



Orion Gold_{NL}

ABN 76 098 939 274

ANNUAL FINANCIAL REPORT

30 JUNE 2011

CORPORATE DIRECTORY

DIRECTORS

Mr Denis Waddell (Executive Chairman)
Mr Alexander Haller (Non-executive Director)
Mr Graeme Sloan (Non-executive Director)
Mr Chris Roberts (Non-executive Director)

COMPANY SECRETARY

Mr Martin Bouwmeester

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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Level 3, 488 Bourke Street
Melbourne, Victoria 3000
Telephone: +61 3 8080 7170
Facsimile: +61 3 8080 7174
Website: www.oriongold.com.au

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

AUDITORS

KPMG
147 Collins Street
Melbourne
Victoria 3000

STOCK EXCHANGE LISTING

Australian Securities
Exchange (ASX)
ASX Code: ORN

LEGAL ADVISORS

Clayton Utz
Level 18, 333 Collins Street
Melbourne
Victoria 3000

Directors' Report

Your directors submit their report for the year ended 30 June 2011.

DIRECTORS

The names of the directors of Orion Gold NL ("Company") in office at any time during or since the end of the financial year:

Mr Denis Waddell	-	Executive Chairman	Appointed 27 February 2009
Mr Alexander Haller	-	Non-executive director	Appointed 27 February 2009
Mr Graeme Sloan	-	Non-executive director	Appointed 23 July 2008
Mr Chris Roberts	-	Non-executive director	Appointed 7 September 2011

BOARD OF DIRECTORS

The names and details of the Company directors in office during the financial year and until the date of this report are as follows.

Name	Experience, qualifications, special responsibilities and other directorships
<p>Mr Denis Waddell Executive Chairman (Appointed 27 February 2009)</p>	<p>Mr Waddell is a Chartered Accountant with extensive experience in the management of exploration and mining companies. Prior to establishing Tanami Gold NL in 1994, Denis was the Finance Director of the Metana Minerals NL group.</p> <p>During the past 30 years, Denis has gained considerable experience in corporate finance and operations management of exploration and mining companies. Mr Waddell is also Chairman of Tanami Gold NL.</p> <p>Qualifications ACA, FAICD</p> <p>Directorships in the past three years Tanami Gold NL</p>
<p>Mr Alexander Haller Non-executive Director (Appointed 27 February 2009)</p>	<p>Mr Haller is a partner of Zachary Capital Management, providing advisory services to a number private investment companies including Silja, focusing on the principal investment activities for these companies. From 2001 to 2007 Alexander worked in the corporate finance division at JPMorgan in the U.S, advising on corporate mergers and acquisitions as well as financing in both the equity and debt capital markets.</p> <p>Qualifications B.Sc. (Economics)</p>
<p>Mr Graeme Sloan Non-executive Director (Appointed 23 July 2008)</p>	<p>Mr Sloan is a Mining Engineer and is currently the Managing Director/CEO of Tanami Gold NL which operates the Coyote Gold Mine in Australia. Graeme was the former Managing Director/CEO of Victorian gold producer Perseverance Corporation Limited between 2002 and 2007.</p> <p>Mr Sloan has previously held a diverse range of senior national and international executive positions and has a strong operational and corporate background.</p> <p>Qualifications B.App Sc. (Min Eng) Diploma in Mine Surveying MAusIMM Member of the Institution of Engineers of Australia</p> <p>Directorships in the past three years Tanami Gold NL</p>

Mr Chris Roberts
Non-executive
Director
(Appointed 7
September 2011)

Mr Roberts is a Geologist with over 35 years' experience in mineral exploration throughout Australia. Initially Chris worked with BHP and subsequently held senior positions with a number of other mining and exploration companies. Chris was a Non-Executive Director of Perseverance Corporation Limited until February 2008 following the acquisition of Perseverance by Canadian based Northgate Minerals Corporation. Prior to becoming a Non-Executive Director of Perseverance, Chris served as Chief Geologist and later Exploration and Development Director of Perseverance and is credited with the early significant exploration successes at that company's Fosterville Mine in Victoria. Chris was also a non-executive director of Sedimentary Holdings Ltd, during the period of the initial exploration success of the Cracow Gold Project in Central Queensland.

Qualifications

Associate RMIT - Geology
Fellow RMIT - Geology
Member of Australasian Institute of Mining and Metallurgy
Member of Australian Institute of Geoscientists
Member of Joint Ore Reserves Committee

Directorships in the past three years

Plentex Limited
Republic Gold Limited

DIRECTORS COMMITTEE MEMBERSHIPS

	Audit	Technical
Mr Denis Waddell	Chairman	Member
Mr Alexander Haller	Member	Member
Mr Graeme Sloan	Member	Chairman
Mr Chris Roberts	Member	Member

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, qualifications, and special responsibilities
Mr Martin Bouwmeester <i>Company Secretary</i> (Appointed 23 September 2009)	Martin has 15 years' experience in the gold mining industry and was Business Development Manager, Chief Financial Officer and Company Secretary of Perseverance Corporation Limited. Martin 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.
	Qualifications Bachelor of Business CPA

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 entity that it controlled during the financial year, being the wholly-owned subsidiary Goldstar Resources (WA) Pty Ltd (together the "Group").

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the exploration and evaluation of the Walhalla Gold Project in Victoria. The Group also has exploration interests in Queensland.

REVIEW OF OPERATIONS

Corporate

On 29 September 2011, the Company announced that it had entered into a loan agreement for up to \$1.5 million ('Facility') with Silja Investment Limited ('Silja'), the Company's major shareholder. Under the terms of the Facility, Silja has committed to convert cash drawn down under the Facility to shares, as part of a possible future capital raising subject to various conditions including shareholder approval where required by law, including the ASX listing rules, the capital raising including Silja's allocation being a minimum of \$1.5 million, the capital raising issue price of shares not being less than 1 cent per share and Silja's participation in the capital raising being an amount equivalent to Silja's proportionate shareholding in the Company (approximately 27%). Shares will be issued to Silja on the same terms as shares issued to other subscribers as part of a capital raising.

The Facility expires on 30 June 2013, and the Company would be required to repay the Facility in cash on that date to the extent the loan balance has not been converted into shares by then. Under the terms of the Facility, a capital raising fee would be payable by the Company to Silja where it subscribes for its share allocation in a capital raising. The fee is calculated by multiplying the amount subscribed for by Silja under the terms of the Facility by the percentage commission payable to a broker or underwriter as part of the capital raising. No facility fee is payable by the Company to Silja. Silja has a fixed and floating charge over the assets of the Company.

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

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

On 30 September 2010, the Company announced that it had renegotiated the repayment terms of the convertible notes ('Notes') which were issued to Silja pursuant to the terms of the Converting Loan Agreement ('CLA') between Silja and the Company dated 9 September 2008. In accordance with the CLA, Silja provided a total of \$6 million in funding to the Company by way of Notes. Importantly, the amendment to the terms of the Notes will enable the Company at its election, to convert the Notes and accrued interest at maturity on 31 August 2013 to ordinary shares in the Company or redeem the Notes for cash, unless Silja elects to convert the Notes to ordinary shares on or before maturity.

The amendment to the terms of the Notes is considered by the Directors to be in the interests of shareholders as it enables the Company to satisfy its obligations with respect to the Notes at maturity without relying upon its cash reserves. All other rights of Silja in respect of the Notes remain unchanged.

The 300 million options held by Silja Investment Limited with an exercise price of \$0.01, expired on 22 September 2010.

The Group recorded a profit of \$1.5 million after tax for the full-year ended 30 June 2011. The profit was due to the non-cash movement in fair value of the convertible notes derivative. This compares to a loss of \$14.1 million after tax for the previous year. Net cash used in operating activities totalled \$3.6 million for the year. Cash on hand at the end of the year was \$1.4 million.

The Group continues to focus strongly on exploration within its Walhalla Gold Project and to a lesser extent on the surrounding exploration licences. A total of \$2.3 million in exploration expenditure was incurred in the year ended 30 June 2011.

During the year ended 30 June 2011, Orion Gold NL under the terms of the converting loan agreement with Silja Investment Limited, incurred an interest expense of \$0.6 million and interest unwinding expense of \$1.2 million.

Walhalla Gold Project

During the December half, the Company completed an initial 6,500 metre diamond drill program focusing on the Cohen's, West 1, West 2 and Happy Go Lucky ('HGL') mineralised structures, given their proximity to a large number of old workings and historical production centres. Following the completion of drilling, the Company announced that a comprehensive review of historic mining data and the logging and interpretation of drill core from the drill program was very successful in that it had resulted in a breakthrough understanding of the structural controls on mineralisation at Cohen's and regionally throughout the Walhalla

REVIEW OF OPERATIONS (Continued)

Walhalla Gold Project (Continued)

Gold Project area. The outcomes of this study represent a quantum leap forward in understanding the controls and disposition of mineralisation at Cohen's Reef, Walhalla. This work is anticipated to assist in predicting the trends and controls on mineralisation, thereby improving the targeting of additional mineralisation at relatively shallow levels in close proximity to Cohen's Reef.

Within the new model, some of the mineralisation located within close proximity to Cohen's Reef which was previously regarded as minor, dismembered or discontinuous, can now be seen to be more coherent within an overall framework.

Based upon the new insights, a more detailed study of Cohen's is in progress, which is examining zones of interest identified in the initial structural work. Relatively near-surface, discontinuous mineralisation previously referred to as "Stockwork" or the "Lomond Reef" mineralisation at Cohen's now appears to have specific structural controls. Much of these zones have not been exploited by previous mining. The objective of the detailed study is to define the structural controls on the high grade Cohen's shoot and provide extension targets for replicates of this major concentration of mineralisation. A drill program will be planned following the completion of the detailed study.

The new structural/geological model highlights the importance of southeast-northwest trending cross cutting structures, which constrain and concentrate mineralisation along the well recognised north-south trends of historical workings. In addition, the extension of the north-south trending Cohen's Line to the north of Cohen's Reef, has been reinterpreted. The new interpretation opens up a major new focus for exploration along the interpreted northern extension of the Cohen's structural trend, the majority of which has not been drill tested.

The new interpretation significantly increases the potential of the Cohen's trend for over 35 kilometres to the north of Walhalla, where a number of historic workings have similar geology to Cohen's. The new geological model also highlights that the majority of gold production from the Walhalla-Woods Point goldfield has been derived from gold mines associated with the reinterpreted Cohen's trend. In addition, through this work, reassessment has identified a number of highly ranked targets, which are located at the interpreted intersection of cross-cutting structures and the main north-south structural trends.

Given the significant findings of the recent geological assessments, in late August 2011 the Company commenced a drill program that targets New Dawn - Toombon, Longfellow's and Happy Go Lucky.

During the year, the Company completed its evaluation of development options based on a review of the resources and mining economics at Tubal Cain. Based upon this evaluation the Company has determined that Tubal Cain would better form a secondary resource and exploration target, rather than a primary resource for standalone development. Tubal Cain is regarded as a potential supplementary ore source should other gold resources underpin future mining operations within the Company's Walhalla Gold Project. Exploration in the short term will continue to be concentrated on high priority areas elsewhere in the Walhalla goldfield.

Other Projects

The new structural framework study of Cohen's Reef upgrades the prospectivity of regional locations along the Cohen's trend. The Company conducted fieldwork with the intention of leading to drill program planning at two of these locations; the historic Victor's Quartz and Harbinger workings.

The drill testing of further regional targets is aimed at delineating additional near surface resources, which collectively, would support the development of mining operations with an increasing gold production profile.

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

Outlook

Exploration continues to produce encouraging results as evidenced from the Company's Australian Securities Exchange announcements regarding the Cohen's reef structural study and the commencement of drilling. The Company will continue to focus on exploration activities at the Walhalla Gold Project and intends to follow up the many prospective target areas on the more regional exploration licenses.

RESULTS OF OPERATIONS

The operating profit after income tax of the Group for the year ended 30 June 2011 was \$1,498,834 (2010: loss of \$14,145,490). The result is driven primarily by the revaluation of the convertible note.

The basic profit per share for the Group for the year was 0.20 cents and diluted profit per share for the Group for the year was 0.17 cents (2010: basic and diluted loss of 1.86 cents).

No dividend has been paid during or is recommended for the financial year ended 30 June 2011.

SIGNIFICANT 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years except for those matters referred to below:

- a) On 7 September 2011, the Company appointed Mr Chris Roberts as a non-executive director; and
- b) On 29 September 2011, the Company announced that it had entered into a \$1,500,000 loan agreement ('Facility') with Silja Investment Limited ('Silja'), the Company's major shareholder. Under the terms of the Facility, Silja has committed to convert cash drawn down under the Facility to shares, as part of a future capital raising subject to:
 - Shareholder approval;
 - The capital raising including Silja's allocation being a minimum of \$1,500,000;
 - The capital raising issue price of shares not being less than 1 cent per share; and
 - Silja's participation in the capital raising being an amount equivalent to Silja's proportionate shareholding in the Company (approximately 27%).

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

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

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

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

Silja's commitment to subscribe for the number of shares in the Company as outlined above is in place irrespective of whether or not the Company utilises the Facility.

FUTURE DEVELOPMENTS

Likely future developments in the operations of the Group are referred to elsewhere in the Annual Financial Report. Other than as referred to in this report, further information as to the likely developments in the operations of the Group and expected results of those operations would, in the opinion of the directors, be speculative and prejudicial to the interests of the Group and its shareholders.

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	11	11	2	2
Mr A Haller	11	10	2	2
Mr G Sloan	11	11	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:

	Orion Gold NL		
	Ordinary shares	Ordinary shares other	Options over ordinary shares
Mr D Waddell	5,000,000	-	40,000,000
Mr A Haller (i) (ii)	203,912,409	-	-
Mr G Sloan	-	-	15,000,000
Mr C Roberts	-	-	-

- (i) Mr Haller holds relevant interests as follows: Silja Investment Limited 203,489,242 ordinary shares, Mr Haller 370,367 ordinary shares and Pershing Securities 52,800 ordinary shares.
- (ii) Mr Haller holds relevant interest in Silja Investment Limited which holds the convertible notes. The conversion option in the convertible note allows the holder to convert the outstanding principal and accrued interest balance at any point in time at a conversion rate of 1 share for the lower of:
- \$0.10 (i.e. the shares will have an issue price of \$0.10 each); and
 - the lowest price at which the Company issues any new shares prior 31 August 2013.

At maturity date, upon conversion of the convertible notes and accrued interest, the number of new ordinary shares issued at \$0.01 (as at the date of this report, the lowest price at which the Company has issued ordinary shares), would entitle Silja Investment Limited to 884,687,200 new ordinary shares. The amended converting loan agreement was approved by shareholders at the general meeting of shareholders held on 12 June 2009.

On 29 September 2010, the Company renegotiated the terms of the converting loan agreement which will now enable the Company at its election, to convert or redeem the remaining convertible notes at maturity. Prior to the 29 September 2010 on the third anniversary of the convertible note drawdown, the Holder held the right to convert or redeem at its election. The Company is able to offer to settle the outstanding amount in cash but the holder is unable to request repayment in cash. However, the holder is able to demand settlement in shares at that point in time.

On 29 September 2011, the Company announced that it had entered into a \$1,500,000 loan agreement ('Facility') with Silja Investment Limited ('Silja'), the Company's major shareholder. Under the terms of the Facility, Silja has committed to convert cash drawn down under the Facility to shares, as part of a future capital raising subject to:

- Shareholder approval;
- The capital raising including Silja's allocation being a minimum of \$1,500,000;
- The capital raising issue price of shares not being less than 1 cent per share; and
- Silja's participation in the capital raising being an amount equivalent to Silja's proportionate shareholding in the Company (approximately 27%).

DIRECTORS' INTERESTS (Continued)

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

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

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

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

Silja's commitment to subscribe for the number of shares in the Company as outlined above is in place irrespective of whether or not the Company utilises the Facility.

SHARE OPTIONS**Options granted to directors and officers of the Company**

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and to the following of the four most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Executive director			
Mr D Waddell	-	-	-
Non-executive directors			
Mr G Sloan	-	-	-
Mr A Haller	-	-	-
Executives			
Mr M Bouwmeester	-	-	-
Mr S Cahoon (i)	2,000,000	\$0.04	30 June 2015
Dr J Anderson	-	-	-
Former			
Mr S Hart (ii)	-	-	-

- (i) These options were granted on 13 September 2010 under the terms of the Orion Gold Option and Performance Rights Plan.
- (ii) Mr Hart held the position of General Manager – Walhalla Gold Project from 8 October 2007 until the termination of his employment on 8 October 2010.

SHARE OPTIONS (Continued)**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
31 March 2014	\$0.01	60,000,000
31 March 2014	\$0.02	15,000,000
31 July 2014	\$0.01	25,000,000
30 June 2015(i)	\$0.04	2,000,000
30 June 2015(ii)	\$0.00	490,000
		102,490,000

- (i) These options were granted on 13 September 2010 under the terms of the Orion Gold Option and Performance Rights Plan. Subject to continued employment conditions, the options vesting conditions are 50% on 30 June 2011 and 50% on the 30 June 2012.
- (ii) These performance rights were granted on 13 September 2010 under the terms of the Orion Gold Option and Performance Rights Plan. Subject to continued employment conditions, the rights vesting conditions are 50% on 30 June 2011 and 50% on 30 June 2012.

Shares issued on exercise of options

There were no options exercised during or since the end of the financial year.

REMUNERATION REPORT - AUDITED**Remuneration Policy**

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the four most highly remunerated Company and Group executives.

It is the Company'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' emoluments to the Group's financial and operational performance.

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

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

Remuneration may include base salary & 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. 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 Orion and the performance of the individual during the period. A performance review for Directors and executives was conducted by the Board during the year in review.

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 as applicable.

The total level of remuneration for all non-executive directors of \$150,000 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 Company.

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

REMUNERATION REPORT - AUDITED (continued)

The Chairman will undertake an annual assessment of the performance of the individual directors and meet privately with each director to discuss this assessment. Position descriptions are in place for directors and executives and will be used as a basis for assessing performance.

Consequences of performance on shareholders wealth

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

	2011	2010	2009	2008	2007
Net profit/(loss) attributable to equity holders of the parent	1,498,834	(14,145,490)	(31,571,693)	(2,120,591)	(1,195,302)
Dividends paid	-	-	-	-	-
Actual share price	\$0.016	\$0.022	\$0.028	\$0.19	\$0.46

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.

Shareholder consent must be obtained at a general meeting for the issue of options to directors.

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

During the year 2,000,000 options were granted to Mr S Cahoon as part of his remuneration. In granting these options the board considered that the Company issue options in recognition of Mr Cahoon's performance.

Service contracts

Existing service contracts for key management personnel, including the chief executive officer (or equivalent) and company secretary, are unlimited in term but capable of termination on 1 months' notice (company secretary 3 months') and that the Group retains the right to terminate the contract immediately, by making that payment in lieu of notice.

Key management personnel are also entitled to receive on termination of employment, redundancy benefits, their statutory entitlements of accrued annual and long service leave, together with any superannuation 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 fees, 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 total level for all non-executive directors' base fees are presently \$150,000 per annum.

The Executive Chairman receives \$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 - AUDITED (continued)

Directors and Executive Officers' Emoluments - 2011

Names	Year	Primary salary, incentives, superannuation and consultancy payments				Share based payments (vi)	Total remuneration	% of remuneration in options
		Salary & fees	Short term incentives	Super-annuation	Termination benefits	Options value		
		\$	\$	\$	\$	\$	\$	%
Directors								
Executive directors								
Mr D Waddell (Chairman)	2011	196,500	-	-	-	60,208	256,708	23
	2010	217,431	-	19,569	-	243,792	480,792	51
Sub-total executive Directors	2011	196,500	-	-	-	60,208	256,708	23
	2010	217,431	-	19,569	-	243,792	480,792	51
Non-executive directors								
Mr A Haller	2011	50,000	-	-	-	-	50,000	-
	2010	45,872	-	4,128	-	-	50,000	-
Mr G Sloan	2011	45,872	-	4,128	-	295,459	345,459	86
	2010	45,872	-	4,128	-	285,005	335,005	85
Total directors remuneration	2011	292,372	-	4,128	-	355,667	652,167	55
	2010	309,175	-	27,825	-	528,797	865,797	61
Executives								
Mr M Bouwmeester (i)	2011	262,400	-	-	-	29,708	292,108	10
	2010	240,950	-	-	-	120,292	361,242	33
Dr. J Anderson (ii)	2011	160,550	-	14,450	-	19,000	194,000	10
	2010	159,005	-	14,310	-	57,000	230,315	25
Mr S Cahoon (iii)	2011	221,382	-	20,284	-	30,880	272,546	11
	2010	188,684	-	16,981	-	28,500	234,165	12
Former								
Mr S Hart (iv)	2011	68,600	-	5,498	-	19,000	93,098	20
	2010	225,000	-	23,625	-	57,000	305,625	19
Mr D Hotton (v)	2011	-	-	-	-	-	-	-
	2010	26,000	-	2,340	9,087	-	37,427	-
Total executives remuneration	2011	712,932	-	40,232	-	98,588	851,752	12
	2010	839,639	-	57,256	9,087	262,792	1,168,774	22
Total directors and executive officers remuneration	2011	1,005,304	-	44,360	-	454,255	1,503,919	30
	2010	1,148,814	-	85,081	9,087	791,589	2,034,571	39

REMUNERATION REPORT - AUDITED (continued)

Directors and Executive Officers' Emoluments - 2011

- (i) Mr Bouwmeester has held the position of General Manager – Corporate from 27 February 2009.
- (ii) Dr Anderson has held the position of General Manager – Exploration from 30 June 2009.
- (iii) Mr Cahoon has held the position of Chief Financial Officer from 30 June 2009.
- (iv) Mr Hart held the position of General Manager – Walhalla Gold Project from 8 October 2007 until the termination of his employment on 8 October 2010.
- (v) Mr Hotton held the position of Chief Financial Officer from 8 December 2008 to 30 June 2009 and the position of Company Secretary from 6 February to 23 September 2009.
- (vi) Share based payments represent the fair values of options estimated at the date of grant using the Black Scholes option pricing model. These values are not paid in cash.

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

Options and Rights over equity instruments granted as compensation

As at the date of this report, there were 102,000,000 unissued ordinary shares under option issued to directors and executives (2010: 102,000,000 unissued ordinary shares under option). Refer to Note 22 (c) of the Financial Statements for further details of the options on issue.

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

	Number of options granted during 2011 (i)	Grant date	Fair value per option at grant date (\$)	Exercise price per option (\$)(ii)	Expiry date	Number of options vested during 2011
Directors						
Mr D Waddell (iv)	-	-	-	-	31 March 2014	20,000,000
Mr A Haller	-	-	-	-	-	-
Mr G Sloan (iv)	-	-	-	-	31 March 2014	7,500,000
Executives						
Dr J Anderson (iii)	-	-	-	-	31 July 2014	5,000,000
Mr S Cahoon (iii)	-	-	-	-	31 July 2014	2,500,000
Mr S Cahoon (v)	2,000,000	13 September 2010	\$0.0148	\$0.04	30 June 2015	1,000,000
Mr M Bouwmeester (iv)	-	-	-	-	31 March 2014	10,000,000
Former						
Mr S Hart (iii)	-	-	-	-	31 July 2014	5,000,000

- (i) The options were provided at no cost to the recipient.
- (ii) The options are exercisable between 1 and 5 years from grant date.
- (iii) Mr S Hart, Dr J Anderson and Mr S Cahoon options vested on 30 June 2011.
- (iv) Mr D Waddell and Mr M Bouwmeester options vested on 31 March 2011 and Mr G Sloan options vested on 30 November 2010.
- (v) Mr S Cahoon was granted 2,000,000 options on 13 September 2010 under the terms of the Orion Gold Option and Performance Rights Plan. The vesting conditions of these options are 50% on 30 June 2011 and 50% on 30 June 2012. The exercisable price of the granted options is \$0.04 and expiry date is 30 June 2015. The fair value per option at grant date is \$0.0148.

REMUNERATION REPORT - AUDITED (continued)

Analysis of Options and Rights over equity instruments granted as compensation

Details of vesting profile of the options granted as remuneration to each key management person of the Group and each of the named Company executives and Group executives are detailed below.

Directors	Options granted		% vested in year	% lapsed in year (i)	Date grant vests
	Number	Date			
Mr D Waddell	20,000,000	24 June 2009	100%	-%	31 March 2010
	20,000,000	24 June 2009	100%	-%	31 March 2011
Mr A Haller	-	-	-%	-%	-
Mr G Sloan	7,500,000	26 November 2009	100%	-%	30 November 2010
	7,500,000	26 November 2009	-%	-%	30 November 2011
Executives					
Dr J Anderson	5,000,000	30 June 2009	100%	-%	30 June 2010
	5,000,000	30 June 2009	100%	-%	30 June 2011
Mr S Cahoon	2,500,000	30 June 2009	100%	-%	30 June 2010
	2,500,000	30 June 2009	100%	-%	30 June 2011
	1,000,000	13 September 2010	100%	-%	30 June 2011
	1,000,000	13 September 2010	-%	-%	30 June 2012
Mr M Bouwmeester	10,000,000	12 June 2009	100%	-%	31 March 2010
	10,000,000	12 June 2009	100%	-%	31 March 2011
Former					
Mr S Hart (ii)	5,000,000	30 June 2009	100%	-%	30 June 2010
	5,000,000	30 June 2009	100%	-%	30 June 2011

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

(ii) Mr Hart held the position of General Manager – Walhalla Gold Project from 8 October 2007 until the termination of his employment on 8 October 2010.

Analysis of movements in options

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

	Value of options		
	Granted in year \$ (i)	Exercised in year \$ (ii)	Lapsed in year \$ (iii)
Mr D Waddell	-	-	-
Mr A Haller	-	-	-
Mr G Sloan	-	-	-
Mr S Hart	-	-	-
Dr J Anderson	-	-	-
Mr S Cahoon (iv)	29,600	-	-
Mr M Bouwmeester	-	-	-
	29,600	-	-

(i) The value of options granted in the year is the fair value of the options calculated at grant date using a Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 2011 to 2012).

(ii) No options were exercised during the year.

(iii) No options expired during the year.

(iv) A total of 2,000,000 options were granted to Mr S Cahoon on 13 September 2010 under the terms of the Orion Gold Options and Performance Rights Plan.

ENVIRONMENTAL ISSUES

The state government regulations in the various states which the Company operates require rehabilitation of drill sites including any other sites where the Company 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.

It is expected that most of these costs will not be significant in the next financial year and will be expensed as incurred.

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 (2010: \$nil).

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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 anybody 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

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the 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
- 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 of the Company, KPMG, and its related practices for non-audit services provided during the year are set out below.

NON-AUDIT SERVICES (continued)

	Consolidated	
	2011 \$	2010 \$
Services other than statutory audit:		
Other services		
Other advisory (KPMG Australia)	-	20,000
Taxation compliance services (KPMG Australia)	8,000	10,000
	8,000	30,000

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the financial year ended 30 June 2011.

CORPORATE GOVERNANCE

The Board of directors recognises the recommendations of the Australian Securities Exchange Corporate Governance Council for Corporate Governance Principles and Recommendations (2nd Edition) and considers that Orion 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 are contained in pages 17 to 22 of this Annual Financial Report.

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



Denis Waddell
Director

Melbourne

Date: 30 September 2011

Corporate Governance Statement

The Board of Directors of Orion Gold NL ("Orion" or "Company") is responsible for the corporate governance of the Company. The Company's corporate governance practices are set out below. These practices are generally in line with the ASX Corporate Governance Council's Recommendations, with exceptions noted in italics and cross-referenced in the table below. Further information is available in the Corporate Governance section of the Company's website www.oriongold.com.au.

1. THE BOARD

The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board Charter is available on the website.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least three directors, a majority of whom should be non-executive directors;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware and have available all necessary information to participate in an informed discussion of all agenda items.

The membership of the Board, its activities and composition is subject to periodic review.

The Board considers that its current structure is appropriate given its size and that the current directors provide the necessary diversity of skills and experience which is appropriate for the Company's current projects and business.

The Company does not comply with Recommendation 2.1, as a majority of Directors are not independent; Graeme Sloan, as a non-executive director, is not considered to be independent as he has within the last three years has been employed in an executive capacity by Orion. Alexander Haller, as a non-executive director, is not considered to be independent because he is associated with Z Nominees Limited, a substantial shareholder of the Company holding more than five percent of the Company's voting shares. Chris Roberts...

The Company does not comply with Recommendations 2.2 or 2.3, as the Chairman, Denis Waddell, as Executive Chairman, is not independent and exercises the function of both Chairman and CEO. The Board considers that this is not inappropriate given his experience in the resources sector in Australia and the Company's current stage of development. It is intended to review the position of CEO as the Company develops.

The criteria for determining the identification and appointment of a suitable candidate for the Board shall include qualifications, experience and achievement, credibility within the Company's scope of activities, intellectual ability to contribute to the Board's duties and ability to undertake Board duties and responsibilities.

The Company does not comply with Recommendation 2.4, as there is no separate nomination committee. The Board considers that the current size and level of activities of the Company are not of a sufficient level to justify having a nomination committee. The whole Board conducts the functions of the nomination committee, and is guided by the charter posted on the website.

2. REMUNERATION

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share the rewards of the success of Orion.

For details on the amount of remuneration and all monetary and non-monetary components for all directors, refer to the Directors' Report.

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 Orion and the performance of the individual during the

period. A performance review for Directors and executives was conducted by the Board during the year in review.

There is no scheme to provide retirement benefits, other than statutory superannuation, to directors.

The Company does not comply with Recommendations 8.1 or 8.2, as there is currently no separate remuneration committee. The Board considers that the current size and level of activities of the Company are not of a sufficient level to justify having a remuneration committee. The whole Board conducts the functions of the remuneration committee and is guided by the charter posted on the website.

3. AUDIT COMMITTEE

The Audit Committee has been established by the Board. Its primary function is to assist the Board in fulfilling its responsibilities by reviewing the:

- Quality and integrity of financial reporting.
- Systems of internal control which management and the Board has established in order to safeguard the Group's financial and physical assets and facilitate compliance with relevant statutory and regulatory requirements.
- Processes for business risk identification, quantification and mitigation.
- Effectiveness and independence of the external audit process.
- Quality and relevance of financial and non-financial information provided to management and the Board on which decisions will be based.

The Audit Committee comprises Denis Waddell (Chairman), Graeme Sloan, Chris Roberts and Alexander Haller. Each member has the relevant financial and industry experience required to perform Audit Committee functions. Details their qualifications and experience are set out in the Directors' Report. The Audit Committee Charter is available on the website.

The Company does not comply with Recommendation 4.2, as Denis Waddell is the Chairman of both the Board and the Audit Committee, and is also an executive of the Company and non-executive directors, Alexander Haller and Chris Roberts are not independent. The Board considers that the current structure is appropriate given the size of the Company and the necessary skills and experience that the current Audit Committee members bring to these meetings.

4. BOARD RESPONSIBILITIES

The Board is responsible for:

- (a) driving the success of Orion in a way that ensures that the interests of shareholders and key stakeholders are properly recognised and protected;
- (b) setting the strategic direction of Orion and monitoring the performance of the Chief Executive Officer/Managing Director ("CEO/MD") and those senior executives who report to the CEO/MD;
- (c) ensuring that there are adequate resources available to meet Orion's (and the Orion Group's) business plans and strategic objectives;
- (d) appointing and where appropriate removing the CEO/MD and overseeing succession plans for the senior executives who report to the CEO/MD;
- (e) ratifying the appointment and where appropriate, the removal of the Chief Financial Officer (CFO) or equivalent and the Company Secretary;
- (f) approving conditions of service and performance monitoring procedures to apply to all executive directors and those senior executives who report to the CEO/MD;
- (g) approving policies of a company-wide nature;
- (h) approving and monitoring Orion's financial reporting, major capital expenditure and capital management;
- (i) approving and monitoring the progress of Orion's business plans and strategic objectives;
- (j) ensuring that adequate audit, risk management and compliance systems and procedures exist, and are being effectively utilised;
- (k) ensuring that Orion has appropriate corporate governance structures in place, including an ethical code of conduct;

- (l) ensuring that the Board has the appropriate blend of experience, skills and attributes to meet the changing needs of Orion.

The Board has delegated responsibility for the day-to-day operations and administration of Orion to the CEO/MD.

5. MONITORING OF THE BOARD'S PERFORMANCE

The Board will from time to time, evaluate its performance (including individual Board members) and the Board committees to determine whether they are functioning effectively by reference to their charters and current best practice.

6. ADDITIONAL INFORMATION

- The charter of the **Technical Committee** of the Board is available on the website.
- The Company has established a **Risk Management and Internal Control Policy**, which is available on the Company's website. Management reports regularly to the Board on its management of material business risks. The Board has received assurance from the CEO and CFO that the declaration for the financial report, provided in accordance with section 295A of the *Corporations Act*, is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. The Company's **Continuous Disclosure Policy** is posted on the website. All information disclosed to ASX is immediately posted on the website and emailed to those parties who have supplied their email addresses. When analysts are briefed on aspects of the Company's operations, the material to be used in the presentation is released to ASX and posted on the website.
- The Company's **Shareholder Communication Policy** is posted on the website.
- The Company's **Securities Trading Policy** is available on the website. It binds Directors, officers and employees of the Company and prohibits trading in the Company's securities by anyone in possession of price-sensitive information. They may only trade in the Company's securities or securities of the Company's joint venture partners after receiving written approval from the Chairman, Managing Director, or Company Secretary. Written approval will not be given for trading during closed periods, being the four weeks prior to, and 24 hours after, the release of the annual report or half-year report, unless there are exceptional circumstances.
- The Board has adopted a **Code of Conduct** and policies on Community, OH&S, and the Environment. The Code and policies are available on the website.
- Directors have the right, in connection with their duties and responsibilities as Directors, to seek **independent professional advice** at the Company's expense. The Company will only meet that expense if they obtain the advice after obtaining the Chairman's prior written approval, which will not be unreasonably withheld.

Corporate Governance Recommendations (incl 2010 amendments)	Action taken and reasons if not adopted
<p><u>Principle 1: Lay solid foundation for management and oversight</u></p> <p>1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.</p> <p>1.2 Companies should disclose the process for evaluating the performance of senior executives.</p> <p>1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.</p>	Adopted
<p><u>Principal 2: Structure the board to add value</u></p> <p>2.1 A majority of the board should be independent.</p> <p>2.2 The chairperson should be an independent Director.</p> <p>2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.</p> <p>2.4 The board should establish a nomination committee.</p> <p>2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.</p> <p>2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.</p>	Adopted except as follows:- 2.1, 2.2, 2.3 and 2.4 – see italics in section 1, above.
<p><u>Principle 3: Promote ethical and responsible decision-making</u></p> <p>3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting or investigating reports of unethical practices. <p>3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.</p> <p>3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.</p> <p>3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</p> <p>3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.</p>	Adopted except as follows:- 3.2, 3.3, and 3.4.

Corporate Governance Recommendations (incl 2010 amendments)	Action taken and reasons if not adopted
<p><u>Principle 4: Safeguard integrity in financial reporting</u></p> <p>4.1 The board should establish an audit committee.</p> <p>4.2 The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members. <p>4.3 The audit committee should have a formal charter.</p> <p>4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.</p>	<p>Adopted except as follows:</p> <p>4.2 - see italics in section 3, above.</p>
<p><u>Principle 5: Make timely and balanced disclosure</u></p> <p>5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.</p> <p>5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.</p>	<p>Adopted</p>
<p><u>Principle 6: Respect the rights of shareholders</u></p> <p>6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.</p> <p>6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.</p>	<p>Adopted</p>
<p><u>Principle 7: Recognise and manage risk</u></p> <p>7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.</p> <p>7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.</p> <p>7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p> <p>7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.</p>	<p>Adopted</p>

Corporate Governance Recommendations (incl 2010 amendments)	Action taken and reasons if not adopted
<p><u>Principle 8: Remunerate fairly and responsibly</u></p> <p>8.1 The board should establish a remuneration committee.</p> <p>8.2 The remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent director; and • has at least three members. <p>8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</p> <p>8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.</p>	<p>Adopted except as follows:</p> <p>8.1 and 8.2 - see italics in section 2, above.</p>



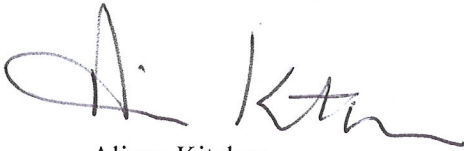
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Orion Gold NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.


KPMG



Alison Kitchen
Partner

Melbourne

30 September 2011

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
Continuing operations			
Other income	3	17,039	101,392
Exploration and evaluation expenses	3	(954,547)	(1,502,740)
Administration expenses	3	(1,643,589)	(2,334,626)
Impairment of non-current assets	10	-	-
Fair value movement in convertible note derivative	15	5,838,936	(9,333,039)
Results for operating activities		3,257,839	(13,069,013)
Finance income	3	174,721	381,982
Finance expense	3	(1,933,726)	(1,711,643)
Net finance costs		(1,759,005)	(1,329,661)
Profit/(Loss) before income tax		1,498,834	(14,398,674)
Income tax (expense)/benefit	4	-	253,184
Net profit from continuing operations attributable to equity holders of the Company		1,498,834	(14,145,490)
Other comprehensive income			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive profit/(loss) for the period		1,498,834	(14,145,490)
Earnings per share (cents per share)			
Basic earnings per share (AUD)	5	0.20	(1.86)
Diluted earnings per share (AUD)	5	0.17	(1.86)

The notes on pages 28 to 63 are an integral part of these Consolidated financial statements.

Consolidated Balance Sheet

AS AT 30 JUNE 2011

	Notes	2011 \$	2010 \$
ASSETS			
Current assets			
Cash on hand and at bank	6	1,416,263	5,065,765
Trade and other receivables	7	27,196	140,633
Inventories	8	1,133	14,766
Prepayments		66,510	54,688
Total current assets		1,511,102	5,275,852
Non-current assets			
Trade and other receivables	7	498,967	496,764
Property, plant and equipment	9	277,795	367,418
Deferred exploration, evaluation and development	10	8,306,954	6,918,642
Total non-current assets		9,083,716	7,782,824
TOTAL ASSETS		10,594,818	13,058,676
LIABILITIES			
Current liabilities			
Trade and other payables	12	292,982	800,241
Finance lease		-	1,020
Provisions	13	49,645	66,365
Total current liabilities		342,627	867,626
Non-current liabilities			
Provisions	13	9,454	5,290
Convertible note – derivative	15	9,377,684	15,216,620
Convertible note – liability	15	4,645,849	2,712,213
Total non-current liabilities		14,032,987	17,934,123
TOTAL LIABILITIES		14,375,614	18,801,749
NET ASSETS		(3,780,796)	(5,743,073)
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	43,933,657	43,933,657
Accumulated losses		(50,348,464)	(51,847,298)
Other reserves	14	2,634,011	2,170,568
TOTAL EQUITY/ (DEFICIENCY)		(3,780,796)	(5,743,073)

The notes on pages 28 to 63 are an integral part of these Consolidated financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
Payments for exploration and evaluation		(2,342,859)	(3,338,382)
Payments to suppliers and employees		(1,548,501)	(1,745,453)
Interest received		261,888	289,450
Income tax receipt		-	253,184
Receipts from customers		17,039	29,255
Net cash used in operating activities	6	(3,612,433)	(4,511,946)
Cash flows from investing activities			
Purchase of property, plant and equipment		(33,848)	(109,496)
Restricted cash investments	7	(2,203)	(222,770)
Proceeds from sale of property, plant and equipment		-	77,287
Net cash used in investing activities		(36,051)	(254,979)
Cash flows from financing activities			
Proceeds from issue of shares		-	200,050
Share issue expenses	14	-	(29,168)
Repayment of finance lease		(1,018)	(6,376)
Net cash from financing activities		(1,018)	164,506
Net increase/(decrease) in cash and cash equivalents		(3,649,502)	(4,602,419)
Cash and cash equivalents at beginning of period		5,065,765	9,668,184
Cash on hand and at bank at end of period	6	1,416,263	5,065,765

The notes on pages 28 to 63 are an integral part of these Consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Attributable to equity holders of the Company			
	Issued capital	Accumulated losses	Other reserves	Total equity
			Share based payments	
	\$	\$	\$	\$
At 30 June 2009	43,762,775	(37,701,808)	1,378,978	7,439,945
Profit/(Loss) for the year	-	(14,145,490)	-	(14,145,490)
Issue of share capital	200,050	-	-	200,050
Capital raising costs during the year	(29,168)	-	-	(29,168)
Cost of share-based payments	-	-	791,590	791,590
At 30 June 2010	43,933,657	(51,847,298)	2,170,568	(5,743,073)
Profit/(Loss) for the year	-	1,498,834	-	1,498,834
Issue of share capital	-	-	-	-
Capital raising costs during the year	-	-	-	-
Cost of share-based payments	-	-	463,443	463,443
At 30 June 2011	43,933,657	(50,348,464)	2,634,011	(3,780,796)

The notes on pages 28 to 63 are an integral part of these Consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

1 CORPORATE INFORMATION

Orion Gold NL ("Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 302, Level 3, 488 Bourke Street, Melbourne, Victoria, 3000. The consolidated financial statements as at and for the year ended 30 June 2011 comprise the Company and its subsidiary (together referred to as the "Group"). The Group primarily is involved in gold exploration.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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 30 September 2011.

Basis of measurement

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

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

Going concern

The Group recorded a profit of \$1,498,834 for the year ended 30 June 2011 and, as of that date, has a working capital surplus of \$1,168,475 and cash of \$1,416,263. However the major reason for the profit is the accounting treatment of the convertible notes ("Notes"). In particular the net movement in the fair value of Notes for the twelve month period was a profit of \$5,838,936. This unrealised profit is not a cash profit and will not, either now or in the future, have a positive impact on the Group's cash reserves.

In addition:

- The Company has a deficiency of shareholders' funds at 30 June 2011 of \$3,780,796
- The Company'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 financial statements for the year ended 30 June 2011 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 for at least twelve months from the date of this report having regard to the following:

- On 29 September 2011, the Company announced that it had entered into a \$1,500,000 loan agreement ('Facility') with Silja Investment Limited ('Silja'), the Company's major shareholder. Under the terms of the Facility, Silja has committed to convert cash drawn down under the Facility to shares, as part of a future capital raising subject to:
 - Shareholder approval;
 - The capital raising including Silja's allocation being a minimum of \$1,500,000;
 - The capital raising issue price of shares not being less than 1 cent per share; and
 - Silja's participation in the capital raising being an amount equivalent to Silja's proportionate shareholding in the Company (approximately 27%).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

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

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

As at the date of this report, the Company has not drawn on the Facility. In order to draw down on the Facility, the Company must meet certain conditions precedent, including the continued employment of certain key personnel.

- Under the terms of the Facility, Silja's commitment to subscribe for the number of shares in the Company as outlined above is in place irrespective of whether or not the Company utilises the Facility.
- Further details in relation to the Facility are set out in the subsequent events note. At 30 June 2011, the Company has \$1,416,263 in cash on hand which along with the Facility will enable the Company to continue its exploration activities and from the date of this report will provide the Company with cash sufficient to meet its minimum exploration commitments.

The Board is also considering alternative funding to enable the Company to continue exploration and drilling programs at the Walhalla Gold Project ('Project') beyond the twelve-month period referred to above. The directors are of the opinion that they will be able to raise additional funding, particularly given Silja's commitment to participate in a capital raising as outlined above.

The Company recently presented the new structural / geological model and the current drill program to a number of Australian brokers from which positive responses were received. The prospectivity of the Walhalla Goldfield is highlighted by the historical production of over 4 million ounces of gold. Given this history, the directors are confident that positive drill results returned from the targets identified from the new structural / geological model will attract investor interest which will assist in future capital raisings.

The Directors recognise that if the current exploration program is not successful, additional capital may not be able to be raised, or if the Company is unable to draw cash under the aforementioned Facility, there is a material uncertainty as to whether the going concern basis is appropriate with the result that the entity 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 Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations

Not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2011-4 amendments to Australian Accounting Standards to remove individual Key Management Personnel Disclosure Requirements from the notes to the financial statements. Companies will still need to provide these disclosures in the Remuneration Report under s.300A of the Corporations Act 2001. Application date is 1 July 2013.
- AASB 1054 Australian Additional Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – reduced disclosure requirements. These disclosures remove many of the additional disclosures previously required under standards to align the requirements of accounting standards for publically accountable for – profit entities in Australia and New Zealand. Application date is 1 January 2013.
- AASB 2009-1 4 *Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement - AASB 14* make amendments to Interpretation 14 AASB 11 9 - *The Limit on a Defined Benefit Ass et, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.

(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 2011 and the results of its controlled entity, 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.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

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 2011 and the results of its controlled entity, 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.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

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.

(d) Foreign currency translation

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

(e) 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

(f) Impairment

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.

Recoverable amount is the greater of fair value less costs to sell 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 sell 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 or 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.

(g) 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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 Cash Flow Statement, 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 receivables and not included in cash and cash equivalents.

(i) 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.

(j) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date represent obligations resulting from employee's services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

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 by an external valuer using the Black Scholes model. Further details are given in Note 11.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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.

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.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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; and 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 balance sheet.

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.

(o) 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.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Exploration and evaluation expenditure (continued)

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 financial performance 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 earnings.

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.

(p) 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.

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 14 - Measurement of share based payments,
- Note 15 - Calculation of financial instruments (convertible notes),
- Note 13 - Provisions, and
- Note 10 - Deferred exploration, evaluation and development.

(q) Convertible notes

Convertible notes issued by the Group can be converted to share capital at the option of the holder prior to the expiry date, and the number of shares to be issued may vary depending upon the price at which the Company issues shares during the term of the convertible notes. The issuer has the option to convert the share capital or settle in cash at the expiry date.

The liability component of the convertible note is recognised initially at the fair value of a similar liability that does not have a conversion option. Subsequent to initial recognition, the liability component of the convertible notes is measured at amortised cost using the effective interest method. Interest, dividends, losses and gains relating to the financial liability are recognised in the income statement as a non cash item. The conversion option is recognised initially at fair value. Subsequent to initial recognition all changes in its fair value are recognised immediately in the income statement.

(r) 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 convertible notes and share options granted to employees.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Segment reporting

Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Executive Chairman, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures has not changed the way in which disclosures are presented as the Group only operates in one segment.

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 Executive Chairman 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 Executive Chairman 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.

(t) 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.

(u) Finance income and expenses

Finance income comprises interest income on funds invested. Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit and loss using the effective interest method.

(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.

Convertible notes

The fair value of the convertible option is determined at each reporting date by an external, independent company that has appropriate, recognized professional qualifications and experience to value financial instruments of this nature. In relation to the converting option feature of the convertible notes, the fair value is determined by this company using a binomial option pricing model.

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 behaviour), 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 2011

3. REVENUES AND EXPENSES

	2011 \$	2010 \$
Other income		
Sundry revenue	17,039	29,263
Sale of plant, equipment and tenement data	-	72,129
Total other income	17,039	101,392
Exploration and evaluation expenses		
Exploration and evaluation expenses	521,506	844,750
Employee expenses	433,041	657,990
Total exploration and evaluation expenses	954,547	1,502,740
Administration expenses		
Administration expenses	618,880	851,579
Employee expenses	360,337	424,497
Superannuation	70,591	89,337
Fringe benefits taxation	6,867	5,833
Employee share based payments	463,443	791,590
Depreciation	123,471	171,790
Total Expenses from ordinary activities	1,643,589	2,334,626
Net finance costs		
Finance income		
Interest income	174,721	381,982
Total finance income	174,721	381,982
Finance expense		
Interest expense - convertible notes liability	1,933,636	1,707,419
Interest expense	90	4,224
Total finance expense	1,933,726	1,711,643
Income tax (expense)/benefit		
Income tax research and development cash rebate	-	253,184
Total income tax (expense)/benefit	-	253,184

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

4 INCOME TAX

Income tax expense	2011 \$	2010 \$
Profit / (Loss) before tax	1,498,834	(14,398,674)
	1,498,834	(14,398,674)
Income tax using the corporation rate of 30%	449,650	(4,319,602)
Movements in income tax expense due to:		
Non deductible expenses	-	-
Exploration expenditure	(416,494)	(425,592)
Impairment on exploration, plant and equipment	-	-
Employee share based payments expensed	139,033	237,477
Convertible notes revaluation	(1,171,590)	3,441,106
Adjustment for timing differences	46,944	2,051
Adjustment for permanent differences	(125,453)	(169,901)
	(1,077,910)	(1,234,461)
(Under) / over provided in prior years	(189,544)	253,184
Tax effect of tax losses not recognised	1,267,454	1,234,461
	-	253,184
Income tax (expense)/benefit	-	253,184

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 income tax losses of \$51,527,271 (2010: \$47,302,425) which may be available to offset against taxable income in future years.

The benefit of these losses and timing differences will only be obtained if:

- (a) the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (b) the Group continues to comply with the condition of deductibility imposed by Australian law; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the loss.

Tax consolidation

For the purposes of income taxation, the Company and its 100% controlled Australian entity have elected to form a tax consolidation group from 1 July 2006.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

5 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing 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 profit attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive partly paid contributing shares).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

a) Basic and diluted profit per share

	2011	2010
	Cents	Cents
Basic earnings attributable to ordinary equity holders of the Company	0.20	(1.86)
Diluted earnings attributable to ordinary equity holders of the Company	0.17	(1.86)

b) Reconciliation of earnings used in calculating earnings per share

	2011	2010
	\$	\$
Diluted earnings per share profit for the year	2,852,379	(14,145,490)

c) Weighted average number of shares

	2011	2010
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	764,960,097	760,191,781
*Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	1,703,738,694	760,191,781

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

6 CASH AND CASH EQUIVALENTS

	2011 \$	2010 \$
Cash at bank and in hand	109,532	565,765
Short-term deposits	1,306,731	4,500,000
	1,416,263	5,065,765

- a) Cash at bank and in hand earns interest at floating rates based on daily bank rates.
- b) Short-term deposits are made for varying periods less than 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Cash is available as required.

	2011 \$	2010 \$
Reconciliation from the net loss after tax to the net cash flows from operations		
Net loss	1,498,834	(14,145,490)
<i>Adjustments for:</i>		
Depreciation	123,471	171,790
Employee entitlements provided	(12,558)	32,206
Convertible note revaluation	(3,905,300)	11,040,458
Share options expensed	463,443	791,590
Impairment	-	-
Loss on sale of tenements, plant and equipment	-	(50,266)
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in exploration expenditures	(1,388,312)	(1,618,642)
(Increase)/decrease in trade and other receivables	113,437	(88,137)
(Increase)/decrease in inventories	13,633	(5,110)
(Increase)/decrease in prepayments	(11,822)	(52,038)
(Decrease)/increase in trade and other payables	(507,259)	(588,307)
Net cash used in operating activities	(3,612,433)	(4,511,946)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

7 TRADE AND OTHER RECEIVABLES

	2011 \$	2010 \$
Current receivables:		
Other receivables	5,788	18,779
Interest receivable	8,449	95,706
GST receivable	12,959	26,148
	27,196	140,633
Non-current receivables:		
Security deposits and environmental bonds (a)	498,967	496,764
	498,967	496,764

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

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

8 INVENTORIES

	2011 \$	2010 \$
Fuel inventory	1,133	14,766
	1,133	14,766

9 PROPERTY, PLANT AND EQUIPMENT

	2011 \$	2010 \$
Opening cost - 1 July	4,410,274	4,325,927
Accumulated depreciation	(2,160,036)	(1,988,246)
Accumulated impairment loss	(1,882,820)	(1,882,820)
Opening written down value	367,418	454,861
Additions	33,848	109,496
Disposals	-	(25,149)
Depreciation charge for the year	(123,471)	(171,790)
Written down value at 30 June	277,795	367,418

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

10 DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT

	2011 \$	2010 \$
Opening cost	6,918,642	5,300,000
Expenditure incurred	2,342,859	3,121,382
Exploration, evaluation and development	9,261,501	8,421,382
Exploration expensed (a)	(954,547)	(1,502,740)
Total exploration, evaluation and development at 30 June	8,306,954	6,918,642

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.

(a) During the year ended 30 June 2011 the Group incurred exploration expenditure of \$954,547 which under the consolidated entity's deferred exploration, evaluation and development policy did not qualify and was expensed.

11 EMPLOYEE BENEFITS

Orion Gold NL option and performance rights plan

The Group has an Option and Performance Rights Plan (OPRP) for the granting of options or performance rights to employees.

The directors consider it desirable to maintain an option and performance rights plan under which selected employees and officers of the Company may be offered the opportunity to participate in the issue of options in the Company in order to increase the range of potential incentives and to strengthen links between the Company, its directors and employees.

Options and rights issued under the OPRP will vest when both the following conditions have been met:

- (i) the employee continues to be an employee in the service of the Group; and

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

11 EMPLOYEE BENEFITS (continued)

(ii) when the employee has completed at least one full year of employment;

Other relevant terms and conditions applicable to options and rights granted under the OPRP are determined by the Board in its discretion with respect to that option at the time of grant of that option. Upon exercise, these options will be settled in ordinary shares of the Company.

Set out below are summaries of options granted to directors, employees and contractors either under the Company's OPRP approved by shareholders or approved by shareholders at a General Meeting of shareholders:

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year (1)	Exercised during the year	Expired during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
Consolidated – 2011									
12-June-09	31-Mar-14	\$0.010	20,000,000	-	-	-	-	20,000,000	20,000,000
24-Jun-09	31-Mar-14	\$0.010	40,000,000	-	-	-	-	40,000,000	40,000,000
30-Jun-09	31-Jul-14	\$0.010	25,000,000	-	-	-	-	25,000,000	25,000,000
26-Nov-09	31-Mar-14	\$0.020	15,000,000	-	-	-	-	15,000,000	7,500,000
13-Sep-10	30-Jun-15	\$0.040	-	(1) 2,000,000	-	-	-	2,000,000	1,000,000
13-Sep-10	30-Jun-15	\$0.000	-	(1) 640,000	-	-	(1)150,000	490,000	245,000
Total			100,000,000	2,640,000	-	-	150,000	102,490,000	93,745,000
Weighted average exercise price			\$0.012	\$0.03	-	-	\$0.00	\$0.012	\$0.011

(1) 2,000,000 options and 640,000 rights were granted under the terms of the OPRP. 150,000 rights were forfeited as an employee did not satisfy the conditions of being employed for at least one full year.

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
Consolidated – 2010									
27-Sep-04	27-Sep-09	\$0.350	696,000	-	-	(696,000)	-	-	-
12-June-09	31-Mar-14	\$0.010	20,000,000	-	-	-	-	20,000,000	10,000,000
24-Jun-09	31-Mar-14	\$0.010	40,000,000	-	-	-	-	40,000,000	20,000,000
30-Jun-09	31-Jul-14	\$0.010	25,000,000	-	-	-	-	25,000,000	12,500,000
26-Nov-09	31-Mar-14	\$0.020	-	(1)15,000,000	-	-	-	15,000,000	-
Total			85,696,000	15,000,000	-	(696,000)	-	100,000,000	42,500,000
Weighted average exercise price			\$0.014	\$0.02	-	\$0.35	-	\$0.012	\$0.01

(1) These options were not granted under the terms of the OPRP.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

11 EMPLOYEE BENEFITS (continued)

The fair values of the options are estimated at the date of grant using the Black Scholes model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2011.

	2011	2010	2009	2008	2007
Dividend yield (%)	-	-	-	-	-
Expected volatility (%)	100	100	100	73	73
Risk-free interest rate (%)	4.5	5.1	4.68	5.8	5.8
Expected life of option (years)	2	4	4	3	3
Option exercise price (\$0.00)	0.04	0.02	0.01	0.375	0.350
Share price at grant date (\$0.00)	0.022	0.051	0.033	0.370	0.850

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The weighted average contractual life for the share options outstanding as at 30 June 2011 is between 3 and 4 years (2010: 3 and 4 years).

12 TRADE AND OTHER PAYABLES

	2011 \$	2010 \$
Current		
Trade payables	180,606	687,882
Accruals	112,376	112,359
	292,982	800,241

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.

13 PROVISIONS

Current		
Employee benefits - annual leave	49,645	66,365
	49,645	66,365
Non-current		
Employee benefits - long service leave	9,454	5,290
Total	59,099	71,655

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

14 ISSUED CAPITAL AND RESERVES

	2011 \$	2010 \$
Ordinary shares		
Issued and fully paid	43,933,657	43,933,657
	Quantity	\$
Movement in ordinary shares on issue		
Opening balance	764,960,097	43,931,306
Share placement	-	-
Less: issue costs	-	-
At 30 June	764,960,097	43,931,306
Contributing shares		
Partly paid to 0.1 cents (9.9 cents outstanding)	2,351	2,351
	Quantity	\$
Movement in contributing shares fully paid		
Opening balance	2,351,000	2,351
Paid in full during the year	-	-
At 30 June 2011	2,351,000	2,351
Total issued capital at 30 June 2011	767,311,097	43,933,657

Convertible note

The conversion option in the convertible note allows the holder to convert the outstanding principal and accrued interest balance at any point in time at a conversion rate of 1 share for the lower of:

- (i) \$0.10 (i.e. the shares will have an issue price of \$0.10 each); and
- (ii) the lowest price at which the Company issue any new shares prior 31 August 2013.

At maturity date, upon conversion of the convertible note and accrued interest, the number of new ordinary shares issued at \$0.01 (as at the date of this report, the lowest price at which the Company has issued ordinary shares), would entitle Silja Investment Limited to 884,687,200 new ordinary shares. Refer to note 15 for additional information.

On 29 September 2010, the Company renegotiated the terms of the converting loan agreement which will now enable the Company at its election, to convert or redeem the remaining convertible notes at maturity. Prior to the 29 September 2010 on the third anniversary of the convertible note drawdown, the Holder held the right to convert or redeem at its election. The Company is able to offer to settle the outstanding amount in cash but the holder is unable to request repayment in cash. However, the holder is able to demand settlement in shares at that point in time.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

14 ISSUED CAPITAL AND RESERVES (continued)

Other reserves

	2011 \$	2010 \$
Share based payments:		
Opening balance	2,170,568	1,378,978
Share based payments	463,443	791,590
Share issue costs	-	-
Forfeited of options	-	-
At 30 June	2,634,011	2,170,568

Nature and purpose of reserves

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. Refer to Note 11 for further details of these plans.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

15. CONVERTIBLE NOTES

Convertible notes - Derivate	2011 \$	2010 \$
Opening balance	15,215,620	5,883,581
Fair value movement in convertible note - derivative	(5,838,936)	9,333,039
Closing balance	9,377,684	15,216,620
Convertible notes - liability		
Opening balance	2,712,213	1,004,794
Effective interest rate expense (i)	1,311,784	1,138,523
Interest expense	621,852	568,896
Closing balance	4,645,849	2,712,213

(i) Effective interest rate expense includes both interest unwinding and borrowing costs.

The converting loan agreement between Silja Investment Limited and the Company dated 9 September 2008, provided for Silja Investment Limited to provide a total of up to \$6 million in funding to the Company by way of the following convertible notes:

- First tranche note - \$1,400,000;
- Second tranche note - \$1,600,000; and
- Third tranche note - \$3,000,000.

The issue of the convertible notes was subject to the satisfaction of a number of conditions precedent, including shareholder approval, which was given at a general meeting of the Company held on 25 November 2008. The first tranche note was issued on that date, and the second and third tranche notes were issued on 24 June 2009. As a result of the issue of convertible notes and in accordance with the converting loan agreement the holder of the convertible notes, Silja Investment Limited has a fixed and floating charge over the assets of the Company.

The convertible notes issued to Silja Investment Limited comprise a liability component and a conversion option in the hands of Silja investment Limited.

The liability component of the convertible notes accrues interest at 9% per annum (compounding annually) and is due to be repaid as at 31 August 2013 (if not converted earlier). The liability component balance of the convertible note will be accreted up to the face value over the life of the convertible note under the effective interest method.

The conversion option in the convertible note allows the holder to convert the outstanding principal and accrued interest balance at any point in time at a conversion rate of 1 share for the lower of:

- i) \$0.10 (i.e. the shares will have an issue price of \$0.10 each); and
- ii) The lowest price at which the Company issue any new shares prior 31 August 2013.

Prior to maturity on 31 August 2013, the holder is only able to convert the outstanding amount to shares in the Company. The holder does not have a right to demand cash to settle the outstanding amount prior to this date.

On 29 September 2010, the Company renegotiated the terms of the converting loan agreement which will now enable the Company at its election, to convert or redeem the remaining convertible notes at maturity. Prior to the 29 September 2010 on the third anniversary of the convertible note drawdown, the Holder held the right to convert or redeem at its election. The Company is able to offer to settle the outstanding amount in cash but the holder is unable to request repayment in cash. However, the holder is able to demand settlement in shares at that point in time.

The aggregate amount of the convertible note liability at 30 June 2011 is \$14,023,533 (2010: \$17,928,833).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

16 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 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 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 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 conversion option included in the convertible note is exposed to fluctuations in the Company's share price and the volatility of that share price. Movements in the volatility of the share price will increase the fair value of the conversion option. Movements in the fair value of the option are recognised in the Income Statement.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Consolidated - 30 June 2011	Fixed interest rate maturing in					Total
	Floating interest rate	1 Year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	
	\$	\$	\$	\$	\$	\$

Financial assets:

Cash on hand and at bank	109,532	1,306,731	-	-	-	1,416,263
Trade and other receivables	-	498,967	-	-	27,196	526,163
	109,532	1,805,698	-	-	27,196	1,942,426

Weighted average interest rate	4.41%	5.68%	-	-	-
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Financial liabilities:

Convertible note - liability	-	-	4,645,849	-	-	4,645,849
Finance lease	-	-	-	-	-	-
Trade and other payables	-	-	-	-	292,982	292,982
	-	-	4,645,849	-	292,982	4,938,831

Weighted average interest rate	-	-	9.00%	-	-
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Consolidated - 30 June 2010	Fixed interest rate maturing in					Total
	Floating interest rate	1 Year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	
	\$	\$	\$	\$	\$	\$

Financial assets:

Cash on hand and at bank	565,765	4,500,000	-	-	-	5,065,765
Trade and other receivables	-	496,764	-	-	140,633	637,397
	565,765	4,996,764	-	-	140,633	5,703,162

Weighted average interest rate	3.46%	4.86%	-	-	-
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Financial liabilities:

Convertible note - liability	-	-	2,712,213	-	-	2,712,213
Finance lease	-	1,020	-	-	-	1,020
Trade and other payables	-	-	-	-	800,241	800,241
	-	1,020	2,712,213	-	800,241	3,513,474

Weighted average interest rate	-	12.09%	9.00%	-	-
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Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2010.

Consolidated - 30 June 2011	Carrying value \$	Profit or loss		Equity	
		100bp increase \$'000	100bp decrease \$'000	100bp increase \$'000	100bp decrease \$'000
Cash on hand and at bank	1,416,263	14	(14)	-	-
Trade receivables	27,196	-	-	-	-
Cash flow sensitivity (net)		14	(14)	-	-

Consolidated - 30 June 2010					
Cash on hand and at bank	5,065,765	51	(51)	-	-
Trade receivables	140,633	-	-	-	-
Cash flow sensitivity (net)		51	(51)	-	-

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

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 trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. This risk is minimised by reviewing term deposit accounts from time to time with approved banks of a sufficient credit rating which is AA and above. The company does not place funds on terms longer than 12 months and has the facility to place the deposit funds with more than one bank.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

Consolidated	Carrying amount	
	2011 \$	2010 \$
Cash on hand and at bank	1,416,263	5,065,765
Trade and other receivables	27,196	140,633
	1,443,459	5,206,398

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Impairment losses

There is no doubtful debt provision for other receivables (2010: Nil).

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.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The following are the contractual maturities of financial liabilities:

Consolidated - 30 June 2011	Carrying amount \$	Contractual cash flows \$	6 months or less \$	2 – 5 years \$
Trade and other payables	292,982	292,982	292,982	-
Convertible note - liability	4,645,849	8,846,872	-	8,846,872
Finance lease	-	-	-	-
	4,938,831	9,139,854	292,982	8,846,872

Consolidated - 30 June 2010	Carrying amount \$	Contractual cash flows \$	6 months or less \$	2 – 5 years \$
Trade and other payables	800,241	800,241	800,241	-
Convertible note - liability	2,712,213	8,846,872	-	8,846,872
Finance lease	1,020	1,020	1,020	-
	3,513,474	9,648,133	801,261	8,846,872

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.

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 2011

17 FINANCIAL INSTRUMENTS

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

CONSOLIDATED 30 June 2011	Level 1 \$	Level 2 \$	Level 3 \$
Derivative financial liabilities			
Convertible note - derivative	-	(9,377,684)	-
	-	(9,377,684)	-

CONSOLIDATED 30 June 2010	Level 1 \$	Level 2 \$	Level 3 \$
Derivative financial liabilities			
Convertible note - derivative	-	(15,216,620)	-
	-	(15,216,620)	-

In order to determine the fair value of such debt securities, management used a valuation technique in which all significant inputs were based on observable market data. There have been no transfers in either direction during the year ended 30 June 2011 (2010: no transfers in either direction).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

17 FINANCIAL INSTRUMENTS (continued)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown on the balance sheet, are as follows:

	Notes	Carrying amount		Fair value	
		2011 \$	2010 \$	2011 \$	2010 \$
CONSOLIDATED					
<u>Financial assets</u>					
Cash – floating rate interest	6	109,532	565,765	109,532	565,765
Cash – fixed term 1 year or less	6	1,306,731	4,500,000	1,306,731	4,500,000
Total cash and short term deposits		1,416,263	5,065,765	1,416,263	5,065,765
Trade receivables – current	7	27,196	140,633	27,196	140,633
Trade receivables – non current interest bearing	7	498,967	496,764	498,967	496,764
Total receivables		526,163	637,397	526,163	637,397
Total financial assets		1,942,426	5,703,162	1,942,426	5,703,162
<u>Financial liabilities</u>					
Trade payables - non interest bearing	12	(292,982)	(800,241)	(292,982)	(800,241)
Finance lease		-	(1,020)	-	(1,020)
Convertible note - liability		(4,645,849)	(2,712,213)	(4,645,849)	(2,712,213)
Convertible note - derivative		(9,377,684)	(15,216,620)	(9,377,684)	(15,216,620)
Total payables		(14,316,515)	(18,730,094)	(14,316,515)	(18,730,094)
Net financial assets		(12,374,089)	(13,026,932)	(12,374,089)	(13,026,932)

18 COMMITMENTS AND CONTINGENCIES

Rental property commitments

The Group has entered into a new commercial lease for office space in Melbourne, Victoria, for three years.

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:

	2011 \$	2010 \$
Within one year	55,818	88,933
After one year but not more than five years	106,153	15,256
More than five years	-	-
	161,971	104,189

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

18 COMMITMENTS AND CONTINGENCIES (continued)

Tenement commitments – Australia

The Group has a portfolio of tenements located in 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:

	2011 \$	2010 \$
Within one year	837,233	986,919
After one year but not more than five years	3,348,933	3,947,676
More than five years	-	-
	4,186,166	4,934,595

Guarantees

The Company has the following contingent liabilities at 30 June 2011:

- 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 2011 was \$249,533 (2010: \$249,533).
- 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 Company operates require rehabilitation of drill sites including any other sites where the Company 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.

It is expected that most of these costs will not be significant in the next financial year and will be expensed as incurred.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

19 RELATED PARTY DISCLOSURE

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

	Country of incorporation	Equity interest		Investment	
		2011 %	2010 %	2011 \$	2010 \$
Goldstar Resources (WA) Pty Ltd	Australia	100	100	1	1

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

Subsidiaries

An inter-company loan exists between Orion Gold NL (parent) and Goldstar Resources (WA) Pty Ltd (subsidiary) of \$1,946,300 (2010: \$1,946,300) A provision for impairment of \$1,946,300 (2010: \$1,946,300) 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 on arms length transactions at both normal market prices and normal commercial terms.

Consolidated related parties	Transaction	Transactions value		Balance outstanding	
		2011 \$	2010 \$	2011 \$	2010 \$
		-	-	-	-
		-	-	-	-
Total		-	-	-	-

- (i) During the year ended 30 June 2011, Orion Gold NL under the terms of the converting loan agreement with Silja, incurred an interest expense of \$621,852 (2010: \$568,896).
- (ii) Mr Haller holds relevant interest in Silja Investment Limited which holds the convertible note. The conversion option in the convertible note allows the holder to convert the outstanding principal and accrued interest balance at any point in time at a conversion rate of 1 share for the lower of:
- \$0.10 (i.e. the shares will have an issue price of \$0.10 each); and
 - the lowest price at which the Company issues any new shares prior 31 August 2013.

At maturity date, upon conversion of the convertible note and accrued interest, the number of new ordinary shares issued at \$0.01 (as at the date of this report, the lowest price at which the Company has issued ordinary shares), would entitle Silja Investment Limited to 884,687,200 new ordinary shares. The amended converting loan agreement was approved by shareholders at the general meeting of shareholders held on 12 June 2009.

- (iii) On 29 September 2011, the Company announced that it had entered into a \$1,500,000 loan agreement ('Facility') with Silja Investment Limited ('Silja'), the Company's major shareholder. Refer to note 20 for further details.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

20 EVENTS AFTER THE BALANCE SHEET 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years except for those matters referred to below:

- a) On 7 September 2011, the Company appointed Mr Chris Roberts as a non-executive director; and
- b) On 29 September 2011, the Company announced that it had entered into a \$1,500,000 loan agreement ('Facility') with Silja Investment Limited ('Silja'), the Company's major shareholder. Under the terms of the Facility, Silja has committed to convert cash drawn down under the Facility to shares, as part of a future capital raising subject to:
 - Shareholder approval;
 - The capital raising including Silja's allocation being a minimum of \$1,500,000;
 - The capital raising issue price of shares not being less than 1 cent per share; and
 - Silja's participation in the capital raising being an amount equivalent to Silja's proportionate shareholding in the Company (approximately 27%).

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

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

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

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

Silja's commitment to subscribe for the number of shares in the Company as outlined above is in place irrespective of whether or not the Company utilises the Facility.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

21 AUDITORS' REMUNERATION

	2011 \$	2010 \$
Amounts received or due and receivable by KPMG Australia for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	56,552	40,460
Other services in relation to the entity and any other entity in the consolidated entity		
(a) tax compliance	8,000	10,000
(b) other advisory	-	20,000
	64,552	70,460
Amounts received or due and receivable by auditors other than KPMG Australia for:		
An audit or review of the financial report of consolidated entities	-	-
	64,552	70,460

22 KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

(i) Specified directors

Mr Denis Waddell	Chairman (Executive)	Appointed	27 February 2009
Mr Graeme Sloan	Director (Non-executive)	Appointed	27 February 2009
Mr Alexander Haller	Director (Non-executive)	Appointed	23 July 2008

(ii) Specified executives

Mr Martin Bouwmeester	General Manager Corporate	Appointed	27 February 2009
	Company Secretary	Appointed	23 September 2009
Dr James Anderson	General Manager - Exploration	Appointed	1 July 2009
Mr Shane Hart	General Manager - Walhalla Gold Project	Appointed	8 October 2007
		Resigned	8 October 2010
Mr Sean Cahoon	Chief Financial Officer	Appointed	30 June 2009

(b) Key management personnel compensation

The key management personnel compensation is as follows

	Consolidated	
	2011 \$	2010 \$
Short-term employee benefits	1,049,664	1,233,895
Termination benefits	-	9,087
Share-based payments	454,255	791,590
	1,503,919	2,034,572

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

22 KEY MANAGEMENT PERSONNEL (continued)

(c) Option holdings of key management personnel

	Balance at beg of period 01- Jul-10	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30-Jun-11	Not vested & not exercisa ble	Vested & exercisable
Specified directors							
Mr Denis Waddell	40,000,000	-	-	-	40,000,000	-	40,000,000
Mr Alexander Haller (i)	300,000,000	-	-	(300,000,000)	-	-	-
Mr Graeme Sloan	15,000,000	-	-	-	15,000,000	-	7,500,000
Specified executives							
Mr Jim Anderson	10,000,000	-	-	-	10,000,000	-	10,000,000
Mr Sean Cahoon (ii)	5,000,000	2,000,000	-	-	7,000,000	-	6,000,000
Mr Martin Bouwmeester	20,000,000	-	-	-	20,000,000	-	20,000,000
Former							
Mr Shane Hart	10,000,000	-	-	-	10,000,000	-	10,000,000
Total	400,000,000	2,000,000	-	(300,000,000)	102,000,000	-	93,500,000

- (i) Mr A Haller holds a relevant interest in Silja Investment Limited, the 300 million options were not exercised on the 22 September and have subsequently expired.
- (ii) Mr S Cahoon was granted 2,000,000 options under the Company's Option and Performance Rights Plan on the 13 September 2010. The vesting conditions of these options are 50% on 30 June 2011 and 50% on 30 June 2012. The exercisable price of the granted options is \$0.04 and expiry date is 30 June 2015.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

22 KEY MANAGEMENT PERSONNEL (continued)

(c) Option holdings of key management personnel

	Balance at beg of period 01- Jul-09	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30- Jun-10	Not vested & not exercis- able	Vested & exercisable
Specified directors							
Mr Denis Waddell	40,000,000	-	-	-	40,000,000	-	20,000,000
Mr Alexander Haller (ii)	300,000,000	-	-	-	300,000,000	-	-
Mr Graeme Sloan	-	15,000,000	-	-	15,000,000	-	-
Mr Gordon Hill (i)	120,000	-	-	(120,000)	-	-	-
Mr Andrew King (i)	285,000	-	-	(285,000)	-	-	-
Ms Eileen Carr (i)	75,000	-	-	(75,000)	-	-	-
Mr Ian Pankhurst (i)	75,000	-	-	(75,000)	-	-	-
Specified executives							
Mr Shane Hart	10,000,000	-	-	-	10,000,000	-	5,000,000
Mr Jim Anderson	10,000,000	-	-	-	10,000,000	-	5,000,000
Mr Sean Cahoon	5,000,000	-	-	-	5,000,000	-	2,500,000
Mr Martin Bouwmeester	20,000,000	-	-	-	20,000,000	-	10,000,000
Mr Stuart Hutchin (i)	60,000	-	-	(60,000)	-	-	-
Mr Darren Hotton	-	-	-	-	-	-	-
Total	385,615,000	15,000,000	-	(615,000)	400,000,000	-	42,500,000

(i) Includes options that lapsed.

(ii) Mr A Haller holds a relevant interest in Silja Investment Limited, the 300 million options were not exercised on the 22 September and have subsequently expired.

(d) Shareholdings of key management personnel

Shares held in Orion Gold NL

	Balance 1-Jul-10 Ordinary qty	Purchased during the year qty	On options exercised qty	Fully paid contributing shares qty	Disposals of shares qty	Other transfers of shares qty	Balance at end of period 30-Jun-11 qty
Specified directors							
Mr D Waddell	5,000,000	-	-	-	-	-	5,000,000
Mr A Haller	203,912,409	-	-	-	-	-	203,912,409
Mr G Sloan	-	-	-	-	-	-	-
Specified executives							
Mr Jim Anderson	-	-	-	-	-	-	-
Mr Sean Cahoon	100,000	-	-	-	-	-	100,000
Mr Martin Bouwmeester	250,000	-	-	-	-	-	250,000
Former							
Mr Shane Hart	350,000	-	-	-	-	-	350,000
Total	209,612,409	-	-	-	-	-	209,612,409

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

22 KEY MANAGEMENT PERSONNEL (continued)

Shares held in Orion Gold NL

	Balance 1-Jul-09 Ordinary qty	Purchased during the year qty	On options exercised qty	Fully paid contributing shares qty	Disposals of shares qty	Other transfers of shares qty	Balance at end of period 30-Jun-10 qty
Specified directors							
Mr D Waddell	5,000,000	-	-	-	-	-	5,000,000
Mr A Haller	203,912,409	-	-	-	-	-	203,912,409
Mr G Sloan	-	-	-	-	-	-	-
Specified executives							
Mr Shane Hart	-	350,000	-	-	-	-	350,000
Mr Jim Anderson	-	-	-	-	-	-	-
Mr Sean Cahoon	-	192,414	-	-	(92,414)	-	100,000
Mr Martin Bouwmeester	-	350,000	-	-	(100,000)	-	250,000
Mr Darren Hotton	-	-	-	-	-	-	-
Total	208,912,409	892,414	-	-	(192,414)	-	209,612,409

23 SEGMENT REPORTING

The Company had one reportable segment during the period, being gold exploration in Australia, which was the Company's exploration focus. The Executive Chairman reviews internal management reports for this exploration area on monthly basis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

24 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Group was Orion Gold NL.

	Company	
	2011	2010
	\$	\$
Result of parent entity		
Profit /(loss) for the period	1,498,834	(13,945,490)
Other comprehensive income	-	-
Total comprehensive income for the period	1,498,834	(13,945,490)
Financial position of parent entity at year end		
Current assets	1,511,101	5,275,851
Total assets	10,594,818	13,058,675
Current liabilities	(342,627)	(867,626)
Total liabilities*	(14,375,614)	(18,801,749)
Total equity of the parent entity comprising of:		
Issued capital	43,933,657	43,933,657
Accumulated losses	(50,348,464)	(51,847,298)
Other reserves	2,634,011	2,170,568
Total equity	(3,780,796)	(5,743,073)

* The Convertible notes liability accounts for \$14,023,533 of the total liabilities. The maximum amount convertible to shares in relation to the convertible notes is \$8,846,872 on 31 August 2013. The unrealised gain or loss recognised at each reporting date is not a cash gain or loss and will not affect the Company's cash reserves. Refer to Note 15 for further details.

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.

	2011	2010
	\$	\$
Commitments		
Rental property commitments	161,971	104,189
GST liabilities of other entities within the GST group	-	-
Tax liabilities of other entities within the tax consolidated group	-	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

24 PARENT ENTITY DISCLOSURES (Continued)

Parent entity commitments in relation to minimum expenditure on tenements.

	2011 \$	2010 \$
Tenements		
Minimum expenditure requirement :		
Within one year	837,233	986,919
One year later and no later than five years	3,348,933	3,947,676
Later than five years	-	-
Total	4,186,166	4,934,595

Directors' Declaration

- 1 In the opinion of the directors of Orion Gold NL (the Company):
 - (a) the consolidated financial statements and notes and the Remuneration report, 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 2011 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 2a 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 2011.
- 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
Melbourne, Victoria

30 September 2011



Independent auditor's report to the members of Orion Gold NL

Report on the financial report

We have audited the accompanying financial report of Orion Gold NL ("the Company"), which comprises the consolidated balance sheet as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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 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 of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Material uncertainty regarding continuation as a going concern

Without modification to the opinion expressed above, we draw attention to note 2 (a), which indicates the Group is reliant upon being able to draw cash under the loan agreement with Silja Investment Limited, and the results of its current exploration program to support its ability to raise capital in the future. Because of this and the matters referred to in note 2 (a), there is a material uncertainty which may cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report identified within the directors' report for the year ended 30 June 2011. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Orion Gold NL for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG
KPMG

Alison Kitchen
Partner

Melbourne

30 September 2011