



Transcript of initial interview with Mr. Adam Smith



Director of Business Development Oroco Resource Corp.



TSX Venture Exchange: OCO

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Mr. Adam Smith - Director of Business Development of Oroco Resource Corp. Mr. Smith has been actively engaged with Oroco since its formation; identifying and evaluating the Company's acquisitions, managing its growth, and planning and executing its financing strategies. He has over two decades experience in Corporate Finance working most recently at Groome Capital before embarking to focus on building value from within private and public companies. Mr. Smith is proud to be a part of the team that has advanced Oroco from project evaluation and acquisition in 2006, to a successful IPO in 2008, and ultimately to initial precious metal production in 2012.

Smallcaps.us: Welcome everyone to another Smallcaps.us interview. Our guest today is Mr. Adam Smith, the Director of Business Development for Oroco Resource Corporation. This the first time we're sitting down with an Oroco representative and we're excited to introduce this Canadian-based, Mexico-focused mining and exploration Company. Oroco is listed on the TSX Venture Exchange under ticker symbol OCO. Adam, it's my pleasure to welcome you here today. Thanks for being with us.

Adam Smith: Thank you. It is certainly my pleasure as well and we really appreciate your interest in our Company.

Smallcaps.us: To start, could you please give us a brief description of Oroco's primary properties and their locations?

Adam Smith: Absolutely. Oroco is, as you mentioned, a Canadian-based Company. We're operating out of Vancouver, British Columbia and we own two groups of properties both located in Mexico.

The first group of properties, dubbed the Cerro Prieto Project, is located in northern Sonora State, which is the northwest corner of Mexico. We're only 40 kilometers from the border with Arizona and we're in a region that hosts great many open pit, heap leach gold mining operations including Mexico's largest gold mine, La Herradura, owned by Newmont, Timmins' San Francisco Mine, Yamana's Mercedes Mine, SilverCrest's Santa Elena Mine are all within 100 kilometers of our project. It's an excellent part of the world to operate this type of mine. The infrastructure is superb, the labor force is superb, the regulatory environment is superb and of course, the geology is superb as well.

The second group of properties that we own is in the state of Guerrero in the south of Mexico in an area called the Guerrero Gold Belt, because of the number of gold mines within it. Nearby, just four kilometers from our property, is Goldcorp's Los Filos/Bermejil Mine, which is amongst the largest in Mexico with the 12.5 million ounce gold resource and a production of approximately 350,000 ounces of gold per year. Next to that is Torex and the 3.8 million ounce gold resource that they've been very successful in drilling and expanding over the last few years. They are now expecting a resource of that property in excess of five million ounces.

And next to the Torex project is Newstrike Capital and their Ana Paula Project, which has been the site of some truly amazing drill intersections over the last year and it looks like they're developing a multimillion ounce resource there as well. We expect the resource calculation out from Newstrike in the coming year and we expect that it will cement this region as Mexico's most prolific region of new gold discoveries.

The original gold discovery in the region and the original production in the region is actually at our property, the Xochipala property. So the fact that it's gold-bearing has been established by its history, the fact that the potential for multimillion ounce discovery exists in the region has been established by our neighbors and we're very excited to be getting to that property, to start exploration on that property sometime in the new year.

Smallcaps.us: Great. So Cerro Prieto in Sonora State, Mexico is the Company's most advanced project as it's actually nearing production. First of all, what can you tell us about Cerro Prieto's current resource

estimate and is there a room for expanding that resource?

Adam Smith: Yes, I can certainly elaborate on that. We started drilling at Cerro Prieto shortly after the Company did its IPO in 2008. We completed by the end of 2009, 15,000 meters of drilling along approximately 2,000 meters of strike length of the geological structure. We drilled in detail along just 1,000 of those meters and came up with a 98% of measured and indicated resource consisting of approximately 400,000 ounces of gold and six million ounces of silver.

The holes that we drilled on the other 1,000 meters of structure all hit the geological structure. Most of them were gold-bearing, but they were drilled too wide of a spacing to contribute to a resource.

We own approximately 7,000 hectares within that project that contain 17 kilometers of strike length for the geological structure. With only 1,000 meters of that drilled in detail, we do have significant expansion potential at that property and in fact, we have commenced just this week an additional exploration drill program along the strike length of the geological structure immediately adjacent to the resource, and we've done that for the purpose of expanding the gold resource at the Cerro Prieto Project.

Smallcaps.us: Now, in December of 2010, Oroco received a positive Preliminary Economic Assessment, or PEA, for Cerro Prieto. Based on the most recent resource estimate that you just described, can you shed some light on the PEA for us?

Adam Smith: Absolutely. The PEA was commissioned by the Company for the purpose of establishing the economics of constructing a gold mine within the area that we had just drilled. We knew that there was considerable additional strike length to the geological structure to drill, but we felt very strongly that if we get the Cerro Prieto mine up and running, producing gold and generating cash flow, we can use that cash flow to expand the resource. We preferred that option to continuing to dilute

the shareholders with additional financings and to expand the resource that way.

The region of Mexico that we operate in offers the ability to put these types of mine in production quickly and inexpensively. So from the time the PEA was published, in December 2010, we started to work on the other aspects required to put a gold mine in production. The ownership of the surface rights, permitting the engagement of a construction management company as well as all the other aspects that are required, most importantly financing, to move one of these projects forward.

In the summertime of this year, we announced the engagement of Sonoran Resources, a very competent engineering procurement construction management firm based out of Arizona. We also announced that we entered into an indicative term sheet with Red Kite Management from New York, who will provide about 85% of the financing needed to put Cerro Prieto in production. We announced as well that we have acquired seven years of surface rights in the area of the mine together with the ability to extend that by an additional 10 years.

So really, we put in place most of the aspects necessary to put a gold mine in production. We have also filed our initial permit applications and we expect a response from the government at any moment and we expect to have permits in place within the first quarter of next year sufficient to allow us to start construction and eventually, to allow us to operate the Cerro Prieto gold mine.

Smallcaps.us: Okay, thank you. And what is the current condition of Cerro Prieto and where would you like it to be six to 12 months from now?

Adam Smith: Good question. The current condition of Cerro Prieto at the project site is that the preparation for major construction has been under way for some months now. The ranch infrastructure that existed in the area has now been removed. The area around that, prepared for some major construction activities.

The infrastructure necessary to build and operate a mine has all been upgraded.

The road to the site has been upgraded. The contingencies to getting electrical power on the site have been made. The project has been fenced, which is an important consideration when you operate in a ranching area. Communication protocols are in place, safety protocols are in place. So everything is nearing completion in the pre-construction phase and we're ready, we're awaiting permits and we will be commencing major construction in the first quarter of next year.

The build up will be fairly rapid. We would expect to be crushing the ore, loading the leach pads and leaching for gold by the end of 2012. The ramp of the operation is expected to be fairly rapid, so we would expect to be at full production sometime -- early in 2013.

Smallcaps.us: I see. Moving over to the Xochipala property you mentioned earlier, what are some of these project's highlights and how does its location in the Guerrero Gold Belt impact its potential?

Adam Smith: The project is a very interesting one from a number of perspectives. One is that it was the site of the discovery of gold and the production of gold starting almost a hundred years ago. The gold grades that would have been required at that time using technology of the era would have been quite rich by our standards. So we're very hopeful that we find more of that grade and we got a considerable strike length of the geological structure on our property. So, we're quite optimistic that we'll do that.

The recent history in the region has added an element of excitement to the play. In the last 20 years, there's been the development of almost 20 million ounces of gold by a number of companies in the vicinity to our Xochipala Project and they have made those discoveries all on geology that is similar, if not identical, to that on our property. There's a series of geological structures, which all stand from the

same geological event and those structures have yielded significant resources up strike.

The structure that is in our property is one of those six in the area that have been discovered to date. And we're quite hopeful that there are some analogies to be made between our example of that geology and those up strike, each of which has produced a resource in excess of three million ounces of gold.

There's been some very recent history in the area that adds another layer of excitement to the project. And that has been the discovery by Newstrike on one of these intrusions in the area, of some very significant gold grades over very significant widths. The Newstrike drill program has caused that Company to increase its market capitalization from approximately 30 million to almost \$350 million today in less than a year and so the history of discovery of gold in the area continues to this day. And that causes us to be very encouraged by the prospect of drilling the last example of this type of geology in the area.

Smallcaps.us: And as Oroco moves closer to being a producer, it obviously needs financing. How do you plan on getting the necessary money and can you also tell us a bit about Oroco shareholder structure?

Adam Smith: Yes, I can. Oroco has a very significant institutional ownership. The Company is owned by a small handful of original investors, as well as institutions who have become large investors in the last three years. We have institutional involvement by investors from the United States, Canada, Great Britain and Continental Europe. We also have a very significant shareholding position from the founding shareholders and close associated investor groups.

We've been very conscious of the desire to not dilute the current shareholders of the Company. As a result, we only have 63 million shares outstanding as of this date, which to be as close to production as we are is a very, very good number.

We have also been very conscious of dilution in the process of arranging production financing. The \$18 million production financing that we announced in June of this year is based on the delivery of gold ounces and not shares to the investor. So we will be giving out, in exchange for nearly 100% of the financing needed for this project, a relatively small percentage of the production of gold from the project. Any additional money that we need to put Cerro Prieto in production, we are seeking on a similar basis.

So even though the equity markets have not been particularly good for junior mining companies in the last year, we've been able to raise the vast majority of what we need to go into production without the downside that you would have in such a market.

Smallcaps.us: That's very interesting. And can you also share a bit about yourself and the other key members of Oroco's team?

Adam Smith: Yes, I can. Oroco has a very accomplished management team with a significant history of discovery, development and production.

I'll start with our chairman, Ken Thorsen. Ken has over four decades of experience in the mining business. He was most recently the president of Teck Cominco's international exploration arm and as such, he oversaw exploration and development in 19 different countries for Teck. Since his retirement from Teck, Ken has been involved in a number of very successful juniors including Capstone Mining and Newstrike Capital. Ken has a very impressive list of contacts and so a great many of our technical consultants and technical employees have come through Ken Thorsen.

We have Antonio Montante who is our chief geologist in Mexico. Formerly, he was a geologist for Teck Cominco and co-credited with the discovery of the San Nicolas zinc deposit in Mexico.

We have Roger Scammell, who is the president of Oroco's Mexican subsidiary. He's the VP of

operations for the Company and he will be overseeing the construction of the Cerro Prieto Mine. Roger was most recently the president of Scorpio Mining and as such, he oversaw the construction and commissioning of the Scorpio underground polymetallic mine in Mexico. He was also Teck Cominco's in-country manager for over 10 years in Mexico. He's fluent in the language, of course, and fluent in the business culture of the country.

Another director of the Company is Stephen Leahy, who is the founder and president of North American Tungsten, the largest tungsten producer outside of China.

We have Bob Friesen as a director. Bob is a mining engineer with four decades experience with the majors including five years as project geologist with Teck Cominco Exploration.

And the president of the Company, Craig Dalziel, has a long history in corporate finance as well as mine finance and mine management. Several years ago, Craig was the president of Ming Financial, a Company that put the Rambler copper mine in production, on schedule and under budget in Eastern Canada.

And finally, myself. I've been in corporate finance for 25 years and those contacts that I've earned in those 25 years have come in very handy in assisting Oroco with its financing and corporate finance needs in the past five years.

Smallcaps.us: Great. And I'm also curious about your view on the commodities market in general and particularly, what lead and zinc is concerned?

Adam Smith: Well, the perspective that I have, as part of the management of a public Company who are actively exploring for and looking for metals and within an industry that is doing the same, is one of the acute shortages of new projects that are coming on-stream and the increasing difficulty in finding new metals to mine.

Exploration expenditures worldwide are at an all time high and discoveries are not keeping pace.

So as we spend more money looking for metals, lead, zinc, gold, silver and all the rest, we're finding less and less of them.

More and more of the projects that are being developed now are projects that were discovered 10, 20, 30 or more years ago. So we are coming to a time when, while there still are significant resources of metals out there to be developed, we're not discovering a lot of new sources. So we're by no means at the end of the ability to produce these metals, but we can certainly see a time when new discoveries are just not going to keep pace and therefore, new mines are not going to keep pace with demand.

So the bull market that we've seen, the very strong market that we've seen for all metals over the last 10 years, I would expect is going to continue.

Smallcaps.us: Keeping that in mind, what would you say are the two or three strongest reasons for a long-term investor to consider investing in Oroco today?

Adam Smith: Oroco has a number of things going for it. One is that we will, if we are on target, be in production of gold and silver in approximately a year. We will be self-financing at that time and we have significant upside in terms of the discovery of new resources.

We really only scratched the surface at our Cerro Prieto Project and drilled just 7% of the strike length for the geological structure that we own. We also own properties that contain parallel structures to that. So we expect there's going to be a long period of exploration and discovery in the future at Cerro Prieto

And we also have, with the Xochipala Project, amongst the most exciting exploration projects out there. New undrilled intrusions in the Guerrero Gold Belt are few and far between. Oroco has the only one that I'm aware of. And that's a region that has produced numerous multimillion ounce discoveries.

So Oroco is in a very interesting position of being both a near-term producer and also being among the most exciting exploration companies.

Smallcaps.us: Well, that sure sounds compelling. Thank you, Adam, for sharing your thoughts with us and for providing a bit of insight into your Company. We can't wait to see how Oroco's projects progress and we'd be happy to have you back to catch up on Oroco in the near future.

Adam Smith: I look forward to it. Thanks very much for your interest.

Interview Feedback

We welcome your questions and feedback regarding this interview at: <http://smallcaps.us/oroco-resource-positioned-to-start-production-in-2012>.

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