-surface oxide ore component to New OroPeru's Tres Cruces deposit that may significantly enhance the overall economics of the Lagunas Norte extension plans already contemplated by Barrick. I think this is a one-plus-one-equals-three scenario. The Tres Cruces oxide ore could be developed by simply blasting and hauling it to the existing Lagunas Norte complex for processing. With that in mind, New OroPeru has said it is going to update its resource model to quantify the oxide component of the deposit; which is a very cheap and very easy way to demonstrate immediate economic value. That study would break the oxide ounces out from the existing 2.6 million ounce measured and indicated and 0.6 million ounce inferred resource estimates. My best guess (an assumption) for the oxide component lands around 0.25-0.45 million ounces right now based on the descriptions of the geology in the Tres Cruces 43-101 report for the different zones, and their tonnages in the associated tables. To be crystal clear, my oxide number is a guess, but it won't take long (and won't cost a lot of money) to get that answer, which is a very low cost value-add.

One of my favourite things about this project is that the resource is already there. Here, the "discovery" part of the story is merely putting the pieces of the story together ahead of an option expiry that is rapidly approaching and thinking about how that might play out. There are very few development projects out there that could be up and running as fast as the Tres Cruces oxides could be… the only infrastructure to build in the near term is a haul road and the cost of digging a hole in the ground. And it's the cash flow from those early oxide ounces that is the key to why I think New OroPeru is going to get a lot more attention. If you add in Tres Cruces, not only does the "Greater Lagunas Notre" project start knocking on the door of an 8 million ounce total resource, ***but the free cash flow from the early oxide ounces are likely to cover a significant portion, if not all, of the equity component for an expanded combined operation with infrastructure upgrades for processing the combined resource.***

For example, let's say the oxide resource is 250,000 ounces of low strip material. Capex to develop it might be in the $10-20 million range (build a haul road and dig a hole). Operating costs on oxide material are likely to come in quite low, perhaps US$600/oz or less (that's a guess on my part), which leaves US$1000/oz of margin on the table. That's US$250 million of cash flow that can be reinvested into the plant and mill expansion at Lagunas, which was budgeted at US$640 million and could very likely be financed on a 60/40 debt/equity basis. That US$640 million was expected to get 240,000 oz/yr (average) at an AISC of US$625/oz (those are all Barrick's numbers). Bolt that on to an existing company looking to bulk up and that moves the needle for all of the small cap golds, as well as some of the smaller mid-caps. Take the free cash flow from the oxide ounces and invest it into upgrading the facilities to process the sulphides alongside a debt funding package, and *you come out the other side having captured nearly a quarter-million ounces per year for very little actual cash (i.e., non-debt) outlay* (for Barrick, or for whoever buys Lagunas from Barrick, if Barrick is a seller). If Barrick lets its option agreement lapse by not making a production decision on Tres Cruces by December 31st, 2020, New OroPeru gets to keep its 100% interest, which would be a windfall given that everyone knows where those ounces are eventually getting developed. I'm sure that Tres Cruces would look good on a standalone basis as well, but that would just be a waste of money and equipment. The real juice is in a Massawa-like deal… anyone who looks at this knows it, and that's what I think I'll see take shape at some point over the next few quarters.

That's really the story in a nutshell. Below is a more compact summary with more actual detail. If you stop reading now, you'll have the gist of it, but below I dig a little deeper into the project for those who dare venture onwards.

Asset Summary

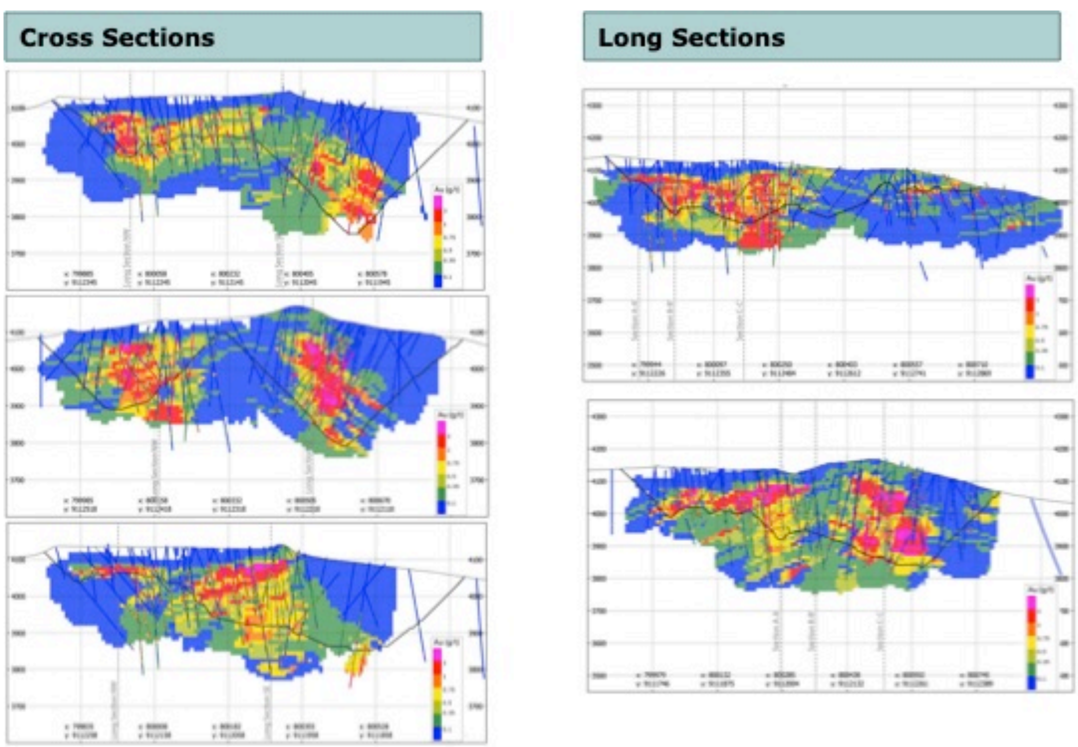
New OroPeru's asset is the Tres Cruces deposit (originally a 50/50 JV with Pan American Silver) located ~10 kilometres southwest of Barrick's Lagunas Norte mine. The Tres Cruces deposit saw several drill campaigns from 1996 through 1999 after its discovery a few years earlier. In May 2002, New Oroperu struck a deal with Pan American to acquire 100% of the property whereby Pan American was granted a 1.5% NSR on the project and shares in New OroPeru, which they hold to this day.

A subsequent deal shortly thereafter (September 2003) saw Barrick come in to earn 70% of the project in exchange for funding all costs through to a production decision after which point New Oroperu would retain a 30% fully financed interest (through to production) in the project, was well as a 2% NSR. As per the terms of the agreement, the production decision must be made no later than December 31, 2020 or 100% of the project reverts back to New Oroperu. Barrick has been making annual option payments of US$250,000 to New Oroperu since 2003 and must act within the next 8 months.

Barrick financed a ~6,000m drilling campaign in 2007. Broad zones of gold mineralization consistent with prior drilling were encountered, with the added bonus of the discovery of high-grade feeder zones at depth that remain open to expansion **(e.g., DTC278 drilled 19.5m of 11 g/t Au from 190-210m, bottoming in a mineralized breccia containing clasts from an underlying formation).**

As I've said, Tres Cruces is located just 10 kilometres from Barrick's Lagunas Norte operation, which is currently on care and maintenance pending a "stay or go" decision by Barrick. In either scenario, the development of the Tres Cruces deposit, along with its several hundred (?) thousand ounces of low-strip oxide mineralization (out of 2.6 million ounces measured and indicated plus another 0.6 million ounces inferred), would be highly accretive to the economics of either Barrick or any potential buyer of Barrick's Lagunas Norte operation in the event it is put up for sale, particularly because of the "ready-to-run" oxide material.

In 2012, Lacroix & Associates prepared a 43-101 report for the Tres Cruces deposit. The grade-sections are included at the end of the 43-101 report, but this is an example series of cross sections through the deposit. The mineralization comes to surface in certain parts, including the oxide zone. 96% of the 3.2 million ounce total resource is within the pit shells.



* Resource pit shell parameters: US$1,500/oz gold price, 85% recovery, pit wall slope of 45°, US$22/t overall ore costs, and 0.6 g/t Au cut-off

To quote the company directly from its October 2012 press release, “The resource estimate is based on the assay results from 359 drill holes, 239 of which pierce the 0.2 g/t Au envelope. For a block classified as indicated, the average distance to the four closest holes is 45 metres. For inferred, the average distance to the closest two or more holes used to estimate the grades is 69 m. Those mineral resources classified as measured and indicated are located within the core of the drilling, while the inferred mineral resources are located along the periphery and at depth where spacing is insufficient to include in higher-confidence categories. Additional drilling may add to these resources and change categories as mineralization is open for further exploration, particularly at depth.”

MINERAL RESOURCE ESTIMATES, 0.6 G/T AU CUT-OFF
NEW OROPERU RESOURCES -- TRES CRUCES PROJECT

	Kt	g/t Au	Koz Au
Measured	4,961	1.52	242
Indicated	61,068	1.20	2,365
Total measured and indicated	66,029	1.23	2,608
Inferred	19,552	0.97	611

MINERAL RESOURCE ESTIMATES, AU CUT-OFF TABLE
NEW OROPERU RESOURCES -- TRES CRUCES PROJECT

Measured plus indicated

Cut-off g/t Au	Kt	g/t Au	Koz Au
0.2	135,131	0.81	3,522
0.3	122,781	0.87	3,422
0.4	103,554	0.96	3,204
0.5	83,347	1.09	2,913
0.6	66,029	1.23	2,608
0.7	53,508	1.36	2,347
0.8	44,502	1.49	2,131
0.9	37,368	1.61	1,936
1.0	31,766	1.73	1,766

Inferred

0.2	60,119	0.57	1,103
0.3	47,644	0.66	1,006
0.4	37,350	0.74	890
0.5	26,989	0.85	741
0.6	19,552	0.97	611
0.7	14,345	1.09	502
0.8	10,529	1.21	411
0.9	8,119	1.32	345
1.0	6,255	1.43	289

Metallurgical testing on oxide and sulphide material has shown the potential for 80-85% recoveries for both oxides and sulphides. Processing of the sulphide material would require the completion of a new processing circuit at Lagunas Norte, consistent with Barrick’s February 2018 corporate update press release, quoted below:

Lagunas Norte mine life extension, La Libertad, Peru

Project overview: Extension of the mine life through sequenced installation of mill, carbon-in-leach, flotation and autoclave processing facilities.

The first component of the project contemplates the construction of a grinding and carbon-in-leach processing circuit that would treat remaining carbonaceous oxide material at Lagunas Norte. Environmental permits for these facilities are already in hand, while construction permits are pending. The company expects to complete detailed engineering in 2018 and 2019. If approved, construction and commissioning are anticipated to take place in 2019 and 2020, followed by initial production in 2021.

The second component of the project contemplates the construction of a flotation and autoclave processing circuit that would treat refractory material. If approved, detailed engineering and environmental permitting for these facilities is expected to take place between 2021 and 2023, with construction and commissioning between 2024 and 2026, followed by first production in 2027.

Costs and production levels associated with the mill/CIL/autoclave mine life extension at Lagunas Norte as detailed in Barrick's Feb 2018 corporate update press release are included below. None of Barrick's pre-feasibility work includes any contribution from New OroPeru's Tres Cruces operation. Studies to determine the (significant) value that Tres Cruces would/could add to Lagunas Norte are neither complicated nor expensive, and I would expect many bankers and corporate development folks will be running numbers on that scenario once they hear about this story. There are not a lot of 7-8 million ounce projects with a path to early cash flow sitting on the shelf these days, so I expect this to get a lot of attention from serious players, if not internally at Barrick.

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Stage: Prefeasibility
Operation: Mill/carbon-in-leach + flotation/autoclave

Estimated initial capital expenditure: ~$640-million
Average annual production:          ~240,000 ounces
Estimated first production:                    2021
Mine life extension:                      2021-2030
Cost of sales per ounce:                    ~$1,080
All-in sustaining costs per ounce:            ~$625
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Barrick has ~4 million ounces of proven and probable reserves at Lagunas Norte that are dependent upon this mine life extension. Barrick is out of oxide material that it can process with its existing operation, which is on care and maintenance.

Should Barrick decide to sell Lagunas Norte, the winning bidder would no doubt recognize the value of the resources at Tres Cruces, particularly the few/several hundred thousand (?) of ounces in oxide material that would generate significant near-term free cash flow (i.e., most if not all of the equity portion of the US$640 million total capex for plant expansion) and add considerably to the scale and longevity of the overall operation.

For anyone not following along, this is a key question and this is precisely why New OroPeru has commissioned an oxide resource study in the near term.

If Barrick does not make a production decision before December 31, 2020, all of the Tres Cruces resource will end up in New Oroperu's hands, which could make for a nice piece of business if Barrick has chosen to sell the Lagunas Norte project without acquiring New OroPeru first.

Should Barrick give a "go" on the production decision by year-end to earn its 70% interest in the project, OroPeru would have about 1 million ounces net to its interest, financed to production, with a 2% NSR on every ounce that comes out of the ground. Should Barrick decide to sell Lagunas Norte *without* declaring a production decision or buying OroPeru, OroPeru would have the keystone to a successful Lagunas Norte bid package (given the obviously accretive nature of the asset and the early oxide ounces that can be run through the mill "as is").

So from Barrick's perspective under the current arrangement, if it buys out New Oroperu by the end of 2020, it would effectively be buying a million ounces of gold in the ground (30% of 3.2mm oz oxides + sulphides) net to its account. Barrick would also be buying out the 2% NSR on the Tres Cruces deposit, which is some 60,000 ounces on the existing 3+ million ounce resource… not to mention what could be found at depth in the feeder zone(s). If Barrick does take out New OroPeru, I think it's clear that it makes Lagunas Norte infinitely more marketable in an asset sale or significantly enhances the economics of the Lagunas Norte mine extension. It's worth pointing out here that the company's new slide deck highlights just how cheap it is on a comparable basis. New OroPeru is trading at US$4 per ounce of gold in the ground. The peer average is US$29/oz for developers and US$65/oz for producers. Corporate transactions come in at an average of US$51/oz. Some room for re-rating indeed.

To distill it right down, if Barrick (or whoever buys Lagunas Norte) were to pay even US$50/oz for the Tres Cruces gold (30% of 3.2 million 'funded' ounces), it would translate into US$50 million price for New OroPeru's interest. Also consider that the 2% NSR represents some 60,000 ounces on the existing resource, with upside from deeper drilling. Undiscounted, that represents nearly US$90 million worth of royalties. Running a 10-year NPV10 on that yields a value of US$40 million for the 2% NSR. Is it crazy to think that Barrick, or whoever buys Lagunas Norte from Barrick, will pay US$50 million for New OroPeru's gold ounces and US$20 million (i.e., half of its NPV) for the 2% NSR? I don't think so. They would still be stealing it. That's nearly CDN$100 million without breaking a sweat, on 30 million shares fully diluted (New OroPeru's capital structure is a thing of beauty thanks to seventeen years of option payments from Barrick and some very frugal managers). The stock is currently at 95c, implying significant upside without even drilling a hole. Given the fact that this has to come to a head within the next ~8 months, the time seems right. If gold keeps going, all bets are off…

Happy hunting.