



Orion Gold_{NL}

QUARTERLY REPORT

Report on Activities for the Quarter Ending 31 December 2009

Key Points

- Diamond drilling program commenced at the Walhalla Gold Project focusing on the Cohen's, West 1 and West 2 mineralised trends and comprising approximately 6,500 metres of diamond core.
- First hole successfully intersected the interpreted West 1 line of mineralisation and a second mineralised zone further west, confirming major extensions to the known structures and creating a large target area for follow up drilling.
- Given that the structures remain open in all directions at the intercepted depths and are anomalous in gold, the Company believes there is excellent potential to delineate high grade shoots of ore within the target area, similar to that evident in the main Cohen workings located immediately to the east of the drill intercepts (Cohen's reef was a significant historic producer, with approximately 1.5 million ounces of gold recovered from 1.4 million tonnes of ore between the late 1800's and early 1900's).
- The results received to date indicate a strong correlation between As and Au reflecting the arsenopyrite-rich nature of the mineralisation which is consistent with the Cohen's Reef mineralisation.
- Total cash on hand at the end of the Quarter of \$7.17 million.

Orion Gold NL
ABN 76 098 939 274
ASX Code: ORN

W: www.oriongold.com.au

Contact:
Level 11, 330 Collins Street
Melbourne VIC 3000
T: +61 3 8080 7170
F: +61 3 8080 7174
E: info@oriongold.com.au

Company enquiries:

Denis Waddell Executive Chairman
Martin Bouwmeester General Manager - Corporate

Operations

Walhalla Gold Project (Orion 100%)

Drilling Program

During November 2009, the Company commenced drilling at its Walhalla Gold Project, signifying another important milestone for Orion Gold. The drilling program represents the culmination of months of detailed review of historic mining and exploration data by Orion Gold personnel, which has resulted in the identification of numerous priority drill targets within the Company's highly prospective Walhalla Gold Project area.

The drilling program comprises 16 diamond drill holes totalling approximately 6,500 metres of diamond drilling and is expected to be completed by July 2010. The position of the various mineralised trends and the target locations are shown in figure 1.

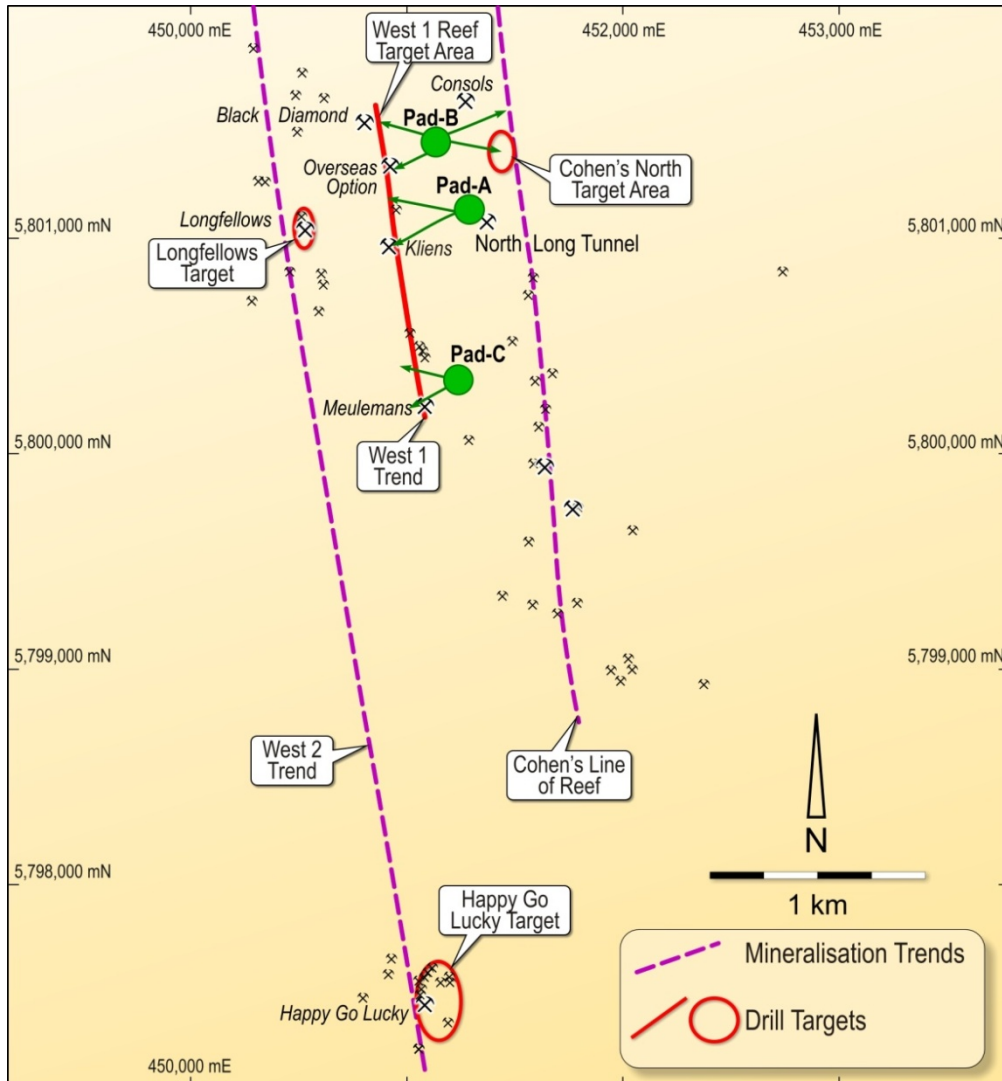


Figure 1: Position of mineralised trends in the Cohen's area and the location of drill targets.

The objectives of the drill program are to:

- confirm the continuity of mineralisation along the West 1 Trend by drill testing the Meulemans – Kleins - Black Diamond - Overseas Option - New North Long Tunnel series of workings.
- test potential extensions of Cohen's Reef. A priority exploration target has been identified in the northern part of Cohen's that will be drilled from surface as part of the West 1 program. The target area is the northern (up plunge) extension of the interpreted upper shoot that was mined by the Long Tunnel Extended Company. If this shoot continues northwards into the North Long Tunnel ground, a large block of unexploited ore may exist relatively close to the surface. The Company considers the Cohen's Line of mineralisation to be highly prospective given the significant historic production (approximately 1.5 million ounces) and recovered grade (>1 ounce of gold per tonne) from the Cohen's Line.
- test targets along the West 2 Trend, including holes in the vicinity of the Longfellows and Happy-Go-Lucky workings.

The program aims to illustrate the continuity of mineralisation along the Cohen's Line and parallel structures leading to the development of high grade near surface mineral resources based upon continuous, planar, laminated reef mineralisation.

The first hole (OBD001), which targeted the continuity of mineralisation along the West 1 Trend in the vicinity of the Black Diamond workings, successfully intersected the interpreted 'West 1' line of mineralisation and an additional dyke and associated mineralisation further to the west. The hole was completed to a depth of 443.4m. Significant assay results from OBD001 are set out in table 1.



Drilling rig on Black Diamond Pad

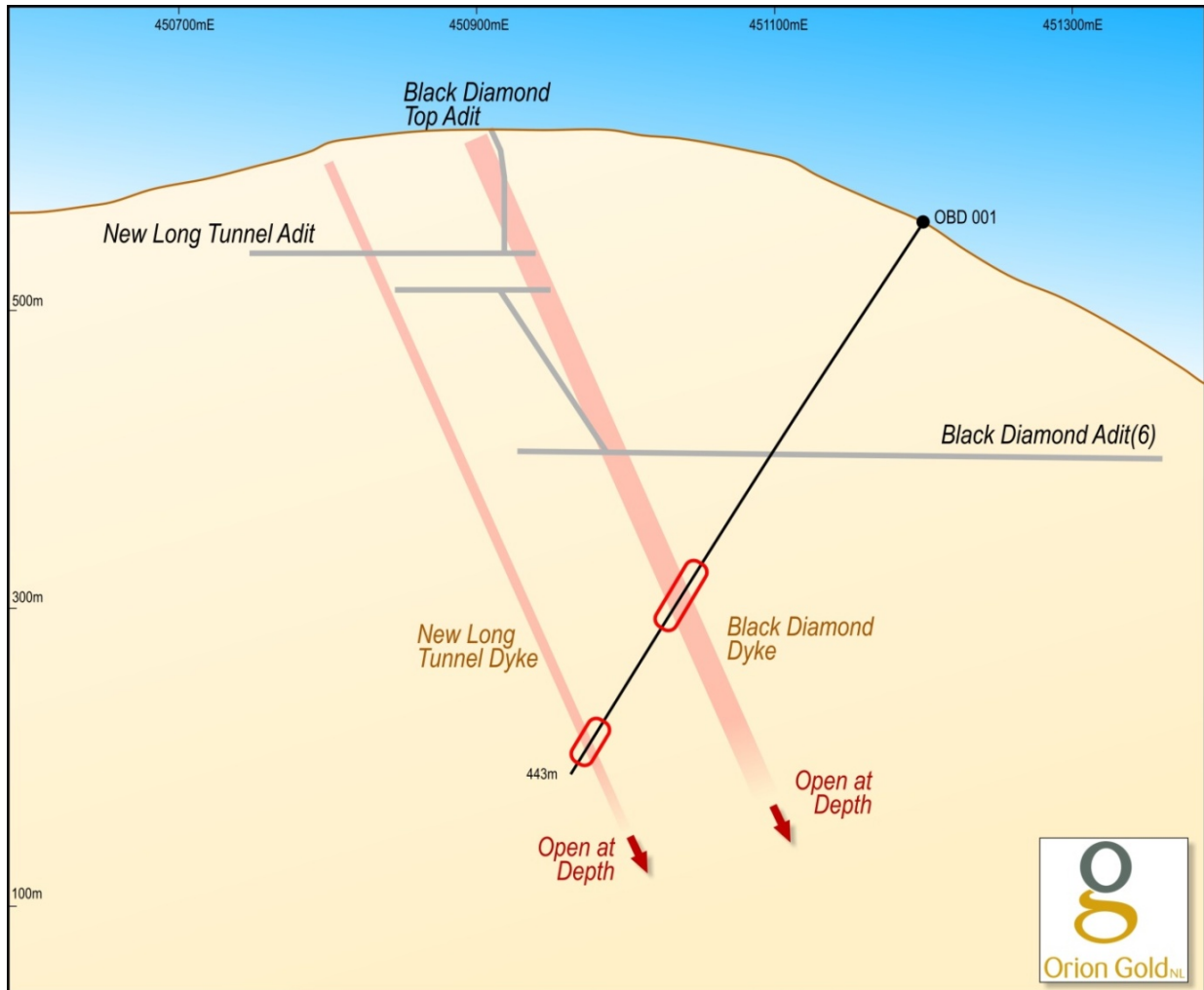


Figure 2: Cross section showing the West 1 line of mineralisation (through the Black Diamond workings), the New Long Tunnel dyke and the location of the first drill hole.

Drill hole OBD001 intersected two mineralised zones hosted within a dyke between 296.7 metres and 313.8 metres, which is correlated with the thick dyke present within the Black Diamond workings. Historically there are two zones of interest within the Black Diamond dyke, namely an 'upper' and a 'lower' reef. Visual examination of OBD001 (e.g. veining, sulfide content and associated alteration) and assay results supports this assessment.

A second dyke, representing the deeper target, was intersected between 419 and 426.15 metres (see figure 2). The lower contact of this dyke is overprinted by laminated, reef-style quartz veining. It is believed that this dyke correlates with a thin dyke hosting mineralisation in the historic New Long Tunnel workings (see figures 2 and 3).

The principal aim of the initial holes of the program is to determine whether the identified structures continue along strike and at depth and are auriferous. Although the grades returned in OBD001 are not of ore grade, the anomalous intersections are considered encouraging because they confirmed two separate zones, approximately 110 metres and 370 metres down dip from the Black Diamond (6th level) and New Long Tunnel (adit level) ore zones respectively. Based upon the location of the New Long Tunnel workings, the two intersections effectively create a large target area approximately 325 metres up-dip by 260 metres along strike for follow up drilling.

Given that the structures remain open in all directions at the intercepted depths and are anomalous in gold, the Company believes there is excellent potential to delineate high grade shoots of ore within the target area, similar to that evident in the main Cohen workings located immediately to the east of the drill intercepts (Cohen's reef was a significant historic producer, with approximately 1.5 million ounces of gold recovered from 1.4 million tonnes of ore between the late 1800's and early 1900's).

The results received to date indicate a strong correlation between As and Au reflecting the arsenopyrite-rich nature of the mineralisation which is consistent with the Cohen's Reef mineralisation.

Structural analysis of the core from OBD001 is consistent with previous interpretations of mineralisation within the Walhalla goldfield. The laminated veins contain significant amounts of sulfides (especially acicular arsenopyrite) and proximal alteration assemblages, all suggestive that such veins represent permeability conduits for mineralising fluids from depth. Structures of this kind represent the "plumbing" system of the Walhalla goldfield and remain the principal exploration focus of the Company.

Although the tenor of the laminated veins intersected in OBD001 is low, the large mineralised system at Cohen's also contained erratic internal grade distributions with areas within the system known to be of low tenor. The presence of disseminated acicular arsenopyrite and laminated veins outlining reverse movement are considered key linking characteristics between Cohen's Reef and the reefs encountered in OBD001.

Drill hole OBD002 (see figure 3) was stopped at 364.7 metres due to difficulty drilling through broken ground and did not intersect the primary target zones.

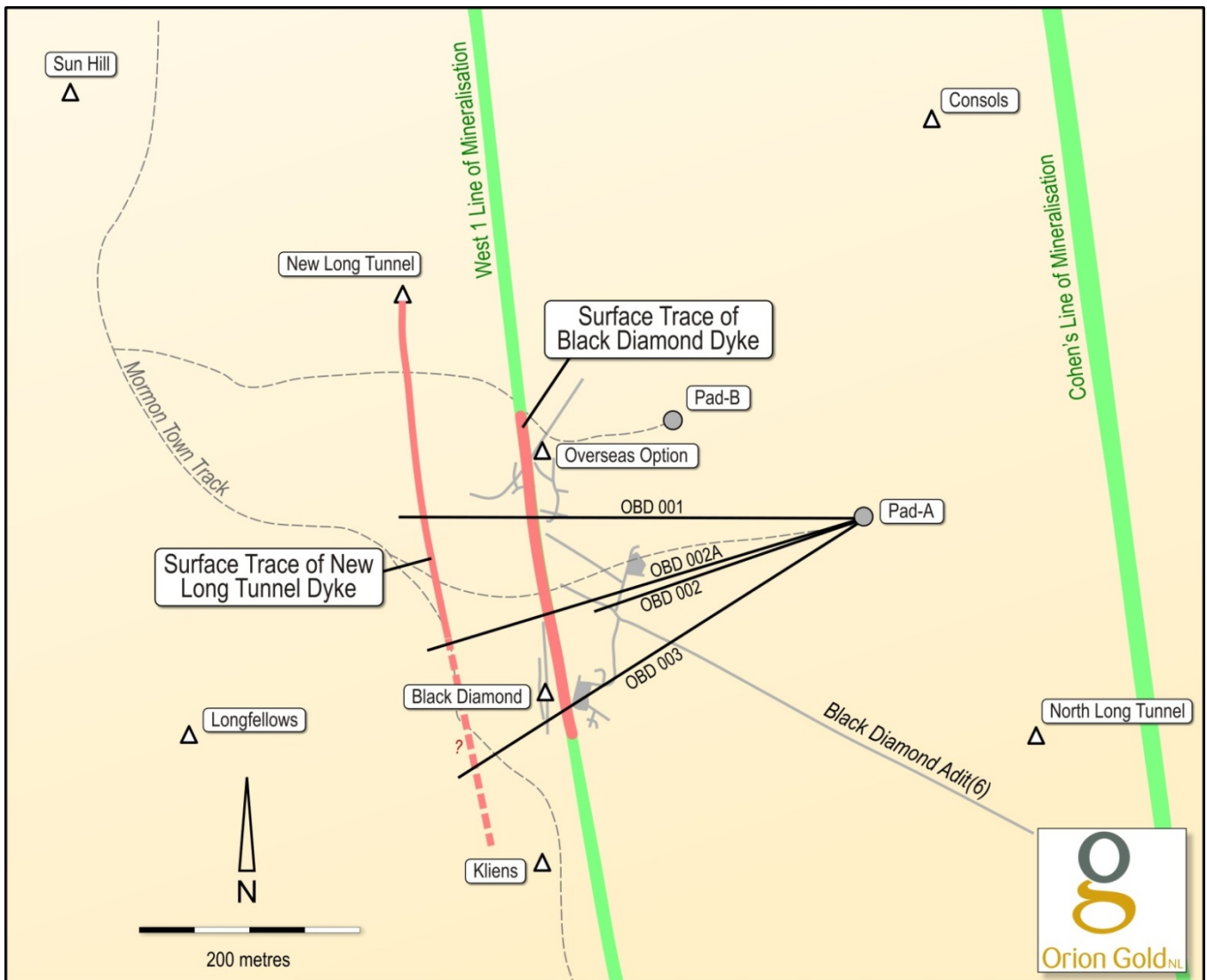


Figure 3: Schematic plan illustrating the position of mineralised trends in the Cohen's area, historic workings, the projected trend of the Black Diamond dyke and New Long Tunnel dyke and the location of Orion Gold NL drill holes. OBD003A currently in progress.

Drill hole OBD002A, essentially a redrill of OBD002, was completed on 21 January 2010 after successfully intersecting both the Black Diamond and New Long Tunnel Dykes. The Black Diamond Dyke hosts fine quartz veining but the 'upper' and 'lower' reefs are not obvious. A vein approximately 15 cm wide, in the lower section of the New Long Tunnel dyke likely correlates with the reef intersected in the same position in OBD001. Geological assessment, core processing and sampling are pending.

Drill hole OBD003 (see figure 3) has recently commenced from the current drilling pad, prior to mobilising the drilling rig to the northern pad (Pad-B) to target both the potential northern extension of the West 1 line of mineralisation and the Cohen's North target.

Table 1: Drill Hole OBD001 Intersections

From (m)	To (m)	Width (m)	Au (ppm) ²	As (ppm) ³	Notes
First Target:					
299.50	300.60	1.10	0.26	141	Black Diamond upper reef
306.30	306.50	0.20	1.05	1,498	Black Diamond lower reef – laminated quartz vein
Second Target:					
421.40	421.80	0.40	0.23	603	Thin quartz veining, disseminated sulfides and bleached dyke
424.75	425.00	0.25	1.77	3,141	Laminated reef
425.00	425.25	0.25	0.35	1,077	Quartz veined, altered dyke
425.25	425.60	0.35	0.18	641	Brecciated quartz reef
425.80	426.00	0.20	1.63	1,866	Laminated quartz reef
426.00	426.40	0.40	0.18	498	Quartz veined, altered dyke

Notes

1. All quoted depths measured down hole and all sampling conducted on halved HQ core.
2. Analysis by 50 g fire assay, AAS finish.
3. Analysis by ICP / OES.

Regional

The Company undertook an initial geological assessment of the Walhalla Gold Project regional exploration area during the June 2009 Quarter and continued with a more detailed assessment that commenced during the second half of 2009. Numerous regional targets have now been identified with drilling proposals and work plans currently being prepared. Drilling of these targets will be in addition to the current drilling program at the Walhalla Gold Project.

Other Projects

Millrose Gold and Nickel Project (Orion 85%) and Millrose West Gold and Nickel Project (Orion 100%)

The Company determined that the Millrose and Millrose West Projects do not form part of its long term strategy. The tenements were surrendered during the Quarter.

Top Camp / Iron Ridge Project - Matrix Metals Joint Venture (Orion 85%)

The Company's joint venture partner, Matrix went into voluntary administration on 11 November 2008. As at the end of the Quarter, the tenements remained in good standing whilst the Administration process continued.

Peak Hill Gold Project (Orion 85%)

As part of the evaluation of the Company's exploration portfolio, a review of this project area was completed during the September 2009 Quarter and a decision made to relinquish some of the tenements and to withdraw from the joint venture which covered the remaining tenements.

Corporate

Cash and Finance

Cash on hand at the end of the Quarter was \$7.17 million.

Options

The Company announced on 22 December 2009 the issue of 15 million unlisted options exercisable at \$0.02 expiring 31 March 2014 to Mr. Graeme Sloan as approved by shareholders on 26 November 2009.

Annual General Meeting

The Annual General Meeting of shareholders of the Company was held on 26 November 2009. All resolutions as set out in the Notice of Meeting dated 16 October 2009 were passed.

Competent Person / JORC Statement

Competent Person

Exploration information in this report has been compiled and assessed under the supervision of Dr James Anderson, Orion Gold NL's General Manager – Exploration, from historical records and field investigation. Dr Anderson is a member of the AusIMM (CP) and has extensive experience in the identification of gold mineralisation of this style. Dr Anderson consents to the public release of the information in the context contained within this release.

JORC Statement

This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Orion Gold NL that could cause actual results to differ materially from such statements. Orion Gold NL makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Orion Gold NL

ABN

76 098 939 274

Quarter ended ("current quarter")

31 December 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	---	---
1.2 Payments for		
(a) exploration and evaluation	(677)	(924)
(b) development	---	---
(c) production	---	---
(d) administration	(226)	(1,888)
1.3 Dividends received	---	---
1.4 Interest and other items of a similar nature received	64	100
1.5 Interest and other costs of finance paid	---	---
1.6 Income taxes paid	---	---
1.7 Other (provide details if material)	253	253
Net Operating Cash Flows	(586)	(2,459)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	---	---
(b)equity investments	---	---
(c) other fixed assets	(50)	(50)
1.9 Proceeds from sale of:		
(a)prospects	---	---
(b)equity investments	---	---
(c)other fixed assets	---	59
1.10 Loans to other entities	---	---
1.11 Loans repaid by other entities	---	---
1.12 Other (provide details if material)	(239)	(221)
Net investing cash flows	(289)	(212)
1.13 Total operating and investing cash flows (carried forward)	(875)	(2,671)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(875)	(2,671)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	---	200
1.15	Proceeds from sale of forfeited shares	---	---
1.16	Proceeds from borrowings	---	---
1.17	Repayment of borrowings	(2)	(4)
1.18	Dividends paid	---	---
1.19	Other (provide details if material)	(7)	(29)
	Net financing cash flows	(9)	167
	Net increase (decrease) in cash held	(884)	(2,504)
1.20	Cash at beginning of quarter/year to date	8,049	9,669
1.21	Exchange rate adjustments to item 1.20	---	---
1.22	Cash at end of quarter	7,165	7,165

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	84
1.24	Aggregate amount of loans to the parties included in item 1.10	---

1.25 Explanation necessary for an understanding of the transactions

Director fees \$84,000

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

The Company is in the process of completing its financial report for the half year ended 31 December 2009 which will be reviewed by the Company's auditor. The report is expected to be released towards the end of February 2009. The Company expects that the results for the half year ending 31 December 2009 will be negatively impacted by a non-cash movement in the fair value of the converting option associated with the convertible notes ("Notes") which arises due to AASB 139.

Under the converting loan agreement between Silja Investment Limited ("Silja") and the Company, Silja provided a total of \$6 million in funding to the Company by way of Notes during the year ended 30 June 2009. Settlement of the converting loan (\$6 million) plus interest is due on 31 August 2013 unless Silja elects to convert the Notes to fully paid ordinary shares ("Shares") on or before such date. Silja does not have a right to demand cash to settle the outstanding amount prior to 31 August 2013. Further details in relation to these Notes can be found in the Company's 2009 Annual Report.

The Notes issued to Silja comprise a liability component and a conversion option in the hands of Silja under the terms of the Notes. The number of Shares in the Company that will be issued upon conversion may vary depending upon the issue price of any capital raisings the Company may have on or before 31 August 2013. Should the Company issue Shares for a price of less than 1 cent per Share on or before 31 August 2013, the Notes can be converted at the lowest price Shares are issued at up until that date. If the Company does not issue Shares at less than 1 cent before 31 August 2013, the conversion price will be 1 cent per Share. It is noted that the current Share price is significantly higher than the current conversion price of 1 cent per Share.

As a result of the variable feature contained within the terms of the Notes, the instrument is accounted for in accordance with AASB 139 as a financial liability and is measured at fair value each reporting date with any difference in valuation taken to the Income Statement. This change in valuation is recognised in the Income Statement as an unrealised gain or loss depending on the market price of the Shares at each reporting date. If the conversion price was fixed at 1 cent per Share, then the revaluation of the converting option at each reporting date and the recognition of an unrealised gain or loss in the Income Statement would not be required.

It is important to note that the conversion option is not payable in cash and the unrealized gain or loss reported periodically is not a cash gain or liability and therefore will not affect the Company's cash reserves.

For the half year ending 31 December 2009, the Company expects that the results will be negatively impacted by the recognition of an unrealised loss of approximately \$33 million being the change in value of the converting option associated with the Notes.

For further information refer to Section 3.2.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Appendix 5B
Mining exploration entity quarterly report

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	---	---
3.2 Credit standby arrangements – Note 1	6,000	6,000

Note 1 -

Under the converting loan agreement between Silja Investment Limited (“Silja”) and the Company, Silja provided a total of \$6 million in funding to the Company by way of Notes during the year ended 30 June 2009.

As a result of the issue of convertible notes and in accordance with the converting loan agreement, the holder of the convertible notes, Silja, has a fixed and floating charge over the assets of the Company.

The convertible notes issued to Silja comprise a liability component and a conversion option at the hands of Silja.

The liability component of the convertible notes accrues interest at 9% per annum (compounding annually) and are due to be repaid as at 31 August 2013 (if not converted earlier). The liability component balance of the convertible note will be accreted up to the face value over the life of the convertible note under the effective interest method.

The conversion option in the convertible note allows the holder to convert the outstanding principal and accrued interest balance at any point in time at a conversion rate of 1 share for the lower of:

- i) \$0.10 (i.e. the shares will have an issue price of \$0.10 each); and
- ii) The lowest price at which the Company issue any new shares prior 31 August 2013.

Prior to maturity on 31 August 2013, the holder is only able to convert the outstanding amount to shares in the Company. The holder does not have a right to demand cash to settle the outstanding amount prior to this date. On the third anniversary of the convertible note drawdown, the Company is able to offer to settle the outstanding amount in cash. However, the holder is able to demand settlement in shares at that point in time. The holder may redeem the convertible notes for cash at the maturity date.

The convertible notes accrue interest at 9% per annum (compounding quarterly) and are due to be repaid as at 31 August 2013 (if not converted earlier). The interest is accumulated and is capitalised on each interest payment date and will then form part of the outstanding monies.

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	950
4.2 Development	---
Total	950

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7,165	8,049
5.2 Deposits at call	---	---
5.3 Bank overdraft	---	---
5.4 Other (provide details)	---	---
Total: cash at end of quarter (item 1.22)	7,165	8,049

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E53/1006	Surrender	85%	0%
	E53/1239	Surrender	85%	0%
	E53/974	Surrender	85%	0%
	E53/975	Surrender	85%	0%
	P53/1143	Surrender	85%	0%
	P53/1144	Surrender	85%	0%
	E53/1236	Surrender	100%	0%
6.2 Interests in mining tenements acquired or increased	---	---	---	---

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Partly Paid +securities <i>(description)</i>	2,351,000	---	10 cents	0.1 cents
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	---	---	---	---
7.3 +Ordinary securities	764,960,097	764,960,097	---	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	---	---	---	---
7.5 +Convertible debt securities <i>(description)</i>	---	---	---	---
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	---	---	---	---
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
	300,000,000	---	1 cent	22 September 2010
	60,000,000	---	1 cent	31 March 2014
	25,000,000	---	1 cent	31 July 2014
	15,000,000	---	2 cents	31 March 2014
7.8 Issued during quarter	15,000,000	---	<i>Exercise price</i> 2 cents	<i>Expiry date</i> 31 March 2014
7.9 Exercised during quarter	---	---	---	---

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.10	Expired during quarter	---	---	<i>Exercise price</i>	<i>Expiry date</i>
				---	---
7.11	Debentures <i>Three Convertible Notes totalling (see Item 3.2 Note 1)</i>	\$6,000,000	---		
7.12	Unsecured notes (totals only)	---	---		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 25 January 2010

Executive Chairman

Print name: Denis Waddell

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==