ANNUAL REPORT 2016

Orion Gold NL

CONTENTS

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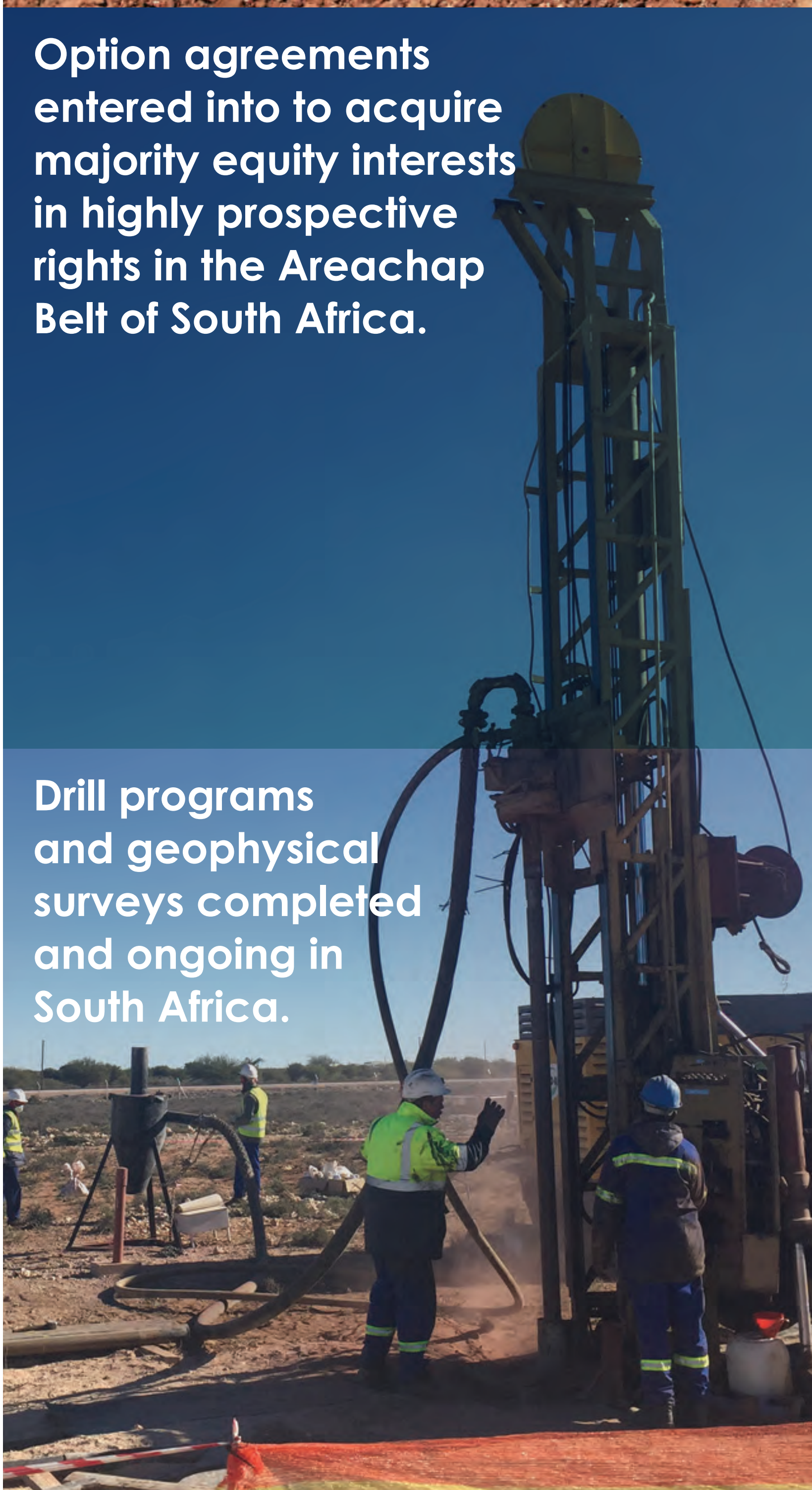
HIGHLIGHTS 2015/16



Option agreements entered into to acquire majority equity interests in highly prospective rights in the Areachap Belt of South Africa.

Drill programs and geophysical surveys completed and ongoing in South Africa.

Excellent first drilling results from Prieska Zinc – Copper Project, South Africa including:

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 & 6m at 12.4% Zn from 75m (OCOR027)

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)

Induced polarisation survey at Marydale

Induced polarisation survey at Marydale Gold-Copper Project, South Africa delineates clear anomalies, interpreted to relate to disseminated sulphide mineralisation. Recent drilling (including assays of **64m at 1.55g/t Au and 0.26% Cu**) has confirmed a link between chargeable features caused by concentrations of disseminate sulphides and gold mineralisation.

Significantly, two types of anomalism have been detected:

- Near-surface high chargeability anomalies; and
- Deeper, high chargeability bodies with concurrent high resistivity features.

Kantienpan Zinc-Copper Deposit

Strong, previously undetected conductor delineated below the extent of historical drilling, by high-powered fixed-loop ground electromagnetic surveying at the Kantienpan Zinc-Copper Deposit, South Africa. Historical drilling targeted a shallower, but weaker, conductor. Orion's first drilling intersects massive sulphides returning 7m at 6.44% Zn and 0.43% Cu from 60m including 3m at 7.94% Zn from 63m.

Orion maintains a substantial (3,830km^2) landholding within the Fraser Range, Western Australia with ongoing geophysical surveys generating new targets in the southern portion of the Company's tenure.

Discovery of additional epithermal targets at Chough Prospect, Connors Arc Project, Queensland.

CHAIRMAN'S REPORT

Dear Shareholder,

As noted in last year's Annual Report, the Directors made a decision to identify and evaluate more advanced projects within Australia and overseas. I am pleased to report that the intensive process the Company undertook in this regard has resulted in a large, highly prospective land package, located in the Northern Cape of South Africa, being acquired or optioned for acquisition, which has the potential to add significant shareholder value.

I am also pleased to report that during the past year, your Company has undertaken exploration programs on its various project areas with encouraging results being returned which justify follow up programs.

In July 2015, the Company announced the signing of a binding term sheet giving Orion the right to acquire the unlisted company, 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.

The Prieska Zinc-Copper Project covers the historical Prieska Copper Mine, which was operated by Anglovaal Limited between 1971 and 1991. During this time, the mine produced over 430,000 tonnes of copper and more than 1 million tonnes of zinc from an underground operation based on an initial drilled reserve of 47Mt grading 1.74% copper, 3.87% zinc, 8g/t silver, 0.4g/t gold and 30% pyrite.

On 13 May 2016, the Company announced that the terms of the option had been amended. Importantly, the Option term has been extended to 31 December 2016 and can be terminated at any time at Orion's election.

The Option represents a low-cost, counter-cyclical opportunity for Orion to expand its existing resource portfolio beyond greenfields exploration projects and create significant value for shareholders.

In recent months, the Company has announced very encouraging exploration results from the +105 Level Exploration Target at the Prieska Zinc-Copper Project.

In addition to the Prieska Zinc-Copper Project, the Agama transaction gives the Company an option over the highly prospective Marydale Gold-Copper Project.

In April 2016, Orion entered into a binding option agreement to earn up to a 73% interest in Masiqhame Trading 855 Pty Ltd, which holds a prospecting right covering an area of almost 980km^2, located 80km north of the Prieska Zinc-Copper Project. Orion has targeted the large Masiqhame prospecting right after analysing regional data which points to the potential for three significant styles of mineralisation:

- Zinc-copper VMS-VHMS-SEDEX mineralisation in the Areachap Belt;
- Nickel-Copper mineralisation hosted in mafic intrusions related to the Jacomynspan Deposit; and
- Pegmatite hosted mineralisation such as lithium, beryl and REEs in the Orange River pegmatite belt.

The Kantienpan Zinc-Copper Prospect located on the Masiqhame prospecting rights is proving to be highly prospective with work completed to date by Orion confirming historic drill results and geophysical surveys indicating substantial undrilled extensions.

Another important acquisition is the Jacomynspan Project area which covers 626km^2 in the Areachap Belt, contiguous to the Masiqhame Prospecting rights. The Jacomynspan Project area contains numerous known occurrences of VHMS style zinc-copper mineralisation in addition to being 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 extensive historical work focusing on the Jacomynspan Deposit.

For more details on our Projects, I refer you to the Key Points on the highlights pages and to the Review of Operations section of this report.

On behalf of the Board of Directors, I thank our dedicated team of employees and consultants for their continued efforts during the past year.

I also thank you, our shareholders, for your ongoing support of the Company.

Yours faithfully,

Denis Waddell

Chairman

REVIEW OF OPERATIONS

Areachap Belt – South Africa

Prieska Zinc-Copper Project (Agama)

In July 2015, the Company announced the signing of 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 historical Prieska copper mine, zinc-copper project (**PC Project**) and the Marydale gold project (**Option**).

The PC Project is located 270km's south-west of Kimberley (the regional capital) in the Northern Cape province (Figures 1 and 4). 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's from a railway siding at Groveput with an open-access railway line connecting the site to the world-class export port of Saldanha Bay.

The PC Project covers the historical Prieska Copper Mine, which was operated by Anglovaal Limited between 1971 and 1991. During this time, the mine produced over 430,000 tonnes of copper and more than 1 million tonnes of zinc from an underground operation based on an initial drilled reserve[1] of 47Mt grading 1.74% copper, 3.87% zinc, 8g/t silver, 0.4g/t gold and 30% pyrite. The operation was a significant financial success for its owners, returning ZAR2.64 per share (US$1.16 in money of the time) in dividend yields for an investment of ZAR0.5 per share (US$0.70) by the shareholders.

Mining ceased in 1989, with milling ceasing in 1991. The site was closed and rehabilitated in 1991. The premature closure of the mine was influenced by an early operating decision by the owners to focus on maximising dividend yields, rather than investing further in underground capital development to extend mine life. The decision was influenced by uncertain economic and political environment in South Africa in the mid-1980s.

The underground development and regional infrastructure and services in place at the mine is estimated by Orion to have significant replacement value, which will assist in the feasibility and economics of any potential redevelopment of the mine. The underground mine is accessed via an 8.8m diameter concrete lined vertical shaft to a depth of 1,024m. Three separate ramp declines (6.5m by 3.8m) have been developed to access the deepest ore at a vertical depth of 1,140m. The mineralisation lies in a synformal structure and the target lies in the keel and upturned limb of the syncline, above 1,200m.

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

On 13 May 2016, the Company announced that the terms of the Option had been amended. Importantly, the Option term has been extended to 31 December 2016 and can be terminated at any time at Orion's election. This enables Orion to continue to conduct comprehensive due diligence, including geophysics, in-fill and confirmatory drilling and feasibility studies in advance of a decision to exercise the Option and to advance discussions with prospective investors interested in financing and/or joint venture participation in the acquisition. The key terms of the revised Option are set out in the Corporate section of this report.

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

The Option 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 a ZAR30 million (~A$2.6 million) facility available from a South African Investment Fund.

The Option period allows Orion to conduct comprehensive due diligence, including geophysics, in-fill and confirmatory drilling and feasibility studies in advance of a decision to exercise the Option. Since signing of the Option, initial due diligence investigations focussing on legal, environmental and technical matters were completed with no significant issues identified, and encouraging indications as to the viability of the project. Further, the Company has progressed extensive due diligence investigations including:

- Legal title opinion by Japie Van Zyl Attorneys in South Africa has confirmed good standing of the Prospecting Rights of the PC Project and the Marydale Project, freehold title to certain properties at PC and servitude rights for usage of all land required to operate PC if a Mining Right is granted.
- Paul Matthews, a geologist and Competent Person under the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC**) Code, has undertaken extensive review of historical geological records, capturing and recording all information to evaluate the geological potential and has signed off on the +105 Level Exploration Target and Deep Sulphide Exploration Targets including compilation of information required under the JORC Code (refer ASX release 18 November 2015).
- A comprehensive review of environmental conditions, mining infrastructure, engineering design and costing for potential future mine development to +-30% accuracy levels (normally applied at the Scoping Study level) has been carried out by a team of over 10 engineers and scientists under the supervision of the METS Group and Shaft Sinkers, who are industry leaders in planning and executing primary mine development.
- METS made use of specialist sub-contractor groups to evaluate open pit mining, underground mining, mineral processing and environmental conditions.
- Drilling has commenced to firm up on the expectations of the +105 Level Exploration Target and advance toward JORC compliant resources (refer below).

As part of its due diligence process, Orion has digitally captured, validated and modelled all available project drilling data from hard-copy sources. This work has enabled the Company to calculate Exploration Targets for near surface mineralisation comprising oxide, supergene and primary sulphide material to a depth of 100m which is potentially accessible via an initial open pit (+105 Level Exploration Target) and an Exploration Target for the deeper sulphide mineralisation identified by historic drilling (Deep Sulphide Exploration Target) (refer Table 1 and ASX release 18 November 2015).

The Exploration Target is based on 182 historical drill intersections, which can be relied on for width and depth of mineralisation, while 88 historical drill holes provide information on grade of mineralisation (Table 2, Figure 2). 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.

REVIEW OF OPERATIONS CONTINUED

PC Project – Exploration Targets

Area	Tonnage Range	Cu range (%)	Zn range (%)
+105 Level	3,000,000 – 4,500,000	1.0 – 1.6	1.3 – 2.0
Deep Sulphide	7,000,000 – 11,000,000	1.2 – 1.8	3.9 – 5.9

Table 1: Exploration Targets at the PC Project. Detail and supporting information relating to these Exploration Targets is contained in the ASX release of 18 November 2015.

Table 1 Notes: The potential quantity (tonnage) and grade of the Exploration Target is conceptual in nature and the Exploration Target should be assessed in conjunction with the information included in the ASX release of 18 November 2015. There has been insufficient exploration to estimate a Mineral Resource and, while it is uncertain if further exploration will result in the estimation of a Mineral Resource, the aim of the current drilling program is to test the Exploration Target and determine if a Mineral Resource can be estimated.

Figure 1: Location of Areachap Belt Projects, South Africa.

In recent months, the Company has announced first drilling results from the +105 Level Exploration Target. The current drilling program is designed to confirm, in-fill and extend the historical drilling and targets mineralisation that would be amenable to extraction via open pit (Figures 2 and 3, Table 1). Best results at time of printing included:

- 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 & 6m at 12.4% Zn from 75m (OCOR027); and
- 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).

(refer ASX releases 25 July 2016, 22 August 2016 and 14 September 2016)

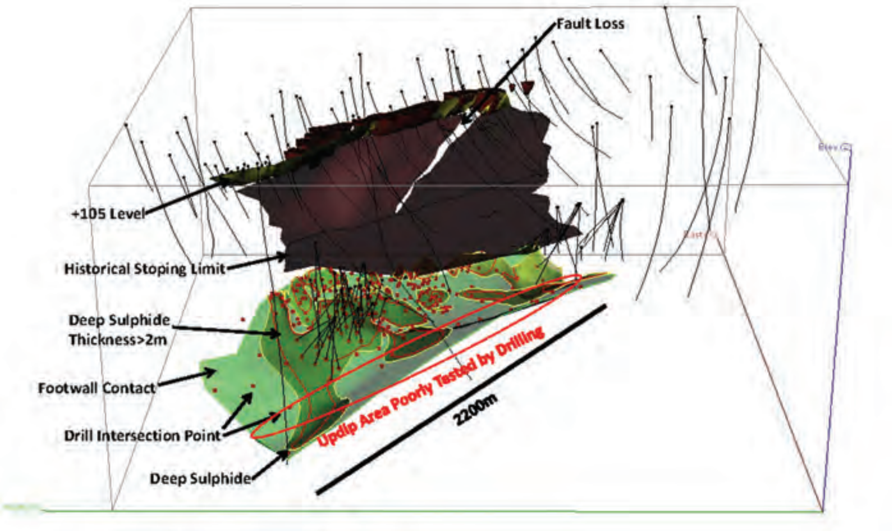


Figure 2: Three Dimensional view of drilling and 3D mineralisation model for the PC Project.

Area	Item	Arithmetic Mean	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	Cu%	0.4	0.4	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	1.5	4.29	88
	Zn%	5.03	4.9	12.62	88
	SG	3.57	3.62	n/a	49
	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 2: Summary of drill hole intersections available for the PC Project.

REVIEW OF OPERATIONS CONTINUED

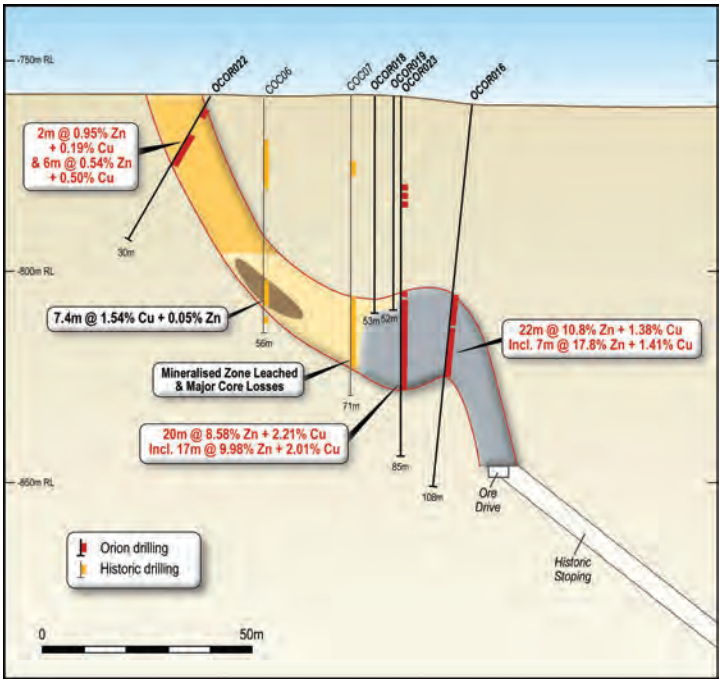


Figure 3: Section showing drilling at the PC Project with results from OCOR022, OCOR023 and OCOR016.

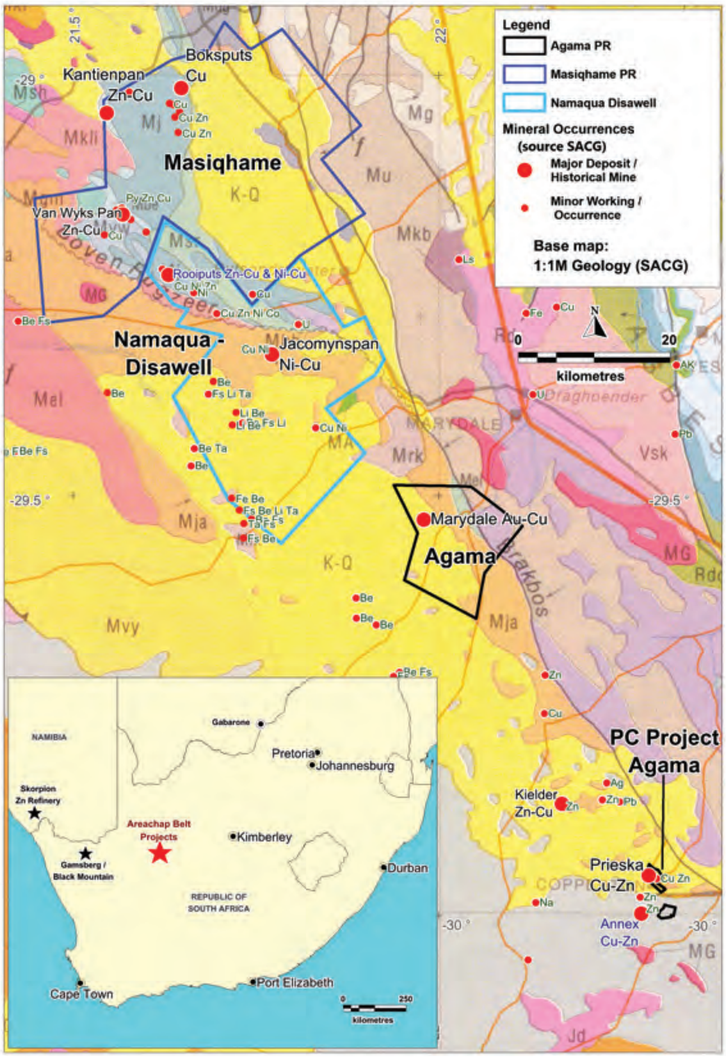


Figure 4: Regional geology map of the Areachap Belt showing prospecting rights currently under option to Orion and noted mineral occurrences as per published data from South African Council for Geoscience.

Marydale Gold-Copper Project (Agama)

In addition to the PC Project the Agama transaction gives the Company an option over the Marydale Gold-Copper Project, a virgin gold discovery of possible high sulphidation epithermal origin located 60km from the PC Project (Figures 1 and 4). Historical drilling following the discovery was carried out in various orientations and, despite wide zones of mineralisation being returned, the majority of these are now seen to be sub optimal. As a result, Orion's recent drilling has focused on obtaining oriented drill core through the higher grade zones intersected in historical drilling. Structural geological data from these holes is being used to generate a robust geological model for the prospect.

Assay data has been received from the two completed drill holes at Marydale, with a thick intersection of 64m at 1.55g/t gold and 0.26% copper returned in OWCD032 from 22m down-hole. This intersection includes a higher grade interval of 21m at 2.93g/t gold and 0.34% copper including 5m at 5.09g/t gold and 0.37% copper (ASX release 17 August 2016). OWCD033 intersected 25m at 1.81g/t gold and 0.31% copper from 67.5m down-hole, including a higher grade interval of 11.6m at 2.63g/t gold and 0.36% copper including 3m at 4.23g/t gold and 0.54% copper, as well as 2.4m at 1.61g/t gold and 0.32% copper from further downhole (134.1m) (ASX release 5 October 2016). The broad zones of mineralisation intersected are consistent with historical drilling (Figure 5).

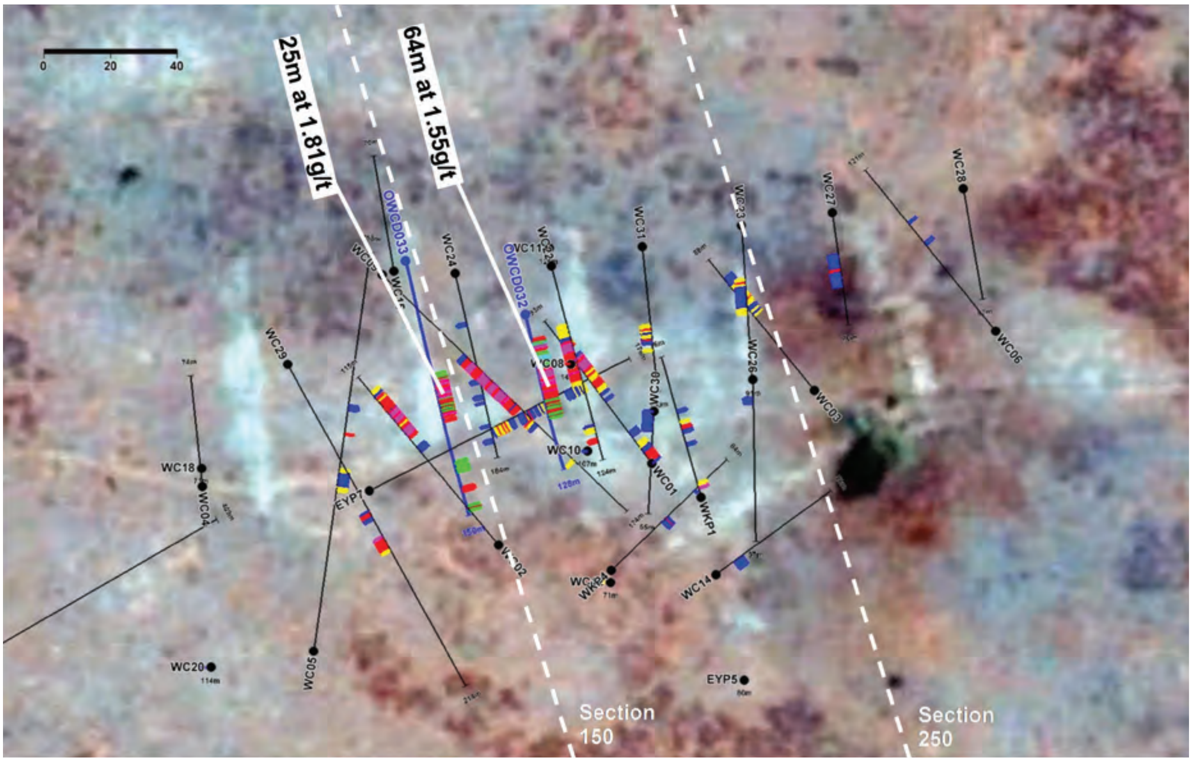


Figure 5: Plan showing results from Orion and historical drilling at the NW Quadrant area of the Marydale Project. Dashed lines show location of IP sections shown in Figure 8.

Initial interpretations, based on data from the oriented core, have made it clear that the host lithology is in a structurally complex folded and sheared package. Significantly, multiple zones of elevated mineralisation were intersected in OWCD032, which may imply a repetition of the mineralised strata due to folding or faulting. Individual lenses of mineralisation may also be fault or shear bounded and terminate abruptly. Structural data is being collected and interpreted for input into the geological model and use in targetting follow up drilling.

REVIEW OF OPERATIONS CONTINUED

Most importantly, a strong correlation between gold-copper mineralisation and sulphide content (reaching >25%) is observed (Figure 6), indicating that electrical geophysical techniques may be used to identify accumulations of mineralisation and placing higher significance on historic induced polarisation (**IP**) survey data, which indicates an extensive conductive body (Figure 7).

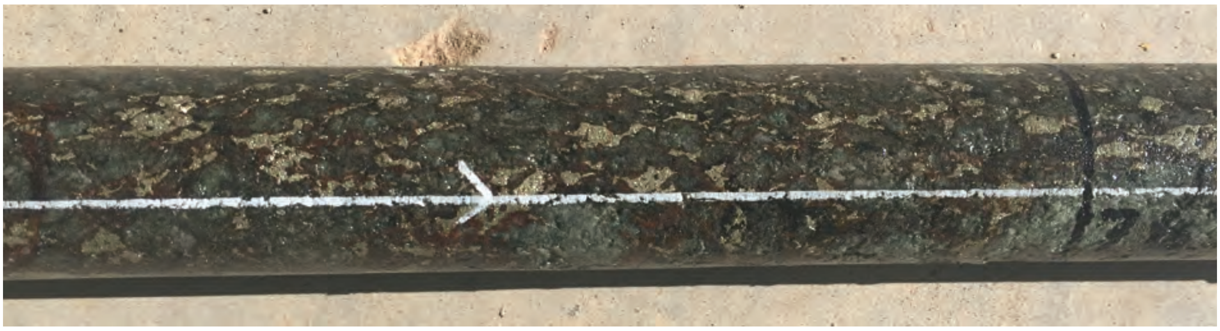


Figure 6: Highly sulphidic, blebby and net-textured sulphides associated with elevated gold-copper mineralisation, indicating suitability for EM detection.

As discussed in the ASX release of 15 July 2016, analysis and reinterpretation of historical surface geochemical and geophysical data over the larger prospect area has enhanced the prospectivity of the extensive anomalous area, which stretches over 2km along trend and also remains open to the south-east.

From these findings, Orion has commenced high-resolution ground magnetic surveys and a high-powered IP survey at the Marydale Project. This survey is designed to verify the historical surveys and completely cover the prospective horizon for mineralisation at the Marydale Prospect with high powered surveying.

The IP survey is being undertaken in 3D array 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 orebodies.

The IP survey has already delineated several strong, shallow chargeability features (Figures 7 and 8) which are interpreted to be related to the gold-copper mineralisation intersected in recent and historical drilling (Figure 5). Significantly, this chargeable feature is larger in area than the drill coverage to date and is associated with a resistivity low.

In addition, the IP survey has delineated highly prospective, deeper anomalies in both the chargeability and resistivity data which have not previously been identified in surveying or tested by drilling. Unlike the shallow feature, these anomalies are characterised by both high chargeability and high resistivity responses.

These deeper anomalies were previously undetected in historical geophysical surveys and, due to their depth, are unlikely to contribute to surface geochemistry. As a result these anomalies were not historically detected and are untested. While further surveying will yield more detailed information about these new targets, it is worth noting that they located along the regional trend (NNW-SSE) from the NW Quadrant where the majority of drilling has been carried out. A clear structural corridor linking the targets is evidenced in the high resolution ground magnetic data being concurrently acquired.

The results of the IP survey are being integrated with the ground magnetic survey data which has yielded results as shown in Figure 7. A number of linear features and anomalies (both magnetic highs and lows) are observed even in the preliminary data. Further review and interpretation of the integrated data will be undertaken in coming weeks as the IP surveys are completed, with the objective of identifying high priority drill targets.

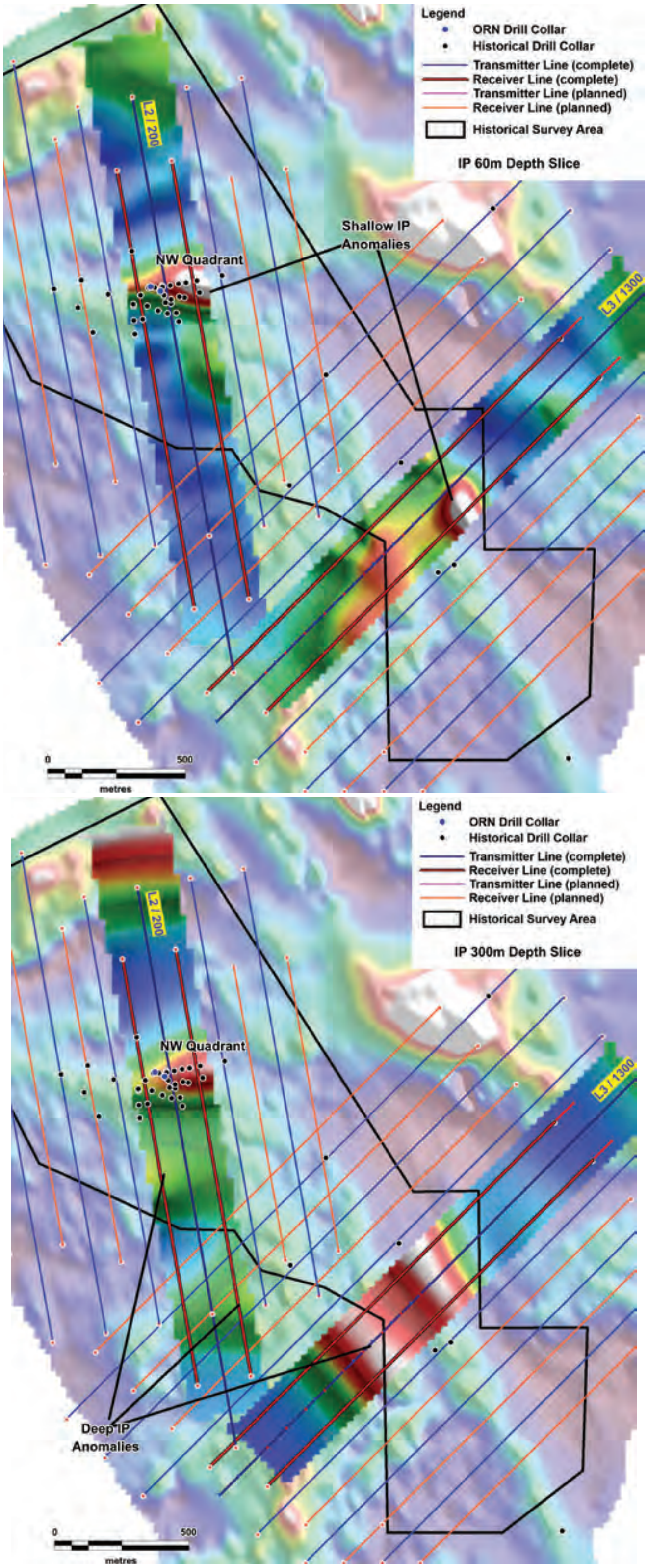


Figure 7: Depth slices of IP response (chargeability) over TMI image of new ground magnetic data
Top: 60m below surface
Bottom: 300m below surface.
Note features detected 300m below surface away from NW Quadrant.

REVIEW OF OPERATIONS CONTINUED

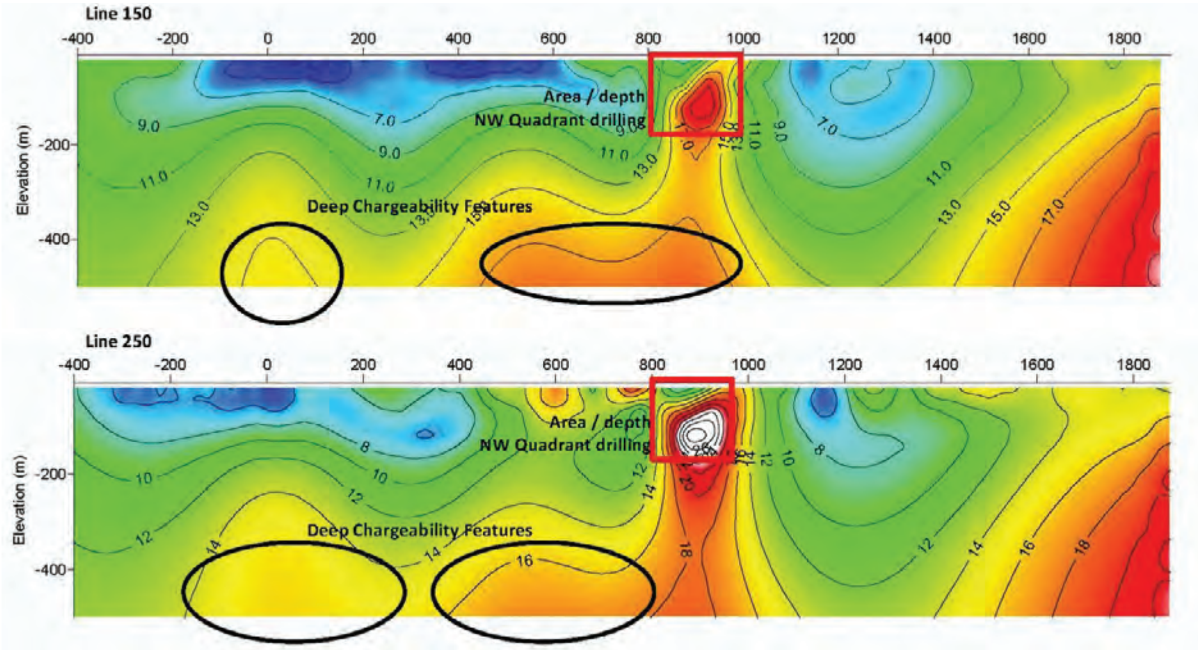


Figure 8: 3D chargeability inversion model sections from recently acquired IP data.
Section lines are shown on Figure 5 as dashed white lines.
The NW Quadrant drilling shown in Figure 5 is contained within the red boxes.

Kantienpan Deposit (Masiqhame)

In April 2016, Orion entered into a binding option agreement to earn up to a 73% interest in Masiqhame Trading 855 Pty Ltd (**Masiqhame**), which holds a prospecting right covering an area of almost 980km^2, located 80km north of the PC Project (Figures 1 and 4). The key terms of the option agreement are set out in the Corporate section of this report. Orion has targeted the large Masiqhame prospecting right after analysing regional data which points to the potential for three significant styles of mineralisation:

- Zinc-copper VMS-VHMS-SEDEX mineralisation in the Areachap Belt;
- Nickel-Copper mineralisation hosted in mafic intrusions related to the Jacomynspan Deposit; and
- Pegmatite hosted mineralisation such as lithium, beryl and REEs in the Orange River pegmatite belt.

Due diligence investigations were carried out between April 2016 and September 2016, followed by Orion exercising its option to acquire an initial 50% in Masiqhame in late September 2016. Compilation of available data relating to the Masiqhame prospecting right confirmed that the Kantienpan Zinc-Copper Deposit lies within the Masiqhame prospecting right. The Kantienpan Deposit is one of a number of volcanogenic massive sulphide (**VMS**) hosted zinc-copper occurrences within the Masiqhame prospecting right. The deposit was targeted by a combination of magnetic and time-domain electromagnetic ground surveys, following up on alteration identified by rock-chip sampling (Rossouw, 2003).

Historically, a total of 14 diamond core holes for 3,199m were drilled at the Kantienpan Deposit by Iscor Ltd (**Iscor**). Significant intersections included the following results:

- 8.84m at 6.32% zinc and 1.02% copper (KN005);
- 6.15m at 4.74% zinc and 0.49% copper (KN010);
- 7m at 3.15% zinc and 0.57% copper (KN007);
- 13m at 3.96% zinc and 0.36% copper (KN003); and
- 2.6m at 6.59% zinc and 0.35% copper (KN011).

(refer ASX release 31 May 2016 for further historical results)

Drilling has confirmed the presence of significant mineralisation extending from 80m – 250m below surface and along 800m of strike (Figure 10). Mineralisation at the Kantienpan Deposit remains open both along strike and at depth as drilling at the Kantienpan Deposit was curtailed soon after discovery, due to a corporate decision by Iscor to stop all exploration and focus on iron ore production.

Orion's technical team believes that the integration of geochemical and geophysical methods may quickly enable new targets to be identified within the Masiqhame Prospecting Right, which overlies a highly prospective VMS horizon extending over more than 30km of strike. This horizon contains numerous published occurrences of copper-zinc and zinc-copper mineralisation associated with massive sulphides. Orion has contracted Mr Deon Rossouw, who led the discovery team at the Kantienpan Deposit, to produce a project review and design a follow-up exploration program for the area overlain by the Masiqhame Prospecting Right.

At the time of writing, a program of drilling and geophysical surveying was underway at the Kantienpan Deposit to confirm historical drill results and test extensions to the mineralised zone.

First drilling results were encouraging with massive sulphides intersected in OKNR014, which returned 7m at 6.44% Zn and 0.43% Cu from 60m including 3m at 7.94% Zn from 63m (Figure 9, refer ASX release 29 September 2016).

Figure 9: Massive sulphides in OKNR014 which returned 7m at 6.44% Zn and 0.43% Cu from 60m. Note each divider shows chips from a 1m interval.

Providing further encouragement the high-powered ground fixed loop electromagnetic (**HP_FLEM**) survey identified a strong new electromagnetic (**EM**) conductor below the extent of historical drilling at the Kantienpan deposit. The KN1 conductor is modelled to be substantially larger and highly conductive (~6000-8000S), being 3-4 times the conductance of the shallower, drilled, conductor (Figure 10 and 11), yet it was not detected in the previous survey due to limitations with the low-powered, historic system used at the time.

Relative conductance within a VMS horizon may be an important indicator of sulphide species and metal tenor and/or width of massive sulphide mineralisation. High conductance targets present priority targets for follow up by drilling.

Detection of the previously unknown, deeper KN1 conductor, by using modern geophysical methods, also highlights the potential for the discovery of new targets as well as blind extensions/repetitions of mineralisation in the extensive VMS belt now consolidated by Orion in the Areachap Belt.

REVIEW OF OPERATIONS CONTINUED

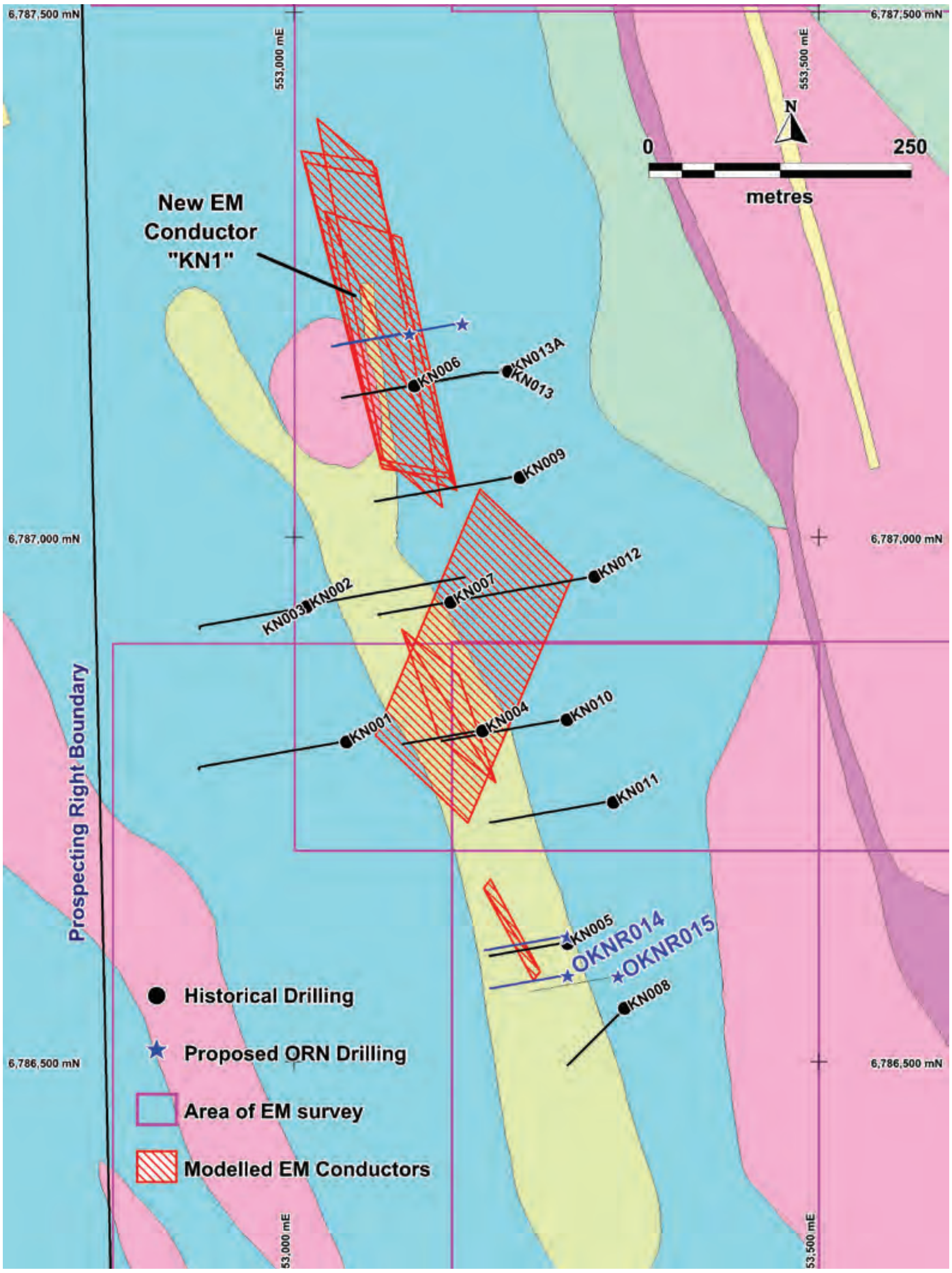


Figure 10: Plan showing historical and proposed drilling at Kantienpan with EM conductors modelled from the current, ongoing HP_FLEM survey including KN1. Note the survey has not yet effectively tested south of OKNR014.

The HP_FLEM survey aims to trace extensions of the mineralisation intersected by both historical and Orion drilling (refer ASX releases – 31 May 2016 and 29 September 2016).

A secondary aim of the survey is to determine if there are additional mineralised lenses in the footwall of the current known mineralisation, which is a common occurrence in VMS deposits such as Kantienpan. Concurrent down-hole EM and surface HP_FLEM are being employed to assist with depth penetration and precision, and the data is integrated to accurately model the conductors detected.

Drilling is planned to re-commence following completion of the HP_FLEM survey, with a focus on targets of possible stronger sulphide mineralisation indicated by highly conductive sources.

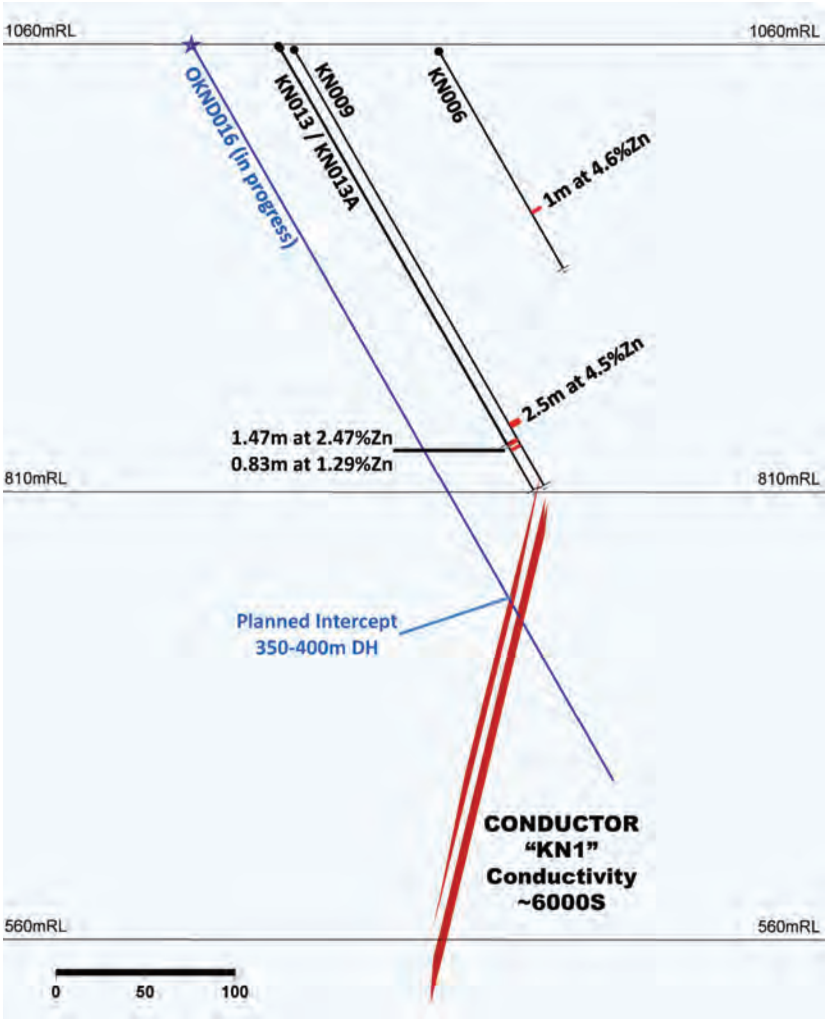


Figure 11: Orthogonal view showing a model of the new KN1 conductor defined in the current Orion survey along with selected drill holes.

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

Subsequent to the end of the reporting period, Orion entered into a binding term sheet to acquire the earn-in rights to the prospecting and mining right applications covering a further area of 626km^2 in the Areachap Belt. The earn-in rights have been acquired over the Jacomynspan Nickel-Copper-PGE Project (**Jacomynspan Project**) from two companies, Namaqua Nickel Mining (Pty) Ltd (**Namaqua**) and Disawell (Pty) Ltd (**Disawell**) (together the **Companies**), which hold partly overlapping prospecting rights and mining right applications. The key terms of the term sheet are set out in the Corporate section of this report.

The Namaqua mining right application covers an advanced nickel-copper-platinum group elements (**PGE**) deposit with a completed mining concept study, while the Disawell prospecting rights are focused on zinc-copper VHMS deposits such as those at the PC Project and Kantienpan Project discussed above. The Jacomynspan Project area is contiguous with the prospecting rights held under the Company's Masiqhame transaction and adjacent to the Marydale Prospecting Right (Figures 1 and 4).

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.

REVIEW OF OPERATIONS CONTINUED

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 targets will then be followed up with modern high-powered geophysical tools and methods which have not previously been applied in the Areachap belt, to assist in better defining drill targets. The results of the HP_FLEM survey at Masiqhame, where a strong conductor was not detected by the historical ground EM survey, highlights the potential for the detection of massive sulphide deposits, associated with numerous known disseminated sulphide bodies.

Australia

Figure 12: Location of Australian based projects.

Connors Arc Project (Queensland)

Orion's Connors Arc Project is located 180km from Rockhampton in Central Queensland (Figure 12). The Project comprises fourteen granted EPMs which cover an area of almost 3,500km^2 (Figures 13 and 14). The Company was active in the field for most of the past year, with activities including mapping, ground geophysical and geochemical surveys and a drilling campaign carried out in November – December 2015.

The project is located on the highly prospective "Connors Arc" which forms part of the Palaeozoic, New England Fold Belt of Eastern Australia. This belt has delivered several large, successful epithermal gold mines such as the Pajingo, Cracow and the Mt Carlton deposits.

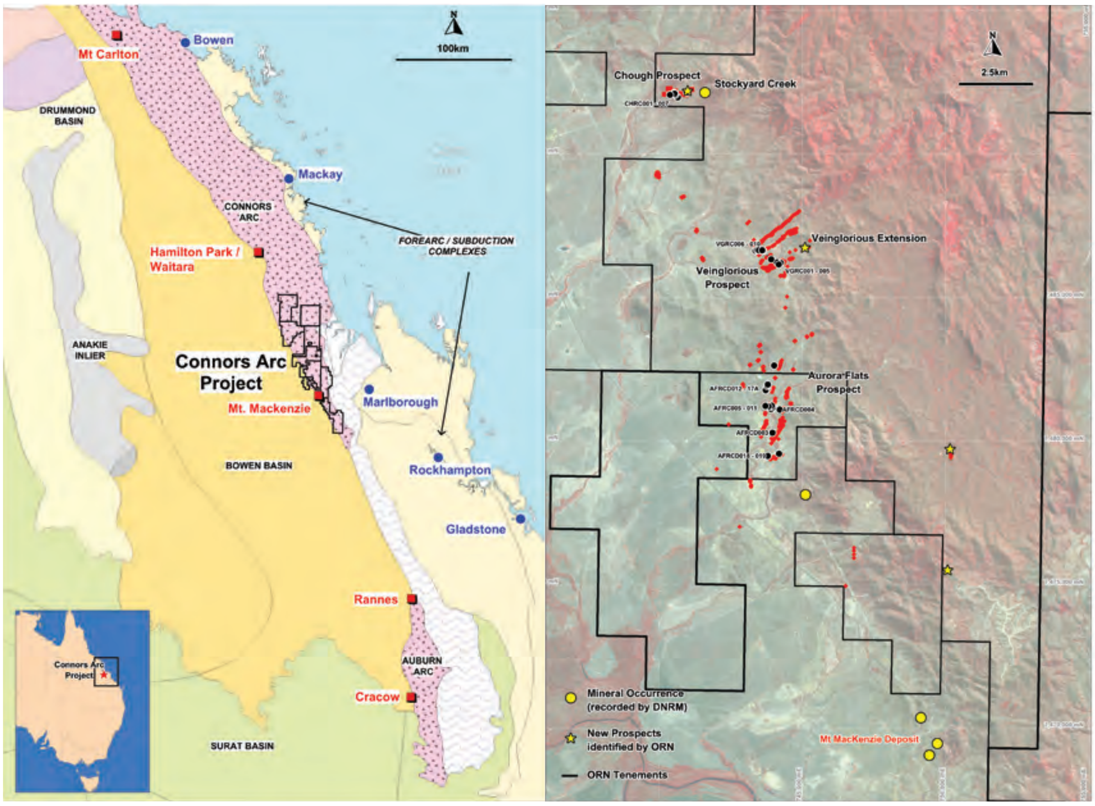


Figure 13: Location of tenements in the Connors Arc Project.

Drilling confirmed the discovery of a new epithermal system at the Chough Prospect, including a significant anomalous intersection of 82m at 0.11g/t gold in CHRC003 (Figures 15 and 16, ASX release 18 February 2016). This prospect was identified early in 2015 with epithermal breccias being mapped along with epithermal and stockwork veining identified in highly silicified, pyritic volcanic host rocks. Anomalous gold-arsenic results in rockchip sampling led to drill testing of the prospect. Drilling intersected a package of interlayered andesite and pervasively altered rhyolite with several breccia units and strong clay alteration of feldspars, interpreted to represent the upper levels of an epithermal system. Significant sulphides were observed in discrete bands and accumulations, both as clots of large pyrite grains and also as clusters/clouds of dark coloured, fine-grained sulphides identified in hand specimen as pyrite and arsenopyrite. Follow up drilling is planned at the Chough Prospect in coming months.

REVIEW OF OPERATIONS CONTINUED

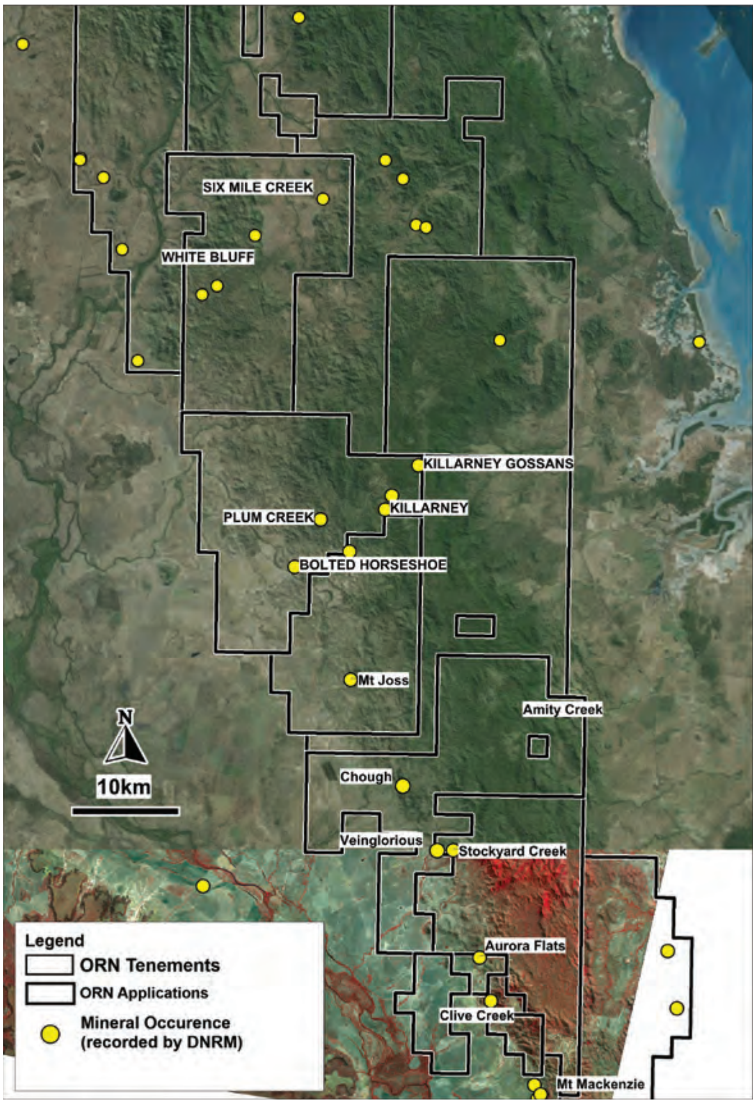


Figure 14: Plan showing location of Chough, Aurora Flats and Veinglorious Prospects. Regional prospects and recorded mineral occurrences also shown.

Drilling also tested a number of potential extensions to the epithermal systems at Aurora Flats and Veinglorious. Earlier work had mapped a large strike length of new epithermal veins at Veinglorious and at Aurora Flats, targets had been defined by soil geochemical surveys along trend from the main prospect. While epithermal veining and breccias were intersected in drilling, results indicated that this area represented the basal portion of the system, below the critical zone for precious metals deposition. Therefore, exploration activities returned to the main Aurora Flats and Veinglorious Prospects. No further drilling has been carried out at the main Aurora Flats and Veinglorious Prospects, with targets arising from previous drilling campaigns ready for follow up by deeper drilling along with drill testing of strike and dip extensions to the mineralisation previously intersected in historical drilling.

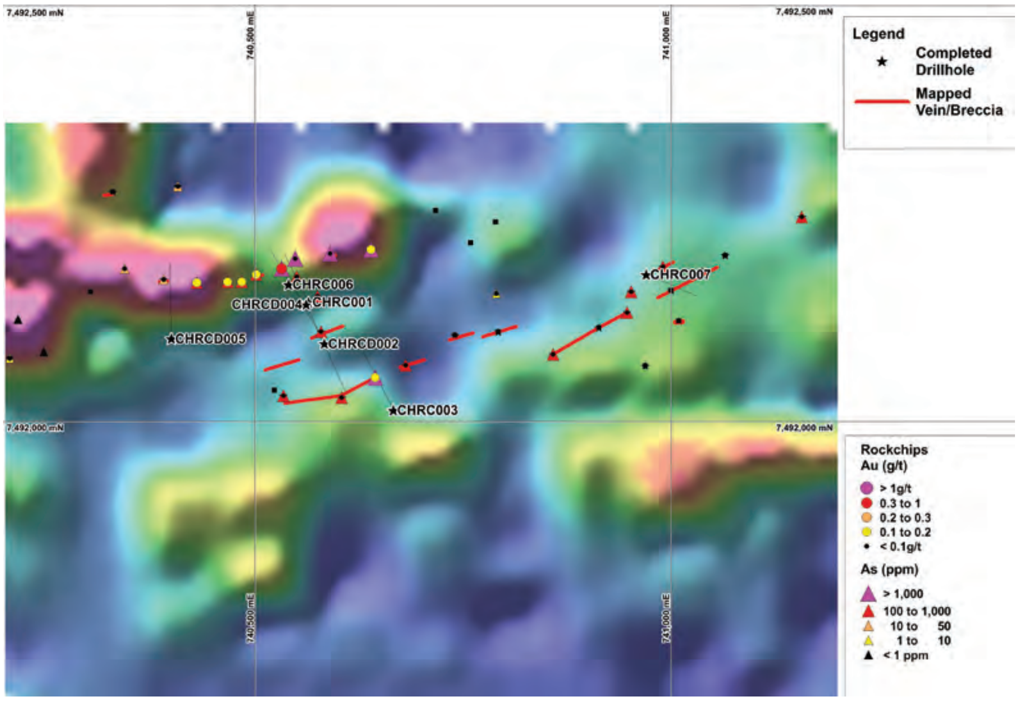


Figure 15: Plan (above) showing Orion's drilling and rock chip sampling at the Chough Prospect, along with mapped epithermal veins. Section A – B is shown in Figure 16 below.

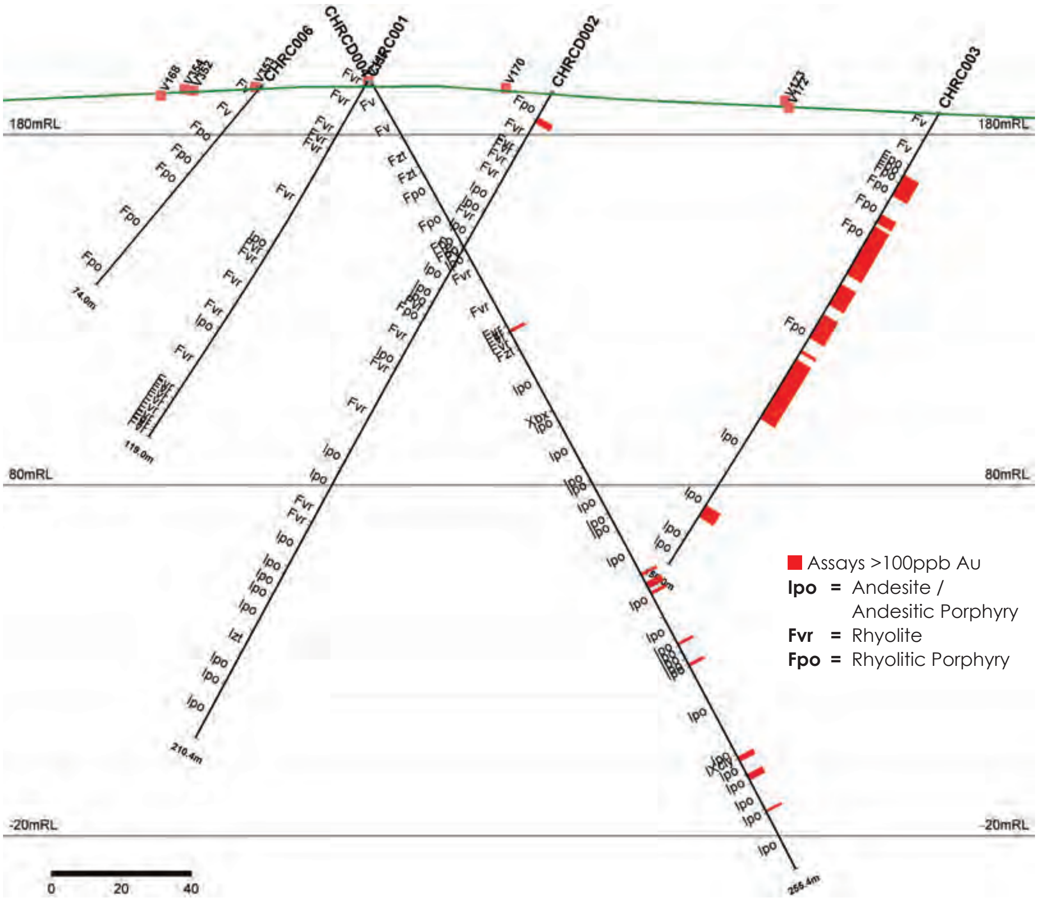


Figure 16: Section showing drilling at the Chough Prospect (refer Figure 15 for location) and anomalous results (>100ppb gold).

REVIEW OF OPERATIONS CONTINUED

In addition to drilling, field work commenced at the Killarney and 6 Mile Creek prospects. A number of breccia units and vein swarms have been mapped at the Killarney Prospect with historical explorers stating potential for high-sulphidation epithermal, low sulphidation epithermal, and porphyry style mineralisation. Historical drill intersections at the Killarney Breccia include 57m at 0.3 g/t gold and 10m at 1.0 g/t gold (refer ASX release 6 November 2015). The Company has completed an initial geological reconnaissance, with traverses on foot across the main prospects with a handful of samples taken from outcropping epithermal veins and breccias. Encouragingly, two out of six samples collected returned results above 1g/t gold and 20g/t silver (refer ASX release 19 February 2016). A more systematic soil geochemical and ground geophysical survey is planned along with drill testing of strike and dip extensions to the mineralisation previously intersected in historical drilling.

Compilation of historical data from the 6 Mile Creek Prospect highlighted significant surface results from a mapped epithermal vein extending for some 1.8km's. In particular, exceptional results were returned by rockchip samples from a 400 metre long outcrop including gold assays of 34g/t, 19g/t and 18g/t gold and silver assays of 1,530g/t, 135g/t and 105g/t silver (total 24 samples; refer ASX release 7 December 2015). Historical shallow drilling beneath these outcrops returned results including:

- 7m at 1.0g/t gold and 10g/t silver (MRCPH-2);
- 2m at 1.3g/t gold and 30g/t silver (MRCPH-1);
- 1m at 2.9g/t gold and 34g/t silver (MRCPH-4); and
- 1m at 3.18g/t gold and 34g/t silver (MRCPH-5).

A detailed structural interpretation completed by Dr Brett Davis confirmed a NNE-SSW strike to the primary structures and a dextral sense of shear resulting in displacement of the epithermal veins. It is likely that mineralisation within the structural regime at 6 Mile Creek will form steeply-plunging shoots analogous to the geometry of ore shoots at Pajingo. Follow-up drilling will therefore focus immediately below the historical shallow drilling beneath these outcrops.

Fraser Range Project (Western Australia)

The Company continues to hold and advances its substantial tenement holding of 3,830km^2 in the Fraser Range Province of Western Australia (Figures 12 and 17). 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.

The Company's exploration programs initially 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.

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. The Company is currently assessing how to most effectively explore the significant areas covered by these targets.

A number of the targets lie beneath deeper, modern sediment cover in the eastern project area, where airborne EM has been ineffective and, in some cases, where high-resolution magnetic data has not yet been acquired.

Orion has recently commenced a ground gravity and aeromagnetic survey over the southern portion of the project area. Data from the surveys will be used to identify locations with the highest potential to host mafic-ultramafic intrusions with the potential to host nickel-copper mineralisation. In addition, interpretation of the data will enable compilation of a geological model including identification of major crustal structures which may represent historical magma pathways and sediments which would provide contaminants to trigger deposition of metal bearing sulphides.

Whilst the Fraser Range Project is highly prospective, due to the nature and scale of exploration activities that need to be undertaken, the Company is in discussions with several parties who have expressed interest to become involved in the Company's Fraser Range Project. Involvement from these interested parties could provide both additional technical capability and potential financing for expanded exploration efforts on Orion's large tenement holding. Discussions with various parties are ongoing.

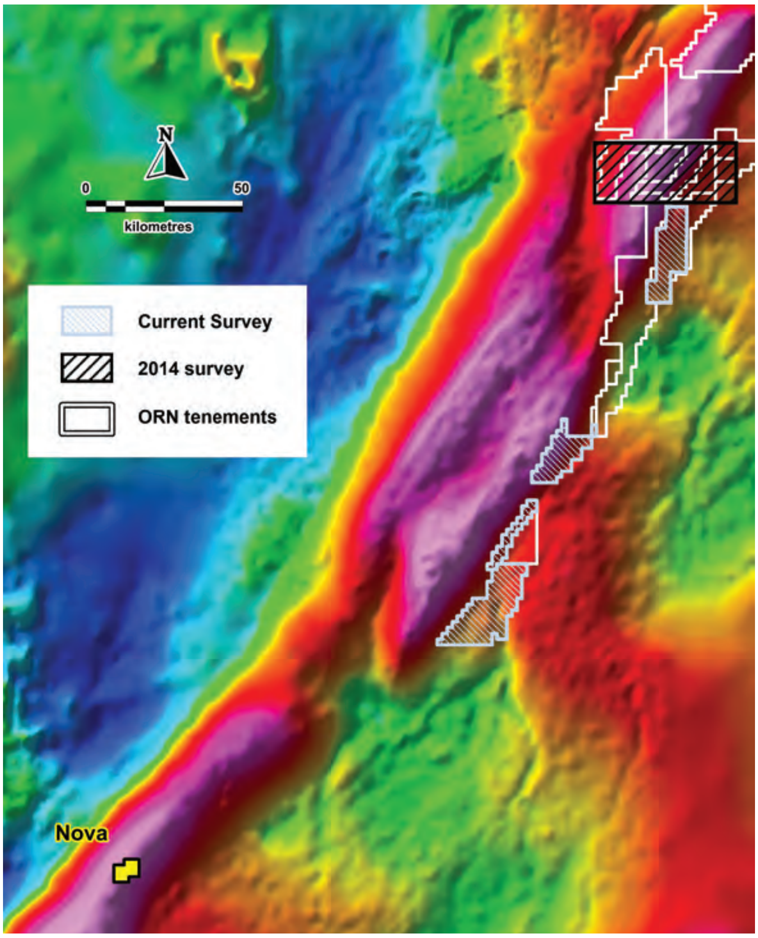


Figure 17: Orion tenements in the Fraser Range Project showing location of current gravity and magnetic surveys.

REVIEW OF OPERATIONS CONTINUED

Corporate

The Company recorded a loss of $2,258,188 after tax for the full-year ended 30 June 2016. Net cash used in operating activities totalled $2,252,847 and in investing activities totalled $365,865. Cash on hand at the end of the year was $651,748.

The Company continues to focus strongly on exploration within its Areachap Copper-Zinc and Gold Project (South Africa), Connors Arc Epithermal Gold Project (Queensland) and its Fraser Range – Gold-Nickel-Copper Project (Western Australia). A total of $1,934,718 in exploration expenditure was incurred during the year.

<u>Option Agreement – PC Project (South Africa)</u>

On 30 July 2015, the Company announced that it had signed a binding term sheet for an option to acquire Agama, an unlisted South African registered company. Agama holds an effective 73.33% interest in the PC Project, located at Copperton, Northern Cape Province, South Africa and the Marydale Project located 60km from the PC Project. The option period allows the Company to conduct comprehensive due diligence in advance of a decision to exercise the option. Terms of the option agreement were amended in May 2016. The key terms of the revised binding term sheet are set out below:

- The vendor group, who are unrelated and at arm's length to the Company, have agreed to option and sale terms, to sell a 100% interest in Agama.
- The option is exercisable at the Company's election at any time before 31 December 2016, and can be terminated at any time at the Company's election.
- The Company has committed to expend a minimum of ZAR1,200,000 (~A$100,000) on an exploration program during the option period.
- Should the Company exercise the option, the purchase consideration payable upon exercise of the option to complete the acquisition is ZAR53,000,000 (~A$4,600,000) (based on an exchange rate conversion assumption: A$ = ZAR11.5), of which:
  - Cash – ZAR31,500,000 (~A$2,700,000) is payable in cash;
  - Consideration Shares – ZAR21,500,000 (~A$1,900,000) is payable by issue of fully paid ordinary shares in the Company (**Shares**), to be issued at a 10% discount to the 10 trading day volume weighted average price (**VWAP**) of the Shares prior to the issue of the Shares (**Share Issue Price**); and
  - Each Share issued will have an attached unlisted 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.
- 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 within an agreed period, 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 option fee paid by the Company in July 2016, to maintain the option until 31 December 2016 was ZAR250,000 (~A$22,000). Upon exercise of the option, one final option fee will become payable to the vendor, which shall be equal to the previous option fee payment made by the Company.

The acquisition is subject to a number of conditions precedent including but not limited to due diligence to be completed by the Company, the Company providing or procuring finance for Agama so that it can settle all shareholder loans (ZAR32,300,000 (~A$2,800,000)) and approvals.

Option Agreement – Masiqhame (South Africa)

In April 2016 the Company executed a binding option agreement with Masiqhame for Orion to earn up to a 73% interest in Masiqhame (**Option**). Masiqhame holds prospecting rights over large, highly prospective area located approximately 80km's north of the PC Project. Key terms of the amended Option are as follows:

- The Company 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 the Company will earn in to an incorporated joint venture, partnering with a BEE partner via Masiqhame.
- The Company will have an exclusive option to undertake due diligence on the corporate entity and the prospecting rights until no later than 30 September 2016, failing which the parties will be released from their obligations under the Option. Orion announced to the ASX on 29 September 2016, that it had exercised the Option.
- Following the successful completion of due diligence, should the Company elect to exercise the Option:
  - the Company will pay Masiqhame ZAR1,500,000 (~A$130,000) 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 the Company with Masiqhame Shares which shall result in the Company 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, the Company 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 the Company has earnt the initial 50% interest in Masiqhame through the issue of Masiqhame Shares to the Company, it 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, the Company 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 Option will be free carried until such time that a mining right is granted; and
    - if the Company fails to advance the Principal in any 12 month period, Masiqhame may subject to notice periods demand that all of the Masiqhame Shares held by the Company be transferred back to the Masiqhame shareholders (excluding the Company) for nil consideration and remove the Company as manager.
  - finalisation of a feasibility study; and

REVIEW OF OPERATIONS CONTINUED

- lodgement of an application for the grant of a mining right over some or all of the area of the prospecting rights,

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

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

Subsequent to the end of the year 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.

The Company's earn-in right is via a South African-registered special-purpose vehicle (**SPV**), which will be established by the Company 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:

- SPV has the exclusive opportunity to earn up to an 80% interest (Company 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 the Company;
  - The Company 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 the Company to access the Jacomynspan Project and conduct exploration activities including the Initial Program;
  - The Company providing proof of financial capacity to execute the Initial Program prior to 9 January 2017; and
  - The parties entering into a comprehensive earn-in agreement prior to 10 November 2016.
- Orion SPV is able to earn an initial interest of 25% (Orion 18.5%) in the Companies via staged expenditure of USD500,000 on the Jacomynspan Project over the 12 months from the Earn In Commencement Date (**First Earn In Right**) including:
  - Expenditure commitment of USD250,000 in the first 6 months; and
  - A further $250,000 must be spent within 12 months of the Earn-In Commencement Date (USD500,000 in total expenditure).
- Once Orion SPV has earnt the initial 25% interest:
  - The Companies will issue the Company with fully paid ordinary shares in the Companies 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**);
  - The Company 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 the Company elect to increase its interest via further expenditure, the Orion SPV can earn a further 25% interest (making its total interest 50% (the Company 37%)) by expending a further USD1,000,000 on the Jacomynspan Project (USD1,500,000 total expenditure) over a further 12 months (2 years from Earn-In Commencement Date) (**Second Earn In Right**).
- Once Orion SPV has earnt a 50% interest:
  - The Companies will issue the Company 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
  - The Company 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 the Company elect to increase its interest via further expenditure, Orion SPV can earn a further 30% interest (making its total interest 80% (the Company 59.2%)) by:
  - Expending a further USD500,000 on the Jacomynspan Project (USD2,000,000 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, the Company 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 USD2,000,000.
- As noted above, all expenditure by the Company shall be advanced to the Companies as an Orion Loan. In addition to the Orion Loan, the Companies have existing shareholder loans of ZAR78,500,000 (USD5,400,000) 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 the Company 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 the Company will relinquish its rights to earn any further interest in the Companies and the term sheet will be at an end.

Walhalla Project – Option Agreement Mining Licence

On 11 August 2015, the Company announced that it had entered into a binding term sheet (**A1 Term Sheet**) with A1 Consolidated Gold Limited (**A1 Gold**) for A1 Gold to acquire the Company's Walhalla Project Licence in Victoria, which includes the Eureka and Tubal Cain deposits, for total consideration of $850,000.

On 30 December 2015, the Company announced that it had entered into a binding agreement with A1 Gold (**A1 Agreement**) that amended the terms of the A1 Term Sheet for A1 Gold to acquire the licence. Key terms of the A1 Agreement are as follows:

- $50,000 cash payment (received by the Company in August 2015);

REVIEW OF OPERATIONS CONTINUED

- $300,000 consideration through the issue of 7,816,285 fully paid ordinary A1 Gold shares (**A1 Shares**) at the VWAP of the A1 Shares as traded on the ASX in the ten trading days prior to 7 August 2015 ($0.03838). The A1 Shares were issued to the Company on 2 February 2016 and are not subject to escrow;
- $500,000 royalty through a 2% royalty on net smelter returns from the sale of gold recovered and sold by A1 Gold from the Licence (**NSR**). In addition, A1 Gold has granted the Company a put option whereby the Company can at any time following a period of 36 months from the date of the A1 Term Sheet, require A1 Gold to purchase the NSR at a price equal to $500,000 less any NSR paid in accordance with the A1 Term Sheet (**NSR Consideration**). The Company can elect to receive the NSR Consideration as cash or A1 Shares issued to the Company at the VWAP of the Shares as traded on the ASX in the ten trading days prior to the date of issue; and
- Following the Completion Date, and upon the Victorian Government Department of Economic Development, Jobs, Transport and Resources (**DEDJTR**) issuing a recommendation in relation to the transfer of the Licence from the Company to A1 Gold, A1 Gold is required to replace the $180,000 rehabilitation bond that the Company has on deposit with the DEDJTR.

The acquisition of the Licence by A1 Gold is subject to the grant of consents required under the Mineral Resources (Sustainable Development) Act.

The previous agreement with A1 Gold involving an option to acquire the Walhalla Project tenements in Victoria expired on 31 July 2015.

Capital Raisings and Loan Facilities

1. Share Purchase Plan

On 6 November 2015, the Company announced an offer to shareholders of Shares under a share purchase plan (**SPP**). Under the SPP, each eligible shareholder was entitled to apply for parcels of Shares up to a maximum of $15,000 without incurring brokerage or transaction costs. The SPP offer closed on 11 December 2015.

On 17 December 2015, the Company issued 37,155,101 Shares, to raise $557,327, resulting from a receipt of funds from SPP participants. The issue price of Shares under the SPP was $0.015 per Share.

2. Placements

- During December 2015, the Company issued 28,914,790 Shares at an issue price of $0.015 to raise $433,722 as approved by shareholders at the Company's Annual General Meeting held on 26 November 2015 (**AGM**).
- Under the terms of the agreement for the sale of the Eastern Goldfields Project, Eastern Goldfields Limited agreed to procure the subscription for 33,333,333 Shares at $0.015 per Share to raise $500,000. On 8 June 2016, the Company issued the Shares.
- On 23 June 2016, the Company issued 20,673,332 Shares at an issue price of $0.015 per Share to raise $310,100 by way of placement.
- Following year end, on 16 September 2016, the Company announced that it had issued 9,100,000 Shares at $0.025 per Share to raise $227,500 by way of placement.

3. Loan Facilities and Issue of Shares to Directors and Associates

During the reporting period, the Company finalised loan agreements with two of its major shareholders for a total of $1,000,000.

A $500,000 loan facility was agreed with Silja Investment Ltd (**Silja**), the Company's largest shareholder and a company associated with a Non-executive Director of the Company, Mr Alexander Haller, and a $500,000 loan facility was agreed with Tarney Holdings Pty Ltd ATF The DP & FL Waddell Family Trust (**Tarney**), a company associated with the Company's Chairman, Mr Denis Waddell (together the **Facilities**).

Under the terms of the Facilities, the Company or lenders had the option to convert cash drawn down under the Facilities to Shares (subject to Shareholder approval).

In conjunction with the Company's SPP, as approved by shareholders at the Company's AGM, on 2 December 2015, the Company issued the following Shares to convert existing loans from director related entities into Shares:

- 33,333,333 Shares to Tarney – $500,000
- 9,333,333 Shares to Silja – $140,000

The Shares were issued at $0.015 per Share being the same issue price as the SPP.

On 23 February 2016, the Company paid Silja $100,000, thereby repaying the balance of the Silja Facility that was outstanding as at 31 December 2015. Following the repayment of the Silja Facility, the security against all present and after acquired property of the Company was removed.

In conjunction with the loan facilities conversion, on 2 December 2015 the Company also issued 6,666,666 Shares to Mr Errol Smart (Orion's Managing Director and CEO) at an issue price of $0.015 per Share to raise $100,000.

Sale of Non-Core Tenement Package to Eastern Goldfields

In May 2016, the Company entered into a binding agreement for the sale of its Eastern Goldfields Project to Eastern Goldfields Limited (**Eastern**).

Under the terms of the agreement, the Company received the following consideration for the sale of the tenements to Eastern:

- $125,000 paid in cash;
- 2,000,000 unlisted Eastern options, on the following terms:

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

- Eastern to procure the subscription of 33,333,333 Orion Shares at $0.015 per Share to raise $500,000.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2016.

BOARD OF DIRECTORS

Director	Designation	Qualifications, experience & expertise	Directorships of other listed companies	Other roles held during the year
Denis Waddell Appointed 27 February 2009	Non-executive Chairman	ACA, FAICD Mr Waddell is a Chartered Accountant with extensive experience in the management of exploration and mining companies. Mr Waddell founded Tanami Gold NL in 1994 and was involved with the Company as Managing Director and then Chairman and Non-Executive Director until 2012. Prior to founding Tanami Gold NL, Mr Waddell was the Finance Director of the Metana Minerals NL group. During the past 30 years, Mr Waddell has gained considerable experience in corporate finance and operations management of exploration and mining companies.	Tanami Gold NL (former)	Chairman of Audit Committee
Errol Smart Appointed 26 November 2012	Managing Director	BSc(Hons) Geology (University of Witwatersrand) NHD Economic Geology (Technikon Witwatersrand) Mr Smart is a geologist, registered with the South African Council of Natural Scientific Professionals, a Recognised Overseas Professional Organisation for JORC purposes. Mr Smart has more than 25 years of industry experience across all aspects of exploration, mine development and operations with experience in precious and base metals. Mr Smart has a wealth of public and private company corporate experience and has been on the founding teams and managed a number of exploration and mining companies throughout Africa and has had strong exposure to Australian projects. Mr Smart has held positions in Anglogold, Cluff Mining, Metallon Gold, Clarity Minerals and LionGold Corporation. In his role at LionGold, Mr Smart was responsible for project acquisition and growth of the company, which saw it become the first gold mining company to be listed on the main board of the Singapore Stock Exchange.	None	Chief Executive Officer Member of the Audit Committee
William Oliver Appointed 7 April 2014	Technical Director	BSc (Hons) Geology (UWA), Grad Dip App Fin (FINSIA), MAIG, MAusIMM Mr Oliver is a geologist with over 16 years' experience in the international resources industry working for both major and junior companies. Mr Oliver has had wide-ranging exploration experience with considerable success and has expertise in project identification and acquisition. Mr Oliver has led exploration teams in Europe and Australia, including senior roles with Harmony Gold, Iberian Resources, BC Iron and Bellamel Mining, and most recently was the Managing Director of Signature Metals.	Celsius Coal Ltd (ongoing) Minbos Resources Ltd (ongoing)	Chief Operating Officer
Alexander Haller Appointed 27 February 2009	Non-executive Director	BSc (Economics) Mr Haller is a partner of Zachary Capital Management, providing advisory services to a number of private investment companies, including Silja Investment Ltd, focusing on the principal investment activities for these companies. From 2001 to 2007 Mr Haller worked in the corporate finance division at JP Morgan in the U.S, advising on corporate mergers and acquisitions as well as financing in both the equity and debt capital markets.	UMS Limited (ongoing) Shaft Sinkers PLC (former)	Member of the Audit Committee

Directors' Report (continued)

COMPANY SECRETARY

The name and details of the Company Secretary in office during the financial year and until the date of this report is as follows:

Name	Experience and qualifications
Mr Martin Bouwmeester Company Secretary (Appointed 1 April 2016)	Mr Bouwmeester has 20 years' experience in the mining industry and was Business Development Manager, Chief Financial Officer and Company Secretary of Perseverance Corporation Limited. Mr Bouwmeester was a key member of the team that evaluated the sulphide mineralisation at the Fosterville Gold Mine; an initiative that led to the discovery and definition of more than 3 million ounces of gold and the funding for the development of the mine and processing plant to exploit those resources. Mr Bouwmeester also holds the position of Business Development Manager with the Company. **Qualifications** FCPA

CORPORATE STRUCTURE

Orion Gold NL is a no liability company that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, being the wholly-owned subsidiaries Kamax Resources Limited and Goldstar Resources (WA) Pty Ltd (referred to as the **Group**).

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was exploration and evaluation of the South African Areachap Zinc-Copper and Gold Project, the Connors Arc Epithermal Gold Project in central Queensland, the Fraser Range Nickel-Copper and Gold Project in Western Australia and the Walhalla Gold and Polymetals Project in Victoria. There were no significant changes in the nature of the Group's principal activities during the year.

OPERATING AND FINANCIAL REVIEW

Operations

During the financial year the Company continued to expand its portfolio of resources projects by entering into a series of option agreements over properties along the Areachap Belt in the Northern Cape of South Africa. Exploration also continued at the Company's Queensland and Western Australian Projects, with drilling carried out at the Connors Arc Project in Queensland.

<u>Areachap Belt – South Africa</u>

The Company has entered into a number of option agreements in the Areachap Belt in the Northern Cape of South Africa, which are detailed in the Corporate section of the Director's report. These options cover a number of mineral properties as follows:

1. Historical Prieska Copper Mine, Zinc-Copper Project

The historical Prieska copper mine, zinc copper project (**PC Project**) covers the historic Prieska Copper Mine which was operated by Anglovaal between 1971 and 1991, producing over 0.43 million tonnes of copper and more than 1 million tonnes of zinc from an underground operation based on an initial drilled reserve of 47 million tonnes grading 1.74% copper, 3.87% zinc, 8g/t silver, 0.4g/t gold and 30% pyrite. Remnant mineralisation remains present below and adjacent to the historical underground mine, with the Company calculating an Exploration Target of 7.0-11.0 million tonnes grading 1.2-1.8% copper and 3.9-5.9% zinc for sulphide mineralisation identified by historic drilling (Deep Sulphide Exploration Target), refer ASX release 18 November 2015.

Directors' Report (continued)

More recent exploration has focussed on the unmined portion of the deposit closer to surface, denoted the +105 Level Open Pit Exploration Target. The Company calculated a +105 Level Open Pit Exploration Target of 3.0-4.5 million tonnes grading 1.0-1.6% Cu and 1.3-2.0% Zn for near surface mineralisation comprising oxide, supergene and primary sulphide material to a depth of 100m which is potentially accessible via an initial open pit, refer ASX release 18 November 2015. This +105 Level Open Pit Exploration Target is based on historical and recent drilling results.

Due diligence investigations focussing on legal, environmental and technical matters were completed with no significant issues identified, and encouraging indications as to the viability of the project. The Company has recently commenced drilling to firm up on the expectations of the +105 Level Open Pit Exploration Target and advance toward 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC**) compliant resources.

2. Marydale Gold-Copper Project

The Marydale gold-copper project (**Marydale Project**) is a virgin gold-copper discovery located 60km NW of the PC Project. Historical drilling, which has been carried out at a variety of orientations, has intersected wide zones of gold mineralisation, while preventing the development of a robust geological model. The Company has recently completed oriented core drilling at the Marydale Project which will allow the characteristics of mineralisation to be determined and enable future drilling to be optimally targeted. In addition, analysis and reinterpretation of historic surface geochemical and geophysical data over the larger prospect area has enhanced the prospectivity of an area stretching over 2km along trend from the drilled area due to the presence of coincident copper-zinc and IP anomalies.

3. Jacomynspan Project (Namaqua-Disawell Tenure)

The Jacomynspan Nickel-Copper-PGE Project (**Jacomynspan Project**) area contains numerous known occurrences of volcanogenic hosted massive sulphide 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.

The Jacomynspan Deposit was first identified by Anglo American Prospecting Services (**AAPS**) with drilling carried out along a 4km strike length. Disseminated nickel sulphide mineralisation was intersected with widths between 30–70m. Metallurgical test work and mining studies were undertaken on the deposit, culminating in an economic assessment in 1983 which was generally positive and recommended that more detailed studies be undertaken. However, prevailing macro-economic and geopolitical conditions were not favourable and the option was relinquished by AAPS in 1984.

In 2006, the project area was pegged by Namaqua. Exploration activities completed since then have included airborne electromagnetic and magnetic surveys as well as over 26,000m of diamond core. This drilling was confined to in-fill drilling on a 1.2km section of strike over an outcropping ultramafic sill previously drilled by AAPS. A SAMREC Code (2007) compliant Mineral Resource was defined for the Jacomynspan Deposit.

While Namaqua did not do any follow-up exploration on satellite intrusive bodies and geophysical targets, the high resolution airborne magnetic survey targeted the distinct magnetic fingerprint of hartzburgites within, and extending from, the drilled resource area and produced a high quality target map that was never followed up.

The Company 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.

4. Kantienpan Deposit (Masiqhame Tenure)

The Kantienpan Deposit is one of a number of volcanogenic massive sulphide hosted zinc-copper occurrences in the area of the Masiqhame prospecting right. The deposit was targeted by a combination of magnetic and time-domain electromagnetic ground surveys, following up on alteration identified by rock-chip sampling.

Directors' Report (continued)

Drilling has confirmed the presence of significant zinc-copper mineralisation extending from 80m – 250m below surface and along 800m of strike. Mineralisation at the Kantienpan Deposit remains open both along strike and at depth as drilling at the Kantienpan Deposit was curtailed soon after discovery, due to a corporate decision by Iscor to stop all exploration and focus on iron ore production. The Company plans to test extensions to mineralisation at Kantienpan as well as investigating other noted zinc-copper mineralisation within the prospecting right including the Boksputs and Van Wyks Pan prospects.

Connors Arc Project – Queensland

Further drilling was carried out at the Connors Arc Project in Central Queensland during the year aimed at testing new targets derived from ongoing fieldwork. Drilling successfully delineated a new epithermal system at the Chough Prospect with a significant zone of anomalous gold intersected in CHRC003 (82m at 0.11g/t gold, refer ASX release 19 February 2016). Drilling beneath high grade rock chips at the Veinglorious North Prospect did not yield substantial results indicating that this area is at the "root" of the epithermal system. Targets still remain to be tested at the Veinglorious Main and Aurora Flats prospects.

In addition, new areas were pegged by the Company including the 6 Mile Creek and Killarney Prospects. At 6 Mile Creek, excellent gold and silver grades have been returned from surface rock chips with mineralised veins also intersected by historical drilling. At Killarney, a substantial epithermal system comprising veining and breccias has been mapped at surface with historical drilling returning anomalous intersections. Advancement of both these prospects is planned in the coming year.

Fraser Range Project – Western Australia

The Company continues to hold a substantial tenement holding in the Fraser Range Province of Western Australia. The Company has defined a significant number of targets within the project area and is still assessing how to most cost effectively explore the significant areas covered by these targets.

Corporate

Option Agreement - PC Project (South Africa)

On 30 July 2015, the Company announced that it had signed a binding term sheet for an option to acquire Agama Exploration & Mining (Pty) Ltd (**Agama**), an unlisted South African registered company. Agama holds an effective 73.33% interest in the PC Project, located at Copperton, Northern Cape Province, South Africa and the Marydale Project located 60km from the PC Project. The option period allows the Company to conduct comprehensive due diligence in advance of a decision to exercise the option. Terms of the option agreement were amended in May 2016.

The key terms of the revised binding term sheet are set out below:

- The vendor group, who are unrelated and at arm's length to the Company, have agreed to option and sale terms, to sell a 100% interest in Agama.

- The option is exercisable at the Company's election at any time before 31 December 2016, and can be terminated at any time at the Company's election.

- The Company has committed to expend a minimum of ZAR1,200,000 (AUD100,000) on an exploration program during the option period.

- Should the Company exercise the option, the purchase consideration payable upon exercise of the option to complete the acquisition is ZAR53,000,000 (AUD4,600000) (based on an exchange rate conversion assumption: AUD1 = ZAR11.5), of which:
    - Cash – ZAR31,500,000 (AUD2,700,000) is payable in cash;
    - Consideration Shares - ZAR21,500,000 (AUD1,900,000) is payable by issue of fully paid ordinary shares in the Company (**Shares**), to be issued at a 10% discount to the 10 trading day volume weighted average price (**VWAP**) of the Shares prior to the issue of the Shares (**Share Issue Price**); and
    - Each Share issued will have an attached unlisted 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.

Directors' Report (continued)

- 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 within an agreed period, 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 option fee payable by the Company in July 2016, to maintain the option until 31 December 2016 is ZAR250,000 (AUD22,000). Upon exercise of the option, one final option fee will become payable to the vendor, which shall be equal to the previous option fee payment made by the Company.

The acquisition is subject to a number of conditions precedent including but not limited to due diligence to be completed by the Company, the Company providing or procuring finance for Agama so that it can settle all shareholder loans (ZAR32,300,000 (AUD2,800,000)) and approvals.

Option Agreement – Masiqhame (South Africa)

In April 2016 the Company executed a binding option agreement with Masiqhame for Orion to earn up to a 73% interest in Masiqhame (**Option**). Masiqhame holds prospecting rights over large, highly prospective area located approximately 80km's north of the PC Project. Key terms of the Option are as follows:

- The Company 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 the Company will earn in to an incorporated joint venture, partnering with a BEE partner via Masiqhame.

- The Company will have an exclusive option to undertake due diligence on the corporate entity and the prospecting rights until no later than 30 September 2016, failing which the parties will be released from their obligations under the Option.

- Following the successful completion of due diligence, should the Company elect to exercise the Option:
  - the Company will pay Masiqhame ZAR1,500,000 (AUD130,000) to invest in new fully paid Masiqhame shares (**Masiqhame Shares**); and
  - Masiqhame will issue the Company with Masiqhame Shares which shall result in the Company being the holder of 50% of the total Masiqhame Shares on issue immediately following such issue of Masiqhame Shares.

  (**Completion**)

- At Completion, the Company 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;

- Masiqhame will then apply the ZAR1,500,000 the Company has invested in Masiqhame Shares to execute an initial exploration program on the tenements.

- Once the Company has earnt the initial 50% interest in Masiqhame through the issue of Masiqhame Shares to the Company, it 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 AUD100,000 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, the Company 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;

Directors' Report (continued)

        - Masiqhame shareholders as at the date of execution of the Option will be free carried until such time that a mining right is granted; and
        - if the Company fails to advance the Principal in any 12 month period, Masiqhame may subject to notice periods demand that all of the Masiqhame Shares held by the Company be transferred back to the Masiqhame shareholders (excluding the Company) for nil consideration and remove the Company 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 this, Masiqhame shall immediately issue further new Masiqhame Shares to the Company which shall result in the Company being the holder of 73% of the total Masiqhame Shares on issue immediately following such issue.

- The transaction is subject to due diligence to be conducted by the Company and all necessary regulatory approvals.

Walhalla Project – Option Agreement Mining Licence

On 11 August 2015, the Company announced that it had entered into a binding term sheet (**A1 Term Sheet**) with A1 Consolidated Gold Limited (**A1 Gold**) for A1 Gold to acquire the Company's Walhalla Project Licence in Victoria, which includes the Eureka and Tubal Cain deposits, for total consideration of $850,000.

On 30 December 2015, the Company announced that it had entered into a binding agreement with A1 Gold (**A1 Agreement**) that amended the terms of the A1 Term Sheet for A1 Gold to acquire the licence. Key terms of the A1 Agreement are as follows:

- $50,000 cash payment (received by the Company in August 2015);
- $300,000 consideration through the issue of 7,816,285 fully paid ordinary A1 Gold shares (**A1 Shares**) at the VWAP of the A1 Shares as traded on the ASX in the ten trading days prior to 7 August 2015 ($0.03838). The A1 Shares were issued to the Company on 2 February 2016 and are not subject to escrow;
- $500,000 royalty through a 2% royalty on net smelter returns from the sale of gold recovered and sold by A1 Gold from the Licence (**NSR**). In addition, A1 Gold has granted the Company a put option whereby the Company can at any time following a period of 36 months from the date of the A1 Term Sheet, require A1 Gold to purchase the NSR at a price equal to $500,000 less any NSR paid in accordance with the A1 Term Sheet (**NSR Consideration**). The Company can elect to receive the NSR Consideration as cash or A1 Shares issued to the Company at the VWAP of the Shares as traded on the ASX in the ten trading days prior to the date of issue; and
- Following the Completion Date, and upon the Victorian Government Department of Economic Development, Jobs, Transport and Resources (**DEDJTR**) issuing a recommendation in relation to the transfer of the Licence from the Company to A1 Gold, A1 Gold is required to replace the $180,000 rehabilitation bond that the Company has on deposit with the DEDJTR.

The acquisition of the Licence by A1 Gold is subject to the grant of consents required under the Mineral Resources (Sustainable Development) Act.

The previous agreement with A1 Gold involving an option to acquire the Walhalla Project tenements in Victoria expired on 31 July 2015.

Directors' Report (continued)

Capital Raisings and Loan Facilities

1. Share Purchase Plan

On 6 November 2015, the Company announced an offer to shareholders of Shares under a share purchase plan (**SPP**). Under the SPP, each eligible shareholder was entitled to apply for parcels of Shares up to a maximum of $15,000 without incurring brokerage or transaction costs. The SPP offer closed on 11 December 2015.

On 17 December 2015, the Company issued 37,155,101 Shares, to raise $557,327, resulting from a receipt of funds from SPP participants. The issue price of Shares under the SPP was $0.015 per Share.

2. Placements

- During December 2015, the Company issued 28,914,790 Shares at an issue price of $0.015 to raise $433,722 as approved by shareholders at the Company's Annual General Meeting held on 26 November 2015 (**AGM**).

- Under the terms of the agreement for the sale of the Eastern Goldfields Project, Eastern Goldfields Limited agreed to procure the subscription for 33,333,333 Shares at $0.015 per Share to raise $500,000. On 8 June 2016, the Company issued the Shares, which fell within the 15% capacity for issues of equity securities without shareholder approval afforded by ASX Listing Rule 7.1.

- On 23 June 2016, the Company issued 20,673,332 Shares at an issue price of $0.015 per Share to raise $310,100. The issue of these Shares was made to sophisticated investors, pursuant to Section 708A of the Corporations Act 2001 and fell within the 15% capacity for issues of equity securities without shareholder approval afforded by ASX Listing Rule 7.1.

3. Loan Facilities and Issue of Shares to Directors and Associates

During the reporting period, the Company finalised loan agreements with two of its major shareholders for a total of $1,000,000.

A $500,000 loan facility was agreed with Silja Investment Ltd (**Silja**), the Company's largest shareholder and a company associated with a Non-executive Director of the Company, Mr Alexander Haller, and a $500,000 loan facility was agreed with Tarney Holdings Pty Ltd ATF The DP & FL Waddell Family Trust (**Tarney**), a company associated with the Company's Chairman, Mr Denis Waddell (together the **Facilities**).

Under the terms of the Facilities, the Company or lenders had the option to convert cash drawn down under the Facilities to Shares (subject to Shareholder approval).

In conjunction with the Company's SPP, as approved by shareholders at the Company's AGM, on 2 December 2015, the Company issued the following Shares to convert existing loans from director related entities into Shares:

- 33,333,333 Shares to Tarney - $500,000
- 9,333,333 Shares to Silja - $140,000

The Shares were issued at $0.015 per Share being the same issue price as the SPP.

On 23 February 2016 the Company paid Silja $100,000, thereby repaying the balance of the Silja Facility that was outstanding as at 31 December 2015. Following the repayment of the Silja Facility, the security against all present and after acquired property of the Company was removed.

In conjunction with the loan facilities conversion, on 2 December 2015 the Company also issued 6,666,666 Shares to Mr Errol Smart (Orion's Managing Director and CEO) at an issue price of $0.015 per Share to raise $100,000.

Sale of Non-Core Tenement Package to Eastern Goldfields

In May 2016 the Company entered into a binding agreement for the sale of its Eastern Goldfields Project to Eastern Goldfields Limited (**Eastern**).

Directors' Report (continued)

Under the terms of the agreement, the Company received the following consideration for the sale of the tenements to Eastern:

- $125,000 paid in cash;
- 2,000,000 unlisted Eastern options, on the following terms:

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

- Eastern to procure the subscription of 33,333,333 Orion shares at $0.015 per share to raise $500,000.

Research and Development Tax Incentive

During the year, the Company received a Research and Development (**R&D**) Tax Incentive rebate from the Australian Taxation Office of $843,638. For the year ended 30 June 2015, the Company incurred eligible R&D expenditure from which the rebate was calculated.

For the year ended 30 June 2016, the Company incurred eligible expenditure in relation to R&D and a claim is being finalised. No receivable has been recognised as there is still some uncertainty surrounding its receipt. Further, the receipt is still contingent upon acceptance from both AusIndustry and the Australian Taxation Office.

Results of operations – the Group

The Group recorded a loss of $2,528,188 (2015: $3,362,961) after tax for the year. The result was affected considerably by impairment of exploration assets of $414,764 (2015: $1,625,527) and exploration expenditure incurred of $1,449,779 which, under the Group's deferred exploration, evaluation and development policy, did not qualify to be capitalised and was expensed. Net cash used in operating activities totalled $2,252,847 (2015: $1,449,917) and net cash received in investing activities totaled $365,865 (2015: $1,287,846). For the year, the Group's net cash used in exploration and evaluation activities was $1,955,394 (2015: $3,271,654). Cash on hand at the end of the year was $651,748 (2015: $118,279).

The Group continues to focus strongly on exploration within its Areachap Copper-Zinc and Gold Project (South Africa), Connors Arc Epithermal Gold Project (Queensland), Fraser Range – Gold-Nickel-Copper Project (Western Australia) and its Walhalla Polymetals Project (Victoria). A total of $1,934,718 (2015: $3,015,581) in exploration expenditure was incurred during the year. The Group undertook a review of the carrying value of each exploration area of interest. As a result, the carrying value of deferred exploration, evaluation and development expenditure was written down by $414,764 due to analysis performed by management indicating that the capitalised exploration on an area of interest would not be recoverable by the Company as successful future development is not expected.

The basic loss per share for the Group for the year was 0.68 cents and diluted loss per share for the Group for the year was 0.68 cents (2015: loss per share1.08 cents and diluted loss per share 1.08 cents).

No dividend has been paid during or is recommended for the financial year ended 30 June 2016.

Business Strategies
The Company will continue to focus on exploration within its Areachap Copper-Zinc and Gold Project (South Africa), Connors Arc Epithermal Gold Project (Queensland), Fraser Range – Gold-Nickel-Copper Project (Western Australia) and its Walhalla Polymetals Project (Victoria).

Risks to the Business
Risks to the business are rated on the basis of their potential impact on the Group as a whole after taking into account current mitigating actions. Investors should be aware that the below list is not an exhaustive list and that there are a number of other risks associated with an investment in the Company. The Group regularly reviews the possible impact of these risks and seeks to minimise their impact through its internal controls, risk management policy, and corporate governance. The following describes the principal risks and uncertainties that could materially impact the Group:

Directors' Report (continued)

- Capital - Each of the Group's key exploration targets remain in the exploration phase. Future exploration programs require substantial levels of expenditure to ensure that Group's tenements are held in good standing. The Group is currently reliant on the capital and debt markets to fund its ongoing operations and therefore any unforeseeable events in these markets may impact the Group's ability to finance its future exploration projects;

- Sovereign risk – The Group's exploration activities are carried out in Australia and South Africa. As a result, the Group is subject to political, social, economic and other uncertainties including, but not limited to, changes in policies or the personnel administering them, foreign exchange restrictions, changes of law affecting foreign ownership, currency fluctuations, royalties and tax increases in that country. Other potential issues contributing to uncertainty such as repatriation of income, exploration licensing, environmental protection and government control over mineral properties should also be considered. Potential risk to the Group's activities may occur if there are changes to the political, legal and fiscal systems which might affect the ownership and operation of the Group's interests in South Africa. This may also include changes in exchange control systems, expropriation of mining rights, changes in government and in legislative and regulatory regimes.

- Title risk and Native Title – One of the Group's key projects, the Areachap Project, is located in South Africa. Interests in tenements in South Africa are governed by legislation and are evidenced by the granting of mining or prospecting rights. The Company also has an interest in several Australian exploration tenements. Interests in Australian tenements held by the Group are governed by Federal and State legislation and are evidenced by the granting of mining or exploration licences.

  These tenements are subject to periodic review and compliance, including the relinquishment of certain areas. As a result, there is no guarantee that these areas of interest will be renewed in the future or if there will be sufficient funds available to meet the attaching minimum expenditure commitments when they arise.

  It is also possible that in relation to the Australian tenements which the Group has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Group to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected;

- Resources and Reserve estimates - There are inherent uncertainties in estimating reserve and resource estimates as it requires significant subjective judgements and determinations based on the available geological, technical, and economic information. Estimates and assumptions that were previously valid may change significantly when new information or techniques become available and therefore may require restatement; and

- Rehabilitation - The government regulations in the various jurisdictions which the Group operates require rehabilitation of drill sites including any other sites where the Group has caused surface and ground disturbance. To date drilling in a particular area of interest is complete or not active for an extended period of time due to other drilling project priorities. The Group's intention is to conduct its activities to the highest level of environmental obligations, however there are certain risks inherent in the Group's activities which could subject the Group to future liabilities.

SUBSEQUENT EVENTS AFTER THE BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years except for those matters referred to below:

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

As referred to in the Operations section of this Report, subsequent to the end of the year 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 Nickel Mining (Pty) Ltd (**Namaqua**) and Disawell (Pty) Ltd (**Disawell**) (together the **Companies**), which hold partly overlapping prospecting rights and mining right applications.

Directors' Report (continued)

The Company's earn-in right is via a South African-registered special-purpose vehicle (**SPV**), which will be established by the Company 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:

- SPV has the exclusive opportunity to earn up to an 80% interest (Company 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 the Company;
  - The Company 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 the Company to access the Jacomynspan Project and conduct exploration activities including the Initial Program;
  - The Company providing proof of financial capacity to execute the Initial Program prior to 9 January 2017; and
  - The parties entering into a comprehensive earn-in agreement prior to 10 November 2016.

- Orion SPV is able to earn an initial interest of 25% (Orion 18.5%) in the Companies via staged expenditure of USD500,000 on the Jacomynspan Project over the 12 months from the Earn In Commencement Date (**First Earn In Right**) including:
  - Expenditure commitment of USD250,000 in the first 6 months; and
  - A further $250,000 must be spent within 12 months of the Earn-In Commencement Date (USD500,000 in total expenditure).

- Once Orion SPV has earnt the initial 25% interest:
  - The Companies will issue the Company with fully paid ordinary shares in the Companies 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**);
  - The Company 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 the Company elect to increase its interest via further expenditure, the Orion SPV can earn a further 25% interest (making its total interest 50% (the Company 37%)) by expending a further USD1,000,000 on the Jacomynspan Project (USD1,500,000 total expenditure) over a further 12 months (2 years from Earn-In Commencement Date) (**Second Earn In Right**).

- Once Orion SPV has earnt a 50% interest:
  - The Companies will issue the Company 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
  - The Company 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 the Company elect to increase its interest via further expenditure, Orion SPV can earn a further 30% interest (making its total interest 80% (the Company 59.2%)) by:
  - Expending a further USD500,000 on the Jacomynspan Project (USD2,000,000 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.

Directors' Report (continued)

- On the Earn-In Commencement Date, the Company 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 USD2,000,000.
- As noted above, all expenditure by the Company shall be advanced to the Companies as an Orion Loan. In addition to the Orion Loan, the Companies have existing shareholder loans of ZAR78,500,000 (USD5,400,000) 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 the Company 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 the Company will relinquish its rights to earn any further interest in the Companies and the term sheet will be at an end.

Placement

On 16 September 2016, the Company announced that it had issued 9,100,000 ordinary shares at $0.025 per share to raise $227,500 by way of placement. The proceeds will be used to progress drilling and exploration work as part of due diligence being undertaken on the Areachap project and to progress exploration work at Connors Arc in Queensland and Fraser Range in Western Australia.

DIRECTORS' MEETINGS

The number of meetings attended by each Director of the Company during the financial year was:

	Board meetings		Audit committee meetings	
	Number held and entitled to attend	Number attended	Number held and entitled to attend	Number attended
Mr D Waddell	20	20	2	2
Mr E Smart	20	20	2	2
Mr W Oliver	20	20	---	---
Mr A Haller	20	19	2	2

DIRECTORS' INTERESTS

The relevant interest of each director in the shares, or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Unlisted options over ordinary shares
Mr D Waddell(i)	66,546,104	18,000,000
Mr E Smart (ii)	16,209,333	45,000,000
Mr W Oliver	5,471,088	9,000,000
Mr A Haller (iii)	68,008,826	---

(i) On 2 December 2015, Mr Waddell was issued 33,333,333 ordinary shares at an issue price of $0.015 per share. Mr Waddell is associated with Tarney Holdings Pty Ltd and the issue was for conversion of cash drawn against the Tarney Loan Facility (refer Note 16).

Directors' Report (continued)

(ii) On 2 December 2015, Mr Smart was issued 6,666,666 ordinary shares at an issue price of $0.015 per share. Mr Smart took part in a placement completed during the year.
On 17 December 2015, Mr Smart was issued 800,000 ordinary shares at an issue price of $0.015 per share. Mr Smart took part in the Share Purchase Plan completed during the year.

(iii) On 2 December 2015, Silja Investment Ltd was issued 9,333,333 ordinary shares at an issue price of $0.015 per share. Mr Haller is associated with Silja Investment Ltd and the issue was for conversion of cash drawn against the Silja Loan Facility (refer Note 16).

SHARE OPTIONS

Options granted to directors and executives of the Company

During or since the end of the financial year, the Company has not granted any options for no consideration over unissued ordinary shares in the Company to key management personnel as part of their remuneration.

Unissued shares under options and performance rights

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30 April 2018	$0.147849	1,000,000
30 April 2018	$0.247849	1,000,000
30 April 2018	$0.347849	1,000,000
31 May 2018	$0.147849	9,000,000
31 May 2018	$0.247849	9,000,000
31 May 2018	$0.347849	9,000,000
30 November 2019	$0.045	250,000
30 November 2019	$0.06	250,000
30 November 2020	$0.02	18,333,333
30 November 2020	$0.035	18,333,333
30 November 2020	$0.05	18,333,334
		85,500,000

Shares issued on exercise of options
There were no options exercised during or since the end of the financial year.

REMUNERATION REPORT - AUDITED

The Remuneration Report sets out remuneration information for Orion Gold NL for the year ended 30 June 2016. The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Key Management Personnel	Designation	Position Held During Year
Mr Denis Waddell	Chairman – Non Executive	Chairman
Mr Errol Smart	Director – Executive	Managing Director Chief Executive Officer
Mr William Oliver	Director – Executive	Technical Director Chief Operating Officer
Mr Alexander Haller	Director – Non Executive	Director
Mr Martin Bouwmeester		Company Secretary Business Development Manager
Mr Kim Hogg		Company Secretary – Former (resigned 31 March 2016)

Directors' Report (continued)

REMUNERATION REPORT - AUDITED (continued)

Remuneration Policy

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors and executives of the Company and the Group, which comprise executives that report directly to the Managing Director and CEO of the Company and the Group.

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality Board and management by remunerating directors and executives fairly and appropriately with reference to relevant employment and market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' remuneration to the Group's financial and operational performance.

The expected outcome of the Group's remuneration structure is:

- Retention and motivation of directors and executives;
- Attraction of quality management to the Group; and
- Performance rewards to allow directors and executives to participate in the future success of the Group.

Remuneration may include base salary and fees, short term incentives, superannuation contributions and long term incentives. Any equity based remuneration for directors will only be made with the prior approval of shareholders at a general meeting. All base salary and fees, short term incentives, superannuation contributions granted to key management personnel during the year was fixed under service agreements between the Company and key management personnel and was not impacted by performance related measures. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Group and the performance of the individual during the period.

The Board of directors is responsible for determining and reviewing compensation arrangements for the executive and non-executive directors. The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable.

The total level of remuneration for the financial year for all non-executive directors of $80,700 is maintained within the maximum limit of $350,000 approved by shareholders. When setting fees and other compensation for non-executive directors, the Board may seek independent advice and apply Australian benchmarks. The Board may recommend additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Group.

There is no scheme to provide retirement benefits, other than statutory superannuation when applicable, to non-executive directors.

The Chairman will undertake an annual assessment of the performance of the individual directors and meet privately with each director to discuss this assessment. Basis for evaluation for assessing performance is by reference to Company charters and current best practice.

Consequences of performance on shareholders wealth

In considering the Group's performance and benefits for shareholders wealth, the Board of directors has regard to the following indices in respect of the current financial year and the previous three financial years.

	2016	2015	2014	2013
Net profit/(loss) attributable to equity holders of the Company	$(2,528,188)	$(3,362,961)	$(12,866,030)	$(8,515,184)
Dividends paid	---	---	---	---
Actual share price	$0.016	$0.023	$0.04	$0.04

Directors' Report (continued)

REMUNERATION REPORT - AUDITED (continued)

Long Term Incentive Based Remuneration
The Company has an option and performance rights based remuneration scheme for executives. In accordance with the provisions of the Orion Gold Option and Performance Rights Plan, as approved by shareholders at a general meeting, executives may be granted options or performance rights to purchase ordinary shares. The number and terms of options or performance rights granted is at the absolute discretion of the Board, provided that the total number of options on issue under the scheme at the time of the grant does not exceed 5% of the number of ordinary shares on issue.

A total of 1,000,000 options were granted during the year ended 30 June 2016 under the terms of the Orion Gold Option and Performance Rights Plan to employees.

The issue of options to directors and employees encourages the alignment of personal and shareholder interests.

Service contracts
Key terms of the existing service contracts for key management personnel are as follows:

<u>Managing Director and CEO</u>
Unlimited in term but capable of termination on 1 month's notice. The Group retains the right to terminate the contract immediately, by making a payment of 1 month's remuneration in lieu of notice.

<u>Technical Director and COO</u>
Unlimited in term but capable of termination on 1 month's notice. The Group retains the right to terminate the contract immediately, by making a payment of 1 month's remuneration in lieu of notice.

<u>Company Secretary and Business Development Manager</u>
Unlimited in term but capable of termination on 1 month's notice. The Group retains the right to terminate the contract immediately, by making a payment of 1 month's remuneration in lieu of notice.

Key management personnel are also entitled to receive on termination of employment, redundancy benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Directors
Total compensation for all non-executive directors, last voted upon by shareholders at the 2007 Annual General Meeting, is not to exceed $350,000 per annum and is set based on advice from external advisors with reference to fees paid to other directors of comparable companies.

The Chairman receives $37,500 per annum, as from 1 October 2014. Prior to this date, the Chairman received $75,000 per annum. Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of one committee.

Directors may be paid additional amounts for consulting services provided in addition to normal director duties. Such additional amounts are paid on commercial terms.

Remuneration report approval at the 2015 Annual General Meeting
The 30 June 2015 Remuneration Report received positive shareholder support at the Company's Annual General Meeting with a positive vote of 89% in favour.

Directors' Report (continued)

REMUNERATION REPORT - AUDITED (continued)

Directors and Executive Officers' Remuneration – 2016

		Primary salary, incentives, superannuation and consultancy payments				Share based payments (v)	Total remunerati on	% of remuneration in options
Names	Year	Salary and fees $	Short term incentives $	Super-annuation $	Termination benefits $	Options $	$	%
Directors								
Executive Directors								
Mr E Smart(i)	2016	120,000	---	---	---	220,353	340,353	65
	2015	135,000	---	---	---	61,504	196,504	31
Mr W Oliver (ii)	2016	108,000	---	---	---	51,047	159,047	32
	2015	139,200	---	---	---	48,232	187,432	26
Sub-total executive Directors	2016	228,000	---	---	---	271,400	499,400	54
	2015	274,200	---	---	---	109,736	383,936	29
Non-executive Directors								
Mr D Waddell (iii)	2016	80,700	---	---	---	87,722	168,422	52
	2015	46,875	---	---	---	24,601	71,476	34
Mr A Haller (iv)	2016	---	---	---	---	---	---	---
	2015	---	---	---	---	---	---	---
Total directors remuneration	**2016**	**308,700**	**---**	**---**	**---**	**359,122**	**667,822**	**54**
	2015	**321,075**	**---**	**---**	**---**	**134,337**	**455,412**	**29**
Executives								
Mr M Bouwmeester	2016	99,000	---	---	---	41,684	140,684	30
	2015	113,700	---	---	---	6.973	120,673	6
Mr K Hogg	2016	13,500	---	---	---	---	13,500	---
	2015	27,000	---	---	---	---	27,000	---
Total executives remuneration	**2016**	**112,500**	**---**	**---**	**---**	**41,684**	**154,184**	**27**
	2015	**140,700**	**---**	**---**	**---**	**6.973**	**147,673**	**5**
Total directors and executive officers remuneration	**2016**	**421,200**	**---**	**---**	**---**	**400,806**	**822,006**	**49**
	2015	**461,775**	**---**	**---**	**---**	**141,310**	**603,085**	**23**

(i) Effective from 1 October 2014, Mr Smart's fixed component of remuneration was revised to $120,000 per annum (previous $240,000 per annum).
(ii) Effective from 1 October 2014, Mr Oliver's fixed component of remuneration was revised to $108,000 per annum (previous $180,000 per annum).
(iii) Effective from 1 October 2014, Mr Waddell's fixed component of remuneration was revised to $37,500 per annum (previous $75,000 per annum).
(iv) Mr Haller has waived his entitlement to receive fees for his position as Non-executive Director from 1 October 2013. Fees may be reinstated at a later date by resolution of the Board.
(v) Share based payments represent the fair values of options estimated at the date of grant using the Black Scholes option pricing model. These amounts are not paid in cash.

Insurance premiums paid on behalf of directors and officers are not allocated to or included in total remuneration.

Directors' Report (continued)

REMUNERATION REPORT - AUDITED (continued)

Options and Rights over equity instruments granted as compensation

As at the date of this report, there were 81,000,000 unissued ordinary shares under option issued to directors and executives (2015: 27,000,000 unissued ordinary shares under option).

Details on options over ordinary shares in the Company that were granted as compensation to each key management personnel during the reporting period and details on options that were vested during the reporting period are as follows:

	Number of options granted during 2016 (i)	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)(ii)	Expiry date	Number of options vested during 2016
Directors						
Mr D Waddell	4,000,000	26 November 2015	$0.01	$0.02	30 November 2020	4,000,000
	4,000,000	26 November 2015	$0.01	$0.035	30 November 2020	---
	4,000,000	26 November 2015	$0.01	$0.05	30 November 2020	---
Mr E Smart	10,000,000	26 November 2015	$0.01	$0.02	30 November 2020	10,000,000
	10,000,000	26 November 2015	$0.01	$0.035	30 November 2020	---
	10,000,000	26 November 2015	$0.01	$0.05	30 November 2020	---
Mr W Oliver	2,000,000	26 November 2015	$0.01	$0.02	30 November 2020	2,000,000
	2,000,000	26 November 2015	$0.01	$0.035	30 November 2020	---
	2,000,000	26 November 2015	$0.01	$0.05	30 November 2020	---
Mr A Haller	---	---	---	---	---	---
Executives						
Mr M Bouwmeester	2,000,000	26 November 2015	$0.01	$0.02	30 November 2020	2,000,000
	2,000,000	26 November 2015	$0.01	$0.035	30 November 2020	--
	2,000,000	26 November 2015	$0.01	$0.05	30 November 2020	---
Mr K Hogg	----	---	---	---	---	---

(i) The options were provided at no cost to the recipient. Each option gives the option holder the right to subscribe for one ordinary share in the capital of the Company upon exercise of the option in accordance with the attaching terms and conditions.

(ii) The options are exercisable between 1 and 5 years from grant date.

Directors' Report (continued)

REMUNERATION REPORT - AUDITED (continued)

Analysis of Options and Rights over equity instruments granted as compensation

Details of the vesting profile of the options granted as remuneration to each key management personnel of the Group as at the end of the reporting period are detailed below.

Directors	Options granted Number	Date	% vested in current year	% lapsed in current year (i)	Date grant vests (ii)
Mr D Waddell	2,000,000	8 July 2013	100%	---%	26 November 2015
	4,000,000	26 November 2015	100%	---%	30 November 2015
	4,000,000	26 November 2015	---%	---%	30 November 2016
	4,000,000	26 November 2015	---%	---%	30 November 2017
Mr E Smart	5,000,000	8 July 2013	100%	---%	26 November 2015
	10,000,000	26 November 2015	100%	---%	30 November 2015
	10,000,000	26 November 2015	---%	---%	30 November 2016
	10,000,000	26 November 2015	---%	---%	30 November 2017
Mr W Oliver	1,000,000	3 October 2013	100%	---%	26 November 2015
	2,000,000	26 November 2015	100%	---%	30 November 2015
	2,000,000	26 November 2015	---%	---%	30 November 2016
	2,000,000	26 November 2015	---%	---%	30 November 2017
Mr A Haller	---	---	---%	---%	---
Mr M Bouwmeester	2,000,000	26 November 2015	100%	---%	30 November 2015
	2,000,000	26 November 2015	---%	---%	30 November 2016
	2,000,000	26 November 2015	---%	---%	30 November 2017
Mr K Hogg	---	---	---%	---%	---

(i) The % lapsed in the year represents the reduction from the maximum number of options available to be exercised.

(ii) The vesting conditions attached to each option granted require the key management personnel to remain in employment with the Company until the vesting date, unless the Board of directors elects to waive the expiry terms attached to the grant.

Analysis of movements in options

Changes during the reporting period, by value, of options over ordinary shares in the Company held by each current key management person, and each of the named current Company executives is detailed below.

	Value of options		
	Granted in year $	Exercised in year $	Lapsed in year $
Mr D Waddell	125,756	---	---
Mr E Smart	314,390	---	---
Mr W Oliver	62,878	---	---
Mr A Haller	---	---	---
Mr M Bouwmeester	62,878	---	---
Mr K Hogg	---	---	---

Directors' Report (continued)

REMUNERATION REPORT - AUDITED (continued)

Options and rights over equity instruments

The movement during the reporting period, by number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance at beginning of period 1-Jul-15	Granted as remuneration	Purchased or acquired	Expired	Balance at end of period 30-Jun-16	Not vested and not exercisable	Vested and exercisable
Specified directors							
Mr Denis Waddell	8,000,000	12,000,000	---	(2,000,000)	18,000,000	8,000,000	10,000,000
Mr Errol Smart	15,900,000	30,000,000	---	(900,000)	45,000,000	20,000,000	25,000,000
Mr William Oliver	3,000,000	6,000,000	---	---	9,000,000	4,000,000	5,000,000
Mr Alexander Haller	4,720,000	---	---	(4,720,000)	---	---	---
Specified executives							
Mr Martin Bouwmeester	3,000,000	6,000,000	---	---	9,000,000	4,000,000	5,000,000
Mr Kim Hogg	---	---	---	---	---	---	---
Total	**34,620,000**	**54,000,000**	**---**	**(7,620,000)**	**81,000,000**	**36,000,000**	**45,000,000**

	Balance at beginning of period 1-Jul-14	Granted as remuneration	Purchased or acquired	Expired	Balance at end of period 30-Jun-15	Not vested and not exercisable	Vested and exercisable
Specified directors							
Mr Denis Waddell	8,000,000	---	---	---	8,000,000	2,000,000	6,000,000
Mr Errol Smart	15,900,000	---	---	---	15,900,000	10,000,000	5,900,000
Mr William Oliver	3,000,000	---	---	---	3,000,000	1,000,000	2,000,000
Mr Alexander Haller	4,720,000	---	---	---	4,720,000	---	4,720,000
Specified executives							
Mr Martin Bouwmeester	3,000,000	---	---	---	3,000,000	3,000,000	---
Mr Kim Hogg	---	---	---	---	---	---	---
Total	**34,620,000**	**---**	**---**	**---**	**34,620,000**	**16,000,000**	**18,620,000**

Other transactions with key management personnel
A number of key management personnel, or their related parties, hold positions in other entities that result in them having control, joint control or a relevant interest over the financial or operating policies of those entities. A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Directors' Report (continued)

REMUNERATION REPORT - AUDITED (continued)

Movement in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance at beginning of period 1-Jul-15	Purchased or acquired during the year	On options exercised	Fully paid contributing shares	Disposals of shares	Other transfers of shares	Balance at end of period 30-Jun-16
Specified directors							
Mr Denis Waddell	33,212,771	33,333,333	---	---	---	---	66,546,104
Mr Errol Smart	8,742,667	7,466,666	---	---	---	---	16,209,333
Mr William Oliver	5,471,088	---	---	---	---	---	5,471,088
Mr Alexander Haller (i)	58,675,493	9,333,333	---	---	---	---	68,008,826
Specified executives							
Mr Martin Bouwmeester	1,117,361	---	---	---	---	---	1,117,361
Mr Kim Hogg	---	---	---	---	---	---	---
Total	**107,219,380**	**50,133,332**	**---**	**---**	**---**	**---**	**157,352,712**

(i) Mr Haller holds relevant interests as follows: Silja 56,706,576 shares, Mr Haller 11,300,928 shares and Pershing Securities 1,320 shares.

	Balance at beginning of period 1-Jul-14	Purchased or acquired during the year	On options exercised	Fully paid contributing shares	Disposals of shares	Other transfers of shares	Balance at end of period 30-Jun-15
Specified directors							
Mr Denis Waddell	16,546,104	16,666,667	---	---	---	---	33,212,771
Mr Errol Smart	5,409,333	3,333,334	---	---	---	---	8,742,667
Mr William Oliver	5,471,088	---	---	---	---	---	5,471,088
Mr Alexander Haller (i)	58,675,493	---	---	---	---	---	58,675,493
Specified executives							
Mr Martin Bouwmeester	1,117,361	---	---	---	---	---	1,117,361
Mr Kim Hogg	---	---	---	---	---	---	---
Total	**87,219,379**	**20,000,001**	**---**	**---**	**---**	**---**	**107,219,380**

(i) Mr Haller holds relevant interests as follows: Silja 47,373,243 shares, Mr Haller 11,300,928 shares and Pershing Securities 1,320 shares.

Engagement of remuneration consultants

The Board of Directors from time to time, seek and consider advice from independent remuneration consultants to ensure that the Company has at its disposal information relevant to the determination of all aspect of remuneration relating to key management personnel.

The Board follows a set of protocols when engaging remuneration consultants to satisfy themselves, that the remuneration consultants engaged are free from any undue influence by the members of the key management personnel to whom advice and recommendations relate and that the requirements of the Corporations Act 2001 are complied with. The set of protocols followed by the Board include:

Directors' Report (continued)

REMUNERATION REPORT - AUDITED (continued)

- Remuneration consultants are engaged by and report directly to the Board; and
- Communication between remuneration consultants and the Company is limited to those KMPs whose remuneration is not under consideration.

No remuneration consultants were engaged during the year.

ENVIRONMENTAL ISSUES

The state government regulations in the various states which the Group operates require rehabilitation of drill sites including any other sites where the Group has caused surface and ground disturbance. The costs are not of a material nature and vary across disturbance sites. To date rehabilitation has taken place on drill sites as drill rigs are moved as part of the exploration program when drilling in a particular area of interest is complete or not active for an extended period of time due to other drilling project priorities.

As part of the Group's environmental policy exploration and access sites are regenerated to match or exceed local government and state government expectations. The costs are not considered to be material by the Group however this policy will be reviewed as exploration and development activities increase.

Based on the results of enquires made, the board is not aware of any significant breaches during the period covered by this report.

DIVIDENDS

There were no dividends paid or declared during the financial year (2015: $nil).

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company and all office bearers of the Company and of any body corporate against any liability incurred whilst acting in the capacity of director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. Orion Gold NL, to the extent permitted by law, indemnifies each director or secretary against any liability incurred in the service of the Group provided such liability does not arise out of conduct involving a lack of good faith and for costs incurred in defending proceedings in which judgement is given in favour of the person in which the person is acquitted. The Company has not provided any insurance or indemnity for the auditor of the Company.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

NON-AUDIT SERVICES

RSM Australia Partners, the Company's auditor, has performed other non-audit services in addition to their statutory duties during the year ended 30 June 2016.

The board considered the non-audit services provided in the prior year by the auditor and was satisfied that the provision of those non-audit services in the prior year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and

Directors' Report (continued)

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor, RSM Australia Partners, and its related practices for non-audit services provided during the year are set out below.

	Consolidated	
	2016 $	**2015 $**
Services other than statutory audit:		
Taxation compliance services (RSM Australia Partners)	7,100	12,550
	7,100	**12,550**

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 49 and forms part of the Directors' Report for the financial year ended 30 June 2016.

CORPORATE GOVERNANCE

The Board of directors recognises the recommendations of the Australian Securities Exchange Corporate Governance Council for Corporate Governance Principles and Recommendations (3rd Edition) and considers that the Company substantially complies with those guidelines, which are of critical importance to the commercial operation of a junior listed resources company. The Company's Corporate Governance statement and disclosures can be viewed on our website, www.oriongold.com.au.

This report is made in accordance with a resolution of the directors.

Denis Waddell
Chairman

Perth, Western Australia

Date: 20 September 2016

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Orion Gold NL for the year ended 30 June 2016 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

20 September 2016
Melbourne, Victoria

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Continuing operations			
Other income	3	439,720	204,440
Exploration and evaluation expenses	3	(1,449,779)	(823,273)
Administration expenses	3	(1,281,105)	(1,123,408)
Impairment of available for sale financial assets	9	(135,858)	---
Gain/(loss) fair value of unlisted securities in other entities	10	305,098	---
Impairment of non-current assets	12	(414,764)	(1,625,527)
Plant and equipment written-off	11	(3,238)	(464)
Results from operating activities		(2,539,926)	(3,368,232)
Finance income		11,738	20,854
Finance expense		---	(15,583)
Net finance costs		11,738	5,271
Loss before income tax		(2,528,188)	(3,362,961)
Income tax (expense) / benefit	4	---	---
Loss from continuing operations attributable to equity holders of the Company		**(2,528,188)**	**(3,362,961)**
Other comprehensive income			
Other comprehensive income for the year, net of income tax		---	---
Total comprehensive loss for the year		**(2,528,188)**	**(3,362,961)**
Loss per share (cents per share)			
Basic loss per share	5	(0.68)	(1.08)
Diluted loss per share	5	(0.68)	(1.08)

The notes on pages 54 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2016

	Notes	2016 $	2015 $
ASSETS			
Current assets			
Cash and cash equivalents	6	651,748	118,279
Trade and other receivables	7	190,947	191,658
Inventories		---	4,599
Prepayments		27,089	3,046
Available for sale financial assets	9	164,142	---
Unlisted securities in other entities	10	541,722	---
Asset held for sale	8	---	850,000
Total current assets		**1,575,648**	**1,167,582**
Non-current assets			
Trade and other receivables	7	710,188	191,117
Property, plant and equipment	11	55,949	93,092
Deferred exploration, evaluation and development	12	3,257,801	4,017,625
Total non-current assets		**4,023,938**	**4,301,834**
TOTAL ASSETS		**5,599,586**	**5,469,416**
LIABILITIES			
Current liabilities			
Trade and other payables	14	296,418	398,341
Loan	16	---	140,000
Provisions		16.018	24,359
Total current liabilities		**312,436**	**562,700**
Non-current liabilities			
Provisions		932	19,770
Total non-current liabilities		**932**	**19,770**
TOTAL LIABILITIES		**313,368**	**582,470**
NET ASSETS		**5,286,218**	**4,886,946**
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	15	75,966,064	73,458,263
Accumulated losses		(72,065,740)	(69,616,091)
Other reserves	15	1,385,894	1,044,774
TOTAL EQUITY		**5,286,218**	**4,886,946**

The notes on pages 54 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Payments for exploration and evaluation		(1,476,138)	(823,273)
Payments to suppliers and employees		(866,248)	(842,836)
Interest received		11,785	21,479
Interest expense		---	(2,550)
Research and development (**R&D**) tax offset received		26,359	83,774
Receipts from customers		51,395	113,489
Net cash used in operating activities	6	**(2,252,847)**	**(1,449,917)**
Cash flows from investing activities			
Purchase of property, plant and equipment		---	(11,314)
Proceeds from sale of property, plant and equipment		26,769	---
Restricted cash investments		---	24,156
Payments for exploration and evaluation		(479,256)	(2,448,381)
R&D tax offset received in relation to exploration assets		816,001	1,137,693
Proceeds from sale of tenements		175,000	10,000
Net cash used in investing activities		**538,514**	**(1,287,846)**
Cash flows from financing activities			
Proceeds from issue of shares		1,901,149	1,891,367
Share issue expenses		(33,347)	(51,083)
Proceeds from borrowings	16	480,000	340,000
Repayment of borrowings	16	(100,000)	(200,000)
Net cash from financing activities		**2,247,802**	**1,980,284**
Net decrease in cash and cash equivalents		533,469	(757,479)
Cash and cash equivalents at beginning of year		118,279	875,758
Cash on hand and at bank at end of year	6	**651,748**	**118,279**

The notes on pages 54 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015	Issued capital ($)	Accumulated losses ($)	Other reserves ($)	Total equity ($)
Balance at 1 July 2014	**71,617,637**	**(66,527,431)**	**1,127,575**	**6,217,781**
Loss for the year	---	(3,362,961)	---	(3,362,961)
Other comprehensive loss	---	---	---	---
Total comprehensive loss for the year	---	(3,362,961)	---	(3,362,961)
Transactions with Owners in their capacity as owners:				
Contributions of equity, net of costs	1,840,626	---	---	1,840,626
Transfer of share options expired		274,301	(274,301)	---
Share-based payments expense	---	---	191,500	191,500
Total Transactions with Owners	1,840,626	274,301	(82,801)	2,032,126
Balance at 30 June 2015	**73,458,263**	**(69,616,091)**	**1,044,774**	**4,886,946**

30 June 2016	Issued capital ($)	Accumulated losses ($)	Other reserves ($)	Total equity ($)
Balance at 1 July 2015	**73,458,263**	**(69,616,091)**	**1,044,774**	**4,886,946**
Loss for the year	---	(2,528,188)	---	(2,528,188)
Other comprehensive loss	---	---	---	---
Total comprehensive loss for the year	---	(2,528,188)	---	(2,528,188)
Transactions with Owners in their capacity as owners:				
Contributions of equity, net of costs	2,507,801	---	---	2,507,801
Transfer of share options expired		78,539	(78,539)	---
Share-based payments expense	---	---	419,659	419,659
Total Transactions with Owners	2,507,801	78,539	341,120	2,927,460
Balance at 30 June 2016	**75,966,064**	**(72,065,740)**	**1,385,894**	**5,286,218**

The notes on pages 54 to 79 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1 CORPORATE INFORMATION

Orion Gold NL (**Company**) is a company domiciled in Australia. The address of the Company's registered office is Suite 2, 64 Thomas Street, West Perth, Western Australia, 6005. The consolidated financial statements as at and for the year ended 2016 comprises the Company and its subsidiaries, (together referred to as the **Group**). The Group is a for-profit group and is primarily involved in copper, zinc, nickel, gold and PGEs exploration.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

(i) Statement of compliance

The consolidated financial statements are general purpose financial statement which have been prepared in accordance with Australian Accounting Standards (**AASBs**) adopted by the Australian Accounting Standards Board (**AASB**) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (**IFRSs**) adopted by the International Accounting Standards Board (**IASB**). The consolidated financial statements were authorised for issue by the Board of directors on 20 September 2016.

(ii) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except where otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group except as required by the new accounting standards and interpretations adopted as disclosed in Note 2(b).

Certain comparative amounts have been reclassified to conform with the current year's presentations.

(iii) Going concern

The Group recorded a net loss of $2,528,188 for the year ended 30 June 2016 and the Group's position as at 30 June 2016 was as follows:

- The Group had cash reserves of $651,748 and had negative operating cash flows of $1,384,196 (including $1,449,779 in payments for exploration and evaluation) for the year ended 30 June 2016;
- The Group had positive working capital at 30 June 2016 of $1,263,212; and
- The Group's main activity is exploration and as such it does not have a source of income, rather it is reliant on debt and / or equity raisings to fund its activities.

Current forecasts indicate that cash on hand as at 30 June 2016 will not be sufficient to fund planned exploration and operational activities during the next twelve months and to maintain the Group's tenements in good standing. Accordingly, the Group will be required to raise additional equity, consider alternate funding options or a combination of the foregoing.

The Directors are confident that the Group will raise sufficient cash to ensure that the Group can meet its minimum exploration and operational expenditure commitments for at least the next twelve months and maintain the Group's tenements in good standing and pay its debts, as and when they fall due. The Company has previously been successful in raising capital as and when required as evidenced by capital raising initiatives of $2,541,148 (before costs) during the year ended 30 June 2016 and in September 2016, a further $227,500 was raised, to support the Company's exploration programs. The amount and timing of any funding for operational and exploration plans, is the subject of ongoing review.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accordingly, the financial statements for the year ended 30 June 2016 have been prepared on a going concern basis as, in the opinion of the Directors, the Group will be in a position to continue to meet its operating costs and exploration expenditure commitments and pay its debts as and when they fall due for at least twelve months from the date of this report.

However, the Directors recognise that if sufficient additional funding is not raised from the issue of capital or through alternative funding sources, there is a material uncertainty as to whether the going concern basis is appropriate with the result that the Group may relinquish title to certain tenements and may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

(b) New accounting standards and interpretations

(i) New accounting standards

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Reference	Title	Summary	Application date (financial years beginning)	Expected impact
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 16, 19, 107 & 127 for issuance of AASB 9.	1 January 2018	The assessed impact is expected to be minimal
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs	This Standard inserts scope paragraphs into AASB 8 Operating Segments and AASB 133 Earnings Per Share, as the AASB inadvertently deleted the scope details from AASB 8 and AASB 133 when moving the application paragraphs to AASB 1057 Application of Australian Accounting Standards.	1 January 2016	The impact is being evaluated
AASB 9	Financial Instruments	This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets, etc.	1 January 2018	The impact is being evaluated
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	Consequential amendments arising from the issuance of AASB 9	1 January 2018	The impact is being evaluated

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application date (financial years beginning)	Expected impact
2016-3	Amendments to Australian Accounting Standards — Clarifications to AASB 15	2016- 3 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15.	1 January 2018	The assessed impact is expected to be minimal
AASB 16	Leases	AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts, effectively resulting in the recognition of almost all leases on the statement of financial position. The accounting by lessors, however, will not significantly change.	1 January 2019	The impact is being evaluated

- *Other standards not yet applicable*

  There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Orion Gold NL (**Parent Company**) from time to time during the year and at 30 June 2016 and the results of its controlled entities, Kamax Resources Limited and Goldstar Resources (WA) Pty Ltd, for the year then ended. The effects of all transactions between entities in the economic entity are eliminated in full.

The financial statements of the subsidiary are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency translation

The functional and presentation currency of the Company and its Australian subsidiary's is Australian Dollars.

Transactions in foreign currencies are translated to the respective functional currency of Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(e) Investment and Other Financial Assets

The Company classifies its financials assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

(ii) Recognition and derecognition
Purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

(iv) Impairment
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

(f) Property, plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a reducing balance basis using estimated remaining useful life of the asset. The estimated useful lives for the current and comparative period are as follows:

Plant and equipment - over 3 to 15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(g) Assets held for sale
Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(h) Impairment
(i) Non-financial assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recoverable amount is the greater of fair value less costs to dispose and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to dispose and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(ii) Non-derivative financial assets
Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment. Financial assets measured at amortised cost.

The Group considers evidence of impairment for these assets measured at both an individual asset and a collective level. All individually significant assets are individually assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(i) Trade and other receivables
Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(j) Cash and cash equivalents
Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Funds placed on deposit with financial institutions to secure performance bonds are classified as non-current other receivables and not included in cash and cash equivalents.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Employee benefits
(i) Share based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black Scholes model. Further details are given in Note 13.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (**Vesting Date**).

The cumulative expense recognised for equity-settled transactions at each reporting date until Vesting Date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(m) Leases
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(i) Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Government grants

Grants that compensate the Group for expenditures incurred are recognised in profit or loss on a systematic basis in the periods in which the expenditures are recognised.

R&D tax offsets received are offset against the carrying value of the assets and consequent reduction in the value of impairments recognised.

(o) Income tax

(i) Tax consolidation

The Company and its wholly-owned Australian resident entity are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Orion Gold NL.

(p) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(q) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure which can be directly attributed to operational activities in the area of interest, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration activities in the area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration and evaluation assets include:

- acquisition of rights to explore;
- topographical, geological and geophysical studies;
- exploration drilling, trenching and sampling; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resources.

General and administrative costs are not recognised as an exploration and evaluation asset. These costs are expensed as incurred.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. As the assets are not yet ready for use, they are not depreciated. Assets that are classified as tangible assets include:

- piping and pumps;
- tanks; and
- exploration vehicles and drilling equipment.

Assets that are classified as intangible assets include:

- drilling rights;
- acquired rights to explore;
- exploratory drilling costs; and
- trenching and sampling costs.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, a provision is raised against exploration expenditure where the directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the provision is charged against the profit or loss for the year.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off in the year in which the decision to abandon is made, firstly against any existing provision for that expenditure, with any remaining balance being charged to profit or loss.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the economic entity's rights of tenure to that area of interest are current. Amortisation is not charged on areas under development, pending commencement of production.

Exploration and evaluation assets are assessed for impairment if:

(i) sufficient data exists to determine technical feasibility and commercial viability: and
(ii) the term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
(iii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
(iv) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and a decision has been made to discontinue such activities in the specified area; or
(v) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The value of R&D tax incentives received in relation to exploration assets is recognised by deducting the grant when arriving at the carrying value of the asset.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they are not expected to be recoverable in the future.

(r) Critical accounting judgements and key sources of estimation uncertainty

In the application of AASB'S management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgments made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements and include:

- Note 11 - Deferred exploration, evaluation and development; and
- Note 12/14 - Measurement of share based payments.

(s) Earnings per share

The Group presents basic and diluted earnings per share (**EPS**) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees that are expected to be exercised.

(t) Segment reporting

(i) Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director and Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director and Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(v) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Share-based payment transactions

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

3. REVENUES AND EXPENSES

	2016 $	2015 $
Other income		
Sundry revenue	439,720	119,464
Insurance recoveries	---	1,202
Government grant	---	83,774
Total other income	**439,720**	**204,440**
Exploration and evaluation expenses		
Exploration and evaluation expenses	1,144,123	432,011
Employee expenses	305,656	391,262
Total exploration and evaluation expenses	**1,449,779**	**823,273**
Administration expenses		
Administration expenses	604,847	660,874
Employee expenses	216,207	209,459
Superannuation	6,487	5,915
Employee share based payments	419,659	191,500
Depreciation	33,905	55,660
Total administration expenses	**1,281,105**	**1,123,408**

4 INCOME TAX

Income tax expense

	2016 $	2015 $
Profit / (loss) before tax	(2,528,188)	(3,362,961)
	(2,528,188)	**(3,362,961)**
Income tax using the corporation rate of 30%	(758,456)	(1,008,888)
Movements in income tax expense due to:		
Non deductible expenses	122,838	300
Non assessable income	(252,708)	---
Employee share based payments expensed	125,897	57,449
	(762,429)	**(951,139)**
(Under) / over provided in prior years		---
Tax effect of tax losses not recognised	762,429	951,139
Income tax expense/(benefit)	---	---

No income tax is payable by the Group. The directors have considered it prudent not to bring to account the future income tax benefit of income tax losses and exploration deductions until it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Group has estimated un-recouped gross income tax losses of $70,722,000 (2015: $70,088,810) which may be available to offset against taxable income in future years, subject to continuing to meet relevant statutory tests. To the extent that it does not offset a net deferred tax liability, a deferred tax asset has not been recognised in the accounts for these unused losses because it is not probable that future taxable profit will be available to use against such losses.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

4 INCOME TAX (continued)

Tax consolidation

For the purposes of income taxation, the Company and its 100% controlled Australian entity, Goldstar Resources (WA) Pty Ltd elected to form a tax consolidation group from 1 July 2006.

5 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of potentially dilutive options and dilutive partly paid contributing shares).

The following reflects the income and share data used to calculate basic and diluted earnings per share:

a) Basic and diluted profit per share

	2016	2015
	Cents	**Cents**
Loss attributable to ordinary equity holders of the Company	(0.68)	(1.08)
Diluted loss attributable to ordinary equity holders of the Company	(0.68)	(1.08)

b) Reconciliation of earnings used in calculating earnings per share

	2016	2015
	$	**$**
Loss attributable to ordinary shares	(2,528,188)	(3,362,961)

c) Weighted average number of shares

	2016	2015
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	372,583,775	398,766,210
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	372,583,775	398,766,210

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

6 CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash and cash equivalents (a)	651,748	118,279
	651,748	**118,279**

(a) Cash and cash equivalents earn interest at floating rates based on daily bank rates.

	2016 $	2015 $
Reconciliation from the net loss after tax to the net cash flows used in operations		
Net loss	(2,528,188)	(3,362,961)
Adjustments for:		
Depreciation	33,906	55,660
Movement in securities in other entities	(405,864)	---
Share based payments expense	419,659	191,500
Deferred exploration, evaluation and development impairment	414,764	1,625,527
(Gain)/loss on disposal of plant and equipment	3,238	(9,536)
Fees and interest waived by shareholder	(8,630)	---
Changes in assets and liabilities:		
(Increase)/decrease in exploration expenditure	---	---
(Increase)/decrease in trade and other receivables	(18,360)	103,661
(Increase)/decrease in non current receivables	---	---
(Increase)/decrease in inventories	4,599	---
(Increase)/decrease in prepayments	(24,044)	34,244
(Decrease)/increase in trade and other payables	(116,747)	(92,154)
(Decrease)/increase in provisions	(27,180)	4,142
Net cash used in operating activities	**(2,252,847)**	**(1,449,917)**

The settlement of outstanding directors' and creditors' fees through the issue of shares to the value of $120,000 (2015: $44,890), constitutes a non-cash operating activity and is not included in the Consolidated Statement of Cash Flows.

7 TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
Current receivables:		
Security deposits and environmental bonds (a)	180,000	180,000
Other receivables	9,919	10,582
Interest receivable	1,028	1,076
	190,947	**191,658**
Non-current receivables:		
NSR receivable from A1 Consolidated Gold Limited	500,000	---
Security deposits and environmental bonds (a)	210,188	191,117
	710,188	**191,117**

Other receivables are non-interest bearing and are generally on 30-day terms.

(a) Security deposits and environmental bonds comprise cash placed on deposit to secure bank guarantees in respect of obligations entered into for office rental obligations and environmental performance bonds. These deposits are not available to finance the Group's day to day operations.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

8 ASSET HELD FOR SALE

	2016 $	2015 $
Exploration assets - Walhalla Exploration Project (see Note 12)	---	850,000

During the reporting period, under terms of the binding agreement with A1 Consolidated Gold Limited (**A1 Gold**), MIN 5487 licence was derecognised by the Company. Satisfaction of completion of sale has been met and under AASB 139, the carrying value of the asset is no longer required to be held by the Company. The value owing against the NSR is listed as a non current receivable asset as the period of receipt can occur at anytime but before 19 August 2018.

The Company has been approached by various parties who have expressed an interest in becoming involved in its Fraser Range Project. Discussions are ongoing and the project holding does not satisfy certain requirements of AASB 5 to be reclassified as 'Held for Sale or Discontinued Operations'.

9 AVAILABLE FOR SALE FINANCIAL ASSETS

	2016 $	2015 $
Shares – ASX listed company at fair value	164,142	---

Available for sale financial assets is an investment of shares in a listed company on the ASX. The fair value of the shares is determined by reference to published price quotations within the relevant market.

10 UNLISTED SECURITIES IN OTHER ENTITIES

	2016 $	2015 $
Unlisted securities in other entities at fair value	541,722	---

Securities held in other entities is an investment of unlisted options in a listed company on the ASX. The fair value of these securities is measured using an appropriate financial model, including the value of the entities share price, as published, in the relevant market domain.

11 PROPERTY, PLANT AND EQUIPMENT

	2016 $	2015 $
Opening cost - 1 July	1,014,631	1,003,781
Accumulated depreciation	(921,539)	(865,878)
Opening written down value	**93,092**	**137,902**
Additions	---	11,314
Disposals/write offs	(3,238)	(464)
Depreciation charge for the year	(33,905)	(55,660)
Written down value at 30 June	**55,949**	**93,092**

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

12 DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT

	2016 $	2015 $
Acquired mineral rights		
Opening cost	2,228,640	2,228,640
Exploration and evaluation acquired	---	---
Exploration, evaluation and development	**2,228,640**	**2,228,640**
Deferred exploration and evaluation expenditure		
Opening cost	1,788,985	3,209,997
Expenditure incurred	1,934,719	3,015,581
R&D tax offset received in relation to exploration assets	(830,000)	(1,137,693)
Exploration expensed	(1,449,779)	(823,373)
Impairment (a)	(414,764)	(1,625,527)
Reclassification to assets held for sale (b)	---	(850,000)
Deferred exploration and evaluation expenditure	**1,029,161**	**1,788,985**
Net Carrying amount at 30 June	**3,257,801**	**4,017,625**

(a) As at 30 June 2016 the Group undertook a review of the carrying value of each area of interest. As a result, the carrying value of deferred exploration, evaluation and development expenditure in the Statement of Financial Position for the Fraser Range Project in Western Australia, as at 30 June 2016, was impaired by $414,764 due to analysis performed by management indicating that the capitalised exploration on an area of interest would not be recoverable by the Company as successful future development is not expected.

(b) As a result of the terms of the binding agreement with A1 Gold, the directors considered the reclassification of the carrying value to Assets Held for Sale as appropriate for financial year ending 2015 (see Note 8).

13 SHARE BASED PAYMENTS

The Group has an Option and Performance Rights Plan (**OPRP**) for the granting of options or performance rights to employees. There were 1,000,000 options granted to employees and consultants during the financial year (2015: 500,000 options) under the Company's OPRP.

Outlined below is a summary of options issued during the year ended 30 June 2016 to employees under the OPRP:

	Number of options	Grant date	Vesting date	Expiry date
Employees	333,333	26/11/2015	30/11/2015	30/11/2020
Employees	333,333	26/11/2015	30/11/2016	30/11/2020
Employees	333,334	26/11/2015	30/11/2017	30/11/2020
Total	**1,000,000**			

Outlined below is a summary of options issued during the year ended 30 June 2016 to directors or contractors at the discretion of the Board and approved by shareholders at a General Meeting of shareholders:

	Number of options	Grant date	Vesting date	Expiry date
Directors and contractors	18,000,000	26/11/2015	30/11/2015	30/11/2020
Directors and contractors	18,000,000	26/11/2015	30/11/2016	30/11/2020
Directors and contractors	18,000,000	26/11/2015	30/11/2017	30/11/2020
Total	**54,000,000**			

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

13 SHARE BASED PAYMENTS (continued)

Set out below is a summary of options granted to directors, employees and contractors either under the Company's OPRP approved by shareholders or on exercise of discretion by the Board and approved by shareholders at a General Meeting of shareholders:

Reporting Year	Balance at beginning of year	Granted during year	Exercised during year	Expired during the year	Balance at end of year	Exercisable at end of year
2016	30,500,000	55,000,000	---	---	85,500,000	48,583,333
2015	30,685,625	500,000	---	(685,628)	30,500,000	11,000,000

The fair values of the options are estimated at the date of grant using the Black Scholes option pricing model. Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense was $419,659 (2015: $191,500).

The weighted average contractual life for the share options outstanding as at 30 June 2016 is between 1 and 4 years (2015: 1 and 4 years).

14 TRADE AND OTHER PAYABLES

	2016 $	2015 $
Current		
Trade payables	222,579	255,664
Accruals	73,839	142,677
	296,418	**398,341**

Trade payables are non-interest bearing and are normally settled on 30 – 60 day terms. For terms and conditions relating to Related Parties refer to Note 19.

15 ISSUED CAPITAL AND RESERVES

	2016 $	2015 $
Ordinary fully paid shares	75,963,713	73,455,912
Contributing shares	2,351	2,351
	75,966,064	**73,458,263**

The following movements in issued capital occurred during the reporting period:

	Number of Shares	Issue Price	$
Ordinary fully paid shares			
Opening balance at 1 July 2015	305,627,982	---	73,455,912
Share issues:			
Placement	60,673,331	$0.015	910,100
Entitlements offer	66,069,891	$0.015	991,049
Silja Facility loan conversion	9,333,333	$0.015	140,000
Tarney Facility loan conversion	33,333,333	$0.015	500,000
Less: Issue costs	---	---	(33,348)
Closing balance at 30 June 2016	**475,037,870**		**75,963,713**

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

15 ISSUED CAPITAL AND RESERVES (continued)

Contributing shares	2016 $	2015 $
Opening balance at 1 July 2015	58,775	2,351
Closing balance at 30 June 2016	**58,775**	**2,351**

The following movements in issued capital occurred during the prior period:

	Number of Shares	Issue Price	$
Ordinary fully paid shares			
Opening balance at 1 July 2014	242,993,740	---	71,615,286
Share issues:			
Placement	822,666	$0.045	37,020
Entitlements offer	61,549,243	$0.030	1,846,477
In lieu of fees	262,333	$0.030	7,870
Less: Issue costs	---	---	(50,741)
Closing balance at 30 June 2015	**305,627,982**		**73,455,912**
Contributing shares			
Opening balance at 1 July 2014	58,775		2,351
Closing balance at 30 June 2015	**58,775**		**2,351**

Share based payments reserve

The employee share option and share plan reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 12 for further details of these plans.

	2016 $	2015 $
Share based payments reserve	**1,385,894**	**1,044,774**

The following movements in the share based payments reserve occurred during the period:

	$
Opening balance at 1 July 2014	1,127,575
Share based payments expense	191,500
Unlisted share options expired and transferred to accumulated losses (i)	(274,301)
Closing balance at 30 June 2015	**1,044,774**
Share based payments expense (i)	419,659
Unlisted share options expired and transferred to accumulated losses (i)	(78,539)
Closing balance at 30 June 2016	**1,385,894**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

15 ISSUED CAPITAL AND RESERVES (continued)

(i) During the year, previously recognised share based payment transactions for options which had vested but subsequently expired were transferred to accumulated losses.

The following options to subscribe for ordinary fully paid shares expired during the year:

Class	Number of options	Expiry date	Exercise price
Unlisted options	6,000,000	31/07/2015	$0.247849
Unlisted options	3,500,000	31/08/2015	$0.247849
Listed options	42,500,000	31/08/2015	$0.197849
Total	**52,000,000**		

16 LOAN

On 30 July 2015, the Company announced that it had finalised loan agreements with two of its major shareholders for a total of $1,000,000.

A $500,000 loan facility was agreed with Silja Investment Ltd (**Silja**), the Company's largest shareholder and a company associated with Non-executive Director, Mr Alexander Haller, and a $500,000 loan facility was agreed with Tarney Holdings Pty Ltd ATF The DP & FL Waddell Family Trust (**Tarney**), a company associated with the Company's Chairman, Mr Denis Waddell (together the **Facilities**).

During the reporting period, both Facilities were drawn on. The Tarney Facility was drawn down in full. The Silja Facility was drawn on for $100,000, bringing the total of the Facility to $240,000 as the prior loan balance of $140,000 was rolled into the new Facility agreement.

Under the terms of the Facilities, the Company or lenders had the option to convert cash drawn down under the Facilities to ordinary shares (subject to Shareholder approval).

As approved by shareholders at the Annual General Meeting held on 26 November 2015, on 2 December 2015 the Company issued the following ordinary shares at an issue price of $0.015 per share to convert loans from director related entities into ordinary shares:

- 33,333,333 ordinary shares to Tarney - $500,000
- 9,333,333 ordinary shares to Silja - $140,000

On 23 February 2016 the Company paid Silja $100,000, thereby repaying the balance of the Silja Facility that was outstanding as at 31 December 2015. Following the repayment of the Silja Facility, the security against all present and after acquired property of the Company was removed.

The Facilities have now expired with nil owing to either lender.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk Management

Overview
The Group has exposure to the following risks from its use of financial instruments:
- Market risk.
- Credit risk.
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's principal financial instruments are cash, short-term deposits, receivables, loan and payables.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income and expenses or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Equity price risk
The Group is currently not subject to equity price risk movement.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets and investment decisions are governed by the monetary policy.

During the year, the Group had no variable rate interest bearing liability.

It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

The Group is not materially exposed to changes in market interest rates. A 1% variation in interest rates would result in interest revenue changing by $1,000 (2015: $1,000) based on year-end cash balances, and $nil (2015: $nil) based on year-end security bonds and deposits balances, assuming all other variables remain unchanged.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group does not presently have customers and consequently does not have credit exposure to outstanding receivables. Trade and other receivables represent GST refundable from the Australian Taxation Office and security bonds and deposits. Trade and other receivables are neither past due nor impaired.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Refer to Note 2(a) for a summary of the Group's current plans for managing its liquidity risk.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group's exposure to financial obligations relating to corporate administration and projects expenditure, are subject to budgeting and reporting controls, to ensure that such obligations do not exceed cash held and known cash inflows for a period of at least 1 year.

Fair value of financial assets and liabilities
The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group is equal to their carrying value.

Foreign currency risk
The Group's exposure to currency risk is minimal at this stage of the operations.

Commodity price risk
The Group's exposure to price risk is minimal at this stage of the operations.

Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The management of the Group's capital is performed by the Board.

The Board manages the Group's liquidity ratio to ensure that it meets its financial obligations as they fall due and specifically allowing for the expenditure commitments for its mining tenements to ensure that the Group's main assets are not at risk.

Refer to Note 2(a) for a summary of the Group's current plan for managing its going concern.

None of the Group's entities are subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

18 COMMITMENTS AND CONTINGENCIES

Tenement commitments – Australia

The Group has a portfolio of tenements located in Western Australia, Queensland and Victoria, which all have a requirement for a certain level of expenditure each and every year in addition to annual rental payments for the tenements. Future minimum expenditure commitments as at 30 June are as follows:

	2016 $	2015 $
Within one year	1,500,150	1,570,800
After one year but not more than five years	6,676,850	6,528,300
More than five years	---	---
	8,177,000	**8,099,100**

Guarantees

The Company has the following contingent liabilities at 30 June 2016:

- The Group has negotiated bank guarantees in favour of the Victorian Government for rehabilitation obligations of mining tenements. The total of these guarantees at 30 June 2016 was $250,000 (2015: $250,000). The Group has sufficient term deposits to cover the outstanding guarantees.
- It has guaranteed to cover the directors and officers in the event of legal claim against the individual or as a group for conduct which is within the Company guidelines, operations and procedures.

Provision for rehabilitation

The state government regulations in the various states in which the Group operates require rehabilitation of drill sites including any other sites where the Group has caused surface and ground disturbance. The costs are not of a material nature and vary across disturbance sites. To date rehabilitation has taken place on drill sites as drill rigs are moved as part of the exploration program when drilling in a particular area of interest is complete or not active for an extended period of time due to other drilling project priorities.

As part of the Group's environmental policy exploration and access sites are regenerated to match or exceed local government and state government expectations. The costs are not considered to be material by the group however this policy will be reviewed as exploration and development activities increase as the Company moves closer towards commercial production.

Rental property commitments

The Group has entered into a commercial lease for office space in Melbourne, Victoria, for one year (expiring August 2017).

There are no restrictions placed upon the lessee by entering into these leases apart from the 12 month commitment from the agreement dates.

Future minimum rentals payable under non-cancellable commercial leases as at 30 June are as follows:

	2016 $	2015 $
Within one year	17,000	2,701
After one year but not more than five years	2,748	---
More than five years	---	---
	19,748	**2,701**

Guarantees

The Company has the following bonds at 30 June 2016:

- The Group has negotiated guarantees in favour of rental agreements. The total of these guarantees at 30 June 2016 was $3,117 (2015: $3,117).

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

19 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of the Company and the subsidiary's listed in the following table.

	Country of incorporation	Equity interest 2016 %	Equity interest 2015 %	Investment 2016 $	Investment 2015 $
Goldstar Resources (WA) Pty Ltd	Australia	100	100	1	1
Kamax Resources Limited	Australia	100	100	778,823	778,823

Orion Gold NL is the ultimate Australian parent entity incorporated in Australia.

Subsidiaries
An inter-company loan exists between Orion Gold NL (parent) and:
(i) Goldstar Resources (WA) Pty Ltd (subsidiary) of $1,946,300 (2015: $1,946,300). A provision for impairment of $1,946,300 (2015: $1,946,300) has been recognised in relation to this loan;
(ii) Kamax Resources Limited (subsidiary) of $2,160,406 (2015: $2,118,108). A provision for impairment of $nil (2015: $nil) has been recognised in relation to this loan.

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made at both market prices and normal commercial terms.

Key management personnel compensation

The key management personnel compensation included in administration expenses and exploration and evaluation expenses (refer Note 3) and deferred exploration, evaluation and development (refer Note 12) is as follows:

	Consolidated 2016 $	Consolidated 2015 $
Short-term employee benefits	421,200	461,775
Share-based payments	400,806	141,310
	822,006	**603,085**

Individual directors and executives compensation disclosures
Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control, joint control or a relevant interest over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

From time to time, Directors of the Group, or their related entities, may provide services to the Group. These services are provided on terms that might be reasonably expected for other parties and are trivial or domestic in nature.

On 17 December 2015, the Company issued 800,000 ordinary shares to Mr Errol Smart at an issue price of $0.015 per share to raise $12,000. The issue of ordinary shares was for participation in the Share Purchase Plan.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 RELATED PARTY DISCLOSURE (continued)

On 2 December 2015, the Company issued 6,666,666 ordinary shares to Mr Errol Smart at an issue price of $0.015 per share to raise $100,000. The issue of ordinary shares was approved at the Company's Annual General Meeting held on 26 November 2015.

On 2 December 2015 the Company issued the following ordinary shares at an issue price of $0.015 per share to convert loans from director related entities into ordinary shares:

- 33,333,333 ordinary shares to Tarney - $500,000
- 9,333,333 ordinary shares to Silja - $140,000

Refer to note 16 for further detail.

20 AUDITOR REMUNERATION

	2016 $	2015 $
Amounts received or due and receivable by RSM Australia Partners for:		
An audit or review of the financial report of the Company and any other entity in the Group	29,300	27,000
Tax compliance	7,100	12,550
Total amounts for RSM Australia Partners	**36,400**	**39,550**

21 SEGMENT REPORTING

The Group had one reportable segment during the period, being mineral exploration (including gold, copper, nickel and PGEs) in Australia, which was the Group's exploration focus. The Managing Director and Chief Executive Officer reviews internal management reports for this exploration area on monthly basis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

22 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2016 the parent company of the Group was Orion Gold NL.

	Company	
	2016	2015
	$	$
Result of parent entity		
Loss for the period	(1,905,122)	(2,374,819)
Other comprehensive income	---	---
Total comprehensive income for the period	**(1,905,122)**	**(2,374,819)**
Financial position of parent entity at year end		
Current assets	1,395,305	977,281
Total assets	7,649,948	6,916,231
Current liabilities	274,192	543,975
Total liabilities	275,124	563,745
Total net assets	**7,374,825**	**6,352,486**
Total equity of the parent entity comprising of:		
Issued capital	75,966,064	73,458,263
Accumulated losses	(69,977,133)	(68,150,551)
Other reserves	1,385,894	1,044,774
Total equity	**7,374,825**	**6,352,486**

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Parent entity commitments in relation to minimum expenditure on tenements

	2016 $	2015 $
Tenements		
Minimum expenditure requirement:		
Within one year	1,500,150	1,570,800
One year later and no later than five years	6,676,850	6,528,300
Later than five years	---	---
Total	**8,177,000**	**8,099,100**

Parent entity commitments in relation to rental property

	2016 $	2015 $
Commitments		
Rental property commitments	19,748	2,701

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

22 PARENT ENTITY DISCLOSURES (continued)

Contingent liabilities

The Company has issued bank guarantees in respect of its rental agreements and mining tenements. Under the terms of the financial guarantee contracts, the Company will make payments to reimburse the guarantors upon failure of the Company to make payments when due. Refer to note 18 for further detail.

23 SUBSEQUENT EVENTS AFTER THE BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years except for those matters referred to below:

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

As referred to in the Operations section of this Report, subsequent to the end of the year 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 Nickel Mining (Pty) Ltd (**Namaqua**) and Disawell (Pty) Ltd (**Disawell**) (together the **Companies**), which hold partly overlapping prospecting rights and mining right applications.

The Company's earn-in right is via a South African-registered special-purpose vehicle (**SPV**), which will be established by the Company 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:

- SPV has the exclusive opportunity to earn up to an 80% interest (Company 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 the Company;
    - The Company 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 the Company to access the Jacomynspan Project and conduct exploration activities including the Initial Program;
    - The Company providing proof of financial capacity to execute the Initial Program prior to 9 January 2017; and
    - The parties entering into a comprehensive earn-in agreement prior to 10 November 2016.

- Orion SPV is able to earn an initial interest of 25% (Orion 18.5%) in the Companies via staged expenditure of USD500,000 on the Jacomynspan Project over the 12 months from the Earn In Commencement Date (**First Earn In Right**) including:
    - Expenditure commitment of USD250,000 in the first 6 months; and
    - A further $250,000 must be spent within 12 months of the Earn-In Commencement Date (USD500,000 in total expenditure).

- Once Orion SPV has earnt the initial 25% interest:
    - The Companies will issue the Company with fully paid ordinary shares in the Companies 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**);

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

23 SUBSEQUENT EVENTS AFTER THE BALANCE DATE (Continued)

  - The Company 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 the Company elect to increase its interest via further expenditure, the Orion SPV can earn a further 25% interest (making its total interest 50% (the Company 37%)) by expending a further USD1,000,000 on the Jacomynspan Project (USD1,500,000 total expenditure) over a further 12 months (2 years from Earn-In Commencement Date) (**Second Earn In Right**).

- Once Orion SPV has earnt a 50% interest:
  - The Companies will issue the Company 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
  - The Company 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 the Company elect to increase its interest via further expenditure, Orion SPV can earn a further 30% interest (making its total interest 80% (the Company 59.2%)) by:
  - Expending a further USD500,000 on the Jacomynspan Project (USD2,000,000 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, the Company 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 USD2,000,000.

- As noted above, all expenditure by the Company shall be advanced to the Companies as an Orion Loan. In addition to the Orion Loan, the Companies have existing shareholder loans of ZAR78,500,000 (USD5,400,000) 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 the Company 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 the Company will relinquish its rights to earn any further interest in the Companies and the term sheet will be at an end.

Placement

On 16 September 2016, the Company announced that it had issued 9,100,000 ordinary shares at $0.025 per share to raise $227,500 by way of placement. The proceeds will be used to progress drilling and exploration work as part of due diligence being undertaken on the Areachap project and to progress exploration work at Connors Arc in Queensland and Fraser Range in Western Australia.

Directors' Declaration

1 In the opinion of the directors of Orion Gold NL (the Company):

(a) the consolidated financial statements and notes that are set out on pages 50 to 79 and the Remuneration report set out on pages 39 to 47, identified within in the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

2 The directors draw attention to Note 2(a) to the consolidated financial statements which the directors have considered in forming their view that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2016.

4 The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Denis Waddell
Chairman
Perth, Western Australia

20 September 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ORION GOLD NL

We have audited the accompanying financial report of Orion Gold NL ("the consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a)(i), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of Orion Gold NL, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Orion Gold NL is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a)(i).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(a) (iii) to the financial statements which indicates that the consolidated entity incurred a loss of $2,528,188 for the financial year ended 30 June 2016 (2015: loss of $3,362,961). The consolidated entity reported operating net cash outflows for the financial year ended 30 June 2016 of $2,252,847 (2015: $1,449,917.) These conditions, along with other matters as set forth in Note 2(a) (iii), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 22 of the directors' report for the financial year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Orion Gold NL for the financial year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

RSM

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

20 September 2016
Melbourne, Victoria

ADDITIONAL ASX INFORMATION

Shareholder Information
FOR THE YEAR ENDED 30 JUNE 2016

Shareholdings

At 30 September 2016 the issued share capital of the Company was held as follows:

Distribution of ordinary and partly paid contributing shareholders and option holders

	Fully paid ordinary shares		Partly paid contributing shares		Options	
	No. of holders	No. of shares	No. of holders	No. of shares	No. of holders	No. of options
1 – 1,000	897	264,631	-	-	-	-
1,001 – 5,000	264	854,197	-	-	-	-
5,001 – 10,000	80	602,476	-	-	-	-
10,001 – 100,000	371	18,015,326	3	(1)58,775	-	-
100,001 and over	315	464,601,240	-	-	-	-
	1,927	484,137,870	3	58,775	-	-

(1) At the auction of forfeited partly paid shares held at 10.00am 7 August 2008, no shares were sold. Under the terms of the Company Constitution the shares will be held by the directors in trust for the Company and then be disposed of in such manner and on such terms as the directors determine.

Holders of non-marketable parcels

Number of fully paid ordinary shareholders with holdings of less than a marketable parcel was 1,328.

ADDITIONAL ASX INFORMATION CONTINUED

The names of the twenty largest holders of ordinary fully paid shares are:		Ordinary shares	%
1	Tarney Holdings Pty Ltd	66,546,104	13.75%
2	Silja Investment Limited	56,189,019	11.61%
3	Eastern Goldfields	42,433,333	8.76%
4	Kinsella Holdings Ltd	16,033,333	3.31%
5	Ponton Minerals Pty Ltd	12,603,344	2.60%
6	Mr Alexander Haller	11,300,928	2.10%
7	Perth Select Seafoods	11,000,000	2.27%
8	ABN AMRO Clearing Sydney Nominees Pty Ltd	10,108,948	2.08%
9	Mr Robin Haller	10,009,260	2.07%
10	Mr Stefan Haller	10,009,260	2.07%
11	Botsis Holdings Pty Ltd	9,833,330	2.03%
12	Delta Resource Management Pty Ltd	9,679,048	2.00%
13	Jemaya Pty Ltd	9,200,000	1.90%
14	DDH 1 Drilling Pty Ltd	7,999,998	1.65%
15	Dr Leon Eugene Pretorius	7,344,000	1.52%
16	ADFAR Pty Ltd	7,333,333	1.51%
17	Ms Betty Jeanette Moore	6,252,500	1.30%
18	Navigator Australia Ltd	6,200,000	1.28%
19	Mr William Alan Oliver & Mrs Bryony Nicolle Norman Oliver	5,471,088	1.13%
20	Yandal Investments Pty Ltd	4,965,447	1.62%
		320,466,346	65.97%

Total issued ordinary share capital	484,137,870

Substantial shareholders

The following shareholders are recorded in the Company's register of substantial shareholders:

Holders giving notice	Date of notice	Ordinary shares as at date of notice	% holding
Silja Investment Ltd (1)	12-02-2014	41,328,114	8.5%
Alexander Haller (2)	28-12-2012	52,630,362	10.9%
Josephine Haller (1)	12-02-2014	41,328,114	8.5%
Denis Waddell	02-12-2015	66,546,104	13.7%
Eastern Goldfields	16-09-2016	42,433,333	8.8%

This information is based on substantial holder notifications provided to the Company.
(1) These substantial holdings relate to the same shares.
(2) A total of 41,328,114 ordinary shares relate to the same shares as Silja Investment Ltd and Josephine Haller.

Voting rights

Ordinary shares

Carry a voting right of one vote per share.

Franking credits

The Company has nil franking credits.

Tenement schedule

Project	Tenement	Status	Grant Date	Expiry Date	Holder (1)	Comments
Western Australia						
Fraser Range	E28/2367	Granted	07/05/2015	06/05/2020	KMX	KMX 100%
Fraser Range	E28/2378	Granted	22/07/2015	21/07/2020	KMX	KMX 100%
Fraser Range	E28/2462	Granted	27/07/2015	26/07/2020	KMX	KMX 100%
Fraser Range	E28/2596	Granted	06/09/2016	05/09/2021	KMX	KMX 100%
Fraser Range	E39/1653	Granted	20/04/2012	19/04/2017	GRPL	KMX 80%
Fraser Range	E39/1654	Granted	23/04/2012	22/04/2017	NBX	ORN 70%
Fraser Range	E69/2379	Granted	21/05/2013	20/05/2018	PON	ORN 70%
Fraser Range	E69/2380	Granted	22/05/2013	21/05/2018	PON	ORN 70%
Fraser Range	E69/2707	Granted	19/06/2015	18/06/2020	PON	ORN 70%
Eastern Goldfields[2]	E16/480	Granted	02/05/2016	01/05/2021	GDR	GDR 100%
Eastern Goldfields[2]	E29/964	Granted	05/05/2016	04/05/2021	GDR	GDR 100%
Eastern Goldfields[2]	P16/2921	Granted	06/05/2016	05/05/2020	GDR	GDR 100%
Eastern Goldfields[2]	P16/2922	Granted	06/05/2016	05/05/2020	GDR	GDR 100%
Eastern Goldfields[2]	E16/482	Application	Application	Application	-	-
Eastern Goldfields[2]	E16/483	Application	Application	Application	-	-
Eastern Goldfields[2]	E16/484	Application	Application	Application	-	-
Eastern Goldfields[2]	E16/486	Application	Application	Application	-	-
Eastern Goldfields[2]	E16/487	Application	Application	Application	-	-
Eastern Goldfields[2]	E30/478	Application	Application	Application	-	-
Fraser Range	E28/2644	Application	Application	Application	-	-
Fraser Range	E39/1658	Application	Application	Application	-	-
Fraser Range	E39/1818	Application	Application	Application	-	-
Fraser Range	E69/2706	Application	Application	Application	-	-
Queensland						
Aurora Flats	EPM19825	Granted	2/12/2013	1/12/2018	ORN	ORN 100%
Aurora Flats South	EPM25283	Granted	23/9/2014	22/9/2019	ORN	ORN 100%
Mt Mackenzie Sth	EPM25122	Granted	2/12/2013	1/12/2018	ORN	ORN 100%
Aurora Flats	EPM25763	Granted	14/5/2015	13/5/2020	ORN	ORN 100%
Aurora Flats	EPM25764	Granted	14/5/2015	13/5/2020	ORN	ORN 100%
Aurora Flats	EPM25813	Granted	14/5/2015	13/5/2020	ORN	ORN 100%
Aurora Flats	EPM25703	Granted	30/10/2015	29/10/2020	ORN	ORN 100%
Aurora Flats	EPM25708	Granted	30/10/2015	29/10/2020	ORN	ORN 100%
Aurora Flats	EPM25712	Granted	30/10/2015	29/10/2020	ORN	ORN 100%
Aurora Flats	EPM25714	Granted	30/10/2015	29/10/2020	ORN	ORN 100%
Aurora Flats	EPM26003	Granted	30/08/2016	29/08/2021	ORN	ORN 100%
Aurora Flats	EPM26081	Granted	30/06/2016	29/06/2021	ORN	ORN 100%
Aurora Flats	EPM26082	Granted	30/06/2016	29/06/2021	ORN	ORN 100%
Aurora Flats	EPM26083	Granted	30/06/2016	29/06/2021	ORN	ORN 100%

Project	Tenement	Status	Grant Date	Expiry Date	Holder (1)	Comments
Victoria						
Walhalla	MIN5487[3]	Granted	20/08/2008	19/08/2018	ORN	ORN 100%
Walhalla	EL5340	Granted	6/06/2013	5/06/2016	ORN	ORN 100%
Walhalla	EL5348	Granted	6/06/2013	5/06/2018	ORN	ORN 100%
Walhalla	ELA5042	Application	Application	Application	-	-
Walhalla	ELA6069	Application	Application	Application	-	-

(1) Holder abbreviations – ORN (Orion Gold NL); GDR (Goldstar Resources (WA) Pty Ltd (a 100% owned subsidiary of ORN)); GRPL (Geological Resources Pty Ltd); KMX (Kamax Resources Limited (a 100% owned subsidiary of ORN)); NBX (NBX Pty Ltd); PON (Ponton Minerals Pty Ltd).

(2) The Eastern Goldfields project has been sold to Eastern Goldfields Ltd and is in the process of being transferred as part of this agreement.

(3) On 11 August 2015 the Company announced to the ASX that it had entered into a sale agreement with A1 Gold for A1 Gold to acquire MIN 5487 which includes the Tubal Cain and Eureka deposits. For further information, refer to the Corporate section.

Corporate Directory

DIRECTORS

Mr Denis Waddell (Non-executive Chairman)
Mr Errol Smart (Managing Director/CEO)
Mr William Oliver (Technical Director/COO)
Mr Alexander Haller (Non-executive Director)

COMPANY SECRETARY

Mr Martin Bouwmeester

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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55 Collins Street
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STOCK EXCHANGE LISTING

Australian Securities Exchange (ASX)
ASX Code: ORN

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