



Transcript of update 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: Hi everyone, welcome to another Smallcaps.us interview. We're excited to have Mr. Adam Smith, the Director of Business Development for Oroco Resource Corporation with us today. We've featured Oroco a few months ago and are pleased to have this opportunity to take a closer look at the company's progress since then. As a reminder, Oroco is a mining and exploration company based in Canada with Cerro Prieto and Xochipala as its most promising projects. The firm is listed on the TSX Venture Exchange with ticker symbol OCO. Thanks so much Adam for joining us again.

Adam Smith: Thank you very much. It's certainly a pleasure to be able to update your listeners on Oroco's progress.

So, Adam, we can safely say that Cerro Prieto is Oroco's main property at the moment as its nearing production. Could you remind us of this project's highlights so far?

Certainly. Cerro Prieto is a gold project in Northern Mexico located in the state of Sonora. It's comprised of 7,000 hectares of mineral concessions and it's in a region that has a number of producing mines all of the same type that we proposed building at Cerro Prieto: open pit, heap leach, which is a very low-cost, very straightforward production method for gold.

Since Oroco listed on the TSX Exchange in 2008, we have conducted three drill programs at Cerro Prieto. We've conducted metallurgical test work, basically, the process for extracting gold from rock once it's mined and we've conducted extensive engineering, mine planning. Within the last year, we have engaged an EPCM contractor, that's an engineering

procurement construction management contractor, to build and commission the mine for us. We have obtained all the permits necessary to build and operate the mine.

Finally, we've entered into a production financing deal with a firm in the United States, who will provide us between 80% and 85% of the capital we need to build the mine. The first tranche of that financing deal was \$3.5 million and we've received that and we're working on the necessary engineering to close the latter \$16 million tranche of that financing.

And so, it's in a project that we have quite effectively taken through the necessary steps from exploration to discovery to quantification and now to permitting and preparation for the commencement of construction. So, we're very pleased with the progress that we've made at Cerro Prieto.

Recently, we've also been able to register our ownership of the Xochipala property, which is a group of concessions in the State of Guerrero in Mexico, in a very significant region that has been dubbed the "Guerrero Gold Belt" because of the number of ounces of gold that have been discovered there in recent history. That number is approximately 20 million, between 5 different ore bodies and the potential for the next discovery in the region in the Guerrero Gold Belt is, we believe, at the Xochipala property. So, we're very excited to now finally have that registered and be able to commence an exploration program there.

Since our previous interview, several new drill results were announced for Cerro Prieto. What were the results like?

They turned out to be very good. The reason why we embarked on that additional drill

program was to tighten up the spacing between drill holes and thereby increase our confidence in the resource and in the mine plan. So, the results that we got were at least in line with expectation and in some cases they may have been a little better than expectation and so the program could be deemed a success. We have higher confidence in the resource and higher confidence now in the resulting mining plan.

I see. And as I mentioned in the introduction, Oroco is moving Cerro Prieto towards production. How is the company handling the need for money and what steps have you taken in that area?

Again, that goes back to the process of engineering the mine plan and increasing the confidence that we have in the resource. So, during the last year, we have done some additional drilling. We've also completed additional metallurgical tests. We've had an ongoing engineering program that involves our contractors, engineers, and separately an independent engineering firm confirming those numbers. And as anyone looking at our news releases can see, we progressively marched forward toward the point where we can start construction.

By that, I mean, we are now fully permitted, we have engaged an engineering procurement construction management firm and we have found a financing deal with a fund in the U.S. for -- it was called a Gold Prepay Deal, whereby they advanced funds towards the construction of the mine and we pay that loan back with the delivery of ounces in the future.

Well, that's great. Now, you already mentioned that Oroco has engaged a first class company to construct the open pit mine at Cerro Prieto. Can you tell us a bit more about this arrangement and your expectations?

The contractor, the engineering procurement construction management firm that we've engaged is called Sonoran Resources. They're based in Arizona. They have a terrific body of work primarily in Mexico doing just exactly what

we like them to do for us and that is permitting, building, commissioning open pit, heap leach gold mines.

One of the things that originally attracted us to Sonoran Resources was their work on a nearby mine, the Santa Elena Mine owned by SilverCrest. They built that mine and they commissioned that mine in under a year and under budget. Because of that process, they already had an office in the area, they had relationships with subcontractors and we felt that they were the best choice.

That decision, I think, has been a good one. The relationship with Sonoran is very good and they have helped us immensely in advancing us towards construction.

A couple of weeks ago, Oroco announced that its 100% owned Xochipala property in Mexico had been registered with the Mexican Public Registry of Mining. Can you explain the importance of this event and also what it is that makes Xochipala so special?

Xochipala is a group of concessions within an area that's been dubbed the Guerrero Gold Belt. This is an area where over the last two decades almost 20 million ounces of gold have been discovered between five different deposits. The potential for the sixth deposit lies on Oroco's Xochipala property.

It was the site of the original gold discovery and production in the region dating back almost a hundred years and it contains the type of geology, which hosts resources and reserves at these five other deposits.

The five other deposits are owned by, in order from North to South, Newstrike Capital, Torex Resources, and Goldcorp. Newstrike has made a very significant discovery on the Ana Paula project. They have yet to announce a resource estimate on that project, but it looks to be significant. Torex has recently announced an update to the resource contained on their property and it's over 5 million ounces. And Goldcorp has somewhere in excess of 12

million ounces of gold between the new Los Filos and Bermejil deposits on their property.

Oroco's Xochipala deposit is located just four kilometres from Goldcorp's Bermejil open pit. Oroco had acquired this property in 2007. It was a prolonged process to get it registered with the Mexican Public Registry. That was completed in August of this year, and we're very much looking forward to commencing exploration on this property.

It carries a tremendous amount of potential and if you look at the valuation of the companies that also own those deposits in the region, they range from \$200 million in the case of Newstrike up to approximately \$800 million in the case of Torex and Goldcorp's large project at the Los Filos mine, which is the largest gold mine in Mexico, would carry a value in the billions of dollars.

So, we think that the registration and the commencement of exploration at Xochipala has a lot of potential to bring attention to the company.

Well, that's terrific. And what are Oroco's near-term plans for Xochipala?

Now that the registration is complete, we're free to commence an exploration program. I think we'll focus on some of those areas of historical mining on the property. We'll focus on identifying drill targets and hopefully this fall we will get drills turning on Xochipala.

Well, that's very interesting. Adam, I know that plenty of investors are on the lookout to buy shares of undervalued resource companies. So, why should those investors definitely take a closer look at Oroco?

Well, Oroco brings to the investor an opportunity to benefit in two ways. One is through the commencement of mining operations at Cerro Prieto and the second is the potential for new discoveries at Xochipala.

Fantastic. Adam, we greatly appreciate the time you've taken to speak with us today. All the best to you and to Oroco and I look forward to talking with you again whenever progress is made at the company.

Thanks. Well, we look forward to a very busy fall in the company, both in advancing Cerro Prieto to the start of construction and in the commencement of exploration at Xochipala, so, I am sure there will be some news to update your listeners on in the very near term.

Interview Feedback

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