



Company Update – Management Q&A

Orinoco Gold Limited (ASX: OGX) (“Orinoco” or the “Company”) is pleased to provide the following update in the form of a Q&A with the Company’s Managing Director, Jeremy Gray.

Orinoco is an emerging gold developer and producer focused on unlocking the value of its portfolio of world-class gold assets in Brazil. The below Q&A provides a detailed overview of the Company’s development strategy and some of the key near-term objectives expected to be delivered.

1. Jeremy, without looking backwards too much, can you provide us with some background on the Cascavel mine and some of the challenges it faced up until December 2017?

Orinoco has for myself and my Chairman Joe Pinto been 3 years of watching from the sidelines a project that we always believed could have the potential of being one of the highest-grade gold mines in the world, but which continually fell short on its expectations. Joe and I had both invested significant time and money during this time, however we faced the real prospect of losing the project until a recent turnaround in events.

Why such a promising project continually fell short of its expectations is still yet to be truly analysed, and there are a number of factors that may have contributed to the previous problems.

I prefer to look forward and not apportion exact blame. What I do know is that going ‘*Back to Basics*’ through the leadership of our new COO Richard Crew has been a game changer for Orinoco and our shareholders.

The turnaround in Cascavel’s fortunes started with the installation of 3 hammer mills - a fourth is also on its way – which have breathed life back into what we increasingly believe is one of those special gold deposits.

2. When you describe Cascavel as a ‘special deposit’ are you referring to the 150+ samples you have milled and panel sampled so far that range from 8 g/t to 265 g/t Au and appear to be averaging around 30 g/t?

To provide a bit more context on this, prior to becoming Managing Director of OGX in December, my day job was as a partner of Cartesian Royalty Holdings (CRH) who lent Orinoco its money to build Cascavel.

Orinoco was the reason why we founded CRH in 2015 and for the next 3 years I would spend my days in Taipei talking to what became over 300 gold mining junior executives and promoters about their projects. We would discuss everything from PNG, DRC to Kalgoorlie. I would listen to their dreams of building their respective gold mines. Honestly and no disrespect to any of those great stories - none of them compare to the potential of Cascavel in my opinion.

Cascavel is one of those deposits that when you first visit it is like Disneyland for geologists, and the project’s enormous upside is clearly visible from the moment you arrive. As much as I would like to take the credit for this, it’s not like we have just ‘stumbled’ onto this amazing project, with the Company having previously reported grades to the market of up to 27 ounces (not grams) Au per tonne in 2014.

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ASX Code

OGX
(Ordinary Shares)
OGXOD
(Listed Options)

Issued Capital

926,585,119 Ordinary Shares
202,458,461 Listed Options
62,677,846 Unlisted Options

Our highest reported grades so far to date are 8 ounces per tonne Au, but I am confident there is more of that super bonanza ore to be found. To me, Cascavel could potentially be the next Norseman or Morningstar given all of our results to date, however it is still too early to tell. In my opinion, it will outlive me and probably eventually belong to one of the majors. I could be wrong but the reality is you can count the potential of these sorts of mines in the world on one hand.

3. Jeremy could you outline some of the key near-term catalysts for the Cascavel mine and what sort of production rates could investors potentially expect to see on a ramp up basis?

We work on the simple motto of “the more we mine the more we will find”. Our focus so far this year has been on gaining a better understanding of our geology by using 2 small hammer mills to essentially replace the gravity mill. This has given us a much clearer read on potentially what was going wrong at the mine previously.

We have made a conscious decision to move away from the ‘big mining mentality’ that is so prevalent in our industry today, and we have gone back to these hammer mills which are the *garampero’s* or *artisanal’s* main tool to mill their gold in Africa and South America.

Whilst some in the industry would turn up their noses to these pieces of equipment we are embracing them given the low cost, high return avenue to help us “find our feet” after the last few years. To give you an idea, we bought our third and much larger 25tph mill for less than \$A30,000 and we have a fourth on its way that will be capable of processing 50tph which costs us A\$45,000. With our grades, the payback on these investments could potentially be a matter of days.

Our two smaller mills could fit in your kitchen and to me they saved the Company.

So back to your question on production, Richard and his team are working long hours to finalise our mining plans. The mine plan outlines over the medium-term a projected 500 tonnes per day, and this is still a work in progress. We are currently processing 1,500 tonnes of ore and development ore that sits at surface through our Hammer Mill 3. The results of this first commissioning campaign will be announced shortly.

4. Orinoco has also announced that Cascavel is open at depth and strike in all directions, talk us through how the Company can capitalise on this by way of ongoing exploration results as the mine is developed?

One theory is that Cascavel's reefs begin to widen as we go deeper based on previous drill results. The other theory is that Cascavel is the entrance with its narrow shoots of a much larger system called Tinteiro that has a 5km strike. Tinteiro is home to previously released rock chip samples of 4,000 g/t silver along with gold, cobalt, copper, nickel, barium and tungsten.

The Cascavel reef dips at 25 degrees and we know previous drilling intersected Cascavel some 1.6km to the west of our mine at a depth of 600 metres. It's similar to Norseman in that it can be difficult to JORC this type of narrow vein orebody out past 1-2 years of mining – the cost and expense of drilling out a narrow vein to obtain potential JORC ounces is far inferior in my opinion, to the economic benefits of mining along strike with known grades and a visible orebody.

Effectively we only want to mine and find. I don't want to spend money on headline drilling for the sake of proving up a mine life, when that money could mean multiple returns to shareholders from mining. So what we do is drill for structure as mining progresses and the next campaign starts later this month.

5. If you chose not to drill out this sort of high grade, narrow vein deposit, how can followers of the Company put some valuation parameters around the mine?

Like a number 1 draft pick in the AFL, given his form to date to get picked number 1, he clearly has serious potential (same with Cascavel and all our results to date), but the more he plays well the more his value goes up – 50 games, 100 games, 200 games.

This is exactly the same with Cascavel, the more we mine, the more we prove the ore body keeps going. If we can deliver increased high grade returns on production, we believe investors will be able to better grasp the mines' true potential based on a combination of drilling intercepts and ongoing mining results.

What is also intriguing is why we have a drill intersection of 17.5 metres of silver grading 1,292 g/t that sits just metres from the bottom of our four defined gold zones of Cuca, Mestre, Central and Northern Zone. It is our team's understanding that this is one of the richest silver intersections ever recorded in Brazil and has had very little follow-up work. The theory goes, according to our Head Geologist Marcelo de Carvalho, that to the south of this intersection sits potential silver targets with an identified zone of significantly thicker silver host rock which he calls Cascavel Dolomite. To the south we have silver rock chip samples of 4,000 g/t that as I mentioned could all be part of the larger Tinteiro system.

How one values this kind of orebody is really difficult, but to me the question is - are we just scratching the surface? Are these incredible gold grades, rock chip samples that contain everything from cobalt to tungsten a part of something much bigger?

It is certainly an exciting proposition and the more we mine and develop, the more confidence we will have in wrapping numbers around our potential. It truly is a journey of discovery in both a practical and theoretical sense.

6. Orinoco recently announced the results of 5 random 1 tonne samples (average grade 9.3 g/t) processed through a hammer mill from your existing tailings stockpile - can you explain why the tailings grades are so extraordinarily high and what it means having them processed through a hammer mill as opposed to previous processing options used at the mine?

Our strategy is to switch off the front end of the gravity mill for now and go back to hammer mills. It's something that Richard Crew has wanted to do for some time, and so far it's working in spades.

Richard was of the view that the gravity mill did not properly capture or liberate the gold from the quartz effectively because of the fine nature of some of our gold. It is possible with some tweaking that the gravity mill will perform at some stage but our current thinking is we need to add a 50tph hammer mill in the gravity circuit to ensure maximum recoveries. Based on the results of our recent tailing's sampling program, it does look like the last two years of milling was sending a fair amount of gold into the tailings.

Once our Hammer Mill 3 is running to Richard's high standards, he will introduce a second shift that will focus on processing the tailings each day. This will provide an excellent blending material for our high grade underground feed. When our Hammer Mill 4 is scheduled to hit its strides in late April, I would like to think that we could lift daily throughput above our 500 tonnes per day medium-term target by blending both feeds.

Let's wait and see but the initial tailings samples we announced are certainly a nice start.

7. Moving on, AngloGold Ashanti is a strategic shareholder in Orinoco as well as having a potential US\$9.5M farm in arrangement with the Company. AngloGold are the biggest gold producer in Brazil and clearly they see some significant exploration upside within your acreage - what can you tell us about the opportunity and what excites you the most about their involvement?

AngloGold has been a fantastic supporter of Orinoco over the last 12 months. They have an effective 19.6% ownership of our shares if you include the exercise of all our 11 cent options that came with the placing to them last year at 7 cents.

AngloGold have a wonderful mine north of Cascavel called Serra Grande which I believe is one of the most profitable mines in their global portfolio. We are currently in discussions in regards to a potential JV on exploration outside of Cascavel.

While these discussions continue we are planning our own drilling campaign for 2018 that has already commenced at Antena and will soon move to Eliseo and Tinteiro. We think a potential strategic alliance

with AngloGold could be a win-win for both companies, but we must ensure shareholder value is maximised first and foremost.

8. You mentioned drilling has commenced at Antena – what is the strategy behind this program?

Antena sits 8km to the south of Cascavel and was left by Troy Resources with 5 shallow open pits. We recently sampled the south pit and it graded 13.9 g/t Au in the pit as per one of our latest announcements.

Am I surprised by that? Not really because 20km to the south of Antena sits Sertao, which we also have in our tenement portfolio. This open-pit mine previously produced 250,000 ounces over a four-year period at an incredible average 29 g/t through the mill whilst under the ownership of Troy Resources. The Sertao pit is the size of 3 Olympic swimming pools and only 30 metres deep. To think such a small hole produced 250,000 ounces is unbelievable.

Anyway, back at Antena we have started a drilling programme of 11 holes to test the grade and shallow mineralisation and look forward to reporting results shortly. First drill core will be sent for assays next week and I am quietly confident this could be a standalone operation that could add further ounces on top of Cascavel's production.

Orinoco has the potential to have 2 producing mines by the end of 2018 with Cascavel and Antena. We are also confident, given Troy did a lot of the work for us, that the capital costs of re-starting Antena can potentially be self-funded from Cascavel's future gold production.

9. Can you provide investors with some further detail on Eliseo which sits 40km to the North of the Cascavel Mine?

I am also very excited by the potential at Eliseo as it could also become a large-scale operation but in a much more traditional big open pit way. We are currently hard at work to get a better understanding on its real value.

Marcelo and his team have been sampling 9 swimming pool sized (the size you put in your backyard) holes some 5km to the south of that hole. Each swimming pool has been spaced about 300 metres apart and we then processed the material at our Cascavel Complex.

We will announce those results shortly (once we have them) and then Marcelo will dig 20 more swimming pool sized holes another 5km further south. This time we will put it through Hammer Mill 4 when it hits its stride in late April. If all the swimming pools are grading at surface then it opens up the possibility of a potentially significant mineralised system.

But right now we are waiting for the assays and we will update shareholders in the near-term when all the results are back. Once we understand the swimming pools we will then commence a drilling campaign to test how deep these grades could be.

10. You mentioned corporate cost-cutting has been a big focus since your appointment – can you provide some details on changes to Board and management team remuneration?

Yes – for the new team it's all about production and delivering on our targets. If we don't produce our respective targets whether they be 1,000, 1,500, 2,000 and 5,000 ounces per month, we don't get paid. It's fairly simple. My annual salary is \$A100,000 and my Chairman Joe Pinto is taking no salary, the Board is the same and our COO draws only US\$80,000.

We put in place performance equity incentives for 2,000 ounces per month production at a time when the Company was trading under 2 cents and Cascavel was close to shutting down. The on-the-ground operations team have their incentives split between milestones of 2,000 and 5,000 ounces per month.

Show me a COO in Australia that pays himself US\$80,000 p.a. Richard is not fly in fly out - he works 6-7 days a week and has not taken a holiday in 9 months. The fact that we have attracted a COO of the calibre

of Richard on a largely incentive based package speaks volumes to the potential upside of Orinoco from a technical perspective.

Frankly, and speaking more broadly, I am tired of mining executives paying themselves inflated salaries for small project stories. If you want to get paid like that then I think you should join BHP or Rio. On the other hand, if you want to be entrepreneurial and get the upside of working for a small company you can't expect to still be paid like you are at BHP. How many times have we seen in recent years, mining juniors raising money simply to pay themselves and do another 'study'?

To me a Managing Director of a public company should be paid only on performance and take a small salary. My wife doesn't agree but 7 years of bear markets and executives still paying themselves big salaries is wrong and irresponsible. Not many of these projects ever get built in a bear market, and yet they keep flying off to expensive conferences in business class. One of the first things I did at Orinoco was cut business class travel.

I hope our investors appreciate our focus on cutting costs and the fact that we only care about performance. I'm not saying we will deliver all the time - but at least when things go wrong as they do from time to time - we will have a cost structure in place that will ensure we have the flexibility to ride it out.

11. Jeremy in summary can you crystal ball for us where would you like Orinoco to be in 12 months' time - obviously there are no guarantees but I'm sure you have clear strategic objectives that you would like to achieve in regards to production and exploration within the portfolio?

The last 3 months has been a journey of discovery for both myself and the OGX team. I wasn't necessarily planning to take the role of MD, but upon reflection I am very grateful to have this opportunity to work alongside such a fantastic and committed team.

I learnt when I worked in the DRC that grade is king, always has been, always will be. Back then we were mining 2.5% cobalt and, in my opinion, our Cascavel mine could potentially be the gold equivalent. Grade is king but outside of Cascavel itself, we also have some unbelievable targets.

Back then when I joined the company in the DRC it was trading at 2 pence a share and in the space of 6 months we were bought by ENRC for 20 pence. Strangely I joined Orinoco also at 2 cents a share, I'm not sure if that is just coincidence and I certainly hope we are not bought for only 20 cents.

Anyway, let's take each step at a time but I am sure that, the market does not currently appreciate the value we have in the portfolio (mine, tailings, multiple exploration targets for individual mining operations etc). It is certainly my job to change that appreciation and I am committed to doing so. Six years of hard work went into this Company before I took the reins and I am looking forward to ensuring that the market fully understands the Orinoco value proposition over the coming months.

That can only start with results, nothing more, and nothing less. Talking potential is one thing, delivering on it is another, and that is what everyone at Orinoco is focussed on.

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