



Orion Minerals

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Orion Commences Partnering Process for the Prieska Copper-Zinc Project, South Africa

- ▶ Orion Minerals has received expressions of interest from third parties in relation to the potential acquisition of, or subscription for, a significant project-level ownership interest at its flagship Prieska Copper-Zinc Project in South Africa, prompting it to commence a formal process to consider a range of potential transactions.
- ▶ Macquarie Capital has been appointed as financial adviser to run the formal partner financing process on behalf of Orion Minerals.
- ▶ The decision to undertake a process also follows the positive results from the ongoing value engineering and optimisation work being undertaken on the Prieska Project Bankable Feasibility Study.
- ▶ These studies, which are due for completion and independent sign-off in early Q2 CY2020, have highlighted the opportunity for an expanded and improved project development which takes into consideration the substantial upside in the Prieska Project.
- ▶ Orion is targeting the completion of a transaction during Q3 CY2020, following completion of the BFS Optimisation in early Q2 CY2020.
- ▶ Orion cautions that there is no certainty that any transaction(s) will be completed.

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

"Prieska is a high-quality base metal asset of global significance, and we believe there are a number of significant benefits from evaluating alternative funding and development pathways that could include the sale of a project-level strategic equity interest. Given the size of the deposit, the scale of the development opportunity and the quality of the metal concentrates, Prieska is already attracting significant interest from a number of parties.

"We believe that identifying and engaging with the right partner could help us to unlock the full potential of this world-class deposit and ultimately deliver an integrated funding and development package that will minimise dilution for Orion shareholders while retaining significant exposure to the substantial cash-flows that will be generated by a long-life base metal operation.

"We have already held discussions with a number of parties that could bring technical, financial, corporate and strategic expertise to the table. We are looking forward to engaging formally with these and other parties over the coming months to see if we can crystallise a transaction that would generate a positive outcome for all stakeholders, and help to fast-track the development of a substantial new-generation African base metals mine."

Orion Minerals Limited (**ASX/JSE: ORN**) (**Orion** or the **Company**) is pleased to announce that it has commenced a partnering process which contemplates the introduction of a strategic project-level equity partner/ investor in its flagship Prieska Copper-Zinc Project (**Prieska Project**), in South Africa.

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 an Indicated Mineral Resource of 19.13Mt at 1.18% Cu and 3.59% Zn (refer ASX release 15 January 2019).

The Mineral Resource remains 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.

The Prieska Project is located in the Northern Cape Province of South Africa and has access to significant local and regional infrastructure. It is a brownfields project site which was mined previously in the 1970s and 1980s by Anglovaal, with historical production of over 430,000t of copper and 1Mt of zinc from 46.8Mt of sulphide ore milled.

Orion completed a positive Bankable Feasibility Study (**BFS**) in June 2019 focused on the development of the Deep Sulphide Resource, currently comprising 28.73Mt at 1.2% Cu and 3.8% Zn (refer ASX release 26 June 2019).

The BFS was based on a modern, 2.4Mtpa underground and open pit mining operation, with a 10-year "Foundation Phase" delivering payable metal production of 189,000t of copper and 580,000t of zinc in differentiated concentrates. The project has strong economics including undiscounted free cash-flows of A\$1.1 billion pre-tax, a pre-tax project NPV_{8%} of A\$574 million and peak funding requirement of A\$378 million.

The BFS is based on a mine plan of 20.8Mt milled, at 1.1% copper and 3.4% zinc and included mineral reserves of 13.62Mt at 1.1% copper and 3.2% zinc. Orion has identified significant mine plan optimisation and resource/reserve extension opportunities, including over 9 million tonnes of Mineral Resources not incorporated in the mine plan and existing mine pillars being assessed for future extraction, strike and dip extensions and regional exploration potential.

As announced (refer ASX release 31 October 2019), ongoing value engineering and optimisation work being undertaken since the completion of the BFS is delivering positive results, with key studies in progress including:

- Water treatment trials investigating supplementary means of dealing with the water to be pumped out from the underground workings so that the dewatering timeline and costs can be reduced;
- Value engineering of the ore processing plant designs and layouts to reduce both capital and operating costs; and
- Mine-to-market enterprise optimisation of the Foundation Phase mining plan, in order to optimise the mine plan and operating parameters to realise maximum value from the Prieska Project.

Partnering Process

While progressing BFS optimisation studies, the Orion management team has been progressing debt and equity funding discussions with a number of parties. Orion has also received unsolicited approaches from interested parties which could potentially enhance project value through the provision of technical and/or financial support.

In light of the potential of some of these approaches to increase overall project returns and limit Orion's requirement to provide equity financing, Orion has decided that it will run a formal process to engage with these interested parties.

Should the process be successful, Orion will participate in the joint development of the Prieska Project – providing the foundations for its transformation into a significant new mid-tier base metals mining company while at the same time continuing to pursue exploration of the many exploration opportunities identified in the Areachap Province in the Northern Cape Region of South Africa, which is highly prospective for copper, zinc and nickel.

The Company emphasises that it is not reliant on completing a transaction through the partnering process in order to secure project funding to proceed with the development of the Prieska Project, and there is no certainty that any transaction(s) will be completed.

Orion is targeting to complete the partnering process during Q3 CY2020, following completion of the value engineering and optimisation process and the delivery of an updated BFS.

Completion of a transaction (if any) is likely to be subject to shareholder approval in accordance with the Corporations Act and Listing Rules and the Company will keep the market informed as to any material developments in accordance with its continuous disclosure obligations.

Orion has engaged Macquarie Capital to act as the Company's financial adviser in relation to the transaction. Macquarie Capital is the advisory, capital markets and principal investment arm of Macquarie Group, a leading global financial institution. Macquarie Capital has a strong presence in South Africa, Australia, Europe and Asia.

For and on behalf of the Board.



Errol Smart
Managing Director and CEO

ENQUIRIES

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