

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Orion Gold NL

ABN

76 098 939 274

Quarter ended ("current quarter")

31 March 2011

### Consolidated statement of cash flows

| Cash flows related to operating activities                      | Current quarter<br>\$A'000 | Year to date (9 months)<br>\$A'000 |
|---|----------------------------|------------------------------------|
| 1.1 Receipts from product sales and related debtors             | ---                        | ---                                |
| 1.2 Payments for (a) exploration & evaluation                   | (321)                      | (2,702)                            |
| (b) development   | ---                        | ---                                |
| (c) production  | ---                        | ---                                |
| (d) administration  | (280)                      | (758)                              |
| 1.3 Dividends received  | ---                        | ---                                |
| 1.4 Interest and other items of a similar nature received       | 57                         | 211                                |
| 1.5 Interest and other costs of finance paid                    | ---                        | ---                                |
| 1.6 Income taxes paid   | ---                        | ---                                |
| 1.7 Other (provide details if material)                         | ---                        | 17                                 |
| <b>Net Operating Cash Flows</b>                                 | <b>(544)</b>               | <b>(3,232)</b>                     |
| <b>Cash flows related to investing activities</b>               |                            |                                    |
| 1.8 Payment for purchases of: (a) prospects                     | ---                        | ---                                |
| (b) equity investments  | ---                        | ---                                |
| (c) other fixed assets  | (6)                        | (15)                               |
| 1.9 Proceeds from sale of: (a) prospects                        | ---                        | ---                                |
| (b) equity investments  | ---                        | ---                                |
| (c) other fixed assets  | ---                        | ---                                |
| 1.10 Loans to other entities                                    | ---                        | ---                                |
| 1.11 Loans repaid by other entities                             | ---                        | ---                                |
| 1.12 Other (restricted cash investments)                        | ---                        | ---                                |
| <b>Net investing cash flows</b>                                 | <b>(6)</b>                 | <b>(15)</b>                        |
| 1.13 Total operating and investing cash flows (carried forward) | <b>(550)</b>               | <b>(3,247)</b>                     |

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

|      |  |       |         |
|------|--|-------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (550) | (3,247) |
|      | <b>Cash flows related to financing activities</b>          |       |         |
| 1.14 | Proceeds from issues of shares, options, etc.              | ---   | ---     |
| 1.15 | Proceeds from sale of forfeited shares                     | ---   | ---     |
| 1.16 | Proceeds from borrowings                                   | ---   | ---     |
| 1.17 | Repayment of borrowings                                    | ---   | (1)     |
| 1.18 | Dividends paid   | ---   | ---     |
| 1.19 | Other (provide details if material)                        | ---   | ---     |
|      | <b>Net financing cash flows</b>                            | ---   | (1)     |
|      | <b>Net increase (decrease) in cash held</b>                | (550) | (3,248) |
| 1.20 | Cash at beginning of quarter/year to date                  | 2,368 | 5,066   |
| 1.21 | Exchange rate adjustments to item 1.20                     | ---   | ---     |
| 1.22 | <b>Cash at end of quarter</b>                              | 1,818 | 1,818   |

**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<br>\$A'000   |
|------|--|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2* 71 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 ---   |

1.25 Explanation necessary for an understanding of the transactions

\*Directors' fees \$71,000.

+ 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

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 Convertible Notes (“Notes”). Settlement of the Notes (\$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. The Company may elect at its discretion to repay the remaining principal and interest on the Notes in cash or by converting the Notes into Shares. Silja does not have a right to demand cash to settle the outstanding amount.

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 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 unrealised gain or loss reported periodically is not a cash gain or liability and therefore will not affect the Company’s cash reserves.

A valuation of the convertible option was conducted on 31 December 2010. The net movement in the fair value of Notes for the six month period ended 31 December 2010 was a loss of \$2.8 million. This unrealised loss relates to the change in value of the converting option associated with the Notes, is not a cash loss and did not affect the Company’s cash reserves.

For further information refer to the Company’s 2010 Interim Financial Report and Section 3.2 of this report.

- 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

|  |
|--|
|  |
|--|

---

+ See chapter 19 for defined terms.

## **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

|  | Amount available<br>\$A'000 | Amount used<br>\$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 has provided a total of \$6 million in funding to the Company by way of convertible notes (“Notes”).

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

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

The liability component of the Notes accrues interest at 9% per annum (compounding annually) and is due to be repaid as at 31 August 2013 (if not converted earlier). The liability component balance of the 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 Notes allows the holder to convert the outstanding principal and accrued interest balance at any point in time at a conversion rate of 1 fully paid ordinary share (“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 issues any new Shares prior 31 August 2013.

As at the date of this report, the lowest price at which the Company has issued Shares is \$0.01.

Prior to maturity on 31 August 2013, the holder of the Notes 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 Notes drawdown, the Company is able to offer to settle the outstanding amount in cash. Settlement of the Notes plus interest is due on 31 August 2013 unless Silja elects to convert the Notes to Shares on or before such date. The Company may elect at its discretion to repay the remaining principal and interest on the Notes in cash or by converting the Notes into Shares. Silja does not have a right to demand cash to settle the outstanding amount.

The 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.

For further information refer to the Company’s 2010 Interim Financial Report and Section 2.1 of this report.

---

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

|              |                            | \$A'000    |
|--------------|----------------------------|------------|
| 4.1          | Exploration and evaluation | 278        |
| 4.2          | Development                | ---        |
| 4.3          | Production                 | ---        |
| 4.4          | Administration             | 250        |
| <b>Total</b> |                            | <b>528</b> |

### 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 1,818                      | 2,368                       |
| 5.2 Deposits at call                             | ---                        | ---                         |
| 5.3 Bank overdraft                               | ---                        | ---                         |
| 5.4 Other (provide details)                      | ---                        | ---                         |
| <b>Total: cash at end of quarter (item 1.22)</b> | <b>1,818</b>               | <b>2,368</b>                |

### Changes in interests in mining tenements

|   | Tenement<br>reference | Nature of interest<br>(note (2)) | Interest at<br>beginning<br>of quarter | Interest at<br>end of<br>quarter |
|---|-----------------------|----------------------------------|--|----------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | ---                   | ---                              | ---                                    | ---                              |
| 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 <b>Partly paid +securities</b><br><i>(description)</i>   | 2,351,000  | ---                                 | 10 cents   | 0.1 cents  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions | ---  | ---                                 | ---  | ---  |
| 7.3 <b>+Ordinary securities</b>  | 764,960,097  | 764,960,097                         | ---  | Fully Paid   |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              | ---  | ---                                 | ---  | ---  |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>  | ---  | ---                                 | ---  | ---  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              | ---  | ---                                 | ---  | ---  |
| 7.7 <b>Options</b><br><i>(description and conversion factor)</i>   | 60,000,000<br>25,000,000<br>15,000,000<br>2,000,000<br><br>640,000<br>Performance Rights | ---<br>---<br>---<br>---<br><br>--- | <i>Exercise price</i><br>1 cent<br>1 cent<br>2 cents<br>4 cents<br><br>--- | <i>Expiry date</i><br>31 March 2014<br>31 July 2014<br>31 March 2014<br>30 June 2015<br><br>30 June 2015 |
| 7.8 Issued during quarter  | ---  | ---                                 | ---  | ---  |
| 7.9 Exercised during quarter   | ---  | ---                                 | ---  | ---  |

+ See chapter 19 for defined terms.

|      |  |             |     |     |     |
|------|--|-------------|-----|-----|-----|
| 7.10 | Expired during quarter                         | ---         | --- | --- | --- |
| 7.11 | <b>Debentures</b><br><i>(totals only)</i>      | \$6,000,000 | --- |     |     |
| 7.12 | <b>Unsecured notes</b><br><i>(totals only)</i> | ---         | --- |     |     |

## 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 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
Company Secretary

Date: 29 April 2011

Print name: Martin Bouwmeester

## 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.

== == == == ==

---

+ See chapter 19 for defined terms.