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## HALF YEAR REPORT

31 December 2006

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THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE  
30 JUNE 2006 ANNUAL REPORT OF THE COMPANY

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

ASX Code: OEQ

ORION EQUITIES LIMITED

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**CORPORATE DIRECTORY****BOARD**

Farooq Khan	(Chairman)
William M. Johnson	(Director)
Victor P. H. Ho	(Director)
Yaqoob Khan	(Director)

**COMPANY SECRETARY**

Victor P. H. Ho

**PRINCIPAL & REGISTERED OFFICE**

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**STOCK EXCHANGE**

Australian Securities Exchange  
Perth, Western Australia

**ASX CODE**

OEQ

**AUDITOR**

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## APPENDIX 4D HALF YEAR REPORT

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

Current Reporting Period: 1 July 2006 to 31 December 2006

Previous Corresponding Period: 1 July 2005 to 31 December 2005

Balance Date: 31 December 2006

Company: Orion Equities Limited (**OEQ**)

Consolidated Entity: OEQ and controlled entities:

- (1) Silver Sands Developments Pty Ltd (formerly Central Exchange Operations Pty Ltd) (a wholly owned subsidiary);
- (2) Hume Mining NL (a wholly owned subsidiary);
- (3) Central Exchange Mining Ltd (a wholly owned subsidiary incorporated on 27 April 2006);
- (4) OEQO Pty Ltd (a wholly owned subsidiary incorporated on 7 July 2006).

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

The Company's financial statements for the current reporting period has 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

Consolidated Entity	Dec 2006 \$	Dec 2005 \$	% Change	Up / Down
Total revenues	9,679,531	2,158,903	348%	Up
Total expenses	(820,911)	(320,795)	156%	Up
<b>Profit before tax</b>	<b>8,858,620</b>	<b>1,838,108</b>	<b>382%</b>	<b>Up</b>
Income tax	(3,277,961)	(595,694)	450%	Up
<b>Profit after tax attributable to members</b>	<b>5,580,659</b>	<b>1,242,414</b>	<b>349%</b>	<b>Up</b>
Basic and diluted earnings per share (cents)	31.33	7.18	337%	Up

Consolidated Entity	Dec 2006	Jun 2006	% Change	Up / Down
Pre-tax NTA backing per share	\$1.988	\$1.557	28%	Up
Post-tax NTA backing per share	\$1.709	\$1.426	20%	Up

## APPENDIX 4D HALF YEAR REPORT

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### Brief Explanation of Results

The Consolidated Entity increased its net profit by 382% during the current reporting period to \$8.9 million (pre tax); after tax net profit was up 349% to \$5.6 million.

Total revenues of \$9,679,532 (Dec 2005: \$2,158,903) include:

- (1) \$8,497,074 net profit from the Company's share trading portfolio (Dec 2005: \$1,323,933), which comprises:
  - (a) \$6,646,730 unrealised gains on securities (Dec 2005: \$461,824);
  - (b) \$1,764,273 realised gains on securities (Dec 2005: \$807,154);
  - (c) \$86,071 dividend income (Dec 2005: \$54,955)
- (2) \$1,060,782 share of Associate entities' net profits and dividend income received from Associate entities (Dec 2005: \$728,733)
- (3) \$40,400 net income from the Company's options portfolio (Dec 2005: \$64,831).

Total expenses of \$820,911 (Dec 2005: \$320,795) include:

- (1) \$268,357 olive grove operations (Dec 2005: nil);
- (2) \$242,539 personnel costs (including Directors' fees) (Dec 2005: \$136,789);
- (3) \$79,988 exploration and evaluation expenses (Dec 2005: \$9,578).

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

### Dividends

The Directors are pleased to declare an interim dividend of:

Dividend Rate	Record Date	Expected Payment Date	Franking	Total Dividends Payable
1.5 cents per share	8 March 2007	15 March 2007	Fully franked	\$267,216

### Controlled Entities

The Company incorporated OEQO Pty Ltd as a wholly owned subsidiary during the current reporting period. The Company did not gain or lose control over other entities during the current reporting period.

### Associates

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

- (1) 28.3% interest in ASX listed Scarborough Equities Limited ("SCB");
- (2) 28.4% interest in ASX listed Bentley International Limited ("BEL").

## APPENDIX 4D HALF YEAR REPORT

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### Joint Venture Entities

The Company did not have any interest in joint venture entities during the current reporting period.

For and on behalf of the Directors,



Date: 28 February 2007

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

# COMPANY PERFORMANCE

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

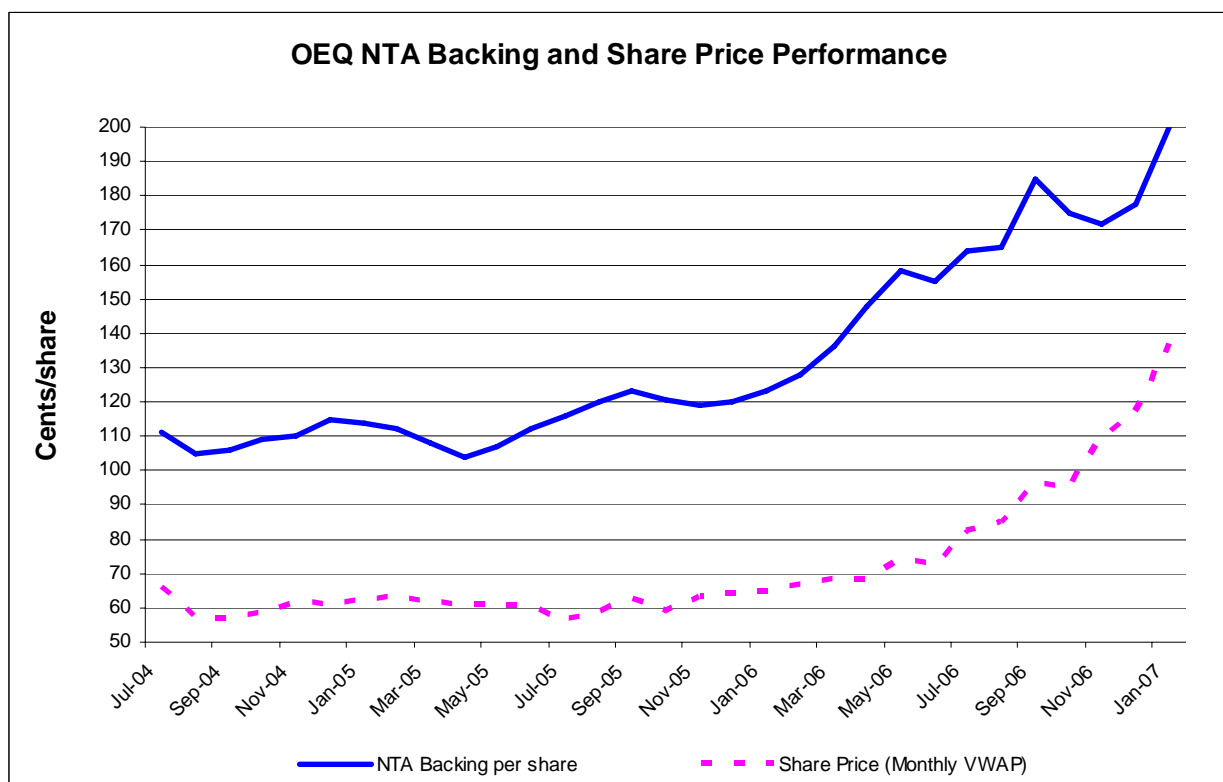
Since 8 July 2004, the Company has been admitted to ASX as an investment entity.

Orion Equities increased its net profit by 382% during the December 2006 half year to \$8.9 million (pre tax); after tax net profit was up 349% to \$5.6 million.

Earnings per share increased 337% from 7.2 cents for the December 2005 financial half year to 31.3 cents for the December 2006 financial half year.

The Company has paid regular dividends as an investment company:

Dividend Rate per share	Record Date	Payment Date	Franking	Total Dividends Paid/Payable
1.5 cents	8 March 2007	15 March 2007	Fully franked	\$267,216
3.0 cents	12 October 2006	19 October 2006	Fully franked	\$534,432
1.5 cent	31 March 2006	7 April 2006	Fully franked	\$267,216
1.5 cent	30 September 2005	13 October 2005	Fully franked	\$267,216
5 cents	6 July 2004	9 July 2004	60% franked	\$861,000



**VWAP** = volume weighted average OEQ price for the month; **NTA** = net tangible asset backing at month end

Source: IRESS

## DIRECTORS' REPORT

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The Directors present their report on Orion Equities Limited ("**Company**" or "**Orion Equities**" or "**OEO**") and its controlled entities (the "**Consolidated Entity**") for the half year ended 31 December 2006 ("**Balance Date**").

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

Orion Equities has prepared a consolidated financial report incorporating the entities that it controlled during the financial half year. Controlled wholly owned entities are:

- (1) Silver Sands Developments Pty Ltd (formerly Central Exchange Operations Pty Ltd) ABN 16 094 097 122 (controlled throughout the financial half year);
- (2) Hume Mining NL ABN 52 063 994 945 (controlled throughout the financial half year);
- (3) Central Exchange Mining Ltd (controlled throughout the financial half year);
- (4) OEQO Pty Ltd (controlled since incorporation on 7 July 2006).

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

- (1) 28.3% interest in ASX listed Scarborough Equities Limited (**SCB**) (30 June 2006: 27.86%);
- (2) 28.4% interest in ASX listed Bentley International Limited (**BEL**) (30 June 2006: 27.93%).

## OPERATING RESULTS

Consolidated	Dec 2006 \$	Dec 2005 \$
Total revenues	9,679,531	2,158,903
Total expenses	(820,911)	(320,795)
<b>Profit before tax</b>	<b>8,858,620</b>	<b>1,838,108</b>
Income tax	(3,277,961)	(595,694)
<b>Profit after tax</b>	<b>5,580,659</b>	<b>1,242,414</b>

Total revenues of \$9,679,532 (Dec 2005: \$2,158,903) include:

- (1) \$8,497,074 net profit from the Company's share trading portfolio (Dec 2005: \$1,323,933), which comprises:
  - (a) \$6,646,730 unrealised gains on securities (Dec 2005: \$461,824);
  - (b) \$1,764,273 realised gains on securities (Dec 2005: \$807,154);
  - (c) \$86,071 dividend income (Dec 2005: \$54,955)
- (2) \$1,060,782 share of Associate entities' net profits and dividend income received from Associate entities (Dec 2005: \$728,733)
- (3) \$40,400 net income from the Company's options portfolio (Dec 2005: \$64,831).

Total expenses of \$820,911 (Dec 2005: \$320,795) include:

- (1) \$268,357 olive grove operations (Dec 2005: nil);
- (2) \$242,539 personnel costs (including Directors' fees) (Dec 2005: \$136,789);
- (3) \$79,988 exploration and evaluation expenses (Dec 2005: \$9,578).

## DIRECTORS' REPORT

### EARNINGS PER SHARE

Consolidated Entity	Dec 2006	Dec 2005
Basic and diluted earnings per share (cents)	31.33	7.18
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	17,814,389	17,314,645

### FINANCIAL POSITION

Consolidated	Dec 2006 \$	Jun 2006 \$
Cash and cash equivalents	3,076,153	1,102,658
Investments in securities	17,814,655	12,636,778
Investments in listed Associate entities	10,793,809	9,726,370
Inventory	3,861,635	3,821,038
Trade and other receivables	175,582	589,312
Other assets	40,949	35,450
	35,762,783	27,911,606
Tax liabilities	(4,969,147)	(2,338,534)
Trade and other payables	(343,705)	(167,776)
<b>Net assets</b>	<b>30,449,931</b>	<b>25,405,296</b>
Issued capital	19,374,006	19,375,598
Retained earnings	11,075,925	6,029,698
<b>Total Equity</b>	<b>30,449,931</b>	<b>25,405,296</b>

### NET TANGIBLE ASSET BACKING

Consolidated	Dec 2006 \$	Jun 2006 \$
Net tangible assets (before tax)	35,419,078	27,743,830
<b>Pre-Tax NTA Backing per share</b>	<b>\$1.988</b>	<b>\$1.557</b>
Less: Provision for tax	(4,969,147)	(2,338,534)
Net tangible assets (after tax)	30,449,931	25,405,296
<b>Post-tax NTA Backing per share</b>	<b>\$1.709</b>	<b>\$1.426</b>
Based on total issued share capital	17,814,389	17,814,389



# DIRECTORS' REPORT

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## Monthly Reporting of NTA Information

To assist shareholders to assess the value of the Company's shares, within 14 days after the end of each month the Company lodges an ASX market announcement detailing a statement of the NTA backing of its shares as at the end of the preceding month.

Such announcements are also emailed to shareholders who have registered their email addresses with the Company and posted on the Company's website.

## Dividends

The Directors are pleased to declare an interim dividend of:

Dividend Rate	Record Date	Estimated Payment Date	Franking	Total Dividends Payable
1.5 cents per share	8 March 2007	15 March 2007	Fully franked	\$267,216

Recent dividends paid by the Company were:

Dividend Rate	Record Date	Payment Date	Franking	Total Dividends Paid
3.0 cent per share	12 October 2006	19 October 2006	Fully franked	\$534,432
1.5 cent per share	31 March 2006	7 April 2006	Fully franked	\$267,216
1.5 cent per share	30 September 2005	13 October 2005	Fully franked	\$267,216
5 cents 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 subject to 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 NTA backing.

# DIRECTORS' REPORT

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## 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 (31 December 2005: 17,814,389). All such shares are listed on ASX. The Company has no other securities on issue.

### Unmarketable Parcel Sale Facility

During October 2006, the Company completed an Unmarketable Parcel Sale Facility in respect of 137,167 shares formerly held by 558 shareholders.

Under this facility (implemented pursuant to clause 152 of the Company's Constitution and ASX Listing Rule 15.13), the Company provided 6 weeks notice (from 2 August 2006) for affected shareholders to advise the Company of their wish to retain their Unmarketable Parcel shareholding. Shareholders who did not to return a Share Retention form by the deadline of 15 September 2006 had their Unmarketable Parcel shareholding aggregated and sold on-market. Affected shareholders who had their Unmarketable Parcel shares sold received a pro-rata share of the total proceeds of sale without any deduction for brokerage or other costs of sale (which was borne by the Company)

### On-Market Share Buy-Back

The Company has 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 during the financial half year and as at the date of this report.

## REVIEW OF OPERATIONS

### 1. Portfolio Details As At 31 December 2006

#### Asset Weighting

	% of Net Assets
Australian equities	78.5%
Property	12.7%
International equities *	* 15.4%
Net cash/other assets and liabilities	9.7%
Current and deferred tax liabilities	-16.3
<b>TOTAL</b>	<b>100%</b>

\* BEL is an ASX listed investment company with investments in securities listed on overseas markets. The Company's investment in BEL represents an indirect interest in international equities

# DIRECTORS' REPORT

## Top 20 Listed Equity Holdings

Equities	Fair Value \$'million	% of Net Assets	ASX Code	Industry Sector Exposures
1. Scarborough Equities Limited *	5.558	18.3%	SCB	Diversified Financials
2. Bentley International Limited *	4.849	15.9%	BEL	Diversified Financials
3. Strike Resources Limited +	4.762	15.6%	SRK	Energy
4. Oilex NL	2.997	9.8%	OEX	Energy
5. Katana Capital Limited	1.284	4.2%	KAT	Diversified Financials
6. Magma Metals Limited	0.810	2.7%	MMB	Materials
7. BHP Billiton Limited	0.784	2.6%	BHP	Materials
8. Rio Tinto Limited	0.593	1.9%	RIO	Diversified Metals & Mining
9. Anzon Australia Limited	0.342	1.1%	AZA	Energy
10. Zinifex Limited	0.282	0.9%	ZFX	Materials
11. Mount Gibson Iron Limited	0.267	0.9%	MGX	Materials
12. Telstra Corporation Limited	0.198	0.6%	TLSCA	Diversified Telecommunication Services
13. Woodside Petroleum Limited	0.152	0.5%	WPL	Energy
14. Antares Energy Limited	0.135	0.4%	AZZ	Energy
15. Arc Energy Limited	0.132	0.4%	ARQ	Energy
16. Newsat Limited	0.115	0.4%	NWT	Software & Services
17. Sphere Investments Limited	0.076	0.2%	SPH	Materials
18. Elixir Petroleum Limited	0.065	0.2%	EXR	Energy
19. Beach Petroleum Limited	0.057	0.2%	BPT	Energy
20. Eurogold Limited	0.056	0.2%	EUG	Materials
<b>TOTAL</b>	<b>23.514</b>	<b>77.0%</b>		

\* BEL and SCB have been accounted for as Associate entities

+ The investment in Strike Resources Limited comprise both listed and unlisted securities:

	Fair Value \$'million	% of Net Assets	ASX Code
(a) Listed shares	3.524	11.6%	SRK
(b) Listed 20c (30 Jun 2008) Options	1.238	4.0%	SRKO
(c) Unlisted 20 cent (9 Feb 2011) Options	2.438	8.0%	Unlisted and released from escrow on 9 Feb 2007
(d) Unlisted 30 cent (9 Feb 2011) Options	2.100	6.9%	
	<b>9.300</b>	<b>30.5%</b>	

Note:

The fair value of the above unlisted Strike Resources Limited options is based on a Black-Scholes options pricing valuation model applying the following assumptions:

- SRK's share price being \$1.48 (the last bid price as at 29 December 2006). This compares with a last bid price of \$2.45 as at 27 February 2007.
- A risk free rate of return of 5.87% (based on the Commonwealth 5 year bond rate as at 29 December 2006).
- An estimated future volatility of SRK's share price of 65%.

## DIRECTORS' REPORT

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### 2. Uranium Assets Spin-Off

On 16 February 2007, the Company announced that it and Strike Resources Limited (**Strike** or **SRK**) had finalised terms regarding spinning off their uranium interests into a new company called "Alara Uranium Limited" (**Alara**), which intends to conduct an Initial Public Offering (**IPO**) and seek a listing on the Australian Securities Exchange (**ASX**) in April 2007.

Alara has agreed to acquire:

- (a) Strike's interest in a portfolio of Australian (Northern Territory and Western Australia) and Peruvian uranium tenements in consideration of the issue of 28.75 million Alara shares; and
- (b) Orion's retained 25% interest in certain of Strike's Australian uranium tenements in consideration of the issue of 6.25 million Alara shares. The Company expects that the whole of its vendor shares in Alara will be subject to ASX imposed escrow for a period of at least 12 months.

Orion's retained 25% interest in certain of Strike's Australian uranium tenements are held through its wholly owned subsidiary, Hume Mining NL. The sale of such uranium interests will be effected through a sale by Orion of such subsidiary to Alara.

Alara will be undertaking a capital raising of \$6 million (with a minimum subscription of \$4 million) together with a right to accept oversubscriptions of a further \$4 million, at an issue price of 25 cents per share

Orion will receive a priority entitlement to subscribe for up to 2 million shares (\$0.5 million) in the Alara IPO. Orion's present intention is to take up this entitlement on its own account but reserves the right to decline to participate and or to pass this entitlement on to its shareholders on a pro rata basis.

On the basis that Alara raises \$6 million under the IPO and accepts oversubscriptions of \$4 million (being a total raising of \$10 million), and assuming Orion does not take up its priority entitlement, Orion will hold approximately 7.76% of the issued capital of Alara post IPO. If Orion takes up its priority entitlement (at a cost of \$0.5 million), Orion will hold approximately 10.25% of the issued capital of Alara.

The full terms and conditions of the uranium assets spin-off and Alara IPO are outlined in an ASX market announcement released by Orion on 19 February 2007.

### 3. Other Mineral Tenements

The Consolidated Entity currently holds an interest in the following resource tenements:

- (a) A reconnaissance licence in the Chitral Region, North-West Frontier Province, Pakistan, over a 5,000 square kilometre area, prospective for gold and copper;
- (b) An Exploration Licence No 24907 (Kurundi) in the Northern Territory, over a 44 square kilometer area, prospective for iron ore;
- (c) A 25% interest in application for Exploration Licence No 25862 (Angela) in the Northern Territory, over a 38 square kilometre area, prospective for uranium.

The Company will seek to maximise value for these resource assets in a similar manner to the sale of its interest in various tenements located in the Northern Territory and in Western Australia to Strike Resources Limited in September 2005 (**Strike Agreement**) and the proposed sale of Hume Mining NL to Alara as described above.

Under the Strike Agreement, Hume was entitled to receive a royalty of 2% of gross revenues arising from any commercial exploitation of any minerals from the tenements. On 9 February 2007, Hume assigned the benefit of this royalty to its parent entity, Orion Equities Limited.

## DIRECTORS' REPORT

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### 4. Koorian Olive Grove

On 21 February 2007, OEQO Pty Ltd (a wholly owned subsidiary incorporated on 7 July 2007) settled on the acquisition of a 143 hectare property in Gingin, Western Australia (approximately 100 kilometres north of Perth) comprising the Koorian Olive Grove (which has approximately 64,500, 7 year old olive tree plantings), certain grove related equipment/infrastructure and a approximately one gigalitre per annum water licence and related bore assets, in consideration of payment of approximately \$2.6 million.

OEQO has also entered into an option deed (expiring on 30 December 2008) to acquire (at its election) an additional 200 hectares of land from an adjacent property owner.

The Koorian Olive Grove was set up as a managed investment scheme approximately 7 years ago with over \$10 million having been invested into the scheme. The grove has to date had two commercial harvests of oil and table olives.

The Company's plans for Koorian are to continue to operate it as a commercial olive grove producing high quality extra virgin olive oil and table olives.



# DIRECTORS' REPORT

## DIRECTORS

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

<b>Farooq Khan</b>	<b>Executive Chairman</b>
<i>Appointed</i>	—23 October 2006
<i>Qualifications</i>	—BJuris , LLB. ( <i>Western Australia</i> )
<i>Experience</i>	—Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and particularly capital raisings, mergers and acquisitions and investments. Mr Khan has also led the executive management of a number of ASX listed companies through their establishment and growth.
<i>Relevant interest in shares</i>	—2,000 shares - directly 8,558,127 shares - indirectly <sup>1</sup>
<i>Special Responsibilities</i>	—Chairman of the Company and the Investment Committee
<i>Other current directorships in listed entities</i>	—Current Chairman and Managing Director of: (1) Queste Communications Ltd (since 10 March 1998). Current Chairman of: (2) Bentley International Limited (director since 2 December 2003). (3) Scarborough Equities Limited (since 29 November 2004) Current Director of: (4) Strike Resources Limited (since 9 September 1999):

<b>William M. Johnson</b>	— <b>Executive Director</b>
<i>Appointed</i>	— 28 February 2003
<i>Qualifications</i>	— MA (Oxon), MBA
<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 focussed venture capital fund and strategic investments and acquisitions in Asia and Australia. As Executive Director 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
<i>Relevant interest in shares</i>	— None
<i>Other current directorships in listed entities</i>	— Current Director of: (1) Drillsearch Energy Limited (since 24 October 2006) (2) Strike Resources Limited (since 14 July 2006) (3) Scarborough Equities Limited (since 29 November 2004) (4) Sofcom Limited (since 18 October 2005)

<sup>1</sup> Held by Queste Communications Ltd (**QUE**); Farooq Khan (and associated companies) have a deemed relevant interest in the OEQ shares in which QUE has a relevant interest by reason of having >20% voting power in QUE.

## DIRECTORS' REPORT

<b>Victor P. H. Ho</b>	— <b>Executive Director and Company Secretary</b>
<i>Appointed</i>	— Executive Director since 4 July 2003; Company Secretary since 2 August 2000
<i>Qualifications</i>	— BCom, LLB ( <i>Western Australia</i> )
<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
<i>Relevant interest in shares</i>	— None
<i>Special Responsibilities</i>	— Member of Investment Committee
<i>Other positions held in listed entities</i>	— Current Executive Director and Company Secretary of: <ol style="list-style-type: none"> <li>(1) Strike Resources Limited (Secretary since 9 March 2000 and Director since 12 October 2000)</li> <li>(2) Sofcom Limited (Director since 3 July 2002 and Company Secretary since 23 July 2003)</li> </ol> <p>Current Company Secretary of:</p> <ol style="list-style-type: none"> <li>(3) Queste Communications Ltd (since 30 August 2000)</li> <li>(4) Bentley International Limited (since 5 February 2004)</li> <li>(5) Scarborough Equities Limited (since 29 November 2004)</li> </ol>

<b>Yaqoob Khan</b>	— <b>Non-Executive Director</b>
<i>Appointed</i>	— 5 November 1999
<i>Qualifications</i>	— BCom ( <i>Western Australia</i> ), Master of Science in Industrial Administration ( <i>Carnegie Mellon</i> )
<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
<i>Relevant interest in shares</i>	— None
<i>Special Responsibilities</i>	— None
<i>Other current directorships in listed entities</i>	— Queste Communications Ltd (since 10 March 1998)

## 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 16. This relates to the Independent Review Report, where the Auditors state that they have issued an independence declaration.

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



**Farooq Khan**  
Chairman

Perth, Western Australia

28 February 2007



**William Johnson**  
Director





Chartered Accountants  
& Advisers

Level 8, 256 St George's Terrace Perth WA 6000  
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28 February 2007

The Directors  
Orion Equities Ltd  
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**

**M Shafizadeh**  
Partner



## CONDENSED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated Entity	
		31 Dec 06	31 Dec 05
		\$	\$
<b>Income</b>			
Net income from trading portfolio		8,497,074	1,323,933
Net income from options portfolio		40,400	64,831
Net income from Associate entities		1,060,782	728,733
Other income		81,275	41,406
	<b>2 a</b>	<u>9,679,531</u>	<u>2,158,903</u>
<b>Expenses</b>	<b>2 b</b>		
Olive grove operations		(268,357)	-
Personnel		(242,539)	(136,789)
Communications		(12,417)	(6,824)
Occupancy		(39,962)	(16,421)
Corporate		(22,470)	(28,035)
Financing		(1,894)	(1,862)
Borrowing cost		-	(457)
Costs in relation to investments		(29,157)	(4,505)
Administration expenses			
- legal and other professional fees		1,719	(42,483)
- exploration and evaluation expenditure		(79,988)	(9,578)
- provision for doubtful debts		-	-
- other		(125,846)	(73,841)
		<u>8,858,620</u>	<u>1,838,108</u>
<b>Profit before income tax expense</b>		8,858,620	1,838,108
Income tax expense		(3,277,961)	(595,694)
<b>Profit after income tax expense</b>		<u>5,580,659</u>	<u>1,242,414</u>
Dividends per share (cents) per share	<b>3</b>	3.0	1.5
Basic earnings per share (cents)	<b>4</b>	31.33	7.18

*The accompanying notes form part of these financial statements*

# CONDENSED BALANCE SHEET

## AS AT 31 DECEMBER 2006

	Note	Consolidated Entity	
		31 Dec 06	30 Jun 06
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	3,076,153	1,102,658
Trade and other receivables		142,759	556,489
Financial assets at fair value	6	17,814,655	12,636,778
Other		-	1,083
<b>TOTAL CURRENT ASSETS</b>		<b>21,033,567</b>	<b>14,297,008</b>
<b>NON CURRENT ASSETS</b>			
Trade and other receivables		32,823	32,823
Investments in controlled entities		-	-
Investments in Associate entities - equity accounted	7	10,793,809	9,726,370
Inventory		3,861,635	3,821,038
Plant and equipment		40,949	34,367
<b>TOTAL NON CURRENT ASSETS</b>		<b>14,729,216</b>	<b>13,614,598</b>
<b>TOTAL ASSETS</b>		<b>35,762,783</b>	<b>27,911,606</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		343,705	167,776
Current tax liabilities		772,180	538,860
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,115,885</b>	<b>706,636</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liability		4,196,967	1,799,674
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>4,196,967</b>	<b>1,799,674</b>
<b>TOTAL LIABILITIES</b>		<b>5,312,852</b>	<b>2,506,310</b>
<b>NET ASSETS</b>		<b>30,449,931</b>	<b>25,405,296</b>
<b>EQUITY</b>			
Issued capital	8	19,374,006	19,375,598
Retained earnings		11,075,925	6,029,698
<b>TOTAL EQUITY</b>		<b>30,449,931</b>	<b>25,405,296</b>

*The accompanying notes form part of these financial statements*

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2006

<u>Consolidated Entity</u>	Issued Capital	Retained Earnings	Total Equity
<b>At 1 July 2005</b>	28,717,469	(9,906,466)	18,811,003
Profit for the half year	-	1,242,414	1,242,414
Total recognised income and expense for the year	-	1,242,414	1,242,414
Dividend paid	-	(267,218)	(267,218)
Issue of shares	591,317	-	591,317
Reduce share capital against accumulated losses	(9,933,188)	9,933,188	-
<b>At 31 December 2005</b>	<b>19,375,598</b>	<b>1,001,918</b>	<b>20,377,516</b>
<b>At 1 July 2006</b>	19,375,598	6,029,698	25,405,296
Profit for the half year	-	5,580,659	5,580,659
Total recognised income and expense for the year	-	5,580,659	5,580,659
Dividend paid	-	(534,432)	(534,432)
Share buy back cost	(1,592)	-	(1,592)
<b>At 31 December 2006</b>	<b>19,374,006</b>	<b>11,075,925</b>	<b>30,449,931</b>

*The accompanying notes form part of these financial statements*

## CONDENSED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated Entity	
		31 Dec 06	31 Dec 05
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		54,160	20,794
Sale proceeds from trading portfolio		7,102,496	9,028,638
Payments for trading portfolio		(3,349,861)	(6,878,826)
Proceeds from options portfolio		40,400	75,831
Payments for options portfolio		-	(11,000)
Payments to suppliers and employees		(552,630)	(292,214)
Payments for exploration and evaluation		(79,988)	(15,849)
Interest received		27,115	19,346
Interest paid		-	(457)
Income tax paid		(647,348)	-
Dividends received		89,821	175,245
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>5 a</b>	<b>2,684,165</b>	<b>2,121,508</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for:			
equity investments		(6,656)	(126,915)
property, plant and equipment		(11,609)	(7,010)
intangibles		-	(31,362)
inventory - land		(160,597)	(23,699)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(178,862)</b>	<b>(188,986)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments to unmarketable parcel shareholders		(1,592)	-
Payments for dividends		(530,216)	(267,841)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b>(531,808)</b>	<b>(267,841)</b>
<b>NET DECREASE IN CASH ASSETS HELD</b>		<b>1,973,495</b>	<b>1,664,681</b>
Cash at beginning of the financial year		1,102,658	69,092
<b>CASH AT THE END OF THE FINANCIAL PERIOD</b>	<b>5</b>	<b>3,076,153</b>	<b>1,733,773</b>

*The accompanying notes form part of these financial statements*

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### for the half year ended 31 December 2006

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

It is also recommended that the half-year financial report be considered together with any public announcements made by Orion Equities Limited during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

##### Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006, other than as detailed below:

#### 2. PROFIT FOR THE HALF YEAR

Profit for the half year includes the following items that are unusual because of their nature, size or incidence:

	Consolidated Entity	
	31 Dec 06	31 Dec 05
<b>(a) Revenue</b>		
<b>Trading portfolio</b>		
Proceeds from sale of securities	6,627,465	8,787,246
Cost of securities sold	(4,863,192)	(7,980,092)
Unrealised gains on securities	6,646,730	461,824
Dividends received from securities	86,071	54,955
	<u>8,497,074</u>	<u>1,323,933</u>
<b>Options portfolio</b>		
Proceeds from sale of options	40,400	75,831
Cost of options sold	-	(11,000)
	<u>40,400</u>	<u>64,831</u>
<b>Associate entities</b>		
Share of Associate entities net gain	823,229	608,443
Dividends received from Associate entities	237,553	120,290
	<u>1,060,782</u>	<u>728,733</u>
Interest received - other	27,115	19,346
Other income	54,160	22,060
Total revenues	<u>9,679,531</u>	<u>2,158,903</u>
<b>(b) Expenses</b>		
Olive grove operations	268,357	-
Occupancy expenses	39,962	16,421
Finance expenses	1,894	1,862
Borrowing cost	-	457
Corporate expenses	22,470	28,035
Administration expenses		
- Communications	12,417	6,824
- Employee entitlements	39,510	6,829
- Personnel expenses	203,029	129,960
- Legal and other professional fees	(1,719)	42,483
- Costs in relation to investments	29,157	4,505
- Brokerage fees	37,588	23,357
- Write off fixed assets disposed	-	493
- Exploration and evaluation expenses	79,988	9,578
- Depreciation expenses	5,027	3,085
- Other expenses	83,231	46,906
Total expenses	<u>820,911</u>	<u>320,795</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### for the half year ended 31 December 2006

#### 3. DIVIDENDS

		Consolidated Entity	
		31 Dec 06	31 Dec 05
		\$	\$
<b>Declared and paid during the half year</b>			
<u>Dividends on ordinary shares</u>			
	<b>Date paid</b>		
3 cents per share fully franked	19-Oct-06	534,432	-
1.5 cents per share fully franked	13-Oct-05	-	267,218
		<u>534,432</u>	<u>267,218</u>

On 27 February 2007, the Directors declared payment of an interim dividend of 1.5 cents per share fully franked. The record date will be 8 March 2007 with payment to be effected on or about 15 March 2007.

#### **Dividends declared post balance date**

		Consolidated Entity	
		31 Dec 06	31 Dec 05
<u>Dividends on ordinary shares</u>			
	<b>Date paid</b>		
1.5 cents per share fully franked	07-Apr-06		267,216
1.5 cents per share fully franked	15-Mar-07	267,216	

#### 4. EARNINGS PER SHARE

	Consolidated Entity	
	31 Dec 06	31 Dec 05
Basic earnings per share (cents)	31.33	7.18
Net profit for the year	5,580,659	1,242,414
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>17,814,389</u>	<u>17,314,645</u>

The Company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earning per share, therefore diluted earnings per share is not disclosed in the Financial Statements.

#### 5. CASH AND CASH EQUIVALENTS

	Consolidated Entity		
	31 Dec 06	30 Jun 06	31 Dec 05
	\$	\$	\$
Cash at bank	<u>3,076,153</u>	<u>1,102,658</u>	<u>1,733,773</u>

#### 6. FINANCIAL ASSETS

	Consolidated Entity	
	31 Dec 06	30 Jun 06
Financial assets at fair value comprise:		
Listed investments at fair value	<u>12,242,988</u>	<u>11,005,112</u>
Unlisted options in listed corporations - at cost	10,000	10,000
Add: net change in fair value	<u>5,561,667</u>	<u>1,621,666</u>
	<u>5,571,667</u>	<u>1,631,666</u>
Total financial assets at fair value	<u>17,814,655</u>	<u>12,636,778</u>

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

Name of Associate	Principal Activity	Ownership Interest		Carrying Amount	
		31 Dec 06	30 Jun 06	31 Dec 06	30 Jun 06
				\$	\$
Bentley International Limited	Investments	28.38%	27.93%	4,690,913	4,357,549
Scarborough Equities Limited	Investments	28.35%	27.86%	6,102,896	5,368,821
				<u>10,793,809</u>	<u>9,726,370</u>

On 5 July 2006, the Company purchased 7,335 shares in SCB for \$6,656. On 31 August 2006, the Company received 299,098 shares in BEL for \$109,769 and 151,223 shares in SCB for \$134,440 when the Company participated in the respective BEL and SCB Dividend Reinvestment Plans.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### for the half year ended 31 December 2006

#### 7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

	31 Dec 06	30 Jun 06
	\$	\$
<b>Movement in Investments in Associates</b>		
Shares in listed Associate entities brought forward	9,726,370	7,085,260
Share of profit before income tax expense	1,388,728	1,869,980
Share of income tax expense	(327,945)	(380,427)
Dividends received	(237,553)	(343,100)
Acquisition of shares	244,209	1,494,657
Carrying amount at the end of the financial year	<u>10,793,809</u>	<u>9,726,370</u>
<b>Fair value of listed investments in associates</b>		
Bentley International Limited	4,848,686	4,226,113
Scarborough Equities Limited	5,557,684	5,316,972
	<u>10,406,370</u>	<u>9,543,085</u>
<b>Net tangible asset backing value of listed investments in associates</b>		
Bentley International Limited	5,388,807	5,414,913
Scarborough Equities Limited	6,023,106	5,272,310
	<u>11,411,913</u>	<u>10,687,223</u>
<b>Share of Associates' profits</b>		
Profit before income tax	1,388,728	1,869,980
Income tax expense	(327,945)	(380,427)
Profit after income tax	<u>1,060,783</u>	<u>1,489,553</u>

#### Summarised Financial Position of Associates

	Group share of:			
	Bentley International Limited		Scarborough Equities Limited	
	31 Dec 06	30 Jun 06	31 Dec 06	30 Jun 06
	\$	\$	\$	\$
Current assets	5,805,625	5,461,429	1,160,157	1,025,519
Non current assets	2,020	2,527	5,511,799	4,716,645
Total assets	<u>5,807,645</u>	<u>5,463,956</u>	<u>6,671,956</u>	<u>5,742,164</u>
Current liabilities	(39,245)	(50,030)	(81,411)	(22,170)
Non current liabilities	-	(573,148)	(573,148)	(446,688)
Total liabilities	<u>(39,245)</u>	<u>(623,178)</u>	<u>(654,560)</u>	<u>(468,858)</u>
Net assets	<u>5,768,400</u>	<u>4,840,778</u>	<u>6,017,396</u>	<u>5,273,306</u>
Revenues	438,293	791,176	1,397,774	1,920,920
Profit after income tax of associates	<u>334,675</u>	<u>538,998</u>	<u>726,976</u>	<u>950,555</u>

#### Scarborough Equities Limited and Bentley International Limited - Lease Commitments

SCB and BEL has the same lease commitments disclosed in note 10.

#### 8. ISSUED CAPITAL

			Consolidated Entity	
			31 Dec 06	30 Jun 06
			\$	\$
Fully paid ordinary shares			<u>19,374,006</u>	<u>19,375,598</u>
<b>Movement in Ordinary Share Capital</b>	<b>Date of movement</b>	<b>Number of shares</b>		
At 1 July 2005		16,812,156	28,717,469	28,717,469
Issue of shares	01-Jul-05	1,002,233	591,318	591,318
Reduce share capital value against accumulated losses	29-Sep-05		(9,933,189)	(9,933,189)
At 1 July 2006		<u>17,814,389</u>	<u>19,375,598</u>	<u>19,375,598</u>
Unmarketable parcel expenses			(1,592)	
		<u>17,814,389</u>	<u>19,374,006</u>	

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### for the half year ended 31 December 2006

#### 9. SEGMENT REPORTING

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

	Segment revenue		Segment result	
	31 Dec 06	31 Dec 05	31 Dec 06	31 Dec 05
	\$	\$	\$	\$
Investments	8,827,367	1,531,114	8,760,622	2,111,695
Resources	-	-	(79,988)	(9,578)
Olive grove operations	-	-	(270,581)	-
Share of associates' profit	823,229	608,443	823,229	608,443
Unallocated	28,935	19,346	(374,662)	(872,452)
Total segment revenue	<u>9,679,531</u>	<u>2,158,903</u>		
Profit before income tax			<u>8,858,620</u>	<u>1,838,108</u>

	Segment Assets		Segment liabilities	
	31 Dec 06	30 Jun 06	31 Dec 06	30 Jun 06
	\$	\$	\$	\$
Investments	32,429,502	26,624,659	4,276,002	1,799,674
Resources	-	-	15,353	-
Olive grove operations	189,349	-	100,494	-
Unallocated	3,143,932	1,286,947	921,003	706,636
	<u>35,762,783</u>	<u>27,911,606</u>	<u>5,312,852</u>	<u>2,506,310</u>

Other	31 Dec 06			31 Dec 05	
	Investments	Resources	Olive Production	Investments	Resources
	\$	\$	\$	\$	\$
Acquisition of segment assets	3,315,303	-	51,551	-	-
Other non-cash expenses	-	-	-	-	-
Unrealised gains on securities	6,646,730	-	-	461,824	-
	-	-	-	-	-

#### 10. COMMITMENTS

(a) Lease Commitments	Consolidated Entity	
	31 Dec 06	30 Jun 06
	\$	\$
Non-cancellable operating lease commitments:		
Not longer than one year	24,960	24,960
Between 12 months and 5 years	99,840	99,840
Greater than 5 years	37,440	49,920
	<u>162,240</u>	<u>174,720</u>

The lease is the Company's share of the office premises at Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia, and includes all outgoings (exclusive of GST). The lease is for a 7 year term expiring 30 June 2013 and contains a rent review increase each year alternating between 5% and the greater of market rate or CPI + 1%.

#### (b) Exploration Tenement Leases - Commitments for Expenditure

- (i) In order to maintain current rights of tenure to its Australian exploration tenements, the consolidated entity is required to outlay lease rentals and meet minimum expenditure commitments. Based on tenements which have been granted as at the date of this report, the consolidated entity has a 12 month commitment of \$45,154.
- (ii) The consolidated entity has also committed to spend A\$250,000 on exploration and evaluation over a 12 month period (from date of grant on 21 March 2006) in respect of a reconnaissance licence over a 5,000 square kilometre area in the Chitral Region, North-West Frontier Province, Pakistan, prospective for gold and copper.

Financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### for the half year ended 31 December 2006

#### 11. CONTINGENT LIABILITIES AND ASSETS

- (a) **Royalty under Hume Mining NL (Hume) and Strike Resources Limited (SRK) Agreement** - By an agreement dated 15 September 2005 (as amended), Hume disposed of an interest in various tenements located in the Northern Territory and in Western Australia to SRK. Under the agreement, Hume is entitled to receive a royalty of 2% of gross revenues (exclusive of GST) arising from any commercial exploitation of any minerals from the tenements. On 9 February 2007, Hume assigned the benefit of this royalty to the parent entity, Orion Equities Limited.
- (b) **Native Title** - the consolidated entity's mining tenements in Australia may be subject to native title applications in the future. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the consolidated entity.

#### 12. EVENTS AFTER BALANCE SHEET DATE

- (a) On 16 February 2007, the Company announced that it and Strike Resources Limited (**Strike** or **SRK**) had finalised terms regarding spinning off their uranium interests into a new company called "Alara Uranium Limited" (**Alara**), which intends to conduct an Initial Public Offering (**IPO**) and seek a listing on the Australian Securities Exchange (**ASX**) in April 2007.

Alara has agreed to acquire:

- (a) Strike's interest in a portfolio of Australian (Northern Territory and Western Australia) and Peruvian uranium tenements in consideration of the issue of 28.75 million Alara shares; and
- (b) Orion's retained 25% interest in certain of Strike's Australian uranium tenements in consideration of the issue of 6.25 million Alara shares.

Orion's retained 25% interest in certain of Strike's Australian uranium tenements are held through its wholly owned subsidiary, Hume Mining NL. The sale of such uranium interests will be effected through a sale by Orion of such subsidiary to Alara. Orion will retain a 2% production royalty right over certain uranium tenements sold by Strike to Alara.

Alara will be undertaking a capital raising of \$6 million (with a minimum subscription of \$4 million) together with a right to accept oversubscriptions of a further \$4 million, at an issue price of 25 cents per share

Orion will receive a priority entitlement to subscribe for up to 2 million shares (\$0.5 million) in the Alara IPO. Orion's present intention is to take up this entitlement on its own account but reserves the right to decline to participate and or to pass this entitlement on to its shareholders on a pro rata basis.

On the basis that Alara raises \$6 million under the IPO and accepts oversubscriptions of \$4 million (being a total raising of \$10 million), and assuming Orion does not take up its priority entitlement, Orion will hold approximately 7.76% of the issued capital of Alara post IPO. If Orion takes up its priority entitlement (at a cost of \$0.5 million), Orion will hold approximately 10.25% of the issued capital of Alara.

- (b) On 21 February 2007, OEQO Pty Ltd (a wholly owned subsidiary of Orion incorporated on 7 July 2006) settled on the acquisition of a 143 hectare property in Gingin, Western Australia (approximately 100 kilometres north of Perth) comprising the Koorian Olive Grove (which has approximately 64,500, 7 year old olive tree plantings), certain grove related equipment/infrastructure and an approximately one gigalitre water licence and related bore assets, in consideration of payment of approximately \$2.6 million. OEQO has also entered into an option deed (expiring on 30 December 2008) to acquire (at its election) an additional 200 hectares of land from an adjacent property owner.
- (c) On 27 February 2006, the Directors declared payment of an interim dividend of 1.5 cents per share fully franked. The record date will be 8 March with payment to be effected on or about 15 March 2007.

## DIRECTORS' DECLARATION

---

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 2006 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,



**Farooq Khan**  
Chairman

Perth, Western Australia

28 February 2007



**William Johnson**  
Director



Chartered Accountants  
& Advisers

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ORION EQUITIES LTD

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Orion Equities Ltd, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year (in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission).

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Orion Equities Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Orion Equities Ltd on 28<sup>th</sup> February 2007 would be in the same terms if provided to the directors as at the date of this auditor's review report.

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

**BDO**

Chartered Accountants



**M Shafizadeh**

Partner

Perth, Western Australia

Dated this 28th day of February 2007

## INFORMATION ON SECURITIES

### as at 23 February 2007

#### DISTRIBUTION OF FULLY PAID ORDINARY SHARES

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issue Capital
1 – 1000	311	165,993	0.93%
1,001- 5000	299	741,107	4.16%
5,001- 10,000	98	753,036	4.23%
10,001 – 100,000	118	3,259,044	18.29%
100,001 and over	11	12,895,209	72.39%
<b>Total</b>	<b>835</b>	<b>17,814,389</b>	<b>100.00%</b>

#### TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

RANK	SHAREHOLDER	TOTAL SHARES	% ISSUED CAPITAL
1	QUESTE COMMUNICATIONS LTD*	8,558,127	48.04%
2	UBS NOMINEES PTY LTD	947,899	5.32%
3	CELLANTE SECURITIES PTY LIMITED	784,538	4.40%
4	MR ABE ZELWER	651,914	3.66%
5	STRIKE RESOURCES LIMITED	505,026	2.83%
6	MR DONALD GORDON MACKENZIE & MRS GWENNETH EDNA MACKENZIE	308,189	1.730%
7	KATANA CAPITAL LIMITED	300,000	1.68%
8	ANZ NOMINEES LIMITED <CASH INCOME A/C>	270,790	1.52%
9	MR EDWARD JAMES STEPHEN DALLY	240,000	1.35%
10	REDSUMMER PTY LTD	225,000	1.26%
11	MR JOHN CHENG-HSIANG YANG & MS PEGA PING PING MOK	103,726	0.582
12	MR LAWRENCE BRIAN CUMMINGS & MRS FRANZIE NANETTE CUMMINGS <CUMMINGS FAMILY S/F A/C>	100,000	0.56%
13	MR RODNEY MALCOLM JONES & MRS CAROL ROBIN JONES <HOPERIDGE ENT P/L SUPER A/C>	90,000	0.51%
14	PERPETUAL CUSTODIANS LIMITED	90,000	0.51%
15	MR JOHN GORDON KELLAS	80,000	0.45%
16	MR KING CHONG CHAI	76,164	0.43%
17	MR LUKE FREDERICK ATKINS	74,697	0.42%
18	MS MORAG HELEN BARRETT	73,513	0.41%
19	MR ANTHONY NEALE KILLER & MRS SANDRA MARIE KILLER <THE KILLER SUPER A/C>	70,000	0.39%
20	RADIATA PTY LTD	69,000	0.39%
	<b>TOTAL</b>	<b>13,618,583</b>	<b>76.439%</b>

\* Substantial shareholder of the Company