



SYDVARANGER

## Public Announcement

For release on 31<sup>st</sup> October 2018

### **Sydvaranger Succeeds in Securing a Partner; Progressing Towards a Restart of Operations**

Sydvaranger AS (“Sydvaranger”) is pleased to announce that it has closed a financing with Orion Mine Finance (“Orion”), which is Orion’s first step in supporting the continued development of the Sydvaranger iron project toward a restart of operations during 2019. Contingent upon final permitting with satisfactory terms being received soon and subject to the final approval of Orion’s Investment Committee, Sydvaranger expects Orion’s increased involvement.

Orion, headquartered in New York, is one of the world’s largest mining-focused investment funds. Orion is an industry leader in supporting mining companies achieve their goals, with multiple successes across various commodities in the global markets.

Commenting on the partnership with Orion which secures a financing package satisfying the funding requirements for the life of mine, Felix Tschudi says:

*“We are extremely pleased to have a solid partner in Orion on-board for this next stage of Sydvaranger’s growth. Since we acquired the Sydvaranger project in April 2016, our focus has been on building sustainable plans and putting in the effort required to make Sydvaranger a success for the long-term. We have fortunately found a partner in Orion that shares our views and has encouraged and supported us to make these plans even more definitive ahead of a re-start.*

*Now that we have the right partner identified, we will continue working towards developing an operation at Sydvaranger that creates a stable and sustainable source of value and year round jobs for the community. We hope that the Mining Directorate will soon provide us with a concession that gives us the opportunity to make this a reality. From there, we are excited about the successful future ahead for Sydvaranger!*

*We knew we had found the right partner in Orion when they were both understanding of and in agreement with our plans to develop the mine in a responsible way. Building on the prior investments in Sydvaranger made by the Norwegian government and Northern*

*Iron, the future investment plans make it possible to fund many years of waste-rock stripping in Bjørnevatn. We see this being of fundamental importance to ensuring the valuable resources of Sydvaranger can benefit all stakeholders in a sustained manner for the long term.”*

Michael Barton, a Portfolio Manager of Orion in London responsible for the Sydvaranger relationship, comments:

*“The Sydvaranger project has the foundations for being a successful mining operation with its world class infrastructure, favorable logistics and high-quality product. Importantly, we fully support and appreciate the management’s plans and their commitment to the development of the mine for the long term which is both sustainable and robust. We believe these goals are achievable through good planning, hard work and ensuring the mining resources are developed responsibly. We are excited by the prospect of being a supportive partner for the long term, from the restart of operations next year.”*

Following on from the scheduled summer maintenance program, the operational pre-start works are now underway. Consequently, the previously small Sydvaranger team has already grown to be one of the largest private employers in the Sør-Varanger municipality. Currently Sydvaranger directly employs 32 people, mostly for maintenance and operational readiness works, while some additional positions are expected to be added over the coming months. All going well, we hope for the gradual and steady ramp-up of the operations will occur during the summer of 2019. Once in full production, Sydvaranger anticipates it will employ either directly or indirectly, some 400 people.

Sydvaranger CEO, Antony Heitmann Beckmand, comments:

“The steady progress of Sydvaranger to this point has been a team effort, with strong support from the Municipality, the Mayor Rune Rafaelsen, Sør-Varanger Utvikling, our local suppliers, DNB Bank as well as the union LO. We also recognize and express our gratitude to the local community who have been behind us all the way, enabling us to reach this exciting point. The process to find a reputable and solid partner that appreciates our plans for rebuilding Sydvaranger in a responsible and sustainable way has been led by our financial advisor, Swedbank, and we are grateful for their support and guidance.

Furthermore, I must thank the team of dedicated employees at Sydvaranger, who have stuck with the project even in the face of large uncertainties. Backed by the support of

our community, the strength of the Tschudi and Orion partnership, as well as the continued progress to a well-planned and prepared restart, we will now move forward with greater certainty.”

The partnership with Orion has been secured with a financing package with the commitment for fully funding the Sydvaranger project with sufficient capital expected to satisfy the requirements for the life of mine, currently estimated at 20 years. The release of the committed funding is subject to final permitting and the completion of further work programs aimed at de-risking the restart of mining and processing operations during 2019. An initial tranche of funding has been made available to Sydvaranger to undertake the pre-start works in the short term, which expand upon Sydvaranger’s plans, including:

- The optimization of mine plans from the most up-to-date geological information. During 2017, with the financial support of the Sør-Varanger municipality and Sør-Varanger Utvikling, Sydvaranger undertook a program to update the geological information of Sydvaranger by re-analyzing a significant proportion of historical drill samples. The work was extremely successful and resulted in an independent external geologist providing a much higher degree of confidence around the Sydvaranger ore bodies.
- A drilling program which is aimed at ensuring Sydvaranger has robust information about the rock structures (geotechnical) around where future mining is intended. The information gained here will improve both planning and operations with respect to safety, certainty and mine design. The drilling program has been permitted by the mining directorate and is expected to be complete within the year.
- Operational readiness maintenance works which include the inspection and service of the rail line, preparing the concentrator plant and planned maintenance on the mining equipment.
- Updating Sydvaranger’s environmental information and management systems to be ready for operation. The work includes involving independent industry experts to conduct a review of the environmental practices for the operations to provide the basis for Sydvaranger to operate responsibly and identify improvement opportunities for the future.
- In depth reviews by market experts on customer opportunities and shipping options. The results are intended to develop plans aimed at ensuring

Sydvaranger has the best understanding of both current and future market opportunities.

These planned works are expected to continue until around the spring of 2019 and will assist in securing a fresh start which minimizes risk, with an aim to make sure that Sydvaranger will not be under-engineered or under-funded. Both Orion and the Tschudi group are keen to ensure Sydvaranger has both the right starting plans and the resources to do what is sustainable for the long term.

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