



## Orion Minerals

ASX/JSE RELEASE: 13 December 2022

# Orion signs definitive agreements for US\$87M funding package to advance development of the Prieska Copper-Zinc Mine

Funding package comprises an US\$80M precious metal stream plus an additional A\$10M (~US\$7M) funding arrangement to underpin Orion's early production strategy and underground mine dewatering

- ▶ **Definitive agreements signed with subsidiaries of Triple Flag Precious Metals Corp. for a significant funding package to advance the Prieska Copper-Zinc Mine.**
- ▶ **US\$80 million (~A\$120 million) of Precious Metal Stream funding to be advanced against the delivery of 84% of future gold and silver by-product production, with each stream rate reducing to 50% after certain milestones. Orion will also receive payments of 10% of the delivered precious metal value at spot gold and silver prices at the time of delivery.**
- ▶ **An additional A\$10 million (~US\$7 million) to be advanced against calculated payments equal to 0.8% of gross revenue from future mineral sales.**
- ▶ **First draw-down of funds from the A\$10 million Funding Arrangement expected in January 2023.**
- ▶ **Definitive agreements for an Executive Committee approved ZAR250 million (~A\$21 million) Convertible Loan with the Industrial Development Corporation of South Africa Limited (IDC) are progressing well.**
- ▶ **The A\$10 million from the funding arrangement with Triple Flag, combined with the IDC Convertible Loan, will underpin the completion of a Feasibility Study for early mining at Prieska and enable commencement of mine dewatering.**

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

*"This funding, provided by Triple Flag together with the IDC, is pivotal for Orion as we transition from being an exploration company to a mine developer. Our new operations team at Prieska Mine, under the experienced leadership of recently appointed Executive – Eastern Operations, Johan Stolz, has already made huge progress in preparing Prieska for development. This includes establishing underground dams and pump stations and preparing development at the +105 trial mining area to allow for the safe commencement of drilling and blasting. We look forward to seeing the first ore on surface and water out of the mine early in the New Year.*

*"The trial mining of high-grade remnant ore in the upper levels of the mine is key to us completing a revised Feasibility Study by mid-2023, paving the way for an early start-up of production and cash-flow while the mine is dewatered over a three-year period. This will provide us with a staged pathway to steadily ramp-up production to eventually reach 2.4 million tonnes per annum milled, with ore sourced from the dewatered Prieska Deeps area.*

*"It is particularly comforting to be working with knowledgeable mine financiers such as Triple Flag, who have demonstrated a strong technical and commercial understanding of our intended mining operations during the many months of their incisive due diligence and most importantly share Orion's high values in regard to ESG standards. Triple flag has been rated by Sustainalytics, and ranked as the fourth best precious metals company in the world out of 121 global issuers and a mere 0.3 points behind the leaders. We look forward to a long and rewarding relationship with Triple Flag."*

## Triple Flag's CEO, Shaun Usmar, commented:

*"The execution of definitive agreements with Orion marks an important milestone towards returning the Prieska Mine to production in a historically prolific copper mining district. This agreement demonstrates a commitment to our mission to be a preferred funding partner to mining companies throughout the commodity cycle by providing customised streaming and royalty financing solutions. The A\$10M provided under the funding arrangement in exchange for payments equal to 0.8% of gross revenue provides Triple Flag with immediate exposure to Prieska while the early mining Feasibility Study is being finalised and dewatering is commenced. Upon delivering an executable mine plan, the US\$80M precious metals stream will form a key part of a fully funded financing package that will enable the development of Prieska, benefiting the South African economy and local stakeholders through investment and much-needed job creation. The low-carbon footprint of the planned operations, as well as the resource potential in a highly prospective district, provides Triple Flag with long-term, sustainable optionality."*

## About the US\$87 million Funding Package

Orion Minerals Limited (**ASX/JSE: ORN**) (**Orion** or the **Company**) is pleased to announce that it has taken a further key step towards the development of its flagship Prieska Copper-Zinc Mine (**Prieska Project**) in South Africa's Northern Cape Province after signing definitive agreements with certain subsidiaries of Triple Flag Precious Metals Corp. (**TSX/NYSE: TFPM**) (with its subsidiaries, **Triple Flag**) for an US\$87 million<sup>1</sup> secured funding package.

The funding package comprises two components, being a precious metals stream (**Precious Metal Stream**) and additional early funding arrangement (**Funding Arrangement**).

The Precious Metal Stream comprises US\$80 million (~A\$120 million) of funding to be drawn down in tranches, alongside other bank and/or third-party funding during mine development. Orion will also receive payments of 10% of the value of delivered precious metal paid at spot LBMA pricing at the time of delivery.

The proposed stream rates for gold and silver to be delivered under the stream agreement are 84% of "Payable Gold" until 94.3k ounces of gold are delivered under the stream agreement, and 84% of "Payable Silver" until 5,710k ounces of silver are delivered, with each stream rate reducing to 50% after the respective milestones.

The Precious Metal Stream is conditional on the mine development being fully funded, finalisation of an executable mine plan to Triple Flag's satisfaction, South African regulatory approvals and fulfilment of conditions precedent standard for such arrangements.

Orion and Triple Flag have also entered into a definitive agreement for an additional A\$10 million Funding Arrangement, with this funding to be made available to Orion to complete the Feasibility Study 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 500m<sup>3</sup> per hour (**Dewatering Project**).

The Early Mining Works BFS and the Dewatering Project are both 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 to facilitate access to the main sulphide VMS orebody will take approximately three years.

The A\$10 million Funding Arrangement draw-down is 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, as well as South African regulatory approvals and fulfilment of conditions precedent standard for such agreements. Triple Flag has confirmed to Orion that draw-down of the Industrial Development Corporation of South Africa Limited (**IDC**) Convertible Loan (refer below) will be sufficient for this A\$20 million funding condition to be satisfied. Draw-down of the A\$10 million Funding Arrangement will be in tranches and will pro rata match the draw down requests that Orion will make under the ZAR250 million IDC Convertible Loan (refer below).

Under each of the Precious Metal Stream and Funding Arrangement, Prieska Copper Zinc Mine (Pty) Ltd (**PCZM**) (a majority-owned subsidiary of Orion) and other obligors will agree to grant a first ranking security in favour of Triple Flag over certain assets and claims, with the security in respect of the Precious Metal Stream to be subordinated to Prieska Project financiers.

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<sup>1</sup> FX Source: Oanda.com.

The Triple Flag Funding Arrangement is expected to be available for draw-down in January 2023.

A summary of the material terms of the Precious Metal Stream and Funding Arrangement are provided in Appendix 1 and 2.

### **IDC Convertible Loan – Prieska Project**

On 21 October 2022, Orion announced that Orion, Agama Exploration and Mining (Pty) Ltd (a wholly-owned subsidiary of Orion) (**Agama**) and PCZM reached agreement with the IDC on the key terms of a ZAR250 million (~A\$21 million) senior secured convertible loan facility (**IDC Convertible Loan**), which are recorded in a non-binding term sheet (**Term Sheet**), with IDC Executive Committee approval, to fund the Early Mining Works BFS and the Dewatering Project.

Definitive agreements for the IDC Convertible Loan are progressing well and Orion and the IDC anticipate finalising and executing the definitive agreements for the Convertible Loan in the coming weeks, with the IDC funding expected to be available for draw-down in early 2023, subject to fulfilment of conditions precedent standard for such arrangements. A summary of the material terms of the Term Sheet are provided in Appendix 1 of the 21 October 2022 ASX/JSE release.

### **Next Steps**

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

The Early Mining Works BFS for the Prieska Project is well advanced, with targeted completion 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 Triple Flag**

Triple Flag is a pure play, gold-focused, emerging senior streaming and royalty company. Triple Flag offer bespoke financing solutions to the metals and mining industry with exposure primarily to gold and silver in the Americas and Australia, with a total of 80 assets, including 9 streams and 71 royalties. These investments are tied to mining assets at various stages of the mine life cycle, including 15 producing mines and 65 development and exploration stage projects. Triple Flag is listed on the Toronto Stock Exchange and New York Stock Exchange, under the ticker "TFPM".

For and on behalf of the Board.



Errol Smart  
**Managing Director and CEO**

## **ENQUIRIES**

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- disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

## Appendix 1:

### Key Terms of Definitive Agreements

#### Stream Agreement

Triple Flag International Ltd. (**Triple Flag International**) will provide a US\$80 million advance payment (**Advance Payment**) to Orion Services South Africa (Pty) Ltd (**OSSA**) for an agreement for OSSA to sell to Triple Flag International a portion of gold and silver produced within the specified area of the Prieska Project (**Specified Area**) (refer Appendix 2) (**Stream Metals**). OSSA will have a corresponding loan and offtake agreement in terms of which, amongst other things, OSSA will lend the proceeds of the Advance Payment to Prieska Copper Zinc Mine (Pty) Ltd (**PCZM**), and PCZM will sell the Stream Metals (or equivalent metal credits) to OSSA. The terms of these arrangements are principally set out in a Metals Purchase and Sale Agreement entered into between Triple Flag International, Orion, Areachap Investments 1 B.V., Agama Exploration & Mining (Pty) Ltd, Area Metals Holdings No 5 (Pty) Ltd, Bartotrax (Pty) Ltd, Orion Exploration No 5 (Pty) Ltd, Vardocube (Pty) Ltd, Aquila Sky Trading 890 (Pty) Ltd, PCZM and OSSA (**Stream Agreement**) with the key terms summarised below:

- The Advance Payment shall be payable in tranches and each tranche of the Advance Payment shall be conditional on the Prieska Project being fully funded to production at the time each such tranche is advanced;
- The Stream Agreement includes customary draw-down conditions including with respect to delivery by Orion of an executable mine plan to Triple Flag International's satisfaction, and there being an increase in the stream rates in the event of a significant negative variation to the technical and mine-economic parameters on the Prieska Project and approval by the Financial Surveillance Department of the South African Reserve Bank. If an executable mine plan is not accepted by Triple Flag International, the Stream Agreement will be terminated against Orion paying a US\$10 million termination fee;
- The Stream Agreement shall have a term of 40 years, with automatic renewals every 10 years unless terminated by Triple Flag International;
- Proposed stream rates for gold and silver to be delivered under the Stream Agreement are 84% of "Payable Gold" until 94.3k ounces of gold are delivered under the Stream Agreement, and 84% of "Payable Silver" until 5,710k ounces of silver are delivered, with each stream rate reducing to 50% after the respective milestones;
- For the purposes of the Stream Agreement, Payable Gold shall be calculated using a fixed ratio of 0.359 ounces per tonne of copper contained in concentrate for the period of time when the gold stream rate is 84%, and Payable Silver shall be calculated using a fixed ratio of 21.736 ounces per tonne of copper contained in concentrate for the period when the silver stream rate is 84%. After the stream rates are reduced, actual Payable Gold and Payable Silver will be used;
- Ongoing payments will be made by Triple Flag International to Orion equal to 10% of the delivered precious metal value at spot gold and silver price;
- An arrangement fee of 1% of the aggregate amount of the Advance Payment shall be paid to Triple Flag International upon payment of the first tranche of the Advance Payment;
- The Stream Agreement shall be secured by a:
  - first ranking security by PCZM and each other obligor, covering certain moveable and immoveable assets, and subordination of claims that the Company may have against PCZM and the Prieska Project, and a pledge and cession of the Company's shares and claims in PCZM; and
  - cession and pledge by PCZM of rights, title and interests in and to material contracts, policies of insurance, and bank accounts of PCZM,provided that the security shall be subordinated to Prieska Project financing parties pursuant to an intercreditor agreement. Triple Flag International agrees to engage collaboratively and constructively with senior project debt providers; and
- The Stream Agreement otherwise contains such undertakings, warranties and terms and conditions as would be standard and customary to include in arrangements and transactions of this nature.

## Funding Arrangement Agreement

TF R&S Canada Ltd. (**Triple Flag Canada**) will provide A\$10 million early funding to PCZM (**Early Funding**) for an agreement for PCZM to pay to Triple Flag Canada quarterly an amount equal to 0.8% of the gross proceeds received by PCZM from the sale, shipment or delivery of any minerals produced from the Specified Area for each quarter. The terms of these arrangements are principally set out in a Gross Revenue Return Agreement entered into between Triple Flag Canada, Orion, Areachap Investments 1 B.V., Agama Exploration & Mining (Pty) Ltd, Area Metals Holdings No 5 (Pty) Ltd, Bartotrax (Pty) Ltd, Orion Exploration No 5 (Pty) Ltd, Vardocube (Pty) Ltd, Aquila Sky Trading 890 (Pty) Ltd and PCZM (**Early Funding Agreement**) and are summarised below:

- Draw-down of the Early Funding is 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. Such condition will be satisfied upon draw-down of the IDC Convertible Loan. Draw-down of the Early Funding Arrangement will be in tranches and will pro rata match the draw down requests that Orion will make under the IDC Convertible Loan;
- The Early Funding Agreement is subject to approval by the Financial Surveillance Department of the South African Reserve Bank as well as various other draw-down conditions that are customary for funding arrangements of this nature;
- The Early Funding will be secured by the same security provided in relation to the Stream Agreement provided that the security for the Early Funding shall be first ranking up to a claim amount of US\$30 million;
- A right of first refusal is granted to Triple Flag Canada over future royalty-like or stream-like financing over the Specified Area;
- A similar right of first refusal to provide over future royalty-like or stream-like financing is granted by New Okiep Mining (Pty) Ltd and New Okiep Exploration (Pty) Ltd to Triple Flag International over the Okiep Project; and
- The Early Funding Agreement otherwise contains such undertakings, warranties and terms and conditions as would be standard and customary to include in arrangements and transactions of this nature.

Appendix 2:

Specified Area

