



Orion Gold<sup>NL</sup>

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](http://www.oriongold.com.au)

# QUARTERLY REPORT

Report on Activities for the Quarter Ending 30 September 2011

## Key Points

- **Diamond drilling program commenced at Toombon – New Dawn and will be followed with testing of targets at Longfellow's and Happy Go Lucky.**
- **Potential to expand existing resources and discover new mineralised shoots at Cohen's Reef highlighted by detailed structural re-interpretation. Study was based upon compilation of detailed historic underground mapping and sampling.**
- **Finalised a \$1.5 million loan agreement with Silja, providing the Company with funding to complete the current diamond drilling program designed to test highly ranked targets at Toombon – New Dawn, Longfellow's and Happy Go Lucky.**

### Contact:

Suite 302  
Level 3, 488 Bourke Street  
Melbourne VIC 3000  
T: +61 3 8080 7170  
F: +61 3 8080 7174  
E: [info@oriongold.com.au](mailto:info@oriongold.com.au)

### Company enquiries:

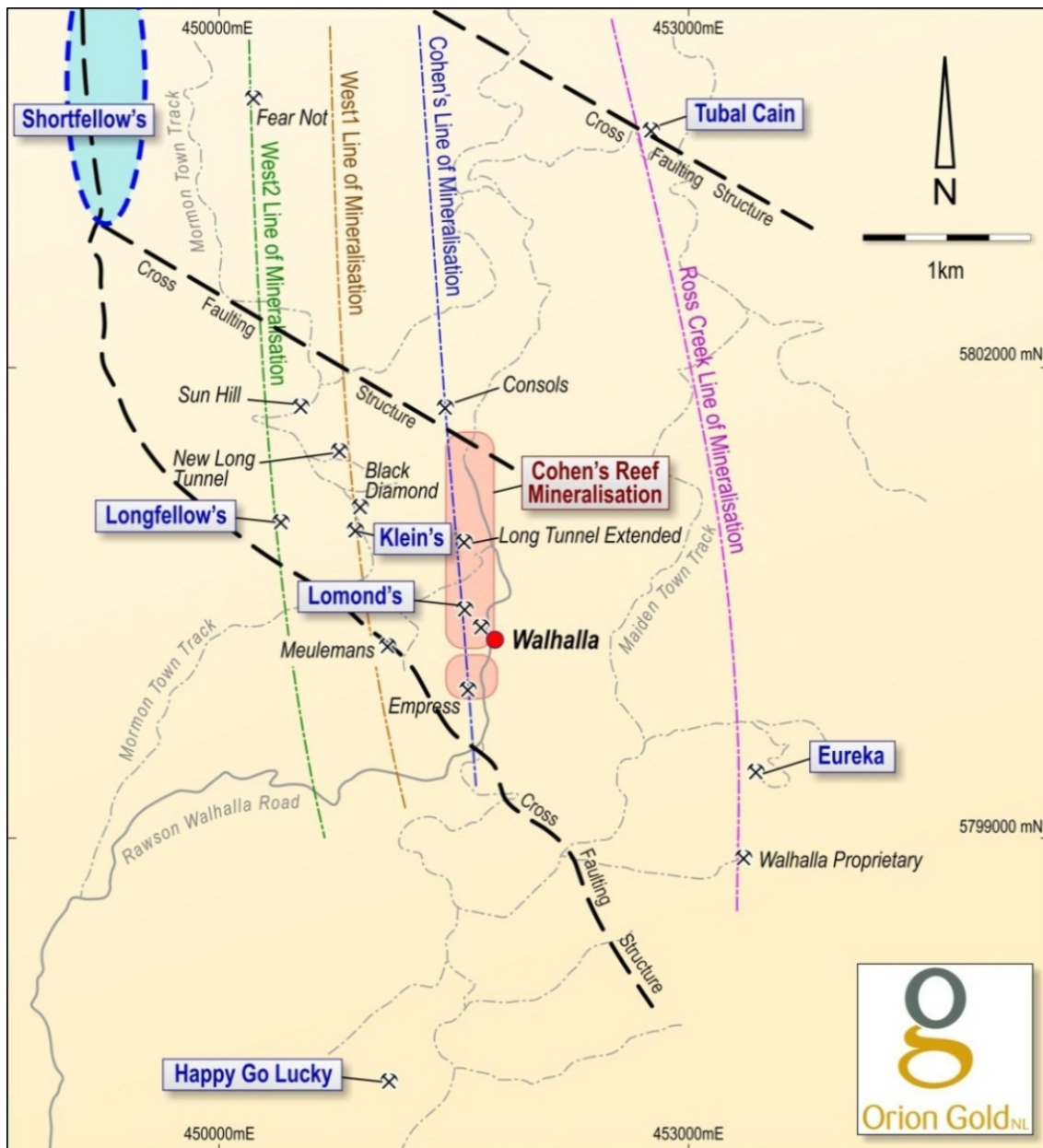
**Denis Waddell** Executive Chairman  
**Martin Bouwmeester** General Manager-Corporate

## Operations

### Walhalla Gold Project

#### COHEN'S REEF

Following up on recent breakthroughs in understanding the broad structural controls on mineralisation at Cohen's Reef and regionally, the Company completed the initial stages of detailed structural modelling of Cohen's Reef.



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

Compilation and analysis of recent and historic underground mapping and sampling provided the basis for a major structural re-interpretation of Cohen's Reef and new understanding of the controls and disposition of known mineralisation. The upgraded structural framework is expected to improve targeting of the broader - scale, "stockwork" style mineralisation previously identified at relatively shallow levels, as well as the structurally controlled, higher grade shoots comprising the bulk of the Cohen's Reef production. Planning of a drilling program to follow up the targets mentioned above is in progress.

### 2011 DRILLING PROGRAM

Drilling has commenced on a program targeting the Toombon - New Dawn, Longfellow's and Happy Go Lucky prospects. The current drill program totals 2,400 metres of diamond drilling with the first three holes (each approximately 400 metres in length) to be drilled at New Dawn.

Targets have been selected in the vicinity of significant production centres that appear to have unexploited depth potential, but potential to provide relatively near surface resources. Recent regional structural reinterpretation of the Cohen's Trend clearly highlights the prospectivity of a relatively restricted strip of stratigraphy for over 35 km north of Walhalla through the Company's tenements (see figure 4). Mineralisation along the Cohen's Trend appears to be influenced where this trend is intersected by cross-cutting structures.

### Toombon – New Dawn (Orion 85%)

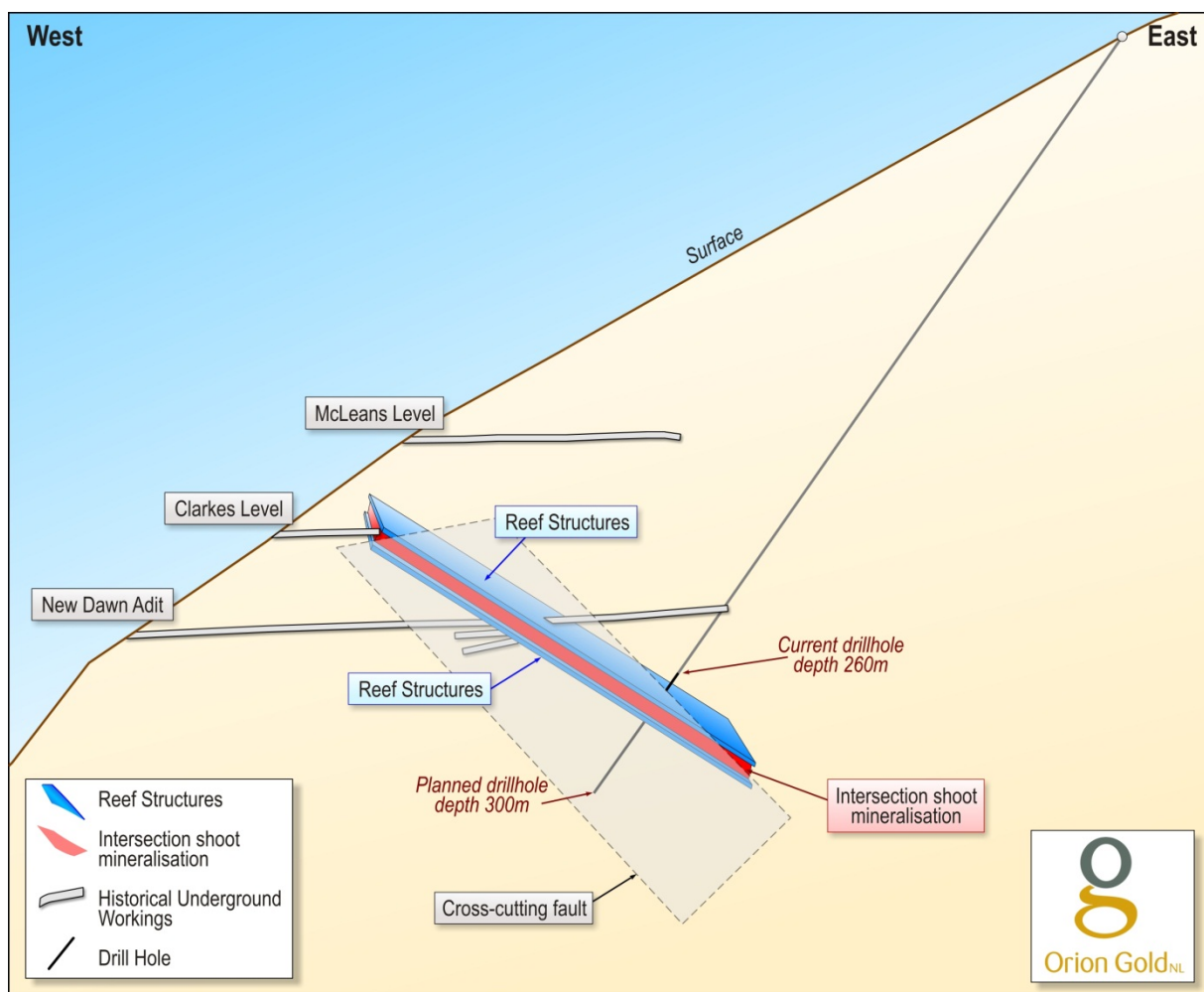
During the Quarter, the Company commenced a diamond drilling program in the highly ranked Toombon – New Dawn area. The initial holes in the drilling program are in progress testing targets at depth under the old New Dawn workings.

The group of workings in the immediate area (including New Dawn, Toombon and McLeans) are situated within the recently reinterpreted Cohen's Trend. The Cohen's trend hosts many of the major historical mines in the Walhalla-Woods Point goldfield, with the recorded gold production from mines located along the Cohen's trend totalling approximately 4 million ounces (see figure 4). Based upon the Company's regional structural model, Orion regards the Toombon – New Dawn area as particularly prospective, as the historic workings are interpreted to be situated in the same stratigraphy and structural setting as the main Cohen's Reef at Walhalla, which produced 1.5 million ounces of gold. The Toombon – New Dawn deposits are also interpreted to be similar in style to the mineralisation at Cohen's Reef. The area has been subject to very little modern exploration and almost no drilling.

Orion's 3D model of the New Dawn workings, based upon the available historic data, indicates that a series of moderately easterly-dipping reefs were exploited. The dips outlined in the various reefs, the nature of the stoping and the disposition of the drives suggests that intersection lodes may have been exploited under Clarke's Adit. Based upon this interpretation, the 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').

Drilling on the first hole at New Dawn has reached 260 metres (down hole), intersecting a thin bedded shaley sandstone sequence dominated by black shales. The geology is overprinted by a number of faults accompanied by quartz-carbonate veining. The target zone, projected from nearby underground workings, is at approximately 260 to 300 metres down hole depth and is expected to comprise of sub-parallel reefs complicated by an intersecting fault. The depth of drilling is due to the necessity to drill test the target from a ridge above the historical mine site.

Progress since the first hole commenced in September has been very slow due to the difficult ground conditions and rig availability. It is anticipated that improved drilling rates will be achieved going forward as the drilling contractors have developed a better understanding of the drilling techniques required for the difficult ground conditions. Although the ground conditions are difficult due to zones of weathered and broken ground, the Company regards the geology intersected thus far as encouraging, with evidence of structures and fluid flow within a chemically and structurally favourable rock sequence.



**Figure 2:** 3D sectional looking north with view of reefs, drill holes and historical workings.

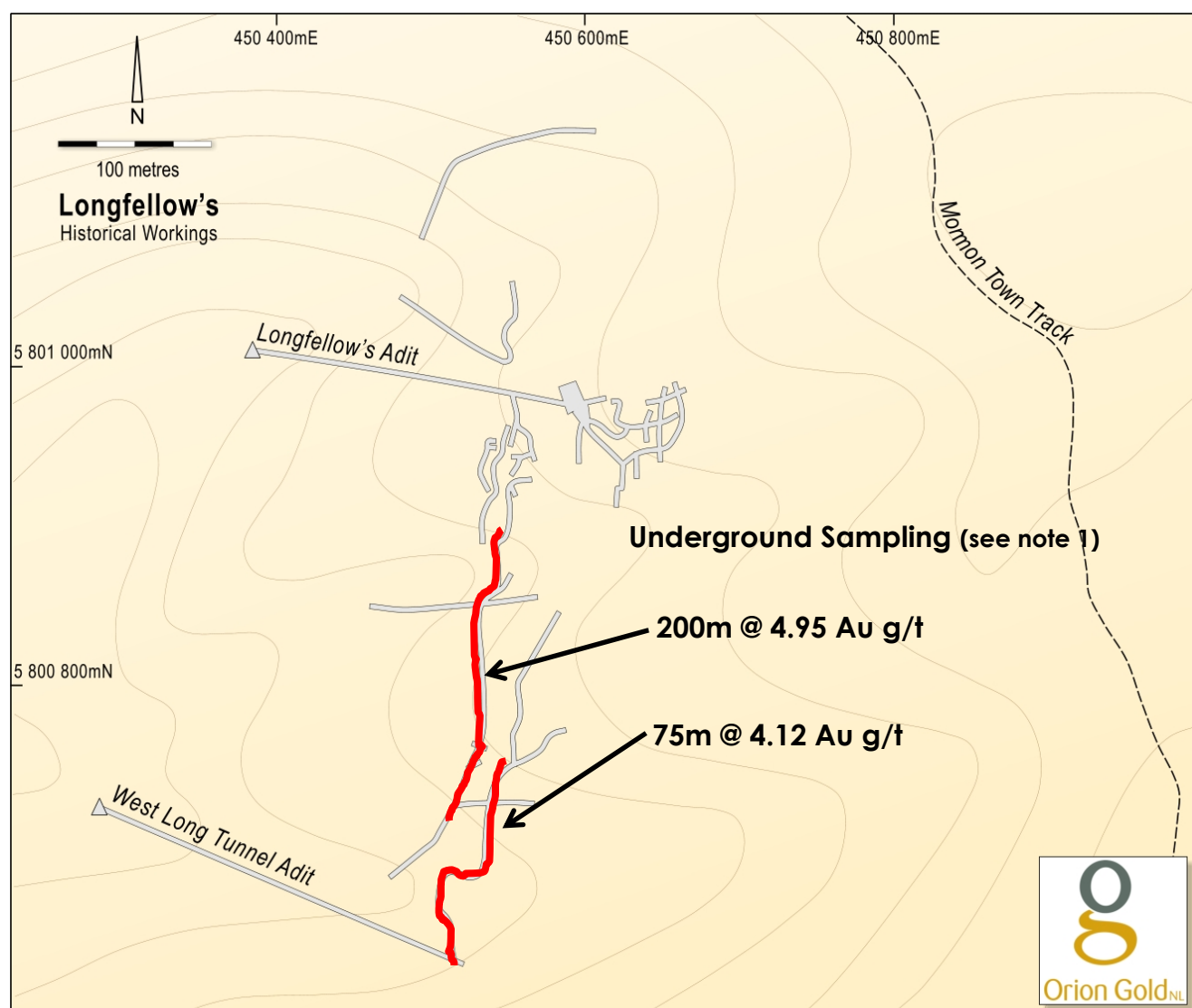
### Longfellow's

The Longfellow's prospect is situated on the West 2 Line of mineralisation, a parallel structure to the west of the main Cohen's Reef. 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 3), 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 4.1 Au g/t (see figure 3 and note 1).

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

The Longfellow's site has been prepared for drilling and the Company is reviewing the possibility of engaging a second drilling rig to commence this program.



**Figure 3:** Longfellow's underground historical workings and level sampling. **Note 1:** Averaged gold assays from 10 kg grab samples collected at 5 metre intervals along strike in the Western and Lower Western tunnels – Longfellow's Prospect, Walhalla by Intrepid (1998).

### 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 south 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.



## Regional

The revised regional geological and structural model upgrades the prospectivity of other locations along the Cohen's trend. During the Quarter, fieldwork was conducted in the Victors Quartz-Harbinger area (EL5043 see figure 4) with the intention of planning a drill program. A work program has since been submitted for the Holy Terror mine, situated between the two aforementioned historic mines. As this area of EL5043 is subject to seasonal closure until the end of November 2011, it cannot be accessed until later this year.

Fieldwork with the intention of drill program planning was also conducted at the historic Luck's All workings (see figure 4). The Luck's All deposit is typical of the dyke-hosted reef gold deposits that occur throughout the length of the Walhalla - Woods Point goldfield. The Luck's All dyke bulge is an ellipsoid around 50 x 250 metres, elongated in a north west – south east direction. Fifteen distinct reefs were mined historically for around 17,300 ounces of gold. Potential exists for additional gold mineralisation to occur within and adjacent to the Luck's All dyke. The Company has submitted a Work Plan for a drilling program to investigate this target and sees it as a substantial target in the northern section of the belt, where the A1 and Morning Star dyke-hosted deposits demonstrate the scale and gold endowment of this type of deposit in this region.

The structural framework study of Cohen's Reef has also highlighted the most prospective regional ground and Orion Gold has selectively applied for a number of exploration licences as a result (see figure 4).

---

## 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 19 September 2011, that it had commenced a reverse circulation drilling program at the 'Just There' prospect within the joint venture area.

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. QMC considers that it has met the expenditure requirements for a 70% earn-in claim. Orion has requested information from QMC that will allow it to complete a review of the 70% earn-in claim. 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 \$0.6 million. As at the end of the Quarter, the Company had not drawn on the \$1.5 million loan facility.

### Loan Facility

On 29 September 2011, the Company announced that it had entered into a loan agreement for up to \$1.5 million ('Facility') with Silja Investment Limited ('Silja'), the Company's major shareholder. Under the terms of the Facility, Silja has committed to convert cash drawn down under the Facility to shares, as part of a possible future capital raising subject to various conditions including:

- Shareholder approval where required by law, including the ASX listing rules;
- The capital raising including Silja's allocation being a minimum of \$1.5 million;
- The capital raising issue price of shares not being less than 1 cent per share; and
- Silja's participation in the capital raising being an amount equivalent to Silja's proportionate shareholding in the Company (approximately 27%).

Following such a capital raising, to the extent that the Facility is not wholly converted into shares in the Company, any net cash (i.e. cash held less current liabilities) held by the Company in excess of \$1,000,000 will applied as a cash payment against the outstanding balance of the Facility.

Should the Company not raise capital, or the Facility not be wholly converted to shares in the Company or repaid prior to 30 June 2013 the Facility expires on that date and the Company would be required to repay the outstanding drawn down amount in cash.

Under the terms of the Facility, a capital raising fee would be payable by the Company to Silja where it subscribes for its share allocation in a capital raising. The fee is calculated by multiplying the amount subscribed for by Silja under the terms of the Facility by the percentage commission payable to a broker or underwriter as part of the capital raising. No facility fee is payable by the Company to Silja. Silja has a fixed and floating charge over the assets of the Company.

Interest will be capitalised under the Facility at a margin of 1.5% over the 90-day dealers' bill rate (re-set every 90 days). In order to draw on the Facility, the Company must meet certain conditions precedent including the continued employment of key personnel. To date, the Company has not drawn on the Facility.

Under the terms of the Facility, Silja's commitment to participate in a future capital raising as outlined above is in place irrespective of whether or not the Company utilises the Facility.

### Annual Financial Report – June 2011

The Company recorded a profit of \$1.5 million after tax for the full-year ended 30 June 2011. This compares to a loss of \$14.1 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 24 November 2011 at at Karstens, Level 12, 123 Queen Street, Melbourne commencing at 10:00am.

---

### 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.