



The Company Announcements Officer  
Australian Securities Exchange Ltd  
*via electronic lodgement*

**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 Orinoco Gold Limited (ASX: OGX – market capitalisation: ~\$12 million, 118.4M shares on issue)**

Highlights of this interview include:

- Exploration decline at the high grade Cascavel gold Project continues to exceed expectations
- Orinoco preparing for JORC resource definition at Cascavel and Sertão
- Contract mining Heads of Agreement with Cleveland mining to ramp up current bulk sampling to a 50,000t trial mining campaign.
- Exploration and drilling at Tinteiro continues to highlight size and tenor of the system

***Inside Briefing: There has been plenty of positive news flow from Orinoco this year, and you seem to be taking some big steps forward with your Faina Goldfields Project – can you summarise the status of the Project for us?***

**Mark Papendieck:** Our overarching strategy at our Faina Goldfields Project is to move our high-grade gold projects into production as soon as possible while at the same time continuing exploration and resource definition to add ounces to all of our projects in order to build a long and sustainable mine life.

From where we sit right now we know that we have an excellent portfolio of projects that we think will underpin the future of the Faina Goldfields Project and the Company. The exploration decline at Cascavel continues to be an invaluable tool for us and with its ongoing success we are on the cusp of being able to design a drill program to delineate sufficient resources at the project to support an initial investment decision. Sertão is also drill ready for JORC resource definition and although it is still early days at Tinteiro, the extent and tenor of the surface expressions of the Tinteiro mineralisation have us very excited about what may be awaiting discovery at depth. All of these projects sit within an infrastructure rich, mining friendly region in a highly prospective greenstone belt where the deepest hole ever drilled (398m) was one of our own holes at Cascavel that returned visible gold. There is plenty to be excited about at the moment.

*Inside Briefing: Orinoco has just announced a contract mining arrangement with Cleveland Mining (ASX: CDG). What are the key aspects of this arrangement and what are the benefits for Orinoco?*

**Mark Papendieck:** With the ongoing success of the exploration decline at Cascavel, we ideally want to ramp up our bulk sampling to trial mining at the Project and we think that this contract mining arrangement is a really smart way to do this.

Clearly, having near-term cash flow is a real positive for a junior, plus being able to conduct a small initial operation provides tangible benefits for the future development at Cascavel and allows us to get on with the exploration that is needed in parallel with trial mining. So, in essence what the capped (50,000t or 18 months) mining and toll treatment deal with Cleveland gives us is larger scale bulk sampling with a pathway to revenue. It allows us to ramp up our operations at Cascavel from an exploration decline to trial mining without any debt or additional equity requirements, while at the same time allowing us to focus on adding resources to the Sertão and Cascavel projects whilst also continuing our exploration at Tinteiro.

It's important to remember that the agreement with Cleveland is basically a contract mining and toll treatment agreement. The contract is capped at 50,000 tonnes or 18 months from the date of the underlying contract mining agreement being signed. There is no ownership of anything going to Cleveland – we have simply agreed to hire them as a contractor to mine and process our ore. Ownership of the project, the ore and the gold remains with us at all times.

There are several key differences between a more common contract mining agreement and the Heads of Agreement that we have negotiated in this instance. Firstly, Cleveland will not make a margin on the contract mining or toll treatment (these activities will be priced at actual cost); secondly, rather than pay the costs of the contract mining or toll treatment on a monthly basis, we have tied any payment of these operational costs to revenue generated (in other words, no revenue – no pay); thirdly, Cleveland will bear the upfront costs of developing the site according to a mine plan that we are discussing at the moment (again, no revenue – no payback for Cleveland). Under this risk-based contract mining and toll treatment arrangement, Cleveland bear all the risk on operational and development costs and their remuneration is a 50% share of the profit that will be generated on a capped tonnage.

The real benefit for shareholders in this contract mining agreement is that it gives us a leg up, or a head start towards our larger objective of building a long mine life at our Faina Goldfields Project. We get earlier access to information – both operational and geological - earlier cash flow and the ability to use our existing team for resource drilling while the trial mining provides us with actual operational data for scoping studies at Cascavel.

*Inside Briefing: Orinoco recently reported outstanding high-grade assays from the exploration decline at Cascavel. What is the current status of the decline and what information have you gathered on the deposit so far? How does the contract mining arrangement change your mining and development strategy for the project?*

**Mark Papendieck:** The decline is a really important part of both our plans to mine Cascavel in the short term, and our plans to delineate resources at Cascavel. The decline will continue to progress along strike towards the Mestre winze until such time as we commence any mining operations. At this point, the decline will be superseded by the mining operations.

We continue to be delighted with the information that we are getting, and the amount of gold that we are seeing in the decline. At this point I would have to say that we have been surprised on the upside by

the strength and consistency of the mineralisation.

Other than key geological information such as affirming our understanding of the structural controls of the very high grade shoots, the key information we are seeking from the decline is the location of the repeating high grade shoots. As the shoots can occur quite close to each other and can be anything from 2 to 12 metres in breadth (along strike) and also because the gold is very coarse, drilling is not an effective tool to delineate these high grade zones. However, once the shoots are identified, we intend to drill the down dip extensions of the shoots in order to generate resources. We know from our previous drilling that there is excellent continuity of the structures down dip, with our deepest hole intersecting visible gold 720m down dip (which is a vertical depth of around 300m).

*Inside Briefing: What is your longer-term development strategy for the Cascavel Project? Will Cleveland be involved in this strategy at any level?*

**Mark Papendieck:** From here we want to add sufficient resources at Cascavel to support an investment decision. High grade Archean gold deposits have a great recorded history of starting small and growing over time – and that is exactly how we plan to develop Cascavel - define a resource that is sufficient to justify an investment decision, and then grow the resources and the mine life from there. Cascavel is a large rich system and we have high hopes for significant ounces at this Project.

So we would like to think that, funding permitting, in addition to having an initial trial mining operation at Cascavel later this year we would also like to have initial resources at Sertão and Cascavel. While we go through the process of converting our exploration lease at Cascavel to a Mining Lease, we can situate a small gravity plant on the Sertão Mining Lease. Once we have secured a mining lease at Cascavel it is our desire to put a larger scale plant on site at Cascavel to act as the central processing centre for all of the potential ore sources within our Faina Goldfields Project.

Following the conclusion of the current contract mining agreement, we do not envisage at this stage that there will be any continuation of those arrangements. The broader question of how we will mine Cascavel in the longer term – including the consideration of a contract mining scenario versus an owner/operator arrangement – is an issue we will consider in the normal course of business once we have all the data needed to make that decision.

*Inside Briefing: What is the status of your other assets, the recently acquired Sertão gold mine and the Tinteiro IOCG project? What exploration activities are planned at these projects over the next 12 months and how much have you budgeted to spend on these assets?*

**Mark Papendieck:** As I mentioned, with all the drilling and mining that Troy Resources (the previous owner) conducted in and around the existing open pit at Sertão we have a wealth of information that has assisted us in planning an effective drill campaign to add resources at this brownfield target.

With the exploration decline progressing well at Cascavel, our geological understanding of this Project is rapidly increasing and we are on the cusp of having the information necessary to plan an effective campaign to delineate resources at Cascavel. Clearly, an open pit would give us better access and better information and significantly increase our confidence and understanding of the geology of the project, allowing us to make key investment decisions such as further drilling, and decisions regarding debt and equity.

Where this leaves us – and this is critical for our future development – is that we are confident that we will be able to add high grade resources at these projects relatively quickly while at the same time demonstrating the potential that Cascavel has as a mine.

In addition, as our knowledge of Cascavel and Sertão has increased, we are convinced that these two sites are part of the same mineralising event. We believe that there is excellent potential to delineate further sites along the Sertão – Cascavel shear zone that are capable of hosting additional high grade ounces. We are already beginning to use the knowledge that we have of the system to begin locating possible future targets.

As we said in June, we wanted to conduct some shallow scout drilling at Tinteiro ahead of a larger more targeted campaign. Completing this scout drilling was always going to be important for us, as these hard rock targets had never been drilled before and we needed to get an idea of stratigraphy and structures. We had also hoped to drill a deeper hole into central Tinteiro, however the planned gravity survey is still in the final stages of completion which has meant that we haven't drilled any +100m holes at this stage.

The scout drilling has now been completed and we should have assays back shortly for the southernmost holes that we drilled. We have already obtained excellent geological information from the scout drilling, and once the gravity survey is complete we expect to have some excellent drill targets.

The shallow drilling in both South and Central Tinteiro areas was designed to intersect the fault zones containing the gold/copper/silver anomalies and provide us with some initial information about the alteration and stratigraphy of the areas. Even without assays, this shallow drilling tells us that we are in the right area – with sulphides, breccias and gossanous material being intersected in the drilling. We believe that all of these are excellent additional indicators that we are within the upper portion of a large IOCG system. From all of the information that we have, we suspect that the shallow and surface expressions of the system that we have seen in drilling (including our previous silver drill results at Cascavel), mapping and rock chip sampling over several kilometres are indicators of a large target at depth. Finalisation of our gravity survey will assist us in delineating targets.

So now we wait for the assays and the interpretation of the gravity survey to integrate all the information with the available geological, magnetic, IP radiometric and geochemical data to refine our geological models and start to hone in on the primary mineralisation. Remember that Tinteiro has a very large footprint – currently over 7km – and although this is a very good thing, it also means that we have to carefully target our activities to unlock the Projects potential.

*Inside Briefing: Orinoco has recently entered into a controlled placement agreement with Acuity Capital. Can you explain how this facility works and why you have decided to raise capital in this manner?*

**Mark Papendieck:** The Acuity Controlled Placement Agreement (CPA) facility is essentially a standby facility. It is not a debt facility or an equity line of credit and there are no monthly instalments – so there is never forced selling of our stock as a result of the CPA. It is something that the Company plans to keep in its back pocket and, if we don't elect to use the facility, then there is absolutely no cost attached to it.

Fundamental to us was the total control that the Company has over the use of the facility. If we choose to use the facility, we alone control the maximum number of shares that are issued and we also specify the period and the minimum price requirements, thereby minimising the cost of capital and dilution for existing shareholders. It allows the Company to quickly and efficiently raise capital and provides us with some optionality in this regard – even if we choose never to use it.

*Inside Briefing: How do you believe that recent developments have changed Orinoco's value proposition? What are the key milestones which investors should look out for over the coming 12 months?*

**Mark Papendieck:** With the contract mining and toll treatment agreement we have a clear path to trial mining and therefore initial production with no upfront capital requirements. That means we can start to unlock the cash flow potential of the high grade Cascavel project much sooner than would otherwise be the case. With the impetus, information and cash generated from this initiative we can continue to rapidly grow, develop and expand our Faina Goldfields Project.

We have had a very busy year. Results will continue to come in from the exploration decline while we prepare to mine and once we can agree a mine plan with Cleveland we will be very close to commencing an operation at Cascavel. Our understanding of Tinteiro continues to grow almost daily and we are excited by the size and grade of the footprint of this project – also being located so close to Cascavel and Sertão is a bonus.

Clearly, adding JORC resources at Cascavel and Sertão will be a very significant event and will allow us to consider potential debt funding of an initial plant at the Project. We strongly believe that once we have an initial resource base to support an investment decision and initial operation that we can continue to grow the resource base to better reflect the outstanding potential that our tenement package has.

So, in summary we think that recent developments have significantly enhanced and added to the Orinoco investment proposition, giving us access to near-term cash flow and a greatly increased capacity to unlock the value of our broader Faina Goldfields Project - which just continues to exceed our expectations - in a timely manner.

**ENDS**

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*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.*

**Previous Reported Results:** *There is information in this briefing 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. 7 July 2014 – Bonanza Gold Results up to 27 oz/tonne from Cascavel Exploration Decline
2. 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.*