

ORION METALS LIMITED

ACN 096 142 737

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 AUGUST 2011**

Orion Metals Limited

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Corporate directory

Directors	David K Barwick (Chairman) Andrew L Gillies (Non-Executive Director) Adrian C Day (Non-Executive Director) Dr Tao Li (Non-Executive Director)
Company secretary	Bill Lyne
Registered office	71 Lytton Road East Brisbane QLD 4169
Share registry	Link Market Services Limited Level 15 324 Queen Street Brisbane Qld 4000 Telephone: + 61 2 8280 7111 Facsimile: + 61 2 9287 0303
Auditor	BDO Audit (Qld) Pty Ltd Level 18 300 Queen Street Brisbane Qld 4000 Telephone: + 61 7 3237 5999 Facsimile: + 61 7 3221 9227
Lawyers	HopgoodGanim Lawyers Level 8, Waterfront Place 1 Eagle Street Brisbane Qld 4000 Telephone: + 61 7 3024 0000 Facsimile: + 61 7 3024 0300
Stock exchange listing	Orion Metals Limited shares are quoted on the Australian Securities Exchange under the code 'ORM'
Website address	www.orionmetals.com.au

Orion Metals Limited

Highlights for the half-year

- Field activities on the Killi Killi Project were severely delayed by the record wet season recorded in the Tanami region with an initial reconnaissance into the area not being possible until early June.
- In March the area of the Killi Killi Project was increased to 616kms² with an acquisition and joint venture agreement being entered into with MetalBank Ltd on E80/4212 and in July an initial drilling programme on the Licence was undertaken.
- In June a high resolution airborne geophysical survey covering over 600 kms² was flown to assist in the evaluation of the Killi Killi region.
- A farm-in agreement with Broughton Minerals Pty Ltd was negotiated in April over 278kms² of exploration permits 30 kms south of Mary Kathleen where a new U/REE discovery had been made.
- A 2,022 metre drilling campaign was completed on E80/4212 (MetalBank JV) and E80/4197 (West Killi Killi) in July resulting in the discovery of a significant zone of anomalous gold mineralisation in the Killi Killi West prospect.

Competent Persons Statement – Adrian Day

In accordance with the Listing Rules 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 member of the Australian Institute of Geoscientists. Mr. Day has relevant experience in relation to the mineralisation being reported on to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore 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.

Orion Metals Limited

Directors' report

The directors of Orion Metals Limited (ORM or the Company) submit herewith the interim financial report of the Company for the half year ended 31 August 2011.

Directors

The names and details of the directors of the Company in office during the half-year and until the date of this report are:

David Barwick (Chairman)
Andrew Gillies (Non – Executive Director)
Adrian Day (Non – Executive Director)
Dr Tao Li (Non – Executive Director)
James Canning-Ure (Managing Director) – resigned 21 April 2011

Principal activities

The principal activity of the Company during the period was exploration for rare earth metals and gold.

Review of operations

The Company recorded a loss after tax of \$899,342 for the half-year ended 31 August 2011 (31 August 2010: \$730,743).

In March 2011 the Company entered into an agreement with MetalBank Ltd (ASX: MBK) to acquire a 50% interest in MetalBank's Killi Killi South Project (E80/4212) for \$100,000 plus 1,000,000 ORM shares. The Company has the option to increase its interest in the project to up to 80% , by incurring additional expenditure of \$150,000 on the project and the payment of \$50,000 and issue of 1,000,000 ORM shares to MetalBank for each 10% increase.

In April 2011 the Company entered into a farm-in agreement for a rare earth elements (REE) project in the Cloncurry district with Broughton Minerals Pty Ltd (BM), a private prospecting company. The Company will pay BM \$150,000 for exploration expenditure it has incurred to date. ORM will then incur \$2 million in exploration expenditure on the the project over 5 years to maintain this 50% interest and can increase this interest by 10% for each additional \$1million of exploration expenditure it incurs, up to a maximumm 90% interest.

In August 2011 the Company acquired a strategic investment of \$200,000 for approximately 18% of Ultimate Resources Pty Ltd, which holds rare earth prospects in South Korea. ORM Chairman David Barwick has been appointed a director of URPL.

Assay results have been received for the first phase of RC drilling on the Killi Killi West prospect. A total of 1,116 metres was drilled in the program of 19 holes at the prospect. A follow up drilling program is planned for October to check possible extensions of a zone of gold anomalism as well as holes away from the prospect on radiometric anomalies and structural features.

The Company completed the sale of the Rutherford table (ML 1035 and ML 1060) in May 2011. Total proceeds were \$450,000.

Subsequent events

In October 2011 a further 27 holes of drilling were completed on the Killi Killi project in the second program for the current drilling season with 1,105 metres of RC drilling being undertaken.

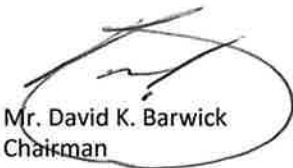
Orion Metals Limited

Directors' report continued

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the interim financial report.

Signed in accordance with a resolution of directors.



Mr. David K. Barwick
Chairman

Brisbane, 7 November 2011

DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF ORION METALS LIMITED

As auditor of Orion Metals Limited for the half year ended 31 August 2011, 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.

This declaration is in respect of Orion Metals Limited and the entities it controlled during the period.



C R JENKINS

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 7 November 2011

Orion Metals Limited

Consolidated statement of financial position

As at 31 August 2011

	Note	\$ 31 August 2011	\$ 28 February 2011
Current assets			
Cash and cash equivalents		3,688,362	4,364,746
Trade and other receivables		26,215	4,748
Other current assets		43,220	3,828
Held for sale assets		-	450,000
Total current assets		3,757,797	4,823,322
Non-current assets			
Other assets		100,000	8,881
Exploration and evaluation expenditure		739,457	650,417
Property, plant and equipment		14,948	20,687
Total non-current assets		854,405	679,985
Total assets		4,612,202	5,503,307
Current liabilities			
Trade and other payables		138,347	129,210
Held for sale - liabilities		-	50,000
Total current liabilities		138,347	179,210
Total liabilities		138,347	179,210
Net Assets		4,473,855	5,324,097
Equity			
Share capital		11,266,541	11,272,741
Options reserve		467,838	412,538
Accumulated losses		(7,260,524)	(6,361,182)
Total equity		4,473,855	5,324,097

The above statement of financial position should be read in conjunction with the accompanying notes.

Orion Metals Limited

Consolidated Statement of Comprehensive Income

For the half-year ended 31 August 2011

Notes	\$ 2011	\$ 2010
Other income	8,719	-
Consultant and contractor expense	(152,821)	(73,305)
Depreciation expense	(5,739)	(20,152)
Occupancy expenses	(18,249)	(8,976)
Share-based payments	(55,300)	(110,488)
Other administrative expenses	(251,316)	(280,385)
Impairment loss - investments	(200,000)	(55,355)
Impairment loss - exploration and evaluation expenditure	(327,166)	(200,000)
Results from operating activities	(1,010,591)	(748,661)
Finance income	102,530	17,918
Finance costs	-	-
Net finance income/(costs)	102,530	17,918
Profit/(Loss) before income tax	(899,342)	(730,743)
Income tax expense	-	-
Profit/(Loss) after income tax	(899,342)	(730,743)
Other comprehensive income	-	-
Other comprehensive income, net of income tax	-	-
Total comprehensive income for the period	(899,342)	(730,743)
Loss attributable to:		
owners of the Company	(899,342)	(730,743)
Total comprehensive income attributable to:		
owners of the Company	(899,342)	(730,743)
Earnings per share		
Basic earnings per share	\$ (0.0113)	\$ (0.0221)
Diluted earnings per share	\$ (0.0113)	\$ (0.0221)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Orion Metals Limited

Consolidated Statement of changes in equity For the half-year ended 31 August 2011

	Issued capital \$	Options reserve \$	Accumulated Losses \$	Total \$
Balance at 1 March 2011	11,272,741	412,538	(6,361,182)	5,324,097
Net loss	-	-	(899,342)	(899,342)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(899,342)	(899,342)
Transactions with owners, recorded directly in equity				
Option issued during the half-year	-	55,300	-	55,300
Transaction costs recognised during the half-year	(6,200)	-	-	(6,200)
Balance at 31 August 2011	11,266,541	467,838	(7,260,524)	4,473,855
Balance at 1 March 2010				
	6,008,471	302,050	(4,937,335)	1,373,186
Net loss	-	-	(730,743)	(730,743)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(730,743)	(730,743)
Transactions with owners, recorded directly in equity				
Option issued during the half-year	-	110,488	-	110,488
Shares issued during the half-year	1,550,392	-	-	1,550,392
Transaction costs recognised during the half-year	(31,478)	-	-	(31,478)
Balance at 31 August 2010	7,527,385	412,538	(5,668,078)	2,471,845

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Orion Metals Limited

Consolidated Statement of Cash Flows For the half-year ended 31 August 2011

	2011 \$	2010 \$
Cash flows from operating activities		
Receipts from customers/government subsidies	-	20,000
Payments to suppliers and employees	(516,710)	(480,284)
Interest received	81,515	17,918
Net cash (used in) from operating activities	<u>(435,195)</u>	<u>(442,366)</u>
Cash flows from investing activities		
Payments for investments	(200,000)	(5,000)
Proceeds from disposal of tenements	400,000	-
Payments for exploration and evaluation	(434,989)	(220,356)
Net cash used in investing activities	<u>(234,989)</u>	<u>(225,356)</u>
Cash flows from financing activities		
Proceeds from the issue of share capital	-	1,550,392
Share issue costs	(6,200)	(25,760)
Payment of borrowings	-	(126,184)
Net cash provided/ (used) by financing activities	<u>(6,200)</u>	<u>1,398,448</u>
Net (decrease) in cash and cash equivalents	(676,384)	730,726
Cash and cash equivalents at the beginning of the half-year	4,364,746	217,637
Cash and cash equivalents at the end of the half-year	<u>3,688,362</u>	<u>948,363</u>

The above statement of cash flows should be read in conjunction with the accompany notes.

Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2011

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Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2011

1 Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 August 2011 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 28 February 2011 and any public announcements made by Orion Metals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

2 Operating segments

Identification of reportable operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis, that is the location of the respective areas of interest (tenements) in Australia.

Operating segments are determined on the basis of financial information reported to the board which is at the consolidated entity level. The consolidated entity does not have any products/services it derives revenue from.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for gold and rare earth metals (REE). There have been no changes in the operating segments during the half year. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

3 Material uncertainty regarding going concern

The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on the ability of the consolidated entity to raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2011

4 Loss for the half-year

	2011	2010
Share-based payments	55,300	110,488
Impairment loss – investments ^{#1}	200,000	55,355
Impairment loss - exploration and evaluation expenditure ^{#2}	327,166	200,000
	<u>582,466</u>	<u>365,843</u>

#1 An impairment loss has been recognised on early stage investment given the Company does not generate income and only consumes cash resources.

#2 This investment expense represents the cost of writing off exploration & evaluation expenditure for tenants that have been abandoned.

5 Contingent liabilities

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.

The Company is liable to pay royalties of 1% of gross sales proceeds from the Killi Killi Hills project, capped at \$100,000.

In March 2011 the Company entered into an agreement with MetalBank Ltd (ASX: MBK) to acquire a 50% interest in MetalBank's Killi Killi South Project (E80/4212) for \$100,000 plus 1,000,000 ORM shares. The investment is still subject to native title clearance being obtained, thus no shares has been issued at half year end, only a deposit of \$100,000 was made at half year end. The Company has the option to increase its interest in the project to up to 80% , by incurring additional expenditure of \$150,000 on the project and the payment of \$50,000 and issue of 1,000,000 ORM shares to MetalBank for each 10% increase.

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.

6 Events subsequent to the end of the reporting period

There have been no significant events subsequent to the end of the reporting period.

Orion Metals Limited

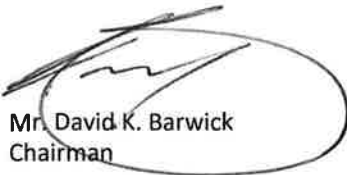
Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 12 are in accordance with Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 August 2011 and of its performance, for the half-year ended on that date.
- (b) there are reasonable grounds to believe that Orion Metals Limited 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 directors.

On behalf of the directors



Mr. David K. Barwick
Chairman

Brisbane, 7 November 2011



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Orion Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Orion Metals Limited, which comprises the statement of financial position as at 31 August 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 August 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Orion Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Orion Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Orion Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 August 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (QLD) Pty Ltd

A handwritten version of the BDO logo in black ink, consisting of the letters 'BDO' in a stylized, cursive font.

A handwritten signature in black ink, appearing to read 'C R Jenkins', written over a horizontal line.

C R Jenkins

Director

Brisbane, 11 November 2011