

Flash Note – Orion Gold NL (ASX: ORN)

Orion's counter-cyclical investment strategy offers shareholders significant upside

Significant growth potential via option over historic Prieska Copper-Zinc Mine, South Africa

Strong pending newsflow from drilling at Connors Arc Epithermal Gold-Silver Project

Current SPP enables shareholders to increase their exposure to both initiatives at an attractive entry price

November 24, 2015

EVENTS

- Option secured over historic Prieska Copper Mine and Marydale Gold Project, South Africa
 - Option to acquire an effective 73.3% interest in the historic Prieska Copper Mine, which operated from 1971 to 1991, producing some 430,000t of copper and over 1,000,000t of zinc
 - Purchase consideration of ZAR80m (~A\$8 million) includes ZAR60 million (~A\$6 million) in cash and ZAR20 million (~A\$2 million) in ORN shares
 - Exploration Target of 3.0-4.5Mt grading at 1.0-1.6% Cu and 1.3-2.0% Zn for near surface open-pittable mineralisation and 7.0-11.0Mt grading at 1.2-1.8% Cu and 3.9-5.9% Zn for deep (~1,000m) sulphide underground mineralisation
 - Mine and regional infrastructure in place
 - Includes the nearby Marydale Project, with up to 50.4m @ 2.68g/t Au in recent drilling
- Drilling underway at Connors Arc Epithermal Gold-Silver Project, Queensland
 - Testing below anomalous surface gold and silver results at the Veinglorious Prospect
 - Rock chip sampling has returned up to 2.75g/t Au and 629ppm Ag, and surface mapping has defined over two kilometres of strike length of epithermal vein swarms, with a total of 4.2km strike length of individual veins mapped to date
 - Soil sampling at the nearby Aurora Flats Prospect has defined a number of Au-Ag-Sb-Bi-Mo-Te anomalies along two NNE trending zones, with a strike length of ~4km
 - These are associated with magnetic lows, reflecting structures and potential areas of mineralising fluid flows, which will also be drilled
 - Drilling also planned at the newly discovered Chough epithermal breccia prospect, where strongly anomalous Au-As values with Au up to 0.48g/t returned from chip samples.
- Fundraising
 - SPP, to raise up to \$1.35 million through the issuing of 90 million shares at a price of \$0.015/share – closes December 4, 2015
 - Placement to sophisticated and professional investors, to raise up to \$1.50 million through the issue of 100 million shares at a price of \$0.015/share
 - Funding to be used for the current drilling, Prieska due diligence and working capital

BREAKAWAY COMMENTS

As announced to the market on November 18, 2015, Orion has also secured an option to acquire 73.3% of the historic Prieska Copper Mine, located some 270km south-west of Kimberley in the Northern Cape Province of South Africa through the acquisition of Agama Exploration and Mining Pty Ltd (“Agama”), a private South African company. Prieska, which is a Proterozoic volcanogenic-hosted massive sulphide (“VMS”) deposit, produced some 430,000t of Cu and 1,000,000t of Zn from 47Mt of ore from 1971 to 1991, and was considered one of the 30 largest VMS deposits known globally.

Historical mining was limited to underground, sulphide ore, with most of the mine infrastructure currently in place to access the dip and strike potential demonstrated in historic drilling. This includes an 8.8m diameter, 1,024m deep concrete lined vertical shaft and three separate ramp declines. Dependent upon their condition, these could provide significant capital advantages should the project

be developed. In addition there is significant regional infrastructure including water, power bitumen roads, rail connection to a deep-water port and an airstrip at the mine site.

Included in the Agama package is the Marydale Gold Project, located some 60km north-west of Prieska. Drilling by the vendors has intersected up to 50.4m @ 2.68g/t Au from near surface, in what Orion interprets as a structurally complex epithermal system.

Importantly, the South African acquisition includes new order prospecting rights, with the vendors, Agama, already having in place the Black Economic Empowerment (“BEE”) 26.7% holding required by law – this is a key advantage when considering South African Projects. In addition the Prieska asset includes a fully funded ZAR17.3 million (~A\$1.7 million) environmental trust.

The Company is currently at an advanced stage of carrying out due diligence, with the ~A\$8 million option exercisable before July 31, 2016, with a total of ~A\$165,000 in monthly option payments required to maintain the option. The due diligence process will be helped by the existence of an extensive mine data package and access to professionals with significant previous experience at Prieska.

Prieska, dependent upon the results of the due diligence and subsequent feasibility studies, provides a cheap entry into a large scale, near development base metal opportunity to take advantage of the next upturn in the resources cycle. Results from Marydale are also very encouraging, and provide additional upside, leveraging on Orion’s epithermal exploration expertise.

Orion has also recently commenced RC drilling at its 100% Connors Arc Epithermal Gold-Silver Project, located in Central Queensland. The Project is located in a geological and structural setting similar to other epithermal systems in Queensland, including Cracow and Mount Carlton, and in a region well served by infrastructure.

Previous work, including drilling, mapping and geochemical sampling has confirmed the prospectivity and scale of the system, and delineated a number of prospects that are being tested as part of the current programme. Work during 2015 has concentrated on further defining the epithermal systems and drill targets, and has included mapping, geochemical sampling and detailed ground magnetics. In addition to refining drill targets, this work has also expanded the key Veinglorious and Aurora Flats Prospects and located a new epithermal breccia target named Chough.

The work at Veinglorious has included spectral characterisation of drill samples from the 2014-2015 drill programme to determine the level in the epithermal system. This work has concluded that the drilling intersected shallow, low temperature parts of the system, above that where significant mineralisation would be expected, and thus provides a vector to mineralisation. A common feature of epithermal systems is that gold and silver mineralisation is deposited in a defined vertical range in response to changing fluid conditions. This is commonly in the order of a few 100’s of metres, with the veining above and below this generally barren or weakly mineralised.

Our view is that Connors Arc is a very prospective project, with the potential for a significant discovery. Exploration over epithermal projects can take patience, however Orion has taken a considered and technically rigorous approach to exploration.

Summary

With the potential acquisition of Prieska, Orion has adopted a judicious strategy of, in addition to continuing exploration on current projects, portfolio expansion and diversification through the counter-cyclical acquisition of advanced projects at bottom of the market valuations. This strategy, which differentiates Orion from most other junior resources companies, has the potential to create significant shareholder value with improving markets and advancement of projects.

Given the above we continue to rate ORN as a Speculative Buy.

Company Information

ASX Code:	ORN
Share Price:	A\$0.016
MCAP:	A\$4.9m (pre raisings)
Cash:	A\$0.1m (pre raisings)
Debt:	A\$0.6m (\$0.5m to be converted to shares as part of raisings)
EV:	A\$5.4m

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Analyst Verification

We, Grant Craighead and Mark Gordon, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

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