



Operations Update

As advised in the Company's ASX announcement dated 16 December 2016, Orinoco Gold (ASX: OGX) is working with consultants Mining Plus to develop and finalise a plan for the resumption of operations at its Cascavel gold mine in Brazil.

This strategy has been developed and costed at a high level, with detailed planning now underway.

In summary, the key components of the plan to resume operations at Cascavel include:

- Increasing the supply of high-grade ore to the processing plant by amending the mine plan to provide for more development in the higher-grade southern portions of the mine;
- Improving gold recoveries by enhancing the liberation of gold from the ore;
- Providing additional training to plant employees; and
- Increasing the amount of working capital available to the Company.

Processing

Gekko Systems and Mining Plus will be on site again in late January to further test assumptions being made in the resumption plan and to conduct further assessments of the need to add grinding capability to the comminution circuit. Bulk samples have been sent to North American laboratories for further confirmatory metallurgical testwork, including particle size distribution analysis.

The first stage of processing improvements will involve minimal capital expenditure and is focused on incremental improvements to the existing processing plant. These are focused on minimising the amount of gold re-circulated and improving plant recovery. This process will be assisted by further plant testing and the gathering of representative operational data for ongoing analysis.

This work will be done in parallel with a series of technical measures also aimed at improving the plant's performance.

Plans are also being finalised to set up an Orinoco-owned and managed near-site laboratory. Having such a facility available will greatly assist the Company in the timely turn-around of accurate assays for both the mine and the plant. Due to licencing restrictions, the Company previously had to utilise a state-owned facility located 300 kilometres from site.

Mine

The new mine design has been largely completed and a modified mining method selected. As funds and personnel permit, the selected mining method and new explosives will be trialed in the current Quarter and detailed geotechnical input to the design refined in conjunction with these trials. In addition to the bulk sampling

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ASX Code

OGX
(Ordinary Shares)
OGXOC
(Listed Options)

Issued Capital

307,358,040 Ordinary Shares
30,655,560 Listed Options
32,050,000 Unlisted Options

discussed in the ASX announcement dated 16 December 2016, new geological sampling has been carried out throughout the entire mine to enable new grade estimates to be included in mining plan.

A variation of the previously utilised room-and-pillar mining method, referred to as “Drift and Slash”, is proposed as this method will provide a blend of ore production from drifting and low cost/high productivity slashing. This method is well suited to the geometry of the mineralised body, including the potential for variable grades and thickness, has a scalable production rate, good flexibility to change to an alternative mining method in the future, will require minimal capital expenditure in the short term and is well suited to local labour’s skill and experience.

Importantly, the new mine design is considering a substantially higher mining rate than the original mine design of 3,500t per month. The current processing circuit at Cascavel has the capacity to process ~8,000t per month.

Corporate

Negotiations with the mining company referred to in the ASX announcement dated 16 December 2016 have been delayed by the holiday period and the availability of staff at the company involved. Despite the delay, negotiations have continued to progress positively.

Orinoco advises that these discussions are currently non-binding and it cautions that there can be no certainty that a transaction will result from these discussions.

-ENDS-

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