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ORION METALS LIMITED ANNUAL REPORT 2011
- GOLD AND RARE EARTH METALS



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corporate
directory

Directors

David Barwick	Acting Executive Chairman
Andrew Gillies	Non Executive Director
Adrian Day	Non Executive Director
Tao Li	Non Executive Director

Company Secretary

Bill Lyne

Solicitors

HopgoodGannin Lawyers
Level 8 Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Auditors

BDO Kendalls (QLD)
Level 18, 300 Queen Street
Brisbane QLD 4001

Bankers

Westpac Banking Corporation
240 Queen Street
Brisbane QLD 4000

Shares & Options Register

Link Market Services Limited	Facsimile for Proxies:	(02) 9287 0309
Level 15, 324 Queen Street	Freecall:	1300 554 474
Brisbane QLD 4000	Telephone	(02) 8280 7454

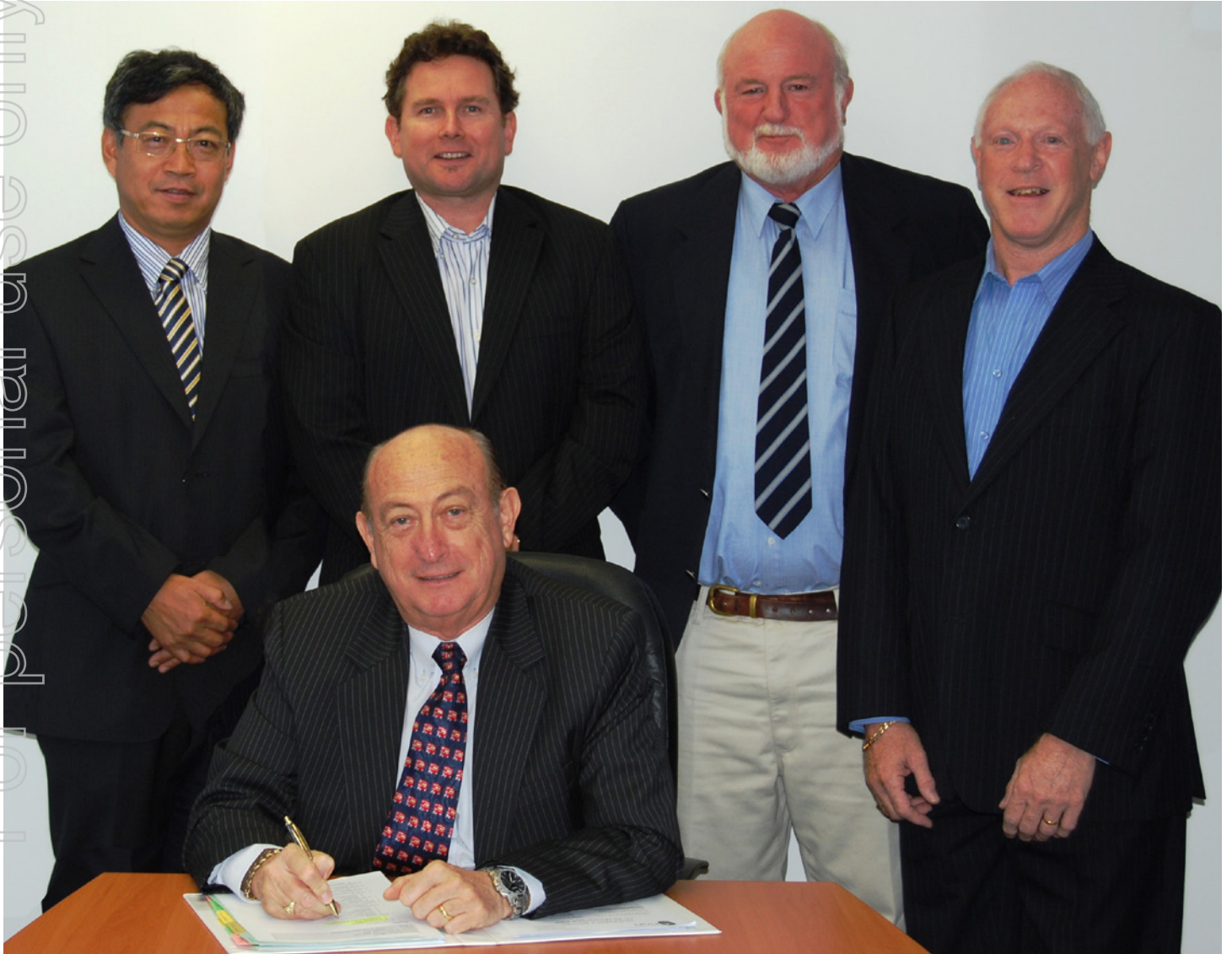
Administration & Registered Office

71 Lytton Road	Telephone:	(07) 3249 3060
East Brisbane QLD 4169	Facsimile:	(07) 3249 3061

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Directors L to R: Tao Li, David Barwick, Andrew Gillies, Adrian Day, Company Secretary Bill Lyne

2 principal events for the year

March 2010

- Underwritten Rights Issue to raise \$1.25 million.
- Appointment of part time Managing Director.

May 2010

- Rights Issue successfully concluded oversubscribed.

June 2010

- Top Camp gold prospect Drilling Program commences.

August 2010

- Further \$315,000 raised by placement to Directors and associated entities.

September 2010

- Killi Killi Hills Project acquired 100%.
- 45 reconnaissance rock chip samples returned highly encouraging rare earth elements (REE) and gold results from Killi Killi Hills Project.
- Dr. Tao Li appointed to the board representing major shareholder Jien Mining.

October 2010

- Share placement of 8 million shares concluded to raise a further \$2 million in working capital.

November 2010

- Initial drilling program commenced on Killi Killi Hills Project and completed ahead of wet season.
- Sale of Rutherfords Table announced for \$450,000.

December 2010

- Gold drill sample results for Killi Killi Hills Project announced ahead of REE results, both confirming high REE and gold mineralisation enhancing project status.

January 2011

- Land holding in Killi Killi Hills Project area increased in accordance with Director's policy to expand.

February 2011

- Almost 100% of option issue fully subscribed.

project locations

Killi Killi Hills Project (WA)

- 100% owned REE & gold exploration.

Broughton Project (QLD)

- Orion can farm into 90% REE, gold & uranium exploration.

Fulford & Bonner's Creek Project (QLD)

- Orion can earn 100% REE, gold & tin exploration.

Top Camp Project (QLD)

- Orion owns 100% mining leases, gold exploration.



dear shareholder

As a result of the successful financings carried out during the 2010/11 financial year, Orion Metals Limited (ASX:ORM) has been able to add to our portfolio and can now say we hold substantial holdings in desirable and highly prospective locations for significant Rare Earth Element (REE)/gold occurrences. The confirmation of the continuing association of REE, particularly the Heavy REE (HREE) and gold plus minor uranium at Killi Killi Hills provides evidence that the prospect and surrounding areas offers an intriguing exploration target. Orion increased its holding in January this year by applying for two new tenements E80/4558 & E80/4559 for an additional 39km².

As part of our ground acquisition strategy, Orion entered into a purchase and joint venture agreement with MetalBank Ltd (ASX:MBK) on E80/4212 which, when concluded, will add 216 km² to our enlarged holding in the Killi Killi Hills area.

Our current exploration program will be heavily focused on the Killi Killi Hills tenements located in Western Australia. The ability to farm into 90% of the Broughton tenements located in North West Queensland will allow us to have a more complete year in respect to exploration activity and announcements to Shareholders. To date the Broughton Project has recorded exciting high grade REE results from rock chip samples which requires detailed follow up work and is subject to final legal documentation.

The Killi Killi Hills exploration program has commenced for the current year with the announcement earlier this month that Aeroquest Airborne is conducting a detailed airborne geophysical survey over our tenements ahead of the drilling program which is to commence in June 2011. A field exploration program is currently underway ahead of the drilling commencing.

The board has been extremely proactive in promoting Orion and with what we anticipate will be a productive 2011 exploration program, I trust this will be reflected in increased news flow and project activity updates going forward. I would like to take this opportunity to thank my fellow Directors for their continued support and encourage as many Shareholders as possible to attend our June Annual General Meeting.



D. K. Barwick
Chairman

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Orion's Killi Killi Hills Project drilling program late 2010

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operations
report

The highlight of the year's activities was the acquisition in September 2010 of the Killi Killi Hills Project in the West Tanami Desert of Western Australia on the Northern Territory border. This prospect was known to the Company as containing rare earth elements (REE) from uranium exploration activities conducted in 1969, but at levels not confirmed by modern analytical methods.

During the due diligence period in the acquisition process of the exploration licences (E80/4029 and E80/4197), a helicopter reconnaissance of the main prospect (Killi Killi East) was carried out in August and a suite of samples from the mineralised conglomerate and coarse sandstone outcrops along the unconformity at the base of Killi Killi Hills was collected and submitted for assay.

The laboratory analysis confirmed the evidence of REE, especially the "heavy" members of the REE spectrum. The analysis also identified significantly anomalous levels of gold in a number of samples which added a new dimension to the

geological understanding of the origin of the mineralisation. Also of interest were the uranium concentrations which were of a very low order.

Encouraged by the results of this initial surface sampling, a drilling program was initiated in November 2010 to drill a series of shallow drill holes over Killi Killi East No.1 & 2 anomalies down-dip on the unconformity. In this program a total of 30 holes aggregating 366 metres was completed and confirmed that the REE mineralisation extended beneath the outcrop and that anomalous gold values also persisted at depth.

Of great significance was that REE and gold values were intersected in basement rocks below the unconformity and the mineralised conglomerates, a fact not previously known.

As a consequence of these highly encouraging results from preliminary programs, a strategy to acquire additional ground was implemented. As a result, two new exploration licences were applied for and a

operations report

joint venture entered into with MetalBank Limited (ASX:MBK) on tenement E80/4212 whereby Orion can earn/acquire a 90% interest.

The MBK exploration licence contains a non-outcropping granite with distinctive magnetic and radiometric features that suggest it may be responsible for REE and gold mineralisation in the region.

During the past few months a concerted effort has been made by ORM staff and consultants to collate and correlate all previous existing exploration and geological/geophysical data to create a comprehensive database formulating exploration concepts and identifying targets.

The database is the foundation for the 2011 exploration program which has been accelerated to include field checking of other geological and geophysical features, sampling the Killi Killi West prospect, implementing regional and prospect drilling programs and conducting a high resolution airborne geophysical survey to generate new and additional drill targets.

A drilling program was conducted in June 2010 on the Top Camp mining leases, 30km south of Cloncurry. This program targeted magnetite hosted copper-gold mineralisation analogous to that at Ernest Henry & Selwyn gold-copper mines, and 8 holes totalling 1,554 metres were completed. Significant intersections (+20 metres) of a previously unrecorded magnetite mineralisation were intersected in 3 holes targeting the old gold workings on Mary Douglas Hill. However, no visible sulphide mineralisation was observed and laboratory analyses returned only low order anomalous copper and gold values. These results are currently being assessed and a joint venture partner is being sought.

In the Georgetown region, the Bald Mt porphyry gold prospect in the Malcolm Creek exploration permit was evaluated by Newmont Exploration Pty Ltd during the year, including mapping, sampling and electrical geophysical methods. From this work drill targets were selected and a program of 4 RC holes was completed. While encouraging zones of quartz veining,

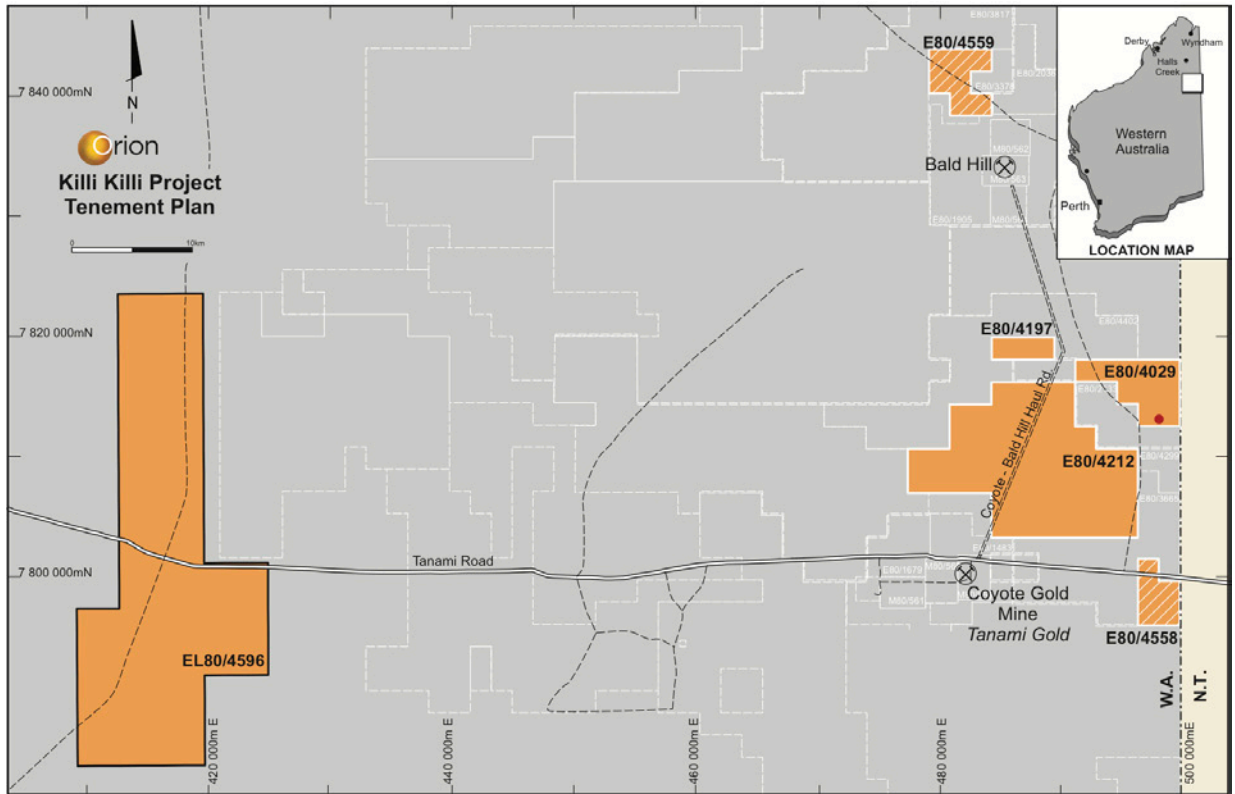
clay alteration, and disseminated sulphides in areas of possible breccia development were intersected, these intercepts failed to produce any significant gold values. Newmont has formally elected to withdraw from the Malcom Creek Joint Venture.

In the Chillagoe district a block of Exploration Permits in the Fulford & Dickson Creeks area are awaiting grant so exploration for alluvial concentrations of heavy minerals, including xenotime, monazite and cassiterite, can commence.

Orions' strategy for the coming year is to intensify its exploration activity in the Killi Killi Hills region for more REE and gold occurrences through completion of detailed geophysical and drilling programs. The Company will continue to add to its landholding in the region through acquisition and joint venture.

Your Company is actively seeking and evaluating other prospective REE and gold projects to complement its existing exploration portfolio and to add further shareholder value.

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tenement plan
killi killi hills

tenement table

Tenement	Project Name	Registered Holder	Status	Orion interest	Date of Grant	Number of Sub-Blocks	Commodity	Minimum Expenditure
E80/4029	Killi Killi Hills	RRI* 100%	Granted		16/4/2009	10	REE, Au, U	\$20,000
E80/4197	Killi Killi Hills	RRI* 100%	Granted		15/10/2009	3	REE, Au, U	\$15,000
E80/4558	Tanami East	RRI* 100%	Appl'n /01/2011			5	REE, Au, U	N/A
E80/4559	Gardner Range West	RRI* 100%	Appl'n /01/2011			7	REE, Au, U	N/A
EPMA 18331	Fulford Creek	ORM 100%	Appl'n (9/10/09)	100%		42	REE	\$50,000
EPMA 18850	Fulford Creek	ORM 100%	Appl'n (1/9/00)	100%		100	REE	\$2,500
EPMA 18449	Bonnor Creek	ORM 100%	Appl'n (9/12/09)	100%		25	REE	\$50,000
EPM 17011	Black Springs Creek	J W Withers	Granted	100%**	16/6/2008	4	All minerals	\$2,500
EPMA 17891	Black Springs Creek	J W Withers	Appl'n (3/11/08)	100%**	16/6/2008	8	All minerals	\$2,500
MLA 30128	Dickson Creek	J W Withers	Appl'n (15/9/08)	100%**	16/6/2008	35.2 ha	All minerals	N/A
ML 2764	Top Camp	ORM 100%	Granted	100%	19/01/1989	103 ha	Au	N/A
ML 2785	Top Camp	ORM 100%	Granted	100%	6/02/1992	129.2 ha	Cu	N/A
ML 2786	Top Camp	ORM 100%	Granted	100%	15/2/1990	70 ha	Cu	N/A
ML 2792	Top Camp	ORM 100%	Granted	100%	6/2/1992	105 ha	Cu	N/A
ML 1035	Rutherfords Table	ORM 100%	Granted	100%	3/06/1976	32.36 ha	Au	N/A
ML 1060	Rutherfords Table	ORM 100%	Granted	100%	8/05/1986	211.7 ha	Au	N/A

*Rich Resources Investments Pty Ltd

**Subject to royalty

Rare Earth Elements (REE), Gold (Au), Uranium (U), Copper (Cu)

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Top Camp - Magnetite alteration & mineralisation in drill sample

glossary

17 rare earth elements

Atomic Number	Symbol	Name	Etymology	Selected Usages
21	Sc	Scandium	From Latin Scandia (Scandinavia), where the first rare earth ore was discovered.	Light Aluminium-scandium alloy for aerospace components, solid oxide fuel cells (SOFC) & additive in Mercury-vapor lamps
39	Y	Yttrium	For the village of Ytterby, Sweden, where the first rare earth ore was discovered.	Yttrium-aluminum garnet (YAG) laser, Yttrium vanadate (YVO ₄) as host for europium in TV red phosphor YBCO high-temperature superconductors, yttrium iron garnet (YIG) microwave filters
57	La	Lanthanum	From the Greek "lanthanein", meaning to be hidden.	High refractive index glass, flint, hydrogen storage, battery-electrodes, camera lenses, fluid catalytic cracking catalyst for oil refineries
58	Ce	Cerium	For the dwarf planet Ceres.	Chemical oxidizing agent, polishing powder, yellow colors in glass and ceramics, catalyst for self-cleaning ovens, fluid catalytic cracking catalyst for oil refineries
59	Pr	Praseodymium	From the Greek "prasios", meaning leek-green, and "didymos", meaning twin.	Rare-earth magnets, lasers, core material for carbon arc lighting, colorant in glasses and enamels, additive in Didymium glass used in welding goggles, ferrocium firesteel (flint) products
60	Nd	Neodymium	From the Greek "neos", meaning new, and "didymos", meaning twin.	Rare-earth magnets, lasers, violet colors in glass and ceramics, ceramic capacitors
61	Pm	Promethium	For the Titan Prometheus, who brought fire to mortals.	Nuclear batteries
62	Sm	Samarium	For Vasili Samarsky-Bykhovets, who discovered the rare earth ore samarskite.	Rare-earth magnets, lasers, neutron capture, masers

glossary

17 rare earth elements

Atomic Number	Symbol	Name	Etymology	Selected Usages
63	Eu	Europium	For the continent of Europe.	Red and blue phosphors, lasers, mercury-vapor lamps, NMR relaxation agent
64	Gd	Gadolinium	For Johan Gadolin (1760–1852), to honor his investigation of rare earths.	Rare-earth magnets, high refractive index glass or garnets, lasers, X-ray tubes, computer memories, neutron capture, MRI contrast agent, NMR relaxation agent
65	Tb	Terbium	For the village of Ytterby, Sweden.	Green phosphors, lasers, fluorescent lamps
66	Dy	Dysprosium	From the Greek “dysprositos”, meaning hard to get.	Rare-earth magnets, lasers
67	Ho	Holmium	For Stockholm (in Latin, “Holmia”), native city of one of its discoverers.	Lasers
68	Er	Erbium	For the village of Ytterby, Sweden.	Lasers, vanadium steel
69	Tm	Thulium	For the mythological northern land of Thule.	Portable X-ray machines
70	Yb	Ytterbium	For the village of Ytterby, Sweden.	Infrared lasers, chemical reducing agent
71	Lu	Lutetium	For Lutetia, the city which later became Paris.	PET Scan detectors, high refractive index glass

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Shane Maddon collecting rock samples from Killi Killi REE & Au Project

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Aerial view Orion's Killi Killi Hills Project

twenty largest security holders*

RANK	SHAREHOLDER NAME	HOLDING	PERCENT
1	METALLICA MINERALS LTD	11,866,658	14.91%
2	MR CONGLIN YUE	11,586,936	14.56%
3	JIEN MINING PTY LTD	11,100,000	13.95%
4	JP MORGAN NOMINEES AUSTRALIA LTD <CASH INCOME A/C>	3,449,335	4.33%
5	MR ROBERT JAMES CANNING-URE <JAMES CANNING-URE FAMILY A/C>	2,875,000	3.61%
6	CHIVAS GROUP PTY LTD	2,350,000	2.95%
7	MR PHILLIP JOHN BYRNE & MRS SUSAN BYRNE <ONE DAY S/F A/C>	1,634,797	2.05%
8	MR CHRISTOPHER PETER VOSE & MS NATASHA ANN STEVENSON	1,522,776	1.91%
9	NEDEX PTY LTD	1,421,682	1.79%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	1,374,220	1.73%
11	GOLDEN BREED PTY LTD	1,325,000	1.66%
12	MS NATALIE HOULAHAN	820,000	1.03%
13	MRS SARAH KAY DALY	768,000	0.96%
14	DANAMORE PTY LTD	758,940	0.95%
15	POPCORN ENTERTAINMENT PTY LTD <THE PC HUYBERS S/FUND A/C>	700,000	0.88%
16	AUSTRALIAN ASIATIC GEMS PTY LTD	691,250	0.87%
17	PHILLIP SECURITIES PTE LTD <CLIENT A/C>	648,847	0.82%
18	CHRIS VOSE <TENERIFFE A/C>	625,000	0.79%
19	SUPER LOOKOUT PTY LTD <WAVE SUPERANNUATION FUND A/C>	450,000	0.57%
20	ASDEN INVESTMENTS PTY LTD	352,933	0.44%
	TOTALS	56,321,374	70.76%

*As at 5th May 2011

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Company contract geologist Shane Maddon and Orion Exploration Director Adrian Day on drill program

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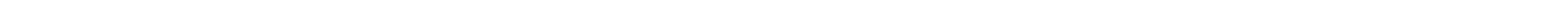
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ORION METALS LIMITED

ACN 096 142 737

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011**



ORION METALS LIMITED

ACN 096 142 737

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ORION METALS LIMITED

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CORPORATE GOVERNANCE STATEMENT

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council ("Recommendations") in the reporting period. These Recommendations are guidelines designed to improve the efficiency, quality and integrity of the Company. The Recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its own circumstances, the company has the flexibility not to follow it. Where a company has not followed all the Recommendations, the Annual Report must identify which Recommendations have not been followed and give reasons for not following them.

The Company's Corporate Governance Charter ("Charter"), this Corporate Governance Statement ("Statement") and other information for stakeholders is displayed on the Company's website www.orionmetals.com.au

A table is included at the end of this Statement which sets out the Recommendations and states whether the Company has complied with each recommendation in the reporting period, and the reasons for any non-compliance are given in the notes referenced in the table.

Role of the Board

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders which it accomplishes by:

- establishing corporate governance and ethical business standards;
- setting and monitoring objectives, goals and strategic direction with a view to maximising shareholder value;
- approving and monitoring budgets and financial performance;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring significant business risks are identified and appropriately managed;
- approving financial and other reporting, and announcements prior to lodgement with the ASX and release to shareholders;
- ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors; and
- setting remuneration policy and evaluating the performance of senior executives.

Board Composition

The Board comprises a Chairman (David Barwick) who is temporarily acting as an executive until the Chief Executive Officer's role is filled and three non-executive directors (Andrew Gillies, Adrian Day and Tao Li), none of whom are considered to be independent Directors.

The Board considers that an independent Director is a non-executive Director who meets the criteria for independence included in the Recommendations, but with its present composition the Board is of the opinion that none of the Directors meet these criteria.

Also, the Board has not at this time set any specific materiality thresholds in relation to Directors on the basis that such are considered subjective, may depend on each relevant situation and do not impact on independence criteria.

All Directors have a broad range of qualifications, experience and expertise in managing mineral exploration companies as set out in the Directors' Report. There is no requirement for any Director's shareholding qualification, however three of the current Directors do hold direct or indirect interests in the Company's shares and the other is the nominee of a substantial shareholder in the Company.

As the Company's activities increase in size, nature and scope, the composition and size of the Board will be reviewed periodically to ensure it comprises the optimum number of Directors required to adequately supervise the Company's business.

The evaluation of individual Director's performance is undertaken by the Chairman as and when appropriate.

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CORPORATE GOVERNANCE STATEMENT

All Directors, apart from any Managing Director, are subject to shareholder re-election following initial appointment and by rotation at least every three years. The Company's Constitution provides that one-third of the Directors retire by rotation each Annual General Meeting. Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy since the date of the last AGM.

Access to Independent Professional Advice

The Company acknowledges that Directors require high quality information and advice on which to base their decisions and considerations. With the prior approval of the Chairman, all Directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfill their duties and responsibilities as Directors. If the Chairman is unable or unwilling to give approval, majority Board approval will be sought.

Board Processes

The Board of the Company meets on a regular basis. The agenda for these meetings is prepared by the Chairman and the Company Secretary in conjunction with the Directors and any CEO. Relevant information is circulated to Directors in advance of Board meetings.

Board Committees

The Company does not have at this time any of the recommended committees covering nomination, audit or remuneration. The full Board of Directors undertakes the functions of these individual committees. Given the composition of the Board and the size of the Company it is considered that individual committees are not presently warranted; however it is expected that as the Company's operations expand some of these committees may be established.

Role of Management

The Board has delegated responsibilities and authorities to the executive staff to enable management to conduct the Company's day-to-day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget, require Board approval.

An evaluation of the performance of senior management during each financial year, including any Managing Director or CEO, will be undertaken at a meeting of the Board of the Company by the non-executive Directors, with the Chairman then discussing this review separately with the Managing Director/ CEO. This is considered to be an appropriate process as the company is in the exploration and evaluation stage therefore it is not possible to evaluate performance against revenue or profit targets.

Ethical Standards

As part of the Board's commitment to the highest standard of conduct, the Company has adopted a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The Code of Conduct is incorporated within the Charter and encompasses:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relationships with clients, customers and consumers;
- conflicts of interest;
- employment practices; and
- responsibilities to the community.

All Directors are also required to adhere to a Corporate Ethics Policy - which is included in the Charter as well - covering the ethical and legal requirements in relation to their conduct as Directors both within the Company and externally to other parties.

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CORPORATE GOVERNANCE STATEMENT

The Board has resolved that the relevant sections of the Charter, particularly the Code of Conduct, Corporate Ethics Policy, and continuous disclosure obligations should also extend to cover all executives, employees and consultants of the Company.

In addition, the Company has established a Share Trading Policy under which Directors and key management personnel are restricted from dealing in Company shares when they are in possession of price sensitive information and during specified periods before or after the release of half and full-year financial results.

Diversity

The Board has approved a workplace Diversity Policy in compliance with the Recommendations but cognizant of the constraints of a mining exploration company, particularly in relation to gender diversity. This Policy is available on the Company's website.

The Policy outlines measurable objectives for achieving gender diversity over the longer term. However, at this stage there has been no progress in this regard because the Company has no employees at the present time - although it does use 4 part-time contract staff in its head office, being 2 male and 2 female - nor have any suitable female Board members been identified.

Continuous Disclosure & Shareholder Communication

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. These are also detailed in the Charter. All information disclosed to the ASX is posted on the Company's website.

Shareholders are forwarded the Company's Annual Report, if requested, and documents relating to each General Meeting, being the Notice of Meeting, any Explanatory Memorandum and a Proxy Form, and are invited to attend these meetings. The Company's external Auditor is also required to be present at Annual General Meetings to answer any queries shareholders may have with regard to the audit and preparation and content of the Audit Report.

Managing Business Risk

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the Board include but are not limited to:

- initiate action to prevent or reduce the adverse effects of risk;
- control further treatment of risks until the level of risk becomes acceptable;
- identify and record any problems relating to the management of risk;
- initiate, recommend or provide solutions through designated channels;
- verify the implementation of solutions; and
- communicate and consult internally and externally as appropriate.

The Board is currently updating and identifying material business risks which might affect the Company and has delegated responsibilities for managing those to the executive staff. With the planned growth in business the Board has also requested the executive to design and implement a risk management and internal control system to more adequately manage the Company's material business risks and to report to the Board on matters relating to risks, including the effectiveness of that risk management system.

In addition, in accordance with section 295A of the Corporations Act 2001, the persons performing the roles of Chief Executive Officer and Chief Financial Officer are required to provide a declaration to the Board that:

- the financial records of the Company have been properly maintained, the financial statements comply with the accounting standards, and give a true and fair view of the Company's financial position and performance

and, as required by the Recommendations:

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CORPORATE GOVERNANCE STATEMENT

- the declaration is founded on a sound system of risk management and internal control which implements policies adopted by the Board, and the Company's risk management and internal compliance control system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.

Compliance with Recommendations

The table below contains each of the Recommendations as revised to apply from 1 January 2011. The Board has implemented those Recommendations insofar as they are relevant to the size of the Company and the nature of its activities at the present time. Where the Company has complied with a Recommendation, this is indicated with a "Yes" in the relevant column, and details can be found in the Charter or this Statement. Where the Company has considered it is not appropriate to comply with a particular Recommendation, this is indicated with a "No" and the Board's reasons are set out in the corresponding note appearing at the end of the table.

	Recommendations	Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	Yes	
1.2	Disclose the process for evaluating the performance of senior executives	Yes	
1.3	Provide the information indicated in the Guide to reporting on Principle 1	Yes	
2.1	A majority of the Board should be independent directors	No	1
2.2	The Chair should be an independent director	No	1
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual	No	2
2.4	The Board should establish a Nomination Committee.	No	3
2.5	Disclose the process for evaluating the performance of the Board, committees and individual directors	Yes	
2.6	Provide the information indicated in the Guide to reporting on Principle 2	Yes	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none">the practices necessary to maintain confidence in the Company's integritythe practices necessary to take into account legal obligations and the reasonable expectations of stakeholdersthe responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes	
3.2	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	Yes	
3.3	Disclose in each Annual Report the measurable objectives for achieving gender diversity	Yes	
3.4	Disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	Yes	
3.5	Provide the information indicated in the Guide to reporting on Principle 3	Yes	
4.1	Establish an Audit Committee.	No	3
4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none">consists only of non-executive Directorsconsists of a majority of independent Directorsis chaired by an independent chair, who is not the Chair of the Boardhas at least 3 members	No	1
4.3	The Audit Committee should have a formal charter	No	3

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CORPORATE GOVERNANCE STATEMENT

Recommendations	Complied	Note
4.4 Provide the information indicated in the Guide to reporting on Principle 4	Yes	
5.1 Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies	Yes	
5.2 Provide the information indicated in the Guide to reporting on Principle 5	Yes	
6.1 Design a communications policy for promoting effective communication with the shareholders and encouraging participation at general meetings and disclose that policy or a summary of that policy	Yes	
6.2 Provide the information indicated in the Guide to reporting on Principle 6	Yes	
7.1 Establish policies for the oversight and management of material business risks and disclose a summary of those policies	Yes	
7.2 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 effectiveness of the Company's management of its material business risks	Yes	
7.3 Disclose whether the Board 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	Yes	
7.3 Provide the information indicated in the Guide to reporting on Principle 7	Yes	
8.1 Establish a Remuneration Committee	No	3
8.2 The Remuneration Committee should be structured so that it: <ul style="list-style-type: none">- consists of a majority of independent directors- is chaired by an independent director- has at least 3 members	No	1
8.3 Clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives	Yes	
8.4 Provide the information in the Guide to Reporting on Principle 8	Yes	

ORION METALS LIMITED

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CORPORATE GOVERNANCE STATEMENT

Notes

1. The Company has four Directors, none of whom are considered to be independent. The Recommendations propose that a majority of the Board and of the Committees be independent Directors. The Board believes that, given the size of the Company and its stage of commercial maturity, it is not practical to appoint any independent Directors to the Board and considers industry experience and specific expertise, as well as general corporate experience, to be more important attributes of its Board members than independence at this time.
2. The roles of Chair and Chief Executive Officer are currently being performed by the same individual on a temporary basis until a new CEO (or Managing Director) is appointed.
3. At this time the Company does not have Audit, Remuneration or Nomination Committees of the Board of Directors. The full Board undertakes the roles of these individual committees. Given the composition of the Board and the size of the Company, it is felt that these individual committees are not yet warranted, however it is expected that when the Company's operations expand some of these committees may be established.

ORION METALS LIMITED
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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Orion Metals Limited and its controlled entity at the end of, or during the year ended, 28 February 2011.

1. THE DIRECTORS

The following persons were directors of the Company during the financial year and up to date of this report:

David Barwick - Age 67 — *Executive Chairman*

Experience — Appointed Chairman and Board member on 28 November 2008.

Interest in Shares and Options — 2,350,000 ordinary shares and 500,000 options

Directorships held in other listed entities — Chairman of

- Metallica Minerals Limited- appointed 11 March 2004-Continuing
- MetroCoal Limited- appointed 6 January 2006-Continuing
- Jumbo Interactive Limited -appointed 28/8/2006-Continuing
- Planet Metals Limited -appointed 9 June 2009-Continuing

Directorships formerly held in other listed entities — Previous Director of

- International Gold Mining Limited-appointed 15 August 2006-Resigned 31 August 2007
- Morningstar Holdings (Australia) Limited-appointed 12 October 2006-Resigned 30 August 2007
- Global Approach Limited-Appointed 29 November 1996-Resigned 26 October 2007.
- Cape Alumina Limited-appointed 2 February 2004-Resigned 29 January 2009
- Macarthur Minerals Limited (TSX-V)-Appointed 24 October 2005-Ceased 31 August 2009

Andrew Gillies - Age 48 — *Non-Executive Director*

Qualifications — Bachelor of Science (Geology), MAusIMM

Experience — Appointed Director on 28 November 2008

Interest in Shares and Options — 1,325,000 ordinary shares and 500,000 options

Directorships held in other listed entities — Metallica Minerals Limited - appointed 15 January 1997-Continuing
— MetroCoal Limited - appointed 6 January 2006-Continuing
— Planet Metals Limited - appointed 9 June 2009-Continuing
— Cape Alumina Limited- appointed 2 February 2004-Continuing

ORION METALS LIMITED
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DIRECTORS' REPORT

Adrian Day - Age 66	–	Non-Executive Director
Qualifications	–	Bachelor of Science (Geology), MAIG
Experience	–	Appointed Director on 8 March 2001
Interest in Shares and Options	–	699,250 ordinary shares and 500,000 options
Special Responsibilities	–	Director of Exploration
Dr Tao Li - Age 56	–	Non-Executive Director
Qualifications	–	PhD in Mining Engineering
Experience	–	Appointed Director on 30 September 2010
Interest in Shares and Options	–	Nil
Directorships held in other listed entities	–	Alternate director of Metallica Minerals Ltd appointed 12 May 2009 -continuing Director of Liberty Mines Inc., listed on TSX Canada appointed 3 February 2010 - continuing
James Canning-Ure - Age 53	–	Managing Director (Appointed 18 March 2010, resigned 21 April 2011)
Qualifications	–	B.Comm
Experience and other Directorships in listed entities	–	Appointed Board member on 18 March 2010. Previous Director of:
	–	<ul style="list-style-type: none"> ▪ Global Approach Limited appointed Managing Director on 27 June 2006 - resigned 26 October 2007; and ▪ Macarthur Minerals Limited (TSX-V) - appointed 18 January 2005 - ceased 31 August 2009.
Interest in Shares and Options	–	2,950,000 ordinary shares and 1,000,000 options
Bill Lyne	–	Company Secretary (appointed 19 January 2010)
Qualifications	–	BCom, CA, FCIS, FAICD, FFIN
Experience	–	Mr Lyne is the principal of Australian Company Secretary Service, providing company secretarial, compliance and governance services to public companies. He is secretary of a number of other listed companies and has a wealth of experience in corporate governance principles and practice.
Directorships held in other listed entities	–	Jumbo Interactive Limited (30 October 2009 ~ current)
Directorships formerly held in other listed entities	–	Eastern Corporation Limited (24 April 2006 ~ 5 July 2007) Global Approach Limited (5 January 2004 ~ 20 November 2006)

ORION METALS LIMITED
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DIRECTORS' REPORT

2. PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

The principal activity of the consolidated entity is the exploration for Rare Earth Elements (REE), with a major focus on the Heavy Rare Earth Elements (HREE), and gold.

3. OPERATING RESULTS

The net result of operations of the consolidated entity for the year ended 28 February 2011 was a loss of \$1,423,847 (2010 - loss of \$460,734).

The consolidated entity's strategy for future years is to continue the exploration, evaluation and development of its mineral projects, and to sell or joint venture non-core assets. The consolidated entity believes its future strategy is achievable.

4. DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend since 28 February 2011 and to the date of this report.

5. REVIEW OF ACTIVITIES

The consolidated entity's business strategy has been to focus shareholder funds into exploration for major new discoveries, and further evaluation of existing projects. During the year ended 28 February 2011, the consolidated entity actively explored its REE and gold prospects throughout Australia.

The consolidated entity's activities included:-

- Raised \$5.2m during the year from an oversubscribed rights issue and the exercise of options.
- Commenced drilling program on Top Camp tenements.
- Acquired 100% interest in Killi Killi project.
- Appointed Dr Tao Li to the Board, representing Jien Mining.
- Initiated the sale of Rutherfords Table for \$450,000.
- Completed drilling on Killi Killi prospect and gold results announced ahead of HREE results.
- Increased land holding in Killi Killi area in accordance with company strategy.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the consolidated entity acquired Killi Killi Hills in Western Australia and carried out rock chip sampling and an initial drilling program on the highly prospective area for REE and gold. The new project is held in a wholly owned subsidiary, Rich Resources Investments Pty Ltd (RRI).

7. EVENTS SUBSEQUENT TO BALANCE DATE

On 22 March 2011 the consolidated entity announced it had signed an agreement with Metalbank Ltd to acquire 50% of exploration license E80/4212, located just south of its existing Killi Killi Hills prospects in Western Australia. for \$100,000 and the issue of 1,000,000 shares to Metalbank Ltd. The consolidated entity will manage the exploration activities on behalf of both parties and can elect to earn up to 80% in the project area by completing \$450,000 of expenditure, earning 10% in the project for every \$150,000 spent.

On 20 April 2011 the consolidated entity announced that it had entered into a farm-in agreement for an REE project with Broughton Minerals Pty Ltd, a private prospecting company based in Brisbane to explore newly discovered uranium and REE (U/REE) mineralisations. These prospects are located thirty kilometres south of the historic U/REE Mary Kathleen mine. The consolidated entity will pay a cash consideration of \$150,000 for past exploration expenses and will have the right to earn up to 90% equity in the project by incurring initial expenditure of \$2m in the project over five years, and then an additional expenditure of \$1m for each

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DIRECTORS' REPORT

incremental increase of 10% equity. The consolidated entity reserves the right to withdraw from the project at any time, but will issue 250,000 ordinary shares to Broughton Minerals each year, capped at 1,000,000 shares.

On 21 April 2011, James Canning-Ure resigned as Managing Director and a director of the consolidated entity.

On 6 May 2011, the Warden's Court of Western Australia held its initial hearing with respect to the consolidated entity's proceedings against a former consultant, alleging :

- Breaches of term of a confidentiality deed with the consolidated entity,
- Breaches of obligations arising from a contract of employment, and
- Breaching an equitable obligation of confidentiality owed to RRI.

On 13 May 2011, the consolidated entity announced the finalisation of the sale of the Rutherford Table and the receipt of the balance of proceeds of \$400,000.

8. LIKELY DEVELOPMENTS

The directors of Orion Metals continue to seek additional opportunities to expand its REE and gold prospects, as well as carrying out extensive exploration programs on its Killi Killi areas.

9. COMPANY HEALTH & SAFETY POLICY

Orion Metals is committed to developing a culture that supports its safety and health values by encouraging behaviours and implementation of processes that ensure the safety and health of all employees, contractors, customers and the communities associated with its business. In support of this Orion Metals believes that:

- No business activity will take priority over safety and health;
- All incidents and injuries are preventable on and off the job;
- Responsibility for safety and health rests with every individual;
- Its people will be involved in implementing their own simple and robust safety and health system;
- Individuals must identify, assess and manage hazards;
- Each person will recognise our legal obligation to our workmates and associates; and
- Individuals will be trained and equipped to ensure an incident free workplace.

10. CULTURAL AND COMMUNITY PERFORMANCE

The consolidated entity exercises the highest degree of liaison and relationships with respect to the traditional landowners, cattle graziers and landholders of any region where it is undertaking exploration activities and has infrastructure on their land. It is the Cultural and Community policy that pledges that its activities will not cause disturbance or encroachment or offence to any cultural site or belief or member of traditional landowner groups or to any landholder or business enterprise falling within the exploration tenements of the consolidated entity.

11. ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is subject to environmental regulation in relation to its mining activities in North Queensland by the Environmental Protection Agency of Queensland. The consolidated entity complies with the Mineral Resources Act (1989) and the Environmental Protection Act (1994).

The following policy has been adopted as the official Environmental Policy of the consolidated entity for its activities in both Queensland and Western Australia:-

The consolidated entity is committed to being a leader in environmental excellence by;

- Minimizing the effect of its activities on the environment.
- Rehabilitation of disturbed areas using environmental best practices.
- Meeting and where necessary exceeding applicable laws, regulations and voluntary commitments.

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DIRECTORS' REPORT

In achieving these objectives the Company will:

- Comply with all applicable environmental laws, regulations and conditions, upholding the spirit of those laws and where the law does not adequately protect the environment, applying the most appropriate environmental standard to each area in which the Company operates.
- Ensure that it has in place management systems to identify, control, monitor and audit environmental risks arising from its operations, products and services.
- Liaise with governmental and other authorities at all levels to develop and maintain responsible and effective environmental policies, laws, regulations and standards.
- Communicate openly with government and the community on environmental issues.
- Ensure that all employees, contractors and suppliers are informed of this policy, aware of their environmental responsibilities and their role in assisting in the implementation of this policy.
- Undertake research into process and practices that will lead to improved environmental performance.

12. SHARES UNDER OPTION

Unissued ordinary shares of Orion Metals Limited under option at the date of this report are as follows:

Expiry Date	Exercise Price	Number under option
29 July 2013	12 cents	2,000,000
29 October 2011	10 cents	500,000
29 October 2011	15 cents	500,000

Option holders do not have any rights under the options to participate in any share issue of the Company.

Shares issued on the exercise of options

15,400,757 Orion Metals Limited ordinary shares were issued during the year ended 28 February 2011 as a result of the exercise of options over unissued shares in the Company.

13. DIRECTORS' MEETINGS AND SHAREHOLDING INTERESTS

The number of directors' meetings held during the financial year and the number of meetings attended by each director whilst a director and the relevant interests of each director in the share capital of the Company, as notified to the Australian Securities Exchange in accordance with S205(G) of the Corporations Act 2001, as at the date of this report is as follows:

Director	Meetings of Directors Held	Meetings of Directors Attended	Directors Interest in shares of the Company at date of this Report	Directors Interest in options of the Company at date of this Report
David Keith Barwick	15	15	2,350,000	500,000
Andrew Langham Gillies	15	15	1,325,000	500,000
James Canning-Ure	13	13	2,950,000	1,000,000
Adrian Day	15	15	699,250	500,000
Dr Tao Li	3	2	Nil	Nil

David Barwick and Andrew Gillies are Directors, and Tao Li is an Alternative Director of Metallica Minerals Limited which holds 11,866,658 shares in Orion Minerals Limited.

Dr Tao Li is representing Jien Mining Pty Ltd, which holds 11,100,000 shares in Orion Metals Ltd.

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DIRECTORS' REPORT

14. REMUNERATION REPORT - AUDITED

Remuneration Practices

The Consolidated entity's policy for determining the nature and amount of emoluments of key management personnel, including Board members and other key management personnel of the consolidated entity is set out below.

The remuneration structure for key management personnel, excluding non-executive directors, is set by the Board of Directors and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the consolidated entity. The contracts for service between the consolidated entity and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. The Consolidated entity retains the right to terminate contracts immediately by making payment of an amount based on the employees years of service. Upon retirement or termination key management personnel, excluding non-executives, are paid employee benefits accrued to date of retirement or termination. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board of Directors.

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The board ensures that director and executive rewards satisfy the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency.

The Consolidated entity's has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value
- attracting and retaining high calibre executives.

The remuneration framework is aligned to employees' interests through:

- rewarding capability and experience
- reflecting competitive rates of remuneration in respect of skills and responsibility
- providing a clear structure for earning rewards
- providing recognition for contribution.

Relationship between remuneration and Company performance

Because the Company is in exploration and not production, there is no direct relationship between the Company's financial performance and the level of remuneration paid to key management personnel.

At 28 February 2011 the market price of the Company's ordinary shares was 21 cents per share. At 28 February 2010 the market price of the Company's ordinary shares was 8 cents per share. No dividends were paid during the year ended 28 February 2011.

Given that the remuneration is commercially reasonable, the link between remuneration, Company

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performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as determined by the Board of Directors.

Except in so far as Directors and key management personnel hold options over shares in the Company, there is no relationship between remuneration policy and the Company's performance. The Company's shares were last traded at 21 cents on 28 February 2011.

The table below sets out summary information about the Company's earnings and movements in shareholders wealth for the five years to 28 February 2011:

Description	28 February 2011	28 February 2010	28 February 2009	28 February 2008	28 February 2007
Revenue	\$2,502	\$ 18,620	\$ 117,863	\$ 154,469	\$71,521
Net profit/(loss) before tax	\$(1,423,847)	\$(460,734)	\$(2,815,904)	\$(578,598)	(\$453,011)
Net profit(loss) after tax	\$(1,423,847)	\$(460,734)	\$(2,815,904)	\$(578,598)	(\$453,011)
Basic earnings/(loss) per share (cents)	(2.66)	(2.39)	(4.70)	(1.11)	(1.47)
Change in share price *	5.0	(0.11)	(0.81)	(0.72)	N/A

* share prices adjusted for share consolidation in calculating change in share price

There were no dividends paid or returns of capital by the Company during the year..

Remuneration of the Non-executive Directors is approved by the Board and set in aggregate within the maximum amount approved by the shareholders from time to time. The fees have been determined by the Board having regard to industry practice and the need to obtain appropriately qualified independent persons. The aggregate pool of remuneration paid to Non-executive Directors was approved by shareholders in 2006 and is currently \$200,000 per annum. The amount paid to Non-executive Directors in directors' fees and consulting fees during the year to 28 February 2011 was \$182,086.

The key management personnel of Orion Metals Limited and the consolidated entity includes the directors of the Parent Entity, Mr David Barwick (Executive Chairman), Mr Andrew Gillies (Non-executive Director), Mr Adrian Day (Non-executive Director), Dr Tao Li (Non executive director), Mr James Canning -Ure (Managing Director) and Mr Bill Lyne (Company Secretary).

The Company has adopted a policy in respect of employees and directors trading in the Company's securities. This policy generally prohibits employees and directors hedging exposure to holdings of the Company's securities.

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DIRECTORS' REPORT

2011 Remuneration

	Short-term employee benefits		Share Based Remuneration	Post Employment Benefits	Total	Performance Related Percentage	% consisting of options
	Salary, fees & commission	Bonus	Equity Settled Options	Superannuation			
	\$	\$	\$	\$	\$	%	%
Directors							
DK Barwick	41,000	-	18,454	-	59,454	-	31%
J Canning-Ure	71,250	-	36,672	-	107,922	-	34%
AL Gillies	42,677	-	18,454	-	61,131	-	30%
AC Day	83,409	-	18,454	-	101,863	-	18%
Dr T Li	15,000	-	-	-	15,000	-	-
Other Key Management Personnel							
T Psaros (Formerly Company Secretary)	-	-	18,454	-	18,454	-	100%
B. Lyne (Company Secretary)	55,743	-	-	-	55,743	-	-
Total	309,079	-	110,488	-	419,567		

2010 Remuneration

Economic Entity	Short-term employee benefits		Share Based Remuneration	Post Employment Benefits	Total	Performance Related Percentage	% consisting of options
	Salary, fees & commission	Bonus	Equity Settled Options*	Superannuation			
	\$	\$	\$	\$	\$	%	%
Directors							
DK Barwick	36,000	-	-	-	36,000	-	-
AL Gillies	34,909	-	-	-	34,909	-	-
AC Day	60,927	-	-	-	60,927	-	-
J Nethery	3,000	-	-	-	3,000	-	-
Other Key Management Personnel							
T Psaros (Company Secretary)	-	-	-	-	-	-	-
B. Lyne (Company Secretary)	1,692	-	-	-	1,692	-	-
Total	136,528	-	-	-	136,528		

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DIRECTORS' REPORT

No termination benefits were paid in either year.

Remuneration Options

The following Key Management Personnel options were granted as remuneration during the year. (2009: nil).

	Grant date	No. of options	No. of options vested	Total value of options	Expiry date	Exercise price	Value at Grant Date
Directors							
DK Barwick	29/07/10	500,000	500,000	18,454	29 /07/13	12 cents	3.7 cents
J Canning-Ure*	29/07/10	500,000	500,000	18,336	29 /10/11	10 cents	3.9 cents
J Canning-Ure*	29/07/10	500,000	500,000	18,336	29 /10/11	15 cents	3.5 cents
AL Gillies	29/07/10	500,000	500,000	18,454	29 /07/13	12 cents	3.7 cents
AC Day	29/07/10	500,000	500,000	18,454	29 /07/13	12 cents	3.7 cents
Other Key Management Personnel							
T Psaros	29/07/10	500,000	500,000	18,454	29 /07/13	12 cents	3.7 cents
TOTAL		3,000,000	3,000,000	110,488			

* J Canning-Ure resigned on 21 April 2011. He was contracted to the consolidated entity as Managing Director to 18 July 2011 and it was agreed that he be engaged as a consultant until 31 July 2011. His options expire 90 days from that date, in accordance with the terms of his service contract.

No options were exercised and converted to shares during the 2011 year.

No options have lapsed during the 2011 year.

No consideration has been paid by the recipients for the granting of the options.

END OF REMUNERATION REPORT

15. NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 28 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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DIRECTORS' REPORT

16. INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITOR

Each of the Directors and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Secretary. The Company has insured all of the Directors of Orion Metals Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

The Company has not indemnified its auditor, other than as set out in its Constitution against liability for costs and expenses incurred by the person in defending proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted or in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the *Corporations Act 2001 (Cwlth)*.

17. PROCEEDINGS ON BEHALF OF COMPANY

On 6 May 2011, the Warden's Court of Western Australia held its initial hearing with respect to the Company's proceedings against a former consultant, alleging

- Breaches of term of a confidentiality deed with the Company,
- Breaches of obligations arising from a contract of employment, and
- Breaching an equitable obligation of confidentiality owed to RRI.

Other than as stated above, 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. The company was not a party to any other such proceedings during the year.

18. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 28 February 2011 has been received and forms part of this directors' report and can be found on page 17.

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

Signed:



D K Barwick
Chairman

25 May, 2011



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DECLARATION OF INDEPENDENCE BY CRAIG JENKINS TO THE DIRECTORS OF ORION METALS LIMITED

As lead auditor of Orion Metals Limited for the year ended 28 February 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Orion Metals Limited and the entities it controlled during the year.

CRAIG JENKINS

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 25 May 2011

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Note	2011	2010
		\$	\$
Revenue	7	2,502	18,620
Other income	7	-	333,424
Depreciation expense	8	(39,279)	(44,907)
Other expenses	8	(853,837)	(420,075)
Employee expenses		-	-
Loss on disposal of equity investments		(3,073)	-
Impairment of plant & equipment	14	(42,793)	-
Impairment of exploration and evaluation expenditure	15	(572,864)	(332,620)
Results from operating activities		(1,509,344)	(445,558)
Finance income	7	85,516	3,324
Finance costs		(19)	(15,176)
Net finance costs		85,497	(15,176)
Profit/(loss) before income tax		(1,423,847)	(460,734)
Income tax expense	9	-	-
Profit/(loss) for the year after income tax		(1,423,847)	(460,734)
Other comprehensive income		-	-
Total comprehensive income		(1,423,847)	(460,734)
Profit/(loss) attributable to: the owners of the company		(1,423,847)	(460,734)
Total comprehensive income/(loss) attributable to: the owners of the company		(1,423,847)	(460,734)
Basic earnings/(loss) per share (cents per share)	18	(2.66)	(2.39)
Diluted earnings per share (cents per share)	18	(2.66)	(2.39)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2011

	Note	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	10	4,364,746	217,637
Trade and other receivables	11	4,748	248,859
Other assets	13	3,828	78
Held for sale assets	12	450,000	-
Total Current Assets		4,823,322	466,574
Non-Current Assets			
Other assets	13	8,881	8,881
Property, plant and equipment	14	20,687	102,759
Exploration and evaluation expenditure	15	650,417	1,102,864
Total Non-Current assets		679,985	1,214,504
TOTAL ASSETS		5,503,307	1,681,078
Current Liabilities			
Trade and other payables	16	129,210	181,708
Held for sale - liabilities		50,000	-
Other financial liabilities	17	-	126,184
Total Current Liabilities		179,210	307,892
Total Liabilities		179,210	307,892
Net Assets		5,324,097	1,373,186
Equity			
Issued capital	18	11,272,741	6,008,471
Reserves	19	412,538	302,050
Accumulated losses		(6,361,182)	(4,937,335)
Total equity		5,324,097	1,373,186

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Issued Capital \$	Options reserve \$	Accumulated losses \$	Totals \$
Balance at 1 March 2010	6,008,471	302,050	(4,937,335)	1,373,186
Profit /(Loss) for the year after income tax	-	-	(1,423,847)	(1,423,847)
Other comprehensive income				
Total comprehensive income for the year	-	-	(1,423,847)	(1,423,847)
Transactions with owners, recorded directly with equity				
Share based payments	-	110,488	-	110,488
Options exercised during the year	1,848,491	-	-	1,848,491
Shares issued during the year	3,575,257	-	-	3,575,257
Share issue costs	(159,478)	-	-	(159,478)
Balance at 28 February 2011	11,272,741	412,538	(6,361,182)	5,324,097
Balance at 1 March 2009	5,716,240	302,050	(4,476,601)	1,541,689
Profit /(loss) for the year after income tax	-	-	(460,734)	(460,734)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(460,734)	(460,734)
Transactions with owners, recorded directly with equity				
Shares issued during the year	292,231	-	-	292,231
Share issue costs	-	-	-	-
Balance at 28 February 2010	6,008,471	302,050	(4,937,335)	1,373,186

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Note	2011 \$	2010 \$
Cash Flows From Operating Activities			
Receipts from customers		20,000	57,566
Payments to suppliers and employees		(799,055)	(423,707)
Interest and finance costs paid		(19)	-
Interest received		85,516	3,324
Net Cash Provided By/ (Used In) Operating Activities	25	<u>(693,558)</u>	<u>(362,817)</u>
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		-	15,000
Deposit received for sale of tenements		50,000	225,000
Proceeds from sale of equity investments		221,927	
Payment for property, plant and equipment		-	(4,180)
Payment for exploration expenditure		(569,346)	(41,496)
Net Cash Provided By/ (Used In) Investing Activities		<u>(297,419)</u>	<u>194,324</u>
Cash Flows From Financing Activities			
Proceeds from issues of equity securities		5,423,748	-
Proceeds from borrowings		-	100,000
Payment of borrowings		(126,184)	-
Payments for share issue costs		(159,478)	-
Net Cash Provided By/ (Used In) Financing Activities		<u>5,138,086</u>	<u>100,000</u>
Net Increase/(Decrease) In Cash and Cash Equivalents		4,147,109	(68,493)
Cash and Cash Equivalents At 1 March		<u>217,637</u>	286,130
Cash and Cash Equivalents At 28 February	10	<u>4,364,746</u>	<u>217,637</u>

The Consolidated Statement Cash Flow should be read in conjunction with the notes to the financial statements

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

1. REPORTING ENTITY

Orion Metals Limited (the 'Company') is a listed public company, incorporated and domiciled in Australia. The consolidated financial statements of Orion Metals Limited as at and for the year ended 28 February 2011 comprise the Company and its subsidiaries (together referred to as the Consolidated Entity).

The financial statements are presented in the Australian currency. Orion Metals Limited is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange.

2. BASIS OF PREPARATION

A. Statement of compliance

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Consolidated Entity comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 24 May 2011.

B. Basis of measurement

The financial statements have been prepared on the historical cost basis, modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

C. Use of estimates and judgements

The preparation of financial statements in conformity with AASB's requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are outlined below:

D. Impairment

The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions specific to the Consolidated Entity that may lead to impairment of other assets and financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations are performed or market based information is obtained in assessing recoverable amounts that incorporate a number of key estimates.

E. Share based payments

The Consolidated Entity measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Black-Scholes option-pricing formula detailed in Note 29.

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FOR THE YEAR ENDED 28 FEBRUARY 2011

F. Exploration & evaluation expenditure

The Consolidated Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to the end of the reporting period.

G. Uncertainties regarding going concern and recoverability of exploration and evaluation expenditure

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of exploration and evaluation expenditure of \$650,417 (2010: \$1,102,864) as summarised in Note 15. The ability of the consolidated entity to maintain normal continuity of business activities, to pay its debts as and when they fall due and to recover the carrying value of exploration and evaluation expenditure, is dependent on the ability of the consolidated entity to successfully raise additional capital and/or successful exploration and exploitation of areas of interest through sale or development.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied by both entities in the Consolidated Entity.

A. Basis of consolidation

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Consolidated entity's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised with the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Consolidated Entity's interest in such entities is disposed of.

B. Income tax

The charge for current income tax expense is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred tax is recognised in the profit or loss, except it relates to items recognised in the other comprehensive income or directly in equity. In this case the tax is recognised in the other comprehensive income or directly in equity respectively.

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FOR THE YEAR ENDED 28 FEBRUARY 2011

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

C. Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flow that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

All assets are depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15-33% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

D. Available for Sale Financial Assets

Available for sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise of investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Where the investments are listed, they are measured at fair value based on market prices at reporting date with fair value adjustments going directly to the asset revaluation reserve. When the investment is de-recognised the cumulative gain or loss is removed from equity and transferred to profit and loss. Where the investments are not listed, they are measured on the cost basis less impairments recognised.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

E. Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost using the effective interest method, comprising original debt less principal payments and amortisation.

F.

G. Impairment

At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of loans and receivables, the Consolidated entity first assess individually whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Consolidated entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Consolidated entity of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. In the case of available for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Losses are recognised in the profit or loss.

H. Impairment of Non-Financial Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

I. Equity Settled Share Based Compensation

The Consolidated Entity issues equity-settled share-based payments to directors and employees. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a valuation which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instrument that eventually vest.

J. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

K. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised using the effective interest rates applicable to the financial assets. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

All revenue is stated net of the amount of goods and services tax (GST).

L. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

M. Issued Capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are recognised as transactions under AASB 139 and shown as a deduction from equity.

N. Earnings per share

The Consolidated Entity 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, adjusted for the effects of all dilutive potential ordinary shares.

O. Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the economic entity are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are depreciated over the shorter of the asset's useful life and the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the profit or loss on a straight line basis over the period of the lease.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

P. New accounting standards and interpretations

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 28 February 2011, but have not been applied in 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 Consolidated entity'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 Consolidated Entity 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. The amendments, which will become mandatory for the Consolidated Entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 Further Amendments to Australian Standards arising from the Annual Improvements Process affect various AASB's resulting in Minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

4. DETERMINATION OF FAIR VALUES

Certain accounting policies and disclosures of the Consolidated Entity 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.

Share-based payment transactions

The Consolidated Entity issues equity-settled share-based payment options to directors and officers of the company as part of their remuneration. The fair value of the options issued to directors and officers is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

5. FINANCIAL RISK MANAGEMENT

Risk management is carried out under policies set by the Board of Directors.

The Board provides principles for overall risk management, as well as policies covering specific areas.

A. Financial risk management objectives

The Board monitors and manages the financial risk relating to the operations of the Consolidated entity. The Consolidated entity's activities include exposure to market risk, fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management program focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on the financial performance. Risk management is carried out under the direction of the Board of Directors.

B. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

C. 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 Company'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.

D. Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements. The Board manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

6. SEGMENT REPORTING

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Consolidated Entity is managed primarily on a geographic basis, that is the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board which is at the Consolidated Entity level. The Consolidated entity does not have any products/services it derives revenue from.

Accordingly, management currently identifies the Consolidated Entity as having only one operating segment, being exploration. There have been no changes in the operating segments during the year. Accordingly, all significant operating decisions are based upon analysis of the Consolidated Entity as one segment. The financial results from the segment are equivalent to the financial statements of the Consolidated entity as a whole.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Consolidated Entity 2011 \$	Consolidated Entity 2010 \$
7. REVENUE AND OTHER INCOME		
Revenue from continuing operations		
Sundry income	2,502	-
Contract revenue		5,960
Sales revenue		12,660
Total revenue	<u>2,502</u>	<u>18,620</u>
Profit on disposal of tenements	-	327,273
Profit on disposal of equipment	-	6,151
Total other income	<u>-</u>	<u>333,424</u>
Total finance income	<u>85,516</u>	<u>3,324</u>
8. EXPENSES		
Profit/(loss) before income tax expense has been determined after:		
Share based payments	110,488	-
Rental and office expenses	38,595	15,203
External consultants and contractors	131,688	36,602
Directors fees and consultancy fees	256,336	109,909
Audit and accountancy fees	59,822	68,664
Legal fees	81,223	51,509
Share registry expenses and listing fees	100,695	49,113
Insurance	26,563	21,112
Travel and accommodation	30,087	1,325
Exploration and evaluation expenditure	-	57,918
Other miscellaneous costs	18,341	8,720
Administrative expenses	<u>853,837</u>	<u>420,075</u>
Depreciation	<u>39,279</u>	<u>44,907</u>
	<u>893,117</u>	<u>464,982</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Consolidated Entity 2011 \$	Consolidated Entity 2010 \$
9. INCOME TAX		
Components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
(a) Reconciliation		
Loss from operations for the year	1,423,847	460,734
The prima facie income tax benefit on loss before income tax at a tax rate of 30% (2010: 30%)	427,154	138,220
Non-deductible expenses	(33,146)	(55,548)
Prior year Share issue costs - DTA not recognised	(14,306)	-
Under/over provision relating to tax	637,262	-
Deferred tax asset not brought to account - tax losses	(1,016,964)	(82,672)
Total income tax expense	-	-
(b) Net unrecognised deferred tax assets and liabilities		
Deferred tax assets		
Net Deductible temporary differences	(254,630)	(275,311)
Unused tax losses	3,051,845	1,985,318
Net unrecognised deferred tax asset	2,797,215	1,710,007
Gross amounts of items in net unrecognised deferred tax assets:		
Unused losses	10,172,817	6,617,726
Net temporary differences	(848,767)	(917,705)
Total unrecognised deferred tax assets	9,324,050	5,700,021
10. CASH AND CASH EQUIVALENTS		
Cash at bank	825,320	(3,654)
Short-term bank deposits	3,539,426	221,291
	4,364,746	217,637
11. TRADE & OTHER RECEIVABLES		
Other	4,748	248,859
	4,748	248,859
No receivables are past due (2010: nil) no collateral is held (2010:nil)		

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

12. ASSETS HELD FOR SALE

	Consolidated Entity 2011 \$	Consolidated Entity 2010 \$
Rutherford tenements		
Opening balance	-	-
Transfer from exploration and evaluation expenditure	450,000	-
Closing balance	450,000	-

In November 2010 the Consolidated Entity entered into a tenement sale contract to sell Rutherfords Table (ML 1035 and ML 1060) and plant and equipment for \$450,000 plus GST. The due diligence process was completed in December 2010 and the sale is now unconditional. Orion has received a \$50,000 deposit, and the balance was on 13 May 2011, following formal ministerial approval.

The buyer was allowed to continue existing production activities on the tenements in return for the payment of a royalty of 10% of gross sales plus plant hire charges of \$250 per operating day, from the payment of the initial deposit of \$5,000 to the transfer of the tenements.

13. OTHER ASSETS

Current

Deposits	78	-
Prepayments	3,750	-
	3,828	-

Non-Current

Security deposits	8,881	8,881
	8,881	8,881

14. PLANT & EQUIPMENT

Plant & equipment at cost	253,540	253,539
Accumulated depreciation and impairment	(232,853)	(150,780)
	20,687	102,759

Reconciliation

Reconciliations of the carrying amount of each class of plant and equipment between the beginning and the end of the financial year

Balance at the beginning of the year	102,759	152,335
Additions	-	4,180
Disposals	-	(8,849)
Depreciation	(39,279)	(44,907)
Impairment	(42,793)	-
Balance at the end of the year	20,687	102,759

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

15. EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation expenditure carried forward in respect of areas of interest	Consolidated Entity 2011 \$	Consolidated Entity 2010 \$
Reconciliation		
Balance at the beginning of the year	1,102,864	1,493,988
Additions	570,417	41,496
Disposals	-	(100,000)
Transfer to Assets Held for Sale	(450,000)	-
Impairment	(572,864)	(332,620)
Balance at the end of the year	650,417	1,102,864

16. TRADE AND OTHER PAYABLES

Trade payables and accruals	113,688	145,399
GST payable	15,522	36,309
	129,210	181,708

17. OTHER FINANCIAL LIABILITIES

Current		
Loan	-	126,184
	-	126,184

The loan had an interest rate of 10% per annum, is unsecured and had no fixed term of repayment. The loan was repaid in lieu of payments due from Metallica Minerals Limited (MLM) following the Rights Issue undertaken by the Company during the year.

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	Consolidated entity 2011 \$	Consolidated entity 2010 \$
18. ISSUED CAPITAL		
79,597,443 (2010: 24,695,843) fully paid ordinary shares	11,407,219	6,008,471
Transaction costs relating to share issues (net of tax)	(159,478)	-
	11,272,741	6,008,471

	Consolidated entity 2011		Consolidated entity 2010	
	#	\$	#	\$
Ordinary shares				
Balance at the beginning of the year	24,695,843	6,008,471	59,819,167	5,716,240
Rights issue	30,995,843	1,549,657	-	-
Options exercised	15,400,757	1,848,491	-	-
Other share issues	8,505,000	2,025,600	9,741,033	292,231
Share consolidation	-	-	(44,864,357)	-
Share issue costs	-	(159,478)	-	-
Balance at the end of the year	79,597,443	11,247,741	24,695,843	6,008,471

Details of the options outstanding as at the end of the year:

Grant Date	Expiry Date	Exercise price \$	Consolidated entity and Parent Entity 2011	Consolidated entity and Parent Entity 2010
3 January 2007	3 January 2011	80 cents	-	500,000
29 July 2010	29 July 2013	10 cents	500,000	-
29 July 2010	29 July 2013	15 cents	500,000	-
29 July 2010	29 July 2013	12 cents	2,000,000	-
			3,000,000	500,000

19. RESERVES

Options reserve		
Opening balance	302,050	302,050
Options issued	110,488	-
Closing balance	412,538	302,050

The option reserve account is to account for share based payments

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011

20. EARNINGS PER SHARE

	2011 (Number)	2010 (Number)	
Weighted average number of shares used as the denominator in calculating basic earnings per share	53,530,917	19,304,915	
	2011 \$	2010 \$	
Net loss after tax used in calculating basic earnings per share	<u>1,423,847</u>	<u>460,734</u>	
Net loss after tax used in calculating diluted earnings per share	1,423,847	460,734	

Options are considered for the 2011 financial year to be "potential ordinary shares" but were anti dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share.

21. CONTROLLED ENTITIES

Investments in controlled entities

	Country of incorporation	% ownership 2011	% ownership 2010	Class of shares
Rich Resources Pty Ltd	Australia	100%	0%	Ord
		Consolidated Entity 2011 \$	Consolidated Entity 2010 \$	

22. COMMITMENTS FOR EXPENDITURE

Commitments for maintaining exploration tenements payable

- Not longer than 1 year	24,520	-
- Longer than 1 year but not longer than 5 years	25,410	-
- Longer than 5 years	-	-
	<u>49,930</u>	<u>-</u>
Tenement rentals		
- Not longer than 1 year	18,310	38,142
- Longer than 1 year but not longer than 5 years	21,612	-
- Longer than 5 years	-	-
	<u>39,922</u>	<u>38,142</u>

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23. CONTINGENT LIABILITIES AND ASSETS

The possibility of native title claim applications at some future time, under the provisions of the Native Title Act (1993), may affect access to and tenure of exploration tenements. Any substantial claim may have an effect on the value of the tenement affected by the claim. No provision has been made in the accounts for the possibility of a native title claim application.

The Company is liable to pay royalties of 1% of gross sales proceeds from the Killi Killi Hills project, capped at \$100,000. As this project is still in the early stages of exploration it is premature to determine whether a royalty will be payable in future years.

Otherwise the Directors are not aware of any contingent liabilities or contingent assets that are likely to have a material effect on the results of the Company as disclosed in these financial statements.

Consolidated entity 2011 \$	Consolidated entity 2010 \$
--------------------------------------	--------------------------------------

24. RELATED PARTIES

Key management personnel compensation

Short term employee benefits	309,079	136,528
Post-employment benefits	-	-
Long term benefits	-	-
Share-based payments	110,488	-
	419,567	136,528

Shareholdings of key management personnel

	Balance 1 March	Received as Remuneration	Options exercised	Net change other	Balance 28 February
2011					
Directors					
D Barwick	25,000	-	600,000	1,725,000	2,350,000
J Canning-Ure <i>(appointed 18/3/10; resigned 21/4/11)</i>	30,000	-	1,140,000	1,780,000	2,950,000
A Gillies	-	-	575,000	750,000	1,325,000
A Day	474,250	-	150,000	75,000	699,250
Dr T Li	-	-	-	-	-
Other Key Management Personnel					
B Lyne	-	-	-	-	-
T Psaros	-	-	-	-	-
	529,250	-	2,465,000	4,330,000	7,324,250

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2010

Directors

D Barwick	100,000	-	-	(75,000)*	25,000
A Gillies	-	-	-	-	-
A Day	1,865,000	-	-	(1,390,750)*	474,250
J Nethery	3,480,728	-	-	(2,610,546)*	870,182
	5,445,728	-	-	(4,076,296)*	1,369,432

Option holdings of key management personnel

	Balance 1 March	Received as Remuneration	Options exercised	Net change other	Balance 28 February
2011					
Directors					
D Barwick	-	500,000	(600,000)	600,000	500,000
J Canning-Ure	-	1,000,000	(1,140,000)	1,140,000	1,000,000
A Gillies	-	500,000	(575,000)	575,000	500,000
A Day	-	500,000	(75,000)	75,000	500,000
Dr T Li	-	-	-	-	-
Other Key Management Personnel					
W Lyne	-	-	-	-	-
T Psaros	-	500,000	-	-	500,000
	-	3,000,000	(2,390,000)	2,390,000	3,000,000

2010

Directors

D Barwick	-	-	-	-	-
A Gillies	-	-	-	-	-
R Andrews	1,000,000	-	-	(1,000,000)	-
W Reid	2,000,000	-	-	(2,000,000)	-
A Day	1,000,000	-	-	(1,000,000)	-
J Nethery	1,012,500	-	-	(1,012,500)	-

**Other Key Management
Personnel**

J Haley	450,000	-	-	(450,000)	-
	5,462,500	-	-	(5,462,500)	-

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Loans and/or transactions with key management personnel

There were no transactions with or loans outstanding to key management personnel for the year ended 28 February 2011 (2010: nil)

	Consolidated Entity 2011 \$	Consolidated Entity 2010 \$
Other related parties transactions		
Loans from other related entities	-	126,184

	Consolidated Entity 2011 \$	Consolidated Entity 2010 \$
--	--------------------------------------	--------------------------------------

25. CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit / (loss) after tax

Profit / (loss) after tax	(1,423,847)	(460,734)
Non-cash flows:		
Depreciation	39,279	44,907
Interest expense	-	18,500
Loss on sale of fixed assets	-	(6,151)
Profit on sale of tenements	-	(327,273)
Loss on sale of equity investments	3,073	-
Share based payments	110,488	-
Impairment of exploration and evaluation expenditure	572,864	332,620
Impairment of fixed assets	42,793	-
Changes in operating assets and liabilities	(655,350)	(398,131)
(Increase)/decrease in prepayments and receivables	19,110	8,602
(Increase)/decrease in other assets	(3,750)	2,578
Increase/(decrease) in creditors and payables	(53,568)	24,134
Net cash to operating activities	(693,558)	(362,817)

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NOTES TO THE FINANCIAL STATEMENTS
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26. ACQUISITION OF SUBSIDIARIES

On 2 September 2010 the parent entity acquired 100% of the share capital of 1,000,000 shares at \$0.0001 of Rich Resources Pty Ltd. The acquired business contributed nil revenue and a net loss of \$29,066 to the Consolidated Entity for the period 2 September 2010 to 28 February 2011.

27. FINANCIAL INSTRUMENTS

Capital risk management

The Consolidated Entity manages its capital to ensure it will be able to continue as a going concern.

The capital structure of the Consolidated entity consists of equity attributable to equity holders of the parent entity, as disclosed in Notes 18 and 19, comprising of issued capital, reserves and accumulated losses as disclosed in the Statement of Changes in Equity. In common with many other exploration companies, the parent raises finance for the Consolidated entity's exploration and appraisal activities in discrete tranches. The Consolidated Entity's overall strategy remains unchanged from 2009.

The working capital position (i.e. liquidity risk) of the Consolidated Entity is as follows:

	Consolidated Entity 2011	Consolidated Entity 2010
	\$	\$
Current assets	4,823,322	466,544
Current liabilities	(179,210)	(307,892)
Working capital surplus/(deficit)	4,644,112	158,628

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability, and equity instrument are disclosed in Note 3 to the statement of financial position.

Financial risk management objectives

The financial risks of the consolidated entity include market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The consolidated entity does not hedge these risk exposures. The Consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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Market risk

Market risk is the risk that changes in market prices such as interest rates and equity prices will affect the Consolidated entity's income and value of its holdings.

The Consolidated Entity's activities expose it primarily to the financial risks of changes in interest rates on its cash and cash equivalents. It is the policy of the Consolidated Entity to manage their risks by continuously monitoring interest rates. There has been no change to the Consolidated Entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(i) Foreign currency risk management

The functional and presentation currency of Orion Metals Ltd and its Australian subsidiaries is Australian dollars (A\$).

The Consolidated Entity does not undertake any transactions denominated in foreign currencies.

(ii) Interest risk management

Interest rate risks are caused by fluctuations in interest rates which, in turn, are due to market factors.

Interest rate sensitivity

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated entity's profit/loss before taxes through the impact on cash and cash equivalents and held to maturity investments with a decrease or an increase of 0.25% in interest rates.

	Consolidated Entity 2011	Consolidated Entity 2010
	\$	\$
Sensitivity		
Cash and cash equivalents	4,364,746	217,637
Effect on income before taxes		
Increase 0.25%	10,912	544
Decrease 0.25%	(10,912)	(544)

(iii) Price risk management

The Consolidated Entity did not hold any equity securities at balance date.

Liquidity risk management

Liquidity risks are caused by the inability to raise the money needed to meet payment liabilities as and when they fall due. The Consolidated Entity manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows and cash balances. The parent entity raises equity for the Consolidated Entity's exploration and appraisal activities in discrete

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tranches.

At 28 February 2011 and 28 February 2010 the only financial liabilities of the Consolidated Entity were trade payables and accruals. All trade payables and accruals have a contractual maturity of 6 months or less. The working capital position is disclosed in Note 27(a).

Credit risk management

In relation to financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under a contract or arrangements. Credit risk for the Consolidated Entity arises from cash and cash equivalents and outstanding receivables. The Consolidated Entity is not exposed to any material credit risks and only trade with credit worthy third parties, outside of cash & cash equivalents and held to maturity investments which are all held with Australian regulated banks.

Fair values

All financial assets and liabilities comprising cash and cash equivalents, trade and other receivables, available for sale financial assets, and trade and other payables are stated at their fair value.

	Consolidated Entity 2011 \$	Consolidated Entity 2010 \$
28. AUDITORS REMUNERATION		
Auditor of the Consolidated Entity-BDO Audit (QLD) Pty Ltd	35,000	27,000
Total remuneration for audit services	35,000	27,000
Tax services	6,000	6,000
	41,000	33,000

29. SHARE-BASED PAYMENTS

On 29 July 2010, 500,000 options were granted to directors. These options vest immediately, are exercisable at 10 cents and expire on 29 July 2013.

On 29 July 2010, 2,000,000 options were granted to directors. These options vest immediately, are exercisable at 12 cents and expire on 29 July 2013.

On 29 July 2010, 500,000 options were granted to directors. These options vest immediately, are exercisable at 15 cents and expire on 29 July 2013.

During the prior year no options were granted.

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Consolidated Entity

	2011		2010	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at beginning of year	-	-	5,500,000	20 cents
Granted	3,000,000	12.2 cents	-	-
Forfeited	-	-	(5,500,000)	20 cents
Exercised	-	-	-	-
Outstanding at year-end	3,000,000	12.2 cents	-	-
Exercisable at year-end	3,000,000	12.2 cents	-	-

2011

Weighted average exercise price	12.2 cents
Weighted average life of the option	3 years
Underlying share price	6 cents
Expected share price volatility	120.098%
Risk free interest rate	4.82%
Number of options issued	3,000,000
Value (Black-Scholes) per option	3.68 cents
Total value of options issued	\$110,488

Historical volatility over the has been the basis for determining future share price volatility, as it is expected that this share price volatility will not change significantly over the life of the options.

Included under administrative expense in the Statement of Comprehensive Income is \$110,488 (2010: nil), which relates in full to amortisation of equity-settled share-based payment transactions.

30. SUBSEQUENT EVENTS

On 20 April 2011 the Company announced that it had entered into a farm-in agreement for an REE project with Broughton Minerals Pty Ltd, a private prospecting company based in Brisbane to explore newly discovered uranium and REE (U/REE) mineralisations. These prospects are located thirty kilometres south of the historic U/REE Mary Kathleen mine. The Company will pay a cash consideration of \$150,000 for past exploration expenses and will have the right to earn up to 90% equity in the project by incurring initial expenditure of \$2m in the project over five years, and then an additional expenditure of \$1m for each incremental increase of 10% equity. The Company reserves the right to withdraw from the project at any time, but will issue 250,000 ordinary shares to Broughton Minerals each year, capped at 1,000,000 shares.

On 21 April, 2011, James Canning-Ure resigned as Managing Director and a director of the Company.

On 6 May 2011, the Warden's Court of Western Australia held its initial hearing with respect to the Company's proceedings against a former consultant, alleging

- Breaches of term of a confidentiality deed with the Company,
- Breaches of obligations arising from a contract of employment, and
- Breaching an equitable obligation of confidentiality owed to RRI.

On 13 May 2011, the consolidated entity announced the finalisation of the sale of the Rutherford Table and the receipt of the balance of proceeds of \$400,000.

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NOTES TO THE FINANCIAL STATEMENTS
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31. PARENT ENTITY INFORMATION

	2011 \$	2010 \$
Current Assets		
Cash and cash equivalents	4,364,746	217,637
Trade and other receivables	4,748	23,936
Receivable from subsidiary	-	-
Other assets	3,828	-
Held for sale assets	450,000	-
Total Current Assets	4,823,322	241,573
Non-Current Assets		
Other assets	8,881	8,881
Property, plant and equipment	20,687	102,759
Exploration and evaluation expenditure	387,185	1,102,864
Investment in subsidiary	100	-
Investments	-	225,000
Total Non-Current assets	416,853	1,439,504
TOTAL ASSETS	5,240,175	1,681,077
Current Liabilities		
Trade and other payables	127,192	158,980
Held for sale liabilities	50,000	-
Loans and borrowings	-	126,184
Total Current Liabilities	177,192	285,164
Total Liabilities	177,192	285,164
Net Assets	5,062,983	1,395,913
Equity		
Issued capital	11,272,741	6,008,471
Reserves	412,538	302,050
Accumulated losses	(6,622,296)	(4,914,608)
Total equity	5,062,983	1,395,913
Profit/loss for the year	(1,707,688)	(460,734)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) for the year	(1,707,688)	(460,734)

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NOTES TO THE FINANCIAL STATEMENTS
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32. COMPANY DETAILS

The Consolidated entity's registered office and principal place of business is located at:

71 Lytton Road
East Brisbane QLD 4169

Company Secretary : William Gordon Lyne

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DIRECTORS' DECLARATION

The directors of the company declare that are in accordance with the Corporations Act 2001, including :-

1. The financial statements and notes:
 - (a) comply with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 28 February 2011 and performance for the year ended on that date of the consolidated entity,
2. The financial statements also comply with International Financial Reporting Standards as disclosed in note 1.
3. The Remuneration Report as set out in the Directors' Report complies with Section 300A of The Corporations Act 2001.
4. The Managing Director and Chief Financial Officer have declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Australian Accounting Standards (including Australian Accounting Interpretations); and
 - (c) the financial statements and notes for the financial year give a true and fair view.
5. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A L GILLIES
Director

D K BARWICK
Director

Dated at Brisbane this 25th day of May 2011

INDEPENDENT AUDITOR'S REPORT

To the members of Orion Metals Limited

Report on the Financial Report

We have audited the accompanying financial report of Orion Metals Limited, which comprises the consolidated statement of financial position as at 28 February 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

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

Opinion

In our opinion:

- A. the financial report of Orion Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 28 February 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(a).

Emphasis of Matters on Going Concern and Carrying Value of Exploration and Evaluation Expenditure

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 2(g). The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of capitalised exploration and evaluation expenditure of \$650,417 (28 February 2010: \$1,102,864) as summarised in Note 15. The ability of the consolidated entity to maintain continuity of normal business activities, to pay their debts as and when they fall due and to recover the carrying value of their areas of interest, is dependent upon the ability of the consolidated entity to successfully raise additional capital and/or the successful exploration and subsequent exploitation of their areas of interest through sale or development. No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the consolidated entity's plans not eventuate.

Report on the Remuneration Report

We have audited the Remuneration Report included in Section 14 of the directors' report for the year ended 28 February 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 Australian Auditing Standards.



Auditor's Opinion on remuneration Report

In our opinion, the Remuneration Report of Orion Metals Limited for the year ended 28 February 2011, complies with section 300A of the Corporations Act 2001.

BDO Audit (QLD) Pty Ltd

CRAIG JENKINS
Director

Brisbane, 25 May 2011

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SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 3 May 2011 is advised hereunder.

Stock Exchange Quotation

The Company's shares are quoted on the ASX (Home branch: Brisbane) under the code "ORM".

Classes of Securities

The Company has the following equity securities on issue:

ASX quoted: 79,597,443 ordinary shares, each fully paid, held by 817 shareholders

Unquoted: 3,000,000 options expiring 29 July 2013 are held by Directors and consultants as follows:

Option Holder	Number	Exercise Price
James Canning-Ure <James Canning-Ure Family Trust>	500,000	10¢
Chivas Group Pty Ltd	500,000	12¢
Australian Asiatic Gems Pty Ltd	500,000	12¢
Golden Breed Pty Ltd	500,000	12¢
Sophjak Pty Ltd	500,000	12¢
James Canning-Ure <James Canning-Ure Family Trust>	500,000	15¢

Voting Rights

The voting rights attaching to ordinary shares are set out in Rule 27 of the Company's Constitution and are summarised as follows:

- Subject to the Constitution, a holder of ordinary shares in the Company shall be entitled to be present at any meeting, and to vote in respect of ordinary shares held by him. Any member present at any meeting may decline to vote on any question put to that meeting, but in that case shall not be considered absent from the meeting.
- Unless otherwise provided in the Constitution, at any meeting every member present in person or by proxy or by attorney or, in the case of a body corporate, representative appointed pursuant to Section 250D of the Corporations Act shall be entitled:
 - (a) on a show of hands, to one vote; and
 - (b) on a poll, to one vote for each share of which he is the holder.

Holders of options have no voting rights until such options are exercised.

Restricted Securities

There are no restricted securities (held in escrow) on issue.

On-market Buy-backs

There is no current on-market buy-back of any securities.

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SHAREHOLDER INFORMATION

Distribution of Security Holders

Distribution of shares and the number of holders by size of holding are:

Shareholding Range	Ordinary Shares	
	Number of Holders	Number of Shares
1-1,000	41	16,745
1,001-5,000	281	841,039
5,001-10,000	129	997,916
10,001-100,000	294	11,606,727
100,001 and over	72	66,135,016
Totals	817	79,597,443

There are 72 shareholders with less than a marketable parcel of 2,223 shares (based on a closing share price of \$0.225) who together hold 65,373 shares.

Twenty Largest Security Holders

The names of the 20 largest shareholders, the number of shares and the percentage of capital each holds, are:

Rank	Shareholder	Holding	Percent
1	METALLICA MINERALS LTD	11,866,658	14.91%
2	MR CONGLIN YUE	11,586,936	14.56%
3	JIEN MINING PTY LTD	11,100,000	13.95%
4	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,449,335	4.33%
5	MR ROBERT JAMES CANNING-URE <JAMES CANNING-URE FAMILY A/C>	2,875,000	3.61%
6	CHIVAS GROUP PTY LTD	2,350,000	2.95%
7	MR PHILLIP JOHN BYRNE & MRS SUSAN BYRNE <ONE DAY S/F A/C>	1,634,797	2.05%
8	MR CHRISTOPHER PETER VOSE & MS NATASHA ANN STEVENSON	1,522,776	1.91%
9	NEDEX PTY LTD	1,421,682	1.79%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,374,220	1.73%
11	GOLDEN BREED PTY LTD	1,325,000	1.66%
12	MS NATALIE HOULAHAN	820,000	1.03%
13	MRS SARAH KAY DALY	768,000	0.96%
14	DANAMORE PTY LTD	758,940	0.95%
15	POPCORN ENTERTAINMENT PTY LTD <THE PC HUYBERS S/FUND A/C>	700,000	0.88%
16	AUSTRALIAN ASIATIC GEMS PTY LTD	691,250	0.87%
17	PHILLIP SECURITIES PTE LTD <CLIENT A/C>	648,847	0.82%
18	CHRIS VOSE <TENERIFFE A/C>	625,000	0.79%
19	SUPER LOOKOUT PTY LTD <WAVE SUPERANNUATION FUND A/C>	450,000	0.57%
20	ASDEN INVESTMENTS PTY LTD	352,933	0.44%
	Totals	56,321,374	70.76%

Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act are:

Holder	Number of Shares
Metallica Minerals Limited	11,866,658
Mr Conglin Yue	11,586,936
Jien Mining Pty Ltd	11,100,000