



Orion Metals Limited (ASX:ORM)

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ABN 89 096 142 737

QUARTERLY REPORT TO 30 NOVEMBER 2010

14 December 2010

ORION METALS LIMITED

ASX Code: ORM

Issued Capital (30/11/2010):

72,035,886 Shares issued/listed

7,653,728 Options issued/listed

500,000 Unlisted Broker Options

2,500,000 Unlisted Directors' Options

500,000 Unlisted Consultant's Options

866 Shareholders

130 Optionholders

Top 20 shareholders:

Hold 65.5 % of Listed Shares

Board :

Mr. David K Barwick - Chairman

Mr. James Canning-Ure - Managing
Director

Mr. Andrew Gillies - Director

Mr. Adrian Day - Director

Mr. Tao Li - Director

Mr. Bill Lyne - Company Secretary

Largest Shareholders (current):

Metallica Minerals Ltd	16.47%
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Jien Mining Pty Ltd	15.41%
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Mr Conglin Yue	11.34%
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Directors	8.8 %
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Cash Balance:

As at 30 November 2010, approx \$ 3.7 million.

HIGHLIGHTS

- Orion concluded a 30 hole RC drilling program on its 100% owned rare earth project at Killi Killi Hills WA after initial reconnaissance sampling confirmed high concentrations of valuable HREE elements and gold. Drilling results are expected in late December.
- Killi Killi gold results were released on the 12th of December with highlighting 1 hole averaging 6 metres of 5.85 g/t Au.
- The sale of the Company's Rutherfords Table project for \$450,000 on 17 November 2010.
- The Placement of 8 million shares at an issue price of 25 cents to institutional and sophisticated investors on 15 October 2010 raising \$2 million.
- Orion's two largest shareholders exercised their February 2011 Options (ASX:ORMO) on 20 October 2010 - raising a further \$600,000.
- The appointment of world renowned geoscientist, Professor Ken Collerson as specialist consultant, to Orion and the Killi Killi project.
- Ongoing assessment and review of several gold and rare earth opportunities and projects.



QUARTER IN REVIEW

Orion (Orion Metals Limited) is poised on the brink of a substantial growth period as we await the results from 397 geochemistry samples and Professor Collerson's in-depth review and analysis of our Killi Killi Hills Project (Killi Killi). The gold results were released on the 12th of December 2010.

These results will define the strategy for our follow up exploration program in March 2011.

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

There has been healthy discussion around the worldwide demand for rare earth elements and we note with interest that China has recently flagged its interests in importing heavy rare earth elements. Orion continues to maintain a conservative outlook and basis its future plans on long term pricing.

Over the past quarter we have reviewed a number of projects for potential acquisition, JV or farm in and this has reinforced the value of Killi Killi.

Through our prudent management and expenditure controls, Orion ended the quarter with approximately \$3.7 million in cash and no debt. We are in a sound financial position with cash reserves of approximately 5 cents per share. These funds are earmarked to fund current opportunities. With the addition of a possible \$1 million following the conversion of 12 cent options in February 2011 (ASX:ORMO), we then expect to have approximately \$5 million in available funds.

PROJECT UPDATES

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

- **E80/4029 & E80/4197 – Rare earths, uranium and gold in a basal conglomerate.**

The transfers of the two exploration licences at Killi Killi, 30 kms north east of the Coyote gold mine in the Tanami Desert, have now been processed by the WA Department of Mines & Petroleum.

Following confirmation of significant levels of REE - especially those at the "heavy" end of the sequence - in rock samples taken in July this year, priority was directed to complete a drilling programme as soon as possible.

As a result, 30 RC drill holes (for a total of 366 metres) in two areas along the Killi Killi unconformity and additional wide ranging rock chip sampling have now been completed. The petrology and geochemistry of samples from these holes and rock chips will be reviewed by pre-eminent geoscientist, Professor Collerson who has recently joined the Killi Killi Team. Assay results and report findings are expected to be released in late December 2010.



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

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

On 17 November, Orion announced it had entered into a tenement sale contract with Goodland Mining Pty Ltd to sell Rutherfords Table (ML 1035 & ML 1060) and plant and equipment for \$450,000 plus GST. The due diligence period, originally scheduled for completion by 17 December, was bought forward to the 8 December 2010.

A \$50,000 deposit has been paid to Orion, with the balance expected in April 2011 following formal Ministerial approval for the transfer of titles.

Under the Rutherford sale agreement, Goodland Mining will continue existing production activities on the tenements and in return, Orion will receive a 10% royalty on gross sales, plus a plant hire fee of \$250 per operating day. This royalty arrangement will remain in place until the Rutherfords' tenements are transferred.

MALCOLM CREEK – Gold Project (80 km south Georgetown)

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

Under the joint venture agreement with Newmont Exploration Pty Ltd, Newmont has conducted a minimum initial \$250,000 exploration program which will form part of the earn-in expenditure of up to \$2 million. ORM retains the right to contribute in proportion to its equity at decision points of 51%: 49%, 60%: 40%, and 70%: 30%.

Following the review of field results from geochemical and geophysical data, four RC drill holes to depths exceeding 300 metres have been completed at the Bald Mountain Prospect south of Forsayth in far north Queensland. The holes intersected zones of quartz veining, clay alteration and disseminated sulphides, with areas of possible breccia development consistent with observed surface features.

Samples have been submitted to the laboratory, with results expected next quarter.

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

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

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



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

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

In addition to the two Exploration Permits and an option on two other EPM's and one Mining Lease Application north of Mt Surprise and north-east of Georgetown in far north Queensland, application has also been made for another 100 sub-blocks in the Fulford Creek drainage to compliment the current holdings. These tenements are contiguous cover creek systems draining radiogenic granites where past alluvial tin operations have encountered heavy mineral concentrations that contain monazite and possibly xenotime.

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

PROPOSED WORK PROGRAMMES TO 28 FEBRUARY 2011

The following exploration programmes are proposed for next quarter:

- **Killi Killi Hills** – Assessment of drill results and planning for the follow up 2011 program.
- **Malcolm Creek** – Release of drilling results by Orion's joint venture partner, Newmont and development of future programme.
- **Top Camp** – Assessment of drill results and formulation of future exploration works.
- **Fulford & Bonnor Creeks and Lestree Hill** – Data compilation and assessment and initial reconnaissance following the wet season.
- **Project appraisal** – Ongoing assessment of new gold and rare earth project opportunities.



CORPORATE

On 15 October 2010, Orion announced the Placement of 8 million shares at an issue price of 25 cents to raise a further \$2 million. The Placement was to institutional and sophisticated investor clients of Fosters Stockbroking Pty Ltd and Taylor Collison Limited as co-lead managers.

On 20 October 2010, Orion's two largest shareholders exercised their February 2011 Options early, raising a further \$600,000.

On 17 November 2010, the Company announced the sale of Rutherfords Table for \$450,000 which is now unconditional following satisfactory due diligence and indicative Ministerial approval.

These additional funds will be used to progress Orion's rare earth project exploration activities, with a further drilling program planned for early 2011, subject to the results of stage 1 drilling. The funds will also be used to progress gold prospects and to seek other opportunities.

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

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



TENEMENT DETAILS AS AT 30 NOVEMBER 2010

Tenement	Project Name	Registered Holder	Status	Orion interest	Date of Grant	Number of Sub-Blocks	Commodity	Minimum Expenditure
E80/4029 E80/4197	Killi Killi Hills	Under option to ORM 100%	Granted	Under option to ORM 100%	16/4/2009 15/10/2009	10 3	Rare Earth Elements, Gold, Uranium	\$20,000 \$15,000
EPM 17739	Malcolm Creek	F H Skerritt 50% S B Terry 50%	Granted	100% subject to 1% net smelter royalty		49	Gold	\$50,000
EPMA 18331 EPMA 18850	Fulford Creek	ORM 100%	Appl'n (9/10/09) Appl'n (1/9/00)	100%		42 100	Rare Earth Elements	\$50,000 \$2,500
EPMA 18449	Bonnor Creek	ORM 100%	Appl'n (9/12/09)	100%		25	Rare Earth Elements	\$50,000
EPMA 18495	Lestree Hill	ORM 100%	Appl'n (15/12/10)	100%		100	Rare Earth Elements	\$80,000
EPM 17011, EPMA 17891 MLA 30128	Black Springs Ck Dickson Creek	J W Withers	Granted Appl'n (3/11/08) Appl'n (15/9/08)	100% subject to royalty	16/6/2008	4 8 35.2has	All minerals	\$2,500 \$2,500 N/A
Mining Lease	Project Name	Registered Holder	Status	Orion interest	Date of Grant	Area hectares	Commodity	Minimum Expenditure
ML 2764	Top Camp	ORM 100%	Granted	100%		103	Gold	N/A
ML 2785	Top Camp	ORM 100%	Granted	100%		129.2	Copper	
ML 2786	Top Camp	ORM 100%	Granted	100%		70		
ML 2792	Top Camp	ORM 100%	Granted	100%		105		
ML 1035	Rutherfords Table	ORM 100% Pending sale	Granted	100%		32.36	Gold	N/A
ML 1060	Rutherfords Table	ORM 100% Pending sale (Goodland Mining Pty Ltd)	Granted	100%		211.7		

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Orion Metals Limited

ABN

89 096 142 737

Quarter ended ("current quarter")

30 November 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	20
1.2 Payments for (a) exploration & evaluation	(90)	(305)
(b) development	-	-
(c) production	-	-
(d) administration	(178)	(656)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25	43
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(243)	(898)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(5)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	222	222
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	222	217
1.13 Total operating and investing cash flows (carried forward)	(21)	(681)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(21)	(681)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,941	4,491
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(126)
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	(127)	(153)
	Net financing cash flows	2.814	4,212
	Net increase (decrease) in cash held	2,793	3,531
1.20	Cash at beginning of quarter/year to date	955	217
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,748	3,748

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	44
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

500,000 shares were issued at 5 cents per share as part consideration for the acquisition of mining tenements.

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	140
4.2 Development	-
4.3 Production	-
4.4 Administration	175
Total	315

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	6	(9)
5.2 Deposits at call	3,742	964
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,748	955

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	NIL		
6.2	Interests in mining tenements acquired or increased	E80/4029	Nil	100%
		E80/4197	Nil	100%
		EPMA 18850	Nil	100%
		EPMA 18495	Nil	100%

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	N/A	N/A	
7.2	Changes during quarter			
7.3	*Ordinary securities	72,035,886	72,035,886	
7.4	Changes during quarter			
	(a) Increases through issues	500,000	500,000	5 cents
		7,839,200	7,839,200	12 cents
		8,000,000	8,000,00	25 cents
	(b) Decreases through returns of capital, buy-backs			
7.5	*Convertible debt securities (description)	N/A	N/A	
7.6	Changes during quarter			
7.7	Options (description and conversion factor)			<i>Exercise price</i> <i>Expiry date</i>
7.8	Issued during quarter	-	-	
7.9	Exercised during quarter	7,839,200	-	12 cents 25/2/11
7.10	Expired during quarter			
7.11	Debentures (totals only)			
7.12	Unsecured notes (totals only)			

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 14 December 2010
(Managing Director)

Print name: James Canning-Ure

Notes

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

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+ See chapter 19 for defined terms.