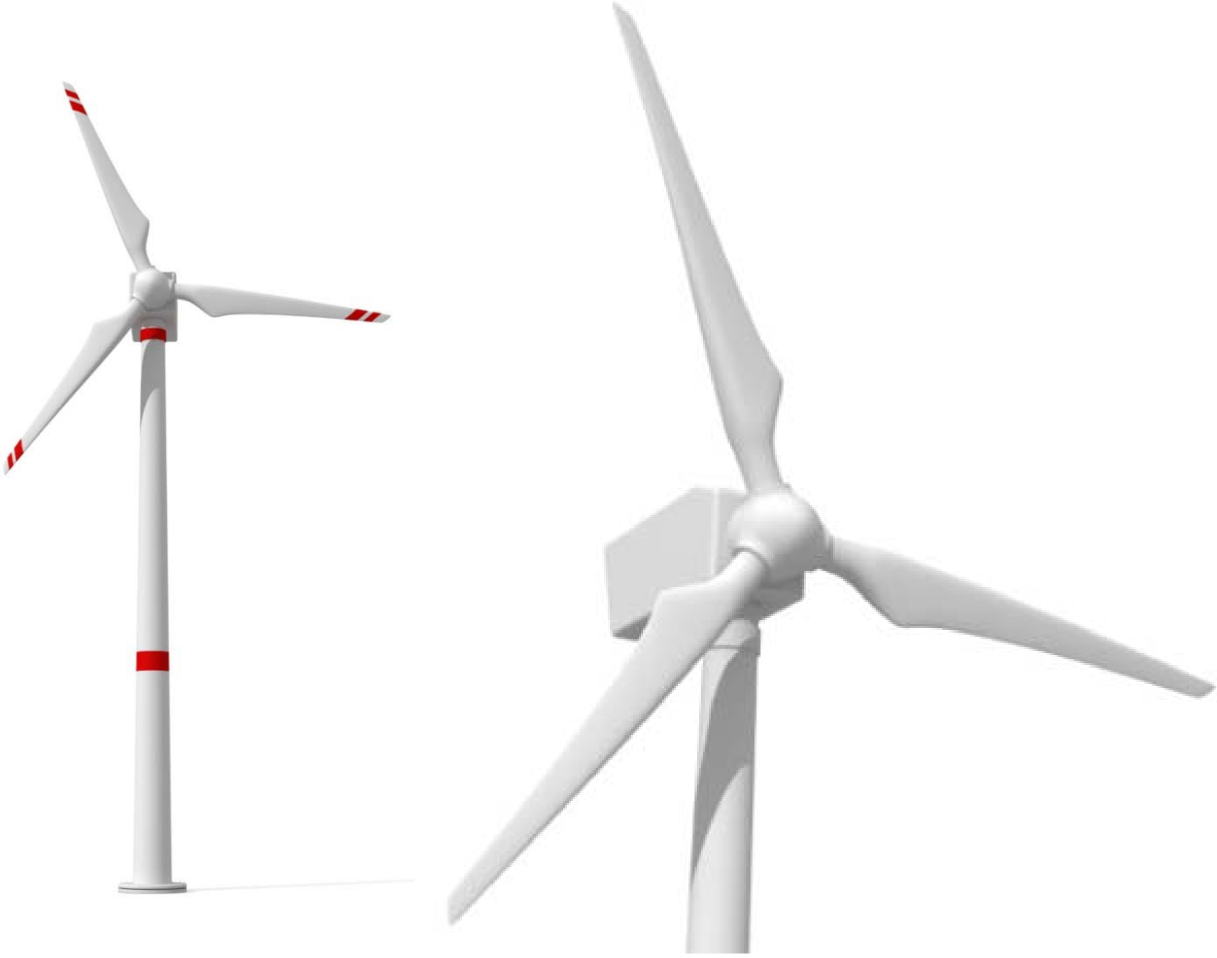
GOLD AND RARE EARTH METALS

Orion Metals Limited

ASX:ORM

ACN 096 142 737

ANNUAL REPORT 2010



It takes 1 tonne of rare earth metal magnets to generate three megawatts of wind energy

Gold continues set new price records

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Every Toyota Prius® contains 11 kilograms of rare earth metals

Orion

CORPORATE DIRECTORY

Directors

David Barwick	– Non-executive Chairman
James Canning-Ure	– Managing Director
Andrew Gillies	– Non-executive Director
Adrian Day	– Non-executive Director

Company Secretary

Bill Lyne

Solicitors

HopgoodGanim Lawyers
Level 8 Waterfront Place
1 Eagle Street
Brisbane Qld 4000

Bankers

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Brisbane Qld 4000

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ABN 89 096 142 737

Dear Shareholder,

The Company spent a considerable part of the last financial year preparing itself to take advantage of any upswing in the stock market and this allowed us in mid May 2010 to offer all Shareholders a one (1) for one (1) rights issue at five (5) cents with an attaching option for every two (2) shares held raising the maximum amount of $1,235,000.

The success of this financing has allowed the Company to immediately commence its drilling program at Top Camp which is located 40 kilometres south of Cloncurry. The Mining Leases at Top Camp have been mined for alluvial gold and also contain Copper-Gold prospects that have been mined in the past. These occurrences seem to be related to significant magnetic anomalies, the targets of this initial eight (8) hole drilling campaign.

We are focusing our efforts towards gold, rare earth or tech metal project opportunities to ensure we achieve the maximum possible from the funds recently raised.

In recent months we were fortunate to obtain the services of Mr. James Canning-Ure who is acting on a part time basis as our Managing Director and he will be responsible for identifying future opportunities for the Company to pursue.

To ensure you remain fully informed on our progress we are currently updating our web site and expect to have this completed by mid July.

I would like to thank my fellow Directors for their continued support and encourage as many shareholders as possible to attend our July Annual General Meeting.

Yours Truly,

D. K Barwick

Chairman

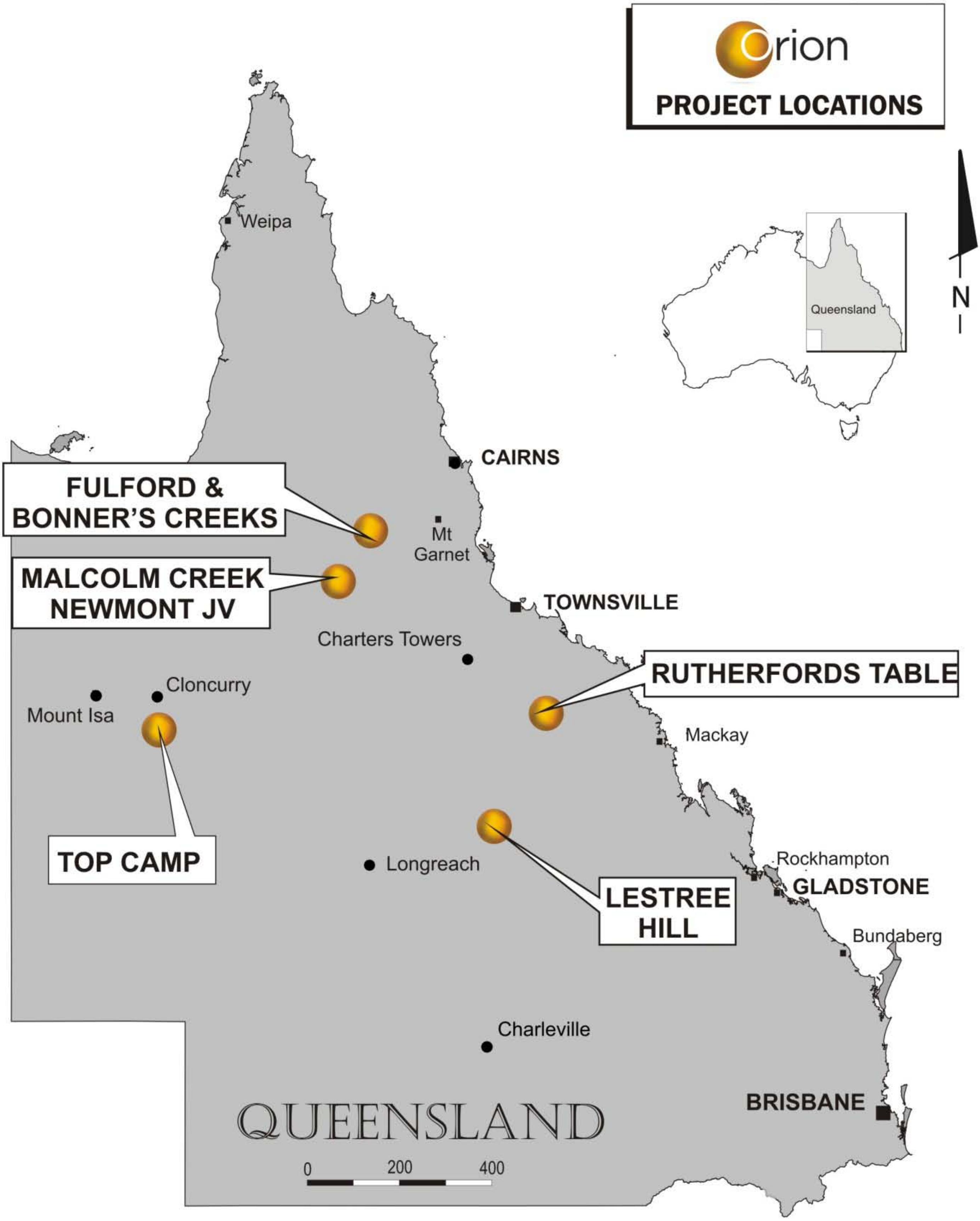
Outcrops at "Top Camp" near Cloncurry

OPERATIONS SUMMARY

The past financial year was a time for consolidation, restructuring and recapitalising. This allowed Orion to conduct a fully underwritten rights issue which raised $1.235 million in May 2010 which was oversubscribed. The funds from the capital raising have been utilised to progress the exploration program for Gold and Copper at "Top Camp" near Cloncurry during June and the remaining funds will be utilised as working capital and advance our rare earth projects.

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 for use in expediting the current exploration program and to satisfy working capital requirements subject to the shareholder approval.

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


Orion
PROJECT LOCATIONS
N
Queensland
Weipa
CAIRNS
FULFORD & BONNER'S CREEKS
Mt Garnet
MALCOLM CREEK NEWMONT JV
TOWNSVILLE
Charters Towers
RUTHERFORDS TABLE
Cloncurry
Mount Isa
Mackay
TOP CAMP
Longreach
Rockhampton
GLADSTONE
LESTREE HILL
Bundaberg
Charleville
BRISBANE
QUEENSLAND
0
200
400

Our ongoing strategy is to focus on Gold and Rare Earth Metals. The 17 rare earth metals are critical components for many new technologies, with extensive uses in renewable energy and zero emission vehicles. We have recently acquired a number of exploration permits throughout north and central Queensland that may host rare earth elements (REE) and we remain on the lookout for opportunities in Rare Earths and Gold.

An investment in Artemis Resources provides an exposure to the increasing demand for Lithium via the Buchanan's Creek Tantalum-Lithium project. We believe that the Lithium market will continue to be strong for some time and so we remain on the lookout for other Lithium projects where Orion can create value.

With the consistent and substantial increase in the Gold price we remain committed to developing our exploration opportunities in this area. In addition to our drilling at "Top Camp", our joint venture partner at Malcolm Creek, Newmont Exploration Pty Ltd has completed field work and a drilling programme is being considered for FY10 to further explore for Gold.

This document is one of the first to be laid out using our new logo and branding. We believe that this new look is more in line with our focus on high value "tech metals" opportunity with the evolving green economy. Please visit our web site to see this new look and feel. Below are some examples of our new logo.

We continue to observe developments regarding the Federal Governments proposed Resource Super Profits Tax and the impacts it may have on investment in exploration and mining in Australia. We would encourage all shareholders to become informed about this important issue and contact their local member to highlight the impact this will have on all Australians.

Orion is currently assessing other gold and rare earth metals opportunities as well as investigating new project generation concepts. We will look forward to communicating these with you in the future once these prospects develop.

Rare Earth Metals have many diverse applications that make them difficult to substitute. Yttrium is critical for fuel cell applications. Europium is used in LCD and LED computer screens. Scandium is used in fuel cells, computer tablet aluminium frames and high end sporting equipment

Orion

RARE EARTH METALS

Rare Earth Metals have special and unique properties that make them essential for many applications. The majority of current production (90%+) is from China and this is now subject to export restriction. The opportunity for Orion is that customers in the US, Japan and Europe are seeking secure long term supplies from friendly jurisdictions and this has lead to substantial price increases.

The 17 Rare Earth Metals encompass 15 elements known as the Lanthanides in the Periodic Table and two other elements with similar properties, Scandium and Yttrium. The Lanthanides usually appear in deposits that contain all 15 elements in various percentages. Some of the higher valued elements represent less than 1% of the overall Rare Earth Oxides in most ore deposits and there are few known economic deposits in production.

Orion's focus is on Neodymium, Gadolinium, Europium, Terbium, Dysprosium, Yttrium, Lutetium, Indium, Gallium, Selenium, Tellurium, Rhenium, Hafnium and Scandium. Below is a brief summary of each of these elements and their commercial uses.

Neodymium

Neodymium is used primarily for making very strong NdFeB (Neodymium Iron Boron) permanent magnets which are in turn used in many applications such as computer disks, speakers, microphones, electrical motors, wind turbines and gas turbines. NdFeB permanent magnets are a critical component in hybrid and electric vehicles.

Europium

Europium provides the red colour in fluorescent lighting, LCDs, PDPs and when combined with terbium, gives "white" light for backlighting in several different products that use digital LCD screens. Europium has many interesting properties; it is a superconductor under certain conditions; it is as hard as lead; and it has phosphorescent properties that makes it strategically important to LCDs and energy efficient fluorescent lighting manufacturers.

Gadolinium

Gadolinium is used for X-ray and MRI imaging, the nuclear industry, microwave applications and in magnetic refrigerators. Gadolinium has very interesting properties making it useful in different, unrelated products. It is paramagnetic (exhibits magnetic properties only in the presence of another magnetic field), and demonstrates a magnetocaloric effect (a reversible change in temperature that occurs in the presence of a magnetic field). Research is being done on creating refrigeration and air conditioning units which would no longer require mechanical parts.

Terbium

Terbium is used in making Terfenol-D (military uses in naval sonar systems), doping magnets which are used in hybrid cars (the terbium acts to maintain the magnet field in high temperature environments). Terbium is also used as the green colour in fluorescent lighting and LCD screens. It is also relatively scarce in the distribution and is currently the highest valued element in the lanthanides because of its unique properties and small supply.

Dysprosium

Dysprosium is used in making Terfenol-D (used by the military in naval sonar systems), doping magnets used in hybrid vehicles (the dysprosium acts to maintain the magnet field in high temperature environments), as well as in nuclear reactors, and lasers. Dysprosium has properties that make it one of the highest valued rare earth elements.

Yttrium

Yttrium is used as a host lattice for doping Eu and Tb for the manufacturing of LCDs and fluorescent lighting (energy saving light bulbs). It is used as stabilizing agent in strategic alloys and zirconia ceramics, microwave communication, superconductors, fuel cells and lasers.

Lutetium

Due to the high price and rarity, Lutetium is used in a few applications including acting as a catalyst in petroleum cracking in refineries and in Positron Emission Tomography (PET) scanners. Lutetium is the heaviest and hardest of the Rare Earth elements and has the highest melting point within this group. It is rare and trades at a high price with few substitutes.

Gallium

Gallium is used in various electronic components found in every day products. The most common use is in laser diodes or LED such as those used in cell phones and other commonly used portable device displays. Gallium is mainly produced as a by product from the refining of zinc and bauxite. It has a higher-density in its liquid state so like water and ice it expands as it turns into a solid. The melting point is just above room temperature so it melts in your hands.

Selenium

Selenium is used as vitamin supplements in small doses (50-200 micrograms per day for adult humans). Because of its photovoltaic and photoconductive properties, it is used in solar panels, photocopiers, and light meters. The largest use of Selenium is in the glass and ceramic industry where it is used to colour glass, enamels and glazes. It conducts electricity better in the light than in the dark and is necessary in small amounts to all animals. The production of Selenium is mostly as a by product from copper smelting.

Tellurium

Tellurium is mainly used as an alloying additive in Steel. A potentially large and relatively new application is in cadmium-tellurium based solar panels. It is one of the rarest stable solid elements in the Earth crust and is sometimes associated with gold but more as a by-product of copper refining.

Rhenium

Uses: Rhenium is used in making high-temperature superalloys which are used in a number of applications such as in commercial and military (F-15 and F-16) jet engines and in natural gas turbines used to generate electricity. It is one of the rarest elements in the earth's crust and has a very high melting point which is why it is used in the production of heat resistant superalloys. It is also one of the most expensive elements trading as high as $11,000/kg in 2008.

Hafnium

Hafnium is used in the production of control rods for the nuclear reactors. It also has recently been used in the production of the new 45 nanometre microprocessors made by Intel and IBM. It is currently produced unreliably at a rate of approximately 120t per year leading to substantial price volatility.

Scandium

Scandium is used in Aluminium alloys to provide enhanced strength and welding properties. ScAl alloy has applications in high end sports equipment and aerospace applications. It is also used in high efficiency and high intensity lighting. Uses to date have been limited by its low availability with perhaps only 5 tonnes per annum being produced. It's most significant and promising use is as as stabilizing agent in zirconia ceramics in fuel cell applications. Scandium Oxide pricing ranges between US$1200 and US$2000 per kg, however supplies are now especially constrained and its uses are dependent upon increased world - wide production in stable jurisdictions.

CORPORATE GOVERNANCE STATEMENT

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

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

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

Role of the Board

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

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

Board Composition

The Board comprises three non-executive directors (David Barwick, who is Chairman, Andrew Gillies and Adrian Day), none of whom are considered independent Director, and a Managing Director (James Canning-Ure).

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

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

All Directors have a broad range of qualifications, experience and expertise in managing mineral exploration companies as set out in the Directors' Report. There is no requirement for any Director's shareholding qualification, however three of the Directors do hold direct or indirect interests in the Company's shares and the other has advised that he will be acquiring an interest in the near future.

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

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

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

Access to Independent Professional Advice

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

Board Processes

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

Board Committees

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

Role of Management

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

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

Ethical Standards

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

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

All Directors are also required to adhere to a Corporate Ethics Policy and they are restricted from dealing in Company securities when they are in possession of price sensitive information and during specified periods before or after the release of half and full year results. The Corporate Ethics Policy and the securities dealings restrictions are also detailed in the Charter.

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

Continuous Disclosure & Shareholder Communication

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

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

Managing Business Risk

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

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

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

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

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

and, as required by the Recommendations:

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

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Compliance with Recommendations

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

	Recommendations	Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	Yes	
1.2	Disclose the process for evaluating the performance of senior executives	Yes	
1.3	Provide the information indicated in the Guide to reporting on Principle 1	Yes	
2.1	A majority of the Board should be independent directors	No	1
2.2	The Chair should be an independent director	No	1
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual	Yes	
2.4	The Board should establish a Nomination Committee.	No	2
2.5	Disclose the process for evaluating the performance of the Board, committees and individual directors	Yes	
2.6	Provide the information indicated in the Guide to reporting on Principle 2	Yes	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the Company's integrity - the practices necessary to take into account legal obligations and the reasonable expectations of stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes	
3.2	Establish a policy concerning trading in company securities by Directors senior executives and employees And disclose that policy or a summary of that policy	Yes	
3.3	Provide the information indicated in the Guide to reporting on Principle 3	Yes	
4.1	Establish an Audit Committee.	No	2
4.2	The Audit Committee should be structured so that it: - consists only of non-executive Directors; - consists of a majority of independent Directors; - is chaired by an independent chair, who is not the Chair of the Board; - has at least three members	No	1
4.3	The Audit Committee should have a formal charter	No	2
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies	Yes	
5.2	Provide the information indicated in the Guide to reporting on Principle 5	Yes	

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	Recommendations	Complied	Note
6.1	Design a communications policy for promoting effective communication with the shareholders and encouraging participation at general meetings and disclose that policy or a summary of that policy	Yes	
6.2	Provide the information indicated in the Guide to reporting on Principle 6	Yes	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies	Yes	
7.2	Require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to effectiveness of the Company's management of its material business risks	Yes	
7.3	Disclose whether the Board has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	Yes	
7.3	Provide the information indicated in the Guide to reporting on Principle 7	Yes	
8.1	Establish a Remuneration Committee	No	2
8.2	Clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives	Yes	
8.3	Provide the information in the Guide to Reporting on Principle 8	Yes	

Notes

1. The Company has four Directors, none of whom are considered to be independent. The Recommendations propose that a majority of the Board and of the Committees be independent Directors. The Board believes that, given the size of the Company and its stage of commercial maturity, it is not practical to appoint more independent Directors to the Board and considers industry experience and specific expertise, as well as general corporate experience, to be more important attributes of its Board members than independence at this time.
2. At this time the Company does not have Audit, Remuneration or Nomination Committees of the Board of Directors. The full Board undertakes the roles of these individual committees. Given the composition of the Board and the size of the Company, it is felt that these individual committees are not yet warranted, however it is expected that when the Company's operations expand some of these committees may be established.

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ADDITIONAL ASX INFORMATION

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 21 May 2010 is advised hereunder.

Stock Exchange Quotation

Shares and options are quoted on the ASX (Home branch: Brisbane) under the codes "ORM" and "ORMO" respectively.

Classes of Securities

The Company has the following equity securities on issue:

ASX quoted: 49,391,686 ordinary shares, each fully paid, held by 536 shareholders
12,347,928 options, exercisable at 12¢ each, expiring 25 February 2011, held by 126 optionholders

Unquoted: 500,000 options, exercisable at 80¢ each, expiring 3 January 2011, held by 1 optionholder, Martin Place Securities Pty Ltd

Voting Rights

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

- Subject to the Constitution, a holder of ordinary shares in the Company shall be entitled to be present at any meeting, and to vote in respect of ordinary shares held by him. Any member present at any meeting may decline to vote on any question put to that meeting, but in that case shall not be considered absent from the meeting.

- Unless otherwise provided in the Constitution, at any meeting every member present in person or by proxy or by attorney or, in the case of a body corporate, representative appointed pursuant to Section 250D of the Corporations Act shall be entitled:
  (a) on a show of hands, to one vote; and
  (b) on a poll, to one vote for each share of which he is the holder.

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

Restricted Securities

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

On-market Buy-backs

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

Distribution of Security Holders

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

	Ordinary shares	
	Number of holders	Number of shares
1-1,000	36	19,592
1,001-5,000	243	723,642
5,001-10,000	76	563,492
10,001-100,000	141	4,653,133
100,001 and over	40	43,431,827
Total	536	49,391,686

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There are 333 shareholders with less than a marketable parcel of 8,065 shares (based on a share price of $0.062) who together hold 1,096,586 shares.

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

	Options	
	Number of holders	Number of options
1-1,000	13	5,584
1,001-5,000	48	124,714
5,001-10,000	14	113,788
10,001-100,000	34	1,151,997
100,001 and over	17	10,951,845
Total	126	12,347,928

There are 95 option holders with less than a marketable parcel of 33,334 options (based on an option price of $0.015) who together hold 643,132 options.

Twenty Largest Security Holders

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

Rank	Shareholder Name	Holding	Percent
1	METALLICA MINERALS LIMITED	16,666,658	33.74%
2	JIEN MINING PTY LTD	7,400,000	14.98%
3	ANGUS & ROSS PLC	3,666,667	7.42%
4	FORTIS CLEARING NOMINEES PTY LTD <SETTLEMENT A/C>	1,602,600	3.24%
5	NEDEX PTY LTD	1,433,682	2.90%
6	CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	1,205,900	2.44%
7	MURDOCH CAPITAL PTY LTD	852,950	1.73%
8	SYRACUSE CAPITAL PTY LTD	852,950	1.73%
9	ASDEN INVESTMENTS PTY LTD	852,933	1.73%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	646,000	1.31%
11	DANAMORE PTY LTD	618,940	1.25%
12	ALCARDO INVESTMENTS LIMITED <STYLED 102501 A/C>	587,102	1.19%
13	ANZ NOMINEES LIMITED <CASH INCOME A/C>	544,000	1.10%
14	MR JEFFREY HOWARD LATIMER & MRS JUDITH ANN LATIMER <LATIMER S/F A/C>	500,000	1.01%
15	SUPER LOOKOUT PTY LTD <WAVE SUPERANNUATION FUND A/C>	500,000	1.01%
16	MR IANAKI SEMERDZIEV	500,000	1.01%
17	AUSTRALIAN ASIATIC GEMS PTY LTD	466,250	0.94%
18	MR ALAN BRIEN & MRS MELINDA BRIEN <A & M BRIEN SUPER FUND A/C>	400,000	0.81%
19	BURTON HOLDINGS PTY LTD <BURTON FAMILY A/C>	341,180	0.69%
20	MR ANDREW JOHN WATKINSON	310,000	0.63%
	Totals	39,947,812	80.88%

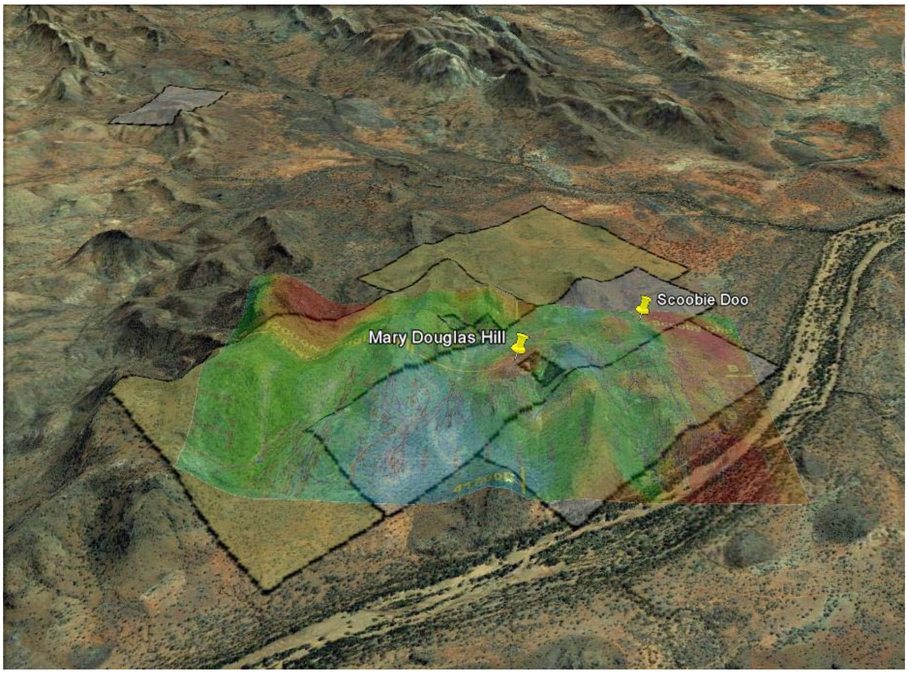
The names of the 20 largest optionholders, the number of options and the percentage each holds, are details on the next page:

Rank	Optionholder Name	Holding	Percent
1	JIEN MINING PTY LTD	3,700,000	29.96%
2	METALLICA MINERALS LIMITED	2,500,000	20.25%
3	TAYCOL NOMINEES PTY LTD	852,950	6.91%
4	FORTIS CLEARING NOMINEES PTY LTD <SETTLEMENT A/C>	800,650	6.48%
5	MURDOCH CAPITAL PTY LTD	426,475	3.45%
6	SYRACUSE CAPITAL PTY LTD	426,475	3.45%
7	ASDEN INVESTMENTS PTY LTD	426,467	3.45%
8	NEDEX PTY LTD	288,000	2.33%
9	ANZ NOMINEES LIMITED <CASH INCOME A/C>	262,500	2.13%
10	MR ALAN BRIEN & MRS MELINDA BRIEN <A & M BRIEN SUPER FUND A/C>	200,000	1.62%
11	MR JEFFREY HOWARD LATIMER & MRS JUDITH ANN LATIMER <LATIMER S/F A/C>	175,000	1.42%
12	BURTON HOLDINGS PTY LTD <BURTON FAMILY A/C>	170,590	1.38%
13	MR IANAKI SEMERDZIEV	164,988	1.34%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	161,500	1.31%
15	MR ANDREW JOHN WATKINSON	150,000	1.21%
16	DANAMORE PTY LTD	140,000	1.13%
17	DR PAUL MARK HALLEY	106,250	0.86%
18	MORGEO NOMINEES PTY LTD	75,000	0.61%
19	VICTORY CREST PTY LTD <SAMUEL TUSA FAMILY NO.2 A/C>	75,000	0.61%
20	MR BRENT FISHER	70,000	0.57%
	Totals	**11,171,845**	**90.48%**

Substantial Shareholders

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

	Number of shares
Metallica Minerals Limited	16,666,658
Jien Mining Pty Ltd	7,400,000
Angus & Ross PLC	3,666,667



A perspective view of the recent drilling targets at "Top Camp" overlaid with tenement and aerial magnetic data. The red area indicates high levels of magnetic field.

Recent drilling at "Top Camp"

Orion

TENEMENT INFORMATION

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 Royalty	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. Exporation permits for minerals (EPM) and mining lease applications (MLA).

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).

Managing Director James Canning-Ure during recent drilling at "Top Camp"

GOLD AND RARE EARTH METALS

Orion Metals Limited

ASX:ORM

ACN 096 142 737

FINANCIAL REPORT

YEAR ENDED 28 FEBRUARY 2010

ORION METALS LIMITED
ACN 096 142 737

CONTENTS

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:

David Barwick - Age 65	—	***Non-Executive Chairman***
Qualifications	—	N/A
Experience and other Directorships in listed entities	—	Appointed Chairman and Board member on 28 November 2008. Chairman of: • Metallica Minerals Limited (Chairman and Director) – appointed 11 March 2004 – Continuing; • MetroCoal Limited (Chairman and Director) – appointed 6 January 2006 – Continuing; • Manaccom Corporation Limited (Chairman and Director) – appointed 28 August 2006 – Continuing; and • Planet Metals Limited (formerly Queensland Ores Limited) (Chairman and Director) – appointed 9 June 2009 – Continuing. Previous Director of: • International Gold Mining Limited – appointed 15 August 2006 – Resigned 31 August 2007; • Morningstar Holdings (Australia) Limited – appointed 12 October 2006 – Resigned 30 August 2007; • Global Approach Limited – Appointed 29 November 1996 – Resigned 26 October 2007; • Cape Alumina Limited – appointed 2 February 2004 – Resigned 29 January 2009; and • Macarthur Minerals Limited (TSX-V) – Appointed 24 October 2005 – ceased 31 August 2009.
Interest in Shares and Options	—	100,000 ordinary shares and 237,500 options via an indirect holding.
James Canning-Ure - Age 52	—	***Managing Director***
Qualifications	—	B.Comm
Experience and other Directorships in listed entities	—	Appointed Board member on 18 March 2010. Previous Director of: • Global Approach Limited appointed Managing Director on 27 June 2006 – resigned 26 October 2007; and • Macarthur Minerals Limited (TSX-V) – appointed 18 January 2005 – ceased 31 August 2009.
Interest in Shares and Options	—	60,000 ordinary shares and 15,000 options via an indirect holding.

DIRECTORS' REPORT

1. THE DIRECTORS (continued)

Andrew Gillies – Age 47	—	***Non-Executive Director***
Qualifications	—	Bachelor of Science (Geol), MAusIMM
Experience and other Directorships in listed entities	—	Appointed Director on 28 November 2008. 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 Directorships in listed entities	—	Appointed Director on 8 March 2001. 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 Directorships in listed entities	—	Appointed Director on 16 May 2006, resigned 3 April 2009. 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
ACN 096 142 737

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.

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.

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.

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.

ORION METALS LIMITED
ACN 096 142 737

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**
Directors	**$**	**$**	**$**	**$**	**$**	**%**	**%**
David Barwick	36,000	-	-	-	36,000	-	-
Andrew Gillies	34,909	-	-	-	34,909	-	-
Adrian Day	60,927	-	-	-	60,927	-	-
John Nethery	3,000	-	-	-	3,000	-	-
Other Key Management Personnel							
Theo Psaros (Company Secretary)	Nil	-	-	-	Nil	-	-
Bill Lyne (Company Secretary)	1,692	-	-	-	1,692	-	-
Total	136,528	-	-	-	136,528	-	-

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**
Directors	**$**	**$**	**$**	**$**	**$**	**%**	**%**
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	-	-
Other Key Management Personnel							
John Haley (Company Secretary)	15,000	-	-	-	15,000	-	-
Michael Ilett (Chief Financial Officer)	31,938	-	-	-	31,938	-	-
Theo Psaros (Company Secretary)	Nil	-	-	-	Nil	-	-
Total	284,513	-	-	-	284,513	-	-

* = 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.

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

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
ACN 096 142 737

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)
Loss before income tax expense		**(460,734)**	(2,815,904)
Income tax expense		**-**	-
Loss for the year after income tax expense		**(460,734)**	(2,815,904)
Other comprehensive income		**-**	-
Total comprehensive income		**(460,734)**	(2,815,904)
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
ACN 096 142 737

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	14	**217,637**	286,130
Trade and other receivables	10	**248,937**	32,538
Total current assets		**466,574**	318,668
Non-current assets			
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
Total non-current assets		**1,214,504**	1,657,782
Total assets		**1,681,078**	1,976,450
Current liabilities			
Trade and other payables	19	**181,708**	142,530
Loans and borrowings	18	**126,184**	292,231
Total current liabilities		**307,892**	434,761
Total liabilities		**307,892**	434,761
Net assets		**1,373,186**	1,541,689
Equity			
Issued capital	16	**6,008,471**	5,716,240
Reserves	16	**302,050**	302,050
Accumulated losses	16	**(4,937,335)**	(4,476,601)
Total equity		**1,373,186**	1,541,689

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

ORION METALS LIMITED
ACN 096 142 737

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2010

	Note	Issued capital $	Options reserve $	Accumulated losses $	Totals $
Balance at 1 March 2009		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		-	-	-	-
Balance at 28 February 2010	16	6,008,471	302,050	(4,937,335)	1,373,186
Balance at 1 March 2008		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)
Balance at 28 February 2009	16	5,716,240	302,050	(4,476,601)	1,541,689

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2010

	Note	2010 $	2009 $
Cash Flows From Operating Activities			
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
Net Cash Provided By/ (Used In) Operating Activities	15	**(362,817)**	(380,123)
Cash Flows From Investing Activities			
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)
Net Cash Provided By/ (Used In) Investing Activities		**194,324**	(458,684)
Cash Flows From Financing Activities			
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)
Net Cash Provided By/ (Used In) Financing Activities		**100,000**	296,465
Net Increase/(Decrease) In Cash and Cash Equivalents		**(68,493)**	(542,342)
Cash and Cash Equivalents At 1 March		**286,130**	828,472
Cash and Cash Equivalents At 28 February	14	**217,637**	286,130

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

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.

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.

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.

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 assess individually whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the 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 it 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).

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.

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 mininise 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.

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 shareholdrs 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:

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

5. REVENUE

	2010 $	2009 $
Revenue from continuing operations		
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	**21,944**	117,863

6. OTHER INCOME

	2010 $	2009 $
Profit on disposal of tenements	**327,273**	-
Profit on disposal of equipment	**6,151**	-
	333,424	-

7. EMPLOYEE EXPENSES

	2010 $	2009 $
Wages and salaries	**-**	7,706
Other associated personnel expenses	**-**	3,254
	-	10,960

All administrative services in 2009 were provided by contractors and consultants.

8. FINANCE INCOME AND EXPENSES

	2010 $	2009 $
Recognised in profit and loss		
Related party loan	**(18,498)**	-
Bank interest expense	**(2)**	(899)
Hire purchase charges	**-**	(7,686)
Finance expense	**(18,500)**	(8,585)

9. INCOME TAX EXPENSE

	2010 $	2009 $
Current tax expense		
Current period	**-**	-
Deferred tax expense		
Origination and reversal of temporary differences	**-**	-
Total income tax expense	**-**	-
Numerical reconciliation between tax expense and pre-tax accounting profit/(loss)		
Loss for the period	**(460,734)**	(2,815,904)
Total income tax expense	**-**	-
Loss before tax	**(460,734)**	(2,815,904)

(a) The prima facie tax on profit/(loss) differs from the income tax provided in the financial statements as follows:

	2010 $	2009 $
Income tax on profit/(loss) at the statutory income tax rate of 30% (2009: 30%)	**(138,220)**	(844,771)
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	**138,220**	844,771
Income tax expense	**-**	-

	2010 $	2009 $
Unrecognised net deferred tax assets:		
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)
	5,700,021	5,218,386
Potential tax effect at 30%	1,710,006	1,565,516

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 adverely affect the company in realising the losses.

	2010	2009
10. TRADE & OTHER RECEIVABLES	**$**	**$**
Other	**248,937**	32,358
	248,937	32,358

	2010	2009
11. OTHER ASSETS		
Security deposits	**8,881**	11,459
	8,881	11,459

	2010	2009
12. EXPLORATION AND EVALUATION EXPENDITURE		
Gross carrying amount		
Balance at beginning of year	**3,899,266**	3,379,405
Additions	**41,496**	519,861
Disposals	**(100,000)**	-
Balance at end of year	**3,840,762**	3,899,266
Accumulated amortisation and impairment		
Balance at beginning of year	**2,405,278**	-
Impairment expense	**332,620**	2,405,278
Balance at end of year	**2,737,898**	2,405,278
Net book value	**1,102,864**	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.

13. PLANT & EQUIPMENT

	Plant and equipment at cost	Equipment under finance lease at cost	Total
	$	$	$
2010 Reconcilation			
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**
2009 Reconcilation			
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

14. CASH AND CASH EQUIVALENTS

	2010	2009
	$	$
Cash at bank and on hand	**(3,654)**	17,269
Deposits on call	**221,291**	268,861
	217,637	286,130

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)**	-
Operating profit before changes in working capital and provisions	**(398,131)**	(300,681)
(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)
Net cash to operating activities	**(362,817)**	(380,123)

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	**6,008,471**	**302,050**	**(4,937,335)**	**1,373,186**
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	5,716,240	302,050	(4,476,601)	1,541,689

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 No.	2010 $	2009 No.	2009 $
Fully paid ordinary shares				
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	**24,695,843**	**6,008,471**	59,819,167	5,716,240

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:

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

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.

17. EARNINGS PER SHARE

	2010 Cents per share	2009 Cents per share
Basic earnings/(loss) per share		
From continuing operations	**(2.39)**	(4.70)
Total basic earnings per share	**(2.39)**	(4.70)
Diluted earnings/(loss) per share		
From continuing operations	**(2.39)**	(4.70)
Total diluted earnings per share	**(2.39)**	(4.70)

Basic and diluted earnings per share	2010 $	2009 $
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)

	2010 No.	2009 No.
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**19,304,915**	52,016,667

18. LOANS AND BORROWINGS

	2010 $	2009 $
Current		
Convertible debt	**-**	292,231
Loan	**126,184**	-
	126,184	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.

18. LOANS AND BORROWINGS (continued)

At 28 February 2009, the Compay 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.

19. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Trade payables (i)	**91,498**	97,351
Accrued expenses	**53,900**	28,686
Other payables	**36,310**	16,493
	181,708	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	**217,637**	286,130
Trade and other receivables	**248,937**	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
28 February 2010					
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	-	-
28 February 2009					
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	-

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.

	2010	2009
Interest rate risk	**$**	**$**
Fixed rate instruments		
Loan	**126,184**	292,231
	126,184	292,231

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:

	2010 $	2009 $
Not longer than 1 year	**38,142**	164,214
Longer than 1 year and not longer than 5 years	**-**	-
Longer than 5 years	**-**	-
	38,142	164,214

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

	2010	2009
	$	$
Short term benefits	**136,528**	284,513
Share based payments	**-**	-
Post employment benefits	**-**	-
Termination benefits	**-**	-
	136,528	284,513

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.**
2010						
Directors						
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	-
2009						
Directors						
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	-
Other key management personnel of the Company						
John Haley	40,000	-	-	10,000	50,000	-

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

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	Granted as compen-sation	Exercised	Net other change	Balance at end of year	Bal vested at 28 February 2009	Vested but not exerci-sable	Vested and exerci-sable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2010									
Directors									
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)	-	-	-	-	-
Other key management personnel of the Company									
John Haley	450,000	-	-	(450,000)	-	-	-	-	-
2009									
Directors									
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	-	-
Other key management personnel of the Company									
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
	$	$
Auditor of the Company		
Audit or review of the financial report	**27,000**	23,670
Total remuneration for audit services	**27,000**	23,670
Other services	**6,000**	15,800
	33,000	39,470

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.

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		2009	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
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 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

ORION METALS LIMITED
ACN 096 142 737

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

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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

BDO

C R Jenkins

Director

Brisbane, 26 May 2010

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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:

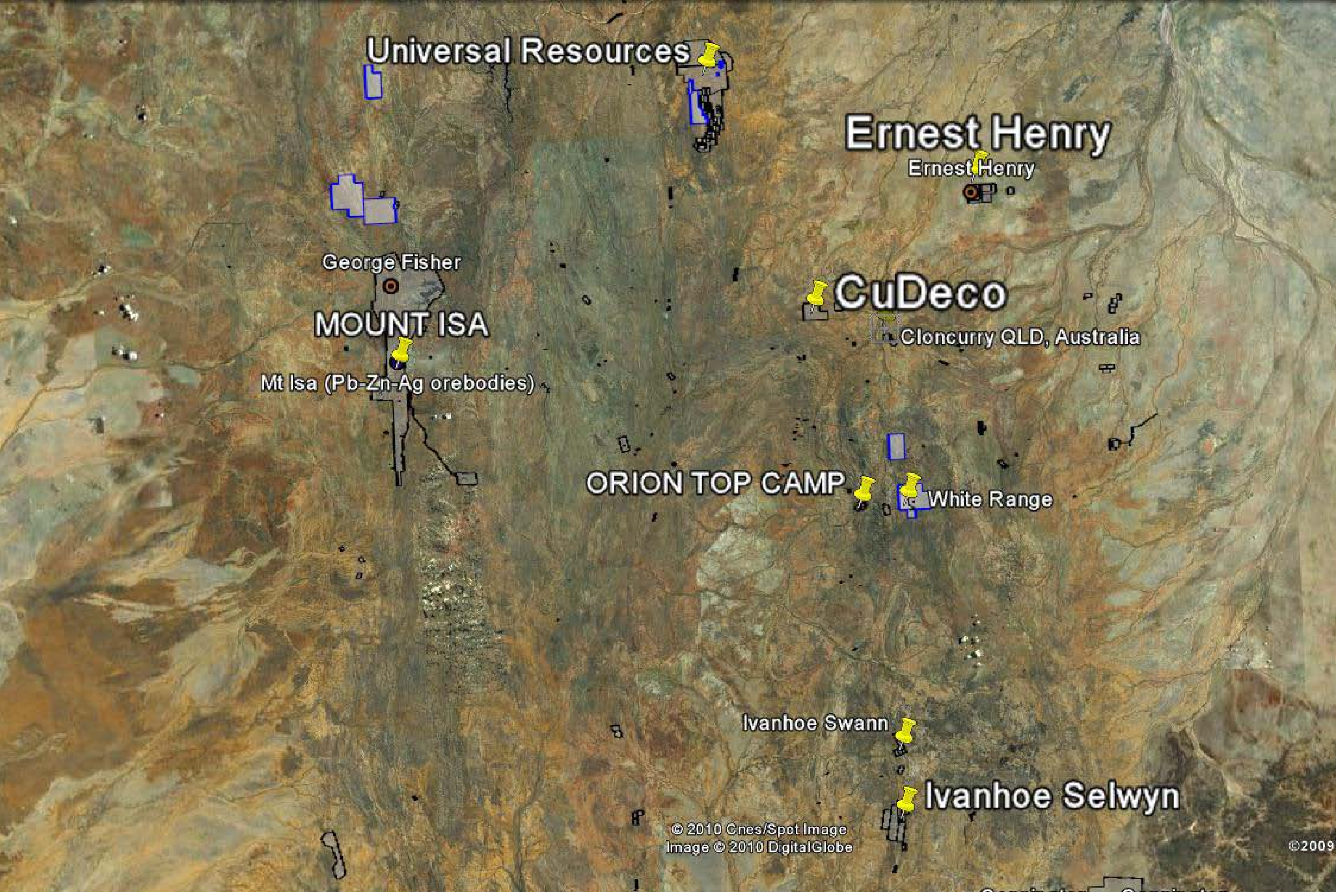
- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Craig Jenkins

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 26 May 2010



TOP CAMP SATELITE LOCATION MAPS