

10 March 2017

Orion Gold^{NL}**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**
Non-Executive Director**Management:****Martin Bouwmeester**
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Proposed Investment by Private Equity Group Tembo Capital to Advance South African Zinc- Copper Projects

Proposed initial \$3m investment in Orion's convertible note issue

Highlights:

- Orion has reached agreement with Tembo Capital (Tembo Capital or Tembo), a private equity group targeting junior and mid-tier mining investment opportunities in developing countries, to become a strategic investor.
- Tembo Capital has agreed to invest \$3M in Orion's current convertible note issue.
- The current raising comprises the issue of up to 307,692,308 convertible notes, each with a face value of 2.6 cents (Convertible Notes), to various sophisticated and professional investors to raise up to \$8M.
- The short-term funding secured through this Convertible Notes issue will allow Orion to complete its acquisition of the Prieska zinc-copper and Marydale gold-copper projects in South Africa.
- Tembo Capital has also agreed to become a cornerstone investor in Orion (subject to satisfactory due diligence and Orion shareholder approval) via a share placement to acquire up to a 19.9% stake in Orion.
- Subject to completion of this placement, it is proposed that Orion will enter into a strategic relationship under which Tembo Capital will provide access to its strategic and financing networks.
- The proposed transactions with Tembo Capital represent a major step forward for Orion towards its objective of developing a significant new VMS zinc-copper project in South Africa's Northern Cape Province.

Orion Gold NL (ASX: ORN) (Orion or the Company) is pleased to announce that it has reached agreement with mining-focused private equity group Tembo Capital to participate in its current capital raising designed to advance the Company's advanced volcanogenic massive sulphide (VMS) zinc-copper projects in South Africa.

Tembo Capital has agreed to initially invest \$3 million in Orion's current Convertible Notes issue, subject to shareholders approving the Convertible Note issue at the meeting of shareholders to be held on 13 March 2017.

Tembo Capital's offer to participate in the issue of the Convertible Notes was subject to Orion and Tembo Capital reaching agreement for Tembo to acquire up to a 19.9% holding in Orion's issued ordinary shares (**Shares**) through the placement of Shares to raise up to \$4.7 million at an issue price of 2.4 cents each (**Placement**). The Company has agreed to the terms of Tembo Capital's offer.

The Placement will be completed subject to:

- (a) Orion obtaining prior shareholder approval under ASX Listing Rule 7.1. The Company intends to convene a meeting of its shareholders to seek shareholder approval on or before 30 April 2017; and
- (b) Tembo electing to proceed with the Placement following completion of its due diligence on Orion and its assets by the date that is 5 business days before the shareholder meeting.

The terms of the Convertible Notes will allow each noteholder to redeem their investment in the Convertible Notes if the redemption monies are applied by the noteholder to subscribe for securities in an equity raising by Orion. Additional modifications or developments to the terms of the convertible notes arising from the Company's negotiations with Tembo were summarised in the announcement to shareholders on 8 March 2017.

If the Placement proceeds, consistent with its position as a significant shareholder in Orion, Tembo will have the right to appoint one non-executive director to the Company's Board for so long as it holds at least 12.5% of Orion's issued Shares (subject to the provisions of the Corporations Act, the ASX Listing Rules and the Company's Constitution).

Strategic Relationship

Subject to completion the Placement, it is also proposed that the Company and Tembo will enter into a strategic relationship agreement under which:

- Orion will have access to Tembo's strategic and financing networks within emerging markets;
- Tembo will have access to certain information about Orion and its assets, subject to Orion's confidentiality and disclosure obligations, which access will cease on Tembo Capital ceasing to hold at least 12.5% of Orion's issued Shares;
- Orion will, subject to obtaining an ASX waiver to Listing Rule 6.18, grant Tembo an anti-dilution right giving Tembo the right to participate in any equity raising by Orion to ensure its percentage holding of Orion's issued Shares remains the same following completion of the equity raising. The right will continue until the earlier of Tembo ceasing to hold at least 12.5% of Orion's issued Shares or where their holdings increase above any maximum percentage holding required by ASX in connection with the necessary waiver; and
- Tembo agrees that, if requested by Orion, Tembo may sub-underwrite a rights issue by Orion on standard market terms and conditions to raise additional equity if undertaken within 3 months following completion of the Placement, subject to Tembo's agreement to the proposed pricing and terms.

Shareholder's Meeting

The Company has called a meeting of its shareholders for 13 March 2017 to approve amongst other items, the issue of shares in the Company to the vendors of Agama, the company which holds the Prieska and Marydale projects in South Africa and the Convertible Note issue, the proceeds from which will be used to fund the purchase.

The ability to attract investment into the Company is critical to the Company being able to settle the purchase on time as your Directors do not believe it is in the best interests of the shareholders to seek an extension to the settlement terms in order to adjourn the meeting

date, given the substantial value which has been added to the two projects since the agreement to acquire Agama was entered into.

In light of the above the Company is advising shareholders of these recent developments with Tembo as they consider the resolution to approve the placement.

Chairman's comments

Denis Waddell, the Chairman of Orion said:

"I am delighted to have Tembo invest in our Convertible Note issue and subject to completion of its due diligence, we anticipate Tembo proceeding to become a cornerstone investor in Orion.

We are raising money via the Convertible Notes in order to complete the Agama transaction, which requires us to have proceeds in a bank account by 15 March 2017.

Tembo has provided us with the flexibility of having the proceeds to settle on the purchase through this initial investment, while also paving the way to broader investment, subject to shareholder approval and completion of due diligence to become a cornerstone investor in Orion.

Tembo has also agreed to enter into a strategic relationship with Orion to assist us in developing our advanced zinc-copper projects in South Africa. This is a great opportunity to work closely with one of the world's leading mining-focused private equity groups and we are delighted with the relationship which we are forging with Tembo."

About Tembo

Tembo is a mining-focussed private equity fund group, which specialises in developing countries and has a strong track record of identifying and supporting emerging resource companies. Tembo has a team of experienced private equity investment and mining finance professionals, with a long history of association with African and other developing regions and countries.

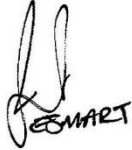
Background

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.

On 7 February 2017, Orion announced that negotiations are well progressed with potential investors for the 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.

On 10 February 2017, the Company despatched to shareholders and released on ASX a Notice of Meeting convening a general meeting of the Company to be held on 13 March 2017 at which the Company is seeking approval for the issue of the Convertible Notes, and will also seek approval for the issue of securities for the consideration payable by the Company to the Agama vendors upon completion of the acquisition of Agama. The

acquisition of Agama is subject to the satisfaction of specified conditions precedent (as previously disclosed by the Company) on or before 15 March 2017 (or such later date as may be agreed between the parties), failing which the parties will be released from their obligations under the relevant purchase agreement.



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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 such mineral provinces.

Recently, the Company has entered into options and earn-in rights agreements over a combined area of 1790km² in the highly prospective Areachap belt, North Cape Province of South Africa (Figure 1). This has secured an outstanding growth and diversification opportunity for the Company. Agreements entered into include:

- An option (which 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 980km² 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 626km². 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's fieldwork has led to the discovery of substantial epithermal systems at the Veinglorious and Chough Prospects.

The Company also has joint ventures over its Fraser Range Project, which are funded to the completion of pre-feasibility by Independence Group NL (ASX: IGO). The Fraser Range Project consists of a

substantial tenement holding in the Albany-Fraser Belt, which hosts Australia's two most significant discoveries of the last decade (the Tropicana Gold Deposit and the Nova Nickel-Copper-Cobalt Deposit).

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

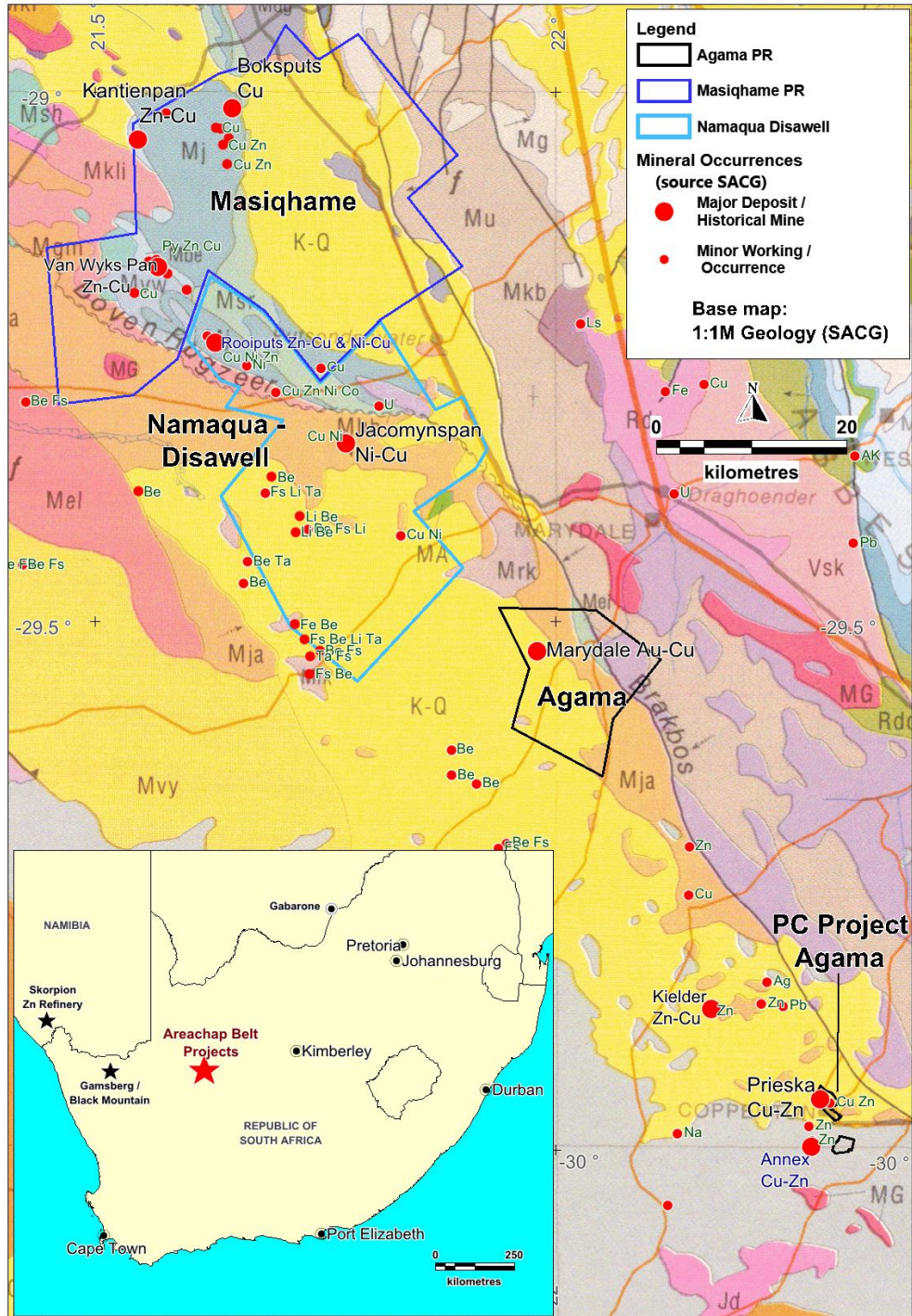


Figure 1: Regional geology map of the Areachap Belt showing prospecting rights currently under option to Orion and noted mineral occurrences as per published data from South African Council for Geoscience.

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