

7 February 2017

Orion Gold<sub>NL</sub>**ASX Code:** ORN**Issued Capital:**

Ordinary Shares: 644M

Options: 85M

**Directors:****Denis Waddell**  
Chairman**Errol Smart**  
Managing Director, CEO**Bill Oliver**  
Technical Director**Alexander Haller**  
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## Orion Announces \$8 million Convertible Note Issue to Fund Acquisition of world-class VMS zinc-copper project in South Africa

**Highlights:**

- Orion proposing to conduct a capital raising through the issue of convertible notes to various sophisticated and professional investors to raise up to \$8,000,000 through the issue of up to 307,692,308 convertible notes, each with a face value of 2.6 cents.
- On 3 January 2017, Orion exercised its option to acquire a 100% interest in Agama, which holds an effective 73.33% in Prospecting Rights over the historic Prieska Copper Mine, located at Copperton, Northern Cape province, South Africa and the Marydale Gold-Copper Project.
- The historic Prieska Copper Mine is recorded as one of world's 30 largest VMS base metal deposits with recorded historical production of 0.43Mt of copper and 1Mt of zinc from 46.8Mt of sulphide ore milled<sup>(1)</sup>. Unmined dip and strike potential is confirmed by extensive drilling and geophysics.

Orion Gold NL (ASX: ORN) is pleased to advise that negotiations are well progressed with potential investors for a proposed capital raising through the issue of convertible notes to various sophisticated and professional investors to raise up to \$8 million through the issue of up to 307,692,308 convertible notes, each with a face value of 2.6 cents (**Convertible Notes**).

On 3 January 2017, Orion announced that it had exercised the option to acquire Agama Exploration & Mining (Pty) Ltd (**Agama**), which through its subsidiary companies, ultimately holds an effective 73.33% interest in the company holding Prospecting Rights over the historic Prieska Copper Mine (**PC**), located at Copperton, Northern Cape province, South Africa and the Marydale Gold-Copper Project, a volcanogenic gold-copper discovery located 60km from PC (Figure 1). The purpose of the issue of the Convertible Notes is to raise funds to complete the purchase of 100% of the issued capital of Agama and to provide working capital to the Company.

In recent months, the Company has announced very encouraging exploration results from the +105 Level Target (open pit) at the Prieska Zinc-Copper Project. As announced in previous ASX releases, 3D modelling of the mineralised zone intersected in drilling is now underway with the objective of producing Mineral Resources compliant with the JORC Code (2012) in early 2017 and feeding these resource estimates into a pre-feasibility studies. To aid these studies, a large diameter diamond core hole is being drilled to provide material for metallurgical test work.

(1) Source: Mine records.

## Key terms of Convertible Notes

The key terms of the Convertible Notes are expected to be as follows:

- (a) Maturity Date: 24 months from the date of issue (**Maturity Date**).
- (b) Interest: 12% per annum calculated and payable quarterly in arrears.
- (c) Conversion: holders of the Convertible Notes may elect to convert part or all of their Convertible Notes at any time prior to the Maturity Date, provided that the total face value of such Convertible Notes is not less than \$250,000.
- (d) Conversion Price: 2.6 cents per fully paid ordinary share (**Share**) (**Conversion Price**).
- (e) Early redemption by the Company: the Company may elect to redeem all or some of the Convertible 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 Convertible Notes, the subject of the early redemption notice, into Shares at the Conversion Price.
- (f) Early redemption by the noteholder: the noteholder may require the Company to redeem the Convertible Notes if an event of default occurs or if there is a sale by the Company of all or substantially all of the Company's business.
- (g) Mandatory redemption: the Company must redeem all outstanding Convertible Notes on the Maturity Date or if a change in control transaction occurs.
- (h) Redemption amount: the redemption amount is the outstanding facility amount with respect to each Convertible Note. If any Convertible 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 Convertible Notes being redeemed is payable by the Company.
- (i) Security: the Company and a number of its subsidiaries (both presently held or after acquired) will, other than to the extent they are contractually or legally prevented from doing so, grant to a security trustee (to hold on behalf of holders of Convertible Notes) a security over certain of their present and after-acquired property in Western Australia and Queensland and in the case of property in South Africa, over shares in those holding companies that hold shares in the entities with tenements in South Africa and not over the tenements.
- (j) Status and ranking: the Convertible Notes will be unsubordinated, senior and (subject to negative pledge) secured and unconditional obligations of the Company. The payment obligations of the Company under the Convertible Notes will rank in priority to the issued share capital and all future preference shares and senior to all future debt. The Convertible Notes will at all times rank pari passu and without priority among themselves.
- (k) Transferability and other restrictions: the Convertible Notes will not be transferrable.

It is expected that the issue of the Convertible Notes will be subject to the satisfaction or waiver of the following conditions precedent:

- (a) all relevant shareholder, ASX and other regulatory approvals and waivers have been obtained to enable the issue and conversion of the Convertible Notes;
- (b) satisfaction or waiver of all conditions precedent under the Agreement on or before 15 March 2017 or such later date as may be agreed with the Agama vendors; and
- (c) other standard conditions precedent to a draw down under a facility of this kind.

Drawdown is expected to occur within 4 days after satisfaction or waiver of the conditions precedent.

Further details in relation to the terms of the Convertible Notes is contained in the notice of meeting for a general meeting of shareholders of the Company, which is scheduled to be held on or around 10 March 2017 (**Meeting**). At the Meeting, the Company is seeking approval for the issue of the Convertible Notes and for the issue of securities for the consideration payable by the Company to the Agama vendors upon completion of the acquisition of Agama.

## Background

In July 2015, the Company announced the signing of a binding term sheet giving Orion the right to acquire Agama. During the option period, Orion undertook comprehensive due diligence including conducting exploration programs at both the PC Project and Marydale Project.

Agama is well financed at project level to advance its main project, with a ZAR30 million (~A\$3.0 million) facility available from a South African Investment Fund. Importantly, the PC Project also has a cash backed environmental fund of ZAR17.5 million (~A\$1.75 million) which has not been needed since the mine closed in 1991.

The key terms of the purchase agreement (**Agreement**) are set out below:

- The Agama vendors have agreed to sell a 100% interest in Agama.
- Subject to the conditions below, purchase consideration payable upon completion of the acquisition is ZAR53 million (~A\$5.3 million), of which:
  - Cash – ZAR31.5 million (~A\$3.15 million) is payable in cash;
  - Consideration Shares - ZAR21.5 million (~A\$2.15 million) is payable by issue of Orion fully paid ordinary shares (**Shares**), to be issued at a 10% discount to the 10 trading day volume weighted average price of the Shares prior to the issue of the Shares (**Share Issue Price**); and
  - Each Share issued will have an attached unlisted Orion option, exercisable at a 100% premium to the Share Issue Price and expiring on the date which is 24 months following the date of issue of the unlisted option (**Unlisted Option**).

The Consideration Shares are subject to regulatory and shareholder approvals. If certain South African regulatory approvals for the issue of Shares to the vendors are not received prior to 15 March 2017, the Consideration Shares may be settled by cash payment to the vendors unable to obtain such approvals.


Shares issued to the vendors will be subject to a 6-month voluntary escrow period from their date of issue and 75% of the Shares issued to the vendors will be subject to a 12-month voluntary escrow period from their date of issue;

- The acquisition is subject to the satisfaction of a number of conditions precedent including:
  - Orion providing proof of financial capacity to complete the transaction;
  - the issues of Shares and Unlisted Options to the vendors being approved by Orion shareholders, where required by law, including the ASX listing rules;
  - Orion providing or procuring finance for Agama so that it can settle all shareholder loans to an aggregate amount of approximately ZAR32.3 million (~A\$3.23 million);
  - regulatory approvals; and

- Agama disposing of all its assets and liabilities, other than the Prieska Zinc-Copper Project and the Marydale Project prior to settlement.

Satisfaction of the conditions precedent to the acquisition will occur by no later than 15 March 2017 (or such later date as may be agreed to between the parties), failing which the parties will be released from their obligations under the Agreement.

The projects have a well established Broad Based Black Economic Empowerment ownership structure (26.66% ownership) in place with strong local partners.



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## About Orion

Orion Gold is focused on acquiring, exploring and developing large tenement holdings or regional scale mineral opportunities in world-class mineral provinces. The Company has acquired quality projects in proven mineral provinces.

Recently, the Company has secured an outstanding growth and diversification opportunity in the global gold and base metals sectors and has secured options and earn-in rights over a combined area of 1790km<sup>2</sup> on the highly prospective Areachap belt, North Cape Province of South Africa (Figure 1). These include:

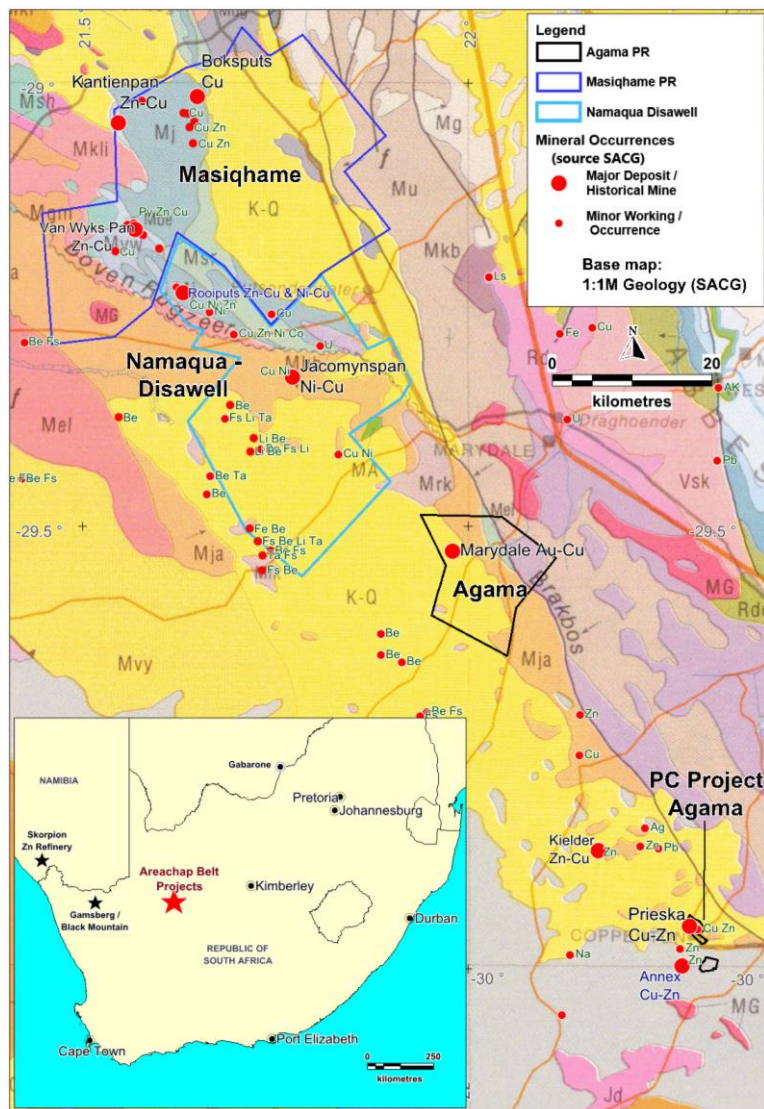
- An option that has been exercised to acquire, an advanced volcanic massive sulphide zinc-copper project with near-term production potential. The option gives Orion the right to acquire an effective 73.33% interest in a portfolio of projects including an exploration project at the Prieska Zinc-Copper Project, located near Copperton in the Northern Cape province of South Africa, and the Marydale Prospecting Right, a virgin gold discovery of possible epithermal origin, located 60 km from the Prieska Zinc-Copper Project. (refer ASX releases 3 January 2017 and 18 November 2015).
- An earn in right to ultimately earn a 73% interest in a 980km<sup>2</sup> prospecting right area located approximately 80 km north of the Prieska copper Project. The project area contains several VMS and VHMS zinc and copper targets including the advanced stage Kantienpan zinc – copper project. (refer ASX releases 31 May 2016 and 29 April 2016).
- An earn in right to ultimately earn an 80% interest, via a South African registered special purpose vehicle which will be 74% owned by Orion, to prospecting and mining right applications covering a combined and partially overlapping area of 626km<sup>2</sup>. The mineral rights areas include an advanced stage ultramafic hosted nickel – copper project, analogous to the geology of the Fraser Range, Western Australia. Several VMS and VHMS copper-zinc targets are also located within this mineral rights package. (refer ASX release 14 July 2016).

The Company also continues to explore a large tenement package on the Connors Arc in Queensland, where a significant intermediate sulphidation, epithermal gold and silver system has been identified at Aurora Flats. The project lies between the Cracow and Mt Carlton epithermal deposits. The Company is increasing its focus on this project, following promising reports from expert consultants, and its fieldwork has led to the discovery of substantial epithermal systems at the Veinglorious and Chough Prospects.

The Company also holds a substantial tenement holding in the Albany-Fraser Belt, host to Australia's two most significant discoveries of the last decade (the Tropicana Gold Deposit and the Nova Nickel-Copper-Cobalt Deposit). Part of this tenement holding was acquired from entities associated with Mark Creasy who is a large shareholder in Orion. Orion's intensive, systematic exploration programs have successfully defined 34 targets to date by a combination of geological, geochemical and geophysical methods.

Additionally, the Company owns the Walhalla Project located in Victoria, which is prospective for gold, copper – nickel and PGEs.

The Company has an experienced management team with a proven track record in exploration, development and adding shareholder value.



**Figure 1:** Regional geology map of the Areachap Belt showing prospecting rights currently under option to Orion and noted mineral occurrences as per published data from South African Council for Geoscience.

## Competent Persons Statement

The information in this report that relates to Orion's Exploration Results at the PC and Marydale Project comply with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**) and has been compiled and assessed under the supervision of Mr Errol Smart, Orion Gold NL's Managing Director. Mr Smart (PrSciNat) is registered with the South African Council for Natural Scientific Professionals, a ROPO for JORC purposes and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Smart consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

## 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. 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:

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