

31 May 2017

Orion Minerals^{NL}**ASX Code:** ORN**Issued Capital:**

Ordinary Shares: 792M

Options: 217M

Directors:**Denis Waddell**
Chairman**Errol Smart**
Managing Director, CEO**Bill Oliver**
Technical Director**Alexander Haller**
Non-Executive Director**Management:****Martin Bouwmeester**
CFO & Company SecretarySuite 617
530 Little Collins Street
Melbourne VIC 3000
ABN 76 098 939 274**T:** +61 (0)3 8080 7170
E: info@orionminerals.com.au

Tembo Capital Confirms Cornerstone Stake in Orion through \$3M Share Placement to Advance African Zinc-Copper Projects

Financial backing and strategic support for South African base metals development strategy

Highlights:

- Leading mining-focused private equity group Tembo Capital confirms it will become a cornerstone investor in Orion through a \$3M Share Placement in the Company, in addition to the \$3M in Orion Convertible Notes which it already holds.
- Orion and Tembo to commence strategic relationship from the completion of the Placement, under which Tembo will provide access to its strategic and financing networks.
- Orion may also seek to place Shares to sophisticated and professional investors such that the total amount raised will be up to \$4.8M.
- Tembo's stake in Orion, when combined with the conversion of the Convertible Notes it holds (assuming the \$4.8M Placement is completed and all Convertible Notes are converted to Shares), will be 19.6% of the Company.
- Tembo indicates that it intends to utilise its Top Up Right to maintain a minimum 12.5% stake in Orion (subject to terms and future circumstances).
- Orion agrees to procure that, if it undertakes a rights issue in the six months following completion of the Placement, Tembo will be offered the opportunity to sub-underwrite the rights issue on standard market terms and conditions, subject to Tembo's agreement to the proposed pricing and terms.
- The proceeds of the Placement, and the new strategic relationship with Tembo, will underpin Orion's strategy to fast-track the redevelopment of the historic Prieska VMS zinc-copper mine in South Africa.

Orion Minerals NL (ASX: ORN) (Orion or the Company) is pleased to advise that leading mining-focused private equity group Tembo Capital Mining Fund II LP (**Tembo**), has confirmed that it will become a cornerstone investor in Orion via a \$3 million share placement in the Company, providing a major boost to its base metal development strategy in South Africa.

The confirmation of Tembo's cornerstone investment follows an extensive due diligence process which included site visits to the Company's Prieska Zinc-Copper Project.

On 12 April 2017, the Company announced that it had taken another important step in its base metal development strategy in South Africa after entering into an agreement (**Placement Agreement**) with Tembo (through its nominee Ndovu Capital X BV) which contemplated that Tembo would acquire a cornerstone stake in Orion and a strategic relationship would be formed between the two groups.



The Placement Agreement provided for Tembo to subscribe for ordinary Orion shares (**Shares**) at an issue price of 2.4 cents per Share up to a maximum of \$4.7 million which would give Tembo a 19.9% holding in Orion, subject to the satisfaction of certain conditions including due diligence on Orion and its subsidiaries to Tembo's satisfaction (including with respect to the Company's operating budget and financing plan) and the Company's shareholders approving the Placement.

Tembo has confirmed completion of satisfactory due diligence (including with respect to the Company's operating budget and financing plan) and has nominated that it will subscribe for 125 million Shares in the Placement at an issue price of 2.4 cents per Share raising \$3 million, in addition to the \$3 million Orion Convertible Notes already held by Tembo.

At Orion's shareholder meeting held on 17 May 2017, Orion obtained approval for the issue of up to a maximum of 200 million Shares at an issue price of 2.4 cents per Share, to Tembo and/or other sophisticated or professional investors, to raise up to a maximum of \$4.8 million before costs (**Placement**), no later than three months after the date of the meeting. In addition to Tembo's \$3 million subscription under the Placement, Orion may also seek to place Shares to sophisticated and professional investors at the same price of 2.4 cents Share, such that the total amount raised (including the amount subscribed to by Tembo under the Placement Agreement) will be up to \$4.8 million through the issue of up to 200 million Shares.

On the basis that Orion completes the entire \$4.8 million Placement:

- Tembo's \$3 million Share Placement will result in it holding a 12.6% stake in Orion following the Placement; and
- Tembo's stake in Orion when combined with the conversion of the Convertible Notes it holds (and assuming all Convertible Notes are converted to Shares), would give Tembo a 19.6% stake in the Company.

The Placement Agreement contemplated the formation of a strategic relationship between Orion and Tembo. As part of this, Orion announced on 17 May 2017 that the ASX has granted Orion a waiver from listing rule 6.18 to enable the Company to provide an anti-dilution right to Tembo should the Placement to Tembo proceed. Under the terms of the waiver, for so long as Tembo holds at least 12.5% of Orion's Shares on issue, Tembo will be granted an anti-dilution right to maintain its percentage holding in Orion if Orion conducts an equity capital raising by way of the issue of equity securities (**Top Up Right**).

As the issue of Placement Shares has been approved by shareholders, Orion also retains its 15% capacity for issues of equity securities without shareholder approval afforded by ASX Listing Rule 7.1. Tembo has also indicated that it intends to utilise its Top Up Right to maintain a minimum 12.5% stake in Orion following any placement of Shares by the Company that falls within this 15% capacity for issues of equity securities without shareholder approval (subject to terms and future circumstances).

Following the completion of the acquisition of Agama Exploration & Mining (Pty) Ltd in March 2017, Orion now holds an effective 73.33% interest in the Prospecting Rights over the historical Prieska Zinc-Copper Mine, located at Copperton in the Northern Cape Province of South Africa, as well as the nearby Marydale Gold-Copper Project. Proceeds from the Placement will be used principally to progress the resource drilling programs underway at the Prieska Zinc-Copper Project (refer ASX announcement 25 May 2017), exploration programs on the Company's Northern Cape South African tenements and for general working capital purposes.



The Company is in the process of reviewing the amount of funding required to rapidly advance the Prieska Zinc-Copper Project through to completion of a feasibility study leading to a development decision point. Following this review, the Company will determine what capital raising initiatives are required which Tembo has indicated it will support (subject to terms and future circumstances).

Under the terms of the Placement Agreement, following completion of the Placement, Orion will use best endeavours to undertake a rights issue to raise additional equity as soon as reasonably practicable, and in any event within 3 months after completion. If Orion undertakes a rights issue in the 6 months following completion, it must procure that (subject to pricing and structure) Tembo is offered the opportunity to participate in the sub-underwriting of the rights issue on standard market terms and conditions and Tembo agrees to consider the offer.

Upon completion of the Placement, consistent with its position as a significant shareholder in Orion, Tembo will have the right to appoint one non-executive director to the Company's Board for so long as it holds at least 12.5% of Orion's issued Shares (subject to the provisions of the Corporations Act, the ASX Listing Rules and the Company's Constitution).

Tembo's agreement to become a cornerstone investor in Orion via a \$3 million Share Placement, follows its initial \$3 million investment in Orion by way of a Convertible Notes issue in March 2017. On 17 March 2017, the Company announced that it had issued 232,692,294 Convertible Notes each with a face value of 2.6 cents per Convertible Note, raising \$6.05 million.

Strategic Relationship

The Placement Agreement also sets out the key terms of the strategic relationship between Orion and Tembo. Following the completion of the Placement:

- Orion will have access to Tembo's strategic and financing networks within emerging markets, which access will cease on Tembo ceasing to hold at least 12.5% of Orion's issued Shares;
- Tembo will have access to certain information about Orion and its assets, subject to Orion's confidentiality and disclosure obligations, which access will cease on Tembo ceasing to hold at least 12.5% of Orion's issued Shares;
- for so long as Tembo holds at least 12.5% of Orion's issued Shares, Tembo will be granted an anti-dilution right to maintain its percentage holding in Orion if Orion conducts an equity capital raising by way of the issue of equity securities;
- Orion will use best endeavours to undertake a rights issue to raise additional equity as soon as reasonably practicable (see above); and
- for so long as Tembo holds at least 12.5% of the issued Shares, Orion agrees to procure that the Board consults with Tembo in respect of any proposed changes to its key management personnel, provided that any Executive Director must not participate in any discussions in relation to him or her.

About Tembo

Tembo is a private equity group targeting junior and mid-tier mining investment opportunities in developing countries. Tembo has technical and financial experience with in-house expertise in the fields of geology, mine engineering, metallurgy, mining finance and private equity. This experience, coupled with a strong network of relationships in the mining industry, enables Tembo to add long-term value to its investments through technical input, strategic guidance,



financial structuring advice and industry introductions. Tembo aims to work collaboratively with its investee companies through a long term partnership-type approach.

Management Comment

Commenting on Tembo's commitment to a cornerstone stake in Orion, Orion's Managing Director and CEO, Mr Errol Smart said:

"Orion's directors are very pleased that Tembo has made the decision to invest a further \$3 million in Orion following a very detailed due diligence process over the past four months. The Company welcomes Tembo as a substantial shareholder and looks forward to working with Tembo to progress the Prieska Zinc-Copper Project and in undertaking intensive exploration programs on the Company's highly prospective ground holdings in the Northern Cape of South Africa."

Errol Smart

Managing Director and CEO

Company Enquiries:

Errol Smart - Managing Director and CEO

Denis Waddell - Chairman

T: +61 (0)3 8080 7170

E: info@orionminerals.com.au

About Orion

Orion Minerals is focused on acquiring, exploring and developing large tenement holdings or regional scale mineral opportunities in world-class mineral provinces. The Company has acquired quality projects in such mineral provinces.

Orion has recently acquired an effective 73.33% interest in a portfolio of projects including an advanced volcanic massive sulphide 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, and the Marydale Prospecting Right, a virgin gold discovery of possible epithermal origin, located 60 km from the Prieska Zinc-Copper Project. (refer ASX release 30 March 2017).

In addition to the Prieska Zinc-Copper Project and Marydale Gold Project, the Company has entered into options and earn-in rights agreements over a combined area of 1606km² in the highly prospective Areachap belt, North Cape Province of South Africa (Figure 1). This has secured an outstanding growth and diversification opportunity for the Company. Agreements entered into include:

- An earn in right to ultimately earn a 73% interest in a 980km² prospecting right area located approximately 80 km north of the Prieska copper Project. The project area contains several VMS and VHMS zinc and copper targets including the advanced stage Kantienpan zinc – copper project. (refer ASX releases 31 May 2016 and 29 April 2016).
- An earn in right to ultimately earn an 80% interest, via a South African registered special purpose vehicle which will be 74% owned by Orion, to prospecting and mining right applications covering a combined and partially overlapping area of 626km². The mineral rights areas include an advanced stage ultramafic hosted nickel – copper project, analogous to the geology of the Fraser Range, Western Australia. Several VMS and VHMS copper-zinc targets are also located within this mineral rights package. (refer ASX release 14 July 2016).



The Company also continues to explore a large tenement package on the Connors Arc in Queensland, where a significant intermediate sulphidation, epithermal gold and silver system has been identified at Aurora Flats. The project lies between the Cracow and Mt Carlton epithermal deposits. The Company's fieldwork has led to the discovery of substantial epithermal systems at the Veinglorious and Chough Prospects.

The Company also has joint ventures over its Fraser Range Project, which are funded to the completion of pre-feasibility by Independence Group NL (ASX: IGO). The Fraser Range Project consists of a substantial tenement holding in the Albany-Fraser Belt, which hosts Australia's two most significant discoveries of the last decade (the Tropicana Gold Deposit and the Nova Nickel-Copper-Cobalt Deposit). (refer ASX release 10 March 2017).

The Company has an experienced management team with a proven track record in exploration, development and adding shareholder value.

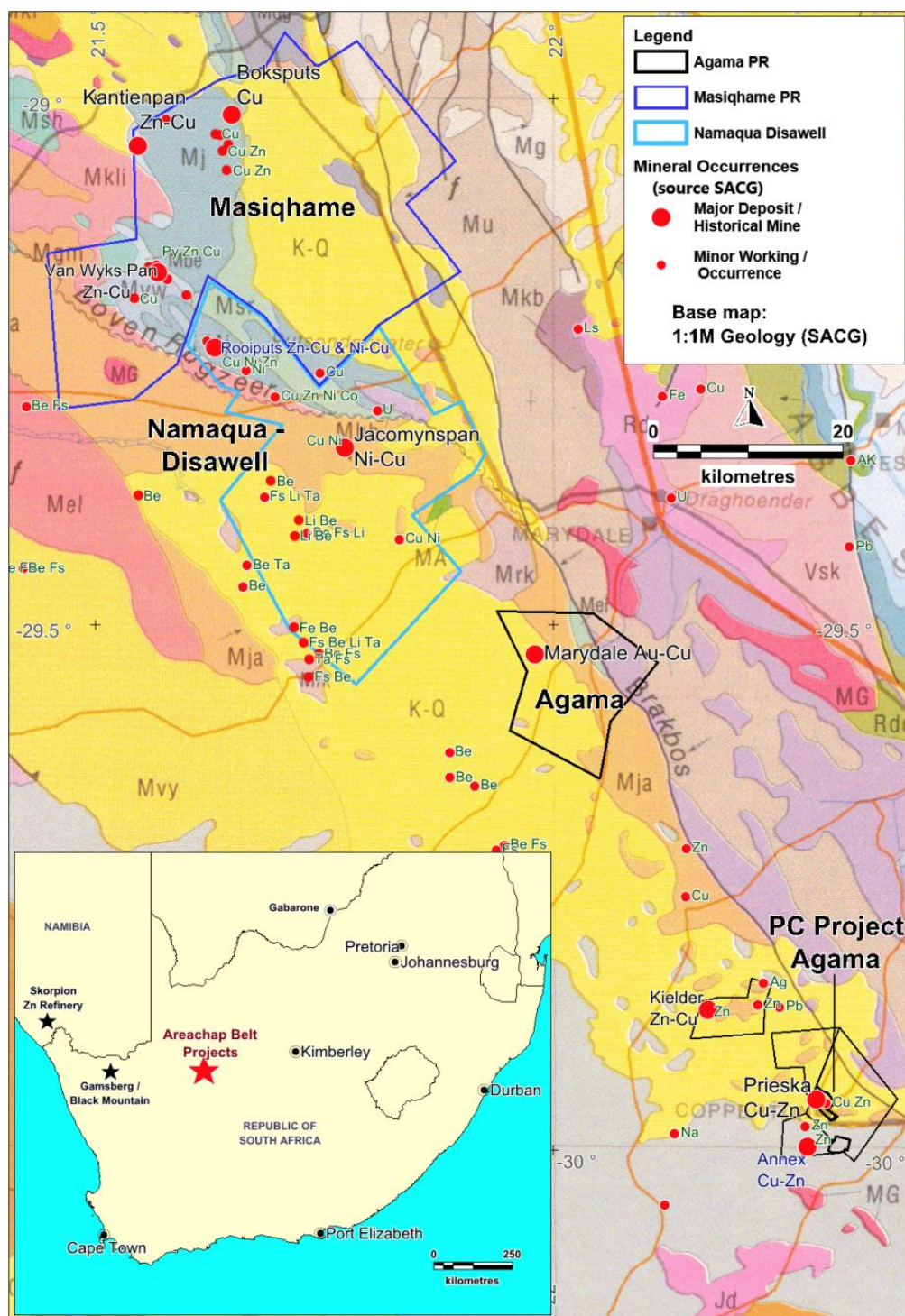


Figure 1: Regional geology map of the Areachap Belt showing prospecting rights owned by Orion and currently under option to Orion and noted mineral occurrences as per published data from South African Council for Geoscience.



Disclaimer

This release may include forward-looking statements. Such forward-looking statements may include, among other things, statements regarding targets, estimates and assumptions in respect of metal production and prices, operating costs and results, capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions. These forward-looking statements are based on management's expectations and beliefs concerning future events. Forward-looking statements inherently involve subjective judgement and analysis and are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Orion. Actual results and developments may vary materially from those expressed in this release. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Orion makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release. All information in respect of Exploration Results and other technical information should be read in conjunction with Competent Person Statements in this release. To the maximum extent permitted by law, Orion and any of its related bodies corporate and affiliates and their officers, employees, agents, associates and advisers:

- disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions;
- do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this release, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement; and
- disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).