



## June 2015 Quarterly Report

*Transformational Quarter for Orinoco with funding completed, development of Cascavel Gold Mine underway and key appointments*

### Highlights

- Board approval received for commencement of the Cascavel underground mine development and construction of a gravity-only processing circuit.
- Formal documentation for US\$8M Cascavel finance facility executed with Cartesian Royalty Holdings and draw-down commenced.
- Global gravity gold specialists, Gekko Systems, appointed to construct the Cascavel Processing Circuit.
- Cascavel Mine portal and incline shaft commenced.
- Outstanding results received from metallurgical test work conducted by Gekko Systems, confirming high gravity gold recoveries of 89-95.6% at a coarse grind of 600µm.
- Subsequent to the quarter-end, a material decision was made to relocate the crushing and gravity circuit on-site at Cascavel, resulting in an expected +\$500kpa operational saving and first gold production in Q1 2016.
- Memorandum of Understanding signed with the State Government of Goiás, recognising the Cascavel Gold Project as a project of importance for the State.
- Board and management team further strengthened with key appointments including Chief Financial Officer, General Manager – Operations and Process and Mining Consultants.
- 1-for-4 entitlements issue completed with strong shareholder support, resulting in the introduction of an additional \$500,000 placement facility in response to the high demand.

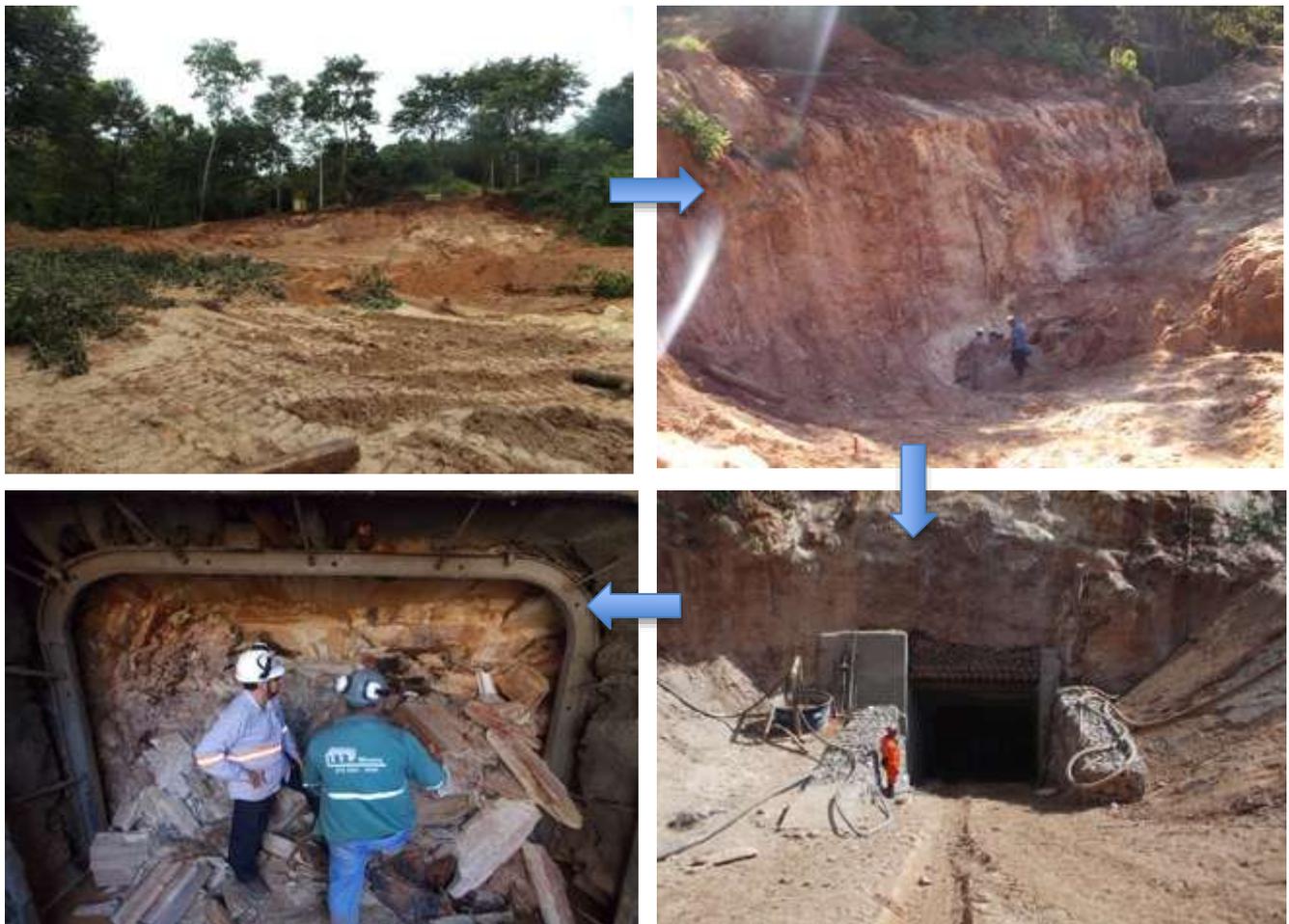
Orinoco Gold Limited (ASX: OGX) is pleased to report that the June 2015 Quarter has been a transformational period for the Company, with the formal commencement of development of an underground mine and gravity processing circuit at the Cascavel Gold Mine in Brazil, following the finalisation of an US\$8 million finance facility secured in the March Quarter.

Work on development of the portal for the incline shaft commenced in May, with significant geotechnical work completed to ensure the portal is stabilised and remains safe. This has included stabilisation of the brow, walls and footwall using reinforced concrete, gabions, steel supports, wire mesh and rock bolting prior to shotcreting (Figure 1).

To minimise capital expenditure (CAPEX), all underground development at Cascavel, including the incline shaft, is occurring within the mineralised zone – i.e., there is no footwall or hangingwall development in waste zones. Importantly, sampling of the vein and alteration at the portal entrance has confirmed that gold mineralisation extends to surface.

Approximately 70 metres of incline shaft development and 50 metres of level drives has been scheduled for the September Quarter.

Civil works such as the earthworks and fencing for the explosive magazine and warehouse have been completed, and site preparations for the winch, headframe, ROM pad and offices is advancing on schedule.



**Figure 1.** Photographs of the development and safety installations at the Cascavel Portal. Dr Marcelo de Carvalho (Orinoco Brazil – Vice President) and a representative of Minere the Mining Contractor examine a freshly blasted face.

The crushing circuit is currently being fabricated in Brazil under the supervision of Gekko Systems, while the gravity circuit, consisting of proprietary gravity components, is being manufactured at the Gekko facility in Ballarat Australia. Each module of the plant is pre-assembled and factory commissioned prior to being delivered to site. This allows for a short installation and commissioning period of only six weeks.

With the change of site for the Cascavel Plant from Sertão to Cascavel (see below), it is anticipated that civil engineering in preparation for plant construction will be completed by October.

The crushing circuit is now scheduled to be delivered to site in November, followed by the gravity circuit in December, which will allow the entire Cascavel plant to be commissioned in early 2016.

The current mining schedule shows that development ore will be utilised for commissioning. Due to the dimensions of the incline shaft (2.8m x 3.5m) and the development drives (2.5m x 2.5m) development ore is anticipated to be diluted, but is still expected to be mineralised.

Stoping from the high-grade shoots will commence in early 2016 and planned minimum stope heights of approximately 1.5m will ensure far less dilution in ore delivered to the plant.

The commencement of mine development and the placing of the order for the Cascavel processing circuit follows the successful completion of due diligence by the Company's funding partner, Cartesian Royalty Holdings (previously named Chancery Asset Management), during the Quarter, and the provision of an US\$8 million gold sharing arrangement (see ASX Announcement – 25 March 2015).

This financing underpins an overall A\$14 million funding package for the development of Cascavel, which is based on an estimated capital outlay of US\$6.6 million to establish a standalone operation using a simple gravity circuit to process high-grade underground ore.

### **Metallurgy**

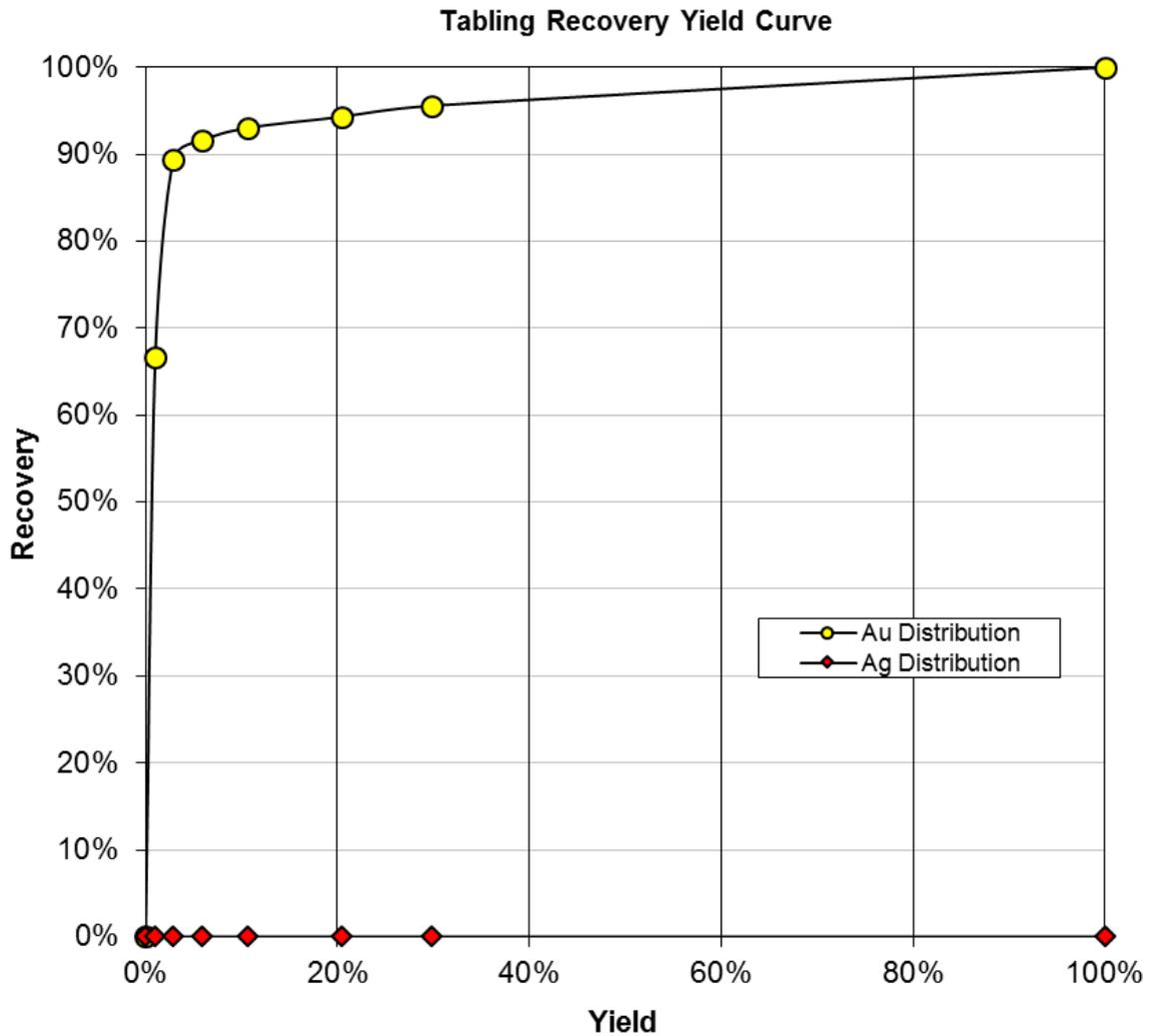
A metallurgical test work program was conducted by gravity gold specialists Gekko Systems during the Quarter. Gekko Systems carried out various testwork programs on two ~70kg samples of Cascavel ore, the first of which was to confirm the amenability of the material for the Gekko Gravity Flowsheet.

The Gekko processing plant to be installed at Cascavel is a modular ore concentration plant, consisting of a closed-circuit crushing circuit feeding into a coarse gravity gold recovery circuit utilising Gekko's proprietary In-Line Pressure Jig (IPJ) and Spinners.

The plant, which is being fabricated partially in Brazil and partially in Australia, has been specifically tailored to recover the coarse gold at Cascavel, with the processing route delivering excellent recoveries from a plant with low capital intensity.

Gekko Systems has reported exceptional results from the gravity test work program, that are considered to be at the upper end of results achieved for coarse gold deposits. From a 70kg ore parcel, the Cascavel flow sheet achieved gravity gold recoveries of:

- 89.4% gold recovery into 2.9% of the mass at a grade of 417g/t Au; and
- 91.6% gold recovery into 5.9% of the mass at a grade of 209g/t Au; and
- 95.6% gold recovery into 30% of the mass at a grade of 43g/t Au.



**Figure 2.** Gold recovery curve for the first parcel of Cascavel ore tested at Gekko Systems' laboratory in Ballarat.

**Plant Location**

In a significant development subsequent to the end of the Quarter, Orinoco made the decision to reconfigure the proposed location of the processing facility for the Cascavel Project after extensive discussions with the relevant Environmental Agencies in Brazil.

The Company will now install the processing plant on site at Cascavel less than 200m from the mine portal. Orinoco has secured all of the necessary licences to construct the processing plant at Cascavel and final approval for the operation of the Cascavel plant is expected in mid Q4 2015, ahead of the delivery to site of the modular, factory-commissioned processing plant.

This key change from the original plan – which, due to licensing requirements, was to locate the processing plant at Orinoco’s Sertão Gold Mine (OGX 100%) located 28km away – will unlock significant operating cost savings for the project. A number of significant savings in operational expenditure are expected to flow from having the processing plant located at Cascavel as opposed to Sertão, together with other strategic and logistical benefits.

Savings will include an expected A\$500,000 per annum in haulage costs and additional associated savings from road and truck maintenance as well as other savings associated with the reduced level of security and administration required to manage one site rather than two.

Importantly, the plant will now be located in a central position in relation to other potential sources of mill feed such as Garimpo and Cuca, which are located close to Cascavel, while the Sertão site will remain free for an imminent drill campaign.

### **MOU With Goiás State Government**

Orinoco signed a Memorandum of Understanding (MOU) with the Goiás State Government that recognises the high-grade Cascavel Gold Project as a project of importance for the State.

With the signing of the MOU, Orinoco has entered into a strategic partnership with the Goiás State whereby Orinoco has committed to build the Cascavel Gold Project and, in return, the State will provide its full support and assistance for the provision of government services including items such as licensing, tax concession considerations, power, roads, water, policing and telecommunications.

The MOU reflects the excellent relationship that Orinoco has established with the Goiás State Government and all of its agencies over the last three years and will assist Orinoco as it establishes and then grows its Cascavel mining operation.

Goiás is the second largest gold producing state in Brazil, accounting for 27.4% of national gold production. Brazil produced approximately 71 dry metric tons of gold in 2013.



**Figure 3.** The signing ceremony. From left to right: José Eliton de Figueiredo – Vice Governor and Secretary for the Development of the State of Goiás; Marconi Perillo – Governor of the State of Goiás; Dr Klaus Petersen – President of Orinoco Brazil and Dr Marcelo Carvalho – Chief Geologist, Orinoco Brazil.

## Corporate

The Company held \$3.6 million in cash at the end of the Quarter and had US\$6 million available for drawdown via the gold stream funding facility (US\$2 million was drawn down during the Quarter).

In addition, Orinoco announced a number of key management appointments as it builds its operations team and Board ahead of its transition to production at Cascavel. The Company appointed highly experienced international mining executive, **Jonathan Challis**, to the Board as a Non-Executive Director, while former Kingsrose Mining senior executive, **Tim Spencer**, joined the Company's senior executive team as Chief Financial Officer and highly experienced Australian mining executive **Dr Andrew Tunks** joined as **General Manager, Operations**.

The Company has also appointed **Mr Noel O'Brien**, a highly experienced metallurgist, as Process Consultant and **Mr Jim Porter** from JPMC Consulting as Mining Consultant.

During the Quarter, the Company completed the 1-for-4 Entitlements Issue of shares and options, with strong shareholder support. The Company was also encouraged by the amount of interest in the shortfall that was placed by Azure Capital Ltd, with an additional \$500,000 placement facility introduced in response to the high demand for shortfall.

Shares were also issued to the Vendors of the Edem Project after management was able to negotiate the settlement of Orinoco's Retention Payment of US\$250,000 in shares rather than in cash, and to the Company's gold stream facility funding partner.

Orinoco also issued free attaching options to the entitlements issue and placements completed in recent months and options with various exercise prices and maturities to Directors and Advisors. All of the Options issued were approved by Shareholders at the General Meeting held on 7 May 2015.

A total of \$3,217,502 was raised through the issue of equity securities for the Quarter.

	Shares	Performance Shares	OGXO Options <sup>(1)</sup>	OGXOB Options <sup>(2)</sup>	Unlisted Options <sup>(3)</sup>
Opening Balance	153,007,134	15,000,000	29,342,756	-	32,900,000
Entitlements Issue Take Up	16,198,085	-	-	16,198,085	-
Entitlements Issue Shortfall	22,053,700	-	-	22,053,700	-
Prior Placement Options	-	-	-	30,595,000	-
Edem Shares	3,329,733	-	-	-	-
Director Options	-	-	-	-	6,500,000
Additional Placement Facility	7,642,856	-	-	7,642,856	-
Exercise of Options	19,507	-	(19,507)	-	-
Expiry of Options	-	-	(29,323,249)	-	(4,100,000)
Chancery Funding Fee	500,000	-	-	500,000	-
Placement Fees	-	-	-	4,000,000	-
Closing Balance at end of Quarter	202,751,015	15,000,000	-	80,989,641	80,989,641

- (1) Listed Options exercisable at 25 cents each expired 31 May 2015
- (2) Listed Options exercisable at 11 cents each expiring 30 November 2016
- (3) 4,100,000 Unlisted Options exercisable at 25 cents each expired 31 May 2015  
100,000 Unlisted Options exercisable at 35 cents each expiring 30 November 2015  
1,000,000 Unlisted Options exercisable at 30 cents each 31 July 2015  
1,700,000 Unlisted Options exercisable at 30 cents each expiring 31 July 2016  
8,000,000 Unlisted Options exercisable at 20 cents each expiring 1 March 2016  
7,000,000 Unlisted Options exercisable at 25 cents each expiring 31 May 2017  
11,000,000 Unlisted Options exercisable at 25 cents each expiring 31 October 2017  
6,500,000 Unlisted Options exercisable at 15 cents each expiring 30 April 2018

**-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 coal and base metal 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, resolve logistical issues associated with mining and enter into any necessary off take arrangements with reputable third parties. 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.

**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
9. 29 June 2015 – Cascavel Process Test Work Confirms High Grade Recoveries, Low Costs

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.

### Interests in Mining Tenements:

Project/Tenements	Type of Tenement	Location	Held at end of Quarter	Acquired during the quarter	Disposed of during the quarter
<b><u>Cascavel</u></b>		Faina - Brazil			
860.167/2007	Extraction Licence and Mining Lease Application		70%	-	-
860.480/2009	Exploration		70%	-	-
861.586/2009	Exploration		70%	-	-
860.185/2011	Exploration		70%	-	-
861.796/2007	Tender Application		70%	-	-
<b><u>Faina Regional / Tinteiro</u></b>		Faina - Brazil			
860.284/2010	Exploration		60%	60%	-
860.968/2010	Exploration		60%	60%	-
860.434/2010	Exploration		60%	60%	-
860.435/2010	Exploration		60%	60%	-
861.288/2009	Exploration/ Application for Extension		60%	60%	-
860.436/2010	Exploration / Application for Extension		60%	60%	-
861.277/2010	Exploration		70%	-	-
860.600/2011	Exploration		70%	-	-
862.520/2011	Exploration		60%	60%	-
860.185/2012	Exploration		60%	60%	-
861.347/2012	Exploration		60%	60%	-
860.157/2013	Exploration		60%	60%	-
860.051/2012	Exploration Application		70%	-	-
860.188/2012	Exploration Application		70%	-	-
860.856/2012	Exploration Application		70%	-	-
860.404/2013	Exploration		70%	-	-
860.863/2006	Tender Application		60%	60%	-
861.340/2008	Tender Application		60%	60%	-
861.590/2009	Tender Application		60%	60%	-
861.341/2008	Tender Application		60%	60%	-
861.229/2005	Tender Application		60%	60%	-
861.258/2003	Tender Application		60%	60%	-
861.445/2010	Tender Application		60%	60%	-
860.336/1990	Tender Application		70%	-	-
860.337/1990	Tender Application		70%	-	-
861.796/2007	Tender Application		70%	-	-
861.918/2013	Exploration Application		70%	-	-
861.917/2013	Exploration Application		70%	-	-
860.699/2013	Exploration		60%	60%	-
<b><u>Sertão</u></b>		Faina - Brazil			
860.368/1995	Mining Lease		100%	-	-
860.096/1986	Mining Lease		100%	-	-
760.742/1996	Mining Lease Application		100%	-	-

### Interests in Farm-in/Farm-out agreements:

For those tenements above marked with an \*, Orinoco is farming in to the tenements to earn 60% through exploration over 30 months and making milestone payments after 18 and 30 months. An additional 15% can be purchased by Orinoco at an agreed rate based upon agreed metrics.