



Operations and Corporate Update

Orinoco Gold Limited (ASX: OGX) hereby provides the following operations and corporate update.

Operations

Following completion of the first gold shipment from the Cascavel gold mine, Orinoco has reviewed the performance of the processing plant and mine in the first two months of commissioning and operations (August and September).

With bullion shipments well below expectations, the board and management have determined that it is in the best interests of all stakeholders to temporarily suspend operations, stand down non-essential staff and contractors while a full technical review is undertaken and the issues resolved.

The main concerns are a process plant that is clearly not optimised, ongoing metallurgical (industrial lead) issues affecting the concentrate and development and scheduling issues preventing sufficient high grade ore to be delivered from the mine to the plant.

The suspension will allow time to optimise the Cascavel plant and processes to more effectively process the planned feed of mineralised waste and production material. Attempts by staff to deal with the recovery issues have been hindered by the inability of in-country assay laboratories to turn around accurate samples for assay in a timely manner. Negotiations with local authorities are continuing for the necessary environmental approvals to allow a dedicated on-site laboratory.

Orinoco is working with its equipment suppliers, Gekko Systems and other technical specialists to resolve the issues and will appoint independent consultants where necessary to provide additional advice. The Company also intends on appointing an experienced production executive to oversee this process.

The suspension of mining activities will also enable the Company's newly appointed mining engineer to plan better access to the high grade south end of the mine to ensure a higher grade blend of ore feed to the plant when operations re-commence.

The Company's view is that the material sourced solely from the more accessible lower grade northern area of the mine, will not by itself allow the Company to generate sufficient operating cashflow at this scale of operations and that production material from stopes in the south of the mine is required for blending. The relatively small amount of production material processed to date from high-grade stopes throughout the mine (91% of material processed has been mineralised waste or development material) has been estimated to have head grades of between 12 – 17g/t gold depending on the stope.

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ASX Code

OGX
(Ordinary Shares)
OGXOB
OGXOC
(Listed Options)

Issued Capital

303,742,856 Ordinary Shares
10,000,000 Performance Shares
123,128,226 Options

Corporate

The Company entered into a gold stream financing arrangement in May 2015 pursuant to which Cartesian Royalty Holdings (“CRH”), provided US\$8 million in return for an entitlement to receive 20% of the gold produced during the first three years of commercial production from Cascavel, subject to a minimum quantity of 16,000 ounces of gold delivered to CRH. The agreement contained several milestone/date based defaults that the Company believes may be in danger of not being met should the sub-optimal recoveries and ore-scheduling issues described above not be quickly resolved or should the mine activities be temporarily suspended.

The Company and CRH have agreed in principle to replace the milestone/date default clauses and the Company believes it is close to reaching binding agreement on new terms, including a restructure of the gold stream to provide for a maximum period of up to 300 days in which to restart operations. It is the Company’s intent to recommence operations as soon the issues have been satisfactorily resolved.

Concurrently, the Company is also in discussions with shareholders and other parties regarding funding arrangements as well as negotiations with the 30% owners of Cascavel and other parties that include potential joint venture, partnering and financing arrangements in relation to the broader Faina Gold Project which includes Cascavel, Sertão and other regional targets.

These complex and inter-related discussions and negotiations will be ongoing in the short term and the Company therefore estimates that its securities will remain in voluntary suspension until it concludes these discussions. The Company will continue to provide updates to the market as and when it has material new information.

-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.