

8 March 2017

Orion Gold_{NL}

Convertible Note Terms Update

ASX Code: ORN

Issued Capital:

Ordinary Shares: 644M

Options: 85M

Directors:

Denis Waddell
Chairman

Errol Smart
Managing Director, CEO

Bill Oliver
Technical Director

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Orion Gold NL (ASX: ORN) (Orion or the Company) is pleased to provide shareholders with an update in relation to the terms of the convertible notes which the Company proposes to issue to raise up to \$8 million (subject to shareholder approval), each with a face value of 2.6 cents (**Convertible Notes**).

The expected key terms of the Convertible Notes were set out in the Company's announcement to shareholders dated 7 February 2017 and notice of meeting to be held on 13 March 2017 at which shareholder approval for the issue of the Convertible Notes, amongst other items, will be sought.

The final terms of the Convertible Notes are set out in the Schedule. Modifications to the terms previously disclosed are set out in mark-up and are provided to Shareholders to ensure they are made aware of the key terms of what is being offered to investors by the Company. The Directors continue to recommend that Shareholders vote in favour of the resolutions the subject of the meeting being held on 13 March 2017.

Errol Smart
Managing Director and CEO

Company Enquiries:

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Schedule

Set out below are the key terms of the Convertible Notes. Changes to the terms as set out in the Company's Notice of General Meeting dated 8 February 2017 (**Notice**) (referred to in the Notice as expected terms) are set out in mark-up.

- (a) Security: the Company:
- (i) enter into a general security deed with a security trustee (**Trustee**) who will hold that security and all other security it enters into on behalf of the Noteholders;
 - (ii) subject to obtaining third party consents, cause its subsidiaries to grant security over its interest in the Fraser Range tenements where the Company does not otherwise enter into an agreement with respect to those tenements;
 - (iii) on the passing of a special resolution by the Noteholders requiring the Company to grant security over its tenements in Queensland, the Company will enter into a mining mortgage in favour of the Trustee; and
 - (iv) cause each of its Mauritian and certain of its South African subsidiaries to grant a pledge over shares in the company it holds shares in.
~~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 (**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 companies that hold property in South Africa and not over the tenements themselves (**Security**).~~
- (b) 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.
- (c) Maturity Date: 24 months from the date of issue (**Maturity Date**).
- (d) Interest: 12% per annum (grossed up for withholding and other taxes for non-Australian resident investors), calculated and payable quarterly in arrears.
- (e) Conversion: holders of the Convertible Notes (each a **Noteholder** and together the **Noteholders**) 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.
- The Company is entitled to refuse to convert a Convertible Note if the conversion would result in a person acquiring a 20% or greater relevant interest in ordinary shares (**Shares**) in the Company in breach of section 606 of the Corporations Act (or any equivalent provision) provided that the Company must take all steps within its power (including providing information and holding shareholder meetings) to assist the Noteholder to obtain such approvals as are required.
- (f) Conversion Price: \$0.026 per Share (**Conversion Price**). If there is a reconstruction of the issued capital of the Company before the Maturity Date or the conversion of all Convertible Notes, the basis for conversion of the Convertible Notes will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in the noteholder being worse off or obtaining any additional benefits which are not conferred on the Shareholders of the Company.
- (g) 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.
- (h) Early redemption by the noteholder: the ~~noteholder~~ Noteholders may require the Company to redeem the Convertible Notes if an event of default occurs and the Noteholders by special resolution approve the redemption, ~~or if there is a sale by the Company of all or substantially all of the Company's business~~

At any time before the Maturity Date, a Noteholder may elect to redeem and set off some or all of the Convertible 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.

- (i) Mandatory redemption: the Company must redeem all outstanding Convertible Notes on:
 - (i) the Maturity Date; or
 - (ii) if a change in control transaction occurs pursuant to a takeover bid under Chapter 6 of the Corporations Act of a scheme of arrangement or if there is a sale of all or a substantial or material part of the assets and/or business of the Company, the earlier of the date on which a third party acquires a relevant interest in all of the Shares or is entitled to acquire or buy out any Shares, Convertible Notes or other securities it does not already own under Part 6A of the Corporations Act.
- (j) 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.
- (k) Participation rights: the Convertible Notes will not provide for any voting rights at Shareholder meetings unless and until converted into Shares. A noteholder is not (by virtue of the Convertible Note) entitled to participate in any new issue of securities to Shareholders without first converting the Convertible Note into Shares.
- (l) Transferability and other restrictions: the Convertible Notes are not transferrable, except to an affiliate of a Noteholder. The ~~N~~oteholder agrees to not short sell Shares at any time.
The Shares issued on conversion of the Convertible Notes will be transferrable and the Company will issue a cleansing notice or a disclosure document to enable the Shares to be transferred within 12 months without breaching the Corporations Act, and further agrees not to transfer any Shares issued on conversion of the Convertible Notes for a period of 12 months following their issue except if the Company issues a cleansing notice in respect of the Shares under section 708A(5)(e) of the Corporations Act or the transfer is to a sophisticated or professional investor (as defined in the Corporations Act) provided the transferee agrees to be subject to the same transfer restrictions as set out above.

The Convertible Note deeds (**Note Deeds**) include the following key terms:

- (a) Conditions precedent: the issue of the Convertible Notes is subject to satisfaction or waiver of the following conditions precedent:
 - (i) all relevant shareholder, ASX and other regulatory approvals and waivers have been obtained to enable the issue and conversion of the Convertible Notes;
 - (ii) satisfaction or waiver of all conditions precedent under the Agreement on or before 15 March or such later date as may be agreed with the Agama Vendors; and
 - (iii) the Company entering into a security trust deed with the Trustee and the Noteholders~~other standard conditions precedent to a draw down under a facility of this kind.~~
- (b) Subscription monies: On or before 13 March 2017, the Noteholders must provide the Company with the subscription amount. Such funds will be held in trust until the Convertible Notes have been issued and the Company has entered into the security trust deed and the general security deed. The subscription monies must be returned by the Company if completion of the acquisition of Agama Exploration & Mining (Pty) Ltd (Agama) does not occur by 31 March 2017.
- ~~(b)~~(c) Undertakings and covenants: before the earlier of the redemption or conversion of all Convertible Notes and the Maturity Date, the Company agrees that unless expressly permitted by the Note Deeds, without the prior consent of noteholders holding at least 75% of the aggregate face value of the Convertible Notes, it must (in summary):
 - (i) not incur (and shall procure that none of its subsidiaries incur) any debt other than in certain circumstances including debt incurred in the ordinary course of trading or for the purpose of funding any of its projects,

- (ii) not grant (and shall procure that none of its subsidiaries grant) any security interests other than in certain circumstances;
- (iii) procure that all of its obligations under the Note Deed will at all times rank at least pari-passu with all of its other present and future secured and unsubordinated obligations, except for obligations mandatorily preferred by law applying to companies generally;
- (iv) not (and shall procure that none of its subsidiaries shall) dispose of, sell or part with possession of or create an interest in any asset of the group other than in certain circumstances;
- (v) not (and shall procure none of its subsidiaries shall) acquire or agree to acquire any asset other than in certain circumstances;
- (vi) not (and shall procure that none of its subsidiaries shall) substantially change the general nature of its business from that carried out following completion of Agama;
- (vii) immediately notify the noteholders if it becomes aware that any Event of Default has occurred and the steps being taken (if any) to remedy it;
- (viii) not (and shall procure that none of its subsidiaries shall) amend its constitution or other constituent documents;
- (ix) not pay, make or declare any dividend or other distribution;
- (x) pay when due any duties in relation to the Note Deed, or any Convertible Note;
- (xi) ensure that each authorisation required for:
 - (A) the execution and delivery (if applicable) and the performance by it of the Note Deed; and
 - (B) the development, conduct and operation of the Company group's business and, (including under environmental law) and, which is material to the group,
 is obtained and maintained in full force and effect and that any breach is promptly rectified;
- (xii) comply (and shall procure that each of its subsidiaries shall comply) fully with all laws binding on it in all respects where failure to do so may be reasonably likely to have a material adverse effect on the condition, prospectus, business, assets or operations of the of the Company and its subsidiaries as a whole, the ability of the Company to perform its obligations under the Note Deed, the rights or benefits to the noteholder under the Note Deed, or the validity, priority or enforceability of the Note Deed (**Material Adverse Effect**);
- (xiii) not (and shall procure that none of its subsidiaries shall) enter into any agreement, transaction or other arrangement with or for the benefit of a related body corporate other than as contemplated in the Note Deed, or otherwise in the ordinary course of business; and
- (xiv) not issue or grant, and must procure that none of its subsidiaries issues or grants, or agrees to issue or grant, any securities, other than in certain circumstances, including the issue of Shares as consideration for the acquisition of Agama, the issue of the Convertible Notes, placement or a pro-rata issue by the Company.

~~(c)~~(d) Events of default: it will be an event of default under the Note Deeds if (in summary):

- (i) the Company fails to pay principal, interest, fees or any other payments owing to the noteholders under the Convertible Notes which is not remedied within ~~60~~30 days;
- (ii) the Company fails to perform any obligation under the Note Deed unless in the Company's opinion (acting reasonably), the failure is capable of remedy and is so remedied within ~~60~~30 days of such failure;
- (iii) there is a material breach of representations, warranties or covenants made by the Company in the Note Deeds which has a Material Adverse Effect, unless in the Company's opinion (acting reasonably), the failure is capable of remedy and is so remedied within 60 days of such failure;
- (iv) an insolvency event occurs to the Company or any of its subsidiaries;

- (v) it is or becomes unlawful for a party to perform any of its obligations under the Note Deed or they otherwise are repudiated, terminated, rescinded, or become void, unenforceable or otherwise of limited force and effect, or any person becomes entitled to repudiate, terminate, rescind or avoid any material provision of the Note Deed;
- (vi) any person with competent jurisdiction takes any step with a view to the seizure, compulsory acquisition, expropriation or nationalisation of any assets of or shares in the Company or its subsidiaries;
- (vii) the Company or its subsidiaries default under any material agreement they are parties to and such default has a Material Adverse Effect;
- (viii) if the Company or its subsidiaries are in breach of an applicable law or regulation and such breach has a Material Adverse Effect; and
- (ix) an authorisation, approval or consent which is material to the Company or its subsidiaries is cancelled, repealed, revoked or termination or has expired, or is modified or amended or conditions are attached in a manner which gives rise to a Material Adverse Effect.