Orion Minerals LIMITED

and its Controlled Entities

ABN: 76 098 939 274

31 December 2019
Interim Financial Report

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Orion Minerals Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Corporate Directory

DIRECTORS

Mr Denis Waddell (Non-Executive Chairman)
Mr Errol Smart (Managing Director/CEO)
Mr Thomas Borman (Non-Executive Director)
Mr Godfrey Gomwe (Non-Executive Director)
Mr Alexander Haller (Non-Executive Director)
Mr Mark Palmer (Non-Executive Director)

COMPANY SECRETARY

Mr Martin Bouwmeester

REGISTERED OFFICE

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AUDITOR

BDO Audit Pty Ltd
Level 18
Tower 4, 727 Collins Street
Melbourne, Victoria 3008

STOCK EXCHANGE LISTING

Primary listing:
Australian Securities Exchange (ASX)
ASX Code: ORN

Secondary listing:
JSE Limited (JSE)
JSE Code: ORN

JSE SPONSOR

Merchantec Capital
2nd Floor, North Block
Corner 6th Road & Jan Smuts Avenue
Hyde Park
Johannesburg 2196

Directors' Report

The directors present their report together with the consolidated interim financial report for the half year ended 31 December 2019 and the independent auditor's review report thereon.

DIRECTORS

The names of Orion Minerals Ltd Directors at any time during or since the end of the half year are:

Non-executive		
Mr Denis Waddell	Non-executive Chairman	Appointed 27 February 2009
Mr Thomas Borman	Non-executive Director	Appointed 17 April 2019
Mr Godfrey Gomwe	Non-executive Director	Appointed 17 April 2019
Mr Alexander Haller	Non-executive Director	Appointed 27 February 2009
Mr Mark Palmer	Non-executive Director	Appointed 31 January 2018
Executive		
Mr Errol Smart	Managing Director	Appointed 26 November 2012

CORPORATE STRUCTURE

Orion Minerals Ltd (**Orion** or **Company**) is a public company limited by shares, that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, including those newly acquired (referred to as the **Group**).

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the half year was exploration, evaluation and development of base metal, gold and platinum-group element projects in South Africa (Areachap Belt, Northern Cape). The Company also holds interests in the Fraser Range Nickel-Copper and Gold Project in Western Australia and the Walhalla Polymetals Project in Victoria. There were no significant changes in the nature of the Group's principal activities during the half year.

OPERATING RESULTS

The Group recorded a loss for the half year of $5.16M (31 December 2018: loss of $4.76M). The result is driven primarily by exploration expenditure incurred of $1.06M which, under the Group's deferred exploration, evaluation and development policy, did not qualify to be capitalised and was expensed and finance expenses of $0.76M, principally related to convertible loan interest of $0.22M, Anglo American sefa Fund (**AASMF**) loan interest $0.10M and convertible note interest of $0.17M.

Net cash used in investing activities for the half year totalled $3.06M (31 December 2018: $4.87M) and included payments for exploration and evaluation investing activities of $3.10M (31 December 2018: $7.34M). Cash on hand as at 31 December 2019 was $5.22M (30 June 2019: $1.39M). In the half year ended 31 December 2019, the Group focused strongly on exploration within its Areachap Belt projects in South Africa. Expenditure of $3.58M in exploration activities was incurred by the Group during the half year ended 31 December 2019 (31 December 2018: $8.66M).

The basic loss per share for the Group for the half year was 0.20 cents and diluted loss per share for the Group for the half year was 0.20 cents (31 December 2018: basic loss per share 0.29 cents and diluted loss per share 0.29 cents).

Directors' Report (continued)

REVIEW OF OPERATIONS

During the half year, Orion continued work on its highly prospective South African projects, including focusing on optimisation works, following the completion of the Prieska Copper-Zinc Project (**Prieska Project**) Bankable Feasibility Study (**BFS**) in June 2019 (refer ASX release 26 June 2019) and exploration activity including soil sampling at the near-mine prospects and regional project, Masiqhame. In the Fraser Range (Western Australia), Orion's joint venture partner, IGO Limited (ASX: **IGO**), undertook diamond drilling on nickel-copper sulphide targets identified from geophysical surveys.

The Company strives to achieve a sustainable balance between intense operational effort and maintaining a strong focus on safety, environment and community.

Health and Safety, Environmental Management and Community Engagement

Health and Safety

One lost-time injury was reported during the half year period. The hours worked for the half year are shown below:

Table 1: Hours worked at the Areachap Projects during the 6 months ended 31 December 2019 (South Africa).

Category of work	6 months to December 2019 (hours)
Exploration	27,254
Mine re-entry	6,310
Contractors	1,758
Total	**35,322**

The lost-time injury frequency Rate (**LTIFR**) per 200,000 hours worked was 1.78 for the 2019 calendar year.

Environmental Management

Work continued during the reporting period, on securing the approvals required in order to undertake mining operations within the Square Kilometre Array Radio Telescope Project (**SKA**) area, where the Prieska Project is located.

The Electromagnetic Capability plan (**EMC**), a key requirement for the requisite approvals to be granted, was approved by South African Astronomy Management Authority during the half year. The EMC Committee that was formed during the half year is progressing with the licencing workstream.

The EMC Committee is focusing its work on submitting permitting applications for the existing electronic equipment on site, before the end of June 2020 in line with Government Gazetted instructions. Subsequent to this, permitting of the planned equipment included in the proposed Prieska Project layout, will be undertaken in order to have these permits in place prior to completion of mine development and the commencement of mining operations.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Community and Stakeholder Engagement

Two meetings of the Orion Siyathemba Stakeholder Engagement Forum (**OSSEF**) were held at the Prieska Project site in Copperton during the reporting period. The second meeting was preceded by a familiarisation tour for the OSSEF members of the surface and underground infrastructure. The OSSEF is the platform for representative community interest groups to keep them appraised of developments at the Prieska Project.

The Spatial Planning and Land Use Management Act (SPLUMA) application process for the proposed residential development in Prieska continued, with the engagement of an environmental consultancy group to undertake the environmental impact assessment.

In anticipation of the upcoming construction and operational phases of the Prieska Project, the Company collaborated with the Department of Economic Development and Tourism (DEDAT) in Kimberley and the Northern Cape Rural TVET College, Centre for Enterprise Rapid Incubation (CFE) on a variety of development initiatives aimed to support and promote Small Medium and Micro Enterprises (SMMEs) in the Siyathemba Municipality.

The Company has established offices at the local and neighbouring communities Council Offices to the Prieska Project, as a place to provide community liaison services and a central point of information and Company news as the mine development and construction phase progresses.

Orion, together with three other companies operating in the Siyathemba community lead a joint CSI Forum and held the first annual community sports day. Attracting nearly 600 residents from the Siyathemba community, the Sports Day was held at the Prieska High School Grounds, with netball played at the Prieska Primary Netball Courts. Sixteen teams participated in soccer and netball matches on the day.

The Company also continued to offer the free, introductory, part-time short familiarisation courses, covering the functions of underground mining, machine operation, trade and engineering skills, technical services, administration and finance. During the reporting period, participation in the week long courses offered was successfully completed by 84 high school graduates. This brings the total number of successful course completions by Siyathemba and Vanwyksvlei school leavers in 2019 to over 350.

AREACHAP BELT PROJECTS (SOUTH AFRICA)

Prieska Copper-Zinc Project

Project Overview

The Prieska Project continues to be the focus of the Company's activities and is now at an advanced stage, with a maiden Ore Reserve estimate and a BFS completed (refer ASX release 26 June 2019). Post-BFS activities undertaken during the reporting period, included a focus on optimisation studies and preparations for mine construction and securing project funding, with the intention to have the requisite licences to operate the mine in place by end of Q1 CY2020, so that project construction can commence during 2020, subject to project funding.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Prieska Project Bankable Feasibility Study

Value engineering and optimisation studies being undertaken since the completion of the BFS are delivering positive results, with key studies in progress including:

- Whittle Enterprise Optimisation;
- Value Engineering on the process plant; and
- Water treatment trials.

<u>Whittle Enterprise Optimisation</u>

Whittle Consulting (Pty) Limited (**Whittle**) were engaged to undertake mine-to-market optimisation of the business plan that was formulated as part of the BFS, (refer ASX release 30 July 2019). This process is examining the Prieska Project's entire business case with special focus on underground mining and the ore processing plant activities. Fundamental parameters such as cut-off grades, mining sequence, mining rates, targeted metal recoveries, mill throughput rates, feed blends, product specifications and variances in metal prices are all considered as one integrated system to derive a series of optimal business scenarios.

As the optimisation workstream progresses, many options are being developed and more time is being spent on this workstream which is expected to be completed before the end of January 2020. Thereafter, selected optimisations will be incorporated into updated operating plans to determine a final business case, which will support the optimised BFS Report, targeted for completion in early Q2 CY2020.

<u>Value Engineering on the process plant</u>

During the reporting period, value engineering of the ore processing design has been in progress, (refer ASX release 30 July 2019). The value engineering exercise is:

- assessing semi-autogenous grinding (**SAG**) in the milling section as an alternative to ball milling;
- investigating improved plant layouts;
- rationalising the sizes, placement and uses of various plant buildings; and
- re-estimating efficient surge capacity allowances in line with the proposed refinements.

The use of SAG milling, rather than conventional ball milling as presently incorporated into the BFS, will simplify plant operability and significantly reduce upfront capital expenditure. The use of SAG milling removes the need for multi-stage crushing and screening of the rock ahead of milling (refer to Figure 1).

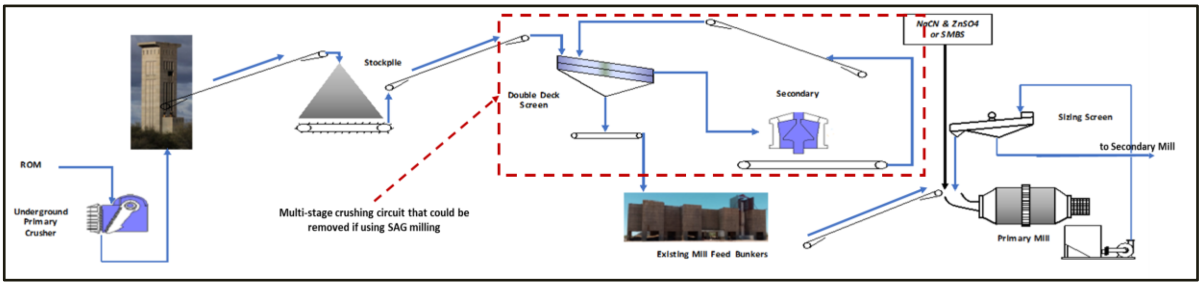


Figure 1: Current feasibility study ore processing design showing multi-stage crushing and screening section, removable if using SAG milling.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

The plant and equipment comprising the current multi-stage crushing section of the plant contributes approximately $11M to the total plant capital cost of $109M (refer ASX release 26 June 2019). This represents a significant target for reducing capital expenditure without compromising overall plant recovery performance while the streamlined layout increases the plant's mechanical availability and reduces maintenance effort.

Approximately 400kg of samples suitable for SAG milling test work were collected from underground, (Table 2).

Table 2: Summary of samples collected.

Description	Ore type	Quantity	Source
Sample 1A	Massive	100 kg	178m and 259m Levels
Sample 1B	Massive	100 kg	178m and 259m Levels
Sample 2A	Disseminated	100 kg	178m and 259m Levels
Sample 2B	Disseminated	100 kg	178m and 259m Levels

JKTech Drop-Weight (**JKDW**) test and the SMC tests were used to provide the ore specific parameters for use in the SAG mill simulations and evaluation. GeMet Geo-Metallurgical Services in Johannesburg, South Africa conducted the test work during September 2019. Results were then sent to JKTech in Queensland, Australia for the JKDW test analyses and to SMCT for SMC test analyses.

The results confirmed that the Prieska Project ore can be classified as soft and is amenable to milling via SAG milling.

This workstream was completed during the reporting period and a semi-autogenous grinding SAG milling option has been selected to replace the previous ball mill design. As expected, this has reduced both capital expenditure and forecast operating costs. A number of changes have been made to the plant layout which has reduced the plant footprint area, also contributing to a lower capital cost. The overall capital saving is estimated to be approximately $15M (ZAR150M), while the operating cost saving is in the region of $0.80 (ZAR8.00) per tonne treated.

Water Treatment Trials

Trials are nearing completion on water treatment which is expected to supplement forced evaporation from the shaft de-watering process. Based on the trials completed to date, one last stage of review is being tested that is expected to further improve the overall reverse osmosis process. This work is expected to be completed in early Q1 CY2020. The results will contribute to an optimised water handling strategy to deal with the water pumped from the underground workings.

Underground Mining Contract

In September 2019, Orion and Byrnecut Offshore (Proprietary) Limited (**BOPL**) concluded a Memorandum of Agreement envisaging an alliancing agreement for underground mine development and production at the Prieska Project. BOPL is involved in mining contracting work internationally and has previously operated in South Africa.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Progress is being made with BOPL towards finalising this alliance agreement. With the expected successful completion of the alliance agreement negotiations, the related metrics will be incorporated into the revised Prieska Project business case and optimised BFS Report, as referred to above.

It is also envisaged that BOPL will supply and maintain the mining fleet and bring its experience in mining training and upskilling of local employees as part of its operating model.

Process Plant Operations

During the reporting period, a Memorandum of Understanding was concluded with Minerals Operations Executive (Pty) Ltd (**Minopex**), a process plant contracting company based in South Africa, that has operated 46 plants globally. Orion is aiming to appoint Minopex as the process plant contractor. If appointed, Minopex will bring trained labour and management with the associated operating experience and procedures to the Prieska Project, enabling a rapid production ramp-up.

Minopex will then continue running the plant, leveraging off its group level technical skills and utilising its bulk purchasing power to source the most competitive pricing for the plant's operating consumables. The details of the engagement agreement are currently being negotiated, with the Company aiming to include the financial terms of the engagement agreement into the optimised BFS Report.

Mining Right Applications

The Mining Right was granted on 23 August 2019 to Repli, for an initial term of 24 years, with notarial execution completed on 11 December 2019. The Repli Water Use Licence approval is being processed by the Department of Water and Sanitation and is expected to be granted before the end of Q1 CY2020.

The granting of the Vardocube (Pty) Ltd (**Vardocube**) Environmental Authorisation was received in March 2020 (refer ASX release 9 March 2020), while the Mining Right is anticipated to be granted during Q2 CY2020. No Water Use Licence is required for the Vardocube applications.

Infrastructure

Power Supply – The Eskom approval letter for the 15MVA temporary power from the Cuprum sub-station was received by the Company during the December Quarter. This level of power supply will cover the construction phase of the Prieska Project which will now proceed into detailed electrical design. As previously reported, at the last Eskom Technical Evaluation meeting, the self-build upgrade to the Cuprum sub-station was approved for the 40MVA power required for the operational phase of the Prieska Project. Orion is waiting on the formal approval letter from Eskom.

Water Supply – The water use agreement was previously submitted to the Siyathemba Municipality and approved in principle. Orion is awaiting the final agreed water tariff from the Municipality which is expected during Q1 CY2020.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Deep Sulphide Target drilling

During the half year period, a re-assessment of the Inferred Mineral Resources, estimated to be 10.2Mt at 1.14% Cu and 4.08% Zn, (and thus making up 36% of the estimated combined Indicated and Inferred Deep Sulphide Resource of 28.7Mt at 1.16%Cu and 3.77%Zn)[1], was undertaken to determine the most efficient way to upgrade these resources to an Indicated Mineral Resource level of confidence and a drilling program was formulated.

The Company's focus remains to determine the most efficient way to upgrade these resources to an Indicated Mineral Resource level of confidence. The Indicated Mineral Resource (18.5Mt at 1.17%Cu and 3.60% Zn) makes up 64% of the total resource in the current mine plan (Figure 2).

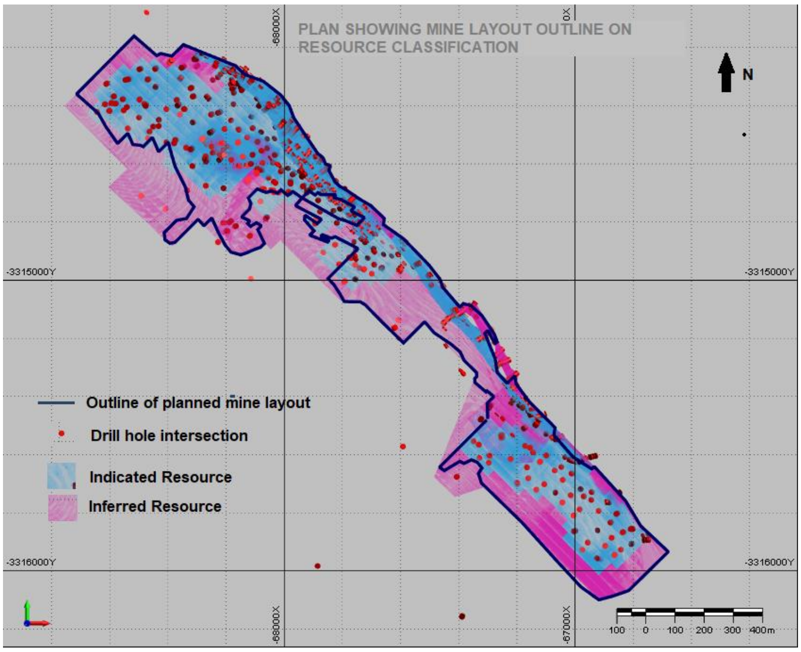


Figure 2: Plan of the Deep Sulphide Mineral Resource showing planned mine outlined in blue and the Inferred Resources in pink.

A drill plan, designed to convert the Inferred Deep Sulphide Mineral Resources included in the mine plan to Indicated Mineral Resources was formulated in late October 2019. The drill plan includes limited drilling on strike extensions on the south eastern limits of the current Mineral Resource. Drilling both from surface and from underground platforms was considered, with the following were taken into consideration:

1. the cost of drilling from surface compared with the cost of drilling from underground;
2. the Company's intention to undertake all underground drilling from existing drives or drives that are in the current mine plan;

[1] Mineral Resource reported in ASX release of 15 January 2019: "Prieska Total Resource Exceeds 30Mt @ 3.7% Zn and 1.2% Cu.
Following Updated Open Pit Resource" available to the public on www.orionminerals.com.au/investors/market-news. Competent Person: Orion's Mineral Resource: Mr. Sean Duggan. Orion confirms it is not aware of any new information or data that materially affects the information included above. For the Mineral Resources, the company confirms that all material assumptions and technical parameters underpinning the estimates in the ASX release of 15 January 2019 continue to apply and have not materially changed. Orion confirms that the form and context in which the Competent Person's findings are presented here have not materially changed.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

3. areas enclosed by stopes planned in Indicated Resource areas will be covered by grade control drilling once mining starts. These areas were excluded from the drill plan; and
4. areas adding the lowest cost per tonne to upgrade from Inferred to Indicated Mineral Resource were given priority.

The results show that drilling from surface (aiming to convert 2.6Mt from an Inferred to Indicated Mineral Resource level) would cost three times that of drilling from underground, therefore rendering the cost of a surface program impractical. The underground drill program will consist of 14,200m to be drilled in 41 diamond drill holes. The estimated cost (including drilling and assays) will be in the order of $2.2M (ZAR22M). Exploration drilling will focus in the south eastern section of the mine while the north western section will be covered entirely in the grade control drill program (Figure 3).

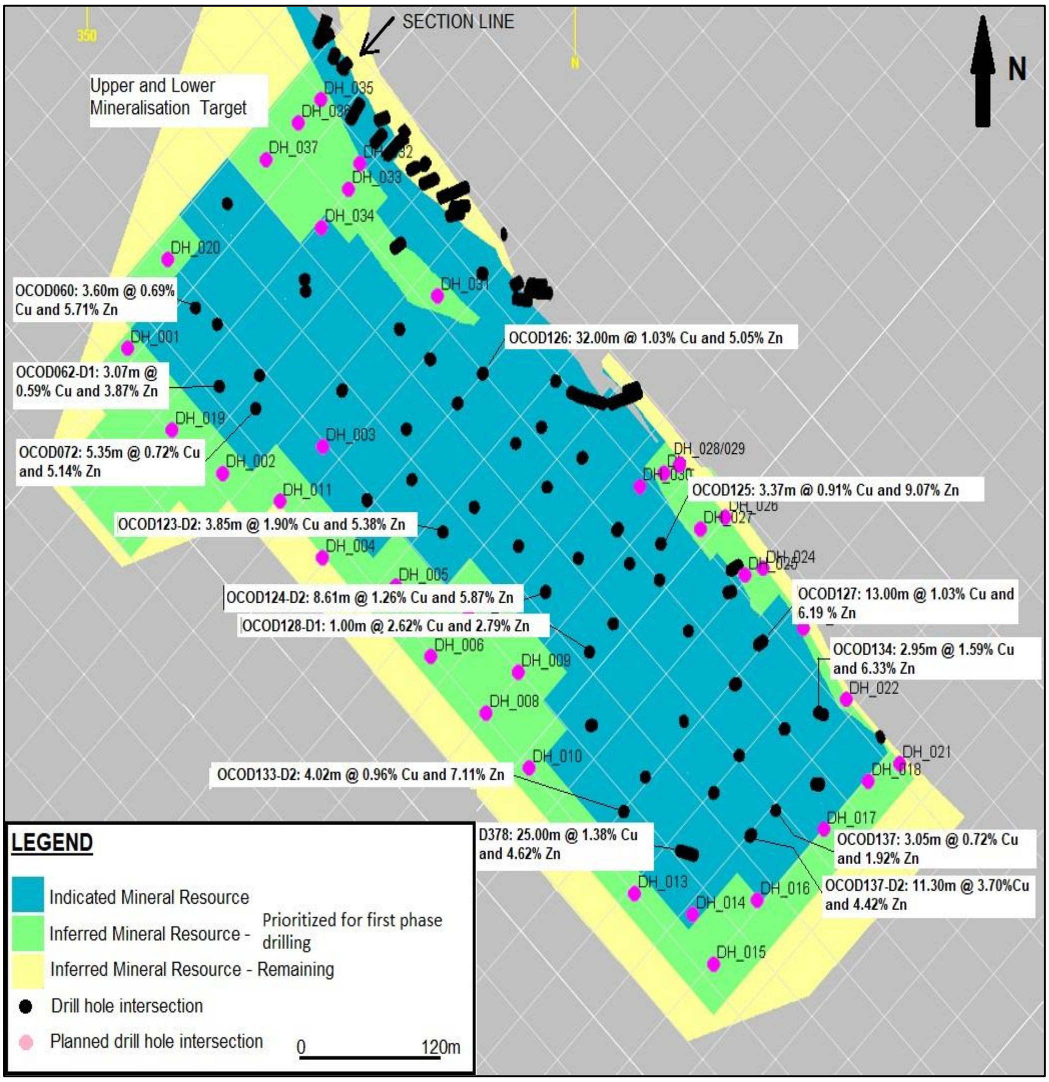


Figure 3: Plan-view showing planned drill holes and Orion drill results around the edges of the Indicated Resource in the south-eastern section of the Deep Sulphide Resource.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Near Mine Projects

The near-mine projects are those projects within prospecting rights held by Repli, Repli (Doonies Pan), Vardocube and Bartotrax (Pty) Limited (**Bartotrax**).

Volcanic Massive Sulphide (**VMS**) deposits worldwide tend to occur in clusters and, apart from the giant Prieska Deposit, five smaller deposits occur on the near-mine project areas. These include Annex, explored by Anglovaal between 1969 and 1981; three deposits on Doonies Pan (Kielder) explored by Newmont South Africa between 1976 and 1979 and referred to as the PK1, PK3 and PK6 Deposits and the recently discovered Ayoba mineralisation.

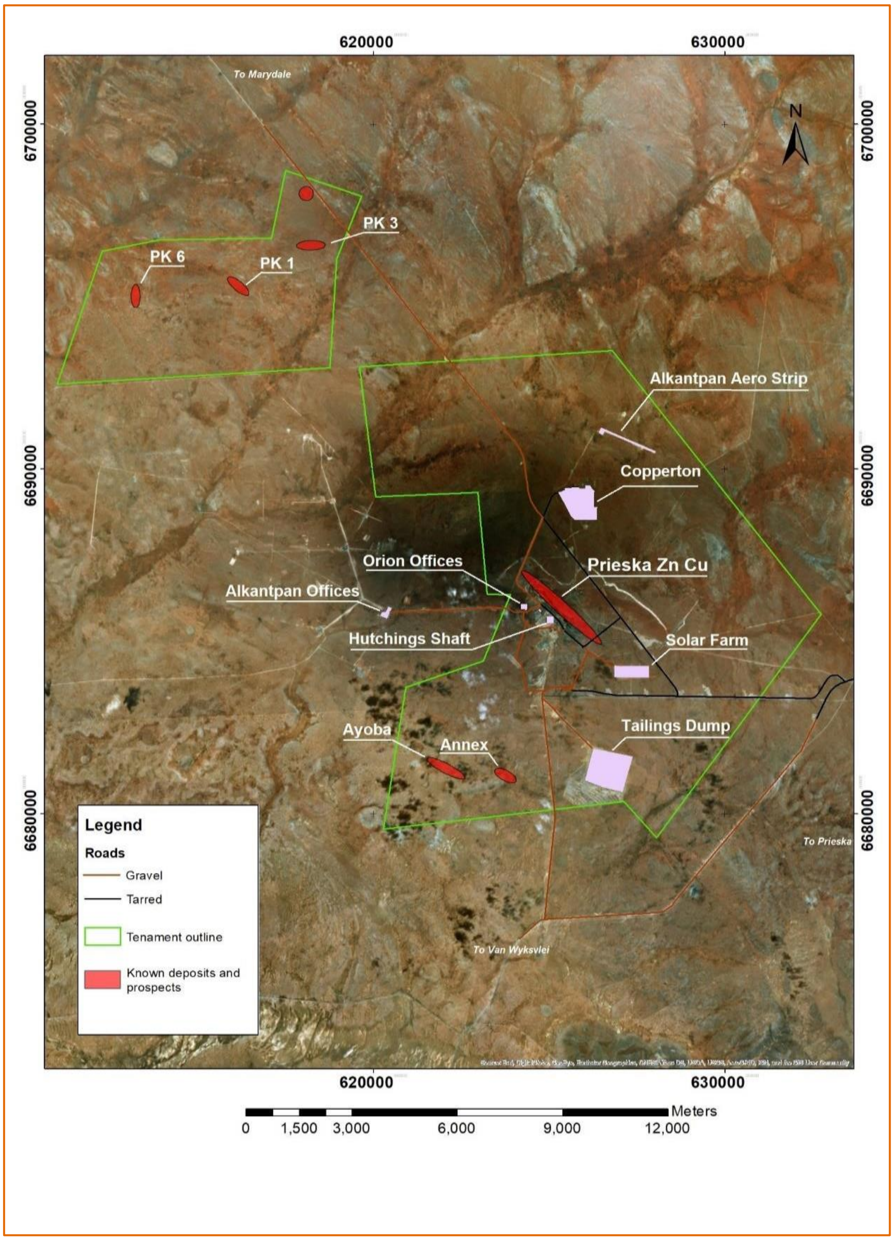


Figure 4: Surface plan showing the prospecting rights over and adjacent to the Prieska Project, and the location of the Annex Deposit, Kielder (PK1, PK3 and PK6) and Ayoba Prospect.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

During the reporting period, soil sampling and geological mapping was completed over the airborne electro magnetic or SkyTEM™ (**AEM**) anomalies identified for follow up work (refer ASX release 25 February 2019).

Soil Sampling

During the period, 6,064 soil samples were collected (Figure 5). The samples were screened to 80 micron and analysed using a handheld XRF analyser. Sample results will be reported once received from the lab and reviewed by the Company. The results will be incorporated in the prioritisation of the AEM anomalies prior to ground time domain electromagnetic surveys and diamond drilling. All of the AEM anomalies identified for follow-up have now been covered by soil sampling and geological mapping.

In addition, regional sampling, designed to cover the entire Prospecting Rights areas, is in progress.

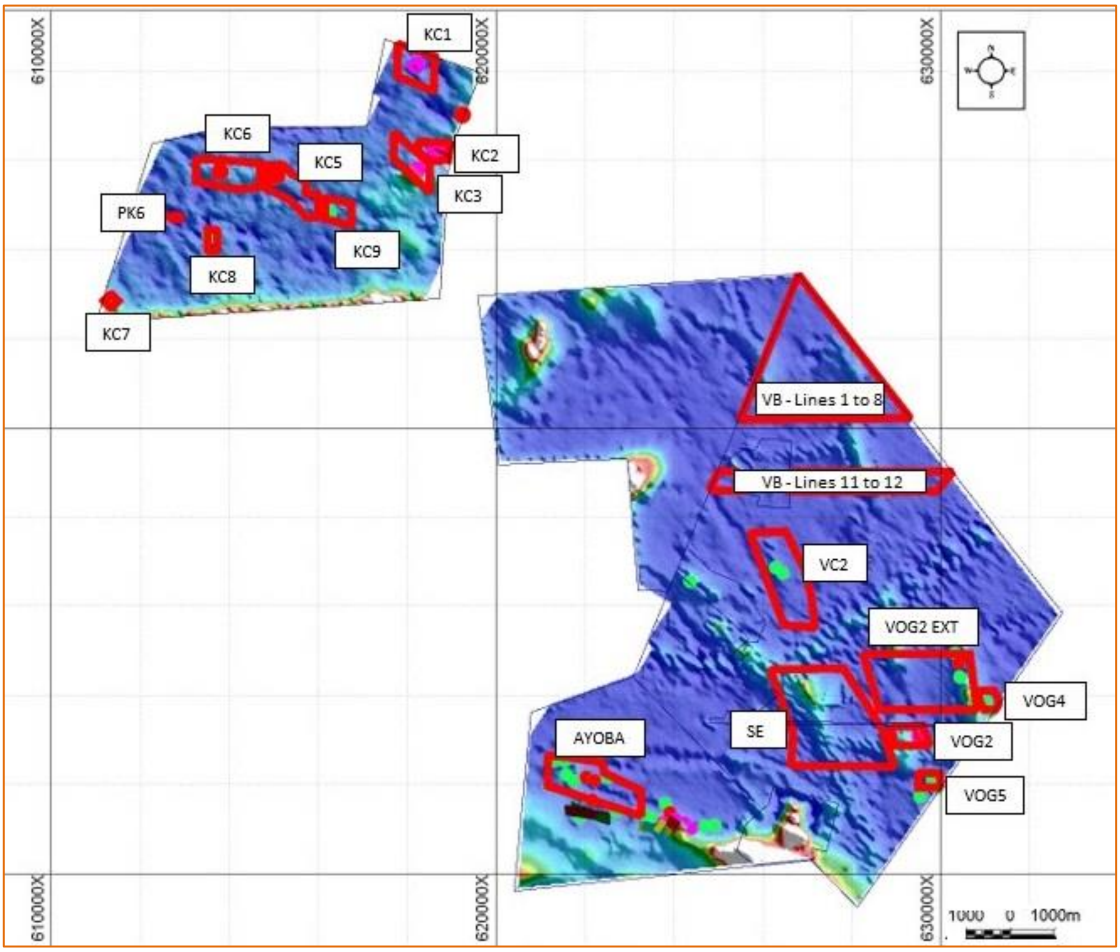


Figure 5: Aeromagnetic maps covering the Near Mine Prospecting Rights with soil sample surveys completed.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Regional Exploration

Overview of Regional Activity

The Company maintains a substantial and prospective land holding in the Areachap Belt (Figure 6). The Areachap Belt is analogous to other Proterozoic mobile belts hosting major VMS and magmatic Ni-Cu-Co-PGE deposits.

VMS deposits almost always occur in clusters or "districts" associated with volcanic spreading centres, with four such centres having been identified in the Areachap Belt. In addition to the Near Mine Project, the Company is also prospecting for VMS deposits on the Masiqhame Prospecting Right (Figure 6). The Kantienpan and Boksputs Zinc-Copper Deposits are the two most prominent known VMS deposits on the Masiqhame Prospecting Right.

Similarly, world-class nickel deposits tend to also occur in clusters both on prospect and regional scale. Within these intrusive centres, a small number of the intrusions tend to host the best mineralisation depending upon the intrusion magma-flow dynamics and timing of magmatic sulphide immiscibility and transport. Several mafic intrusive bodies with nickel and associated metals are known on the Namaqua Disawell Prospecting Rights (Figure 6).

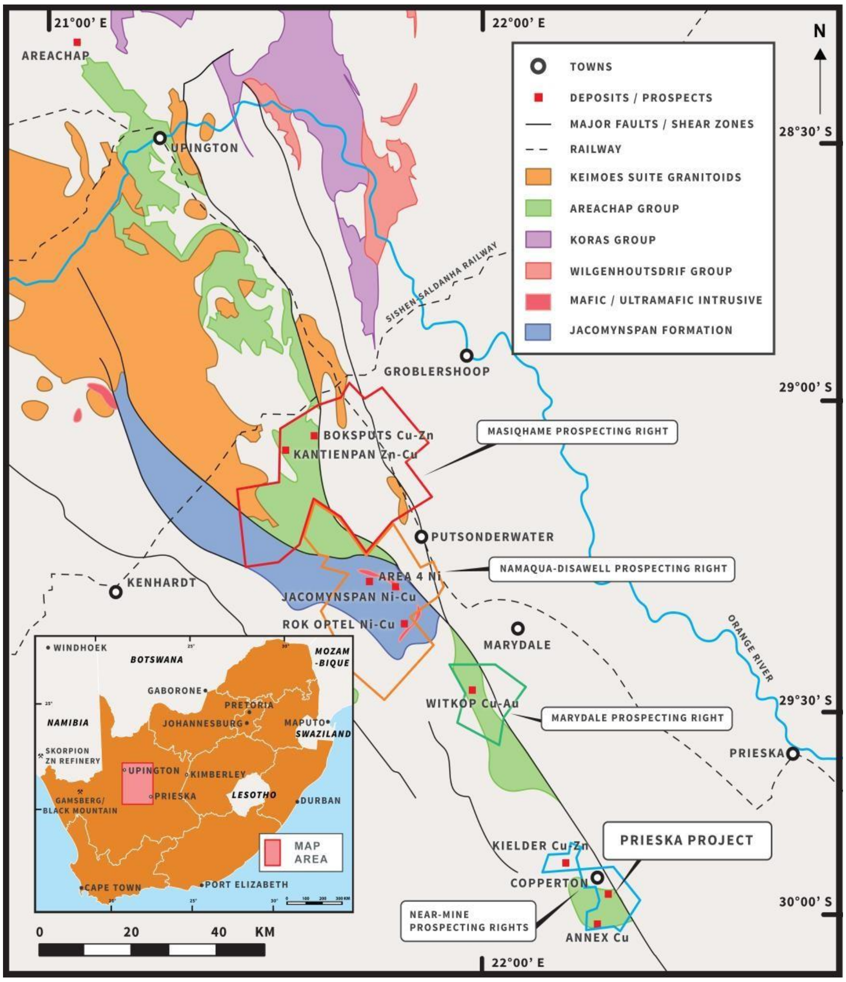


Figure 6: Regional geology map of the Areachap Belt showing prospecting rights held by, or currently under option to, the Company, and noted mineral occurrences as per published data from South African Council for Geoscience.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Namaqua Disawell Project Area

Soil sampling covering the area between Rok Optel and Area 4 was completed during the Quarter bringing the total number of soil samples collected to date on the Disawell Prospecting Right to 1670 samples (Figure 7).

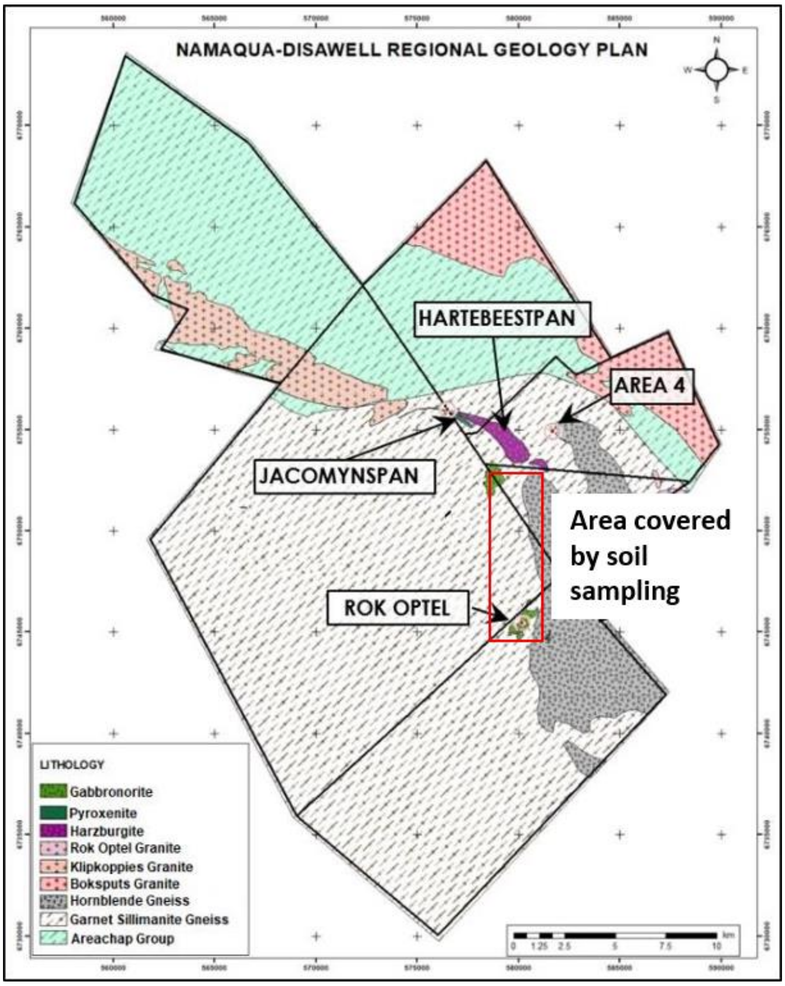


Figure 7: Simplified geology map of the Namaqua – Disawell Prospecting Rights showing the localities of known Ni-Cu prospects and soil sampling conducted during the reporting period.

Masiqhame Project

Contiguous to the north of the Namaqua-Disawell Project, this project is defined in terms of the Masiqhame tenement holding and includes the Kantienpan and Boksputs Zn-Cu VMS deposits (Figure 6).

With its known VMS deposits, numerous Cu-Zn mineral occurrences and regional geological setting, the area offers potential for new VMS Cu-Zn and magmatic Ni-sulphide discoveries. It is common for VMS districts to have small Cu-Zn deposits clustering close to a large deposit where on the Masiqhame Prospecting Right, the larger deposit is still to be discovered.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Soil sampling and mapping were undertaken during the reporting period. A total of 4,659 soil samples were collected over magnetic anomalies underlying the Koegrabe Cu-prospect (Figure 8). Results from the samples taken will be reported on once received from the lab and reviewed by the Company.

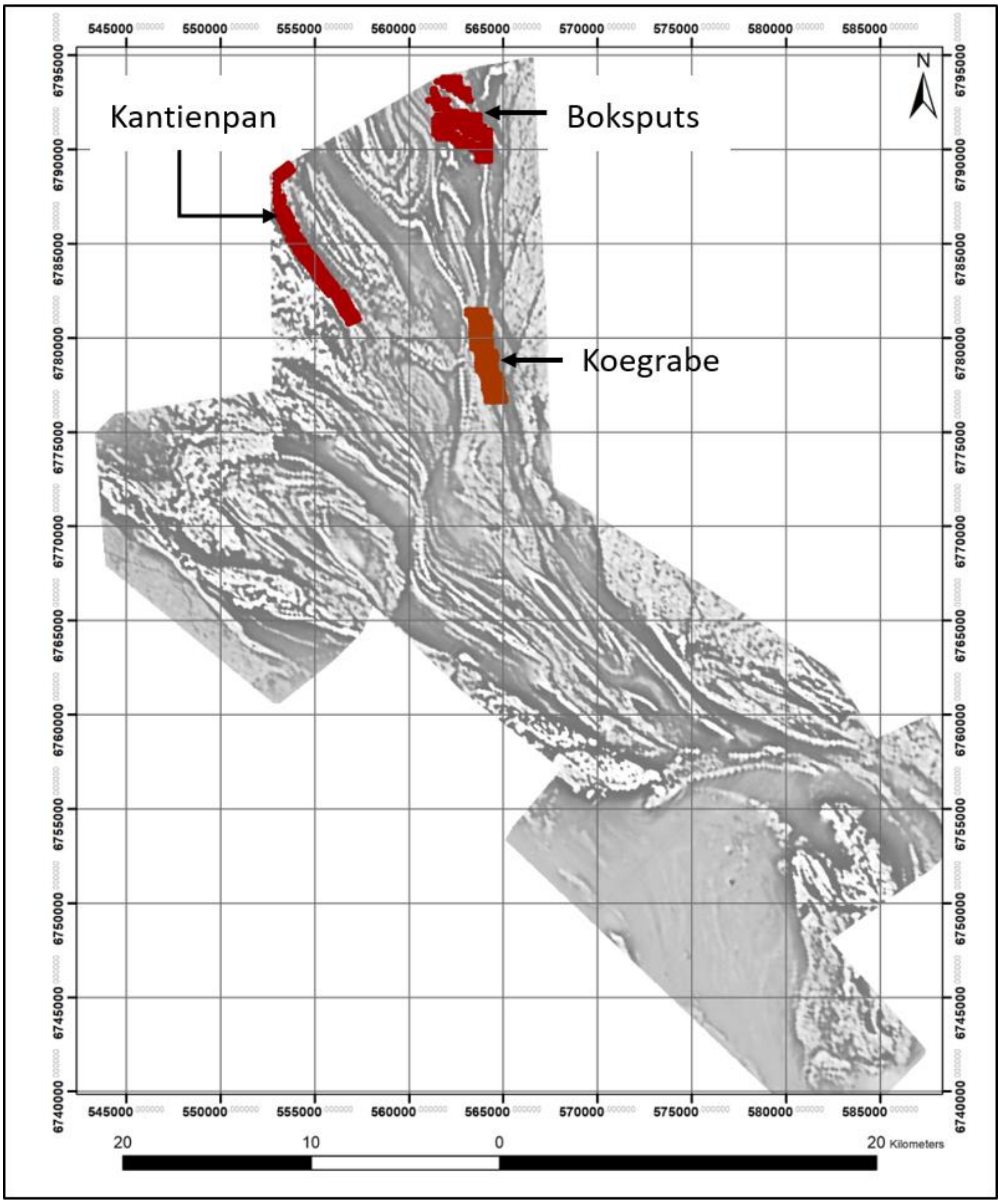


Figure 8: Aeromagnetic map of the Masiqhame Prospecting Right showing detailed soil sample grids completed.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Marydale Gold-Copper Project

In addition to the Prieska Project, the Company has exploration rights over the Marydale Gold-Copper Project located 60km north of the Prieska Project.

Work has commenced on evaluation potential for small scale or exploratory gold mining on the Witkop gold project. The work is being undertaken in collaboration with Orion's BEE Partner Black Star Pty Ltd and Gariep Mining (**Gariep**), their subsidiary, who have extensive small scale mining experience and own an extensive surface and underground mining fleet of equipment. Orion is evaluating a potential joint venture mining opportunity with Gariep for the project.

Work during the half year focussed on geological modelling of mineralisation in the area historically drilled by Anglo American and subsequently followed up with trenching and drilling by Orion (refer ASX release 17 August 2016).

Samples of drill core were also selected and submitted for metallurgical test work.

FRASER RANGE - GOLD-NICKEL-COPPER PROJECT (WESTERN AUSTRALIA)

Orion maintains a sizeable tenement package in the Fraser Range Province of Western Australia which IGO Limited (ASX: IGO) is currently earning into via a Joint Venture Agreement (refer ASX release 10 March 2017).

Drilling completed towards the end of 2019 tested several moving-loop electromagnetic (**MLEM**) conductors, anomalous basement geochemical anomalies and magnetic features on magmatic nickel-copper targets, as well as a Volcanogenic Massive Sulphide (VMS) copper-zinc target at Pike (refer ASX release 31 October 2019).

Orion is very encouraged by the results received from this drilling, with all five diamond holes completed intersecting mafic-ultramafic intrusive bodies (refer ASX release 3 February 2020).

Orion considers the presence of anastomosing sulphide veins, sulphide-bearing graphite-rich horizons and meta-carbonates as intersected in the host rocks to the mafic-ultramafic bodies to be the ideal setting for the discovery of magmatic massive nickel-copper sulphide deposits.

IGO plans to drill a further 2,560m in six holes, including extending hole 19AFDD1008 to test a strong off-hole conductor detected below the current end-of-hole depth.

Holes are also planned to test further EM targets at the North West Passage, Hook, Pike Eye and Pike (Figure 9). At Garfish, a gravity anomaly will be drilled to test for a mafic – ultramafic intrusive.

During the reporting period, Legend Mining (ASX:LEG) reported the discovery of a zone of massive sulphide nickel-copper mineralisation, named Area D, which is located 16km south west of the Pike Prospect (Figure 9). The Area D intrusive is reported to be hosted by graphitic sediments similar to those reported at Pike & Hook.

Under the JVA, IGO is responsible for all exploration on the tenements and provides regular updates to Orion of its activities and results arising from them.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

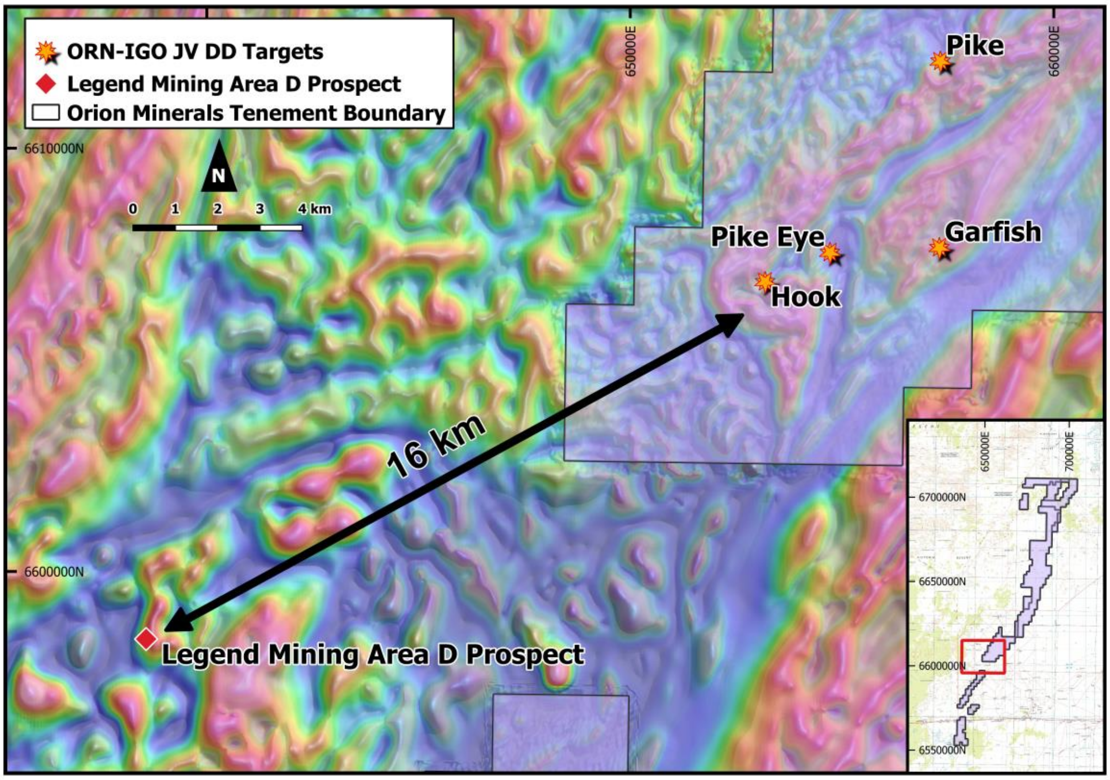


Figure 9: Aeromagnetic map showing the location of the Pike and Hook Prospects in the Frazer Range 16km northeast of Legend Mining's Area D nickel discovery.

WALHALLA GOLD & POLYMETALS PROJECT (VICTORIA)

No field or exploration work was carried out on the Walhalla Project during the during the half year.

The Company continued to progress its two exploration licence applications over prospective areas of Walhalla and expects these applications to be granted in Q1 CY2020.

The Company relinquished mining licence 5487 during the half year and following a moratorium period, Earth Resources Regulation granted an exemption over the area which remains in place at period end. The Company is well advanced in re-applying for a mineral licence over the area of the previous mining licence and aims to maintain tenure over this area and to protect the Company's gold mineral resources.

CORPORATE

Capital Raising

<u>Placement - $7.7M</u>

On 24 October 2019, the Company announced that it received commitments from investors to raise approximately $5.5M by way of placement of fully paid ordinary shares (**Shares**) at $0.025 per Share. Following the announcement, the Company received additional commitments from investors, increasing the amount raised by the Company to $7.7M, by way of the placement of 308.7M Shares at $0.025 per Share (**Placement**).

Directors' Report (continued)

As part of the Placement Tembo Capital Mining Fund II LP (**Tembo Capital**) confirmed its continued support of Orion, through subscribing for $2.5M in the Placement.

On 1 November 2019 and 5 November 2019, the Company issued a total of 254.8M Shares in the Company at $0.025 per Share, to raise $6.4M, following the receipt of funds from investors for Placement commitments and on 22 November 2019, the Company issued 53.9M Shares in the Company at $0.025 per Share, to raise $1.3M, finalising the Placement.

<u>Share Purchase Plan</u>

In addition to the Placement announced on 24 October 2019, the Company also announced a share purchase plan (**SPP**) providing shareholders an opportunity to increase their shareholding in the Company as it continues to advance its Prieska Project development opportunity**.** The SPP offered eligible shareholders the opportunity to participate in the Company's capital raising on substantially the same terms as the Company's Placement (issue price was $0.025 per Share) (refer above).

The SPP opened on 30 October 2019 and closed on 6 December 2019 and attracted strong support from eligible shareholders, with applications totalling $1.75M received. On 12 December 2019, the Company issued 70.05M Shares subscribed for under the SPP.

<u>BEE ownership re-structure and share issue</u>

In April 2019, Orion entered into an Memorandum of Understanding (**MoU**) with each of the existing BEE participants (being the Mosiapoa Family Trust (**Mosiapoa**), Power Matla (Pty) Ltd (**Power Matla**) and African Exploration and Mining Finance Corporation (SOC) Ltd (**AEMFC**) in its South African subsidiaries (being Repli, Vardocube, Bartotrax and Rich Rewards Trading 437 (Pty) Limited (**Rich Rewards**). In terms of those MoU, the existing BEE participants agreed to exchange their shares in Orion's South African subsidiaries for approximately 134M JSE-listed Orion Shares.

At the same time, Orion entered into a Memorandum of Agreement with two BEE entrepreneurs, Black Star Minerals (Pty) Ltd (**Black Star**) and Kolobe Nala Investment Company (Pty) Ltd (**KNI**), in terms of which they agreed to acquire a 20% interest in Repli, as well as a 20% interest in Orion's ownership interest in its Jacomynspan Project.

In July 2019, Orion concluded a Revised Memorandum of Agreement with Black Star, KNI and Safika Resources (Pty) Ltd (**Safika**) in terms of which Safika joined Black Star and KNI as part of the BEE consortium which would acquire the 20% interest in Repli and the 20% interest in Orion's ownership interest in its Jacomynspan Project. The BEE restructure was finalised in November 2019 following the issue of shares in September 2019 and November 2019.

In a simultaneous transaction, Prieska Resources, acquired an effective 20% interest in Repli for a purchase consideration of ZAR142.78M (~$14.45M), with this acquisition being vendor financed by Orion. Prieska Resources is a BEE company whose shares are held by Black Star (17.31%), KNI (37.97%) and Safika (44.72%).

The vendor finance advanced by Orion to Prieska Resources comprises two parts, namely:

- a secured loan for ZAR10.14M plus interest at South African Prime Interest Rate, repayable within 12 months after the project finance for the Prieska Project is closed; and

Directors' Report (continued)

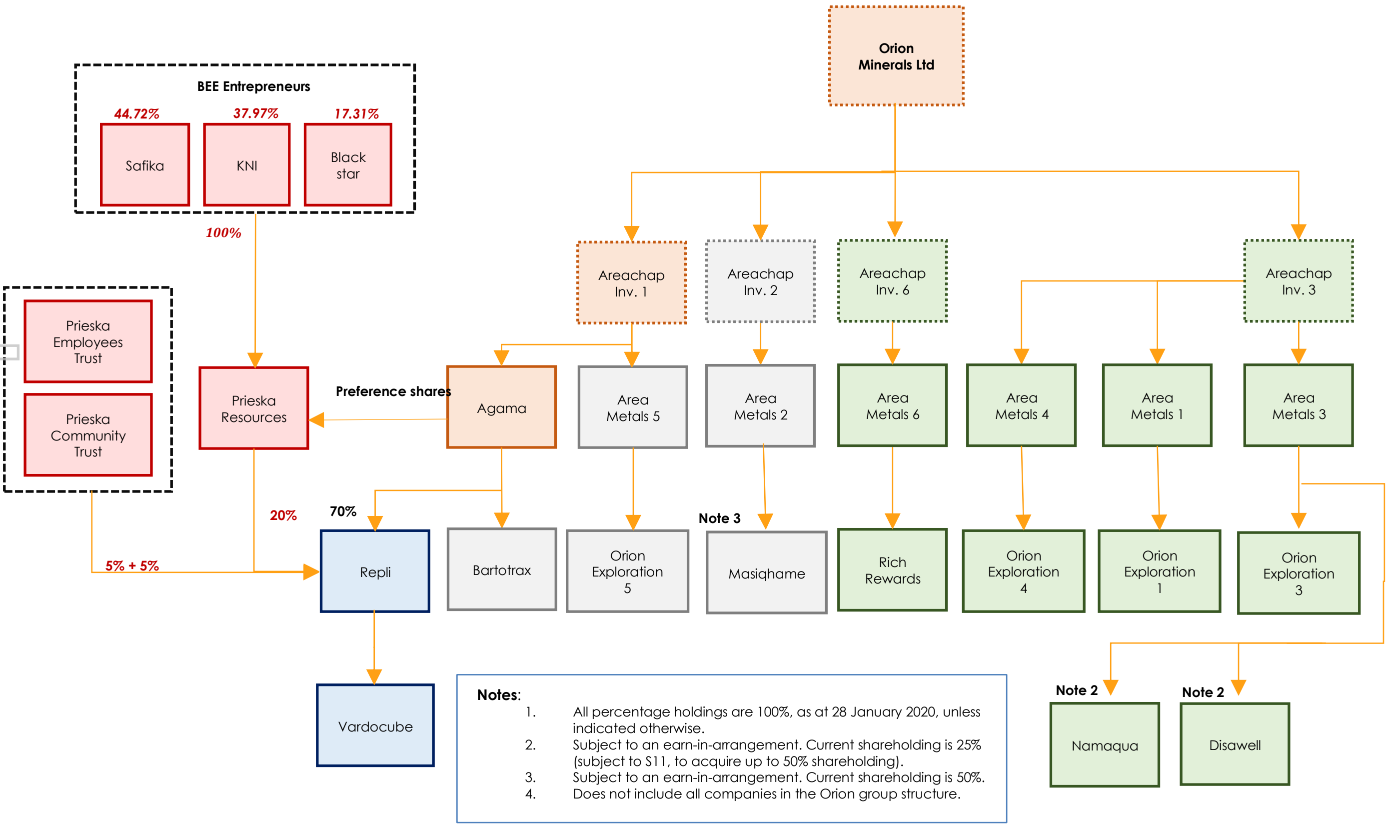
- preference shares in Prieska Resources issued to Orion to the value of ZAR132.64M which are redeemable by Prieska Resources at any time after the expiry of a period of 3 years and 1 day after the date of issue of the Preference Shares, and prior to the 8th anniversary of their date of issue at a rate of return of 12%, failing which any of the preference shares held by Orion (through its subsidiary, Agama Exploration & Mining (Pty) Ltd (**Agama**)) remaining after the 8th anniversary, will be automatically converted pro rata into ordinary shares in Prieska Resources up to a maximum of 49% of the shares in Prieska Resources or, subject to compliance with South African laws, an equivalent number of shares directly in Repli.

Simultaneously with the acquisition by Prieska Resources, the Orion Siyathemba Community Trust (Prieska Community Trust) and the Orion Siyathemba Employees Trust (Prieska Employees Trust) each acquired an effective 5% interest in Repli. While this acquisition was for nominal consideration, in terms of prevailing Mining Charter III legislation, Orion and Prieska Resources will be entitled to recover the costs incurred on behalf of the two trusts in developing the Prieska Project from future project cash flows.

In September 2019, a major component of the BEE restructure was implemented. In terms of these transactions, Mosiapoa and Power Matla exchanged their shares in Repli, Rich Rewards and Bartotrax (as applicable) for 48.48M and 37.58M Orion Shares, respectively, at a deemed issue price of $0.0314 per Share.

On 29 November 2019, Orion issued 47.83M Shares in the Company at a deemed issue price of $0.0314 per Share to AEMFC and Mosiapoa (together, **Residual BEE Investors**). The Shares were issued to the Residual BEE Investors as consideration for the repurchase by Vardocube, of shares held by the Residual BEE Investors in that company, finalising the BEE restructure.

The following organisation chart summarises the Group's structure, at the completion of the transactions as set out above and detailed in Note 6.



Directors' Report (continued)

Debt Facilities

Anglo American sefa Mining Fund – Preference Share Redemption

On 4 March 2019, the Company announced it had reached agreement with the value-adding South African institutional investor, AASMF to redeem Preference Shares held by AASMF in one of Orion's key project subsidiaries for shares in Orion. Under the agreement, AASMF agreed to the redemption of the Preference Shares, in exchange for Orion Shares, the ASX and JSE listed parent company of Repli (**Share Exchange Agreement**).

AASMF subscribed for 15.75M redeemable preference shares in Repli in November 2015 at a subscription price of ZAR1 per redeemable preference share (ZAR15.75M (~$1.58M)) (**Preference Shares**) as part of a seed capital investment with the previous owners of the Prieska Project.

Under the terms of the Share Exchange Agreement and following the receipt of Orion shareholder approval at a general meeting held on 7 June 2019, on 7 July 2019, Repli voluntarily redeemed the Preference Shares in consideration for Orion issuing the Shares to AASMF.

In satisfaction of the redemption amount payable by Repli to AASMF of ZAR25.05M (~$2.05M), in connection with the voluntary redemption of the Preference Shares by Repli, on 5 July 2019, Orion issued 77.57M Shares to AASMF at a deemed issue price of $0.0323 per Share.

Convertible Notes - Conversion

On 24 September 2019, the Company announced that it had received conversion notices from all Convertible Noteholders, requesting the conversion of the Convertible Notes held by them into Shares. A total of 232.69M Convertible Notes to the value of $6.05M (each with a face value of $0.026) were issued on 17 March 2017 to various sophisticated and professional investors (**Convertible Notes**). The Company obtained Shareholder approval for the issue of the Convertible Notes on 13 March 2017. Key terms of the Convertible Notes are set out in the Company's ASX release dated 8 March 2017 and 25 January 2019.

On 24 September 2019, the Company issued 222.31M Shares to the Noteholders on conversion of the Convertible Notes, thereby reducing the Company's current liabilities by $5.8M (as 10.38M Convertible Notes were converted into Shares in April 2019).

Tembo Capital Convertible Loan Facility - Extension of term

In January 2019, Orion announced that a $3.6M unsecured convertible loan facility had been agreed with Tembo Capital (**Loan Facility**). Under the terms of the Loan Facility, Tembo Capital may elect for repayment of the balance of the Loan Facility (including capitalised interest and fees) (**Outstanding Amount**) to be satisfied by the issue of Shares by the Company to Tembo Capital at a deemed issue price of $0.026 per Share (subject to receipt of Shareholder approval if applicable). The Outstanding Amount must be repaid by 25 June 2020 (previously 25 January 2020), or if Tembo Capital elects to receive Shares in repayment of the Outstanding Amount in lieu of payment in cash, the date on which the Shares are to be issued to Tembo Capital (or such later date as may be agreed between Tembo Capital and Orion) (refer ASX release 25 January 2019).

Subsequent to period end, on 24 January 2020, Orion announced that Tembo Capital continued its support of Orion through an extension to the term of the Loan Facility from 25 January 2020 to 25 June 2020.

Directors' Report (continued)

The key terms of the Loan Facility are:

- Loan Facility Amount: Up to $3.6M, available in two tranches. The first tranche is to be in one instalment of $0.6M to repay all amounts owing under the current Bridge Loan, with further tranches to be in minimum instalments of $1M each;
- Interest: Capitalised at 12% per annum accrued daily on the amount drawn down;
- Repayment: Tembo Capital may elect for repayment of the Outstanding Amount to be satisfied by the issue of Shares by the Company to Tembo Capital at a deemed issue price of 2.6 cents per Share, subject to receipt of Shareholder approval. The Outstanding Amount must be repaid by 25 June 2020, or if Tembo Capital elects to receive Shares in repayment of the Outstanding Amount in lieu of payment in cash, the date on which the Shares are to be issued to Tembo Capital (or such later date as may be agreed between Tembo Capital and Orion);
- Establishment fee:
  - Cash - capitalised 5% of the Loan Facility Amount and capitalised 4% of the Outstanding Amount as of 24 January 2020, payable on the Repayment date; and
  - Options - 11M unlisted Orion options, exercisable at a price of 3.0 cents per option, expiring on 17 June 2024.
- Security: Loan Facility is unsecured.

EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after the balance sheet date of the Company and the Group except for those matters referred to below:

- On 23 January 2020, the Company announced the appointment of Macquarie Capital as the Company's financial advisor in relation to a formal partnering process. The engagement of Macquarie Capital followed the Company having received expressions of interest from third parties in relation to the potential acquisition of, or subscription for, a significant project-level ownership interest in the Prieska Project, prompting it to commence a formal process to consider a range of potential transactions.
- On 24 January 2020, the Company announced an extension to the repayment date of the Tembo Capital Convertible Loan Facility from 25 January 2020 to 25 June 2020.
- On 28 January 2020, the Company implemented the next stage of the BEE restructure. Refer to Note 6 of the Notes to the Consolidated Interim Financial Report for detail on this stage of the BEE restructure.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 22 and forms part of the directors' report for the half year ended 31 December 2019.

Signed in accordance with a resolution of the directors

Denis Waddell
Chairman

Dated at Perth this 11th day of March 2020.

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Australia

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF ORION MINERALS LIMITED

As lead auditor for the review of Orion Minerals Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Orion Minerals Limited and the entities it controlled during the period.

James Mooney
Director

BDO Audit Pty Ltd

Melbourne, 11 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

CONTINUING OPERATIONS	Notes	December 2019 $'000	December 2018 $'000
Other income	3	36	27
Exploration and evaluation costs expensed	9	(1,059)	(1,415)
Employee expenses		(620)	(671)
Other operational expenses	3	(2,782)	(1,805)
Results from operating activities		**(4,425)**	**(3,864)**
Non-operating expenses	3	**(610)**	**(230)**
Finance income		633	125
Finance expense		(757)	(790)
Net finance expenses		**(124)**	**(665)**
Loss before income tax		(5,159)	(4,759)
Income tax (expense)/benefit		---	---
Loss from continuing operations attributable to equity holders of the Group		(5,159)	(4,759)
Other comprehensive income/(loss)			
Foreign currency reserve		204	(7)
Total comprehensive income/(loss) for the period		(4,955)	(4,766)
Loss for the period is attributed to:			
Non-controlling interest	15	(639)	(457)
Owners of Orion Minerals Limited		(4,520)	(4,302)
		(5,159)	**(4,759)**
Total comprehensive income/(loss) for the period is attributable to:			
Non-controlling interest	15	(639)	(457)
Owners of Orion Minerals Limited		(4,316)	(4,309)
		(4,955)	**(4,766)**
LOSS PER SHARE (CENTS PER SHARE)			
Basic loss per share	17	(0.20)	(0.29)
Diluted loss per share	17	(0.20)	(0.29)
Headline loss per share	17	(0.20)	(0.29)
Diluted headline loss per share	17	(0.20)	(0.29)

The Consolidated Interim Statement of Profit or Loss & Other Comprehensive Income is to be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

ASSETS	Notes	December 2019 $'000	June 2019 $'000
Current assets			
Cash and cash equivalents		5,220	1,395
Other receivables	4	377	407
Rehabilitation bonds	5	278	276
Prepayments		84	68
Total current assets		5,959	2,146
Non-current assets			
Other receivables	4	93	152
Rehabilitation bonds	5	2,461	2,372
Loan to joint venture partners	7	2,248	2,042
Loan to Prieska Resources	7	1,057	---
Plant and equipment		77	95
Investment – preference shares	8	13,921	---
Deferred exploration, evaluation and development	9	43,510	40,991
Total non-current assets		63,367	45,652
Total assets		**69,326**	**47,798**
LIABILITIES	**Notes**	**December 2019 $'000**	**June 2019 $'000**
Current liabilities			
Trade and other payables		930	1,999
Loans	10	6,005	3,947
Convertible notes	12	---	5,724
Provisions		170	170
Total current liabilities		7,105	11,840
Non-current liabilities			
Provisions		2,000	2,363
Preference shares	11	---	2,529
Loans	10	---	1,748
Total non-current liabilities		2,000	6,640
Total liabilities		**9,105**	**18,480**
NET ASSETS		**60,221**	**29,318**
EQUITY	**Notes**	**December 2019 $'000**	**June 2019 $'000**
Equity attributable to equity holders of the Company			
Issued capital	13	146,648	121,530
Accumulated losses		(101,316)	(96,063)
Non-controlling interest	15	(1,321)	1,244
Foreign currency translation reserve		(106)	(310)
Other reserve	16	13,203	---
Convertible notes reserve		230	230
Share based payments reserve	14	2,883	2,687
TOTAL EQUITY		**60,221**	**29,318**

The Consolidated Interim Statement of Financial Position is to be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Notes	December 2019 $'000	December 2018 $'000
Cash flows from operating activities			
Payment for exploration and evaluation		(2,786)	(2,983)
Payments to suppliers and employees		(2,371)	(2,287)
Interest received		22	75
Interest expense		(371)	(1,318)
Other receipts		129	---
Net cash used in operating activities		(5,377)	(6,513)
Cash flows from investing activities			
Payments for exploration and evaluation		(3,095)	(7,340)
Term deposit funds released		33	---
Guarantees on deposit		---	(30)
Proceeds from sale of tenements		---	2,500
Net cash used in investing activities		(3,062)	(4,870)
Cash flows from financing activities			
Proceeds from issue of shares		12,800	14,509
Share issue expenses		(324)	(394)
Borrowings provided to joint venture operations		(199)	---
Proceeds from borrowings		---	---
Repayment of borrowings		---	(5,496)
Net cash from financing activities		12,277	8,619
Net increase in cash and cash equivalents		3,838	(2,764)
Cash and cash equivalents at the beginning of the financial year		1,395	4,811
Effects of exchange rate on cash at end of reporting period		(13)	(13)
CASH AND CASH EQUIVALENTS AT PERIOD END		**5,220**	**2,034**

The Consolidated Interim Statement of Cash Flows is to be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

31 December 2019

	Issued capital ($'000)	Accumulated losses ($'000)	Non-controlling interest ($'000)	Foreign currency translation reserve ($'000)	Other reserve ($'000)	Convertible note reserve ($'000)	Share based payments reserve ($'000)	Total equity ($'000)
Balance at 1 July 2019	121,530	(96,063)	1,244	(310)	---	230	2,687	29,318
Loss for the period	---	(4,520)	(639)	---	---	---	---	(5,159)
Other comprehensive loss	---	---	---	204	---	---	---	204
Total comprehensive loss for the period	**---**	**(4,520)**	**(639)**	**204**	**---**	**---**	**---**	**(4,955)**
Transactions with owners in their capacity as owners:								
Contributions of equity, net costs	25,118	---	---	---	---	---	---	25,118
Convertible notes reserve	---	---	---	---	---	---	---	---
Transfer of share options expired	---	562	---	---	---	---	(562)	---
Share-based payments expense	---	---	---	---	---	---	758	758
Transactions between owners	---	(1,295)	(1,926)	---	13,203	---	---	9,982
Total transactions with owners	**25,118**	**(733)**	**(1,926)**	**---**	**13,203**	**---**	**196**	**35,858**
Balance at 31 December 2019	**146,648**	**(101,316)**	**(1,321)**	**(106)**	**13,203**	**230**	**2,883**	**60,221**

31 December 2018

	Issued capital ($'000)	Accumulated losses ($'000)	Non-controlling interest ($'000)	Foreign currency translation reserve ($'000)	Convertible note reserve ($'000)	Share based payments reserve ($'000)	Total equity ($'000)
Balance at 1 July 2018	102,460	(87,367)	2,233	127	230	2,103	19,786
Loss for the period	---	(4,302)	(457)	---	---	---	(4,759)
Other comprehensive loss	---	---	---	(7)	---	---	(7)
Total comprehensive loss for the period	**---**	**(4,302)**	**(457)**	**(7)**	**---**	**---**	**(4,766)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net costs	14,116	---	---	---	---	---	14,116
Convertible notes	---	---	---	---	---	---	---
Foreign translation reserve	---	---	---	---	---	---	---
Transfer of share options expired	---	---	---	---	---	---	---
Share-based payments expense	---	---	---	---	---	215	215
Total transactions with owners	**14,116**	**---**	**---**	**---**	**---**	**215**	**14,330**
Balance at 31 December 2018	**116,575**	**(91,669)**	**1,776**	**120**	**230**	**2,318**	**29,350**

The Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the notes to the consolidated interim financial report.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2019

1. REPORTING ENTITY

Orion Minerals Limited (**Company**) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the **Group**).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2019 is available upon request from the Company's registered office or at www.orionminerals.com.au.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these consolidated interim financial statements are consistent with those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019. Mandatory accounting standards were adopted by the Group during the period. The adoption of the new accounting standards has had no material impact on the measurements of the Group's assets and liabilities.

a) Statement of compliance
The consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IFRS IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2019.

This consolidated interim financial report was approved by the Board of Directors on 10 March 2020.

b) Basis of measurement
The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial report as at and for the year ended 30 June 2019.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group recorded a net loss of $5.16M for the half year ended 31 December 2019, and the Group's position as at 31 December 2019 was as follows:

- The Group had cash reserves of $5.22M and had negative operating cash flows of $5.37M for the half year ended 31 December 2019;
- The Group had negative working capital at 31 December 2019 of $1.14M; and
- The Group's main activity is exploration, evaluation and development of base metal, gold and platinum-group element projects in South Africa (Areachap Belt, Northern Cape) and as such it does not have a source of income, rather it is reliant on debt and / or equity raisings to fund its activities.

These factors indicate a material uncertainty that may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts state in the financial report.

Current forecasts indicate that cash on hand as at 31 December 2019 will not be sufficient to fund planned exploration and operational activities during the next twelve months and to maintain the Group's tenements in good standing. Accordingly, the Group will be required to raise additional equity, consider alternate funding options or a combination of the foregoing.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Company has previously been successful in raising capital as and when required as evidenced by capital raising initiatives of $12.8M (before costs) during the half year ended 31 December 2019, which follows the completion of capital raising initiatives of $19.5M during the year ended 30 June 2019.
- The Company received convertible note conversion notices from all noteholders, requesting conversion of the convertible notes into Shares in the Company at an issue price of 2.6 cents per Share and during the half year ended 31 December 2019, the Company finalised the issue of Shares to the noteholders, thereby reducing the Group's current liabilities by $5.7M (refer Note 12).
- The Company reached agreement with Anglo American sefa Mining Fund (**AASMF**), whereby AASMF agreed to the redemption of the preference shares issued by Repli that it held, in exchange for Orion Shares. In satisfaction of the redemption amount payable by Repli to AASMF of ZAR25.05M (~A$2.50M), on 5 July 2019, the Company issued 77.57M Shares to AASMF at a deemed issue price of $0.0323 per Share, thereby reducing the Group's current liabilities by $2.5M (refer Note 11).
- In January 2020, the Company announced that Tembo Capital Mining Fund II LP (**Tembo Capital**) has continued its strong support of the Company through an extension to the repayment date of the Convertible Loan Facility to 25 June 2020 (refer Note 10).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Based on the high-margin bankable feasibility study (**BFS**) released June 2019, with an initial 10 year Foundation Phase (refer ASX release 26 June 2019), the positive results delivered by the value engineering and optimisation works undertaken since the completion of the BFS, the commencement of a partnering process which contemplates the introduction of a strategic project-level equity partner/ investor in the Prieska Copper-Zinc Project (**Prieska Project**) and the Company's ability to successfully raise capital in the past, the Directors are confident of obtaining the continued support of the Company's shareholders and a number of brokers that have supported the Company's previous capital raisings.

Accordingly, the financial statements for the half year ended 31 December 2019 have been prepared on a going concern basis as, in the opinion of the Directors, the Group will be in a position to continue to meet its operating costs and exploration expenditure commitments and pay its debts as and when they fall due for at least twelve months from the date of this report.

However, the Directors recognise that if sufficient additional funding is not raised from the issue of capital or through alternative funding sources, there is a material uncertainty as to whether the going concern basis is appropriate with the result that the Group may relinquish title to certain tenements and may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report.

d) Rounding of amounts

The Company is of a kind referred to in the Corporations Instrument 2016/191, issued by the Australian Securities and Investment Commission, relation to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars or in certain cases, to the nearest dollar.

e) New or amended Accounting Standards and Interpretations adopted

In the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2019.

As a result, the Group has applied AASB 16. The Directors have determined that there is no material impact from the adoption of this Standard on the financial performance or position of the Group.

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was nil as based on management assessment all operating leases held within the Group were of low value or for a period of less than 12 months. As such, the group has elected to apply the lease practical expedients whereby leases with periods less than 12 months or low value are not capitalised on the balance sheet and are instead recognised as operating expenses within the profit or loss statement.

3. REVENUE, INCOME AND EXPENSES

Other income	December 2019 $'000	December 2018 $000
Services rendered to associate companies	36	27
Total other income	**36**	**27**
Other operational expenses	**December 2019 $'000**	**December 2018 $'000**
Contractor, consultants and advisory expense	1,825	959
Investor and public relations	283	210
Communications and information technology	69	38
Depreciation	18	23
Loss on disposal of plant and equipment	1	10
Occupancy	63	57
Travel and accommodation	165	270
Directors fees and employment expenses	237	198
Other corporate and administrative expenses	121	40
Total other operational expenses	**2,782**	**1,805**
Non-operating (income) / expenses	**December 2019 $'000**	**December 2018 $'000**
Net foreign exchange (gain)/loss	(148)	---
Other items written-off	---	16
Share based payment expense	758	214
Total non-operating (income) / expenses	**610**	**230**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2019

4. OTHER RECEIVABLES

	December 2019 $'000	June 2019 $'000
Current receivables:		
Security deposits	42	14
Other receivables	40	31
Interest receivables	---	2
Taxes receivables	295	360
	377	**407**
Non-current receivables:		
Security deposits	3	29
Term deposits	90	123
	93	**152**

5. REHABILITATION BONDS

	December 2019 $'000	June 2019 $'000
Current		
Environmental bonds (a)	278	276
Non-current		
Environmental bonds (a)	2,461	2,372
Total	**2,739**	**2,648**

(a) Environmental bonds are cash placed on deposit to secure bank guarantees in respect of obligations entered into for environmental performance bonds issued in favour of the relevant government body for projects located in South Africa and Victoria, Australia. The guarantees are held as both current and non-current receivables.

The Group also has environmental obligations for the Prieska Project. This amount is held on deposit via a call account with the bank and by bank guarantee issued to the government body. These funds can be applied by the government body for rehabilitation works should the Group fail to meet regulatory standards for environmental rehabilitation. This deposit (included as a non-current asset) offsets the provisional non-current liability held in the Group's accounts.

6. RESTRUCTURE OF BLACK ECONOMIC EMPOWERMENT OWNERSHIP

In order to comply with the requirements of the South African Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 and its associated Implementation Guidelines (**Mining Charter III**), the Company began implementing necessary changes to its group structure within South Africa.

In April 2019, Orion entered into an Memorandum of Understanding (**MoU**) with each of the existing Black Economic Empowerment (**BEE**) participants (being the trustees for the time being of the Mosiapoa Family Trust (**Mosiapoa**), Power Matla (Pty) Ltd (**Power Matla**) and African Exploration and Mining Finance Corporation (SOC) Ltd (**AEMFC**)) in its South African subsidiaries (being Repli, Vardocube, Bartotrax and Rich Rewards Trading 437 (Pty) Limited (**Rich Rewards**)). In terms of those MoU's (as amended from time to time), the existing BEE participants agreed to exchange their shares in Orion's South African subsidiaries for approximately 134M JSE-listed Orion Shares.

6. RESTRUCTURE OF BLACK ECONOMIC EMPOWERMENT OWNERSHIP (continued)

At the same time, Orion entered into a Memorandum of Agreement with two BEE entrepreneurs, Black Star Minerals (Pty) Ltd (**Black Star**) and Kolobe Nala Investment Company (Pty) Ltd (**KNI**), in terms of which they agreed to acquire a 20% interest in Repli, as well as a 20% interest in Orion's ownership interest in its Jacomynspan Project (consisting of Namaqua Nickel Mining (Pty) Ltd and Disawell (Pty) Ltd).

In July 2019, Orion concluded a Revised Memorandum of Agreement with Black Star, KNI and Safika Resources (Pty) Ltd (**Safika**) in terms of which Safika joined Black Star and KNI as part of the BEE consortium outlined above.

Various components of the BEE restructure were implemented during the reporting period in two phases. The first phase was implemented in September 2019 and the second in November 2019.

In September 2019, a major component of the BEE restructure was implemented. In terms of these transactions, Mosiapoa and Power Matla exchanged their shares in Repli, Rich Rewards and Bartotrax (as applicable) for approximately 48.48M and 37.58M JSE listed Orion Shares, respectively, at a deemed issue price of $0.0314 per Share. Simultaneously, Prieska Resources acquired a 20% effective interest in the Company's subsidiary, Repli, for a purchase consideration of approximately ZAR142.78M (~$14.45M) and the trustees for the time being of the Orion Siyathemba Community Trust (**Prieska Community Trust**) and the trustees for the time being of the Orion Siyathemba Employees Trust (**Prieska Employees Trust**) each acquired an effective 5% interest in Repli.

While the acquisition by the Prieska Community Trust and the Prieska Employee Trust was for nominal consideration, in terms of the prevailing Mining Charter III legislation, Orion and Prieska Resources will be entitled to recover the costs incurred on behalf of the two trusts in developing the Prieska Project from future project cash-flows.

Prieska Resources is a BEE company whose shares are held by Black Star (17.31%), KNI (37.97%) and Safika (44.72%). To fund the acquisition of the 20% interest in Repli, the Company has provided vendor financing to Prieska Resources comprising two parts:

- A secured loan (repayable 12 months from closing date of securing Prieska Project financing) of ZAR10.14M (~$1.03M) plus interest at the publicly quoted prime overdraft rate from time to time of Investec Bank Limited, which arises as a result of Repli delegating a portion of a loan owing to Agama Exploration & Mining (Pty) Ltd (**Agama**) to Prieska Resources, in exchange for which Repli issues ordinary shares to Prieska Resources; and
- Preference shares issued by Prieska Resources to Nabustax (Pty) Ltd (**Nabustax**) and Itakane Trading 217 (Pty) Ltd (**Itakane**) (both subsidiaries of Orion) to the value of ZAR132.64M (~$13.4M), the respective purchase consideration being 10.21% shareholding in Repli held by Nabustax and Itakane being transferred to Prieska Resources (refer Note 7). Key terms of the Prieska Resources preference shares issued to Nabustax and Itakane (refer Note 8) are:
    - o The preference shares rank in priority to the rights of all other shares of Prieska Resources with respect to the distribution of Prieska Resource's assets, in an amount up to the redemption amount in the event of the liquidation, dissolution or winding up of Prieska Resources, whether voluntary or involuntary, or any other distribution of Prieska Resources, whether for the purpose of winding up its affairs or otherwise;

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6. RESTRUCTURE OF BLACK ECONOMIC EMPOWERMENT OWNERSHIP (continued)

- The preference shares are redeemable by Prieska Resources at any time after the expiry of a period of 3 years and 1 day after the date of issue of the Preference Shares, and prior to the 8th anniversary of their date of issue at an internal rate of return of 12%; and
- Any preference shares held by Orion (through its subsidiary Agama) after the 8th anniversary of their date of issue will be automatically converted pro rata into ordinary shares in Prieska Resources, up to 49% of the shares in Prieska Resources or, subject to compliance with South African laws, an equivalent number of shares in Repli.

For the purposes of enabling Prieska Resources to acquire a 20% shareholding in Repli, Nabustax and Itakane entered into an asset-for-share transaction with Prieska Resources whereby Nabustax and Itakane sold a collective 10.21% shareholding in Repli, in consideration for which Prieska Resources issued preference shares (refer above) to the Sellers in proportion to their percentage of ordinary shares held in Repli prior to the transaction. This transaction resulted in a one-off profit for the Orion subsidiaries from the sale of their 20% holding in Repli to Prieska Resources of ZAR132.6M ($13.2M). The profit comprises:

- Nabustax ZAR52.8M ($5.3M) for 4.06% shareholding sold in Repli; and
- Itakane ZAR79.9M ($8.0M) for 6.15% shareholding sold in Repli.

At consolidation of the financial results of Nabustax and Itakane within the Orion Group, the profit of ZAR132.6M ($13.2M) is recognised directly in equity as a transaction between owners, without a loss of control, in accordance IFRS 10.23, Consolidated Financial Statements (refer Note 16).

In November 2019, Orion issued approximately 47.83M JSE listed Orion Shares at a deemed issue price of $0.0314 per Share to AEMFC and Mosiapoa (together, **Residual BEE Investors**). The Shares were issued to the Residual BEE Investors as consideration for the repurchase by Vardocube, of shares held by the Residual BEE Investors in that company, finalising the BEE restructure. This component of the BEE restructure was effected by way of a scheme of arrangement in terms of section 114(1)(e) of the South African Companies Act, 2008.

As part of the BEE restructure, several of the loans held by Repli, Bartotrax, Vardocube and Rich Rewards were delegated to other Orion Group companies, which had no impact on the consolidated Group.

Subsequent to reporting period end, the Company implemented the next phase of the BEE restructure in January 2020, whereby:

- Repli acquired the entire issued ordinary share capital of Orion subsidiary, Vardocube from Nabustax (Orion subsidiary), the purchase consideration for which was the issue of 4,282 Repli shares to Nabustax, resulting in:
  - Vardocube becoming a wholly-owned subsidiary of Repli; and
  - Prieska Resources and Itakane's (Orion subsidiary) shareholding in Repli being momentarily diluted.
- Orion subsidiaries, Nabustax and Itakane (**Distributing Companies**) each declared a distribution in specie constituting a liquidation distribution as contemplated in section 47 of the South African Income Tax Act, 1962 pursuant to which the assets of the Distributing Companies are transferred to Agama (Orion subsidiary), such that:

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For the half year ended 31 December 2019

6. RESTRUCTURE OF BLACK ECONOMIC EMPOWERMENT OWNERSHIP (continued)

  - Agama, resultantly being the new direct shareholder in Repli and accepts the eventual transferral of any encumbrances and pledges on some of the Repli shares; and
  - the security provided in relation to the Distributing Companies' preference shares held in Prieska Resources is re-issued to Agama.

- To ensure that the BEE consortium's interest in its vehicle (Prieska Resources) is not diluted upon Prieska Resources issuing preference shares to the Orion group in exchange for ordinary shares in Repli, the shareholders of Prieska Resources received an additional 5,078 ordinary shares in Prieska Resources by way of a pro rata capitalisation issue to:
  - Black Star receiving an additional 2,271 shares;
  - KNI receiving an additional 1,928 shares; and
  - Safika receiving an additional 879 shares.

- Prieska Resources maintains its minimum 20% shareholding in the issued ordinary share capital of Repli by way of:
  - a subscription of an additional 613 shares in Repli; and
  - issuing additional preference shares to Agama to the value of ZAR67.36M (~$6.8M) in exchange for Agama transferring to Prieska Resources, 475 shares in Repli held by Agama.

7. LOAN TO RELATED PARTIES

	December 2019 $'000	June 2019 $'000
Non-current		
Loan to Prieska Resources – principal	1,026	---
Loan to Prieska Resources – interest receivable	31	---
Loan to joint venture partners	2,248	2,042
Total	**3,305**	**2,042**

<u>Prieska Resources</u>
The BEE restructure implemented in September 2019 involved the acquisition by Prieska Resources of a 20% interest in the Company's subsidiary, Repli, for a purchase consideration of ZAR142.78M (~$14.45M). To fund the acquisition, the Company has provided vendor financing comprised of two components, being a loan and preference shares (refer Notes 6, 8 and 16).

<u>Joint Venture Partners</u>
In September 2017, the Company entered into a binding earn-in agreement to acquire the earn-in rights over the Jacomynspan Nickel-Copper-PGE Project (South Africa) (**Jacomynspan Project**) from two companies, Namaqua Nickel Mining (Pty) Ltd and Disawell (Pty) Ltd (**Namaqua Disawell Companies**), which hold partly overlapping prospecting rights and mining right applications.

During the reporting period, the Group continued to advance exploration programs on the Jacomynspan Project, expending an additional $0.2M. This expenditure, under the terms of the agreement, is held in the shareholder loan account and Area Metals Holdings 3 (**AMH3**) reached the next stage earn-in right, which will see its shareholding increase by a further 25% interest (making its total interest 50% (Orion 37%)). Following notification to Namaqua Disawell Companies of the earn-in right milestone reached, an application for the relevant regulatory approval is being progressed, and following receipt of such regulatory approval, AMH3 will be issued with the additional shares earned.

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8. INVESTMENT – PREFERENCE SHARES

	December 2019 $'000	June 2019 $'000
Non-current		
Prieska Resources preference shares – principal	13,421	---
Prieska Resources preference shares – interest receivable	500	---
Total	**13,921**	**---**

Further to the BEE restructure implemented in September 2019, Prieska Resources issued preference shares to Nabustax and Itakane (refer Note 6) with the following terms:

- The preference shares rank in priority to the rights of all other shares of Prieska Resources with respect to the distribution of Prieska Resource's assets, in an amount up to the redemption amount in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of Prieska Resources, whether for the purpose of winding up its affairs or otherwise;
- The preference shares are redeemable by Prieska Resources at any time after the expiry of a period of 3 years and 1 day after the date of issue of the Preference Shares, and prior to the 8th anniversary of their date of issue at an internal rate of return of 12%; and
- Any preference shares held by Orion (through its subsidiary Agama) after the 8th anniversary of their date of issue will be automatically converted pro rata into ordinary shares in Prieska Resources, up to 49% of the shares in Prieska Resources or, subject to compliance with South African laws, an equivalent number of shares in Repli.

Subsequent to reporting period end, the Company implemented the next phase of the BEE restructure in January 2020 whereby, amongst other things, the above preference shares were transferred by Nabustax and Itakane to Agama, and Prieska Resources issued further preference shares to Agama.

9. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	December 2019 $'000	June 2019 $'000
Acquired mineral rights		
Opening cost	14,161	14,161
Exploration and evaluation acquired	---	---
Exploration, evaluation and development	**14,161**	**14,161**
Deferred exploration and evaluation expenditure		
Opening cost	26,830	14,958
Expenditure incurred	3,578	14,925
Exploration expensed	(1,059)	(3,053)
Impairment	---	---
Deferred exploration and evaluation expenditure	**29,349**	**26,830**
Net carrying amount at end of period	**43,510**	**40,991**

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For the half year ended 31 December 2019

10. LOANS

	December 2019 $'000	June 2019 $'000
Current		
Convertible loan	4,165	3,947
AASMF loan	1,840	---
	6,005	**3,947**
Non-current		
AASMF loan	---	1,748
	---	**1,748**
Total	**6,005**	**5,695**

<u>Convertible Loan</u>

On 25 January 2019, the Company announced a $3.6M loan facility with Tembo Capital (**Loan Facility**). The key terms of the Loan Facility are:

- Loan Facility Amount: Up to $3.6M;
- Interest: Capitalised at 12% per annum accrued daily on the amount drawn down;
- Repayment: Tembo Capital may elect for repayment of the balance of the Loan Facility (including capitalised interest and fees) (Outstanding Amount) to be satisfied by the issue of fully paid ordinary shares (**Shares**) by the Company to Tembo Capital at a deemed issue price of 2.6 cents per Share, subject to receipt of Shareholder approval (if applicable). The Outstanding Amount must be repaid by 25 January 2020 (on 24 January 2020, Tembo Capital and the Company agreed to extend the Repayment date to 25 June 2020, or if Tembo Capital elects to receive Shares in repayment of the Outstanding Amount in lieu of payment in cash, the date on which the Shares are to be issued to Tembo Capital (or such later date as may be agreed between Tembo Capital and Orion);
- Establishment fee:
  - Cash - capitalised 5% of the Loan Facility Amount and capitalised 4% of the Outstanding Amount as of 24 January 2020, payable on the Repayment date; and
  - Options - 11M unlisted Orion options, exercisable at a price of $0.03 per option, expiring on the 17 June 2024.
- Security: Loan Facility is unsecured.

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10. LOANS (continued)

AASMF Loan

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

- Loan amount ZAR14.25M;
- 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 (31 July 2020) or on the date which Repli raises any additional finance for the further development of the Prieska Project; and
- On the advancement of the loan, 30% of the shares held in Repli by the Agama group (a wholly owned subsidiary of the Company), will be pledged as security to AASMF for the performance of Repli's obligations in terms of the loan.

On 1 August 2017, Repli drew down on the available AASMF loan in full (~$1.44M (ZAR14.25M)). At 31 December 2019, the balance of the loan was $1.84M (including capitalised interest).

11. PREFERENCE SHARES

	December 2019 $'000	June 2019 $'000
AASMF preference shares – principal	---	1,593
AASMF preference shares – provision for dividends and settlement premium	---	936
Total	**---**	**2,529**

Preference shares are classified as financial liabilities and therefore the accrued dividends and settlement premium are recorded as an interest expense in the consolidated statement of profit and loss and other comprehensive income.

Repli applied for a funding facility from AASMF for the further exploration and development of the Prieska Project. On 14 November 2014, AASMF approved the funding facility for an amount of ZAR30.00M, subject to certain terms and conditions. The funding was provided in two tranches, the first tranche for ZAR15.75M by way of the issue of Repli preference shares and the second tranche for ZAR14.25M by way of a loan from AASMF (refer Note 10).

On 2 November 2015, a subscription agreement was entered into between Repli and AASMF, on 5 November 2015 the subscription price was paid to Repli and on the same day the preference shares were issued to AASMF. 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 ZAR15.75M (~$1.59M);
- Dividend rate – prime lending rate in South Africa;

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
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11. PREFERENCE SHARES (continued)

- 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 Prieska 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:
  - ZAR15.75M;
  - any unpaid and accumulated dividends; and
  - Settlement premium based on internal rate of return (**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 be principally used for a 12 month exploration program on the NW Oxide Zone at the Prieska Project and the results used to update the scoping study.

On 4 March 2019, the Company announced that it had reached agreement with AASMF for Repli to redeem the preference shares held by AASMF for Shares and on 5 July 2019, Repli voluntarily redeemed the preference shares, in consideration for which the Company issued 77.57M Shares to AASMF (redemption amount payable ZAR25.05M (~$2.50M)).

12. CONVERTIBLE NOTES

	December 2019 $'000	June 2019 $'000
Convertible note liability		
Opening balance	5,724	6,001
Convertible note liability – movement	56	(7)
Convertible notes – converted	(5,780)	(270)
Closing balance	---	**5,724**

On 7 February 2017, the Company announced that it was proposing to conduct a capital raising through the issue of convertible notes to various sophisticated and professional investors, each with a face value of 2.6 cents (**Convertible Notes**).

The Company obtained shareholder approval for the Convertible Notes issue at a meeting of shareholders held on 13 March 2017. Following obtaining approval, on 17 March 2017 the Company issued 232,692,294 Convertible Notes each with a face value of 2.6 cents, raising $6.05M.

On 24 September 2019, the Company announced that it had received conversion notices from all Convertible Noteholders, requesting the conversion of the Convertible Notes held by them into Shares. On 24 September 2019, the Company issued 222.31M Shares to the Noteholders on conversion of the Convertible Notes, thereby reducing the Company's current liabilities by $5.8M (as 10.38M Convertible Notes were converted into Shares in April 2019).

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13. ISSUED CAPITAL

	December 2019 $'000	June 2019 $'000
Ordinary fully paid shares	146,648	121,530
	146,648	**121,530**

The following movements in issued capital occurred during the period:

	Number of shares	Issue price	$'000
Ordinary fully paid shares			
Opening balance at 1 July 2019	2,003,344,917		121,530
Share Issues:			
Placement (5 July 2019)	77,567,412	$0.032	2,505
Placement (22 July 2019)	30,000,000	$0.040	1,200
Placement (9 August 2019)	33,706,695	$0.040	1,348
Placement (6 September 2019)	20,000,000	$0.040	800
Placement (12 September 2019)	86,056,022	$0.031	2,702
Convertible Notes conversion (24 September 2019)	222,307,679	$0.026	5,780
Placement (1 November 2019)	235,399,983	$0.025	5,885
Placement (5 November 2019)	19,400,000	$0.025	485
Placement (22 November 2019)	53,904,167	$0.025	1,348
Placement (29 November 2019)	47,825,602	$0.031	1,502
Share Purchase Plan (12 December 2019)	70,047,920	$0.025	1,752
Less: Issue costs	---	---	(189)
Total	**2,899,560,397**		**146,648**

14. SHARE BASED PAYMENTS RESERVE

The employee share option and share plan reserve is used to record the value of equity benefits provided to employees, consultants and directors as part of their remuneration.

The following movements in the share based payments reserve occurred during the period:

	$'000
Opening balance at 1 July 2018	2,103
Share based payments expense	1,649
Unlisted share options expired and transferred to accumulated losses (i)	(1,065)
Closing balance at 30 June 2019	**2,687**
Share based payments expense	758
Unlisted share options expired and transferred to accumulated losses (i)	(562)
Closing balance at 31 December 2019	**2,883**

(i) During the period, previously recognised share based payment transactions for options which had vested but subsequently expired were transferred to accumulated losses.

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14. SHARE BASE PAYMENTS RESERVE (continued)

The following options to subscribe for ordinary fully paid shares expired during the half year:

Class	Number of options	Expiry date	Exercise price
Unlisted options	3,040,050	15/08/2019	$0.037
Unlisted options	100,466,749	31/10/2019	$0.05
Unlisted options	250,000	30/11/2019	$0.045
Unlisted options	250,000	30/11/2019	$0.06
Total	**104,006,799**		

There were 209,267 options granted with an exercise price of $0.05, which also expired, and no options were exercised during the half year ended 31 December 2019.

15. NON-CONTROLLING INTEREST

	December 2019 $'000	June 2019 $'000
Opening balance	1,244	2,233
Movement		
Accumulated losses	(639)	(989)
BEE restructure adjustment	(1,926)	---
Closing balance	**(1,321)**	**1,244**

The non-controlling interest parties have the following interest in the Group South African subsidiaries:

Repli Trading No 27 (Pty) Ltd 30% (2018: 26.67%), Rich Rewards Trading 437 (Pty) Ltd 0% (2018: 26.67%), Vardocube (Pty) Ltd 0% (2018: 30%), Bartotrax (Pty) Ltd 0% (2018: 26.67%), Masiqhame 855 (Pty) Ltd 50% (2018: 49%) and Prieska Copper Mines Ltd 2.54% (2018: 2.54%).

Refer Note 6 for information on the BEE Restructure implemented during the reporting period.

16. OTHER RESERVES

	December 2019 $'000	June 2019 $'000
Opening balance	---	---
Movement		
Transactions between owners	13,203	---
Closing balance	**13,203**	**---**

In accordance with IFRS10.23, the profit realised by Nabustax and Itakane on the sale of 20% of the shares in Repli to Prieska Resources, is recognised directly in equity as transactions between owners without a loss of control (refer Note 6 for additional information).

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For the half year ended 31 December 2019

17. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net loss or earnings for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss or earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of potentially dilutive options and dilutive partly paid contributing shares).

The following reflects the income and share data used to calculate basic and diluted earnings per share:

a) Basic and diluted loss per share

	December 2019 Cents	December 2018 Cents
Loss attributable to owners of the Company	(0.20)	(0.29)
Diluted loss attributable to owners of the Company	(0.20)	(0.29)

b) Reconciliation of loss used in calculating earnings per share

	December 2019 $'000	December 2018 $'000
Loss from continuing operations attributable to equity holders of the Group	(5,159)	(4,759)
Loss attributable non-controlling interest	639	---
Loss attributable to owners of the Company	(4,520)	(4,759)

c) Weighted average number of shares

	December 2019 Number	December 2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	2,221,005,394	1,625,922,939
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	2,221,005,394	1,625,922,939

d) Headline profit / (loss) per share

	December 2019 $'000	December 2018 $'000
Loss before income tax	(4,520)	(4,759)
Impairment of non-current assets reversal	---	---
Plant and equipment written off	---	---
Adjusted earnings	**(4,520)**	**(4,759)**
Weighted average number of shares	2,221,005,394	1,625,922,939
Loss per share (cents per share)	(0.20)	(0.29)
Loss per share (cents per share)	(0.20)	(0.29)

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18. SEGMENT REPORTING

The Group's operating segments are identified and information disclosed, where appropriate, on the basis of internal reports reviewed by the Company's Board of Directors, being the Group's Chief Operating Decision Maker, as defined by AASB 8. Reportable segments disclosed are based on aggregating operating segments where the segments have similar characteristics.

The Group's core activity is mineral exploration, evaluation and development within South Africa and Australia. During the half year to 31 December 2019, the Group has actively undertaken exploration, evaluation and development in South Africa.

Reportable segments are represented as follows:

31 December 2019	Australia $'000	South Africa $'000	Total $'000
Segment net operating profit / (loss) after tax	(3,366)	(1,793)	(5,159)
Depreciation	(5)	(13)	(18)
Finance income	16	617	633
Finance expense	(664)	(93)	(757)
Exploration expenditure written off and expensed	(176)	(883)	(1,059)
Segment non-current assets	**56,752**	**6,615**	**63,367**

30 June 2019	Australia $'000	South Africa $'000	Total $'000
Segment net operating loss after tax	(7,098)	(3,472)	(10,750)
Depreciation	(22)	(25)	(47)
Finance income	45	183	228
Finance expense	(1,304)	(457)	(1,761)
Exploration expenditure written off and expensed	(613)	(2,440)	(3,053)
Segment non-current assets	**11,182**	**34,470**	**45,652**

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19. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after the balance sheet date of the Company and the Group except for those matters referred to below:

- On 23 January 2020, the Company announced the appointment of Macquarie Capital as the Company's financial advisor in relation to a formal partnering process. The engagement of Macquarie Capital followed the Company having received expressions of interest from third parties in relation to the potential acquisition of, or subscription for, a significant project-level ownership interest in the Prieska Project, prompting it to commence a formal process to consider a range of potential transactions.
- On 24 January 2020, the Company announced an extension to the repayment date of the Tembo Capital Convertible Loan Facility from 25 January 2020 to 25 June 2020.
- On 28 January 2020, the Company implemented the next stage of the BEE restructure. Refer to Note 6 of the Notes to the Consolidated Interim Financial Report for detail on this stage of the BEE restructure.

DIRECTORS' DECLARATION

In the opinion of the directors of Orion Minerals Limited (the **Company**):

1. the interim consolidated financial statements and notes set out on pages 23 to 43, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Denis Waddell
Chairman
Dated at Perth this 11th day of March 2020.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Orion Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Orion Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 2(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134

Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

James Mooney
Director

Melbourne, 11 March 2020