Orion Minerals LIMITED

and its Controlled Entities

ABN: 76 098 939 274

31 December 2018
Interim Financial Report

Corporate Directory

DIRECTORS

Mr Denis Waddell (Non-Executive Chairman)
Mr Errol Smart (Managing Director/CEO)
Mr Alexander Haller (Non-Executive Director)
Mr Mark Palmer (Non-Executive Director)
Mr Michael Hulmes (Non-Executive Director)

COMPANY SECRETARY

Mr Martin Bouwmeester

REGISTERED OFFICE

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Melbourne, Victoria, 3000

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SHARE REGISTER

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Telephone: +61 1300 306 089

AUDITOR

BDO East Coast Partnership
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Melbourne, Victoria 3008

STOCK EXCHANGE LISTING

Primary listing:
Australian Securities Exchange (ASX)
ASX Code: ORN

Secondary listing:
JSE Limited (JSE)
JSE Code: ORN

JSE SPONSOR

Merchantec Capital
2nd Floor, North Block
Corner 6th Road & Jan Smuts Avenue
Hyde Park
Johannesburg 2196

Directors' Report

The directors present their report together with the consolidated interim financial report for the half year ended 31 December 2018 and the independent auditor's review report thereon.

DIRECTORS

The names of Orion Minerals Limited Directors at any time during or since the end of the half year are:

Non-executive		
Mr Denis Waddell	Non-executive Chairman	Appointed 27 February 2009
Mr Alexander Haller	Non-executive Director	Appointed 27 February 2009
Mr Mark Palmer	Non-executive Director	Appointed 31 January 2018
Mr Michael Hulmes	Non-executive Director	Appointed 17 April 2018
Executive		
Mr Errol Smart	Managing Director	Appointed 26 November 2012

CORPORATE STRUCTURE

Orion Minerals Ltd (**Orion** or **Company**) is a public company limited by shares, that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, including those newly acquired (referred to as the **Group**).

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the half year was exploration, evaluation and development of base metal, gold and platinum-group element projects in South Africa (Areachap Belt, Northern Cape). The Company also holds interests in the Fraser Range Nickel-Copper and Gold Project in Western Australia and the Walhalla Polymetals Project in Victoria. There were no significant changes in the nature of the Group's principal activities during the half year.

OPERATING RESULTS

The Group recorded a loss for the half year of $4.76M (31 December 2017: loss of $4.4M). The result is driven primarily by exploration expenditure incurred of $1.42M which, under the Group's deferred exploration, evaluation and development policy, did not qualify to be capitalised and was expensed and finance expenses of $0.79M, principally related to bridge loan interest of $0.2M, convertible note interest of $0.4M and interest on Anglo American sefa Mining Fund (**AASMF**) preference shares and loan of $0.2M.

Net cash used in investing activities for the half year totalled $4.87M (31 December 2017: $8.89M) and included payments for exploration and evaluation investing activities of $7.34M (31 December 2017: $8.89M) and proceeds received from the sale of the Connors Arc Project in Queensland of $2.50M. Cash on hand as at 31 December 2018 was $2.03M (30 June 2018: $4.81M).

In the half year ended 31 December 2018, the Group focused strongly on exploration within its Areachap Belt projects in South Africa. Expenditure of $8.66M in exploration activities was incurred by the Group during the half year ended 31 December 2018 (31 December 2017: $8.78M).

Directors' Report (continued)

The basic loss per share for the Group for the half year was 0.29 cents and diluted loss per share for the Group for the half year was 0.29 cents (31 December 2017: basic loss per share 0.46 cents and diluted loss per share 0.46 cents).

REVIEW OF OPERATIONS

In March 2017, Orion acquired Agama Exploration and Mining Proprietary Limited (**Agama**), a South African registered company, which, through its subsidiary companies, holds an effective 73.33% interest in a portfolio of projects including an advanced volcanic massive sulphide (**VMS**) zinc-copper exploration project with near-term production potential at the Prieska Zinc-Copper Project, located near Copperton in the Northern Cape province of South Africa (**Prieska Project**). During the half year, at the Prieska Project, the Company completed resource definition drilling, updated the Mineral Resources Estimate, and completed the Prieska Project Scoping Study, which confirmed the commercial robustness of concepts being applied in the ongoing bankable feasibility study (**BFS**), which is due for completion during in Q2 CY2019. The Company also continued active exploration programs on its highly prospective tenements located in the Northern Cape, South Africa.

The Company strives to achieve a sustainable balance between intense operational effort and maintaining a strong focus on social responsibility.

Health and Safety, Environmental Management and Community Engagement

Health and Safety

No lost-time injuries were reported during the half year period.

Table 1: Hours worked at the Areachap Projects during the 6 months ending 31 December 2018 (South Africa).

Category of work	6 months to December 2018 (hours)
Exploration	162,500
Mine re-entry	4,492
Total	**166,992**

The lost-time injury frequency Rate (**LTIFR**) per 200,000 hours worked was 0.0 across all work areas for the half year period. A National Safety Day, in line with the safety initiative being promoted by the Minerals Council of South Africa, took place at the Prieska Project during Q3 CY2018. The event was attended by 200 people, including the Company's staff as well as contracted employees of Precision Capital Development Services (Pty) Ltd, Discovery Drilling (Pty) Ltd and the UMS Group - Shaft Sinkers. The day focused on two key sections from the Mine Health and Safety Act, namely that safety is everyone's responsibility and an employee's right to leave a dangerous work-place.

Scheduled inspections by the Occupational Medical Practitioner confirmed exemplary work conditions at all Company work places. Emphasis for the period was on ensuring all work sites were well-secured and kept in a safe manner, given the shutdowns of field operations during the December holiday period.

Environmental Management

One environmental incident took place during Q3 CY2018, which was an oil spill from an exploration drill rig. Approximately 30 litres of oil discharged from a leaking hose on a night shift. The contaminated soil was treated and removed in accordance with hydrocarbon management procedures.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Proactive and cooperative engagement with statutory authorities continued, with representatives from the Department of Mineral Resources (**DMR**) invited and hosted on a familiarisation visit of the Prieska Project. Advice on improving hydrocarbon management received from the authorities on the visit was incorporated into general work practices.

Community and Stakeholder Engagement
The Company recognises that as part of establishing the Prieska Project, concerted intervention is required to prepare local communities to be able to participate in employment and business opportunities to be created by the venture. As such, the Company has kept local communities regularly informed and has supported various social development initiatives despite the project still being in the planning phases.

Progress updates to the Siyathemba community relating to the Prieska Project continued, with the Company's CEO, Errol Smart, holding a public information session in the town of Prieska in October 2018. The event was attended by several hundred people representing a broad cross-section of community interest groups. In October 2018, the Company, in collaboration with Sonnedix/Mulilo, who operate a renewable energy plant adjacent to the Prieska Project, hosted a career day expo in the town of Prieska. Approximately 700 high school students had the opportunity to interact with private businesses, government institutions and tertiary education institutions.

The Company also initiated investigations into the provision of free, introductory, part-time short familiarisation courses, covering the functions of underground mining, machine operation, trade and engineering skills, technical services, administration and finance. The appointment of appropriate training service providers, content and the identification of suitable training venues are in progress, with courses scheduled to commence by Q2 CY2019.

The Company has also been instrumental in reinvigorating the "Prieska Greening Committee", which aims to improve the physical environment and therefore the living conditions for Prieska residents. A non-profit company has been registered (**Prieska Greening NPC**) and the Company is facilitating the provision of legal assistance to formulate a Memorandum of Incorporation (MOI) and a Service Level Agreement (SLA) between the Prieska Greening NPC and the Siyathemba Municipality, which together will provide the framework through which the greening objectives are achieved.

Collaborations between the Company and the Siyathemba Municipality, formalised through a Memorandum of Understanding, focused on water infrastructure upgrades and residential development to accommodate the Prieska Project plans. Drafting of the water supply agreement, incorporating water tariffs and specific scopes of work for water infrastructure upgrades, continued. The Company identified a 50-hectare area of open land adjacent to an existing suburb in Prieska, suitable for siting the proposed mine residential area. Discussions with the Municipality and various technical services providers have been initiated to facilitate obtaining permissions for residential development.

In addition, the Company arranged an educational seminar for small, medium and micro-sized enterprises (SMME) and non-governmental organisations (NGO) in Prieska. Presenters included the Department of Economic Development and Tourism (DEDAT), South African Revenue Services (SARS) and the Industrial Development Corporation (IDC). In order to support the stimulation of economic growth through enterprise development, the Company continued to encourage potential local suppliers of goods and services to register online via the Supply Chain Network (SCNet) portal.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

To bring some seasonal cheer to the most vulnerable and neglected members of the Siyathemba Municipality, the Company identified rural schools, the elderly and the homeless to be recipients of Christmas gifts. Over 200 children, attending the Bloukrantz and Saamstaan Farm Schools (farm schools located in the rural surrounds of Prieska), received Christmas gift packs and Company sponsored prizes for various academic achievements. The elderly residents of Silver Kroon House, in Marydale, and Huis du Toit, in Prieska, were presented with gift packs containing parasols, to offer protection against the harsh Northern Cape summer sun. Homeless families, comprising mostly women and children, who take shelter in an abandoned primary school (Ineatia Home for the Homeless) also received gift packs containing essential groceries, parasols and confectionery.

AREACHAP BELT PROJECTS (SOUTH AFRICA)

Prieska Zinc-Copper Project

The Company completed an intensive drilling campaign at the Deep Sulphide Target of the Prieska Project and updated both Mineral Resources of the Deep Sulphide Target and the +105 Level Target (Open Pit). The updated Deep Sulphide Mineral Resource was used to support a Scoping Study that assessed the commercial viability of an initial phase of underground mining operations. This work, along with other key studies, will be used as the basis of a BFS, which the Company aims to complete in Q2 CY2019.

Project Overview
The Prieska Project remains the focus of the Company's activities and is at an advanced stage of Feasibility Studies. The Prieska Project covers un-mined dip and strike extensions from a historical underground mining operation. Mineralisation was delineated by extensive drilling undertaken by previous owners. The Company has digitally captured, validated and modelled all relevant project drilling data available from hard-copy sources.

This work has enabled the Company to define targets for both near-surface and deep-seated mineralisation. The near-surface target comprises oxide, supergene and primary sulphide material to a depth of 100m which is potentially accessible via an initial open pit (**+105 Level Target**). The deeper target comprises primary sulphide mineralisation and is potentially accessible via underground mining (**Deep Sulphide Target**). The Company's strategy has been to initially validate and quantify the historically-identified targets to a sufficient level of confidence to support a bankable study, using infill and verification drilling from surface (Initial Phase). Thereafter, the Company intends to continue with extensional exploration, to define the extents of the various targets.

Deep Sulphide Target drilling
During the half year period, the Company completed the Deep Sulphide Target Resource drill program with one machine at the south-eastern Vardocube Prospecting Right, and another at the north-western Repli Prospecting Right (Figure 1). A total of 85,304m has now been drilled by the Company into the Deep Sulphide Target.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

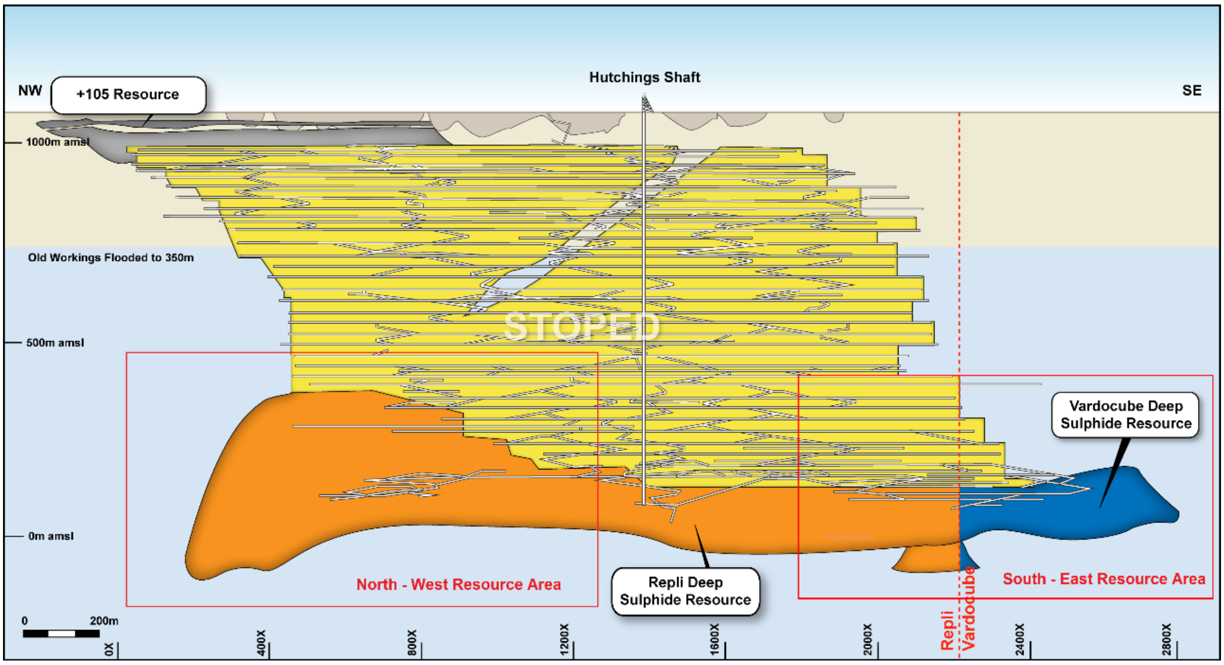

Figure 1: Longitudinal projection of the Prieska Project showing the Repli and Vardocube Resource Areas.

During the half year period, a total of 18,149m of diamond drilling was completed during the half year period, of which 15,139m was drilled on the Vardocube Prospecting Right and 3,010m on the Repli Prospecting Right. The Company's drill program aimed to provide statistical validation of historical drill data available for the Deep Sulphide Target, as well as to in-fill data points required for optimal drill spacing to allow classification of the Mineral Resource in accordance with the JORC Code (2012). Drilling has also tested new targets and extended the known mineralisation outside of the historical drill grid.

The Deep Sulphide Resource drilling indicated that the mineralisation is not closed off and potential exists to increase the Resource with additional drilling (refer ASX releases 5 November 2018, 25 October 2018 and 15 October 2018).

Mineral Resource Estimation and Reporting

The Mineral Resource estimation of the Deep Sulphide Target prepared by Z* Star Mineral Resource Consultants (Pty) Ltd on both the Repli and Vardocube Prospecting Rights, using drill data available as at 31 December 2018, was completed during Q4 CY2018 (refer ASX release 18 December 2018).

Since the first +105m Mineral Resource announcement (refer ASX release 8 February 2018), the geological wireframe and resource estimate has been updated to include additional drill data and refinements to modelling of metallurgical zonation to re-evaluate the model (refer ASX release 15 January 2019).

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Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

The total Mineral Resource comprising Indicated and Inferred Resources of 30.49M tonnes grading 3.7% Zn and 1.2% Cu (refer ASX release 15 January 2019)[1] (Table 2) and the Scoping Study which confirmed a robust Phase 1 development for the Prieska Project (refer ASX release 19 December 2018) will be incorporated in the BFS due for completion in Q2 CY2019.

Table 2: Global Mineral Resource for the combined +105 and Deep Sulphide Targets of the Prieska Project.

Resource	Classification	Tonnes	Zn (tonnes)	Zn (%)	Cu (tonnes)	Cu (%)
Deep Sulphide Resource	Indicated	18,507,000	667,000	3.60	217,000	1.17
	Inferred	10,219,000	417,000	4.1	117,000	1.1
+ 105 Resource	Indicated	624,000	19,000	3.05	10,000	1.54
	Inferred	1,138,000	16,000	1.4	17,000	1.4
Total	Indicated	19,131,000	686,000	3.59	227,000	1.18
Total	Inferred	11,357,000	433,000	3.8	134,000	1.2
Grand Total		**30,488,000**	**1,119,000**	**3.7**	**361,000**	**1.2**

Note: Deep Sulphide Resource bottom cut-off = 4% Equivalent Zn; +105m Level Mineral Resource bottom cut-off = 0.3% Cu. Mineral Resources stated at zero % cut-off. Tonnes are rounded to thousands, which may result in rounding errors.

Down hole Time Domain Electro Magnetic surveys (DHTDEM)

DHTDEM surveys were undertaken in drill holes OCOD059_D3, OCOD118_D1, OCOD123_D2 and OCOD137_D2 at the Deep Sulphide Target to assess whether there are any off-hole conductors indicating the extension off the known mineralisation (Figures 2 and 3). Modelling of the DHTDEM data is still to be finalised.

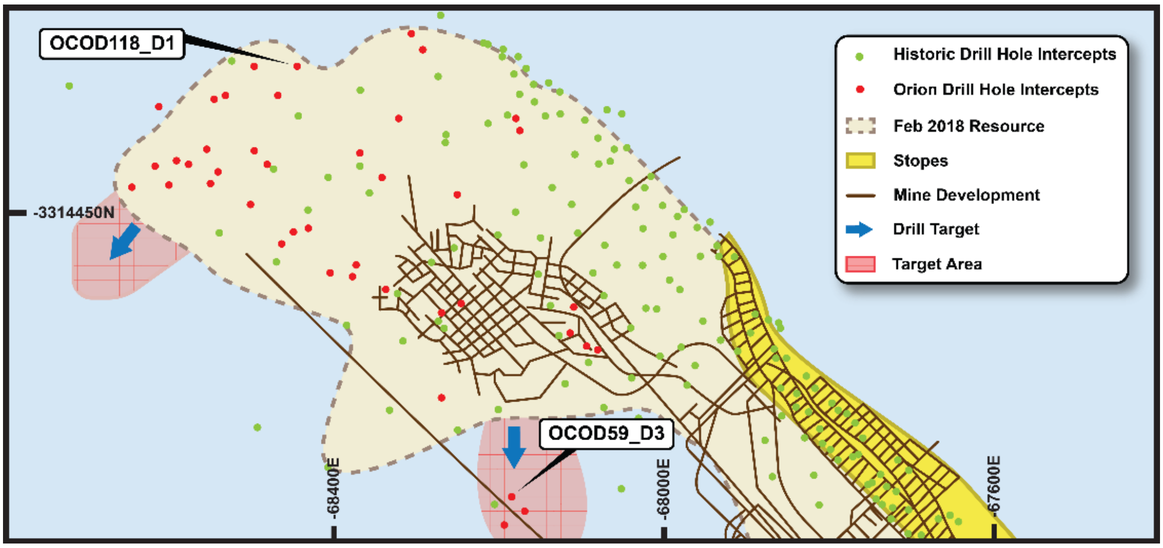


Figure 2: Plan-view of the North-West Resource Area of the Prieska Project, showing drill holes surveyed by DTHEM.

[1] Mineral Resource reported in ASX release of 15 January 2019: "Prieska Total Mineral Resource Exceeds 30Mt @ 3.7% Zn and 1.2% Cu Following Updated Open Pit Resource" available to the public on www.orionminerals.com.au/investors/market-news. Competent Person Orion's exploration: Mr. Errol Smart. Competent Person: Orion's Mineral Resource: Mr. Sean Duggan. Orion confirms it is not aware of any new information or data that materially affects the information included above. For the Mineral Resources, the company confirms that all material assumptions and technical parameters underpinning the estimates in the ASX release of 15 January 2019 continue to apply and have not materially changed. Orion confirms that the form and context in which the Competent Person's findings are presented here have not materially changed.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

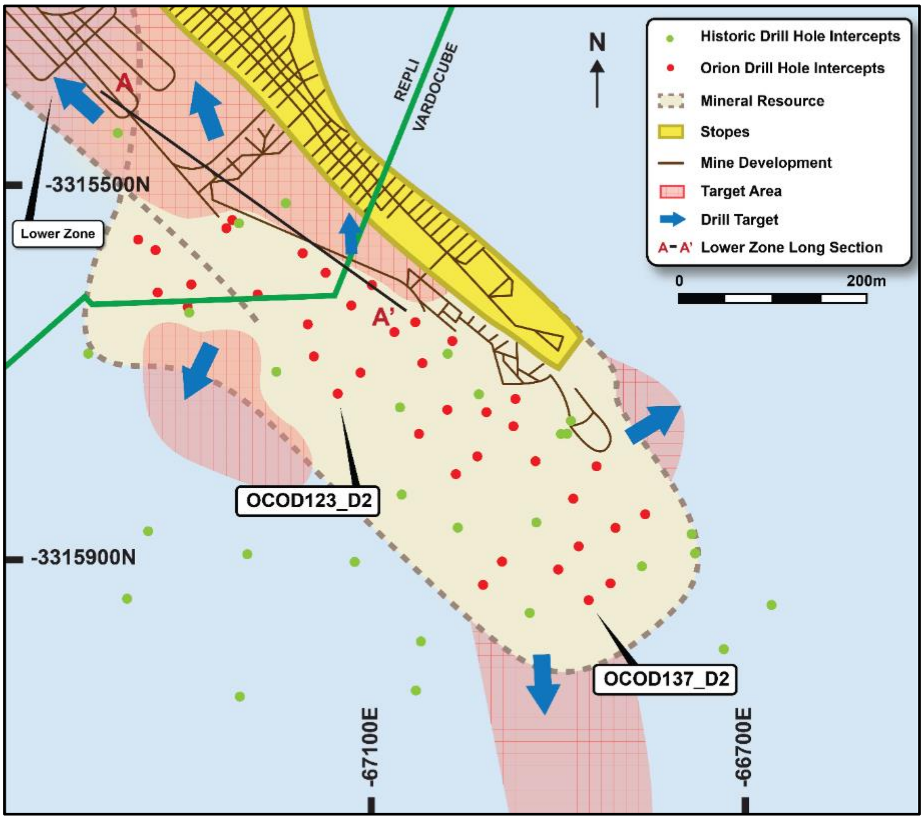


Figure 3: Plan-view of the South-East Resource Area of the Prieska Project, showing drill holes surveyed by DTHEM.

Barite Potential Studies

Mineralogical work, as part of the metallurgical study of the BFS of the Prieska Project, indicates 6-8% contained barite in the mineralisation, which if recovered as a by-product could add to the revenue of the mine. As a result of the analytical method (ICP-OES with Aqua-Regia digest) used at the Prieska Project, which does not dissolve all the Ba in barite (BaSO4), Ba analyses in the geological database are underestimated values. A study to accurately determine the Ba content and to identify and quantify the minerals that host the Ba was therefore undertaken during Q4 CY2018. Thirty pulp samples of the Deep Sulphides were sent to UIS Analytical Services for fused disk XRF analyses and SJT MetMin carried out mineralogical work using Quantitative X-ray diffraction (XRD) analysis on 15 of those samples. The study is expected to be completed by Q1 CY2019.

Feasibility Studies and Mining Right Applications

Scoping Study

A Scoping Study investigating the economic viability of an initial ten-year mining operation (Phase 1) exploiting the Prieska deposit was completed during Q4 CY2018, (refer ASX release 19 December 2018). Notable results were:

- Initial 10-year mining scenario supported by 64% of Indicated Mineral Resources and 36% Inferred Resources, extracting 75% of a combined underground Mineral Resource of 28.73Mt at 3.77% zinc and 1.16% copper.
- 2.4Mtpa run-of-mine material processed, producing 70kt to 80kt of zinc and approximately 22kt of copper in concentrates per annum.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

- 43% all-in-sustaining margin, with all-in-unit costs of $1,701/t (USD1,215/t) zinc equivalent metal sold in concentrate.
- Estimated $130M annual free cash flow after-tax at steady-state.
- $400M to $440M pre-tax NPV at 12.5% discount rate and approximately 38% pre-tax IRR.
- Payback period of less than 3 years from first production.
- Approximately $300M to $330M peak funding to setup the infrastructural foundation for future expansion.

The initial phase contemplated in the Scoping Study involves underground mining to extract portions of the updated Mineral Resources (refer ASX release 18 December 2018). No open pit mining or extraction of remnant pillars was considered for Phase 1. The Scoping Study results confirm the commercial robustness of the concepts being advanced in the BFS, which is on track for completion in Q2 2019.

<u>BFS Mine Design</u>
Following the release of the updated Deeps Resource estimate and Scoping Study in late December 2018, preliminary mine designs are now being updated and finalised. Tunnel layouts, level spacings and the mix of long hole stoping (LHS) and drift-and-fill underground mining methods are being adjusted and improved, in line with the new Resource. Mining strategies have been revisited and some production areas are being redesigned to eliminate the need for trucking (ore-pass infrastructure will be installed). This will reduce the overall trucking fleet as well as the associated ventilation requirements and so is expected to improve operating costs.

Labour numbers for the mining production teams and fleet maintenance crews have been refined and will be finalised once accurate fleet numbers are determined at the conclusion of the mine planning process.

Investigations into automation and the use of data intelligence systems also took place during Q4 CY2018. Various products are available in the market that are designed to increase machine utilisation and productivity via automatic drilling and autonomous operating modes. At this stage, the Company's strategy is to investigate all available options and consider the appropriate levels of automation and telemetry which will enhance the Project's business case without placing undue risk on the operation. It is likely that a phased approach to the installation of automation will be carried out as production ramps up during the early years of the project.

<u>Ore processing investigations</u>
Test work undertaken during Q4 CY2018 focused on replacing the Sodium Cyanide (**NaCN**) reagent with Sodium Meta-Bisulphite (**SMBS**). NaCN is used to depress zinc in the copper flotation stream, allowing for better copper recoveries into a concentrate. The use of SMBS instead of NaCN can potentially eliminate the need for a NaCN detoxification plant. Preliminary indications are that SMBS is effective in the copper stream and further optimisation is required in the zinc stream. Final results of the test work are due in Q1 CY2019.

Remaining metallurgical test results include the results from test work conducted on samples obtained from the last cores to become available from the drilling campaign in the Vardocube resource area.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

These results are expected to confirm that the south-eastern extent of the deposit has the same metallurgical characteristics as the rest of the deposit. To date, metal recovery test results have ranged from 80% to 94% for zinc and between 80% to 86% for copper. The concentrates produced from the test work have assayed metal concentrate grades ranging from 45% to 54% zinc and between 20% to 26% copper. The final set of numbers for these metrics are expected to be within these ranges.

Infrastructure Studies

Power Supply – The design and construction methodology for the 132kV feeder bay at the Cuprum Sub-station was presented to the Eskom Technical Evaluation Forum (**TEF**) in early December 2018. Verbal approval was given to proceed with final detailed design and construction, with formal written approval expected during Q1 CY2019. The Company has pre-emptively commissioned detailed engineering design work for the mine substation which will step down the 132kV from the Cuprum sub-station to 11kV for the mine electrical reticulation. This detailed design, along with the approval from the Eskom TEF, means that, when appropriate, the Company is able to proceed with ordering long-lead items (primarily transformers) to meet the planned construction schedule for bulk power delivery to the Project site.

Water Supply – A Memorandum of Understanding was signed with the Siyathemba Municipality regarding the Company's access to long-term water supply from the Prieska Water Works in Q3 CY2018. Discussions are continuing towards finalising the detailed arrangements however, sufficient information is available at this stage to include pricing and capital costs in the BFS.

Product Logistics and Marketing

The option to truck copper and zinc concentrates in side tippers to the Kimberley rail siding (300km from site) was used as the base case Scoping Study option due to this rail hub's readily available facilities and firm rail timetable. The alternative option of trucking concentrate to the nearby Groveput rail siding (48km from site) will continue to be studied as an improvement on the base case. From Kimberley or Groveput, concentrates will be loaded into shipping containers and railed to Coega (near Port Elizabeth), with Richards' Bay and Durban remaining as alternative ports if required. Transportable Moisture Content (**TML**) tests have been completed indicating that the Prieska concentrates specifications are well within TML levels suitable for safe transportation.

Expressions of interest for concentrate sales were sent out to potential concentrate customers during Q4 CY2018, and assessment of proposals is in progress.

Mining Right Applications

All applicable documents for the Repli Mining Right have been submitted and the environmental authorisation is anticipated to be granted during Q1 CY2019, following which the Mining Right approval is expected in Q2 CY2019.

The Mining Right for the Vardocube section of the Prieska Project is progressing and public comments from the draft (environmental) Scoping Report that was issued during Q4 CY2018 have been received. Where necessary, relevant responses from the Company have been included in the final Environmental Impact Report (**EIR**) along with updated specialist studies for the Vardocube section of the Project. The final Vardocube EIR, including the Environmental Management Program (**EMPr**), will be submitted to the DMR during Q1 CY2019, with approvals expected during Q3 CY2019.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Near Mine Projects

The near-mine projects are those projects within prospecting rights held by Repli, Repli (Doonies Pan), Vardocube and Bartotrax (Figure 4). Apart from the giant Prieska Deposit, five smaller deposits occur on the near-mine project areas. These include Annex, explored by Anglovaal between 1969 and 1981, as well as three deposits on Kielder (Doonies Pan) referred to as the PK1, PK3 and PK6 deposits, explored by Newmont SA between 1976 and 1979. Exploration targets currently defined on the near-mine project area include the north-western and south-eastern strike extent of the Prieska Deposit, the western and eastern strike extent of the Annex Deposit and the Magazine Antiform (Figure 5). A SkyTEM™ and magnetic survey over the Near Mine Project area was completed in December 2018.

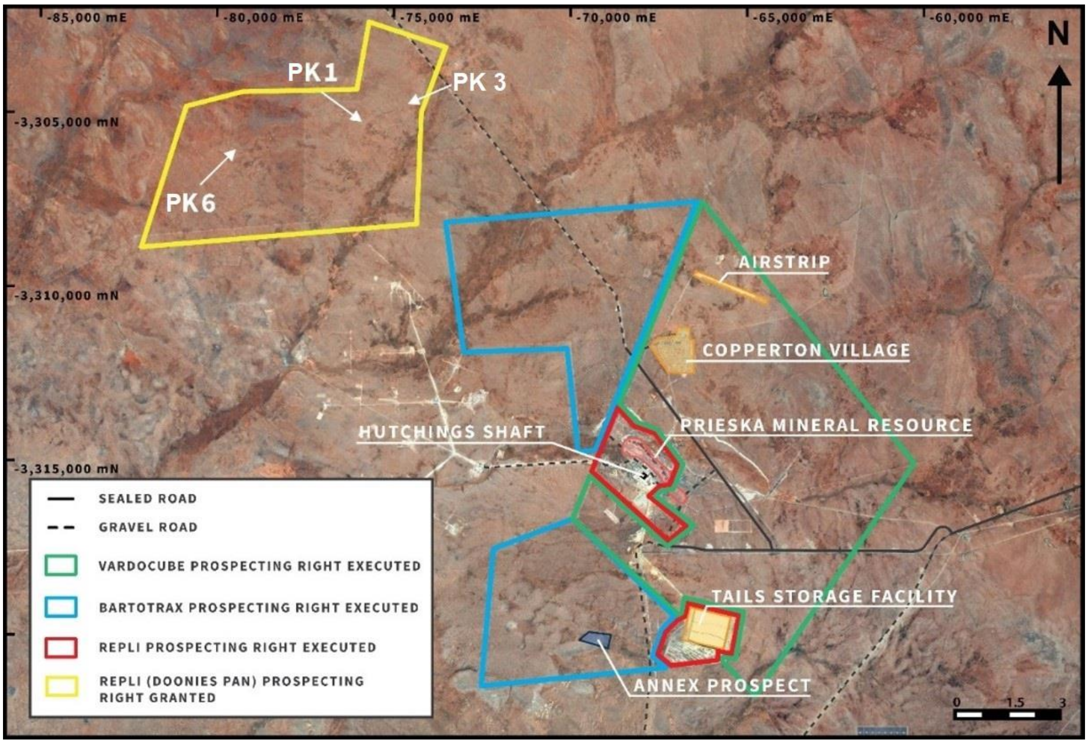


Figure 4: Surface plan showing the prospecting rights over and adjacent to the Prieska Project, and the location of the Annex and Kielder (PK1, PK3 and PK6) Deposits.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

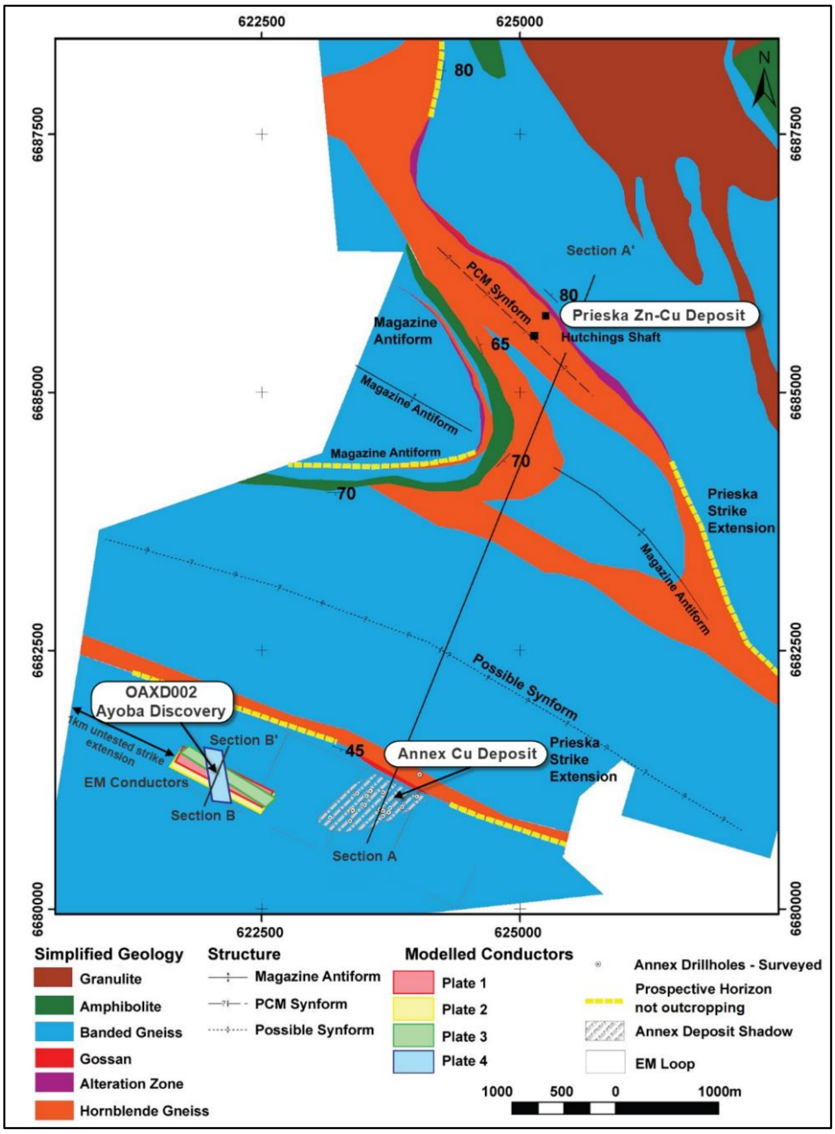


Figure 5: Geological plan showing Near Mine prospective horizons, the location of the Annex Deposit and the EM conductor to the west of Annex where the Ayoba discovery was made.

Annex – Exploration Program

Drill hole OAXD001, planned to intersect the Annex Deposit to verify historical drill data and to obtain samples of the host rock and mineralisation (refer ASX release 18 September 2018), started on 24 September 2018 and was completed at 349.45m during Q4 CY2018 (Figures 6 and 7).

The hole was planned to intersect the mineralised horizon in an area where a historic longitudinal projection of the mineralisation indicates relative thick and high-grade copper mineralisation (refer ASX release 18 September 2018) (Figure 6). OAXD001 intersected 0.90m of coarse disseminated mineralisation grading 1.50% Cu, 0.19% Zn, 0.07g/t Au and 3g/t Ag from a down-hole depth of 253m. Although the mineralisation was narrower and lower grade than expected, the hole provides information on the stratigraphy of an area where there are hardly any outcrops and where little historic geological information and no historic core is available to the Company.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

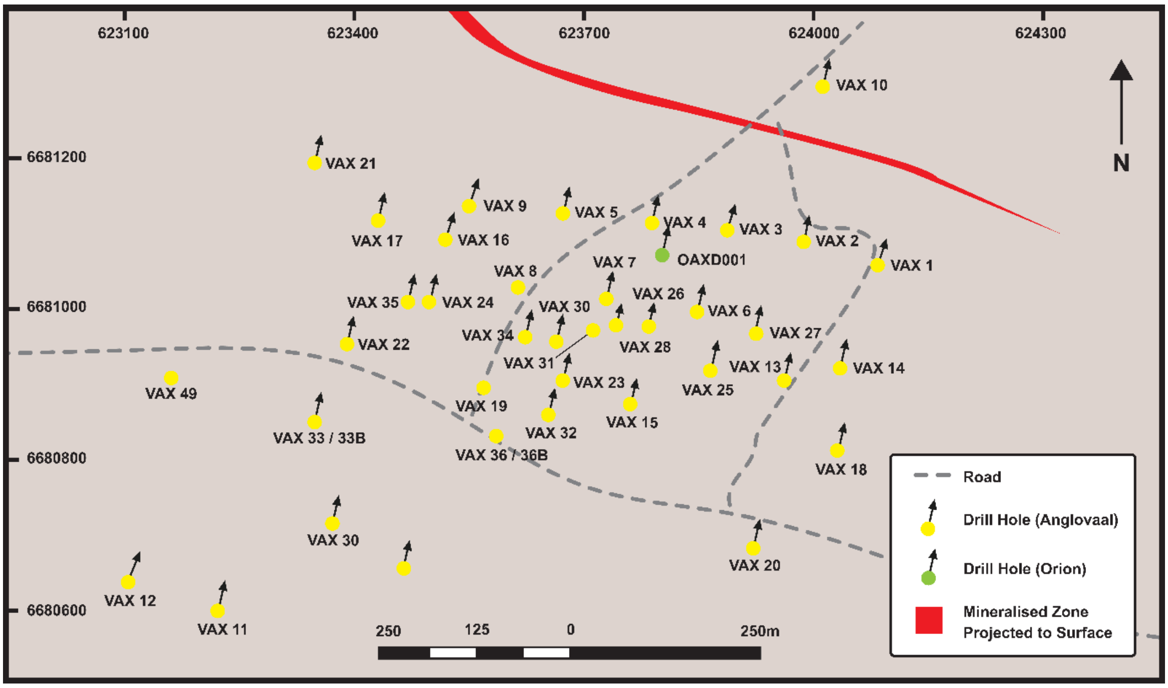


Figure 6: Plan showing the Company's and historic (Anglovaal) drill hole collars and trace of the sub-outcrop of sulphide mineralisation at Annex (Source: Anglovaal Exploration report).

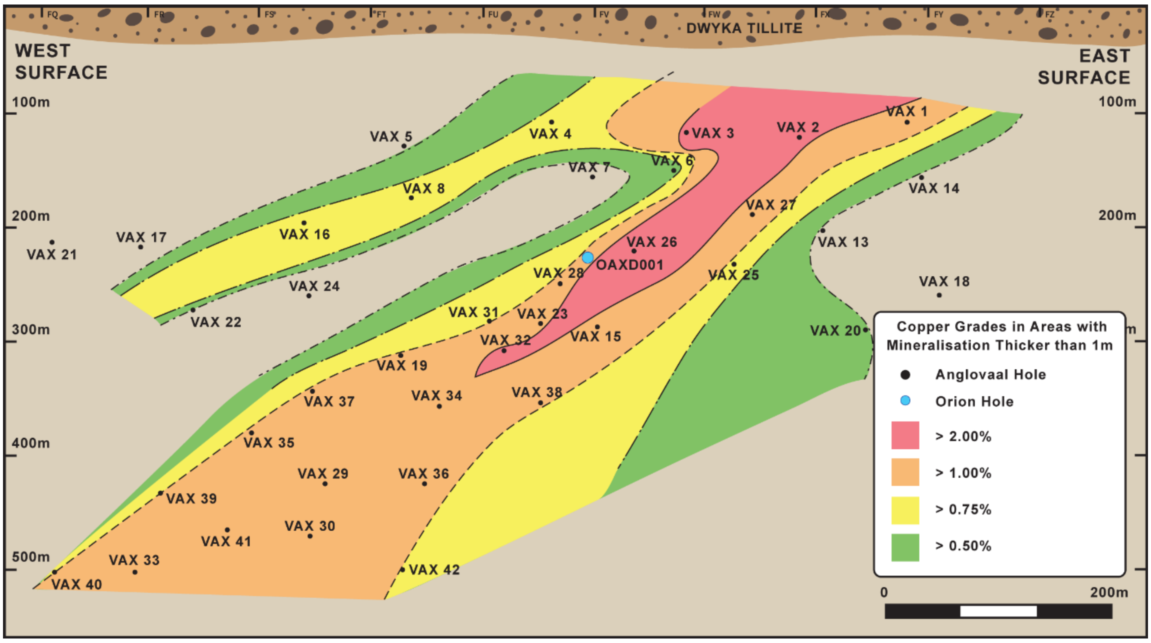


Figure 7: Longitudinal section and grade-contoured drill intersections (Anglovaal) for copper at Annex, showing the Company's drill hole OAXD001 intersection point (Source: Anglovaal Exploration report).

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Ayoba Discovery

A new copper-zinc bearing massive sulphide body at the Ayoba Target was discovered during Q4 CY2018, located 5.3km south-southwest of the Company's Hutchings Shaft at the Prieska Project, and 1.6km west and along strike of known copper mineralisation at Annex (Figure 5) (refer ASX release 28 November 2018). The discovery hole OAXD002, testing a Fixed Loop Transient Electro Magnetic plate (**FLTEM**) (refer ASX releases 28 November 2018 and 18 September 2018), intersected 9.50m of massive sulphide mineralisation at 0.93% Zn, 0.63% Cu, 0.22g/t Au and 2g/t Ag from a down-hole depth of 654.50m (Figure 8) (refer ASX release 16 January 2019). This mineralisation includes a 1.5m high-grade Zn zone of 4.98% Zn, 0.89% Cu, 0.26% Au and 3g/t Ag from a down-hole depth of 654.50m. Drill hole OAXD002_D1, a deflection drilled from OAXD002, confirmed the massive sulphide mineralisation up-dip of OAXD002.

The hole intersected 7.13m of massive sulphide mineralisation at 1.44% Zn, 0.66% Cu, 0.34g/t Au and 2g/t Ag from a down-hole depth of 654.87m (Figure 8) (refer ASX release 16 January 2019). A 0.88m intersection with high Zn grading at 11.20% Zn, 0.89% Cu, 0.35g/t Au and 4g/t Ag, which correlates with the high Zn in OAXD002, was intersected from a down-hole depth of 654.87m.

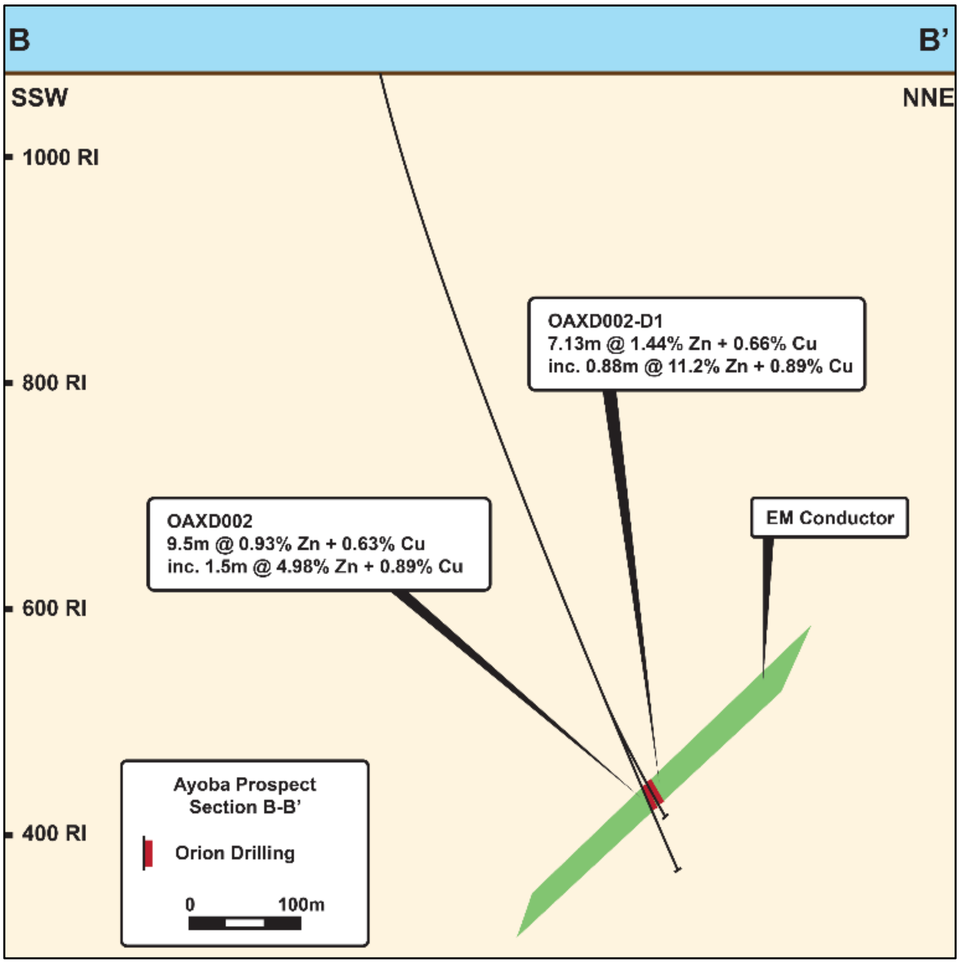


Figure 8: Section through holes OAXD002 and OAXD002_D1 showing the mineralisation intersected at the Ayoba Target.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

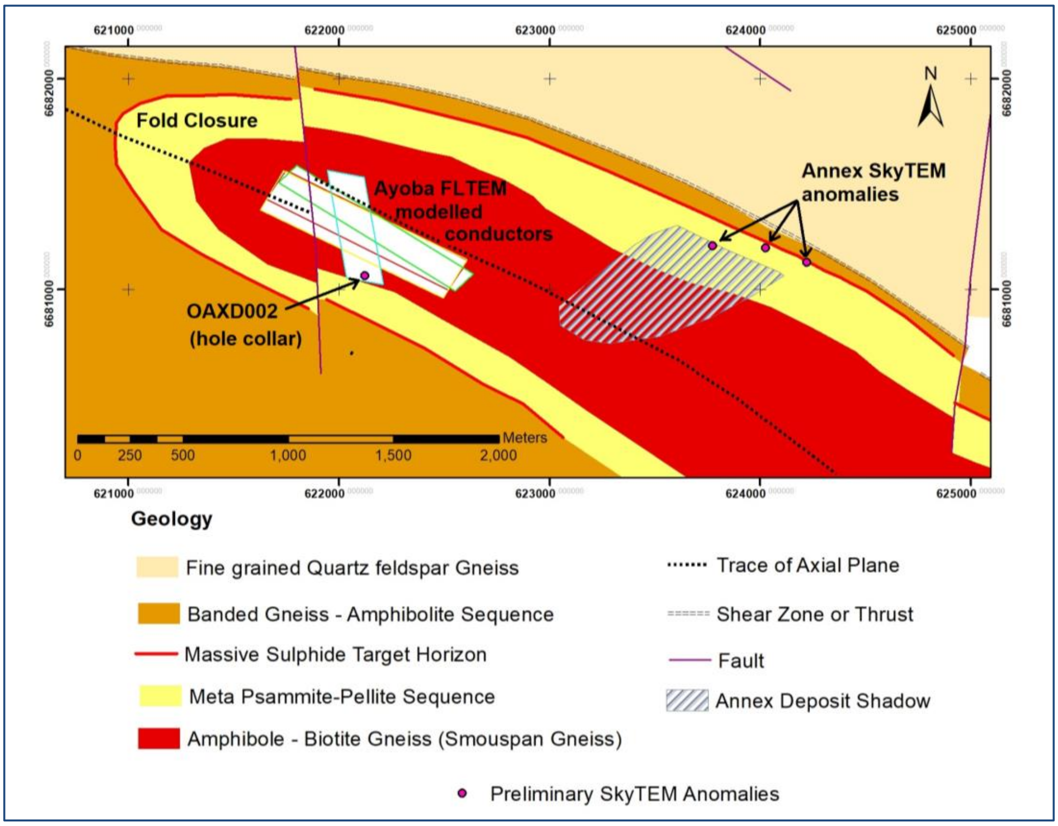


Figure 9: Section through holes OAXD002 and OAXD002_D1 showing mineralisation intersected at the Ayoba Target.

The modelled FLTEM conductor at Ayoba, tested by holes OAXD002 and OAXD002_D1, has a strike length of 1.1km and extends down-dip to at least 800m below surface and vertical depth to the top of the conductor is 500m (Figure 8) (refer ASX release 28 November 2018). Beyond this conductor, the key stratigraphic horizon remains untested by geophysics or drilling for another 1,000m along strike to the western tenement boundary (Figure 9). Approximately 1,000m west-northwest of the Ayoba FLTEM anomaly, the newly acquired magnetic data from the SkyTEM™ survey identified a fold closure in the target stratigraphy (refer ASX 16 January 2019). Duplication of the target stratigraphy in the fold closure offers an excellent target for follow-up work and the ground electromagnetic (**EM**) survey should be extended to cover this fold closure (Figure 9). Additional FLTEM surveys and drilling is planned to explore the lateral and depth extensions of the mineralisation.

SkyTEM™ Survey

A helicopter-borne magnetic and Electromagnetic survey (**AEM** or **SkyTEM™**) over the Repli, Repli (Doonies Pan), Vardocube and Bartotrax Prospecting permits, covering 148km^2, was completed on 9 December 2018 (refer ASX release 16 January 2019). Several AEM anomalies were identified during a preliminary review of the data by the Company's Perth-based geophysical consultants, Southern Geoscience Consultants (refer ASX release 16 January 2019).

Due to the high-level of noise from the Prieska Mine infrastructure, tailings dam, pipelines, Eskom sub-station, solar power plant and power lines, the data requires extensive processing to mask the cultural feature noise in order to detect the subtle geological source conductors being targeted.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

The preliminary results of the AEM data show subdued AEM response over both the main Prieska Deposit, where cultural features provide a high noise effect, and the Ayoba Target. Modelling of the FLTEM data at Ayoba showed a conductor with a low conductance of 100S to 150S (Siemens) correlating well with the intersected mineralisation, that is pyrite dominated, with minor pyrrhotite that is unlikely to yield strong conductance (refer ASX release 28 November 2018). Final processing of the data is in progress and is expected by March 2019.

Regional Exploration

Overview of Regional Activity

The Company maintains a substantial and prospective land-holding in the Areachap Belt (Figure 10), and exploration programs on regional VMS and Ni-Cu-Co-PGE projects have been accelerated during the half year. The Areachap Belt is analogous to other Proterozoic Mobile Belts hosting major VMS and magmatic Ni-Cu-Co-PGE deposits.

VMS deposits almost always occur as "clusters" associated with volcanic spreading centres, with four such centres having been identified in the Areachap Belt. The Company is currently prospecting for VMS deposits on its near-mine projects and on the Masiqhame Prospecting Rights (Figure 10). The Kantienpan and Boksputs Zinc-Copper Deposits are currently the two most prominent deposits on the Masiqhame Prospecting Right. Similarly, world-class nickel deposits tend to also occur in clusters both on prospect and regional scales. Within these intrusive centres, a small number of the intrusions tend to host the best mineralisation, depending upon the intrusion magma-flow dynamics and timing of magmatic sulphide immiscibility and transport. Several mafic intrusive bodies with nickel and other associated mineral occurrences are known to exist on the Namaqua-Disawell Prospecting Rights (Figure 10). The setting of mineralisation has been confirmed to be analogous to other orogenic-hosted, deep-seated magma conduit complexes such as Kabanga (Tanzania), Nova (Australia), Ntaka Hill (Tanzania), Akelikongo (Uganda), and Limoeiro (Brazil). Conduit style mineralisation is currently the top priority global target for magmatic Ni-Cu-PGE sulphide exploration.

EM geophysical methods are the primary tool for discovery of massive magmatic Ni-Cu-Co-PGE deposits. Due to the complexity of these intrusions, an innovative approach to exploration is required to resolve the locations of economic mineralisation. This entails usage of airborne, ground, and down-hole surveying systems. Regional exploration on the Masiqhame and Namaqua-Disawell Prospecting Rights continued. Field mapping and interpretation of drill information and geochemical data is currently underway. Modern EM methods have advanced a great deal since the last systematic exploration took place in the Areachap Belt, and the Company stands to benefit from its approach in using the latest EM techniques in its regional exploration programs.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

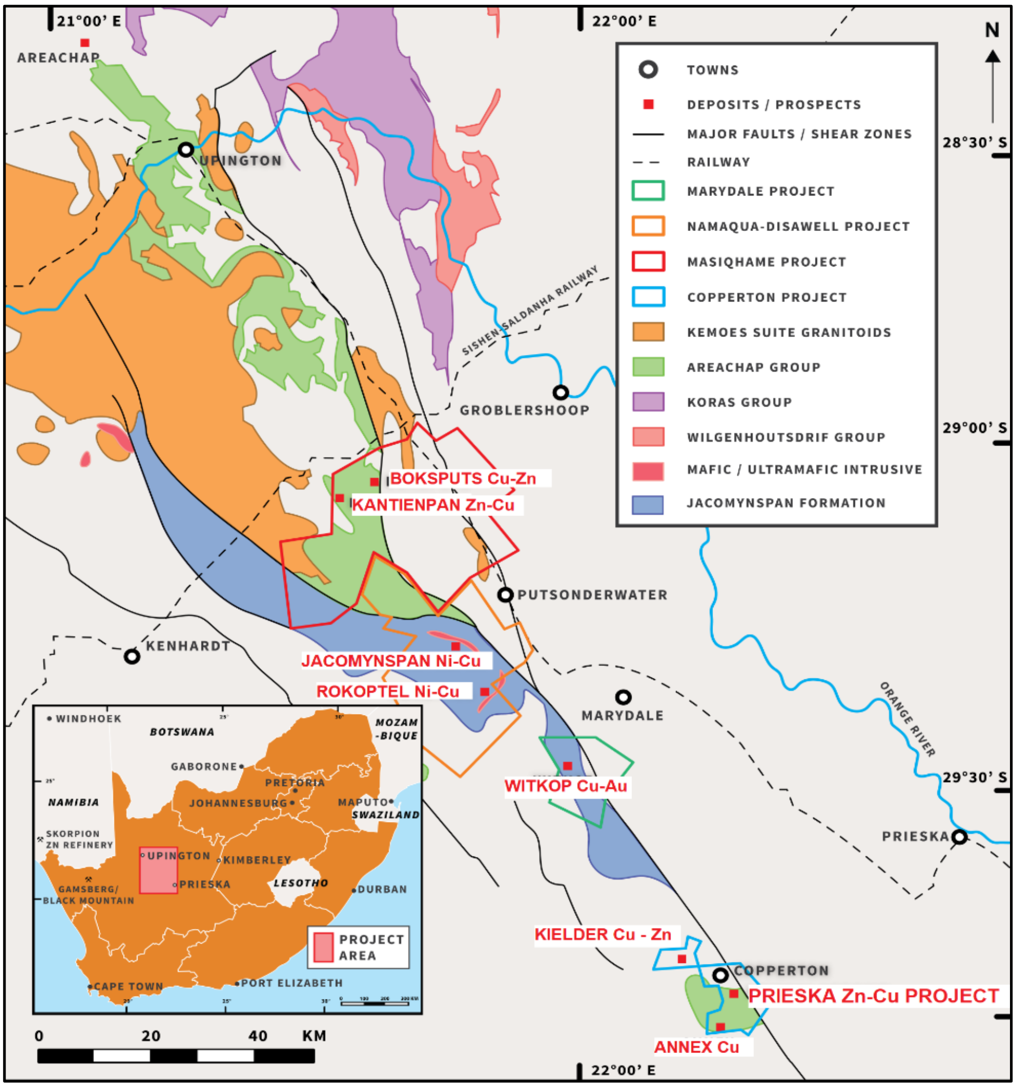


Figure 10: Regional geology map of the Areachap Belt showing prospecting rights held by, or currently under option to, the Company, and noted mineral occurrences as per published data from South African Council for Geoscience.

Jacomynspan Nickel-Copper-Cobalt-PGE Project

<u>Overview</u>

The Jacomynspan Deposit (Figure 11) was discovered by Anglo American Prospecting Services (**AAPS**) with drilling carried out along a 4km strike length. Resource drilling was carried out to a depth of 900m over 1.3km of the strike by AAPS. Disseminated nickel-sulphide mineralisation was intersected with widths varying between 30 to 70m (refer ASX release 14 July 2016). Two other Ni-Cu deposits, Area 4 and Rok Optel, were investigated during the 1970s by AAPS, Newmont, Phelps Dodge and Hoch Metals. The Company believes a substantial exploration opportunity exists within the project area to search for higher-grade, massive and semi-massive accumulations of nickel-bearing sulphides, analogous to the Kabanga Deposit (Tanzania) and the Nova-Bollinger Deposit (Fraser Range Province of Western Australia). Work during the half year period within the project area focused on the Rok Optel Prospect (Figure 11), with the following work being completed:

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

- Four diamond drill holes (OROD001, 0R0D002, OROD003 and OROD004), at the Rok Optel Prospect were completed, with 1968m having been drilled. Assay results were received and accepted for drill hole OROD001 and OROD003. Although assay results of OROD004 were received, quality assurance issues are still being verified with the laboratory.
- A down-hole EM survey was completed in drill holes OROD001 and OROD002, indicating an off-hole conductor, which was tested with hole OROD004.
- A focused field mapping program at Rok Optel to assess the validity of the Newmont mapping data and to characterise, contextualise and understand the geology has been undertaken. This has better contextualised the intrusions and provided control for interpretation of the drill results.

Ongoing work includes:

- Mapping over SkyTEM™ anomalies.
- Mapping of the area between Jacomynspan and Rok Optel to further define the geology of that area.

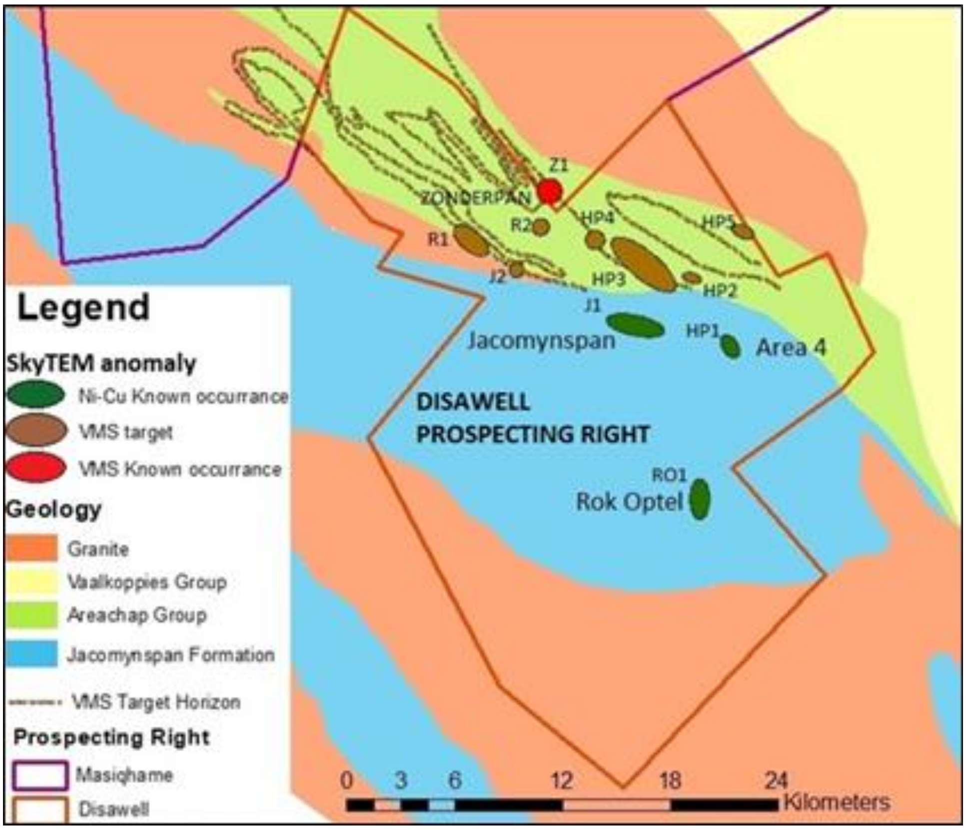


Figure 11: Locality Map showing SkyTEMTM anomalies followed up on the Disawell Prospecting Right.

<u>Rok Optel Prospect</u>

The Rok Optel Prospect was discovered during the early 1970s and was initially explored by Phelps Dodge and Hochmetals SWA. Mapping, Induced Polarisation (**IP**) geophysics, and drilling were carried out. The intrusion was interpreted to be a mafic dyke emplaced parallel to the gneiss foliation, striking north to north-north-east and dipping 65° - 75° to the west. Magmatic mineralisation is located at several horizons, as disseminated, coarse patches, and massive stringers associated with coarse-grained feldspathic amphibolite.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

<u>Fixed Loop Time Domain Electro Magnetic (**FLTDEM**) surveys</u>

The FLTDEM conductors on Rok Optel have conductivities greater than 3000S. The position of these conductors relative to historical drill holes are shown in Figure 12 (refer ASX releases 24 October 2018 and 6 August 2018). The historical drilling intersected zones of lower conductance on the edges of the newly modelled plates (Figures 12 and 13).

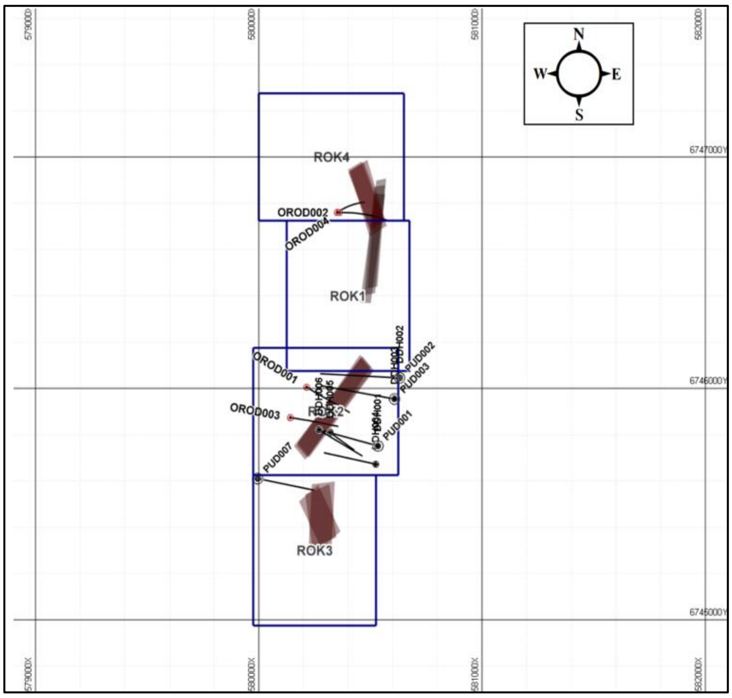


Figure 12: Plan showing FLTDEM grids, conductors and all drill holes on the Rok Optel Prospect.

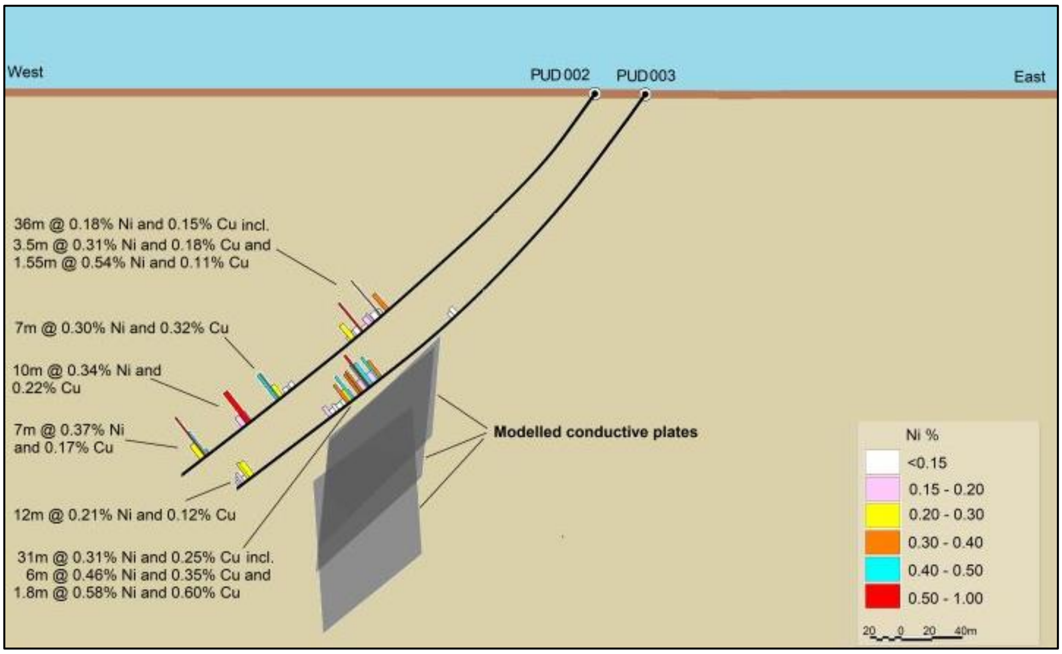


Figure 13: Cross Section through historic holes PUD002 and PUD003 showing the drill hole traces and mineralisation relative to the Company's modelled FLTDEM conductive plates.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Diamond Drilling

The drill hole status at 31 December 2018 is summarised in Table 3. Holes ORODOO1/OROD002 were completed during Q3 CY2018, and OROD003/OROD004 during Q4 CY2018.

Table 3: Rok Optel diamond drill status at 31 December 2018.

Drill Hole	X UTM34S	Y UTM34S	Elevation (m)	Final Depth (m)	Dip (degrees)	Azimuth (degrees)
OROD001	580,215	6,746,005	1059	412.06	-60	120
OROD002	580,360	6,749,760	1059	491.95	-65	90
OROD003	580,142	6,745,874	1,057	532.73	-70	102
OROD004	580,352	6,746,760	1,050	531.52	-80	47

Drill hole OROD003, testing an off-hole conductor in hole OROD001, intersected several sills of sulphide-bearing mafic to ultramafic intrusive rocks from 89.99m to 530.40m depths, with the hole completed at 532.73m (refer ASX release 24 October 2018). The intersected mineralisation comprises multiple injected massive sulphide veinlets as well as patchy and net textured sulphide mineralisation varying from 1cm to 21cm in width. The highest-grade intersection was over an interval of 0.84m from 397.27m down-hole. Drill hole OROD004 aimed to test an off-hole conductor indicated by a DHTDEM survey in drill hole OROD002, intersecting mafic to ultramafic intrusive rocks over a down-hole width of 164m. A 19m-thick zone of mineralisation, including injected massive sulphide veins and an injected sulphide-host rock breccia, was intersected from 419.00m down-hole. The hole was completed at 531.52m.

Down-hole Time Domain Electro Magnetic surveys (**DHTDEM**)

A DHTDEM survey was undertaken in drill holes OROD001, OROD002 and OROD003 to assess whether there is any off-hole conductance related to intersected mineralisation. In all the surveys, significant off-hole conductors were identified, with conductance's of 10,500S (OROD001), 16,000S (OROD002) and 7,500S, 16,000S - 18,000S and 16,000S - 17,000S (OROD003) (refer ASX releases 24 October 2018 and 10 September 2018). The results of the DHTDEM are consistent with other sulphide mineralised intrusions at which multiple mineralised zones result in complex electromagnetic responses that are challenging to resolve until drill hole control is achieved.

Regional Mapping and Geochemistry

Field mapping has been ongoing over the SkyTEM™ anomalies, which confirmed historical Newmont mapping as well as revealed several new intrusions (Figure 14). The mapped geology together with drill results, whole rock geochemistry and petrography show the Jacomynspan Suite to be a much bigger, and more complex, intrusive body than previously reported by explorers.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

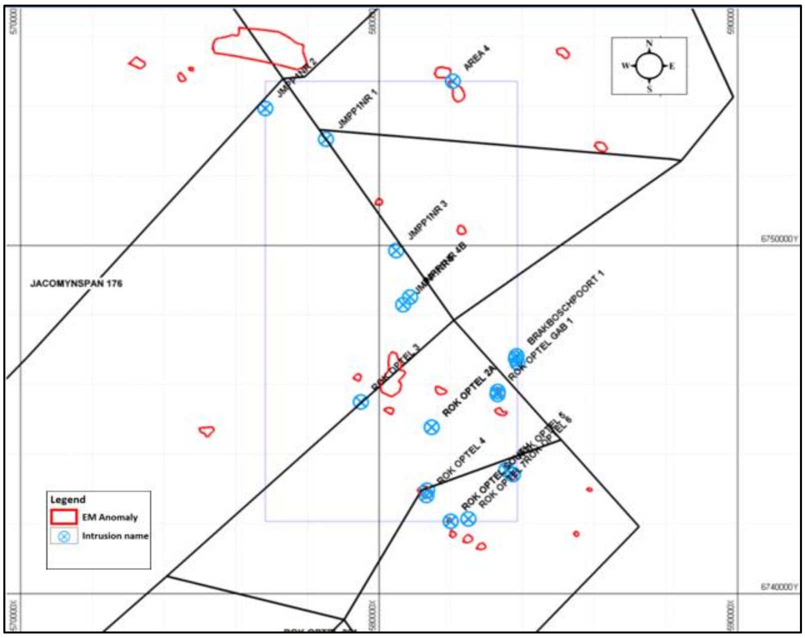


Figure 14: Plan showing current and newly discovered intrusions which have been recently mapped.

<u>Area 4 Prospect</u>

The Area 4 Prospect (**Area 4**) was surveyed using two FLTDEM grids (A4A and A4B). Seven plate models of conductance ranging from 350S to 2000S, with smaller dimensions characteristic of semi-massive to massive sulphide mineralisation within or on margins of disseminated sulphide mineralisation, have been modelled (Figures 15 and 16).

Drilling by previous companies targeting geochemical, magnetic and IP targets did not test the highly conductive bodies detected by the Company using FLTDEM (Figures 15). The plates on Grid A4B lie within 100m of known Ni-Cu sulphide mineralisation intersected in historical drill hole JAC007, which intersected 62.5m of sulphide mineralisation at 0.26% Ni and 0.17% Cu from 304m. No further work was undertaken at Area 4 during the half year period.

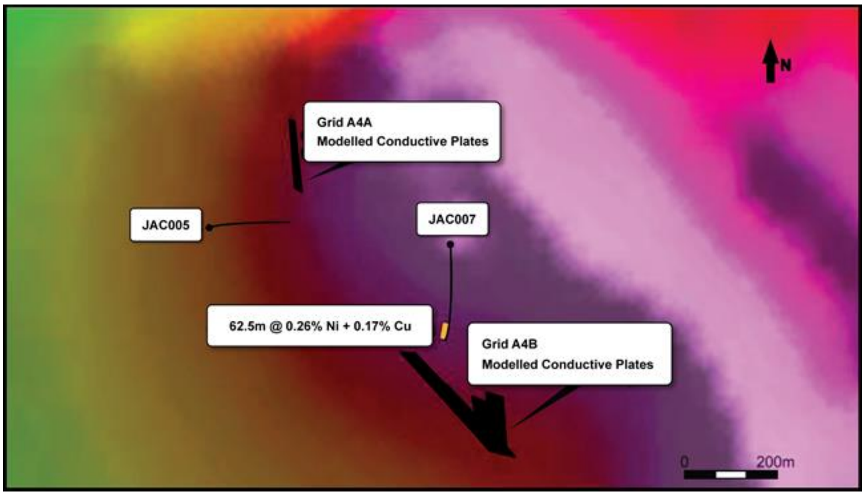


Figure 15: Plan showing EM conductors (black) and historic drill results on Area 4 overlain on an airborne magnetic image.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

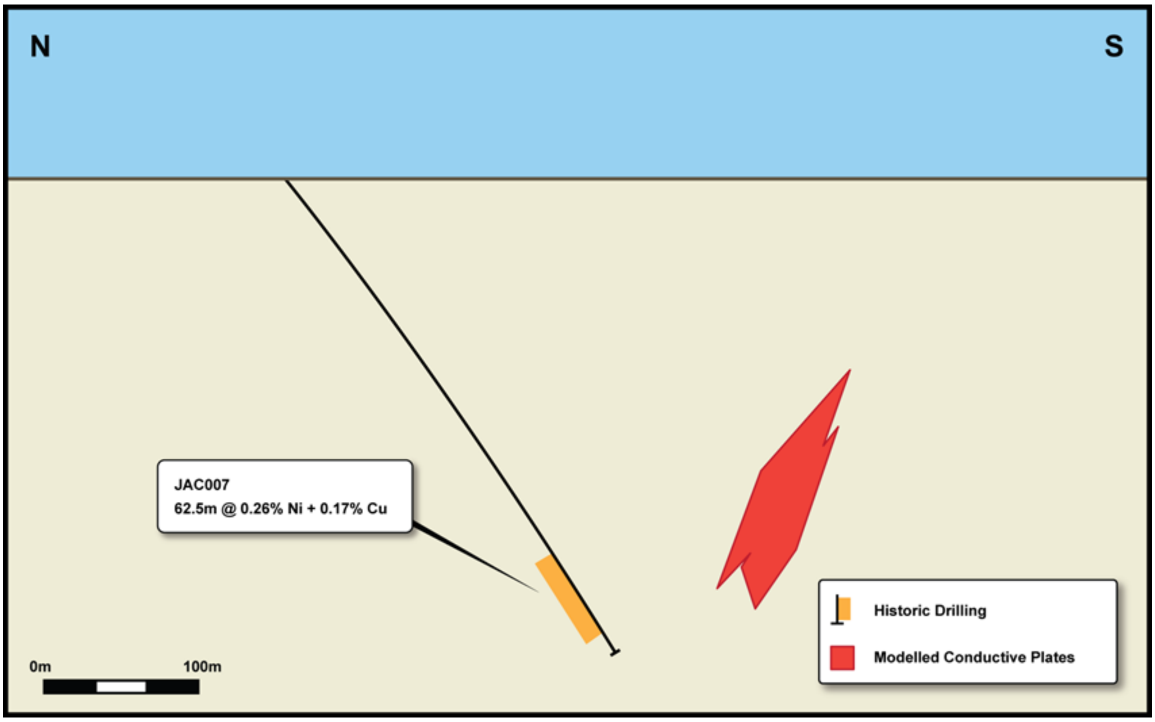


Figure 16: Section looking east through drill hole JAC007 showing the Ni-Cu sulphide intersection and newly detected FLTDEM conductors at Area 4.

Planned work on the Ni-Cu-Co-PGE targets

The data derived from the 2018 program is being reviewed and interpreted to assess the potential of the intrusion to host massive sulphide mineralisation and to outline the methodology to resolve details of the mineralised zones intersected.

Masiqhame Project

Overview

This project is defined in terms of the Masiqhame tenement holding and includes the Kantienpan and Boksputs zinc-copper deposits and shows regional potential for hosting VMS zinc-copper and nickel-sulphide mineralisation.

SkyTEM™ anomalies associated with a paleo-sea floor setting

The airborne magnetic data obtained with the SkyTEM™ surveys is superior to any regional airborne magnetic data previously available over the prospecting right and allowed for detailed regional geological interpretations (Figure 17). These interpretations were based on published data and field mapping in conjunction with aeromagnetic data. Using the Kantienpan and Boksputs areas as type localities, a paleo–seafloor setting was identified, and mapped out, using the magnetic data. VMS deposits form on, or close to, the seafloor and as such, the paleo-seafloor is a target horizon for discovering VMS deposits.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

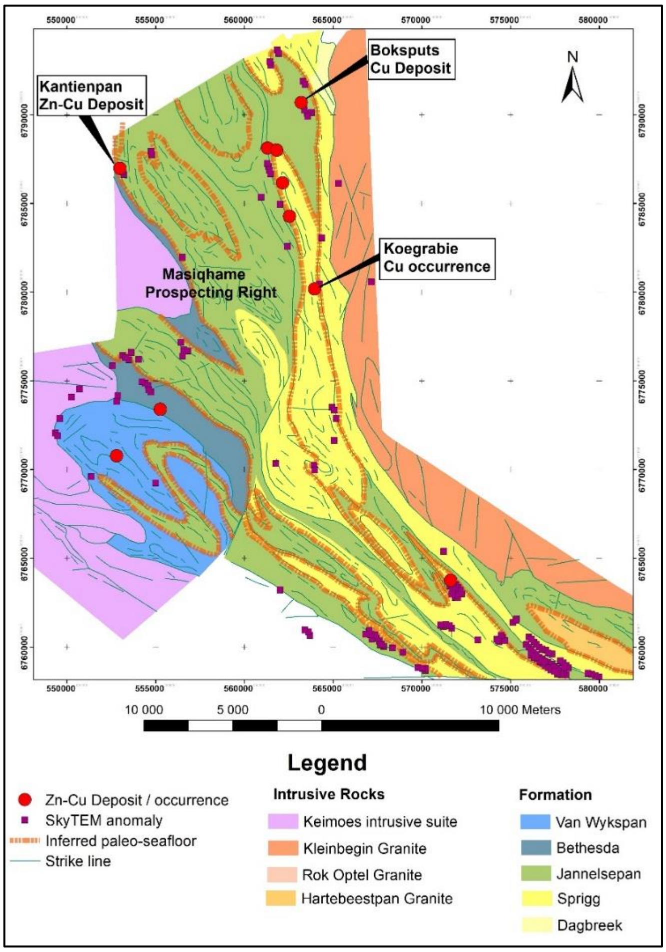


Figure 17: Interpretive geological map of the Masiqhame Prospecting Right showing the inferred paleo-seafloor, known zinc-copper deposits/occurrences and SkyTEM™ anomalies.

<u>The Boksputs Area and K2 Anomaly</u>

Geological setting, conductivity, coherency and size of SkyTEM™ anomalies were used as criteria to select VMS targets at Masiqhame and Disawell. Five of the anomalies have now been covered with FLTEM surveys including B1, B2, B4, K2 and BS1, with variances in the anomalies' conductivities varying from weak to strong (Figures 17 and 18) (refer ASX release 24 October 2018). The K2 and K3 surveys were completed during October 2018.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

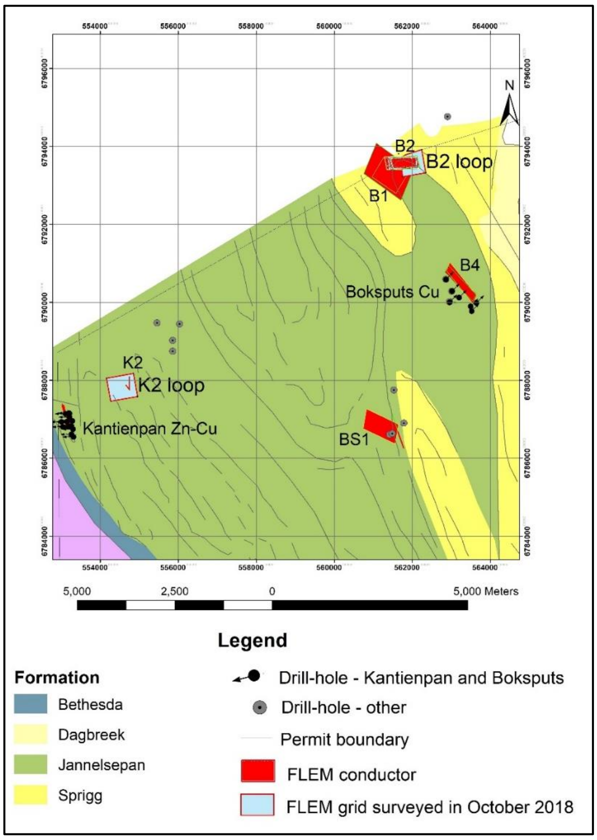
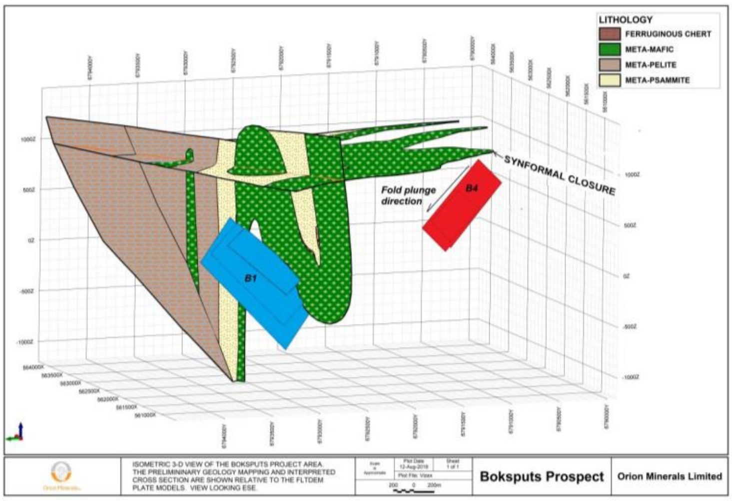


Figure 18: Geological map of the Boksputs-Kantienpan area showing the B2 and K2 FLTEM grids and conductors relative to the Boksputs and Kantienpan Zn-Cu deposits and conductors outlined during Q3 CY2018.

Three of the FLTEM conductors, B1, B2 and B4 offer priority follow-up targets (Figure 18) (refer ASX release 24 September 2018). Mapping and structural interpretations over the B1 and B4 targets were completed and show the conductor to:



- Occur in similar stratigraphic positions to the VMS style mineralisation at Boksputs;
- Have a favourable stratigraphic and structural setting, occurring on a prospective contact between amphibolite and meta-psammite sequences (Figure 19); and
- Have dimensions that show the causative body to be of relatively large volumes.

Figure 19: Three-dimensional view looking south-east and showing the stratigraphic and structural setting of the B1 and B4 conductors at the Boksputs Prospect.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

It is doubtful whether IP surveys used in the 1970s could have detected a 500m deep conductor like B1, and no evidence could be found that conductors B1 and B2 were drill tested in the past.

The B2 conductor is offset from the B1 conductor, at shallower depth and of lower conductance. Conductor B4 occurs in a fold hinge and is orientated parallel to the plunge direction of a tightly overturned syn-formal structure. The structural stratigraphic setting and spatial association with known mineralisation makes the B4 conductor a highly-prospective VMS target (Figures 18 and 19). Recent mapping shows seven diamond drill holes drilled along strike of the conductor (Figure 20). It is known that copper mineralisation was intersected in these holes, but due to the plunge of the conductor, it is doubtful whether these holes fully tested the anomaly. Holes A to D would have intersected the mineralisation at roughly the same depth, with holes A to C being too shallow and D to F missing the conductor (Figure 20). Only drill hole G would have intersected the conductor if drilled deep enough i.e. in excess of 500m. Currently only the collar positions, azimuth and inclination of these holes are known. Data compilations and field mapping is ongoing.

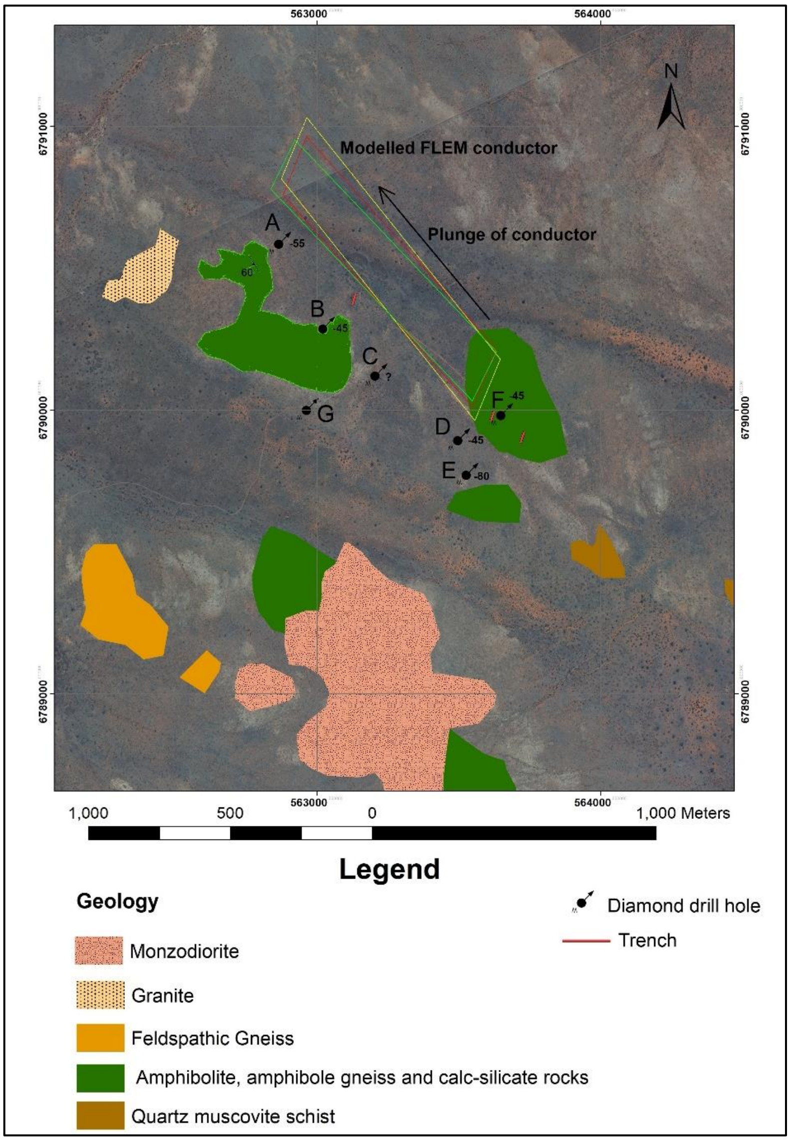


Figure 20: Map showing drill hole collars following the strike of the B4 conductor at the Boksputs Prospect.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

The K2 conductor is a near surface feature and appears to plunge shallowly to moderately north - northwest with a steep dip and narrow width but elongated down-dip/down-plunge and is moderately conductive (refer ASX release 24 October 2018). Reconnaissance field mapping failed to explain the anomaly and more work is required.

Kantienpan

As part of characterising the Zn - Cu mineralisation on the Masiqhame Prospecting Right, and to gain a better understanding of controls on mineralisation at Kantienpan, field mapping was undertaken over the deposit during Q4 CY2018 (Figure 21). Mapping in the area is ongoing.

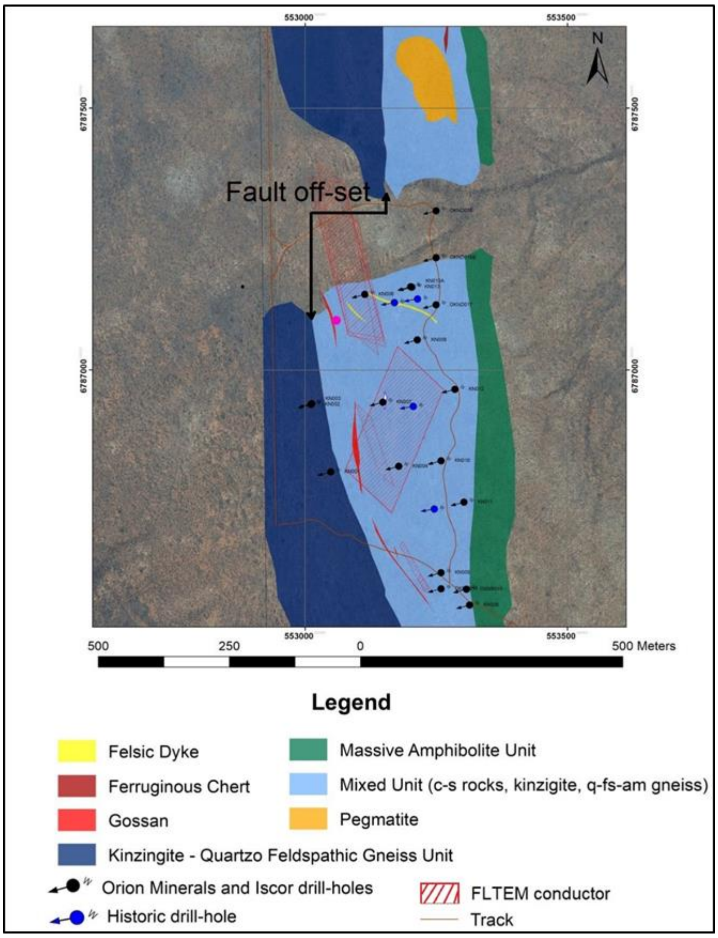


Figure 21: Geological map of the Kantienpan Deposit showing drill holes, EM conductors and the fault off-set on the northern limit of the mineralisation.

At this stage the following is concluded from the mapping:

- Mineralisation occurs close to the contact between a kinzigite (meta-pelitic rocks) and mixed unit of quartz-feldspar-amphibole gneiss, calc-silicate rocks and kinzigite.
- It should be possible to map out the stratigraphic position of the Zn-Cu mineralisation, as defined on Kantienpan, on a regional scale.
- The northern limit to the sulphide mineralisation coincides with a fault displacement.

Marydale Gold-Copper Project

This project includes the known Marydale Gold-Copper Deposit. In addition to the Prieska Project, the Agama transaction gives the Company exploration rights over the Marydale Gold-Copper Project located 60km north of the Prieska Project. No field work was undertaken during the half year.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

FRASER RANGE - GOLD-NICKEL-COPPER PROJECT (WESTERN AUSTRALIA)

Orion maintains a sizeable tenement package in the Fraser Range Province of Western Australia which Independence Group NL (ASX: IGO) is currently earning in to via a joint venture agreement (**JVA**, refer ASX release 10 March 2017).

During the reporting period, IGO conducted Spectrum Airborne (EM) surveys and rehabilitated tracks and pads from previous aircore drilling programs. In addition, rehabilitation on E39/1653 was completed and sections E39/1654 and E69/2707 were also rehabilitated.

A desktop review of all EM, magnetic, gravity, aircore and petrographic data, has produced several targets which IGO plan to test in 2019. Drilling on the Company's Fraser Range Joint Venture ground is expected to begin in March 2019, with results due before the end of June 2019.

Under the JVA, IGO is responsible for all exploration on the tenements and provides regular updates to Orion of its activities and results arising from them.

WALHALLA GOLD & POLYMETALS PROJECT (VICTORIA)

During the half year, the Company did not carry out any exploration on the Walhalla Project.

CORPORATE

Capital Raising

On 25 June 2018 the Company announced an $11M capital raising at an issue price of 3.7 cents per ordinary fully paid share (**Share**). One member of Orion's Black Economic Empowerment Partner in South Africa also subscribed for an additional $0.25M in Shares at an issue price of 3.7 cents per Share, which was added to Tranche 2 of the capital raising. The capital raising occurred in two stages, being:

- Tranche 1 – 91.6M Shares to raise $3.39M were issued on 29 June 2018, using the Company's 15% placement capacity under ASX Listing Rule 7.1. The issue of Shares was subsequently ratified by shareholders at the Company's general meeting held on 3 August 2018; and
- Tranche 2 – 212.5M Shares to raise $7.86M were issued on 15 August 2018 as approved by shareholders at the Company's general meeting held on 3 August 2018.

In addition to the placements, the Company also obtained shareholder approval at the general meeting held on 3 August 2018, to enable the Company's Chairman, Mr Denis Waddell, to subscribe for 6.8M Shares at 3.7 cents per Share to raise $0.25M and for Tembo Capital Mining Fund II LP and its affiliated entities (**Tembo Capital**) to subscribe for 172.9M Shares at 3.7 cents per Share. On 23 August 2018, the Company issued:

- 6.8M Shares at 3.7 cents per Share to Mr Denis Waddell (or nominee); and
- 172.9M Shares at a deemed issue price of 3.7 cents per Share to Tembo Capital (or nominee).

The 172.9M Shares issued to Tembo Capital were issued in consideration for reducing the amount repayable to Tembo Capital under the Bridge Loan between the Company and Tembo Capital, pursuant to which Tembo Capital advanced $6M in funds to Orion (excluding capitalised interest and fees) (refer below for further detail).

Directors' Report (continued)

Loan Facilities

Bridge Loan
The Company announced on 18 August 2017 that it had entered into a loan facility agreement with Tembo Capital, pursuant to which Tembo Capital advanced $6M in funds to Orion (excluding capitalised interest and fees) (**Bridge Loan**).

On 25 June 2018, the Company announced in addition to the $11M placement (refer above for further detail), that Tembo Capital had confirmed its continued support of Orion through subscribing for $6.4M in Shares, at an issue price of 3.7 cents per Share, being the issue price for Shares issued under the placement. Orion agreed with Tembo Capital, that Tembo Capital's Share subscription be issued in consideration for reducing the amount re-payable to Tembo Capital under the Bridge Loan at a deemed issued price of 3.7 cents per Share, being the same issue price as the shares being offered under the placements. The balance of the Bridge Loan (including accrued interest) following this repayment was $0.58M.

At the end of the reporting period, $0.54M had been drawn down against the Bridge Loan (excluding capitalised interest and fees).

Following period end, the Company announced on 25 January 2019, that Tembo Capital has continued its strong support of the Company, through providing a new unsecured $3.6M loan facility (**Loan Facility**).

Under the terms of the Loan Facility, Tembo Capital may at its election, have the balance of the Loan Facility (including capitalised interest and fees) (**Outstanding Amount**) repaid by the issue of Shares to Tembo Capital at a deemed issue price of 2.6 cents per Share (subject to receipt of Shareholder approval), being the same conversion price as the 2017 Convertible Notes (refer below for further detail).

The key terms of the Loan Facility are:

- Loan Facility Amount: Up to $3.6M, available in two tranches. The first tranche is to be in one instalment of $0.6M to repay all amounts owing under the current Bridge Loan, with further tranches to be in minimum instalments of $1M each;
- Interest: Capitalised at 12% per annum accrued daily on the amount drawn down;
- Repayment: Tembo Capital may elect for repayment of the Outstanding Amount to be satisfied by the issue of Shares by the Company to Tembo Capital at a deemed issue price of 2.6 cents per Share, subject to receipt of Shareholder approval. The Outstanding Amount must be repaid by 25 January 2020, or if Tembo Capital elects to receive Shares in repayment of the Outstanding Amount in lieu of payment in cash, the date on which the Shares are to be issued to Tembo Capital (or such later date as may be agreed between Tembo Capital and Orion);
- Establishment fee:
  - Cash - capitalised 5% of the Loan Facility Amount, payable on the Repayment date; and
  - Options - 11M unlisted Orion options, exercisable at a price of 3.0 cents per option, expiring on the date which is 5 years after the date of issue of the options, provided that Orion's obligation to issue Shares on exercise of the options is subject to receipt of shareholder approval.
- Security: Loan Facility is unsecured.

Directors' Report (continued)

Extension of Maturity Date of Convertible Notes

On 7 February 2017, Orion announced a proposed capital raising through the issue of convertible notes to various sophisticated and professional investors, each with a face value of 2.6 cents (**Convertible Notes**). The Company obtained Shareholder approval for the issue of the Convertible Notes on 13 March 2017 and on 17 March 2017, the Company announced the issue of 232.69M Convertible Notes to the value of $6.05M (each with a face value of 2.6 cents). Key terms of the Convertible Notes are set out in the Company's ASX release dated 8 March 2017.

In accordance with the Convertible Note terms, the Maturity Date of each Convertible Note was 17 March 2019. In support of the ongoing capital requirements of the Company, in January 2019 the Noteholders approved extension of the Maturity Date from 17 March 2019 to 30 September 2019.

Shareholder Meetings

A General meeting of shareholders of the Company was held on 3 August 2018 and the Company's Annual General Meeting of shareholders was held on 29 November 2018. At each meeting, all resolutions put to Shareholders were carried on a show of hands.

Sale of Connors Arc Project

On 2 May 2018, the Company announced that it had entered into a binding sale agreement (**Agreement**) with Evolution Mining Limited (**Evolution**), for Evolution to acquire 100% of Orion's Connors Arc Project (**Tenements**) in Queensland. Consideration for the sale of the Tenements consists of $2.5M cash and a 2% royalty on net smelter returns (**NSR**) from the sale of gold recovered and sold by Evolution from the Tenements to a value of $5.0M.

Key terms of the Agreement are:

- Stage 1 Payment - an initial $1.5M cash payment, payable upon conditions typical for agreements of this nature being:
    - Orion obtaining indicative approval from the Queensland Government Department of Natural Resources, Mines and Energy (**Department**), for the transfer of the Tenements to Evolution; and
    - the assignment to Evolution of the Tenements' native title agreements.
- Stage 2 Payment - a further $0.5M cash payment, payable to Orion upon approval by the Department for retention of the total area of three of the Tenements included in the Agreement until the renewal of the existing term of those Tenements;
- Stage 3 Payment - a further $0.5M cash payment, payable to Orion upon approval by the Department for renewal of two Tenements included in the Agreement and for retention of the total area of those Tenements for a period 12 months from the date of such renewal; and
- a 2% royalty on NSR from the sale of gold recovered and sold by Evolution from the Tenements to a value of $5.0M.

The Company received payment for Stages 1 and 2 in July 2018 and Stage 3 in November 2018.

The sale of the non-core Tenements is consistent with Orion's decision to place greater focus on its flagship project, the Prieska Project and its highly prospective regional exploration projects within the Areachap Belt, including the advanced Jacomynspan Nickel-Copper-Cobalt Project.

Directors' Report (continued)

Options

The Company has an option and performance rights based remuneration scheme. In accordance with the provisions of the Orion Minerals Option and Performance Rights Plan, during the reporting period, the Company issued unlisted options to employees and contractors as follows:

Issued	Issue date	Exercise price	Expiry date
5,100,000	21 September 2018	$0.05	31 March 2023
5,100,000	21 September 2018	$0.06	31 March 2023
5,100,000	21 September 2018	$0.07	31 March 2023

EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after the balance sheet date of the Company and the Group except for those matters referred to below:

- On 25 January 2019, the Company announced a new $3.6M Loan Facility with Tembo Capital.
- On 25 January 2019, the Company announced that holders of the Convertible Notes had agreed to extend the maturity date for the Convertible Notes from 17 March 2019 to 30 September 2019.
- On 31 January 2019, the Company announced that it has appointed Endeavour Financial to assist in the evaluation of funding options for Orion's for the development of the Prieska Project.
- On 4 March 2019, the Company announced that it has reached agreement with AASMF to redeem preference shares held by AASMF in one of Orion's key project subsidiaries for Shares. Under the agreement, Repli Trading No 27 (Pty) Ltd (a 73.33% owned subsidiary of the Company) will voluntarily redeem the preference shares in consideration for which the Company will issue to AASMF, the relevant number of Shares. The value of the Shares to be issued by the Company in consideration for the redemption will be between ~$2.39M - $2.50M.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 32 and forms part of the directors' report for the half year ended 31 December 2018.

Signed in accordance with a resolution of the directors

Denis Waddell
Chairman

Dated at Perth this 7th day of March 2019

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DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF ORION MINERALS LIMITED

As lead auditor for the review of Orion Minerals Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Orion Minerals Limited and the entities it controlled during the period.

James Mooney
Partner

BDO East Coast Partnership

Melbourne, 7 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Continuing operations			
Other income	3	27	3
Exploration and evaluation expenses	6	(1,415)	(939)
Employee expenses		(671)	(513)
Contractor and advisory services		(959)	(909)
Other operational expenses	3	(846)	(888)
Results from operating activities		**(3,864)**	**(3,246)**
Non-operating expenses	3	**(230)**	**(182)**
Finance income		125	98
Finance expense		(790)	(1,094)
Net finance costs		**(665)**	**(996)**
Loss before income tax		(4,759)	(4,424)
Income tax (expense)/benefit		---	---
Loss from continuing operations attributable to equity holders of the Company		**(4,759)**	**(4,424)**
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss			
Foreign currency translation, net of tax		(7)	(310)
Total comprehensive income/(loss) for the period		**(4,766)**	**(4,734)**
Loss for the half year attributable to:			
Non-controlling interest		(457)	(164)
Orion Minerals Ltd		(4,302)	(4,260)
Total		**(4,759)**	**(4,424)**
Total comprehensive loss for the half year attributable to:			
Non-controlling interest		(457)	(164)
Orion Minerals Ltd		(4,309)	(4,570)
Total		**(4,766)**	**(4,734)**
Loss per share (cents per share)			
Basic loss per share	13	(0.29)	(0.46)
Diluted loss per share	13	(0.29)	(0.46)
Headline loss per share	13	(0.29)	(0.46)
Diluted headline loss per share	13	(0.29)	(0.46)

The Consolidated Interim Statement of Profit or Loss & Other Comprehensive Income is to be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	31 December 2018 $'000	30 June 2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		2,034	4,811
Other receivables	4	717	3,129
Rehabilitation bonds	5	273	215
Prepayments		67	65
Securities held in other entities		---	15
Total Current Assets		**3,091**	**8,235**
Non-current Assets			
Other receivables	4	157	166
Rehabilitation bonds	5	2,186	2,139
Loan to joint venture partners		1,987	1,030
Plant and equipment		118	147
Deferred exploration, evaluation and development	6	36,359	29,119
Total Non-current Assets		**40,807**	**32,601**
TOTAL ASSETS		**43,898**	**40,836**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,895	2,363
Borrowings	7	605	6,875
Convertible notes	9	6,003	6,001
Provisions		152	138
Total Current Liabilities		**8,655**	**15,377**
Non-current Liabilities			
Provisions		1,970	1,965
Preference shares	8	2,308	2,169
Borrowings	7	1,615	1,539
Total Non-current Liabilities		**5,893**	**5,673**
TOTAL LIABILITIES		**14,548**	**21,050**
NET ASSETS		**29,350**	**19,786**
EQUITY			
Issued capital	10	116,575	102,460
Accumulated losses		(91,669)	(87,367)
Non-controlling interest – subsidiaries	12	1,776	2,233
Foreign currency reserve		120	127
Convertible note reserve		230	230
Share base payments reserve	11	2,318	2,103
TOTAL EQUITY		**29,350**	**19,786**

The Consolidated Interim Statement of Financial Position is to be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities			
Receipts from customers		---	3
Interest received		75	52
Interest expense		(1,318)	(366)
Payments to suppliers and employees		(5,270)	(3,284)
Net cash flows used in operating activities		(6,513)	(3,595)
Cash flows from investing activities			
Payments for exploration and evaluation		(7,340)	(8,887)
Proceeds from sale of tenements		2,500	---
Restricted cash investments		(30)	---
Net cash flows used in investing activities		(4,870)	(8,887)
Cash flows from financing activities			
Proceeds from the issue of shares	10	14,509	8,942
Share issue expenses	10	(394)	(193)
Proceeds from borrowings		---	6,344
Repayments of borrowings		(5,496)	(1,440)
Net cash flows from financing activities		8,619	13,653
Net (decrease)/increase in cash and cash equivalents		(2,764)	1,171
Cash and cash equivalents at beginning of period		4,811	3,405
Effect of movement in exchange rates on cash held		(13)	---
Cash and cash equivalents at end of period		**2,034**	**4,576**

The Consolidated Interim Statement of Cash Flows is to be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

31 December 2018	Issued capital $'000	Accumulated losses $'000	Non-controlling interest $'000	Foreign currency translation reserve $'000	Convertible note reserve $'000	Share based payment reserve $'000	Total equity $'000
Balance at 1 July 2018	**102,460**	**(87,367)**	**2,233**	**127**	**230**	**2,103**	**19,786**
Loss for the period	---	(4,302)	(457)	---	---	---	(4,759)
Other comprehensive income/(loss)	---	---	---	(7)	---	---	(7)
Total comprehensive income/(loss) for the period	---	(4,302)	(457)	(7)	---	---	(4,766)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of costs	14,116	---	---	---	---	---	14,116
Convertible note	---	---	---	---	---	---	---
Share-based payments expense	---	---	---	---	---	215	215
Total Transactions with owners	14,116	---	---	---	---	215	14,330
Balance at 31 December 2018	**116,575**	**(91,669)**	**1,776**	**120**	**230**	**2,318**	**29,350**

31 December 2017	Issued capital $'000	Accumulated losses $'000	Non-controlling interest $'000	Foreign currency translation reserve $'000	Convertible note reserve $'000	Share based payment reserve $'000	Total equity $'000
Balance at 1 July 2017 - restated	**85,499**	**(79,883)**	**2,670**	**99**	**407**	**2,502**	**11,294**
Loss for the period	---	(4,260)	(164)	---	---	---	(4,424)
Other comprehensive income/(loss)	---	---	---	(310)	---	---	(310)
Total comprehensive income/(loss) for the period	---	(4,260)	(164)	(310)	---	---	(4,734)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of costs	8,940	---	---	---	---	---	8,940
Convertible note	---	---	---	---	(177)	---	(177)
Share-based payments expense	---	---	---	---	---	262	262
Total Transactions with owners	8,940	---	---	---	(177)	262	9,025
Balance at 31 December 2017	**94,439**	**(84,143)**	**2,506**	**(211)**	**230**	**2,764**	**15,585**

The Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the notes to the consolidated interim financial report.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

1. REPORTING ENTITY

Orion Minerals Limited (**Company**) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the **Group**).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office or at www.orionminerals.com.au.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these consolidated interim financial statements are consistent with those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018. Mandatory accounting standards were adopted by the Group during the period. The adoption of the new accounting standards has had no material impact on the measurements of the Group's assets and liabilities

a) Statement of compliance

The consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IFRS IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2018.

This consolidated interim financial report was approved by the Board of Directors on 5 March 2019.

b) Basis of measurement

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial report as at and for the year ended 30 June 2018.

The opening balances for the comparative period on the Statement of Changes in Equity is restated in line with the restatement of balances for Non-Controlling Interests Reserve for the period ended 30 June 2017. The restatement of this balance is detailed in the Group's full year accounts for the year ended 30 June 2018.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative amounts in the consolidated statement of profit or loss and other comprehensive income as well as the consolidated statement of financial position for the half year ended 31 December 2018 have been adjusted to reflect consistency in the presentation in the financial report.

Effects of the reclassifications:

Consolidated interim statement of profit or loss and other comprehensive income
Certain comparative figures have been reclassified in order to give a true reflection between the split of line items in the statement of profit or loss. The effects of the reclassification are as follows:

	31 December 2017 (reclassified) $'000	31 December 2017 $'000
Administration and employee expenses	---	2,193
Rehabilitation expenses	---	117
Employee expenses	513	---
Contractor and advisory services	909	---
Other operational expenses	888	---
Total	**2,310**	**2,310**

Comparative figures relating to the loss in fair value of unlisted securities in other entities have been reclassified to Non-operation expenses in order to give a true reflection on the nature of the expense. The effects of the reclassification are as follows:

	31 December 2017 (reclassified) $'000	31 December 2017 $'000
Loss fair value of unlisted securities in other entities	---	182
Non-operating expenses	182	---
Total	**182**	**182**

Consolidated interim statement of financial position
Certain comparative figures have been reclassified in order to give a true reflection between the split of rehabilitation bonds and other receivables. The effects of the reclassification are as follows:

	30 June 2018 (reclassified) $'000	30 June 2018 $'000
Current		
Rehabilitation bonds	215	---
Other receivables	---	215
Total	**215**	**215**
Non-current		
Rehabilitation bonds	2,139	---
Other receivables	166	---
Security deposits and environmental bonds	---	2,305
Total	**2,305**	**2,305**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group recorded a net loss of $4.76M for the half year ended 31 December 2018 and the Group's position as at 31 December 2018 was as follows:

- The Group had cash reserves of $2.03M and had negative operating cash flows of $6.5M for the half year ended 31 December 2018;
- The Group had negative working capital at 31 December 2018 of $5.6M; and
- The Group's main activity is exploration, evaluation and development of base metal, gold and platinum-group element projects in South Africa (Areachap Belt, Northern Cape) and as such it does not have a source of income, rather it is reliant on debt and / or equity raisings to fund its activities.

These factors indicate a material uncertainty that may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts state in the financial report.

Current forecasts indicate that cash on hand as at 31 December 2018 will not be sufficient to fund planned exploration and operational activities during the next twelve months and to maintain the Group's tenements in good standing. Accordingly, the Group will be required to raise additional equity, consider alternate funding options or a combination of the foregoing.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- They are confident that the Group will raise sufficient cash to ensure that the Group can meet its minimum exploration and operational expenditure commitments for at least the next twelve months and maintain the Group's tenements in good standing and pay its debts, as and when they fall due. The Company has previously been successful in raising capital as and when required as evidenced by capital raising initiatives of $17.33M (before costs) during the year ended 30 June 2018 and in August 2018, a further $8.11M to support the Company's exploration and plans. In addition, in August 2018, Tembo Capital Mining Fund II LP and its affiliates (**Tembo Capital**) subscribed for $6.40M in Shares, following the Company's agreement with Tembo Capital, that Tembo Capital's Share subscription be issued in consideration for reducing the amount re-payable to Tembo Capital under the bridge loan facility (refer Note 7).
- In March 2017, the Company issued 232.7M convertible notes, each with a face value of 2.6 cents. The convertible notes mature in September 2019. The Directors expect that the holders of the convertible notes will convert the convertible notes to Shares in the Company at an issue price of 2.6 cents per Share. Should the convertible notes be converted to Shares, the Group's current liabilities will reduce by $6.03M. However, the Directors recognise that at maturity, some or all of the holders of the convertible notes may elect to redeem the convertible notes for cash (refer Note 9).
- In January 2019, the Company announced that Tembo Capital has continued its strong support of the Company through providing a new unsecured $3.6M Bridge Loan Facility (refer Note 15).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Based on results to date from exploration programs, the updated Prieska Project Mineral Resource (refer ASX release 18 December 2018), the robust Scoping Study (refer ASX release 19 December 2018), the expected completion in Q2 2019 of the BFS underway at the Prieska Project and the Company's ability to successfully raise capital in the past, the Directors are confident of obtaining the continued support of the Company's shareholders and a number of brokers that have supported the Company's previous capital raisings.

The amount and timing of any funding for operational and exploration plans, is the subject of ongoing review.

Accordingly, the financial statements for the half year ended 31 December 2018 have been prepared on a going concern basis as, in the opinion of the Directors, the Group will be in a position to continue to meet its operating costs and exploration expenditure commitments and pay its debts as and when they fall due for at least twelve months from the date of this report.

However, the Directors recognise that if sufficient additional funding is not raised from the issue of capital or through alternative funding sources, there is a material uncertainty as to whether the going concern basis is appropriate with the result that the Group may relinquish title to certain tenements and may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. In this case, the holders of the convertible notes and Anglo American sefa Mining Fund (**AASMF**), as the holders of security over certain assets of the Group, under existing funding agreements, would take priority in relation to the assets of the Group. No allowance for such circumstances has been made in the financial report. Further details on these funding arrangements are given in Note 9 (Convertible Notes) and Note 7 (Borrowings with other entities and related parties).

d) Rounding of amounts

The Company is of a kind referred to in the Corporations Instrument 2016/191, issued by the Australian Securities and Investment Commission, relation to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars or in certain cases, to the nearest dollar.

e) New or amended Accounting Standards and Interpretations adopted

In the period ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2018.

As a result, the Group has applied AASB 9 and AASB 15 from 1 July 2018. The Directors have determined that there is no material impact from the adoption of these Standards on the financial performance or position of the Group.

<u>AASB 9 Financial Instruments</u>

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There were no changes to the classification of financial instruments in the financial statements. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated and as such there is no impact on the Groups opening retained earnings as at 1 July 2018.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of AASB 9 resulted in a change to the accounting policy for trade and other receivables. The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

AASB 15 Revenue from Contracts with Customers

The group has adopted AASB 15 using the cumulative effect method, with any adjustment required when transitioning to the new standard being recognised on 1 July 2018 (date of initial application) in retained earnings. There are no material changes in the groups revenue recognition which means there has been no adjustments to the opening retained earnings balance.

The Group's accounting policy for revenue recognition is unchanged from 30 June 2018.

Standards and Interpretations in issue not yet adopted.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019 and the Directors are still assessing the impact of this standard at the end of the current reporting period.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

3. REVENUE, INCOME AND EXPENSES

	31 December 2018 $'000	31 December 2017 $'000
Other Income		
Sundry income	---	3
Services rendered to associates	27	---
Total other income	**27**	**3**
Other operational expenses		
Rehabilitation expense	---	117
Investor and public relations	210	---
Communications and information technology	38	77
Depreciation	23	19
Loss on disposal of plant and equipment	10	---
Occupancy	57	52
Travel and accommodation	270	213
Directors fees and employment expenses	198	188
Other corporate and administrative expenses	40	222
Total other operational expenses	**846**	**888**
Investment written off	16	---
Loss fair value of unlisted securities in other entities	---	182
Share based payments expenses	214	---
Total non-operating expenses	**230**	**182**

4. OTHER RECEIVABLES

	31 December 2018 $'000	30 June 2018 $'000
Current		
Deposits	9	---
Interest receivable	7	3
Other receivables	9	10
Sale of Connors Arc Project – Queensland	---	2,500
Taxes receivable	692	616
	717	**3,129**
Non-current		
Deposits	34	43
Security deposits	123	123
	157	**166**
Total other receivables	**874**	**3,295**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

5. REHABILITATION BONDS

	31 December 2018 $'000	30 June 2018 $'000
Current		
Environmental bonds (a)	273	215
Non-current		
Environmental bonds (a)	2,186	2,139
	2,459	**2,354**

(a) Environmental bonds is cash placed on deposit to secure bank guarantees in respect of obligations entered into for environmental performance bonds issued in favour of the relevant government body and held as both current and non-current receivables.

6. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2018 $'000	30 June 2018 $'000
Acquired mineral rights		
Opening cost	14,161	14,161
Exploration and evaluation acquired	---	---
Acquired mineral rights	**14,161**	**14,161**
Deferred exploration and evaluation expenditure		
Opening cost	14,958	915
Expenditure incurred	8,655	17,638
Exploration expensed	(1,415)	(2,371)
Asset derecognised – sale of tenements (a)	---	(1,224)
Deferred exploration and evaluation	**22,198**	**14,958**
Net carrying amount at end of period	**36,359**	**29,119**

(a) On 2 May 2018, the Company signed a binding sale agreement with Evolution Mining Limited for the sale of the Company's 100% interest in its Connors Arc Project. Under the terms of the sale agreement, completion was achieved as at 30 June 2018 and as a result, the project was derecognised at its carrying value of $1.224M.

7. BORROWINGS WITH OTHER ENTITIES AND RELATED PARTIES

	31 December 2018 $'000	30 June 2018 $'000
Current		
Bridge loan	605	6,875
	605	**6,875**
Non-current		
AASMF loan	1,615	1,539
	1,615	**1,539**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

7. BORROWINGS WITH OTHER ENTITIES AND OTHER PARTIES (continued)

Bridge Loan

The Company announced on 18 August 2017 that it had entered into a loan facility agreement with Tembo Capital), pursuant to which Tembo Capital advanced $6M in funds to the Company (excluding capitalised interest and fees) (**Bridge Loan**). During the reporting period, the term of the Bridge Loan was extended from 30 September 2018 to 31 December 2018.

On 25 June 2018, the Company announced that Tembo Capital had subscribed for $6.4M in Shares, at an issue price of 3.7 cents per Share. The Company agreed with Tembo Capital, that Tembo Capital's Share subscription be issued in consideration for reducing the amount re-payable to Tembo Capital under the Bridge Loan at a deemed issued price of 3.7 cents per Share. The Shares were issued to Tembo Capital on 23 August 2018, reducing the balance of the Bridge Loan (including accrued interest) to $0.58M.

As at 31 December 2018, $0.61M (including accrued interest) had been drawn against the Bridge Loan.

AASMF Loan

On 2 November 2015, Repli Trading No 27 (Pty) Ltd (**Repli**) (a 73.33% owned subsidiary of Agama Exploration & Mining (Pty) Ltd (**Agama**)) and AASMF entered into a loan agreement for the further exploration and development of the Prieska Project. Under the terms of the loan, AASMF shall advance ZAR14.25M to Repli. The key terms of the agreement are as follows:

- Loan amount ZAR14.25M;
- Interest rate will be the prime lending rate in South Africa;
- The disbursement of the loan will be subject to AASMF notifying Repli that it is satisfied with the results of the updated scoping study;
- Repayment date will be the earlier of 3 years from the date of the advance or on the date which Repli raises any additional finance for the further development of the Prieska Project; and
- On the advancement of the loan, 29.17% of the shares held in Repli by the Agama group (a wholly owned subsidiary of the Company), will be pledged as security to AASMF for the performance of Repli's obligations in terms of the loan.

On 1 August 2017, Repli drew down on the available AASMF loan in full (~$1.40M (ZAR14.25M)). Interest accrued as at 31 December 2018 is $0.22M.

Other transactions with Directors

On 23 August 2018, the Company issued 6.8M Shares at 3.7 cents per Share to the Company's Chairman, Mr Denis Waddell (or nominee) to raise $0.25M. The issue of these Shares was approved by shareholders at the Company's general meeting held on 3 August 2018.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

8. PREFERENCE SHARES

	31 December 2018 $'000	30 June 2018 $'000
AASMF preference shares – principal	1,548	1,550
AASMF preference shares - provision for dividends and settlement premium	760	619
Total	**2,308**	**2,169**

Preference shares are classified as financial liabilities and therefore the accrued dividends and settlement premium are recorded as an interest expense in the consolidated statement of profit and loss and other comprehensive income

Repli (a 73.33% owned subsidiary of Agama), applied for a funding facility from AASMF for the further exploration and development of the Prieska Project. On 14 November 2014, AASMF approved the funding facility for an amount of ZAR30.00M, subject to certain terms and conditions. The funding was provided in two tranches, the first tranche for ZAR15.75M by way of the issue of Repli preference shares and the second tranche for ZAR14.25M by way of a loan from AASMF (refer Note 7).

On 2 November 2015, a subscription agreement was entered into between Repli and AASMF, on 5 November 2015 the subscription price was paid to Repli and on the same day the preference shares were issued to AASMF. Under the terms of the agreement, AASMF subscribed for 15,750,000 Repli redeemable preference shares at a subscription price of ZAR1 per redeemable preference share. The key terms of the agreement are as follows:

- 15,750,000 cumulative redeemable non-participating preference shares;
- Subscription price ZAR15.75M (~$1.55M);
- Dividend rate – prime lending rate in South Africa;
- Dividend payment – dividends accrue annually based on the subscription price. Fifty percent of the dividends which have accrued and accumulated from the date of issue until 2 years after the Prieska Project mining right (Mining Right) has been issued shall become due and payable on the scheduled dividend date (approximately 4 years after the issue date). Balance of the accrued and accumulated dividends to be paid at the relevant redemption date;
- Redemption date is the earlier of 7 years after the issue date or 4 years after the Mining Right has been issued;
- Redemption amount consists of:
    - ZAR15.75M;
    - any unpaid and accumulated dividends; and
    - Settlement premium based on internal rate of return (**IRR**) of 13.5%, taking into account all cash flows from the preference shares in order to get an overall IRR of 13.5% (IRR is fixed for the duration that the preference shares are outstanding).
- Preference shares are unsecured, but AASMF will hold 26% voting rights in Repli in the event that there is a default on the part of Repli;
- Funding to be principally used for a 12 month exploration program on the NW Oxide Zone at the Prieska Project and the results used to update the scoping study.

As at 31 December 2018, the provision for dividends and settlement premium totalled $0.76M (effective rate 13.5%).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

9. CONVERTIBLE NOTES

	31 December 2018 $'000	30 June 2018 $'000
Convertible note liability	6,001	5,824
Convertible note liability – movement	2	177
Closing balance	**6,003**	**6,001**

On 7 February 2017, the Company announced that it was proposing to conduct a capital raising through the issue of convertible notes to various sophisticated and professional investors, each with a face value of 2.6 cents (**Convertible Notes**).

The Company obtained shareholder approval for the Convertible Notes issue at a meeting of shareholders held on 13 March 2017. Following obtaining approval, on 17 March 2017 the Company issued 232,692,294 Convertible Notes each with a face value of 2.6 cents, raising $6.05M. Key terms of the Convertible Notes are summarised as follows:

- Maturity Date: 17 March 2019 (In January 2019, noteholders approved extension of the Maturity Date from 17 March 2019 to 30 September 2019).
- Interest: 12% per annum calculated and payable quarterly in arrears.
- Conversion Price: 2.6 cents per Share.
- Conversion: holders of the Convertible Notes may elect to convert part or all of their Convertible Notes at any time prior to the Maturity Date, provided the total face value of the Notes is not less than $0.25M.
- Early redemption by the Company: the Company may elect to redeem all or some of the Convertible Notes by notice to the noteholder, however the noteholder shall have the right, within 14 days of receipt of an early redemption notice from the Company, to convert the Convertible Notes the subject of the early redemption notice into Shares at the Conversion Price.
- Early redemption by the noteholder: the noteholders may require the Company to redeem the Convertible Notes if an event of default occurs and the noteholders by special resolution approve the redemption.
- At any time before the Maturity Date, a noteholder may elect to redeem and set off some or all of the Convertible Notes held by it for the redemption amount as part of an equity capital raising by the Company permitted by the note deed and in which the noteholder may have a right to participate in (**Equity Raising)**, such that the redemption amount is set off against the amount payable by the noteholder to subscribe for securities under the Equity Raising.
- Redemption amount: the redemption amount is the outstanding facility amount with respect to each Convertible Note. If any Convertible Notes are redeemed by the Company within 12 months after their issue, an additional early repayment fee of 5% of the facility amount of the Convertible Notes being redeemed is payable by the Company.
- Transferrability: The Convertible Notes are not transferrable except to an affiliate of a noteholder.
- Security: secured over certain assets of the Company and its subsidiaries.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

10. ISSUED CAPITAL

	31 December 2018 $'000	30 June 2018 $'000
Ordinary fully paid shares	116,575	102,460
	116,575	**102,460**

The following movements in issued capital occurred during the period:

	Number of shares	Issue price	$'000
Ordinary fully paid shares			
Opening balance at 1 January 2018	1,290,003,768		94,439
Issue of ordinary fully paid shares	100,000,000	$0.050	5,000
Issue of ordinary fully paid shares	91,600,000	$0.037	3,389
Less: Issue costs	---	---	(368)
Closing balance at 30 June 2018	**1,481,603,768**		**102,460**
Opening balance at 1 July 2018	1,481,603,768	---	102,460
Issue of ordinary fully paid shares	212,454,055	$0.037	7,861
Issue of ordinary fully paid shares	172,918,918	$0.037	6,398
Issue of ordinary fully paid shares	6,756,756	$0.037	250
Less: Issue costs	---	---	(394)
Closing balance at 31 December 2018	**1,873,733,497**		**116,575**

11. SHARE BASED PAYMENTS RESERVE

The employee share option and share plan reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

The following movements in the share based payments reserve occurred during the period:

	$'000
Opening balance at 1 July 2017	2,502
Unlisted share options expired and transferred to accumulated losses (i)	(825)
Share based payments expense	426
Closing balance at 30 June 2018	**2,103**
Unlisted share options expired and transferred to accumulated losses	---
Share based payments expense	215
Closing balance at 31 December 2018	**2,318**

(i) During the period, previously recognised share based payment transactions for options which had vested but subsequently expired were transferred to accumulated losses.

No options to subscribe for ordinary fully paid shares expired during the half year. There were no options exercised during the half year ended 31 December 2018.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

11. SHARE BASED PAYMENTS RESERVE (continued)

Options granted during the reporting period

Under the Group's Option & Performance Rights Plan, the following options were granted during the half year ended 31 December 2018:

Number of options	Exercise price	Expiry date
5,100,000 (A)	5.0 cents	31 March 2023
5,100,000 (B)	6.0 cents	31 March 2023
5,100,000 (C)	7.0 cents	31 March 2023

The fair values of the options are estimated at the date of grant using the Black Scholes option pricing model. The following table outlines the assumptions made in determining the fair value of the options granted during the half year ended 31 December 2018.

	(A)	(B)	(C)
Grant date	21-Sep-18	21-Sept-18	21-Sept-18
Dividend yield (%)	---	---	---
Expected volatility (%)	94.27%	94.27%	94.27%
Risk-free interest rate (%)	2.00%	2.00%	2.00%
Expected life of option (years)	4.52	4.52	4.52
Option exercise price	$0.05	$0.06	$0.07
Share price at grant date	$0.034	$0.034	$0.034
Fair value at grant date	$0.022	$0.021	$0.020

12. NON-CONTROLLING INTEREST

	31 December 2018 $'000	30 June 2018 $'000
Opening balance	2,233	2,670
Movement		
Share of retained losses	(457)	(437)
Closing balance	**1,776**	**2,233**

The non-controlling interest parties have the following interest in the Group South African subsidiaries:

Repli Trading No 27 (Pty) Ltd 26.67% (2017: 26.67%), Rich Rewards Trading 437 (Pty) Ltd 26.67% (2017: 26.67%), Vardocube (Pty) Ltd 30% (2017: 30%), Bartotrax (Pty) Ltd 26.67% (2017: 26.67%) and Prieska Copper Mines Ltd 2.54% (2017: 2.54%).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

13. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of potentially dilutive options and dilutive partly paid contributing shares).

The following reflects the income and share data used to calculate basic and diluted earnings per share:

a) Basic and diluted loss per share

	31 December 2018 Cents	31 December 2017 Cents
Loss attributable to ordinary equity holders of the Company	(0.29)	(0.46)
Diluted loss attributable to ordinary equity holders of the Company	(0.29)	(0.46)

b) Reconciliation of earnings used in calculating earnings per share

	31 December 2018 $'000	31 December 2017 $'000
Loss attributable to ordinary shares	(4,759)	(4,424)

c) Weighted average number of shares

	31 December 2018 Number	31 December 2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	1,625,922,939	971,219,115
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	1,625,922,939	971,219,115

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

13. EARNINGS PER SHARE (continued)

d) Headline earnings per share

	31 December 2018 $'000	31 December 2017 $'000
Loss before income tax	(4,759)	(4,424)
Impairment of non-current assets reversal	---	---
Plant and equipment written off	---	---
Adjusted earnings	(4,759)	(4,424)
Weighted average number of shares	1,625,922,939	971,219,115
Earnings / (loss) per share (cents per share)	(0.29)	(0.46)
Diluted earnings / (loss) per share (cents per share)	(0.29)	(0.46)

14. SEGMENT REPORTING

The Group's operating segments are identified and information disclosed, where appropriate, on the basis of internal reports reviewed by the Company's Board of Directors, being the Group's Chief Operating Decision Maker, as defined by AASB 8. Reportable segments disclosed are based on aggregating operating segments where the segments have similar characteristics.

The Group's core activity is mineral exploration, evaluation and development within South Africa and Australia. During the half year to 31 December 2018, the Group has actively undertaken exploration, evaluation and development in South Africa.

Reportable segments are represented as follows:

31 December 2018	Australia $'000	South Africa $'000	Total $'000
Segment net operating loss after tax	(2,168)	(2,591)	(4,759)
Depreciation	(10)	(13)	(23)
Exploration expenditure written off and expensed	(23)	(1,392)	(1,415)
Segment non-current assets	**11,211**	**29,596**	**40,807**
Segment non-current liabilities	**10**	**5,883**	**5,893**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2018

14. SEGMENT REPORTING (continued)

31 December 2017	Australia $'000	South Africa $'000	Total $'000
Segment net operating loss after tax	(2,547)	(1,877)	(4,424)
Depreciation	(12)	(7)	(19)
Exploration expenditure written off and expensed	(178)	(761)	(939)

30 June 2018	Australia $'000	South Africa $'000	Total $'000
Segment non-current assets	**5,594**	**27,007**	**32,601**
Segment non-current liabilities	**2**	**5,671**	**5,673**

15. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after the balance sheet date of the Company and the Group except for those matters referred to below:

- On 25 January 2019, the Company announced a new $3.6M Loan Facility with Tembo Capital (refer to Directors' Report for key terms).
- On 25 January 2019, the Company announced that holders of the Convertible Notes had agreed to extend the maturity date for the Convertible Notes from 17 March 2019 to 30 September 2019.
- On 31 January 2019, the Company announced that it has appointed Endeavour Financial to assist in the evaluation of funding options for Orion's for the development of the Prieska Project.
- On 4 March 2019, the Company announced that it has reached agreement with AASMF to redeem preference shares held by AASMF in one of Orion's key project subsidiaries for Shares. Under the agreement, Repli Trading No 27 (Pty) Ltd (a 73.33% owned subsidiary of the Company) will voluntarily redeem the preference shares in consideration for which the Company will issue to AASMF, the relevant number of Shares. The value of the Shares to be issued by the Company in consideration for the redemption will be between ~$2.39M - $2.50M.

DIRECTORS' DECLARATION

In the opinion of the directors of Orion Minerals Limited (the **Company**):

1. the interim consolidated financial statements and notes set out on pages 33 to 51, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance, as represented by the results of its operations and cash flows for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Denis Waddell
Chairman
Dated at Perth this 7th day of March 2019.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Orion Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Orion Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 2(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134

Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

James Mooney
Partner

Melbourne, 7 March 2019