

I N D E X

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Directors' Report

Dear Shareholders,

The Board spent a significant amount of time reviewing the Company's operations in Chile and the viability and economics of continuing to maintain its business strategy in Chile. Following the conclusion of the Board's review of the Chilean operations, the Board resolved to discontinue its present business strategy of investigating opportunities to invest in iron ore (and other mineral) projects in Chile.

The principal reasons for this decision relate to the difficulties associated with developing iron ore projects in Chile, namely

- There are few deep water port facilities which OMG can readily exploit to ship iron ore economically;
- Any potentially suitable port facilities in Chile would require significant capital expenditure by the Company to get those facilities to a suitable specification to process iron ore efficiently;
- The prospective capital costs render the expenditure uneconomic.

Given the geography of Chile there is a significant shortage of water to process iron ore and iron ore tailings economically as the primary iron ore deposits located in Chile are located in Copiapó, the driest desert in the world.

Local governments have very strict regulations on using underground water for industrial use. The costs of acquiring access to water, together with the costs of complying with local government requirements relating to water make the scarcity of water a significant factor against developing a viable mining operation in Chile for the Company.

The current cash position of the Company of approximately US\$7.6 million was not sufficient to develop a standalone mining project in Chile, nor enough to fund an iron ore tailings processing project.

The Board instructed its executive in Chile to wind down its operations in Chile and liquidate all of its assets which were located in Chile. These assets were primarily motor vehicles and trucks.

Future Prospects

The Board has considered opportunities available to the Company and has resolved that an alternative business strategy that the Company may pursue is to undertake private equity investment in projects and companies with Chinese market potential.

This new initiative may involve acquiring stakes in businesses requiring capital to grow, or may comprise investing in businesses prior to them undertaking an initial public offering of their securities on the Chinese stock exchange.

The Board considers that the Company is well placed to use the strong network of associates that its major shareholder, Fengli Group, has in China and the greater Asian region, to source prospective investment opportunities for the Company.

The Board believes that superior returns may be generated by the Company investing in the Chinese and greater Asian private equity markets having regard to the exceptional growth in that region.

The Company identified and considered entering into an arrangement to acquire 100% of the shares on issue in Taiford (Asia) Limited, which company in turn owned 2% of the share capital in China Home & Commercial Space Group Limited ("CHC") for a total aggregate purchase price of US\$6,073,950.

A Special Meeting of OMG shareholders' was called to consider the prospective acquisition as the settlement of the acquisition of the interest CHC was conditional upon the approval of the shareholders of the Company. However, prior to the Special Meeting proceeding, the Directors resolved to not proceed with the acquisition of Taiford (Asia) Limited.

The Board continues to consider opportunities available to the Company and in particular its focus on undertaking private equity investment in projects and companies with Chinese market potential.

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 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.



Independent Auditors' Report to the shareholders of Orion Minerals Group Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Orion Minerals Group Limited and its subsidiaries on pages 5 to 30, which comprise the statements of financial position as at 30 June 2011, the statements of comprehensive income, statements of changes in equity, and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2011 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of consolidated financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of consolidated financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, Orion Minerals Group Limited or any of its subsidiaries.



Independent Auditors' Report

Orion Minerals Group Limited

Opinion

In our opinion, the consolidated financial statements on pages 5 to 30:

- (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 the Group as at 30 June 2011, and the financial performance and cash flows of the Company and the Group for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the consolidated financial statements for the year ended 30 June 2011:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company and the Group as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
31 October 2011

Auckland

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

| | | Group Year ended 30 June 2011 US \$'000 | Group Year ended 30 June 2010 US \$'000 | Parent Year ended 30 June 2011 US \$'000 | Parent Year ended 30 June 2010 US \$'000 |
|--|-------|---|---|--|--|
| | Notes | | | | |
| Revenue | | - | - | - | - |
| Cost of goods sold | | - | - | - | - |
| Gross profit | | \$ - | \$ - | \$ - | \$ - |
| Other income | | - | - | - | - |
| Administrative and other expenses | 4 | (450) | (585) | (450) | (585) |
| Operating loss | | (450) | (585) | (450) | (585) |
| Finance income | | 54 | 108 | 54 | 108 |
| Exchange gain / (loss) | 4 | 602 | (244) | 602 | (244) |
| Finance expense | | - | - | - | - |
| Net profit / (loss) before taxation from continuing operations | | \$ 206 | \$ (721) | \$ 206 | \$ (721) |
| Income tax (expense) / credit | 5 | - | - | - | - |
| Net profit / (loss) after taxation from continuing operations | | \$ 206 | \$ (721) | \$ 206 | \$ (721) |
| Loss from discontinued operations, net of taxation | 6 | (212) | (1,668) | (271) | (2,589) |
| Net loss after taxation for the year attributable to shareholders | | \$ (6) | \$ (2,389) | \$ (65) | \$ (3,310) |
| Other comprehensive income for the year | | - | - | - | - |
| Total comprehensive loss for the year | | \$ (6) | \$ (2,389) | \$ (65) | \$ (3,310) |
| ===== | | | | | |
| Earnings per share for loss attributable to shareholders: | | | | | |
| - Basic earnings per share (cents) | 7 | (0.001) | (0.296) | (0.016) | (0.410) |
| - Diluted earnings per share (cents) | 7 | (0.001) | (0.296) | (0.016) | (0.410) |
| Attributable to continuing operations: | | | | | |
| - Basic earnings per share (cents) | 7 | 0.050 | (0.089) | 0.050 | (0.089) |
| - Diluted earnings per share (cents) | 7 | 0.044 | (0.089) | 0.044 | (0.089) |
| Attributable to discontinued operations: | | | | | |
| - Basic earnings per share (cents) | 7 | (0.051) | (0.207) | (0.065) | (0.321) |
| - Diluted earnings per share (cents) | 7 | (0.051) | (0.207) | (0.065) | (0.321) |

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

| | Notes | Share Capital US \$000 | Share Option Reserve US \$000 | Accumulated Losses US \$000 | Total Equity US \$000 |
|--|-------|---------------------------|-------------------------------------|-----------------------------------|-----------------------------|
| Group | | | | | |
| Balance as at 1 July 2009 | | 12,544 | - | (2,983) | 9,561 |
| Net loss attributable to shareholders | | - | - | (2,389) | (2,389) |
| Total comprehensive loss | | - | - | (2,389) | (2,389) |
| Transfers on extinguishment of reverse acquisition | 8 / 9 | (43) | 40 | - | (3) |
| Extinguishment of debt upon repurchase of shares | 9 | - | - | 479 | 479 |
| Total transactions with owners | | (43) | 40 | 479 | 476 |
| Balance as at 30 June 2010 | | \$ 12,501 | \$ 40 | \$ (4,893) | \$ 7,648 |
| Net loss attributable to shareholders | | - | - | (6) | (6) |
| Total comprehensive loss | | - | - | (6) | (6) |
| Share options lapsed | 9 | - | (40) | 40 | - |
| Total transactions with owners | | - | (40) | 40 | - |
| Balance as at 30 June 2011 | | \$ 12,501 | \$ - | \$ (4,859) | \$ 7,642 |
| | | | | | |
| | | | | | |
| | | Share Capital US \$000 | Share Option Reserve US \$000 | Accumulated Losses US \$000 | Total Equity US \$000 |
| Parent | | | | | |
| Balance as at 1 July 2009 | | 67,705 | 40 | (56,728) | 11,017 |
| Net loss attributable to shareholders | | - | - | (3,310) | (3,310) |
| Total comprehensive loss | | - | - | (3,310) | (3,310) |
| Cancellation of ordinary shares | 8 | (35,350) | | 35,350 | - |
| Total transactions with owners | | (35,350) | - | 35,350 | - |
| Balance as at 30 June 2010 | | \$ 32,355 | \$ 40 | \$ (24,688) | \$ 7,707 |
| Net loss attributable to shareholders | | - | - | (65) | (65) |
| Total comprehensive loss | | - | - | (65) | (65) |
| Share options lapsed | 9 | - | (40) | 40 | - |
| Total transactions with owners | | - | (40) | 40 | - |
| Balance as at 30 June 2011 | | \$ 32,355 | \$ - | \$ (24,713) | \$ 7,642 |

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2011

| | Notes | Group 30 June 2011 US \$000 | Group 30 June 2010 US \$000 | Parent 30 June 2011 US \$000 | Parent 30 June 2010 US \$000 |
|-------------------------------------|-------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| EQUITY | | | | | |
| Share capital | 8 | 12,501 | 12,501 | 32,355 | 32,355 |
| Share option reserve | 9 | - | 40 | - | 40 |
| Accumulated losses | 9 | (4,859) | (4,893) | (24,713) | (24,688) |
| Total Equity | | 7,642 | 7,648 | 7,642 | 7,707 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 16 | 47 | 52 | 47 | 18 |
| Provisions | 17 | - | 19 | - | - |
| Finance lease payable | 21 | - | 43 | - | - |
| Total current liabilities | | 47 | 114 | 47 | 18 |
| TOTAL LIABILITIES | | 47 | 114 | 47 | 18 |
| TOTAL EQUITY AND LIABILITIES | | \$ 7,689 | \$ 7,762 | \$ 7,689 | \$ 7,725 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Investment in subsidiaries | 10 | - | - | - | 18 |
| Property, plant and equipment | 11 | 1 | 2 | 1 | 2 |
| Deferred tax | 14 | - | 11 | - | - |
| Total non-current assets | | 1 | 13 | 1 | 20 |
| Current assets | | | | | |
| Cash and cash equivalents | 12 | 7,593 | 7,625 | 7,593 | 7,589 |
| Trade and other receivables | 13 | 33 | 87 | 33 | 79 |
| Taxation receivable | 14 | 62 | 37 | 62 | 37 |
| Total current assets | | 7,688 | 7,749 | 7,688 | 7,705 |
| TOTAL ASSETS | | \$ 7,689 | \$ 7,762 | \$ 7,689 | \$ 7,725 |

For and on behalf of the Board

Dated: 31st October 2011

Director

Director

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

| | Notes | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|--|-------|--|--|---|---|
| OPERATING ACTIVITIES | | | | | |
| Cash was provided from: | | | | | |
| Receipts from customers | | - | - | 15 | 20 |
| Interest received | | 54 | 108 | 54 | 108 |
| Cash was applied to: | | | | | |
| Payments to suppliers and employees | | (699) | (2,022) | (357) | (624) |
| Interest paid | | (11) | (32) | - | - |
| Income tax paid | | (25) | (34) | (25) | (34) |
| Net cash outflows from operating activities | | (681) | (1,980) | (313) | (530) |
| INVESTING ACTIVITIES | | | | | |
| Cash was provided from: | | | | | |
| Proceeds from sale of property, plant & equipment | | 106 | 9 | - | - |
| Cash acquired on acquisition of subsidiary | | - | 24 | - | - |
| Cash was applied to: | | | | | |
| Purchase of property, plant and equipment | | - | (1) | - | (1) |
| Purchase of other non current assets | | - | (28) | - | - |
| Advance to subsidiary | | - | - | (268) | (1,295) |
| Net cash inflows / (outflows) from investing activities | | 106 | 4 | (268) | (1,296) |
| FINANCING ACTIVITIES | | | | | |
| Cash was provided from: | | | | | |
| Proceeds of borrowings | | - | 26 | - | - |
| Cash was applied to: | | | | | |
| Repayment of borrowings | | (43) | (139) | - | - |
| Net cash outflows from financing activities | | (43) | (113) | - | - |
| Net decrease in cash and cash equivalents | | (618) | (2,089) | (581) | (1,826) |
| Cash and cash equivalents at the beginning of the period | | 7,625 | 9,966 | 7,589 | 9,662 |
| Effect of exchange rate changes | | 586 | (252) | 585 | (247) |
| Cash and cash equivalents at end of period | | \$ 7,593 | \$ 7,625 | \$ 7,593 | \$ 7,589 |
| COMPOSITION OF CASH | | | | | |
| Cash and cash equivalents | 12 | 7,593 | 7,625 | 7,593 | 7,589 |

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|---|--|--|---|---|
| RECONCILIATION WITH NET REPORTED LOSS | | | | |
| Reported net loss | (6) | (2,389) | (65) | (3,310) |
| Items not involving cash flows: | | | | |
| Depreciation expense | 1 | 141 | 1 | 2 |
| Exchange (gain) / loss on net cash | (586) | 252 | (585) | 247 |
| Write-down of investment in subsidiary | - | - | 18 | - |
| Write-down advance to subsidiary | - | - | - | 4 |
| Provision for impairment of intercompany receivable | - | - | 268 | 2,583 |
| Non cash effect of diminution of assets | - | 113 | - | - |
| Non cash effect of working capital forgiven | - | 40 | - | - |
| Gain on sale of property, plant & equipment | (106) | (9) | - | - |
| Movement in deferred tax | 11 | (7) | - | - |
| | (680) | 530 | (298) | 2,836 |
| Impact of changes in working capital items | | | | |
| Decrease in prepayments and other receivables | 54 | 30 | 46 | 19 |
| (Increase) in taxation receivable | (25) | (34) | (25) | (34) |
| Increase / (decrease) in trade payables | 7 | (36) | 25 | (49) |
| (Decrease) / increase in other payables | (31) | (81) | 4 | 8 |
| | 5 | (121) | 50 | (56) |
| Net cash outflows from operating activities | \$ (681) | \$ (1,980) | \$ (313) | \$ (530) |

1. General Information

The Group is engaged in a strategy to undertake private equity investment in projects and companies with Chinese market potential.

The Company, Orion Minerals Group 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 31st October 2011.

The Company's 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 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 statements 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 of the Parent are for Orion Minerals Group Limited as a separate legal entity.

The Group financial statements are the consolidated financial statements of the Group comprising Orion Minerals Group Limited ("Company" or "Parent") and its subsidiaries.

The Parent and its subsidiary are designated as profit-oriented entities for financial reporting purposes.

On 11 December 2008, Orion Minerals Group Limited was acquired by way of a reverse acquisition by Minera Varry S.A. Under a reverse acquisition 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 S.A., who is the acquirer. On 15 April 2010, the Group disposed of the interest in Minera Varry S.A. with the result that the legal parent is now Orion Minerals Group Limited in these financial statements.

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.

Going concern

The financial statements have been prepared on a going concern basis of accounting. The basis contemplates the realisation of assets and the settlement of liabilities in the normal course of business.

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. The valuation of intercompany receivables are reviewed annually for impairment.

(b) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Orion Minerals Group Limited as at 30 June 2011 and the results of the subsidiary for the 12 months then ended. Orion Minerals Group Limited and its subsidiary 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. Costs directly attributable to the acquisition are expensed as incurred. 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 statements 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 Board of Directors.

(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.

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 statements 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 - mining income

Sales of goods are recognised when a Group entity has delivered products to a customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

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 statements 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 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 at 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 statements of comprehensive income and statements of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statements of financial position are stated net of GST, with the exception of trade 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 statements 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 statements 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 statements of cash flows:

- (i) Cash means coins, notes, demand deposits and other highly liquid investments in which the Group has invested as 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, investments, subsidiaries and other non-current assets.
- (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 statement of financial position.

(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.

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 statements 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 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 statements 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 statements 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 statements of comprehensive income during the financial period in which they are incurred. 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 statements 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 statements 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 statements 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 if such activities are expected to result in future economic benefits. Pre-operating development costs are assessed annually for indicators of impairment. Any impairment in value is taken to the statements 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 statements 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 statements of comprehensive income.

(w) 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.

(x) Dividends

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

(y) 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.

(z) 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.

(aa) Share Options

The fair value of options granted to Directors under equity-settled schemes are recognised as an expense in the statements 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.

(ab) Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(ac) Changes in Accounting Policies

There have been no changes in accounting policies other than the adoption of new and revised standards. Other accounting policies have been applied on bases consistent with those used in previous years. The impact of new standards is not expected to be material.

(ad) Standards, amendments and interpretations to existing 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 2011, but which the Group has not early adopted. The Group has identified the following standards as relevant and note that adoption will not have a material effect on the Group's accounts, but will require additional disclosure:

(i) NZ IFRS 9, 'Financial Instruments' (effective from annual periods beginning on or after 1 January 2013)

The standard replaces part of NZ IAS 39 and establishes two primary measurement categories for financial assets and liabilities: amortised cost and fair value. Classification depends on an entity's business model and the contractual cash flow characteristics of the financial asset. This standard is not expected to significantly affect the Group.

(ii) NZ IAS 24, 'Related Party Disclosures' (effective for annual periods beginning on or after 1 January 2011)

The amendment simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies.

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 2011 | | | | |
| Cash and cash equivalents | 7,593 | - | - | - |
| Trade and other receivables | 12 | - | - | - |
| Trade and other payables | - | - | - | 47 |
| Borrowings and overdrafts | - | - | - | - |
| | 7,605 | - | - | 47 |
| Group - 30 June 2010 | | | | |
| Cash and cash equivalents | 7,625 | - | - | - |
| Trade and other receivables | 72 | - | - | - |
| Trade and other payables | - | - | - | 52 |
| Borrowings and overdrafts | - | - | - | 43 |
| | 7,697 | - | - | 95 |
| Parent - 30 June 2011 | | | | |
| Cash and cash equivalents | 7,593 | - | - | - |
| Other receivables | 12 | - | - | - |
| Trade and other payables | - | - | - | 47 |
| Borrowings and overdrafts | - | - | - | - |
| | 7,605 | - | - | 47 |
| Parent - 30 June 2010 | | | | |
| Cash and cash equivalents | 7,589 | - | - | - |
| Other receivables | 63 | - | - | - |
| Trade and other payables | - | - | - | 18 |
| Borrowings and overdrafts | - | - | - | - |
| | 7,652 | - | - | 18 |

(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 policy is to balance continuing foreign currency requirements to reduce exchange risk while maximising interest receivable available in alternative currencies.

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 2011 US \$000 | Group 30 June 2010 US \$000 | Parent 30 June 2011 US \$000 | Parent 30 June 2010 US \$000 |
|-----------------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Currency amount | 183 | 7,628 | 183 | 7,679 |
| +10% movement | | | | |
| post tax profit | (13) | (534) | (13) | (538) |
| equity | (13) | (534) | (13) | (538) |
| -10% movement | | | | |
| post tax profit | 13 | 534 | 13 | 538 |
| equity | 13 | 534 | 13 | 538 |

Refer to note 13 and 16 for receivables and payables denominated in foreign currencies.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from cash and cash equivalents. Cash balances denominated in New Zealand dollars at variable rates expose the Group to cash flow interest rate risk.

The Group has no borrowings issued at variable rates. The Group has New Zealand dollar denominated cash and cash equivalent balances which are subject to variable rates. The United States dollar denominated cash and cash equivalent balances are non-interest bearing.

The following table shows the sensitivity of the Group and the Company's after tax profit and equity to a movement in the interest rate of +/-1%. The table assumes a tax rate of 30%.

| | Group 30 June 2011 US \$000 | Group 30 June 2010 US \$000 | Parent 30 June 2011 US \$000 | Parent 30 June 2010 US \$000 |
|--|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| New Zealand dollar denominated cash and cash equivalents | 135 | 7,582 | 135 | 7,582 |
| +1% movement | | | | |
| post tax profit | 1 | 53 | 1 | 53 |
| equity | 1 | 53 | 1 | 53 |
| -1% movement | | | | |
| post tax profit | (1) | (53) | (1) | (53) |
| equity | (1) | (53) | (1) | (53) |

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from cash and cash equivalents, deposits with banks and the Group's receivables from customers. The Group's maximum credit risk is represented by the carrying value of these financial assets. The Group currently has no amounts due from customers. The credit risk associated with cash transactions and deposits is managed through the Group's policies that limits the use of counterparties to high credit quality financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Trade and other payables will be settled at their values per the balance sheet within 6 months.

(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 statements of financial position. There are no external capital requirements.

3. SEGMENT INFORMATION

The Group previously operated in one business segment, being industrial mining in Chile which is now classified within discontinued operations. The Group is considering to undertake private equity investment in project and companies with Chinese market potential.

Revenue is allocated based on the country where the sale is generated. New Zealand includes holding company costs and head office charges.

Total assets and liabilities are allocated based on where those assets and liabilities are located.

| | Chile US \$000 | Holding Company New Zealand US \$000 | TOTAL US \$000 |
|---|-------------------|--|-------------------|
| For the year ended 30 June 2011: | | | |
| Total external sales revenue | - | - | - |
| Total EBITDA | (190) | 153 | (37) |
| Depreciation | - | (1) | (1) |
| Finance income | - | 54 | 54 |
| Finance expense | (11) | - | (11) |
| Income tax expense | (11) | - | (11) |
| Net loss for the year | (212) | 206 | (6) |
| Total allocated assets | - | 7,689 | 7,689 |
| Total liabilities | - | 47 | 47 |
| For the year ended 30 June 2010: | | | |
| Total external sales revenue | - | - | - |
| Total EBITDA | (1,369) | (849) | (2,218) |
| Depreciation | (139) | (2) | (141) |
| Finance income | - | 108 | 108 |
| Finance expense | (32) | - | (32) |
| Impairment of other assets | (113) | - | (113) |
| Income tax benefit | 7 | - | 7 |
| Net loss for the period | (1,646) | (743) | (2,389) |
| Total allocated assets | 43 | 7,708 | 7,751 |
| Total liabilities | 96 | 18 | 114 |

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

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|--|---|---|--|--|
| Audit fees paid to principal auditors | 23 | 18 | 23 | 18 |
| Audit fees paid to other auditors - PricewaterhouseCoopers Chile | 14 | 15 | - | - |
| Fees paid for other services by principal auditors - taxation compliance & services | - | 21 | - | 21 |
| Total Auditors' fees | 37 | 54 | 23 | 39 |

Depreciation

| | | | | |
|------------------------------|----------|----------|----------|----------|
| Computer hardware & software | 1 | 2 | 1 | 2 |
| Total Depreciation | 1 | 2 | 1 | 2 |

| | | | | |
|--|-------|-----|-------|-----|
| Foreign exchange currency (gains) / losses | (602) | 244 | (602) | 244 |
| Directors' fees | 275 | 225 | 275 | 225 |

5. INCOME TAX EXPENSE

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|--|---|---|--|--|
| Net profit / (loss) before taxation from continuing operations | 206 | (721) | 206 | (721) |
| Net loss before taxation from discontinued operations | (201) | (1,675) | (271) | (2,589) |
| Net profit / (loss) for the period before taxation | 5 | (2,396) | (65) | (3,310) |
| Tax at the New Zealand rate of 30% | 2 | (719) | (20) | (993) |
| Income not subject to tax | - | - | - | (5) |
| Expenses not deductible for tax | 12 | 49 | 98 | 797 |
| Movement in holiday pay provision | (5) | (4) | - | - |
| Losses not recognised as asset | 8 | 670 | (78) | 201 |
| Difference due to overseas tax rates | 8 | (19) | - | - |
| Other | (14) | 16 | - | - |
| Total income tax expense / (credit) | 11 | (7) | - | - |

Comprising:

| | | | | |
|--|-----------|------------|----------|----------|
| Current income tax expense | - | - | - | - |
| Decrease / (increase) in deferred tax | 11 | (7) | - | - |
| Total income tax expense / (credit) | 11 | (7) | - | - |

6. DISCONTINUED OPERATIONS**Cessation of operations of Orion Group Holdings Limitada**

In February 2011, the Board announced its decision to discontinue its business strategy of investigating opportunities to invest in iron ore (and other mineral) projects in Chile. As a result the Board instructed its executive in Chile to wind down its operations in Chile and to liquidate all of its assets located in Chile.

The statements of comprehensive income, including comparatives, have been reclassified to show Orion Group Holdings Limitada as a discontinued operation, separately from Orion Minerals Group's continuing operation. The results for Orion Group Holdings Limitada also represent discontinued operations for segmental purposes (refer note 3).

The results are as follows:

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|---|---|---|--|--|
| Revenue | - | - | - | - |
| Cost of goods sold | - | - | - | - |
| Gross profit | - | - | - | - |
| Other income | - | - | 15 | 20 |
| Depreciation | - | (21) | - | - |
| Wages and salaries | (107) | (142) | - | - |
| Administrative and other expenses | (175) | (227) | - | - |
| Operating loss | (282) | (390) | 15 | 20 |
| Finance income | - | - | - | - |
| Exchange gains / (losses) | (14) | (36) | - | - |
| Finance expense | (11) | (12) | - | - |
| Gain on disposal of property, plant & equipment | 106 | 9 | - | - |
| Impairment of investment in subsidiary | - | - | (18) | - |
| Provision for impairment of intercompany receivable | - | - | (268) | (2,583) |
| Net loss before taxation | (201) | (429) | (271) | (2,563) |
| Income tax (expense) / credit (note 5) | (11) | 4 | - | - |
| Net loss after taxation from discontinued operations | (212) | (425) | (271) | (2,563) |
| Attributable to: | | | | |
| Equity holders of Orion Minerals Group | (212) | (425) | (271) | (2,563) |
| Loss from discontinued operations | (212) | (425) | (271) | (2,563) |
| Basic earnings per share from discontinued operations (cents) | (0.051) | (0.053) | (0.065) | (0.318) |
| Diluted earnings per share from discontinued operations (cents) | (0.051) | (0.053) | (0.065) | (0.318) |

The cash flows of Orion Group Holdings Limitada are as follows:

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 |
|---|---|---|
| Net cash outflows from operating activities | (353) | (417) |
| Net cash inflows from investing activities | 106 | 9 |
| Net cash outflows from financing activities | (43) | (17) |
| Net cash outflows | (290) | (425) |

Cash flows from financing exclude cash provided by the Parent to Orion Group Holdings Limitada. A total of US\$268,000 was provided by Orion Minerals Group Limited to Orion Group Holdings Limitada during the year ended 30 June 2011. (30 June 2010: US\$928,000).

6. DISCONTINUED OPERATIONS (continued)**Sale of Minera Varry S.A. and Contractual Minera Varry**

During the year ended 30 June 2010, shareholders approved a resolution to transfer the Company's 100% shareholding in its wholly owned subsidiary, Minera Varry S.A, to Mr Francisco Barriga in consideration for the Company repurchasing the 510,000,000 ordinary shares in the Company held by Inversiones Barriga S.A., a company associated with Mr Barriga. The transfer was completed on 15 April 2010.

During the year ended 30 June 2010 the Company, through its wholly owned Chilean incorporated subsidiary Orion Group Holding Limitada, acquired Contractual Minera Varry ("CMV") a Chilean incorporated company for nil consideration. CMV was a special purpose vehicle which held a 13 year lease to exploit a mining prospect called "Resguardo", situated in the Third Region of Chile. A preliminary drilling programme was completed and the Company concluded that the Resguardo concession did not represent a viable economic mining proposition. CMV was disposed of for nil consideration.

The statement of comprehensive income for the year ended 30 June 2010 disclosed Minera Varry S.A. and CMV as a discontinued operation, separately from Orion Minerals Group's continuing operations. The results for Minera Varry S.A. and CMV also represented discontinued operations for segmental purposes.

The results are as follows:

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|---|---|---|--|--|
| Revenue | - | - | - | - |
| Cost of goods sold | - | - | - | - |
| Gross profit | - | - | - | - |
| Other income | - | - | - | - |
| Depreciation | - | (118) | - | - |
| Wages and salaries | - | (356) | - | - |
| Administrative and other expenses | - | (564) | - | (22) |
| Operating loss | - | (1,038) | - | (22) |
| Exchange gains / (losses) | - | (75) | - | - |
| Finance expense | - | (20) | - | - |
| Forgiveness of intercompany receivable | - | - | - | (4) |
| Diminution in the value of assets | - | (113) | - | - |
| Net loss before taxation | - | (1,246) | - | (26) |
| Income tax (expense) / credit (note 5) | - | 3 | - | - |
| Net loss after taxation from discontinued operations | - | (1,243) | - | (26) |
| Attributable to: | | | | |
| Equity holders of Orion Minerals Group | - | (1,243) | - | (26) |
| Loss from discontinued operations | - | (1,243) | - | (26) |
| Basic earnings per share from discontinued operations (cents) | - | (0.154) | - | (0.003) |
| Diluted earnings per share from discontinued operations (cents) | - | (0.154) | - | (0.003) |

The cash flows of Minera Varry S.A. and Contractual Minera Varry are as follows:

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 |
|---|---|---|
| Net cash outflows from operating activities | - | (994) |
| Net cash outflows from investing activities | - | (4) |
| Net cash outflows from financing activities | - | (96) |
| Net cash outflows | - | (1,094) |

Cash flows from financing exclude cash provided by the Parent to Minera Varry S.A and Contractual Minera Varry.

A total of US\$363,000 was provided by Orion Minerals Group Limited to Minera Varry S.A during the period from 1 July 2009 to the date of the disposal. A total of US\$4,000 was provided by Orion Minerals Group Limited to Contractual Minera Varry during the period from the date of acquisition to the date of disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit / (loss) by the weighted average number of ordinary shares on issue during the period.

Diluted earnings per share is calculated by dividing the profit / (loss) by the weighted average number of ordinary shares on issue during the period adjusted to assume conversion of dilutive potential of ordinary shares as a result of the issue of share options.

| Basic earnings per share | Group Year ended 30 June 2011 000 | Group Year ended 30 June 2010 000 | Parent Year ended 30 June 2011 000 | Parent Year ended 30 June 2010 000 |
|--|--|--|---|---|
| Net profit / (loss) from continuing operations (US\$ 000) | 206 | (721) | 206 | (721) |
| Net loss from discontinued operations (US\$ 000) | (212) | (1,668) | (271) | (2,589) |
| Net loss attributable to shareholders (US\$ 000) | (6) | (2,389) | (65) | (3,310) |
| Number of ordinary shares on issue (thousands) | 414,550 | 414,550 | 414,550 | 414,550 |
| Weighted average number of ordinary shares on issue (thousands) | 414,550 | 807,029 | 414,550 | 807,029 |
| Basic earnings per share from continuing operations (cents) | 0.050 | (0.089) | 0.050 | (0.089) |
| Basic earnings per share from discontinued operations (cents) - loss | (0.051) | (0.207) | (0.065) | (0.321) |
| Basic earnings per share attributable to shareholders (cents) - loss | (0.001) | (0.296) | (0.016) | (0.410) |
| Diluted earnings per share: | | | | |
| Net loss from continuing operations (US\$ 000) | 206 | (721) | 206 | (721) |
| Net loss from discontinued operations (US\$ 000) | (212) | (1,668) | (271) | (2,589) |
| Net loss attributable to shareholders (US\$ 000) | (6) | (2,389) | (65) | (3,310) |
| Weighted average number of ordinary shares on issue (thousands) | 414,550 | 807,029 | 414,550 | 807,029 |
| Weighted average number of diluted shares on issue (thousands) | 471,202 | 807,029 | 471,202 | 807,029 |
| Diluted earnings per share from continuing operations (cents) | 0.044 | (0.089) | 0.044 | (0.089) |
| Diluted earnings per share from discontinued operations (cents) | (0.051) | (0.207) | (0.065) | (0.321) |
| Diluted earnings per share attributable to shareholders (cents) | (0.001) | (0.296) | (0.016) | (0.410) |

8. SHARE CAPITAL

| Group | 30 June 2011 Number | 30 June 2010 Number | 30 June 2011 US \$000 | 30 June 2010 US \$000 |
|--|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| <i>Ordinary shares</i> | | | | |
| Balance at beginning of year | 414,550,000 | 899,550,000 | 12,501 | 12,544 |
| Shares issued | - | 25,000,000 | - | - |
| Shares cancelled | - | (510,000,000) | - | - |
| Reversal of Minera Varry S.A share capital | - | - | - | (16) |
| Reversal of reverse acquisition share issue | - | - | - | (188) |
| Recognition of pre acquisition share capital of Orion Minerals Group Limit | - | - | - | 161 |
| Balance at end of year | 414,550,000 | 414,550,000 | 12,501 | 12,501 |
| | ===== | ===== | ===== | ===== |
| Parent | 30 June 2011 Number | 30 June 2010 Number | 30 June 2011 US \$000 | 30 June 2010 US \$000 |
| <i>Ordinary shares</i> | | | | |
| Balance at beginning of year | 414,550,000 | 899,550,000 | 32,355 | 67,705 |
| Shares issued | - | 25,000,000 | - | - |
| Shares cancelled | - | (510,000,000) | - | (35,350) |
| Balance at end of year | 414,550,000 | 414,550,000 | 32,355 | 32,355 |
| | ===== | ===== | ===== | ===== |

Parent share issue details and rights**Ordinary shares**

As at 30 June 2011 there were 414,550,000 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

No shares were issued during the year ended 30 June 2011. During the year ended 30 June 2010 25,000,000 shares were issued to Fengli Group (Hong Kong) Co. Limited ("Fengli") in accordance with the provisions of a Subscription Agreement entered into between the Company and Fengli. The Subscription Agreement provided that if the Company did not have evidence from an independent geologist that the mines owned by Minera Varry S.A. held not less than 100 million tonnes of proven iron ore reserves, the Company would be obliged to issue 25,000,000 new fully paid ordinary Orion Minerals Group Limited shares to Fengli as compensation for not satisfying that requirement.

8. SHARE CAPITAL (continued)**Parent shares cancelled**

On 24 March 2010, at a Special Meeting, shareholders approved a resolution to repurchase 510,000,000 ordinary shares in the Company held by Inversiones Barriga S.A. in consideration for the Company transferring its 100% shareholding in its wholly owned subsidiary Minera Varry S.A. back to Mr Barriga.

The repurchase was completed on 15 April 2010 and the 510,000,000 ordinary shares were subsequently cancelled.

Share Options**Placement 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.
- 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 placement options have been exercised during the year (2010: nil).

Executive options

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 (2010: nil).

Equity settled share options

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 had the following terms:

- One option entitled 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.

These options were not exercised on or before 31 October 2010, and therefore lapsed.

Refer note 9.

Share option movements

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

| | Year ended 30 June 2011 | | Year ended 30 June 2010 | |
|---|--|---------------------|--|----------------|
| | Average exercise price US per share | Options 000 | Average exercise price US per share | Options 000 |
| Balance at beginning of year | 0.125 | 56,950 | 0.125 | 56,950 |
| Options lapsed (refer note 9) | - | (450) | - | - |
| Balance at end of year | 0.125 | 56,500 | 0.125 | 56,950 |
| Share options outstanding at the end of the year have the following exercise dates and exercise prices: | | | | |
| Expiry Date | Exercise Price US | 30 June 2011 000 | 30 June 2010 000 | |
| 31 October 2010 | \$ 0.006 | - | 450 | |
| 10 December 2011 | \$ 0.125 | 50,000 | 50,000 | |
| 11 December 2011 | \$ 0.125 | 6,500 | 6,500 | |
| Total share options outstanding | | 56,500 | 56,950 | |

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

11. PROPERTY, PLANT AND EQUIPMENT

| Group | Office Furn. & Equipment US \$000 | Motor Vehicles US \$000 | Total US \$000 |
|--|--|--|---------------------------|
| Cost | | | |
| Balance as at 1 July 2009 | 64 | 385 | 449 |
| Additions | 1 | - | 1 |
| Disposal on restructure of Minera Varry S.A. | (61) | - | (61) |
| Balance as at 30 June 2010 | 4 | 385 | 389 |
| Balance as at 1 July 2010 | 4 | 385 | 389 |
| Disposals | - | (385) | (385) |
| Balance as at 30 June 2011 | 4 | - | 4 |
| Accumulated depreciation | | | |
| Balance as at 1 July 2009 | 10 | 267 | 277 |
| Depreciation charge for the period | 23 | 118 | 141 |
| Disposal on restructure of Minera Varry S.A. | (31) | - | (31) |
| Balance as at 30 June 2010 | 2 | 385 | 387 |
| Balance as at 1 July 2010 | 2 | 385 | 387 |
| Depreciation charge for the year | 1 | - | 1 |
| Disposals | - | (385) | (385) |
| Balance as at 30 June 2011 | 3 | - | 3 |
| Carrying amounts | | | |
| At 1 July 2009 | 54 | 118 | 172 |
| At 30 June 2010 | 2 | - | 2 |
| At 1 July 2010 | 2 | - | 2 |
| At 30 June 2011 | 1 | - | 1 |

| Parent | Office Furn. & Equipment US \$000 | Total US \$000 |
|----------------------------------|--|---------------------------|
| Cost | | |
| Balance as at 1 July 2009 | 3 | 3 |
| Additions | 1 | 1 |
| Balance as at 30 June 2010 | 4 | 4 |
| Balance as at 1 July 2010 | 4 | 4 |
| Additions | - | - |
| Balance as at 30 June 2011 | 4 | 4 |
| Accumulated depreciation | | |
| Balance as at 1 July 2009 | - | - |
| Depreciation charge for the year | 2 | 2 |
| Balance as at 30 June 2010 | 2 | 2 |
| Balance as at 1 July 2010 | 2 | 2 |
| Depreciation charge for the year | 1 | 1 |
| Balance as at 30 June 2011 | 3 | 3 |
| Carrying amounts | | |
| At 1 July 2009 | 3 | 3 |
| At 30 June 2010 | 2 | 2 |
| At 1 July 2010 | 2 | 2 |
| At 30 June 2011 | 1 | 1 |

12. CASH AND CASH EQUIVALENTS

The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

| | Group 30 June 2011 US \$000 | Group 30 June 2010 US \$000 | Parent 30 June 2011 US \$000 | Parent 30 June 2010 US \$000 |
|-----------------------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| New Zealand dollars | 135 | 7,582 | 135 | 7,582 |
| United States dollars | 7,458 | 7 | 7,458 | 7 |
| Chilean pesos | - | 36 | - | - |
| | 7,593 | 7,625 | 7,593 | 7,589 |

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

13. TRADE AND OTHER RECEIVABLES

| | Group 30 June 2011 US \$000 | Group 30 June 2010 US \$000 | Parent 30 June 2011 US \$000 | Parent 30 June 2010 US \$000 |
|---|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Trade receivables | - | - | - | - |
| Provision for doubtful debts | - | - | - | - |
| Net trade receivables | - | - | - | - |
| Other receivables | 12 | 72 | 12 | 63 |
| Prepayments | 21 | 15 | 21 | 16 |
| Due from subsidiaries | - | - | 2,868 | 2,600 |
| Provision for impairment of intercompany receivable | - | - | (2,868) | (2,600) |
| Total current receivables | 33 | 87 | 33 | 79 |

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

| | Group 30 June 2011 US \$000 | Group 30 June 2010 US \$000 | Parent 30 June 2011 US \$000 | Parent 30 June 2010 US \$000 |
|----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| New Zealand dollars | 33 | 79 | 33 | 79 |
| Chilean pesos | - | 8 | - | - |
| Total current receivables | 33 | 87 | 33 | 79 |

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

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|---------------------------------|---|---|--|--|
| Balance as at beginning of year | 37 | 3 | 37 | 3 |
| Current tax | - | - | - | - |
| Tax paid | 25 | 34 | 25 | 34 |
| Balance as at end of year | 62 | 37 | 62 | 37 |

(b) Deferred tax

| | Provisions US \$000 | Finance Lease US \$000 | Total US \$000 |
|--|------------------------|---------------------------|-------------------|
| Group | | | |
| Balance as at 1 July 2009 | 5 | (1) | 4 |
| (Debited) / credited to the statements of comprehensive income | (2) | 9 | 7 |
| Balance as at 30 June 2010 | 3 | 8 | 11 |
| (Debited) to the statements of comprehensive income | (3) | (8) | (11) |
| Balance as at 30 June 2011 | - | - | - |

The Parent has no deferred tax.

14. TAXATION (continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group and Parent did not recognise deferred income tax assets of US\$540,615 and US\$424,231 respectively (30 June 2010: Group US\$85,803, Parent US\$3,598) in respect of gross tax losses amounting to US\$2,098,713 and US\$1,414,105 respectively (30 June 2010: Group US\$495,553, Parent US\$11,994) that can be carried forward against future taxable income.

15. IMPUTATION CREDITS

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|---|---|---|--|--|
| Balance at the beginning of the year | 32 | 3 | 32 | 3 |
| Imputation credits arising from taxation paid | 25 | 34 | 25 | 34 |
| Imputation credits lost upon change in shareholder continuity | - | (5) | - | (5) |
| Balance at the end of the year | 57 | 32 | 57 | 32 |
| Imputation credits directly and indirectly available to shareholders are: | | | | |
| Parent | 57 | 32 | 57 | 32 |
| Subsidiaries | - | - | - | - |
| | 57 | 32 | 57 | 32 |

16. TRADE AND OTHER PAYABLES

| | Group 30 June 2011 US \$000 | Group 30 June 2010 US \$000 | Parent 30 June 2011 US \$000 | Parent 30 June 2010 US \$000 |
|--|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Trade payables | 25 | 19 | 25 | 1 |
| Payables to related parties | 1 | - | 1 | - |
| Other payables | - | 16 | - | - |
| Accrued expenses | 21 | 17 | 21 | 17 |
| | 47 | 52 | 47 | 18 |
| 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 | 47 | 18 | 47 | 18 |
| Chilean pesos | - | 34 | - | - |
| | 47 | 52 | 47 | 18 |

Fair Value

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

17. PROVISIONS

| Group | Employee provisions US \$000 | Total US \$000 |
|--|------------------------------------|-------------------|
| Balance as at 1 July 2009 | 29 | 29 |
| Increase in provisions charged to the statements of comprehensive income | 33 | 33 |
| Amount of provision used in period | (43) | (43) |
| Balance as at 30 June 2010 | 19 | 19 |
| Increase in provisions charged to the statements of comprehensive income | - | - |
| Amount of provision used in period | (19) | (19) |
| Balance as at 30 June 2011 | - | - |

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

The Parent has no provisions.

18. 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:

- Orion Group Holdings Limitada

During the year ended 30 June 2011 management fees of US\$15,000 were charged by Orion Minerals Group Limited to Orion Group Holdings Limitada. (2010: US\$20,000).

(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, resigned 15 October 2009), Rodrigo Dupouy (appointed 11 December 2008, resigned 15 September 2010), Roger Gower (appointed 23 July 2008), Sean Joyce (appointed 11 December 2008), Ping Li (appointed 11 January 2010), Zhmin Shi (appointed 11 January 2010) and Jianfeng Shen (appointed 14 September 2010).

(d) Key management and personnel compensation

Key management personnel compensation is set out below and includes compensation for discontinued operations. 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.

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|---|---|---|--|--|
| Payments made to key personnel are as follows and includes: | | | | |
| Salaries and other short term employee benefits | 51 | 256 | - | - |
| Directors' remuneration | | | | |
| R Dupouy, Director (resigned 15 September 2010) | 9 | 53 | 9 | 53 |
| R Gower, Director - Roger Gower & Associates | 75 | 66 | 75 | 66 |
| S Joyce, Director | 56 | 52 | 56 | 52 |
| P Li, Director (appointed 11 January 2010) | 56 | 27 | 56 | 27 |
| J Shen, Director (appointed 14 September 2010) | 23 | - | 23 | - |
| Z Shi, Director (appointed 11 January 2010) | 56 | 27 | 56 | 27 |
| | 275 | 225 | 275 | 225 |

Other services

| | | | | |
|---|----|-----|----|----|
| R Dupouy - Dupouy Mendez & Cia. - Legal fees | - | 123 | - | 44 |
| R Gower - Roger Gower & Associates - Other services | - | 21 | - | 21 |
| S Joyce - Corporate Counsel - Legal fees | 11 | - | 11 | - |
| S Joyce - Jones Young - Legal fees | - | 31 | - | 31 |
| S Joyce - Jones Young - Other services | - | 8 | - | 8 |

| | Group Year ended 30 June 2011 US \$000 | Group Year ended 30 June 2010 US \$000 | Parent Year ended 30 June 2011 US \$000 | Parent Year ended 30 June 2010 US \$000 |
|---|---|---|--|--|
| (e) Other transactions with key management personnel or entities related to them | | | | |
| The Group repaid loans to the following related parties during the period | | | | |
| - Inversiones Barriga Ltda | - | (12) | - | - |
| - Sociedad Contractual Minera Varry | - | (4) | - | - |
| - Hans Hermosilla | - | (1) | - | - |
| Total loans repaid from related parties | - | (17) | - | - |

The following debt has been extinguished upon repurchase of the Inversiones Barriga S.A. shares and disposal of Minera Varry S.A.

| | | | | |
|--|----------|--------------|----------|----------|
| - Minera Varry Minerals Limited Hong Kong | - | (200) | - | - |
| - Inversiones Barriga Ltda | - | (279) | - | - |
| Total loans extinguished from related parties | - | (479) | - | - |

18. RELATED PARTY TRANSACTIONS (continued)**(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 2011 US \$000 | Group 30 June 2010 US \$000 | Parent 30 June 2011 US \$000 | Parent 30 June 2010 US \$000 |
|--------------------------------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Trade payables | | | | |
| - Roger Gower & Associates | 1 | - | 1 | - |
| | <u>1</u> | <u>-</u> | <u>1</u> | <u>-</u> |
| | ===== | ===== | ===== | ===== |
| Owing to Parent Company | | | Parent 30 June 2011 US \$000 | Parent 30 June 2010 US \$000 |
| Orion Group Holdings Limitada | | | 2,868 | 2,600 |
| | | | <u>2,868</u> | <u>2,600</u> |
| | | | ===== | ===== |

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. The loan owing to the Parent Company by Orion Group Holdings Limitada has been fully impaired.

19. CONTINGENT LIABILITIES

There are no contingent liabilities in existence as at 30 June 2011 (30 June 2010: nil).

20. CAPITAL EXPENDITURE COMMITMENTS

There are no capital expenditure commitments as at 30 June 2011 (30 June 2010: nil).

21. GROSS FINANCE LEASE LIABILITIES - MINIMUM LEASE PAYMENTS

| | Group 30 June 2011 US \$000 | Group 30 June 2010 US \$000 |
|---|-----------------------------------|-----------------------------------|
| No later than 1 year | - | 53 |
| Later than 1 year and no later than 5 years | - | - |
| Later than 5 years | - | - |
| | <u>-</u> | <u>53</u> |
| Future finance charges on finance leases | - | (10) |
| | <u>-</u> | <u>(10)</u> |
| Present value of finance lease liabilities | - | 43 |
| | ===== | ===== |
| The present value of finance lease liabilities is as follows: | | |
| No later than 1 year | - | 43 |
| Later than 1 year and no later than 5 years | - | - |
| Later than 5 years | - | - |
| | <u>-</u> | <u>43</u> |
| | ===== | ===== |

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

The Parent has no finance leases.

22. OPERATING LEASE RENTAL COMMITMENTS

The Group and Parent has no operating leases in existence as at 30 June 2011 (2010: nil).

23. EVENTS SUBSEQUENT TO BALANCE DATE

The liquidation of Orion Group Holdings Limitada was completed on 7 September 2011. There are no other events subsequent to 30 June 2011 which are considered to have a material effect on these financial statements.

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:

- during the course of the financial year, the Company has utilised the legal services of Corporate Counsel. Sean Joyce is a principal of Corporate Counsel;
- during the course of the financial year, the Company has utilised the legal services of Jones Young lawyers. Sean Joyce is a former partner of Jones Young;

The details of these transactions are given in Note 18 to the financial statements.

Remuneration of Directors

Directors received fees and remuneration from Orion Minerals Group Limited as provided in Note 18 to the financial statements.

Donations

During the year the Company made no donations.

Company Directors

The persons holding office as directors of the Company as at 30 June 2011 were:

- Roger Gower
- Sean Joyce
- Ping Li
- Jianfeng Shen (appointed 14 September 2010)
- Zhmin Shi

The persons who ceased to hold office as directors of the Company during the financial year ended 30 June 2011 were:

- Rodrigo Dupouy

Auditors

PricewaterhouseCoopers are the auditors for the Company. They were paid US\$ 23,000 as audit fees in respect of the last financial period.

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, Orion Minerals Holdings Limitada have declared no interests in transactions with the Company during the financial year:

Remuneration of Directors of Subsidiary

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

| | 30 June 2011 US \$000 | 30 June 2010 US \$000 |
|---------------------|--------------------------|--------------------------|
| Francisco Barriga | - | 45 |
| Juan Jose Gutierrez | - | - |

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

Employee Remuneration

US\$160,000 - US\$ 169,999 -

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

The persons who held office as directors of Orion Group Holdings Limited during the financial year ended 30 June 2011 were:

- Jianfeng Shen

PricewaterhouseCoopers Chile are the auditors for Orion Group Holdings Limitada. They were paid US\$14,000 as audit fees in respect of the last financial period and were not paid for other services provided to Orion Group Holdings Limitada.

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

As at 31 August 2011 there were a total of 414,550,000 ordinary fully paid shares on issue.

| Substantial Security Holder | Number of Shares held | Relevant Interest | % of Shares |
|--------------------------------------|-----------------------|-------------------|-------------|
| Fengli Group (Hong Kong) Co. Limited | 125,000,000 | Beneficial | 30.15% |
| Marvel Fantasy Limited | 100,000,000 | Beneficial | 24.12% |

Statutory and Other Information (continued)**Principal Shareholders**

The 20 largest holders of shares in the Company as at 6 September 2011 were as follows:

| Holder | Shares Held | % of Total No. of Shares |
|---|--------------------|-----------------------------|
| Fengli Group (Hong Kong) Co. Limited | 125,000,000 | 30.153% |
| Marvel Fantasy Limited | 100,000,000 | 24.123% |
| Minera Varry Minerals Limited c/- Intertrust (HK) Limited | 44,779,000 | 10.802% |
| Minera Varry Minerals Limited | 32,810,000 | 7.915% |
| Teagardens Limited | 32,710,000 | 7.890% |
| APZ Limited | 22,500,000 | 5.428% |
| Michael John Jacomb & Trena Kathleen Jacomb & Peter Reginald Richardson | 17,591,200 | 4.243% |
| Lava Limited | 13,502,790 | 3.257% |
| Laddara Pty Limited | 10,000,000 | 2.412% |
| Tuberoze Limited | 7,190,000 | 1.734% |
| Talda Enterprises Pty Limited | 4,500,000 | 1.086% |
| Ross Dix Harvey | 625,903 | 0.151% |
| John Sorensen | 400,000 | 0.096% |
| Troubadour Holdings Limited | 321,560 | 0.078% |
| Aleksander Borowik | 250,000 | 0.060% |
| Brett Allan Wilkinson & Julie Helen Wilkinson | 200,000 | 0.048% |
| Samuel Hamish MacDonald & BM Trustee Company Limited | 170,000 | 0.041% |
| Kane Stevenson | 159,900 | 0.039% |
| Anthony Kenneth Lyte | 110,000 | 0.027% |
| Graeme Bruce Lowe | 102,000 | 0.025% |
| Total | 412,922,353 | 99.608% |

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.

Director's Interest in Equity Securities

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

Distribution of Ordinary Shares

| Ranges | Investors | Securities | % of Issued Capital |
|-------------------|--------------|--------------------|------------------------|
| 1 to 1,000 | 1,496 | 139,067 | 0.034% |
| 1,001 to 5,000 | 42 | 91,171 | 0.022% |
| 5,001 to 10,000 | 13 | 100,836 | 0.024% |
| 10,001 to 100,000 | 33 | 1,296,573 | 0.313% |
| 100,001 and over | 20 | 412,922,353 | 99.607% |
| | 1,604 | 414,550,000 | 100.000% |

DIRECTORY

AS AT 30 JUNE 2011

| | |
|--------------------------|---|
| Directors | R H Gower S R Joyce P Li J Shen Z Shi |
| Registered Office | c/- Jones Young Level 19, BDO Tower 120 Albert Street Auckland 1010 New Zealand |
| Postal Address | P O Box 189 Shortland Street Auckland 1140 New Zealand |
| Telephone | 09-3678790 |
| 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 |
| 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: 31st October 2011

Director



Director

