Orion Gold NL

Orion Gold NL is an Australian gold exploration company focused on delivering value to shareholders through the successful exploration of the Company's highly prospective tenement holdings located in the Walhalla goldfield of Victoria.

The prospectivity of the Walhalla goldfield is supported by fact:-

- The Walhalla region is Victoria's sixth largest historical gold producing region with over 400 known reef and alluvial gold deposits;
- The historic Cohen's Reef was mined to a depth of over one kilometre and produced 1.5 million ounces of gold at a grade of 30 g/t Au;
- The many known gold bearing reefs located within the Walhalla goldfield highlight the enormous potential of the Company's large tenement holdings; and
- Orion Gold's Walhalla Project is located in one of the world's major orogenic gold provinces.

Orion Gold NL
ABN 76 098 939 274
ASX Code: ORN
W: www.oriongold.com.au

QUARTERLY REPORT

Report on Activities for the Quarter Ending 30 June 2011

Key Points

- A diamond drilling program to test highly ranked targets at Toombon-New Dawn, Longfellow's and Happy Go Lucky is scheduled to commence mid August. This drilling will be followed with the testing of other high priority targets generated by the new Cohen's Reef and regional structural model.
- The outcomes of the Cohen's Reef structural study represent a quantum leap forward in understanding the controls and disposition of mineralisation both at Cohen's Reef and regionally.
- Recent reconnaissance fieldwork at Shortfellow's has located a structure of interest which was originally identified by the new regional structural model as a target zone. Further evaluation is underway with the objective of planning a drill program to test the target zone.
- Further structural studies at Cohen's Reef are in progress to advance the understanding of the controls of shallow "stockwork" style zones and deeper high grade Cohen's Reef replicates.

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%)

COHEN'S REEF

Following the recent breakthrough in understanding the structural controls on mineralisation at Cohen's Reef and regionally throughout the Walhalla Project area, during the Quarter the Company continued to advance the structural framework study of Cohen's Reef. The outcomes of this study represent a quantum leap forward in understanding the controls and disposition of mineralisation at Cohen's Reef, Walhalla. This work is anticipated to assist in predicting the trends and controls on mineralisation, thereby improving the targeting of additional mineralisation at relatively shallow levels in close proximity to Cohen's Reef.

Within the new model, some of the mineralisation located within close proximity to Cohen's Reef which was previously regarded as minor, dismembered or discontinuous, can now be seen to be more coherent within an overall framework.

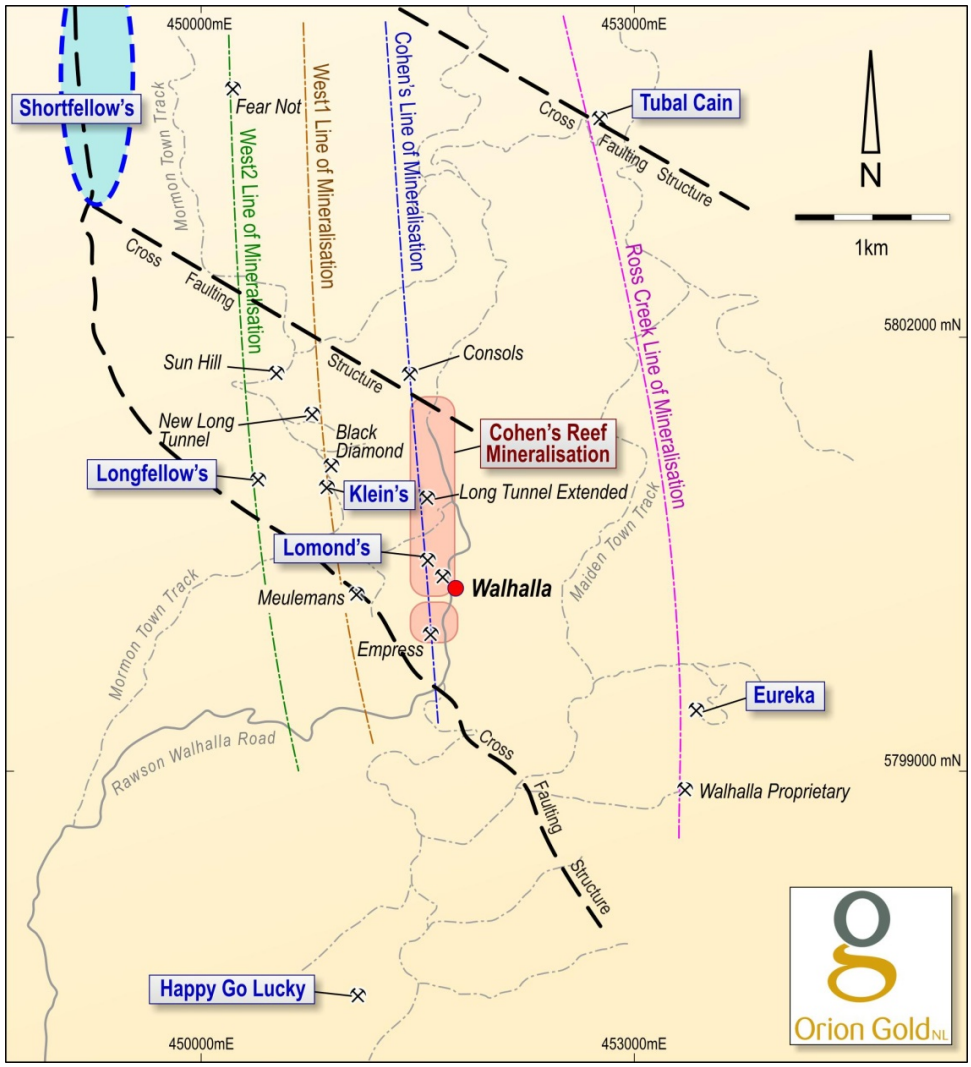

Figure 1: Walhalla Region – note that deposits tend to occur where mineralised north-south structures are intersected by cross-cutting structures.

Based upon the new insights, a more detailed study of Cohen's is in progress, which is examining zones of interest identified in the initial structural work. Relatively near-surface, discontinuous mineralisation previously referred to as "Stockwork" or the "Lomond Reef" mineralisation at Cohen's now appears to have specific structural controls. Much of these zones have not been exploited by previous mining. The objective of the detailed study is to define the structural controls on the high grade Cohen's shoot and provide extension targets for replicates of this major concentration of mineralisation. A drill program will be planned following the completion of the detailed study.

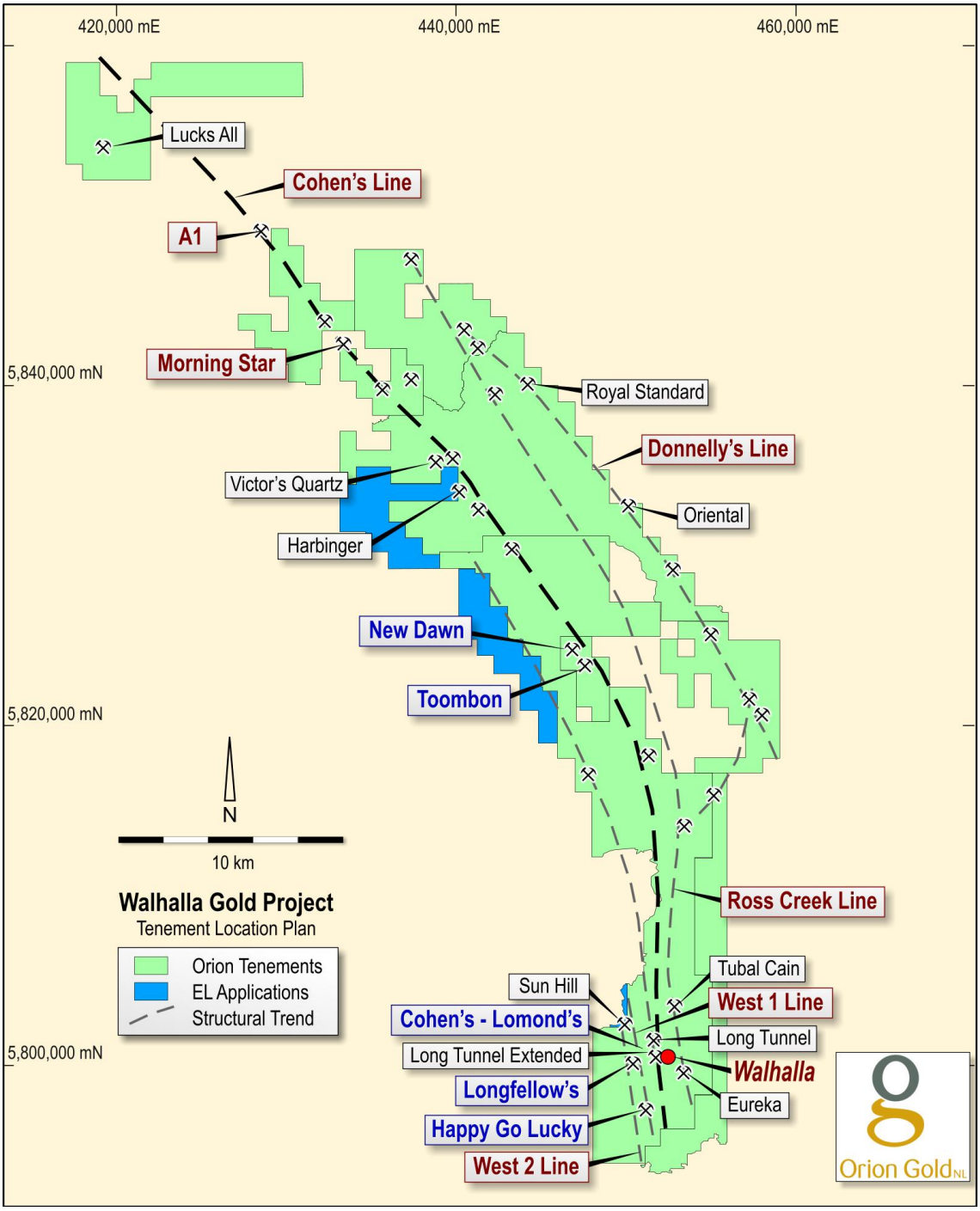

Figure 2: Orion Gold tenements - note EL applications resulting from recent exploration review.

2011 DRILLING PROGRAM

The new structural/geological model highlights the importance of southeast-northwest trending cross cutting structures, which constrain and concentrate mineralisation along the well recognised north-south trends of historical workings. In addition, the extension of the north-south trending Cohen's Line to the north of Cohen's Reef, has been reinterpreted. The new interpretation opens up a major new focus for exploration along the interpreted northern extension of the Cohen's structural trend, the majority of which has not been drill tested.

The new interpretation significantly increases the potential of the Cohen's trend for over 35 kilometres to the north of Walhalla, where a number of historic workings such as Toombon have similar geology to Cohen's (see figure 2). The new geological model also highlights that the majority of gold production from the Walhalla-Woods Point goldfield has been derived from gold mines associated with the reinterpreted Cohen's trend. In addition, through this work, reassessment has identified a number of highly ranked targets, which are located at the interpreted intersection of cross-cutting structures and the main north-south structural trends.

Given the significant findings of the recent geological assessments, the Company has engaged a drilling contractor to commence a drill program that targets Toombon-New Dawn, Longfellow's and Happy Go Lucky.

Toombon-New Dawn

The new structural model indicates that the Cohen's trend hosts the major historical mines in the Walhalla-Woods Point goldfield, with a total recorded production of approximately 4 million ounces of gold from mines within this trend (see figure 2). Orion regards the Toombon-New Dawn area as particularly prospective, as the linear array of historic workings is interpreted to be situated in the same stratigraphy and structural setting as the main Cohen's Reef at Walhalla. Deposits in the Toombon area are similar in style to that of Cohen's. This similarity is demonstrated by the unusual shape of previously mined mineralisation (see figure 3), which shows a shallow upper zone, rapidly changing to a steep zone at depth. This suggests that intersecting faults control mineralisation at Toombon in a similar manner to Cohen's. The area has received very little "modern" exploration and almost no drilling.

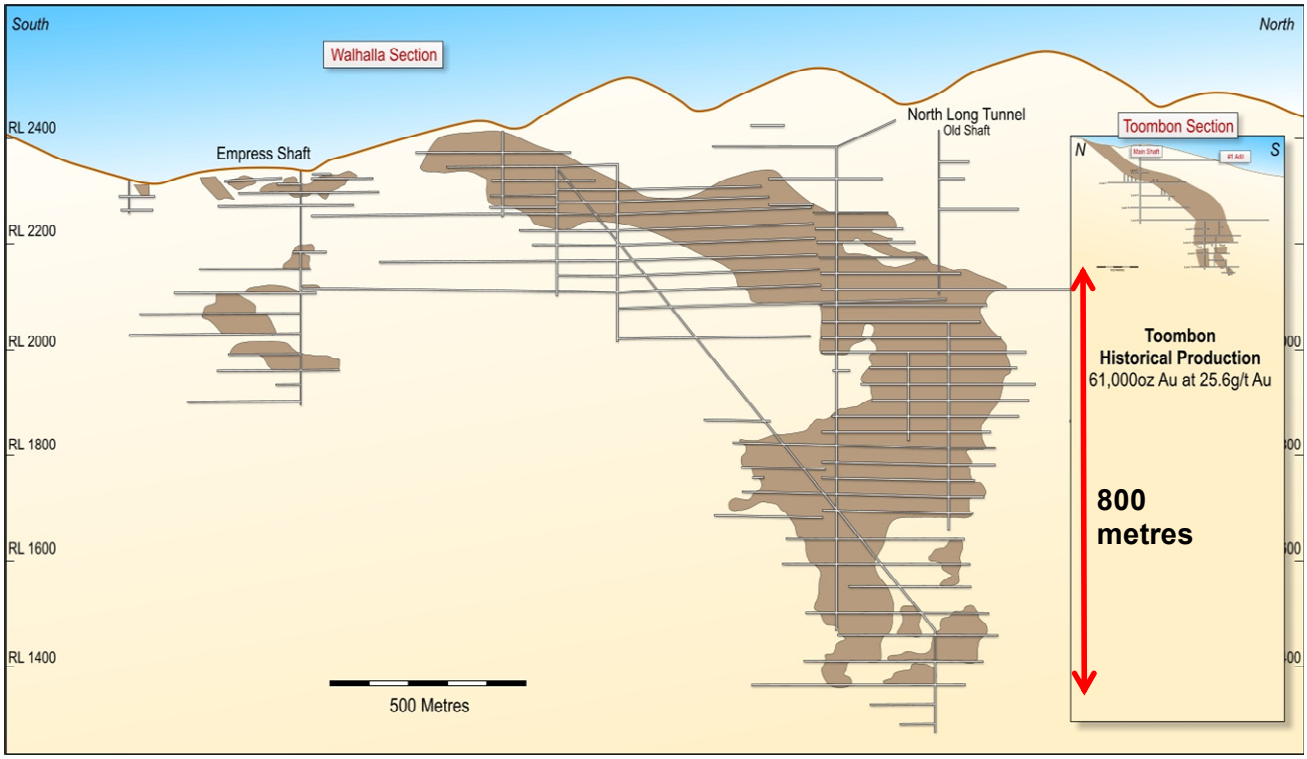

Figure 3: Long section of Toombon historical workings compared with mining on Cohen's Reef.

Orion has built a 3D model of the New Dawn workings based upon the available historic data. It appears that a series of moderately easterly-dipping reefs were exploited in the workings. In addition, the dips outlined on the various reefs and the nature of the stoping and disposition of the drives suggests that intersection lodes may have been exploited under Clarke's Adit.

Drilling is designed to test across the prospective stratigraphy and test for a series of parallel reefs. The drilling is also designed to test for potentially southerly plunging intersection lodes ('shoots').

Longfellow's

The Longfellow's prospect is situated on a parallel structure to the west of the main Cohen's Reef, which the Company denoted as the West 2 Line of mineralisation. A major cross cutting structure is interpreted to the south of the prospect which is an important feature of the new structural model as such features are related to known mineralisation in the goldfield (see figure 1).

Gold was discovered in the Longfellow's dyke around 1864 and was exploited by an extensive network of underground workings until the mid-1890's. The area of interest comprises the main Longfellow's workings and shaft and a series of smaller operations immediately south of this. Orion intends to target the reefs under the main Longfellow's workings (see figure 4), where a number of contact reefs exist on the margins of a significant dyke. The exploration potential of the Longfellow's area is supported by previous underground grab sampling on two levels which confirmed encouraging grades over significant strike lengths – 200 metres at 4.95 Au g/t and 75 metres at 4.12 Au g/t (see figure 4 and note 1).

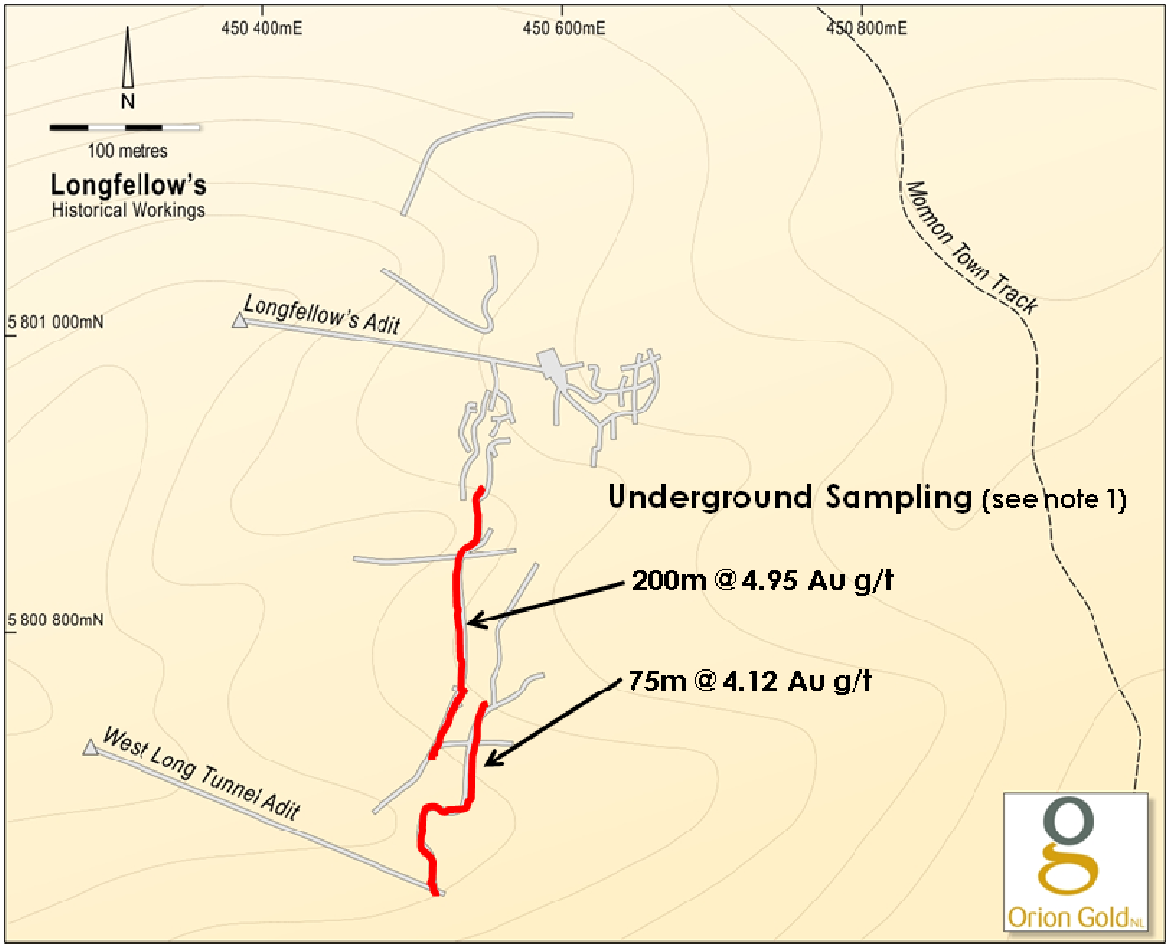

Figure 4: Longfellow's underground historical workings and level sampling. **Note 1:** Averaged gold assays from 10kg grab samples collected at 5 metre intervals along strike in the Western and Lower Western tunnels – Longfellow's Prospect, Walhalla by Intrepid (1998).

Any encouraging results in initial drilling under the Longfellow's workings, will be followed up by drilling from a pad to the south – an area of significant tonnage potential, as the main mineralised dyke appears to trend east of the bulk of the workings.

Happy Go Lucky

At Happy Go Lucky (see figure 1), drilling in 2010 identified a new mineralised system with indications of increasing mineralisation down plunge on several controlling structures, which trend towards a yet to be tested point of coalescence. The planned drilling program builds on the drilling in 2010 and intends to test the southern eastern (down plunge) part of Happy Go Lucky, in particular the potential for an intersection lode at the junction of the easterly-dipping reefs and the eastern bounding structures.

Shortfellow's (CMI) Prospect

The north-westerly continuation of the major southeast-northwest trending cross structure that controls the disposition of mineralisation at the northern end of Cohen's Reef, intersects another north-south trending structure to the west (see figure 1).

Based on the revised structural interpretation this is regarded as a highly favourable target, as it represents the mirror image structural position to Cohen's Reef. This has been named the Shortfellow's (CMI) prospect. Recent reconnaissance fieldwork at Shortfellow's, has located a structure of interest, confirming the applicability of the regional structural model in identifying drill targets.

Tubal Cain

During the Quarter, the Company completed its evaluation of development options based on a review of the resources and mining economics at Tubal Cain. Based upon this evaluation the Company has determined that Tubal Cain would better form a secondary resource and exploration target, rather than a primary resource for standalone development. Tubal Cain is regarded as a potential supplementary ore source should other gold resources underpin future mining operations within the Company's Walhalla Gold Project. Exploration in the short term will continue to be concentrated on high priority areas elsewhere in the Walhalla goldfield.

Regional

The new geological and structural model upgrades the prospectivity of other locations along the Cohen's trend. During the Quarter, fieldwork with the intention of leading to drill program planning was conducted at two of these locations; the historic Victor's Quartz and Harbinger workings (see figure 2). These areas are subject to seasonal closure until the end of November 2011 and it will therefore be difficult to access the historic workings until later this year.

The drill testing of further regional targets is aimed at delineating additional near surface resources, which collectively, would support the development of mining operations with an increasing gold production profile.

The structural framework study of Cohen's Reef has also highlighted the most prospective regional ground and as such, Orion Gold has selectively applied for a number of exploration licences as a result (see figure 2).

Other Projects

Top Camp / Iron Ridge Project - Queensland Mining Corporation Limited – Queensland (Orion 34%)

The Company's joint venture partner, Queensland Mining Corporation Limited ('QMC') announced to the ASX on 21 December 2010, significant copper-cobalt drilling results from the Black Fort prospect at South Cloncurry, North Western Queensland, within the joint venture area. QMC plans to undertake further drilling in the 2011 field season.

QMC, as manager of the joint venture, may earn an 82.35% interest in the joint venture, which equates to a 70% interest in the Project (from 51%), by spending $350,000. Orion is yet to be provided with information from QMC that will allow the Company to complete a review of any claim for earn in. Should QMC earn a 70% interest in the Project, Orion would then own 15% of the Project.

Corporate

Cash and Finance

Cash on hand at the end of the Quarter was $1.4 million.

Competent Persons Statement

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.

Disclaimer

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 inherently involve subjective judgement and analysis and are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Orion Gold NL. Actual results and developments may vary materially from those expressed in this release. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking 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.