



Orion Minerals

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Orion agrees pivotal ZAR250m funding package with the IDC to fund early works at Prieska Copper-Zinc Mine

Orion agrees in-principle funding terms with key State development agency after receiving IDC Credit Committee approval, marking another key milestone in the development of the Prieska Project

- ▶ **Funding terms agreed with South Africa's Industrial Development Corporation (IDC) and recorded in a non-binding term sheet, in terms of which the IDC will advance ZAR250 million (~A\$22 million) as a senior secured, convertible debt facility to fund early works at Orion's flagship Prieska Project.**
- ▶ **The proceeds of the facility will be applied to mine dewatering and trial mining operations in order to complete the previously announced Early Production Plan for Prieska Copper-Zinc Mine (PCZM) to Bankable Feasibility accuracy.**
- ▶ **The loan and capitalised interest may be converted into shares in Orion's holding company for PCZM (Agama), based on pre-money valuation of ZAR1.2 billion for PCZM.**
- ▶ **The ZAR250 million IDC funding package satisfies a key condition to the previously announced A\$10 million Triple Flag early Funding Arrangement, unlocking additional funding to support pre-development activities at Prieska.**

Orion's Managing Director and CEO, Errol Smart, commented:

"We are thrilled to have reached this landmark funding arrangement with the IDC which, when finalised, will allow us to finally get pre-development work underway at the fully-permitted Prieska Copper-Zinc Mine. This is a huge milestone for all our stakeholders, particularly for the shareholders who have supported us and the local communities that stand to benefit as this very significant new mining project for the Northern Cape region comes to life.

"The combined pre-development funding being provided by the IDC and our other strategic funding partner, Triple Flag, now totals over ZAR350 million (~A\$32 million). This will allow dewatering to commence at 500m³ per hour from the Prieska underground mine workings. It will also provide funding for us to carry demonstration trial mining on the +105 crown pillar and selected remnant pillars available above the current water level.

"Securing the IDC as a project partner at both of our Northern Cape project hubs – Prieska and Okiep – is a huge achievement by the Orion team. I would like to take this opportunity to thank the IDC for their support, which is pivotal to our efforts to unlock these high-quality base metal assets. The trial mining phase and revised Bankable Feasibility Study are expected to be completed in mid 2023, allowing project financing to proceed to supplement the US\$80 million Triple Flag stream financing announced in May 2022."

Orion Minerals Limited (**ASX/JSE: ORN**) (**Orion** or the **Company**) is pleased to announce that it has entered into a pivotal non-binding term sheet with the Industrial Development Corporation of South Africa Limited (**IDC**) for a ZAR250 million (~A\$22 million) senior secured loan facility (**Convertible Loan**) to fund early mining works and key pre-development activities at the Prieska Copper-Zinc Project (**Prieska Project**), located in the Northern Cape region of South Africa.

The proceeds of the Convertible Loan will support the completion of the Bankable Feasibility Study (**BFS**) on the previously articulated Early Production Plan at Prieska (refer ASX / JSE release 20 January 2022), while also allowing the Company to commence dewatering of the existing underground mine – a critical path activity required for the broader long-term development of the project.

Key Funding Terms

Orion, Agama Exploration and Mining Proprietary Limited (a wholly-owned subsidiary of Orion) (**Agama**) and Prieska Copper Zinc Mine Proprietary Limited (a majority-owned subsidiary of Orion) (**PCZM**) have reached agreement with the IDC on the key terms of the Convertible Loan which have been recorded in a non-binding term sheet (**Term Sheet**).

Under this Term Sheet, the IDC will provide the ZAR250 million (A\$22 million) Convertible Loan to Agama, or its wholly-owned subsidiary, which will be on-lent to PCZM on similar terms to fund the commencement of mine dewatering and simultaneous completion of the BFS for the early mining development plan and to facilitate a Final Investment Decision (FID) for mine development.

The BFS for the mining of the crown and remnant pillars down to the 385m level at PCZM (**Early Mining Works BFS**) and the simultaneous commissioning and operating of pumping and water treatment facilities, to allow dewatering of the PCZM mine at a rate ramping up to 500m³ per hour (**Dewatering Project**), are key pre-development workstreams that are already well advanced.

The Dewatering Project is a critical long-lead item for the development of the Prieska Project, given that total dewatering of the mine is required to access the main sulphide VMS orebody. As the dewatering of the mine progresses, additional remnant pillars will be exposed.

Existing Funding Arrangements

In May 2022, Orion announced that it had signed non-binding term sheets with TF R&S Canada Ltd. and Triple Flag International Ltd. (together **Triple Flag**), for a combined US\$87 million secured funding package for PCZM.

In addition to a US\$80 million Precious Metal Stream, Orion and Triple Flag also entered into a term sheet for a A\$10 million early Funding Arrangement, with such funding to be made available to Orion to complete the Early Mining Works BFS and to commence the Dewatering Project (refer ASX / JSE release 9 May 2022 for details of the Triple Flag Precious Metal Stream and Funding Arrangement).

In addition to the completion of due diligence and entering into definitive agreements, the Funding Arrangement draw-down is also conditional on Orion securing an additional A\$20 million funding to execute the agreed work focused on the Dewatering Project and the Early Mining Works BFS. Triple Flag has confirmed to Orion that draw-down of the Convertible Loan will be sufficient for its A\$20 million funding condition to be satisfied. Orion and Triple Flag are advancing the definitive agreements for the Precious Metal Stream and the Funding Arrangement and anticipate these being finalised in Q4 CY2022.

The Convertible Loan, together with the Triple Flag A\$10 million early Funding Arrangement, will enable Orion to complete the Early Mining Works BFS and to commission and operate the Dewatering Project.

Next Steps

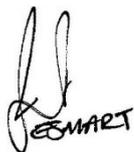
Orion and the IDC anticipate finalising and executing the definitive agreements for the Convertible Loan in Q4 CY2022, with the IDC funding expected to be available for draw-down during late 2022, subject to fulfilment of conditions precedent standard for such arrangements.

The Early Mining Works BFS for the Prieska Project is well advanced, with targeted completion in mid 2023. The Dewatering Project is also well advanced, with underground storage dams and pump site construction completed and the shaft platform installed to facilitate pump installation.

About the IDC

The IDC was established in 1940 through an Act of Parliament and is fully owned by the South African Government. The Corporation pursues development impact through job-rich industrialisation and contributes to an inclusive economy by, among others, funding black-owned and black-empowered companies, black industrialists, women and youth-owned enterprises. For more information visit www.idc.co.za.

For and on behalf of the Board.



Errol Smart
Managing Director and CEO

ENQUIRIES

Investors

Errol Smart – Managing Director & CEO

Denis Waddell – Chairman

T: +61 (0) 3 8080 7170

E: info@orionminerals.com.au

Media

Nicholas Read

Read Corporate, Australia

T: +61 (0) 419 929 046

E: nicholas@readcorporate.com.au

JSE Sponsor

Monique Martinez

Merchantec Capital

T: +27 (0) 11 325 6363

E: monique@merchantec.co.za

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Appendix 1:

Key Terms of Term Sheet

Orion, Agama Exploration and Mining Proprietary Limited (a wholly owned subsidiary of Orion) (**Agama**) and Prieska Copper Zinc Mine Proprietary Limited (a majority-owned subsidiary of Orion) (**PCZM**) have been in continuing discussions with the Industrial Development Corporation of South Africa Limited (**IDC**) for Agama and PCZM to enter into a non-binding term sheet with the IDC (**Term Sheet**) regarding the terms on which, amongst other things, the IDC would advance a ZAR250 million (~A\$22 million) loan facility to Agama, or its wholly-owned subsidiary (**Convertible Loan**), which Convertible Loan will be on-lent to PCZM on similar terms to fund the completion of the Early Mining Works BFS and the commissioning and operating of the Dewatering Project. The key terms of the Term Sheet are summarised below:

- The Convertible Loan will accrue interest monthly in arrears at a rate of South African Prime Rate plus 3.5%.
- The Convertible Loan will be available for draw down until 31 July 2023 and any portion of the Convertible Loan that has not been drawn down by 31 July 2023 shall immediately be cancelled after 31 July 2023.
- The final repayment date of the Convertible Loan will be the earlier of 30 days from Financial Close (being the date when PCZM and/or Agama raises sufficient funding in the form of debt and/or equity to carry out the Early Mining Works contemplated in the Early Mining Works BFS) or the last day of the Term (being the period commencing on the first date on which the Convertible Loan is drawn down and ending not more than 36 months thereafter).
- The Convertible Loan shall be secured by the same security arrangements set out in the Terms Sheets concluded between Orion and TF R&S Canada Ltd. and Triple Flag International Ltd. (together **Triple Flag**) and subject to the intercreditor arrangements between the IDC and Triple Flag (i.e. PCZM and other Orion group obligors will agree to grant a first ranking security in favour of the IDC and Triple Flag over certain of its assets and claims (refer ASX / JSE release 9 May 2022 for details of the Triple Flag Precious Metal Stream and Funding Arrangement). All security provided to the IDC and Triple Flag for and in respect of their respective facilities will be held in a security SPV structure, being a ring fenced (insolvency remote) special purpose company (Security SPV) which is administered by an independent professional trust services company and is otherwise regulated and administered in a manner that is customary in South Africa for security arrangements such as these.
- Conditions precedent to the Convertible Loan include but are not limited to:
 - completion of the legal, environmental, regulatory and technical due diligence investigation to the satisfaction of the IDC;
 - execution of finance documents in the form and substance satisfactory to the IDC;
 - approval of the Convertible Loan by the IDC's Executive Committee/board of directors;
 - approval of the Convertible Loan by Agama's board of directors;
 - relevant regulatory approvals;
 - conclusion of an inter-creditor agreement with Triple Flag; and
 - any other conditions determined by the IDC's Executive Committee/board of directors or as may be usual for transactions of this nature.
- A technical committee will be established between Agama and the IDC for the purpose of providing technical guidance and management in relation to the technical operations and activities of the PCZM and the advancement and development of the Dewatering Project and the Early Mining Works BFS.
- In the event that the Early Mining Works BFS results in a positive outcome and a decision is taken to commence with the Early Mining Plan, at the option of the IDC, the Convertible Loan (including capital and accrued interest) can be converted into equity and a shareholder loan in Agama, in proportion to the existing shareholder loans in Agama as at the date of conversion, and utilising a pre-money enterprise value for PCZM of ZAR1.2 billion.
- In the event that the Equity Conversion does not take place, and Agama is unable to settle the Convertible Loan in full, or in the event of any other material breach, the IDC will have the right to convert any unpaid balance of the Convertible Loan plus accrued interest into Orion fully paid ordinary shares (**Shares**) at the 30 day VWAP of Shares as traded on the JSE.
- The IDC will have a right of first refusal to provide senior secured debt funding to PCZM for the implementation of the Early Mining Works.

- The IDC is entitled to a raising fee of 1.25% (plus VAT) on the Convertible Loan amount, payable on the first drawing date.
- The Term Sheet is subject to a Cancellation Fee of 0.5% of the Convertible Loan amount if Agama cancels the proposed funding after the signature of the Term Sheet.
- The definitive agreements will otherwise contain such undertakings, warranties and terms and conditions as would be standard and customary to include in transactions of this nature.