



ORMINEX

ASX ANNOUNCEMENT

ASX Code: ONX

13 March 2020

DIRECTORS & MANAGEMENT

Daryl Henthorn
Executive Chairman

Michael Foulds
Non-Executive Director

John Correia
Non-Executive Director

Dean Hely
Non-Executive Director

Kelly Moore
Company Secretary

Current Share Price \$0.044

Share Capital – 539,102,168

Unlisted Options – 9,452,055

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CORPORATE AND OPERATIONS UPDATE

Orminex Limited ('Orminex' or 'the Company'; ASX: ONX) provides the following update on its Comet Vale gold project in the Goldfields region of Western Australia, managed by underground mining contractor Mineral Ventures Pty Ltd ('Mineral Ventures') under a mine management agreement ('MMA') with Macmahons Holdings Limited.

Comet Vale Mining Development and February 2020 Processing Campaign Update

Underground mining operations have continued at Comet Vale towards the target capacity of 10,000tpm, with the development of the King's Bounty decline currently paused at the 5.3 level. Mining of stope ore continues with a current stock pile of approximately 9,000 tonnes to form part of the next processing campaign.

Orminex can report that total gold production from the February 2020 processing campaign from Comet Vale gold pour was 1,120 recovered ounces, at 91.3% recovery with an average reconciled head grade of 3.05g/t. A total of 12,536 dry tonnes of ore from underground mining operations at Kings Bounty was processed at the Lakewood Mill facility comprising 58% development ore and 42% stoping ore.

Next Processing Campaign

Mineral Ventures has advised that the next processing campaign of approximately 20,000 tonnes of stoping ore, will be in late April 2020 at the Lakewood Mill. It is expected to comprise an increased ratio of stoping ore relative to development ore. With access now down to the 5.3 level, this provides mining access to predominately stoping ore for the next campaign.

Importantly, the next campaign will provide the first opportunity to reconcile the actual resource performance against the original resource model, providing a much higher confidence level for future mining operations.

Mineral Ventures Working Capital Update

Under the MMA, Mineral Ventures is obliged to fund the working capital required to deliver the mine plan for the Comet Vale project from net gold proceeds. There is no liability to Orminex for these costs.

As part of its acquisition of its 51% interest of the Comet Vale project, Orminex co-funded part of the start-up working capital by providing Mineral Ventures with an unsecured A\$3 million loan. Under the cash flow waterfall in the MMA, net proceeds from Comet Vale gold sales are to be used to repay the \$3 million loan, in a pro rata arrangement with any return of working capital to Mineral Ventures, less amounts reserved by Mineral Ventures to meet future working capital needs.

As announced on 3 December 2019, the balance of net working capital invested at Comet Vale stood at \$14.5 million (including the Orminex loan principal) due to reduced gold production from upper levels and increased development costs.

Since then, two additional processing campaigns have been completed, one each in January 2020 and February 2020 (as detailed above), the net proceeds of which have been used to fund ongoing working capital requirements. Mineral Ventures has advised that its net working capital position is currently approximately \$19.5 million (including the Orminex loan principal), reflecting the low recovered grade (partly due to larger amounts of development ore) and increases in operational costs.

Working Capital Loan Recoverability

On 3 December 2019, Orminex received its first repayment of working capital of \$250,000 from net gold proceeds. The current working capital loan balance and capitalised interest due to Orminex by Mineral Ventures stands at approximately \$3.22 million.

In light of the current working capital position, the Company advises that there is an increased risk of potentially not fully recovering the loan, which remains subject to the performance of the project. Mineral Ventures has however, advised that it remains committed to the success of the project and therefore recovery of the loan. The Company's auditor has advised that it intends to include an Emphasis of Matter in relation to the recoverability of the loan in the half yearly accounts to be lodged on 13 March 2020.

Independent Review of Comet Vale Mining Operations

As previously advised (see Investor Presentation released on 3 December 2019), Orminex commissioned an independent report into the Comet Vale project, with Entech Pty Ltd ('Entech') being appointed to conduct a technical review and performance assessment of the project. An independent consultant was also engaged to complete a specific mining engineering review of Comet Vale mine operations to provide a clearer understanding of the technical aspects of the project, as well as identify opportunities to improve mining and productivity.

Entech and the independent consultant have now provided their reports to the Board. The key conclusions are that mining operations have generally been completed to a high quality but that improvements can be made to operational costs, management of the ore body and resource modelling. The Company has provided the reports to Mineral Ventures to consider, given it has control of mining operations at the Comet Vale project under the terms of the MMA.

The reports conclude there remains a risk that mining operations will not generate sufficient revenue to recover the working capital contributed to date, plus costs that may be incurred to complete the current mine plan, in the absence of cost reductions and improvements in grade. In this regard, the next campaign that Mineral Ventures has advised it intends to complete in late April 2020, will provide the first opportunity to reconcile the actual resource performance against the resource model, which will assist Mineral Ventures refine its confidence in the viability of future mining operations including beyond Level 6 of the mine.

Penny's Find Gold Mine Update (100% ONX)

During the past quarter, work has been focused on obtaining the statutory approvals that are now complete and includes the important water extraction licence issued on the 4 January 2020. The focus is now on reviewing the proposed mine plan, ahead of the recommencement of mining site works at the Company's Penny's Find Gold Mine.

Following a detailed review of the Penny's Find mine plan by Mineral Ventures, it was decided that further drilling would be undertaken to provide more confidence in the resource at depth. This drilling can be completed from the surface and does not require the dewatering of the pit.

The Company is in discussions with Mineral Ventures with regards to the ongoing funding requirements for the commencement of mining operations that includes the proposed drill program. With the delays in obtaining the statutory approvals, the commencement of the mining site works, including the drill program, are expected to commence in the next quarter subject to funding.

The Company will provide regular updates to the market on funding solutions and expected timeframes for the commencement of site works at Penny's Find.

This announcement has been authorised and approved for release by the Board of ONX.

-ENDS-

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About Orminex

Orminex has a strategic alliance with underground mining contractor GBF Underground Mining who oversee operational management of the Company's projects. This strategic alliance facilitates a Mineral Ventures Model that provides capital and mining service solutions to suitable near-term production gold projects.