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Directors' Report

Dear Shareholders,

Following the last Annual General Meeting held on 10 December 2008, the Company changed its name to Orion Minerals Group Limited ("Parent" or "OMG"), from RLV No. 3 Limited ("RLV"). On 11 December 2008 the Company acquired all of the shares in Minera Varry S.A. ("Subsidiary"), a Chilean incorporated company which owns a mining concession in Chile. The acquisition price was satisfied by a payment of US\$ 1million in cash and the issue of 796,451,790 new shares in OMG to the vendor of Minera Varry S.A. and its nominee.

For financial reporting purposes, the acquisition has been accounted for as a reverse acquisition by the Subsidiary of the Parent on 11 December 2008. Therefore the consolidated financial statements are issued in the name of the legal Parent, but are the continuation of the financial statements of the legal subsidiary Minera Varry S.A. which is the acquirer for financial reporting purposes ("Group").

The Parent's reporting period end is 30 June, the Subsidiary has a reporting period end of 31 December, and as such results for the 12 months ended and as at 30 June 2009 are not available for the Subsidiary.

The consolidated financial statements for the Group are therefore for the six months to 30 June 2009, with comparatives for the previous 12 months to 31 December 2008. The comparatives comprise the results of the Subsidiary for the whole period and the Parent's since the date of the reverse acquisition on 11 December 2008.

The directors have determined to change the balance date of the Parent to 31 December, so that in future the accounting periods for the Group are aligned.

The functional currency of the Company is United States dollars.

Summary Financial Performance

For the financial period to 30 June 2009, the Group reports a loss of US\$ 1,416,000. The losses are attributable to expenditure by the Group during the reporting period in respect of maintaining a corporate structure, associated overhead and operations and initiatives to develop its pre-mining activities. As at 30 June 2009 the Group had net assets of US\$ 9,561,000, and cash in bank of US\$9,401,325 at 30 September 2009.

Investment by Fengli Group (Hong Kong) Co. Limited

During the reporting period Fengli Group (Hong Kong) Co. Limited ("Fengli") completed the payment for the balance of its US\$ 12.5 million subscription to securities in the company.

The Company issued 100,000,000 shares ("Tranche 1") to Fengli at an issue price of US\$ 12.5 cents per share.

Fengli Group, established in 1983, headquartered in the Zhangjiagang Free Trade Belt of China is a large and successfully metals and metallic ore importer and exporter.

Fengli has more than 1,200 employees, is ranked in the top 500 companies in China and is one of the largest domestic steel processing, manufacturing, and distributing organisations. Fengli has close relationships with the major Chinese steel mills and extensive global trading and shipping businesses.

Fengli's products include all types of standard precision steel pipe, welded pipe; all types of specification's steel scrap (furnace charge, head metal, briquette, cooling block, medium steel scrap, heavy steel scrap, roll over steel bar material, scrap steel powder fragments, thermo-compression iron slab); iron ore; pig iron; medium plate, round steel, billet, deformed bar, wire rod, hoop; all types of secondary steel products (secondary steel plate, secondary steel pipe, rail, coil).

Fengli has agreed to subscribe for an additional 100,000,000 subscription shares ("Tranche 2") at an aggregate issue price of US\$ 12.5 million, conditional upon Minera Varry undertaking a commercial shipment of not less than 40,000 tons of iron ore (with an average Fe (Iron) content of not less than 64%) from the Javiera concession owned by Minera Varry S.A. on or before 31 March 2010, and within the following 30 days the actual production must be not less than 160,000 tons. Currently it is unlikely that this condition will be satisfied by OMG.

The Group entered into an exclusive Master Agency Agreement with Fengli for which Fengli is appointed OMG's exclusive sales agent to assist with finding customers for the sale of iron ore, on terms previously advised to the market.

Acquisition of Contractual Minera Varry and the lease of the Resguardo Mining Concession

Subsequent to the end of the reporting period the Company completed the acquisition, through its wholly owned Chilean incorporated subsidiary Orion Group Holding Limitada, of Contractual Minera Varry ("CMV") a Chilean incorporated company.

CMV is a special purpose vehicle which holds a 13 year lease to exploit a mining prospect called "Resguardo", situated in the Third Region of Chile.

CMV is currently undertaking a drilling campaign with diamond drillings and the preliminary summary reports on these drillings show the presence of mineralisation.

As OMG is a small company its capital and human resources are limited. Within these limits OMG must prioritise its activities so as to ensure that it exploits the most cost effective and profitable opportunities available to it. To this end, initial advice provided to the Board of OMG indicates that the Resguardo resource may have the following advantages over the existing Javiera mining prospect owned by OMG:

- Resguardo may be easier and more economical to mine;
- Resguardo is located closer to the port.

To date CMV has no definitive detailed reports on Resguardo which confirm the proven or inferred tonnes of mineralisation present at the prospect, nor conclusive chemical analysis. These reports are expected to be available within the next three to four months.

On the above basis, the Board of OMG believes it prudent to fully explore the prospective Resguardo opportunity afforded to OMG before committing to the expenditure of the majority of OMG's resources.

Terms of the Resguardo Lease

The lease is between CMV and Southern Copper Corporation, a Peruvian based company. The initial term of the Lease is for a term of 13 years.

There are limited rights of renewal, subject to either party resolving to terminate the lease at the end of the initial term of the lease, and any renewed term.

The royalty or rent for the Mining Property will be determined according to the percentage of iron in the iron concentrate product (if any) produced by CMV and the "freight on board" ("FOB") selling price of the iron ore shipment.

The base price for calculating the royalty is US\$ 40.00 per tonne of iron ore concentrate shipped FOB, with a minimum grade of 64% Fe. At a sales price of US\$ 40.00 FOB per tonne and a grade of 64% the royalty will be US\$ 1.00 per tonne. If the FOB sale price is higher than the base price the royalty will increase according to the percentage Fe concentrate the FOB price. The minimum royalty will be US\$ 1.00 per tonne.

CMV is only able to mine iron ore and not other materials that may be deposited within the prospect.

Terms of the CMV Acquisition

The shares in CMV were acquired by Orion Group Holding Limitada from interests associated with Francisco Barriga, a director and significant shareholder of OMG for a consideration of US\$ 3,294.

CMV had to date been funded by interests associated with Mr Barriga, and as at the date of the completion of the acquisition, CMV was indebted to Mr Barriga of approximately US\$ 278,194. The parties have agreed that CMV will not be obliged to repay those sums unless the results of the drilling programme and geological and laboratory testing concludes that the mine possesses a minimum reserve of thirty million tonnes of iron ore with a Fe percentage of between 30 to 55 percent of total iron ore ("Condition Subsequent"). Similarly in the event that the Condition Subsequent is not satisfied, the entire transaction can be unwound at the option of OMG.

OMG will be responsible for funding the balance of the drilling programme currently being undertaken by CMV.

Javiera Mining Prospect

The Board has determined that the Javiera mining concession will be more expensive to mine than originally contemplated by the executive of Minera Varry S.A, and that the Javiera concession will ultimately be uneconomic to develop in its current form.

As a consequence of this development, the independent directors of OMG entered into discussions with Inversiones Barriga S.A ("Inversiones"), the single largest shareholder of OMG and the original vendor of the Javiera concession, with a view to reconciling both party's economic interests in respect of the original transaction in an equitable manner.

Following these discussions, OMG entered into a conditional arrangement with Inversiones to transfer to Inversiones the shares held by OMG in its wholly owned subsidiary, Minera Varry S.A., which holds the Javiera concession, in consideration for OMG buying back and cancelling the 510 million OMG shares held by Inversiones ("the Inversiones Shares").

The Board of OMG believe that:

- OMG's limited financial resources are best focused on exploiting the Resguardo concession held by Contractual Minera Varry, another wholly owned subsidiary of OMG;
- the prospective transaction is in the best interests of OMG and its non interested shareholders, insofar as the result of the transaction will be that the share capital of OMG will be reduced by 510 million shares in consideration for the disposal of an asset of OMG (namely the shares in Minera Varry S.A.) which has little or no value to OMG;
- the economic interest of the non interested shareholders in the remaining assets of OMG and its subsidiaries will increase as a consequence of the significant reduction in share capital.

The Board proposes to cancel the Inversiones Shares following their acquisition by OMG.

The arrangement is conditional upon:

- OMG satisfying a number of procedural Companies Act requirements associated with the buyback by OMG of the Inversiones Shares; and
- OMG shareholders approving the acquisition by OMG of the Inversiones Shares and the sale of the shares in Minera Varry S.A. to Inversiones and all other matters required by the NZAX Listing Rules, the Companies Act 1993, the Takeovers Code or any other applicable law, by 31 March 2010.

Special Meeting of Shareholders

Shareholders will be asked to vote on the acquisition, which is to be approved by special resolution, in accordance with the requirements of the NZAX Listing Rules and an ordinary resolution in accordance with the requirements of the Takeovers Code.

A Notice of Special Meeting of Shareholder's will be circulated to all Shareholders in due course. The Notice of Special Meeting will contain further information about the terms of the prospective sale of Minera Varry S.A. and the acquisition by the Company of the Inversiones Shares.

Other Arrangements

Francisco Barriga has a relevant interest in the Inversiones Shares and Inversiones Barriga S.A. which are the subject of the transaction. Mr Barriga was previously a director of OMG and is currently a director of Inversiones.

In addition to the sale of the Minera Varry S.A. shares by OMG and the purchase of the Inversiones Shares, the following arrangements were also entered into as part of the transaction:

- Mr Barriga agreed to transfer all of his interests in a prospective mining concession known as "Pelicano 1 to 10", located in Northern Chile, to OMG at no additional cost to OMG;
- interests associated with Mr Barriga agreed to grant to OMG (or its nominee), at OMG's election, the right to lease and mine a concession called the "Don Francisco concession" owned by interests associated with Mr Barriga, and located in Northern Chile. The terms of the lease are to be no less favourable to OMG as those afforded to OMG's subsidiary company, CMV, within the lease held by CMV in respect of the "Resguardo" mine between CMV and Southern Copper Corporation;
- Mr Barriga resigned as a director and executive of each of OMG and its subsidiary companies;
- no payments were payable by OMG or any of its subsidiaries to Mr Barriga;
- notwithstanding that Inversiones is acquiring the shares in Minera Varry, Inversiones has granted OMG a first right of refusal to purchase the shares in Minera Varry S.A. and the Javiera mining concession. In addition, Inversiones has also granted OMG a first right of refusal to mine the Javiera mining concession.

Impairment of Goodwill

As advised to the market on 15 October 2009, the financial result of the Group varies materially from the unaudited results released on 14 September 2009. The change reflects the impairment of goodwill generated by the acquisition of the Minera Varry S.A. asset. As the Minera Varry S.A. transaction is now effectively being cancelled the Directors believe the goodwill should be written off. The impairment is US\$ 307,220.

Obligation to issue new shares to Fengli

As previously advised to the market on 9 January 2009, OMG agreed as part of the subscription arrangements entered into with Fengli Group (Hong Kong) Co. Limited ("Fengli") that it would, not later than 30 September 2009, provide Fengli with evidence from an independent geologist that the mines owned by Minera Varry S.A. shall have not less than 100 million tonnes of proven reserves of iron ore located therein. The arrangements provided that should OMG not provide Fengli with such satisfactory evidence, then OMG would be obliged to issue to Fengli 25 million fully paid ordinary shares in the Company as compensation for not satisfying that requirement.

OMG has not satisfied this requirement, and accordingly OMG is required to issue a further 25 million ordinary shares to Fengli. OMG will issue these shares in due course.

Corporate Governance

The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of behaviour and accountability. The Board intends to develop strategies for the Company, review strategic objectives and monitor the Company's performance against those objectives. The overall goals of the corporate governance process is to:

- drive shareholder value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following primary responsibilities:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- review of performance and remuneration of Directors and Executive Officers; and
- establishment and maintenance of appropriate ethical standards for the Company to operate by.

The Directors have appointed an Audit Committee and a Nomination and Remuneration Committee. The Audit Committee is chaired by Mr Roger Gower with Mr Sean Joyce as a member.

The role of the Audit Committee is to take responsibility for overseeing the Company's audit procedures, undertaking management and responsibility for the Company fulfilling its annual audit and half year and quarterly review, and providing any information required by the Company's auditor.

The role of the Nomination and Remuneration Committee is to consider the appointment of any future Directors and their suitability to hold that position, as well as the employment of senior executive employees of the Company. The Nomination and Remuneration Committee is also responsible for considering the remuneration to be paid to executive employees and Directors.

The Company has adopted corporate governance policies and practices which are appropriate for the size and nature of the Company. The policies adopted include Continuous Disclosure and Trading in securities procedures and policies.

The Board also recognises its duty to ensure that its Shareholders and other stakeholders are informed of all major developments affecting the Company's state of affairs.

Auditors' Report

To the shareholders of Orion Minerals Group Limited

We have audited the financial statements on pages 7 to 42. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 30 June 2009 and Group for the period ended 30 June 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 12 to 17.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2009 and their financial performance and cash flows for the year and period ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and tax advisors.

Auditors' Report

Orion Minerals Group Limited

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 7 to 42:
 - (i) comply with generally accepted accounting practice in New Zealand;
 - (ii) comply with International Financial Reporting Standards and
 - (iii) give a true and fair view of the financial position of the Company and Group as at 30 June 2009 and their financial performance and cash flows for the year and period ended on that date.

Our audit was completed on 30 October 2009 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2009

| | Notes | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 | Parent Year ended 30 June 2009 US \$000 | Parent Year ended 30 June 2008 US \$000 |
|--|-------|--|---|---|---|
| Revenue | 4 | - | - | - | - |
| Cost of goods sold | 5 /6 | - | - | - | - |
| Gross profit | | \$ - | \$ - | \$ - | \$ - |
| Other income | 4 | - | - | - | 37 |
| Selling and distribution expenses | 5 /6 | - | - | - | - |
| Marketing expenses | 5 /6 | - | - | - | - |
| Administrative and other expenses | 5 /6 | (1,324) | (552) | (56,613) | (134) |
| Operating loss | | (1,324) | (552) | (56,613) | (97) |
| Finance income | 4 | - | 1 | 4 | 7 |
| Realised exchange (loss)/gain | | (101) | 160 | (29) | - |
| Finance expense | | (10) | (49) | - | - |
| Net loss before income tax | | \$ (1,431) | \$ (440) | \$ (56,638) | \$ (90) |
| Income tax credit | 7 | 15 | 8 | - | - |
| Net loss after tax for the year attributable to shareholders | | \$ (1,416) | \$ (432) | \$ (56,638) | \$ (90) |
| Other comprehensive income for the year | | - | - | - | - |
| Total comprehensive expense for the year attributable to shareholders | | \$ (1,416) | \$ (432) | \$ (56,638) | \$ (90) |
| Earnings per share for loss attributable to shareholders: | | | | | |
| - Basic earnings per share (cents per share) | 8 | (0.16) | (0.46) | (11.32) | (0.39) |
| - Diluted earnings per share (cents per share) | 8 | (0.15) | (0.43) | (10.63) | (0.34) |

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2009

| | Notes | Share Capital US \$000 | Share Option Reserve US \$000 | Retained Earnings US \$000 | Total Equity US \$000 |
|---|-------|---------------------------|-------------------------------------|----------------------------------|-----------------------------|
| Group | | | | | |
| Balance as at 1 January 2008 | | 17 | - | (135) | (118) |
| Net loss attributable to shareholders | | - | - | (432) | (432) |
| Total recognised income and expenses for the year | | - | - | (432) | (432) |
| Distributions to owners on acquisition | 11 | - | - | (1,000) | (1,000) |
| Shares issued | 9 | 2,688 | - | - | 2,688 |
| Balance as at 31 December 2008 | | \$ 2,705 | \$ - | \$ (1,567) | \$ 1,138 |
| Net loss attributable to shareholders | | - | - | (1,416) | (1,416) |
| Total recognised income and expenses for the period | | - | - | (1,416) | (1,416) |
| Distributions to owners | 11 | - | - | - | - |
| Shares issued | 9 | 9,839 | - | - | 9,839 |
| Balance as at 30 June 2009 | | \$ 12,544 | \$ - | \$ (2,983) | \$ 9,561 |
| | | | | | |
| | | Share Capital US \$000 | Share Option Reserve US \$000 | Retained Earnings US \$000 | Total Equity US \$000 |
| Parent | | | | | |
| Balance as at 1 July 2007 | | - | - | - | - |
| Net loss attributable to shareholders | | - | - | (90) | (90) |
| Total recognised income and expenses for the year | | - | - | (90) | (90) |
| Shares issued | 9 | 161 | - | - | 161 |
| Movements in share options reserve | 11 | - | 40 | - | 40 |
| Balance as at 30 June 2008 | | \$ 161 | \$ 40 | \$ (90) | \$ 111 |
| Net loss attributable to shareholders | | - | - | (56,638) | (56,638) |
| Total recognised income and expenses for the year | | - | - | (56,638) | (56,638) |
| Shares issued | 9 | 67,544 | - | - | 67,544 |
| Balance as at 30 June 2009 | | \$ 67,705 | \$ 40 | \$ (56,728) | \$ 11,017 |

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


STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2009

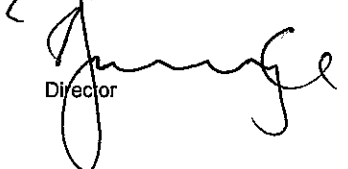
| | Notes | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|--------------------------------------|-------|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| EQUITY | | | | | |
| Share capital | 9 | 12,544 | 2,705 | 67,705 | 161 |
| Share option reserve | 11 | - | - | 40 | 40 |
| Retained earnings | 11 | (2,983) | (1,567) | (56,728) | (90) |
| Total Equity | | 9,561 | 1,138 | 11,017 | 111 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Finance lease payable | 25 | 43 | 55 | - | - |
| Borrowings | 22 | 496 | 674 | - | - |
| Deferred tax | 18 | - | 13 | - | - |
| Total non-current liabilities | | 539 | 742 | - | - |
| Current liabilities | | | | | |
| Trade and other payables | 20 | 159 | 51 | 59 | 5 |
| Provisions | 21 | 29 | 11 | - | - |
| Finance lease payable | 25 | 68 | 49 | - | - |
| Borrowings | 22 | 34 | 110 | - | - |
| Total current liabilities | | 290 | 221 | 59 | 5 |
| TOTAL LIABILITIES | | 829 | 963 | 59 | 5 |
| TOTAL EQUITY AND LIABILITIES | | \$ 10,390 | \$ 2,101 | \$ 11,076 | \$ 116 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Investment in subsidiaries | 14 | - | - | - | - |
| Property, plant and equipment | 17 | 172 | 319 | 3 | - |
| Deferred tax | 18 | 4 | 2 | - | - |
| Intangible assets | 15 | - | 307 | - | - |
| Other non-current assets | 16 | 128 | 71 | - | - |
| Total non-current assets | | 304 | 699 | 3 | - |
| Current assets | | | | | |
| Cash and cash equivalents | 12 | 9,966 | 1,314 | 9,662 | 101 |
| Trade and other receivables | 13 | 117 | 85 | 1,408 | 13 |
| Taxation receivable | 18 | 3 | 3 | 3 | 2 |
| Total current assets | | 10,086 | 1,402 | 11,073 | 116 |
| TOTAL ASSETS | | \$ 10,390 | \$ 2,101 | \$ 11,076 | \$ 116 |

For and on behalf of the Board

Dated: 30th October 2009



Director



Director

STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2009

| | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 | Parent Year ended 30 June 2009 US \$000 | Parent Year ended 30 June 2008 US \$000 |
|--|--|---|---|---|
| OPERATING ACTIVITIES | | | | |
| Cash was provided from: | | | | |
| Receipts from customers | - | 28 | - | 37 |
| Interest received | 4 | 1 | 3 | 7 |
| Cash was applied to: | | | | |
| Payments to suppliers and employees | (792) | (450) | (329) | (104) |
| Interest paid | (10) | (50) | - | - |
| Income tax paid | - | (24) | - | - |
| Net cash (outflows) from operating activities | (798) | (495) | (326) | (60) |
| INVESTING ACTIVITIES | | | | |
| Cash was provided from: | | | | |
| Cash acquired on reverse acquisition | - | 44 | - | - |
| Cash was applied to: | | | | |
| Purchase of property, plant and equipment | (59) | (267) | (3) | - |
| Purchase of equity investments | - | (138) | (1,139) | - |
| Purchase of other non current assets | (57) | - | - | - |
| Advance to subsidiary | - | - | (1,310) | - |
| Investment in mining projects | - | (48) | - | - |
| Net cash (outflows) from investing activities | (116) | (409) | (2,452) | - |
| FINANCING ACTIVITIES | | | | |
| Cash was provided from: | | | | |
| Proceeds of borrowings | 108 | 710 | - | - |
| Proceeds from issue of shares | 9,839 | 2,500 | 12,339 | 161 |
| Cash was applied to: | | | | |
| Distributions to owners on acquisition | - | (1,000) | - | - |
| Repayment of borrowings | (441) | - | - | - |
| Net cash inflow from financing activities | 9,506 | 2,210 | 12,339 | 161 |
| Net increase in cash and cash equivalents | 8,592 | 1,306 | 9,561 | 101 |
| Cash and cash equivalents at the beginning of the period | 1,314 | 8 | 101 | - |
| Effect of exchange rate changes | 60 | - | - | - |
| Cash and cash equivalents at end of period | \$ 9,966 | \$ 1,314 | \$ 9,662 | \$ 101 |
| COMPOSITION OF CASH | | | | |
| Cash and cash equivalents | 12 | 9,966 | 1,314 | 9,662 |
| Bank overdraft | - | - | - | - |
| | | \$ 9,966 | \$ 1,314 | \$ 9,662 |
| | | | | \$ 101 |

STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2009

| | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 | Parent Year ended 30 June 2009 US \$000 | Parent Year ended 30 June 2008 US \$000 |
|--|--|---|---|---|
| RECONCILIATION WITH NET REPORTED LOSS | | | | |
| Reported net loss after taxation | (1,416) | (432) | (56,638) | (90) |
| Items not involving cash flows: | | | | |
| Depreciation expense | 70 | 77 | - | - |
| Unrealised foreign exchange loss | 26 | - | 1 | - |
| Write-down of pre-operating exploration and evaluation costs | 136 | - | - | - |
| Write-down of investment in subsidiary | - | - | 56,343 | - |
| Impairment of goodwill | 307 | - | - | - |
| Share option expense | - | - | - | 40 |
| Unrealised foreign exchange gain | - | (50) | - | - |
| Movement in deferred tax | (15) | (8) | - | - |
| | 524 | 19 | 56,344 | 40 |
| Impact of changes in working capital items | | | | |
| (Increase) / decrease in trade receivables | - | 6 | - | (1) |
| (Increase) / decrease in prepayments and other receivables | (32) | (30) | (85) | (12) |
| (Increase) / decrease in taxation receivable | - | (3) | (1) | (2) |
| Increase / (decrease) in trade payables | 12 | 35 | 45 | 5 |
| Increase / (decrease) in taxation payable | - | (24) | - | - |
| Increase / (decrease) in other payables | 114 | (66) | 9 | - |
| | 94 | (82) | (32) | (10) |
| Net cash flow from operating activities | \$ (798) | \$ (495) | \$ (326) | \$ (60) |

The above statements of cash flows should be read in conjunction with the accompanying notes.

1. General Information

The Group is engaged in research and developmental activities with a view of performing industrial mining activities.

The Parent Company, Orion Minerals Group Limited (previously RLV No.3 Limited), is a limited liability company incorporated and domiciled in New Zealand.

The financial statements have been approved for issue by the Board of Directors on 30th October 2009.

The entities owners do not have the power to amend these financial statements once issued.

Summary of Significant Accounting Policies

These general purpose financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards. The financial statements comply with International Financial Reporting Standards (IFRS).

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The reporting currency used in the preparation of these consolidated financial statements is United States dollars, rounded where necessary to the nearest thousand dollars.

Entities reporting

The financial statements are the Consolidated Financial Statements of the Group comprising Orion Minerals Group Limited ("Company" or "Parent") and its subsidiary together referred to in these financial statements as the "Group". The financial statements of the Parent are for the Company as a separate legal entity.

The Parent and its subsidiary are designated as profit-oriented entities for financial reporting purposes. Orion Minerals Group Limited was acquired by Minera Varry by way of reverse acquisition on 11 December 2008. The consolidated financial statements are issued in the name of the legal Parent, Orion Minerals Group Limited, but are a continuation of the financial statements of the legal subsidiary Minera Varry, who is the acquirer.

Reporting period

The Group received a waiver from the NZX to prepare interim financial statements at 31 December on an annual basis rather than on a half yearly basis as half yearly information was not available for the Group. The consolidated financial statements for the Group are therefore for the six months to 30 June 2009, with comparatives for the previous 12 months. The comparatives comprise the results of the subsidiary for the whole period and the Parent since the date of the reverse acquisition on 11 December 2008.

The Directors confirm that the provision of 6 monthly results in place of 12 month results is not mis-leading and that there are no seasonal variation in revenue and expenses which are not disclosed.

The financial statements of the Parent are in respect of the year commencing 1 July 2008 to 30 June 2009. The comparative period of the Parent is in respect of the period 1 July 2007 to 30 June 2008.

Statutory base

Orion Minerals Group Limited is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is also listed on the New Zealand Alternative Market (NZAX).

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

The financial statements of the Parent at 30 June 2008 had been prepared in accordance with NZ IFRS. As such, no explanation of the transition to NZ IFRS for the Parent is presented in these financial statements.

However, the financial statements of the subsidiary until 31 December 2007 had been prepared in accordance with accounting principles generally accepted in Chile "Chilean GAAP", issued by the Chilean Institute of Accountants. When preparing the financial statements for the Group for the period ended 30 June 2009, management has amended certain accounting and valuation methods to comply with NZ IFRS.

Reconciliations and descriptions of the effect of transition from previous Chilean GAAP to NZ IFRS on the Group's equity and its net income are given in Note 31.

- Profit for the twelve months ended 31 December 2007
- Equity at 1 January 2007 - opening position
- Equity at 31 December 2007

There are no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under the previous GAAP.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates and critical judgements

The preparation of these financial statements in conformity with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosures of contingent assets and liabilities as of the date of the financial statements, and the profit and loss amounts during the year. The actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. For further information on areas of estimation and judgement, refer to the notes to the financial statements, in particular notes 15 and 17.

(b) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Orion Minerals Group Limited as at 30 June 2009 and the results of all subsidiaries for the six months then ended. Orion Minerals Group Limited and its subsidiaries are referred to in these financial statements as the Group or the consolidated entity. In the case of reverse acquisitions the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree.

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. In the case of reverse acquisitions the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(d) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

Previously, the subsidiary Minera Varry has reported using a functional currency of Chilean pesos. However, it is now deemed more appropriate and the results more meaningful, for the transactions of the subsidiary to be reported in United States dollars. Therefore, financial statements, including comparatives, have been prepared using a United States dollar functional currency.

The Parent had used a functional currency of New Zealand dollars in preparing its financial statements up to and including 30 June 2008. These have been re-stated in the functional currency of United States dollars. No material differences were noted.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges.

(e) Revenue Recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services, net of Goods and Services Tax in the ordinary course of the Group's activities. Revenue is recognised as follows:

Sales - lease income

The vehicle leases are recognised in income at the time the service is provided. These leases are recognised on a monthly fixed price determined for each customer.

Sales - mining income

The Group is in preoperational stage, which to date has not generated revenues from exploitation of mining.

Finance income

Finance income comprises of interest income on funds invested. Interest revenue is recognised as it accrues, using the effective interest method.

(f) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the comprehensive balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured as the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividends is recognised.

(g) Goods and Services Tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated on the same basis as equivalent property, plant and equipment.

(i) Statement of Cash Flows

The following is the definition of the terms used in the Statement of Cash Flows:

- (i) Cash means coins, notes, demand deposits and other highly liquid investments in which the Group has invested in part of its day to day cash management. Cash includes current liabilities such as negative cash balances in the form of overnight bank overdrafts. Cash does not include receivables or payables or any borrowing that forms part of a term facility.
- (ii) Investing activities are those relating to the addition, acquisition and disposal of property, plant and equipment.
- (iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group.
- (iv) Operating activities include all transactions and other events that are not investing or financing activities.

(j) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown separately in current liabilities on the balance sheet.

(l) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than one month from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence (such as age of debt, financial difficulty of the counterparty) that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(m) Investments and other financial assets

Investments

Investments in subsidiaries in the Parent financial statements are recorded at cost less impairment.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are initially recognised at fair value on trade date plus transaction costs. Trade date is the date on which the Group commits to purchase or sell the asset. They are subsequently carried at amortised cost using the effective interest method. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimate future cash flows discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

(n) Determination of Fair Value

For financial instruments not presented in the balance sheet at fair value, fair value is estimated as follows:

Trade receivables, trade payables, cash and cash equivalents: These are short term in nature and the related carrying value equals to their fair value. Fair value of borrowings is estimated using valuation techniques such as discounted cash flow method, using assumptions that are based on observable market conditions and risks at the reporting date.

Provisions have been made where there is objective evidence that the Group will not be able to collect all the amounts due per the original terms of the receivables. Such amounts have been deducted from the respective accounts. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

(o) Trade and Other Payables

Trade and other payables amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within a month of recognition.

(p) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(r) Financing expense

Financing expense comprises interest expense on interest bearing liabilities calculated using the effective interest rate method.

(s) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Motor Vehicles - 3 years

Office Furniture & Equipment - 2-3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance 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 carrying amount. These are included in the statement of comprehensive income.

Fixed assets acquired under leasing contracts are presented at current value, considering the respective implied rate.

These assets are not legally owned by the group and, consequently, it can not dispose of them freely until the respective purchase options are exercised.

(t) Mining Claims

The acquisition costs of mining licences are capitalised as intangible assets. The licence costs of successful efforts are amortised over the estimated useful life of the mine commencing from the first year of commercial production from that mine. The licence costs of unsuccessful efforts are considered impaired, and expensed to the statement of comprehensive income when the decision to abandon a licence is made. Licence costs are assessed annually for indicators of impairment. Any impairment in value is taken to the statement of comprehensive income.

(u) Pre-operating mine development

The pre-operating mine development costs, including the costs relating to drilling for determination of reserves and resources, are capitalised. Pre-operating development costs are assessed annually for indicators of impairment. Any impairment in value is taken to the statement of comprehensive income.

(v) Impairment - Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in the statement of comprehensive income.

(w) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over fair value of the net identifiable assets of acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is annually tested for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(x) Share capital

Ordinary shares are classified as capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Dividends

Provision is made for the amount of any dividend declared on or before balance date but not distributed at balance date.

(z) Earnings per Share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(aa) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ab) Share Options

The fair value of options granted to Directors are recognised as an expense in the statement of comprehensive income with a corresponding increase in the share option reserve. When options are exercised the amount in the share option reserve relating to those options, together with the exercise price paid by the Director, is transferred to share capital.

(ac) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods but which the Group has not early adopted:

NZ IFRS 3 (Amendments) 'Business Combinations'. The Group has chosen not to early adopt amendments made in February 2008 to NZ IFRS 3: Business Combinations. The amendments are mandatory for reporting periods beginning on or after 1 July 2009. The amendments impact the measurement of minority interests in an acquisition and the acquisition of a minority interest subsequent to an acquisition, step acquisitions, contingent consideration, acquisition costs and acquiree. The amendments are prospectively applicable and therefore will only impact business combinations that take effect after the date of adopting the new standard.

(ad) New standard adopted

The Group has adopted the following amended standard as of 1 January 2009:

IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'nonowner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out centrally by the head office under policies approved by the Board of Directors. The Board provides written principles for overall risk management as well as policies covering specific areas such as interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments.

The Group and the Parent hold the following financial instruments:

| | Loans and receivables | Financial assets at fair value through Profit & Loss | Financial liabilities at fair value through Profit & Loss | Other financial liabilities |
|---------------------------------|-----------------------------|---|--|-----------------------------------|
| Group - 30 June 2009 | | | | |
| Cash and cash equivalents | 9,966 | - | - | - |
| Trade and other receivables | 117 | - | - | - |
| Taxation receivable | 3 | - | - | - |
| Trade and other payables | - | - | - | 159 |
| Borrowings and overdrafts | - | - | - | 641 |
| | 10,086 | - | - | 800 |
| Group - 31 December 2008 | | | | |
| Cash and cash equivalents | 1,314 | - | - | - |
| Trade and other receivables | 85 | - | - | - |
| Taxation receivable | 3 | - | - | - |
| Trade and other payables | - | - | - | 51 |
| Borrowings and overdrafts | - | - | - | 888 |
| | 1,402 | - | - | 939 |
| Parent - 30 June 2009 | | | | |
| Cash and cash equivalents | 9,662 | - | - | - |
| Other receivables | 1,408 | - | - | - |
| Taxation receivable | 3 | - | - | - |
| Trade and other payables | - | - | - | 59 |
| Borrowings and overdrafts | - | - | - | - |
| | 11,073 | - | - | 59 |
| Parent - 30 June 2008 | | | | |
| Cash and cash equivalents | 101 | - | - | - |
| Other receivables | 13 | - | - | - |
| Taxation receivable | 2 | - | - | - |
| Trade and other payables | - | - | - | 5 |
| Borrowings and overdrafts | - | - | - | - |
| | 116 | - | - | 5 |

(a) Market risk**(i) Foreign exchange risk**

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading activities. Where exposures are certain it is the Group policy to hedge these risks as they arise. The Group uses foreign exchange currency contracts to manage these exposures. The following table shows the sensitivity of the Group and the Company's after tax profit and equity to a movement in the exchange rate of +/-10%. The table assumes a tax rate of 30%.

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|-----------------|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Currency amount | (169) | (300) | 76 | 111 |
| +10% movement | | | | |
| post tax profit | 12 | 21 | (5) | (8) |
| equity | 12 | 21 | (5) | (8) |
| -10% movement | | | | |
| post tax profit | (12) | (21) | 5 | 8 |
| equity | (12) | (21) | 5 | 8 |

Refer to note 13 and 20 for receivables and payables denominated in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates exposes the Group to fair value interest rate risk.

The Group has no borrowings issued at variable rates.

(b) Credit risk

Credit exposure arises from financial assets recognised in the balance sheet and equals their carrying value. In its normal course of business the Group is subject to credit risk from trade debtors and transactions with financial institutions. The Group has a credit policy that is used to manage this exposure to credit risk. As part of this policy, limits on exposure with counterparties have been set and are monitored on a regular basis.

No credit limits were exceeded during the period and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Refer to ageing in note 22 for liquidity risk.

(d) Fair value

The fair value of trade receivables, trade payables and cash and cash equivalents are determined to be equivalent to their carrying value due to the short term nature of these balances.

The fair value of the Group's borrowings is estimated based on current market rates available to the Group for debt of similar maturity.

(e) Capital risk management

The Group and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure that reduces the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital is calculated as "equity" as shown in the consolidated statement of financial position. There are no external capital requirements.

3. SEGMENT INFORMATION

The Group operates in one business segment, being industrial mining, and one geographical segment, being Chile.

4. OPERATING REVENUE

| | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 | Parent Year ended 30 June 2009 US \$000 | Parent Year ended 30 June 2008 US \$000 |
|--------------------------------|---|--|--|--|
| Sales | - | - | - | - |
| Other operating revenue | - | - | - | 37 |
| Total operating revenue | - | - | - | 37 |

5. EMPLOYEE BENEFITS

| | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 | Parent Year ended 30 June 2009 US \$000 | Parent Year ended 30 June 2008 US \$000 |
|-----------------------------|---|--|--|--|
| Wages and salaries | 367 | 150 | - | - |
| Other employments costs | - | - | - | - |
| Employee share option plans | - | - | - | 40 |
| | 367 | 150 | - | 40 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

6. OPERATING EXPENSES**Operating expenses include:****Auditors' fees**

Audit fees paid to principal auditors

Fees paid for other services by principal auditors

- taxation compliance & services

- other assurance services

- other services

Total Auditors' fees**Depreciation**

Computer hardware & software

Office furniture & fittings

Motor vehicles

Total Depreciation

Loss / (gain) on disposal of property, plant & equipment

Rental and operating lease expense

Write-down of pre-operating exploration and evaluation costs

Write-down of investment in subsidiary

Donations

Research and development

Foreign exchange currency losses / (gains)

Directors' fees

Impairment of Intangible Assets

Impairment of goodwill

Total Impairment

| | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 | Parent Year ended 30 June 2009 US \$000 | Parent Year ended 30 June 2008 US \$000 |
|--|---|--|--|--|
| Audit fees paid to principal auditors | 89 | 27 | 23 | 4 |
| Fees paid for other services by principal auditors | 15 | - | 15 | - |
| - taxation compliance & services | - | - | - | - |
| - other assurance services | - | - | - | - |
| - other services | - | - | - | - |
| Total Auditors' fees | 104 | 27 | 38 | 4 |
| Depreciation | | | | |
| Computer hardware & software | - | - | - | - |
| Office furniture & fittings | 6 | 3 | - | - |
| Motor vehicles | 64 | 74 | - | - |
| Total Depreciation | 70 | 77 | - | - |
| Loss / (gain) on disposal of property, plant & equipment | - | - | - | - |
| Rental and operating lease expense | 17 | 14 | - | - |
| Write-down of pre-operating exploration and evaluation costs | 136 | - | - | - |
| Write-down of investment in subsidiary | - | - | 56,343 | - |
| Donations | - | - | - | - |
| Research and development | 90 | 138 | - | - |
| Foreign exchange currency losses / (gains) | 101 | (160) | 29 | - |
| Directors' fees | 69 | 12 | 134 | - |
| Impairment of Intangible Assets | 307 | - | - | - |
| Total Impairment | 307 | - | - | - |

7. INCOME TAX EXPENSE

Net loss for the period before taxation

Tax at the New Zealand rate of 30%

Income not subject to tax

Expenses not deductible for tax

Prior period adjustments

Movement in Holiday Pay provision

Losses not recognised

Difference due to overseas tax rates

Re-statement of finance and operating leases

Total income tax credit

| | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 | Parent Year ended 30 June 2009 US \$000 | Parent Year ended 30 June 2008 US \$000 |
|--|---|--|--|--|
| Net loss for the period before taxation | (1,431) | (440) | (56,638) | (90) |
| Tax at the New Zealand rate of 30% | (429) | (132) | (16,991) | (30) |
| Income not subject to tax | - | (52) | - | (12) |
| Expenses not deductible for tax | 92 | 7 | 16,910 | 38 |
| Prior period adjustments | - | - | - | - |
| Movement in Holiday Pay provision | 5 | 3 | - | - |
| Losses not recognised | 283 | 169 | 81 | 4 |
| Difference due to overseas tax rates | 11 | 6 | - | - |
| Re-statement of finance and operating leases | 23 | (9) | - | - |
| Total income tax credit | (15) | (8) | - | - |

Comprising:

Current income tax expense

Increase in deferred tax

Total income tax credit

| | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 | Parent Year ended 30 June 2009 US \$000 | Parent Year ended 30 June 2008 US \$000 |
|--------------------------------|---|--|--|--|
| Current income tax expense | - | - | - | - |
| Increase in deferred tax | (15) | (8) | - | - |
| Total income tax credit | (15) | (8) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

8. EARNINGS PER SHARE

| | Group Six months ended 30 June 2009 000 | Group Year ended 31 Dec 2008 000 | Parent Year ended 30 June 2009 000 | Parent Year ended 30 June 2008 000 |
|--|--|---|---|---|
| Basic earnings per share: | | | | |
| Net loss attributable to shareholders (US\$ 000) | (1,416) | (432) | (56,638) | (90) |
| Number of ordinary shares on issue (thousands) | 899,550 | 899,550 | 899,550 | 30,982 |
| Weighted average number of ordinary shares on issue (thousands) | 899,550 | 94,521 | 500,283 | 23,003 |
| Basic earnings per share (cents) (based on weighted average number of shares on issue) | (0.16) | (0.46) | (11.32) | (0.39) |
| Diluted earnings per share: | | | | |
| Net loss attributable to shareholders (US\$ 000) | (1,416) | (432) | (56,638) | (90) |
| Weighted average number of ordinary shares on issue (thousands) | 899,550 | 94,521 | 500,283 | 23,003 |
| Adjustment for share options (thousands) | 56,950 | 76,950 | 56,950 | 4,500 |
| Weighted average number of diluted shares on issue (thousands) | 962,730 | 101,094 | 532,571 | 26,806 |
| Diluted earnings per share (cents) (based on weighted average number of shares on issue) | (0.15) | (0.43) | (10.63) | (0.34) |

9. SHARE CAPITAL

| Group | 30 June 2009 Number | 31 Dec 2008 Number | 30 June 2009 US \$000 | 31 Dec 2008 US \$000 |
|--|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| <i>Ordinary shares</i> | | | | |
| Balance at beginning of period | 899,550,000 | - | 2,705 | 17 |
| Shares issued | - | 896,451,790 | 9,839 | 12,500 |
| Unpaid capital | - | - | - | (10,000) |
| Reverse acquisition share issue | - | 3,098,210 | - | 188 |
| Balance at end of period | 899,550,000 | 899,550,000 | 12,544 | 2,705 |
| Parent | 30 June 2009 Number | 30 June 2008 Number | 30 June 2009 US \$000 | 30 June 2008 US \$000 |
| <i>Ordinary shares</i> | | | | |
| Balance at beginning of year | 30,981,851 | - | 161 | - |
| Share consolidation | (27,883,641) | (7,733,200) | - | - |
| Shares issued | 100,000,000 | 38,715,051 | 12,500 | 190 |
| Shares issue to shareholders of Minera Varry | 796,451,790 | - | 55,204 | - |
| Share issue costs | - | - | (160) | (29) |
| Balance at end of year | 899,550,000 | 30,981,851 | 67,705 | 161 |

Parent share issue details and rights*Ordinary shares*

As at 30 June 2009 there were 899,550,000 shares issued. All ordinary shares on issue are fully paid. All ordinary shares rank equally with one vote attached to each share.

Parent shares issued

896,451,790 shares were issued during the year ended 30 June 2009 (2008: 38,715,051). 796,451,790 shares were issued at US 6.93 cents per share (NZ 12.5 cents per share) and 100,000,000 shares were issued at US 12.5 cents per share.

Reverse acquisition share issue*Parent*

On 11 December 2008, Minera Varry was acquired in a reverse acquisition by RLV No.3 Limited, which purchased 100% of Minera Varry for US\$56,204,065. RLV No.3 Limited changed its name to Orion Minerals Group Limited to reflect the business of that company. This acquisition was satisfied by the issue of 796,451,790 shares at an issue price of US 6.93 cents per share (NZ 12.5 cents per share) and a distribution to owners on acquisition of US\$1,000,000. This gave Minera Varry vendors 99.6% of the issued share capital of RLV No.3 Limited at that date.

Group

At the reverse acquisition date, RLV No.3 Limited had 3,098,210 shares on issue which had a fair value of US 5.7 cents per share to US 6.7 cents per share (NZ 11 cents per share to NZ 13 cents per share). This resulted in a reverse acquisition share issue of US\$187,694. Further detail is provided in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

10. REVERSE ACQUISITION

The acquisition of RLV No. 3 Limited on 11 December 2008, renamed Orion Minerals Group Limited, has been treated as a reverse acquisition for financial reporting purposes recognising that Minera Varry shareholders retained the controlling interest following the transaction.

| Summary of the effect of the reverse acquisition: | US \$000 |
|---|-------------|
| Cash at bank | 44 |
| Other current assets | 35 |
| Total assets acquired | 79 |
| Accounts payable | (60) |
| Total liabilities acquired | (60) |
| Net assets acquired | 19 |
| Consideration | 326 |
| Goodwill on acquisition | 307 |
| Consideration funded as follows: | |
| Issue of shares - 796,451,790 shares as US 6.9313 cents per share | 55,204 |
| Portion of combined Group obtained by Parent company shareholders | 0.34% |
| Cost of acquisition to Minera Varry acquirers | 188 |
| Other acquisition costs | 138 |
| Total consideration | 326 |

| | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 |
|---|--|---|
| Orion Minerals Group Limited's (acquiree's) result included in Group result since date of acquisition | (161) | (43) |

11. RESERVES

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|---|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Reserves | | | | |
| Retained earnings | (2,983) | (1,567) | (56,728) | (90) |
| Share option reserve | - | - | 40 | 40 |
| Retained earnings | | | | |
| Balance at the beginning of the period | (1,567) | (135) | (90) | - |
| Loss after taxation | (1,416) | (432) | (56,638) | (90) |
| Distribution to owners on acquisition | - | (1,000) | - | - |
| Balance at the end of the period | (2,983) | (1,567) | (56,728) | (90) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|--|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Share option reserve | | | | |
| Balance at the beginning of the period | - | - | 40 | - |
| Share based payment | - | - | - | 40 |
| Balance at the end of the period | - | - | 40 | 40 |

As part of the Initial Public Offering dated 8 October 2007, the Parent, Orion Minerals Group Limited (formerly RLV No 3. Limited), issued the following equity settled share options with an exercise price of NZ\$0.01 that may be exercised any time from the issue date, 25 October 2007, until 5.00pm on 31 October 2010.

| Issued to | Original Options Issued | Post Share Consolidation Options | Fair Value Basis | Cost US\$ 000 |
|-------------------|----------------------------|--|---------------------|------------------|
| Former Directors | 1,000,000 | 100,000 | Cost Options | 2 |
| Wilkinson & White | 3,500,000 | 350,000 | Cost Services | 38 |
| | 4,500,000 | 450,000 | | 40 |

Both sets of options are for services provided to the Company as disclosed in the prospectus dated 8 October 2007.

Other share options are disclosed in note 27.

12. CASH AND CASH EQUIVALENTS

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|---|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies: | | | | |
| New Zealand dollars | 35 | 52 | 35 | 101 |
| United States dollars | 9,627 | 952 | 9,627 | - |
| Chilean pesos | 304 | 310 | - | - |
| | 9,966 | 1,314 | 9,662 | 101 |

The carrying amount for cash and cash equivalents equals the fair value.

13. TRADE AND OTHER RECEIVABLES

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|----------------------------------|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Trade receivables | - | - | - | - |
| Provision for doubtful debts | - | - | - | - |
| Net trade receivables | - | - | - | - |
| Other receivables | 82 | 73 | 63 | 13 |
| Prepayments | 35 | 12 | 35 | - |
| Due from related parties | - | - | - | - |
| Due from subsidiaries | - | - | 1,310 | - |
| Total current receivables | 117 | 85 | 1,408 | 13 |

The fair value of trade and other receivables approximates their carrying value. No interest is charged on trade receivables. No trade receivables are past due or impaired as at 30 June 2009 (31 December 2008 and 30 June 2008: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

The carrying amounts of the Group's net trade receivables are denominated in the following currencies:

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|-----------------------|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| New Zealand dollars | 98 | 51 | 98 | 13 |
| United States dollars | - | - | 1,310 | - |
| Chilean pesos | 19 | 34 | - | - |
| | 117 | 85 | 1,408 | 13 |

14. INVESTMENT IN SUBSIDIARIES

Principal subsidiaries:

| Name of Entity | Activity | Location | Interest held by Parent 30 June 2009 | 30 June 2008 |
|---|----------------|----------|---|---|
| Sociedad Minera Varry S.A. | Mining Company | Chile | 100% | - |
| | | | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
| Investments | | | | |
| Shares in subsidiaries | | | 56,343 | - |
| Write-down recognised through statement of comprehensive income | | | (56,343) | - |
| Total investments | | | - | - |

The Parent's investment in subsidiaries comprises shares at cost less impairment write-down.

15. INTANGIBLE ASSETS

| Group | 30 June 2009 US \$000 | 31 Dec 2008 US \$000 |
|---|--------------------------|-------------------------|
| Goodwill at cost | | |
| Balance at beginning of period | 307 | - |
| | 307 | - |
| Goodwill on acquisition (note 10) | - | 307 |
| Impairment recognised through statement of comprehensive income | (307) | - |
| Balance at end of period | - | 307 |

The Parent has no intangible assets

Impairment tests for indefinite life goodwill

Goodwill is measured at an overall group level rather than being allocated to specific cash generating assets within the Group. On an annual basis, the recoverable amount of goodwill is determined based on value-in-use calculations specific to the cash-generating unit (CGU) associated with that goodwill.

Subsequent to 30 June 2009, the Board determined that the value of the value of the Javiera mine asset is impaired. Refer note 28. As a result the goodwill on acquisition has been written down in the Statement of Comprehensive Income.

16. OTHER NON CURRENT ASSETS

| Group | 30 June 2009 US \$000 | 31 Dec 2008 US \$000 |
|------------------|--------------------------|-------------------------|
| Mining claims | 71 | 71 |
| Prepayment | 3 | - |
| Other receivable | 54 | - |
| | 128 | 71 |

The Parent has no mining claims or other non current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

17. PROPERTY, PLANT AND EQUIPMENT

| Group Cost | Exploration and Evaluation US \$000 | Office Furn. & Equipment US \$000 | Motor Vehicles US \$000 | Total US \$000 |
|--|--|--|--|---------------------------|
| Balance as 1 January 2008 | - | 3 | 257 | 260 |
| Additions | 136 | 2 | 128 | 266 |
| Disposals | - | - | - | - |
| Balance at 31 December 2008 | 136 | 5 | 385 | 526 |
| Balance as 1 January 2009 | 136 | 5 | 385 | 526 |
| Additions | - | 59 | - | 59 |
| Disposals | - | - | - | - |
| Writedown recognised through statement of comprehensive income | (136) | - | - | (136) |
| Balance at 30 June 2009 | - | 64 | 385 | 449 |
| Accumulated depreciation | | | | |
| Balance as 1 January 2008 | - | 1 | 129 | 130 |
| Depreciation charge of the period | - | 3 | 74 | 77 |
| Disposals | - | - | - | - |
| Balance at 31 December 2008 | - | 4 | 203 | 207 |
| Balance as 1 January 2009 | - | 4 | 203 | 207 |
| Depreciation charge of the period | - | 6 | 64 | 70 |
| Disposals | - | - | - | - |
| Balance at 30 June 2009 | - | 10 | 267 | 277 |
| Carrying amounts | | | | |
| At 1 January 2008 | - | 2 | 128 | 130 |
| At 31 December 2008 | 136 | 1 | 182 | 319 |
| At 1 January 2009 | 136 | 1 | 182 | 319 |
| At 30 June 2009 | - | 54 | 118 | 172 |

The net carrying amount of motor vehicles held under finance leases is US\$118,000. (31 December 2008: US\$ 182,000). These assets are not legally owned by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

PROPERTY, PLANT AND EQUIPMENT (continued)**Parent****Cost**

Balance as 1 July 2007

Additions

Disposals

Balance at 30 June 2008

Balance as 1 July 2008

Additions

Disposals

Balance at 30 June 2009

Accumulated depreciation

Balance as 1 July 2007

Depreciation charge of the period

Disposals

Balance at 30 June 2008

Balance as 1 July 2008

Depreciation charge of the period

Disposals

Balance at 30 June 2009

Carrying amounts

At 1 July 2007

At 30 June 2008

At 1 July 2008

At 30 June 2009

Office Furn.
& Equipment
US \$000Total
US \$000

-

-

-

-

-

3

-

3

3

-

-

-

-

-

-

-

-

-

-

-

3

3

18. TAXATION**(a) Taxation receivable**

Balance at beginning of period

Current tax

Acquired on reverse acquisition

Tax paid

Balance at end of period

Group
Six months ended
30 June 2009
US \$000Group
Year ended
31 Dec 2008
US \$000Parent
Year ended
30 June 2009
US \$000Parent
Year ended
30 June 2008
US \$000

3

24

2

-

-

-

3

-

(24)

1

2

3

3

3

2

(b) Deferred tax**Group**

At 1 January 2008

Credited to the statement of comprehensive income

At 31 December 2008

Credited to the statement of comprehensive income

At 30 June 2009

Provisions
US \$000Finance Lease
US \$000Total
US \$000

-

(19)

(19)

2

6

8

2

(13)

(11)

3

12

15

5

(1)

4

The Parent has no deferred tax.

All deferred tax is expected to be recovered after 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

19. IMPUTATION CREDITS

| | Group Six months ended 30 June 2009 US \$000 | Group Year ended 31 Dec 2008 US \$000 | Parent Year ended 30 June 2009 US \$000 | Parent Year ended 30 June 2008 US \$000 |
|---|---|--|--|--|
| Balance at the beginning of the period | 3 | - | 2 | - |
| Imputations credits attached to dividends received | - | - | - | - |
| Transfers | - | - | - | - |
| Imputation credits arising from taxation paid | - | 3 | 1 | 2 |
| Balance at the end of the period | 3 | 3 | 3 | 2 |
| Imputation credits directly and indirectly available to shareholders are: | | | | |
| Parent | 3 | 3 | 3 | 2 |
| Subsidiaries | - | - | - | - |
| | 3 | 3 | 3 | 2 |

20. TRADE AND OTHER PAYABLES

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|-----------------------------|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Trade payables | 52 | 41 | 47 | 5 |
| Payables to related parties | 3 | 2 | 3 | - |
| Payable to subsidiary | - | - | - | - |
| Other payables | 38 | 8 | - | - |
| Accrued expenses | 64 | - | 9 | - |
| Deferred income | - | - | - | - |
| Employee entitlements | 2 | - | - | - |
| | 159 | 51 | 59 | 5 |

Foreign Currency Risk

The carrying amounts of the Group's and Parent's trade and other payables are denominated in the following currencies:

| | | | | |
|-----------------------|------------|-----------|-----------|----------|
| New Zealand dollars | 59 | 31 | 59 | 5 |
| United States dollars | - | - | - | - |
| Chilean pesos | 100 | 20 | - | - |
| | 159 | 51 | 59 | 5 |

Fair Value

The fair value of trade and other payables approximates their carrying value. No interest is paid on payables.

21. PROVISIONS

| Group | Employee provisions US \$000 | Total US \$000 |
|---|------------------------------------|-------------------|
| Balance as at 1 January 2008 | 2 | 2 |
| Increase in provisions charged to the statement of comprehensive income | 9 | 9 |
| Amount of provision used in period | - | - |
| Balance as at 31 December 2008 | 11 | 11 |
| Increase in provisions charged to the statement of comprehensive income | 18 | 18 |
| Amount of provision used in period | - | - |
| Balance as at 30 June 2009 | 29 | 29 |

Employee provisions relate to provisions for holiday pay. The provision has been calculated in accordance with Chilean employment legislation.

The Parent has no provisions.

22. BORROWINGS NOTE

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|---|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Current | | | | |
| Bank borrowings | 34 | 110 | - | - |
| Non-current | | | | |
| Loans from related parties (refer to note 23) | 496 | 674 | - | - |
| | 530 | 784 | - | - |
| Borrowings due for repayment: | | | | |
| Current | 34 | 110 | - | - |
| One to two years | - | - | - | - |
| Two to three years | - | - | - | - |
| Three to four years | - | - | - | - |
| Four to five years | 496 | 674 | - | - |
| | 530 | 784 | - | - |

The table above reflects the contractual maturity and cash flows of borrowings.

Bank borrowings mature 31 December 2009 and bear average interest rate of 11.88% annually. (31 December 2008: 11.88%)

Related party borrowings - No interest is charged on loans from related parties. Interest was originally to be charged on the US \$200,000 related party loan at 15% per annum but the terms of that loan were re negotiated so that no interest is payable. There is no fixed term for these loans. However, no demand will be made for the repayment of these loans within 12 months from the date of these financial statements.

The discounted cash-flows are shown for those borrowings due for repayment in more than one year.

23. RELATED PARTY TRANSACTIONS**(a) Parent entity**

The ultimate parent entity within the Group is Orion Minerals Group Limited.

(b) Subsidiary entities

The following subsidiaries are 100% owned:

- Sociedad Minera Varry S.A. (note 14)

(c) Directors

The names of persons who were directors of the Company at any time during the current and previous financial periods are as follows: Francisco Barriga (appointed 11 December 2008), Rodrigo Dupouy (appointed 11 December 2008), Roger Gower (appointed 23 July 2008), Sean Joyce (appointed 11 December 2008), Sandra Cornwall (appointed 4 October 2007; resigned 21 July 2008), Kenneth Millar (appointed 4 October 2007; resigned 23 July 2008), David Stubbs (appointed 4 October 2007; resigned 11 December 2008), and Brett Wilkinson (appointed 27 June 2007; resigned 11 December 2008).

(d) Key management and personnel compensation

Key management personnel compensation is set out below. The key management personnel are all the directors of the Company and the executives reporting directly to the CEO with the greatest authority for the strategic direction and management of the company.

Payments made to key personnel are as follows:

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|---|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Salaries and other short term employee benefits | 244 | 83 | - | - |
| Post employment benefits | - | - | - | - |
| Other long term benefits | - | - | - | - |
| Termination benefits | - | - | - | - |
| Share option benefits | - | - | - | 40 |
| Total benefits | 244 | 83 | - | 40 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

(e) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below:

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|---|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Purchase of services from: | | | | |
| R Gower - Director | | | | |
| Roger Gower & Associates - Director Fees | 27 | 5 | 51 | - |
| Roger Gower & Associates - Other services | 6 | 7 | 13 | - |
| S Joyce - Director | | | | |
| Sean Joyce - Director Fees | 21 | 4 | 25 | - |
| Sean Joyce - Other services | 3 | - | 3 | - |
| Jones Young - Legal Fees | 18 | 60 | 87 | - |
| R Dupouy - Director | | | | |
| Rodrigo Dupouy - Director Fees | 21 | 3 | 24 | - |
| Dupouy Mendez & Cia. - Other services | 32 | - | - | - |
| B Wilkinson - Former Director | | | | |
| Wilkinson White - Director Fees | - | - | 33 | - |
| D Stubbs - Former Director | | | | |
| Shaw Stubbs - Director Fees | - | - | 1 | - |

Loans have been advanced to the Group from related parties as follows during the period:

| | | | | |
|--|------------|------------|----------|----------|
| Francisco Barriga - Director | - | 206 | - | - |
| Minera Varry Minerals Limited Hong Kong | - | 200 | - | - |
| Inversiones Barriga Ltda | 165 | 126 | - | - |
| Sociedad Contractual Minera Varry | - | 5 | - | - |
| Hans Hermosilla | - | 1 | - | - |
| Total loans advanced from related parties | 165 | 538 | - | - |

The Group repaid loans to the following related parties during the period

| | | | | |
|--|--------------|-------------|----------|----------|
| Francisco Barriga - Director | (206) | - | - | - |
| Arriendo de Maquinaria IB Ltda | (90) | (26) | - | - |
| Ariados y Asfaltos El Trebot Ltda | (46) | (13) | - | - |
| Sociedad Contractual Minera Varry | (1) | - | - | - |
| Total loans repaid from related parties | (343) | (39) | - | - |

(f) Outstanding balances with key management personnel and subsidiaries:

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 | Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|---|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Trade payables | | | | |
| Roger Gower & Associates | 1 | - | 1 | - |
| Jones Young | 2 | - | 2 | - |
| Shaw Stubbs | - | 3 | - | - |
| | 3 | 3 | 3 | - |
| Loans from related parties | | | | |
| Francisco Barriga - Director | - | 206 | - | - |
| Minera Varry Minerals Limited Hong Kong | 200 | 200 | - | - |
| Arriendo de Maquinaria IB Ltda | - | 90 | - | - |
| Ariados y Asfaltos El Trebot Ltda | - | 46 | - | - |
| Inversiones Barriga Ltda | 291 | 126 | - | - |
| Sociedad Contractual Minera Varry | 4 | 5 | - | - |
| Hans Hermosilla | 1 | 1 | - | - |
| | 496 | 674 | - | - |

No interest is charged on loans from related parties. There is no fixed term for these loans. However, no demand will be made for the repayment of these loans within 12 months from the date of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

Owing to Parent Company
Sociedad Minera Varry S.A.

| Parent 30 June 2009 US \$000 | Parent 30 June 2008 US \$000 |
|------------------------------------|------------------------------------|
| 1,310 | - |
| 1,310 | - |

The loan from the parent company to the subsidiary was to fund working capital requirements of the subsidiary. The loan is interest free and for no fixed term. No demand will be made of the repayment of this loan within 12 months from the date of these financial statements.

24. CONTINGENT LIABILITIES

Contingent liabilities are contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated. There are no contingent liabilities in existence as at 30 June 2009 (31 December 2008 and 30 June 2008: nil).

25. GROSS FINANCE LEASE LIABILITIES - MINIMUM LEASE PAYMENTS

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 |
|---|-----------------------------------|----------------------------------|
| No later than 1 year | 74 | 67 |
| Later than 1 year and no later than 5 years | 45 | 67 |
| Later than 5 years | - | - |
| | 119 | 134 |
| Future finance charges on finance leases | (8) | (30) |
| Present value of finance lease liabilities | 111 | 104 |
| The present value of finance lease liabilities is as follows: | | |
| No later than 1 year | 68 | 49 |
| Later than 1 year and no later than 5 years | 32 | 55 |
| Later than 5 years | 11 | - |
| | 111 | 104 |

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. (note 17).

The Parent has no finance leases.

26. OPERATING LEASE RENTAL COMMITMENTS

| | Group 30 June 2009 US \$000 | Group 31 Dec 2008 US \$000 |
|--|-----------------------------------|----------------------------------|
| Lease commitments expire as follows: | | |
| Within one year | 7 | 3 |
| One to five years | - | - |
| Beyond five years | - | - |
| Total operating lease rental commitments | 7 | 3 |

The Group leases commercial offices under non-cancellable operating lease agreements. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

The Parent has no operating leases.

27. SHARE OPTIONS

On 10 December 2008, the Company granted 50,000,000 Placement Options.

These options have the following terms:

- One Placement Option entitles the holder to purchase one fully paid ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

- The exercise price is USD 12.5 cents (subject to adjustment under the NZAX Listing Rules).
 - Placement Options can only be exercised within an exercise period commencing on 10 December 2008 and ending on 10 December 2011 ("exercise period").
 - The Consideration Options will lapse if they are not exercised by the end of the exercise period.
 - The Consideration Options are freely transferable.
 - Payment must be made in full on the date the options are exercised.
- No options have been exercised during the year (2008: nil).

On settlement of the reverse-listing on 11 December 2008, the Company granted 20,000,000 Consideration Options to one of the Vendors. These options have the following terms:

- One Consideration Option entitles the holder to purchase one fully paid ordinary share.
- The exercise price is USD 12.5 cents (subject to adjustment under the NZAX Listing Rules).
- Consideration Options can only be exercised within an exercise period commencing on 11 December 2008 and ending on 27 February 2009. ("exercise period").
- The Consideration Options will lapse if they are not exercised by the end of the exercise period.
- The Consideration Options are freely transferable.
- Payment must be made in full on the date the options are exercised.

The Consideration Options were not exercised by the end of the exercise period on 27 February 2009.

In addition on 11 December 2008, 6,500,000 Executive Options were issued to two of the Directors of the Company (and their nominees). These options have the following terms:

- One Executive Option entitles the holder to purchase one fully paid ordinary share.
- The exercise price is USD 12.5 cents (subject to adjustment under the NZAX Listing Rules).
- Executive Options can only be exercised within an exercise period commencing from the date of issue on 11 December 2008 and ending on 11 December 2011 ("exercise period").
- The Executive Options will lapse if they are not exercised by the end of the exercise period.
- The Executive Options are freely transferable.
- Payment must be made in full on the date the options are exercised.

No options have been exercised during the year (2008: nil).

On 25 October 2007, the Company granted 4,500,000 share options to directors of RLV No. 3 Limited (now called Orion Minerals Group Limited). These options have the following terms:

- One option entitles the holder to purchase one fully paid ordinary share.
- The exercise price is NZD 1.0 cent (subject to adjustment under the NZAX Listing Rules).
- Options can only be exercised within an exercise period commencing from the date of issue on 25 October 2007 and ending on 31 October 2010 ("exercise period").
- The options will lapse if they are not exercised by the end of the exercise period.
- The options are freely transferable.
- Payment must be made in full on the date the options are exercised.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Year ended 30 June 2009 | | Year ended 30 June 2008 | |
|------------------------------|-------------------------|----------|-------------------------|---------|
| | Average exercise price | Options | Average exercise price | Options |
| | US\$ per share | 000 | US\$ per share | 000 |
| Balance at beginning of year | 0.006 | 450 | - | - |
| Issued | 0.125 | 76,500 | 0.006 | 4,500 |
| Forfeited | - | - | - | - |
| Share consolidation | - | - | - | (4,050) |
| Exercised | - | - | - | - |
| Lapsed | 0.125 | (20,000) | - | - |
| Balance at end of year | 0.125 | 56,950 | 0.006 | 450 |

Share options outstanding at the end of the year have the following exercise dates and exercise prices:

| | Exercise Price | 30 June 2009 | 30 June 2008 |
|---------------------------------|----------------|--------------|--------------|
| | US \$ | 000 | 000 |
| Expiry Date | | | |
| 31 October 2010 | \$ 0.006 | 450 | 450 |
| 10 December 2011 | \$ 0.125 | 50,000 | - |
| 11 December 2011 | \$ 0.125 | 6,500 | - |
| Total share options outstanding | | 56,950 | 450 |

No authorised shares of the Company have been reserved for issuance under the above share options.

28. EVENTS SUBSEQUENT TO BALANCE DATE

On 10 September 2009, the Company, through a wholly owned Chilean incorporated subsidiary, Orion Group Holding Limitada (OGH), acquired ownership of Contractual Minera Varry (CMV).

OGH is a Chilean holding company wholly owned by OMG that serves to make an efficient company structure of OMG, rather than have several Chilean subsidiaries directly reporting to OMG.

CMV is a special purpose vehicle which holds a 13 year lease to exploit a mining prospect called "Resguardo", situated in the Third Region of Chile.

CMV is currently undertaking a drilling campaign with diamond drillings and the preliminary summary reports on these drillings show the presence of mineralisation.

As OMG is a small company its capital and human resources are limited. Within these resource limits OMG must prioritise its activities so as to ensure that it exploits the most cost effective and profitable opportunities available to it. To this end, initial advice provided to the Board of OMG indicates that the Resguardo resource may have the following advantages over the existing Javiera mining prospect owned by OMG:

- Resguardo may be easier and more economical to mine
- Resguardo is located closer to the port

To date CMV has no definitive detailed reports on Resguardo which confirm the proven or inferred tonnes of iron ore present at the prospect, nor conclusive analysis. These reports are expected to be available within the next three to four months.

On the above basis, the Board of OMG believes it prudent to fully explore the prospective Resguardo opportunity afforded to OMG before committing to the expenditure of the majority of OMG's resources.

Because of the late timing of the acquisition of CMV, the Company is yet to perform its calculation of the fair value of the assets acquired.

Terms of the Resguardo Lease

The lease is between CMV and Southern Copper Corporation, a Peruvian based company.

The initial term of the lease is for a term of 13 years.

There are limited rights of renewal, subject to either party resolving to terminate the lease at the end of the initial term of the lease, and any renewed term.

The royalty or rent for the mining property will be determined according to the percentage of iron in the iron concentrate product produced by CMV and the FOB selling price of the iron ore shipment.

The base price for calculating the royalty is US\$ 40 per tonne of iron ore concentrate shipped "freight on board" ("FOB"), with a minimum grade of 64% Fe. If the FOB sale price is higher than the base price the royalty will increase according to the % concentrate and the FOB price. The minimum royalty will be US\$ 1.00 per tonne and the maximum royalty is US\$ 4.50 per tonne.

CMV is only able to mine iron ore and not other minerals that may be deposited within the prospect.

Terms of the Acquisition

The shares in CMV were acquired by OGH from interests associated with Francisco Barriga, a former director and significant shareholder of OMG for a consideration of US\$ 3,294.

CMV has to date been funded by interests associated with Mr Barriga, and as at the date of the completion of the acquisition, CMV was indebted to Mr Barriga for a sum of approximately US\$ 278,194. The parties have agreed that CMV will not be obliged to repay those sums unless the results of the drilling programme and geological and laboratory testing concludes that the mine possesses a minimum reserve of thirty million tonnes of iron ore with a Fe percentage of between 30 to 55 percent of total iron ore ("Condition Subsequent"). Similarly in the event that the Condition Subsequent is not satisfied, the entire transaction can be unwound at the option of OMG.

CMV has no trade creditors and it has a modest bank overdraft of US\$ 258.

OMG will be responsible for funding the balance of the drilling programme currently being undertaken by CMV.

Javiera Mining Prospect

The Board has determined that the Javiera mining concession will be more expensive to mine than originally contemplated by the executive of Minera Varry S.A, and that the Javiera concession will ultimately be uneconomic to develop in its current form.

Asset Impairment - Javiera Mines

The Board has consequently determined the Javiera mine asset is impaired as at 30 June 2009. As advised to the market on 15 October 2009, the financial result of the Group varies materially from the unaudited results released on 14 September 2009. The change reflects the impairment of goodwill generated by the acquisition of the Minera Varry S.A. asset. As the Minera Varry S.A. transaction is now effectively being cancelled the Directors believe the goodwill should be written off. The impairment is US\$ 307,220.

As a consequence of this development, the independent directors of OMG entered into discussions with Inversiones Barriga S.A ("Inversiones"), the single largest shareholder of OMG and the original vendor of the Javiera concession, with a view to reconciling both parties economic interests in respect of the original transaction in an equitable manner.

Following those discussions, OMG entered into a conditional arrangement with Inversiones to transfer to Inversiones the shares held by OMG in its wholly owned subsidiary, Minera Varry S.A., which holds the Javiera concession, in consideration for OMG buying back and cancelling the 510 million OMG shares held by Inversiones ("the Inversiones Shares").

The Board of OMG believes that:

- OMG's limited financial resources are best focused on exploiting the Resguardo concession held by CMV, another wholly owned subsidiary of OMG;
- the prospective transaction is in the best interest of OMG and its non interested shareholders, insofar as the result of the transaction will be that the share capital of OMG will be reduced by 510 million shares in consideration for the disposal of an asset of OMG (namely the shares in Minera Varry S.A.) which as little or no value to OGM;
- the economic interests of the non interested shareholders in the remaining assets of OMG and its subsidiaries will increase as a consequence of the significant reduction in share capital.

The Board proposes to cancel the Inversiones Shares following their acquisition by OMG. The arrangement is conditional upon:

- OMG satisfying a number of procedural Companies Act requirements associated with the buyback by OMG of the Inversiones Shares, and
- OMG shareholders approving the acquisition by OMG of the Inversiones Shares and the sale of the share in Minera Varry S.A. to Inversiones and all other matter required by the NZAX Listing Rules, the Companies Act 1993, the Takeovers Code or any other applicable law, by 31 March 2010.

Special Meeting of Shareholders

Shareholders will be asked to vote on the acquisition, which is to be approved by special resolution, in accordance with the requirements of the NZAX Listing Rules and an ordinary resolution in accordance with the requirements of the Takeovers Code.

A Notice of Special Meeting of Shareholder's will be circulated to all Shareholders in due course. The Notice of Special Meeting will contain further information about the terms of the prospective sale of Minera Varry S.A. and the acquisition by the company of the Inversiones Shares.

Other Arrangements

Francisco Barriga has a relevant interest in the Inversiones Shares and Inversiones Barriga S.A. which are the subject of the proposed share cancellation transaction. Mr Barriga was previously a director of OMG and is currently a director of Inversiones.

In addition to the sale of the Minera Varry Shares by OMG and the purchase of the Inversiones Share, the following arrangements were also entered into as part of the transaction:

- Mr Barriga agreed to transfer all of his interest in a prospective mining concession known as "Pelicano 1 to 10", located in Northern Chile, to OMG at no additional cost to OMG;
- interests associated with Mr Barriga agreed to grant to OMG (or its nominee), at OMG's election, the right to lease and mine a concession called the "Don Francisco concession" owned by interests associated with Mr Barriga, and located in Northern Chile. The terms of the lease are to be no less favourable to OMG as those afforded to OMG's subsidiary company CMV, within the lease held by CMV in respect of the "Resguardo" mine between CMV and Southern Copper Corporation;
- Mr Barriga resigned as a director and executive of each of OMG and its subsidiary companies;
- no payments were payable by OMG or any of its subsidiaries to Mr Barriga;
- notwithstanding that Inversiones is acquiring the shares in Minera Varry, Inversiones has granted OMG a first right of refusal to purchase the shares in Minera Varry S.A. and the Javiera mining concession. In addition, Inversiones has also granted OMG first refusal to mine the Javiera mining concession.

Obligation to issue new shares to Fengli

As previously advised to the market on 9 January 2009, OMG agreed as part of the subscription arrangements entered into with Fengli Group (Hong Kong) Co Limited ("Fengli") that it would, no later than 30 September 2009, provide Fengli with evidence from an independent geologist that the mines owned by Minera Varry S.A. shall have not less than 100 million tonnes of proven reserves of iron ore located therein. The arrangements provided that should OMG not provide Fengli with such satisfactory evidence, then OMG would be obliged to issue to Fengli 25 million ordinary fully paid share in the Company as compensation for not satisfying that requirement.

OMG has not satisfied this requirement, and accordingly OMG is required to issue a further 25 million ordinary shares to Fengli. OMG will issue these share in due course.

29. GOING CONCERN

The financial statements, which include a net loss after tax of US\$1,416,000 for the Group for the six months ended 30 June 2009 and net assets for the Group of US\$9,561,000, have been prepared on a going concern basis of accounting. The basis contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

The group has cash funds of approximately US\$9,966,000, bank borrowings of US\$34,000 and no capital expenditure commitments as at this date.

The Directors are of the opinion that the basis upon which the financial statements have been prepared is appropriate in the circumstances.

30. CAPITAL EXPENDITURE COMMITMENTS

There are no capital expenditure commitments as at 30 June 2009 (31 December 2008 and 30 June 2008: nil).

31. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

The financial statements of the Parent at 30 June 2008 had been prepared in accordance with NZ IFRS. As such, no explanation of the transition to NZ IFRS is presented in these financial statements. Therefore, only information for the Group is presented below.

(a) Reconciliation of loss reported under previous Chilean Generally accepted Accounting Principles (Chilean GAAP) to loss under New Zealand equivalents to IFRS (NZ IFRS)

| | Previous Chilean GAAP in Peso 000 | Previous Chilean GAAP in USD 000 | Effect of Transition to NZ IFRS in USD 000 | As Reported under NZ IFRS in USD 000 |
|---|---|--|---|---|
| Year ended 31 December 2007 | | | | |
| Revenue | - | - | - | - |
| Cost of goods sold | - | - | - | - |
| Gross profit | \$ - | \$ - | \$ - | \$ - |
| Other income | 213,946 | 391 | - | 391 |
| Selling and distribution expenses | - | - | - | - |
| Marketing expenses | - | - | - | - |
| Administrative and other expenses | (270,300) | (513) | - | (513) |
| Operating (loss) | (56,354) | (122) | - | (122) |
| Finance income | - | - | - | - |
| Realised exchange gain/(loss) | - | (23) | - | (23) |
| Finance expense | (8,005) | (16) | - | (16) |
| Net loss before income tax | \$ (64,359) | \$ (161) | \$ - | \$ (161) |
| Income tax | (31,380) | (61) | - | (61) |
| Net loss after tax for the year attributable to shareholders | \$ (95,739) | \$ (222) | \$ - | \$ (222) |

(b) Reconciliation of equity reported under previous Chilean Generally accepted Accounting Principles (Chilean GAAP) to equity under New Zealand equivalents to IFRS (NZ IFRS)

| | Previous Chilean GAAP in Peso 000 | Previous Chilean GAAP in USD 000 | Effect of Transition to NZ IFRS in USD 000 | As Reported under NZ IFRS in USD 000 |
|---|---|--|---|---|
| <i>(i) At the date of transition to NZ IFRS: 1 January 2007</i> | | | | |
| EQUITY | | | | |
| Share capital | 10,000 | 17 | - | 17 |
| Retained Earnings (notes 1 and 2 below) | 46,735 | 90 | (3) | 87 |
| Total Equity | 56,735 | 107 | (3) | 104 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Finance lease payable (note 1 below) | - | - | 42 | 42 |
| Borrowings | - | - | - | - |
| Deferred tax (note 2 below) | - | - | 13 | 13 |
| Total non-current liabilities | - | - | 55 | 55 |
| Current liabilities | | | | |
| Trade and other payables | 5,077 | 10 | - | 10 |
| Finance lease payable (note 1 below) | - | - | 284 | 284 |
| Taxation payable | - | - | - | - |
| Total current liabilities | 5,077 | 10 | 284 | 294 |
| TOTAL LIABILITIES | 5,077 | 10 | 339 | 349 |
| TOTAL EQUITY AND LIABILITIES | \$ 61,812 | \$ 117 | \$ 336 | \$ 453 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment (note 1 below) | 682 | 1 | 336 | 337 |
| Intangible assets | - | - | - | - |
| Other non-current assets | - | - | - | - |
| Total non-current assets | 682 | 1 | 336 | 337 |
| Current assets | | | | |
| Cash and cash equivalents | 35,021 | 67 | - | 67 |
| Trade and other receivables | 26,109 | 49 | - | 49 |
| Prepayments and other assets | - | - | - | - |
| Taxation receivable | - | - | - | - |
| Deferred tax | - | - | - | - |
| Total current assets | 61,130 | 116 | - | 116 |
| TOTAL ASSETS | \$ 61,812 | \$ 117 | \$ 336 | \$ 453 |

Note 1: Adjustment due to the recording of leased assets as finance leases with effect from 1 January 2007. As a result of this adjustment a credit of US\$10,217 was made to retained earnings.

Note 2: Adjustment due to recognition of a deferred tax liability with effect from 1 January 2007. As a result a charge of US\$13,582 was made to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2009

(ii) At the end of the last reporting period under previous GAAP: 31 December 2007

| | Previous Chilean GAAP in Peso 000 | Previous Chilean GAAP in USD 000 | Effect of Transition to NZ IFRS in USD 000 | As Reported under NZ IFRS in USD 000 |
|--------------------------------------|---|--|---|---|
| EQUITY | | | | |
| Share capital | 10,000 | 17 | - | 17 |
| Retained Earnings | (49,004) | (135) | - | (135) |
| Total Equity | (39,004) | (118) | - | (118) |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Finance lease payable | 7,237 | 15 | - | 15 |
| Borrowings | 86,988 | 175 | - | 175 |
| Deferred tax | 12,442 | 25 | - | 25 |
| Total non-current liabilities | 106,667 | 215 | - | 215 |
| Current liabilities | | | | |
| Trade and other payables | 21,805 | 44 | - | 44 |
| Finance lease payable | 13,564 | 27 | - | 27 |
| Taxation payable | 12,052 | 24 | - | 24 |
| Total current liabilities | 47,421 | 95 | - | 95 |
| TOTAL LIABILITIES | 154,088 | 310 | - | 310 |
| TOTAL EQUITY AND LIABILITIES | \$ 115,084 | \$ 192 | \$ - | \$ 192 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 83,146 | 129 | - | 129 |
| Intangible assets | - | - | - | - |
| Other non-current assets | 12,000 | 23 | - | 23 |
| Total non-current assets | 95,146 | 152 | - | 152 |
| Current assets | | | | |
| Cash and cash equivalents | 4,166 | 8 | - | 8 |
| Trade and other receivables | 15,772 | 32 | - | 32 |
| Prepayments and other assets | - | - | - | - |
| Taxation receivable | - | - | - | - |
| Deferred tax | - | - | - | - |
| Total current assets | 19,938 | 40 | - | 40 |
| TOTAL ASSETS | \$ 115,084 | \$ 192 | \$ - | \$ 192 |

(c) Reconciliation of cash flow statement reported under previous Chilean Generally Accepted Accounting Principles (Chilean GAAP) to cash flow statement under New Zealand equivalents to IFRS (NZ IFRS)

The adoption of NZ IFRS has not resulted in any material adjustments to the cash flow statement.

Statutory and Other Information

Disclosure of Interests by Directors

In accordance with section 140(2) of the Companies Act 1993, the Directors have made general disclosure of their relevant interests for entry into the Group's Interest Register.

Directors have declared interests in the following transactions with the Company during the financial year:

- in December 2008, the Company acquired 100% of the shares in Minera Varry S.A. from Inversiones Barriga S.A., a company associated with the interests of Francisco Barriga;
- during the course of the financial year, the Company has utilised the legal services of Jones Young lawyers. Sean Joyce is a partner of Jones Young;
- during the course of the financial year, the Company has utilised the legal services Dupouy Mendez & Cia lawyers based in Santiago, Chile. Rodrigo Dupouy is a partner of Dupouy Mendez & Cia.
- during the course of the financial year, the Company has utilised the company secretarial and accounting services of Roger Gower & Associates, who is associated with Roger Gower.

The details of these transactions are given in note 23 to the financial statements, Related Parties.

Remuneration of Directors

Directors received fees and remuneration from Orion Minerals Group Limited as provided in Note 23(e) of the Financial Statements.

Employee Remuneration

Orion Minerals Group Limited has no employees.

Donations

During the year the Company made no donations.

Company Directors

The persons holding office as directors of the Company as at 30 June 2009 were:

- Francisco Barriga
- Roger Gower
- Sean Joyce
- Rodrigo Dupouy

The persons who ceased to hold office as directors of the Company during the financial year ended 30 June 2009 were:

- Brett Wilkinson
- David Stubbs
- Sandra Cornwall
- Kenneth Millar

Mr Barriga subsequently resigned as a director of the Company on 15 October 2009.

Auditors

PriceWaterhouseCoopers are the auditors for the Company. They were paid US\$ 23,000 as audit fees in respect of the last financial period and were paid US\$ 15,000 for other services provided to the Company.

Directors' and Officers Insurance Liability

As permitted by the New Zealand Companies Act 1993, the Company has arranged a policy of Directors' and Officers' liability insurance which insures those persons indemnified to certain liabilities and costs.

Use of Company Information

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been made available to them.

Disclosure of Interest by Directors of the Subsidiary Company

Directors of the subsidiary company, Minera Varry S.A., have declared interests in the following transactions with the Company during the financial year:

- Minera Varry S.A. is indebted to Inversiones Barriga S.A. (a Company associated with the interests of Francisco Barriga) in respect of a loan facility of US\$ 291,000.
- during the course of the financial year, Minera Varry S.A. has utilised the legal services of Dupouy Mendez & Cia lawyers based in Santiago, Chile. Rodrigo Dupouy is a partner of Dupouy Mendez & Cia.

The details of these transactions are given in note 23(e) to the financial statements, "Related Parties".

Remuneration of Directors of Subsidiary

Directors received the following fees and remuneration from Minera Varry S.A.

| | 30 June 2009 US \$000 | 31 Dec 2008 US \$000 |
|---------------------|--------------------------|-------------------------|
| Francisco Barriga | 121 | - |
| Juan Jose Gutierrez | 68 | 12 |

Mr Barriga's remuneration includes salary and benefits received in his capacity as an employee. Mr Barriga did not receive Directors fees.

Employee Remuneration

Section 211(1)(g) of the New Zealand Companies Act 1993 required disclosure of remuneration and other benefits, including redundancy and other payments made on termination of employment, in excess of NZ\$ 100,000 per year, paid by the Company or any of its subsidiaries worldwide to any employees (or former employees) who are not Directors of the Company, during the last financial year. To give more appropriate information on total employees' remuneration where there is a contractual commitment to provide incentive remuneration in respect of the year ended 30 June 2009 the amount as at 30 June 2009 has also been included in the total remuneration disclosed below:

| | |
|----------------------------|---|
| NZ\$100,000 - NZ\$ 109,999 | 1 |
| NZ\$140,000 - NZ\$ 149,999 | 1 |
| NZ\$170,000 - NZ\$ 179,999 | 1 |

Subsidiary Donations

During the year no subsidiary company of the Company made any donations.

Subsidiary Company Directors

Minera Varry S.A.

The persons holding office as directors of Minera Varry S.A as at 30 June were:

- Francisco Barriga
- Rodrigo Dupouy
- Roberto Machuca

The persons who ceased to hold office as directors of Minera Varry S.A. during the financial year ended 30 June 2009 were:

- Juan Jose Gutierrez

Orion Group Holding Limitada

The persons holding office as legal representatives of Orion Group Holding Limitada as at 30 June 2009 were:

- Francisco Barriga

No persons ceased to hold office as directors of Orion Group Holding Limitada during the financial year ended 30 June 2009.

Subsidiary Auditors

PriceWaterhouseCoopers are the auditors for Minera Varry S.A. They were paid US\$ 66,000 as audit fees in respect of the last financial period and were not paid for other services provided to Minera Varry S.A.

Stock Exchange Listing

The Company's shares are listed on the New Zealand Alternative Market.

Substantial Security Holders

As at 23 September 2009 there were a total of 899,550,000 ordinary fully paid shares on issue.

According to notices given to the Company under the New Zealand Securities Market Act 1988, as at 23 September 2009, the substantial security holders in the Company are:

| Substantial Security Holder | Number of Shares held | Relevant Interest | % of Shares | Date of Notice |
|--------------------------------------|--------------------------|----------------------|-------------|-------------------|
| Inversiones Barriga S.A. | 510,000,000 | Beneficial | 56.69% | 15-Dec-2008 |
| Fengli Group (Hong Kong) Co. Limited | 100,000,000 | Beneficial | 11.12% | 8-Jan-2009 |

Principal Shareholders

The 20 largest holders of shares in the Company as at 24 September 2009 were as follows:

| Holder | Shares Held | % of Total No. of Shares |
|--|--------------------|--------------------------|
| Inversiones Barriga S.A. | 510,000,000 | 56.70% |
| Minera Vary Minerals Limited | 286,451,790 | 31.84% |
| Fengli Group (Hong Kong) Co. Limited | 100,000,000 | 11.12% |
| Wilkinson & White Limited | 999,058 | 0.11% |
| Troubadour Holdings Ltd 2001 | 830,005 | 0.09% |
| Samuel Hamish MacDonald & BM Trustee Company Limited | 170,000 | 0.02% |
| Kane Stevenson | 159,900 | 0.02% |
| ASB Nominees Limited | 64,000 | 0.01% |
| Peter Gee | 51,025 | 0.01% |
| Raymond Guilford | 39,980 | 0.00% |
| John Russell Signal | 39,980 | 0.00% |
| Robert John Young | 39,980 | 0.00% |
| Alan Malcolm Kelley | 37,920 | 0.00% |
| Clive Victor Simpson | 33,600 | 0.00% |
| Kenneth Henry & Dianne Henry | 31,980 | 0.00% |
| Layne Robert Kerr | 28,471 | 0.00% |
| Mark David Lahood & Donna Maree Lahood | 22,000 | 0.00% |
| ASB Nominees Limited | 20,859 | 0.00% |
| Patricia Heron | 20,390 | 0.00% |
| Bryan Hector Heron | 20,290 | 0.00% |
| Total | 899,061,228 | 99.92% |

Fengli Group (Hong Kong) Co. Limited is the registered holder of 50,000,000 Placement Options representing 100% of the Placement Options on issue in the Company.

Directors Interest in Equity Securities

| Director | Ordinary Shares | | Options | |
|-------------------|-----------------|----------------|------------|----------------|
| | Beneficial | Non-Beneficial | Beneficial | Non-Beneficial |
| Francisco Barriga | - | 510,000,000 | - | - |
| Roger Gower | - | - | - | 4,500,000 |
| Sean Joyce | - | 20,000 | - | 500,000 |

Share Dealings by Directors

During the year, no Directors disposed of a relevant interest in any securities in Orion Minerals Group Limited.

Distribution of Ordinary Shares

| Ranges | Investors | Securities | % of Issued Capital |
|-----------------|--------------|--------------------|---------------------|
| 1 to 1000 | 1,513 | 140,680 | 0.02% |
| 1001 to 5000 | 43 | 90,826 | 0.01% |
| 5001 to 10000 | 12 | 91,036 | 0.01% |
| 10001 to 100000 | 22 | 616,705 | 0.07% |
| 100001 and over | 7 | 898,610,753 | 99.89% |
| | 1,597 | 899,550,000 | 100.00% |

New Zealand Stock Exchange Waivers

NZX Regulation granted the Company a waiver from NZAX Listing Rule 10.4.2. This waiver was granted to the extent that the Company did not need to provide half yearly financial information specific in section 2 of Appendix 1, in its half yearly preliminary announcement. In place of the half yearly financial information, the Company was required to provide annual financial information in the same form as required by Section 2 of Appendix 1.

This waiver was granted on the following conditions:

- (a) Within the 75 day timeframe from the relevant reporting dates set out in Rule 10.4.1, the Company had to provide:
 - (i) a preliminary announcement for the half yearly period to 31 December 2008 containing all of the financial information required by section 2 of Appendix 1. The information provided in this preliminary announcement would be annual financial information for the 12 month period immediately preceding 31 December 2008. The comparative financial information required by section 2.1 of Appendix 1 would be the annual financial information for OMG, for the 12 month period until 12 December 2007.
 - (ii) a preliminary announcement for the subsequent half yearly reporting period to 31 December 2009 that includes:
 - half yearly financial information specified in Appendix 1 of the Rules, as required by Rule 10.4.2; and
 - annual financial information, in the form specified in section 2 of Appendix 1 for the period until 31 December 2009, and the comparative financial information for the previous corresponding annual period.

- (b) Any material seasonal variability in revenues or expenses are prominently disclosed in the preliminary announcement to be made for the period to 31 December 2008.
- (c) That the directors of OMG provide a directors' certificate stating that:
- (i) providing annual financial information in place of half yearly financial information, for the half yearly preliminary announcement and report, will not mislead or prejudice current or potential investors of OMG; and
 - (ii) that the performance in the first six months of the 2008 year was not substantially better than the last six months.

Full details of the waiver can be found on the Company's page of the NZX website (www.nzx.com/markets/NZAX/OMG/announcements/2621236/OMG-Application-for-waiver-NZAX-Rules-10-4-2-and-10-5-3).

Exemptions from Takeovers Code ("Code")

During the financial year ended 30 June 2009, the Company sought exemptions from those requirements of the Code that could not be complied with. The Takeovers Panel approved the granting of the following exemptions under section 45 of the Takeovers Act 1993:

- (a) To the Company, an exemption from Rules 16(b) in respect of the Notice of Meeting dated October 2008 ("Notice of Meeting") describing the increase in voting control arising from the allotment of voting securities to Fengli Group (Hong Kong) Co. Limited ("Fengli") as a result of the potential issue of a further 100,000,000 ordinary fully paid shares in the Company to Fengli ("the Tranche 2 Placement Shares") and the exercise by Fengli of up to 50 million options to acquire ordinary shares in the Company ("the Placement Options"); and
- (b) To Fengli, an exemption from 7(d) of the Code to the extent that Rule 7(d) requires the Notice of Meeting to be in accordance with Rules 16(b) of the Code in respect of any increase in their aggregated percentage of the voting rights held or controlled in the Company arising from the allotment of voting securities to Fengli as a result of the issue of the Tranche 2 Placement Shares and the exercise of the Placement Options.

The Takeovers Panel granted the exemptions subject to the condition that this Annual Report must include in a prominent position and in a form approved by the Takeovers Panel:

- (a) from the date of the allotment of the initial tranche of 100 million ordinary shares to Fengli ("Tranche 1 Placement Shares") until the date of the allotment of the Tranche 2 Placement Shares (if it proceeds), the following information:
 - (i) **a summary of the terms of the allotment of the Tranche 2 Placement Shares:**
Fengli shall subscribe for the Tranche 2 Subscription Shares at an aggregate issue price of US\$ 12.5 million conditional upon Minera Varry S.A. undertaking a commercial shipment of not less than 40,000 tons of iron ore from the iron ore production project operated by Minera Varry S.A. on or before 31 March 2010 and that shipment of iron ore containing an average Fe content of not less than 64%, and within the following 30 days the actual production must be not less than 160,000 tons.
 - (ii) **a summary of the terms and conditions of the exemption granted by the Takeovers Panel in respect of the allotment of the Tranche 2 Placement Shares:**
The Takeovers Panel required that the Notice of Meeting to contain significant disclosures about the shareholding profile of the Company pre and post the issue of the Tranche 1 Placement, the Tranche 2 Placement and the exercise of the Placement Options by Fengli. These particulars are specified below in detail in paragraph (c), (d) and (e).
 - (iii) **the following statement:**
As at the date of this Annual Report, no shares have been allotted to Fengli other than 100,000,000 ordinary fully paid shares (comprising the Tranche 1 Placement). No shares have been allotted as part of the Tranche 2 Placement.
- (b) from the date of the issuing of the Placement Options until their final exercise date:
 - (i) **a summary of the terms of the Placement Options:**
The following summary describes the principal terms of issue of the Placement Options:
 - no amount was payable for the Placement Options upon their issue;
 - each option entitles the holder to acquire one ordinary share in the Company;
 - the exercise price payable to acquire one ordinary share in the Company is USD 12.5 cents;
 - Placement Options may only be exercised in the period commencing from the date of issue of the Consideration Options and ending on that date 36 calendar months after the date of their issue ("Exercise Period");
 - Placement Options which are not exercised during the Exercise Period shall lapse;
 - Shares issued upon exercise of a Placement Options are credited as fully paid and rank equally in all respects with shares on issue at the relevant exercise date (except for any dividend or other entitlement where the entitlement date occurs prior to the exercise date);
 - the Placement Options are freely transferable;
 - the holder of the Placement Options will be entitled to attend all meetings of shareholders of the Company and to receive and will be sent all notices of meetings, reports and financial statements required to be sent to shareholders of the Company. However, the holder of the Placement Options will not have the right to vote at such meetings, except where required by law or any applicable stock exchange listing rules;
 - the holder of the Placement Options is entitled to participate in a rights issue undertaken by the Company on the basis that each Placement Option shall carry the same entitlement to subscribe for new shares as each ordinary share in the Company;
 - if prior to the end of the Exercise Period, the Company undertakes a bonus issue to the shareholders of the Company, the number of shares over which the Placement Option is exercisable will be increased (or, at the election of the holder, additional shares may be reserved for issue on the exercise of the Placement Options) by the number of shares which the holder would have received if the Placement Options had been exercised before the record date for the bonus issue. The total purchase price for the new shares to be issued upon exercise of the Placement Options shall however remain unchanged;

- if there is a consolidation or subdivision or similar proportionate reconstruction of the share in the Company, the number of shares over which the Placement Options is exercisable will be consolidated or subdivided in the same ratio. The total purchase price for the new shares to be issued upon exercise of the Placement Options shall however remain unchanged.

(ii) a summary of the terms and conditions of the exemption granted by the Takeovers Panel in respect of the Placement Options;

The Takeovers Panel required the Notice of Meeting to contain significant disclosures about the shareholding profile of the Company pre and post the issue of the Tranche 1 Placement, the Tranche 2 Placement and the exercise of the Placement Options by Fengli. These particulars are specified below in detail in paragraphs (c), (d) and (e).

(iii) the following statement:

As at the date of this Annual Report, no voting securities have been allotted to Fengli arising from the exercise of the Placement Options.

(c) The Exemption Notice required that the Notice of Meeting contain the following particulars:

- (i) the maximum number of voting securities that could be allotted to Fengli as a result of the allotment of the Tranche 2 Placement Shares and the allotment of voting securities following the exercise by Fengli of its Placement Options;
- (ii) the maximum number of voting securities that could be allotted to Fengli as a result of the allotment of the Tranche 2 Placement Shares and the allotment of voting securities following the exercise by Fengli of its Placement Options, expressed as a percentage of the total voting securities on issue after those allotments;
- (iii) the maximum percentage of the total voting securities on issue that could be held or controlled by Fengli after those allotments;
- (iv) the maximum percentage of the total voting securities on issue that could be held or controlled by Fengli and its associates after those allotments.

(d) The exemptions in the Exemption Notice were made subject to the condition that the maximum numbers and percentages referred to in paragraph (c) above were calculated on the basis that:

- (i) the Tranche 1 Placement Shares and the Tranche 2 Placement Shares are allotted, and Fengli exercises all of its options to acquire voting securities, on the terms set out in the subscription agreement; and
- (ii) there is no other change to the total number of voting securities on issue between the date of the Notice of Meeting and the expiry of the Exemption Notice.

(e) The Exemption Notice further required that the Notice of Meeting:

- (i) contain the following:
 - full particulars of the allotment of the Tranche 2 Placement Shares and the exercise of the Placement Options held by Fengli;
 - a summary of the terms and conditions of the exemptions in clauses 5 and 6 of the Exemption Notice; and
- (ii) display, in a prominent place, a disclaimer stating that, by exempting Fengli from rules 7(d) and 16(b) of the Code, the Takeovers Panel:
 - was neither endorsing nor supporting the accuracy or reliability of the contents of the Notice of Meeting; and
 - was not implying that it has a view on the merits of the proposed issue of voting securities to Fengli.

The exemption will not apply if either:

- (a) Fengli increases its control through some means other than through the allotment of the Tranche 2 Placement Shares, or the allotment of the Tranche 1 Placement Shares or by the exercise of its Placement Options; or
- (b) There is a change in the effective control of Fengli.

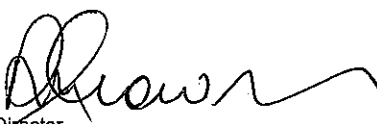
The exemption will not apply to any increase in voting control resulting from the exercise of a particular Placement Option is, immediately after the completion of the allotment resulting from the exercise of that Placement Option, the total percentage of voting securities held or controlled by Fengli is greater than the maximum percentage of voting securities that could be held or controlled by Fengli as disclosed in the Notice of Meeting.

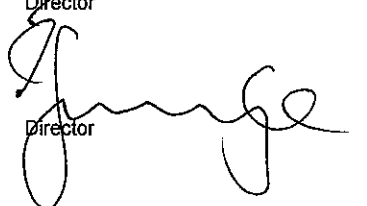
DIRECTORY

AS AT 30 JUNE 2009

| | |
|--------------------------|---|
| Directors | R Dupouy R H Gower S R Joyce |
| Registered Office | c/- Jones Young Level 14, ASB Bank Centre 135 Albert Street Auckland New Zealand |
| Postal Address | P O Box 189 Shortland Street Auckland 1140 New Zealand |
| Telephone | 09-3678793 |
| Facsimile | 09-3678799 |
| Website | www.orionminerals.co.nz |
| Share Registrar | Link Market Services Level 16, Brookfield House 19 Victoria Street West Auckland 1010 P O Box 91976 Auckland 1142 New Zealand |
| Telephone | 09-3755999 |
| Facsimile | 09-3755990 |
| Auditors | PricewaterhouseCoopers 188 Quay Street Auckland New Zealand |
| Bankers | ASB Bank Limited PO Box 35 Auckland |

Signed for, and on behalf of the Board. Dated: 30th October 2009


Director


Director