



Orinoco teams up with Cleveland Mining to fast-track production at Cascavel Gold Project

Strategic Alliance and further investment paves the way for imminent production, cash flow and growth

Key Points

- Strategic Alliance with experienced Brazilian miner Cleveland Mining Company (ASX: CDG) to fast-track development of OGX's high-grade Cascavel Gold Project including contemplated open pit development under a contract-mining arrangement.
- Cleveland to plan, fund and assist Orinoco to mine Cascavel with the potential to commence near-term operations utilising OGX's existing underground licence with a plan to be developed for subsequent open pit operations following a request to modify OGX's existing extraction licence.
- Ore to be treated at Cleveland's Premier Gold Mine, located in the same region, with mining targeted to commence in Q4 2014. Profits to be distributed on a 50/50 basis.
- Agreement secures the near-term development of Cascavel with investment from Cleveland, enabling the Company to focus on value-adding exploration activities within its broader Faina Goldfields Project.
- Orinoco has received firm commitments for a placement of \$1M to existing shareholders and has secured a \$2M controlled placement agreement with Acuity Capital.
- Orinoco to use the funds for planned resource development drilling at its newly acquired Sertão gold mine, located 28km from Cascavel, as well as ongoing exploration at its highly prospective Tinteiro IOCG exploration target (where drilling is currently underway).

Orinoco Gold Limited (ASX: OGX) is pleased to announce that it has secured a pathway to near-term production and cash flow, as well as a cash injection to accelerate its exploration activities in central Brazil, following a landmark contract-mining agreement with Cleveland Mining Company (ASX: CDG).

The agreement encompasses a strategic alliance to fast-track development of the 70%-owned Cascavel Gold Project predominantly as an open pit mining operation capped at 50,000 tonnes of ore, with ore to be crushed on site and processed at Cleveland's operating Premier Gold Mine and profits to be distributed on a 50/50 basis.

ASX Release

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Issued Capital

114,412,134 Ordinary Shares
15,000,000 Performance Shares
27,842,756 Listed Options
19,400,000 Unlisted Options

ASX Code

OGX (Ordinary Shares)
OGXO (Listed Options)



Cleveland is an ASX-listed mining company with a strong operating base in Brazil and experienced management team with substantial experience in building projects around the world. Cleveland has spent the past five years establishing its operations in Brazil, and has a strong project portfolio including the Premier Gold Mine in Goiás State, as well as iron ore exploration interests being developed in alliance with BC Iron (ASX: BCI).

The Strategic Alliance with Orinoco will enable Cleveland to bring its extensive operational and mining expertise to bear on the near-term development of the Cascavel Gold Project, unlocking significant benefits for both companies from mining and processing this high-grade gold deposit. The mining proposal leverages off information gained from the recently commenced exploration decline.

From Orinoco's perspective, it will enable Cascavel to move into production much sooner than would otherwise have been the case, without the Company incurring the additional upfront costs involved with advancing the project towards production. This will avoid additional dilution to existing shareholders in the current challenging equity market environment and enable it to focus its resources on value-adding exploration activities within its broader Faina Goldfields Project, including the newly acquired Sertão gold mine, where there is potential to delineate JORC compliant resources in the short term, and the exciting Tinteiro IOCG exploration project.

Cascavel Mining Proposal – Strategic Alliance

Under the agreement, Orinoco and Cleveland will agree appropriate mine plans which are contemplated to involve both underground and open pit operations at Cascavel and Orinoco will engage Cleveland to extract and process up to 50,000t of ore. Orinoco and Cleveland will work together to seek an amendment to Orinoco's current Utilisation Guide (GU) to allow open pit operations at Cascavel. Cleveland has previously successfully applied for and received such amendments at its Premier operation.

Cleveland will fund and install any required infrastructure on site, potentially including a new crushing circuit (primary crusher at Cascavel and secondary crusher at Premier) and then transport the ore for processing at its Premier Gold Mine, located 120km away from Cascavel by road. The crushed ore will be treated at Premier in a batch process, separated from Cleveland's ore to ensure that accurate reconciliations can be achieved. Orinoco's exploration geologists and mining engineer will be intimately involved in mapping, sampling and reconciliation of the ore and produced gold.

The recently developed exploration decline at Cascavel has opened up multiple ore shoots at Cascavel to visual inspection and enabled the companies to make a determination of the parameters and location of the proposed mining operations. The excavation of this decline has been crucial in enabling Orinoco and Cleveland to jointly assess the geology and ore zones and commit to the proposed open pit mining scenario.

Orinoco recently reported outstanding first assay results from contiguous panel sampling undertaken within the exploration decline, including assays of up to **842g/t gold over 0.5m** which were a part of **5.73m @ 113.3 g/t gold** (see *ASX Announcement – 7 July*). The results – when combined with previous drilling, underground bulk and channel sampling – provide strong evidence of the potential for significant, structurally controlled shear zone hosted gold mineralisation from shallow depths at Cascavel, highlighting the opportunity to develop a high-grade, low-cost gold project.

Detailed parameters for the proposed mining operations including a timeline to first production will be developed over the next 1-2 months, with the overall objective of commencing production in Q4 2014. It is anticipated that mining of the 50,000 tonnes of ore will take approximately 8-10 months post commencement of open pit operations.

Contract mining and toll treatment of the ore will be undertaken by Cleveland with the operating costs of these

activities being deducted from the proceeds of gold sales prior to profits being distributed to Cleveland and Orinoco on a 50/50 basis.

Half of the agreed capital costs incurred by Cleveland in the establishment of the operations will be repaid from Orinoco's share of the gold sales. Orinoco will in turn split its share of the profits with its 30% partner at Cascavel. In consideration for Cleveland providing the upfront funding for the strategic alliance, Orinoco will grant Cleveland 11m unlisted options with an exercise price of \$0.12 and a nine month term with a vesting condition of a minimum investment of \$1m being made by Cleveland on the development of the mining activities on the Cascavel Project.

Share Placement

Orinoco is pleased to advise that it has received firm commitments from existing shareholders for a share placement comprising 8M shares at an issue price of \$0.125 per share (representing a 14% discount to the last closing price) to raise \$1m, with an attaching 18-month option exercisable at \$0.20c on a 1-for-1 basis. Additionally, Orinoco has entered into a Controlled Placement Agreement ("CPA") with Acuity Capital Investment Management Pty Ltd ("Acuity Capital").

The CPA provides Orinoco Gold with up to \$2 million of stand-by equity capital over the coming 12 months. Importantly, Orinoco Gold retains full control of the placement process, including having sole discretion as to whether or not to utilise the CPA. Further, there are no restrictions or conditions on other capital raising activities the Company may wish to undertake.

The Company has entered into the CPA to complement its funding initiatives and to strengthen its overall capital management program by adding a further capital-raising tool. The CPA provides Orinoco Gold with the flexibility to quickly and efficiently raise capital, including the ability to take advantage of suitably attractive opportunities if they arise. Orinoco Gold is under no obligation to raise capital under the CPA. If the Company does decide to utilise the CPA, the Company retains complete control, so Orinoco Gold determines the frequency, timing, maximum size and minimum issue price of any capital raised under the CPA. The key terms of the CPA are set out in Appendix 1.

The funds, together with Orinoco's existing cash reserves, will be used to accelerate exploration activities on the Company's gold and IOCG exploration projects in central Brazil.

Management Comment

Orinoco's Managing Director, Mr Mark Papendieck, said the agreement with Cleveland Mining was an example of productive strategic cooperation between two ASX-listed companies operating in the same region of Brazil with complementary skill-sets, assets and management teams.

"This agreement leverages directly off the success of our exploration decline, which has opened up the ore zones at Cascavel and given us invaluable information about the best way to efficiently extract the high-grade gold mineralisation," Mr Papendieck said.

"Cleveland will bring its extensive operational and project management expertise, which it has built up over a long period in this region, to help us to accelerate the development of a larger scale operation at Cascavel based on the geological information obtained from the decline. Cleveland will fund and operate the open pit mine, enabling us to bring Cascavel into production much sooner than would otherwise have been possible, and without a dilutive capital raising or sell-down of project equity. We believe that this arrangement will have demonstrable positive outcomes for shareholders of both companies.

“We believe this is a great result for our shareholders, providing us with a pathway to access valuable cash flow and an income stream in the short term from Cascavel while allowing us to also focus on building our broader Faina Goldfields Project encompassing activities at Sertão and Tinteiro - both of which sit within a 25km radius of Cascavel.”

-ENDS-

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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. Dr Klaus Petersen is an employee of Orinoco Gold Limited and has 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 consents 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:*

1. 7 July 2014 – Bonanza Gold Results up to 27 oz/tonne from Cascavel Exploration Decline

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.

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.

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. Any information 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.

About the Faina Goldfields Project

Orinoco aims to build a high-grade resource inventory at the Faina Goldfields Project, initially to support a low-cost gravity gold operation. The Company is confident that sites within the broader Faina Project such as Cascavel (OGX: 70%) and the Sertão gold mine (OGX acquiring 100%) offer significant resource potential from ongoing exploration and resource definition programmes.

Sertão is a fully licensed gold mine located 18km along strike (28km by road) on the same mineralised shear zone as Cascavel, which in turn is currently licensed for underground ore extraction.



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Figure 2. Location of Orinoco’s Faina Goldfields Project (including Cascavel) relative to the states gold mines, including Cleveland’s Premier Gold Mine.

APPENDIX 1

Key features of the Acuity Capital CPA entered into Orinoco are:

1. Standby equity capital of up to \$2,000,000 available at the Company's sole discretion;
2. Available from 25 July 2014 for 12 months;
3. No obligation on the Company to place shares;
4. The CPA provides Orinoco Gold with full control over the placement process, including the right to determine the following for each new placement:
 - a. Maximum Placement Amount to be issued for any particular Placement Period, minimising dilution of existing shareholders;
 - b. Floor Price, being the minimum issue price for that Placement Period, and
 - c. Placement Period, being the date(s) over which the VWAP and placement price is calculated;
5. Each new placement is issued at a 10% discount to a volume weighted average price (VWAP) over the Placement Period, subject to the Floor Price determined by the Company;
6. The actual issue price per share may be higher than the Floor Price set by the Company for a Placement Period. This will occur where a discounted VWAP of Orinoco Gold shares over the relevant Placement Period is above the Floor Price;
7. There are no fees for Orinoco Gold entering into the CPA and there are no options required to be issued
8. Orinoco Gold has the right to cancel the CPA at any time for no fee
9. No restrictions on Orinoco Gold entering into debt financing arrangements or from undertaking additional private placements, rights issues or shareholder purchase plans;
10. No restrictions on Orinoco Gold entering into strategic industry partnerships or undertaking acquisitions of assets and shares in the future;
11. Utilisation of the CPA is dependent on Orinoco Gold's available placement capacity under the ASX listing rules; and
12. Acuity Capital is not obligated to provide capital, including where the requested Floor Price is above the market price or if the full standby equity capital has been utilised.

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