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## HALF YEAR REPORT

31 December 2005

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THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE  
30 JUNE 2005 ANNUAL REPORT OF THE COMPANY

[www.orionequities.com.au](http://www.orionequities.com.au)

ASX Code: OEQ

ORION EQUITIES LIMITED

A.B.N. 77 000 742 843

(formerly Central Exchange Limited)

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**CORPORATE DIRECTORY****BOARD**

William Johnson	(Chairman)
Victor Ho	(Director)
Yaqoob Khan	(Director)

**COMPANY SECRETARY**

Victor Ho

**PRINCIPAL & REGISTERED OFFICE**

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Website: [www.asrshareholders.com](http://www.asrshareholders.com)

**STOCK EXCHANGE**

Australian Stock Exchange  
Perth, Western Australia

**ASX CODE**

OEQ (formerly CXL)

**AUDITOR**

BDO, Chartered Accountants & Advisers  
Level 8

256 St Georges Terrace

Perth Western Australia 6000

**BANKER**

National Australia Bank

Level 1, 50 St Georges Terrace

Perth Western Australia 6000

## APPENDIX 4D HALF YEAR REPORT

This Half Year Report is provided to the Australian Stock Exchange (**ASX**) under ASX Listing Rule 4.2A.3

Current Reporting Period:	1 July 2005 to 31 December 2005
Previous Corresponding Period:	1 July 2004 to 31 December 2004
Balance Date:	31 December 2005
Company:	Orion Equities Limited ( <b>OEQ</b> ) (formerly Central Exchange Limited; name changed on 2 December 2005)
Consolidated Entity:	OEQ and controlled entities: <ol style="list-style-type: none"> <li>(1) Silver Sands Developments Pty Ltd (formerly Central Exchange Operations Pty Ltd) (a wholly owned subsidiary);</li> <li>(2) Hume Mining NL (a wholly owned subsidiary).</li> </ol>

### Adoption of Australian International Financial Report Standards (AIFRS)

The Company's financial statements for the current reporting period have been prepared under AIFRS. Where necessary, comparative information (i.e. in relation to the previous corresponding period) has been adjusted for reporting under the applicable AIFRS.

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

<b>Consolidated Entity</b>	<b>Dec 2005</b>	<b>Dec 2004</b>	<b>%</b>	<b>Up /</b>
	<b>\$</b>	<b>\$</b>	<b>Change</b>	<b>Down</b>
Total revenues	2,158,903	2,397,010	10%	Down
Total expenses	(320,795)	(633,914)	49%	Down
Profit before tax	1,838,108	1,763,096	4%	Up
Income tax	(595,694)	(573,700)	4%	Up
Profit after tax attributable to members	1,242,414	1,189,396	4%	Up
Basic and diluted earnings per share (cents)	7.17	6.91	4%	Up

<b>Consolidated Entity</b>	<b>Dec 2005</b>	<b>Jun 2005</b>	<b>% Change</b>	<b>Up /</b>
				<b>Down</b>
Pre-tax NTA backing per share	\$1.20	\$1.14	5%	Up
Post-tax NTA backing per share	\$1.14	\$1.12	2%	Up

### Brief Explanation of Results

The Consolidated Entity increased its net profit by 4% during the current reporting period to \$1,838,108 (pre tax) and \$1,242,414 (post tax) compared with the previous corresponding period of \$1,763,096 (pre tax) and \$1,189,396 (post tax).

The Directors have declared payment of an interim 1.50 cent per share fully franked dividend which was the same rate of dividend paid in October 2005.

## APPENDIX 4D HALF YEAR REPORT

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Total revenues of \$2,158,903 (Dec 2004: \$2,397,010) include:

- (1) \$1,323,933 net profit from the Company's share trading portfolio (including dividend income of \$54,975) (Dec 2004: \$2,108,688);
- (2) \$64,831 net profit from the Company's options portfolio (Dec 2004: loss of \$27,230);
- (3) \$608,443 share of Associate entities' net profits and \$120,290 dividends received from Associate, Scarborough Equities Limited (Dec 2004: no Associate entities).

Total expenses of \$320,796 (Dec 2004: \$633,914) include:

- (1) \$136,789 personnel costs (including Directors' fees) (Dec 2004: \$97,504);
- (2) \$23,357 brokerage costs (Dec 2004: \$35,967);
- (3) \$42,483 legal and other professional fees (Dec 2004: \$31,440);
- (4) \$4,505 costs in relation to share investments (Dec 2004: \$327,169).

The Company has accounted for the following investments at Balance Date as investments in an Associate entity (on an equity accounting basis):

- (1) 26.6% interest in ASX listed Scarborough Equities Limited ("SCB");
- (2) 24.9% interest in ASX listed Bentley International Limited ("BEL").

Please also refer to the balance of this Half Year Report.

### Dividends

On 13 September 2005, the Directors announced a declaration of dividend in respect of the financial year ended 30 June 2005 as follows:

Dividend Rate	Record Date	Payment Date	Franking	Total Dividends Paid
1.50 cent per share	30 September 2005	13 October 2005	Fully franked	\$267,216

As envisaged at the time of the above declaration and in the 30 June 2005 Annual Report, the Directors anticipated the payment of a 1.5 cent per share fully franked dividend after the release of these 31 December 2005 half year results.

On 15 March 2006, the Directors were pleased to confirm this interim dividend as follows:

Dividend Rate	Record Date	Expected Payment Date	Franking	Total Dividends Payable
1.50 cent per share	31 March 2006	7 April 2006	Fully franked	\$267,216

For and on behalf of the Directors,



Date: 16 March 2006

Victor Ho  
Company Secretary  
Telephone: (08) 9214 9797  
Email: info@orionequities.com.au

## COMPANY PROFILE

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The Company has been listed on the Australian Stock Exchange (**ASX**) since November 1970.

Since 8 July 2004, the Company has been admitted to ASX as an investment entity (as defined under the ASX Listing Rules).

On 2 December 2005, the Company changed its name from Central Exchange Limited to Orion Equities Limited.

The Company's ASX code is "OEQ" (formerly "CXL").

### CORPORATE SUMMARY:

	31 December 2005	30 June 2005	31 December 2004
Market capitalisation	\$11,223,065	\$8,826,381	\$10,331,998
Net assets	\$20,377,516	\$18,811,003	\$19,271,590
NTA backing per share	\$1.14	\$1.12	\$1.11
Shares on issue	17,814,389	16,812,156	17,219,996

### DIVIDENDS DECLARED/PAID DURING 2005/2006:

Dividend Rate	Record Date	Payment Date	Franking	Total Dividends Payable/Paid
1.50 cent per share	31 March 2006	7 April 2006	Fully franked	\$267,216
1.50 cent per share	30 September 2005	13 October 2005	Fully franked	\$267,216

### INVESTMENT OBJECTIVES

The Investment Objectives of the Company are to:

- Achieve a consistent high real rate of return, comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board;
- Deliver a regular income stream for shareholders in the form of franked dividends;
- Preserve and protect the capital of the Company.

# COMPANY PROFILE

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## INVESTMENT STRATEGY

The Company will implement an actively managed investment strategy undertaking investments typically into one of two broad investment categories:

- Strategic Investments; and
- Non-strategic Investments.

The Company does not allocate a fixed proportion of funds into each or any of the above investment categories, since it believes that complete flexibility to invest across these categories is key to maximising long-term value growth for shareholders.

### (a) Strategic Investments

The Company will seek to undertake investments in which it can reasonably expect to exert a degree of influence, including board representation or through playing an active role alongside management in order to enhance or realise shareholder value.

Investments will include those that have the potential for turnaround in profitability or capital appreciation through the introduction of new management, capital, improved business practices, industry rationalisation, and/or improved investor relations.

Strategic investments by their nature will rely heavily on the Company's ability to identify, attract and exploit unique opportunities.

### (b) Non-Strategic Investments

The Company will seek to make non-strategic investments in entities where attractive investment opportunities develop due to market sentiment or mispricing or where the Company sees other potential for generating positive returns. In contrast to strategic investments, with non-strategic investments the Company does not envisage that it will take an active role in the management of the investment.

For each strategic and non-strategic investment, the Company will expect to receive a level of return that is commensurate with the level of risk associated with such investment. In each investment and for the investment Portfolio in aggregate, the Company will at least aim to achieve a return that is consistently in excess of an appropriate benchmark share index and or a return which could be earned from investments in cash, bills of exchange or negotiable instruments drawn or endorsed by a bank, non-bank financial institution or a government.

## CHAIRMAN'S HALF YEAR REVIEW

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The Company is pleased to report an after tax profit of \$1,242,414 for the first half of the year, an increase of 4.3% over the same period in the previous year.

During this period, the Company has continued to be fully invested, with the value of its investments allocated between various investment classes as follows:

Investment Class	31-Dec-05 \$M	30-Jun-05 \$M
Strategic Investments	\$8.41	\$7.09
Non Strategic Investments	\$7.29	\$8.13
Property	\$3.82	\$3.80
Net cash/other assets	\$0.86	(\$0.20)
<b>Net Tangible Assets (after tax)</b>	<b>\$20.38</b>	<b>\$18.81</b>

During this half year, the Company's post-tax NTA per share has increased from \$1.12 to \$1.14 and shareholders have received a 1.5c fully franked dividend in October 2005.

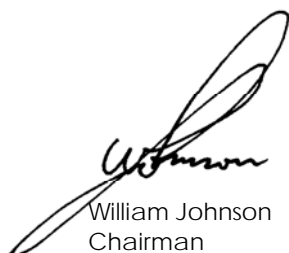
In September 2005, the Company sold to Strike Resources Limited (**SRK**) a 75% interest in a suite of tenements previously applied for/acquired by Hume Mining NL (a wholly owned subsidiary of the Company), with the Company retaining a 25% free carried interest in these potentially valuable tenements. On completion of this transaction in February 2006, the Company received as consideration 1,666,667 shares in SRK. The Company also subscribed for 1,833,333 20 cent and 1,666,667 30 cent 5 year (expiring 9 February 2011) unlisted SRK options.

This transaction has given OEQ a significant interest in, amongst others, a uranium exploration project in a prospective region in the Northern Territory adjacent to tenements surrounding the Bigrlyi Uranium Deposit (held by recent uranium float, Energy Metals Limited – ASX Code: "EME"). This project could involve a significant expenditure commitment in exploration and completion of a bankable feasibility study; yet on the terms of the sale agreement, the Company retains a 25% interest in the project without having to contribute to any of this expenditure.

The Company's Non Strategic share portfolio has generated a positive net profit (including income from options trading) of approximately \$1.4 million during the period; significant trades included the disposal of all of the Company's units in Technology Investment Fund (TIF), crystallising a profit (pre-tax) of \$531,848.

The Company's two Strategic Investments, Scarborough Equities Limited (SCB) and Bentley International Limited (BEL) (both accounted for as "Associate Entities") have continued to perform well under the management of their respective independent managers; during the period the Company received \$120,290 in dividends from SCB and accounted for \$608,443 as its share of these Associate entities' net profits.

Notwithstanding the positive growth in the Company's NTA and growing profitability since relisting in July 2004, the Company's shares continue to trade at a significant discount to NTA. It is the Directors' firm belief that as the Company continues to demonstrate a track record of consistent NTA growth and stable dividend returns to shareholders, this discount will narrow.



William Johnson  
Chairman

## DIRECTORS' REPORT

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The Directors present their report on Orion Equities Limited ("**Company**" or "**Orion Equities**" or "**OEQ**") and its controlled entities (the "**Consolidated Entity**") for the half year ended 31 December 2005 ("**Balance Date**").

Orion Equities is a company limited by shares that is incorporated and domiciled in Australia and has been listed on the Australian Stock Exchange ("**ASX**") since November 1970.

On 9th December 2005, the Company changed its name from Central Exchange Limited to Orion Equities Limited.

Orion Equities has prepared a consolidated financial report incorporating the entities that it controlled during the financial half year. Controlled entities are Silver Sands Developments Pty Ltd (formerly Central Exchange Operations Pty Ltd) ABN 16 094 097 122 (controlled throughout the financial half year) and Hume Mining NL ABN 52 063 994 945 (controlled throughout the financial half year).

Orion Equities has accounted for the following investments at Balance Date as investments in an Associate entity (on an equity accounting basis):

- (1) 26.6% interest in ASX listed Scarborough Equities Limited ("**SCB**") (30 June 2005: 25.5%; 31 December 2004: 14.9% (not equity accounted));
- (2) 24.9% interest in ASX listed Bentley International Limited ("**BEL**") (30 June 2005: 19%; 31 December 2004: 6.4% (not equity accounted)).

## OPERATING RESULTS

Consolidated	Dec 2005 \$	Dec 2004 \$
Total revenues	2,158,903	2,397,010
Total expenses	(320,795)	(633,914)
Profit before tax	1,838,108	1,763,096
Income tax	(595,694)	(573,700)
Profit after tax	1,242,414	1,189,396

Total revenues of \$2,158,903 (Dec 2004: \$2,397,010) include:

- (1) \$1,323,933 net profit from the Company's share trading portfolio (including dividend income of \$54,975) (Dec 2004: \$2,108,688);
- (2) \$64,831 net profit from the Company's options portfolio (Dec 2004: loss of \$27,230);
- (3) \$608,443 share of Associate entities' net profits and \$120,290 dividends received from Associate, Scarborough Equities Limited (Dec 2004: no associate entities).

Total expenses of \$320,796 (Dec 2004: \$633,914) include:

- (1) \$136,789 personnel costs (including Directors' fees) (Dec 2004: \$97,504);
- (2) \$23,357 brokerage costs (Dec 2004: \$35,967);
- (3) \$42,483 legal and other professional fees (Dec 2004: \$31,440);
- (4) \$4,505 costs in relation to share investments (Dec 2004: \$327,169).



## DIRECTORS' REPORT

### EARNINGS PER SHARE

Consolidated Entity	Dec 2005	Dec 2004
Basic and diluted earnings per share (cents)	7.17	6.91
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	17,314,645	17,219,996

### FINANCIAL POSITION

Consolidated	Dec 2005	Jun 2005
	\$	\$
Cash	1,733,773	69,092
Current investments - shares	7,289,403	8,134,740
Non-current investments - shares	-	-
Investments - listed Associate entities	8,411,936	7,085,260
Inventory	3,820,251	3,796,552
Receivables	76,245	374,817
Deferred tax assets	-	227,053
Intangibles	31,362	-
Other assets	62,466	43,001
	21,425,436	19,730,515
Tax liabilities	(939,977)	(571,336)
Other payables and liabilities	(107,943)	(348,176)
Net assets	20,377,516	18,811,003
Contributed Equity	19,375,599	28,717,469
Accumulated losses	1,001,917	(9,906,466)
Reserves		
Total Equity	20,377,516	18,811,003

### NET TANGIBLE ASSET BACKING

Consolidated	Dec 2005	Jun 2005
	\$	\$
Net tangible assets (before tax)	21,286,131	19,155,286
<b>Pre-Tax NTA Backing per share (cents)</b>	1.20	1.14
Less: Provision for tax	(939,977)	(344,283)
Net tangible assets (after tax)	20,346,154	18,811,003
<b>Post-tax NTA Backing per share (cents)</b>	1.14	1.12
Based on total issued share capital	17,814,389	16,812,156

Note: The Company paid a 1.50 cent per share fully franked dividend on 15 October 2005.

## DIRECTORS' REPORT

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### DIVIDENDS

As envisaged in the 30 June 2005 Annual Report, the Directors anticipated the payment of a 1.5 cent per share fully franked dividend after the release of these 31 December 2005 half year results.

On 15 March 2006, the Directors were pleased to confirm this interim dividend as follows:

Dividend Rate	Record Date	Expected Payment Date	Franking	Total Dividends Payable
1.50 cent per share	31 March 2006	7 April 2006	Fully franked	\$267,216

Recent dividends paid by the Company were:

Dividend Rate	Record Date	Payment Date	Franking	Total Dividends Paid
1.50 cent per share	30 September 2005	13 October 2005	Fully franked	\$267,216
5 cent per share	6 July 2004	9 July 2004	60% franked	\$861,000

### Dividend Policy

It is the objective of the Company to provide a regular and stable dividend payment to shareholders after the announcement of its half year and full year operating results. These results are normally announced in February and August each year and the Company will endeavour to announce its dividend payments at this time.

The Company intends to distribute annually to shareholders at least 50% of the available net profits arising from the dividend, interest and other income it receives from its investments and the gains on its investments, to the extent permitted by law and prudent business practices. Dividends will be franked to the extent that available franking credits permit and in accordance with the stated objective of providing 2 dividend payments a year.

### Dividend Reinvestment Plan

The Constitution of the Company authorises the Directors to establish and maintain a Dividend Reinvestment Plan ("DRP") (whereby any member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company). The Company does not presently have a DRP.

The Directors propose to develop and implement a DRP in the future, subject to there being a reduction in the current discount between the Company's share price and its Net Tangible Asset backing.

### SECURITIES IN THE COMPANY

At Balance Date and as at the date of this Directors' Report, the Company has 17,814,389 fully paid ordinary shares on issue (30 June 2005: 16,812,156; 31 December 2004: 17,219,996). All such shares are listed on ASX. The Company has no other securities on issue.

## DIRECTORS' REPORT

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A summary of changes in the share capital structure of the Company during and since the financial year are:

Date	Shares	Description
1-Jul-2005	1,002,233	Issue of shares (at \$1.0343 per share, being OEQ's reported NTA (post tax) backing as at 31 May 2005) as consideration for the settlement of the acquisition of 2,300,000 shares in BEL from Sofcom Limited (SOF) pursuant to a Second Tranche BEL Share Sale Agreement between SOF and OEQ (dated 30 May 2005) – the total consideration was \$1,036,610 (based on BEL's last published NTA backing (post tax) as at 31 May 2005 of \$0.4507 per share) satisfied by the issue of 1,002,233 fully paid ordinary shares in OEQ to SOF, as approved by SOF shareholders on 30 June 2005 and BEL shareholders on 1 July 2005.

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### On-Market Share Buy-Back

On 30 March 2005, the Company announced an intention to undertake an on-market within "10%/12 month limit" share buy-back (pursuant to section 257B(4) of the Corporations Act 2001) of up to 1,699,852 shares for capital management purposes, as the Company's share price was trading at a significant discount to its NTA backing.

As at Balance Date and the date of this report, the Company has bought back 1,220,650 shares at an average price of \$0.609 per share and at a total cost of \$743,448 (excluding brokerage costs of \$3,106). The Company has the capacity to buy-back a further 479,202 shares until 30 March 2006.

The Company also obtained shareholder approval at the 2005 Annual General Meeting for the implementation of an on-market buy back scheme for up to 20% of the Company's issued share capital between any 2 consecutive AGMs, in accordance with section 257C(1) of the Corporations Act. The Company has not implemented such buy-back scheme as at the date of this report.

### Capital Management Policy

The Company will seek to actively manage its capital to maximise the capital return to shareholders, including, as is appropriate (having regard to the Company's future capital requirements for proposed investments and the financial position generally of the Company):

- A dividend re-investment plan;
- Buy-back of shares when the Company's shares are trading at a discount to NTA;
- The issue of shares through options, bonus or rights issues to shareholders;
- Other distributions of capital (capital returns).

# DIRECTORS' REPORT

## REVIEW OF OPERATIONS

### 1. Portfolio Details As At 31 December 2005

#### Asset Weighting

	<u>% of Net Assets</u>
Australian equities	
- Investments in Associate entities	41%
- Other Australian equities	36%
Property	19%
International equities	- (1)
Net cash/other assets	<u>4%</u>
<b>TOTAL</b>	<u>100%</u>

Note:

(1) BEL is an ASX listed investment company wholly invested in securities listed on overseas markets

#### Top 20 Listed Equity Holdings

	ASX Code	Equities	% of Net Assets	Industry Sector Exposures
1	SCB (1)	SCARBOROUGH EQUITIES LIMITED	23.0%	Diversified Financials
2	BEL (1)	BENTLEY INTERNATIONAL LIMITED	18.3%	Diversified Financials
3	KAT	KATANA CAPITAL LIMITED	5.7%	Diversified Financials
4	OEX	OILEX NL	5.6%	Energy
5	TLS	TELSTRA CORPORATION LIMITED	4.8%	Diversified Telecommunication Service
6	BHP	BHP BILLITON LIMITED	1.6%	Metals & Mining
7	FWD	FLEETWOOD CORPORATION LIMITED	1.5%	Automobiles
8	CMV	CMA CORPORATION LIMITED	1.4%	Capital Goods
9	MML	MEDUSA MINING LIMITED	1.2%	Metals & Mining
10	FLT	FLIGHT CENTRE LIMITED	1.2%	Hotels Restaurants & Leisure
11	SRL	STRAITS RESOURCES LIMITED	1.2%	Oil & Gas
12	PMP	PMP LIMITED	1.1%	Commercial Services & Supplies
13	MRS	MONARCH RESOURCES LIMITED	1.1%	Metals & Mining
14	ARQ	ARC ENERGY LIMITED	0.9%	Oil & Gas
15	MUL	MULTIEMEDIA LIMITED	0.8%	Internet Software & Services
16	GCL	GLOUCESTER COAL LTD	0.7%	Oil & Gas
17	MMA	MMC CONTRARIAN LIMITED	0.7%	Diversified Financials
18	GCR	GOLDEN CROSS RESOURCES LTD	0.7%	Metals & Mining
19	CFE	CAPE LAMBERT IRON ORE LTD	0.7%	Metals & Mining
20	OMH	OM HOLDINGS LIMITED	0.6%	Metals & Mining
		<b>Total</b>	<u><b>72.9%</b></u>	

Note:

(1) BEL and SCB have been accounted for as Associate entities

## DIRECTORS' REPORT

### DIRECTORS

Information concerning Directors in office during or since the financial half year is as follows:

<p><b>William M. Johnson</b> — <b>Executive Chairman</b></p> <p><i>Appointed</i> — Executive Chairman since 3 July 2003; Director since 28 February 2003.</p> <p><i>Qualifications</i> — MA (Oxon), MBA</p> <p><i>Experience</i> — Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. As Regional Director Asia Pacific for Telecom New Zealand Ltd, Mr Johnson was responsible for identifying, evaluating and implementing investment strategies that included start-up technology ventures, a technology focused venture capital fund and strategic investments and acquisitions in Asia and Australia. As Executive Chairman of Orion Equities Limited, Mr Johnson is part of the Investment Committee of the Company and has been actively involved in the strategic analysis of a diverse range of business and investment opportunities and the execution of a number of corporate transactions. Mr Johnson brings a considerable depth of experience in business strategy and investment analysis and execution</p>
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<p><b>Victor P. H. Ho</b> — <b>Executive Director and Company Secretary</b></p> <p><i>Appointed</i> — Executive Director since 4 July 2003; Company Secretary since 2 August 2000</p> <p><i>Qualifications</i> — BCom, LLB (<i>Western Australia</i>)</p> <p><i>Experience</i> — Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration, corporations law and stock exchange compliance and shareholder relations</p>
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<p><b>Yaqoob Khan</b> — <b>Non-Executive Director</b></p> <p><i>Appointed</i> — 5 November 1999</p> <p><i>Qualifications</i> — BCom (<i>Western Australia</i>), Master of Science in Industrial Administration (<i>Carnegie Mellon</i>)</p> <p><i>Experience</i> — After working for several years in the Australian Taxation Office, Mr Khan completed his postgraduate Masters degree and commenced work as a senior executive responsible for product marketing, costing systems and production management. Mr Khan has been founding Executive Director of 2 ASX floats - Queste Communications Limited in 1998 and Fast Scout Limited in 2000. He was an integral member of the team responsible for the pre-IPO structuring and IPO promotion and has been actively involved in the executive management of such companies since their floats. Mr Khan brings considerable international experience in key aspects of corporate finance and the strategic analysis of listed investments</p>
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Mr Yaqoob Khan is resident overseas.

## DIRECTORS' REPORT

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### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 14. This relates to the Independent Review Report, where the Auditors state that they have issued an independence declaration.

### ADOPTION OF AUSTRALIAN INTERNATIONAL FINANCIAL REPORT STANDARDS (AIFRS)

The Consolidated Entity's financial statements for the half year ended 31 December 2005 has been prepared under AIFRS. Where necessary, comparative information (i.e. in relation to the previous half year ended 31 December 2004) has been adjusted for reporting under the applicable AIFRS. A reconciliation of the significant impact on the Company's financial statements reported under the previous AGAAP and under AIFRS has been included in Note 12 to the financial statements.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



**William Johnson**  
Chairman

Perth, Western Australia

16 March 2006



**Victor Ho**  
Director and Company Secretary



Chartered Accountants  
& Advisers

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16 March 2006

The Directors  
Orion Equities Limited  
Level 14, The Forrest Centre  
221 St Georges Terrace  
PERTH WA 6000

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF ORION EQUITIES LIMITED**

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

**BDO**  
**Chartered Accountants**

**BG McVeigh**  
Partner



# CONDENSED INCOME STATEMENT

## for the half year ended 31 December 2005

	Consolidated Entity	
	31 Dec 05	31 Dec 04
	\$	\$
<b>Income</b>		
Net income from trading portfolio	1,323,933	2,108,688
Net income from options portfolio	64,831	(27,230)
Net income from Associate entities	728,733	-
Other income	41,406	315,552
	<u>2,158,903</u>	<u>2,397,010</u>
<b>Expenses</b>		
Cost of services	-	(97)
Personnel	(136,789)	(97,504)
Communications	(6,824)	(14,702)
Occupancy	(16,421)	(13,461)
Corporate	(28,035)	(52,881)
Financing	(1,862)	(2,813)
Borrowing cost	(457)	(1,458)
Costs in relation to investments	(4,505)	(327,169)
Administration expenses		
– Legal and other professional fees	(42,483)	(31,440)
– exploration expenditure (expensed)	(9,578)	(28,762)
– other	(73,841)	(63,627)
	<u>1,838,108</u>	<u>1,763,096</u>
<b>Operating income before income tax expense</b>		
	1,838,108	1,763,096
Income tax expense	(595,694)	(573,700)
	<u>1,242,414</u>	<u>1,189,396</u>
<b>Operating income after income tax expense</b>		
<b>Basic earnings per share (cents)</b>	7.17	6.91

*The accompanying notes form part of these financial statements*



# CONDENSED BALANCE SHEET

## as at 31 December 2005

	<b>Consolidated Entity</b>	
	<b>31 Dec 05</b>	<b>30 Jun 05</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,733,773	69,092
Receivables	43,422	341,994
Other financial assets at fair value through profit or loss	7,289,403	8,134,740
Other	1,026	843
<b>TOTAL CURRENT ASSETS</b>	<b>9,067,624</b>	<b>8,546,669</b>
<b>NON CURRENT ASSETS</b>		
Receivables	32,823	32,823
Investments in Associate entities - equity accounted	8,411,936	7,085,260
Inventory	3,820,251	3,796,552
Plant and equipment	29,969	26,536
Intangible asset	31,362	-
Deferred tax assets	-	227,053
Other	31,471	15,622
<b>TOTAL NON CURRENT ASSETS</b>	<b>12,357,812</b>	<b>11,183,846</b>
<b>TOTAL ASSETS</b>	<b>21,425,436</b>	<b>19,730,515</b>
<b>CURRENT LIABILITIES</b>		
Payables	81,689	328,751
Current tax liabilities	939,977	571,336
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,021,666</b>	<b>900,087</b>
<b>NON CURRENT LIABILITIES</b>		
Provisions	26,254	19,425
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>26,254</b>	<b>19,425</b>
<b>TOTAL LIABILITIES</b>	<b>1,047,920</b>	<b>919,512</b>
<b>NET ASSETS</b>	<b>20,377,516</b>	<b>18,811,003</b>
<b>EQUITY</b>		
Contributed equity	19,375,599	28,717,469
Retained profits/ (losses)	1,001,917	(9,906,466)
<b>TOTAL EQUITY</b>	<b>20,377,516</b>	<b>18,811,003</b>

*The accompanying notes form part of these financial statements*

## CONDENSED STATEMENT OF CHANGES IN EQUITY for the half year ended 31 December 2005

	Number of shares	Issued Capital	Retained Earnings	Reserves	Total Equity
<b>At 1 July 2004</b>	17,219,996	28,973,124	(13,014,930)	2,124,000	18,082,194
Profit for the period	-	-	1,189,396	-	1,189,396
<b>At 31 December 2004</b>	<u>17,219,996</u>	<u>28,973,124</u>	<u>(11,825,534)</u>	<u>2,124,000</u>	<u>19,271,590</u>
<b>At 1 July 2005</b>	16,812,156	28,717,469	(9,906,466)	-	18,811,003
Profit for the period	-	-	1,242,414	-	1,242,414
Dividend paid			(267,218)		(267,218)
Issue of shares	1,002,233	591,317	-	-	591,317
Transfer share capital to accumulated losses	-	(9,933,187)	9,933,187	-	-
<b>At 31 December 2005</b>	<u>17,814,389</u>	<u>19,375,599</u>	<u>1,001,917</u>	<u>-</u>	<u>20,377,516</u>

*The accompanying notes form part of these financial statements*

# CONDENSED CASH FLOW STATEMENT

## for the half year ended 31 December 2005

	Consolidated Entity	
	31 Dec 05	31 Dec 04
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	20,794	-
Sale proceeds from trading portfolio	9,028,638	-
Payments for trading portfolio	(6,878,826)	-
Sale proceeds from options portfolio	75,831	-
Payments for options portfolio	(11,000)	-
Payments to suppliers and employees	(292,214)	(784,458)
Payments for exploration and evaluation	(15,849)	(20,143)
Interest received	19,346	315,552
Interest paid	(457)	(1,458)
Dividends received	175,245	150,979
	<hr/>	<hr/>
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>2,121,508</b>	<b>(339,528)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for:		
equity investments	(126,915)	(11,241,606)
property, plant and equipment	(7,010)	-
intangibles	(31,362)	-
inventory - land	(23,699)	(50,000)
options investments	-	(81,795)
Proceeds from sale of:		
equity investments	-	5,861,316
options investments	-	183,915
	<hr/>	<hr/>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(188,986)</b>	<b>(5,328,170)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments to unmarketable parcel shareholders	-	(1,149)
Payments for dividends	(267,841)	(828,317)
	<hr/>	<hr/>
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	<b>(267,841)</b>	<b>(829,466)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>	<b>1,664,681</b>	<b>(6,497,164)</b>
Cash and cash equivalents at beginning of the financial year	69,092	18,107,239
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>1,733,773</b>	<b>11,610,075</b>

*The accompanying notes form part of these financial statements*

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 1. SUMMARY OF ACCOUNTING POLICIES

#### Financial Reporting Framework

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared on an accrual basis and on the basis of historical cost, except for investment properties, which have been measured at fair value.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by the Consolidated Entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this interim financial report as compared with the most recent annual financial report. AASB 134: Interim Financial Reporting generally only requires disclosure of accounting policies that have changed from those used in the prior annual reporting period. However, as this is the first published financial report prepared in compliance with AIFRSs, all applicable policies have been noted below, with reference to where these have changed from the prior annual period.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Consolidated Entity's equity and its net income are given in note 12.

#### 1.1. Income Tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### 1.2. Holdings of Securities

##### i. Balance Sheet Classification

Under *AASB 139: Financial Instruments: Recognition and Measurement*, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- Held to maturity, measured at amortised cost;
- Held for trading (or designated "as at fair value through profit and loss" upon initial recognition), measured at fair value with unrealised gains or losses charged to the profit and loss;
- Loans and receivables, measured at amortised cost; and
- Available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The Consolidated Entity's "Current" financial assets (trading portfolio) are recognised in the Balance Sheet at fair value. "Non-current" financial assets will be classified as "at fair value through profit and loss" upon initial recognition and recognised in the Balance Sheet at fair value. During the period, changes in the fair value of all such financial assets will be recognised in the Income Statement. The fair value of financial assets will be measured at bid price (where available) and last sale price (where bid price is not available) and will exclude disposal costs.

AASB 139 and AG72 state that the current bid price is usually the appropriate price to be used in measuring the fair value of actively traded financial assets. Financial assets should be valued at their fair values without any deduction for transaction costs that may be incurred on sale or other disposal. This differs from previous treatment, in which the Consolidated Entity measures investments at "net market value" using the last sale price net of disposal costs. Where a security is unlisted or suspended, its fair value is determined by its net tangible asset value.

##### ii. Income from Holdings of Securities

Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Distributions relating to unlisted securities are recognised as income when received. The premium received on options written against underlying listed securities (the options portfolio) is offset against these underlying listed securities until the option expires, is exercised or is repurchased from the holder. When one of these events occurs, the net gain or loss arising on the option contract is recognised in the Income Statement.

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 2. PROFIT FOR THE HALF YEAR

Profit for the half year includes the following items:

	<b>Consolidated Entity</b>	
	<b>31 Dec 05</b>	<b>31 Dec 04</b>
<b>(a) Income</b>		
<b>Trading portfolio</b>	<b>\$</b>	<b>\$</b>
Proceeds from sales of securities	8,787,246	6,050,758
Cost of securities sold	(7,980,092)	(4,349,599)
Unrealised gains/(losses) on securities	461,824	256,550
Dividends received from securities	54,955	150,979
	<u>1,323,933</u>	<u>2,108,688</u>
<b>Options portfolio</b>		
Proceeds from sales of options	75,831	-
Cost of options sold	(11,000)	-
Cost of lapsed options	-	(27,230)
	<u>64,831</u>	<u>(27,230)</u>
<b>Associate entities</b>		
Share of Associate entities net gain/ (loss)	608,443	-
Dividend received from Associate	120,290	-
	<u>728,733</u>	<u>-</u>
Interest received - other	19,346	315,552
Other income	22,060	-
Total revenue	<u>2,158,903</u>	<u>2,397,010</u>
<b>(b) Expenses</b>		
Cost of services	-	97
Occupancy expenses	16,421	13,461
Finance expenses	1,862	2,813
Borrowing cost	457	1,458
Corporate expenses	28,035	52,881
Administration expenses		
- Communications	6,824	14,702
- Personnel - employee entitlements	6,829	3,248
- salaries, fees and other	129,960	94,256
- Legal and other professional fees	42,483	31,440
- Costs in relation to investments	4,505	327,169
- Brokerage fees	23,357	35,967
- Write off fixed assets disposed	493	-
- Exploration expenses	9,578	28,762
- Depreciation expenses	3,085	2,810
- Other expenses	46,906	24,850
	<u>320,795</u>	<u>633,914</u>

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

3. DIVIDENDS	Consolidated Entity	
	31 Dec 05	31 Dec 04
	\$	\$
<b>Ordinary shares</b>		
Dividends provided for or paid during the half year	267,218	-

### 4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associate	Principal Activity	Ownership Interest		Carrying Amount	
		31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
				\$	\$
Bentley International Limited (BEL)	Investments	24.93%	19.03%	3,718,956	2,799,771
Scarborough Equities Limited (SCB)	Investments	26.62%	25.49%	4,692,980	4,285,489
				8,411,936	7,085,260

On 1 July 2005, the Company settled on the acquisition of a further 2,300,000 shares in BEL, increasing its shareholding in BEL to 24.9%. The Company has accounted for its investment in BEL on an equity accounting basis as an Associate entity from 30 June 2005.

Movement in carrying amounts	31 Dec 05	30 Jun 05
Shares in listed Associate entities - at cost	-	6,918,035
Carrying amount at the beginning of the financial year	7,085,260	-
Share of profit before income tax	973,435	80,411
Share of income tax expense	(244,702)	86,814
Dividends received	(120,290)	-
Acquisition of shares	718,233	-
Carrying amount at the end of the financial year	8,411,936	7,085,260

#### Fair value of listed investments in associates

Bentley International Limited	3,446,667	2,444,944
Scarborough Equities Limited	3,232,259	2,399,865
	6,678,926	4,844,808

#### Share of associates' profits or losses

	31 Dec 05	31 Dec 04
Profit before income tax	973,435	-
Income tax expense	(244,702)	-
Profit after income tax	728,733	-

#### Summarised financial information of associates:

31 Dec 05	Consolidated Entity's share of:			
	Assets	Liabilities	Revenues	Profit
	\$	\$	\$	\$
Bentley International Limited	4,864,751	(163,247)	548,661	327,867
Scarborough Equities Limited	4,715,596	(177,987)	746,886	280,576
	9,580,347	(341,234)	1,295,546	608,443
<b>30 Jun 05</b>				
Bentley International Limited	3,364,432	(25,717)	-	-
Scarborough Equities Limited	4,188,764	(92,093)	707,519	167,225
	7,553,196	(117,810)	707,519	167,225

#### Contingent Liabilities

##### Scarborough Equities Limited

SCB has provided indemnity to IWL Ltd ("IWL") and IWL Broking Solutions Ltd ("IWLBS") with respect to the acquisition by IWLBS of SCB's shareholding in Avcol Stockbroking Pty Ltd ("Avcol") on 29 April 2005. This indemnity covers contingent claims in relation to the operations of Avcol. The directors of SCB have stated that they believe that these contingent claims are not material (not exceeding \$100,000 in aggregate) in terms of its potential negative effect on its net asset position.

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 5. EQUITY SECURITIES ISSUED

	Consolidated Entity		Consolidated Entity	
	31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
<b>Issue of ordinary shares during the half year</b>			\$	\$
Issue of shares	1,002,233	812,810	591,318	490,899
Share buy back	-	(1,220,650)	-	(746,554)
	<u>1,002,233</u>	<u>(407,840)</u>	<u>591,318</u>	<u>(255,655)</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### 6. SEGMENT REPORTING

The Consolidated Entity operates in one geographical segment (Australia) in the investments and resources sectors.

	Investments	Resources	Consolidated
	\$	\$	\$
<b>31 Dec 05</b>			
Total segment revenue	1,531,114	-	1,531,114
Share of associates net profits of equity accounted associates	608,443	-	608,443
Unallocated revenue			19,346
Total revenue and other income			<u>2,158,903</u>
Segment result	2,111,695	(9,578)	2,102,117
Unallocated revenue less unallocated expense			(264,009)
Profit before income tax			<u>1,838,108</u>
<b>31 Dec 04</b>			
Total segment revenue	6,458,287	-	6,458,287
Unallocated revenue			315,552
Total revenue and other income			<u>6,773,839</u>
Segment result	1,754,289	(30,412)	1,723,877
Unallocated revenue less unallocated expense			39,219
Profit before income tax			<u>1,763,096</u>

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 7. EXPENDITURE COMMITMENTS

	Consolidated Entity	
	31 Dec 05	30 Jun 05
Non-cancellable operating lease commitments:	\$	\$
Not longer than one year	62,016	124,033

The lease is in relation to the office premises of the Company and includes all outgoings. Such expenditure is shared equally with other companies, including Queste Communications Limited (a controlling entity) pursuant to shared office and administration expense arrangements.

### 8. CONTINGENT LIABILITIES AND ASSETS

The Consolidated Entity does not have any material contingent assets or liabilities at Balance Date.

### 9. GAIN/LOSS OF CONTROL OF ENTITIES

There were no entities over which control had been gained or lost by the Consolidated Entity during the financial half year.

### 10. OTHER ASSOCIATES AND JOINT VENTURE ENTITIES

The Consolidated Entity does not have any interest in Associates (save as disclosed in note 4) nor a material interest in joint venture entities.

### 11. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (a) On 9 February 2006, Hume Mining NL (a wholly owned subsidiary of the Company), received 1,666,667 shares in Strike Resources Limited (**SRK**) as consideration for the sale of a 75% interest in various tenements in Western Australia and the Northern Territory. Such shares are escrowed until 9 February 2007.

Hume also subscribed for options in SRK (at a cost of \$10,000) as follows:

- (1) 1,833,333 options, each exercisable at 20 cents on before the date being 5 years after the date of grant of such options (9 February 2011) (**\$0.20 Hume Options**); and
- (2) 1,666,667 options, each exercisable at 30 cents on before the date being 5 years after the date of grant of such options (9 February 2011) (**\$0.30 Hume Options**),

Such options are also subject to escrow for 12 months (to 9 February 2007).

- (b) On 15 March 2006, the Directors declared a fully franked dividend of 1.5 cents per share, at a total cost of \$267,216. The record date for determining entitlement to the dividend is 31 March 2006 and payment is expected to be made on 7 April 2006.



# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 12. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### (i) Reconciliation of Equity at 1 July 2004

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
<b>CURRENT ASSETS</b>			
Cash	18,107,239		18,107,239
Receivables	5,675		5,675
Investments in trading portfolio	1,985,295		1,985,295
Other	-		-
<b>TOTAL CURRENT ASSETS</b>	<b>20,098,209</b>	-	<b>20,098,209</b>
<b>NON CURRENT ASSETS</b>			
Receivables	14,106		14,106
Plant and equipment	31,599		31,599
Deferred tax assets	-		-
Other	24,031		24,031
<b>TOTAL NON CURRENT ASSETS</b>	<b>69,736</b>	-	<b>69,736</b>
<b>TOTAL ASSETS</b>	<b>20,167,945</b>	-	<b>20,167,945</b>
<b>CURRENT LIABILITIES</b>			
Payables	209,164		209,164
Provisions	861,000		861,000
Current tax liabilities	1,003,436		1,003,436
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,073,600</b>	-	<b>2,073,600</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	12,151		12,151
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>12,151</b>	-	<b>12,151</b>
<b>TOTAL LIABILITIES</b>	<b>2,085,751</b>	-	<b>2,085,751</b>
<b>NET ASSETS</b>	<b>18,082,194</b>	-	<b>18,082,194</b>
<b>EQUITY</b>			
Contributed equity	28,973,124		28,973,124
Reserves	2,124,000		2,124,000
Accumulated losses	(13,014,930)		(13,014,930)
<b>TOTAL EQUITY</b>	<b>18,082,194</b>	-	<b>18,082,194</b>

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 12. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(ii) Reconciliation of Equity at 31 December 2004	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
<b>CURRENT ASSETS</b>			
Cash	11,610,075		11,610,075
Receivables	94,769		94,769
Investments in trading portfolio	9,202,506		9,202,506
Other	421		421
<b>TOTAL CURRENT ASSETS</b>	<b>20,907,771</b>	-	<b>20,907,771</b>
<b>NON CURRENT ASSETS</b>			
Receivables	32,833		32,833
Plant and equipment	28,789		28,789
Deferred tax assets	-		-
Other	15,412		15,412
<b>TOTAL NON CURRENT ASSETS</b>	<b>77,034</b>	-	<b>77,034</b>
<b>TOTAL ASSETS</b>	<b>20,984,805</b>	-	<b>20,984,805</b>
<b>CURRENT LIABILITIES</b>			
Payables	87,997		87,997
Provisions	32,682		32,682
Current tax liabilities	1,493,544	83,592	1,577,136
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,614,223</b>	<b>83,592</b>	<b>1,697,815</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	15,400		15,400
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>15,400</b>	-	<b>15,400</b>
<b>TOTAL LIABILITIES</b>	<b>1,629,623</b>	<b>83,592</b>	<b>1,713,215</b>
<b>NET ASSETS</b>	<b>19,355,182</b>	<b>(83,592)</b>	<b>19,271,590</b>
<b>EQUITY</b>			
Contributed equity	28,973,124		28,973,124
Reserves	2,124,000		2,124,000
Accumulated losses	(11,741,942)	(83,592)	(11,825,534)
<b>TOTAL EQUITY</b>	<b>19,355,182</b>	<b>(83,592)</b>	<b>19,271,590</b>

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 12. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### (iii) Reconciliation of Equity at 30 June 2005

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash	69,092		69,092
Receivables	341,994		341,994
Investments in trading portfolio	8,134,740		8,134,740
Other	843		843
<b>TOTAL CURRENT ASSETS</b>	<b>8,546,669</b>	<b>-</b>	<b>8,546,669</b>
<b>NON CURRENT ASSETS</b>			
Receivables	32,823		32,823
Investments in Associate entities - equity accounted	7,085,260		7,085,260
Inventory	3,796,552		3,796,552
Plant and equipment	26,536		26,536
Deferred tax assets	227,053		227,053
Other	15,622		15,622
<b>TOTAL NON CURRENT ASSETS</b>	<b>11,183,846</b>	<b>-</b>	<b>11,183,846</b>
<b>TOTAL ASSETS</b>	<b>19,730,515</b>	<b>-</b>	<b>19,730,515</b>
<b>CURRENT LIABILITIES</b>			
Payables	328,751		328,751
Current tax liabilities	569,911	1,425	571,336
<b>TOTAL CURRENT LIABILITIES</b>	<b>898,662</b>	<b>1,425</b>	<b>900,087</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	19,425		19,425
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>19,425</b>	<b>-</b>	<b>19,425</b>
<b>TOTAL LIABILITIES</b>	<b>918,087</b>	<b>1,425</b>	<b>919,512</b>
<b>NET ASSETS</b>	<b>18,812,428</b>	<b>(1,425)</b>	<b>18,811,003</b>
<b>EQUITY</b>			
Contributed equity	28,717,469		28,717,469
Accumulated losses	(9,905,041)	(1,425)	(9,906,466)
<b>TOTAL EQUITY</b>	<b>18,812,428</b>	<b>(1,425)</b>	<b>18,811,003</b>

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 12. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### (iv) Reconciliation of Profit or Loss for the half year ended 31 December 2004

<b>Income</b>		
Net income from trading portfolio	2,108,688	2,108,688
Net income from options portfolio	(27,230)	(27,230)
Other income	315,552	315,552
	<u>2,397,010</u>	<u>- 2,397,010</u>
<b>Expenses</b>		
Cost of services	(97)	(97)
Personnel	(97,504)	(97,504)
Communications	(14,702)	(14,702)
Occupancy	(13,461)	(13,461)
Corporate	(52,881)	(52,881)
Financing	(2,813)	(2,813)
Borrowing cost	(1,458)	(1,458)
Costs in relation to investments	(327,169)	(327,169)
Administration expenses		
– consultants	-	-
– exploration expenditure (expensed)	(28,762)	(28,762)
– other	(63,627)	(63,627)
<b>Operating income before income tax expense</b>	1,763,096	- 1,763,096
Income tax expense	(490,108)	(83,592) (573,700)
<b>Operating income after income tax expense</b>	<u>1,272,988</u>	<u>(83,592) 1,189,396</u>

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 12. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(v) Reconciliation of Profit or Loss for the full year ended 30 June 2005	Previous	Effect of	
	AGAAP	transition to	AIFRS
	\$	\$	\$
<b>Income</b>			
Net income from trading portfolio	1,491,273		1,491,273
Net income from options portfolio	111,965		111,965
Net income from Associate entities	248,632		248,632
Other income	512,069		512,069
	<u>2,363,939</u>	-	<u>2,363,939</u>
<b>Expenses</b>			
Personnel	(261,180)		(261,180)
Communications	(22,627)		(22,627)
Occupancy	(18,826)		(18,826)
Corporate	(56,544)		(56,544)
Financing	(4,652)		(4,652)
Borrowing cost	(1,791)		(1,791)
Costs in relation to investments	(218,497)		(218,497)
Administration expenses			
– consultants	(60,759)		(60,759)
– professional fees	(276,588)		(276,588)
– exploration expenditure (expensed)	(37,988)		(37,988)
– other	(87,676)		(87,676)
<b>Operating income before income tax expense</b>	<u>1,316,811</u>	-	<u>1,316,811</u>
Income tax expense	(330,922)	(1,425)	(332,347)
<b>Operating income after income tax expense</b>	<u>985,889</u>	<u>(1,425)</u>	<u>984,464</u>

### (vi) Notes to the reconciliation of equity and profit and loss at 1 July 2004, 31 December 2004 and 30 June 2005

	30 Jun 05	31 Dec 04	1 Jul 04
	\$	\$	\$
Deferred tax liability and income tax expense comprise:	(1,425)	(83,592)	-
Under <i>AASB 112: Income Taxes</i> Adoption of a balance sheet approach under which temporary differences are identified for each asset and liability. Deferred tax liability provided on the upward revaluation of investments less any liability provided.			

## DIRECTORS' DECLARATION

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In accordance with a resolution of the directors of Orion Equities Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2005 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



**William Johnson**  
Chairman



**Victor Ho**  
Director and Company Secretary

Perth, Western Australia

16 March 2006



Chartered Accountants  
& Advisers

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## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ORION EQUITIES LIMITED

### Scope

We have reviewed the financial report of Orion Equities Limited for the half-year ended 31 December 2005 as set out on pages 15 to 29. The financial report includes the financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The independence declaration given to the directors is in accordance with section 307C.

### Statement

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**BDO**  
**Chartered Accountants**

**BG McVeigh**  
Partner

Perth, Western Australia  
Dated this 16<sup>th</sup> day of March 2006



## INFORMATION ON SECURITIES as at 28 February 2006

### DISTRIBUTION OF FULLY PAID ORDINARY SHARES

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issue Capital
1 – 1000	893	313,539	1.760%
1,001- 5000	294	721,075	4.047%
5,001- 10,000	104	809,288	4.542%
10,001 – 100,000	105	3,151,137	17.688%
100,001 and over	11	12,819,350	71.960%
<b>Total</b>	<b>1,407</b>	<b>17,814,389</b>	<b>100%</b>

### TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

RANK	SHAREHOLDER	TOTAL SHARES	% ISSUED CAPITAL
1	QUESTE COMMUNICATIONS LTD *	8,558,127	48.040
2	UBS NOMINEES PTY LTD <PRIME BROKING A/C>	879,046	4.934
3	CELLANTE SECURITIES PTY LIMITED	784,538	4.403
4	MR ABE ZELWER <ZELWER SUPER FUND A/C>	701,914	3.94
5	STRIKE RESOURCES LIMITED	505,026	2.834
6	MR DONALD GORDON MACKENZIE & MRS GWENNETH EDNA MACKENZIE	323,189	1.814
7	MR EDWARD JAMES STEPHEN DALLY	240,000	1.347
8	REDSUMMER PTY LTD	225,000	1.263
9	RIALC PTY LIMITED	223,000	1.251
10	ANZ NOMINEES LIMITED <CASH INCOME A/C>	215,560	1.210
11	KATANA CAPITAL LIMITED	163,950	0.920
12	MR LAWRENCE BRIAN CUMMINGS & MRS FRANZIE NANETTE CUMMINGS <CUMMINGS FAMILY S/F A/C>	100,000	0.561
13	MR RODNEY MALCOLM JONES & MRS CAROL ROBIN JONES <HOPERIDGE ENT P/L SUPER A/C>	100,000	0.561
14	BLUEGRASS ENTERPRISES PTY LTD <SNOW & ASSOC NO 2 SUPER A/C>	90,000	0.505
15	MR MARK JAMES CASEY	87,400	0.490
16	MR JOHN GORDON KELLAS	80,000	0.449
17	MR KING CHONG CHAI	76,164	0.427
18	MR LUKE FREDERICK ATKINS	74,697	0.419
19	MS MORAG HELEN BARRETT	73,513	0.412
20	ARREDO PTY LTD	70,000	0.392
	<b>TOTAL</b>	<b>13,571,124</b>	<b>76.172</b>

\* Substantial shareholder of the Company