

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Orion Gold NL

ABN

76 098 939 274

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	---	---
1.2 Payments for (a) exploration & evaluation	(875)	(1,320)
(b) development	---	---
(c) production	---	---
(d) administration	(287)	(598)
1.3 Dividends received	---	---
1.4 Interest and other items of a similar nature received	3	21
1.5 Interest and other costs of finance paid	---	---
1.6 Income taxes paid	---	---
1.7 Other (provide details if material)	16	18
Net Operating Cash Flows	(1,143)	(1,879)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	---	---
(b) equity investments	---	---
(c) other fixed assets	(31)	(73)
1.9 Proceeds from sale of: (a) prospects	---	---
(b) equity investments	---	---
(c) other fixed assets	30	35
1.10 Loans to other entities	---	---
1.11 Loans repaid by other entities	---	---
1.12 Other (restricted cash investments)	136	136
Net investing cash flows	135	98
1.13 Total operating and investing cash flows (carried forward)	(1,008)	(1,781)

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(1,008)	(1,781)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	---	---
1.15	Proceeds from sale of forfeited shares	---	---
1.16	Proceeds from borrowings	1,000	1,000
1.17	Repayment of borrowings	---	---
1.18	Dividends paid	---	---
1.19	Other (provide details if material)	---	---
	Net financing cash flows	1,000	1,000
	Net increase (decrease) in cash held	(8)	(781)
1.20	Cash at beginning of quarter/year to date	644	1,417
1.21	Exchange rate adjustments to item 1.20	---	---
1.22	Cash at end of quarter	636	636

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*	56
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 \$56,250.

+ 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.

For the half year ending 31 December 2011, the Company expects that the results will be positively impacted by the recognition of an unrealised gain of approximately \$5.6 million being the change in fair value of the converting option associated with the. This unrealised gain 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 2011 Annual 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

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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 – Note 1	1,500	1,000
3.2 Credit standby arrangements – Note 2	6,000	6,000

Note 1 -

The Company has 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%).

Shares will be issued to Silja on the same terms as shares issued to other subscribers as part of a capital raising. The Facility expires on 30 June 2013, and the Company would be required to repay the Facility in cash on that date to the extent the loan balance has not been converted into shares by then. 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.

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.

As at 31 December 2011, the Company had drawn \$1.0 million of the Facility

Note 2 -

Under the converting loan agreement between 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.

At maturity date, upon conversion of the convertible note and accrued interest, the number of new ordinary shares issued at \$0.01 (as at the date of this report, the lowest price at which the Company has issued ordinary shares), would entitle Silja Investment Limited to 884,687,200 new ordinary shares.

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 2011 Annual 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	484
4.2	Development	---
4.3	Production	---
4.4	Administration	221
Total		705

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	636	644
5.2	Deposits at call	---	---
5.3	Bank overdraft	---	---
5.4	Other (provide details)	---	---
Total: cash at end of quarter (item 1.22)		636	644

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	---	---	---
6.2	Interests in mining tenements acquired or increased	---	---	---

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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>(refer to 2.1, 3.1 and 3.2)</i>	884,687,200 150,000,000	--- ---	Refer 2.1 and 3.2 Refer to 3.1	--- ---
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	---	---	---	---
7.7	Options <i>(description and conversion factor)</i>	60,000,000 25,000,000 15,000,000 2,000,000 425,000 Performance Rights	--- --- --- --- ---	<i>Exercise price</i> 1 cent 1 cent 2 cents 4 cents ---	<i>Expiry date</i> 31 March 2014 31 July 2014 31 March 2014 30 June 2015 30 June 2015
7.8	Issued during quarter	---	---	---	---
7.9	Exercised during quarter	---	---	---	---
7.10	Expired during quarter	---	---	---	---
7.11	Debentures <i>(totals only)</i>	---	---		
7.12	Unsecured notes <i>(totals only)</i>	---	---		

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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: 31 January 2012

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: 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.

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