



ORION METALS LIMITED

Orion Metals Limited (ASX:ORM)
71 Lytton Road East Brisbane Qld 4169
GPO Box 122 Brisbane Qld 4001
Phone: 61 7 3249 3060
Fax: 61 7 3249 3061
ABN 89 096 142 737

QUARTERLY REPORT to 31 MAY 2010

ASX release - 30 June 2010

ORION METALS LIMITED

ASX Code : ORM

Issued Capital (at 31/05/2010):
49,391,686 Shares issued/ listed
12,347,928 Options issued/listed

500,000 unlisted broker Options

568 shareholders

Top 20 shareholders:
Hold 74.5 % of listed Shares

Managing Director:
Mr James Canning-Ure

Non Executive Directors:
Mr David Barwick - Chairman
Mr Andrew Gillies
Mr Adrian Day

Company Secretary:
Mr Bill Lyne

Largest Shareholders:
Metallica Minerals Ltd 29.90%
Jien Mining Pty Ltd 14.98%

Cash Balance:
As at 31 May 2010, ORM's cash
balance was \$1.147M.

HIGHLIGHTS

- The Company undertook a successful rights issue to raise \$1.235 million to fund a drilling programme at the Top Camp gold-copper prospect (located near Cloncurry), working capital and further drilling exploration activities.
- Drilling of 8 RC holes at the Top Camp mining lease was completed in June with assay results due in July.
- Managing Director James Canning-Ure was appointed on a part-time basis on 18 March 2010.
- Malcolm Creek Gold Project JV partner Newmont Exploration Pty. Ltd. has completed field work and advised that a drilling programme is to start during the next quarter.
- The Company continues to assess other gold and rare earth metals opportunities and explore new project generation concepts.
- Orion is reviewing a number of exploration tenements in north & central Queensland for mineral accumulations that may host rare earth elements (REE).



Operations Summary

During the past quarter Orion recapitalised by conducting a fully underwritten rights issue which raised \$1.235 million and was oversubscribed. The funds from the capital raising have been utilised to progress the exploration program on the “Top Camp” (Cloncurry) gold project during June and the remaining funds will be utilised as working capital and to advance our exploration programme throughout the remainder of the financial year.

Due to the level of take up of the Rights Issue and to maximise capital raising opportunities, it was resolved by the Board that the residual shortfall from the Rights Issue be allocated only to those underwriters who were not related parties to the Company. The Directors each agreed to forego their entitlement to the residual shortfall of Shares under the Rights Issue and resolved to offer a separate placement of Shares on the same terms as the Shares offered under the Rights Issue. This placement will raise a further \$315,000 for the Company to progress project generation activities and to satisfy working capital requirements, subject to the shareholders approval.

The Orion Metals Limited Board: Non Executive Directors Andrew Gillies, Adrian Day and Chairman David Barwick. Managing Director James Canning-Ure and Company Secretary Bill Lyne.





TOP CAMP GOLD PROJECT

At the Top Camp gold-copper project, located 40km south west of Cloncurry near Mount Isa in Queensland, a programme of eight (8) RC holes was completed on 18 June 2010 for a total of 1,554 metres in the central part of the Company's mining leases.

Five of the holes were drilled into a discrete bulls-eye magnetic anomaly beneath Mary Douglas Hill, the site of an historic lode and alluvial gold workings. Three of the five holes intersected altered magnetite rock. Other than extensive alteration and quartz there was no other obvious visible mineralisation evident. The samples are now subject to laboratory analysis to determine if any gold is present as it is not usually visible in these samples.

The remaining three holes were drilled into magnetic anomalies which were peripheral to the central zone. These also intersected magnetite mineralisation which was of a type different to that observed at Mary Douglas Hill.

Quantitative analysis of the samples taken from the "collar" to the base of each hole is underway. We anticipate that these will be available for disclosure in July 2010.

Qualitative geological correlation and analysis of the features intersected is presently being conducted and we expect these results will also be completed and available in July 2010.

If the analysis shows significant gold and copper then this observation in combination with the intersected Magnetite mineralisation may be indicative of an "Iron Oxide Copper Gold" target similar to others located in the Cloncurry area. A future drilling programme would then be required to determine if this prospect would be of a commercial size and grade (ie. similar to Ernest Henry, Mt. Elliott and Starra Line).

MALCOLM CREEK GOLD PROJECT

Located 80 km south Georgetown, Malcolm Creek contains gold bearing breccias, porphyry and quartz vein swarms similar in style to the Kidston gold deposit. This project was previously based upon EPM 14231 which has now been conditionally surrendered upon the grant of a larger tenement (EPM 17739) which includes the area previously included in the original tenement.

Under the joint venture agreement with Newmont Exploration Pty Ltd, they will conduct a minimum initial \$250,000 exploration program under the Farm-in Agreement, which will form part of the earn-in expenditure of up to \$2 million where Newmont may earn an interest of up to 70% over four years. ORM retains the right to contribute in proportion to its equity at decision points of 51%: 49%, 60%: 40%, and 70%: 30%. If ORM fails to contribute at



these equity positions, Newmont may then spend an additional \$1 million for a cumulative expenditure of \$3 million to earn equity of 80%.

Newmont has spent the wet season reviewing all field results from geochemical and geophysical data in relation to geological mapping. It is their intention to test some discrete drill target features by drilling during the next quarter.

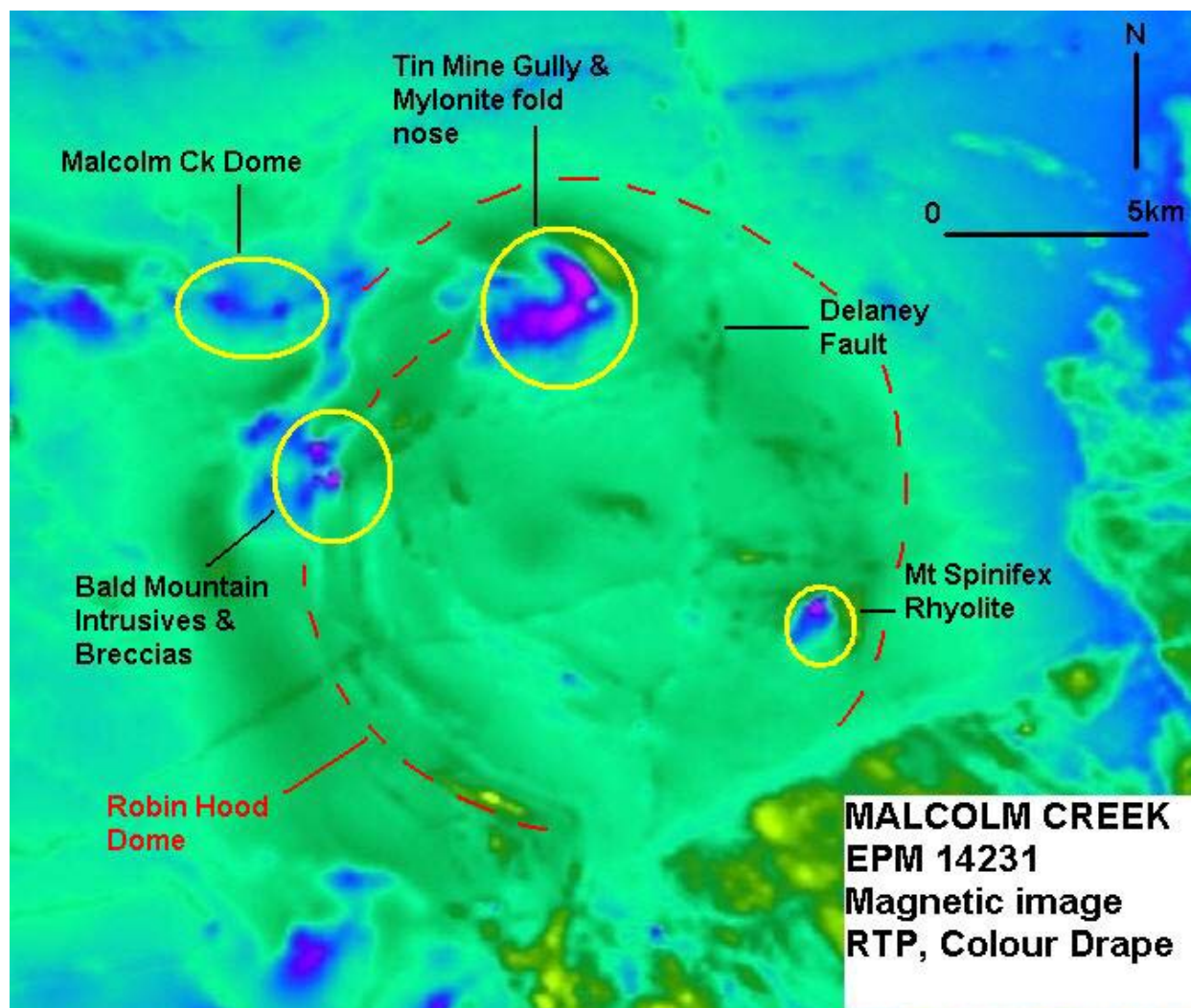


Figure 1: *Malcolm Creek Magnetic overlay. Areas of rapid reversal of magnetic polarity may be prospective for gold (pink/blue colour changing to green).*

FULFORD & BONNOR CREEKS

Located northeast of Mt Surprise and southeast of Chillagoe, Fulford Creek (EPM 18331), Bonnor Creek (EPM 18449), and Dickson Creek (EPMs 17011 & 17891 & MLA 30128) show heavy mineral concentrations in creeks and streams



draining from radiogenic granites that contain significant monazite and perhaps xenotime (which host rare earth elements - REE).

Applications have been made for two Exploration Permits and an option signed on two other Exploration Permits and one Mining Lease Application north of Mt Surprise and north-east of Georgetown in far north Queensland.

It is planned to sample these drainages and have mineral assemblages identified and analysed for their contained rare earth elements. Some reconnaissance samples have been examined by a consultant petrologist who confirms the existence of monazite in the heavy mineral suite.

LESTREE HILL

Applications have been made for an Exploration Permit on a series of intrusive plugs in central Queensland that have a peculiar magnetic signature and are associated with old stream channels that are magnetically anomalous.

Located 90 kilometres west of Clermont, Lestree Hill (EPM 18495) has magnetically anomalous intrusive volcanic pipes on a major northeast structure that may be prospective. If these are shown to be of an unusual chemical composition they may represent a host for rare earth mineralisation.

Initial reconnaissance samples of heavy mineral concentrates have been examined by a consultant petrologist and his report is being evaluated.

PROPOSED WORK PROGRAMMES TO 31 August 2010

The following exploration programmes are envisaged in the following quarter:-

- **Malcolm Creek Gold Project** - testing of drilling targets by Orion's joint venture partner, Newmont.
- **Top Camp Gold Project** - evaluation of drilling results for the 8 holes that were drilled in June 2010 and volumetric modelling of the area to determine the next steps in the exploration programme.
- **Fulford & Bonnor Creeks and Lestree Hill** - data compilation and assessment and initial reconnaissance work.



TENEMENT INFORMATION (as at 31 May 2010)

Tenement	Project Name	Registered Holder	Orion Interest	Commodity
EPM 17739*	Malcolm Creek	^FH Skerritt 50% ^S B Terry 50%	100% subject to 1% Net Smelter	gold
EPMA 18331	Fulford Creek	ORM 100%	100%	rare earth elements
EPMA 18449	Bonnor Creek	ORM 100%	100%	rare earth elements
EPMA 18495	Lestree Hill	ORM 100%	100%	rare earth elements
EPM 17011	Black Springs Ck	J W Withers	100% subject to royalty	all minerals
EPMA 17891	Dickson Creek			
MLA 30128				

Table 1: Orion Metals Ltd. Exploration permits for minerals (EPM) and mining lease applications (MLA). (^Orion has an agreement with the registered holders that delivers 100% ownership to Orion Metals Limited. *EPM 14231 was conditionally surrendered and replaced by EPM17739 which includes the area of the original tenement).

Mining Lease	Project Name	Registered Holder	Orion Interest	Commodity
ML 2764	Top Camp	ORM 100%	100%	gold copper
ML 2785				
ML 2786				
ML 2792				
ML 1035	Rutherfords Table	ORM 100%	100%	gold
ML 1060				

Table 2: Mining leases (ML).

James Canning-Ure
Managing Director
Orion Metals Limited
Ph 07 3249 3060

In accordance with Listing Rules 5.1 and 5.12 of the Australian Securities Exchange technical information contained in this report has been compiled by **Mr. Adrian Day BSc (Geology), MAIG, MSEG, MGSA** who is a competent person and member of the Australasian Institute of Geoscientists. Mr Day has relevant experience to the mineralisation being reported on to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves. Mr Day is a non-executive Director of Orion Metals Limited and part-time consultant to the company. He consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Orion Metals Limited

ABN

89 096 142 737

Quarter ended ("current quarter")

31 May 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	20	20
1.2 Payments for		
(a) exploration & evaluation	(2)	(2)
(b) development	-	-
(c) production	-	-
(d) administration	(174)	(174)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(148)	(148)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(5)	(5)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(5)	(5)
1.13 Total operating and investing cash flows (carried forward)	(153)	(153)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(153)	(153)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,235	1,235
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(126)	(126)
1.18	Dividends paid	-	-
1.19	Share issue costs	(26)	(26)
	Net financing cash flows	1,083	1,083
	Net increase (decrease) in cash held	930	930
1.20	Cash at beginning of quarter/year to date	217	217
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,147	1,147

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	30
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The Company issued 24,695,843 shares during the quarter pursuant to an underwritten 1:1 rights issue. Proceeds net of issue costs were \$1,210,000.

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	275
4.2 Development	
4.3 Production	
4.4 Administration	175
Total	450

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	62	6
5.2 Deposits at call	1,085	211
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,147	217

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EPM 14231	Malcolm Creek Conditionally surrendered upon the grant of EPM 17739	100% Subject to 1% Royalty Net Smelter	Nil
6.2 Interests in mining tenements acquired or increased	EPM 17739	Malcolm Creek Fully replaces EPM14231	Nil	100% Subject to 1% Royalty Net Smelter

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities 31/5/10	49,391,686	49,391,686	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	24,695,843 -	24,695,843 -	- -	- -
7.5 +Convertible debt securities (description)	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7 Options 31/5/10 (description and conversion factor)	500,000 12,347,928	500,000 12,347,928	<i>Exercise price</i> 80 cents 12 cents	<i>Expiry date</i> 3/1/11 25/2/11
7.8 Issued during quarter	12,347,928	12,347,928	12 cents	25/2/11
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
Managing Director

30 JUNE 2010
Date:

Print name: James Canning-Ure

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.