

31 January 2017



QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDED 31 DECEMBER 2016

ASX Code: ORN**Issued Capital:**

Ordinary Shares: 644M

Options: 85M

Directors:

Denis Waddell
Chairman

Errol Smart
Managing Director, CEO

Bill Oliver
Technical Director

Alexander Haller
Non-Executive Director

Management:

Martin Bouwmeester
CFO & Company Secretary

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HIGHLIGHTS

- **Drilling continues at the Prieska Zinc-Copper Project, South Africa:**
 - Drilling continues to intersect massive sulphides at the +105 Level Target, with results including.
 - 20m at 8.58% Zn, 2.21% Cu & 0.3g/t Au from 48m (OCOR023) including 17m at 9.98% Zn and 2.01% Cu.
 - 42m at 4.41% Zn, 2.36% Cu & 0.42g/t Au from 55m (OCOR027) including 5m at 9.28% Cu from 55m, 6m at 12.4% Zn from 75m.
 - 29.4m at 3.06% Zn + 1.52% Cu, 0.36g/t Au and 9.0g/t Ag from 112.6m (equivalent to 60m below surface; OCOD036).
 - Option exercised to acquire a 100% interest in Agama, which holds an effective 73.33% in Prospecting Rights over the historic Prieska Copper Mine, located at Copperton, Northern Cape province, South Africa and the Marydale Gold-Copper Project.
 - Historical Prieska Copper Mine is recorded as one of world's 30 largest VMS base metal deposits with recorded historical production of 0.43Mt of copper and 1Mt of zinc from 46.8Mt of sulphide ore milled⁽¹⁾. Unmined dip and strike potential is confirmed by extensive drilling and geophysics.
- **Drilling also continues at the Kantienpan Zinc-Copper Deposit, where drilling has discovered zinc mineralisation associated with the KN1 EM conductor identified by Orion:**
 - High-powered electromagnetic survey discovered a strong, previously undetected conductor (KN1) below the extent of historical drilling with a substantially stronger response than that from the previously drilled conductor.
 - First drill results include 2.05m at 9.93% Zn + 0.09% Cu from 404.87m and 3.55m at 2.13% Zn + 0.35% Cu from 409.75m (OKND016).
 - Downhole EM surveys point to stronger responses below, and south of, the intersection in OKND016.
- **Drilling of compelling IP targets at the Marydale Gold-Copper Project ongoing:**
 - Semi-continuous, arcuate chargeability anomaly delineated extending some 1.7km from the previously drilled NW Quadrant area.
 - First drill hole yield encouraging results with disseminated sulphides intersected and low level anomalism.
- **Exploration to date only represents initial phase of unlocking the potential of the Areachap Belt:**
 - Orion has rights over a total of 1,790km² of prospective tenure in the Areachap Belt.
 - The belt is prospective for VMS, VHMS, SEDEX and mafic intrusive hosted base metal mineralisation, as well as lithium and rare earth element bearing pegmatites.

(1) Source: Mine records.

During the Quarter, Orion continued an intensive drilling campaign across its highly prospective South African projects. Drilling continued at the Prieska Copper Mine Zinc-Copper (PC) Project, the Marydale Gold-Copper Project and Kantienpan Zinc-Copper Deposit. Excellent results have been received during the Quarter from both drilling and geophysical surveys. Work continues on the maiden Mineral Resource at the PC Project based on results from the ongoing drilling, with a large diameter drill hole also carried out to collect material for metallurgical testwork. The results from these programs will be fed into a Pre-Feasibility Study which the Company aims to complete by mid 2017.

Areachap Copper-Zinc and Gold-Projects (South Africa)

During the Quarter, the Company continued resource delineation drilling programs at the historical PC Project, continued exploration drilling at the Kantienpan Deposit following results of a high-powered EM survey over the area, and commenced exploration drilling at the Marydale Gold-Copper Project following completion of a high powered IP survey and other geophysical surveys (Figure 1).

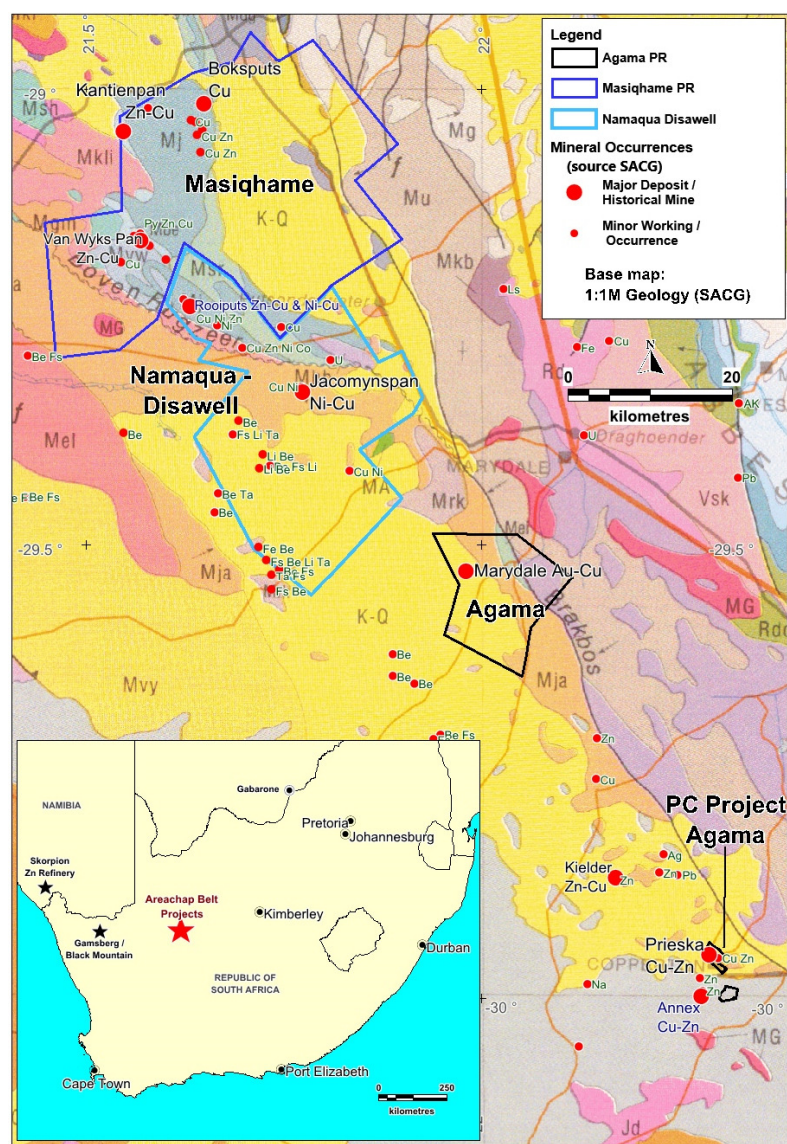


Figure 1: Regional magnetic map of the Areachap Belt showing prospecting rights currently under option to Orion and noted mineral occurrences as per published data from South African Council for Geoscience.

The PC Project covers unmined dip and strike extensions from historical underground mining, with the mineralisation having previously been delineated by extensive drilling and geophysics. The current drilling program is designed to confirm, in-fill and extend the historical drilling at the +105 Level Target, where it is targeting mineralisation that would be amenable to extraction via open pit mining (Figure 2).

Drilling during the Quarter focused on diamond core drilling to test the supergene and primary sulphide zone immediately up-dip of historical stoping, where geotechnical conditions prevent access for RC drilling (Figure 2).

Diamond core drilling at the +105 Level Target is utilising an innovative shallow drilling method to drill holes to test mineralisation up-dip of historical underground mining.

By drilling from surface utilising inclinations of between 15 and 30 degrees from the horizontal, the holes can be manipulated to intersect the mineralisation at an optimal angle (Figures 3 and 4).

As at the end of the Quarter 17 RC holes and 5 diamond core holes for 1,926m had been completed. Significant intersections received to date include:

- 22m at 10.8% Zn, 1.38% Cu and 0.3g/t Au from 57m, including:
7m at 17.8% Zn and 1.41% Cu (OCOR016);
- 20m at 8.58% Zn, 2.21% Cu and 0.3g/t Au from 48m, including:
17m at 9.98% Zn and 2.01% Cu (OCOR023);
- 42m at 4.41% Zn, 2.36% Cu and 0.42g/t Au from 55m, including:
5m at 9.28% Cu from 55m and 6m at 12.4% Zn from 75m (OCOR027);
- 9.3m at 4.0% Zn, 1.4% Cu, 0.13g/t Au and 9.0g/t Ag from 170m (OCOD033);
- 29.4m at 3.06% Zn + 1.52% Cu, 0.36g/t Au and 9.0g/t Ag from 112.6m, including:
8.5m at 4.33% Zn + 2.17% Cu from 115m and 3m at 7.13% Zn from 139m (OCOD036);
- 12m at 4.14% Cu, 1.89% Zn and 0.29g/t Au from 57m, including:
3m at 7.4% Cu and 4.34% Zn (OCOR017); and
- 20.6m at 1.36% Zn, 0.63% Cu, and 0.1g/t Au from 156.1m, including:
2.6m at 5.2% Zn (OCOD035).

(refer ASX releases 25 July 2016, 22 August 2016, 14 September 2016,
2 November 2016, 7 December 2016 and 16 December 2016)

Modelling of the mineralisation intersected in drilling to date has been completed with the objective of producing Mineral Resources compliant with the JORC Code early in 2017 and feeding these resource estimates into pre-feasibility studies with a target completion date of mid 2017.

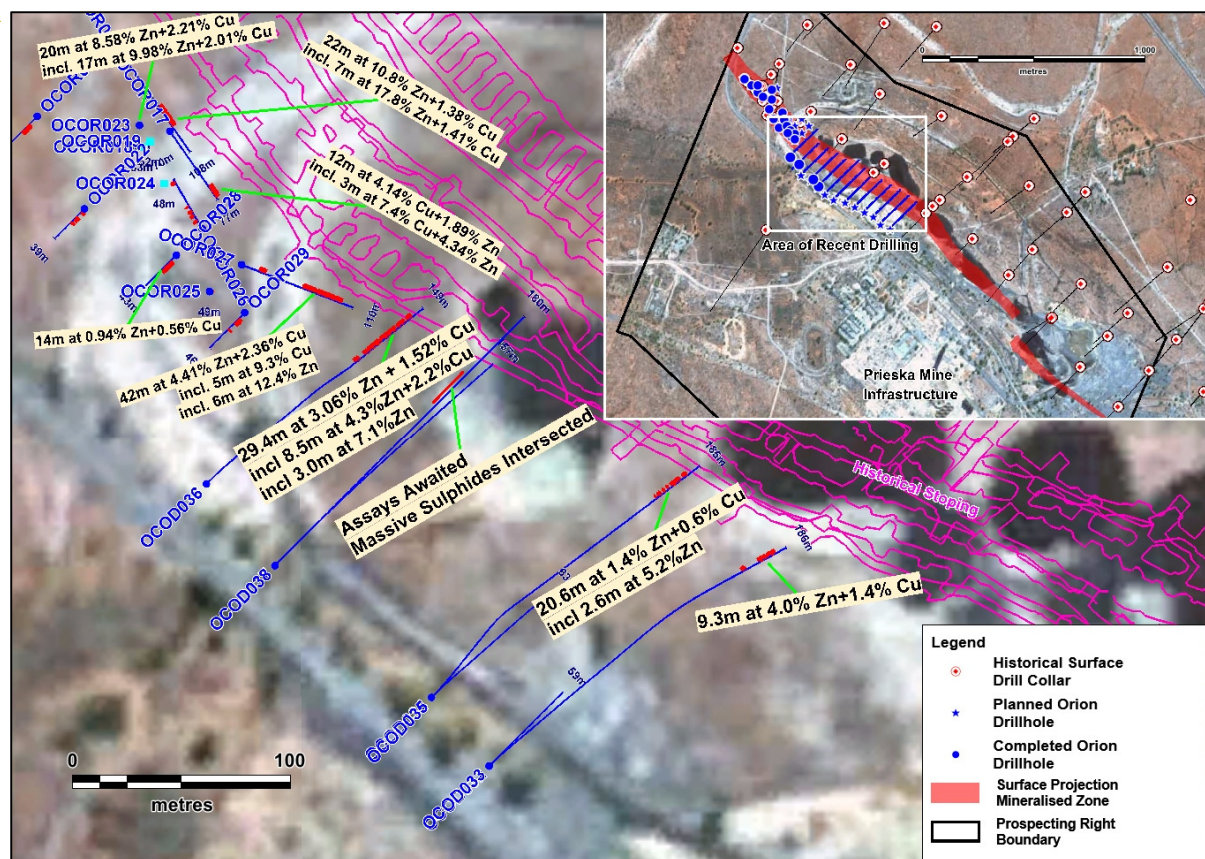


Figure 2: Plan showing the PC Project with completed, proposed and historical drilling at the +105 Level Target.

In addition, the Company has sampled intervals outside the sulphide hosted zinc-copper mineralised zones and submitted them for gold analysis. As reported in previous announcements, the previous operator of the historical Prieska Copper Mine did not routinely assay for precious metals within or outside of the base metal ore.

The results of this precious metal sampling exercise, which was undertaken on non-sulphide intervals outside the zinc-copper mineralisation, were detailed in the ASX release of 2 November 2016 and include some highly significant results, namely:

- 7m at 2.46g/t Au from 23m, including 3m at 5.0g/t Au (OCOR021);
- 17m at 0.77g/t Au from 39m, including 4m at 1.35g/t Au (OCOR026); and
- 10m at 1.10g/t Au from 33m (OCOR025).

The significance of this wide, shallow gold mineralisation and its presence in oxide material will shortly be investigated with cyanidation and heap leach amenability testwork, followed by pre-feasibility study work in early 2017. The precious metal intersections outside of the base metal target horizon provide encouragement for potentially significant by-product credits, in a targeted open pit, selective mining operation.

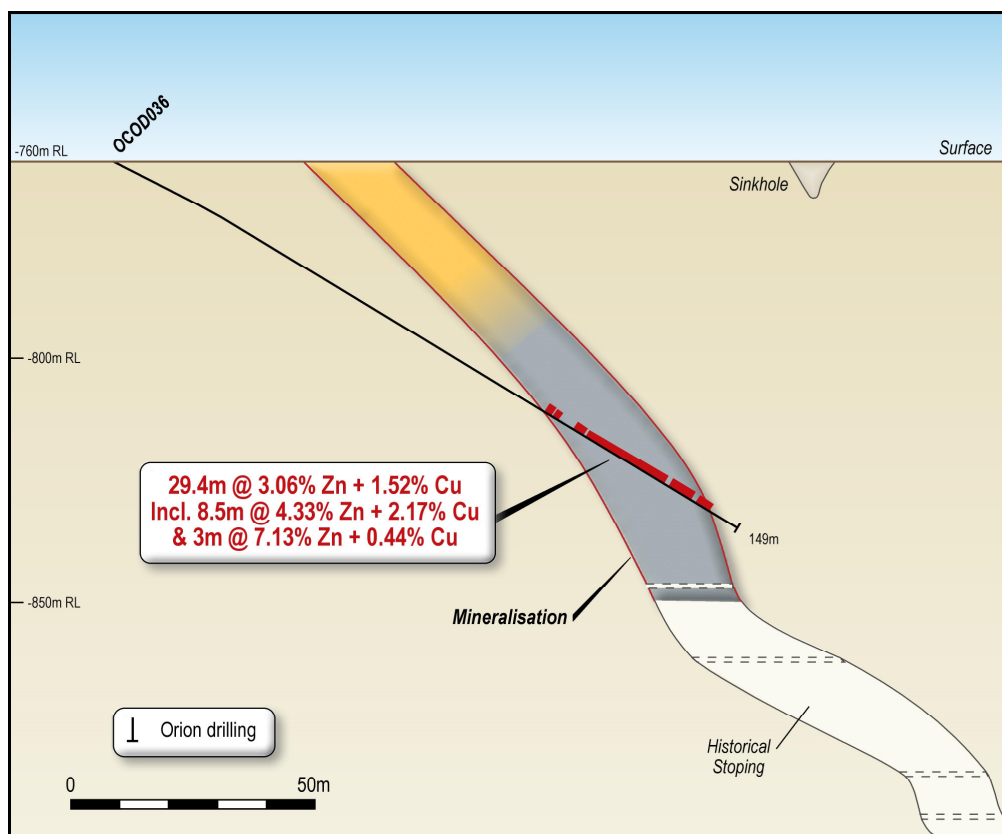


Figure 3: Cross-section showing mineralisation intersected in OCOD036.

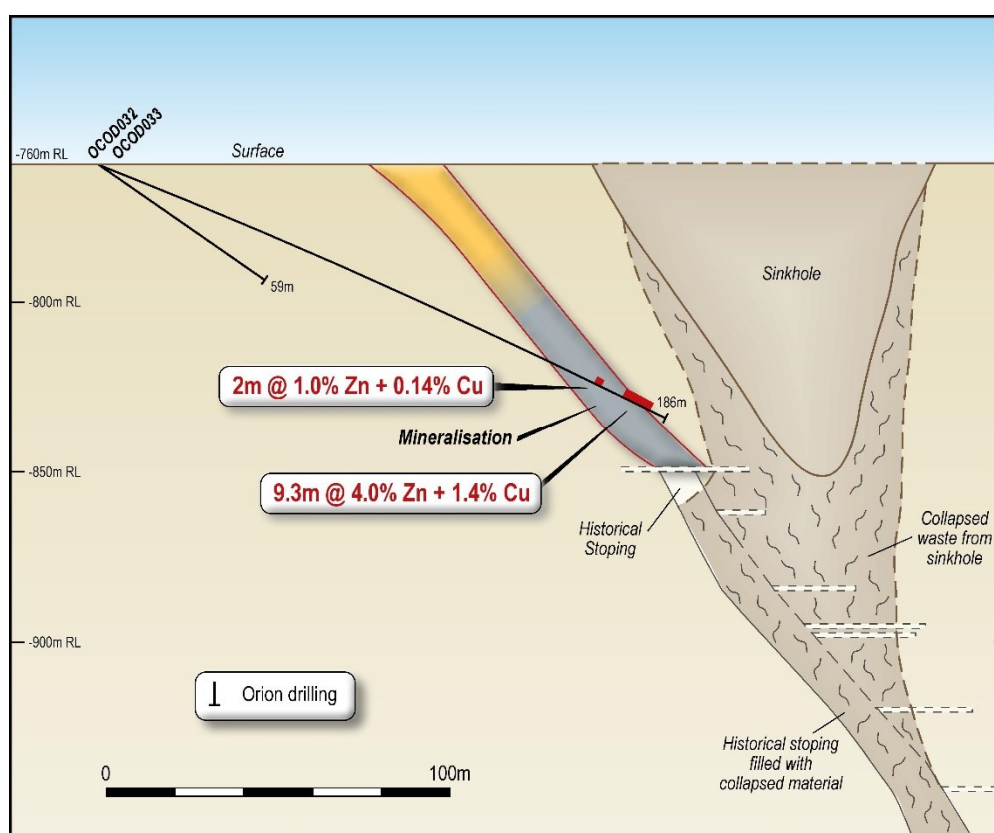


Figure 4: Cross-section showing mineralisation intersected in OCOD033.

Background on Prieska Copper – a world-class VMS development asset⁽¹⁾

Prieska Copper Mines Limited, then a subsidiary of Anglovaal Limited, operated the mine between 1971 and 1991, producing over 430,000 tonnes of copper and more than 1 million tonnes of zinc from an underground operation based on an initial drilled reserve⁽²⁾ of 47Mt grading 1.74% copper, 3.87% zinc, 8g/t silver, 0.4g/t gold and 30% pyrite. Mining ceased in 1989, with milling ceasing in 1991.

The project is located 270km south-west of Kimberley (the regional capital) in the Northern Cape province. Importantly, the project has access to significant local and regional infrastructure, with mine infrastructure including a regional power grid feed, bitumen access roads, access to a bulk, treated water supply and a 1,900m landing strip. Several large commercial wind and solar generation projects are operational in the surrounding area and the mine is located just 48km from a railway siding at Groveput.

The underground development and regional infrastructure and services in place at the mine are estimated by Orion to have significant replacement value, which will assist in the feasibility and economics of any potential redevelopment of the mine.

As part of its due diligence process, Orion has digitally captured, validated and modelled all available project drilling data, from hard-copy source. (refer ASX release 18 November 2015). As a result of this work 182 drill intersections can be relied on for width and depth of mineralisation, while 88 boreholes provide information on grade of mineralisation (Figure 5 and Table 1). While the data has shortcomings due to loss of some historic records, which prevent estimation of JORC 2012 compliant resources, the Company is encouraged by the assessment by its Competent Person that limited infill and confirmatory drilling may be sufficient to establish JORC 2012 compliant resource estimates. The historic data and mine records also provide important information for preliminary mine design and selection of mining methods to advance scoping studies.

The Project represents a low-cost, counter-cyclical opportunity for Orion to expand its existing resource portfolio beyond greenfields exploration projects and create significant value for its shareholders. Importantly, the PC Project has a cash backed environmental fund of ZAR17.3 million (A\$1.5 million) which has not been needed since the mine closed in 1991. Further, the acquisition target is well financed at project level to advance its main project, with ZAR 30 million (~A\$3.0 million) facility available from a South African Investment Fund.

The projects have a well established Broad Based Black Economic Empowerment (**BBBEE**) ownership structure (26.66% ownership) in place with strong local partners.

In July 2015, the Company announced that it had signed a binding term sheet giving Orion the right to acquire the unlisted company, Agama Exploration & Mining (Pty) Ltd (**Agama**), a South African-registered company which, through its subsidiary companies, ultimately holds an effective 73.33% interest in the Prieska Zinc-Copper Project and the Marydale Gold-Copper Project. On 3 January 2017, the Company announced that it had exercised the option to acquire Agama. Further details of the terms and conditions of the acquisition of Agama are detailed in the Corporate section below.

(1) Source of information in this section: Mine records.

(2) Note – this is not a JORC Compliant figure, source Prieska Copper Mines Ltd Annual Report 1970.

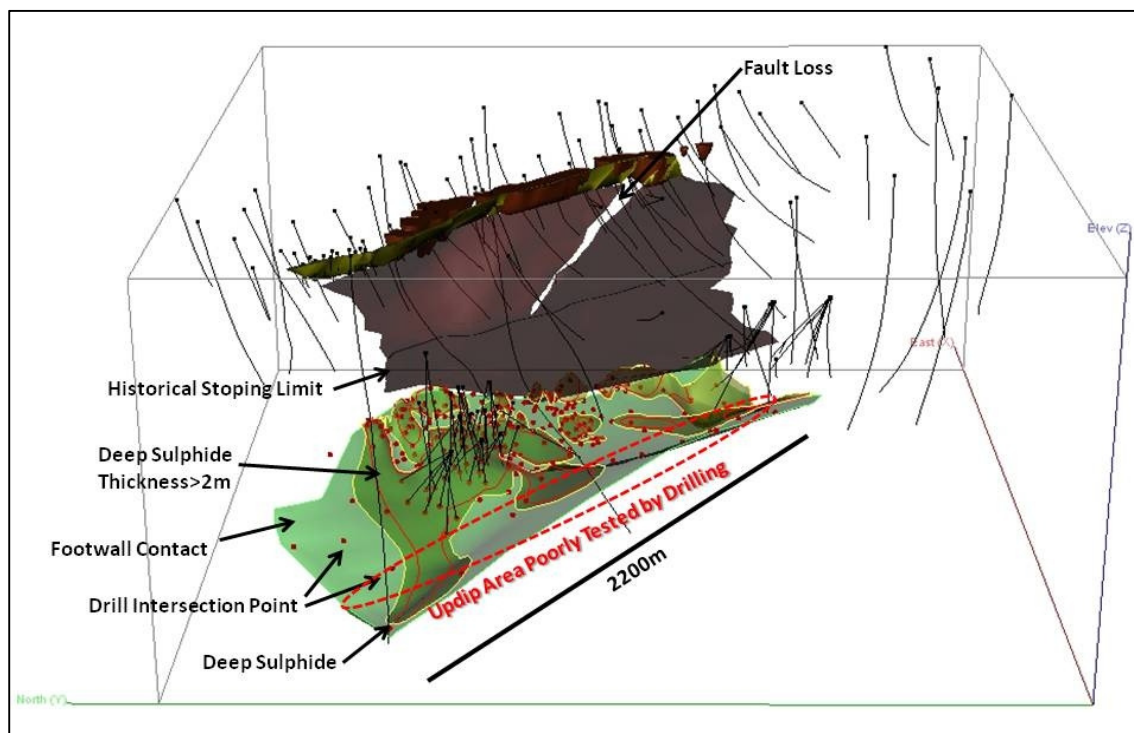


Figure 5: Three Dimensional view of drilling and 3D mineralisation model for the PC Project.

Area	Item	Arithmetic Mean Value	Weighted Mean	Max Value	Count
NW Trough	Cu%	1.59	1.49	4.29	42
	Zn%	4.19	4.12	6.52	42
	SG	3.54	3.65	N/A	17
	Thickness	7.71	N/A	N/A	75
NW Hinge	Cu%	1.52	1.27	3.13	4
	Zn%	3.73	3.81	4.27	4
	SG	3.41	3.41	N/A	4
	Thickness	5.76	N/A	N/A	39
SE Trough	Cu%	1.34	1.38	2.76	28
	Zn%	5.58	5.54	7.68	28
	SG	3.64	3.62	N/A	24
	Thickness	4.97	N/A	N/A	36
SE Hinge	Cu%	1.63	1.75	2.69	12
	Zn%	6.94	7.04	12.62	12
	SG	3.77	3.77	N/A	2
	Thickness	10.12	N/A	N/A	14
Central Trough Area	Cu%	0.40	0.40	0.41	2
	Zn%	5.91	5.39	8.29	2
	SG	3.18	3.19	N/A	2
	Thickness	5.77	N/A	N/A	18
Whole Area	Cu%	1.48	1.50	4.29	88
	Zn%	5.03	4.90	12.62	88
	SG	3.57	3.62	N/A	49
	True Thickness	6.74	N/A	N/A	182

Notes

Cu%, Zn% and SG "arithmetic mean values" are arithmetic mean of stretch values.
 "Weighted means" are individual intersections (stretch values) weighted by true thickness.
 Cu% and Zn% "max values" are maximum of stretch values.
 Thickness mean values are arithmetic mean of true thickness values.

Table 1: Summary of drill hole intersections available for the PC Project

Marydale Gold-Copper Project

During the Quarter, the Company completed a number of geophysical surveys, principally a high-powered induced polarisation (**IP**) survey across the broader project area.

The IP survey was undertaken using higher powered and more modern instruments than the previous survey carried out by Anglo American Prospecting Services (**AAPS**) in 1973, with the objective of looking deeper and providing more defined targets. The complex sheared and folded stratigraphy may result in higher grade or larger lenses of mineralisation being preserved at depth as blind-to-surface ore bodies. Ground magnetic and ground gravity surveys were completed to provide additional datasets to assist in developing the geological model.

The IP survey delineated a semi-continuous, arcuate chargeability anomaly extending some 1.7km from the previously drilled NW Quadrant area. The chargeability features mapped by the Company's high-powered 3D IP survey correlate to an arcuate shear zone observable in ground magnetic data (Figure 6, ASX release 23 November 2016). The current hypothesis is that the gold-copper mineralisation has been re-mobilised from a volcanogenic sulphide source during deformation and concentrated within and adjacent to the shear zone.

Encouragingly, the Company's first drill hole directly testing the IP anomaly intersected wide zone of disseminated sulphides broadly consistent with the modelled position of the chargeability anomaly. Assay results from the disseminated sulphide-bearing zone show low-level anomalism over a wide interval of 17m, with best results of 2m at 0.15g/t Au and 0.14% Cu from 118m, and 0.6m at 0.2g/t Au and 0.16% Cu from 133m (refer ASX release 7 December 2016).

These results confirm that the sulphides are gold-copper bearing, with a likely common source to the mineralisation that was intersected in the NW target area and with likely zonation of gold and base metals in vertical and lateral extent.

Drilling is continuing to vector in on accumulations of these sulphides with elevated target metal content. Drilling has commenced for 2017 with diamond core drilling underway on holes OWCD035 and OWCD036 (Figure 6). OWCD035 is testing another shallower anomaly delineated in the recent high-powered IP survey while OWCD036 is testing the deeper, stronger IP anomaly below OWCD034 as vertical zonation is anticipated in mineralisation.

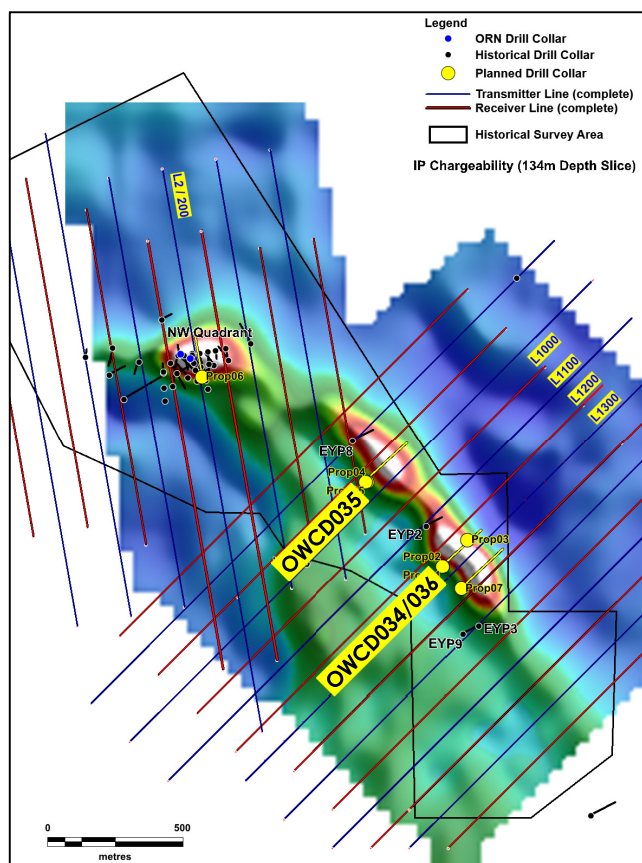
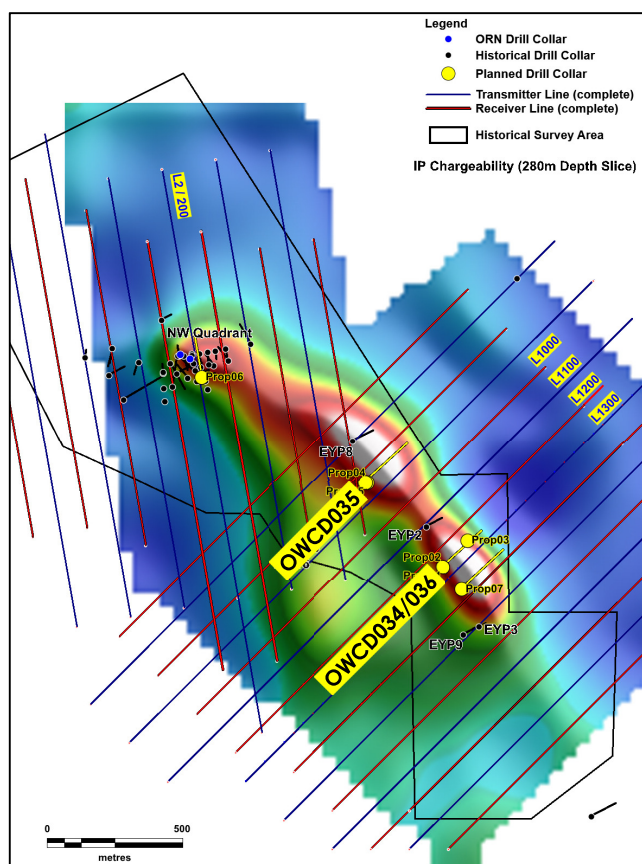


Figure 6:
Depth slices of IP response
(chargeability).

Top: 130m below surface
Bottom: 280m below surface.

Note features detected 300m
below surface away from NW
Quadrant.



Kantienpan Zinc-Copper Deposit (Masiqhame)

The Kantienpan Deposit lies within a substantial prospecting right owned by Masiqhame Trading 855 Pty Ltd (**Masiqhame**). Orion has completed work to earn a 50% interest in Masiqhame with the ability to move to 73% on terms detailed below in the Corporate section.

During the Quarter, the Company completed two holes for 893.69m as a first test of the KN1 conductor, a strong, late channel conductor detected in Orion's high power fixed loop ground electromagnetic surveys (**HP_FLEM**) completed earlier in 2016 (refer ASX release 4 October 2016). The KN1 Conductor was not detected in the previous survey due to limitations with the low-powered system used at the time and the use of a much higher base frequency.

Drilling has confirmed that the KN1 conductor is a result of massive and disseminated sulphide mineralisation. OKND016 intersected a 22m zone of massive and disseminated sulphides with a cumulative length of 6.81m of massive sulphides while OKND017 intersected a 25m zone of massive and disseminated sulphides with 1.91m of massive sulphides (refer ASX releases 7 December 2016 and 14 December 2016). Both zones are disrupted by late stage pegmatite intrusions and quartz veins.

Assays from drilling were recently received and include the following significant results:

- 2.05m at 9.93% Zn + 0.09% Cu from 404.87m (OKND016);
- 3.55m at 2.13% Zn + 0.35% Cu from 409.75m (OKND016); and
- 1.91m at 4.35% Zn + 0.32% Cu from 404.12m (OKND017).

(refer ASX release 31 May 2016)

The significant intersections in OKND016 occur within a broader zone of mineralisation of 21.47m at 1.72% Zn + 0.24% Cu.

Down-hole EM surveys completed on both OKND016 and OKND017 enabled the model of the KN1 conductor to be refined. The survey indicates that the strongest response is located between, and slightly deeper (down-dip on the horizon) than the zone of massive and disseminated sulphides intersected in these holes (Figure 7). Hole OKND018B is designed to test the KN1 Conductor at this position and is currently at 163m.

Due to the orientation of the mineralised zone and the depth of intersections in the recent drilling, the down-hole EM survey has not been able to determine the limit of down-dip extent of the conductor and as such, the mineralisation remains open at depth. The conductor modelled in the high-powered ground survey extends for at least another 120m vertically below the conductor modelled from the down-hole surveys (Figure 7).

It is anticipated that further drilling will comprise down dip testing guided by the results of OKND018B, including further downhole surveying.

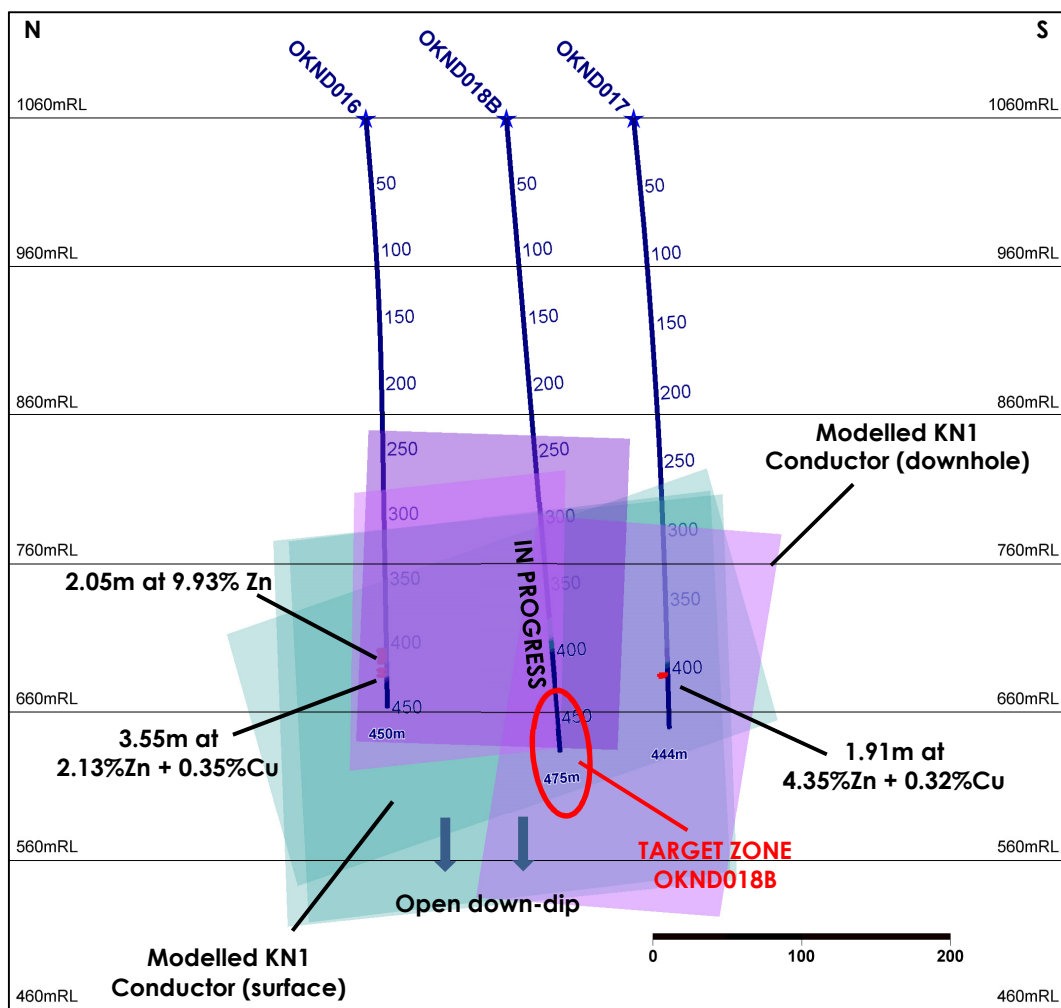


Figure 7: Long-section, looking east, showing OKND016, OKND017 and OKND018B (in progress), KN1 conductive body as modelled from ground EM survey (green) and downhole surveying (blue). Note that the modelled plates from downhole surveys have limited search ellipses applied.

Jacomynspan Nickel-Copper-PGE Project (Namaqua- Disawell)

During the Quarter, the Company continued an extensive compilation and review process of data relating to the Namaqua – Disawell Tenure (Figure 1). A substantial amount of pre-digital data exists from exploration pre 2000 by (amongst others) Anglo American/AAPS, Phelps Dodge, Anglovaal and Iscor (now Kumba). Data being reviewed is predominantly from areas within the project away from the Jacomynspan Deposit (e.g. the Rooiputs and Rokoptel Prospects; Figure 8) and includes geophysical surveys such as IP and gravity as well as shallow historical drilling.

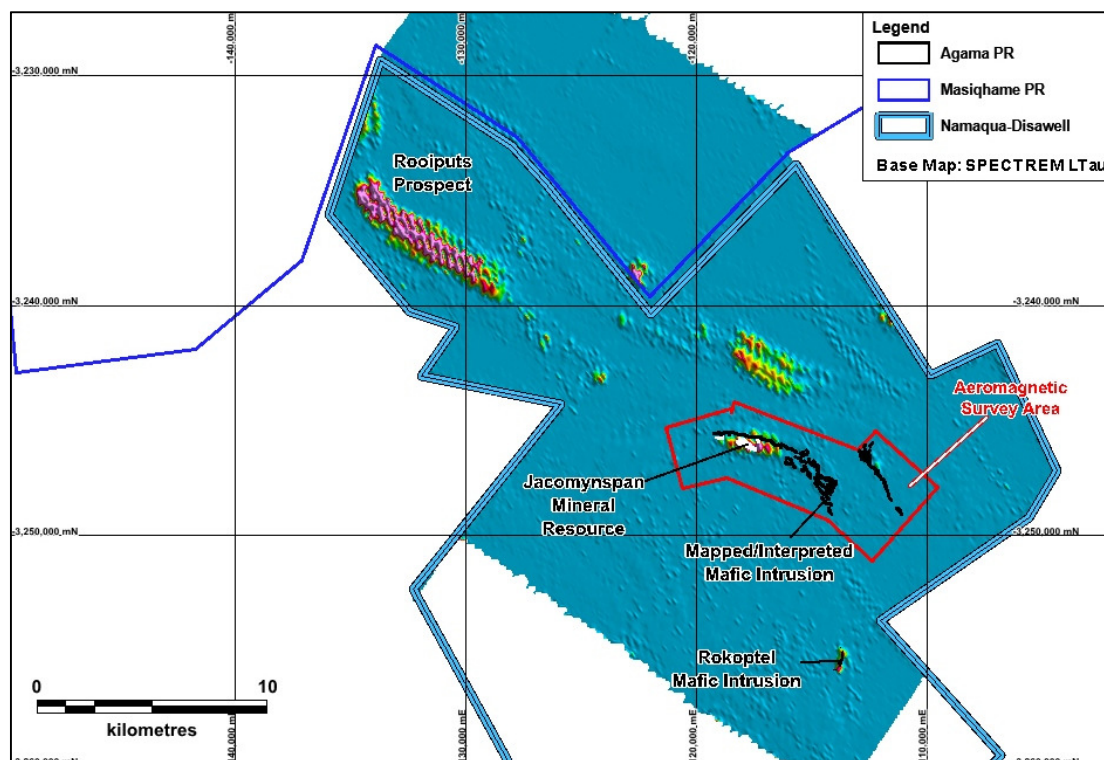


Figure 8: Late time constant (Tau) data from the Namaqua – Disawell SPECTREM airborne EM survey showing the high resolution magnetic survey area including the Jacomynspan Mineral Resource and hartzburgite hosted Nickel-Copper targets.

Background on the Jacomynspan Nickel-Copper-PGE Project (Namaqua-Disawell)

The Jacomynspan Project area contains numerous known occurrences of VHMS style zinc-copper deposits and is highly prospective for magmatic hosted nickel-copper mineralisation similar to that seen in Proterozoic mobile belts worldwide including the Thompsons Belt in Canada and the Albany-Fraser Belt in Western Australia. A number of mafic-ultramafic intrusions have been recognised within the project area, with most historical work focusing on the Jacomynspan Deposit (Figure 1).

The Jacomynspan Deposit was first identified by AAPS with drilling carried out along a 4km strike length. In one portion of the deposit AAPS drilled to a depth of 900m. Disseminated nickel sulphide mineralisation was intersected with widths between 30 – 70m.

Orion believes a substantial exploration opportunity exists within the project area to search for higher grade, massive and semi-massive accumulations of nickel-bearing sulphides, analogous to the Nova-Bollinger deposit in the Fraser Range Province of Western Australia.

Orion has identified many similarities to the Fraser Range-style of mineralisation from historical data available for the project area and the surrounding Areachap belt. This includes:

- mafic-ultramafic intrusives of late Proterozoic age;
- intruded in intercratonic/craton margin tectonic setting;
- hosted in high metamorphic grade rocks (garnet, amphibolite gneisses) within a mobile belt;

- the presence of evolving magmas yielding multi-phase intrusives, including mafic to ultramafic rocks. Importantly, lithologies observed at the Jacomynspan Project include anorthosites, hartzburgites and various metamorphic equivalents;
- the identification of nickel and copper-bearing sulphides with minor cobalt and PGE's (higher concentrations than in Fraser Range) at numerous localities;
- low-grade, disseminated nickel-copper sulphide bodies are re-intruded by cumulate textured mafics, with net textured and massive sulphides present; and
- shallow, recent cover sequences (calcrete and soil) obscures much of the surface expression on the belt.

Orion will be utilising its experience and expertise developed in exploring for magmatic nickel-copper deposit in the Fraser Range Province of Western Australia to reinterpret the extensive database for the Jacomynspan Project area and rank the exploration targets. These will then be followed up with modern high-powered geophysical tools and methods which have not previously been applied in the Areachap belt before drill testing.

Connors Arc Epithermal Gold Project (Queensland)

During the Quarter, interpretation of SWIR spectra measured from samples from the 2016 drilling at Chough, Aurora Flats and Veinglorious was completed. As expected the samples plot outside the "favourable" window for precious metals deposition (Figure 9).

An Aboriginal heritage survey was completed across the 6 Mile Creek and Killarney Prospects in preparation for the Company's maiden drilling at these prospects (Figure 10).

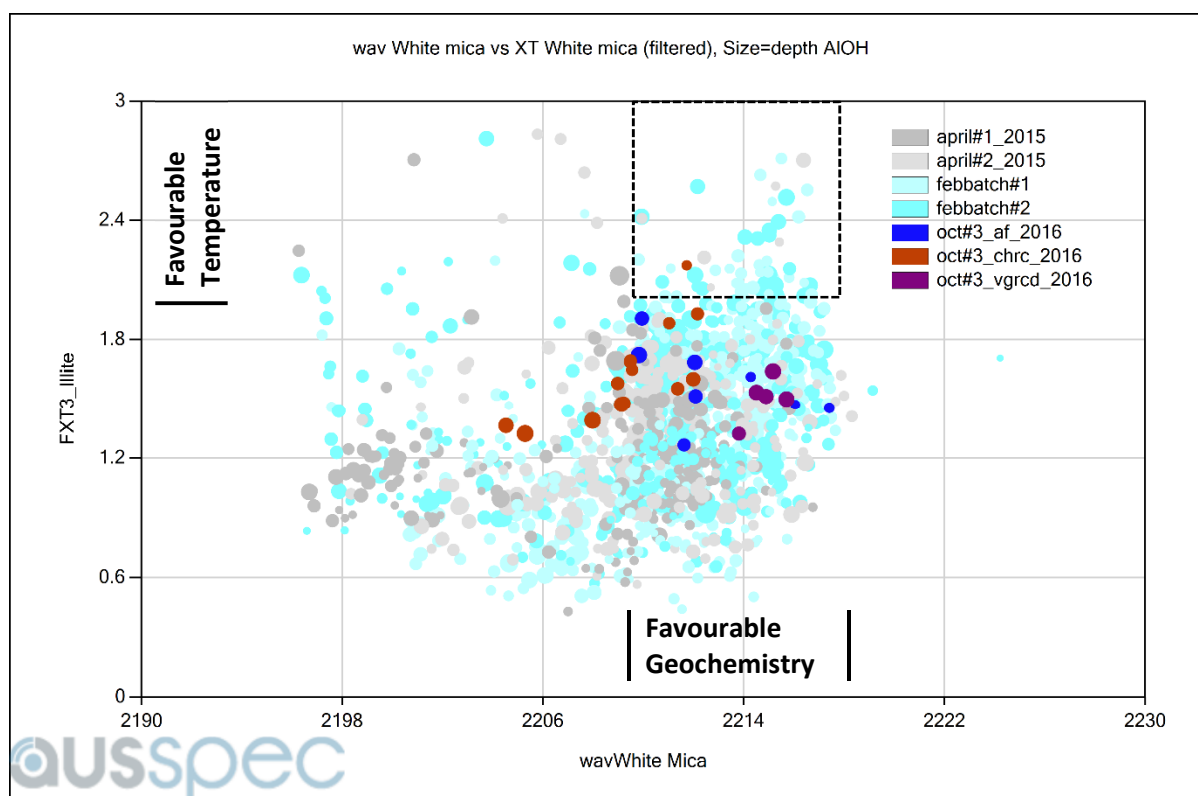


Figure 9: Plot of VNIR-SWIR illite mica crystallinity versus wavelength readings as processed by AusSpec and interpreted by the Company's technical team.

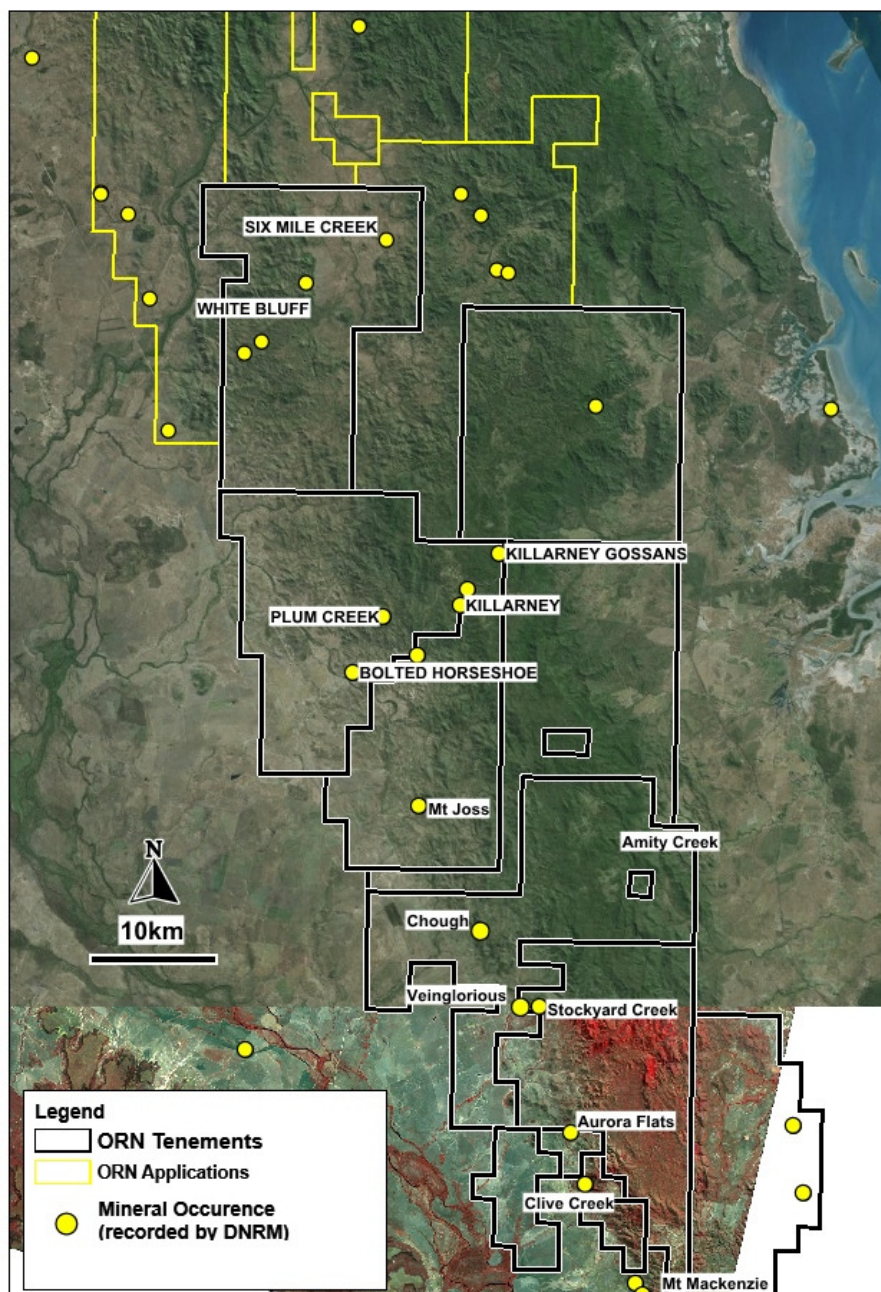


Figure 10: Plan showing location of Orion's tenements and prospects in the Connors Arc. Recorded mineral occurrences are also shown.

Background

The New England Fold Belt in Queensland hosts numerous +1Moz Devonian through to Triassic aged epithermal and intrusion-related gold deposits. Many of these are Permian – Carboniferous aged systems and are intimately associated with intrusive lithologies of similar age.

Orion's Connors Arc project area is located within a geological and structural setting very similar to other significant epithermal gold systems in Queensland (Figure 11). Notable features include close proximity to the eastern margin of the Bowen Basin and prospective, Permo-Carboniferous aged volcanic and intrusive lithologies. In addition:

- Key prospects are spatially associated with a large, magmatic hydrothermal system (Mt Mackenzie);
- This hydrothermal system is located within a geological and structural setting which is very similar to other significant epithermal gold systems in Queensland such as Cracow and Mt Carlton and is of the same broad age (Permo-Carboniferous) as many other intrusion-related gold systems in Queensland; and
- Geological and geochemical characteristics in historical drilling which suggests that some prospects may be shallowly eroded, implying potential for higher gold grades at depth and existence of blind to surface orebodies.

In addition, several targets have been identified based on historical data review and using coincident ASTER alteration, geological and geophysical features which represent grass-roots additions to the project's target portfolio, which complement more mature targets such as Aurora Flats. Field mapping and sampling has also identified new targets.

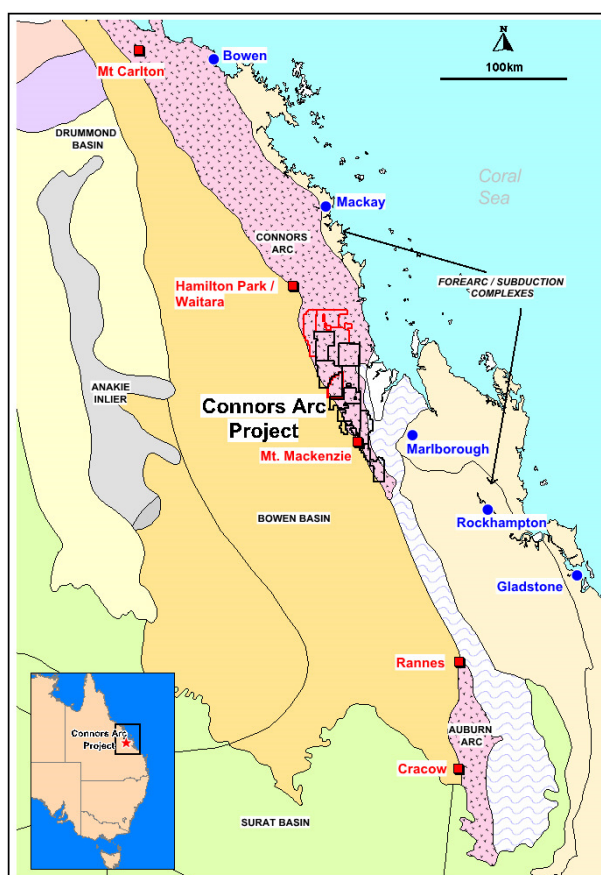


Figure 11: Location of tenements in the Connors Arc Project.

Fraser Range - Nickel-Copper Projects (Western Australia)

During the Quarter, inversion modelling of targets delineated by the recent aeromagnetic and ground gravity surveys was completed with results currently under review. A number of key features were observed in initial review including:

- “Eye” features characteristic of mafic-ultramafic intrusions in the Fraser Range Province;
- NE-SW structural trends leading from the eastern margin of the Fraser Zone – the same trend as the interpreted magma pathway for the Fraser Range mafic-ultramafic intrusions; and
- Several gravity anomalies, including a cluster coincident with the NE-SW trending structures.

Current work aims to provide greater detail of the features of interest, specifically the larger scale gravity anomalies, and infill surveys may be completed to better define the morphology of the dense bodies. These dense subsurface bodies are interpreted to represent mafic-ultramafic intrusions due to their characteristic SG, as compared to data from known Fraser Zone gabbros, and are therefore highly prospective for magmatic nickel-copper mineralisation.

Prior to the Fraser Range surveys commencing, the Company had already identified some 34 targets defined in the northern portion of its holdings and the addition of further targets confirms the prospectivity of the Company's holdings.

Orion maintains a significant land-holding of 3,830km² in the Fraser Range (Figure 12), which is second only to IGO. While Orion's current focus is the highly prospective Areachap Belt in South Africa (where it has several advanced zinc-copper, nickel-copper, base metal and gold projects), it is continuing to advance the Fraser Range projects through systematic exploration such as the recent surveys.

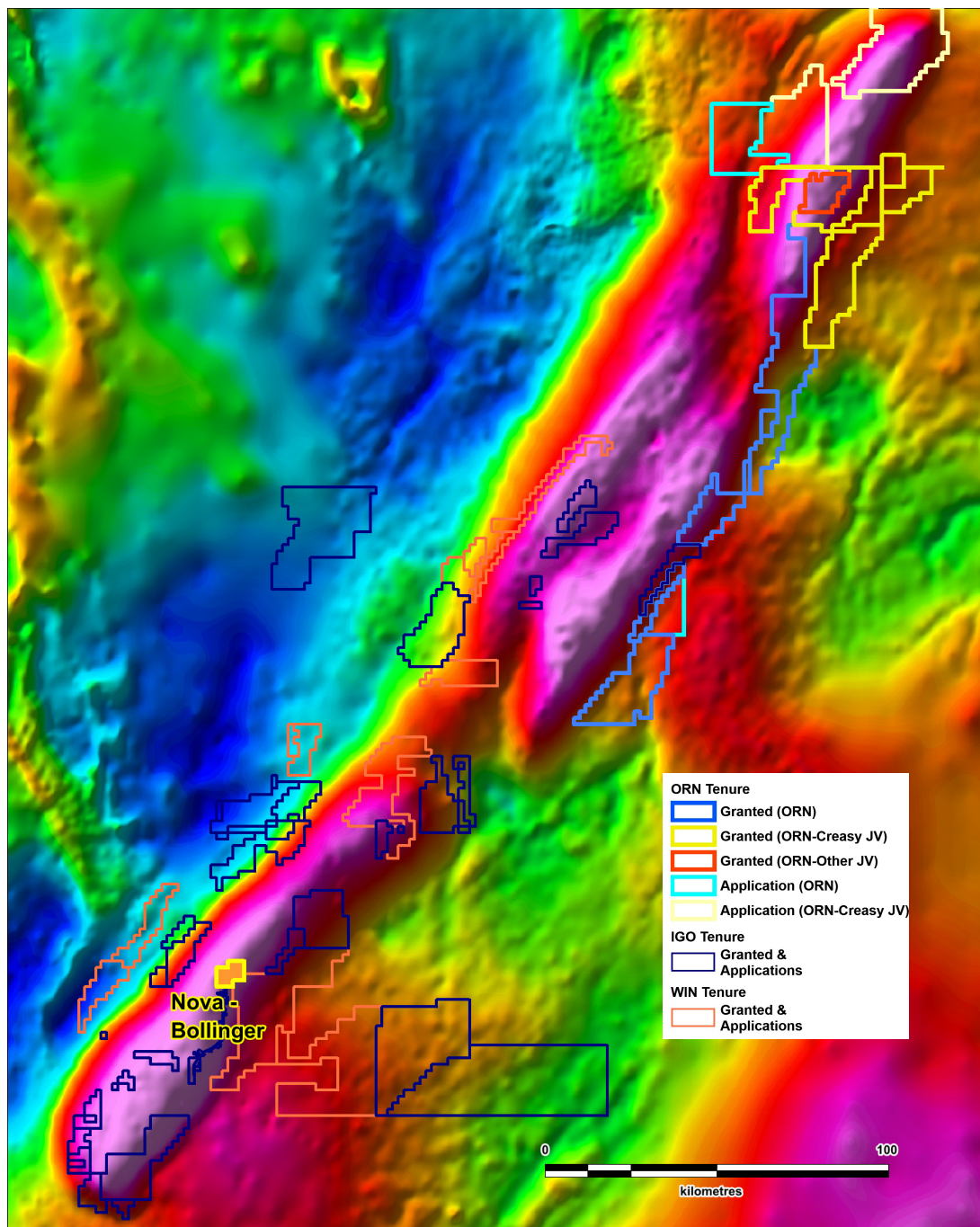


Figure 12: Plan showing Orion tenure and ownership/JV structure.
 Also shown are WIN and IGO tenure (source: ASX releases IGO and WIN 5 October 2016).

Background

The Fraser Range Project is located between two world-class discoveries, being the Tropicana Gold Project to the north, owned by Independence Group and AngloGold Ashanti and the Nova Nickel-Copper-Cobalt Project to the south, owned by Independence Group. The tenement areas cover prospective targets for both Tropicana-style gold and Nova-style nickel deposits, with historical geochemical anomalies and scout drilling identifying bedrock mineralisation of both minerals.

Nickel-PGE exploration in the Peninsula Project, to the north-east of the Cundeelee Shear Zone, was carried out by Western Areas NL between 2000 and 2006. Scout RC drilling in 2005 yielded intersections of gabbro-norite and other mafic units which were interpreted to represent differentiated mafic intrusives, similar to those which were later discovered and host Independence Group's Nova-Bollinger nickel-copper-cobalt deposit.

Exploration of the Peninsula Project pre-dated the Nova-Bollinger discovery and the Company has now reinterpreted data from the Project in that context and acquired additional geophysical data to generate targets for drilling to test for deposits obscured by surface cover.

In December 2013, the Company carried out its maiden drilling program at the Peninsula Project and identified prospective mafic-ultramafic intrusive lithologies in areas where intrusive bodies had not previously been identified. RC drilling at Peninsula in early 2014 yielded anomalous Nickel-Copper results which are the subject of current work programs.

In addition, a total of 34 Nickel-Copper-Platinum Group Element targets, have been generated, based on geophysical, geochemical and geological criteria across the Company's substantial landholding of 3,830km² (Figure 12). The Company's interest in these tenements is between 70% - 100% and includes 1,783km² of granted tenements and 1,933km² of applications where the Company and its partner are the sole or priority applicant.

The Company's exploration programs have recently focussed on the Peninsula Prospect where the following key indicators have been observed:

- Large bodies of mafic-ultramafic intrusives are present, with the Company's drilling confirming the nature and extent of the magma chamber at Pennor;
- Detailed geochemical data from drill hole (fresh rock) samples confirms that:
 - the large HA2 and Pennor intrusive bodies are related and from the same source;
 - the parent magmas for these intrusions are fertile as sources of Nickel-Copper;
 - a substantial amount of crustal contamination has occurred during uplift and emplacement of these magmas, adding the necessary components to form sulphides;
 - the HA2 magma chamber contains sulphides which were formed in the parent magma then entrained by magma dynamics;
 - the Pennor magma chambers contains magma which is depleted in Nickel-Copper, relative to the parent magma; and
 - the Nickel-Copper segregated out (or entrained in the case of HA2) is expected to have accumulated along basal contacts in magma chamber or in feeder zones to the large chambers.

Walhalla Gold and Polymetals Project (Victoria)

During the Quarter, the Company did not carry out any exploration activity on the Walhalla Project.

Tenement	Project	Ownership Interest	Change in Quarter	Joint Venture Partner
Western Australia				
E28/2367	Fraser Range	100%	---	---
E28/2378	Fraser Range	100%	---	---
E28/2462	Fraser Range	100%	---	---
E39/1653	Fraser Range	80%	---	Geological Resources Pty Ltd
E39/1654	Fraser Range	70%	---	NBX Pty Ltd
E69/2379	Fraser Range	70%	---	Ponton Minerals Pty Ltd
E69/2380	Fraser Range	70%	---	Ponton Minerals Pty Ltd
E69/2707	Fraser Range	70%	---	Ponton Minerals Pty Ltd
Queensland				
EPM19825	Connors Arc	100%	---	---
EPM25122	Connors Arc	100%	---	---
EPM25283	Connors Arc	100%	---	---
EPM25703	Connors Arc	100%	---	---
EPM25708	Connors Arc	100%	---	---
EPM25712	Connors Arc	100%	---	---
EPM25714	Connors Arc	100%	---	---
EPM25763	Connors Arc	100%	---	---
EPM25764	Connors Arc	100%	---	---
EPM25813	Connors Arc	100%	---	---
EPM26081	Connors Arc	100%	---	---
EPM26082	Connors Arc	100%	---	---
EPM26083	Connors Arc	100%	---	---
Victoria				
MIN5487 ⁽¹⁾	Walhalla	100%	---	---
EL5340	Walhalla	100%	---	---
EL5348	Walhalla	100%	---	---

⁽¹⁾ MIN 5487 has been sold to A1 Consolidated Gold Ltd.

Cash and Finance

Cash on hand at the end of the Quarter was \$1.25 million.

Exercise of Agama option (South Africa)

As referred to in the Exploration section of this Report, on 3 January 2017, the Company announced that it has exercised the option to acquire Agama, which through its subsidiary companies, ultimately holds an effective 73.33% interest in the company holding Prospecting Rights over the historic Prieska Copper Mine (**PC**), located at Copperton, Northern Cape province, South Africa and the Marydale Gold-Copper Project, a volcanogenic gold-copper discovery located 60km from the PC Project.

In July 2015, the Company announced the signing of a binding term sheet giving Orion the right to acquire Agama. During the option period, Orion has undertaken comprehensive due diligence including conducting exploration programs at both the PC Project and Marydale Project.

Agama is well financed at project level to advance its main project, with a ZAR30 million (~A\$3.0 million) facility available from a South African Investment Fund. Importantly, the PC Project also has a cash backed environmental fund of ZAR17.5 million (~A\$1.75 million) which has not been needed since the mine closed in 1991.

The key terms of the purchase agreement (**Agreement**) are set out below:

- The vendor group, who are unrelated and at arm's length to Orion, have agreed to sell a 100% interest in Agama.
- Subject to the conditions below, purchase consideration payable upon completion of the acquisition is ZAR53 million (~A\$5.3 million), of which:
 - Cash – ZAR31.5 million (~A\$3.15 million) is payable in cash;
 - Consideration Shares - ZAR21.5 million (~A\$2.15 million) is payable by issue of Orion fully paid ordinary shares (**Shares**), to be issued at a 10% discount to the 10 trading day volume weighted average price of the Shares prior to the issue of the Shares (**Share Issue Price**); and
 - Each Share issued will have an attached unlisted Orion option, exercisable at a 100% premium to the Share Issue Price and expiring on the date which is 24 months following the date of issue of the unlisted option (**Unlisted Option**).

The Consideration Shares are subject to regulatory and shareholder approvals. If certain South African regulatory approvals for the issue of Shares to the vendors are not received prior to 15 March 2017, the Consideration Shares may be settled by cash payment to the vendors unable to obtain such approvals.

Shares issued to the vendors will be subject to a 6-month voluntary escrow period from their date of issue and 75% of the Shares issued to the vendors will be subject to a 12-month voluntary escrow period from their date of issue;

- The acquisition is subject to the satisfaction of a number of conditions precedent including:
 - Orion providing proof of financial capacity to complete the transaction;

- the issues of Shares and Unlisted Options to the vendors being approved by Orion shareholders, where required by law, including the ASX listing rules;
- Orion providing or procuring finance for Agama so that it can settle all shareholder loans to an aggregate amount of approximately ZAR32.3 million (~A\$3.23 million);
- regulatory approvals; and
- Agama disposing of all its assets and liabilities, other than the Prieska Zinc-Copper Project and the Marydale Project prior to settlement.

Satisfaction of the conditions precedent to the acquisition will occur by no later than 15 March 2017 (or such later date as may be agreed to between the parties), failing which the parties will be released from their obligations under the Agreement.

The projects have a well established Broad Based Black Economic Empowerment ownership structure (26.66% ownership) in place with strong local partners.

Orion has canvassed investor support for both equity and debt financing to complete the acquisition and advance the projects. Initial discussions with potential financiers for the project have been positive at both South African and international level. The Company will seek to finalise an optimum financing structure and complete agreements securing the finance required by the end of February 2017.

Earn-In Right - Jacomynspan Nickel-Copper-PGE Project (South Africa)

On 14 July 2016 the Company announced that it had entered into a binding term sheet to acquire the earn-in rights over the Jacomynspan Project from two companies, Namaqua and Disawell, which hold partly overlapping prospecting rights and mining right applications.

Orion's earn-in right is via a South African-registered special-purpose vehicle (**SPV**), which will be established by Orion as its vehicle for investment in the joint ventures and of which historically-disadvantaged South African (**HDSA**) shall hold a minimum of 26% of the issued shares. Key terms of the transaction are set out below:

- Orion SPV has the exclusive opportunity to earn up to an 80% interest (Orion 59.2%) in the Companies. The Companies are privately owned South African companies with 26% or greater HDSA ownership.
- Conditions precedent to the commencement of earn in rights (**Earn-In Commencement Date**) include:
 - Due diligence to be conducted by Orion;
 - Orion providing the Companies with an initial exploration program to be carried out for the first 6 month period following the Earn-In Commencement Date (**Initial Program**);
 - The Companies obtaining all necessary approvals for Orion to access the Jacomynspan Project and conduct exploration activities including the Initial Program;
 - Orion providing proof of financial capacity to execute the Initial Program prior to 8 February 2017; and
 - The parties entering into a comprehensive earn-in agreement prior to 8 February 2017.

- Orion SPV is able to earn an initial interest of 25% (Orion 18.5%) in the Companies via staged expenditure of US\$0.5 million on the Jacomynspan Project over the 12 months from the Earn In Commencement Date (**First Earn In Right**) including:
 - Expenditure commitment of US\$0.25 million in the first 6 months; and
 - A further \$0.25 million must be spent within 12 months of the Earn-In Commencement Date (US\$0.5 million in total expenditure).
- Once Orion SPV has earned the initial 25% interest:
 - The Companies will issue Orion with fully paid ordinary shares in the Companies (**Shares**) which shall result in Orion SPV being the holder of 25% of the total Shares on issue immediately following such issue of Shares;
 - The Companies will record a shareholder loan account in favour of Orion SPV to the value of the First Earn In Right expenditure incurred by Orion and shall continue to record further expenditure by the Orion SPV as an increase in the shareholder loan account (**Orion Loan**);
 - Orion can elect to increase its interest via further expenditure, as detailed below, or maintain its 25% interest by contributing pro-rata to exploration; and
 - Within 30 days, the parties will negotiate the terms of a shareholders agreement to govern the terms of relationship between the shareholders.
- Following the First Earn-in Right, should Orion elect to increase its interest via further expenditure, the Orion SPV can earn a further 25% interest (making its total interest 50% (Orion 37%)) by expending a further US\$1 million on the Jacomynspan Project (US\$1.5 million total expenditure) over a further 12 months (2 years from Earn-In Commencement Date) (**Second Earn In Right**).
- Once Orion SPV has earned a 50% interest:
 - The Companies will issue Orion with Shares which shall result in Orion SPV being the holder of 50% of the total Shares on issue immediately following such issue of Shares; and
 - Orion can elect to increase its interest via further expenditure, as detailed below, or maintain its 50% interest by contributing pro-rata to exploration.
- Following the Second Earn in Right, should Orion elect to increase its interest via further expenditure, Orion SPV can earn a further 30% interest (making its total interest 80% (Orion 59.2%)) by:
 - Expending a further US\$0.5 million on the Jacomynspan Project (US\$2 million total expenditure) over a further 12 months (3 years from Earn In Commencement Date);
 - Completing a bankable feasibility study, which has been reviewed and signed off by an independent external expert; and
 - Providing or securing project finance terms to develop a mining operation within the Project Area as per the bankable feasibility study and which shall not result in any Shareholder dilution.
- On the Earn-In Commencement Date, Orion will be appointed as the operator and manager of the joint ventures and will have the right to appoint a minimum of one director to the boards of the Companies.
- The Companies shareholders on the date of execution of the Term Sheet (**Signature Date**) shall be entitled to a 2% royalty in proportion to their beneficial interest in the Companies at the Signature Date, on net smelter returns arising from the production and sale of metals from the Jacomynspan Project's SAMREC resource as at the

Signature Date (**Royalty**). At any time following the Earn-In Commencement Date, Orion shall have the right at its sole discretion to buy out the Royalty for an aggregate value of US\$2 million.

- As noted above, all expenditure by Orion shall be advanced to the Companies as an Orion Loan. In addition to the Orion Loan, the Companies have existing shareholder loans of ZAR78.5 million (~US\$5.4 million) as at the Signature Date (together **Shareholder Loans**). Following the completion of the First Stage Earn In, the parties will negotiate the terms of a Shareholders Loan to govern the terms of the Shareholder Loans. The Shareholder Loan agreement will contain clauses normally contemplated by a formal agreement negotiated in good faith between the parties.

Should Orion fail to meet its earn in right commitments, then either the parties will re-negotiate the terms of the Term Sheet or, if the parties are unable to agree those new terms, then Orion will relinquish its rights to earn any further interest in the Companies and the Term Sheet will be at an end.

Option Agreement – Masiqhame (South Africa)

On 29 April 2016, the Company announced that it had executed a binding option agreement with Masiqhame for Orion to earn up to a 73% interest in Masiqhame. Masiqhame holds prospecting rights over large, highly prospective area located approximately 80km north of the PC Project. On 7 September 2016 the Company announced that the terms of the option had been amended to enable Orion to commence exploration activities including drilling and have the cost of this work program deducted from the consideration payable of ZAR1,500,000 (~A\$150,000) by Orion for 50% of Masiqhame shares on issue.

On 29 September 2016, the Company announced that following positive initial results from its maiden drilling program at the Kantienpan Deposit, it had exercised the Option it holds with Masiqhame, for Orion to acquire an initial 50% interest in Masiqhame.

Key terms of the amended binding term sheet (**Term Sheet**) are as follows:

- Orion has the opportunity to earn up to a 73% interest in Masiqhame.
- Masiqhame is a privately owned South African company with 100% Historically Disadvantaged South African ownership. Masiqhame is thus black economic empowerment (**BEE**) compliant from the outset and Orion will earn in to an incorporated joint venture, partnering with a BEE partner via Masiqhame.
- Orion will have an exclusive option to undertake due diligence on the corporate entity and the prospecting rights until no later than 30 September 2016 (**Option**), failing which the parties will be released from their obligations under the Term Sheet. As noted above, Orion has exercised the Option.
- Upon exercise the Option:
 - Orion will pay Masiqhame ZAR1,500,000 less all expenditure by Orion on the exploration program currently underway, to invest in new fully paid Masiqhame shares (**Masiqhame Shares**). As a result of exploration activities currently underway, Orion will not be required to make any cash payment to Masiqhame upon Completion; and

- Masiqhame will issue Orion with Masiqhame Shares which shall result in Orion being the holder of 50% of the total Masiqhame Shares on issue immediately following such issue of Masiqhame Shares.

(Completion)

Upon Masiqhame obtaining all requisite regulatory approvals to the extent required, Completion will occur by no later than 30 days following the exercise of the Option.

- At Completion, Orion shall have the right to appoint the majority of directors to the board of Masiqhame and shall be appointed manager and operator of the prospecting rights;
- Once Orion has earned the initial 50% interest in Masiqhame through the issue of Masiqhame Shares to Orion, Orion can elect to increase its interest by a further 23% (to 73% in total) via:
 - provision of a shareholder loan to Masiqhame (**Loan**) on the following terms:
 - The principal amount of the Loan shall be the ZAR equivalent of A\$100,000 in each 12 month period commencing from the 12th month following Completion (**Principal**);
 - Proceeds from the Loan shall be used to progress exploration programs and feasibility study works;
 - The Loan interest rate shall be nil;
 - The Loan shall only be repaid from operating surplus from future operations of Masiqhame;
 - In addition to the Principal, Orion may elect at its sole discretion to provide additional finance by means of the Loan in order to progress exploration works and complete feasibility study works and if applicable, apply for a mining right;
 - Masiqhame shareholders as at the date of execution of the Term Sheet will be free carried until such time that a mining right is granted; and
 - If Orion fails to advance the Principal in any 12 month period, Masiqhame may subject to notice periods demand that all of the Shares held by Orion be transferred back to the Masiqhame shareholders (excluding Orion) for nil consideration and remove Orion as manager.
 - finalisation of a feasibility study; and
 - lodgement of an application for the grant of a mining right over some or all of the area of the prospecting rights.

Following the above terms being satisfied, Masiqhame shall immediately issue further new Masiqhame Shares to Orion which shall result in Orion being the holder of 73% of the total Masiqhame Shares on issue immediately following such issue.

Capital Raisings

During the Quarter, the Company announced that it was proposing to seek applications from selected sophisticated and professional investors and existing shareholders approached by the Company, to subscribe for up to 127.8 million Shares at an issue price of 1.8 cents per Share to raise up to \$2.3 million (Placement). During the Quarter, the Company issued the following Placement Shares:

- On 14 November 2016, the Company issued 72,222,221 Shares at 1.8 cents per Share to raise \$1.3 million. The issue of these Shares to sophisticated and professional

investors was approved by the Company's shareholders at the Company's General Meeting held on 14 December 2016;

- On 23 December 2016, the Company issued 57,016,664 Shares at 1.8 cents per Share to raise \$1.0 million. The issue of 55,555,553 Shares to sophisticated and professional investors was approved by shareholders at the Company's General Meeting held on 14 December 2016 and 1,461,111 Shares were issued to a sophisticated and professional investor within the 15% capacity for issues of equity securities without shareholder approval afforded by ASX Listing Rule 7.1;

In addition to the Placement, during the Quarter, the Company issued the following Shares:

- On 30 December 2016, the Company issued 25,000,000 Shares at 2.0 cents per Share to Orion's Chairman, Mr Denis Waddell (or nominee) to raise \$500,000. The issue of these Shares was approved by the Company's shareholders at the Company's Annual General Meeting held on 30 November 2016; and
- On 30 December 2016, the Company issued 5,555,555 Shares at 1.8 cents per Share to Directors of Orion (or nominees) to raise \$100,000 as approved by the Company's shareholders at the Company's General Meeting held on 14 December 2016.

Investments

As a result of transactions previously announced to the ASX, the Company holds the following unlisted options in Eastern Goldfields Limited (ASX: EGS).

Number of options	Exercise Price	Expiry Date
1,000,000	\$0.168	8/03/2018
1,000,000	\$0.189	8/03/2020

The Company continuously assesses the value and progress of its interests in Eastern Goldfields and may divest some or all of its interests to provide capital for its ongoing exploration activities.

During the Quarter, the Company sold the remainder of the shares (being 6,800,000 shares (\$0.176 million)) received from A1 Consolidated Gold Limited (**A1 Gold**) as part of the consideration received for the sale of the Company's Walhalla Project Mining Licence in Victoria to A1 Gold. In total, the Company received \$0.204 million for the sale of 7,816,285 A1 Gold shares at an average sale price of \$0.026 per share.

Competent Persons Statement

The information in this report that relates to the Exploration Targets at the Prieska Copper project complies with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**) and is based on information compiled by Mr Paul Matthews, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Matthews has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Matthews consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears. The Exploration Results are based on standard industry practises for drilling, logging, sampling, assay methods including quality assurance and quality control measure as detailed in the Company's ASX announcement of 18 November 2015.

The information in this report that relates to Orion's Exploration Results and historical Exploration Results at the PC and Marydale Projects, and Orion's Exploration Results at the Kantienpan Deposit, complies with the JORC Code and has been compiled and assessed under the supervision of Mr Errol Smart, Orion Gold NL's Managing Director. Mr Smart (PrSciNat) is registered with the South African Council for Natural Scientific Professionals, a ROPO for JORC purposes and has experience in the identification and exploration of mineralisation of this style. Mr Smart consents to the public release of the information in the context contained within this release as a Competent Person as defined in the JORC Code).

The information in this report that relates to historical Exploration Results at the Jacomynspan Project complies with the JORC Code and has been compiled and assessed under the supervision of Mr Errol Smart, Orion Gold NL's Managing Director. Mr Smart (PrSciNat) is registered with the South African Council for Natural Scientific Professionals, a ROPO for JORC purposes and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Smart consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears. The Exploration Results are based on standard industry practises for drilling, logging, sampling, assay methods including quality assurance and quality control measure as detailed in ASX announcement of 14 July 2016.

The information in this report which relates to the Jacomynspan SAMREC (2007) resource has been compiled and assessed under the supervision of Mr Errol Smart, Orion Gold NL's Managing Director. Mr Smart has concluded that the information provided in this document complies with ASX Listing Rule 5.12 and is an accurate representation of the data and studies available and relating to this resource. However Mr Smart, as the Competent Person, has not yet completed sufficient review on the qualifying foreign resource estimate to classify it in accordance with the JORC Code at this time and consequently it is uncertain that, following evaluation and/or further exploration work that the qualifying foreign resource estimate will be able to be reported as a Mineral Resource in accordance with the JORC Code. Mr Smart consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results at the Connors Arc Project complies with the JORC Code and is based on information compiled by Mr Bruce Wilson, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Wilson is the Principal of Mineral Man Pty Ltd, a consultant to Orion Gold, and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Wilson consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results and other technical information for the Fraser Range Nickel-Gold Projects (also described as the Peninsula Nickel Project and the Plumridge Lakes Project) complies with the JORC Code and has been compiled by Mr Bill Oliver, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Oliver is the Chief Operating Officer of Orion Gold NL and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Oliver consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Disclaimer

This release may include forward-looking statements. Such forward-looking statements may include, among other things, statements regarding targets, estimates and assumptions in respect of metal production and prices, operating costs and results, capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions. 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



Orion Gold^{NL}

necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Orion. 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 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. All information in respect of Exploration Results and other technical information should be read in conjunction with Competent Person Statements in this release. To the maximum extent permitted by law, Orion and any of its related bodies corporate and affiliates and their officers, employees, agents, associates and advisers:

- disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions;
- do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this release, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement; and
- disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).