

## Intrepid Orion highlights investor opportunity lurking in corona-infected base metals land

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The coronavirus has knocked the stuffing out of base metals prices, taking equity values for the producers and developers down at the same time.

The likelihood is that when the terror of it all passes and everyone gets back to work, there will be a strong rebound in prices for the metals and equities, probably with the added bonus of a big dose of stimulus from Beijing.

While the timing of all that is uncertain, the here and now for the sector's equities is that there is now more value to be had for investors than there was before the thing began to spread from Wuhan.

It is on that basis that today's interest is in the intrepid Orion Minerals (ORN), trading at 2c for a market cap of \$58 million. It is the one trailblazing a first for South Africa – the development of a modern mine within the footprint of an old one, by an Aussie junior to boot.

If Orion's Prieska copper-zinc project in SA's remote Northern Cape Province were in the back blocks of WA, its market cap would probably be something more like \$400m. But it is not, which is both Orion's challenge as much as it is its opportunity.

While remote, Prieska is but a short drive on a tarred road from the small town of the same name on the banks of the nourishing Orange River in what is a semi-desert environment. It is not a new mine as the long-departed AngloVaal mined more than 47m tonnes of copper-zinc mineralisation there from 1971 to 1991.

It only called time because it had mined the stated reserves and metal prices at the time were not supportive of developing into the flattening orebody at depth. Everything except a towering and Bauhaus-looking wheelhouse, a 1km deep shaft, a tank farm, and the remnants of an office block and a golf course clubhouse were demolished when AngloVaal packed up.

While the surface footprint was largely removed, the underground was a different story. The shaft and the mass of underground declines and drives were capped or backfilled and because of subsidence on the surface, pretty much everyone thought Prieska had collapsed in on itself.

Orion arrived on the scene in 2015 thinking otherwise. It has since confirmed the shaft and underground workings are intact, albeit with the mine flooded to 300m below surface. What's more, there is not a rock out of place, and the steelwork in the shaft remains above the spec required for its eventual return to work.

Orion has also established what in itself is a globally significant VMS mineral resource at the base of the mine of 30.49Mt at 1.2% copper and 3.7% zinc. It remains open along strike, and potentially in upfolded limb extensions identified by downhole geophysics.

Tantalisingly, the history of VMS deposits around the world is that they occur in clusters, with the sum of the smaller ones equalling the total of the biggest. Given its Tier 1 scale, (historic and current), Prieska is assumed to be the big one.

So the exploration upside on Orion's tenements – it is the only player on the mineral belt – is something set to excite once the company sets about following up what previous drilling suggests could be satellite orebodies.

It is a key part of the sales pitch as Orion sets about clearing the last hurdle for the development of Prieska – the need to raise \$400m or so for its initial re-development as the producer of 190,000t of copper and 580,000t of zinc (in concentrates) over an initial 10-year “foundation phase”.

Macquarie is on board to help with the planned 40% equity component of the 60:40 debt/equity plan, with the equity likely to take several forms, including the potential for export credit agency funding and offtake arrangements.

It is also there to advise on the potential for a project equity sell-down.

Given the shortage of ready-to-go copper/zinc projects, Prieska will be of interest to any number of Indian and Chinese groups, metal traders, and growth-short corporates. This year is shaping up as a big one on that score, with the completion of optimisation work on the BFS foundation case expected soon, clearing the way for the financing to be wrapped up.

Critically in the South African context, Prieska does not come with the social and labour issues that seem to dog every other mine and project in the country. Due mainly to its remoteness, Orion is coming at the project with a clean sheet of paper.

An example of its ability to return Prieska as a modern and highly mechanised operation is that while there were up to 3,000 workers-a-day underground during the AngloVaal period, no more than 150 workers will be required underground in its second coming.

The broader SA industry is incapable of achieving the same at its socially and militant labour challenged operations where communities have built up around mining operations over the years.

There is no such issue at the Prieska mine site.

To the credit of the SA government, Orion's clean sheet development of Prieska, while meeting its social and labour contracts under SA law and in partnership with its black empowerment partners, is why Prieska is considered a project of national importance.

It is seen as a flagship for a new way of mining in the country.

And as if to underline that new way, it is worth noting that as remote as it is, the Prieska mine site is surrounded by solar and wind farms, either built or in the construction/planning phase. It turns out that in the power-challenged SA, there is no better place for solar and wind capture.