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27 June 2012

UPDATE TO POSTPONED ANNUAL GENERAL MEETING – FOR THE URGENT ATTENTION OF SHAREHOLDERS

Dear Shareholder,

We are writing to you to give you an update regarding the circumstances leading to the postponement of the Orion Metals Limited (**ORM** or **Orion**) Annual General Meeting, which is now scheduled to be held at Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland at 11.00am Wednesday 4 July 2012.

1. Conduct of Postponed Annual General Meeting

On Friday 22 June 2012, the annual general meeting scheduled for that date was postponed and rescheduled by the board of ORM to be held at 11.00am Wednesday 4 July 2012 (**Postponed AGM**).

The decision to postpone the AGM was not taken lightly and we take this opportunity to set out for you the reasons for this decision:

- (a) As announced to the market on 26 April 2012, ORM has entered into agreements with the shareholders of Ultimate Resources Pty Ltd (**ULT**) to acquire the balance of the shares in ULT not currently held by ORM in return for the issue of shares in ORM (**ORM Consideration Shares**). The issue of the ORM Consideration Shares is subject to the approval of ORM shareholders (**ULT Transaction**).
 - (b) ORM shareholder approval is required because at the time of entering into those contracts, ORM did not have sufficient capacity under Listing Rule 7.1 of the ASX Listing Rules to issue of all of the ORM Consideration Shares. We note that the ASX had previously ruled that the ULT Transaction itself did not require shareholder approval under the Listing Rules.
 - (c) The Notice of Meeting for the AGM was sent to shareholders on 21 May 2012 (**Notice of Meeting**).
 - (d) Resolution 7 of the Notice of Meeting seeks shareholder approval to issue the ORM Consideration Shares to the shareholders of ULT upon completion of the ULT Transaction for the purposes of Listing Rule 7.1 of the ASX Listing Rules.
 - (e) On 31 May 2012, ORM and Conglin Group announced (**Takeover Announcement**) that Conglin would make a cash offer of 16 cents for each Orion Share, via an off-market takeover offer with the intention of acquiring a controlling interest in ORM (**Takeover**).
 - (f) Orion and Conglin Group agreed that the Takeover would proceed in accordance with the terms contained in the Bid Implementation Agreement a copy of which was attached to the Takeover Announcement.
 - (g) The Bid Implementation Agreement included that the Takeover was subject to a number of pre-agreed conditions (**Defeating Conditions**).
 - (h) To formalise the Takeover of ORM by Conglin Group and to formally offer Orion shareholders the right to participate in the Takeover, the Conglin Group prepared and distributed the Bidder's Statement (**Bidder's Statement**) to each Orion shareholder.
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- (i) The Defeating Conditions in section 7.9 of the Bidder's Statement do not reflect the agreed bid terms contained in Schedule 1 of the Bid Implementation Agreement as attached to the announcement on 31 May 2012.
- (j) In particular, the Bid Implementation Agreement prevents ORM from issuing any shares in ORM during the Takeover offer period with the exception of certain permitted issues and the issue of the ORM Consideration Shares to the shareholders of ULT (**ULT Exclusion**). However the corresponding Defeating Condition in section 7.9(j)(ii) of the Bidder's Statement does not contain this ULT Exclusion for the issue of the ORM Consideration Shares to the ULT shareholders.
- (k) On 22 June 2012, Conglin Group issued a Supplementary Bidder's Statement confirming that it:
 - (1) does not intend to exercise its rights under the Defeating Condition in 7.9(j)(ii) of the Bidder's Statement in the event that the ORM Consideration Shares (that are the subject to approval at the Postponed AGM) are issued to ULT shareholders;
 - (2) intend to vote **against** the proposed issue of the ORM Consideration Shares to the ULT shareholders.
- (l) Notwithstanding the issue of the Supplementary Bidder's Statement by Conglin Group, the Board of ORM is concerned that its shareholders (without the benefit of the Supplementary Bidder's Statement, which was issued on 22 June 2012 just prior to the convening of the AGM) may have voted against the issue of the ORM Consideration Shares under Resolution 7 on the basis that the subsequent issue of those shares may constitute the triggering of a Defeating Condition as that Defeating Condition did not contain the ULT Exclusion.
- (m) The board of ORM was approached by a number of interested parties prior to the AGM expressing concern over this issue.

The purpose of the postponement was to allow the ORM shareholders to properly consider the content of the Notice of Meeting of the AGM in light of the statements contained in the Supplementary Bidder's Statement and make a fully informed assessment of the transaction when considering their vote at the annual general meeting with respect to Resolution 7. **Accordingly, the board of ORM requests that you review the content of the Notice of Meeting, the Supplementary Bidder's Statement and this letter in the context of determining the manner that you wish to vote on Resolution 7 at the Postponed AGM.**

Below is some additional information to assist you in determining what action you need to take with respect to voting at the Postponed AGM.

1.1 Amendments to the Notice of Meeting and Explanatory Memorandum

The changes to the Notice of Meeting and Explanatory Memorandum are as follows:

- (a) Resolution 3 will be withdrawn at the Postponed AGM. Mr Bin Cai, who was a director of Orion (as nominee of Conglin Group) when the Notice of Meeting was issued and was seeking re-election under Resolution 3, has since resigned as a director and is not seeking re-election at the Postponed AGM;
- (b) The Voting Entitlement Date of 7pm (Sydney time) on 20 June 2012 (**Original VED**) specified in Section 9 of the Explanatory Memorandum is amended to 7pm (Sydney time) on 2 July 2012 (see section 1.2 for further details); and
- (c) There will be no change to the business to be conducted at the AGM or the Resolution numbering notwithstanding its postponement or the proposed withdrawal Resolution 3.



Accordingly, the resolutions to be considered at the Postponed AGM will be the same resolutions as contained in the Notice of Meeting previously sent to shareholders.

This letter is an addendum to the Notice of Meeting and ORM will not otherwise be issuing a new Notice of Meeting or Explanatory Memorandum for the Postponed AGM.

You should continue to refer to the existing Notice of Meeting and Explanatory Memorandum for details regarding the resolutions to be considered at the Postponed AGM. In addition, you should refer to the content of the Bidder's Statement and Supplementary Bidder's Statement and also to the Target's Statement in considering your vote at the Postponed AGM.

1.2 Voting Entitlement Date

The Voting Entitlement Date, the date for determining the people who are entitled to vote at the Postponed AGM, will now be 7pm (Sydney time) on 2 July 2012 (**New VED**).

Accordingly:

- (a) persons and entities who are registered as shareholders on the New VED will be entitled to attend and vote at the Postponed AGM with respect to those shares;
- (b) persons and entities who were registered as at the Original VED but are no longer registered as ORM shareholders on the New VED are not entitled to attend and vote at the Postponed AGM with respect to those shares (and any proxy form already received by ORM (or its agent) with respect to those shares will be disregarded); and
- (c) transactions registered after the New VED will be disregarded in determining entitlements to attend and vote at the Postponed AGM.

1.3 Proxy Voting

Circumstances where no new proxy is required

If:

- (a) you have already lodged:
 - (1) a valid proxy form for the annual general meeting; or
 - (2) a proxy form for the annual general meeting which was invalid for the original date of the annual general meeting because that proxy was not received by ORM until after 11am Wednesday 20 June 2012 (but which is valid in all other respects),

and

- (b) you do not want to change your directions on how to vote under that proxy form,

then you do not need to lodge a new proxy form. The proxy form lodged for the original date of the annual general meeting will still be valid for the Postponed AGM unless it has been replaced by a new Proxy Form.

Circumstances where you may wish to lodge a new proxy

If:

- (a) you have not previously lodged a proxy form for the annual general meeting and you want to use a proxy form to vote at the Postponed AGM (including if you have been registered as an ORM shareholder after the Original VED and before the New VED);



- (b) you have previously lodged a valid proxy form for the annual general meeting but you want to change your directions on how to vote under that proxy form for the Postponed AGM; or
- (c) you have previously lodged a proxy form for the annual general meeting which is invalid (except where the proxy form is only invalid because it was received by the company after 11am Wednesday 20 June 2012 – see above) and you want to lodge a valid proxy form for the Postponed AGM,

then you can lodge a proxy form with ORM **before 11am Monday, 2 July 2012**, being not later than 48 hours before the commencement of the Postponed AGM. A proxy form is **attached** for this purpose and must be completed and then delivered to ORM in the manner and at one of the addresses as specified under the instructions for “Lodgement of a Proxy Form” on the **attached** proxy form.

1.4 Effect of Acceptance of Takeover Offer

If you have accepted an offer from Conglin Group under the Bidder’s Statement, you will have appointed Conglin Group as your attorney under section 7.6(2) of the Bidder’s Statement to attend and vote at any general meeting of ORM **once the Takeover offer becomes unconditional**.

As at the date of this letter, Conglin Group have not confirmed that any of the conditions to their offer have been satisfied or declared their offer free from the Defeating Conditions of that Takeover offer.

If you have accepted the takeover offer from Conglin Group **and** Conglin Group declare their offer free from the Defeating Conditions prior to the New VED, then your vote may be disregarded at the Postponed AGM.

2. Conglin Election to Vote Against Resolution 7

Conglin Group has indicated in the Supplementary Bidder’s Statement that it intends to vote against Resolution 7.

Conglin Group, as registered holder, currently holds 19.78% of the issued share capital in ORM. In addition, if prior to the Postponed AGM, Conglin Group declares the Takeover free from Defeating Conditions, it will be entitled to vote all ORM shares in which it has acquired a relevant interest. As at the date of this letter, based on the latest substantial shareholder notification, Conglin has a relevant interest in 25.28% of ORM.

The ORM Board was not made aware of, and had no notice prior to:

- (a) Entering into the Bid Implementation Agreement;
- (b) Announcing the Takeover; or
- (c) Issuing the Target’s Statement,

that Conglin Group were of the view that the ULT Transaction was not in the best interests of ORM shareholders or that Conglin Group were intending on voting against Resolution 7 at the original annual general meeting or the Postponed AGM. In this regard, on 1 May 2012 ORM announced that it had received \$1.1 million in financing from its major shareholders of whom Conglin Group was the major contributor for the express purpose of financing “the acquisition of the Company’s new South Korean projects”.

The ORM Board maintains its position that the ULT Transaction is in the best interests of Orion shareholders and recommends that shareholders vote in favour of Resolution 7 at the Postponed AGM.

To date, ORM has provided ULT with the following funding:



- (a) Equity capital contribution of \$220,000 to acquire an initial [17.14]% share interest in ULT;
- (b) \$100,000—under a convertible note issued by Ultimate (**Convertible Note**); and
- (c) Approximately \$425,000 under debt financing to allow Ultimate to continue with its acquisition of the South Korean REE tenements, the planning and implementation of the drilling programme at the Eorae SanREE tenement and for general working capital purposes (**Initial Debt**).

Shareholders should refer to the ORM ASX releases on 26 April 2012, 1 May 2012 and 31 May 2012 for further details.

In addition, ULT has requested ORM provide it with a further instalment of \$400,000 to satisfy a purchase price instalment (approximately \$340,000) to the vendor (**Tenement Vendor**) of the Eorae San REE project. and for general working capital expenses (**Further Instalment**).

The Further Instalment:

- (a) Is due by no later than 4 July 2012 (**Due Date**); and
- (b) If paid - shall constitute a loan from ORM to Ultimate.

The ORM Board has formed the view that ORM is not under any contractual obligation to pay the Further Instalment. However failure to pay the Further Instalment by the Due Date could (without any extension to the Due Date by the Tenement Vendor) place ULT in default under the Eorae San REE project acquisition documentation and, as consequence, could affect Ultimate's rights to acquire that project and to repay the funds owing to Orion.

The Board has requested Conglin Group confirm for the avoidance of doubt that the payment of the Further Instalment by the Due Date will not constitute a Defeating Condition on which Conglin Group is entitled to rely on to withdraw from the Takeover. The ORM Board is of the view that it is entitled to pay the Further Instalment without triggering a Defeating Condition and in general. However, given Conglin's position on the ULT Transaction and its intention to vote against the issue of ORM shares to ULT shareholders, the ORM Board has advised Conglin that it is intending to withhold payment of the Further Instalment until ORM shareholders have considered and voted on the ULT Transaction at the Postponed AGM. The ORM Board is intending to:

- (a) Pay the Further Instalment immediately upon and subject to Orion shareholders approving the issue of Orion shares to the ULT shareholders under the ULT Transaction (**Resolution 7**); or
- (b) Withhold payment of the Further Instalment if shareholders do not approve Resolution 7.

ORM has advised Conglin of its view in relation to the timing and justification for the payment of the Further Instalment and is currently awaiting a response from Conglin in this regard and in particular, whether payment of the Further Instalment would trigger a Defeating Condition.

If Resolution 7 is not approved, ORM shall not be authorised to issue the ORM shares to the ULT shareholders and, as a consequence, will not be in a position to complete the ULT Transaction.

If the ULT Transaction does not complete:

- (a) ORM will remain a 17.14% shareholder of Ultimate;
- (b) ORM will retain the Convertible Note in Ultimate;
- (c) Ultimate will still owe ORM the Initial Debt;



- (d) ORM will withhold the payment of the Further Instalment;
- (e) ORM may be limited in providing further funding to Ultimate during the Takeover offer period if the provision of such funding would trigger a Defeating Condition;
- (f) Without any Short Term Funding from ORM, Ultimate will be required to source additional funding (by either a future capital raising or debt raising) to enable it to:
 - (1) complete the acquisition of the Eorae San project and the Hong Chon project;
 - (2) complete its proposed drilling and exploration programme of these projects; and
 - (3) repay ORM the Initial Debt and, if ORM elects to be repaid, the Convertible Note.

3. Recommendation of Conglin Takeover is Unchanged

The Directors continue to unanimously recommend that you ACCEPT the Takeover Offer for the reasons set out in Section 2 of the Target's Statement and each director holding shares in ORM maintains their intention to accept the offer for at least a substantial proportion of those shares in ORM held by each of them, in the absence of a Superior Offer (as defined in the Target's Statement).

4. Questions

If you have any questions in relation to your entitlement to vote at the Postponed AGM, the use of proxies at the Postponed AGM or the Notice of Meeting generally, please contact the Company Secretary Mr Bill Lyne or Chief Operating Officer Mr Garry Gill on (07) 3249 3060.

The board of ORM thanks you for your patience in these matters and looks forward to your participation in the Postponed AGM.

Yours faithfully

David K. Barwick
Chairman

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C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **By fax:** +61 2 9287 0309

 **By email:** Scan & email to:
orion@linkmarketservices.com.au

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SHAREHOLDER VOTING FORM

I/We being a member(s) of Orion Metals Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting¹ (mark box) **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the postponed Annual General Meeting of the Company to be held at **11:00am on Wednesday, 4 July 2012, at Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland** and at any adjournment or postponement of the meeting.

¹ Important for Item 1 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

If you appoint a proxy, we encourage you to direct your proxy how to vote on each item of business. If you appoint the Chairman of the Meeting as your proxy, you can direct the Chairman how to vote by either marking the box in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking the authorisation box (in which case the Chairman will vote in favour of Item 1).

By marking the authorisation box below, you are directing the Chairman of the meeting to vote in accordance with the Chairman's voting intentions as set out below and in the Notice of Meeting. If you do not mark the authorisation box, and you have not directed your proxy how to vote on Item 1, the Chairman of the Meeting will not cast your vote on Item 1 and your vote will not be counted in computing the required majority if a poll is called on Item 1.

Authorisation

I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Item 1 (except where I have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Item 1 is connected directly or indirectly with the remuneration of a member of key management personnel and/or even if the Chairman of the Meeting has an interest in the outcome of the resolution and that votes cast by the Chairman, other than as proxyholder, would be disregarded because of that interest.

Chairman's Voting Intention

The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an

STEP 2

VOTING DIRECTIONS

Resolutions	For	Against	Abstain ²		For	Against	Abstain ²
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Ratify issue of Shares to Jien Mining Pty Ltd ACN 110 986 797	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Adrian Day as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Ratify issue of Shares to Metallica Minerals Limited ACN 076 696 092	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Mr Bin Cai as a Director (withdrawn)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	7 Issue of Shares to shareholders of Ultimate Resources Pty Ltd ACN 128 784 001	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratify issue of Shares to Australia Conglin International Investment Group Pty Ltd ACN 133 767 665	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Issue of convertible notes and resultant Shares to Australia Conglin International Investment Group Pty Ltd ACN 133 767 665	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 ² If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

ORM PRX210



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

If the Chairman of the meeting or another of the Key Management Personnel of the company or their closely related parties is your proxy, that person will not vote your shares on Resolution 1 (Remuneration Report) if you have not directed them how to vote on that item, unless you have checked the authorisation box under Step 1.

Key Management Personnel of the company are the Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The Remuneration Report identifies the company's Key Management Personnel for the financial year to 29 February 2012. Their closely related parties are defined in the *Corporations Act 2001* (Cth), and include certain of their family members, dependants and companies they control.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Monday, 2 July 2012**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:

 **by mail:**
Orion Metals Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

 **by email:**
Scan & email to: orion@linkmarketservices.com.au

 **by fax:**
+61 2 9287 0309

 **by hand:**
delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

**If you would like to attend and vote at the postponed Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**