

Orion Metals Limited (ASX:ORM)
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QUARTERLY REPORT TO 28 FEBRUARY 2011

31 March 2011

HIGHLIGHTS

ORION METALS LIMITED

ASX Code: ORM

Issued Capital (28/2/2011)

79,597,443 Shares issued & listed

2,500,000 Unlisted Directors' Options
500,000 Unlisted Consultant's Options

839 Shareholders

Top 20 shareholders:

Hold 65.5 % of Listed Shares

Board :

Mr. David K Barwick – Chairman
Mr. James Canning-Ure – Managing
Director
Mr. Andrew Gillies – Director
Mr. Adrian Day – Director
Mr. Tao Li – Director
Mr. Bill Lyne – Company Secretary

Largest Shareholders (current)

Metallica Minerals Ltd	14.9%
Mr Conglin Yue	14.6%
Jien Mining Pty Ltd	14.0%
Directors	9.3%

Cash Balance:

As at 28 February 2011, approx \$ 4.4 million.

- Orion announced shallow drilling results in December on its 100% owned rare earth project at Killi Killi Hills WA that confirmed high concentrations of valuable HREE elements and gold.
- Killi Killi gold results were released on the 13th of December with best drill intercept averaging 6 metres of 5.85 g/t Au.
- The sale of the Company's Rutherfords Table project for \$450,000 is continuing and expected to settle during the May quarter.
- Orion's shareholders converted 99 % of their February 2011 Options (ASX:ORMO) - raising a further \$908,000.
- In January 2011 Orion increased its landholding in the Killi Killi area in successfully applying for tenements E 80/ 4559 and E 80/ 4558.
- Ongoing assessment and review of several gold and rare earth opportunities and projects including ongoing discussions with tenement neighbors.
- Subsequent to year end in March Orion strengthened its land holding in the Tanami to 616 sq kilometres having agreed to acquire and JV with Metal Bank Ltd on tenement E80/4212 and Orion's tenement application for E 80/4596.

QUARTER IN REVIEW

Orion is continuing to expand its holding in the Tanami region and as at the date of this report we have acquired over 616 sq klms of tenements. A full list of our current tenements as at the date of this report is listed in the map on page 6.

The results we received in December 2010 have provided us with enough information and confidence to not only apply for new tenements but to accelerate our drilling programme and field work in the Tanami region.

We are delighted that the market and media are developing an understanding of opportunities for rare earth elements (REE) and Orion's strong heavy rare earth element (HREE) prospects.

There has been healthy discussion on the worldwide demand for rare earth elements and we note with interest that China has recently flagged its interests in importing heavy rare earth elements (HREE).

Over the past quarter we have reviewed a number of REE and gold projects for potential acquisition, JV or farm in and this has reinforced the value of Killi Killi. Through our prudent management and expenditure controls, Orion ended the quarter with approximately \$ 4.4 million in cash and no debt. We are in a sound financial position with cash reserves of approximately 5.5 cents per share which will allow for an extensive exploration program in the coming months.

PROJECT UPDATES

KILLI KILLI HILLS – Rare Earth Element Project (200 kms south-east of Halls Creek, WA)

- **E80/4029, E80/4197, E80/4558 & E80/4559 – Rare earths, uranium and gold**

Final analyses of drillhole samples were received during the quarter and announced in an ASX release on 23rd of December 2010. These shallow holes confirmed the rock chip sampling in that significant concentrations of HREE and gold continued downdip from the outcrop. The first hole in the programme was 6 metres deep and returned an average of 5.85 g/t Au over its entire length and another 22 one metre samples recorded anomalous gold levels.

The confirmation of the continuing association of HREE and gold plus minor uranium provides evidence that the prospect offers an intriguing exploration target. We also applied in January this year for 2 new tenements E80/4558 & E80/4559 for a total of 39 sq klms. After the end of the quarter, as part of its ground acquisition strategy, ORM entered into a purchase and joint venture agreement with Metal Bank Ltd (ASX:MBK) on E80/4212 which when concluded will add 216 kms² to its enlarged Killi Killi tenure holding in the area. The MBK licence hosts a concealed granite intrusion with an interpreted extensive alteration halo, and may be the source of the mineralised fluids responsible for the Killi Killi REE and gold occurrences.

Also subsequent to end of the quarter, application was made for another exploration licence of over 300 kms² in the Selby Hills area, 75 kms west of Killi Killi on a large regional unconformity overlying a metasedimentary/granite basement. The area has only been

poorly explored in the past and is considered prospective for Killi Killi-style REE and gold mineralisation.

RUTHERFORDS TABLE – Gold Project (150 kms south-west of Bowen)

- **MLs 1035 & 1060 - Alluvial goldfield with established resources and production plant.**

On 17 November, Orion announced it had entered into a tenement sale contract with Goodland Mining Pty Ltd to sell Rutherfords Table (ML 1035 & ML 1060) and plant and equipment for \$450,000 plus GST. This transaction is now proceeding through the statutory processes.

MALCOLM CREEK – Gold Project (80 kms south Georgetown)

- **Malcolm Ck EPM 14231, EPMA 17739 – Gold bearing breccias, porphyry and quartz vein swarms similar in style to the Kidston gold deposit.**

On the 18th of January this year ORM was advised by Newmont Exploration Pty Ltd that the results of its four hole drilling programme were disappointing and that it would be terminating the joint venture agreement. As a result of this notification from Newmont the company has decided to withdraw from its royalty agreement with the tenure holders.

TOP CAMP – Gold-Copper Project (40 kms south of Cloncurry)

- **MLs 2764, 2785, 2786 & 2792 – Newly discovered magnetite bodies in an alluvial goldfield with hard rock gold and copper prospects.**

Following the discovery of new bodies of magnetite that appear spatially related to alluvial gold workings and hard rock gold and copper occurrences, the results of the drilling programme are being evaluated. Future exploration options are currently being considered including JV farm out.

FULFORD & BONNOR CREEKS (northeast of Mt Surprise and southeast of Chillagoe)

- **Fulford Creek EPM 18331, Bonnor Creek EPM 18449, and Dickson Creek EPMS 17011 & 17891 & MLA 30128 – Heavy mineral concentrations in streams draining radiogenic granites that contain monazite and xenotime minerals which host rare earth elements (REE).**

The total holding of directly owned and optioned tenements in the Fulford-Bonnor Creeks project area is now 580 kms², and the formal granting of these titles is proceeding.

These tenements are contiguous cover creek systems draining radiogenic granites where past alluvial tin operations have encountered heavy mineral concentrations that contain monazite and possibly xenotime.

Sampling, identification and analysis is now planned in the coming dry season to determine the rare earth elements contained in the drainages and mineral assemblages. Initial reconnaissance samples that have already been examined by a consultant petrologist have confirmed the existence of monazite in the heavy mineral suite.

PROPOSED WORK PROGRAMMES TO 31 MAY 2011

The following exploration programmes are proposed for next quarter:

- **Killi Killi Hills** – A field programme of identifying radiometric and geochemical anomalies is scheduled for April with an aircore drilling campaign to follow commencing in May.
- **Top Camp** – Assessment of drill results and formulation of future exploration works including seeking a joint venture partner.
- **Fulford & Bonnor Creeks** – Data compilation and assessment and initial reconnaissance following the wet season.
- **Project appraisal** – Ongoing assessment of new gold and rare earth project opportunities.

CORPORATE

On 25th of February 2011 we successfully had over 99% of options converted with the raising of a further \$908,000, providing the company with a strong cash balance of over \$4.4 million at quarter and financial year end.

On 17 November 2010, the Company announced the sale of Rutherfords Table for \$450,000 which is now unconditional following satisfactory due diligence and indicative Ministerial approval and we are expecting settlement on this project in April, 2011.

These additional funds will be used to progress Orion's rare earth project exploration activities, and we are aiming to be on the ground in Killi Killi in April 2011 with a further drilling program planned for late 2011. The funds will also be used to progress gold prospects and to seek other opportunities.



James Canning-Ure
Managing Director
Orion Metals Limited
Ph 07 32493060

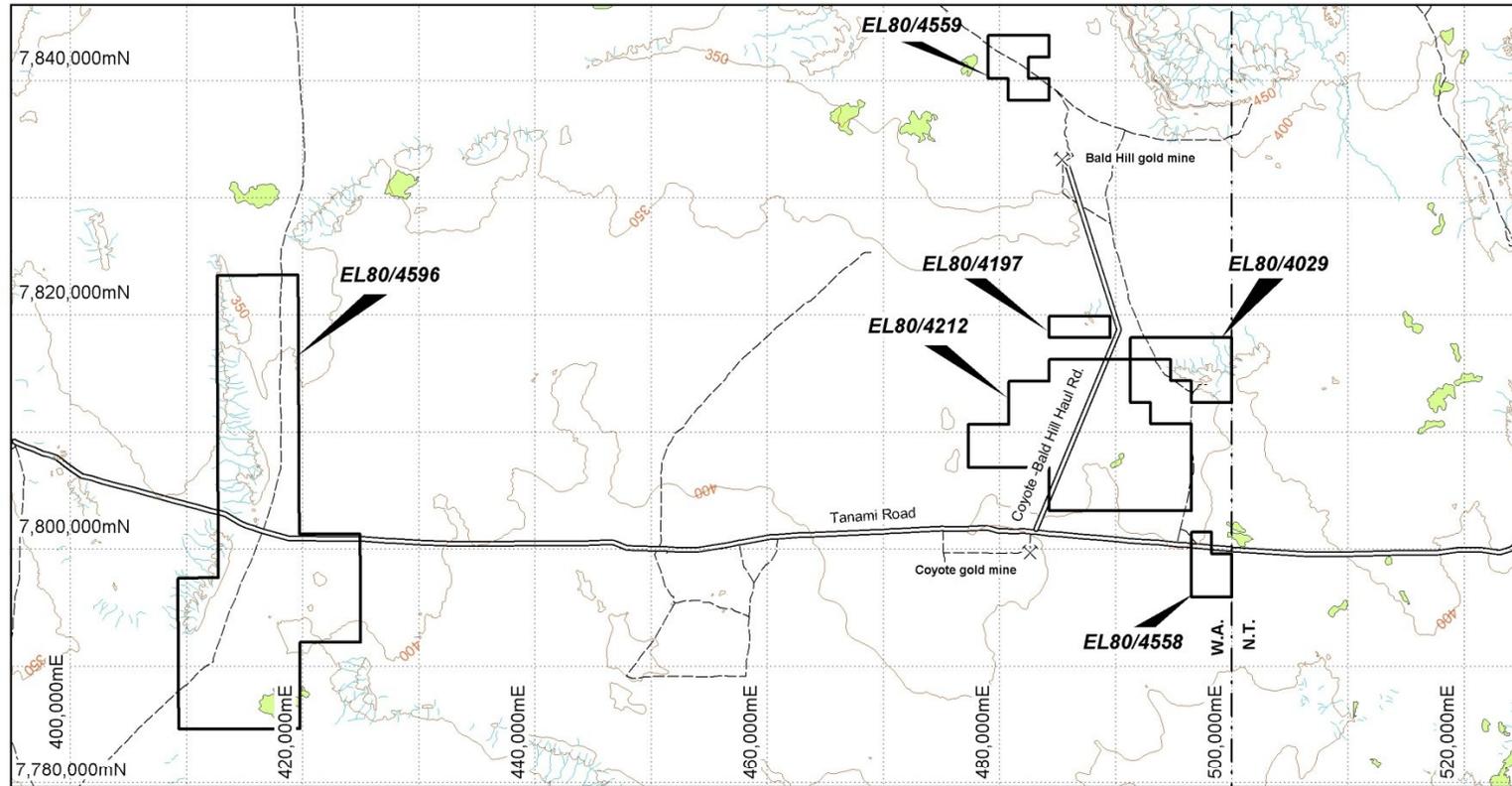


In accordance with Listing Rules 5.1 and 5.12 of the Australian Securities Exchange technical information contained in this report has been compiled by Mr. Adrian Day BSc (Geology), MAIG, MSEG, MGSA who is a competent person and member of the Australasian Institute of Geoscientists. Mr Day has relevant 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.

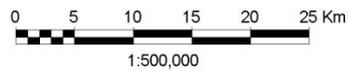
TENEMENT DETAILS AS AT 28 FEBRUARY 2011

Tenement	Project Name	Registered Holder	Status	Orion interest	Date of Grant	Number of Sub-Blocks	Commodity	Minimum Expenditure
E80/4029 E80/4197	Killi Killi Hills	Rich Resources Investments Pty Ltd 100%	Granted		16/4/2009 15/10/2009	10 3	Rare Earth Elements, Gold, Uranium	\$20,000 \$15,000
E80/4558	Tanami East	Rich Resources Investments Pty Ltd 100%	Application 6/01/2011			5	Rare Earth Elements, Gold, Uranium	N/A
E80/4559	Gardner Range West	Rich Resources Investments Pty Ltd 100%	Application 6/01/2011			7	Rare Earth Elements, Gold, Uranium	N/A
EPMA 18331 EPMA 18850	Fulford Creek	ORM 100%	Application (9/10/09) Application (1/9/00)	100%		42 100	Rare Earth Elements	\$50,000 \$2,500
EPMA 18449	Bonnor Creek	ORM 100%	Application (9/12/09)	100%		25	Rare Earth Elements	\$50,000
EPM 17011, EPMA 17891 MLA 30128	Black Springs Creek Dickson Creek	J W Withers	Granted Appl'n (3/11/08) Appl'n (15/9/08)	100% subject to royalty	16/6/2008	4 8 35.2 ha	All minerals	\$2,500 \$2,500 N/A
Mining Lease	Project Name	Registered Holder	Status	Orion interest	Date of Grant	Area hectares	Commodity	Minimum Expenditure
ML 2764	Top Camp	ORM 100%	Granted	100%		103	Gold	N/A
ML 2785	Top Camp	ORM 100%	Granted	100%		129.2	Copper	
ML 2786	Top Camp	ORM 100%	Granted	100%		70		
ML 2792	Top Camp	ORM 100%	Granted	100%		105		
ML 1035	Rutherfords Table	ORM 100% Pending sale	Granted	100%		32.36	Gold	N/A
ML 1060	Rutherfords Table	ORM 100% Pending sale (Goodland Mining Pty Ltd)	Granted	100%		211.7		



LEGEND

-  Major road
-  Track
-  Contour
-  Forest of shrub



ORION METALS LIMITED

KILLI KILLI PROJECT

TENEMENT LOCATIONS

COMPILED BY	A. DAY	FEB 11	SCALE 1:500,000
DRAFTED BY	K.J. CORRIE	FEB 11	Proj. MGA84 Zone 52
REVISED			DWG No.

FIGURE 2

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

ORION METALS LIMITED

ABN

89 096 142 737

Quarter ended ("current quarter")

28 FEBRUARY 2011

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	20
1.2	Payments for (a) exploration & evaluation	(239)	(544)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(138)	(794)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	42	85
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	(335)	(1,233)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(5)
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	222
	(c) tenements	50	50
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	50	267
1.13	Total operating and investing cash flows (carried forward)	(285)	(966)

1.13	Total operating and investing cash flows (brought forward)	(285)	(966)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	908	5,399
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(126)
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	(7)	(160)
	Net financing cash flows	901	5,113
	Net increase (decrease) in cash held	616	4,147
1.20	Cash at beginning of quarter/year to date	3,748	217
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,364	4,364

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	104
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

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

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	400
4.2 Development	-
4.3 Production	-
4.4 Administration	220
Total	620

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	825	6
5.2 Deposits at call	3,539	3,742
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,364	3,748

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 17739 EPMA 18495	Malcolm Creek Lestree Hill	100% 100%	NIL NIL
	6.2	Interests in mining tenements acquired or increased	E80/4558 E80/4559	Tanami East Gardner Range west	NIL NIL

Issued and quoted securities at end of current quarter

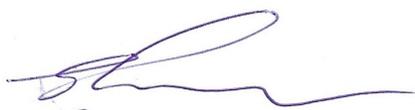
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		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)	N/A	N/A		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	79,597,443	79,597,443		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,561,557	7,561,557	12 cents	12 cents
7.5	+Convertible debt securities (description)	N/A	N/A		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	3,000,000	NIL	Exercise price	Expiry date
7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	7,561,557	7,561,557	12 cents	12 cents
7.10	Expired during quarter	92,171	92,171	12 cents	12 cents
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

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 5).

2 This statement does /does not* (delete one) give a true and fair view of the matters disclosed.



Sign here: Date:31 March 2011.....
(Director/Company secretary)

Print name:Bill Lyne.....

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 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report.

5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting 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.

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