



Orion Minerals

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Orion enters into non-binding term sheets in respect of US\$87m funding package to advance development of the Prieska Copper-Zinc Mine

Funding package comprising an US\$80m precious metal stream plus additional A\$10m (~US\$7 million) funding arrangement to underpin early production strategy and underground mine dewatering

- ▶ **Significant funding package for the Prieska Copper-Zinc Mine negotiated with Canadian streaming and royalty finance company, Triple Flag Precious Metals.**
- ▶ **Non-binding term sheets have been signed and are now being advanced under exclusivity to definitive agreements, expected during Q3 CY2022.**
- ▶ **US\$80 million (~A\$110 million) Stream Funding to be advanced against the delivery of 84% of future gold and silver by-product production. Orion will also receive payments of 10% of the delivered precious metal value at spot gold and silver at the time of delivery.**
- ▶ **The Stream Funding is conditional on the mine development being fully-funded, finalisation of an executable mine plan to Triple Flag's satisfaction and, if required, South African regulatory approvals.**
- ▶ **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 A\$10 million funding is conditional on Orion securing an additional A\$20 million in funding for the commencement of mine dewatering and, if required, South African regulatory approvals.**
- ▶ **The US\$87 million funding package, if concluded, will underpin the completion of a Feasibility Study for early mining at Prieska (refer ASX/JSE release 20 January 2022) and to commence mine dewatering and mine development.**

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

"We are absolutely delighted to have achieved this significant milestone for the funding of the Prieska Copper-Zinc Project.

"We have developed a strong working relationship with the Triple Flag team, and have been particularly impressed by their technical mining expertise and incisive questioning, as well as their diligent assessment of Orion's ESG commitment and their own alignment with our ESG goals.

"We also took great comfort from reports of how Triple Flag had engaged with one of their existing South African streaming counterparties during the Covid lock-down period when the streaming counterparty endured difficulties associated with the temporary shutdown of a converter at its primary concentrate offtaker, and these challenges affected mine operations and the delivery of metal. Triple Flag worked with the mining company and its host community to weather the storm, providing relief funding for the community during this very difficult time. That degree of integrity really impressed us.

This proposed transaction, if completed, includes funding from Triple Flag to support Orion's community social funding projects with up to US\$55,000 per annum for the life of the Prieska Copper-Zinc Mine mine, which funding will commence upon the payment of the first tranche of the Stream Funding."

"We look forward to working with the Triple Flag team to finalise the funding arrangements and commence mine dewatering at Prieska Copper-Zinc Mine and complete the early mining feasibility studies that are currently underway to determine the optimum development path."

"We see the commencement of mine dewatering as the most important next step for the development of the Prieska Copper-Zinc Mine, with this milestone marking the start of an exciting period of unlocking growth and value."

Triple Flag's CEO, Shaun Usmar, commented:

"We are really pleased to achieve this important step towards providing Orion with funding support for a very exciting base metals mine development."

"Triple Flag prides itself on partnering with companies on projects that share our high ESG credentials, with Orion demonstrating a strong commitment to area of ever-increasing importance."

"In a world seeking copper to enable decarbonization and climate change imperatives, the Prieska Project is well positioned for near-term supply delivery given the brownfield nature of this project and the significant mineral endowment that promises a long and prosperous future for Orion, local communities and its stakeholders. We are excited about the prospect of playing a key part of delivering this mine via our A\$10 million early investment, US\$80 million precious metals by-product stream and community support programs."

About the US\$87 million Funding Package

Orion Minerals Limited (**ASX/JSE: ORN**) (**Orion** or the **Company**) is pleased to announce that it has taken a pivotal step towards the development of its flagship Prieska Copper-Zinc Mine (**Prieska Project**) in South Africa's Northern Cape Province after signing non-binding term sheets with TF R&S Canada Ltd. and Triple Flag International Ltd. (together **Triple Flag**), for a US\$87 million¹ secured funding package.

Non-binding term sheets have been signed with Triple Flag and are now being advanced under exclusivity to definitive agreements (expected in Q3 CY2022), with the funding package planned to underpin the Early Production Scenario for the Prieska Project announced in January (refer ASX/JSE release 20 January 2022). This includes a plan to bring forward production from the open pit while dewatering the underground mine in preparation for long-term operations.

The contemplated funding package comprises two components, being a precious metal stream (**Precious Metal Stream**) and additional early funding (**Funding Arrangement**).

The Precious Metal Stream comprises US\$80 million (~A\$110 million) of funding to be drawn down in tranches, alongside other bank and / or third-party funding during mine development. Orion will also receive payments of 10% of the value of delivered payable precious metal paid at spot LME pricing at the time of delivery.

The proposed stream rates for gold and silver to be delivered under the stream agreement are 84% of "Payable Gold" until 94.3k ounces of gold are delivered under the stream agreement, and 84% of "Payable Silver" until 5,710k ounces of silver are delivered, with each stream rate reducing to 50% after the respective milestones.

Orion and Triple Flag have also entered into a term sheet for an additional A\$10 million Funding Arrangement, with such funding to be made available to Orion to complete the current early mining feasibility study (refer ASX/JSE release 20 January 2022) and to commence dewatering of the mine. In addition to the completion of due diligence and entering into a definitive agreement, the Funding Arrangement drawdown will be conditional on Orion securing an additional A\$20 million funding to execute the agreed work focused on early dewatering. The additional A\$20 million may be secured as equity or other funding arrangement satisfactory to Triple Flag

Under each of the Precious Metal Stream and Funding Arrangement, Prieska Copper Zinc Mine (Pty) Ltd (**PCZM**) and other obligors will agree to grant a first ranking security in favour of Triple Flag over certain assets and claims, with the security in respect of the Precious Metal Stream to be subordinated to Prieska Project financiers.

The term sheets are non-binding other than in respect of confidentiality, exclusivity until 31 January 2023 and transaction costs (amount payable to Triple Flag capped at US\$0.5 million).

A summary of the material terms of the Precious Metal Stream and Funding Arrangement are provided in

¹ FX Source: Oanda.com.

Appendix 1 and 2.

Orion is engaging with debt providers, concentrate offtakers and other potential investors who have expressed interest in funding early dewatering of the Prieska Project to secure the required co-funding as soon as possible.

About Prieska Copper-Zinc Mine

The Prieska Project is located in the Northern Cape Province of South Africa, 270km south-west of the regional capital Kimberley, with access to significant local and regional infrastructure.

The Prieska Project contains a globally significant 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/JSE release 15 January 2019). The Resources remain open with both strike extensions and up-folded limb extensions identified by downhole geophysics.

Orion completed a highly successful Bankable Feasibility Study for the Prieska Project in May 2020 (**BFS-20**) (refer ASX/JSE release 26 May 2020). The BFS-20 outlined a plan to re-establish the Prieska Copper Mine, which was previously operated as an underground mine between 1971 to 1991. During this time, mine records show 46Mt of ore were mined from Prieska to produce 430kt of copper and 1.01Mt of zinc in concentrates².

While funding discussions for the Prieska Project, based on the BFS-20 plan, are in progress with banks and finance institutions, investigations into further enhancing the technical and commercial aspects of the Prieska Project are being advanced.

Orion's strategy is to capitalise on the positive near-term base metals market and focus on investigating opportunities that have the potential to bring forward the start of production and revenue generation, potentially reducing the upfront external peak funding requirements of the Prieska Project.

On this basis, the Company is undertaking Feasibility Studies for an Early Production Scenario, comprising:

- Re-planning for upfront mining of the open pit (already included in the BFS-20 plan to occur at the end of the mine schedule);
- Assessment of the remnant pillars remaining from historical mining operations for potential opportunistic early extraction; and
- Preparation of a plan to commence the dewatering of the underground workings using a modular configuration, with the first modules being commissioned in CY2022, ahead of the scale-up to the full-scale pumping rate proposed in the BFS-20 plan.

The scenario that is being investigated is based on and maintains the core elements and material assumptions of the Prieska Deeps BFS-20 plan. The work to fully evaluate and quantify this opportunity are expected to be completed by mid-2022.

About Triple Flag

Triple Flag is a precious metals streaming and royalty company offering bespoke financing solutions to the metals and mining industry. Its mission is to be a preferred funding partner to mining companies throughout the commodity cycle by providing customized streaming and royalty financing, while offering value beyond capital as partners via our networks, capabilities and sustainability support..

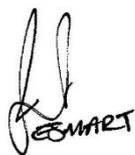
Since its inception in 2016, Triple Flag has rapidly developed a high-quality, diversified portfolio of streams and royalties providing exposure primarily to gold and silver in the Americas and Australia. It has also maintained carbon neutrality since that time, including the Scope 3 greenhouse gas emissions of its attributable portion of metals production of its counterparties. Triple Flag's diversified portfolio of streams and royalties provides exposure to production from a suite of long-life mining assets, including the Northparkes copper-gold mine in Australia, the Cerro Lindo polymetallic mine in Peru, the Fosterville gold mine in Australia, the Buriticá gold mine in Colombia and the RBPlat PGM Operations in South Africa.

As a company with deep values, Triple Flag recognises that optimal ESG performance helps ensure that mines and projects are operated responsibly to protect worker health, safety and the environment, mitigate and

² Historical production records for the Prieska Copper Mine are sourced from WILSON, M.G.C. and ANHAEUSSER, C.R. (eds), 1998. The Mineral Resources of South Africa: Handbook, Council of Geoscience, 16, 740pp.

manage social impacts, respect human rights, and ensure benefits accrue to local communities and a broad range of stakeholders. As part of this commitment, Triple Flag undertakes extensive pre-acquisition due diligence on a range of ESG aspects and integrates the results of this due diligence into its investment decision-making process.

For and on behalf of the Board.



Errol Smart
Managing Director and CEO

ENQUIRIES

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- 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).

Appendix 1:

Key Terms of Term Sheets

Streaming Term Sheet

Triple Flag International Ltd. (**Triple Flag International**) to provide US\$80 million deposit (**Deposit**) to Prieska Copper Zinc Mine (Pty) Ltd (**PCZM**), for an agreement for PCZM to sell to Triple Flag International a portion of gold and silver produced within the specified area of the Prieska Project (**Specified Area**) (refer Appendix 2), the key terms of which are set out in the Non-Binding Term Sheet: Stream Agreement (**Streaming Term Sheet**) and are summarised below:

- The Deposit shall be payable in tranches and each tranche of the Deposit shall be conditional on the Prieska Project being fully-funded to production at the time each such tranche is advanced;
- The definitive agreement (**Stream Agreement**) will include customary conditions including with respect to delivery by Orion of an executable mine plan to Triple Flag International's satisfaction, and there being an increase in the stream rates in the event of a significant negative variation to the technical and mine-economic parameters on the Prieska Project and, if required, approval by the Financial Surveillance Department of the South African Reserve Bank;
- The Stream Agreement shall have a term of 40 years, with automatic renewals every 10 years unless terminated by Triple Flag;
- Proposed stream rates for gold and silver to be delivered under the stream agreement are 84% of "Payable Gold" until 94.3k ounces of gold are delivered under the stream agreement, and 84% of "Payable Silver" until 5,710k ounces of silver are delivered, with each stream rate reducing to 50% after the respective milestones;
- For the purposes of the Stream Agreement, Payable Gold shall be calculated using a fixed ratio of 0.359 ounces per tonne of copper contained in concentrate for the period of time when the gold Stream Rate is 84%, and Payable Silver shall be calculated using a fixed ratio of 21.736 ounces per tonne of copper contained in concentrate for the period when the silver Stream Rate is 84%. After the stream rates are reduced, actual Payable Gold and Payable Silver will be used;
- Ongoing payments by Triple Flag International to Orion equal to 10% of the delivered precious metal value at spot gold and silver price;
- An arrangement fee of 1% of the aggregate amount of the Deposit shall be paid to Triple Flag International upon payment of the first tranche of the Deposit;
- A first right of refusal will be granted to Triple Flag International over future royalty-like or stream-like financing over the Specified Area;
- The Stream Agreement shall be secured by a:
 - first ranking security by PCZM and each other obligor, covering certain moveable and immoveable assets, and subordination of claims that the Company and each other PCZM shareholder may have against PCZM and the Prieska Project, and a pledge and cession of the Company's and each other PCZM shareholders' shares and claims in PCZM; and
 - cession and pledge by PCZM of rights, title and interests in and to material contracts, policies of insurance, and bank accounts of PCZM,

provided that the security shall be subordinated to Prieska Project financing parties pursuant to an intercreditor agreement. Triple Flag International agrees to engage collaboratively and constructively with senior project debt providers;

- Orion agrees to grant exclusivity to Triple Flag International until 31 January 2023 with respect to royalty, stream or royalty-like or stream-like financing for the Prieska Project;
- The term sheet is non-binding other than in respect of confidentiality, exclusivity and transaction costs of Triple Flag International up to a cap of US\$0.5 million, which is intended to be payable even if the transaction does not ultimately proceed; and
- The Stream Agreement will otherwise contain such undertakings, warranties and terms and conditions as would be standard and customary to include in transactions of this nature.

Funding Arrangement Term Sheet

TF R&S Canada Ltd (**Triple Flag Canada**) to provide A\$10 million early funding to PCZM (**Early Funding**), the key terms of which are set out in the Non-Binding Term Sheet: PCZM Funding Arrangement Term Agreement (**Early Funding Term Sheet**) and are summarised below:

- PCZM shall pay to Triple Flag Canada quarterly an amount equal to 0.8% of the gross proceeds received by PCZM from the sale, shipment or delivery of any minerals produced from the Specified Area for each quarter;
- A first right of refusal will be granted to Triple Flag Canada on the similar terms as the Streaming Term Sheet;
- Provision of the Early Funding by Triple Flag Canada shall be subject to Orion raising A\$20 million in equity or such alternate to be acceptable to Triple Flag Canada (including with respect to any subordination arrangements);
- If required, the Early Funding agreement shall be subject to approval by the Financial Surveillance Department of the South African Reserve Bank;
- Triple Flag Canada will require PCZM to provide a first ranking security, the proposed terms of which are set out in the Streaming Term Sheet (refer above), provided that the security for the Early Funding shall be first ranking;
- Orion agrees to use reasonable commercial endeavours to offer Triple Flag Canada a first right of refusal with respect to any streaming or royalty-like funding which may be required for the Okiep Copper Project rights (to the extent that Orion directly or indirectly owns or controls any such rights);
- Orion agrees to grant exclusivity to Triple Flag Canada until 31 January 2023 with respect to royalty, stream or royalty-like or stream-like financing for the Prieska Project;
- The Early Funding Term Sheet is non-binding other than in respect of confidentiality, exclusivity and transaction costs; and
- The definitive agreement will otherwise contain such undertakings, warranties and terms and conditions as would be standard and customary to include in transactions of this nature.

Appendix 2:

Specified Area

