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ORION METALS LIMITED
(ASX: ORM)

REPORT FOR THE QUARTER ENDED 31 AUGUST 2012

KEY ACTIVITIES

EXPLORATION

- 1848 m drilling programme completed at Killi Killi East and West prospects.
- Review of all exploration projects to be conducted following completion of takeover by Conglin Group.

CORPORATE

- Takeover by Conglin Group successfully completed with Conglin emerging with 68.9% of the issued capital post completion
- New Board appointed
- Cash balance at 31 August of \$2.6 million

EXPLORATION REPORT

Project Updates

KILLI KILLI HILLS

RARE EARTH ELEMENT (REE) & GOLD PROJECT

200kms southeast of Halls Creek, WA

E80/4029, E80/4197, E80/4556, E80/4558, E80/4559

Analytical results from the May 2012 rock chip sampling programme at Killi Killi East Prospect were received during the quarter under review, and a drilling programme of 32 RC holes was completed on both Killi Killi East & West Projects.

At the **Killi Killi East Prospect** 39 rock chip samples were collected in May from silicified conglomerate-dominated outcrops interbedded with sandstones in the 800 metre interval between the two known REE prospects KKE 1 & 2. Assay results from this programme implied that REE mineralisation at Killi Killi East had a strike length in excess of 1 kilometre notwithstanding that previous sampling failed to detect any significant REE mineralisation in the units immediately above the unconformity connecting the 2 prospects. This recent programme concentrated on conglomerate lenses a few metres above the unconformity which were therefore higher in the stratigraphic section. As a result and because of the flat-dipping attitude of the sequence, the rock chip assays indicated the potential for a new broad zone of highly significant REE mineralisation – far more extensive than previously recorded.

Because these new geochemical results were so encouraging, a 24 hole RC drilling programme for a total of 908 metres was completed in July. The analytical results from this programme were extremely disappointing with little anomalous REE geochemistry being recorded. This outcome indicated that there was no persistence of the surface indications laterally along strike and to depth. This downgrades the hydrothermal concept for the origin of the mineralisation and has prompted an overall review of the project.

At the **Killi Killi West Prospect** a similar distribution of REE, anomalous in outcrop but not in drill hole intercepts, was noted in the first drilling programmes conducted on the property. In July an 8 hole 940 metre programme was completed essentially to delineate the eastern extent of the broad anomalous gold zone discovered in previous drilling. As was expected, no REE values were recorded but limited gold mineralisation was intersected in 3 holes, as follows:-

KKO - 111	36 to 40m	4 metres @ 0.50 g/t Au
KKO – 113	56 to 60m	4 metres @ 3.00 g/t Au
KKO – 116	68 to 76m	8 metres @ 4.20 g/t Au

In the coming months the Killi Killi Project will be reviewed using independent consultants and internal experts in order to plan the next phase of field activities. This will include programming of reconnaissance exploration of the 4 exploration licences yet to be granted in the region.



BROUGHTON CREEK

REE – U PROJECT

30km south of Mary Kathleen, N QLD
EPM's 16209, 17143, 17974, 18075, 19011

No field work was conducted during the quarter as the Company's primary efforts were focussed on facilitating the takeover process instigated by the Conglin Group.

With expenditure on the project being deferred, negotiations to extend completion of the initial expenditure requirements on the project as stipulated by the joint venture agreement had been initiated at the end of the quarter. These negotiations resulted in the extension of the compliance date for completion of the required expenditure to 28 February 2013 and to the date for issuing 250,000 Orion shares until 30 September 2012.

FULFORD & BONNOR CREEKS

ALLUVIAL REE PROJECT

Northeast of Mt Surprise and southeast of Chillagoe
Fulford Creek EPM18331
BonnorCreek EPM18449
Dickson Creek EPMs 17011 & 17891 MLA 30128

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.

In the next quarter broad regional sampling is planned to determine the heavy mineral assemblages in the various drainages and the rare earth elements contained in the monazite/xenotime components. Initial reconnaissance samples that have already been examined by a consultant petrologist have confirmed the existence of monazite in the heavy mineral suite.

TOP CAMP

GOLD COPPER PROJECT

40km south of Cloncurry
ML's 2764, 2765, 2786, 2792

The project is presently being reviewed by potential joint venture partners with the view to drilling deeper holes on the new bodies of magnetite mineralisation discovered in ORM's previous drilling.

Proposed Work Programs

As part of the review of the Company's operations and management following the takeover by the Conglin Group, ORM's exploration projects are to be subject to a review and assessment by external experts.

CORPORATE

TAKEOVER BY CONGLIN GROUP

On 31 May 2012, in a joint announcement with the Conglin Group (Conglin), ORM advised the market that Conglin would make a cash offer of 16 cents per share, via an off-market takeover offer, for all of the Company's issued shares with the intention of acquiring a controlling interest in ORM. In the announcement, the then Directors of ORM unanimously recommended that ORM shareholders accept Conglin's offer.

On 12 July 2012 in a notice to the ASX, Conglin advised that the bid was free of defeating conditions and on 20 July 2012 Conglin advised the closure of the offer and that at the conclusion of the offer period Conglin controlled 68.9% of the issued capital of the Company.

Following the completion of the takeover, Mr Conglin Yue, his wife Ms Yanchun Wang and Conglin Group Managing Director Mr Bin Cai were appointed as Directors of the Company. Messrs Andrew Gillies and Adrian Day resigned from the Board while Mr Tao Li remained as a Director. Mr Yue was appointed Chairman in place of Mr David Barwick who remained as a Director to aid the transition to the new Board. Since the end of the quarter, Mr Barwick has announced his resignation from the Board with effect from 30 September 2012.

At the completion of the takeover, Conglin announced their intentions that:

- ORM shares would continue to trade on the ASX
- ORM would seek to increase its exploration, evaluation and development focus, and
- Conglin may introduce asset acquisition opportunities to ORM.

Conglin had previously advised in its Bidder's Statements that it would conduct a review of the business and management of the Company once the takeover was completed. This review is ongoing and announcements regarding the future direction of the Company are expected in the near future.

ULTIMATE RESOURCES PTY LTD

On 26 April 2012, ORM announced that it had reached an agreement (subject to certain conditions) to acquire the shares held by the major shareholders of Ultimate Resources Pty Limited (Ultimate) and that the Company was also extending the offer to the remaining shareholders of Ultimate on the same terms and conditions as for the major shareholders. The agreement and offer would result in ORM exchanging 3 shares in ORM for each Ultimate share held.

At the time of the announcement, ORM held a 17.1% shareholding in Ultimate which was in the process of acquiring two REE projects in South Korea, Hong Chon and Eorae San. To assist Ultimate in maintaining its operations and in acquiring the projects, Orion advanced Ultimate a total of \$423,296.38.



Following the announcement of the agreement to acquire Ultimate, Conglin announced its takeover offer for Orion. On 22 June 2012 Conglin advised the market that it had formed the view that the acquisition was not in the best interests of shareholders and should not proceed. Following negotiations between Conglin, Ultimate and Orion an agreement was reached under which:

- Ultimate would convert the loan of \$423,296.38 into 1,410,988 ordinary fully paid shares in Ultimate
- Orion would advance a further \$500,000 to Ultimate in return for the issue of 1,666,667 ordinary fully paid shares in Ultimate
- ORM would be entitled to appoint 2 Directors to the Ultimate Board
- The acquisition of Ultimate would be terminated.

As a result of the agreement ORM controls 43.99% of Ultimate and has appointed ORM Directors Messrs Conglin Yue and Bin Cai to the Ultimate Board.



CORPORATE DIRECTORY

ORION METALS LIMITED

ASX Code: ORM

ABN: 89 096 142 737

Issued Capital at 31 August 2012

88,597,443 Shares issued & listed

1,000,000 Unlisted Options

420 Shareholders

Top 20 shareholders

Hold 92.5% of Listed Shares

Board

Mr. Conglin Yue – Chairman (Appointed 25 July 2012)

Mr. Bin Cai – Director (Appointed 25 July 2012)

Ms. Yanchun Wang - Director (Appointed 3 August 2012)

Dr. Tao Li – Director

Mr. David K Barwick – Director (Resigning 30 September 2012)

Management

Mr. Bill Lyne – Company Secretary

Largest Shareholders at 31 August 2012

Mr Conglin Yue / Conglin Group	68.9%
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Jien Mining Pty Ltd	15.9%
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Cash Balance

As at 31 August 2012 - approx \$2.6 million.

Competent Person's Statement

The information in this report that relates to exploration results and mineral resources is based on information compiled by Mr Adrian Day, who is a Member of the Australian Institute of Geoscientists and who has sufficient experience relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the "JORC Code"). Mr Day is a consultant to the Company. Mr Day consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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")

31 AUGUST 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(238)	(309)
(b) development	-	-
(c) production	-	-
(d) administration	(379)	(584)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	82	96
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	(535)	(797)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(750)	(924)
(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	(750)	(924)
1.13 Total operating and investing cash flows (carried forward)	(1,285)	(1,721)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,285)	(1,721)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	180	925
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	350
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	180	1,275
	Net increase (decrease) in cash held	(1,105)	(446)
1.20	Cash at beginning of quarter/year to date	3,685	3,026
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,580	2,580

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	41
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

Administration expenses include legal, registry and other costs associated with the Conglin Group takeover

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

Decrease in accrued interest income of \$48k.

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

+ See chapter 19 for defined terms.

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	350	350
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	
4.3 Production	
4.4 Administration	200
Total	500

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	23	38
5.2 Deposits at call	557	1,147
5.3 Bank overdraft	-	-
5.4 Other (term deposits)	2,000	2,500
Total: cash at end of quarter (item 1.22)	2,580	3,685

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	NIL		
6.2	Interests in mining tenements acquired or increased	NIL		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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 <i>(description)</i>	NIL	NIL		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	NIL	NIL		
7.3 *Ordinary securities As at 31 May 2012	87,097,443	87,097,443		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,500,000 -	1,500,000 -	12 cents	12 cents
7.5 *Convertible debt securities <i>(description)</i>	350,000	NIL		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -		
7.7 Options 31 May 2012 <i>(description and conversion factor)</i>	2,000,000 500,000	NIL NIL	<i>Exercise price</i> 12c 20c	<i>Expiry date</i> 29 July 2013 1 July 2014
7.8 Issued during quarter	NIL	NIL	NIL	NIL
7.9 Exercised during quarter	1,500,000	NIL	12c	29 July 2013
7.10 Expired during quarter	NIL	NIL	NIL	NIL
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ 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 5).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:
(~~Director~~/Company secretary)

Date: 28 September 2012

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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+ See chapter 19 for defined terms.