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Orion signs definitive agreement for ZAR250M convertible loan to advance development of the Prieska Copper-Zinc Mine

Convertible Loan, together with Triple Flag US\$87M funding package, will underpin Orion's early production strategy and underground mine dewatering

- ▶ **Definitive agreement signed with the Industrial Development Corporation of South Africa Limited (IDC), under which IDC will advance ZAR250 million (~A\$21 million) as a senior secured convertible loan facility (IDC Convertible Loan) to fund early works at the Prieska Copper-Zinc Mine (PCZM).**
- ▶ **The IDC Convertible Loan and capitalised interest may be converted into shares in Orion's holding company for PCZM (PCZM Holdco), based on pre-money valuation of ZAR1.2 billion for PCZM.**
- ▶ **The signing of a definitive agreement for the IDC Convertible Loan follows the recent signing of definitive agreements with Triple Flag for a US\$87 million funding package to advance the PCZM, comprising:**
 - **US\$80 million (~A\$116 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.**
- ▶ **The IDC Convertible Loan, combined with the A\$10 million funding arrangement with Triple Flag, will underpin the completion of a Feasibility Study for early mining at Prieska, fund early mining works and enable commencement of mine dewatering.**
- ▶ **First draw-down of funds from the ZAR250 million IDC Convertible Loan and the A\$10 million Triple Flag Funding Arrangement are expected in Q1 CY2023.**

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

"This is a hugely exciting time for Orion, with the Company now entering the final stages of our early development studies and preparing for the imminent transition to development.

"The combined pre-development funding being provided by Triple Flag and the IDC for Prieska now totals over ZAR371 million (~A\$31 million). This will provide funding for Orion to carry out demonstration trial mining and allow dewatering to commence from underground mine workings. Both of these work streams are critical to our Early Works BFS, which we expect to complete by mid-2023, and mark the official start of development at PCZM.

"I would like to take this opportunity to sincerely thank our development partners and our dedicated team for their hard work and tenacity."

IDC's Senior Project Developer, Nico van Aardt, commented:

"The Prieska Copper-Zinc Mine represents an important, long-life base metals asset in South Africa that promises to deliver high socio-economic returns in the Northern Cape. We are delighted to be on board as a development funding partner, unlocking this high impact project."

About the ZAR250 million IDC Convertible Loan

Orion Minerals Limited (**ASX/JSE: ORN**) (**Orion** or the **Company**) is pleased to announce that it has entered into a definitive agreement with the Industrial Development Corporation of South Africa Limited (**IDC**) for a ZAR250 million (~A\$21 million) senior secured convertible 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, along with the proceeds from the Triple Flag Funding Arrangement (refer ASX / JSE release 13 December 2022), will support the completion of a Bankable Feasibility Study (**BFS**) on the previously articulated Early Production Plan at the Prieska Project (refer ASX / JSE release 20 January 2022), while also allowing the Company to commence dewatering of the existing underground mine – a critical workstream required for the broader long-term development of the project.

Key Funding Terms

Orion, Areachap Investments 1 B.V. (a wholly-owned subsidiary of Orion), Agama Exploration & Mining Proprietary Limited (a wholly-owned subsidiary of Orion) (**Agama**) and PCZM Holdco Proprietary Limited (a wholly-owned subsidiary of Orion) (**PCZM Holdco**) have signed a definitive agreement with the IDC for a ZAR250 million (~A\$21 million)¹ Convertible Loan to PCZM Holdco, which will be on-lent to Prieska Copper Zinc Mine Proprietary Limited (a majority-owned subsidiary of Orion) (**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.

The Convertible Loan is to be secured by first ranking security in favour of the IDC (and Triple Flag) given by PCZM and other obligors over certain of their assets and claims related directly and indirectly to the Project.

The Convertible Loan funding is expected to be available for draw-down in Q1 CY2023, subject to fulfilment of conditions precedent and drawdown conditions standard for such arrangements. Draw-down of the ZAR250 million Convertible Loan will be in tranches and will be pro rata matched by the draw down requests that Orion will make under the A\$10 million Triple Flag Funding Arrangement (refer below).

A summary of the material terms of the definitive agreement for the Convertible Loan are provided in Appendix 1.

Triple Flag – Existing Funding Arrangement

On 13 December 2022, Orion announced that it had signed definitive agreements with certain subsidiaries of Triple Flag Precious Metals Corp. (**TSX/NYSE: TFPM**) (with its subsidiaries, **Triple Flag**) for an US\$87 million secured funding package for PCZM made up of a precious metals stream (**Precious Metal Stream**) and additional early funding arrangement (**Funding Arrangement**) (refer ASX / JSE release 13 December 2022).

The Precious Metal Stream, which comprises US\$80 million (~A\$116 million) of funding to be drawn down in tranches, alongside other bank and/or third-party funding during mine development, 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 drawdown conditions standard for such arrangements.

Triple Flag will also provide an additional A\$10 million (~US\$7 million) Funding Arrangement, to complete the Early Mining Works BFS and Dewatering Project. Draw down on the A\$10 million Funding Arrangement is conditional on Orion securing an additional A\$20 million funding to execute the agreed work focused on the early mining works and the dewatering. Triple Flag has confirmed to Orion that draw-down of the IDC Convertible Loan (refer above) will be sufficient for this A\$20 million funding condition to be satisfied.

¹ FX source: Oanda.com.

Under each of the Precious Metal Stream and the Funding Arrangement, PCZM and other obligors will agree to grant a first ranking security in favour of Triple Flag and the IDC over certain assets and claims related directly and indirectly to the Project, with the security in respect of the Precious Metal Stream to be subordinated to Prieska Project financiers on terms to be agreed in an intercreditor arrangement that is consistent with the principles set out in the Precious Metal Stream agreement.

The Triple Flag Funding Arrangement is expected to be available for draw-down in Q1 CY2023, subject to fulfilment of drawdown conditions standard for such arrangements.

Next Steps

The ZAR250 million IDC Convertible Loan, together with the Triple flag A\$10 million early Funding Arrangement, 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 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 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 Definitive Agreement

Orion, Areachap Investments 1 B.V. (a wholly-owned subsidiary of Orion) (**Areachap**), Agama Exploration & Mining Proprietary Limited (a wholly owned subsidiary of Orion) (**Agama**) and PCZM Holdco Proprietary Limited (a wholly-owned subsidiary of Orion) (**PCZM Holdco**) have signed a definitive agreement (**Convertible Loan Agreement**) with the IDC for a ZAR250 million (~A\$21 million)² convertible loan to PCZM Holdco (**Convertible Loan**), the proceeds of which will be on-lent by PCZM Holdco to Prieska Copper Zinc Mine Proprietary Limited (a majority-owned subsidiary of Orion) (**PCZM**) on similar terms. The proceeds of the Convertible Loan will be used by PCZM to fund the commencement of mine dewatering (**Dewatering Project**) and simultaneous completion of the BFS for the early mining development plan (**Early Mining Works BFS**) and to facilitate a Final Investment Decision (FID) for mine development.

The key terms of the Convertible Loan Agreement 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 December 2024 and any portion of the Convertible Loan that has not been drawn down by 31 December 2024 shall immediately be cancelled after 31 December 2024.
- 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 PCZM Holdco 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 36 months thereafter).
- The Convertible Loan shall be secured by the same security arrangements set out in the definitive agreements 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 13 December 2022 for details of the Triple Flag Precious Metal Stream and Funding Arrangement and related security arrangements). 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 and drawdown conditions to the Convertible Loan include but are not limited to:
 - the board of directors and the shareholder (if and to the extent required) of PCZM Holdco have passed the necessary resolutions to approve the execution of the Convertible Loan Agreement and implementation of the Convertible Loan;
 - the board of directors of Orion and Areachap have passed the necessary resolutions to approve the execution of the Convertible Loan Agreement and implementation of the Convertible Loan;
 - completion of the legal, environmental, regulatory and technical due diligence investigation to the satisfaction of the IDC;
 - the Funding Arrangement is in full force and effect or, alternatively, equity financing in an amount of at least A\$10 million has been completed by Orion and made available to PCZM, in such form as may be acceptable to the IDC;
 - the first ranking security in favour of the IDC (and Triple Flag) given by PCZM and other obligors over certain of their assets and claims has come into force and effect;
 - an inter-creditor agreement has been concluded between Triple Flag and the IDC regarding the security being provided in their favour by PCZM and other obligors;
 - Orion, PCZM Holdco and the other relevant members of the Orion group have obtained the necessary approvals from Triple Flag for the execution and implementation of the Convertible Loan Agreement;
 - PCZM Holdco has provided a certificate confirming, amongst other things, that:

² FX source: Oanda.com.

- no material adverse effect, event of default or economic failure has occurred and is continuing;
 - there has been no default or breach of any finance document and the warranties and representations are true and correct in all material respects; and
 - PCZM is the holder of all such regulatory approvals as it may require in order to carry out the business and activities being conducted by it.
- 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 Prieska Project 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 PCZM Holdco, in proportion to Agama's existing shareholder loan claims against PCZM Holdco as at the date of conversion, and utilising a pre-money enterprise value for PCZM of ZAR1.2 billion (**Equity Conversion**).
- In the event that the Equity Conversion does not take place, and PCZM Holdco 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 or claim against the security provided by PCZM and other obligors in its favour (subject to the terms of the intercreditor between Triple Flag and the IDC).
- 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, as well as a Commitment Fee of 0.75% (plus VAT) on the undrawn amount of the Convertible Loan.
- PCZM Holdco will be liable for a Cancellation Fee of 0.5% of the Convertible Loan amount if PCZM Holdco cancels the Convertible Loan after the signature of the Term Sheet.
- The Convertible Loan Agreement otherwise contains such undertakings, warranties and terms and conditions as would be standard and customary to include in transactions of this nature.