



Orion Gold_{NL}

and its Controlled Entities

ABN: 76 098 939 274

**31 December 2016
Interim Financial Report**

Corporate Directory

DIRECTORS

Denis Waddell (Non-executive Chairman)

Errol Smart (Managing Director and Chief Executive Officer)

William Oliver (Technical Director and Chief Operating Officer)

Alexander Haller (Non-executive Director)

COMPANY SECRETARY

Martin Bouwmeester

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK EXCHANGE LISTING

Australian Securities Exchange (ASX)

ASX Code: ORN

SHARE REGISTRY

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Perth, Western Australia 6000

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AUDITOR

RSM Australia Partners

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Melbourne, Victoria 3000

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Directors' Report

The directors present their report together with the consolidated interim financial report for the half year ended 31 December 2016 and the independent auditor's review report thereon.

DIRECTORS

The names of Orion Gold NL Directors at any time during or since the end of the half year are:

Non-executive		
Mr Denis Waddell	Non-executive Chairman	Appointed 27 February 2009
Mr Alexander Haller	Non-executive Director	Appointed 27 February 2009
Executive		
Mr Errol Smart	Managing Director	Appointed 26 November 2012
Mr William Oliver	Technical Director	Appointed 7 April 2014

CORPORATE STRUCTURE

Orion Gold NL (**Orion** or the **Company**) is a no liability company that is incorporated and domiciled in Australia. This consolidated financial report incorporates the entities that the Company controlled during the half 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 half year was the exploration and evaluation of the Areachap Project in South Africa, the Fraser Range Project in Western Australia and the Connors Arc Epithermal Gold Project in central Queensland and the Walhalla Gold and Polymetals Project in Victoria.

OPERATING RESULTS

The Group recorded a net loss for the half year of \$2,635,561 (31 December 2015: net loss of \$1,709,520). Net cash used in operating activities for the half year totalled \$2,220,808 (31 December 2015: \$844,988). Cash on hand as at 31 December 2016 was \$1,248,766 (30 June 2016: \$651,748).

In the half year ended 31 December 2016, the Group focused strongly on exploration within its Areachap Zinc-Copper and Gold Projects (South Africa), its Connors Arc Epithermal Gold Project (Queensland) and its Fraser Range - Gold-Nickel-Copper Project (Western Australia). A total of \$2,172,135 in exploration activities for the group was incurred in the half year ended 31 December 2016 (31 December 2015: \$1,181,554).

The basic loss per share for the Group for the half year was 0.54 cents and diluted loss per share for the Group for the half year was 0.54 cents (31 December 2015: basic loss per share 0.54 cents and diluted loss per share 0.54 cents).

REVIEW OF OPERATIONS

During the half year the Company continued exploration on its projects in South Africa, Queensland and Western Australia. Exploration during the reporting period intensified on the Areachap Belt projects in South Africa, including the Company's maiden drilling programs as well as the completion of geophysical surveys. In Australia, field work at the Connors Arc Project continued to identify new epithermal occurrences in addition to defining target areas for drill programs. Exploration in the Fraser Range also identified a number of new targets through geophysical surveys in the southern area of the project area.

Directors' Report (Continued)

REVIEW OF OPERATIONS (Continued)

Areachap Zinc-Copper and Gold Projects (South Africa)

During the reporting period, the Company intensified its exploration programs at its highly prospective Areachap Belt Projects, in the Northern Cape Province of South Africa.

The historic Prieska Copper Mine (**PC**) covers unmined dip and strike extensions from historical underground mining, with the mineralisation having previously been delineated by extensive drilling and geophysics. A drilling program was designed to confirm, in-fill and extend the historical drilling at the +105 Level Target, targeting mineralisation that would be amenable to extraction via open pit mining.

A total of 2,160.83 metres was drilled in 22 holes between July and December 2016, with a further 7 being commenced but abandoned prior to intersecting the mineralised zone. Drilling is ongoing into 2017. All results have been detailed in ASX releases of 25 July 2016, 22 August 2016, 14 September 2016, 2 November 2016, 7 December 2016 and 16 December, with best results 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 and 6m at 12.4% Zn from 75m (OCOR027);
- 9.3m at 4.0% Zn, 1.4% Cu, 0.13g/t Au and 9.0g/t Ag from 170m (OCOD033);
- 29.4m at 3.06% Zn + 1.52% Cu, 0.36g/t Au and 9.0g/t Ag from 112.6m, including: 8.5m at 4.33% Zn + 2.17% Cu from 115m and 3m at 7.13% Zn from 139m (OCOD036);
- 12m at 4.14% Cu, 1.89% Zn and 0.29g/t Au from 57m, including: 3m at 7.4% Cu and 4.34% Zn (OCOR017); and
- 20.6m at 1.36% Zn, 0.63% Cu, and 0.1g/t Au from 156.1m, including: 2.6m at 5.2% Zn (OCOD035).

Ongoing drilling programs at the PC Project also continues to return significant gold-silver mineralisation both associated with zinc-copper mineralisation and in non-sulphide bearing intervals in the oxide zone away from the zinc-copper mineralisation. Modelling of the mineralisation defined by drilling is underway with the objective of estimating a maiden JORC Code (2012) compliant Mineral Resource in the early part of 2017.

At the Marydale Gold-Copper Project, the Company's maiden drilling program comprised 2 holes for 278.3 metres. Drilling utilised oriented diamond core drilling to enable new data to improve the geological model for mineralisation within the Marydale Project. Thick intercepts were returned in OWCD032 (64m at 1.55g/t Au and 0.26% Cu including several higher grade zones) and OWCD033 (25m at 1.81g/t Au and 0.31% Cu including several higher grade zones) (refer ASX release 5 October 2016), consistent with historical drilling in the area (designated the NW Quadrant prospect).

Directors' Report (Continued)

REVIEW OF OPERATIONS (Continued)

Based on these results and evaluation of historical geophysical and geochemical data, a high powered induced polarisation survey was undertaken across the broader project area to completely cover the prospective horizon for mineralisation. The survey successfully delineated a semi-continuous, arcuate chargeability anomaly extending some 1.7km from the previously drilled NW Quadrant area (refer ASX release 23 November 2016). Drill testing of this anomaly commenced in late 2016 and is ongoing.

Exploration also commenced within the Masiqhame prospecting right with an initial focus on the previously drilled Kantienpan Deposit. The Kantienpan Deposit was discovered and drilled by Iscor Ltd (**Iscor**), however drilling was curtailed soon after discovery, due to a corporate decision to stop all exploration and focus on iron ore production. While the Company's maiden drill hole intersected 7m at 6.4% Zn (refer ASX release 7 September 2016) a more significant step to advance the project results from the completion of a high powered fixed loop ground electromagnetic survey. This survey identified the KN1 Conductor, which is modelled to be substantially larger and highly conductive (~6000-8000S), being 3-4 times the conductance of the shallower, drilled, conductor. It was not detected in the previous Iscor survey due to limitations with the low-powered, historic system used at the time. Drilling is currently underway to test the KN1 conductor with drilling already intersecting significant thicknesses of massive sulphides. A number of additional litho-geochemical and geophysical targets remain to be tested on the Prospecting Right Area.

Connors Arc Epithermal Gold Project (Queensland)

During the half year, the Company continued field work activities at its 100%-owned Connors Arc Project, located 180km from Rockhampton in Central Queensland Australia. The Connors Arc Project lies between the Cracow and Mt Carlton Deposits in the Connors-Auburn Magmatic Arc.

Field work during the reporting period focussed on the northern part of the Connors Arc Project and specifically the areas around the Killarney and 6 Mile Creek Prospects. Away from these areas a number of new epithermal quartz vein occurrences were identified and sampled.

Preparation for the Company's maiden drill programs at both the 6 Mile Creek and Killarney Prospects along with planned follow up drilling at the Chough Prospect were also undertaken during the half year period.

Fraser Range - Gold-Nickel-Copper Project (Western Australia)

The Company continues to hold a substantial ground position in the Fraser Range Province of Western Australia. During the half year, the Company completed a ground gravity and aeromagnetic survey over the southern portion of the project area (refer ASX release 6 October 2016). Data from these surveys was reviewed and modelled to enabled the identification of locations where mafic-ultramafic intrusions may be present, and therefore locating targets with the highest prospectivity for nickel-copper mineralisation.

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

Directors' Report (Continued)

REVIEW OF OPERATIONS (Continued)

The Company's Board considers the Company's Fraser Range Project has considerable value given the IGO-WIN transaction announced during the reporting period, valuing WIN at ~\$21 million. The Company maintains a significant land-holding of 3,830km² in the Fraser Range, second only to IGO, and while the Company's current focus is the Areachap Belt Projects it is continuing to advance the Fraser Range projects through systematic exploration.

Walhalla Gold & Polymetals Project (Victoria)

During the half year, the Company did not carry out any exploration activity on the Walhalla Project. As announced by the Company, Centennial Mining Limited (previously A1 Consolidated Gold Limited) (**Centennial**) is acquiring the Company's Walhalla Project mining licence 5487 (**Licence**). As at reporting date, the acquisition of the Licence is still proceeding through Victorian Government Department of Economic Development, Jobs, Transport and Resources requirements.

The Company retains its mineral rights across all other licences held within the Walhalla Project area, which are prospective for gold, copper – nickel and platinum group elements (**PGE**).

Corporate

Prieska Zinc-Copper Project and Marydale Gold-Copper Project – Exercised Option Agreement (South Africa)

Subsequent to the end of the reporting period, on 3 January 2017, the Company announced that it has exercised the option to acquire Agama Exploration & Mining (Pty) Ltd (**Agama**), which through its subsidiary companies, ultimately holds an effective 73.33% interest in the company holding Prospecting Rights over the PC Project, located at Copperton, Northern Cape province, South Africa and the Marydale Gold-Copper Project, a volcanogenic gold-copper discovery located 60km from the PC Project.

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

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

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

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

Directors' Report (Continued)

- Each Share issued will have an attached unlisted Orion option, exercisable at a 100% premium to the Share Issue Price and expiring on the date which is 24 months following the date of issue of the unlisted option (**Unlisted Option**).

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

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

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

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

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

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

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

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

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

Directors' Report (Continued)

- Orion SPV has the exclusive opportunity to earn up to an 80% interest (Orion 59.2%) in the Companies. The Companies are privately owned South African companies with 26% or greater HDSA ownership.
- Conditions precedent to the commencement of earn in rights (**Earn-In Commencement Date**) include:
 - Due diligence to be conducted by Orion;
 - Orion providing the Companies with an initial exploration program to be carried out for the first 6 month period following the Earn-In Commencement Date (**Initial Program**);
 - The Companies obtaining all necessary approvals for Orion to access the Jacomynspan Project and conduct exploration activities including the Initial Program;
 - Orion providing proof of financial capacity to execute the Initial Program prior to 9 April 2017; and
 - The parties entering into a comprehensive earn-in agreement prior to 9 April 2017.
- Orion SPV is able to earn an initial interest of 25% (Orion 18.5%) in the Companies via staged expenditure of US\$0.5 million on the Jacomynspan Project over the 12 months from the Earn In Commencement Date (**First Earn In Right**) including:
 - Expenditure commitment of US\$0.25 million in the first 6 months; and
 - A further \$0.25 million must be spent within 12 months of the Earn-In Commencement Date (US\$0.5 million in total expenditure).
- Once Orion SPV has earned the initial 25% interest:
 - The Companies will issue Orion with fully paid ordinary shares in the Companies which shall result in Orion SPV being the holder of 25% of the total shares on issue immediately following such issue of shares;
 - The Companies will record a shareholder loan account in favour of Orion SPV to the value of the First Earn In Right expenditure incurred by Orion and shall continue to record further expenditure by the Orion SPV as an increase in the shareholder loan account (**Orion Loan**);
 - Orion can elect to increase its interest via further expenditure, as detailed below, or maintain its 25% interest by contributing pro-rata to exploration; and
 - Within 30 days, the parties will negotiate the terms of a shareholders agreement to govern the terms of relationship between the shareholders.
- Following the First Earn-in Right, should Orion elect to increase its interest via further expenditure, the Orion SPV can earn a further 25% interest (making its total interest 50% (Orion 37%)) by expending a further US\$1 million on the Jacomynspan Project (US\$1.5 million total expenditure) over a further 12 months (2 years from Earn-In Commencement Date) (**Second Earn In Right**).
- Once Orion SPV has earned a 50% interest:
 - The Companies will issue Orion with shares which shall result in Orion SPV being the holder of 50% of the total shares on issue immediately following such issue of shares; and
 - Orion can elect to increase its interest via further expenditure, as detailed below, or maintain its 50% interest by contributing pro-rata to exploration.

Directors' Report (Continued)

- Following the Second Earn in Right, should Orion elect to increase its interest via further expenditure, Orion SPV can earn a further 30% interest (making its total interest 80% (Orion 59.2%)) by:
 - Expending a further US\$0.5 million on the Jacomynspan Project (US\$2 million total expenditure) over a further 12 months (3 years from Earn In Commencement Date);
 - Completing a bankable feasibility study, which has been reviewed and signed off by an independent external expert; and
 - Providing or securing project finance terms to develop a mining operation within the Project Area as per the bankable feasibility study and which shall not result in any Shareholder dilution.
- On the Earn-In Commencement Date, Orion will be appointed as the operator and manager of the joint ventures and will have the right to appoint a minimum of one director to the boards of the Companies.
- The Companies shareholders on the date of execution of the Term Sheet (**Signature Date**) shall be entitled to a 2% royalty in proportion to their beneficial interest in the Companies at the Signature Date, on net smelter returns arising from the production and sale of metals from the Jacomynspan Project's SAMREC resource as at the Signature Date (**Royalty**). At any time following the Earn-In Commencement Date, Orion shall have the right at its sole discretion to buy out the Royalty for an aggregate value of US\$2 million.
- As noted above, all expenditure by Orion shall be advanced to the Companies as an Orion Loan. In addition to the Orion Loan, the Companies have existing shareholder loans of ZAR78.5 million (~US\$5.4 million) as at the Signature Date (together **Shareholder Loans**). Following the completion of the First Stage Earn In, the parties will negotiate the terms of a Shareholders Loan to govern the terms of the Shareholder Loans. The Shareholder Loan agreement will contain clauses normally contemplated by a formal agreement negotiated in good faith between the parties.

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

Option Agreement – Masiqhame (South Africa)

In the reporting period ending 30 June 2016, the Company announced that it had executed a binding option agreement with Masiqhame for Orion to earn up to a 73% interest in Masiqhame. Masiqhame holds prospecting rights over large, highly prospective area located approximately 80km north of the PC Project. On 7 September 2016 the Company announced that the terms of the option had been amended to enable Orion to commence exploration activities including drilling and have the cost of this work program deducted from the consideration payable of ZAR1,500,000 (~A\$150,000) by Orion for 50% of Masiqhame shares on issue.

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

Directors' Report (Continued)

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

- Orion has the opportunity to earn up to a 73% interest in Masiqhame.
- Masiqhame is a privately owned South African company with 100% Historically Disadvantaged South African ownership. Masiqhame is thus black economic empowerment (**BEE**) compliant from the outset and Orion will earn in to an incorporated joint venture, partnering with a BEE partner via Masiqhame.
- Orion will have an exclusive option to undertake due diligence on the corporate entity and the prospecting rights until no later than 30 September 2016 (**Option**), failing which the parties will be released from their obligations under the Term Sheet. As noted above, Orion has exercised the Option.
- Upon exercise the Option:
 - Orion will pay Masiqhame ZAR1,500,000 less all expenditure by Orion on the exploration program currently underway, to invest in new fully paid Masiqhame shares (**Masiqhame Shares**). As a result of exploration activities currently underway, Orion will not be required to make any cash payment to Masiqhame upon Completion; and
 - Masiqhame will issue Orion with Masiqhame Shares which shall result in Orion being the holder of 50% of the total Masiqhame Shares on issue immediately following such issue of Masiqhame Shares.

(Completion)

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

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

Directors' Report (Continued)

- If Orion 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 Orion be transferred back to the Masiqhame shareholders (excluding Orion) for nil consideration and remove Orion as manager.
- finalisation of a feasibility study; and
- lodgement of an application for the grant of a mining right over some or all of the area of the prospecting rights.

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

Investments

During the reporting period, the Company sold its entire holding in Centennial, being 7,816,285 shares for a total of \$0.204 million at an average sale price of \$0.026 per share. These shares were received as part of the consideration for the sale of the Company's Walhalla Project Mining Licence, MIN 5487, located in Victoria.

Loan Facilities

The Company announced to the ASX on 31 October 2016 that a \$0.50 million loan facility had been agreed with Tarney Holdings Pty Ltd (**Tarney**), a major shareholder of the Company and a company associated with Orion's Chairman, Mr Denis Waddell (**Facility**).

Under the terms of the Facility, Tarney could elect to convert cash drawn down under the Facility into Shares, subject to shareholder approval being sought at the Company's Annual General Meeting that was to be held on 30 November 2016 (**Meeting Date**).

Any advances drawn down under the Facility could be convertible to new Shares at Tarney's discretion and at an issue price per Share which would be either:

- If shares were issued during the period between 21 October 2016 and the Meeting Date, the highest price at which the Company issues Shares during this period, but at a price which is not less than \$0.02 per Share; or
- If no shares were issued during the period between 21 October 2016 and the Meeting Date, the greater of:
 - the highest price at which the Company issues shares following the Meeting Date and the day prior to the date of issue of shares to Tarney, but at a price which is not less than \$0.02 per share; or
 - if no shares were issued during the period between the Meeting Date and the date of the issue of shares to Tarney, 80% of the VWAP, which is at a discount not greater than 20% to the market price of the Company's shares over the last 5 days on which sales are recorded before the day on which the shares are issued.

A total of \$0.45 million was drawn under the Facility and was subsequently repaid to Tarney on 18 November 2016. As at 31 December 2016 the facility has expired with a nil balance owing.

Directors' Report (Continued)

Capital Raising

A. Placement

On 16 September 2016, the Company issued 9,100,000 Shares at an issue price of 2.5 cents per Share to raise \$0.23 million by way of placement to Eastern Goldfields Limited.

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

- On 14 November 2016, the Company issued 72,222,221 Shares at 1.8 cents per Share to raise \$1.3 million. The issue of these Shares to sophisticated and professional investors was approved by the Company's shareholders at the Company's General Meeting held on 14 December 2016; and
- On 23 December 2016, the Company issued 57,016,664 Shares at 1.8 cents per Share to raise \$1.0 million. The issue of 55,555,553 Shares to sophisticated and professional investors was approved by shareholders at the Company's General Meeting held on 14 December 2016 and 1,461,111 Shares were issued to a sophisticated and professional investor within the 15% capacity for issues of equity securities without shareholder approval afforded by ASX Listing Rule 7.1.

B. Placement to Directors

- On 30 December 2016, the Company issued 25,000,000 Shares at 2.0 cents per Share to the Company's Chairman, Mr Denis Waddell (or nominee) to raise \$0.5 million. The issue of these Shares was approved by the Company's shareholders at the Company's Annual General Meeting held on 30 November 2016; and
- On 30 December 2016, the Company issued 5,555,555 Shares at 1.8 cents per Share to Directors of the Company (or nominees) to raise \$0.1 million as approved by the Company's shareholders at the Company's General Meeting held on 14 December 2016.

EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after the balance sheet date of the Company and the Group except for those matters referred to below:

- On 7 February 2017, the Company announced that negotiations are well progressed with potential investors for a proposed capital raising through the issue of convertible notes to various sophisticated and professional investors to raise up to \$8 million through the issue of up to 307,692,308 convertible notes, each with a face value of 2.6 cents. The purpose of the issue of the convertible notes is to raise funds to complete the purchase of 100% of the issued capital of Agama and to provide working capital to the Company.
- On 3 January 2017, the Company announced the exercise of its option held to acquire 100% interest in Agama, which holds an effective 73.33% interest in the Prospecting Rights over the historic Prieska Copper Mine and the Marydale Gold-Copper Project, both located in the Northern Cape province of South Africa.

Directors' Report (Continued)

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 15 and forms part of the directors' report for the half year ended 31 December 2016.

Signed in accordance with a resolution of the directors



Denis Waddell
Chairman

Dated at Perth this 17th day of February 2017

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Orion Gold NL for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM AUSTRALIA PARTNERS**

J S CROALL
Partner

17 February 2017
Melbourne, Victoria

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**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Notes	31 December 2016 (\$)	31 December 2015 (\$)
Continuing operations			
Other income		87,801	63,166
Exploration and evaluation expenses	4	(1,844,772)	(604,864)
Administration and employee expenses	4	(642,234)	(772,528)
Plant and equipment written off	9	---	(641)
Gain/(loss) fair value of unlisted securities in other entities	8	(240,503)	---
Impairment of non-current assets	7	---	(399,170)
Results from operating activities		<u>(2,639,708)</u>	<u>(1,714,037)</u>
Finance income		4,147	4,517
Finance expense		---	---
Net finance costs		<u>4,147</u>	<u>4,517</u>
Loss before income tax		(2,635,561)	(1,709,520)
Income tax (expense)/benefit		---	---
Profit/(loss) from continuing operations attributable to equity holders of the Company		<u>(2,635,561)</u>	<u>(1,709,520)</u>
Other comprehensive income			
Other comprehensive income for the period, net of income tax		---	---
Total comprehensive income/(loss) for the period		<u>(2,635,561)</u>	<u>(1,709,520)</u>
Earnings per share (cents per share)			
- Basic earnings / (loss) per share (AUD)		(0.54)	(0.54)
- Diluted earnings / (loss) per share (AUD)		(0.54)	(0.54)

The Consolidated Interim Statement of Profit or Loss & Other Comprehensive Income is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 20 to 27.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	31 December 2016 (\$)	30 June 2016 (\$)
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,248,766	651,748
Receivables	6	585,590	190,947
Prepayments		64,626	27,089
Available for sale financial assets		---	164,142
Unlisted securities in other entities	8	301,219	541,722
Total Current Assets		2,200,201	1,575,648
Non-current Assets			
Receivables	6	732,460	710,188
Property, plant and equipment	9	46,891	55,949
Deferred exploration, evaluation and development	7	3,242,183	3,257,801
Total Non-current Assets		4,021,534	4,023,938
TOTAL ASSETS		6,211,735	5,599,586
LIABILITIES			
Current Liabilities			
Trade and other payables		363,026	296,418
Provisions		20,667	16,018
Total Current Liabilities		383,693	312,436
Non-current Liabilities			
Provisions		1,184	932
Total Non-current Liabilities		1,184	932
TOTAL LIABILITIES		384,877	313,368
NET ASSETS		5,836,859	5,286,218
EQUITY			
Issued capital	11	79,030,803	75,966,064
Accumulated losses		(74,588,865)	(72,065,740)
Other reserves	12	1,394,920	1,385,894
TOTAL EQUITY		5,836,858	5,286,218

The Consolidated Interim Statement of Financial Position is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 20 to 27.

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Notes	31 December 2016 (\$)	31 December 2015 (\$)
Cash flows from operating activities			
Receipts from customers		25,696	27,768
Interest received		1,103	654
Interest expense		---	---
Payments to suppliers and employees		(358,707)	(268,546)
Payments for exploration and evaluation		(1,888,900)	(604,864)
Net cash flows used in operating activities		<u>(2,220,808)</u>	<u>(844,988)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		---	---
Payments for exploration and evaluation		(267,637)	(283,335)
Proceeds from sale of plant and equipment		205,174	26,769
Proceeds from sale of assets held for sale		---	50,000
Restricted cash investments		---	---
Net cash flows from investing activities		<u>(62,463)</u>	<u>(206,566)</u>
Cash flows from financing activities			
Proceeds from the issue of shares		2,934,350	1,091,049
Share issue expenses		(54,061)	(22,759)
Proceeds from borrowings		450,000	480,000
Repayments of borrowings		(450,000)	---
Net cash flows from financing activities		<u>2,880,289</u>	<u>1,548,290</u>
Net increase in cash and cash equivalents		597,018	496,736
Cash and cash equivalents at beginning of period		651,748	118,279
Cash and cash equivalents at end of period	5	<u>1,248,766</u>	<u>615,015</u>

The Consolidated Interim Statement of Cash Flows is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 20 to 27.

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

31 December 2016				
	Issued capital (\$)	Accumulated losses (\$)	Other reserves (\$)	Total equity (\$)
Balance at 1 July 2016	75,966,064	(72,065,740)	1,385,894	5,286,218
Profit / (loss) for the period	---	(2,635,561)	---	(2,635,561)
Other comprehensive income / (loss)	---	---	---	---
Total comprehensive income / (loss) for the period	---	(2,635,561)	---	(2,635,561)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of costs	3,074,739	---	---	3,074,739
Transfer of share options expired	---	112,436	(112,436)	---
Share-based payments expense	---	---	121,463	121,463
Total Transactions with owners	3,074,739	112,436	9,027	3,196,202
Balance at 31 December 2016	79,030,803	(74,588,865)	1,394,920	5,836,858
31 December 2015				
	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
Profit / (loss) for the period	---	(1,709,520)	---	(1,709,520)
Other comprehensive income / (loss)	---	---	---	---
Total comprehensive income / (loss) for the period	---	(1,709,520)	---	(1,709,520)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of costs	1,708,290	---	---	1,708,290
Transfer of share options expired	---	78,540	(78,540)	---
Share-based payments expense	---	---	282,704	282,704
Total Transactions with owners	1,708,290	78,540	204,164	1,990,994
Balance at 31 December 2015	75,166,553	(71,247,071)	1,248,938	5,168,420

The Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 20 to 27.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT For the half year ended 31 December 2016

1. REPORTING ENTITY

Orion Gold NL (**Company**) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the **Group**).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company's registered office or at www.oriongold.com.au.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these consolidated interim financial statements are consistent with those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2016. Mandatory accounting standards were adopted by the Group during the period. The adoption of the new accounting standards has had no material impact on the measurements of the Group's assets and liabilities.

Statement of compliance

The consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2016.

This consolidated interim financial report was approved by the Board of Directors on 16 February 2017.

Basis of measurement

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial report as at and for the year ended 30 June 2016.

Comparative amounts in the consolidated interim statement of profit or loss and other comprehensive income for the half year ended 31 December 2016 have been adjusted to reflect consistency with the recognition of the transactions and presentation in the financial report for the financial year ended 30 June 2016.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going concern

The Group recorded a net loss of \$2,635,561 for the half year ended 31 December 2016 (31 December 2015: net loss of \$1,709,520) and the Group's position as at 31 December 2016 was as follows:

- The Group had cash reserves of \$1,248,766;
- The Group had negative operating cash flows of \$2,220,808 (31 December 2015: negative operating cash flows of \$844,988) including \$1,888,900 in payments for exploration and evaluation for the half year ended 31 December 2016;
- The Group had positive working capital at 31 December 2016 of \$1,816,508 (30 June 2016: \$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.

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, maintain the Company'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 raisings of \$3,153,800 during the half year ended 31 December 2016 to support the Company's current exploration programs. Cash raised during this period has funded recent exploration programs which are continuing.

Subsequent to the end of the reporting period, the Company announced that negotiations are well progressed with potential investors for a proposed capital raising through the issue of convertible notes to various sophisticated and professional investors to raise up to \$8,000,000 through the issue of up to 307,692,308 convertible notes, each with a face value of 2.6 cents. The purpose of the issue of the convertible notes is to raise funds to complete the purchase of 100% of the issued capital of Agama and to provide working capital to the Company.

Based on results to date from exploration programs, the Company's ability to successfully raise capital in the past and capital raising initiatives as announced, the Directors are confident of obtaining the continued support of the Company's shareholders and a number of brokers that have supported the Company's previous capital raisings.

The amount and timing of any funding for operational and exploration plans is the subject of ongoing review and will be determined by exploration success.

Accordingly, the financial statements for the half year ended 31 December 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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2016

3. SEGMENT INFORMATION

The Group's operating segments are identified and information disclosed, where appropriate, on the basis of internal reports reviewed by the Company's Board of Directors, being the Group's Chief Operating Decision Maker, as defined by AASB 8. Reportable segments disclosed are based on aggregating operating segments where the segments have similar characteristics.

The Group's core activity is mineral exploration within Australia. During the 2016 and 2017 financial years, the Group has actively undertaken exploration in South Africa. No asset or liability, or income in relation to the South African project has been recognised during the 2016 financial year and this reporting period.

Reportable segments are represented as follows:

31 December 2016	Australia (\$)	South Africa (\$)	Consolidated (\$)
Segment net operating profit/(loss) after tax	(2,635,561)	---	(2,635,561)
Other revenue – unallocated	---	---	---
Depreciation	(9,057)	---	(9,057)
Exploration expenditure written off and expensed	(238,807)	(1,605,965)	(1,844,772)
Segment assets	2,200,201	---	2,200,201
Capital expenditure during period	---	---	---
Segment liabilities	(384,877)	---	(384,877)
Segment non-current assets	4,021,535	---	4,021,535

4. EXPENSES

	Notes	31 December 2016 (\$)	31 December 2015 (\$)
Exploration and evaluation expenses			
Exploration and evaluation expenses		(1,587,732)	(292,927)
Employee expenses		(257,040)	(311,937)
Total exploration and evaluation expenses	7	(1,844,772)	(604,864)
Administration and employee expenses			
Administration expenses		(415,094)	(368,082)
Employee expenses		(96,620)	(104,724)
Employee share based payments	12	(121,463)	(282,704)
Depreciation	9	(9,057)	(17,018)
Total administration and employee expenses		(642,234)	(772,528)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2016

5. CASH AND CASH EQUIVALENTS

For the purposes of the half year cash flow statement, cash and cash equivalents are comprised of the following:

	31 December 2016 (\$)	30 June 2016 (\$)
Cash and cash equivalents	1,248,766	651,748
Total cash and cash equivalents	1,248,766	651,748

6. RECEIVABLES

	31 December 2016 (\$)	30 June 2016 (\$)
Current receivables		
Security deposits and environmental bonds	180,000	180,000
Other receivables	401,518	9,919
Interest receivable	4,072	1,028
	585,590	190,947
Non-current receivables		
NSR receivable from Centennial Mining Limited	500,000	500,000
Security deposits and environmental bonds	232,460	210,188
	732,460	710,188

7. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2016 (\$)	30 June 2016 (\$)
Acquired mineral rights		
Opening cost	2,228,640	2,228,640
Exploration and evaluation acquired	---	---
Acquired mineral rights	2,228,640	2,228,640
Deferred exploration and evaluation expenditure		
Opening cost	1,029,161	1,788,985
Expenditure incurred	2,172,135	1,934,719
R&D tax incentive rebate in relation to exploration assets	(342,981)	(830,000)
Exploration expensed	(1,844,772)	(1,449,779)
Impairment (a)	---	(414,764)
Deferred exploration and evaluation	1,013,543	1,029,161
Net carrying amount at end of period	3,242,183	3,257,801

(a) As at 31 December 2016 the Group undertook a review of the carrying value of each area of interest. As a result, there was no change to the carrying value of deferred exploration, evaluation and development expenditure in the Statement of Financial Position as at 31 December 2016.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2016

8. UNLISTED SECURITIES IN OTHER ENTITIES

	31 December 2016 (\$)	30 June 2016 (\$)
Unlisted securities in other entities at fair value	301,219	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.

9. PROPERTY PLANT & EQUIPMENT

	31 December 2016 (\$)	30 June 2016 (\$)
Property, plant & equipment		
Opening cost	1,011,393	1,014,631
Accumulated depreciation	(955,444)	(921,539)
Net carrying amount at beginning of period	55,949	93,092
Additions	---	---
Disposals and assets written off	---	(3,238)
Depreciation	(9,057)	(33,905)
Net carrying amount at end of period	46,891	55,949

10. RELATED PARTIES

Loan Facilities

The Company announced to the ASX on 31 October 2016, that a \$500,000 loan facility had been agreed with Tarney Holdings Pty Ltd (**Tarney**), a major shareholder of the Company and a company associated with the Company's Chairman, Mr Denis Waddell (**Facility**).

Under the terms of the Facility, Tarney could elect to convert cash drawn down under the Facility into shares in the Company, subject to shareholder approval being sought at the Company's Annual General Meeting held on 30 November 2016 (**Meeting Date**).

Any advances drawn down under the Facility could be convertible to new Shares at Tarney's discretion and at an issue price per Share which will be either:

- If Shares are issued during the period between 21 October 2016 and the Meeting Date, the highest price at which the Company issues Shares during this period, but at a price which is not less than 2.0 cents per Share; or
- If no Shares are issued during the period between 21 October 2016 and the Meeting Date, the greater of:
 - the highest price at which the Company issues Shares following the Meeting Date and the day prior to the date of issue of Shares to Tarney, but at a price which is not less than 2.0 cents per Share; or

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2016

10. RELATED PARTIES (Continued)

- o if no Shares are issued during the period between the Meeting Date and the date of the issue of Shares to Tarney, 80% of the VWAP, which is at a discount not greater than 20% to the market price of the Company's Shares over the last 5 days on which sales are recorded before the day on which the Shares are issued.

A total of \$450,000 was drawn under the Facility and subsequently repaid to Tarney. As at 31 December 2016 the facility has expired with a nil balance owing.

Other transactions with key management personnel

On 30 December 2016, the Company issued 25,000,000 Shares at 2.0 cents per Share to the Company's Chairman, Mr Denis Waddell (or nominee) to raise \$500,000. The issue of these Shares was approved by the Company's shareholders at the Company's Annual General Meeting held on 30 November 2016.

On 30 December 2016, the Company issued 5,555,555 Shares at 1.8 cents per Share to Directors of the Company (or nominees) to raise \$100,000 as approved by the Company's shareholders at the Company's General Meeting held on 14 December 2016.

11. ISSUED CAPITAL

	31 December 2016 (\$)	30 June 2016 (\$)
Ordinary fully paid shares	79,028,452	75,963,713
Contributing shares	2,351	2,351
	79,030,803	75,966,064

The following movements in issued capital occurred during the period:

	Number of shares	Issue price	(\$)
Ordinary fully paid shares			
Opening balance at 1 January 2016	421,031,205		75,143,064
Issue of fully paid ordinary shares	54,006,665	\$0.015	810,100
Less: Issue costs	---	---	(10,549)
Closing balance at 30 June 2016	475,037,870		75,963,713
Opening balance at 1 July 2016	475,037,870	---	75,963,713
Issue of ordinary fully paid shares	9,100,000	\$0.025	227,500
Issue of ordinary fully paid shares	72,222,221	\$0.018	1,300,000
Issue of ordinary fully paid shares	55,555,553	\$0.018	1,000,000
Issue of ordinary fully paid shares	25,000,000	\$0.020	500,000
Issue of ordinary fully paid shares	5,555,555	\$0.018	100,000
Issue of ordinary fully paid shares	1,461,111	\$0.018	26,300
Less: Issue costs	---	---	(89,061)
Closing balance at 31 December 2016	643,932,310		79,028,452

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2016

11. ISSUED CAPITAL (Continued)

Contributing Shares

Opening balance at 1 January 2016	58,775	2,351
Closing balance at 30 June 2016	58,775	2,351
Opening balance at 1 July 2016	58,775	2,351
Closing balance at 31 December 2016	58,775	2,351

12. RESERVES

	31 December 2016 (\$)	30 June 2016 (\$)
Share based payments reserve	1,394,920	1,385,894

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

	(\$)
Opening balance at 1 July 2015	1,044,774
Unlisted share options expired and transferred to accumulated losses (i)	(78,540)
Share based payments expense	282,704
Closing balance at 31 December 2015	1,248,938
Unlisted share options expired and transferred to accumulated losses (i)	---
Share based payments expense	136,954
Closing balance at 30 June 2016	1,385,894
Unlisted share options expired and transferred to accumulated losses (i)	(112,437)
Share based payments expense	121,463
Closing balance at 31 December 2016	1,394,920

Employee equity benefits 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.

- (i) During the period, 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 half-year:

Class	Number of options	Expiry date	Exercise price
Unlisted options	6,000,000	31/07/2016	\$0.347849

There were no options exercised during the half year ended 31 December 2016.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2016**13. FINANCIAL INSTRUMENTS****Carrying amounts versus fair values**

The fair values of financial assets and financial liabilities approximate the carrying amounts in the Consolidated Interim Statement of Financial Position.

Financial risk management credit risk, liquidity risk, and interest rate risk

There have been no changes and the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2016.

14. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after the balance sheet date of the Company and the Group except for those matters referred to below:

- On 7 February 2017, the Company announced that negotiations are well progressed with potential investors for a proposed capital raising through the issue of convertible notes to various sophisticated and professional investors to raise up to \$8 million through the issue of up to 307,692,308 convertible notes, each with a face value of 2.6 cents. The purpose of the issue of the convertible notes is to raise funds to complete the purchase of 100% of the issued capital of Agama and to provide working capital to the Company.
- On 3 January 2017, the Company announced the exercise of its option held to acquire 100% interest in Agama, which holds an effective 73.33% interest in the Prospecting Rights over the historic Prieska Copper Mine and the Marydale Gold-Copper Project, both located in the Northern Cape province of South Africa.

DIRECTORS' DECLARATION

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

1. the interim consolidated financial statements and notes set out on pages 16 to 27, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2016 and of its performance, as represented by the results of its operations and cash flows for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Denis Waddell
Chairman

Dated at Perth this 17th day of February 2017.

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ORION GOLD NL

We have reviewed the accompanying half-year financial report of Orion Gold NL (“the consolidated entity”) which comprises the consolidated interim statement of financial position as at 31 December 2016, the consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors’ Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Orion Gold NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Orion Gold NL is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year then ended; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 to the financial statements which indicates that as at 31 December 2016 the consolidated entity incurred a loss of \$2,635,561 for the half year ended 31 December 2016 (31 December 2015: loss of \$1,709,520), and reported negative operating cash flows of \$2,220,808 for the half year ended 31 December 2016 (December 2015: negative operating cash flows of \$844,988). These conditions, along with other matters as set forth in Note 2, 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.



RSM AUSTRALIA PARTNERS



J S CROALL
Partner

17 February 2017
Melbourne, Victoria