



**INQUIRY INTO GREENFIELDS MINERAL EXPLORATION AND
PROJECT DEVELOPMENT IN VICTORIA**

Submission by

Orion Gold NL

19 August 2011

Preamble:

Orion Gold NL (Orion) has been exploring in Eastern Victoria in the Walhalla – Woods Point goldfield, where it holds exploration licences over some 670 square kilometres covering over 400 recorded historic gold occurrences. Three mines in this trend recorded greater than 1 million ounces of gold production, making this a very significant gold region. Over the last 9 years Orion has spent in excess of \$39 million on exploration in this area and it remains the Company's principal focus. The situation is though, that the region is reasonably remote, with rugged terrain and complex geological controls on the concentration of mineralisation. These difficulties are amply borne out by the lack of new discoveries over the last 100 years in this area.

Orion is pleased with the relations it has with the various local Government departments, in managing its activities in the region. However, it is apparent that for an industry which has a lot to potentially offer the region and the State, there are simple improvements evident, which could be made in the operation of regulation of activities. These would not be costly and could significantly assist both the Government bodies and the Industry to perform more rapidly and effectively.

The areas of Orion's operations, take in forest, water catchments, historic reserves, areas of seasonal access closure amongst other classifications. These at face value can limit access to much of the area to only a portion of any year. Some recent access to operate during seasonal closures has been able to be negotiated under particular conditions. This is a very useful development. The Company is very mindful of its obligations to operate sensitively and is open to these sorts of arrangements. It is very evident, that a little discussion between Government departments and Industry could arrive at simple codes and access strategies with defined, clear rules to facilitate these types of regular requirements. In addition, clarity and facilitation of interdepartmental requirements, possibly with combined site and office meetings could greatly reduce timeframes and potential for misunderstandings and conflicts over best means of achieving sensible site activities.

Orion believes that it has very worthwhile exploration potential within its tenement holdings, but like any junior explorer it cannot indefinitely survive on its "potential" and must achieve some progressive success. This involves timely access as well as intelligent exploration and it is believed that improved strategies to facilitate management and access of activities can be developed between government and Industry to the benefit of all and including the State.

The following examples are provided to illustrate practical aspects, which currently effect progress and activities, but which it would appear, can quite simply be improved upon.

Exploration Difficulties

Access

Most of the Orion tenements are within State Forest and Crown Land, and are therefore subject to Native Title and managed by State Government Agencies. The historic areas where past mining has taken place and obviously the most prospective areas for exploration targets, are largely within the Crown Reserve.

Having prospective target areas within Historic Reserves, means that each Work Plan submitted to undertake ground disturbing exploration, such as drilling, requires the Minister to sign off on each Work Plan. This adds a further 28 days and another Government department to the Work Plan process.

For example, Work Plans for two drill pads in a Historic Reserve, requiring no large trees to be felled minimal ground disturbance over existing access and having small drill pad foot print, were initially presented informally to the DPI in early March this year. With very minor adjustments to wording, and no changes to the exploration methods or targets, the Work Plan was finally approved in mid August, approximately 5 months later. This timeframe makes undertaking exploration in this region difficult, with limited access and the organisation of staff and drilling contractors.

Exploration companies suffer from prolonged delays in process, there is already a substantial delay following completion of a drill program involving receipt of sample assay results, geological data collection, collation and analysis. The company then has to decide where to continue exploration, keeping in mind that there will be a significant time between planning the next program and having the Work Plan approved and then obtaining access in the limited manner and timing available. This can severely hamper exploration efforts in a rush to put forward Work Plans based on incomplete, or under-analysed data, just to satisfy the known delays in getting Work Plan approvals.

Coupled with a slow Work Plan approval process and the need for the Minister to sign off on the Work Plans over Reserves, under section 44 of the MRSDA, is the Seasonal Closure of Roads within the exploration leases, which can be for up to 7 months during which no access can be gained.

Orion has spent many hours negotiating and producing plans and discussing this "Seasonal Closure" obstacle to exploration, with Government staff, further adding costs, but not adding to the geological knowledge required for successful mineral exploration. The basis of Seasonal Closure was for the safety of 4WD drivers and to minimise the destruction of roads and help prevent the spread of phytophthora. These issues have been addressed many times by Orion, yet the same process has to be undertaken every year with the same Department and different people, each having their own ideas and understandings. At its worst interpretation, it means that for over half of the year or time that Orion pays rent to explore the exploration licences, these cannot be utilised, due to zero access.

EL Application Process

The time taken for exploration licence applications to be processed can generally be around six months. As most of the Orion exploration licences are on Crown Land, the Native Title Process needs also to be added to the applications time. That can add a further two years before eventual grant.

Conclusions

Orion believes that it has a strong, productive future in exploration and development of gold projects in Victoria.

There are some simple measures, which we believe can be taken to further develop codes and systems for dealing with relatively straightforward matters of access and field and operating approvals and management.

Good relations between government regulators and Industry operators, can be further enhanced by these means, leading to improved efficiencies and success. This could be assisted by a facilitation role by DPI and some internal direction by Government that Exploration and Mining are legitimate, important and desirable activities to be assisted by regulatory bodies.

Orion would appreciate the opportunity to elaborate on its experiences and views in the coming inquiry.