

**ORION METALS LIMITED**  
(formerly Queensland Gold and Minerals Limited)  
**ACN 096 142 737**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

**ORION METALS LIMITED**  
**ACN 096 142 737**

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**ORION METALS LIMITED**  
**ACN 096 142 737**

**DIRECTORS' REPORT**

Your directors present their report on Orion Metals Limited ("Company" or "Orion") for the year ended 28 February 2010.

**1. THE DIRECTORS**

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

<b>David Barwick - Age 65</b>	—	<b>Non-Executive Chairman</b>
Qualifications	—	N/A
Experience and other Directorships in listed entities	—	Appointed Chairman and Board member on 28 November 2008. Chairman of: <ul style="list-style-type: none"><li>• Metallica Minerals Limited (Chairman and Director) – appointed 11 March 2004 – Continuing;</li><li>• MetroCoal Limited (Chairman and Director) – appointed 6 January 2006 – Continuing;</li><li>• Manaccomm Corporation Limited (Chairman and Director) – appointed 28 August 2006 – Continuing; and</li><li>• Planet Metals Limited (formerly Queensland Ores Limited) (Chairman and Director) – appointed 9 June 2009 – Continuing.</li></ul> Previous Director of: <ul style="list-style-type: none"><li>• International Gold Mining Limited – appointed 15 August 2006 – Resigned 31 August 2007;</li><li>• Morningstar Holdings (Australia) Limited – appointed 12 October 2006 – Resigned 30 August 2007;</li><li>• Global Approach Limited – Appointed 29 November 1996 – Resigned 26 October 2007;</li><li>• Cape Alumina Limited – appointed 2 February 2004 – Resigned 29 January 2009; and</li><li>• Macarthur Minerals Limited (TSX-V) – Appointed 24 October 2005 – ceased 31 August 2009.</li></ul>
Interest in Shares and Options	—	100,000 ordinary shares and 237,500 options via an indirect holding.
<b>James Canning-Ure - Age 52</b>	—	<b>Managing Director</b>
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"><li>• Global Approach Limited appointed Managing Director on 27 June 2006 – resigned 26 October 2007; and</li><li>• Macarthur Minerals Limited (TSX-V) – appointed 18 January 2005 – ceased 31 August 2009.</li></ul>
Interest in Shares and Options	—	60,000 ordinary shares and 15,000 options via an indirect holding.

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**DIRECTORS' REPORT**

**1. THE DIRECTORS (continued)**

**Andrew Gillies – Age 47** — **Non-Executive Director**

Qualifications — Bachelor of Science (Geol), MAusIMM

Experience and other — Appointed Director on 28 November 2008.

Directorships in listed entities

Director of:

- Metallica Minerals Limited – appointed 15 January 1997 – Continuing;
- MetroCoal Limited – appointed 6 January 2006 – Continuing;
- Planet Metals Limited (formerly Queensland Ores Limited) – appointed 9 June 2009 – Continuing; and
- Cape Alumina Limited – appointed 2 February 2004 – Continuing.

Interest in Shares and Options — Nil.

**Adrian Day - Age 65** — **Non-Executive Director**

Qualifications — BSc (Geol) UQ

Experience and other — Appointed Director on 8 March 2001.

Directorships in listed entities

Previous Director of:

- Mareeba Mining Limited – appointed 1972 – resigned 1980.

Interest in Shares and Options — 474,250 ordinary shares via an indirect holding.

**John Nethery - Age 64** — **Non-Executive Director**

Qualifications — BSc (Geol), DipEd, CP(Geol)

Experience and other — Appointed Director on 16 May 2006, resigned 3 April 2009.

Directorships in listed entities

No other directorships in listed entities.

Interest in Shares and Options — 1,433,682 ordinary shares and 288,000 options via an indirect holding.

**Company secretary**

Bill Lyne BCom, CA, FCIS, FAICD, FFIN was appointed company secretary on 19 January 2010. 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 practices.

Theo Psaros BFin, CA was appointed company secretary on 28 November 2008 and resigned on 19 January 2010.

**2. PRINCIPAL ACTIVITIES OF THE COMPANY**

The principal activity of the Company is the exploration for gold and other rare earth and tech metals.

**ORION METALS LIMITED**  
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**DIRECTORS' REPORT**

**3. OPERATING RESULTS**

The net result of operations of the Company for the year ended 28 February 2010 was a loss of \$460,734 (2009: loss of \$2,815,904).

**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 2010 and to the date of this report.

**5. REVIEW OF OPERATIONS**

During the year the Company continued to pursue the following strategy and objectives:-

1. To minimise expenditure on exploration in order to conserve funds;
2. Dispose of non-core company assets;
3. To joint venture mining tenements that require high risk and high expense exploration;
4. To joint venture other mining tenements on attractive terms and /or with high cost exploration programs; and
5. To conclude evaluation on properties with the view to consolidating key exploration projects.

On 8 April 2009 a joint venture agreement with **Newmont Exploration Pty Ltd ("Newmont")** was concluded whereby Newmont would explore the Bald Mountain complex at Malcolm Creek for Kidston-style gold mineralisation. The joint venture provides for a minimum expenditure of \$250,000 in the first year with \$2 million being spent over 4 years to earn 70% interest. Orion retains the right to contribute in proportion at decision points at each 10% equity increase (51%, 60% and 70%) if not Newmont may spend a further \$1 million to earn a total 80% interest. At this point Orion can contribute proportionally, dilute or sell its participating interest.

Fieldwork commenced during the year with general regional reconnaissance over the defined target areas and more detailed activities over the Bald Mountain intrusive complex. An IP program has been completed with 8 pole dipole lines totaling 20.3 line kms surveyed over Bald Mt and a preliminary 3D model has been completed showing at least 2 distinctive areas of high chargeability. Other lines were performed on two areas of interest.

Soil sampling on the Bald Mt Prospect has been completed and compared to data from historical datasets. A distinctive gold soil anomaly has been outlined coincident with IP and magnetic features.

Rock chip sampling and first pass mapping has been completed in the Malcolm Creek area with sections showing no gold anomalism. Similar work was conducted on the margins of large diatreme structures to the west of Bald Mt and also an IP line completed.

At the Annual General Meeting of the Company held on 30 July 2009, the shareholders ratified the proposals for change of name from Queensland Gold and Minerals Limited to Orion Metals Limited (ASX: ORM), consolidation of capital on a 1 for 4 basis and the conversion of the loan from Metallica Minerals Limited (ASX: MLM) of \$292,231 to Convertible Notes.

ORM has also assessed the economic value of its Mining Leases and tenements and has impaired the value of these assets for \$332,620.

Exploration activities were significantly reduced to all tenements and field crews terminated to minimise expenditure and conserve Orion Metal's cash position.

**6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During the year the Company began investigating opportunities that would provide income to supplement exploration funds as well as seeking potential farm-in partners to defray committed expenditure so as to ease the financial burden of its exploration programme.

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**DIRECTORS' REPORT**

**7. EVENTS SUBSEQUENT TO BALANCE DATE**

On 18 March 2010, the Company announced the appointment of a Managing Director, Mr James Canning-Ure.

On 19 March 2010 the Company announced a fully undewritten non-renounceable Rights Issue. The major terms were:

- One (1) right issues share were offered for every existing share with one (1) attaching option for every two (2) rights issue shares applied for;
- Rights issue shares were issued at an issue price of five (5) cents per share;
- The rights issue raised approximately \$1.24 million before costs of the rights issue offer; and
- 24,695,843 shares and 12,347,928 options were allotted on 19 May 2010 in accordance with the Rights Issue, which was fully subscribed.

As part of the compensation for the sale of the Grants Buchanan tenement to Artemis, \$225,000 was required to be settled in shares of Artemis. As at 18 March 2010, 2,781,066 shares were issued at \$0.10 per share. These shares at the date of this report are trading at \$0.04 per share.

**8. LIKELY DEVELOPMENTS**

The Directors of Orion Metals are seeking new mineral opportunities that not only fit Orion Metal's strategic intent, but will deliver shareholder value when the metals commodities market improves in the future.

**9. ENVIRONMENTAL REGULATION AND PERFORMANCE**

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

Orion Metals is committed to being an efficient and effective mineral exploration/mining company embracing sound environmental management practices and world best practices.

The following policy has been adopted as the official Environmental Policy of the Company:

- to abide by the concepts and principles of sustainable development;
- to carry out operations in an environmentally responsible manner having consideration for individual and community welfare;
- to ensure that, at a minimum, business is conducted in compliance with existing environmental legislation and regulations; and
- to educate staff and employees in the importance of understanding their environmental responsibilities for the sensitive implementation of all Company operations.

**10. 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
3 January 2011	80 cents	500,000
25 February 2011	12 cents	12,347,928*

\* Issued pursuant to the rights issue that completed on 19 May 2010.

Option holders do not have any rights under the options to participate in any share issue of the Company. No options were issued to directors, officers or employees during the year as part of their remuneration.

**Shares issued on the exercise of options**

No shares were issued during the year ended 28 February 2010 as a result of the exercise of options over unissued shares in the Company.

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**DIRECTORS' REPORT**

**11. DIRECTORS' MEETINGS AND SHAREHOLDING INTERESTS**

The number of directors' meetings held during the 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	Director meetings held	Director meetings 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 Barwick	8	8	100,000	237,500
Andrew Gillies	8	8	Nil	Nil
Adrian Day	8	8	474,250	Nil
John Nethery (resigned 3 April 2009)	8	1	1,433,682	288,000

David Barwick and Andrew Gillies are Directors of Metallica Minerals Limited which holds 16,666,658 shares and 2,500,000 options in Orion Metals Limited as at the date of this report.

James Canning-Ure was appointed as Director on 18 March 2010 and holds 60,000 shares and 15,000 options in the company.

**12. REMUNERATION REPORT - AUDITED**

**(a) Remuneration Practices**

The company's policy for determining the nature and amount of emoluments of key management personnel, including Board members and other key management personnel of the company 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 company. The contracts for service between the company and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. The Company retains the right to terminate contracts immediately by making payment of an amount based on the employee's years of service. Upon retirement or termination key management personnel, excluding non-executives, are paid employee benefits accrued to date of retirement or termination. Any options issued which are not exercised on or before the date of termination lapse 3 months after termination. 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 considered appropriate by the Board of Directors.

The objective of the Company'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; and
- transparency.

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

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**DIRECTORS' REPORT**

**12. REMUNERATION REPORT – AUDITED (continued)**

**(a) Remuneration Practices (continued)**

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value; and
- 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; and
- 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 2010 the market price of the Company's ordinary shares was 7 cents per share. At 28 February 2009 the market price of the Company's ordinary shares was 8 cents per share (pre consolidation). No dividends were paid during the year ended 28 February 2010.

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

The table below sets out summary information about the Company's earnings, movements in shareholders wealth for the four years to 28 February 2010:

Description	28 February 2010	28 February 2009	28 February 2008	28 February 2007
Revenue	\$21,944	\$117,863	\$154,469	\$71,521
Net profit/(loss) before tax	\$(460,734)	\$(2,815,904)	\$(578,598)	\$(453,011)
Net profit(loss) after tax	\$(460,734)	\$(2,815,904)	\$(578,598)	\$(453,011)
Basic earnings/(loss) per share (cents)	(1.87)	(4.70)	(1.11)	(1.47)
Change in share price*	(0.23)	(1.62)	(1.44)	N/A

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

The indices for 2006 have not been added to this table as the company listed on the ASX in 3 January 2007.

There were no dividends paid or returns of capital by the Company in the previous four years.

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 Company has adopted a policy in respect of employees and directors trading in the Company's securities. No formal policy has been adopted regarding employees and directors hedging exposure to holdings of the Company's securities. No employees or directors have hedged their exposures.

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**DIRECTORS' REPORT**

**12. REMUNERATION REPORT – AUDITED (continued)**

**(a) Remuneration Practices (continued)**

2010 Remuneration	Short-term employee benefits Salary, fees & commission*	Bonus	Share Based Remuneration Equity Settled Options	Post Employment Benefits Super- annuation	Total	Performance Related Percentage	% consisting of options
<b>Directors</b>	\$	\$	\$	\$	\$	%	%
David Barwick	36,000	-	-	-	36,000	-	-
Andrew Gillies	34,909	-	-	-	34,909	-	-
Adrian Day	60,927	-	-	-	60,927	-	-
John Nethery	3,000	-	-	-	3,000	-	-
<b>Other Key Management Personnel</b>							
Theo Psaros (Company Secretary)	Nil	-	-	-	Nil	-	-
Bill Lyne (Company Secretary)	1,692	-	-	-	1,692	-	-
<b>Total</b>	<b>136,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,528</b>	<b>-</b>	<b>-</b>

James Canning-Ure was appointed as Director on 18 March 2010.

2009 Remuneration	Short-term employee benefits Salary, fees & commission*	Bonus	Share Based Remuneration Equity Settled Options	Post Employment Benefits Superannuation	Total	Performance Related Percentage	% consisting of options
<b>Directors</b>	\$	\$	\$	\$	\$	%	%
Robert Andrews	30,000	-	-	-	30,000	-	-
David Barwick	9,000	-	-	-	9,000	-	-
Andrew Gillies	9,000	-	-	-	9,000	-	-
Wayne Reid	33,375	-	-	-	33,375	-	-
John Nethery	66,680	-	-	-	66,680	-	-
Adrian Day	89,520	-	-	-	89,520	-	-
<b>Other Key Management Personnel</b>							
John Haley (Company Secretary)	15,000	-	-	-	15,000	-	-
Michael Ilett (Chief Financial Officer)	31,938	-	-	-	31,938	-	-
Theo Psaros (Company Secretary)	Nil	-	-	-	Nil	-	-
<b>Total</b>	<b>284,513</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>284,513</b>	<b>-</b>	<b>-</b>

\* = All payments to key management personnel are sub-contractor payments

**(b) Remuneration Options**

No Key Management Personnel options were granted as remuneration during the year.

During the year 5,500,000 options granted to Key Management Personnel as remuneration in previous years expired unexercised. The gross value of these options was \$605,000.

**ORION METALS LIMITED**  
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**DIRECTORS' REPORT**

**12. REMUNERATION REPORT – AUDITED (continued)**

**(c) Service agreements**

**Contracts for services of key management personnel**

Remuneration and other terms of employment for the directors and other key management personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature.

**Australian Asiatic Gems Pty Ltd and Adrian Day**

The Company entered into a agreement with Australian Asiatic Gems Pty Ltd (an entity associated with Mr Adrian Day) (AAG) and Mr Adrian Day dated 26 April 2006 pursuant to which AAG has agreed to provide certain consultancy services to the Company in which the services of Mr Adrian Day to be appointed as an executive Director and operations manager of the Company. This agreement was terminated in November 2008.

The Company entered into a new agreement with AAG dated 12 November 2008 pursuant to which AAG has agreed to provide certain consultancy services to the Company in which the services of Mr Adrian Day to be appointed as a consultant to the Company and the continuation of his Directorship.

The agreement contains the following details:

- Term of agreement – commences from 12 November 2008 and is an ongoing basis;
- Base fee - \$600 per day (exclusive of GST) with provision to reimburse AAG for all reasonable expenses; and
- Termination – the Company can terminate the agreement upon happening of various events in respect to AAG's insolvency or failure to remedy a breach of contract or four (4) weeks notice given by either party.

**James Canning-Ure**

The Company entered into a agreement with James Canning-Ure dated 18 March 2010 pursuant to which James Canning-Ure has agreed to provide certain consultancy services to the Company and to be appointed as a Managing Director of the Company.

The agreement contains the following details:

- Term of agreement – Six (6) months commencing 18 March 2010;
- Base fee - \$5,000 per month (exclusive of GST) with provision to reimburse James Canning-Ure for all reasonable expenses;
- Subject to shareholder approval, the issue of two (2) tranches of 500,000 options in the Company for no consideration, exercisable at \$0.10 and \$0.15 per tranche, expiring no later than three (3) years from the date of issue; and
- Termination – the Company can terminate the agreement upon happening of various events in respect to James Canning-Ure's performance or failure to remedy a breach of contract or three (3) months notice given by either party.

**END OF REMUNERATION REPORT**

**ORION METALS LIMITED**  
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**DIRECTORS' REPORT**

**13. 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 24 to the financial statements.

The Directors are satisfied that the provision of non-audit services, where so provided 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 24 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, 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.

**14. INDEMNIFICATION 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.

**15. PROCEEDINGS ON BEHALF OF A COMPANY**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

**16. AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 28 February, 2010 has been received and forms part of the directors' report.

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

Signed:



**D K Barwick**  
**Chairman**

26 May 2010

**ORION METALS LIMITED**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

	Note	2010	2009
		\$	\$
Revenue	5	21,944	117,863
Other income	6	333,424	-
Depreciation expense		(44,907)	(75,317)
Other expenses		(420,075)	(433,627)
Employee expenses	7	-	(10,960)
Impairment of exploration and evaluation expenditure	12	(332,620)	(2,405,278)
Finance costs	8	(18,500)	(8,585)
		<hr/>	<hr/>
<b>Loss before income tax expense</b>		<b>(460,734)</b>	<b>(2,815,904)</b>
Income tax expense		-	-
		<hr/>	<hr/>
<b>Loss for the year after income tax expense</b>		<b>(460,734)</b>	<b>(2,815,904)</b>
Other comprehensive income		-	-
		<hr/>	<hr/>
<b>Total comprehensive income</b>		<b>(460,734)</b>	<b>(2,815,904)</b>
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings/(loss) per share (cents per share)	17	(2.39)	(4.70)
Diluted earnings per share (cents per share)	17	(2.39)	(4.70)

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

**ORION METALS LIMITED**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 28 FEBRUARY 2010**

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	14	217,637	286,130
Trade and other receivables	10	248,937	32,538
<b>Total current assets</b>		<b>466,574</b>	318,668
<b>Non-current assets</b>			
Other assets	11	8,881	11,459
Property, plant and equipment	13	102,759	152,335
Exploration and evaluation expenditure	12	1,102,864	1,493,988
<b>Total non-current assets</b>		<b>1,214,504</b>	1,657,782
<b>Total assets</b>		<b>1,681,078</b>	1,976,450
<b>Current liabilities</b>			
Trade and other payables	19	181,708	142,530
Loans and borrowings	18	126,184	292,231
<b>Total current liabilities</b>		<b>307,892</b>	434,761
<b>Total liabilities</b>		<b>307,892</b>	434,761
<b>Net assets</b>		<b>1,373,186</b>	1,541,689
<b>Equity</b>			
Issued capital	16	6,008,471	5,716,240
Reserves	16	302,050	302,050
Accumulated losses	16	(4,937,335)	(4,476,601)
<b>Total equity</b>		<b>1,373,186</b>	1,541,689

The Statement of Financial Position should be read in conjunction with the notes to the financial statements

**ORION METALS LIMITED**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

	Note	Issued capital \$	Options reserve \$	Accumulated losses \$	Totals \$
<b>Balance at 1 March 2009</b>		5,716,240	302,050	(4,476,601)	1,541,689
Total comprehensive income		-	-	(460,734)	(460,734)
Issue of shares		292,231	-	-	292,231
Share issue costs		-	-	-	-
<b>Balance at 28 February 2010</b>	16	<u>6,008,471</u>	<u>302,050</u>	<u>(4,937,335)</u>	<u>1,373,186</u>
<b>Balance at 1 March 2008</b>		5,679,669	302,050	(1,660,697)	4,321,022
Total comprehensive income		-	-	(2,815,904)	(2,815,904)
Issue of shares		57,769	-	-	57,769
Share issue costs		(21,198)	-	-	(21,198)
<b>Balance at 28 February 2009</b>	16	<u>5,716,240</u>	<u>302,050</u>	<u>(4,476,601)</u>	<u>1,541,689</u>

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements

**ORION METALS LIMITED**  
**ACN 096 142 737**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

	Note	2010 \$	2009 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		57,566	232,115
Payments to suppliers and employees		(423,707)	(628,893)
Interest and finance costs paid		-	(899)
Interest received		3,324	17,554
<b>Net Cash Provided By/ (Used In) Operating Activities</b>	15	<b>(362,817)</b>	<b>(380,123)</b>
<b>Cash Flows From Investing Activities</b>			
Proceeds from sale of property, plant and equipment		15,000	64,179
Proceeds from sale of tenements		225,000	-
Payments for property, plant and equipment		(4,180)	(3,002)
Payment for exploration expenditure		(41,496)	(519,861)
<b>Net Cash Provided By/ (Used In) Investing Activities</b>		<b>194,324</b>	<b>(458,684)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issues of equity securities		-	57,769
Proceeds from borrowings		100,000	292,231
Payment of borrowings		-	(32,337)
Payments for share issue costs		-	(21,198)
<b>Net Cash Provided By/ (Used In) Financing Activities</b>		<b>100,000</b>	<b>296,465</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>(68,493)</b>	<b>(542,342)</b>
<b>Cash and Cash Equivalents At 1 March</b>		<b>286,130</b>	<b>828,472</b>
<b>Cash and Cash Equivalents At 28 February</b>	14	<b>217,637</b>	<b>286,130</b>

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements

**ORION METALS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report of Orion Metals Limited as an individual entity complies with all International Financial Reporting Standards (IFRS) in their entirety. Orion Metals Limited is a listed public company, incorporated and domiciled in Australia.

The financial report was approved by the Board of Directors on 26 May 2010. The accounting policies set out below have been consistently applied to all years presented.

The financial statements are presented in Australian dollars which is the functional and presentation currency of the Company.

*Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs 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.

**New accounting standards and interpretations**

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

*Presentation of Financial Statements*

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

*Operating Segments*

From 1 January 2009, operating segments are identified but segment information has not been disclosed as the Company operates predominantly in one business and geographical segment being the exploration and evaluation of mineral resources throughout Australia.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Going Concern**

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 expenditure of \$1,102,864 (28 February 2009: \$1,493,988) as summarised in Note 12. The ability of the company to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of areas of interest, is dependent on the ability of the company to the successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(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 sheet 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. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. 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 company 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) Non-current assets**

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written-down to the lower value.

**(d) 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 company 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 economic 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  | 15-40% per annum  |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 statement of comprehensive income. The plant and equipment's residual values, useful lives and depreciation methods are reviewed at each balance sheet date and adjusted prospectively if appropriate.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**(f) 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 company 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 income statement on a straight line basis over the period of the lease.

**(g) Financial instruments**

**Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment losses.

**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 balance 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.

**Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial instruments.

**Financial liabilities**

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Financial instruments (continued)**

**Impairment**

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of loans and receivables, the company first assesses 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 company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group 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 and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Losses are recognised in the income statement where no revaluation reserve is available to offset against for all unlisted securities, including recent arms length transactions and reference to similar instruments and option pricing models.

**Impairment of Non-Financial Assets**

At each reporting date, the company 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 to the income statement.

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

**(h) Equity Settled Share Based Compensation**

The company 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.

**(i) 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.

**(j) 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).

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) 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.

**(l) Use of estimates and judgements**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

*Key estimates – impairment*

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

*Key judgements – exploration & evaluation expenditure*

The Company 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 balance date

**(m) Comparative Figures**

Where required by the Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current year.

**(n) Issued Capital**

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

**(o) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting periods. These standards and interpretations have not been adopted in the preparation of the financial report. There are no new standards, amendments to standards and interpretations which may have a material measurement impact on the Company in the period of initial application. The Directors do not anticipate any material financial impact on the financial statements in future periods from the adoption of standards and interpretations that are not currently mandatory.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

**2. DETERMINATION OF FAIR VALUES**

Certain accounting policies and disclosures of the Company 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.

**Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

**Share-based payment transactions**

The company 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.

**3. 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 Company. The Company'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 1 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.

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**3. FINANCIAL RISK MANAGEMENT (continued)**

**(d) Fair value of financial instrument**

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.

**(e) Capital Management**

The Company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the financial liabilities disclosed in Note 18, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings as disclosed in Note 16.

The gearing ratio at year end was:

	<b>2010</b>	<b>2009</b>
	\$	\$
Financial assets	<b>248,937</b>	32,538
Debt	<b>(307,892)</b>	(434,761)
Cash	<b>217,637</b>	286,130
Net assets/(debt)	<b>158,682</b>	(116,093)
Equity	<b>1,373,186</b>	1,541,689
Net debt to equity ratio	<b>0.12</b>	(0.08)

**(f) Liquidity risk management**

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 Company's short, medium and long-term funding and liquidity management requirements. The Company 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.

Contractual cashflows from trade and other payables and financial liabilities approximate their carrying amount. Trade and other payables are contractually due within 6 months of year end.

**4. SEGMENT REPORTING**

From 1 January 2009, operating segments are identified but segment information has not been disclosed as the Company operates predominantly in one business and geographical segment being the exploration and evaluation of mineral resources throughout Australia.

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<b>5.</b>	<b>REVENUE</b>	<b>2010</b>	<b>2009</b>
		\$	\$
	<b>Revenue from continuing operations</b>		
	Interest received – unrelated parties	3,324	17,554
	Contract revenue	5,960	-
	Sales revenue	12,660	-
	Hire revenue	-	97,291
	Fuel rebate	-	3,018
	Total revenue	<u>21,944</u>	<u>117,863</u>
<b>6.</b>	<b>OTHER INCOME</b>		
	Profit on disposal of tenements	327,273	-
	Profit on disposal of equipment	6,151	-
		<u>333,424</u>	<u>-</u>
<b>7.</b>	<b>EMPLOYEE EXPENSES</b>		
	Wages and salaries	-	7,706
	Other associated personnel expenses	-	3,254
		<u>-</u>	<u>10,960</u>
	All administrative services in 2009 were provided by contractors and consultants.		
<b>8.</b>	<b>FINANCE INCOME AND EXPENSES</b>		
	<b>Recognised in profit and loss</b>		
	Related party loan	(18,498)	-
	Bank interest expense	(2)	(899)
	Hire purchase charges	-	(7,686)
	<b>Finance expense</b>	<u>(18,500)</u>	<u>(8,585)</u>

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9. INCOME TAX EXPENSE	2010	2009
	\$	\$
<b>Current tax expense</b>		
Current period	-	-
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	-	-
Total income tax expense	-	-
<b>Numerical reconciliation between tax expense and pre-tax accounting profit/(loss)</b>		
Loss for the period	<b>(460,734)</b>	(2,815,904)
Total income tax expense	-	-
Loss before tax	<b>(460,734)</b>	(2,815,904)
<b>(a) The prima facie tax on profit/(loss) differs from the income tax provided in the financial statements as follows:</b>		
Income tax on profit/(loss) at the statutory income tax rate of 30% (2009: 30%)	<b>(138,220)</b>	(844,771)
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	<b>138,220</b>	844,771
Income tax expense	-	-
<b>Unrecognised net deferred tax assets:</b>		
Unused tax losses for which no deferred tax asset has been recognised	6,617,726	6,417,649
Temporary differences for which no deferred tax asset/(liability) has been recognised:		
- Capital raising costs	164,259	282,725
- Accruals	20,900	12,000
- Exploration expenditure	(1,102,864)	(1,493,988)
	<u>5,700,021</u>	<u>5,218,386</u>
Potential tax effect at 30%	<u>1,710,006</u>	<u>1,565,516</u>

The above deferred tax liability has not been recognised as there are sufficient tax losses for which no deferred tax asset has been recognised to offset the potential deferred tax liability.

Unused losses which have not been recognised as an asset, will only be obtained if:

- (i) the company derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
- (ii) the company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the company in realising the losses.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>10. TRADE &amp; OTHER RECEIVABLES</b>		
Other	<b>248,937</b>	32,358
	<b>248,937</b>	<b>32,358</b>
<b>11. OTHER ASSETS</b>		
Security deposits	<b>8,881</b>	11,459
	<b>8,881</b>	<b>11,459</b>
<b>12. EXPLORATION AND EVALUATION EXPENDITURE</b>		
<i>Gross carrying amount</i>		
Balance at beginning of year	<b>3,899,266</b>	3,379,405
Additions	<b>41,496</b>	519,861
Disposals	<b>(100,000)</b>	-
Balance at end of year	<b>3,840,762</b>	3,899,266
<i>Accumulated amortisation and impairment</i>		
Balance at beginning of year	<b>2,405,278</b>	-
Impairment expense	<b>332,620</b>	2,405,278
Balance at end of year	<b>2,737,898</b>	2,405,278
Net book value	<b>1,102,864</b>	1,493,988

- (i) The above amounts represent capitalised costs of exploration areas of interest carried forward as an asset. The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect to each relevant area of interest is not charged to the income statement until a mining operation is commenced.
- (ii) A total of \$332,620 of exploration expenditure was impaired during the year ended 28 February 2010.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

<b>13. PLANT &amp; EQUIPMENT</b>	<b>Plant and equipment at cost \$</b>	<b>Equipment under finance lease at cost \$</b>	<b>Total \$</b>
<b>2010 Reconciliation</b>			
Balance at beginning of year	274,359	-	274,359
Additions	4,180	-	4,180
Disposals	(25,000)	-	(25,000)
Balance at 28 February 2010	253,539	-	253,539
Accumulated depreciation/ amortisation and impairment			
Balance at beginning of year	(122,024)	-	(122,024)
Depreciation expense	(44,907)	-	(44,907)
Disposals	16,151	-	16,151
Balance at 28 February 2010	(150,780)	-	(150,780)
Net book value As at 28 February 2010	102,759	-	102,759
<b>2009 Reconciliation</b>			
Balance at beginning of year	448,359	51,785	500,144
Additions	3,002	-	3,002
Disposals	(177,002)	(51,785)	(228,787)
Balance at 28 February 2009	274,359	-	274,359
Accumulated depreciation/ amortisation and impairment			
Balance at beginning of year	(102,650)	(13,280)	(115,930)
Depreciation expense	(71,060)	(4,257)	(75,317)
Disposals	51,686	17,537	69,223
Balance at 28 February 2009	(122,024)	-	(122,024)
Net book value As at 28 February 2009	152,335	-	152,335
<b>14. CASH AND CASH EQUIVALENTS</b>			
		<b>2010 \$</b>	<b>2009 \$</b>
Cash at bank and on hand		(3,654)	17,269
Deposits on call		221,291	268,861
		217,637	286,130

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2010**

15. RECONCILIATION OF CASH FLOWS TO OPERATING ACTIVITIES	2010 \$	2009 \$
Operating loss	(460,734)	(2,815,904)
Depreciation	44,907	75,317
Interest expense	18,500	-
Impairment of exploration and evaluation expenditure	332,620	2,405,278
(Profit)/loss on sale of property, plant and equipment	(6,151)	34,628
(Profit)/loss on sale of tenements	(327,273)	-
<b>Operating profit before changes in working capital and provisions</b>	<b>(398,131)</b>	<b>(300,681)</b>
(Increase)/decrease in prepayments and receivables	8,602	68,610
(Increase)/decrease in other assets	2,578	-
Increase/(decrease) in employee benefits	-	(5,613)
Increase/(decrease) in creditors and payables	24,134	(142,439)
<b>Net cash to operating activities</b>	<b>(362,817)</b>	<b>(380,123)</b>

**16. ISSUED CAPITAL, RESERVES AND ACCUMULATED LOSSES**

	Issued capital \$	Option reserve \$	Accumulated losses \$	Total \$
Balance at 1 March 2009	5,716,240	302,050	(4,476,601)	1,541,689
Profit/(loss) for the year recognised in income and expenses	-	-	(460,734)	(460,734)
Issue of shares	292,231	-	-	292,231
Balance at 28 February 2010	<b>6,008,471</b>	<b>302,050</b>	<b>(4,937,335)</b>	<b>1,373,186</b>
Balance at 1 March 2008	5,679,669	302,050	(1,660,697)	4,321,022
Profit/(loss) for the year recognised in income and expenses	-	-	(2,815,904)	(2,815,904)
Issue of shares	57,769	-	-	57,769
Share issue costs	(21,198)	-	-	(21,198)
Balance at 28 February 2009	<b>5,716,240</b>	<b>302,050</b>	<b>(4,476,601)</b>	<b>1,541,689</b>

**Issued capital**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Movements in ordinary share capital:

	2010		2009	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of the year	59,819,167	5,716,240	52,016,667	5,679,669
Issue of capital	9,741,033	292,231	7,802,500	57,769
Share consolidation	(44,864,357)	-	-	-
Share issue costs	-	-	-	(21,198)
Balance at end of the year	<b>24,695,843</b>	<b>6,008,471</b>	59,819,167	5,716,240

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**16. ISSUED CAPITAL, RESERVES AND ACCUMULATED LOSSES (continued)**

**Issued capital (continued)**

On 31 July 2009 the company undertook a share consolidation on the basis of 1 share for every 4 shares held as approved at the company's annual general meeting on 30 July 2009. The effect of this share consolidation was to reduce the number of shares on issue by 44,864,357.

On 18 September 2009 the company issued 9,741,033 ordinary shares to Metallica Minerals Limited (MLM) upon conversion Convertible Notes held by MLM. As a result of this transaction, MLM's shareholding in the company increased to 47% of total shares on issue.

The share issue costs are the repayment of GST on previous issue costs that were incorrectly claimed back from the Australian Taxation Office in previous years.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**Option reserve**

The option reserve of \$302,050 is made up of prior period's equity based payment of \$63,050 and an amount of \$239,000 that represents fair value of 2,000,000 options issued to the brokers for nil considered as part of the initial public offering which were taken to share issue costs in a prior period. Amounts are taken out of the reserve and into issued capital at the time when the options are exercised.

**Options to acquire issued share capital**

Each option entitles the holder to purchase one share. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the Company or any other body corporate.

Movements in options to acquire share capital:

	<b>2010</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>
Balance at beginning of the year	<b>7,500,000</b>	<b>19,216,469</b>
Options issued	-	-
Options exercised	-	-
Options expired	<b>(7,000,000)</b>	<b>(11,716,469)</b>
Balance at end of the year	<b>500,000</b>	<b>7,500,000</b>

Options outstanding at 28 February 2010 are exercisable at \$0.80 and expire on 3 January 2011.

**Rights issue**

In accordance with the Rights Issue undertaken by the Company subsequent to year end, on 19 May 2010 the Company allotted the following securities:

- 24,695,843 fully paid ordinary shares; and
- 12,347,928 options exercisable at \$0.12 and expiring on 25 February 2011.

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	<b>2010 Cents</b>	<b>2009 Cents</b>
	<b>per share</b>	<b>per share</b>
<b>17. EARNINGS PER SHARE</b>		
<b>Basic earnings/(loss) per share</b>		
From continuing operations	(2.39)	(4.70)
Total basic earnings per share	(2.39)	(4.70)
<b>Diluted earnings/(loss) per share</b>		
From continuing operations	(2.39)	(4.70)
Total diluted earnings per share	(2.39)	(4.70)
<b>Basic and diluted earnings per share</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
The earnings used in the calculation of the basic and diluted loss per share is as follows:		
Net loss	(460,734)	(2,815,904)
Loss used in the calculation of the basic and diluted loss per share from continuing operations	(460,734)	(2,815,904)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>2010</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>
	<b>19,304,915</b>	52,016,667
<b>18. LOANS AND BORROWINGS</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Convertible debt	-	292,231
Loan	126,184	-
	<b>126,184</b>	292,231

At 28 February 2010 the Company has a loan of \$126,184 from Metallica Minerals Limited (MLM), a director related entity. The loan has an interest rate of 10% per annum, is unsecured and has no fixed term of repayment. Subsequent to year end, the loan was repaid in lieu of payments due from MLM in accordance with the Rights Issue undertaken by the Company.

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**18. LOANS AND BORROWINGS (continued)**

At 28 February 2009, the Company had a convertible loan from Metallica Minerals Limited, a director related entity, with a maturity date of 2 years from the date the notes were issued on 25 November 2008. Interest is calculated at 10% per annum payable quarterly. The Convertible loan is secured by a charge over all rights and assets of the Company and is subordinated only by specific project finance security. The convertible loan allows for conversion into shares at an issue price of \$0.0075.

On 18 September 2009 the company issued 9,741,033 ordinary shares to Metallica Minerals Limited upon conversion of the convertible loan and the charge was released.

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>19. TRADE AND OTHER PAYABLES</b>		
Trade payables (i)	<b>91,498</b>	97,351
Accrued expenses	<b>53,900</b>	28,686
Other payables	<b>36,310</b>	16,493
	<b>181,708</b>	142,530

(i) The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables.

**20. FINANCIAL INSTRUMENTS**

**Credit risk**

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

Cash and cash equivalents	<b>217,637</b>	286,130
Trade and other receivables	<b>248,937</b>	32,538

All of the Company's exposure to credit risk at the reporting date was in Australia.

\$3,859 of the Company's receivables are past due, but no allowance for impairment losses has been recognised. (2009: nil)

**Liquidity risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	Greater than 12 months
<b>28 February 2010</b>					
Trade and other payables	181,708	181,708	181,708	-	-
Loans and borrowings	126,184	126,184	126,184	-	-
	307,892	307,892	307,892	-	-
<b>28 February 2009</b>					
Trade and other payables	142,530	142,530	142,530	-	-
Loans and borrowings	292,231	292,231	-	292,231	-
	434,761	434,761	142,530	292,231	-

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**20. FINANCIAL INSTRUMENTS (continued)**

**Currency risk**

The Company's assets and liabilities are in Australian dollars and the Company has no material exposure to currency risk.

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Interest rate risk</b>		
<b>Fixed rate instruments</b>		
Loan	126,184	292,231
	<b>126,184</b>	<b>292,231</b>
	<b>126,184</b>	<b>292,231</b>

**Fair values**

There are no financial assets measured as fair value. All financial assets held by the company are measured at amortised cost.

**21. CAPITAL AND OTHER COMMITMENTS**

**(a) Exploration tenement expenditure requirements**

In order to maintain current rights to tenure of exploration tenements, the Company will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. It is likely that variations to the terms of the current and future tenement holdings, the granting of new tenements and changes at renewal or expiry, will change the expenditure commitments for the Company from time to time.

These outlays (exploration expenditure and rent) which arise in relation to granted tenements inclusive of tenement applications granted subsequent to 28 February 2010 but not recognised as liabilities are as follows:

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Not longer than 1 year	38,142	164,214
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<b>38,142</b>	<b>164,214</b>
	<b>38,142</b>	<b>164,214</b>

Also expenditures during the year on some projects exceeded the minimum commitment required by the terms of the permits, so the excess expenditure may be carried forward into the following year.

**22. CONTINGENCIES**

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.

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.

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**23. RELATED PARTIES**

**(a) Equity interests in related parties**

**Equity interests in ventures**

Details of interests in joint ventures are disclosed in note 25 to the financial statements.

**(b) Transactions with key management personnel**

**i. Key management personnel compensation**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Short term benefits	<b>136,528</b>	284,513
Share based payments	-	-
Post employment benefits	-	-
Termination benefits	-	-
	<b>136,528</b>	<b>284,513</b>

**ii. Director related shareholdings**

Metallica Minerals Ltd held at 28 February 2010: 47.24% (2009: 12.88%) of the issued ordinary shares in Orion Metals Limited.

Angus & Ross plc (incorporated in the United Kingdom) held at 28 February 2010: 14.85% (2009: 24.52%) of the issued ordinary shares in Orion Metals Limited.

**Ordinary shares holdings**

The number of ordinary shares in the Company held during the year by each Director of the Company and other key management personnel of the Company, including their personally related parties, are set out below:

	Balance at beginning of year	Granted as compensation	Received on exercise of options	Net other change	Balance at end of year	Balance held nominally
	No.	No.	No.	No.	No.	No.
<b>2010</b>						
<b>Directors</b>						
David Barwick	100,000	-	-	(75,000)*	25,000	25,000
Andrew Gillies	-	-	-	-	-	-
Adrian Day	1,865,000	-	-	(1,390,750)*	474,250	-
John Nethery	3,480,728	-	-	(2,610,546)*	870,182	-
<b>2009</b>						
<b>Directors</b>						
David Barwick	-	-	-	100,000	100,000	100,000
Andrew Gillies	-	-	-	-	-	-
Adrian Day	1,865,000	-	-	-	1,865,000	-
John Nethery	3,480,728	-	-	-	3,480,728	-
<b>Other key management personnel of the Company</b>						
John Haley	40,000	-	-	10,000	50,000	-

\* After consolidation of 1 for 4 shares on 31 July 2009.

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**23. RELATED PARTIES (continued)**

**(b) Transactions with key management personnel (continued)**

**Option holdings**

The number of options over ordinary shares in the Company held during the year by each Director of the Company and other key management personnel of the Company including their personally related parties, are set out below:

	Balance at beginning of year No.	Granted as compen- sation No.	Exercised No.	Net other change No.	Balance at end of year No.	Bal vested at 28 February 2009 No.	Vested but not exerci- sable No.	Vested and exerci- sable No.	Options vested during year No.
<b>2010</b>									
<b>Directors</b>									
David Barwick	-	-	-	-	-	-	-	-	-
Andrew Gillies	-	-	-	-	-	-	-	-	-
Robert Andrews	1,000,000	-	-	(1,000,000)	-	-	-	-	-
Wayne Reid	2,000,000	-	-	(2,000,000)	-	-	-	-	-
Adrian Day	1,000,000	-	-	(1,000,000)	-	-	-	-	-
John Nethery	1,012,500	-	-	(1,012,500)	-	-	-	-	-
<b>Other key management personnel of the Company</b>									
John Haley	450,000	-	-	(450,000)	-	-	-	-	-
<b>2009</b>									
<b>Directors</b>									
Robert Andrews	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-	-
Wayne Reid	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-	-
Adrian Day	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-	-
John Nethery	1,012,500	-	-	-	1,012,500	1,012,500	1,012,500	-	-
<b>Other key management personnel of the Company</b>									
John Haley	525,000	-	-	(75,000)	450,000	450,000	450,000	-	-

During the financial year no options and no shares were issued on the exercise of such options to key management personnel.

In 2009, the Company issued a convertible debt to Metallica Minerals Limited, a Director related entity and shareholder in the Company to the value of \$292,231. Interest accrued, but not paid to date amounts to \$26,184.

As at 28 February 2010, the company has a loan from Metallica Minerals Limited for \$126,184. Interest accrued and/or paid to date is \$18,498.

**24. AUDITORS REMUNERATION**

During the year the following fees were paid or payable for services provided by the auditor of the Company:

	2009 \$	2009 \$
<b>Auditor of the Company</b>		
Audit or review of the financial report	27,000	23,670
Total remuneration for audit services	27,000	23,670
<b>Other services</b>		
	6,000	15,800
	<b>33,000</b>	<b>39,470</b>

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**25. JOINT VENTURE AGREEMENTS**

A summary of the Joint Venture Agreements to which the Company is a party is set out below:

**Skerritt Exploration Agreement**

On 28 May 2004, the Company entered into an Exploration Agreement (“Exploration Agreement”) with Simon Brosnan Terry and Frederick Hugh Skerritt (“the Applicants”) who together applied for (and are now the holders of) Exploration Permit 14231 located at Malcolm Creek (southwest of Forsayth, Queensland) (EPM 14231).

Under the Exploration Agreement, the Applicants grant the Company the right to carry out exploration and ancillary activities as may be authorised by EPM 14231 and the right to make applications for mineral leases and other tenures at the cost of the Company. Should the Company make application for a production tenure and develop land within EPM 14231 into a producing mine, the Applicants shall receive royalty fees levied at the following rates:

- (a) with respect to gold – the rate of 1% of production up to 1 million ounces, 1.5% for production up to 2 million ounces and 2% for production exceeding 2 million ounces; and
- (b) with respect to minerals other than gold – the rate of 1% of net smelter return.

On 12 December 2008 this Agreement was amended by a variation whereby the Applicants shall receive a royalty fee set at 1% of total production.

On 12 August 2008 EPM 14231 was conditionally surrendered in favour of a new EPMA 17739 to increase the area under tenure and give an increased tenure period.

Under the terms of the Exploration Agreement the Applicants maintain the right to continue prospecting and metal detecting within EPM 14231 and EPMA 17739, subject to reporting requirements to the Company at intervals not to exceed three (3) calendar months and must be afforded a reasonable opportunity to tender for any exploration or mining operations services which the Company may utilise in carrying out its exploration and mining operations.

**Newmont Exploration Agreement**

On 8 April 2009 a joint venture agreement with Newmont Exploration Pty Ltd (“Newmont”) was concluded whereby Newmont would explore the Bald Mountain complex at Malcolm Creek for Kidston-style gold mineralisation. The joint venture provides for a minimum expenditure of \$250,000 in the first year with \$2 million being spent over 4 years to earn 70% interest. Orion retains the right to contribute in proportion at decision points at each 10% equity increase (51%, 60% and 70%) if not Newmont may spend a further \$1 million to earn a total 80% interest. At this point Orion can contribute proportionally, dilute or sell its participating interest.

Fieldwork commenced during the year with general regional reconnaissance over the defined target areas and more detailed activities over the Bald Mountain intrusive complex. An IP program has been completed with 8 pole dipole lines totaling 20.3 line kms surveyed over Bald Mt and a preliminary 3D model has been completed showing at least 2 distinctive areas of high chargeability. Other lines were performed on two areas of interest.

Soil sampling on the Bald Mt Prospect has been completed and compared to data from historical datasets. A distinctive gold soil anomaly has been outlined coincident with IP and magnetic features.

Rock chip sampling and first pass mapping has been completed in the Malcolm Creek and area with sections showing no gold anomalism. Similar work was conducted on the margins of large diatreme structures to the west of Bald Mt and also an IP line completed.

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**26. SHARE-BASED PAYMENTS**

On 3 October 2006, 500,000 share options were granted to a key member of management by the Company under its employee option plan to take up ordinary shares at an exercise price of \$0.20 each. The options were exercisable on or before 30 June 2009. The options held no voting or dividend rights and were not transferable. The options expired unexercised during the year.

On 3 October 2006, 5,000,000 share options were granted to directors to accept ordinary shares at an exercise price of \$0.20. The options were exercisable on or before 30 June 2009 at an exercise price of \$0.20 each. The options held no voting or dividend rights and were not transferable. The options expired unexercised during the year.

All options granted to key management personnel are ordinary options in the Company, which confer a right of one ordinary share for every option held.

	2010	Weighted average exercise price \$	2009	Weighted average exercise price \$
	Number of options		Number of options	
Outstanding at the beginning of the year	5,500,000	0.20	5,537,500	0.20
Granted	-	-	-	-
Forfeited	-	-	(37,500)	-
Exercised	-	-	-	-
Expired	(5,500,000)	-	-	-
Outstanding at year end	-	0.20	5,500,000	0.20
Exercisable at year end	-		5,500,000	

There were no options exercised during the year ended 28 February 2010.

**27. SUBSEQUENT EVENTS**

On 18 March 2010, the Company announced the appointment of a Managing Director, Mr James Canning-Ure.

On 19 March 2010 the Company announced a fully underwritten non-renounceable Rights Issue. The major terms were:

- One (1) right issues share were offered for every existing share with one (1) attaching option for every two (2) rights issue shares applied for;
- Rights issue shares were issued at an issue price of five (5) cents per share;
- The rights issue raised approximately \$1.24 million before costs of the rights issue offer; and
- 24,695,843 shares and 12,347,928 options were allotted on 19 May 2010 in accordance with the Rights Issue, which was fully subscribed.

As part of the compensation for the sale of the Grants Buchanan tenement to Artemis, \$225,000 was required to be settled in shares of Artemis. As at 18 March 2010, 2,781,066 shares were issued at \$0.10 per share. These shares at the date of this report are trading at \$0.04 per

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**DIRECTORS' DECLARATION**

The directors of the company declare that:

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 2010 and performance for the year ended on that date of the company,
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 year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the year comply with the Australian Accounting Standards (including Australian Accounting Interpretations); and
  - (c) the financial statements and notes for the 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.



**D K BARWICK**  
Director



**R. J CANNING-URE**  
Director

Dated at Brisbane this 26th day of May 2010

## INDEPENDENT AUDIT REPORT

To The Members of Orion Metals Limited

### Report on the Financial Report

We have audited the financial report of Orion Metals Limited, which comprises the statement of financial position as at 28 February 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the company.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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 opinions.

### **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 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

### **Auditor's 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 company's financial position as at 28 February 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Emphasis of Matters on Going Concern and Carrying Value of Exploration Expenditure**

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1(a). 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 expenditure of \$1,102,864 (28 February 2009: \$1,493,988) as summarised in Note 12. The ability of the company 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 company 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 company's plans not eventuate.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 28 February 2010. 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 2010, complies with section 300A of the Corporations Act 2001.

BDO Audit (QLD) Pty Ltd

A small, stylized version of the BDO logo, with the letters 'BDO' in blue and red.

A handwritten signature in blue ink, appearing to read 'C R Jenkins', written over a horizontal line.

C R Jenkins

Director

Brisbane, 26 May 2010

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

As auditor of Orion Metals Limited for the year ended 28 February 2010, 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.



Craig Jenkins

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 26 May 2010