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# Directors' Report

Dear Shareholders,

The year was dominated by the decision to divest the Company's investment in Minera Varry S.A. a Chilean incorporated company which held the Mina Javiera iron ore prospects, following advice that the Javiera prospect would likely be uneconomic to develop.

Mr Francisco Barriga, the Company's Managing Director and a director of Orion Minerals Group Limited, resigned from both positions held with the Company.

In conjunction with Mr Barriga's resignation, the Company transferred its shareholding in Minera Varry S.A. to Mr Barriga in consideration for Orion Minerals Group Limited buying back and cancelling the 510 million Orion Minerals Group Limited shares held by Inversiones Barriga S.A., a company associated with Mr Barriga. As part of this transaction certain assets and contracts held by Minera Varry S.A. were transferred to another of the Company's Chilean subsidiaries, Orion Group Holdings Limitada.

The divestments of the Company's interest in Minera Varry S.A and the buyback of the 510 million Orion Minerals Group Limited shares were approved by the Company's shareholders at a Special Meeting of Shareholders held on 24 March 2010.

The operations of Minera Varry S.A. have been accounted for as a discontinued operation and represented a loss net of tax of US\$1,243,000.

The Company has previously advised that it was undertaking some preliminary drilling works at the "Resguardo" concession in Northern Chile. The drilling programme was completed and the Company concluded that the Resguardo concession did not represent a viable economic mining proposition for Orion Minerals Group. It is not anticipated that any further works will be undertaken in respect of the Resguardo concession.

The Company issued 25 million fully paid ordinary shares to Fengli Group (Hong Kong) Co. Limited ("Fengli") on 23 November 2009, in accordance with the provisions of a Subscription Agreement entered into between Fengli and the Company. 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 obligated to issue 25 million new fully paid ordinary Orion Minerals Group Limited shares to Fengli as compensation for not satisfying that requirement.

The large earthquake and related disruption in Chile in March 2010 has not affected the Company's operations.

## Future prospects

The Company has a management team based in Santiago, Chile assessing iron ore prospects. The Company is considering all mineral exploration opportunities including gold, copper and silver mineralisation.

# 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 5 to 32. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2010 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 10 to 15.

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 has been undertaken so that we might state to the Company's shareholders those matters 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 opinion we have formed.

### **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 2010 and their financial performance and cash flows for the year 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, 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 5 to 32:
  - (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 2010 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 29 October 2010 and our unqualified opinion is expressed as at that date.

*PricewaterhouseCoopers*

Chartered Accountants

Auckland

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
Revenue	4	-	-	-	-
Cost of goods sold	5 / 6	-	-	-	-
<b>Gross profit</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Other income	4	-	-	20	-
Selling and distribution expenses	5 / 6	-	-	-	-
Marketing expenses	5 / 6	-	-	-	-
Administrative and other expenses	5 / 6	(966)	(164)	(3,168)	(270)
<b>Operating loss</b>		<b>(966)</b>	<b>(164)</b>	<b>(3,148)</b>	<b>(270)</b>
Finance income		108	-	108	4
Exchange (loss)/gain		(280)	3	(244)	(29)
Finance expense		(12)	-	-	-
<b>Net loss before taxation from continuing operations</b>		<b>\$ (1,150)</b>	<b>\$ (161)</b>	<b>\$ (3,284)</b>	<b>\$ (295)</b>
Income tax credit	7	4	-	-	-
<b>Net loss after taxation from continuing operations</b>		<b>\$ (1,146)</b>	<b>\$ (161)</b>	<b>\$ (3,284)</b>	<b>\$ (295)</b>
Loss from discontinued operations, net of taxation	8	(1,243)	(1,255)	(26)	(56,343)
<b>Net loss after taxation for the year attributable to shareholders</b>		<b>\$ (2,389)</b>	<b>\$ (1,416)</b>	<b>\$ (3,310)</b>	<b>\$ (56,638)</b>
Other comprehensive income for the year		-	-	-	-
<b>Total comprehensive loss for the year</b>		<b>\$ (2,389)</b>	<b>\$ (1,416)</b>	<b>\$ (3,310)</b>	<b>\$ (56,638)</b>
<b>Earnings per share for loss attributable to shareholders:</b>					
- Basic earnings per share (cents)	9	(0.30)	(0.16)	(0.41)	(11.32)
- Diluted earnings per share (cents)	9	(0.30)	(0.15)	(0.41)	(10.63)
<b>Attributable to continuing operations:</b>					
- Basic earnings per share (cents)	9	(0.14)	(0.02)	(0.41)	(0.06)
- Diluted earnings per share (cents)	9	(0.14)	(0.02)	(0.41)	(0.06)
<b>Attributable to discontinued operations:</b>					
- Basic earnings per share (cents)	9	(0.15)	(0.14)	-	(11.26)
- Diluted earnings per share (cents)	9	(0.15)	(0.13)	-	(10.58)

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

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Share Capital US \$000	Share Option Reserve US \$000	Accumulated Losses US \$000	Total Equity US \$000
<b>Group</b>					
<b>Balance as at 1 January 2009</b>		<b>2,705</b>	<b>-</b>	<b>(1,567)</b>	<b>1,138</b>
Net loss attributable to shareholders		-	-	(1,416)	(1,416)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	(1,416)	(1,416)
Shares issued	10	9,839	-	-	9,839
Total transactions with owners		9,839	-	-	9,839
<b>Balance as at 30 June 2009</b>		<b>\$ 12,544</b>	<b>\$ -</b>	<b>\$ (2,983)</b>	<b>\$ 9,561</b>
Net loss attributable to shareholders		-	-	(2,389)	(2,389)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	(2,389)	(2,389)
Shares issued	10	-	-	-	-
Transfers on extinguishment of reverse acquisition	10, 12	(43)	40	-	(3)
Extinguishment of debt upon repurchase of shares	12	-	-	479	479
Total transactions with owners		(43)	40	479	476
<b>Balance as at 30 June 2010</b>		<b>\$ 12,501</b>	<b>\$ 40</b>	<b>\$ (4,893)</b>	<b>\$ 7,648</b>
		Share Capital US \$000	Share Option Reserve US \$000	Accumulated Losses US \$000	Total Equity US \$000
<b>Parent</b>					
<b>Balance as at 1 July 2008</b>		<b>161</b>	<b>40</b>	<b>(90)</b>	<b>111</b>
Net loss attributable to shareholders		-	-	(56,638)	(56,638)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	(56,638)	(56,638)
Shares issued	10	67,544	-	-	67,544
Total transactions with owners		67,544	-	-	67,544
<b>Balance as at 30 June 2009</b>		<b>\$ 67,705</b>	<b>\$ 40</b>	<b>\$ (56,728)</b>	<b>\$ 11,017</b>
Net profit attributable to shareholders		-	-	(3,310)	(3,310)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	(3,310)	(3,310)
Shares issued	10	-	-	-	-
Cancellation of ordinary shares	10, 12	(35,350)	-	35,350	-
Total transactions with owners		(35,350)	-	35,350	-
<b>Balance as at 30 June 2010</b>		<b>\$ 32,355</b>	<b>\$ 40</b>	<b>\$ (24,688)</b>	<b>\$ 7,707</b>

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

## STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Notes	Group 30 June 2010 US \$000	Group 30 June 2009 US \$000	Parent 30 June 2010 US \$000	Parent 30 June 2009 US \$000
<b>EQUITY</b>					
Share capital	10	12,501	12,544	32,355	67,705
Share option reserve	12	40	-	40	40
Accumulated losses	12	(4,893)	(2,983)	(24,688)	(56,728)
<b>Total Equity</b>		<b>7,648</b>	<b>9,561</b>	<b>7,707</b>	<b>11,017</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Finance lease payable	26	-	43	-	-
Borrowings	23	-	496	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>539</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Trade and other payables	21	52	159	18	59
Provisions	22	19	29	-	-
Finance lease payable	26	43	68	-	-
Borrowings	23	-	34	-	-
<b>Total current liabilities</b>		<b>114</b>	<b>290</b>	<b>18</b>	<b>59</b>
<b>TOTAL LIABILITIES</b>		<b>114</b>	<b>829</b>	<b>18</b>	<b>59</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 7,762</b>	<b>\$ 10,390</b>	<b>\$ 7,725</b>	<b>\$ 11,076</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment in subsidiaries	15	-	-	18	-
Property, plant and equipment	18	2	172	2	3
Deferred tax	19	11	4	-	-
Intangible assets	16	-	-	-	-
Other non-current assets	17	-	128	-	-
<b>Total non-current assets</b>		<b>13</b>	<b>304</b>	<b>20</b>	<b>3</b>
<b>Current assets</b>					
Cash and cash equivalents	13	7,625	9,966	7,589	9,662
Trade and other receivables	14	87	117	79	1,408
Taxation receivable	19	37	3	37	3
<b>Total current assets</b>		<b>7,749</b>	<b>10,086</b>	<b>7,705</b>	<b>11,073</b>
<b>TOTAL ASSETS</b>		<b>\$ 7,762</b>	<b>\$ 10,390</b>	<b>\$ 7,725</b>	<b>\$ 11,076</b>

For and on behalf of the Board

Dated: 29th October 2010

Director

Director



## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

		Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
<b>OPERATING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Receipts from customers		-	-	20	-
Interest received		108	4	108	3
<b>Cash was applied to:</b>					
Payments to suppliers and employees		(2,022)	(792)	(624)	(329)
Interest paid		(32)	(10)	-	-
Income tax paid		(34)	-	(34)	-
<b>Net cash outflows from operating activities</b>		<b>(1,980)</b>	<b>(798)</b>	<b>(530)</b>	<b>(326)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Proceeds from sale of property, plant & equipment		9	-	-	-
Cash acquired on acquisition of subsidiary	8	24	-	-	-
<b>Cash was applied to:</b>					
Purchase of property, plant and equipment		(1)	(59)	(1)	(3)
Purchase of equity investments		-	-	-	(1,139)
Purchase of other non current assets	8	(28)	(57)	-	-
Advance to subsidiary		-	-	(1,295)	(1,310)
<b>Net cash inflows / (outflows) from investing activities</b>		<b>4</b>	<b>(116)</b>	<b>(1,296)</b>	<b>(2,452)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Proceeds of borrowings		26	108	-	-
Proceeds from issue of shares		-	9,839	-	12,339
<b>Cash was applied to:</b>					
Repayment of borrowings		(139)	(441)	-	-
<b>Net cash (outflows) / inflows from financing activities</b>		<b>(113)</b>	<b>9,506</b>	<b>-</b>	<b>12,339</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(2,089)</b>	<b>8,592</b>	<b>(1,826)</b>	<b>9,561</b>
Cash and cash equivalents at the beginning of the period		9,966	1,314	9,662	101
Effect of exchange rate changes		(252)	60	(247)	-
<b>Cash and cash equivalents at end of period</b>		<b>\$ 7,625</b>	<b>\$ 9,966</b>	<b>\$ 7,589</b>	<b>\$ 9,662</b>
<b>COMPOSITION OF CASH</b>					
Cash and cash equivalents	13	7,625	9,966	7,589	9,662

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

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

## RECONCILIATION WITH NET REPORTED LOSS

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
<b>Reported net loss</b>	<b>(2,389)</b>	<b>(1,416)</b>	<b>(3,310)</b>	<b>(56,638)</b>
<b>Items not involving cash flows:</b>				
Depreciation expense	141	70	2	-
Unrealised foreign exchange loss	252	26	247	1
Write-down of pre-operating exploration and evaluation costs	-	136	-	-
Write-down of investment in subsidiary	-	-	-	56,343
Write-down advance to subsidiary	-	-	4	-
Provision for impairment of intercompany receivable	-	-	2,583	-
Non cash effect of diminution of assets	113	-	-	-
Non cash effect of working capital forgiven	40	-	-	-
Impairment of goodwill	-	307	-	-
Gain on sale of property, plant & equipment	(9)	-	-	-
Movement in deferred tax	(7)	(15)	-	-
	<b>530</b>	<b>524</b>	<b>2,836</b>	<b>56,344</b>
<b>Impact of changes in working capital items</b>				
(Increase) / decrease in trade receivables	-	-	-	-
Decrease/(increase) in prepayments and other receivables	30	(32)	19	(85)
(Increase) / decrease in taxation receivable	(34)	-	(34)	(1)
(Decrease)/increase in trade payables	(36)	12	(49)	45
Increase / (decrease) in taxation payable	-	-	-	-
(Decrease)/increase in other payables	(81)	114	8	9
	<b>(121)</b>	<b>94</b>	<b>(56)</b>	<b>(32)</b>
<b>Net cash outflows from operating activities</b>	<b>\$ (1,980)</b>	<b>\$ (798)</b>	<b>\$ (530)</b>	<b>\$ (326)</b>

**1. General Information**

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

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 29th October 2010.

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.. 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.

*Reporting period*

These Group financial statements are in respect of the 12 month period from 1 July 2009 to 30 June 2010. The comparative period is in respect of the six month period from 1 January 2009 to 30 June 2009 as annual information was not available for the Group.

The financial statements of the Parent are in respect of the year commencing 1 July 2009 to 30 June 2010. The comparative period of the Parent is in respect of the period 1 July 2008 to 30 June 2009.

*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.

*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 all subsidiaries of Orion Minerals Group Limited as at 30 June 2010 and the results of all subsidiaries for the 12 months then ended. Orion Minerals Group Limited and its subsidiaries 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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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 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 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 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, 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. 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 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) 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 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.

**(ac) New Standards**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2009.

**(i) NZ IAS 1 (revised), 'Presentation of Financial Statements'**

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 non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements. There is no financial impact as the change relates only to disclosure requirements.

**(ii) NZ IFRS 8, 'Operating Segments'**

NZ IFRS 8 replaces NZ IAS 14, 'Segment Reporting'. NZ IFRS 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers has been identified as the Board of Directors. The adoption of NZ IFRS 8 has not resulted in any change to reportable segments. There has been no impact on the measurement of the Group's assets and liabilities and results.

**(iii) NZ IFRS 7, 'Financial Instruments, Disclosures (amendment)'**

The revisions to NZ IFRS 7 have required additional information on the fair value of financial instruments. The Company has no financial instruments measured at fair value and, as a result, this does not affect current or prior disclosures or measurement.

**(iv) NZ IFRS 3, 'Business Combinations (revised)'**

The amendment is mandatory for reporting periods beginning on or after 1 July 2009 and impacts the measurement of minority interests in an acquisition, the acquisition of a minority interest subsequent to an acquisition, step acquisition, contingent consideration, acquisition costs and acquiree. The amendments are prospectively applicable and therefore only impact business combinations that take effect after the date of adopting the new standard. There have been no business combinations since application.

**(v) NZ IAS 27 (revised), 'Consolidated and separate financial statements'**

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. As no transactions with non-controlling interests have occurred since adoption, the revision has no effect on the Group's financial statements.

**(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 2010, but which the Group has not early adopted. These are:

**(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) Improvements to NZ Equivalents to IFRS, Amendments to New Zealand Accounting Standards arising from the Annual Improvements Project (effective from annual periods beginning on or after 1 January 2010).**

Amendments to some standards may result in changes to the way particular transactions or balances are accounted for, including recognition, measurement and presentation. The changes are not expected to significantly affect the Group.



**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
<b>Group - 30 June 2010</b>				
Cash and cash equivalents	7,625	-	-	-
Trade and other receivables	72	-	-	-
Trade and other payables	-	-	-	52
Borrowings and overdrafts	-	-	-	43
	<b>7,697</b>	<b>-</b>	<b>-</b>	<b>95</b>
<b>Group - 30 June 2009</b>				
Cash and cash equivalents	9,966	-	-	-
Trade and other receivables	82	-	-	-
Trade and other payables	-	-	-	159
Borrowings and overdrafts	-	-	-	641
	<b>10,048</b>	<b>-</b>	<b>-</b>	<b>800</b>
<b>Parent - 30 June 2010</b>				
Cash and cash equivalents	7,589	-	-	-
Other receivables	63	-	-	-
Trade and other payables	-	-	-	18
Borrowings and overdrafts	-	-	-	-
	<b>7,652</b>	<b>-</b>	<b>-</b>	<b>18</b>
<b>Parent - 30 June 2009</b>				
Cash and cash equivalents	9,662	-	-	-
Other receivables	1,373	-	-	-
Trade and other payables	-	-	-	59
Borrowings and overdrafts	-	-	-	-
	<b>11,035</b>	<b>-</b>	<b>-</b>	<b>59</b>

**(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 2010 US \$000	Group 30 June 2009 US \$000	Parent 30 June 2010 US \$000	Parent 30 June 2009 US \$000
Currency amount	7,628	(169)	7,679	76
+10% movement				
post tax profit	(534)	12	(538)	(5)
equity	(534)	12	(538)	(5)
-10% movement				
post tax profit	534	(12)	538	5
equity	534	(12)	538	5

Refer to note 14 and 21 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 borrowings and cash and cash equivalents. 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. 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 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 2010 US \$000	Group 30 June 2009 US \$000	Parent 30 June 2010 US \$000	Parent 30 June 2009 US \$000
New Zealand denominated cash and cash equivalents	7,582	35	7,582	35
+1% movement				
post tax profit	53	-	53	-
equity	53	-	53	-
-1% movement				
post tax profit	(53)	-	(53)	-
equity	(53)	-	(53)	-

**(b) Credit risk**

Credit exposure arises from financial assets recognised in the statement of financial position 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 23 for liquidity risk associated with borrowings. 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 operates in one business segment, being industrial mining in Chile which includes discontinued operations.

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
<b>For the year ended 30 June 2010:</b>			
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 year	(1,646)	(743)	(2,389)
Total allocated assets	43	7,708	7,751
Total liabilities	96	18	114

	Chile US \$000	Holding Company New Zealand US \$000	TOTAL US \$000
<b>For the six months ended 30 June 2009:</b>			
Total external sales revenue	-	-	-
Total EBITDA	(1,194)	(161)	(1,355)
Depreciation	(70)	-	(70)
Finance income	4	-	4
Finance expense	(10)	-	(10)
Income tax benefit	15	-	15
Net loss for the period	(1,255)	(161)	(1,416)
Total allocated assets	619	9,767	10,386
Total liabilities	768	61	829

4. OPERATING REVENUE

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
Sales	-	-	-	-
Other operating revenue	-	-	20	-
<b>Total operating revenue</b>	-	-	20	-

5. EMPLOYEE BENEFITS

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
Wages and salaries	142	-	-	-
Other employments costs	-	-	-	-
Employee share option plans	-	-	-	-
	142	-	-	-

6. OPERATING EXPENSES

Operating expenses include:

Auditors' fees

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
Audit fees paid to principal auditors	18	23	18	23
Audit fees paid to other auditors - PricewaterhouseCoopers Chile	15	-	-	-
Fees paid for other services by principal auditors - taxation compliance & services	21	15	21	15
<b>Total Auditors' fees</b>	<b>54</b>	<b>38</b>	<b>39</b>	<b>38</b>

Depreciation

Computer hardware & software	2	-	2	-
Motor vehicles	21	-	-	-
<b>Total Depreciation</b>	<b>23</b>	<b>-</b>	<b>2</b>	<b>-</b>

Gain on disposal of property, plant & equipment	(9)	-	-	-
Rental and operating lease expense	12	-	-	-
Write-down of investment in subsidiary	-	-	-	56,343
Provision for impairment of intercompany receivable	-	-	2,583	-
Foreign exchange currency losses / (gains)	280	(3)	244	29
Directors' fees	225	69	225	134

Impairment of Intangible Assets

Impairment of goodwill	-	-	-	-
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Total Impairment

7. INCOME TAX EXPENSE

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
Net loss for the period before taxation	(2,396)	(1,431)	(3,310)	(56,638)
Tax at the New Zealand rate of 30%	(719)	(429)	(993)	(16,991)
Income not subject to tax	-	-	(5)	-
Expenses not deductible for tax	49	92	797	16,910
Movement in Holiday Pay provision	(4)	5	-	-
Losses not recognised as asset	670	283	201	81
Difference due to overseas tax rates	(19)	11	-	-
Other	16	23	-	-
<b>Total income tax credit</b>	<b>(7)</b>	<b>(15)</b>	<b>-</b>	<b>-</b>

Comprising:

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
Current income tax expense	-	-	-	-
Increase in deferred tax	(7)	(15)	-	-
<b>Total income tax credit</b>	<b>(7)</b>	<b>(15)</b>	<b>-</b>	<b>-</b>

8. DISCONTINUED OPERATIONS

Sale of Minera Varry S.A. and Contractual Minera Varry

On 24 March 2010, at a Special Meeting of Shareholders, 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 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 is 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 statements of comprehensive income, including comparatives, has been reclassified to show Minera Varry S.A. and CMV as a discontinued operation, separately from Orion Minerals Group's continuing operation. The results for Minera Varry S.A. and CMV also represent discontinued operations for segmental purposes.

The results are as follows:

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
Revenue	-	-	-	-
Cost of goods sold	-	-	-	-
<b>Gross profit</b>	-	-	-	-
Other income	-	-	-	-
Selling and distribution expenses	-	-	-	-
Marketing expenses	-	-	-	-
Administrative and other expenses	(1,038)	(853)	(22)	-
<b>Operating loss</b>	(1,038)	(853)	(22)	-
Finance income	-	4	-	-
Exchange gains / (losses)	(75)	(104)	-	-
Finance expense	(20)	(10)	-	-
Impairment of goodwill	-	(307)	-	-
Impairment of investment in subsidiary	-	-	-	(56,343)
Forgiveness of intercompany receivable	-	-	(4)	-
Diminution in the value of assets	(113)	-	-	-
<b>Net loss before taxation</b>	(1,246)	(1,270)	(26)	(56,343)
Income tax credit	(note 7) 3	15	-	-
<b>Net loss after taxation from discontinued operations</b>	(1,243)	(1,255)	(26)	(56,343)
Attributable to:				
Equity holders of Orion Minerals Group	(1,243)	(1,255)	(26)	(56,343)
<b>Loss from discontinued operations</b>	(1,243)	(1,255)	(26)	(56,343)
Basic earnings per share from discontinued operations (cents)	(0.15)	(0.14)	-	(11.26)
Diluted earnings per share from discontinued operations (cents)	(0.15)	(0.13)	-	(10.58)

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

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000
Net cash outflows from operating activities	(994)	(620)
Net cash outflows from investing activities	(4)	(113)
Net cash outflows from financing activities	(96)	(333)
<b>Net cash outflows</b>	(1,094)	(1,066)

Cash flows from financing exclude cash provided by the Parent to Minera Varry S.A. A total of US\$352,625 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. (six month period to 30 June 2009 - US\$1,000,000).

**9. 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.

<b>Basic earnings per share</b>	<b>Group Year ended 30 June 2010 000</b>	<b>Group Six months ended 30 June 2009 000</b>	<b>Parent Year ended 30 June 2010 000</b>	<b>Parent Year ended 30 June 2009 000</b>
Net loss from continuing operations (US\$ 000)	(1,146)	(161)	(3,284)	(295)
Net loss from discontinued operations (US\$ 000)	(1,243)	(1,255)	(26)	(56,343)
Net loss attributable to shareholders (US\$ 000)	(2,389)	(1,416)	(3,310)	(56,638)
Number of ordinary shares on issue (thousands)	414,550	899,550	414,550	899,550
Weighted average number of ordinary shares on issue (thousands)	807,029	899,550	807,029	500,283
Basic earnings per share from continuing operations (cents) - loss	(0.14)	(0.02)	(0.41)	(0.06)
Basic earnings per share from discontinued operations (cents) - loss	(0.15)	(0.14)	-	(11.26)
Basic earnings per share attributable to shareholders (cents) - loss	(0.30)	(0.16)	(0.41)	(11.32)
<b>Diluted earnings per share:</b>				
Net loss from continuing operations (US\$ 000)	(1,146)	(161)	(3,284)	(295)
Net loss from discontinued operations (US\$ 000)	(1,243)	(1,255)	(26)	(56,343)
Net loss attributable to shareholders (US\$ 000)	(2,389)	(1,416)	(3,310)	(56,638)
Weighted average number of ordinary shares on issue (thousands)	807,029	899,550	807,029	500,283
Adjustment for share options (thousands)	-	56,950	-	56,950
Weighted average number of diluted shares on issue (thousands)	807,029	962,730	807,029	532,571
Diluted earnings per share from continuing operations (cents)	(0.14)	(0.02)	(0.41)	(0.06)
Diluted earnings per share from discontinued operations (cents)	(0.15)	(0.13)	-	(10.58)
Diluted earnings per share attributable to shareholders (cents)	(0.30)	(0.15)	(0.41)	(10.63)

**10. SHARE CAPITAL**

<b>Group</b>	<b>30 June 2010 Number</b>	<b>30 June 2009 Number</b>	<b>30 June 2010 US \$000</b>	<b>30 June 2009 US \$000</b>
<i>Ordinary shares</i>				
Balance at beginning of period	899,550,000	899,550,000	12,544	2,705
Shares issued	25,000,000	-	-	9,839
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 Limited	-	-	161	-
<b>Balance at end of period</b>	<b>414,550,000</b>	<b>899,550,000</b>	<b>12,501</b>	<b>12,544</b>
<b>=====</b>				
<b>Parent</b>	<b>30 June 2010 Number</b>	<b>30 June 2009 Number</b>	<b>30 June 2010 US \$000</b>	<b>30 June 2009 US \$000</b>
<i>Ordinary shares</i>				
Balance at beginning of year	899,550,000	30,981,851	67,705	161
Share consolidation	-	(27,883,641)	-	-
Shares issued	25,000,000	100,000,000	-	12,500
Shares cancelled	(510,000,000)	-	(35,350)	-
Shares issue to shareholders of Minera Varry	-	796,451,790	-	55,204
Share issue costs	-	-	-	(160)
<b>Balance at end of year</b>	<b>414,550,000</b>	<b>899,550,000</b>	<b>32,355</b>	<b>67,705</b>
<b>=====</b>				

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

As at 30 June 2010 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**

25,000,000 ordinary shares were issued during the year ended 30 June 2010 (2009: 896,451,790). The 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.

**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.

**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 11.

**11. 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%
<b>Cost of acquisition to Minera Varry acquirers</b>	188
	-----
Other acquisition costs	138
<b>Total consideration</b>	326
	=====

	Group Year ended 30 June 2010	Group Six months ended 30 June 2009
Orion Minerals Group Limited result included in Group's result since date of acquisition	(743)	(161)

## Reserves

	Group 30 June 2010 US \$000	Group 30 June 2009 US \$000	Parent 30 June 2010 US \$000	Parent 30 June 2009 US \$000
<b>Share option reserve</b>				
Balance at the beginning of the period	-	-	40	40
Effect of reversal of reverse acquisition	40	-	-	-
	<b>40</b>	<b>-</b>	<b>40</b>	<b>40</b>

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
	<u>4,500,000</u>	<u>450,000</u>		<u>40</u>

Other share options are disclosed in note 28.

New Zealand dollars	7,582	35	7,582	35
United States dollars	7	9,627	7	9,627
Chilean pesos	36	304	-	-
	<b>7,625</b>	<b>9,966</b>	<b>7,589</b>	<b>9,662</b>

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**14. TRADE AND OTHER RECEIVABLES**

	Group 30 June 2010 US \$000	Group 30 June 2009 US \$000	Parent 30 June 2010 US \$000	Parent 30 June 2009 US \$000
Trade receivables	-	-	-	-
Provision for doubtful debts	-	-	-	-
Net trade receivables	-	-	-	-
Other receivables	72	82	63	63
Prepayments	15	35	16	35
Due from subsidiaries	-	-	2,583	1,310
Provision for impairment of intercompany receivable	-	-	(2,583)	-
<b>Total current receivables</b>	<b>87</b>	<b>117</b>	<b>79</b>	<b>1,408</b>

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 2010 (30 June 2009: nil).

	Group 30 June 2010 US \$000	Group 30 June 2009 US \$000	Parent 30 June 2010 US \$000	Parent 30 June 2009 US \$000
The carrying amounts of the Group's net trade receivables are denominated in the following currencies:				
New Zealand dollars	79	98	79	98
United States dollars	-	-	-	1,310
Chilean pesos	8	19	-	-
	<b>87</b>	<b>117</b>	<b>79</b>	<b>1,408</b>

**15. INVESTMENT IN SUBSIDIARIES****Principal subsidiaries:****Name of Entity**

Sociedad Minera Varry S.A.  
Orion Group Holding Limitada

**Activity**

Mining Company  
Holding Company

**Location**

Chile  
Chile

**Interest held  
by Parent  
30 June 2010**

30 June 2009

0%  
100%

100%  
0%

**Parent  
30 June 2010  
US \$000**

Parent  
30 June 2009  
US \$000

**Investments**

Shares in subsidiaries

Write-down recognised through statements of comprehensive income

18 56,343  
- (56,343)

**Total investments**

18 -

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

On 24 March 2010, at a Special Meeting of Shareholders, 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 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 is 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.

**16. INTANGIBLE ASSETS**

	30 June 2010 US \$000	30 June 2009 US \$000
<b>Group</b>		
Goodwill at cost (note 11)		
Balance at beginning of period	-	307
Impairment recognised through statement of comprehensive income	-	(307)
	<hr/>	<hr/>
Balance at end of period	-	-
	<hr/>	<hr/>

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.

The Board determined that the value of the value of the Javiera mine asset was impaired. As a result the goodwill on acquisition was written down in the Statements of Comprehensive Income during the six month period to 30 June 2009.

**17. OTHER NON CURRENT ASSETS**

	30 June 2010 US \$000	30 June 2009 US \$000
<b>Group</b>		
Mining claims	-	71
Prepayment	-	3
Other receivable	-	54
	<hr/>	<hr/>
	-	128
	<hr/>	<hr/>

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

**18. PROPERTY, PLANT AND EQUIPMENT**

	Exploration and Evaluation US \$000	Office Furn. & Equipment US \$000	Motor Vehicles US \$000	Total US \$000
<b>Group</b>				
<b>Cost</b>				
Balance as 1 January 2009	136	5	385	526
Additions	-	59	-	59
Writedown recognised through statements of comprehensive income	(136)			(136)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2009	-	64	385	449
Balance as 1 July 2009	-	64	385	449
Additions	-	1	-	1
Disposal on restructure of Minera Varry S.A.	-	(61)	-	(61)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2010	-	4	385	389
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>				
Balance as 1 January 2009	-	4	203	207
Depreciation charge for the period	-	6	64	70
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2009	-	10	267	277
Balance as 1 July 2009	-	10	267	277
Depreciation charge for the year	-	23	118	141
Disposal on restructure of Minera Varry S.A.	-	(31)	-	(31)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2010	-	2	385	387
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying amounts</b>				
At 1 January 2009	136	1	182	319
At 30 June 2009	-	54	118	172
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 July 2009	-	54	118	172
At 30 June 2010	-	2	-	2
	<hr/>	<hr/>	<hr/>	<hr/>

The net carrying amount of motor vehicles held under finance leases is US\$ NIL. (30 June 2009: US\$ 118,000).

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

<b>Parent Cost</b>	<b>Office Furn. &amp; Equipment US \$000</b>	<b>Total US \$000</b>
Balance as 1 July 2008	-	-
Additions	3	3
Balance at 30 June 2009	3	3
Balance as 1 July 2009	3	3
Additions	1	1
Balance at 30 June 2010	4	4
<b>Accumulated depreciation</b>		
Balance as 1 July 2008	-	-
Depreciation charge for the period	-	-
Balance at 30 June 2009	-	-
Balance as 1 July 2009	-	-
Depreciation charge for the year	2	2
Balance at 30 June 2010	2	2
<b>Carrying amounts</b>		
At 1 July 2008	-	-
At 30 June 2009	3	3
At 1 July 2009	3	3
At 30 June 2010	2	2

**19. TAXATION**

	<b>Group Year ended 30 June 2010 US \$000</b>	<b>Group Six months ended 30 June 2009 US \$000</b>	<b>Parent Year ended 30 June 2010 US \$000</b>	<b>Parent Year ended 30 June 2009 US \$000</b>
<b>(a) Taxation receivable</b>				
Balance at beginning of period	3	3	3	2
Current tax	-	-	-	-
Acquired on reverse acquisition	-	-	-	-
Tax paid	34	-	34	1
Balance at end of period	37	3	37	3
<b>(b) Deferred tax</b>				
<b>Group</b>				
At 1 January 2009		2	(13)	(11)
Credited to the statements of comprehensive income		3	12	15
At 30 June 2009		5	(1)	4
Credited / (debited) to the statements of comprehensive income		(2)	9	7
At 30 June 2010		3	8	11

The Parent has no deferred tax.

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

**20. IMPUTATION CREDITS**

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
<b>Balance at the beginning of the period</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>
Imputations credits attached to dividends received	-	-	-	-
Transfers	-	-	-	-
Imputation credits arising from taxation paid	<b>34</b>	-	<b>34</b>	<b>1</b>
<b>Balance at the end of the period</b>	<b>37</b>	<b>3</b>	<b>37</b>	<b>3</b>
=====				
Imputation credits directly and indirectly available to shareholders are:				
Parent	<b>37</b>	<b>3</b>	<b>37</b>	<b>3</b>
Subsidiaries	-	-	-	-
	<b>37</b>	<b>3</b>	<b>37</b>	<b>3</b>
=====				

**21. TRADE AND OTHER PAYABLES**

	Group 30 June 2010 US \$000	Group 30 June 2009 US \$000	Parent 30 June 2010 US \$000	Parent 30 June 2009 US \$000
Trade payables	<b>19</b>	<b>52</b>	<b>1</b>	<b>47</b>
Payables to related parties	-	<b>3</b>	-	<b>3</b>
Other payables	<b>16</b>	<b>38</b>	-	-
Accrued expenses	<b>17</b>	<b>64</b>	<b>17</b>	<b>9</b>
Employee entitlements	-	<b>2</b>	-	-
	<b>52</b>	<b>159</b>	<b>18</b>	<b>59</b>
=====				
<b>Foreign Currency Risk</b>				
The carrying amounts of the Group's and Parent's trade and other payables are denominated in the following currencies:				
New Zealand dollars	<b>18</b>	<b>59</b>	<b>18</b>	<b>59</b>
Chilean pesos	<b>34</b>	<b>100</b>	-	-
	<b>52</b>	<b>159</b>	<b>18</b>	<b>59</b>
=====				

**Fair Value**

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

**22. PROVISIONS**

Group	Employee provisions US \$000	Total US \$000
Balance as at 1 January 2009	<b>11</b>	<b>11</b>
Increase in provisions charged to the statements of comprehensive income	<b>18</b>	<b>18</b>
Amount of provision used in period	-	-
Balance as at 30 June 2009	<b>29</b>	<b>29</b>
Increase in provisions charged to the statements of comprehensive income	<b>33</b>	<b>33</b>
Amount of provision used in period	<b>(43)</b>	<b>(43)</b>
Balance as at 30 June 2010	<b>19</b>	<b>19</b>
=====		

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

The Parent has no provisions.

**23. BORROWINGS NOTE**

	Group 30 June 2010 US \$000	Group 30 June 2009 US \$000	Parent 30 June 2010 US \$000	Parent 30 June 2009 US \$000
<b>Current</b>				
Bank borrowings	-	34	-	-
<b>Non-current</b>				
Loans from related parties (refer to note 24)	-	496	-	-
	-	530	-	-
<b>Borrowings due for repayment:</b>				
Current	-	34	-	-
One to two years	-	-	-	-
Two to three years	-	-	-	-
Three to four years	-	-	-	-
Four to five years	-	496	-	-
	-	530	-	-

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

Bank borrowings matured 31 December 2009 and incurred an average interest rate of 11.88% annually (30 June 2009: 11.88%). The carrying value approximates fair value.

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.

**24. 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 2010 management fees of US\$20,000 were charged by Orion Minerals Group Limited to Orion Group Holdings Limitada. (2009: NIL).

**(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) and Zhmin Shi (appointed 11 January 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 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
Payments made to key personnel are as follows and includes:				
Salaries and other short term employee benefits	256	244	-	-

**24. RELATED PARTY TRANSACTIONS (continued)****(d) Key management and personnel compensation (continued)****Directors' remuneration**

	Group Year ended 30 June 2010 US \$000	Group Six months ended 30 June 2009 US \$000	Parent Year ended 30 June 2010 US \$000	Parent Year ended 30 June 2009 US \$000
R Dupouy, Director (resigned 15 September 2010)	53	21	53	24
R Gower, Director - Roger Gower & Associates	66	27	66	51
S Joyce, Director	52	21	52	25
P Li, Director (appointed 11 January 2010)	27	-	27	-
Z Shi, Director (appointed 11 January 2010)	27	-	27	-
B Wilkinson, former Director (resigned 11 December 2008) - Wilkinson White	-	-	-	33
S Stubbs, former Director (resigned 11 December 2008)	-	-	-	1
	<b>225</b>	<b>69</b>	<b>225</b>	<b>134</b>

**Other services**

R Dupouy - Dupouy Mendez & Cia. - Legal fees	123	32	44	-
R Gower - Roger Gower & Associates - Other services	21	6	21	13
S Joyce - Other services	-	3	-	3
S Joyce - Jones Young - Legal fees	31	18	31	87
S Joyce - Jones Young - Other services	8	-	8	-

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

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

- Inversiones Barriga Ltda	-	165	-	-
<b>Total loans advanced from related parties</b>	<b>-</b>	<b>165</b>	<b>-</b>	<b>-</b>

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

- Francisco Barriga - Director	-	(206)	-	-
- Arriendo de Maquinaria IB Ltda	-	(90)	-	-
- Ariados y Asfaltos El Trebot Ltda	-	(46)	-	-
- Inversiones Barriga Ltda	(12)	-	-	-
- Sociedad Contractual Minera Varry	(4)	(1)	-	-
- Hans Hermosilla	(1)	-	-	-
<b>Total loans repaid from related parties</b>	<b>(17)</b>	<b>(343)</b>	<b>-</b>	<b>-</b>

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)	-	-	-
<b>Total loans extinguished from related parties</b>	<b>(479)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(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:

**Trade payables**

- Roger Gower & Associates	-	1	-	1
- Jones Young	-	2	-	2
	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>

**Loans from related parties**

- Minera Varry Minerals Limited Hong Kong	-	200	-	-
- Inversiones Barriga Ltda	-	291	-	-
- Sociedad Contractual Minera Varry	-	4	-	-
- Hans Hermosilla	-	1	-	-
	<b>-</b>	<b>496</b>	<b>-</b>	<b>-</b>

No interest is charged on loans from related parties.

**24. RELATED PARTY TRANSACTIONS (continued)****(f) Outstanding balances with key management personnel and subsidiaries (continued):****Owing to Parent Company**

Sociedad Minera Varry S.A.

Orion Group Holdings Limitada

Parent 30 June 2010 US \$000	Parent 30 June 2009 US \$000
-	1,310
<b>2,583</b>	-
<b>2,583</b>	<b>1,310</b>
=====	=====

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.

**25. 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 2010 (30 June 2009: nil).

**26. GROSS FINANCE LEASE LIABILITIES - MINIMUM LEASE PAYMENTS**

No later than 1 year  
Later than 1 year and no later than 5 years  
Later than 5 years

Group 30 June 2010 US \$000	Group 30 June 2009 US \$000
<b>53</b>	74
-	45
-	-
<b>53</b>	119
<b>(10)</b>	<b>(8)</b>
<b>43</b>	<b>111</b>
=====	=====

Future finance charges on finance leases

Present value of finance lease liabilities

The present value of finance lease liabilities is as follows:

No later than 1 year  
Later than 1 year and no later than 5 years  
Later than 5 years

Group 30 June 2010 US \$000	Group 30 June 2009 US \$000
<b>43</b>	68
-	32
-	11
<b>43</b>	<b>111</b>
=====	=====

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.  
(note 18).

The Parent has no finance leases.

**27. OPERATING LEASE RENTAL COMMITMENTS**

Lease commitments expire as follows:

Within one year

Total operating lease rental commitments

Group 30 June 2010 US \$000	Group 30 June 2009 US \$000
-	7
-	7
=====	=====

The Group has no operating leases in existence as at 30 June 2010.

The Parent has no operating leases (2009: NIL).

**28. 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.
- 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 (2009: 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 (2009: 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.

No options have been exercised during the year (2009: NIL).

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

	<b>Year ended 30 June 2010</b>		<b>Year ended 30 June 2009</b>	
	<b>Average exercise price</b>	<b>Options</b>	<b>Average exercise price</b>	<b>Options</b>
	<b>US per share</b>	<b>000</b>	<b>US per share</b>	<b>000</b>
Balance at beginning of year	<b>0.125</b>	<b>56,950</b>	0.006	450
Issued	-	-	0.125	76,500
Forfeited	-	-	-	-
Share consolidation	-	-	-	-
Exercised	-	-	-	-
Lapsed	-	-	0.125	(20,000)
Balance at end of year	<b>0.125</b>	<b>56,950</b>	0.125	56,950

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

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

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



**29. EVENTS SUBSEQUENT TO BALANCE DATE**

On 15 September 2010 Mr Rodrigo Dupouy resigned as director of the Company. On the same date, Mr Jianfeng Shen was appointed a director of the Company by the Board of Directors to fill the casual vacancy created by Mr Dupouy's resignation.

**30. GOING CONCERN**

The financial statements, which include a net loss after tax of US\$2,389,000 for the Group for the 12 months ended 30 June 2010 and net assets for the Group of US\$7,648,000, 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\$7,650,000, no bank borrowings 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 as it is the intention to continue to explore mining opportunities in Chile.

**31. CAPITAL EXPENDITURE COMMITMENTS**

There are no capital expenditure commitments as at 30 June 2010 (30 June 2009: NIL).

# 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 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;
- in April 2010, the Company disposed of 100% of the shares in Minera Varry S.A. to Inversiones Barriga S.A., a company associated with the interests of Francisco Barriga, a former director of the Company.

The details of these transactions are given in Note 8 and 24 to the financial statements.

## Remuneration of Directors

Directors received fees and remuneration from Orion Minerals Group Limited as provided in Note 24 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 2010 were:

- Rodrigo Dupouy (resigned 15 September 2010)
- Roger Gower
- Sean Joyce
- Ping Li
- Zhmin Shi

The persons who ceased to hold office as directors of the Company during the financial year ended 30 June 2010 were:

- Francisco Barriga

## Auditors

PricewaterhouseCoopers New Zealand are the auditors for the Company. They were paid US\$ 18,000 as audit fees in respect of the last financial period and were paid US\$ 21,000 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, Orion Minerals Holdings Limitada, and former subsidiary, Minera Varry S.A., have declared interests in the following transactions with the Company during the financial year:

- On 15 April 2010 the Company transferred its 100% shareholding in Minera Varry S.A. to former director, Mr Francisco Barriga, in consideration for the Company repurchasing 510,000,000 ordinary shares in the Company held by Inversiones Barriga S.A, a company associated with Mr Barriga.
- during the course of the financial year, Minera Varry S.A. and Orion Minerals Holdings Limitada, 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 24 to the financial statements.

## Statutory and Other Information (continued)

### Remuneration of Directors of Subsidiary

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

	30 June 2010 US \$000	30 June 2009 US \$000
Francisco Barriga	45	121
Juan Jose Gutierrez	-	68

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 2010 the amount as at 30 June 2010 has also been included in the total remuneration disclosed below:

US\$160,000 - US\$ 169,999                      1

### Subsidiary Donations

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

### Subsidiary Company Directors

*Orion Group Holding Limitada*

The persons holding office as legal representatives of Orion Group Holding Limitada as at 30 June 2010 were:

- Rodrigo Dupouy

The persons who ceased to hold office as directors of Orion Group Holding Limitada during the financial year ended 30 June 2010 were:

- Francisco Barriga

### Subsidiary Auditors

PricewaterhouseCoopers Chile are the auditors for Minera Varry S.A and Orion Group Holding Limitada. They were paid US\$27,000 as audit fees in respect of the last financial period and were not paid for other services provided to Minera Varry S.A or Orion Group Holding Limitada.

### Stock Exchange Listing

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

### Substantial Security Holders

As at 30 September 2010 there were a total of 414,550,000 ordinary fully paid shares on issue.

According to notices given to the Company under the New Zealand Securities Market Act 1988, as at 31 August 2010, the substantial security holders in the Company are:

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%
Minera Varry Minerals Limited	170,451,790	Beneficial	41.12%

## Statutory and Other Information (continued)

### Principal Shareholders

The 20 largest holders of shares in the Company as at 31 August 2010 were as follows:

Holder	Shares Held	% of Total No. of Shares
Minera Varry Minerals Limited	170,451,790	41.12%
Fengli Group (Hong Kong) Co. Limited	125,000,000	30.15%
Marvel Fantasy Limited	100,000,000	24.12%
Michael John Jacomb, Trena Kathleen Jacomb & Peter Reginald Richardson	15,591,200	3.76%
Troubadour Holdings Ltd 2001	671,560	0.16%
Ross Dix Harvey	625,903	0.15%
John Sorensen	400,000	0.10%
Samuel Hamish MacDonald & BM Trustee Company Limited	170,000	0.04%
Kane Stevenson	159,900	0.04%
Michael Vaughan Engel	100,000	0.02%
Dylan Noel Redpath	70,250	0.02%
ASB Nominees Limited	64,000	0.02%
Thomas Edward D'Arcy Brian	61,900	0.01%
Mervyn John Fisher	60,405	0.01%
Peter Gee	51,025	0.01%
David Lyall Kerr & Donna Gladys Kerr	50,263	0.01%
Bernhard Schneider	50,000	0.01%
Marc William Gilmore	50,000	0.01%
Leon Paul Neal	40,000	0.01%
John Russell Signal	39,980	0.01%
<b>Total</b>	<b>413,708,176</b>	<b>99.78%</b>
	=====	=====

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

### Share Dealings by Directors

During the year, Inversiones Barriga S.A., a related party to former director Francisco Barriga, disposed of a relevant interest in securities in Orion Minerals Group Limited via share buy back and cancellation which were subsequently cancelled.

### Distribution of Ordinary Shares

Ranges	Investors	Securities	% of Issued Capital
1 to 1,000	1,505	139,117	0.03%
1,001 to 5,000	44	95,171	0.02%
5,001 to 10,000	14	110,836	0.03%
10,001 to 100,000	31	1,134,523	0.27%
100,001 and over	9	413,070,353	99.65%
	=====	=====	=====
	1,603	414,550,000	100.00%
	=====	=====	=====

ORION MINERALS GROUP LIMITED

DIRECTORY

AS AT 30 JUNE 2010

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Directors	R Dupouy (resigned 15 September 2010) R H Gower S R Joyce P Li Z Shi
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Registered Office	c/- Jones Young Level 19, BDO Tower 120 Albert Street Auckland 1010 New Zealand
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Postal Address	P O Box 189 Shortland Street Auckland 1140 New Zealand
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Telephone	09-3678793
Facsimile	09-3678799
Website	<a href="http://www.orionminerals.co.nz">www.orionminerals.co.nz</a>

Share Registrar	Link Market Services Level 16, Brookfield House 19 Victoria Street West Auckland 1010
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	P O Box 91976 Auckland 1142 New Zealand
Telephone	09-3755999
Facsimile	09-3755990

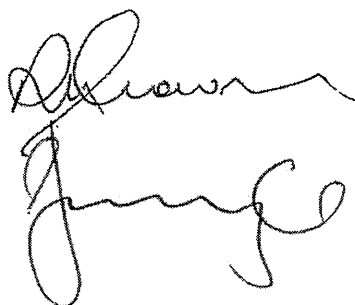
Auditors	PricewaterhouseCoopers 188 Quay Street Auckland New Zealand
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Bankers	ASB Bank Limited PO Box 35 Auckland
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Signed for, and on behalf of the Board. Dated: 29th October 2010

Director

Director

Two handwritten signatures in black ink. The top signature is more fluid and cursive, while the bottom signature is more structured and blocky.