



ASX/Media Release – 06 September 2017

## AngloGold Ashanti Provides Cornerstone Support for A\$7.98M Capital Raising to Advance Brazilian Gold Projects

Global gold miner to inject A\$4.0M via priority sub-underwriting of non-renounceable entitlement issue and pre-payment against US\$9.5M exploration earn-in agreement

### Key Points:

- Orinoco Gold Limited (ASX: OGX) (Orinoco or Company) to launch fully underwritten 1-for-2 non-renounceable entitlement issue (Entitlement Issue) at A\$0.02 per share to raise A\$4.98M (before costs). The Entitlement Issue is fully underwritten by Somers & Partners Pty Ltd (Somers).
- The Company's 17.1% shareholder and strategic partner, AngloGold Ashanti (AngloGold), has entered into a priority sub-underwriting agreement with Somers under which AngloGold will subscribe for A\$1M in the Entitlement Issue to increase its stake to 18.1%.
- In addition, AngloGold has made a A\$3.0M pre-payment on 31 August 2017 to Orinoco against the US\$9.5M exploration earn-in agreement (Earn-in Agreement) it has with AngloGold at the Faina Goldfields Project (Faina Project), taking AngloGold's total commitment as part of the capital raising to A\$4M.
- AngloGold will be entitled to appoint two nominees to the Board of Orinoco following completion of the capital raising.
- Funds raised will be used for:
  - Commencement of exploration activities at Sertão Gold Project (Sertão);
  - Ongoing mine development and working capital at the Cascavel Gold Mine (Cascavel) in central Brazil, where processing operations have just recommenced following the completion of numerous operational enhancements and improvements in recent months; and
  - Payment <sup>1</sup> to the former holders of the minority interests in Cascavel, giving Orinoco 100% ownership.
- Final documentation for the AngloGold Earn-in Agreement is expected to be completed by the end of September, with drilling scheduled to begin at Sertão shortly thereafter.

<sup>1</sup> See ASX announcement 27 April 2017

Orinoco is pleased to announce that it has secured the support of its major shareholder, leading global gold miner AngloGold, to underpin a landmark **A\$7.98M** capital raising to advance Cascavel and exploration activities in central Brazil.

The capital raising comprises a fully-underwritten A\$4.98M Entitlement Issue, to be priority sub-underwritten by AngloGold to A\$1.0M, and a A\$3.0M pre-payment which AngloGold has made against its US\$9.5M exploration earn-in commitment on the Faina Project (which excludes Cascavel).

This amounts to a total commitment of A\$4.0M by AngloGold, whose continued support represents a strong endorsement both of the Faina Project and of Orinoco's new board and management team.

The capital raising has been structured in a way that maximises the opportunity for existing shareholders to participate on the same terms as AngloGold in this pivotal capital raising, which comes as Orinoco has recommenced processing operations at Cascavel and prepares to begin exploration drilling under the AngloGold Earn-in Agreement.

### **Entitlement Issue**

Orinoco will launch a non-renounceable Entitlement Issue to raise \$4.98M (before costs). Under the Entitlement Issue, eligible shareholders can subscribe for one (1) ordinary share for every two (2) shares held at the record date at an issue price of 2 cents per share. The Entitlement Issue will be fully underwritten by Somers.

In addition, AngloGold has agreed to enter into a priority sub-underwriting agreement with Somers whereby AngloGold will subscribe for A\$1.0M in the Entitlement Issue to increase its shareholding from 17.1% currently to a maximum of 18.1% following the Entitlement Issue. The balance will be sub-underwritten by institutional and sophisticated investor clients of Somers and existing shareholders introduced by the Company.

A Prospectus and Timetable for the Entitlements Issue will be released shortly.

### **Earn-in Agreement Pre-payment**

AngloGold has made a A\$3.0M pre-payment to Orinoco under an amendment to the terms of the previously announced Strategic Partnership MOU (**MOU**). The general terms of this MOU (refer ASX announcement – 07 February 2017) remain in place, with the following amendments:

- AngloGold provided A\$3.0M on 31 August 2017 as a pre-payment against the three year Earn-in Agreement commitment of US\$9.5M to fund exploration on the Faina Project;
- AngloGold will remain committed to spend the revised amount of US\$9.5M less the A\$3.0M pre-payment (i.e. at a 0.78 AUD:USD conversion rate the deduction would be US\$2.34M) leaving the amended exploration spend required to complete the 70% exploration earn-in at US\$7.16M; and
- In light of AngloGold completing the early payment of A\$3.0M, Orinoco agrees that any annual staged spending milestones will be removed and the only obligation of AngloGold is to complete the amended total exploration spend (i.e. US\$7.16M as noted above) by the end of 36 months from the date of the formal execution of the Earn-in Agreement.

Following execution by AngloGold of the Amended MOU with Orinoco, AngloGold will be entitled to appoint two nominees to the Board of Orinoco.

### **Use of Funds**

The proceeds from the capital raising will strengthen the Company's working capital position at (the now 100%-owned) Cascavel in Brazil where processing operations have recently recommenced. As outlined in recent ASX

announcements, the Company has implemented numerous operational enhancements and improvements at Cascavel following the suspension of mining and processing in Q4 2016.

These improvements have included:

- The implementation of a new mining and stoping methodology and mine design to significantly reduce dilution and allow larger scale, more efficient mechanised mining equipment to be deployed in the mine;
- The purchase and successful commissioning of larger-scale mining equipment;
- The implementation of low-CAPEX processing improvements as recommended by expert independent metallurgical consultants;
- The implementation of improved blasting practices and other training and upskilling initiatives for the local workforce utilising expatriate specialist mining contractors; and
- The construction of a new on-site laboratory to speed up assay turnaround and control.

In addition, the funds raised will also be used to complete the previously announced acquisition of the 30% interest in Cascavel held by Orinoco's minority partners (as announced on 28 April 2017). This agreement required a milestone payment of US\$1.5 million in cash on 01 September 2017 and US\$1.35 million worth of shares to be made by 30 September 2017.

As previously outlined, this transaction gave Orinoco 100% ownership of Cascavel, delivering significant economic and strategic benefits including a simplified ownership structure and access to 100% of the free cash-flow once it resumes production.

The funds will also be applied to advancing preparations by the Orinoco Brazilian exploration team for the initial drilling to be undertaken at Sertão, under the regional exploration Earn-in Agreement with AngloGold.

Orinoco and AngloGold are currently in the final stages of formal documentation for the Earn-in Agreement, which is aimed at unlocking the potential of the Faina Project – one of Brazil's last remaining untapped greenstone belts.

### **Management Comment**

Orinoco's Chief Executive Officer, Mr Craig Dawson, said the ongoing support of AngloGold reflected the long-term potential of the Faina Greenstone Belt, the quality of the Company's assets and the strength of the working relationship between the companies.

"AngloGold share our vision for the Faina Project and they have again demonstrated their willingness to support the Company as a cornerstone investor in this milestone capital raising, which comes at a pivotal time in the Company's history," he said.

"In addition to ensuring that we have sufficient working capital after the restart of the plant at Cascavel following the numerous operational improvements completed in recent months, the funds raised will also allow us to complete the acquisition of 100% of Cascavel and prepare for our first high-impact exploration campaign under the Earn-in Agreement.

"We are excited about the opportunities in front of us and we are looking forward to working closely with AngloGold to realise the full potential of this project.

"The capital raising has been structured in a way that gives all shareholders the opportunity to participate on the same terms as AngloGold, at a very generous discount to the recent trading price of Orinoco shares. We believe this gives everyone an opportunity to reset their investment on favourable terms and to participate in the upside that we are confident will flow over the coming months."

"This is an important capital raising for the Company and we encourage all shareholders to consider participating."

Full details of the Entitlement Issue and AngloGold pre-payment are set out in the Prospectus which will be lodged with ASIC and released on ASX shortly.

**-ENDS-**

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**Forward-Looking Statements:**

*This Announcement includes "forward-looking statements" as that term within the meaning of securities laws of applicable jurisdictions. Forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond Orinoco Gold Limited's control. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this presentation, including, without limitation, those regarding Orinoco Gold Limited's future expectations. Readers can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "project," "risk," "should," "will" or "would" and other similar expressions. Risks, uncertainties and other factors may cause Orinoco Gold Limited's actual results, performance, production or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performance or achievements). These factors include, but are not limited to, the failure to complete and commission the mine facilities, processing plant and related infrastructure in the time frame and within estimated costs currently planned; variations in global demand and price for gold materials; fluctuations in exchange rates between the U.S. Dollar, the Brazilian Real and the Australian dollar; the failure of Orinoco Gold Limited's suppliers, service providers and partners to fulfil their obligations under construction, supply and other agreements; unforeseen geological, physical or meteorological conditions, natural disasters or cyclones; changes in the regulatory environment, industrial disputes, labour shortages, political and other factors; the inability to obtain additional financing, if required, on commercially suitable terms; and global and regional economic conditions. Readers are cautioned not to place undue reliance on forward-looking statements. The information concerning possible production in this announcement is not intended to be a forecast. They are internally generated goals set by the board of directors of Orinoco Gold Limited. The ability of the company to achieve any targets will be largely determined by the company's ability to secure adequate funding, implement mining plans and resolve logistical issues associated with mining. Although Orinoco Gold Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. No JORC Mineral Resources or Reserves have been estimated for the Cascavel Gold Mine.*