



Orion Minerals

ASX/JSE RELEASE: 3 December 2019

Orion progresses post BFS optimisation work on the Prieska Copper-Zinc Project, South Africa

- ▶ **Positive results from the ongoing value engineering and optimisation studies are now being incorporated into the Prieska Project Bankable Feasibility Study (BFS) financial analysis.**
- ▶ **These optimisation studies, which will culminate in an updated BFS in Q1 CY2020, highlight the opportunity for an expanded and enhanced Prieska Project development scenario.**
- ▶ **Financing initiatives to develop the Prieska Project are being stepped up, with Orion now in discussions with several financial institutions that have submitted written expressions of interest to provide project debt finance.**

Orion Minerals Limited (**ASX/JSE: ORN**) (**Orion** or the **Company**) is pleased to announce that positive results from ongoing value engineering and optimisation studies on the Prieska Copper-Zinc Project (**Prieska Project**) are currently being incorporated into an optimised Bankable Feasibility Study (**BFS**). The optimisations expand and improve the already compelling BFS financial case for the Prieska Project, that was initially released on 26 June 2019.

The Company is also progressing negotiations with various parties to secure the total funding requirements for the development of the Prieska Project. Written expressions of interest have now been received from seven banks to provide senior secured project debt financing. In addition, several proposals for provision of mezzanine debt and equity investment at asset level have also been received, from parties interested in securing future product off-take.

Several expressions of interest have also been received from potential strategic investors, who are interested in partnering via significant equity participation in Orion's mine operating subsidiary companies. These discussions will be progressed in parallel with the project finance negotiations.

Feasibility Study Optimisation Process

Rated as one of the world's top-30 Volcanic Massive Sulphide (**VMS**) deposits, the Prieska Project contains a VMS Resource totalling 30.49Mt at 1.2% Cu and 3.7% Zn, including Indicated Mineral Resources of 19.13Mt at 1.18% Cu and 3.59% Zn (refer ASX release 15 January 2019). The Mineral Resources remain open both along strike and at depth and forms part of a highly prospective base metal belt, where Orion holds a commanding mineral rights position.

Orion completed a positive BFS in June 2019 based on a modern, 2.4Mtpa underground and open pit mining operation, with a 10-year "Foundation Phase" mining 20.8Mt and delivering payable metal production of 189,000t of copper and 580,000t of zinc in differentiated concentrates, with strong economics including undiscounted free cash-flows of A\$1.1 billion pre-tax, a project NPV8% of A\$574M and peak a funding requirement of A\$378M (refer ASX release 26 June 2019).

Further to the recent announcements, value engineering and optimisation work has continued since the completion of the BFS (refer ASX release 31 October 2019). These studies are now nearing completion and results

from these studies are being incorporated into the project development plans. Results of these optimisation studies have the potential to reduce pre-production capital, significantly extend the planned mine life and further improve project economics.

Key studies which are now at an advanced stage and are being incorporated into the optimised and updated BFS include:

- water treatment trials investigating supplementary means of dealing with the water to be pumped from the underground workings, so that the dewatering timeline and costs can be reduced;
 - Technical assessment and pilot plant trials now materially complete;
 - Detailed engineering design and capital costing underway;
- value engineering of the ore processing plant designs and layouts to reduce both capital and operating costs;
 - Capital costs reduction assessed at A\$15.3M (~ZAR153M);
 - Operating costs reduction being determined; and
- mine-to-market enterprise optimisation of the Foundation Phase mining plan, in order to optimise the mine plan, scheduling and operating parameters to realise maximum financial returns from the Prieska Project.

The optimised and updated BFS is now due for completion in Q1 2020, with the expectation of reduced pre-production capital and thus financing requirement.

Project Financing

In preparation for the Prieska Project development, discussions are advanced with several parties in respect of both debt and equity funding for the construction and commissioning of the Prieska Project,

Orion's appointed debt advisor, Endeavour Financial, has received formal expressions of interest from seven banking institutions, several construction groups, and product offtake finance groups. It is anticipated the financing process will be finalised following completion of the value engineering and optimisation studies and updated BFS.

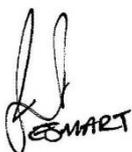
With respect to the equity portion of the Prieska Project funding, Orion is now investigating a number of options due to unsolicited approaches made by interested parties who could enhance project value through the provision of technical and financial input. The potential positive impact of operational synergies that may be achieved through investment by strategic partners, thereby reducing the equity amount to be provided by Orion, is currently being assessed as an alternative funding source.

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

"The Prieska Project continues to demonstrate pleasing upside as we add final touches pre-development. These improvements to an already robust business case allow us to leverage and structure the project finance for the maximum benefit of Orion shareholders.

The interest that we are now enjoying from established mining companies as they recognise the quality and growth potential of this project with its modern, high efficiency mining focus is encouraging. There may well be unexpected synergies emerging that need to be considered as we work out how to maximise our shareholder returns"

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

Rick Irving

Merchantec Capital

T: +27 (0) 11 325 6363

E: rick@merchantec.co.za

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 (where applicable). 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).