



Orion Gold_{NL}

QUARTERLY REPORT

Report on Activities for the Quarter Ending 30 September 2010

Key Points

- Diamond drilling program at Happy Go Lucky, which commenced in July 2010, has intersected a pyrite-gold system associated with a major structure in a near-surface position that has largely been unexploited by previous mining.
- West 1 drilling has established that the quartz reefs in the Black Diamond and New Long Tunnel dykes are open along strike to the north.
- Renegotiated repayment terms of the \$6 million convertible notes issued to Silja will enable the Company at its election, to convert the notes at maturity to shares in the Company or redeem the notes for cash, unless Silja elects to convert the Notes to ordinary shares on or before maturity. The amended terms enable the Company to satisfy its obligations with respect to the Notes at maturity without relying upon its cash reserves.
- Total cash on hand at the end of the Quarter of \$3.7 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%)

Happy Go Lucky

In July 2010, the Company commenced a 2,500 metre diamond core drill program on Stockrider's Spur to test the Happy Go Lucky ('HGL') geological and mineralisation model. Historic mining data for the area indicates that around 90,000 ounces of gold were recovered from historical underground workings and shallow open pit mines. The drilling to date supports the Company's three-dimensional model of the mineralisation under Stockriders Spur. The model comprises a west dipping Upper Reef and multiple shallower east dipping Lower Reefs. The initial interpretation suggests the Lower Reefs intersect the Upper Reef (see figures 1 and 2).

During the Quarter, the Company announced that the initial three drill holes at HGL had intersected a pyrite-gold system associated with a major structure in a near-surface position that has largely been unexploited by previous mining. Additional drilling completed during the Quarter extended the reefs along strike and at depth, with mineralisation remaining open in most directions.

The HGL multiple reef system, which remains open in most directions, has a down dip extent of 285 metres between the intersections in OHL004 and OHL006.

Hole OHL001 was completed at 257.8 metres and intersected two undocumented voids (108.7 to 111.2 metres and 134.5 to 139.3 metres). The voids are interpreted as a stope on the Upper Reef and an old mining level on the Lower Reef(s). A grab sample of quartz and pyritic sandstone rubble recovered from the second void during drilling operations returned 6.32 Au g/t and 480 ppm As (see table 1).

Hole OHL002, which was completed at 260.8 metres, intersected a void between 94.6 and 96 metres which is interpreted as undocumented stoping on the Upper Reef. Three grab samples of fill recovered during drilling operations were all auriferous (see table 2). At depth, the hole intersected a wide (approximately 130 to 160 metres) high strain zone, with sections within this zone containing significant amounts of pyrite (+2%). Within the high strain zone are two major sections of pyritic, hydrothermal breccia-style quartz veining (140.64 to 142.07 metres and 148.76 to 150 metres), which is interpreted as the deeper, easterly dipping reefs (Lower Reef) encountered in the Grey Horse and World's Fair workings, under Stockriders Spur.

These two reefs within the high strain zone are interpreted as major structures, movement along which has strongly deformed the overlying and intervening rock, causing it to be shattered, puggy and riddled with minor veins and breccia seams. If these two parallel deeper reefs are correlated with the lower void in OHL001, a relatively shallow easterly dip is evident.

The results of the sampling conducted on OHL002 core are outlined in table 2. The results indicate that in detail, the Lower Reef comprises two parallel quartz reefs within a wider zone of lower grade mineralisation. It appears that much of the high strain zone is mineralised, with better grades returned by the two main reefs.

Hole OHL003 was completed at 241.4 metres. Prominent veining was noted at 89 to 89.25 metres, 91.4 to 91.6 metres and 91.87 to 92.40 metres. Assays (see table 3) did not conclusively delineate the Upper Reef, as the returned grades are less than those recovered by historic mining on the Upper Reef. A wide, high strain zone, similar to that observed in OHL002, is present. In a similar manner to OHL002, brecciated, shattered and veined sediments between approximately 191.5 and 221 metres host significant complex, pyritic, hydrothermal breccia-style veins and associated marginal veining at 208 to 208.85 metres and 212.75 to 214.4 metres Assay results (see table 3) confirm that these two main intervals of veining represent the main mineralised structures (reefs) within a broad zone of low grade mineralisation.

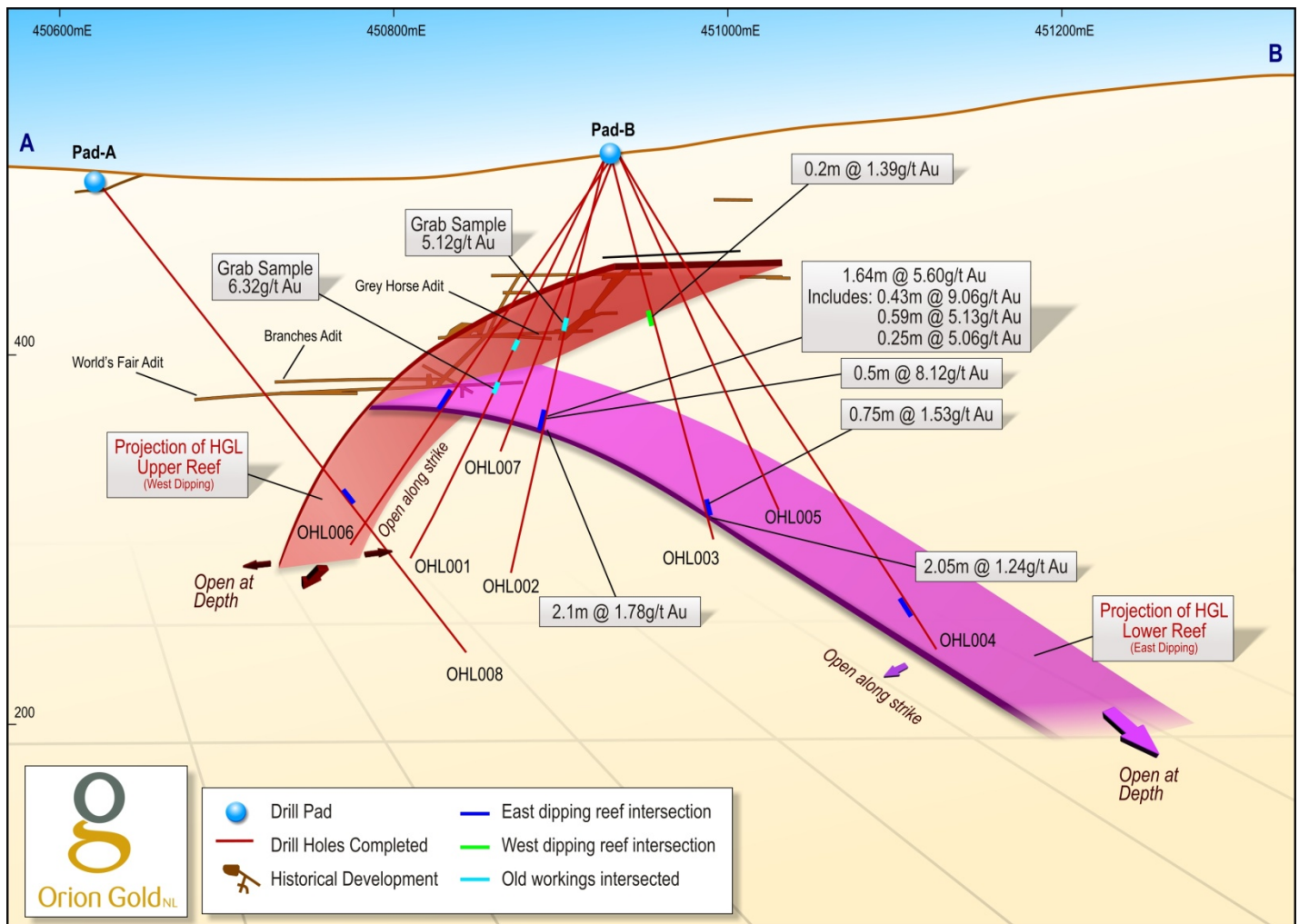


Figure 1: Schematic oblique section through the Grey Horse workings in Stockrider's Spur (HGL) illustrating known historic workings, projected reefs and drill holes. Figure 2 shows the position of this section in plan. Refer to tables 1 - 4 for further detail regarding drill hole intersections.

Hole OHL004 intersected a thin altered dyke and associated veining in the inferred position of the Upper Reef. No significant assays were returned from this interval (103 to 104.15 metres). At depth, OHL004 intersected a significant high strain zone over a 32 metre down hole length from approximately 281 to 313 metres. The position of the intersection suggests that this is the east dipping Lower Reef which was previously intersected in holes OHL002 and OHL003. Further geological assessment will be completed upon receipt of assay results. Drill hole OHL004 has further extended the easterly dipping Lower Reef down dip by 140 metres from OHL003 and also along strike to the north by 90 metres (see figures 1 and 2).

Hole OHL006 intersected a strongly deformed interval between 140.5 metres and 160 metres. Assay results are outlined in table 4 and confirm low grade mineralisation across this zone. The wallrock sandstones are intermittently pyrite-bearing between 140.5 and 155.5 metres in a similar manner to OHL002 and OHL003. A number of quartz-veins occur within this zone, including a prominent 20 cm wide laminated arsenopyrite/pyrite-rich quartz-carbonate vein/reef at 152.20 metres that returned 2.28 Au g/t. This is accompanied by a metre-wide halo of marginal veining. The east-dipping nature of the majority of the veins suggests that this zone is part of the Lower Reef system. Sampling and assaying of a number of sulfide-bearing quartz veins associated with pyritic wallrock alteration at approximately 122.8 to 123 metres and 126.5 to 126.75 metres is pending.

Drill holes OHL005 and OHL007 were drilled as substantial step-outs to the north east and north west respectively. Hole OHL005 intersected a complex high strain zone in the inferred position of the eastern (Lower) reef. The intersection included multiple highly altered (fuchsite-sericite-pyrite) dykes, strongly deformed sediments and sections of quartz veining. This result suggests potential for offsets of the mineralised reefs in this direction. Assays remain outstanding. Hole OHL007 was drilled as a step-out hole to test the northern strike of the reefs. Two weathered, laminated, sulfidic veins were noted in the upper section of the hole at approximately 41.6 to 41.8 metres and 67.2 to 67.45 metres, either of which may correspond to the Upper Reef. Detailed geological assessment, sampling and assaying are pending.

Towards the end of September the drilling rig moved from Pad B to Pad A (see figure 2), and hole OHL008 was drilled under OHL001 targeting the down-dip extension of the western, or Upper Reef. A number of veins have been dispatched for assays, including a 20 cm laminated vein/fault intersected at approximately 195.5 metres. Detailed geological assessment and sampling are required.

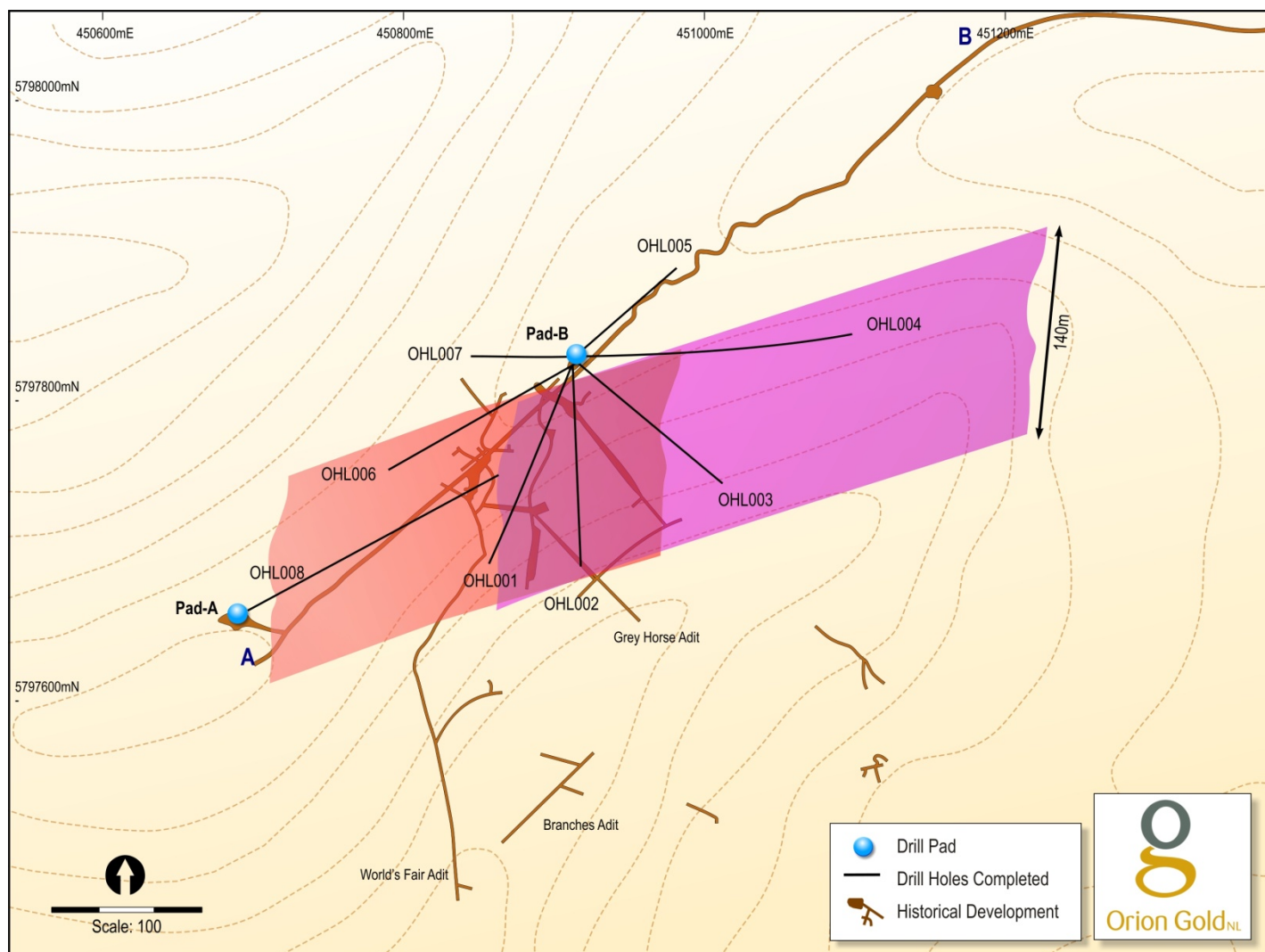


Figure 2: Schematic plan illustrating the reefs as interpreted from historic workings and drilling at HGL, the location of drill holes and the position of the schematic oblique section shown in figure 1 (A-B).

Drilling is continuing in the December 2010 Quarter with the aim of further delineating the extent of the mineralised system, providing additional information on the geological and structural setting and identifying higher grade zones. The 2,500 metre diamond core drill program on Stockrider's Spur is expected to be completed in November 2010.

West 1 Drilling Program

Following completion of the Cohen's North program in the June Quarter, drilling was undertaken into the West 1 line of mineralisation from Pad B (see figures 3 and 4) and was completed during the September Quarter.

The West 1 (Zone 1) line of mineralisation is hosted within the Black Diamond dyke. Historically, two reefs were mined in the Black Diamond workings, namely an 'upper' and a 'lower' reef, with higher production from the 'lower' reef. The West 1 (Zone 2) mineralisation is hosted within a second dyke west of the Black Diamond dyke and appears to be associated with the lower (western) contact of a dyke intersected within the New Long Tunnel workings. As mineralisation was not identified in this position by historic mining, the New Long Tunnel dyke represents a new exploration target.

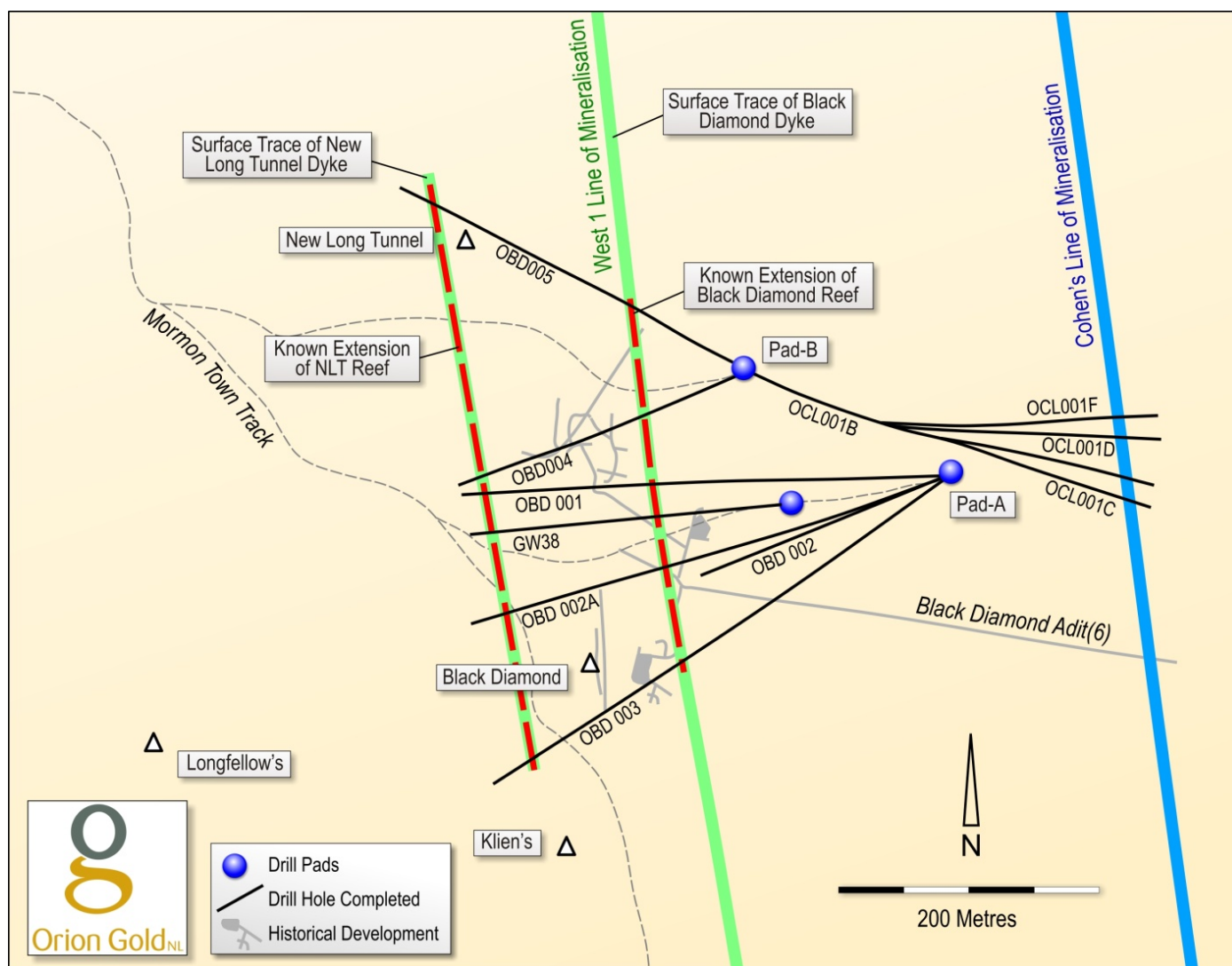


Figure 3: Schematic plan illustrating the position of mineralised trends in the Cohen's area, historic workings, the projected surface trends of the Black Diamond and New Long Tunnel dykes and the location of drill holes.

Drill hole OBD004 targeted mineralisation hosted within the Black Diamond dyke under the northern part of the workings of the same name. The dyke was intersected between 94.42 and 102.27 metres. Sections of laminated, arsenopyrite-rich quartz veining and associated stockwork veining within the dyke between 94.83 and 95.23 metres and between 101.52 and 101.97 metres are associated with pervasive bleaching and disseminated pyrite and are interpreted as equivalent to the 'upper' and 'lower' reefs mined in the Black Diamond workings. The hole also intersected a thin dyke at depth (253.6 to 254.5 metres), which is correlated with the New Long Tunnel dyke. The lower part of the dyke and contact zone are sulfide rich (exceeding ca. 2% pyrite + arsenopyrite). Assay results are reported in table 5.

Drill hole OBD005 was targeted in a more northerly direction under the New Long Tunnel workings. The hole intersected a dyke between 120.0 and 132.4 metres, believed to be equivalent to the Black Diamond dyke. Visual examination of veining between 120.35 and 120.7 and between 129.00 and 129.50 metres (e.g. veining style, sulfide content and associated alteration), suggests that these are similar in style to the veins seen in OBD004. A second dyke encountered between 261.80 and 269.00 metres is believed to represent the New Long Tunnel dyke, with veining noted between 264.50 and 264.80 metres. Assays are reported in table 6. These indicate that only the lower Black Diamond reef was mineralised in this hole.

OBD004 and OBD005 have established that the quartz reefs in the Black Diamond and New Long Tunnel dykes continue northwards from drill hole GW38 for strike lengths exceeding 140 and 170 metres respectively (see figure 3). Additional assessment will be undertaken before a decision is made on further drill testing of the West 1 line of mineralisation.

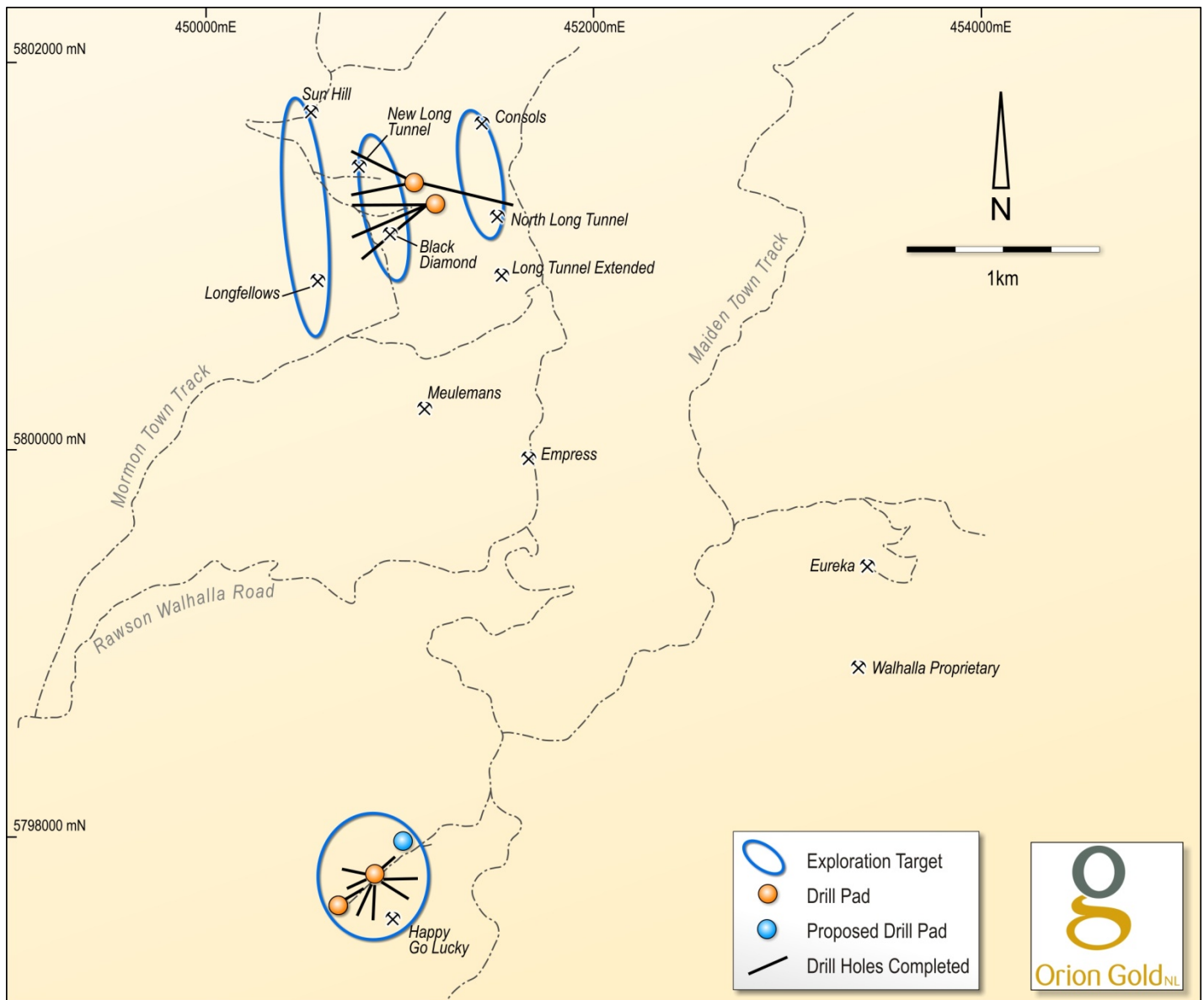


Figure 4: Project locality plan

Forward Program

In November 2009, the Company announced the commencement of a 6,500 metre initial diamond drill program focusing on the Cohen's, West 1 and West 2 mineralised structures, given their proximity to a large number of old workings and historical production centres. To date, the Company has completed approximately 6,000 metres of drilling and has opened up new major target zones at Cohen's North, Black Diamond dyke and New Long Tunnel dyke. In addition, drilling at Happy Go Lucky has intersected a pyrite-gold system associated with a major structure in a near-surface position that has largely been unexploited by previous mining.

At the completion of the Happy Go Lucky drill program in November 2010, the Company will undertake further interpretation and geological assessment of the results to date. Based on this work, the Company aims to prioritise drill targets which will form the basis of a follow-up drill program planned to commence in the first Quarter of 2011.

As part of the review and assessment of geological data, the Company has engaged a consulting structural geologist, Dr Steve King, to review data from past and recent drilling and surface and underground mapping, to assist in determining and defining structural controls on mineralisation at the Walhalla Gold Project. This work is expected to assist in exploration targeting and to optimise the drilling definition of mineralisation. Steve King was highly influential in the development of the structural model at Fosterville, which contributed to the substantial redevelopment of that mine.

Tubal Cain

As the exploration priority of the Company is to drill test targets in the Cohen's and Happy Go Lucky areas, the pre-feasibility study on the Tubal Cain deposit has been given a lower priority with further work planned in the next twelve months. Work completed to date will assist in determining the economics of the deposit and what future work should be undertaken by the Company.

Regional

The Company has previously identified a number of areas of interest within the more regional component of the Walhalla Gold Project. A priority area of interest is the historic Toombon and New Dawn workings. These workings are situated on the Ross Creek Line of mineralisation (see figure 5). Historically Toombon produced approximately 51,000 ounces from around 62,000 tonnes of ore at an average of 25.6 Au g/t with production from a single reef system. Toombon was mined down to 330 metres from the creek level using 10 underground levels, which represents the deepest workings in the region outside of the major mines in the vicinity of Walhalla. The strike length between the Toombon and New Dawn workings is around 1.25 kilometres.

Importantly, it is believed that mineralisation at Toombon and New Dawn is hosted by laminated veining associated with a major shear zone or fault system within the Walhalla Group sediments. As such, mineralisation is believed to be analogous in style to that of the Cohen's Reef system at Walhalla.

The Company has designed a drilling program to test for extensions of the mineralisation below the historical workings, and continuity of the reef between the workings. The program is planned to commence in the first half of 2011.

The Company also intends to continue its geological assessment of the Walhalla Gold Project regional exploration area. The Company has a large tenement holding in the Woods Point / Walhalla district, an area that contains approximately 420 old workings. The review process and planning of regional exploration programs is assisted by the historic workings which indicate the location of mineralisation and outline the mineralised 'trends'.

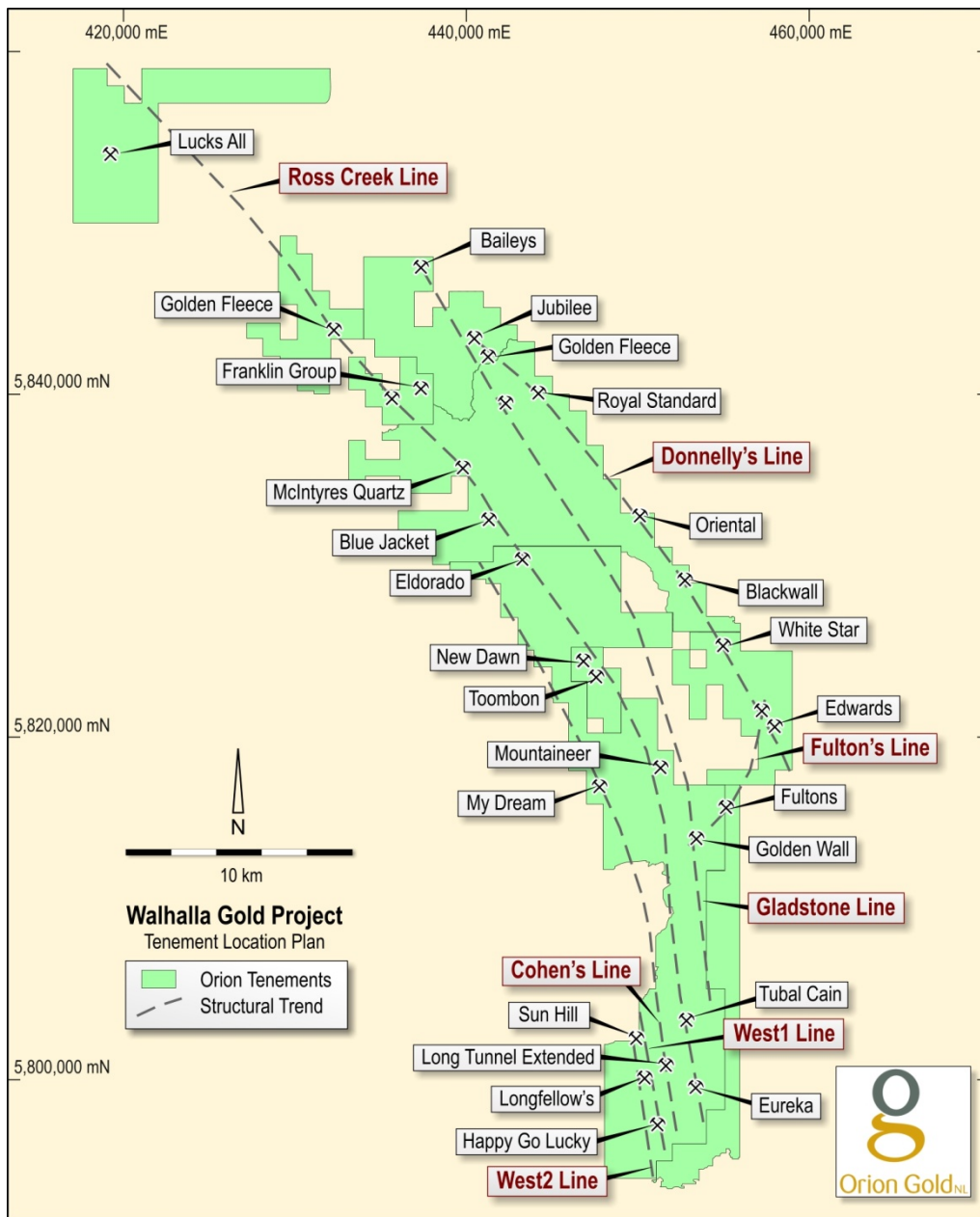


Figure 5: Project Locality Plan

Other Projects

Top Camp / Iron Ridge Project - Matrix Metals Joint Venture – Queensland (Orion 34%)

The Company's joint venture partner, Matrix went into voluntary administration in November 2008. During the Quarter, Queensland Mining Corporation Limited ('QMC') completed the settlement of the acquisition of Matrix's joint venture ownership in the Top Camp / Iron Ridge Project from the Liquidator of Matrix. QMC commenced a drilling program in the December 2010 Quarter.

Corporate

Cash and Finance

Cash on hand at the end of the Quarter was \$3.7million.

Convertible Notes

On 30 September 2010, the Company announced that it had renegotiated the repayment terms of the convertible notes ('Notes') which were issued to Silja Investment Limited ('Silja') pursuant to the terms of the Converting Loan Agreement ('CLA') between Silja and the Company dated 9 September 2008. In accordance with the CLA, Silja provided a total of \$6 million in funding to the Company by way of Notes.

Importantly, the amendment to the terms of the Notes will enable the Company at its election, to convert the Notes and accrued interest at maturity on 31 August 2013 to ordinary shares in the Company or redeem the Notes for cash, unless Silja elects to convert the Notes to ordinary shares on or before maturity.

The amendment to the terms of the Notes is considered by the Directors to be in the interests of shareholders as it enables the Company to satisfy its obligations with respect to the Notes at maturity without relying upon its cash reserves. All other rights of Silja in respect of the Notes remain unchanged.

Options

The 300 million options held by Silja Investment Limited with an exercise price of \$0.01, expired on 22 September 2010.

Annual Financial Report – June 2010

The Company recorded a loss of \$14.1 million for the year ended 30 June 2010. This result compares to a loss of \$32.6 million after tax for the previous year. The result was driven primarily by the revaluation of the convertible notes.

Annual General Meeting

The Annual General Meeting of shareholders of the Company is scheduled to be held on 17 November 2010 at RACV City Club, 501 Bourke Street Melbourne commencing at 10:00am.

Competent Person / JORC Statement / Notes

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.

Table1: Drill Hole OHL001 Intersections

From(m)	To(m)	Width(m) ¹	Au(g/t)	As(ppm) ⁵
134.30	139.30	n/a	6.32 ^{3,6}	480

Table 2: Drill Hole OHL002 Intersections

From(m)	To(m)	Width(m) ¹	Au(g/t)	As(ppm) ⁵
Upper Happy Go Lucky reef (grab sample from void rubble)				
94.60	96.00	n/a	0.60 ^{3,6}	346
94.60	96.00	n/a	1.69 ^{3,6}	361
94.60	96.00	n/a	5.12 ^{3,6}	233
Lower Happy Go Lucky high strain zone (internal reefs highlighted)				
133.50	134.00	0.50	0.06 ³	57
134.20	134.55	0.35	1.07 ³	417
134.55	135.14	0.59	1.26 ³	743
135.14	135.43	0.29	2.06 ³	894
135.43	135.96	0.53	0.59 ³	407
135.96	136.09	0.13	0.61 ³	379
136.09	136.60	0.51	0.37 ³	313
136.60	136.93	0.33	0.32 ³	268
136.93	137.80	0.87	0.35 ³	327
137.80	138.05	0.25	1.55 ³	621
138.05	138.62	0.57	0.67 ³	454
139.80	140.35	0.55	0.20 ³	173
140.35	140.63	0.28	0.64 ³	322
140.63	141.06	0.43	9.06 ⁴	685
141.06	141.65	0.59	5.13 ³	1,959
141.65	141.90	0.25	5.06 ³	7,383
141.90	142.07	0.17	3.58 ³	4,923
142.07	142.27	0.20	1.95 ³	2,124
142.27	143.00	0.73	0.44 ³	324
143.00	143.80	0.80	1.68 ³	1,644

Table 2: Drill Hole OHL002 Intersections (continued)

From(m)	To(m)	Width(m) ¹	Au(g/t) ³	As(ppm) ⁵
Lower Happy Go Lucky high strain zone (internal reefs highlighted)				
143.80	144.34	0.54	0.78	536
144.34	144.62	0.28	0.79	478
144.62	144.97	0.35	1.83	1,106
144.97	145.47	0.50	8.12	873
145.47	145.80	0.33	0.67	350
146.08	146.20	0.12	0.90	346
146.20	146.45	0.25	0.51	259
146.45	147.00	0.55	1.03	627
147.00	147.90	0.90	0.65	376
147.90	148.20	0.30	1.60	865
148.20	148.40	0.20	2.48	1,833
148.40	148.70	0.30	2.27	1,532
148.70	148.96	0.26	1.90	1,482
148.96	149.22	0.26	1.11	1,070
149.22	149.37	0.15	2.75	2,827
149.37	149.70	0.33	1.02	850
149.70	150.00	0.30	1.49	758
150.00	150.83	0.83	0.70	417
150.83	150.96	0.13	0.47	155
150.96	151.25	0.29	0.36	223
154.48	154.60	0.12	0.28	317
154.60	155.00	0.40	0.55	393
155.00	155.32	0.32	0.87	212
155.32	155.60	0.28	0.18	148

Table 3: Drill Hole OHL003 Intersections

From(m)	To(m)	Width(m) ¹	Au(g/t) ³	As(ppm) ⁵
92.07	92.20	0.13	0.81	435
92.20	92.40	0.20	1.39	612
208.10	208.85	0.75	1.53	799
208.85	209.00	0.15	0.48	386
209.45	210.00	0.55	0.87	636
210.00	210.50	0.50	0.30	196
210.50	211.00	0.50	0.40	245
211.00	211.45	0.45	0.25	207
211.45	211.90	0.45	0.70	445
211.90	212.35	0.45	0.69	431
212.35	212.73	0.38	1.22	672
212.73	213.08	0.35	1.13	488
213.08	213.36	0.28	1.67	770
213.36	213.75	0.39	1.27	474
213.75	214.40	0.65	1.11	424
214.40	215.00	0.600	0.78	503
215.00	215.25	0.250	0.75	691

Table 4: Drill Hole OHL006 Intersections

From(m)	To(m)	Width(m) ¹	Au(g/t) ³	As(ppm) ⁵
152.20	152.43	0.230	2.28	434
153.80	154.15	0.350	0.77	321
155.05	155.35	0.300	1.03	703
155.35	155.57	0.220	0.62	551

Table 5: Drill Hole OBD004 Intersections

From (m)	To (m)	Width ²	Au (g/t) ³	As (ppm) ⁵
Black Diamond Dyke				
94.70	95.05	0.35	3.26	2,440
95.05	95.45	0.40	0.58	834
101.52	101.70	0.18	21.96	14,550
101.70	101.97	0.27	2.89	4,902
101.97	102.27	0.30	0.90	3,600
102.27	102.39	0.12	0.89	560
New Long Tunnel Dyke				
253.58	253.86	0.28	3.59	6,440
253.86	254.09	0.23	0.44	845
254.09	254.32	0.23	1.81	5,608
254.32	254.47	0.15	4.02	3,238

Table 6: Drill Hole OBD005 Intersections

From (m)	To (m)	Width ²	Au (g/t) ³	As (ppm) ⁵
Black Diamond Dyke				
128.74	129.00	0.26	0.30	696
129.00	129.40	0.40	1.63	1,146

Notes:

1. All intersections quoted are down hole distances, which are at variable angles to true thickness directions, of up to 60 degrees in some holes, as indicated in figure 1.
2. All quoted depths are measured down hole, not true width and all sampling conducted on halved PQ core. No averaging of repeat assays.
3. Analysis by 50 g Fire assay, AAS finish.
4. Analysis by 100 µm mesh screen fire assay (calculated total gold).
5. Analysis by ICP/OES.
6. Grab sample from void rubble.