

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Orion Minerals NL

ABN

76 098 939 274

Quarter ended ("current quarter")

December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	---	---
1.2 Payments for		
(a) exploration & evaluation	(4,828)	(8,886)
(b) development	---	---
(c) production	---	---
(d) staff costs	(263)	(574)
(e) administration and corporate costs	(1,861)	(2,710)
1.3 Dividends received (see note 3)	---	---
1.4 Interest received	2	52
1.5 Interest and other costs of finance paid	(183)	(366)
1.6 Income taxes paid	---	---
1.7 Research and development refunds	---	---
1.8 Other (provide details if material)	1	3
1.9 Net cash from / (used in) operating activities	(7,132)	(12,481)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	---	---
(b) tenements (see item 10)	---	---
(c) investments	---	---
(d) other non-current assets	---	---
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	---	---
(b) tenements (see item 10)	---	---

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) investments	---	---
(d) other non-current assets	---	---
2.3 Cash flows from loans to other entities	---	---
2.4 Dividends received (see note 3)	---	---
2.5 Other (provide details if material)	---	---
2.6 Net cash from / (used in) investing activities	---	---

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	7,190	8,942
3.2 Proceeds from issue of convertible notes	---	---
3.3 Proceeds from exercise of share options	---	---
3.4 Transaction costs related to issues of shares, convertible notes or options	(193)	(193)
3.5 Proceeds from borrowings	2,000	6,343
3.6 Repayment of borrowings	(1,440)	(1,440)
3.7 Transaction costs related to loans and borrowings	---	---
3.8 Dividends paid	---	---
3.9 Other (provide details if material)	---	---
3.10 Net cash from / (used in) financing activities	7,557	13,652

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,151	3,405
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(7,132)	(12,481)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	---	---
4.4 Net cash from / (used in) financing activities (item 3.10 above)	7,557	13,652
4.5 Effect of movement in exchange rates on cash held	---	---
4.6 Cash and cash equivalents at end of period	4,576	4,576

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5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,576	4,151
5.2 Call deposits	---	---
5.3 Bank overdrafts	---	---
5.4 Other (provide details)	---	---
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,576	4,151

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
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Payments to directors and associates were on normal commercial terms. These payments represent director fees and payments in terms of consultancy agreements with director-related entities.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7,425	4,985
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7,625	7,625

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Convertible Note

On 17 March 2017, Orion Minerals NL (**Company**) issued 232,692,294 convertible notes each with a face value of 2.6 cents, raising \$6.05 million (**Notes**). Key terms of the Notes are as follows:

- Security: secured over certain assets of the Company and its subsidiaries.
- Maturity Date: 17 March 2019.
- Interest: 12% per annum calculated and payable quarterly in arrears.
- Conversion: Noteholders may elect to convert part or all of their Notes at any time prior to the maturity date.
- Conversion Price: 2.6 cents per fully paid ordinary share (**Share**).
- Early redemption by the Company: Company may elect to redeem all or some of the Notes by notice to the noteholder, however the noteholder shall have the right, within 14 days of receipt of an early redemption notice from the Company, to convert the Notes the subject of the early redemption notice into Shares at the Conversion Price.
- Early redemption by the noteholder: noteholders may require the Company to redeem the Notes if an event of default occurs and the noteholders by special resolution approve the redemption. At any time before the Maturity Date, a noteholder may elect to redeem and set off some or all of the Notes held by it for the redemption amount as part of an equity capital raising by the Company permitted by the note deed and in which the noteholder may have a right to participate in (**Equity Raising**), such that the redemption amount is set off against the amount payable by the Noteholder to subscribe for securities under the Equity Raising.
- Redemption amount: the redemption amount is the outstanding facility amount with respect to each Note. If any Notes are redeemed by the Company within 12 months after their issue, an additional early repayment fee of 5% of the facility amount of the Notes being redeemed is payable by the Company.

Interest accrued at the end of the quarter was \$0.18 million. Further details of the key terms of the Notes are set out in the Company's 8 March 2017 ASX release.

Bridge Loan

On 18 August 2017, the Company announced that a \$6.0 million bridge loan facility had been agreed with leading mining-focused private equity group Tembo Capital Mining Fund II LP (**Tembo**) (**Bridge Loan Agreement**). Under the terms of Bridge Loan Agreement, the Company has agreed that it will use best endeavours to undertake a capital raising by 15 December 2017, to raise additional equity to progress the Prieska Project bankable feasibility study (**BFS**) and to continue its South African exploration programs. Orion has also agreed that Tembo will be offered the opportunity to participate in the sub-underwriting of any rights issue on standard market terms and conditions. The key terms of the Bridge Loan Agreement are:

- Bridge Loan Amount - Up to \$6.0 million, available in two \$3.0 million tranches;
- Interest - capitalised at 12% per annum accrued daily on the amount drawn down;
- Repayment – repayable on the earlier of 15 December 2017 and the completion of a capital raising(s) whether by way of a pro rata issue and/ or security purchase plan of Shares and/ or a placement or placements of Shares undertaken by the Company to raise such amount as is required, in Tembo's reasonable opinion, to progress the Prieska Project BFS, continue exploration programs at the Company's South African projects and for working capital (**Equity Capital Raising**);
- Equity Capital Raising - the Company will use its best endeavours to undertake an Equity Capital Raising before 15 December 2017. Orion shall procure that Tembo (or its affiliate) is offered the right to underwrite or sub-underwrite any pro rata issue and/ or security purchase plan which form part of an Equity Capital Raising, on standard market terms and conditions;
- Set-off under Entitlement Offer – repayment of the Bridge Loan will be set off against the amount to be paid by Tembo for the issue and allotment of Shares to Tembo under the Equity Capital Raising and/ or at Tembo's election against the underwriting amount payable by Tembo in respect of any shortfall under any 'pro rata issue' which form part of an Equity Capital Raising in its capacity as underwriter or sub-underwriter. Any surplus amount owing by Tembo after the set-off will be paid by Tembo in accordance with the terms of the relevant Equity Capital Raising and the underwriting arrangements (as applicable);
- Establishment fee - capitalised at 5% of the Bridge Loan facility amount; and
- Security - the Bridge Loan is unsecured.

On 15 November 2017, the Company announced an amendment had been agreed to the Bridge Loan Agreement with Tembo. The amendment included an extension to the Bridge Loan Agreement from 15 December 2017 to 31 May 2018 and an increase in the establishment fee from 5% to 6.67%.

As at 31 December 2017, \$3.56 million had been drawn down against the Bridge Loan Facility. Interest accrued at the end of the quarter was \$0.14 million.

Redeemable Preference Shares

A subscription agreement was entered into between Repli Trading No 27 (Pty) Ltd (**Repli**) (a 73.33% owned subsidiary of Agama Exploration & Mining (Pty) Ltd (**Agama**)) and Anglo American Sefa Mining Fund (**AASMF**) on 2 November 2015. Under the terms of the agreement, AASMF subscribed for 15,750,000 Repli redeemable preference shares at a subscription price of ZAR1 per redeemable preference share. The key terms of the agreement are as follows:

- 15,750,000 cumulative redeemable non-participating preference shares;
- Subscription price ZAR15.75 million;
- Dividend rate – prime lending rate in South Africa;
- Dividend payment – dividends accrue annually based on the subscription price. Fifty percent of the dividends which have accrued and accumulated from the date of issue until 2 years after the Copperton Project mining right (**Mining Right**) has been issued shall become due and payable on the scheduled dividend date (approximately 4 years after the issue date). Balance of the accrued and accumulated dividends to be paid at the relevant redemption date;
- Redemption date is the earlier of 7 years after the issue date or 4 years after the Mining Right has been issued;
- Redemption amount consists of:

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- ZAR15.75 million;
- any unpaid and accumulated dividends; and
- Settlement premium based on IRR of 13.5%, taking into account all cash flows from the preference shares in order to get an overall IRR of 13.5% (IRR is fixed for the duration that the preference shares are outstanding).
- Preference shares are unsecured, but AASMF will hold 26% voting rights in Repli in the event that there is a default on the part of Repli;
- Funding to principally used for a 12 month exploration program on the NW Oxide Zone and the use the results to update the scoping study.

On 5 November 2015, AASMF paid the subscription price to Repli and the preference shares were issued to AASMF by Repli. As at 31 December 2017, the provision for dividends and settlement premium totalled \$0.46 million (ZAR4.6 million) (effective rate 13.5%).

AASMF Loan

On 2 November 2015, Repli and AASMF entered into a loan agreement for the further exploration and development of the Copperton Project. Under the terms of the loan, AASMF shall advance ZAR14.25 million to Repli. The key terms of the agreement are as follows:

- Loan amount ZAR14.25 million;
- Interest rate will be the prime lending rate in South Africa;
- The disbursement of the loan will be subject to AASMF notifying Repli that it is satisfied with the results of the updated scoping study;
- Repayment date will be the earlier of 3 years from the date of the advance or on the date which Repli raises any additional finance for the further development of the Copperton Project; and
- On the advancement of the loan, 29.17% of the shares held in Repli by the Agama group (a wholly owned subsidiary of Orion), will be pledged as security to AASMF for the performance of Repli's obligations in terms of the loan.

As at 31 December 2017, the AASMF Loan had been drawn down in full. Interest accrued at the end of the quarter was \$0.06 million.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation (refer to item 8 for details of the availability of the Bridge Loan financing facility)	2,625
9.2	Development	---
9.3	Production	---
9.4	Staff costs	---
9.5	Administration and corporate costs	1,375
9.6	Other (provide details if material)	---
9.7	Total estimated cash outflows	4,000

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10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	<u>South Africa Prospecting Rights</u> --- <u>QLD Exploration Licence</u> --- <u>WA Exploration Licence</u> --- <u>VIC Exploration Licence</u> ---			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	<u>South Africa Prospecting Rights</u> --- <u>QLD Exploration Licence</u> --- <u>WA Exploration Licence</u> --- <u>VIC Exploration Licence</u> ---			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 31 January 2018

Print name: Martin Bouwmeester

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.