



The Company Announcements Officer  
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**The following is an *Inside Briefing* interview with  
Orinoco Gold Managing Director, Mr Mark Papendieck**

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**In this interview, Mark Papendieck provides an update on Brazilian gold developer Orinoco Gold Limited (ASX: OGX – market capitalisation: ~\$11 million, 153 million shares on issue).**

Highlights of this interview include:

- *An explanation of the flexible and non-dilutionary US\$8 million gold streaming arrangement with Chancery Asset Management which forms the cornerstone of Orinoco's recently announced A\$14 million funding package to develop its Cascavel Gold Project in Brazil;*
- *The key elements of Orinoco's 'start small' approach to developing Cascavel by utilising a 40,000tpa gravity circuit, the permitting status of the project and its timeline for construction, development and first gold production, which is targeted for year-end; and*
- *An overview of the style of mineralisation at Cascavel and the reasons why Orinoco cannot quote a JORC Mineral Resource or production target, as well as an overview of the exploration upside and growth potential at Cascavel and Orinoco's other growth assets in Brazil.*

***Inside Briefing: Orinoco has recently announced a funding package to up to A\$14 million to develop the Company's flagship Cascavel gold project in Brazil. Can you explain the key elements of this funding package including the US\$8 million gold sharing arrangement? What are the advantages of this style of financing for a project like Cascavel?***

**Mark Papendieck:** The major component of the funding package is a US\$8 million gold streaming, or gold sharing, arrangement with Chancery Asset Management. Essentially, in return for the provision of US\$8 million, Chancery will receive 20% of the gold produced from Cascavel over 36 monthly periods – subject to a minimum of 16,000oz and a maximum of 24,000oz. If the minimum number of ounces aren't delivered in 36 months of production, then the arrangement will continue until such time as the minimum number of ounces have been delivered.

The way that Chancery view the deal is that, if we deliver them the minimum ounces under the contract, then they are purchasing that gold at the equivalent of US\$500 an ounce. From the Orinoco perspective, the arrangement does not encumber us with fixed interest repayments as a typical debt arrangement would, nor does it force us to deliver a minimum number of ounces each month as a typical forward sale of gold might. So its flexibility is the key for us – Chancery will simply receive 20% of any gold produced from Cascavel each month.

Another attractive feature of the arrangement is that it is non-dilutionary for Orinoco shareholders and, importantly, Chancery have made a portion of their fund available for Orinoco shareholder participation. It's not often that shareholders have the opportunity to also participate in the funding vehicle for development of a Company's Project. Rounding off the funding package, we recently completed a small equity issue and we will shortly be launching a non-renounceable rights issue to allow shareholders to participate on the equity side as well.

*Inside Briefing: The Company has said its immediate objective at Cascavel is to 'start small' and grow the operations over time. With a 14 tonne per hour gravity circuit to be located at the nearby Sertão gold mine and mine development taking place at Cascavel, what are the components of the estimated US\$6.6 million capital cost and what permits or licences are required to move ahead with construction?*

**Mark Papendieck:** Firstly, it's important to note that all of our costs will be in Brazilian Reals. Like the Australian Dollar, the Brazilian Real has recently depreciated significantly against the US Dollar, which has positive implications for costs in both countries. Another positive is that this depreciation has also helped the gold price denominated in Brazilian Reals climb to all-time highs. However, we talk about our costs in US Dollars rather than Reals to help investors around the world more readily understand the scale of the costs.

The crushing and gravity circuit that will be installed at Sertão will have a nameplate capacity of 14 tonnes per hour. By world standards it is a simple gravity circuit with two stages of crushing, a coarse grinding stage (utilising a ball mill) and then a gravity circuit consisting of two Knelson concentrators and shaking tables. Because the gold is both free-milling and coarse, we do not need to extract the gold through leaching. This means that no cyanide is used, resulting in a much lower environmental footprint and appreciable CAPEX and OPEX savings. Finally, we will smelt the concentrate on site to produce a doré bar before having the gold refined in Brazil and sold.

As Sertão is an existing mining lease, we simply need to return the lease to operational status which will occur once the plant has been constructed and certified to comply with the licence requirements. Remember that the site was licenced for Troy Resources' previous operations, which were considerably larger and also involved the use of cyanide which will not be used in our plant. At Cascavel, we currently hold a *Guia de Utilização* (GU) which is a licence that allows us to remove 50,000 tonnes of material from underground. The GU is renewable, and we recently refreshed our GU which is something that we expect to continue doing until such time as Cascavel is converted to a full mining lease – a process that we commenced last year and we expect to complete in 2016. We will shortly update the market with regard to timing of the commencement of development at Cascavel and we remain confident that the plant can be commissioned in Q4 this year.

*Inside Briefing: Can you describe the nature of the mineralisation at Cascavel and explain what level of geological confidence the company has established before committing to the development? Why is it not possible to quote a JORC Mineral Resource or Reserve for Cascavel?*

**Mark Papendieck:** As we have reported to the market over the last two years, we have undertaken a significant amount of work at Cascavel including over 8,000m of diamond drilling to delineate the gold-bearing structures. This is coupled with extensive underground development, bulk sampling and specific vein and alteration sampling to understand the distribution of gold grades within this extensive mineralised system.

Based on careful analysis of the data in three dimensions, we have developed an excellent understanding of the structure of the mineralised zone. Most importantly, it has shown the mineralised veins are both laterally extensive and extend down-dip with the gold lodes persisting to the limit of our testing.

The gold occurs as coarse free gold that is not associated with sulphides. In fact, there are virtually no sulphides in the system, and the gold is therefore free-milling. However, as is always the case in very coarse, free gold deposits, the variability of the gold grade over relatively short distances is very high. This variability means that the sample spacing for the definition of Mineral Resources from drilling needs to be very close and is therefore prohibitively expensive. In fact, we can develop the deposit and commence mining for about the same cost as what would be required to achieve an Indicated Resource over a small area of the Project.

The work that we have done with underground sampling, including our exploration decline, has given us a great deal of confidence in the orientation, dimensions and probable grade of the high-grade shoots. When this underground information is combined in 3D spatial modelling with the drilling intercepts, we can interpret high-grade shoots that are continuous down-plunge – although no doubt they will pinch and swell.

*Inside Briefing: What is your construction and development timetable at Cascavel? When do you expect to achieve first gold production?*

**Mark Papendieck:** Now that we have successfully completed the funding arrangements required for development it is full steam ahead at Cascavel! We have engaged a well-known and reputable Brazilian mining contractor and he is available to commence development of the incline shaft in Q2 this year. In the meantime, the final schematics of the plant are being designed and drafted. From there we will commence ordering of equipment by late May and site preparation around the middle of the year. One of the great advantages of redeveloping the old Troy site is that much of the infrastructure, including electricity, water and roads, is now available for us.

The plant itself is quite small and construction is scheduled to commence in the second half of 2015 with start-up of the plant in Q4. This is an ambitious but very achievable timetable.

*Inside Briefing: Can you provide investors with any guidance on the key metrics of the operation in terms of average grade, production ounces and cash costs?*

**Mark Papendieck:** Because of the coarse gold nature of the mineralisation, which I have explained above, we have elected to commence production rather than drill-out the orebody to try to produce a JORC Mineral Resource Estimate. Under our listing requirements, because we don't have a JORC Mineral Resources Estimate, we aren't permitted to provide production targets or estimates, which we respect.

However, as I've said, we have developed an excellent and very detailed understanding of the geometry of the veins and the tonnes of material to be extracted. Don't forget that mining operations are initially proposed to be undertaken over a relatively small area of approximately 150m by 250m that has been extensively drilled and contains underground sampling. This area has provided some exceptional results, as we announced in detail on 23 October 2013, 14 May 2014, 7 July 2014, 14 May 2014, 20 January 2014, 8 October 2012 and 12 December 2012, including 15m @ 88g/t Au from underground sampling and drilling at the down-dip boundary of the initial mining area, which returned 3.4m @ 38g/t (including 0.66m @ 193g/t). Over time, as the mine is developed, we would hope to be able to outline a JORC compliant Mineral Resource (due to the data gained from additional underground development) and to state costs based on our production history and our growing knowledge of the Project to give greater clarity on these matters to the market.

Once we are in production we will accurately be able to describe our costs per ounce produced, similar to any other operating mine.

*Inside Briefing: What exploration opportunities are there to grow your gold inventory at Cascavel and Sertão and what will your exploration priorities be once gold production is underway?*

**Mark Papendieck:** In a couple of words, the exploration opportunities are both plentiful and exciting. They include extending the Cascavel mineralisation along strike to both the north-west and south-east while continuing to delineate deeper parts of the system to the south-west. Also, many investors probably don't realise that there is a parallel mineralised vein set about 40 to 50m structurally below the Cascavel veins; this is known as the Cuca mineralisation, where a bulk sample of 2.7 tonnes revealed a grade of 27g/t Au, as we previously announced on 14 May 2014. Some of the deeper drilling at Cascavel also tests the Cuca structure but it requires further work before including it in the current mine plan.

We announced late last year that we have obtained a new tenement, the Garimpo Project, which is located only 1.5km north of Cascavel. This project also contains some underground artisanal workings and has positive rock chip samples from structures and a vein set that looks to us a lot like Cascavel. Getting a drill rig onto this project and applying for an extraction licence like the one we have at Cascavel is something that we are very keen to do.

Of course, there are also very attractive opportunities at the Sertão Gold Mine, where Troy Resources extracted over 250,000oz at an average grade of approximately 25g/t Au from a shallow open pit, and that will be a very high priority for us.

*Inside Briefing: What is the status of your other assets within the broader Faina Goldfields Project in Brazil, including the Tinteiro IOCG project? What exploration activities are planned at these projects over the next 12 months and how do these fit with your focus as an emerging Brazilian gold producer?*

**Mark Papendieck:** Internally we have discussed this in depth over the last six months. These are excellent exploration opportunities but, for a small Company such as Orinoco at the bottom of a resources cycle, we believe it is essential to keep a strong focus on the development of the Cascavel mine over the coming 12 months.

There is no doubt in our minds that Cascavel can continue to grow and fund further exploration throughout the broader Faina Project over the coming years; however, for that to happen the Company must maintain a disciplined approach to the development and our cash position. For these reasons we continue to seek a larger partner to explore for these large systems across our broader tenement package.

*Inside Briefing: Thank you, Mark.*

**ENDS**

**Further information:**  
**Orinoco Gold Limited**  
**Mark Papendieck**  
**Managing Director**  
**T: +61 8 9482 0540**

**Investor Relations:**  
**Nicholas Read/Paul Armstrong**  
**Read Corporate**  
**T: +61 8 9388 1474**  
**E: [nicholas@readcorporate.com.au](mailto:nicholas@readcorporate.com.au)**

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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 coal and base metal materials; fluctuations in exchange rates between the U.S. Dollar, the Indonesian Rupiah and the Australian dollar; failure to recover the resource and reserve estimates of the Project; 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.

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The information concerning production targets in this announcement are not intended to be forecasts. They are internally generated goals set by the board of directors of KRL. The ability of the company to achieve these targets will be largely determined by the company's ability to secure adequate funding, implement mining plans, resolve logistical issues associated with mining and enter into off take arrangements with reputable third parties.

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

**Competent Person's Statement:**

The information in this presentation that relates to Exploration Results is based on information compiled by Dr Klaus Petersen who is a member of the Australasian Institute of Mining and Metallurgy and CREA and Dr. Marcelo Juliano de Carvalho who is member of the Australasian Institute of Mining and Metallurgy. Dr Klaus Petersen and Dr. Marcelo Juliano de Carvalho are employees of Orinoco Gold Limited and have sufficient experience, which is relevant to the style of mineralisation under consideration and to the activity that they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Klaus Petersen and Dr. Marcelo Juliano de Carvalho consent to the inclusion in this report of the matters based on the information in the form and context in which it appears.

**Previous Reported Results:**

There is information in this report relating to Exploration Results at Cascavel. Full details of the Results were included in the following ASX Release and are available to view on the Company's website [www.orinocogold.com](http://www.orinocogold.com):

1. 28 November 2014 - Low Cost Development & Exploration Upside Highlight Cascavel Opportunity
2. 23 October 2013 – Cascavel: More Bonanza Results Extend Current High Grade Zone to 15m @ 88g/t Au
3. 14 May 2014 - "Outstanding Gold Grade from Latest Cascavel Bulk Sample"
4. 7 July 2014 – Bonanza Gold Results up to 27 oz/tonne from Cascavel Exploration Decline
5. 14 May 2014 - Outstanding Gold Grade from Latest Cascavel Bulk Sample
6. 20 January 2014 - Successful Bulk Sampling Highlights the Opportunity for High Grade Development at Cascavel Gold Project.
7. 8 October 2012 - High-Grade Gold Results Returned From Curral De Pedra Project, Brazil
8. 12 December 2012 - Hits of up to 193gpt Au confirm mineralisation over 620m down dip

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Exploration Results in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.